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To Stride in Honour

COSCO Pacific Limited

Annual Report 2012

COMPANY PROFILE

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

COSCO Pacific is the world's fifth largest container terminal operator and fourth 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 ultimate parent company, and its affiliated subsidiaries, has provided us with competitive advantages that have allowed us steadily to expand our two core businesses: terminals 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. The Group's terminal portfolio covers four main port regions in mainland China, Hong Kong and Taiwan, as well as overseas hub ports. As of 31st December 2012, we operated and managed 109 berths at 20 ports worldwide, 16 of them in mainland China, Hong Kong and Taiwan and four overseas. Among the 109 berths, 99 were for containers, with a combined annual handling capacity of 60.30 million TEU. The Group's total throughput represents a global market share of approximately 9.0%.

For the container leasing, management and sale businesses, our fleet size had reached 1,855,597 TEU as of 31st December 2012, representing approximately 12.0% of global market share.

We provide comprehensive long and short-term container leasing and container management services to our customers. To minimise market cycle risk, most lease contracts are long-term and revenue from long-term leasing accounted for 94.3% of total container leasing revenue in 2012. Our key customers include the world's top ten shipping lines, with revenue from these lines accounting for 72.1% of total container leasing revenue in 2012.

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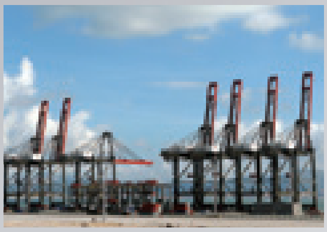
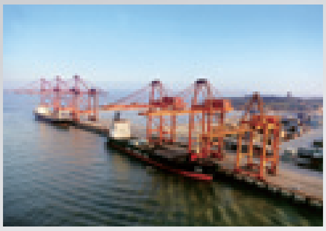
MAJOR EVENTS





January

- Held the first meeting of the Board of Directors of COSCO Pacific in 2012

February

- Held the second meeting of the Board of Directors of COSCO Pacific in 2012. All Directors passed unanimous resolutions approving the appointment of Mr. Li Yunpeng, Executive Vice President of COSCO, as Chairman of the Board and the other changes of Directors

March

- Held the third meeting of the Board of Directors of COSCO Pacific in 2012
- Announced the 2011 annual results and held a press conference and analysts' panel discussion

April

- Held the fourth meeting of the Board of Directors of COSCO Pacific in 2012
- Announced the 2012 first quarter results on a voluntary basis

May

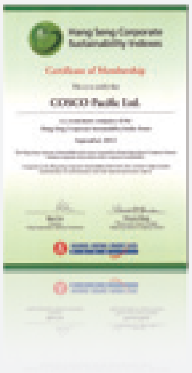
- Two berths at Xiamen Ocean Gate Terminal, in which the Company holds a 70% equity interest, started operations
- Held the Annual General Meeting and a press conference

June

- Honoured for the sixth consecutive year with a "Corporate Governance Asia Recognition Award" by Corporate Governance Asia magazine
- Honoured with the "Outstanding China Enterprise Award" by Capital magazine

August

- Increased its equity interest in Quan Zhou Pacific Terminal from 71.43% to 82.35% for a consideration of approximately RMB360,000,000 (equivalent to approximately US$57,000,000)
- Held the fifth meeting of the Board of Directors of COSCO Pacific in 2012
- Announced the 2012 interim results and held a press conference and analysts' panel discussion



Hang Seng Corporate Sustainability Indexes

Certificate of Membership

COSCO Pacific Ltd.

September

- Included as a constituent of the Hang Seng Corporate Sustainability Benchmark Index by Hang Seng Indexes Company Limited
- Honoured with "Shipping In-House Team of the Year Award" by Asian Legal Business, a renowned magazine for the legal profession

2012 INTERNATIONAL ARC AWARDS

GOLD WINNER

ARC AWARDS

HONORS

October

- The 2011 Annual Report was recognised with "Gold" in "Written Text" and "Honors" in "Overall Annual Report" in shipping services category at 2012 ARC Awards
- Held the sixth meeting of the Board of Directors of COSCO Pacific in 2012
- Announced the 2012 third quarter results on a voluntary basis

November

- Honoured as "Most Reliable Global Shipping Group of the Year" by the business magazine Mediazone Group
- The Board of Directors of COSCO Pacific resolved unanimously to appoint Mr. Ip Sing Chi as an Independent Non-executive Director
- Held a Special General Meeting, approving the execution of the 2013-2015 master agreements, and held a press conference

December

- Formed a joint-venture company with China Shipping Terminal Development (Hong Kong) Limited and China Merchants Holdings (International) Company Limited to acquire a 30% equity interest in Kao Ming Terminal for a consideration of US$135,000,000. Following completion on 27th December 2012, the three joint-venture partners each holds a 10% effective interest in Kao Ming Terminal
- Named "The Hong Kong Outstanding Enterprise" by Economic Digest magazine for the eighth consecutive year
- Honoured with "The Asset Corporate 2012, Gold Award, Transport Sector" from The Asset magazine
- Honoured with "Best Investor Relations Company" for the second consecutive year and Dr. Wong Tin Yau, Kelvin, Executive Director and Deputy Managing Director of COSCO Pacific was named "Asia's Best CEO (Investor Relations)" by Corporate Governance Asia magazine
- Piraeus Terminal was honoured with the "Piraeus International Centre Award" in the "Greek Shipping Awards 2012" given by Lloyd's List, a renowned shipping industry journal

BUSINESS OVERVIEW

Revenue

The Group's revenue rose by 22.8% to US$735,500,000 (2011: US$599,159,000). Revenue from the terminal business rose 24.4% to US$402,161,000 (2011: US$323,339,000) mainly due to the business growth of Piraeus Terminal and Guangzhou South China Oceangate Terminal. Revenue from the container leasing, management and sale businesses rose 21.6% to US$336,224,000 (2011: US$276,547,000), mainly attributable to an increase in the number of containers on hire and a sharp increase in the number of disposed returned containers upon expiry of 10-year leases.

Profitability

Gross profit rose by 21.7% to US$315,282,000 (2011: US$259,018,000). The increase was mainly attributable to an increase in gross profit from the disposed returned containers. The continuing improvement of operating efficiency at Piraeus Terminal and Guangzhou South China Oceangate Terminal was also a factor.

Profit from the terminal business and the container leasing, management and sale businesses grew steadily. However, the growth of the Group's overall profit was affected by a decrease in profit from CIMC. Excluding the share of profit from CIMC and non-recurring items[1], profit attributable to equity holders of the Company rose by 14.6% to US$280,299,000 (2011: US$244,574,000). Including the share of profit from CIMC and excluding the non-recurring items, profit attributable to equity holders of the Company was US$342,194,000 (2011: US$364,373,000), a decrease of 6.1%. Including the share of profit from CIMC and the non-recurring items, profit attributable to equity holders of the Company dropped by 12.0% to US$342,194,000 (2011: US$388,771,000).

Divisional Performance

Profit from the terminal business grew by 9.7% to US$188,964,000 (2011: US$172,333,000[2]). The rise was mainly due to equity throughput having increased by 13.8% to 15,638,070 TEU (2011: 13,744,329 TEU). Total throughput increased 9.8% to 55,685,225 TEU (2011: 50,695,897 TEU).

Profit from the container leasing, management and sale businesses increased by 19.8% to US$139,522,000 (2011: US$116,508,000). The increase was mainly due to the fact that disposal of returned containers soared 2.2 times to 31,671 TEU (2011: 9,826 TEU) while the container fleet size increased by 4.4% to 1,855,597 TEU (2011: 1,777,792 TEU).

The Group holds a 21.8% equity interest in CIMC. Share of profit from CIMC declined by 48.3% to US$61,895,000 (2011: US$119,799,000).

Dividend

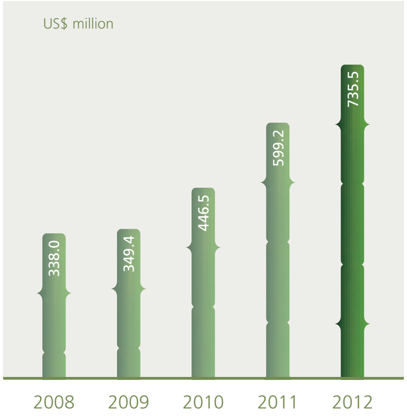
The proposed final dividend is HK18.3 cents per share (2011: HK17.4 cents). The dividend will be payable in cash and with a scrip dividend alternative. The full-year dividend was HK38.8 cents (2011: HK44.6 cents) representing a payout ratio of 40.0% (2011: 40.0%).

Notes

1. Non-recurring items in 2011 include a 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 a gain on disposal of Qingdao Cosport Terminal of US$12,557,000.
2. Excluding the gain of US$12,557,000 on disposal of Qingdao Cosport Terminal in 2011

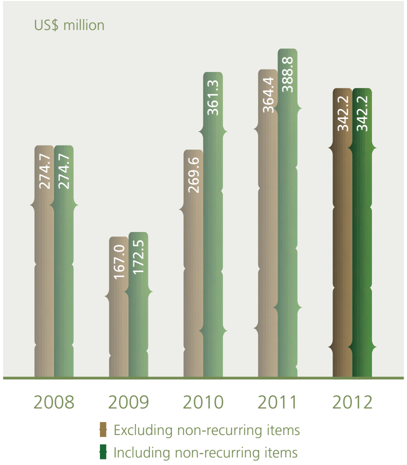
Revenue

US$735.5 million



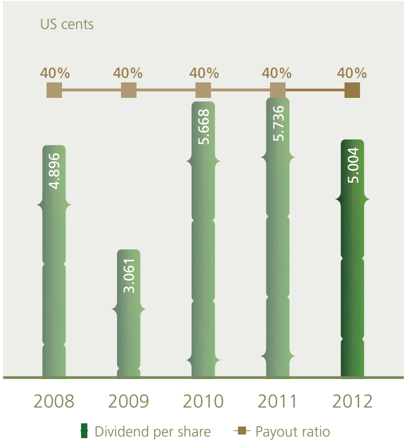
Profit attributable to equity holders of the Company

US$342.2 million



Dividend per share and payout ratio

US5.004 cents



Results highlights

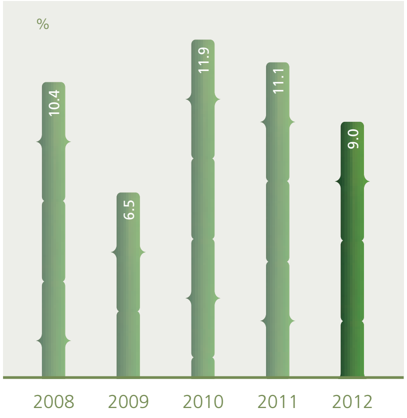
	2012	2011	Change
	US$	US$	%
Revenue[1]	**735,500,000**	599,159,000	+22.8
Operating profit before finance income and finance costs	**227,388,000**	179,400,000	+26.7
Share of profits less losses of jointly controlled entities and associates	**223,038,000**	275,928,000	-19.2
Profit attributable to equity holders of the Company (excluding non-recurring items[2])	**342,194,000**	364,373,000	-6.1
Profit attributable to equity holders of the Company	**342,194,000**	388,771,000	-12.0
	US cents	US cents	%
Basic earnings per share (excluding non-recurring items[2])	**12.51**	13.44	-6.9
Basic earnings per share	**12.51**	14.34	-12.8
Dividend per share	**5.004**	5.736	-12.8
Interim dividend	**2.640**	3.496	-24.5
Final dividend	**2.364**	2.240	+5.5
Payout ratio	**40.0%**	40.0%	–
	US$	US$	%
Consolidated total assets	**7,363,858,000**	6,472,184,000	+13.8
Consolidated total liabilities	**3,146,465,000**	2,592,025,000	+21.4
Consolidated net assets	**4,217,393,000**	3,880,159,000	+8.7
Capital and reserves attributable to the equity holders of the Company	**3,954,020,000**	3,627,312,000	+9.0
Consolidated net debts	**1,752,367,000**	1,586,925,000	+10.4
	%	%	pp
Return on equity holders of the Company	**9.0**	11.1	-2.1
Return on total assets	**4.9**	6.6	-1.7
Net debt-to-total equity ratio	**41.6**	40.9	+0.7
Interest coverage (times)	**5.9X**	8.3X	-2.4X

Notes

1. The Group's revenue was generated from Florens, Piraeus Terminal, Guangzhou South China Oceangate Terminal, Quan Zhou Pacific Terminal, Yangzhou Yuanyang Terminal, Zhangjiagang Terminal, Jinjiang Pacific Terminal, Xiamen Ocean Gate Terminal, Plangreat and its subsidiaries and COSCO Ports Services (Guangzhou) Limited.
2. Non-recurring items in 2011 include a 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 a gain on the disposal of Qingdao Cosport Terminal of US$12,557,000.

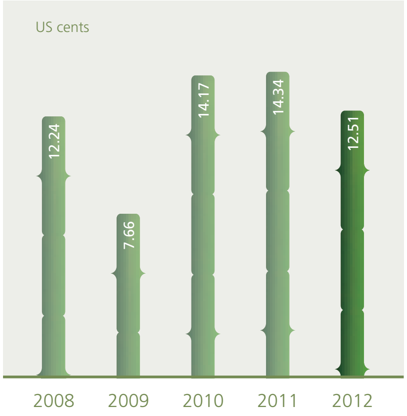
Return on equity holders of the Company

9.0%



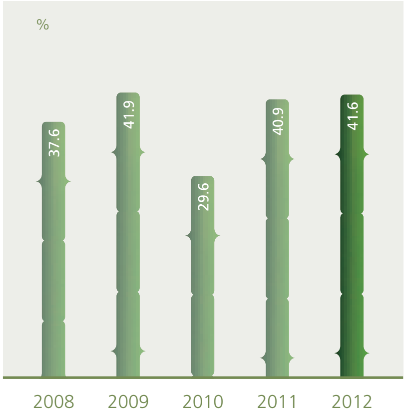
Basic earnings per share

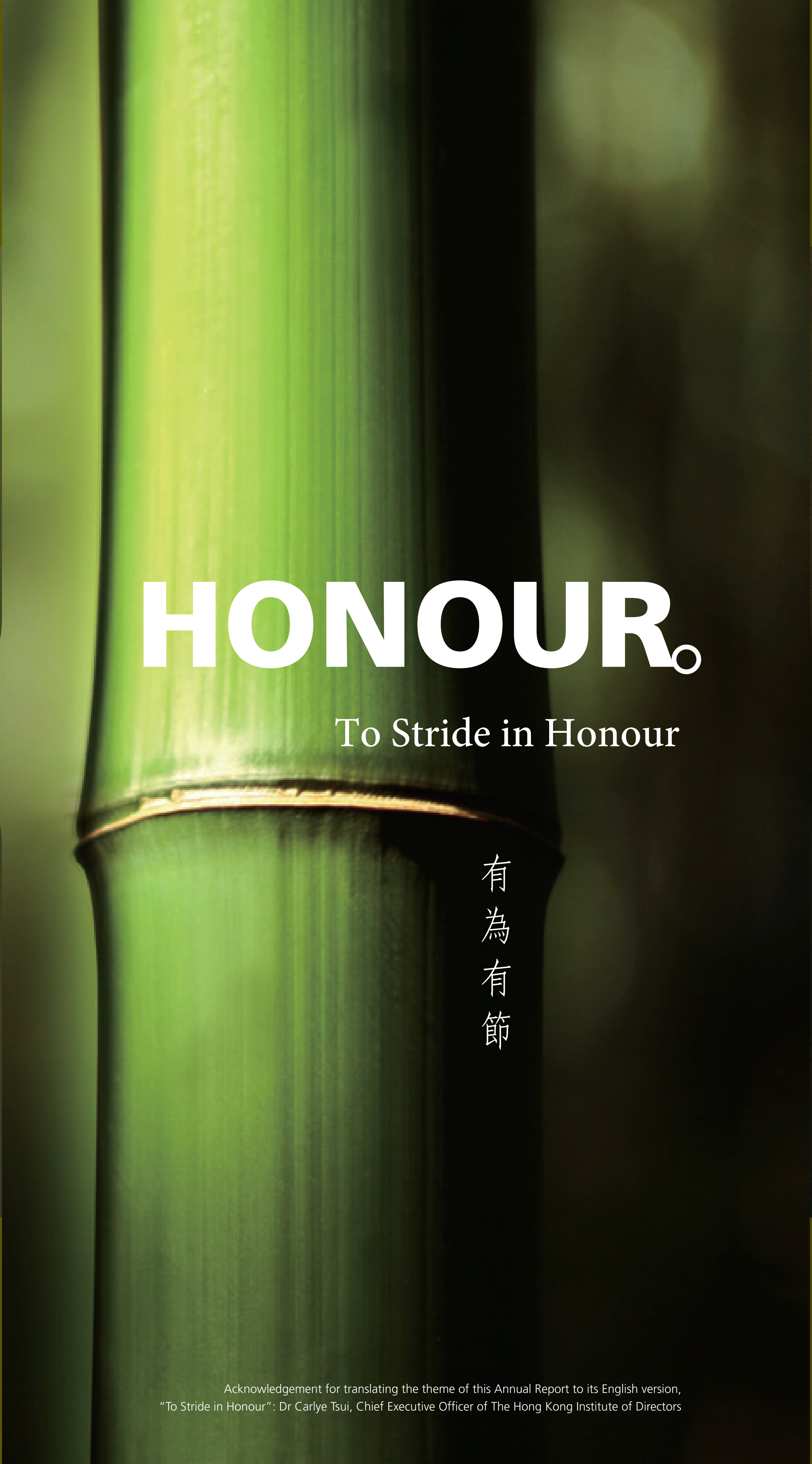
US12.51 cents



Net debt-to-total equity ratio

41.6%





HONOUR。

To Stride in Honour

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Acknowledgement for translating the theme of this Annual Report to its English version,
"To Stride in Honour": Dr Carlye Tsui, Chief Executive Officer of The Hong Kong Institute of Directors

To run a business we must act.

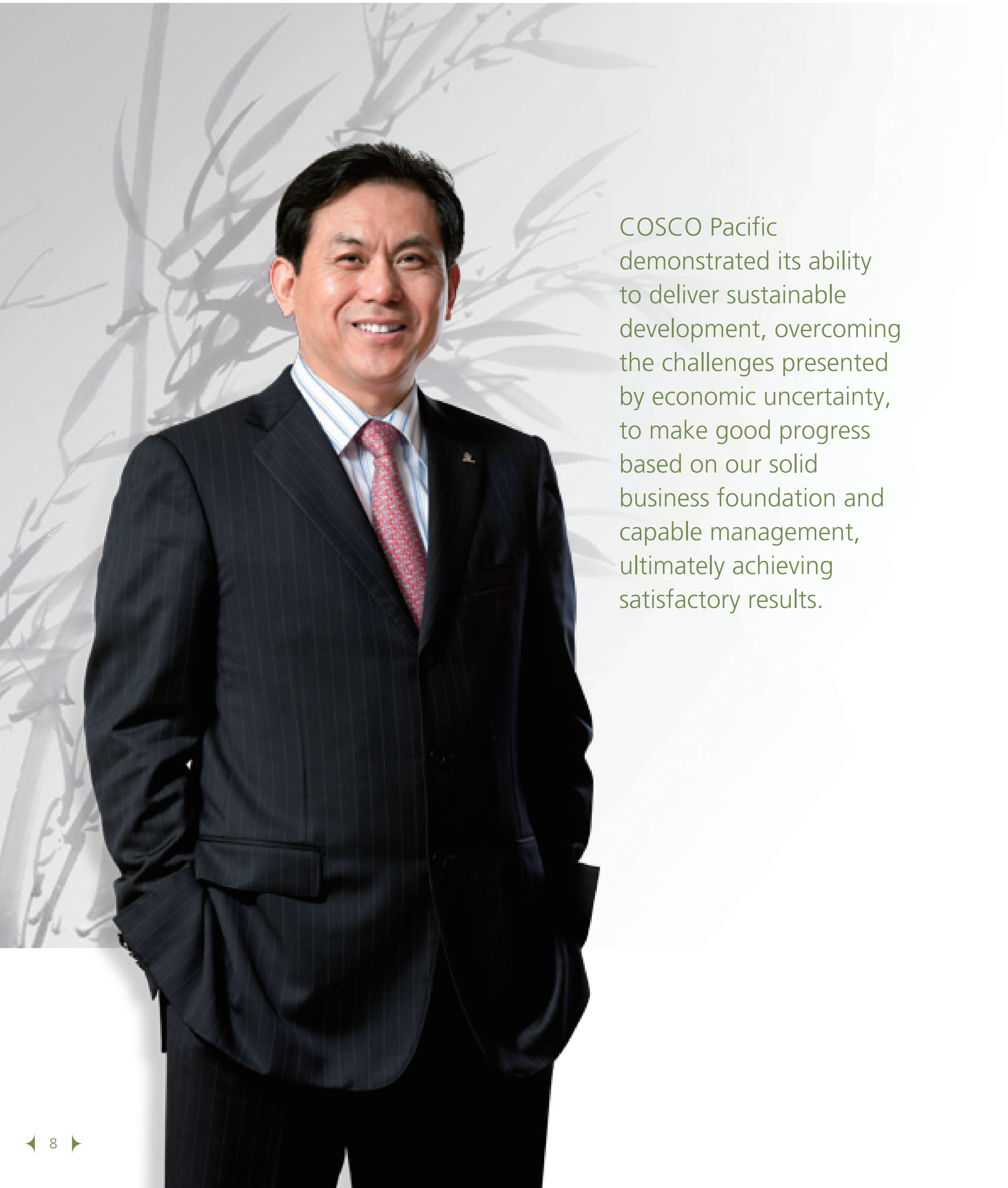
COSCO Pacific, with its spirit of constantly striving to overcome obstacles, has achieved satisfactory results in an extremely challenging environment.

Whilst proactively creating value for our shareholders, we also exceed the expectations of stakeholders by maintaining the highest standard of conduct in our business operations. We are committed to attaining the highest standards in the areas of corporate governance, disclosure of information, external communications and environmental protection.

We make progress in the right way.

Striding in honour is our self-expectation and our belief.

CHAIRMAN'S STATEMENT



COSCO Pacific demonstrated its ability to deliver sustainable development, overcoming the challenges presented by economic uncertainty, to make good progress based on our solid business foundation and capable management, ultimately achieving satisfactory results.

Dear Shareholders,

On behalf of the Group, I am pleased to report to you on the performance and operations of the Company in 2012.

In 2012, world economic growth slowed significantly and the global shipping industry experienced a number of challenges. Although the industry continued to grow as expected, the speed of growth slowed somewhat. The "ripple effect" of the European debt crisis made the road to recovery patchy and uneven.

Progress through Persistence

Against this backdrop of economic turbulence, COSCO Pacific demonstrated its ability to deliver sustainable development, overcoming the challenges presented by economic uncertainty, to make good progress based on our solid business foundation and capable management, ultimately achieving satisfactory results despite the headwinds.

During the year, we continued to maintain our leadership in container terminals and container leasing. We remain the world's number five operator of container terminals, with a market share of approximately 9.0% based on total throughput. COSCO Pacific is also the fourth largest container leasing company in the world with a global market share of approximately 12.0% in 2012.

In 2012, the terminal business continued to generate stable profit. Profit from the terminal business was US$188,964,000, excluding non-recurring items in 2011, 9.7% higher than last year. We also achieved encouraging profit growth at our container leasing, management and sale businesses, which reached US$139,522,000, up 19.8% over 2011.

The Group's revenue in 2012 was US$735,500,000, up 22.8%, reflecting the steady growth at the terminal business and the satisfactory growth of our container leasing business. However, profit attributable to equity holders of the Company was lower, declining by 12.0% to US$342,194,000, owing to a decrease in the share of profit from CIMC. Excluding non-recurring items and the share of profit from CIMC, profit attributable to the equity holders of the Company was US$280,299,000, an increase of 14.6% year-on-year.

Established Principle: Stable Dividend Policy

Earnings per share were US12.51 cents. The Board is recommending a final dividend of US2.364 cents per share, which together with the interim dividend of US2.640 cents per share, will result in a full-year dividend of US5.004 cents per share, maintaining the payout ratio at 40.0%.

The Board is of the opinion that maintaining a stable dividend payout ratio is a key commitment to shareholders. This policy is a well-established principle within the Company and despite the ups and downs of the market, we thus aim to provide our shareholders with stable and predictable dividend returns, as we have in the past. By adhering to these established principles, we will earn the continued support of long-term investors.

In the midst of globalised competition, COSCO Pacific is committed to relying on its core competence as a corporation to create synergies among corporate strategy, marketing, finance, management, human resources and investor relations, to ensure that the Group's development outpaces that of the competition.

Focusing on our China Terminals while Optimising our Worldwide Portfolio

Persistence is pivotal to our corporate strategy. The terminal industry is of great strategic importance to 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 favourable factors minimise fluctuations in terminal throughput during periods of economic downturn. By contrast during periods of economic recovery, growth in terminal throughput is strong.

Given our past experience, according to our considered judgment, our terminal business will continue to grow steadily. We will adhere to the principle of "China Roots, Global Vision" to optimise our global terminal asset mix.

The Group's terminal investment strategy is focused on maintaining a balanced geographical distribution of terminals. We have been primarily investing in ports in China while expanding the port network overseas, to optimise our global port network. As at 31st December 2012, COSCO Pacific operated and managed 25 terminal companies with container annual handling capacity of 60.30 million TEU in 20 ports worldwide, among which 19 terminal companies were in mainland China accounting for 78% of total container annual handling capacity.

Stable Revenue from the Container Leasing Business

As at 31st December 2012, the size of the container fleet under the operation and management of Florens, the Group's wholly-owned subsidiary, was 1,855,597 TEU. Florens' results in 2012 were satisfactory. Revenue from the container leasing, management and sale businesses was US$336,224,000, up 21.6% year-on-year. This reflects the Group's proven strategy within container leasing of engaging mainly in long-term leasing activity to ensure stable lease income and maintain a high utilisation rate. In 2012, rental revenue from long-term leases accounted for 94.3% of total container leasing revenue.

The container leasing business of Florens provides a steady profit contribution and cash flow to the Group, providing strong support for the Group's fast-developing strategy for the terminal business.

To Stride in Honour: Sustainable Development and Effective Communications

Looking ahead to 2013, the world economy still faces great uncertainty. At COSCO Pacific we will continue to implement our long-term strategic plan for terminal mix optimisation, while proactively diversifying our terminal portfolio to strengthen our ability to develop as the world's leading terminal operator. In conjunction with this long-term goal, we will formulate achievable targets for the solid development of our container leasing business. This will increase the Company's overall efficiency.

Guided by the saying "to stride in honour", as we pursue the strengthening of corporate core competence and sustainability, COSCO Pacific will focus on the continuous improvement of corporate governance, the promotion of integrity, adherence to applicable laws and regulations as well as perfecting internal controls. COSCO Pacific was included as a constituent of the Hang Seng Corporate Sustainability Benchmark Index effective from 10th September 2012, reflecting the market's endorsement of the Company's standards of corporate governance, environmental protection, community caring and employee relations. Our level of transparency and corporate governance secured numerous awards in 2012, including the "Outstanding China Enterprise Award" presented by *Capital* magazine, and "The Asset Corporate Gold Award" granted by *The Asset*, a well-known Asian financial magazine. During the year, we also received the "Corporate Governance Asia Recognition Award" for the sixth consecutive year and the "Best Investor Relations Company" Award for the second consecutive year, both presented by *Corporate Governance Asia* magazine.

In addition, our 2011 annual report was granted a "Gold Award for Written Text" and an "Honor for Overall Annual Report" in the shipping services category at the 2012 ARC Awards, another indication that the Company's vision and its effort continuously to improve investor relations and corporate governance have been well-received by professionals in all fields.

We will continue to improve and strengthen our systems of internal supervision and compliance, to bring corporate governance and investor relations to a new level in support of enterprise value.

Continuing to emphasise the importance of cultivating talent, we will improve further the existing system of talent recruitment and staff training and develop a better staff review system. Building on the achievements of the past year, we will continue to promote the development of a corporate culture that reflects our position as one of the world's top-tier enterprises in our industry.

Lastly, on behalf of the Board, I would like to thank our shareholders and business partners for their support and our employees for their extraordinary efforts towards making COSCO Pacific a great company.

李云鹏

LI Yunpeng
Chairman

26th March 2013

VICE CHAIRMAN'S REPORT

The Company successfully implemented its strategy of operational innovation, management enhancement. As a result, our terminal business and container leasing business were able to realise growth in both revenue and profit.

In response to the prevailing situation, in 2012 COSCO Pacific focused on the benefits to be derived from focusing on marketing, while enhancing strategic planning, the profitability of terminal in which the Group has a controlling shareholding, the diversify of our container leasing business and the overall management of the Company.

During the year, the Company successfully implemented its strategy of operational innovation and management enhancement, even as the global economy remained full of challenges and uncertainties, and the shipping market was subdued. As a result, our terminal business and container leasing business were able to realise growth in both revenue and profit.

Exploring the Market in Challenging Times to Achieve Steady Growth

In 2012, the Group's terminal business achieved stable growth, with revenue of US$402,161,000, a 24.4% increase over the US$323,339,000 recorded in 2011. The growth was mainly due to a higher revenue contribution from Piraeus Terminal, which increased by 32.9% to US$134,773,000. In addition, revenue from Guangzhou South China Oceangate Terminal increased by 25.7% to US$119,270,000.

Facing fierce competition, the Group strived to enhance its sales effort to win customers. During the year, our commercial headquarters worked closely with the terminal companies to enhance core competence by expanding our customer base and providing customers with better services. In 2012, the terminals in which the Group has controlling stakes in mainland China introduced 58 new shipping routes. As one of our key marketing initiatives, Xiamen Ocean Gate Terminal successfully attracted eight shipping routes for domestic and foreign trade. Internationally, Piraeus Terminal gained commence calls from small to mid sized international shipping companies, as well as from numerous shipping companies engaged in the operation of feeder routes, to improve customer mix. Piraeus Terminal recorded a net profit of US$19,864,000 in 2012.

Total throughput of the Group's container terminals was 55,685,225 TEU in 2012, up 9.8% year-on-year. Piraeus Terminal recorded the highest growth, handling 2,108,090 TEU during the year, a 77.4% increase. With an increase of 13.8% in equity throughput, profit from the Group's terminal business reached US$188,964,000, up 9.7% year-on-year excluding non-recurring items in 2011.

In container leasing, Florens, through which the Group operates its container leasing business, devoted its efforts to gaining market share and improving business returns, resulting in a significant contribution to the Group's profit in 2012. As of 31st December 2012, the fleet size of owned containers was 995,961 TEU, up 13.9% year-on-year. As a result of an increase in the number of containers on hire, the revenue of the leasing business was US$280,514,000, representing an increase of 13.7%. In addition, revenue from the disposal of returned containers was US$42,606,000, up 133.5%, mainly due to a 2.2 times increase in the number of disposed returned containers to 31,671 TEU.

During the year, the size of the Group's container fleet increased steadily. Boosted by both the increase in the number of containers on hire and disposed returned containers, the profit from container leasing, management and sale businesses reached US$139,522,000, representing an increase of 19.8% over 2011.

Stable Operation and Core Strengths

We derived satisfactory results from the Group's stable development and operation. For many years, the Group has been dedicated to investing in the sustainable development of its terminal and container leasing businesses to enhance core competence and profitability. The capital expenditure of the Group in 2012 was US$808,801,000.

In its terminal business, the Group increases its handling capacity mainly by expanding terminals under operation. We also focus on upgrading the infrastructure at our terminals to enhance operating efficiency, thus improving their competiveness and giving momentum to our business growth. In 2012, capital expenditure for the terminal business was US$434,700,000, mainly for the construction of terminal infrastructure and operational facilities at Xiamen Ocean Gate Terminal and the upgrading of Pier 2 and construction of Pier 3 at Piraeus Terminal.

Capital expenditure for the purchase of new containers was US$371,668,000, amounting to 162,742 TEU. These new containers are already booked by shipping companies and we therefore expect revenue from container leasing to increase in 2013.

As at 31st December 2012, the Group operated and managed 25 terminal companies, among which seven were companies in which the Group has controlling stakes (Piraeus Terminal, Guangzhou South China Oceangate Terminal, Quan Zhou Pacific Terminal, Yangzhou Yuanyang Terminal, Zhangjiagang Terminal, Jinjiang Pacific Terminal and Xiamen Ocean Gate Terminal), while four were overseas terminal companies (Piraeus Terminal, Suez Canal Terminal, COSCO-PSA Terminal and Antwerp Terminal). The 25 terminal companies had 109 berths in operation, including 99 berths for containers, eight berths for break-bulk cargo and two for automobiles. The total annual handling capacity of the 99 container berths was 60.30 million TEU.

In 2012, the Group’s annual handling capacity increased by 4.85 million TEU, acting as a new catalyst for throughput

growth. Xiamen Ocean Gate Terminal, the newly operational terminal in which the Group has acquired a controlling stake, began operating two berths in 2012, adding 1.4 million TEU of annual handling capacity. The project to upgrade Pier 2 of Piraeus Terminal added one million TEU of annual handling capacity.

For the container leasing business, Florens, a subsidiary of COSCO Pacific, was the fourth largest container leasing company in the world, accounting for approximately 12% of the global market share. Florens has business networks in 14 cities in nine countries, namely China, the U.S., Japan, Singapore, Australia, Brazil, the U.K., Germany and Italy. In addition, its depot service network covers a total of 210 container depots in 36 countries and regions.

As at 31st December 2012, Florens operated and managed a fleet size of 1,855,597 TEU, a 4.4% year-on-year increase. Among its total of approximately 276 container leasing customers are 28 of the world's top 30 shipping companies. Revenue from the top ten shipping companies accounted for 72.1% of the Group's total leasing business. Florens' average container utilisation rate of 95.3% was higher than the market average of approximately 94.8%.

More Rapid Diversification of the Terminal Portfolio

The Group's vision of strengthening the world's leading terminal operator has remained unchanged despite the market downturn. We stand firmly against the challenges from all directions.

During 2012, the Company increased the pace of diversification of its terminals. Following the signing of a letter of intent to form a joint venture for an ore terminal at Dongjiakou in Qingdao, we aim to sign the formal joint-venture agreement in 2013. Meanwhile, we have completed the capital injection into Quan Zhou Pacific Terminal, increasing the Company's shareholding to 82.35%. We were also working proactively to acquire stakes in Taicang Terminal and in a break-bulk berth at the Haicang port area of Xiamen Port.

During the year, COSCO Pacific established a joint-venture company with China Shipping Terminal Development (Hong Kong) Limited and China Merchants Holdings (International) Company Limited to acquire a 30% equity interest in Kao Ming Terminal in Port of Kaohsiung in Taiwan. The share acquisition was completed on 27th December 2012. In addition to monitoring investment opportunities in traditional investment areas in the U.S. and Europe, the Company is exploring investment possibilities in terminals in Southeast Asia, West Africa, the Middle-East, South America and other regions.

The Group has begun two terminal projects in early 2013. Xiamen Ocean Gate Terminal successfully acquired Berth 13 for break-bulk cargo at the Haicang port area of Xiamen Port for a consideration of RMB205,864,000. The berth is close to Berth 14 of Xiamen Ocean Gate Terminal and will create synergies with Xiamen Ocean Gate Terminal through sharing human resources, venues and facilities. In addition, the Group entered into an equity transfer agreement with COSCO, the Company's ultimate controlling shareholder, to acquire a 39.04% equity interest in Taicang Terminal from COSCO for a consideration of approximately RMB323,109,000. This move will further strengthen our flagship status within the terminal business of COSCO.

Harmonious Development and Corporate Responsibility

COSCO Pacific is devoted to fulfilling its corporate social responsibilities in the course of improving corporate profitability and shareholder returns. We emphasise environmental protection, uphold the principle of a low carbon approach and implement measures to achieve energy saving and emissions reduction. In 2012, the Company continued to encourage and provide support to the terminal companies in which it has controlling interests to invest in the "fuel to electricity" projects for energy saving, emissions reduction and lowering the power consumption of hangers. During the year, we completed the upgrading of 62 fuel engine hangers, reducing carbon emissions by the equivalent

of 10,525 tons of standard coal. In 2012, the Company signed a framework agreement for the construction of a fully automated loading and unloading system at Xiamen Ocean Gate Terminal, which will aim to achieve zero-emissions operation through the application of state-of-the-art technology and advanced management techniques. Going forward, COSCO Pacific will continue to promote the idea of "green" operations, raise awareness of environmental protection and provide strong support to its subsidiaries to carry out measures on energy saving, emissions reduction and other aspects of environmental protection.

Prospects

Looking ahead, global trade should recover moderately in 2013 even though the world economy remains in the shadow of the European debt crisis and the U.S. "fiscal cliff" issue. According to forecasts by research institution, international trade volume will increase by 3.8%, compared with 2.8% in 2012. Trading activity in developing economies will stay buoyant and China's GDP growth will reach at 7.5%.

Although the prospects for the global economy and the container shipping industry both remain uncertain, we believe that the overall operating environment will be better than in 2012. Based on this assumption, we are cautiously optimistic about the prospects of the Group's two core businesses. We expect both stable growth in container throughput at our terminals business and revenue at our container leasing business in 2013.

We will focus on efficiency and continue to impose strict measures on revenue sourcing and cost saving to ensure we achieve our financial targets. At the same time, the Group will continue to make sales and marketing a core task, improve operations management capability and win quality customers through providing quality services.

We also intend to implement our long-term strategic plan by accelerating the completion of terminal projects to expand the terminal portfolio as well as diversifying terminal investment. In the meantime, we will continue to explore possible improvements in revenue and profit at our container leasing business, achieving our targets through the consolidation of traditional business, strengthening marketing efforts and enhancing management efficiency standard.

The achievements in the past year were built on the shared purpose and persistence of every member of the Group and meeting our future targets will rely on the unity of all of us. Finally, I would like to express my heartfelt gratitude to our shareholders for their trust in COSCO Pacific and for the support of COSCO, China COSCO and our sister companies, business partners and other stakeholders. I believe that with the guidance of the Board and the contribution of our employees, we will achieve even better results and bring improved returns to shareholders.

WANG Xingru
Vice Chairman and Managing Director
26th March 2013

CORPORATE STRUCTURE

China Ocean Shipping (Group) Company

52.80%

China COSCO Holdings Company Limited

Stock code: 1919

43.21%

COSCO Pacific Limited

Stock code: 1199

56.79% Independent Shareholders

World's No.5

Terminal and Related Businesses

World's No. 4

Container Leasing, Management and Sale Businesses

World's No. 1

Container Manufacturing Business

Terminal and Related Businesses

Bohai Rim

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

Yangtze River Delta

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

Southeast Coast and Others

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

Pearl River Delta

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

Overseas

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

Terminal Related Business

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

Container Leasing, Management and Sale Businesses

100%	Florens

Business network

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 2012

依依似君子，無地不相宜。

唐—劉禹錫《庭竹》

PRINCIPLES

Upholding principles, adapting to all environments

Bamboo grows in mud, in the mountains and among rocks. It flourishes in all environments.

Our belief at COSCO Pacific is that as long as we uphold the right principles, and make our strategic decisions carefully and precisely, we shall find acceptance throughout the globe.

The terminal network portfolio of COSCO Pacific is strategically positioned across the world's important shipping hubs.

We operate and manage 25 terminal companies in 20 ports worldwide and we have the ability to localise and adapt our operations.

We can operate in any environment.

WORLDWIDE TERMINAL NETWORK

Mainland China, Hong Kong and Taiwan

Terminal Coverage
16 PORTS

Terminal Companies in Operation
21

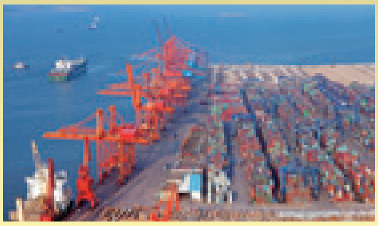
Annual Handling Capacity
50,000,000 TEU

Bohai Rim

Percentage of total annual handling capacity	32.2%
Container berths	34
Annual handling capacity	19,400,000 TEU

Yangtze River Delta

Percentage of total annual handling capacity	11.3%
Container berths	16
Annual handling capacity	6,800,000 TEU

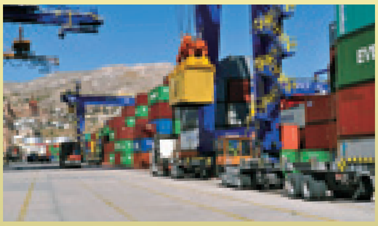


Southeast Coast and Others

Percentage of total annual handling capacity	7.1%
Container berths	8
Annual handling capacity	4,300,000 TEU

Pearl River Delta

Percentage of total annual handling capacity	32.3%
Container berths	23
Annual handling capacity	19,500,000 TEU



Overseas

Percentage of total annual handling capacity	17.1%
Container berths	18
Annual handling capacity	10,300,000 TEU

Overseas

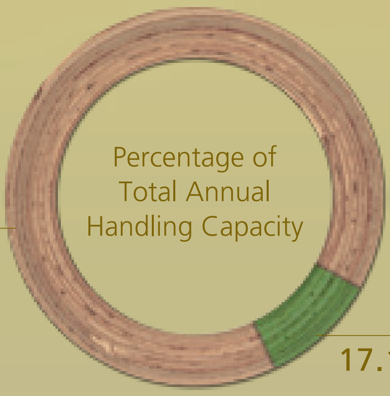
Terminal Coverage
4 PORTS

Terminal Companies in Operation
4

Annual Handling Capacity
10,300,000 TEU

Total Annual Handling Capacity

60,300,000 TEU



TERMINAL


Yingkou
Tianjin
Dalian
Qingdao
Yangzhou
Zhangjiagang
Nanjing
Shanghai
Ningbo
Quanzhou
Jinjiang
Xiamen
Guangzhou
Shenzhen
Kaohsiung
Hong Kong
Antwerp
Piraeus
Port Said
Singapore

WORLDWIDE CONTAINER DEPOT NETWORK

Container Fleet Capacity

1,855,597 TEU

Total Container Depots

210

North America

- Atlanta
- Baltimore
- Charleston
- Chicago
- Cincinnati
- Cleveland
- Columbus
- Detroit
- Houston
- Jacksonville
- 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
- Itajai
- Paranagua
- Rio Grande
- San Antonio
- Santiago
- Santos
- Talcahuano
- Valparaiso

South Africa

- Cape Town
- Durban
- Johannesburg

CONTAINER DEPOT

Europe & Mediterranean

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

Asia Pacific

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

STANDING FIRM。

Standing firm against
storms from all directions

千磨萬擊還堅勁，任爾東西南北風。

清—鄭板橋《竹石》

Only through being repeatedly tested can we learn to stand firm.

During the year, the European sovereign debt crisis met with slowing global economic growth, and the global shipping market experienced numerous challenges.

COSCO Pacific nonetheless continued to operate its business in a uniquely stable way. In a difficult market, we integrated the superior capabilities of our management with a strategy combining strength and flexibility, to navigate the storm successfully.

TERMINALS

During the year, the terminal business of COSCO Pacific recorded another year of growth, subsequent to a fast-growing year in 2011, despite world economic growth slowing significantly in 2012.

In 2012, the European sovereign debt crisis continued to have a negative impact on the global economy which was characterised by weakness and slow growth. As a result, growth in global container port throughput also slowed. According to the forecast by Drewry Shipping Consultants Limited ("Drewry") in December 2012, the growth in global container port throughput in 2012 was estimated to be 3.9% (2011: +8.2%).

Growth in China's foreign trade also slowed. According to the Chinese Ministry of Commerce, the growth in China's imports and exports fell to 4.3% (2011: +24.9%) and 7.9% (2011: +20.3%), respectively in 2012.

Throughput at Chinese ports in 2012 reflected the slowing growth in the volume of trade. Statistics from the Chinese Ministry of Transport showed that for 2012, throughput at China's container ports only rose by approximately 8.0% (2011: +11.4%).

Among the top ten container ports in mainland China, Dalian port and Qingdao port in the Bohai Rim performed well, while Shanghai port in the Yangtze River Delta and Shenzhen port and Guangzhou port in the Pearl River Delta recorded only slight growth, reflecting the impact on these regions of the sluggish demand for consumer products resulting from the economic slowdown in Europe and the U.S.

Throughput of top 10 global container ports

Rank	Port	Throughput (TEU)	Year-on-year change
1	Shanghai	32,529,000	+2.5%
2	Singapore	31,649,000	+5.7%
3	Hong Kong	23,117,000	-5.2%
4	Shenzhen	22,941,000	+1.6%
5	Busan	17,041,000	+5.3%
6	Ningbo	16,830,000	+14.3%
7	Guangzhou	14,744,000	+3.5%
8	Qingdao	14,500,000	+11.4%
9	Dubai	13,280,000	+1.9%
10	Tianjin	12,300,000	+6.1%

Source: Hong Kong Port Development Council

Throughput of top 10 Chinese container ports

Rank	Port	Throughput (TEU)	Year-on-year change
1	Shanghai	32,529,000	+2.5%
2	Shenzhen	22,941,000	+1.6%
3	Ningbo	16,830,000	+14.3%
4	Guangzhou	14,744,000	+3.5%
5	Qingdao	14,500,000	+11.4%
6	Tianjin	12,300,000	+6.1%
7	Dalian	8,064,000	+25.9%
8	Xiamen	7,202,000	+11.4%
9	Lianyungang	5,020,000	+3.5%
10	Yingkou	4,851,000	+20.3%

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

Equity throughput growth

13.8%

Terminal business profit growth

9.7%

Profit at the Terminal Business Remained Stable

During the year, the terminal business of COSCO Pacific recorded another year of growth subsequent to a fast-growing year in 2011. The increase in profit was mainly attributable to stable growth of equity throughput at the Group's terminal business. However, profit growth was moderate due to a loss recorded at Xiamen Ocean Gate Terminal in its preliminary stages of operation.

Excluding a gain of US$12,557,000 from the disposal of Qingdao Cosport Terminal in 2011, profit from the terminal business was US$188,964,000 (2011: US$172,333,000), up 9.7% over 2011. The percentage increase was slightly lower than the Group's growth in equity throughput which was 13.8% in 2012.

Terminal business revenue growth

24.4%

Terminal business revenue accounted for

54.7%

of the Group's revenue

Profit from the terminals in mainland China increased. Among these terminals, profit from Yantian Terminal reached US$53,639,000 (2011: US$51,011,000), up 5.2%, while throughput increased by 3.9%. With a 13.0% increase in throughput, profit contributed by Qingdao Qianwan Terminal was US$37,689,000 (2011: US$35,513,000), up 6.1%. In 2012, Guangzhou South China Oceangate Terminal continued to contribute profit following its turnaround in the first half of 2011. Profit contribution was US$6,182,000 (2011: US$3,054,000), up 102.4%.

The operating efficiency of Piraeus Terminal in Greece continuously improved. With a 77.4% increase in throughput and a rise in import and export cargo tariffs in January 2012, profit contribution from Piraeus Terminal reached US$19,864,000 (2011: US$6,502,000), up 205.5%.

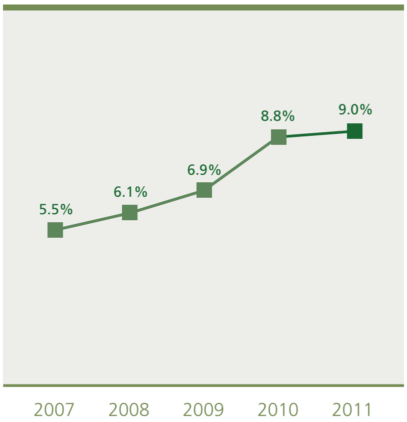
In 2012, throughput was down 5.8% at Antwerp Terminal in Belgium. However, its fourth quarter throughput was up by 13.9% year-on-year, driven by the commencement of calls by an international shipping company in October 2012. As a result, the loss from Antwerp Terminal narrowed to US$1,624,000 in 2012 (2011: loss of US$3,650,000), an operational improvement year-on-year.

Revenue Growth at the Terminal Business was Driven by Piraeus Terminal and Guangzhou South China Oceangate Terminal

All terminal subsidiaries recorded revenue growth in 2012. In line with the Group's forecast in early 2012, new shipping routes and customers in 2011 brought strong throughput growth to Piraeus Terminal and Guangzhou South China Oceangate Terminal, supporting the increases in the Group's terminal throughput and revenue. Revenue from Piraeus Terminal rose 32.9% to US$134,773,000

In line with the Group's forecast, the total container throughput rose 9.8%, close to the 10% growth, at the high end of the range targeted by management.

Global market share continued to grow



(2011: US$101,420,000), while revenue from Guangzhou South China Oceangate Terminal rose 25.7% to US$119,270,000 (2011: US$94,889,000). Xiamen Ocean Gate Terminal, which started operation in May 2012, recorded revenue of US$6,372,000 for the year.

Looking at the full-year performance, revenue from the terminal business of COSCO Pacific reached US$402,161,000 (2011: US$323,339,000), up 24.4%. Revenue from the terminal business accounted for 54.7% (2011: 54.0%) of the Group's revenue and remained the anchor of the Group's steady operations.

Throughput Growth Secured, the World No. 5 Ranking Strengthened

According to Drewry's "Global Container Terminal Operators Annual Review and Forecast" published in August 2012, the total container throughput of COSCO Pacific terminals accounted for approximately 9.0% of the world total, up 0.2 percentage points year-on-year. The figure reaffirmed the ranking of the Group as the world's number five operator of container terminals.

In line with the Group's forecast, the total container throughput of the Group reached 55,685,225 TEU (2011: 50,695,897 TEU), up 9.8%, close to the 10% growth, at the high end of the range targeted by management.

The Group's terminal companies in mainland China (excluding Hong Kong) handled 46,696,103 TEU (2011: 42,360,271 TEU), up 10.2%, higher than the national average growth rate of approximately 8.0%.

Equity throughput of the Group was up 13.8% year-on-year, totalling 15,638,070 TEU (2011: 13,744,329 TEU), faster than the total throughput growth rate of 9.8%.

Equity throughput outperformed total throughput

Total throughput by region

	Throughput (TEU)	Year-on-year change	Percentage of total
Bohai Rim	21,747,801	+14.0%	39.0%
Yangtze River Delta	8,219,406	+8.2%	14.8%
Pearl River Delta & Southeast Coast	18,412,644	+6.4%	33.1%
China (including Hong Kong)	**48,379,851**	**+10.0%**	**86.9%**
Overseas	7,305,374	+8.9%	13.1%
Total	**55,685,225**	**+9.8%**	**100.0%**

Equity throughput by region

	Throughput (TEU)	Year-on-year change	Percentage of total
Bohai Rim	4,313,859	+8.9%	27.6%
Yangtze River Delta	2,382,698	+6.8%	15.2%
Pearl River Delta & Southeast Coast	5,436,410	+10.1%	34.8%
China (including Hong Kong)	**12,132,967**	**+9.0%**	**77.6%**
Overseas	3,505,103	+34.1%	22.4%
Total	**15,638,070**	**+13.8%**	**100.0%**

The throughput of the Bohai Rim region was 21,747,801 TEU (2011: 19,080,645 TEU), an increase of 14.0%, and accounting for 39.0% of the Group's total. This performance was better than the Yangtze River Delta and Pearl River Delta. The throughput growth of the Bohai Rim region was mainly driven by Qingdao Qianwan Terminal and Tianjin Euroasia Terminal. While showing an overall improvement in operational efficiency, Qingdao Qianwan United Terminal and Qingdao Qianwan United Advance Terminal were still in a ramp-up period. As a result, the throughput of Qingdao Qianwan Terminal recorded significant growth in 2012, up 13.0%. Tianjin Euroasia Terminal started operation in July 2010 and to date its throughput has grown rapidly. Aided by new calls from shipping companies relating to foreign trade routes since mid 2012, throughput increased by 26.3%.

The throughput of the Yangtze River Delta accounted for 14.8% of total throughput, reaching 8,219,406 TEU (2011: 7,599,938 TEU), up 8.2%. During the year, Ningbo Yuan Dong Terminal successfully introduced additional international transshipment routes, leading to a 12.0% increase in throughput. However, the throughput of Shanghai Pudong Terminal decreased by 9.9% due to the adjustment of shipping routes.

The combined throughput of the Pearl River Delta and Southeast Coast reached 18,412,644 TEU (2011: 17,305,507 TEU), up 6.4% and accounting for 33.1% of the total throughput. The throughput of Yantian Terminal increased by 3.9%,

Throughput of Terminals

🟩 2012 (TEU)
🟫 2011 (TEU)

Total Container Throughput

Total Container Throughput	55,685,225	50,695,897	↑ +9.8%
Total Container Throughput in China (including Hong Kong)	48,379,851	43,986,090	↑ +10.0%

Bohai Rim

Bohai Rim	21,747,801	19,080,645	↑ +14.0%
Qingdao Qianwan Terminal[1]	14,045,503	12,426,090	↑ +13.0%
Dalian Port Terminal	2,216,353	1,900,204	↑ +16.6%
Tianjin Five Continents Terminal	2,180,184	2,100,321	↑ +3.8%
Tianjin Euroasia Terminal	1,705,667	1,350,962	↑ +26.3%
Yingkou Terminal	1,600,094	1,303,068	↑ +22.8%

Yangtze River Delta

Yangtze River Delta	8,219,406	7,599,938	↑ +8.2%
Shanghai Pudong Terminal	2,151,297	2,388,156	↓ -9.9%
Ningbo Yuan Dong Terminal	2,402,554	2,145,653	↑ +12.0%
Zhangjiagang Terminal	1,228,935	1,065,382	↑ +15.4%
Yangzhou Yuanyang Terminal	401,003	400,224	↑ +0.2%
Nanjing Longtan Terminal	2,035,617	1,600,523	↑ +27.2%

Pearl River Delta & Southeast Coast

Pearl River Delta & Southeast Coast	18,412,644	17,305,507	↑ +6.4%
COSCO-HIT Terminal	1,683,748	1,625,819	↑ +3.6%
Yantian Terminal	10,666,758	10,264,440	↑ +3.9%
Guangzhou South China Oceangate Terminal	4,230,574	3,914,348	↑ +8.1%
Quan Zhou Pacific Terminal	1,201,279	1,186,799	↑ +1.2%
Jinjiang Pacific Terminal	358,836	314,101	↑ +14.2%
Xiamen Ocean Gate Terminal	271,449	–	N/A

Overseas

Overseas	7,305,374	6,709,807	↑ +8.9%
Piraeus Terminal	2,108,090	1,188,148	↑ +77.4%
Suez Canal Terminal	2,863,167	3,246,467	↓ -11.8%
COSCO-PSA Terminal	1,232,954	1,106,262	↑ +11.5%
Antwerp Terminal	1,101,163	1,168,930	↓ -5.8%

Notes

1. Throughput of Qingdao Qianwan Terminal includes the throughput of Qingdao Qianwan United Terminal and Qingdao Qianwan United Advance Terminal and these two terminals are jointly controlled entities of Qingdao Qianwan Terminal. The throughput of the two terminals are 3,253,010 TEU (2011: 1,748,450 TEU) and 1,146,692 TEU (2011: 324,446 TEU) respectively.
2. The total throughput of break-bulk cargo in 2012 was 23,690,892 tons (2011: 25,285,695 tons), a decrease of 6.3%. The throughput of Dalian Automobile Terminal reached 226,563 vehicles (2011: 176,624 vehicles), an increase of 28.3%.

Throughput of Piraeus Terminal rose

77.4%

the highest growth among all terminals

outperforming the overall Shenzhen port growth rate of 0.3%. Since April 2012, Nansha port district has implemented measures to diversify the handling of domestic and foreign trade cargoes. Guangzhou South China Oceangate Terminal was designated mainly to handle foreign trade cargoes. During the year, the throughput of the terminal rose by 8.1% with an increase in the ratio of foreign trade cargo. Xiamen Ocean Gate Terminal commerced operation in May 2012, and the Group has proactively promoted the terminal in the market. During the year, the terminal introduced a total of eight new domestic and international shipping routes and handled 271,449 TEU.

Throughput from overseas terminals was 7,305,374 TEU (2011: 6,709,807 TEU), up 8.9%, accounting for 13.1% of the total throughput. The throughput of Piraeus Terminal reached 2,108,090 TEU (2011: 1,188,148 TEU), up 77.4%, driven by a substantial growth in transshipment volume, resulting from a major customer increasing berthing since May 2011 and another shipping company commencing calls in October of the same year. In 2012, Piraeus Terminal continued to enhance its marketing efforts. During the year, its customer mix was further improved by the commencement of calls from small to medium sized international shipping companies, as well as from numerous shipping companies engaged in the operation of feeder routes.

COSCO-PSA Terminal entered into an agreement with PSA Corporation Limited ("PSA"), remaining shareholder of the terminal, in 2012. The agreement allowed PSA to lease 40% of the operating capacity of COSCO-PSA Terminal for two years, commencing in July 2012. As a result, the throughput of COSCO-PSA Terminal declined in the second half of 2012. However, full-year throughput of COSCO-PSA Terminal still increased by 11.5%, reaching 1,232,954 TEU (2011: 1,106,262 TEU).

In addition to being impacted throughout the year by the uncertain European economy, the instability of the local political and public security situation affected the normal operation of Suez Canal Terminal in Egypt. As a result, the throughput of the terminal fell by 11.8% to 2,863,167 TEU (2011: 3,246,467 TEU).

Newly-added annual handling capacity in 2012

Terminals	No. of berths	Annual handling capacity (TEU)	Operation commenced
Xiamen Ocean Gate Terminal	2	1,400,000	May
Piraeus Terminal	–	1,000,000	June
Dalian Port Terminal	1	850,000	July
Yangzhou Yuanyang Terminal	1	200,000	October
Kao Ming Terminal	2	1,400,000	–
Total	**6**	**4,850,000**	

Geographical distribution of terminals

Terminal berths in operation	No. of berths	Annual handling capacity (TEU)	Percentage of total
Bohai Rim			
Container	34	19,400,000	32.2%
Automobile	2	600,000 vehicles	100%
Yangtze River Delta			
Container	16	6,800,000	11.3%
Break-bulk	5	6,550,000 tons	72.4%
Southeast Coast and others			
Container	8	4,300,000	7.1%
Break-bulk	3	2,500,000 tons	27.6%
Pearl River Delta			
Container	23	19,500,000	32.3%
Overseas			
Container	18	10,300,000	17.1%
Total number of container berths/ Annual handling capacity	**99**	**60,300,000**	
Total number of break-bulk berths/ Annual handling capacity	**8**	**9,050,000 tons**	
Total number of automobile berths/ Annual handling capacity	**2**	**600,000 vehicles**	
Total number of terminal berths	**109**		

Annual Handling Capacity Increased by 8.7% to 60,300,000 TEU

As of 31st December 2012, there were 99 berths (2011: 93) under the Group's operating container terminals and the total annual handling capacity was 60,300,000 TEU (2011: 55,450,000 TEU). There were eight break-bulk berths (2011: eight), with a total annual handling capacity of 9,050,000 tons (2011: 9,050,000 tons).

On 19th December 2012, COSCO Pacific announced the establishment of a joint-venture company with China Shipping Terminal Development (Hong Kong) Limited and China Merchants Holdings (International) Company Limited. The joint-venture company signed a share sale and purchase agreement with Yang Ming Marine Transport Corporation ("Yang Ming Marine") to acquire a 30% equity interest in Kao Ming Terminal, a subsidiary terminal company in which Yang Ming Marine has a controlling stake. The consideration was US$135,000,000. Each party of the joint-venture company ultimately holds a 10% effective interest in Kao Ming Terminal. The share acquisition was completed on 27th December 2012.

Kao Ming Terminal is the first phase of "Port of Kaohsiung's Intercontinental Container Terminal" in Taiwan. The terminal will be developed with four 100,000-ton berths, a total area of 748,000 square metres, a quay length of 1,500 metres and a depth of 16.5 metres. Developed in two phases, phase one of the terminal was put into operation in January 2011 with two berths, a quay length of 960 metres and a total annual handling capacity of 1,400,000 TEU. The container throughput was about 1,080,000

TEU in the first year of operation. Construction of the remaining two berths started in 2012 and they are expected to start operation in 2014, when the total annual capacity of the terminal will increase to 2,800,000 TEU.

In 2012, newly-added annual handling capacity reached 4,850,000 TEU, of which 3,850,000 TEU was contributed by six new berths. These included two at Xiamen Ocean Gate Terminal (1,400,000 TEU), one at Dalian Port Terminal (850,000 TEU), one at Yangzhou Yuanyang Terminal (200,000 TEU) and two at Kao Ming Terminal (1,400,000 TEU). The completion of the upgrading of Pier 2 at Piraeus Terminal increased annual handling capacity by 1,000,000 TEU.

Annual Handling Capacity in 2013 will Reach 63,100,000 TEU, up 4.6%

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 existing terminals to boost efficiency. This has strengthened our competitiveness and given momentum to our business growth.

On 27th October 2012, COSCO Pacific entered into a framework agreement with Shanghai Zhenhua Heavy Industrial Co., Ltd. regarding a fully automated terminal loading and unloading project. Upon completion of the projct, Xiamen Ocean Gate Terminal will be the first terminal installed with a fourth-generation fully automated terminal loading and unloading system, which has been developed in China.

In August 2012, COSCO Pacific increased its stake in Quan Zhou Pacific Terminal from 71.43% to 82.35%, through a capital injection of approximately RMB360,000,000 (equivalent to approximately US$57,000,000).

On 24th January 2013, the Group and COSCO, the ultimate controlling shareholder of the Company, entered into an equity transfer agreement pursuant to which COSCO Pacific will acquire a 39.04% equity interest

> The Group began two terminal projects in early 2013. The first involved the acquisition of a 39.04% equity interest in Taicang Terminal from COSCO, further strengthening the Group's flagship status within the terminal business of COSCO. The Group also successfully acquired Berth 13 for break-bulk cargo at the Haicang port area of Xiamen Port to diversify terminal investment.

in Taicang Terminal from COSCO. Consideration for the acquisition is approximately RMB323,109,000 (equivalent to approximately US$51,400,000). Located in the Suzhou city region of Jiangsu Province in China, Taicang Terminal has two dedicated container berths and two break-bulk berths, with a quay length of 930 metres and a port land width of 1,000 metres. The annual handling capacity for container and break-bulk cargos is 550,000 TEU and 4,000,000 tons respectively. The acquisition will enhance the Group's terminal business market share as well as diversify its terminal business in Yangtze River Delta region. The transaction is expected to complete in the first half of 2013.

On 25th February 2013, Xiamen Ocean Gate Terminal executed an equity transfer agreement to acquire a 100% equity interest in Xiamen Haitou Tongda Terminal Co., Ltd. ("Xiamen Haitou Tongda Terminal"). Consideration for the acquisition is RMB205,864,000 (equivalent to approximately US$32,800,000). Xiamen Haitou Tongda Terminal owns and operates Berth 13, a break-bulk berth at the Haicang port area of Xiamen Port. Berth 13 is in trial operation, with an annual handling capacity of 4,000,000 tons and a quay length of 298 metres. Adjacent to Berth 14 of Xiamen Ocean Gate Terminal, it allows Berth 13 to share human resources, stacking sites and equipment of the terminal and thus create business synergies. It will also enable Xiamen Ocean Gate Terminal to diversify its business and accelerate its business development. The transaction is expected to complete in the first half of 2013.

Estimated newly-added annual handling capacity in 2013

Terminals	No. of berths	Annual handling capacity (TEU)	Operation commenced
Ningbo Yuan Dong Terminal	2	1,200,000	1st Quarter
Jinjiang Pacific Terminal	1	500,000	2nd half
Piraeus Terminal	1	550,000	2nd half
Taicang Terminal	2	550,000	–
	2	4,000,000 tons	–
Xiamen Ocean Gate Terminal	1	4,000,000 tons	–
Total	**6**	**2,800,000**	
	3	**8,000,000 tons**	

Construction of Pier 3 of Piraeus Terminal started in the fourth quarter of 2011. Pier 3 will provide an additional 1,100,000 TEU of annual handling capacity for Piraeus Terminal after the completion of construction. One berth (550,000 TEU) is expected to commence operation in the second half of 2013.

Stable throughput growth will mainly come from organic growth and new capacity added in 2012 and 2013.

With a total annual handling capacity of 1,200,000 TEU, Berths 10 and 11 of the phase 5 container terminal in the Beilun port district of Ningbo Port, constructed and operated by Ningbo Yuan Dong Terminal, are expected to commence operation in the first quarter of 2013. Ultimately, the total annual handling capacity and number of berths at the terminal will reach 3,000,000 TEU and five berths respectively.

The Group estimates the newly-added annual handling capacity in 2013 will reach 2,800,000 TEU and 8,000,000 tons, contributed by Ningbo Yuan Dong Terminal (1,200,000 TEU), Jinjiang Pacific Terminal (500,000 TEU), Pier 3 of Piraeus Terminal (550,000 TEU), Taicang Terminal (550,000 TEU and 4,000,000 tons) and Xiamen Ocean Gate Terminal (4,000,000 tons).

2013 Throughput to Maintain Stable Growth

Looking at the throughput of the Group's terminal business in 2013, we expect stable growth to be maintained. However, the pace of growth is expected to slacken when compared with 2012. Growth will mainly come from the organic growth of existing terminals, while handling capacity added in 2012 and 2013 will also provide growth momentum.

Terminal tariffs in mainland China are expected to be generally stable in 2013, while the Group's terminal business in mainland China will continue to be impacted by upward pressure on operating costs, rises in income tax for some mature terminals, as well as the relatively high cost generated by a new terminal in the preliminary stages of operation.

Terminal portfolio[1]

Terminal companies	Shareholding	No. of Berth	Depth (m)	Annual handling capacity (TEU)
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 - 17.0	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		28		9,000,000
Shanghai Pudong International Container Terminals Limited	30%	3	12.0	2,300,000
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
Southeast Coast and Others		18		7,600,000
Quan Zhou Pacific Container Terminal Co., Ltd.	82.35%	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
Kao Ming Container Terminal Corporation	10%	4	16.5	2,800,000
Pearl River Delta		23		19,500,000
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 - 16.5	9,000,000
Guangzhou South China Oceangate Container Terminal Co., Ltd.	39%	6	15.5 - 16.0	4,200,000
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**		**73,250,000**
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**

Notes

1. The terminal portfolio includes all terminal projects for which agreements have been signed on or before 31st December 2012. It includes operating and non-operating terminal companies, berths and annual handling capacity.
2. The Group has a 10% effective interest in Shanghai Terminal with ten container berths of 3,700,000 TEU annual handling capacity. Hutchison Ports Shanghai Limited, in which the Group owns an interest, jointly operates Shanghai Terminal with Shanghai International Port (Group) Co., Ltd. ("Shanghai Port Group"). Starting from January 2011, Shanghai Terminal made a strategic change in its business model and ceased handling containers. Hutchison Ports Shanghai is leading the discussions on the issue with Shanghai Port Group, which are still in progress.

CONTAINER LEASING, MANAGEMENT AND SALE

Container leasing, management and sale businesses profit growth

19.8%

The impact of weaker demand in the second half of 2011 continued to influence the container leasing service market in the first quarter of 2012. However, demand bounced back quickly in late March, evidenced by strong demand from shipping companies for long-term leasing contracts for new containers. The container leasing market recovered dramatically in the second quarter, with prices of new containers and container lease rates both surging. However, the peak season was shorter than expected and demand softened again from August 2012.

The Group's container leasing, management and sale businesses, operated and managed by Florens, had a satisfactory performance in 2012. Profit increased by 19.8% to US$139,522,000 (2011: US$116,508,000), driven by an increase in the number of containers on hire resulting from the stable growth in the size of the Group's container fleet during the year and a sharp increase in the number of disposed returned containers upon expiry of 10-year leases.

The Group's container leasing business maintains an optimal balance of leases, with containers leased mainly on a long-term basis so as to provide a stable source of income and maintain a relatively high utilisation rate. Long-term leases accounted for 94.3% (2011: 93.8%) of the total revenue of the container leasing in 2012, while revenue from master leases accounted for 5.7% (2011: 6.2%).

Container leasing, management and sale businesses revenue growth

21.6%

Owned and sale-and-leaseback container fleet increased by

11.0%

Although the market demand for container leasing services softened compared to 2011, the Group's container leasing business had a stable performance in 2012. This reflects the Group's proven strategy within container leasing of engaging mainly in long-term leasing activity to ensure stable lease income and maintain a high utilisation rate.

The overall average utilisation rate of the Group's containers was maintained at a relatively high level. In 2012, the average utilisation rate was 95.3% (2011: 96.1%), higher than the industry average of approximately 94.8% (2011: approximately 95.0%).

Steady Growth in Leasing and Strong Growth in Disposal of Returned Containers

In 2012, revenue from the Group's container leasing, management and sale businesses reached US$336,224,000 (2011: US$276,547,000), representing an increase of 21.6%. The growth was mainly attributable to the steady increase in revenue from container leasing, while the revenue from disposal of returned containers recorded significant growth.

Revenue from container leasing was US$280,514,000 (2011: US$246,782,000), representing an increase of 13.7%. Revenue from container leasing represented 83.4% (2011: 89.2%) of the total revenue of the container leasing, management and sale businesses. The fleet size of owned containers and sale-and-leaseback containers increased by 11.0% to 1,225,244 TEU (2011: 1,103,443 TEU), driving the growth of revenue from container leasing.

At the same time, revenue from the disposal of returned containers increased strongly by

Revenue breakdown of container leasing, management and sale businesses

	2012 US$	Year-on-year change	Percentage of total
Container leasing	**280,514,000**	+13.7%	83.4%
Disposal of returned containers	**42,606,000**	+133.5%	12.7%
Container management	**7,492,000**	-8.4%	2.2%
Others	**5,612,000**	+68.1%	1.7%
Total	**336,224,000**	**+21.6%**	**100.0%**

Disposed returned containers rose

2.2times

to 31,671 TEU

133.5% to US$42,606,000 (2011: US$18,245,000), representing 12.7% (2011: 6.6%) of the total revenue. The sharp increase in revenue from the disposal of returned containers business was mainly due to an increase of 2.2 times in the number of disposed returned containers to 31,671 TEU (2011: 9,826 TEU).

However, revenue from managed containers decreased by 8.4% to US$7,492,000 (2011: US$8,181,000), as the fleet size declined to 630,353 TEU (2011: 674,349 TEU), a decrease of 6.5%, representing 2.2% (2011: 3.0%) of the total revenue.

Container Fleet Size Grows Steadily

As of 31st December 2012, the Group's container fleet had reached 1,855,597 TEU (2011: 1,777,792 TEU), representing a 4.4% increase. The Group was the world's fourth largest container leasing company, with a market share of approximately 12.0% (2011: approximately 12.5%). The average age of containers in the fleet was 6.13 years (2011: 5.89 years).

During the year, the Group purchased 162,742 TEU (2011: 118,755 TEU) of new containers. Among these, 120,000 TEU (2011: 56,050 TEU) were

New containers purchased

162,742TEU

Fleet capacity growth

4.4%

Fleet capacity movement

	2012 (TEU)	2011 (TEU)	Change (%)
Fleet capacity at 1st January	**1,777,792**	1,631,783	+8.9
New containers purchased	**162,742**	118,755	+37.0
Purchase and leaseback of shipping lines' owned containers	–	66,476	-100.0
Managed containers deposited by a third party	–	4,056	-100.0
Containers returned from COSCON upon expiry of leases			
– Total	**(28,098)**	(7,335)	+283.1
– Re-leased	**352**	360	-2.2
– Disposed of and pending for disposal	**(27,746)**	(6,975)	+297.8
Ownership transferred to customers upon expiry of finance leases	–	(3,599)	-100.0
Defective containers written off	**(451)**	(56)	+705.4
Total loss of containers declared and compensated by customers	**(56,740)**	(32,648)	+73.8
Fleet capacity at 31st December	**1,855,597**	1,777,792	+4.4

Owned container fleet growth

13.9%

purchased for COSCON, accounting for 73.7% (2011: 47.2%) of total new containers, while 42,742 TEU (2011: 62,705 TEU) were for international customers, representing 26.3% (2011: 52.8%) of total new containers. The capital expenditure on new containers was US$371,668,000 (2011: US$315,788,000).

During the year, the number of containers returned from COSCON upon expiry of 10-year leases was 28,098 TEU (2011: 7,335 TEU).

Increase in Fleet Size of Owned Containers Drives Leasing Revenue Growth

While expanding its container fleet, the Group is ensuring a balanced development of the container leasing, management and sale businesses to lower investment risk. The owned container fleet reached 995,961 TEU (2011: 874,160 TEU), which represented 53.7% (2011: 49.2%) of the total container fleet. The sale-and-leaseback container fleet size amounted to 229,283 TEU (2011: 229,283 TEU), which represented 12.3% (2011: 12.9%) of the total container fleet size. The managed container fleet size amounted to 630,353 TEU (2011: 674,349 TEU), representing 34.0% (2011: 37.9%) of the total fleet size.

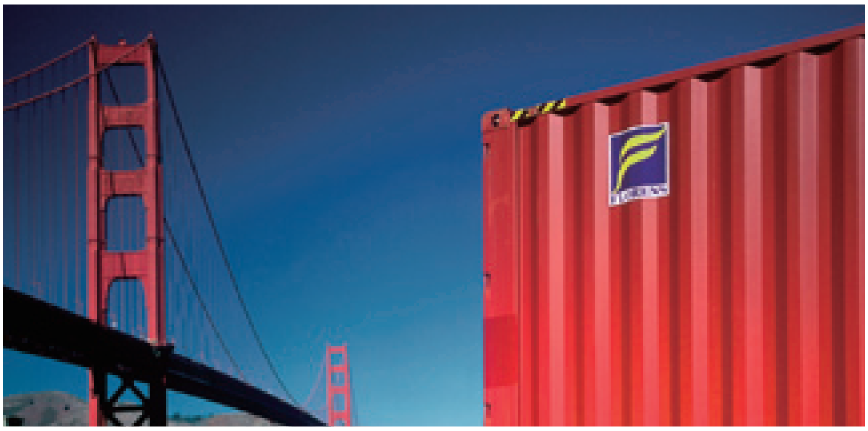
Classified by customer, COSCON leased 638,631TEU (2011: 547,077 TEU), while international customers took up 1,216,966 TEU (2011: 1,230,715 TEU), which represented 34.4% (2011: 30.8%) and 65.6% (2011: 69.2%) of the total fleet size respectively.

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

As of 31st December	Leasing customers	2012 (TEU)	2011 (TEU)	Change (%)
Owned containers	COSCON	**409,348**	317,794	+28.8
Owned containers	International customers	**586,613**	556,366	+5.4
Sale-and-leaseback containers	COSCON	**229,283**	229,283	–
Managed containers	International customers	**630,353**	674,349	-6.5
Total		**1,855,597**	1,777,792	+4.4

As of 31st December	Leasing customers	2012 Percentage of total	2011 Percentage of total	Change (pp)
Owned containers	COSCON	**22.1**	17.9	+4.2
Owned containers	International customers	**31.6**	31.3	+0.3
Sale-and-leaseback containers	COSCON	**12.3**	12.9	-0.6
Managed containers	International customers	**34.0**	37.9	-3.9
Total		**100.0**	100.0	–

The Group believes the market demand for container leasing services in 2013 will be stable and it is still cautiously optimistic about the prospects for its container leasing business.



Steady Growth in Leasing Revenue and Stable Disposal of Returned Containers Revenue

According to a forecast made in December 2012 by Drewry, global container traffic will increase by 4.6% and global shipping capacity will increase by about 1,262,000 TEU in 2013. The addition of new vessels and the replacement of old containers will generate considerable demand for new containers. Furthermore, shipping companies are likely to continue to choose leasing to meet the majority of their demand for containers. Therefore, the Group believes the market demand for container leasing services will be stable and it is still cautiously optimistic about the prospects for its container leasing business.

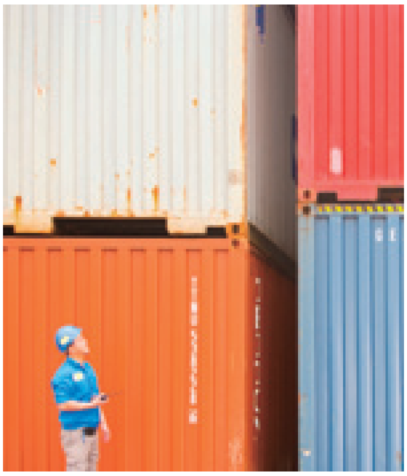
The Group believes that the revenue from container leasing will continue to grow steadily in 2013. The new containers purchased by the Group in 2012 have already been booked by shipping companies and therefore the Group's revenue generated from leasing business is expected to increase in 2013.

The Group expects the number of new containers purchased in 2013 to be comparable with that of 2012, and the increase in the number of containers on hire will therefore boost profit growth. In 2013, the Group will continue adhering to its prudent operations model, implement its strategy of ordering containers according to market demand and strive to maintain a relatively high overall average utilisation rate.

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, 72.1% (2011: 70.3%) 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 the exposure to market cycles.

For the disposal of returned containers, the Group is of the view that revenue will be relatively stable in 2013. Although we expect the total number of containers disposed to be lower than 2012, market demand and the disposal price of containers will remain stable.

CONTAINER MANUFACTURING



In 2012, global economic growth was still at a relatively low level. Investment and demand continued to shrink in China, while overseas demand was weak. CIMC's container business experienced its peak season during the second and third quarters of 2012, with the volume of container orders and container prices increasing relative to the first quarter of the year. Demand in the fourth quarter dropped compared to the second and third quarters.

The Group holds a 21.8% equity interest in CIMC, the world's largest container manufacturer. As the demand for containers slowed down in 2012, the overall performance of CIMC's business was less favourable in 2012 than last year. CIMC's profit contribution to the Group decreased by 48.3% to US$61,895,000 (2011: US$119,799,000) in 2012.

FINANCIAL REVIEW

Overall Analysis of Results

Profit attributable to equity holders for the year 2012 was US$342,194,000 (2011: US$388,771,000), a 12.0% decrease compared with last year. Excluding non-recurring items[Note], profit attributable to equity holders for 2012 was US$342,194,000 (2011: US$364,373,000), a 6.1% decrease compared with last year. Excluding the non-recurring items and the share of profit of CIMC, profit attributable to equity holders rose by 14.6% to US$280,299,000 (2011: US$244,574,000). The Group recorded a decrease in profit in 2012 due to a relatively significant decline in the share of profit of CIMC during the year. The decrease was partly offset by growth in the terminal business and container leasing business in 2012 compared with last year.

Profit from terminal business for 2012 was US$188,964,000 (2011: US$184,890,000), a slight increase of 2.2% compared with last year. Excluding the gain of US$12,557,000 on the disposal of Qingdao Cosport Terminal in 2011, profit from terminal business for 2012 increased by 9.7% compared with last year. In 2012, the throughput of container terminals reached 55,685,225 TEU (2011: 50,695,897 TEU), a 9.8% increase compared with last year. Piraeus Terminal in Greece continued to show strong performance during the year, recording a profit of US$19,864,000 (2011: US$6,502,000) in 2012, a rise of 2.1 times compared with last year, driving the profit growth from terminal business. However, the increase in the profit from terminal business was partly offset by the initial loss of Xiamen Ocean Gate Terminal, a subsidiary of the Group which commenced operation in May 2012.

With regard to container leasing, management and sale businesses, a profit of US$139,522,000 (2011: US$116,508,000) was recorded during the year, a 19.8% increase compared with last year. As at 31st December 2012, the container fleet size of the Group increased to 1,855,597 TEU (31st December 2011: 1,777,792 TEU), a 4.4% increase compared with last year.

Note: Non-recurring items in 2011 included 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 and a gain of US$12,557,000 on the disposal of Qingdao Cosport Terminal.

The container manufacturing business was affected by the downturn in the domestic and global economy, which coupled with weaker overall market demand, the demand for containers dropped significantly compared with last year, resulting in a decline in CIMC's earnings and profitability compared with last year. Therefore, COSCO Pacific's share of profit from CIMC in 2012 decreased to US$61,895,000 (2011: US$119,799,000), a significant decrease of 48.3% compared with last year.

Financial Analysis

Revenue

Revenue of the Group for 2012 was US$735,500,000 (2011: US$599,159,000), a 22.8% increase compared with last year. The revenue was primarily derived from the terminal business of US$402,161,000 (2011: US$323,339,000) and the container leasing, management and sale businesses of US$336,224,000 (2011: US$276,547,000).

Revenue from all the terminal companies with controlling stakes recorded a year-on-year increase in 2012. The total revenue from terminal business of the Group increased by 24.4% compared with last year, which was mainly derived from Piraeus Terminal and Guangzhou South China Oceangate Terminal. The throughput of Piraeus Terminal reached 2,108,090 TEU (2011: 1,188,148 TEU) in 2012, contributing a revenue of US$134,773,000 (2011: US$101,420,000) to the Group during the year, a 32.9% increase compared with last year. The throughput of Guangzhou South China Oceangate Terminal was 4,230,574 TEU (2011: 3,914,348 TEU) in 2012, and its revenue increased to US$119,270,000 (2011: US$94,889,000), a 25.7% increase compared with last year.

Revenue from container leasing, management and sale businesses primarily included container leasing income and revenue from the disposal of returned containers. As at 31st December 2012, the fleet capacity of owned containers and sale-and-leaseback containers reached 995,961 TEU and 229,283 TEU respectively (31st December 2011: 874,160 TEU and 229,283 TEU respectively). Revenue from container leasing for the year was US$280,514,000 (2011: US$246,782,000), a 13.7% increase compared with last year. On the other hand, the number of returned containers disposed of during 2012 was 31,671 TEU (2011: 9,826 TEU). As a result, the revenue from sale of returned containers was US$42,606,000 (2011: US$18,245,000).

Cost of sales

Cost of sales mainly comprised depreciation charges on owned containers, net carrying amount of returned containers disposed of, rental expenses of sale-and-leaseback containers and operating expenses of the terminal companies with controlling stakes. Cost of sales in 2012 was US$420,218,000 (2011: US$340,141,000), a 23.5% increase compared with last year. Of this, cost of sales of terminal business was US$268,574,000 (2011: US$218,231,000), a 23.1% increase compared with last year. The increase was mainly attributable to a rise in the related cost of sales resulted from an increase in the throughput of terminals with controlling stakes. Besides, the commencement of operation of Xiamen Ocean Gate Terminal in May 2012 also caused an increase in the cost of sales during the year. Cost of sales of container leasing, management and sale businesses was US$151,658,000 (2011: US$121,918,000) in 2012, a 24.4% increase compared with last year. Of this, depreciation charges for containers increased to US$102,407,000 (2011: US$87,191,000) as a result of increased container fleet size. In addition, the net carrying amount of disposed returned containers increased to US$17,023,000 (2011: US$10,232,000) as a result of the increase in the number of returned containers sold during the year.

Administrative expenses

Administrative expenses in the year were US$91,919,000 (2011: US$89,323,000), a 2.9% increase compared with last year. In 2012, the Group further increased marketing efforts and enhanced research and project development, resulting in higher administrative expenses.

Other operating income, net

Net other operating income in 2012 was US$4,025,000 (2011: US$9,705,000), which included a net exchange loss of US$1,211,000 (2011: a net exchange gain of US$4,305,000).

Finance costs

The Group's finance costs in 2012 were US$77,263,000 (2011: US$58,419,000), a 32.3% increase compared with last year. Finance costs included interest expenses and the amortisation of transaction costs over bank loans and notes. The rise in finance costs was primarily due to an increase in the average balance of bank loans of the Group to US$2,300,291,000 (2011: US$2,076,681,000) during the year, a 10.8% increase compared with last year. In addition, the successive upward adjustment of the benchmark interest rate for RMB loans in the People's Republic of China ("PRC") last year was fully reflected in 2012, which, coupled with the higher cost of new loans in the displacement loans to the Group's subsidiary, Florens, also led to increased finance costs. In addition, Xiamen Ocean Gate Terminal commenced operation in May 2012. Its interest expenses were expensed-off once its berths and terminal equipment were ready for use and caused an increase in finance costs. Taking into account capitalised interest, the average cost of bank borrowings in 2012, including the amortisation of transaction costs over bank loans and notes, was 3.78% (2011: 3.27%).

Share of profits less losses of jointly controlled entities and associates

The net profit contribution from jointly controlled entities for 2012 amounted to US$96,461,000 (2011: US$96,638,000), representing a slight decrease of 0.2% compared with last year. Of this, the throughput of Qingdao Qianwan Terminal rose by 13.0% to 14,045,503 TEU (2011: 12,426,090 TEU) in 2012. The Group's share of profit of Qingdao Qianwan Terminal for the year increased to US$37,689,000 (2011: US$35,513,000), a 6.1% increase compared with last year. In addition, the throughput of Tianjin Euroasia Terminal rose by 26.3% to 1,705,667 TEU (2011: 1,350,962 TEU) in 2012. Tianjin Euroasia Terminal returned to profitability in 2012 and contributed a share of profit of US$1,020,000 (2011: loss of US$974,000). However, the throughput of Shanghai Pudong Terminal decreased by 9.9% to 2,151,297 TEU (2011: 2,388,156 TEU) in 2012. The Group's share of profit of Shanghai Pudong Terminal for 2012 was US$21,588,000 (2011: US$24,151,000), a 10.6% decrease compared with last year.

The share of net profit from associates for 2012 was US$126,577,000 (2011: US$179,290,000), a 29.4% decrease compared with last year. The decrease was mainly due to a 48.3% decrease in the profit from CIMC. In 2011, CIMC achieved record high earnings for its container business, which was attributable to abundant orders fully taking up its production capacity, coupled with rising prices. However, in 2012, the prolonged downturn in the global economy and the continued decline in investment and demand in the PRC showed adverse impact on the performance of CIMC. For CIMC, the first quarter was an off-season for containers, with weaker demand than usual. Despite relatively strong demand witnessed in the second and the third quarters, the results for the year decreased significantly compared with last year due to the exceptionally large base of last year. In addition, the weakened demand for containers in the fourth quarter compared with the second and the third quarters also contributed to a significant decrease of 48.3% in the share of profit of CIMC for 2012 to US$61,895,000 (2011: US$119,799,000).

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

To optimise the Group's terminal business structure, the Group completed the disposal of 50% equity interest in Qingdao Cosport Terminal on 28th April 2011, making a gain after tax of US$12,557,000 in 2011. No such gain was recorded in 2012.

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 Guangzhou South China Oceangate Terminal, the joint control of Guangzhou South China Oceangate Terminal expired on 31st December 2010. Accordingly, the Group has accounted for Guangzhou South China Oceangate Terminal as a subsidiary from 1st January 2011 and a gain of US$11,841,000 on release of exchange reserve was recorded last year. No such gain was recorded in 2012.

Income tax expenses

During the year, income tax expenses amounted to US$27,905,000 (2011: US$28,771,000). This included a provision of approximately US$15,403,000 (2011: US$20,808,000) mainly for withholding income tax in respect of the profit distribution by certain investments of the Group in the PRC.

Financial Position

Cash flow

Cash inflow of the Group remained steady in 2012. During the year, net cash from operating activities amounted to US$427,345,000 (2011: US$331,933,000). The Group borrowed bank loans of US$1,165,121,000 (2011: US$605,318,000) and repaid US$726,641,000 (2011: US$536,866,000) in 2012.

During the year, an amount of US$710,372,000 (2011: US$666,969,000) was paid in cash by the Group for the expansion of berths and purchase of property, plant and equipment, of which US$371,691,000 (2011: US$458,282,000) was for the purchase of containers. In addition, the total cash outflow for capital investment and shareholder's loan by the Group amounted to US$81,287,000 in 2012, mainly comprising US$45,000,000 for acquiring the equity interest in Cheer Dragon Investment Limited and its associate Kao Ming Terminal, US$29,732,000 used for capital injection in Ningbo Yuan Dong Terminal and US$6,049,000 used for providing a shareholder's loan by Piraeus Terminal to its jointly controlled entity, Piraeus Consolidation and Distribution Centre S.A.

Financing and credit facilities

As at 31st December 2012, the Group's total outstanding bank borrowings and cash balance amounted to US$2,601,697,000 (31st December 2011: US$2,167,994,000) and US$849,330,000 (31st December 2011: US$581,069,000) respectively. Banking facilities available but unused amounted to US$636,285,000 (31st December 2011: US$1,041,658,000).

Assets and liabilities

As at 31st December 2012, the Group's total assets and total liabilities increased to US$7,363,858,000 (31st December 2011: US$6,472,184,000) and US$3,146,465,000 (31st December 2011: US$2,592,025,000) respectively. Net assets were US$4,217,393,000, an increase of 8.7% as compared with that of US$3,880,159,000 as at the end of 2011. Notes with principal amount of US$300,000,000 will mature on 3rd October 2013. As such, net current liabilities of the Group recorded as at 31st December 2012 amounted to US$48,302,000 (31st December 2011: net current assets of US$50,698,000).

As at 31st December 2012, net asset value per share of the Company was US$1.51 (31st December 2011: US$1.43).

As at 31st December 2012, net debt-to-total equity ratio was 41.6% (31st December 2011: 40.9%), and the interest coverage was 5.9 times (2011: 8.3 times). As at 31st December 2012, certain of the Group's property, plant and equipment with an aggregate net book value of US$18,828,000 (31st December 2011: US$19,277,000) were pledged as securities against bank borrowings of US$197,858,000 (31st December 2011: US$130,682,000).

Debt analysis

	As at 31st December 2012 US$	As at 31st December 2012 (%)	As at 31st December 2011 US$	As at 31st December 2011 (%)
By repayment term				
Within the first year	**775,042,000**	**29.8**	594,524,000	27.4
Within the second year	**414,914,000**	**15.9**	732,863,000	33.8
Within the third year	**558,290,000**	**21.5**	328,158,000	15.1
Within the fourth year	**162,898,000**	**6.3**	48,307,000	2.2
Within the fifth year and after	**690,553,000**	**26.5**	464,142,000	21.5
	2,601,697,000*	**100.0**	2,167,994,000*	100.0
By category				
Secured borrowings	**197,858,000**	**7.6**	130,682,000	6.0
Unsecured borrowings	**2,403,839,000**	**92.4**	2,037,312,000	94.0
	2,601,697,000*	**100.0**	2,167,994,000*	100.0
By denominated currency				
US dollar borrowings	**1,621,148,000**	**62.3**	1,175,832,000	54.3
RMB borrowings	**782,691,000**	**30.1**	861,480,000	39.7
Euro borrowings	**197,858,000**	**7.6**	130,682,000	6.0
	2,601,697,000*	**100.0**	2,167,994,000*	100.0

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

Financial guarantee contracts

As at 31st December 2012, the Group provided guarantees on a loan facility granted to an associate of US$24,428,000 (31st December 2011: US$27,513,000).

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$7,700,000) 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 and pronounced judgment on the case and has dismissed the aforementioned statement of claim in its entirety both as regards the Company and as regards Piraeus Terminal, and has awarded to the Company and Piraeus Terminal part of the legal expenses in the amount of Euro 30,000 (equivalent to approximately US$40,000) against the plaintiff (ADK). The plaintiff has filed an appeal against the judgment of the Court of First Instance of Athens according to Greek procedural law. The hearing of this appeal before the Court of Appeals of Athens has been re-scheduled from 13th November 2012 to 26th November 2013 due to the strike called by the Association of the Justices of the Greek courts. 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 dollar, 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 2012, outstanding interest rate swap contracts comprised nominal principal amounting to US$200,000,000 (31st December 2011: 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 2011: 105 basis points to 116 basis points) above 6-month US dollar LIBOR in return for receiving interests from the banks at a fixed interest rate of 5.875% per annum (31st December 2011: 5.875%).

As at 31st December 2012, after adjustment of the fixed rate borrowings for the interest rate swap contracts, 3.8% (31st December 2011: 4.6%) of the Group's total borrowings were in fixed rate. 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.

Events after the balance sheet date

(a) On 24th January 2013, CP Finance (2013), a wholly owned subsidiary of the Company and as the Issuer, and the Company entered into a subscription agreement with BOCI Asia Limited, Deutsche Bank AG, Singapore Branch, J.P. Morgan Securities plc and UBS AG, Hong Kong Branch (as the joint bookrunners and the joint lead managers) in relation to an international offering of US$300,000,000 4.375% guaranteed notes due 2023 to be issued by the Issuer and guaranteed by the Company. The net proceeds from the issuance of the Guaranteed Notes will be used primarily for the capital investment for the expansion of the Group's terminal and container leasing businesses, the repayment of the Group's existing indebtedness and general corporate purposes. The Guaranteed Notes were successfully issued on 31st January 2013.

(b) On 24th January 2013, the Group entered into an equity transfer agreement to acquire 39.04% equity interest in Taicang Terminal from COSCO, the ultimate controlling shareholder of the Company. Consideration for the acquisition is approximately RMB323,109,000 (equivalent to approximately US$51,400,000). The completion of the acquisition is subject to the satisfaction of certain conditions precedent as specified in the agreement.

(c) On 25th February 2013, Xiamen Ocean Gate Terminal, a subsidiary terminal of the Group, entered into an equity transfer agreement with its non-controlling shareholder, Xiamen Haicang Investment Group Co., Ltd., to acquire 100% equity interest in Xiamen Haitou Tongda Terminal. Consideration for the acquisition is RMB205,864,000 (equivalent to approximately US$32,800,000). The completion of the acquisition is subject to the satisfaction of certain conditions precedent as specified in the agreement.

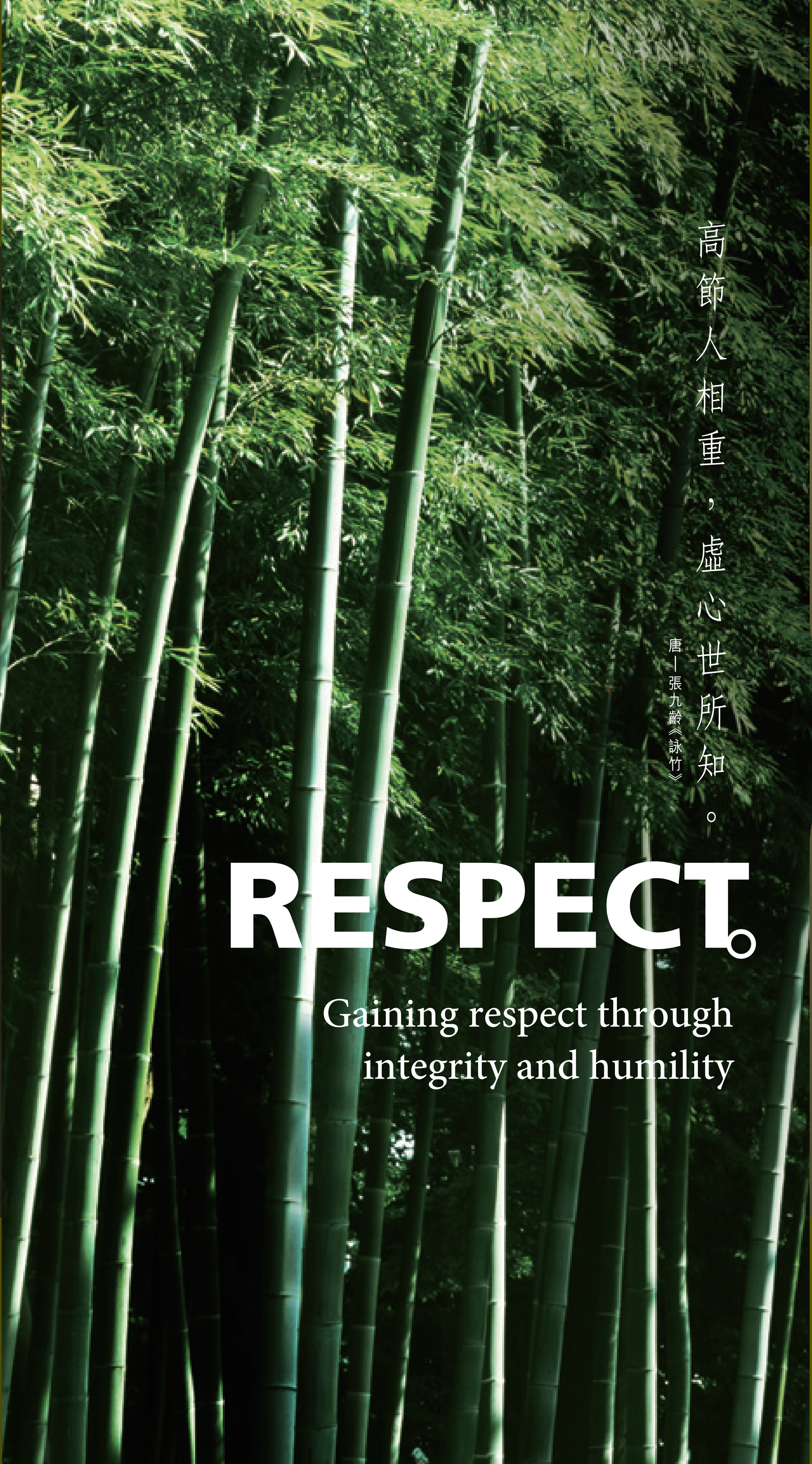
COSCO Pacific believes that maintaining high standards of conduct is the only way to gain the respect of the market.

We provide the best service to our clients, adhere to best practices in corporate governance, and support processes and policies which protect and improve the environment.

We care about the community, value our talents, welcome opinions and give opportunities to staff with potential.

We value sustainable development and are adopting ever stricter disclosure practices.

Our relentless efforts over the years have earned us awards in numerous areas of governance and the respect of stakeholders.



高節人相重，虛心世所知。

唐—張九齡《詠竹》

RESPECT

Gaining respect through
integrity and humility

CORPORATE SUSTAINABLE DEVELOPMENT

Environmental Protection

COSCO Pacific upholds measures and policies on environmental protection and improvement. We take into account environmental protection during the course of our business development. We are committed to implementing the philosophy of environmental management in our business operations and promoting awareness of environmental protection in employee activities, with a view to minimising the impact of our daily operation on the environment. For example, the Group encourages and supports its subsidiary terminals to invest in technical renovation such as substituting fuel-powered equipment with electrical equipment or adopting new technologies for the purpose of reducing carbon emissions and pollution, thereby improving the environment.

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. For example, the Group's terminals along the coast of Fujian Province and the Yangtze River Basin hold activities to enhance interaction with the local communities and make donations to local schools and social service organisations, contributing to the development of harmonious communities.

Employee-oriented Philosophy

As at 31st December 2012, COSCO Pacific had a total of 3,142 employees.

COSCO Pacific values employees as its most valuable asset and is devoted to building a team of dedicated staff in pursuit of excellence. The expansion of the Group's businesses has opened up valuable and sustainable career development opportunities for its employees. Dedicated to creating a harmonious working environment, the Group arranges a wide range of training programmes designed to enhance the management skills and professionalism of its staff. In 2012, the Group focused on improving its incentive scheme, optimising its employee assessment system and implementing an internal job rotation scheme to enhance talent development and bring the potential of its staff into full play. The Group encourages its employees to pursue further education and organises training of various kinds. The Group also arranges an array of activities to promote integration of different cultures, in an effort to create a harmonious working environment which enhances the overall quality and cohesion of staff.

In order to provide employees with a safe working environment, the Group has launched a "Production Safety Month" campaign in its terminals to raise the awareness of occupational health and safety among its employees through safety education and drills. In addition, the Group has improved its safety management system and allocated resources to provide staff with comprehensive safety and health protection.

Corporate Culture

The Group is committed to developing a harmonious and inclusive corporate culture that pursues excellence, with a view to giving momentum to sustainable corporate development. The Corporate Culture Department has been established under COSCO Pacific (China) Investments Co., Ltd., a subsidiary of the Company, for the purpose of developing corporate culture. In 2012, the Company renovated its website to showcase its business development. The Company has also enriched the contents of its corporate magazine "COSCO PACIFIC" to provide staff with a platform for learning and communication.

Commitment to Better Sustainable Development

According to the Index Review Results announced by Hang Seng Indexes Company Limited on 10th August 2012, COSCO Pacific was included as a constituent of the Hang Seng Corporate Sustainability Benchmark Index, with effect from 10th September 2012. This reflects the market recognition for the Company's efforts in corporate governance, environmental protection, community care and employee relations.

The Company will further optimise its sustainable development strategy, and focus on environmental, social and administrative aspects which have significant influence on the Company's business, to support its development strategy. We will set the direction for development, establish a system for the measurement of progress, and integrate sustainable development into the daily management of COSCO Pacific, while enhancing the communication with stakeholders.

INVESTOR RELATIONS

COSCO Pacific has always regarded investor relations as an important aspect of corporate governance. As such, our investor relations team aims to provide an efficient two-way communication channel between senior management and investors. In addition, we release accurate information in a timely manner, according to standards higher than those of the disclosure regulations governing the Company's listing.

We respond promptly to investors' enquiries and organise planned regular communications such as investor meetings, panel discussions and presentations. This helps ensure that 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 movements and market perceptions of the Company, issues of concern to investors and changes to regulations or compliance requirements, as well as international best practice in investor relations.

The Company conducts analysis on shareholder 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 2012, to keep interested parties fully aware of our performance, strategies and outlook for the business, we conducted press conferences, panel discussions with analysts, teleconferencing, lunch meetings and roadshows.

During the year, we have met investors and related parties 500 man-times, among which fund managers accounted for 59%, analysts accounted for 17%, investment banks accounted for 12%, and media accounted for 12%. During the year, we conducted 13 roadshows and arranged nine 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.

To understand COSCO Pacific better, the Company's annual report is the essential reference for shareholders and investors. Every year, COSCO Pacific spares no effort in preparing the annual report. Our 2011 annual report was well accepted among international professionals, as

January
- Participated in "10th Annual DB Access China Conference 2012" held by Deutsche Bank

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

April
- 2012 first quarter results announcement on a voluntary basis
- Singapore results roadshow
- Participated in "6th Shipping and Port Conference" held by The Hongkong and Shanghai Banking Corporation Limited

May
- Participated in "17th China Forum" held by CLSA Research Limited

June
- Participated in "Asian Transport Conference" held by UBS Securities Co. Limited

July
- Participated in "Corporate Day" held by Barclays Capital Asia Limited

August
- Released 2012 interim results announcement, and held press conference and analyst panel discussion
- Hong Kong results roadshow

September
- Participated in "16th Annual Asia Pacific Equity Conference" held by J.P. Morgan Securities (Asia Pacific) Limited
- Participated in "Investors' Forum 2012" held by CLSA Research Limited

October
- 2012 third quarter results announcement on a voluntary basis

November
- Participated in "Greater China Investor Conference" held by Citigroup Global Markets Asia Limited
- Participated in "AP Industrials, Infrastructure & Transportation Corporate Day" held by Macquarie Capital Securities Limited

December
- Participated in "Asia Infrastructure Corporate Access Day" held by J.P. Morgan Securities (Asia Pacific) Limited

evidenced by the awards gained in the 2012 ARC Awards. Among the shortlisted shipping services companies, our 2011 annual report was granted the Gold award in "Written Text" category as well as an honorary title in the "Overall Annual Report" category.

Adding to a wider capital market engagement, COSCO Pacific's continuous efforts towards investor relations also gained wide recognition. During the year, the Group was once again named "Best Investor Relations Company" by Corporate Governance Asia magazine.

These awards represented stakeholder approval of the efforts of the investor relations team, together with the senior management. COSCO Pacific's investor relations team will continue to enhance communications between the capital markets and the Company, heighten the level of information disclosure and strive for COSCO Pacific to be regarded by investors as one of the most trusted listed companies in the capital markets.

One-on-one meetings 2012

	People	Percentage of total
Fund managers	294	59%
Securities houses (including analysts and brokers)	86	17%
Investment banks	58	12%
Media	62	12%
Total	**500**	**100%**

Market capitalisation

At 31st December	2008	2009	2010	2011	**2012**
Closing price (HK$)	7.91	9.93	13.54	9.07	**11.04**
Market capitalisation (in HK$ million)	17,758	22,467	36,714	24,596	**30,758**

Share price performance

(HK$)	**2012**	2011
Highest	**13.06**	17.16
Lowest	**8.82**	7.52
Average	**10.77**	12.46
Closing price on 31st December	**11.04**	9.07
Monthly average trading volume (shares)	**125,580,134**	208,494,793
Monthly average trading value	**1,354,888,966**	2,630,254,596
Total number of shares issued (shares)	**2,786,052,002**	2,711,783,573
Market capitalisation on 31st December	**30,758,014,000**	24,595,877,000

Source: Bloomberg

Analyst Coverage

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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
Kao Ming Container Terminal Corp.	Kao Ming Terminal
Nanjing Port Longtan Container Co., Ltd.	Nanjing Longtan Terminal
Ningbo Yuan Dong Terminals Limited	Ningbo Yuan Dong Terminal
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
Taicang International Container Terminal Co., Ltd.	Taicang Terminal
Tianjin Five Continents International Container Terminal Co., Ltd.	Tianjin Five Continents Terminal
Tianjin Port Euroasia International Container Terminal Co., Ltd.	Tianjin Euroasia Terminal
Xiamen Ocean Gate Container Terminal Co., Ltd.	Xiamen Ocean Gate Terminal
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 2012, the Company continued to earn market recognition from different stakeholders for its high levels of transparency and corporate governance. The Company is included as a constituent of the Hang Seng Corporate Sustainability Benchmark Index, effective from 10th September 2012. In 2012, the Company was awarded "Shipping In-House Team of the Year" by *Asian Legal Business*, a renowned magazine for the legal profession and other recognition awards, including "The Asset Corporate Award 2012, Gold Award, Transport sector" by *The Asset* magazine, "Corporate Governance

Asia Recognition Award" for the sixth consecutive year and "Best Investor Relations Company" in "Asian Excellence Recognition Awards" for the second consecutive year by *Corporate Governance Asia* magazine, "Most Reliable Global Shipping Group of the Year" by the business magazine *Mediazone Group*, "Outstanding China Enterprise Award" by *Capital* magazine and "Hong Kong Outstanding Enterprise" for the eighth consecutive year by *Economist Digest* magazine. Meanwhile, the 2011 annual report of the Company was recognised with a "Gold Award for Written Text" and an "Honors for Overall Annual Report" in the shipping services category in the 2012 ARC Awards. Besides, Piraeus Terminal received the "Piraeus International Centre Award" in "Greek Shipping Awards 2012" organised by *Lloyd's List*, a renowned magazine addressing the shipping industry.

Corporate Governance Practices

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

On 1st April 2012, the Former Corporate Governance Code was amended and renamed as the Corporate Governance Code and Corporate Governance Report (the "Corporate Governance Code"). In March 2012, the Board approved the adoption of the Corporate Governance Code with immediate effect.

The Company's corporate governance practices are in compliance with the Former Corporate Governance Code as well as the Corporate Governance Code. The Company also refers to 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 2012, it has complied with the code provisions of the Former Corporate Governance Code for the period from 1st January 2012 to 31st March 2012 and the Corporate Governance Code for the period from 1st April 2012 to 31st December 2012, except for a deviation from the code provision A.6.7 of the Corporate Governance Code which provides that independent non-executive directors and other non-executive directors, as equal board members as other directors, should attend general meetings of the company. Due to business commitment, Mr. WAN Min, a non-executive director of the Company, was unable to attend the annual general meeting and the special general meeting of the Company held on 17th May 2012 and 29th November 2012 respectively.

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

Code provision A.1.8

The code provision A.1.8 of the Corporate Governance Code provides that a listed company should arrange appropriate insurance coverage for directors. The Company has made appropriate arrangement for liability insurance to indemnify its directors for their liabilities arising out of corporate activities. The insurance coverage 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 Corporate Governance Code provide that a listed company should establish a nomination committee with its terms of reference. The Company established its Nomination Committee in 2005, long before the implementation of the relevant code provisions. Details of the composition and terms of reference of the Nomination Committee are set out under the section titled "Nomination Committee" below.

In order to promote transparency, the Company would conduct a review, from time to time, of the extent to which the Company would comply with the recommended best practices in the Corporate Governance Code. The following is a major recommended best practice in the Corporate Governance Code with which the Company continued to comply during the year ended 31st December 2012:

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 25th April 2012 and 25th October 2012, published announcements of its first and third quarterly results respectively on a voluntary basis. The Company considers the publication of the quarterly results a regular compliance practice.

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

Board of Directors

Board functions and responsibilities of Directors

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

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

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

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

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

All newly appointed directors undergo a comprehensive programme which includes management presentations on the Group's businesses 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 inside information and disclosure obligations of a listed company under the Listing Rules. The programme and package are updated whenever there are changes in relevant laws and regulations from time to time and on a regular basis.

Board composition

As at 26th March 2013 (the date on which the Board approved this report), the Board consisted of fifteen members. Among them, six are executive directors, four are non-executive directors and five are independent non-executive directors, including Mr. LI Yunpeng[2] (Chairman), Dr. WANG Xingru[1] (Vice Chairman and Managing Director), Mr. WAN Min[2], Mr. FENG Jinhua[1], Mr. FENG Bo[1], Mr. WANG Haimin[2], Mr. WANG Wei[2], Mr. TANG Runjiang[1], Dr. WONG Tin Yau, Kelvin[1], Mr. YIN Weiyu[1], Mr. CHOW Kwong Fai, Edward[3],

Mr. Timothy George FRESHWATER[3],
Dr. FAN HSU Lai Tai, Rita[3],
Mr. Adrian David LI Man Kiu[3] and
Mr. IP Sing Chi[3].

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

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

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 them, upon reasonable request, to seek independent professional advice, at the Company's expense, in appropriate circumstances. No request was made by any director for such independent professional advice in 2012.

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 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 senior management to achieve the Group's objectives. The division of responsibilities between the Chairman and the Managing Director is clearly established and set out in writing.

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

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

Each of the non-executive directors and independent non-executive directors has signed an appointment letter with the Company 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.

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.

Mr. Adrian David LI Man Kiu, an independent non-executive director of the Company, is the son of Dr. LI Kwok Po, David, a former independent non-executive director of the Company. Accordingly, Mr. Adrian David LI Man Kiu is connected with a director of the Company within two years immediately prior to the date of his proposed appointment as an independent non-executive director under Rule 3.13(6) of the Listing Rules. Save as disclosed above. Mr. Adrian David LI Man Kiu meets all the other independence factors set out in Rule 3.13. Taking into account that Dr. LI Kwok Po, David was an independent non-executive director of the Company, the Board considered Mr. Adrian David LI Man Kiu independent.

Board meetings

The Board held four regular Board meetings during the financial year ended 31st December 2012 at quarterly intervals. Two additional Board meetings were also held as required. The average attendance rate was 86.55%. Amongst these six meetings, four were held to approve the 2011 final results, 2012 interim results and 2012 first and third quarterly results of the Company, one to consider new investment opportunities and review the strategy and business direction, as well as the financial and operational performance of the Group, and one to approve the change of Chairman of the Board and change of directors of the Company. As the members of the Board are either in Hong Kong or in mainland China, all of these meetings were conducted by video and/or telephone conference as allowed under the Bye-laws of the Company. The Financial Controller and the General Counsel & Company Secretary also attended the Board meetings to report matters arising from corporate governance, risk management, statutory compliance, accounting and financial aspects.

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

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

Set out below are the details of all directors' attendance at the Board meetings and general meetings during the financial year ended 31st December 2012 which illustrate the attention given by the directors in overseeing the Company's affairs and understanding shareholders' views:

Attendance of Individual Members at Board Meetings and General Meetings

Name of Directors	No. of Board meetings attended/ held in the financial year 2012	Attendance rate of Board meetings (%)	No. of general meetings attended/ held in the financial year 2012	Attendance rate of general meetings (%)
Directors				
Mr. LI Yunpeng[2] (Chairman) (appointed on 24th February 2012)	5/5	100	2/2	100
Dr. WANG Xingru[1] (Vice Chairman and Managing Director)	6/6	100	2/2	100
Mr. WAN Min[2]	4/6	66.67	0/2	0
Mr. HE Jiale[1] Note	5/6	83.33	2/2	100
Mr. FENG Jinhua[1]	6/6	100	2/2	100
Mr. FENG Bo[1] (appointed on 24th February 2012)	5/5	100	2/2	100
Mr. WANG Haimin[2]	3/6	50	2/2	100
Mr. WANG Wei[2] (appointed on 24th February 2012)	5/5	100	2/2	100
Dr. WONG Tin Yau, Kelvin[1]	6/6	100	2/2	100
Mr. YIN Weiyu[1]	6/6	100	2/2	100
Mr. CHOW Kwong Fai, Edward[3]	6/6	100	2/2	100
Mr. Timothy George FRESHWATER[3]	5/6	83.33	2/2	100
Dr. FAN HSU Lai Tai, Rita[3]	6/6	100	2/2	100
Mr. Adrian David LI Man Kiu[3] (elected on 17th May 2012)	2/2	100	1/1	100
Mr. IP Sing Chi[3] (appointed on 7th November 2012)	0/0	N/A	1/1	100
Ex-directors				
Mr. XU Lirong[2] (resigned on 24th February 2012)	0/2	0	0/0	N/A
Mr. WANG Zenghua[1] (resigned on 24th February 2012)	0/2	0	0/0	N/A
Mr. GAO Ping[2] (resigned on 24th February 2012)	1/2	50	0/0	N/A
Dr. LI Kwok Po, David[3] (retired on 17th May 2012)	4/4	100	1/1	100

1 Executive Director

2 Non-executive Director

3 Independent Non-executive Director

Note: Mr. HE Jiale resigned and Mr. TANG Runjiang was appointed as an executive director of the Company on 21st March 2013.

During the financial year ended 31st December 2012, a meeting of the Chairman and the non-executive directors (including independent non-executive directors) without presence of the executive directors was held pursuant to code provision A.2.7 of the Corporate Governance Code.

Appointment, re-election and removal of Directors

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

Details of the selection process of new directors and a summary of work performed by the Nomination Committee in 2012 are set out under the "Nomination Committee" section below.

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

Directors' commitment

The Company has received confirmation from all directors that they have given sufficient time and attention to the affairs of the Company during the financial year ended 31st December 2012. Directors have also disclosed to the Company the number and nature of offices held in public companies or organisations and other significant commitments, as well as the identity of said public companies and an indication of time involvement in them.

Directors are reminded to participate in continuous professional development to ensure that they have a proper understanding of the Company's operations and business and are fully aware of their responsibilities under the Listing Rules and other applicable laws and regulations. During the financial year ended 31st December 2012, directors participated in various training programmes and seminars at the Company's expense. Set out below are the details of all directors' participation in continuous professional development programmes during the financial year ended 31st December 2012:

Directors' Participation in Continuous Professional Development Programmes in 2012

Name of Directors	Reading regulatory updates	Making visits to management of the Company and its subsidiaries and/or on-site visits	Attending directors' training organised by the Company or other listed companies/professional organisations
Mr. LI Yunpeng[2] (Chairman) (appointed on 24th February 2012)	√	√	√
Dr. WANG Xingru[1] (Vice Chairman and Managing Director)	√	√	√
Mr. WAN Min[2]	√	√	√
Mr. HE Jiale[1] Note 1	√	√	√
Mr. FENG Jinhua[1]	√	√	√
Mr. FENG Bo[1] (appointed on 24th February 2012)	√	√	√
Mr. WANG Haimin[2]	√	√	√
Mr. WANG Wei[2] (appointed on 24th February 2012)	√	√	√
Dr. WONG Tin Yau, Kelvin[1]	√	√	√
Mr. YIN Weiyu[1]	√	√	√
Mr. CHOW Kwong Fai, Edward[3]	√	√	√
Mr. Timothy George FRESHWATER[3]	√	√	√
Dr. FAN HSU Lai Tai, Rita[3]	√	√	√
Mr. Adrian David LI Man Kiu[3] (elected on 17th May 2012)	√	√	√
Mr. IP Sing Chi[3] (appointed on 7th November 2012)	√	√	√

1 Executive Director

2 Non-executive Director

3 Independent Non-executive Director

Note 1: Mr. HE Jiale resigned and Mr. TANG Runjiang was appointed as an executive director of the Company on 21st March 2013.

Note 2: Training regarding directors' duties of listed companies and presentations on the Company's businesses and financial information were provided to all the new directors appointed in 2012.

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 for the senior management and relevant employees of the Company in respect of their dealings in the securities of the Company on no less exacting terms than the Model Code. A committee comprising the Chairman, the Vice Chairman and Managing Director and a Deputy Managing Director was set up to deal with such transactions.

Specific confirmation has been obtained from directors and senior management regarding their compliance with the Model Code and the aforementioned guidelines in 2012. No incidents of non-compliance were noted by the Company in 2012.

General Counsel & Company Secretary

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 continuous professional development programmes for directors.

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

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

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

Delegation by the Board

Management functions

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

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

Board committees

To assist the Board in the execution of its duties and to facilitate effective management, certain functions of the Board have been delegated by it 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 a defined scope of duties and terms of reference, and committee members are empowered to make decisions on matters within the terms of reference of each committee.

These committees have the authority to examine particular issues and report to the Board with their recommendations, where appropriate. The ultimate authority for the final decision on all matters, however, lies with the Board.

The terms of reference of the Board committees, setting out their roles and the authority delegated to them by the Board, have been posted on the Company's website at www.coscopac.com.hk. The terms of reference will be revised when appropriate. It is the Company's policy to ensure that the committees are provided with sufficient resources to discharge their duties. They have regular, scheduled meetings every year and report to the Board on a regular basis. All businesses transacted at committee meetings are meticulously 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 the executive directors of the Company who are from time to time in Hong Kong. The purpose of this committee is to facilitate the daily operations of the Company. As most of the directors of the Company are fully engaged in their major responsibilities and/or stationed in different cities such as Beijing, Shanghai and Hong Kong, it may be practically difficult and inconvenient to convene full Board meetings or arrange for all directors to sign written resolutions on a frequent basis. Hence, the Board delegates powers to the Executive Committee to conduct and supervise the business of the Company and its staff.

During the year ended 31st December 2012, the Executive Committee held a total of 31 meetings. All the matters considered and decided by the Executive Committee at the committee meetings have been recorded in detailed minutes. A committee member presents a summary report on the businesses transacted at the Executive Committee meetings to the Board at Board meetings. All directors of the Company can inspect the minutes of the committee meetings at any time and upon request, 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 2012, four meetings were held and the average attendance rate was 90%.

The key matters deliberated on by the Audit Committee in 2012 included:

- reviewed the accounting principles and practices adopted by the Group and other financial reporting matters

- reviewed the draft annual, interim and quarterly results announcements and the draft annual report and interim report of the Company and assuring the completeness, accuracy and fairness of the financial statements of the Company

- reviewed the results of the external audit and discussed significant findings and audit issues with the external auditors

- reviewed the internal audit plan and internal audit reports
- reviewed the summary of continuing connected transactions of the Company on a quarterly basis
- discussed the effectiveness of the systems of internal controls throughout the Group, including financial, operational and compliance controls, and risk management policies and systems established by the management
- reviewed arrangements for employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters

Attendance of Individual Members at Audit Committee Meetings

Name of Members	No. of meetings attended/held in the financial year 2012	Attendance rate (%)
Members		
Mr. CHOW Kwong Fai, Edward[1] (Chairman)	4/4	100
Mr. Timothy George FRESHWATER[1]	4/4	100
Dr. FAN HSU Lai Tai, Rita[1]	4/4	100
Mr. Adrian David LI Man Kiu[1] (appointed on 17th May 2012)	2/2	100
Ex-member		
Dr. LI Kwok Po, David[1] (retired on 17th May 2012)	1/2	50

[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 who are independent non-executive directors of the Company.

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

When formulating remuneration packages (which comprise salaries, bonus, benefits in kind, etc.), the Remuneration Committee considers several factors such as salaries paid by comparable companies, time commitment, job responsibilities, the performance of the individual and the performance of the Company. The Remuneration Committee also reviews and approves 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 2012:

- reviewed and made recommendations to the Board on the remuneration packages of individual executive directors and senior management
- reviewed and made recommendations to the Board on the remuneration of new Chairman of the Board, executive directors, non-executive directors, and independent non-executive directors

Attendance of Individual Members at Remuneration Committee Meetings

Name of Members	No. of meetings attended/held in the financial year 2012	Attendance rate (%)
Members		
Dr. FAN HSU Lai Tai, Rita[1] (Chairman)	5/5	100
Mr. CHOW Kwong Fai, Edward[1]	5/5	100
Mr. Adrian David LI Man Kiu[1] (appointed on 17th May 2012)	1/1	100
Dr. WANG Xingru[2]	5/5	100
Mr. ZHU Lizhi	5/5	100
Ex-member		
Dr. LI Kwok Po, David[1] (retired on 17th May 2012)	4/4	100

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

The key components of the Company's remuneration package include basic salary plus other allowances, discretionary cash bonus and mandatory provident fund. The cash bonus is tied to the performance of individual 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 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 appointments and re-elections.

During 2012, 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
- made recommendations to the Board on matters relating to the appointment and change of senior management and Board committee members
- conducted an annual review of the independence of the independent non-executive directors

All new appointments of directors and nomination of directors proposed for re-election at the annual general meeting are first considered by the Nomination Committee and are then recommended by the Nomination Committee to the Board for decision. New directors appointed by the Board are subject to re-election by shareholders at the next following general meeting (in the case of filling a casual vacancy) or annual general meeting (in the case of an addition to the Board) pursuant to the Bye-laws of the Company.

In early 2013, the Nomination Committee nominated and the Board recommended that Mr. FENG Jinhua, Mr. WANG Haimin, Dr. WONG Tin Yau, Kelvin and Mr. CHOW Kwong Fai, Edward, being directors longest in office since their last re-election, retire by rotation and Mr. IP Sing Chi and Mr. TANG Runjiang who were appointed as directors by the Board with effect from 7th November 2012 and 21st March 2013 respectively, retire at the forthcoming annual general meeting. All the retiring directors, being eligible, will offer themselves for re-election by shareholders of the Company.

During 2012 and in March 2013, Mr. LI Yunpeng, Mr. FENG Bo, Mr. WANG Wei, Mr. TANG Runjiang and Mr. IP Sing Chi were appointed as directors of the Company. In considering the new appointments of directors, the Nomination Committee assessed the candidates on criteria such as integrity, independent mindedness, experience, skill and ability to commit time and effort to carry out their duties and responsibilities effectively, etc., and made recommendations to the Board for approval.

Attendance of Individual Members at Nomination Committee Meetings

Name of Members	No. of meetings attended/held in the financial year 2012	Attendance rate (%)
Members		
Mr. Adrian David LI Man Kiu[1] (Chairman) (appointed on 17th May 2012)	2/2	100
Mr. CHOW Kwong Fai, Edward[1]	5/5	100
Dr. FAN HSU Lai Tai, Rita[1]	5/5	100
Dr. WANG Xingru[2]	5/5	100
Ex-member		
Dr. LI Kwok Po, David[1] (retired on 17th May 2012)	3/3	100

[1] Independent Non-executive Director

[2] Executive Director, Vice Chairman and Managing Director

5. Corporate Governance Committee

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

In early 2013, the Corporate Governance Committee performed the following in relation to a review of the corporate governance framework of the Company:

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

Attendance of Individual Members at Corporate Governance Committee Meetings

Name of Members	No. of meetings attended/held in the financial year 2012	Attendance rate (%)
Members		
Dr. WONG Tin Yau, Kelvin[1] (Chairman)	4/4	100
Ms. HUNG Man, Michelle	4/4	100
Mr. DING Weiming	4/4	100
Mr. HUANG Chen (appointed on 13th June 2012)	3/3	100
Mr. FAN Chih Kang, Ken	4/4	100
Ms. LIU Mei Wan, May	4/4	100
Ex-member		
Mr. ZHANG Jie (resigned on 13th June 2012)	0/1	0

[1] Executive Director

6. Investment and Strategic Planning Committee

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

Attendance of Individual Members at Investment and Strategic Planning Committee Meetings

Name of Members	No. of meetings attended/held in the financial year 2012	Attendance rate (%)
Members		
Dr. WANG Xingru[1] (Chairman)	4/4	100
Mr. YIN Weiyu[2]	4/4	100
Mr. CHAN Hang, Ken	4/4	100
Mr. QIU Jinguang	4/4	100
Mr. DING Weiming	4/4	100
Mr. HUANG Chen (appointed on 13th June 2012)	3/3	100
Mr. XU Jian	2/4	50
Mr. ZHANG Wei	4/4	100
Mr. HUNG Chun, Johnny	4/4	100
Mr. FAN Chih Kang, Ken	4/4	100
Ex-member		
Mr. ZHANG Jie (resigned on 13th June 2012)	1/1	100

[1] Executive Director, Vice Chairman and Managing Director

[2] 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 2012	Attendance rate (%)
Members		
Mr. YIN Weiyu[1] (Chairman)	4/4	100
Mr. QIU Jinguang	3/4	75
Ms. HUNG Man, Michelle	4/4	100
Mr. DING Weiming	2/4	50
Mr. HUANG Chen (appointed on 13th June 2012)	3/3	100
Mr. LI Jie (appointed on 6th February 2012)	3/4	75
Mr. XU Jian	0/4	0
Mr. FAN Chih Kang, Ken	4/4	100
Ex-members		
Mr. SHI Jingmin (resigned on 6th February 2012)	0/0	N/A
Mr. ZHANG Jie (resigned on 13th June 2012)	0/1	0

[1] Executive Director

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 119 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 its financial statements, the Group uses appropriate accounting policies that are consistently applied, and that all applicable accounting standards are followed.

Accounting Records

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

Safeguarding Assets

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

Internal control

The Group has in place an internal control system that has been set up within the areas of the Group's control environment, risk areas, control and monitoring activities, and information and communication. The internal control system makes reference to the COSO framework developed by the Committee of Sponsoring Organizations of the Treadway Commission 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 achieve the Group's objectives and identify discrepancies so that corrective actions can be taken in an efficient manner.

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

The Board is ultimately responsible for the effectiveness of the internal control and risk management system. The Board has delegated to the Risk Management Committee the task of assisting the Board to identify and minimise the operational risks of the Company, to set the direction for the Group's risk management strategy and to strengthen the Group's risk management system. The Risk Management Committee monitored, reviewed and discussed the results of internal control and risk management assessment for the year on a regular basis. Moreover, the Audit Committee assists the Board to review the effectiveness of the internal control and risk management system twice a year by reviewing the underlying mechanism and functioning of the Group's internal control system and sharing its opinion with the Board as to the system's effectiveness. In 2012, 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 2012, 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. The Board and the Audit Committee of the Company have conducted an annual review of the adequacy of resources, staff qualifications and experience, training programmes and budget of the accounting and financial reporting function of the Company.

Risk Assessment

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

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 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 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 for the containers will be affected by economic downturns and market fluctuations. Such unfavorable market factors increase the asset impairment risk related to containers.

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

The 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

The Group has been investing in mainland China and overseas. These new investments may be exposed to various foreign legal and regulatory regimes which involve different levels of transparency and compliance. Where necessary, the Group has requested independent professional advice on compliance matters from legal firms 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 to satisfy diverse legal and regulatory requirements in a multitude of jurisdictions inevitably exposes the Group to compliance risk.

The Group is continuously expanding its business partnership network for 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, an intermediate holding company of the Company, (2) COSCO, (3) the Maersk Group and (4) various port authorities, which are respectively regarded as connected persons of the Group under the Listing Rules.

By the very nature of the Group's business activities, transactions with these connected persons are inevitable. However, since the Company cannot fully ascertain the corporate structure of all companies (especially those companies outside the Group), the identification of connected persons and the updating of an exhaustive list of connected persons is extremely difficult, and the volume of such transactions may expose the Group to compliance risk 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 are 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 changing operational behaviour and regards the internal control system as an early warning mechanism designed to trigger a quick response. Monitoring and control procedures are derived therefrom.

The Group's risk assessment procedures involve consideration of the entire organisation. Attention is paid to all kinds of major relationships and their correlations, including situations of fraud, going concern and internal and external reporting, and whether accounting tasks were performed in accordance with generally accepted accounting principles, among others. When risks are identified, existing controls are examined to determine if there has been a failure in control, and if so, to determine the reason for such 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. Reports on the variance between actual performance and targets are prepared, analysed and explained. Appropriate actions are also taken to rectify the identified deficiencies, if necessary. This helps the management of the Group to monitor business operations closely and enables the Board to formulate and, if necessary, revise strategic plans in a timely and prudent manner.

5. The Group places great importance on internal audit functions. The internal audit's roles include assisting management and the Audit Committee to ensure the Group maintains an effective system of internal control and a high standard of governance by reviewing all aspects of the Group's activities with unrestricted right of access and conducting comprehensive audits of all practices and procedures on a regular basis. The scope of the 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 the risk management system;
   - Monitoring the operational efficiency, as well as the appropriateness and efficiency with which resources are employed;
   - Evaluating the reliability and integrity of financial and operating information reporting systems;
   - Ensuring that findings and recommendations arising from the internal audit are communicated to the management and monitoring the implementation of 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 to be 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 the internal audit to the Audit Committee. This reporting structure allows the Internal Auditor to stay independent and effective.

As in previous years, the internal audit function adopted a risk-based auditing approach based on the COSO framework and the requirements laid down by the Hong Kong Institute of Certified Public Accountants, considering 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 2012. Internal audits were carried out on all significant business units in the Group, a total of 22 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 2012 has been completed. All areas of concern reported by the Internal Auditor were monitored by management until appropriate corrective measures were taken or implemented.

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

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

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

Major Financial Risk Measures

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

- To maintain a certain leverage level for funding requirements in respect of daily operation, investments and capital expenditure, the Group adopts prudent liquidity risk management practices 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 its capital on the basis of the gearing ratio. The Group may adjust the amount of dividend paid out, return capital to shareholders, issue new shares or capital or sell assets to reduce debts in order to maintain or adjust the capital structure when the need arises.

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

- The Group currently does not have a written foreign currency hedging policy. However, the Group monitors and controls foreign exchange risk by conducting borrowings in currencies that match as far as possible the functional currency used for transacting the Group's major cash receipts and underlying assets. Borrowings for the container leasing business are conducted mainly in US dollars, which match 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 with safeguarding cash and capital, it mainly co-operates with banks of high reputation and seldom engages in high risk businesses. The Group places tight control measures over the management of accounts, addresses the operational need to create, operate or close a bank account and ensures that every detail of the approval and procedures are 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 conducted half yearly to mitigate non-compliance and enhance effectiveness. A centralised capital management platform has been established in mainland China to enhance the timely monitoring of capital use by local subsidiaries.

Major Operational Risk Measures

- Management meetings among department heads and senior management are held on a monthly basis to analyse and discuss the performance of each business segment and 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 is made if the carrying value of the containers exceeds the recoverable amount. The weekly departmental meetings among the management and departmental managers facilitate a better understanding of the latest market trends and of possible changes so as to assist in reviewing the impact on the Group of impairment losses. Such risk management measures are useful in making appropriate preparations to reduce the risk of future asset impairment.

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

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

- For the container leasing business, the credit committee of each operating unit establishes the maximum credit limit for each customer based on their credit quality, taking into account their financial position, past settlement history and other factors. Utilisation of credit limits is regularly monitored. The system suspends 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 mainland China and overseas countries that have varying local safety standards. Regardless of the locations and nature of the businesses, the Group makes a continuous effort to achieve the highest safety standards within its organisations. Managers and staff therefore make safety a top priority and promote the Group's safety standards in all locations.

Major Compliance Risk Measures

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

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

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

Handling and Dissemination of Information

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

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

3. The Company attaches great 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 inside information, the Company:

   - is well aware of its obligations under the Securities and Futures Ordinance, the Listing Rules and the overriding principle that information which is considered as inside information should be announced promptly when it is the subject of a decision;
   - conducts its affairs with close regard to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission;
   - informs all directors, senior management and related staff of the latest regulations and requirements according to the letters issued or announcements published by the Securities and Futures Commission and the Stock Exchange;
   - has developed procedures and mechanism for disclosure of inside information and established the Inside Information Evaluation Group to evaluate whether disclosure of inside information is required;
   - has included in its Code of Conduct a strict prohibition on the unauthorised use of confidential, sensitive or inside information, and has communicated this to all staff; and
   - has established and implemented procedures for responding to external enquiries about the Company's affairs. Only directors and delegated management of the Company can act as the Company's spokespersons and respond to enquiries on designated areas.

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

Auditor's Remuneration

For the year ended 31st December 2012, the auditor's remuneration paid or payable in respect of the auditing and other non-audit services provided by the auditor to the Company were as follows:

Nature of Services	**2012 US$**	2011 US$
Audit services	**841,000**	817,000
Audit related services	**231,000**	217,000
Non-audit services:		
– Tax related services	**403,000**	152,000
– Financial advisory services	**130,000**	–

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 open communications channel is maintained with the media, analysts and fund managers through one-on-one meetings, roadshows and conferences. Press and analysts conferences are held at least twice a year subsequent to the interim and final results announcements at which the executive directors are available to answer questions regarding the Group's operational and financial performances.

Communication with Shareholders

Shareholders' communication policy

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

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

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

Procedures for Shareholders to convene a Special General Meeting

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

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

The Board should proceed to convene a Special General Meeting within twenty-one (21) days from the date of the deposit of such requisition upon receipt of confirmation from the share registrar on validity of the requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If the Board fails to convene the Special General Meeting as aforesaid, the requisitionists or any of them representing more than one half of the total voting rights of all of them, may themselves convene a Special General Meeting and such meeting should be held within three (3) months from the date of the deposit of the requisition.

Procedures for Shareholders to put forward proposals at General Meetings

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

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

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

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

Shareholdings and Shareholders Information

Share Capital (as at 31st December 2012)

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$278,605,200.2 comprising 2,786,052,002 shares of HK$0.1 each

Types of Shareholders (as at 31st December 2012)

Type of shareholders	No. of shares held	% of the issued share capital
COSCO Pacific Investment Holdings Limited and its subsidiary	1,203,731,136	43.21
Other corporate shareholders	1,574,900,595	56.53
Individual shareholders	7,420,271	0.26
Total	2,786,052,002	100.00

Location of Shareholders (as at 31st December 2012)

Location of shareholders[1]	No. of shareholders	No. of shares held
Hong Kong	540	2,786,046,002[2]
Macau	1	2,000
The People's Republic of China	1	4,000
Total	542	2,786,052,002

Notes:

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 1,783,923,438 shares registered in the name of HKSCC Nominees Limited which may hold these shares on behalf of its clients in or outside Hong Kong.

Other Corporate Information

Memorandum of Association and Bye-laws

There was no change to the Memorandum of Association and Bye-laws of the Company during the year ended 31st December 2012.

Key corporate dates

The following are the dates for certain key corporate events:

Event	Date
Payment of 2012 Interim Dividend	24th October 2012
2012 Final Results Announcement	26th March 2013
2013 First Quarter Results Announcement	25th April 2013
Closures of Register of Members (a) for attending the 2013 Annual General Meeting (b) for receiving the 2012 Final Dividend	 21st May 2013 to 23rd May 2013 29th May 2013 to 31st May 2013
Annual General Meeting	23rd May 2013
Payment of 2012 Final Dividend	18th July 2013
2013 Interim Results Announcement	August 2013
2013 Third Quarter Results Announcement	October 2013

DIRECTORS AND SENIOR MANAGEMENT PROFILES

DIRECTORS

LI Yunpeng

Non-executive Director and Chairman of the Board

Mr. LI, aged 54, has been 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 ocean-going vessels second engineer, 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 ship engineering management, 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 48, has been an Executive Director, the Vice Chairman of the Board and Managing Director of the Company since July 2011. He is 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. He is also a Director of China International Marine Containers (Group) Co., Ltd. and the 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 44, has been 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 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.

FENG Jinhua

Executive Director

Mr. FENG, aged 57, 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 and China COSCO Holdings Company Limited. 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.

FENG Bo

Executive Director

Mr. FENG, aged 42, has been an Executive Director of the Company since February 2012. He is also the General Manager of the Strategic Planning Division of China COSCO Holdings Company Limited and a director of certain subsidiaries of China Ocean Shipping (Group) Company and China COSCO Holdings Company Limited. Mr. FENG joined COSCO group in 1995. He had been the Deputy 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.

WANG Haimin

Non-executive Director

Mr. WANG, aged 40, 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. Mr. WANG obtained his Master of Business Administration degree from Fudan University. He is an engineer.

WANG Wei

Non-executive Director

Mr. WANG, aged 41, has been a Non-executive Director of the Company since February 2012. He is also the General Manager of Organisation Division/Human Resources Division of China COSCO Holdings Company Limited, a director of certain subsidiaries of China Ocean Shipping (Group) Company and China COSCO Holdings Company Limited, a Non-executive Director of COSCO International Holdings Limited, a director of COSCO Shipping Co., Ltd. and a supervisor of the State-owned Enterprise Supervisory Committee appointed by the State Council to China Ocean Shipping (Group) Company. Mr. WANG joined COSCO group in 1995. He had been the Deputy Manager of Executives Management Department of Organisation Division/Human Resources Division, the Manager of Executives Management Department of Organisation Division/Human Resources Division and the Deputy General Manager of Organisation Division/Human Resources Division of China Ocean Shipping (Group) Company, the Deputy General Manager of Organisation Division/Human Resources Division of China COSCO Holdings Company Limited. Mr. WANG graduated from RENMIN University of China, majoring in human resources management.

TANG Runjiang

Executive Director

Mr. TANG, aged 44, has been an Executive Director of the Company since March 2013. He is also the General Manager of the Finance 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. TANG joined COSCO group in 1991. He had been the Manager of Treasury Department of Planning and Finance Division (Finance and Capital Division) and the Deputy General Manager of the Finance and Capital Division and the Finance Division of China Ocean Shipping (Group) Company, the Deputy Chief Accountant and the Chief Accountant of COSCO Bulk Carrier Co., Ltd. and the Chief Accountant of China COSCO Bulk Shipping (Group) Co., Ltd. Mr. TANG graduated from Central University of Finance and Economics, majoring in accounting. He is a senior accountant.

WONG Tin Yau, Kelvin

Executive Director

Dr. WONG, aged 52, has been an Executive Director and a Deputy Managing Director of the Company since July 1996. He is the Chairman of the Corporate Governance Committee and a member of the Executive Committee of the Company. Dr. WONG is the Chairman of The Hong Kong Institute of Directors, a member of Main Board and GEM Listing Committee of The Stock Exchange of Hong Kong Limited, a member of the Securities and Futures Commission ("SFC") (HKEC Listing) Committee, a member of the Appeal Board Panel (Town Planning), a member of the Board of Review (Inland Revenue Ordinance), a Board Director of Hong Kong Sports Institute Limited, a council member of the Hong Kong Management Association, a member of the OECD/World Bank Asian Corporate Governance Roundtable, the council advisor and past Chairman of the Hong Kong Chinese Orchestra Limited, and was appointed by the Hong Kong Special Administrative Region as a Non-executive Director of the SFC and 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 and Xinjiang Goldwind Science & Technology Co., Ltd., an Independent Non-executive Director and Chairmen of the Audit Committee and the Nomination Committee of I.T Limited, 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. He is responsible for the management of the Company's work relating to the capital markets and investor relations.

QIU Jinguang

Executive Director

Mr. QIU, aged 51, has been an Executive Director and a Deputy Managing Director of the Company since April 2013. He is the Chairman of the Risk Management Committee, a member of the Executive Committee and the Investment and Strategic Planning Committee and the General Manager of the Strategy and Development Department of the Company. Mr. QIU joined the Company in February 2008 and served as the General Manager of the Strategy and Development Department. Thereafter, he has also served as the Executive Assistant to Managing Director of the Company. Mr. QIU assumed various positions with COSCO group, including Vice President of COSCO Americas Terminals Inc., General Manager of Strategy and Development Department of COSCO Americas Inc., Deputy Director and Director of Logistic Department of Transportation Division of China Ocean Shipping (Group) Company. He also served as Deputy Manager of Foreign Affairs Department of Penavico Head Office. 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.

CHOW Kwong Fai, Edward JP

Independent Non-executive Director

Mr. CHOW, aged 60, has been an Independent Non-executive Director of the Company since June 2005. He is 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 Hong Kong Special Administrative Region and was 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 was the Chairman of CIG Yangtze Ports PLC, listed in Hong Kong, an Independent Director of China Merchants Bank Co., Ltd., which is listed on the stock exchanges of Hong Kong and Shanghai, 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 68, has been an Independent Non-executive Director of the Company since June 2005. He is a member of the Audit Committee of the Company. He is currently an Advisory Director of Goldman Sachs (Asia) L.L.C. and was a Vice Chairman of the company from 2005 to 2012. Before joining Goldman Sachs in 2001, he was the Chairman of Jardine Fleming. Mr. FRESHWATER is admitted as a solicitor in England & Wales and Hong Kong. After graduating from the University of Cambridge, he joined the international law firm Slaughter and May in 1967 and remained with them for 29 years before joining the Jardine Fleming group in 1996. He became a partner of Slaughter and May in 1975 and worked in their Hong Kong office for seven years between 1978 and 1985. He was the head of Slaughter and May's worldwide corporate practice from 1993 until 1996. He is an ex-President of the Hong Kong Law Society. Mr. FRESHWATER is currently an Independent Non-executive Director of Chong Hing Bank Limited, Swire Pacific Limited and Hong Kong Exchanges and Clearing Limited, all of which are public companies listed in Hong Kong. He is also a Non-executive Director of Aquarius Platinum Limited, a public company listed in Australia, London and Johannesburg, and an Independent Non-executive Director of Savills PLC, a public company listed in London.

FAN HSU Lai Tai, Rita GBM, GBS, JP

Independent Non-executive Director

Dr. FAN, aged 67, has been an Independent Non-executive Director of the Company since January 2009. She is the Chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee of the Company. Dr. FAN was appointed to the Legislative Council from 1983 to 1992 and was a member of the Executive Council from 1989 to 1992. She became the President of the Provisional Legislative Council in 1997, and has since been re-elected as the President of the First, Second and Third Legislative Council. Dr. FAN has served as the President of the legislature of the Hong Kong Special Administrative Region ("HKSAR") for 11 years. Dr. FAN was a member of the Preliminary Working Committee for the Preparatory Committee for the HKSAR from 1993 to 1995 and of the Preparatory Committee for the HKSAR from 1995 to 1997, and was the Chairman of the Board of Education from 1986 to 1989 and the Chairman of the Education Commission from 1990 to 1992. She was elected as a Hong Kong Deputy to both the Ninth and Tenth sessions of the National People's Congress ("NPC") between 1998 and 2007, and was a Member of the Standing Committee of the Eleventh session of the NPC. Dr. FAN is currently a Member of the Standing Committee of the Twelfth session of the NPC, a Steward of The Hong Kong Jockey Club, an Independent Non-executive Director of China COSCO Holdings Company Limited, China Overseas Land & Investment Limited and China Shenhua Energy Company Limited, Patron of the Hong Kong Kidney Foundation, 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.

Adrian David LI Man Kiu JP

Independent Non-executive Director

Mr. LI, aged 39, has been an Independent Non-executive Director since May 2012. He is the Chairman of the Nomination Committee and a member of the Audit Committee and the Remuneration Committee of the Company. Mr. LI is Deputy Chief Executive of The Bank of East Asia, Limited, with responsibility for the bank's Hong Kong business, and an Independent Non-executive Director of Sino Land Company Limited, Tsim Sha Tsui Properties Limited, Sino Hotels (Holdings) Limited and China State Construction International Holdings Limited, and an Alternate Independent Non-executive Director of San Miguel Brewery Hong Kong Limited, all companies listed in Hong Kong. He is an Independent Non-executive Director of Shanghai Fosun Pharmaceutical (Group) Co., Ltd., which is listed in Hong Kong and Shanghai, and an Alternate Director of AFFIN Holdings Berhad, which is listed in Malaysia. Mr. LI is a member of the Guangdong Provincial Committee of the Chinese People's Political Consultative Conference, a member of the All-China Youth Federation, Deputy Chairman of the Beijing Youth Federation and a Counsellor of the Hong Kong United Youth Association. Mr. LI is a board member of The Community Chest of Hong Kong, a member of the HKSAR Government-mandated Banking Industry Training Advisory Committee and a member of the MPF Industry Schemes Committee of the Mandatory Provident Fund Schemes Authority. He is an Advisory Committee member of the Hong Kong Baptist University's School of Business, a Vice President of The Hong Kong Institute of Bankers' Council and a Steering Committee member of the Asian Financial Forum. Furthermore, Mr. LI serves as a member of the Election Committees responsible for electing the Chief Executive of the HKSAR and deputies of the HKSAR to the 12th National People's Congress. Mr. LI was formerly a council member of the Vocational Training Council and Chairman of its Banking and Finance Industry Training Board, as well as a board member of Ocean Park Corporation. Mr. LI holds a Master of Management degree from Kellogg School of Management, Northwestern University in the US, and a Master of Arts degree and a Bachelor of Arts degree in Law from the University of Cambridge in Britain. He is a member of The Law Society of England and Wales, and The Law Society of Hong Kong.

IP Sing Chi

Independent Non-executive Director

Mr. IP, aged 59, has been an Independent Non-executive Director of the Company since November 2012. Mr. IP is currently an Executive Director of Hutchison Port Holdings Management Pte. Limited (the Trustee-Manager of Hutchison Port Holdings Trust, listed in Singapore) and an Outside Director of Hyundai Merchant Marine Co., Ltd. (listed in Korea). He is also the Deputy Group Managing Director of Hutchison Port Holdings Limited and the Chairman of Yantian International Container Terminals Co., Ltd. Mr. IP is a member of the Hong Kong Port Development Council and the Chairman of the Shipping & Port Operations Group of the Employers' Federation of Hong Kong, and was the Founding Chairman (in 2000-2001) of the Hong Kong Container Terminal Operators Association Limited. Mr. IP was a Non-Executive Director of Tradelink Electronic Commerce Limited, listed in Hong Kong. Mr. IP has over 30 years of experience in the maritime industry, and holds a Bachelor of Arts degree.

SENIOR MANAGEMENT

CHAN Hang, Ken

Deputy Managing Director

Mr. CHAN, aged 55, is a Deputy Managing Director of the Company and a member of the Risk Management Committee of the Company. From 1998 to 2006, Mr. CHAN was the General Manager of the Corporate Development Department (renamed as Strategy and Development Department) of the Company. He graduated from Xiamen University with a Bachelor Degree of Economics in 1983. He obtained his Master of Business Administration degree from Dalhousie University in Canada in 1985 and continued his education in the University of Washington in the USA. Before joining the Company in September 1998, he had held senior positions in a local bank and an international securities firm in Hong Kong. He has over 25 years of working experience in corporate strategic planning, management and finance. Mr. CHAN is currently responsible for corporate management and safety management of the Company.

LUI Sai Kit, Eddie

Financial Controller

Mr. LUI, aged 49, has served as the Financial Controller of the Company since January 2008. He is a member of the Hong Kong Institution of Certified Public Accountants, a member of the American Institution of Certified Public Accountants, a member of the Chartered Institution of Management Accountants of the United Kingdom and a member of the Certified Management Accountants of Canada. He also has a Master Degree in Business Administration from University of Ottawa and Bachelor Degree of Administration from York University in Canada. Prior to joining the Company, he had held Chief Financial Officer and General Management positions for companies listed on the Hong Kong Stock Exchange and US multinational companies such as New World TMT Limited, Wang On Group Limited and General Electric Company Limited Hong Kong Plastic Division. Mr. LUI is responsible for the financial management and corporate finance of the Company.

HUNG Man, Michelle

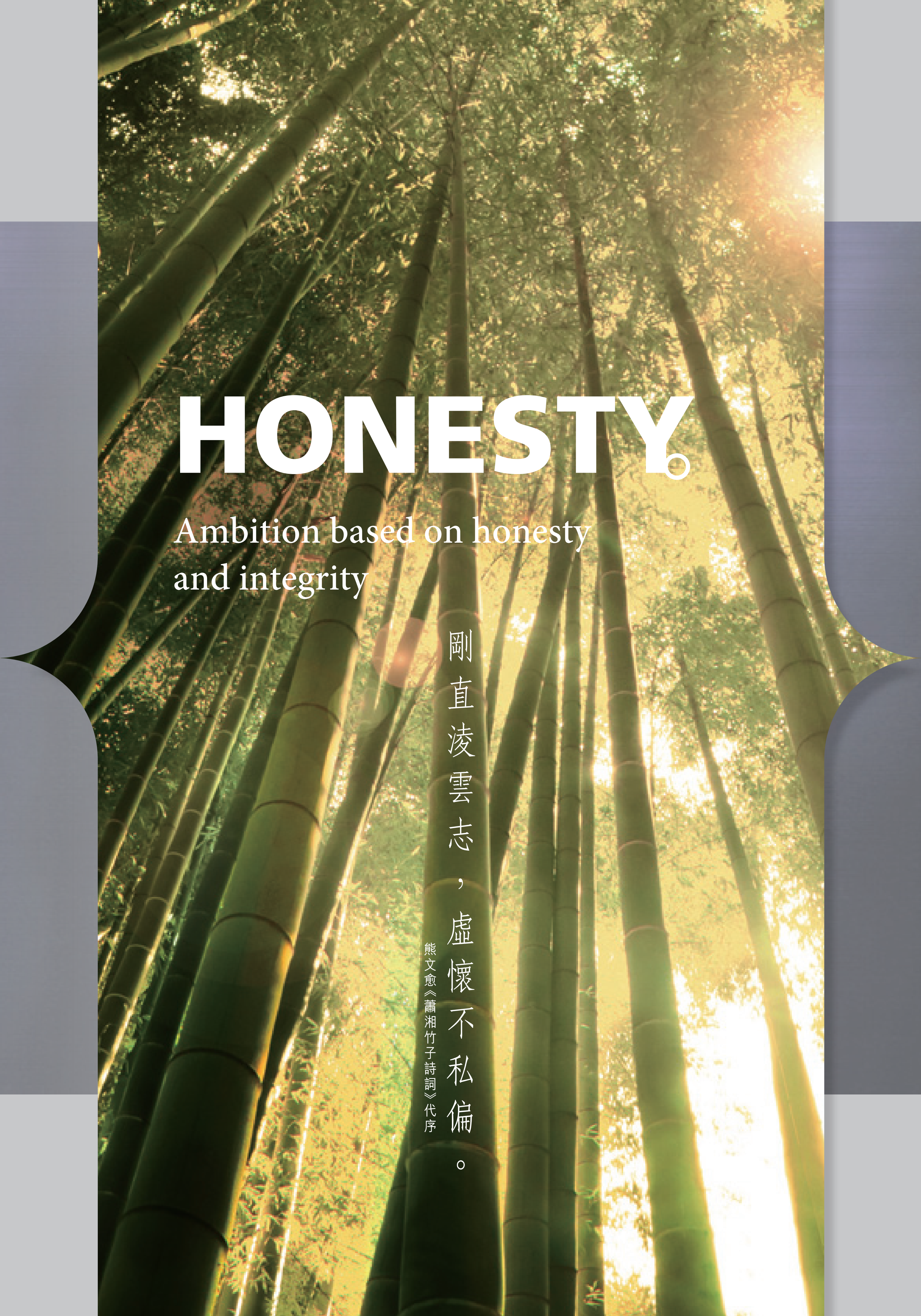
General Counsel & Company Secretary

Ms. HUNG, aged 43, 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 54, 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. Mr. DING graduated from Shanghai Maritime University majoring in marine transportation management and obtained a bachelor degree in Economics in 1982, and was awarded the professional qualification of senior accountant by the Ministry of Communications of the PRC in 1994. Before joining the Company, Mr. DING has 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 Florens Container Services Company Limited.



HONESTY。

Ambition based on honesty and integrity

剛直淩雲志，虛懷不私偏。

熊文愈《蕭湘竹子詩詞》代序

It is a true heart that can aim high.

Knowing that openness and just conduct are the key factors of stable development, COSCO Pacific will continue to improve upon core competence, promote corporate governance and tighten internal control systems.

We will continue to listen to ideas and proposals, and to reward contributions in accordance with a fair evaluation system.

Together, we will witness the continuing voyage of COSCO Pacific, as we brave the surging waves.

REPORT OF THE DIRECTORS AND 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 2012.

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 2012 are set out in the consolidated income statement on page 123 of this annual report.

The directors declared an interim dividend of HK20.5 cents (equivalent to US2.640 cents) per share with a scrip dividend alternative, totaling HK$563,221,000 (equivalent to US$72,612,000), which was paid on 24th October 2012.

The directors recommend the payment of a final dividend of HK18.3 cents (equivalent to US2.364 cents) per share with a scrip dividend alternative, totaling HK$509,848,000 (equivalent to US$65,862,000), payable on or about 18th July 2013.

Five-year financial summary

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

Reserves

Movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on pages 125 and 126 of this annual report.

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

Donations

Charitable and other donations made by the Group during the year amounted to US$18,000.

Property, plant and equipment

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

Share capital

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

Distributable reserves

The distributable reserves of the Company as at 31st December 2012 calculated under the Companies Act of Bermuda amounted to US$976,232,000.

Borrowings

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

Retirement benefit schemes

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

Directors

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

Mr. LI Yunpeng[2] *(Chairman)*	(appointed on 24th February 2012)
Mr. XU Lirong[2]	(resigned as Chairman and a non-executive director on 24th February 2012)
Dr. WANG Xingru[1] *(Vice Chairman and Managing Director)*	
Mr. WAN Min[2]	
Mr. HE Jiale[1]	(resigned on 21st March 2013)
Mr. FENG Jinhua[1]	
Mr. FENG Bo[1]	(appointed on 24th February 2012)
Mr. WANG Zenghua[1]	(resigned on 24th February 2012)
Mr. WANG Haimin[2]	
Mr. WANG Wei[2]	(appointed on 24th February 2012)
Mr. GAO Ping[2]	(resigned on 24th February 2012)
Mr. TANG Runjiang[1]	(appointed on 21st March 2013)
Dr. WONG Tin Yau, Kelvin[1]	
Mr. YIN Weiyu[1]	
Dr. LI Kwok Po, David[3]	(retired on 17th May 2012)
Mr. CHOW Kwong Fai, Edward[3]	
Mr. Timothy George FRESHWATER[3]	
Dr. FAN HSU Lai Tai, Rita[3]	
Mr. Adrian David LI Man Kiu[3]	(elected on 17th May 2012)
Mr. IP Sing Chi[3]	(appointed on 7th November 2012)

[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. TANG Runjiang and Mr. IP Sing Chi, being new directors appointed by the Board, shall 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. FENG Jinhua, Mr. WANG Haimin, Dr. WONG Tin Yau, Kelvin and Mr. CHOW Kwong Fai, Edward, being directors longest in office since their last re-election, shall retire from office by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

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

Biographical details of directors and senior management

Biographical details of directors and senior management are set out on pages 84 to 91 of this annual report.

Directors' service contracts

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

Directors' 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 of 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 94,177,229 shares (representing approximately 3.38% 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 29,035,000 shares (representing approximately 1.04% 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 options 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 were granted under the 2003 Share Option Scheme, during the year are set out below:

		Number of share options									
Category	**Exercise Price HK$**	**Outstanding at 1st January 2012**	**Granted during the year**	**Exercised during the year**	**Transfer (to)/ from other categories during the year**	**Lapsed during the year**	**Cancelled during the year**	**Outstanding at 31st December 2012**	**% of total issued share capital**	**Exercisable period**	**Note**
Directors											
Mr. LI Yunpeng	13.75	N/A	–	–	1,000,000	–	(1,000,000)	–	N/A	3.12.2004–2.12.2014	(2), (4), (5)
Dr. WONG Tin Yau, Kelvin	9.54	800,000	–	–	–	–	–	800,000	0.029%	28.10.2003–27.10.2013	(1), (4)
	13.75	1,000,000	–	–	–	–	–	1,000,000	0.036%	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)
		2,800,000	–	–	1,000,000	–	(1,000,000)	2,800,000			
Continuous contract employees	9.54	1,511,000	–	–	–	(130,000)	–	1,381,000	0.050%	(refer to note 1)	(1)
	13.75	12,412,000	–	–	–	(1,264,000)	(200,000)	10,948,000	0.393%	(refer to note 2)	(2)
	19.30	12,900,000	–	–	–	(740,000)	–	12,160,000	0.436%	(refer to note 3)	(3)
Others	9.54	50,000	–	–	–	–	–	50,000	0.002%	(refer to note 1)	(1)
	13.75	7,630,000	–	–	(1,000,000)	–	(5,000,000)	1,630,000	0.059%	(refer to note 2)	(2)
	19.30	800,000	–	–	–	–	(500,000)	300,000	0.011%	(refer to note 3)	(3)
		35,303,000	–	–	–	(2,134,000)	(5,700,000)	26,469,000			
		38,103,000	–	–	–	(2,134,000)	(6,700,000)	29,269,000			

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. LI Yunpeng was appointed as Chairman of the Board and a non-executive director of the Company on 24th February 2012. In this respect, the options granted to Mr. LI Yunpeng were re-classified from the category of "others" to the category of "directors".

(6) No share options were granted under the 2003 Share Option Scheme during the year ended 31st December 2012.

Directors' interests in shares, underlying shares and debentures

As at 31st December 2012, 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. WONG Tin Yau, Kelvin	Beneficial owner	Personal	519,609	0.019%
Mr. Timothy George FRESHWATER	Beneficial owner	Personal	30,000	0.001%

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

Share options were granted by the Company to certain directors of the Company pursuant to the 2003 Share Option Scheme. Details of the directors' 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. LI Yunpeng	Interest of spouse	Family	3,000	0.00004%
	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. WONG Tin Yau, Kelvin	Beneficial owner	Personal	203,529	0.013%

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

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

					Number of share options						
Name of associated corporation	Name of director	Capacity	Nature of interest	Exercise price HK$	Outstanding at 1st January 2012	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31st December 2012	% 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), (2)
	Dr. WONG Tin Yau, Kelvin	Beneficial owner	Personal	1.37	500,000	–	–	–	500,000	0.033%	(1)

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) Mr. HE Jiale resigned as an executive director of the Company on 21st March 2013.

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

					Number of share options						
Name of associated corporation	Name of director	Capacity	Nature of interest	Exercise price S$	Outstanding at 1st January 2012	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31st December 2012	% of total issued share capital of the relevant associated corporation	Note
COSCO Corporation (Singapore) Limited	Dr. WANG Xingru	Beneficial owner	Personal	2.48	700,000	–	–	(700,000)	–	N/A	(1)
		Beneficial owner	Personal	2.95	700,000	–	–	(700,000)	–	N/A	(2)

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 13th July 2012.

(2) 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.

(3) 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 2012**	**Granted during the year**	**Exercised during the year**	**Outstanding at 31st December 2012**	**% of total issued H share capital of the relevant associated corporation**	**Note**
China COSCO Holdings Company Limited	Mr. LI Yunpeng	Beneficial owner	Personal	3.195	N/A	–	–	450,000	0.017%	(1), (4)
				3.588	N/A	–	–	600,000	0.023%	(2), (4)
				9.540	N/A	–	–	580,000	0.022%	(3), (4)
	Mr. WAN Min	Beneficial owner	Personal	3.195	75,000	–	–	75,000	0.003%	(1)
				3.588	280,000	–	–	280,000	0.011%	(2)
				9.540	260,000	–	–	260,000	0.010%	(3)
	Mr. HE Jiale	Beneficial owner	Personal	3.195	375,000	–	–	375,000	0.015%	(1), (5)
				3.588	500,000	–	–	500,000	0.019%	(2), (5)
				9.540	480,000	–	–	480,000	0.019%	(3), (5)
	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. FENG Bo	Beneficial owner	Personal	3.195	N/A	–	–	75,000	0.003%	(1), (4)
				3.588	N/A	–	–	90,000	0.003%	(2), (4)
				9.540	N/A	–	–	85,000	0.003%	(3), (4)
	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. WANG Wei	Beneficial owner	Personal	3.195	N/A	–	–	75,000	0.003%	(1), (4)
				3.588	N/A	–	–	65,000	0.003%	(2), (4)
				9.540	N/A	–	–	60,000	0.002%	(3), (4)
	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 Lirong	Beneficial owner	Personal	3.195	375,000	–	–	N/A	N/A	(1), (6)
				3.588	500,000	–	–	N/A	N/A	(2), (6)
				9.540	580,000	–	–	N/A	N/A	(3), (6)
	Mr. WANG Zenghua	Beneficial owner	Personal	3.195	100,000	–	–	N/A	N/A	(1), (6)
				3.588	90,000	–	–	N/A	N/A	(2), (6)
				9.540	85,000	–	–	N/A	N/A	(3), (6)
	Mr. GAO Ping	Beneficial owner	Personal	3.195	100,000	–	–	N/A	N/A	(1), (6)
				3.588	90,000	–	–	N/A	N/A	(2), (6)
				9.540	85,000	–	–	N/A	N/A	(3), (6)

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. LI Yunpeng was appointed as Chairman of the Board and a non-executive director of the Company, Mr. FENG Bo was appointed as an executive director of the Company and Mr. WANG Wei was appointed as a non-executive director of the Company on 24th February 2012.

(5) Mr. HE Jiale resigned as an executive director of the Company on 21st March 2013.

(6) Mr. XU Lirong resigned as Chairman of the Board and a non-executive director of the Company, Mr. WANG Zenghua resigned as an executive director of the Company and Mr. GAO Ping resigned as a non-executive director of the Company on 24th February 2012.

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

Save as disclosed above, as at 31st December 2012, 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 2012, the directors namely Mr. LI Yunpeng, Dr. WANG Xingru, Mr. WAN Min, Mr. HE Jiale, Mr. FENG Jinhua, Mr. FENG Bo, Mr. WANG Haimin and Mr. WANG Wei held directorships and/or senior management positions in COSCO and/or COSCO Container Lines Company Limited ("COSCON") and their respective subsidiaries or associates and/or other companies which have 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 2012, 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	210,538,143	7.56	–	–	–	–	(1)
COSCO Pacific Investment Holdings Limited	Beneficial owner and interest of controlled corporation	Beneficial interest and corporate interest	1,203,731,136	43.21	–	–	–	–	(1)
China COSCO Holdings Company Limited	Interest of controlled corporation	Corporate interest	1,203,731,136	43.21	–	–	–	–	(1)
China Ocean Shipping (Group) Company	Interest of controlled corporation	Corporate interest	1,203,731,136	43.21	–	–	–	–	(1)
JPMorgan Chase & Co.	Beneficial owner, investment manager and custodian corporation/approved lending agent	Beneficial interest and corporate interest	192,102,752	6.90	–	–	127,054,734	4.56	(2)

Notes:

(1) The 1,203,731,136 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 210,538,143 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 993,192,993 shares of the Company beneficially. Accordingly, COSCO Pacific Investment's interests in relation to the 1,203,731,136 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 2012, and accordingly, COSCO is deemed to have the interests of 1,203,731,136 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 subsidiaries and a non-wholly owned subsidiary (J.P. Morgan Securities plc (98.95% control)).

Save as disclosed above, as at 31st December 2012, the Company has not been notified of any other interests or short positions in the shares and underlying shares of the Company which had to be recorded in the register required to be kept under Section 336 of the SFO.

Public float

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

Purchase, sale or redemption of shares

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

Pre-emptive rights

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

Management contracts

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

Major suppliers and lessees

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

Percentage of container purchases attributable to the Group's largest supplier	13.76%
Percentage of container purchases attributable to the Group's five largest suppliers	46.48%
Percentage of leasing income attributable to the Group's largest lessee, which is a subsidiary of COSCO	49.59%
Percentage of leasing income attributable to the Group's five largest lessees	70.44%

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 2012, the Group and COSCO have equity interest in China International Marine Containers (Group) Co., Ltd., the holding company of four of the five largest suppliers of the Group. In 2012, these four suppliers attributed 41.48% 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 for the period from 1st January 2012 to 31st March 2012 and the Corporate Governance Code and Corporate Governance Report (the "Corporate Governance Code") for the period from 1st April 2012 to 31st December 2012 set out in Appendix 14 of the Listing Rules throughout the year ended 31st December 2012, except for the following deviation:

Code provision A.6.7

The code provision A.6.7 of the Corporate Governance Code provides that independent non-executive directors and other non-executive directors, as equal board members as other directors, should attend general meetings of the company. Due to business commitment, Mr. WAN Min, a non-executive director of the Company, was unable to attend the annual general meeting and special general meeting of the Company held on 17th May 2012 and 29th November 2012 respectively.

Further information on the Company's corporate governance practices is set out in the Corporate Governance Report on pages 60 to 83 of this annual report.

Connected transactions and continuing connected transactions

(I) Connected transactions

Finance lease arrangements entered into by various subsidiaries

On 8th June 2012, certain subsidiaries of the Company entered into the following finance lease arrangements with Florens (Tianjin) Finance Leasing Co., Ltd. ("Florens Tianjin"):

(1) Finance lease arrangements between Jinjiang Pacific Ports Development Co., Ltd. ("Jinjiang Pacific"), a non-wholly owned subsidiary of the Company, and Florens Tianjin:

(a) An entrusted purchase agreement (the "First JP Entrusted Purchase Agreement") was entered into between Jinjiang Pacific as the entrusted agent and Florens Tianjin as the purchaser, pursuant to which Florens Tianjin ratified and confirmed the purchase contract entered into between Jinjiang Pacific and a third party supplier for an empty container stacking machine and entrusted Jinjiang Pacific to acquire the stacking machine on its behalf. Jinjiang Pacific as the lessee and Florens Tianjin as the lessor also entered into a finance lease agreement (the "First JP Finance Lease Agreement"), pursuant to which Florens Tianjin agreed to lease the stacking machine to Jinjiang Pacific for a term of 8 years commencing from the date when Florens Tianjin made the payment for the purchase of the stacking machine and when Jinjiang Pacific possessed the stacking machine.

The agreed consideration for the stacking machine under the First JP Entrusted Purchase Agreement was RMB1,800,000. Florens Tianjin shall pay the agreed consideration of RMB1,800,000 or the actual purchase consideration for the stacking machine to be acquired from the supplier under the relevant purchase contract, whichever was lower. If the actual purchase consideration for the stacking machine under the relevant purchase contract exceeded the agreed consideration of RMB1,800,000, such additional amount shall be borne by Jinjiang Pacific.

Subject to the review and receipt by Florens Tianjin of all necessary documentation including a copy of the purchase contract entered into by Jinjiang Pacific and the compliance confirmation and invoice given by the supplier of the stacking machine, Florens Tianjin shall pay the cash consideration to a designated account solely for onward payment to the supplier of the stacking machine.

The reference lease amount under the First JP Finance Lease Agreement was RMB1,800,000 or the actual purchase consideration for the stacking machine from the supplier under the relevant purchase contract, whichever was lower, which was the same as the purchase consideration for the stacking machine to be paid by Florens Tianjin under the First JP Entrusted Purchase Agreement.

The total lease payments payable under the First JP Finance Lease Agreement shall be RMB2,360,512 and would be paid in equal quarterly instalments during the lease period but the said total lease payments were subject to adjustments in the event that the actual purchase consideration for the stacking machine under the First JP Entrusted Purchase Agreement was lower than RMB1,800,000 or the annual RMB benchmark lending rate referred to below changed.

Pre-lease interests would be additionally charged under the First JP Finance Lease Agreement, from the date of the payment of the purchase consideration for the stacking machine under the First JP Entrusted Purchase Agreement to the day before the commencement of the lease period, on a daily basis at the same rate as that for the lease on the purchase consideration for the stacking machine which would be payable by Jinjiang Pacific at the end of each month.

(b) An entrusted purchase agreement (the "Second JP Entrusted Purchase Agreement") was entered into between Jinjiang Pacific as the entrusted agent and Florens Tianjin as the purchaser, pursuant to which Florens Tianjin ratified and confirmed the purchase contract entered into between Jinjiang Pacific and a third party supplier for a quayside container crane and entrusted Jinjiang Pacific to acquire the crane on its behalf. Jinjiang Pacific as the lessee and Florens Tianjin as the lessor also entered into a finance lease agreement (the "Second JP Finance Lease Agreement") pursuant to which Florens Tianjin agreed to lease the crane to Jinjiang Pacific for a term of 8 years commencing from the date when Florens Tianjin made the payment for the purchase of the crane and when Jinjiang Pacific possessed the crane.

The agreed consideration for the crane under the Second JP Entrusted Purchase Agreement was RMB35,800,000. Florens Tianjin shall pay the agreed consideration of RMB35,800,000 or the actual purchase consideration for the crane to be acquired from the supplier under the relevant purchase contract, whichever was lower. If the actual purchase consideration for the crane under the relevant purchase contract exceeded the agreed consideration of RMB35,800,000, such additional amount shall be borne by Jinjiang Pacific.

Subject to the review and receipt by Florens Tianjin of all necessary documentation including a copy of the purchase contract entered into by Jinjiang Pacific and the compliance confirmation and invoice given by the supplier of the crane, Florens Tianjin shall pay the cash consideration to a designated account solely for onward payment to the supplier of the crane.

The reference lease amount under the Second JP Finance Lease Agreement was RMB35,800,000 or the actual purchase consideration for the crane from the supplier under the relevant purchase contract, whichever was lower, which was the same as the purchase consideration for the crane to be paid by Florens Tianjin under the Second JP Entrusted Purchase Agreement.

The total lease payments payable under the Second JP Finance Lease Agreement shall be RMB46,947,959.04 and would be paid in equal quarterly instalments during the lease period but the said total lease payments were subject to adjustments in the event that the actual purchase consideration for the crane under the Second JP Entrusted Purchase Agreement was lower than RMB35,800,000 or the annual RMB benchmark lending rate referred to below changed.

Pre-lease interests would be additionally charged under the Second JP Finance Lease Agreement, from the date of the payment of the purchase consideration for the crane under the Second JP Entrusted Purchase Agreement to the day before the commencement of the lease period, on a daily basis at the same rate as that for the lease on the purchase consideration for the crane which would be payable by Jinjiang Pacific at the end of each month.

(c) An entrusted purchase agreement (the "Third JP Entrusted Purchase Agreement") was entered into between Jinjiang Pacific as the entrusted agent and Florens Tianjin as the purchaser, pursuant to which Florens Tianjin ratified and confirmed the purchase contract entered into between Jinjiang Pacific and a third party supplier for two rubber-tired container gantry cranes and entrusted Jinjiang Pacific to acquire the cranes on its behalf. Jinjiang Pacific as the lessee and Florens Tianjin as the lessor also entered into a finance lease agreement (the "Third JP Finance Lease Agreement") pursuant to which Florens Tianjin agreed to lease the cranes to Jinjiang Pacific for a term of 8 years commencing from the date when Florens Tianjin made the payment for the purchase of the cranes and when Jinjiang Pacific possessed the cranes.

The agreed consideration for the cranes under the Third JP Entrusted Purchase Agreement was RMB13,591,200. Florens Tianjin would pay the agreed consideration of RMB13,591,200 or the actual purchase consideration for the cranes from the supplier under the relevant purchase contract, whichever was lower. If the actual purchase consideration for the cranes under the relevant purchase contract exceeded the agreed consideration of RMB13,591,200, such additional amount shall be borne by Jinjiang Pacific.

Subject to the review and receipt by Florens Tianjin of all necessary documentation including a copy of the purchase contract entered into by Jinjiang Pacific and the compliance confirmation and invoice given by the supplier of the cranes, Florens Tianjin shall pay the cash consideration to a designated account solely for onward payment to the supplier of the cranes.

The reference lease amount under the Third JP Finance Lease Agreement was RMB13,591,200 or the actual purchase consideration for the cranes from the supplier under the relevant purchase contract, whichever was lower, which was the same as the purchase consideration for the cranes to be paid by Florens Tianjin under the Third JP Entrusted Purchase Agreement.

The total lease payments payable under the Third JP Finance Lease Agreement shall be RMB17,823,438.72 and would be paid in equal quarterly instalments during the lease period but the said total lease payments were subject to adjustments in the event that the actual purchase consideration for the cranes under the Third JP Entrusted Purchase Agreement was lower than RMB13,591,200 or the annual RMB benchmark lending rate referred to below changed.

Pre-lease interests would be additionally charged under the Third JP Finance Lease Agreement, from the date of the payment of the purchase consideration for the cranes under the Third JP Entrusted Purchase Agreement to the day before the commencement of the lease period, on a daily basis at the same rate as that for the lease on the purchase consideration for the cranes which would be payable by Jinjiang Pacific at the end of each month.

(d) A finance lease agreement (the "Fourth JP Finance Lease Agreement") was entered into between Jinjiang Pacific as the lessee and Florens Tianjin as the lessor, pursuant to which Florens Tianjin agreed to purchase a front loader and a rail-mounted gantry crane from Jinjiang Pacific and to lease back the front loader and the crane to Jinjiang Pacific for a term of 8 years commencing from the date when Florens Tianjin made the payment for the purchase of the front loader and the crane.

The consideration payable by Florens Tianjin to Jinjiang Pacific for the purchase of the front loader and the crane under the Fourth JP Finance Lease Agreement was RMB5,891,000. The cost of the front loader and crane as originally acquired by Jinjiang Pacific was RMB5,950,000.

The consideration shall be paid by Florens Tianjin subject to the conditions that Jinjiang Pacific had provided to Florens Tianjin all documents of titles of the front loader and the crane and all other documentation which Florens Tianjin reasonably considered necessary and Jinjiang Pacific had insured against the front loader and the crane, if any, pursuant to the Fourth JP Finance Lease Agreement.

The lease amount under the Fourth JP Finance Lease Agreement was RMB5,891,000, which was the same as the purchase consideration for the front loader and the crane to be paid by Florens Tianjin.

The total lease payments payable under the Fourth JP Finance Lease Agreement shall be RMB7,725,431.04 and would be paid in equal quarterly instalments during the lease period but the said total lease payments were subject to adjustments in the event that the annual RMB benchmark lending rate referred to below changed.

The First JP Entrusted Purchase Agreement, the Second JP Entrusted Purchase Agreement and the Third JP Entrusted Purchase Agreement are collectively referred to as the "JP Entrusted Agreements". The First JP Finance Lease Agreement, the Second JP Finance Lease Agreement, the Third JP Finance Lease Agreement and the Fourth JP Finance Lease Agreement are collectively referred to as the "JP Finance Lease Agreements".

No fees shall be payable by Florens Tianjin to Jinjiang Pacific for the entrusted agency services under the JP Entrusted Agreements.

The reference annual interest rate for the purpose of each of the JP Finance Lease Agreements was 2% above the annual RMB benchmark leading rate for over 5-year loan published by the People's Bank of China, which was 6.936% as at the date of each of the JP Finance Lease Agreements. If the said annual RMB benchmark leading rate changed, the interest rate under each of the JP Finance Lease Agreements would increase or decrease accordingly to the same extent. Following the change in the amount of the total lease payments, if any, the outstanding quarterly lease payments would be adjusted accordingly.

A one-off non-refundable handling fee equal to 1% of the purchase consideration for the respectively machinery and equipments set out in the JP Finance Lease Agreements, shall be payable by Jinjiang Pacific to Florens Tianjin 2 days before the commencement of the lease period respectively set out therein.

(2) Finance lease arrangement between Quanzhou Pacific Container Terminal Co., Ltd. ("Quanzhou Pacific"), a non-wholly owned subsidiary of the Company, and Florens Tianjin

An entrusted purchase agreement (the "QZP Entrusted Agreement") was entered into between Quanzhou Pacific as the entrusted agent and Florens Tianjin as the purchaser, pursuant to which Florens Tianjin ratified and confirmed the purchase contract entered into between Quanzhou Pacific and a third party supplier for six electric rubber-tired container gantry cranes and entrusted Quanzhou Pacific to acquire the cranes on its behalf. Quanzhou Pacific as the lessee and Florens Tianjin as the lessor also entered into a finance lease agreement (the "QZP Finance Lease Agreement") pursuant to which Florens Tianjin agreed to lease the cranes to Quanzhou Pacific for a term of 8 years commencing from the date when Florens Tianjin made the payment for the purchase of the cranes and when Quanzhou Pacific possessed the cranes.

No fees shall be payable by Florens Tianjin to Quanzhou Pacific for the entrusted agency service under the QZP Entrusted Agreement.

The agreed consideration for the cranes under the QZP Entrusted Agreement was RMB50,000,000. Florens Tianjin would pay the agreed consideration of RMB50,000,000 or the actual purchase consideration for the cranes from the supplier under the relevant purchase contract, whichever was lower. If the actual purchase consideration for the cranes under the relevant purchase contract exceeded the agreed consideration of RMB50,000,000, such additional amount shall be borne by Quanzhou Pacific.

Subject to the review and receipt by Florens Tianjin of all necessary documentation including a copy of the purchase contract entered into by Quanzhou Pacific and the compliance confirmation and invoice given by the supplier of the cranes, Florens Tianjin shall pay the cash consideration to a designated account solely for onward payment to the supplier of the cranes.

The reference lease amount under the QZP Finance Lease Agreement was RMB50,000,000 or the actual purchase consideration for the cranes from the supplier under the relevant purchase contract, whichever was lower, which was the same as the purchase consideration for the cranes to be paid by Florens Tianjin under the QZP Entrusted Agreement.

The reference annual interest rate for the purpose of the QZP Finance Lease Agreement was 2% above the annual RMB benchmark lending rate for over 5-year loan published by the People's Bank of China, which was 6.936% as at the date of the QZP Finance Lease Agreement.

The total lease payments payable under the QZP Finance Lease Agreement shall be RMB65,569,775.36 and would be paid in equal quarterly instalments during the lease period but the said total lease payments were subject to adjustments in the event that the actual purchase consideration for the cranes under the QZP Entrusted Purchase Agreement was lower than RMB50,000,000 or the annual RMB benchmark lending rate mentioned above changed. If the said annual RMB benchmark lending rate changed, the interest rate under the QZP Finance Lease Agreement would increase and decrease accordingly to the same extent. Following the change in the amount of the total lease payments, if any, the outstanding quarterly lease payments would be adjusted accordingly.

In addition to the above lease payments, from the date of the payment of the purchase consideration for the cranes by Florens Tianjin under the QZP Entrusted Purchase Agreement to the day before the commencement of the lease period, pre-lease interests would be charged on a daily basis at the same rate as that for the lease on the purchase consideration for the cranes and such interests shall be paid by Quanzhou Pacific at the end of each month.

A one-off non-refundable handling fee equal to 1% of the purchase consideration for the cranes, shall be payable by Quanzhou Pacific to Florens Tianjin 2 days before the commencement of the lease period.

(3) Finance lease arrangement between Zhangjiagang Win Hanverky Container Terminal Co., Ltd. ("Zhangjiagang Terminal"), a non-wholly owned subsidiary of the Company, and Florens Tianjin

A finance lease agreement (the "ZJG Finance Lease Agreement") was entered into between Zhangjiagang Terminal as the lessee and Florens Tianjin as the lessor, pursuant to which Florens Tianjin agreed to purchase certain machinery and equipments for use at the container terminal including cranes, stacking machines and truckers from Zhangjiagang Terminal and to lease back such machinery and equipments to Zhangjiagang Terminal for a term of 8 years commencing from the date when Florens Tianjin made the payment for the purchase of the machinery and equipments.

The consideration payable by Florens Tianjin to Zhangjiagang Terminal for the machinery and equipments under the ZJG Finance Lease Agreement was RMB66,007,250.34.

The consideration shall be paid by Florens Tianjin subject to the conditions that Zhangjiagang Terminal had provided to Florens Tianjin all documents of titles of the machinery and equipments and all other documentation which Florens Tianjin reasonably considered necessary and Zhangjiagang Terminal had insured against the machinery and equipments, if any, pursuant to the ZJG Finance Lease Agreement.

The lease amount under the ZJG Finance Lease Agreement was RMB66,007,250.34, which was the same as the purchase consideration for the machinery and equipments to be paid by Florens Tianjin.

The reference annual interest rate for the purpose of the ZJG Finance Lease Agreement was 2% above the annual RMB benchmark lending rate for over 5-year loan published by the People's Bank of China, which was 6.936% as at the date of the ZJG Finance Lease Agreement.

The total lease payments payable under the ZJG Finance Lease Agreement shall be RMB86,561,611.52 and would be paid in equal quarterly instalments during the lease period but the said total lease payments were subject to adjustments in the event that the annual RMB benchmark lending rate mentioned above changed. If the said annual RMB benchmark lending rate changed, the interest rate under the ZJG Finance Lease Agreement would increase or decrease accordingly to the same extent. Following the change in the amount of the total lease payments, if any, the outstanding quarterly lease payments would be adjusted accordingly.

A one-off non-refundable handling fee equal to 1% of the purchase consideration for the machinery and equipments, shall be payable by Zhangjiagang Terminal to Florens Tianjin 2 days before the commencement of the lease period.

Finance lease arrangement entered into by Yangzhou Yuanyang

On 30th October 2012, Yangzhou Yuanyang International Ports Co., Ltd. ("Yangzhou Yuanyang"), a non-wholly owned subsidiary of the Company, entered into the following finance lease agreement with Florens Tianjin:

Yangzhou Yuanyang entered into a finance lease agreement (the "YZ Finance Lease Agreement") with Florens Tianjin pursuant to which Florens Tianjin agreed to purchase eight rubber-tired container gantry cranes and three packaged substations from Yangzhou Yuanyang and to lease back the cranes and substations to Yangzhou Yuanyang for a term of 8 years commencing from the date when Florens Tianjin made the payment for the purchase of the cranes and substations.

The consideration payable by Florens Tianjin to Yangzhou Yuanyang for purchase of the cranes and substations under the YZ Finance Lease Agreement was RMB49,004,405.82.

The consideration shall be paid by Florens Tianjin subject to the conditions that Yangzhou Yuanyang had provided to Florens Tianjin all documents of titles of the cranes and substations and all other documentation which Florens Tianjin reasonably considered necessary and Yangzhou Yuanyang had insured against the cranes and substations, if any, pursuant to the YZ Finance Lease Agreement.

The lease amount under the YZ Finance Lease Agreement was RMB49,004,405.82, which was the same as the purchase consideration for the cranes and substations to be paid by Florens Tianjin.

The reference annual interest rate for the purpose of the YZ Finance Lease Agreement was the annual RMB benchmark lending rate for over 5-year loan published by the People's Bank of China, which was 6.55% as at the date of the YZ Finance Lease Agreement.

The total lease payments payable under the YZ Finance Lease Agreement shall be RMB63,350,926.72 and would be paid in equal quarterly instalments during the lease period but the said total lease payments were subject to adjustments in the event that the annual RMB benchmark lending rate mentioned above changed. If the said annual RMB benchmark lending rate changed, the interest rate under the YZ Finance Lease Agreement would increase or decrease accordingly to the same extent. Following the change in the amount of the total lease payments, if any, the outstanding quarterly lease payments would be adjusted accordingly.

A one-off non-refundable handling fee equal to 1% of the purchase consideration for the cranes and substations, shall be payable by Yangzhou Yuanyang to Florens Tianjin 2 days before the commencement of the lease period.

The JP Entrusted Agreements and the QZP Entrusted Agreement are collectively referred to as the "Entrusted Agreements". The JP Finance Lease Agreements, the QZP Finance Lease Agreement, the ZJG Finance Lease Agreement and the YZ Finance Lease Agreement are collectively referred to as the "Finance Lease Agreements".

The legal titles of the respective leased machinery and equipments under the Finance Lease Agreements shall vest in Florens Tianjin throughout the lease period. Upon expiry of the Finance Lease Agreements, Jinjiang Pacific, Quanzhou Pacific, Zhangjiagang Terminal and Yangzhou Yuanyang shall have the respective option to purchase the relevant leased machinery and equipments from Florens Tianjin at an agreed nominal amount of not more than RMB10,000.

By entering into the finance lease arrangements under the Entrusted Agreements and the Finance Lease Agreements, Florens Tianjin can further develop its finance leasing business and financing platform. At the same time, it would provide an alternative source of financing available to the subsidiaries of the Company.

Florens Tianjin is indirectly owned as to 50% by each of the Company and COSCO and is a non-wholly owned subsidiary of the Company. As COSCO is the ultimate controlling shareholder of the Company and Florens Tianjin is an associate of COSCO, Florens Tianjin is a connected person of the Company. Accordingly, the entering into of the Entrusted Agreements and the Finance Lease Agreements constituted connected transactions of the Company under the Listing Rules.

Acquisition of 39.04% equity interests in Taicang

On 24th January 2013, COSCO Pacific (China) Investments Co., Ltd. ("CP(China)"), a wholly owned subsidiary of the Company entered into an equity transfer agreement (the "Equity Transfer Agreement") with COSCO under which, CP (China) agreed to acquire and COSCO agreed to sell COSCO's interests in RMB175,992,320 of the total registered and paid-up capital, representing 39.04% of the equity interests in Taicang International Container Terminal Co., Ltd. ("Taicang"), at the consideration of RMB322,782,234.26 (the "Acquisition").

The Equity Transfer Agreement should take effect subject to, among others, the approval from the State-owned Assets Supervision and Administration Commission of the State Council of the PRC (the "SASAC"). As ruled by the SASAC on 5th February 2013, the consideration for the Acquisition was increased by RMB327,000 to approximately RMB323,109,000.

The Acquisition should complement the existing terminal business portfolio of the Company, as Taicang controls and operates the Taicang International Container Terminal, which is one of the deep-water ports of the Yangtze River Delta region and is located within the Suzhou city region of Jiangsu province in eastern PRC and within easy reach of Shanghai. Taicang International Container Terminal is in possession of 2 dedicated container berths and 2 break-bulk berths with the total length of 930 meters and a port land width of 1,000 meters. The expected annual throughputs for container and break-bulk cargos for the port are 550,000 TEU and 4,000,000 tons respectively.

After completion of the Acquisition, the Company will have 39.04% equity interests in Taicang and be entitled to share in the profit and loss of Taicang as a jointly controlled entity of the Company. The Company is of the view that the Acquisition will provide an additional source of income and has the potential to enhance the profitability and value of the Company.

COSCO is the ultimate controlling shareholder of the Company and hence a connected person of the Company. Accordingly, the Acquisition constituted a connected transaction of the Company under the Listing Rules.

(II) Continuing connected transactions

Rental of office premises

On 28th November 2011, COSCO Pacific Management Company Limited ("COSCO Pacific Management"), a wholly owned subsidiary of the Company, as tenant entered into a tenancy agreement with Wing Thye Holdings Limited ("Wing Thye") as landlord (the "Tenancy Agreement") 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 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 Tenancy Agreement, the maximum aggregate annual value of the rental and the management fee is HK$12,213,936. The 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 rental under the 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 provided in the Tenancy Agreement was at market levels and was 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 Tenancy Agreement and the transaction contemplated thereunder constituted a continuing connected transaction 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 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 2012 was RMB266,765,525.

(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 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 2012 was RMB270,162,499.

(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 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 2012 was US$600.

(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 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 2012 was US$1,356,247.

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 each of the years ended 31st December 2010, 2011 and 2012 is US$15,000,000. The total amount of the aforesaid transactions for the year ended 31st December 2012 was US$8,692,500.

(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 each of the years ended 31st December 2010, 2011 and 2012 is US$100,000. For the year ended 31st December 2012, Florens did not pay any fees to the Line pursuant to such agreement.

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.

(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 the aggregate amount receivable by GZ South China from GZ Port Group for such services for the years ended 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 2012 was RMB3,283,927.

(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 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 2012 was RMB73,062,528.

(c) The appointment of GZ South China by GZ Port Holding to charge on behalf of GZ Port Holding the port construction fee 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 31st December 2010, 2011 and 2012 are RMB30,000,000, RMB36,500,000 and RMB40,500,000 respectively. For the year ended 31st December 2012, GZ South China did not pay any fees to GZ Port Holding pursuant to such agreement.

  (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 31st December 2010, 2011 and 2012 are RMB100,000, RMB150,000 and RMB180,000 respectively. For the year ended 31st December 2012, GZ South China did not receive any fees from GZ Port Holding pursuant to such agreement.

  (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 31st December 2010, 2011 and 2012 are RMB7,700,000, RMB11,850,000 and RMB14,420,000 respectively. For the year ended 31st December 2012, GZ South China did not receive any fees from GZ Port Holding pursuant to such agreement.

(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 at the Guangzhou port, or the agents of such vessels, the high-frequency communication fee at a rate as prescribed by GZ Port Holding from time to time. The relevant annual caps are as follows:

  (i) The annual caps of the aggregate amount of the high-frequency communication fee payable by GZ South China to GZ Port Holding for the years ended 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 2012 was RMB1,266,690.

  (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 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 2012 was RMB9,675.

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 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 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 2012 was RMB76,501,039.

(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 31st December 2010, 2011 and 2012 are RMB1,700,000, RMB2,035,000 and RMB2,442,000 respectively. For the year ended 31st December 2012, Yangzhou Yuanyang did not pay any fees to Yangzhou Port Holding pursuant to such agreement.

(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 31st December 2010, 2011 and 2012 are RMB424,000, RMB509,000 and RMB611,000 respectively. For the year ended 31st December 2012, 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 member 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 each of the years ended 31st December 2010, 2011 and 2012 is US$3,372,000. The total amount of the aforesaid transactions for the year ended 31st December 2012 was US$2,396,897.

(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 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 2012 was US$8,208.

(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 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 2012 was US$42,579.

(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 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 2012 was US$562,098.

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 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 2012 was US$25,947.

(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 31st December 2010, 2011 and 2012 are US$300,000, US$350,000 and US$400,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2012 was US$40,067.

(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 each of the years ended 31st December 2010, 2011 and 2012 is US$20,000. The total amount of the aforesaid transactions for the year ended 31st December 2012 was US$2,140.

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) ("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 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 2012 was RMB1,786,708.

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

(a) Provision of container terminal related services by Zhangjiagang Terminal to Zhangjiagang Port Holding and its subsidiaries, branches and associates (collectively "Zhangjiagang Port Group"). The annual caps of the aggregate amount receivable by Zhangjiagang Terminal from Zhangjiagang Port Group for such services for the years ended 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 2012 was RMB960,582.

(b) Provision of container terminal related services by members of Zhangjiagang Port Group to Zhangjiagang Terminal. The annual caps of the aggregate amount payable by Zhangjiagang Terminal to Zhangjiagang Port Group for the abovementioned services for the years ended 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 2012 was RMB20,865,984.

(c) The appointment of Zhangjiagang Terminal 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 Terminal 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 Terminal to Zhangjiagang Port Holding for the years ended 31st December 2010, 2011 and 2012 are RMB18,260,000, RMB21,910,000 and RMB26,290,000 respectively. For the year ended 31st December 2012, Zhangjiagang Win Hanverky did not pay any handling fees to Zhangjiagang Port Holding pursuant to such agreement.

  (ii) The annual caps of the aggregate amount of the handling fee receivable by Zhangjiagang Terminal from Zhangjiagang Port Holding in respect of the charging of the port construction fee for the years ended 31st December 2010, 2011 and 2012 are RMB92,000, RMB110,000 and RMB132,000 respectively. For the year ended 31st December 2012, Zhangjiagang Terminal 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 Terminal shall be no less favourable to Zhangjiagang Terminal (as service providing party) than terms available to Zhangjiagang Terminal from independent third parties for the relevant services; and shall also be no less favourable to the relevant member of Zhangjiagang Port Group (as service receiving party) than terms available to independent third parties from Zhangjiagang Terminal for the relevant services.

It was also agreed that the terms for the provision of services by Zhangjiagang Port Group shall be no less favourable to Zhangjiagang Terminal (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 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 2012 was RMB3,514,487.

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 Terminal. 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 2012 amounted to US$139,112,722. 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, Mr. CHOW Kwong Fai, Edward, Mr. Timothy George FRESHWATER, Mr. Adrian David LI Man Kiu and Mr. IP Sing Chi, 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 office premises transaction and the transactions entered into by COSCO Ports, PCT, Florens, GZ South China, Yangzhou Yuanyang, Plangreat, Zhangjiagang Terminal 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 (i) COSCON (a subsidiary of China COSCO) was a party to the long term container leasing transactions; (ii) Wing Thye (a subsidiary of COSCO which in turn is a controlling shareholder of China COSCO) was a party to the rental of office premises transaction; and (iii) CM Supply (a company owned as of 50% by COSCO) was a party to the Diesel Oil Purchase Master Agreement, and for good corporate governance practices, she would not take part in the review process in respect of the long term container leasing transactions, the rental of office premises transaction and the continuing connected transactions under agreements no. (1), (3), (7), (8) and (10) 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 continuing connected transactions under agreements no. (2), (4), (5), (6), (9), (11) and (12), of which neither COSCO, China COSCO nor any of their respective associates 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 2012 (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 office premises transaction and the transactions entered into by COSCO Ports, PCT, Florens, GZ South China, Yangzhou Yuanyang, Plangreat, Zhangjiagang Terminal and Xiamen Ocean Gate under the master agreements for the Relevant Year, in accordance with Rule 14A.38 of Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Disclosure under Rule 13.22 of Chapter 13 of the Listing Rules

In relation to the financial assistance granted by the Group to certain affiliated companies, a proforma combined balance sheet of the affiliated companies as at 31st December 2012 required to be disclosed under Rule 13.22 of Chapter 13 of the Listing Rules is set out below:

	US$'000
Non-current assets	5,615,885
Current assets	1,590,694
Current liabilities	(1,849,920)
Non-current liabilities	(2,096,923)
Net assets	3,259,736
Share capital	123,443
Reserves	1,761,590
Non-controlling interest	1,374,703
Capital and reserves	3,259,736

As at 31st December 2012, the Group's attributable interests in these affiliated companies amounted to US$684,306,000.

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, 26th March 2013

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 120 to 194, which comprise the consolidated and company balance sheets as at 31st December 2012, 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 2012, 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, 26th March 2013

CONSOLIDATED BALANCE SHEET

AS AT 31ST DECEMBER 2012

	Note	2012 US$'000	2011 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	**3,717,804**	3,155,865
Investment properties	8	**4,899**	7,571
Land use rights	9	**219,631**	223,870
Intangible assets	10	**9,995**	9,231
Jointly controlled entities	12	**599,510**	537,700
Loan to a jointly controlled entity	12	**5,276**	–
Associates	13	**1,570,615**	1,550,030
Loan to an associate	13	**30,702**	28,930
Available-for-sale financial asset	14	**25,000**	17,000
Finance lease receivables	15	**13,542**	15,259
Deferred income tax assets	16	**676**	1,690
Derivative financial instruments	17	**–**	13,948
Other non-current assets	18	**73,841**	60,668
		6,271,491	5,621,762
Current assets			
Inventories	19	**12,746**	9,332
Trade and other receivables	20	**221,728**	259,991
Current income tax recoverable		**–**	30
Derivative financial instruments	17	**8,563**	–
Restricted bank deposits	42(b)	**907**	111
Cash and cash equivalents	42(b)	**848,423**	580,958
		1,092,367	850,422
Total assets		**7,363,858**	6,472,184
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	21	**35,762**	34,805
Reserves		**3,852,396**	3,531,763
Proposed final dividend		**65,862**	60,744
		3,954,020	3,627,312
Non-controlling interests		**263,373**	252,847
Total equity		**4,217,393**	3,880,159

	Note	2012 US$'000	2011 US$'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	16	**50,678**	45,455
Long term borrowings	24	**1,826,655**	1,573,470
Loans from non-controlling shareholders of subsidiaries	25	**121,714**	169,812
Other long term liabilities	26	**6,749**	3,564
		2,005,796	1,792,301
Current liabilities			
Trade and other payables	27	**358,200**	201,470
Current income tax liabilities		**7,427**	3,730
Current portion of long term borrowings	24	**688,260**	420,131
Short term bank loans	24	**86,782**	174,393
		1,140,669	799,724
Total liabilities		**3,146,465**	2,592,025
Total equity and liabilities		**7,363,858**	6,472,184
Net current (liabilities)/assets		**(48,302)**	50,698
Total assets less current liabilities		**6,223,189**	5,672,460

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 128 to 194 are an integral part of these consolidated financial statements.

BALANCE SHEET

AS AT 31ST DECEMBER 2012

	Note	2012 US$'000	2011 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	**157**	220
Subsidiaries	11	**2,172,342**	2,117,493
Amounts due from subsidiaries	11	**35,745**	109,833
		2,208,244	2,227,546
Current assets			
Other receivables	20	**538**	375
Amounts due from subsidiaries	11	**1,060,311**	540,899
Cash and cash equivalents	42(b)	**474,788**	179,660
		1,535,637	720,934
Total assets		**3,743,881**	2,948,480
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	21	**35,762**	34,805
Reserves	23	**2,308,759**	2,235,524
Proposed final dividend	23	**65,862**	60,744
Total equity		**2,410,383**	2,331,073
LIABILITIES			
Non-current liabilities			
Loan due to a subsidiary	11	**–**	296,655
Long term borrowings	24	**230,000**	–
		230,000	296,655
Current liabilities			
Other payables	27	**2,075**	2,160
Loan due to a subsidiary	11	**296,655**	–
Amounts due to subsidiaries	11	**804,768**	318,592
		1,103,498	320,752
Total liabilities		**1,333,498**	617,407
Total equity and liabilities		**3,743,881**	2,948,480

On behalf of the Board

WANG Xingru	**WONG Tin Yau, Kelvin**
Vice Chairman and Managing Director	*Executive Director and Deputy Managing Director*

The accompanying notes on pages 128 to 194 are an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31ST DECEMBER 2012

	Note	2012 US$'000	2011 US$'000
Revenues	6	**735,500**	599,159
Cost of sales		**(420,218)**	(340,141)
Gross profit		**315,282**	259,018
Administrative expenses		**(91,919)**	(89,323)
Other operating income	28	**15,237**	22,440
Other operating expenses		**(11,212)**	(12,735)
Operating profit	29	**227,388**	179,400
Finance income	30	**9,211**	5,070
Finance costs	30	**(77,263)**	(58,419)
Operating profit after finance income and costs		**159,336**	126,051
Share of profits less losses of			
– jointly controlled entities	12(c)	**96,461**	96,638
– associates	13(d)	**126,577**	179,290
Gain on disposal of a jointly controlled entity, net of tax	31	**–**	12,557
Gain on release of exchange reserve upon reclassification from a jointly controlled entity to a subsidiary	44	**–**	11,841
Profit before income tax		**382,374**	426,377
Income tax expenses	32	**(27,905)**	(28,771)
Profit for the year		**354,469**	397,606
Profit attributable to:			
Equity holders of the Company	33	**342,194**	388,771
Non-controlling interests		**12,275**	8,835
		354,469	397,606
Dividends	34	**138,474**	155,416
Earnings per share for profit attributable to equity holders of the Company			
– basic	35	**US12.51 cents**	US14.34 cents
– diluted	35	**US12.51 cents**	US14.33 cents

The accompanying notes on pages 128 to 194 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST DECEMBER 2012

	2012 US$'000	2011 US$'000
Profit for the year	**354,469**	397,606
Other comprehensive income		
Exchange differences from retranslation of financial statements of subsidiaries, jointly controlled entities and associates	**13,062**	93,122
Fair value gain/(loss) on an available-for-sale financial asset	**8,000**	(8,000)
Release of reserves upon disposal of a jointly controlled entity	**–**	(6,838)
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	**(4,464)**	328
– revaluation reserve	**983**	(5,071)
– other reserves	**9,692**	2,441
Other comprehensive income for the year	**27,273**	64,141
Total comprehensive income for the year	**381,742**	461,747
Total comprehensive income attributable to:		
Equity holders of the Company	**368,768**	439,409
Non-controlling interests	**12,974**	22,338
	381,742	461,747

The accompanying notes on pages 128 to 194 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST DECEMBER 2012

	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 2012	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
Profit for the year	–	–	–	–	–	–	–	–	–	342,194	342,194	12,275	354,469
Exchange differences from retranslation of financial statements of subsidiaries, jointly controlled entities and associates	–	–	–	–	–	–	–	12,363	–	–	12,363	699	13,062
Fair value gain on an available-for-sale financial asset	–	–	–	–	–	8,000	–	–	–	–	8,000	–	8,000
Share of reserves of jointly controlled entities and associates	–	–	–	–	–	983	–	(4,464)	9,692	–	6,211	–	6,211
Total comprehensive income for the year	–	–	–	–	–	8,983	–	7,899	9,692	342,194	368,768	12,974	381,742
Issue of shares on settlement of scrip dividend	957	92,555	–	–	–	–	–	–	–	–	92,555	–	93,512
Transfer of reserve upon cancellation and lapse of share options	–	–	(788)	–	–	–	–	–	–	788	–	–	–
Acquisition of additional interests in a subsidiary	–	–	–	(2,216)	–	–	–	–	–	–	(2,216)	2,216	–
Transfer of reserves	–	–	–	–	–	–	–	–	12,416	(12,416)	–	–	–
Dividends paid to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(4,664)	(4,664)
Dividends paid to equity holders of the Company													
– 2011 final	–	–	–	–	–	–	–	–	–	(60,744)	(60,744)	–	(60,744)
– 2012 interim	–	–	–	–	–	–	–	–	–	(72,612)	(72,612)	–	(72,612)
	957	92,555	(788)	(2,216)	–	8,983	–	7,899	22,108	197,210	325,751	10,526	337,234
At 31st December 2012	35,762	1,389,831	8,558	2,296	115	(12,168)	1,160	234,360	93,821	2,200,285	3,918,258	263,373	4,217,393
Representing:													
Share capital	35,762	–	–	–	–	–	–	–	–	–	–		
Reserves	–	1,389,831	8,558	2,296	115	(12,168)	1,160	234,360	93,821	2,134,423	3,852,396		
2012 final dividend proposed	–	–	–	–	–	–	–	–	–	65,862	65,862		
	35,762	1,389,831	8,558	2,296	115	(12,168)	1,160	234,360	93,821	2,200,285	3,918,258		

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST DECEMBER 2012

	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		

The accompanying notes on pages 128 to 194 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31ST DECEMBER 2012

	Note	2012 US$'000	2011 US$'000
Cash flows from operating activities			
Cash generated from operations	42(a)	**431,574**	330,885
Interest received		**5,221**	3,835
Net cash received from interest rate swap contracts		**8,154**	8,543
Tax refunded		**13**	–
Tax paid		**(17,617)**	(11,330)
Net cash generated from operating activities		**427,345**	331,933
Cash flows from investing activities			
Dividends received from jointly controlled entities		**138,022**	83,425
Dividends received from associates		**77,665**	80,710
Dividends received from an available-for-sale financial asset		**1,798**	1,650
Purchase of property, plant and equipment, land use rights and intangible assets		**(710,372)**	(666,969)
Payment of the consideration of a business acquisition in the prior year		**–**	(3,974)
Acquisition of additional interest in a subsidiary		**–**	(3)
Reclassification of a jointly controlled entity to a subsidiary		**–**	9,517
Investments in jointly controlled entities		**(75,238)**	(712)
Loan advanced to a jointly controlled entity		**(6,049)**	–
Repayment of loans from associates		**60,259**	38,120
Sale of property, plant and equipment		**6,233**	198,511
Net proceeds on disposal of a jointly controlled entity		**–**	27,993
Compensation received for loss of containers		**378**	474
Net cash used in investing activities		**(507,304)**	(231,258)
Cash flows from financing activities			
Loans drawn down		**1,165,121**	605,318
Loans repaid		**(726,641)**	(536,866)
Loans from non-controlling shareholders of subsidiaries		**47,729**	89,880
Loan from a jointly controlled entity		**–**	23,604
Issue of shares		**–**	452
Dividends paid to equity holders of the Company		**(39,963)**	(161,999)
Dividends paid to non-controlling shareholders of subsidiaries		**(4,664)**	(5,835)
Interest paid		**(84,611)**	(76,071)
Other incidental borrowing costs paid		**(11,265)**	(1,253)
Capital contributions from non-controlling shareholders of subsidiaries		**–**	19,234
Net cash generated from/(used in) financing activities		**345,706**	(43,536)
Net increase in cash and cash equivalents		**265,747**	57,139
Cash and cash equivalents at 1st January	42(b)	**580,958**	524,274
Exchange differences		**1,718**	(455)
Cash and cash equivalents at 31st December		**848,423**	580,958

The accompanying notes on pages 128 to 194 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

COSCO Pacific Limited (the "Company") and its subsidiaries (collectively the "Group") are principally engaged in the businesses of managing and operating terminals, container leasing, management and sale, 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 26th March 2013.

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.

Notes with principal amount of US$300,000,000 will mature on 3rd October 2013, whilst the majority of assets acquired are non-current in nature, the Group recorded net current liabilities amounting to US$48,302,000 as at 31st December 2012. With the subsequent successful issuance of US$300,000,000 guaranteed notes in January 2013 (note 45(a)), the Group has returned to a net current assets position. Taking into account the available unutilised committed bank loan facilities and expected cash flows from operations, the Group will have adequate resources to meet its liabilities and commitments as and when they fall due and to continue in operational existence for the forseeable future. Accordingly, the Group has continued to adopt the going concern basis in preparing the consolidated financial statements.

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 2012, 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 2012:

HKAS 12 Amendment	Deferred Tax: Recovery of Underlying Assets
HKFRS 1 Amendment	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
HKFRS 7 Amendment	Disclosure – Transfers of Financial Assets

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, amendments or improvements to existing standards that are not yet effective for the financial year beginning 1st January 2012 and have not been early adopted by the Group

The HKICPA has issued the following new HKFRS standards, interpretation, amendments or improvements to existing standards which are not yet effective for the financial year beginning 1st January 2012 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 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	Government Loans	1st January 2013
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
Annual Improvements 2009–2011 Cycle		
HKAS 1 Amendment	Presentation of Financial Statements	1st January 2013
HKAS 16 Amendment	Property, Plant and Equipment	1st January 2013
HKAS 32 Amendment	Financial Instruments: Disclosures	1st January 2013
HKAS 34 Amendment	Interim Financial Reporting	1st January 2013
HKFRS 1 Amendment	First-time Adoption of Hong Kong Financial Reporting Standards	1st January 2013

The Group will apply the above standards, interpretation, amendments or improvements to existing standards as and when they become effective. The Group has already commenced an assessment of the impact of these new standards, interpretation, amendments or improvements to existing standards, and anticipated that the adoption of new standards, interpretation, amendments or improvements to existing standards will not give rise to changes in accounting policies in the consolidated financial statements. Certain of which may be relevant to the Group’s operations and may give rise to changes in disclosures in the consolidated financial statements.

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

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

(b) Subsidiaries

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 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.

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 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 the 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 difference on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the investment revaluation reserve in other comprehensive income.

3 Summary of significant accounting policies (Continued)

3.3 Foreign currency translation (Continued)

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

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

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

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

On the disposal of a foreign operation (that is, a disposal of the group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a 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 other comprehensive income.

3.4 Property, plant and equipment

Property, plant and equipment are stated at cost or 1994 valuation less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are 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 land and buildings have been carried out. The Group places reliance on paragraph 80A of HKAS 16 "Property, Plant and Equipment" issued by the HKICPA, which provides exemption from the need to make regular revaluations for such assets.

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

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

Other property, plant and equipment includes plant and machinery with estimated useful lives ranged from 5 to 25 years, furniture, fixtures and equipment and motor vehicles with estimated useful lives ranged from 5 to 10 years.

3 Summary of significant accounting policies (Continued)

3.4 Property, plant and equipment (Continued)

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

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

3.5 Land use rights

Land use rights classified as operating lease represent prepaid operating lease payments for land less accumulated amortisation and any impairment losses. Amortisation is calculated using the straight-line method to allocate the prepaid operating lease payments for land over the remaining lease term.

3.6 Investment properties

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

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

Investment properties are measured initially at cost, including related transaction costs. After initial recognition, investment properties are carried at fair value. 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 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.

3 Summary of significant accounting policies (Continued)

3.7 Intangible assets (Continued)

(a) Goodwill (Continued)

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.

3.8 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.

3.9 Available-for-sale financial assets

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

Available-for-sale financial assets are non-derivatives 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 Summary of significant accounting policies (Continued)

3.10 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.

3.11 Impairment of financial assets

(a) Assets carried at amortised cost

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

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

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

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

(b) 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)

3.12 Inventories

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

3.13 Trade and other receivables

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

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

3.14 Cash and cash equivalents

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

3.15 Assets under leases

Leases 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 3.23(b) and 3.23(e) below.

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

3.16 Provisions

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

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

3 Summary of significant accounting policies (Continued)

3.17 Trade and other payables

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

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

3.18 Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurred because a specified debtor failed to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts are initially recognised at their fair value, and subsequently measured at the higher of (i) the amount initially recognised less accumulated amortisation; and (ii) the amount required to be settled by the guarantor in respect of the financial guarantee contracts at the balance sheet date.

3.19 Share capital

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

3.20 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

3.21 Current and deferred income tax

The tax expense for the year comprises current and deferred 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.

(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.

3 Summary of significant accounting policies (Continued)

3.21 Current and deferred income tax (Continued)

(b) Deferred income tax (Continued)

Outside basis differences

Deferred income tax 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.

3.22 Employee benefits

(a) Retirement benefit costs

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

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

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

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

(b) Employee leave entitlements

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

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

(c) Bonus entitlements

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

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

3 Summary of significant accounting policies (Continued)

3.22 Employee benefits (Continued)

(d) Share-based compensation

The Company operates an equity-settled, share-based compensation plan and provides equity compensation benefit, in the form of share options, to the directors of the Company and employees of the Group and COSCO. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become vested. At each balance sheet date, the Company revises its estimates of the number of options that are expected to become vested. It recognises the impact of the revision of original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

3.23 Recognition of revenues and income

The Group recognises revenues and income on the following bases:

(a) Revenues from terminal operations

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

(b) Revenues from leasing of assets

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

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

(c) Revenues from container handling, transportation and storage

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

(d) Revenues from container management

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

(e) Operating lease rental income from investment properties

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

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

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

(g) Interest income

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

(h) Dividend income

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

3 Summary of significant accounting policies (Continued)

3.23 Recognition of revenues and income (Continued)

(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.

3.24 Borrowing costs

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

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

3.25 Government subsidy

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

3.26 Dividend distribution

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

3.27 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

Contingent liabilities other than those acquired from business combination are not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

4 Financial risk management

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures. Details of these financial instruments are disclosed in respective notes.

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

(a) Market risk

(i) Foreign exchange risk

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

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

With all other variables held constant, if the currencies of Non-Functional Currency Items had weakened/strengthened by 5% against the US dollar, the Group's profit after income tax for the year would have been decreased/increased by US$1,156,000 (2011: decreased/increased US$1,940,000) as a result of the translation of those Non-Functional Currency Items.

(ii) Price risk

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

(iii) Cash flow and fair value interest rate risk

Other than bank balances and loans to 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$8,355,000 (2011: US$7,230,000).

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 receivable from COSCO Container Lines Company Limited ("COSCON"), a fellow subsidiary of the Group and a subsidiary of China COSCO, and third party customers which are operating in the container shipping industry. Container leasing rental income from COSCON accounted for approximately 19% (2011: 22%) of the Group's revenue and most of balance receivable from COSCON are aged within the credit period granted.

There is no concentration of credit risk with respect to trade and finance lease receivables from third party customers as the Group has a large number of customers which are internationally dispersed. No individual third party customers accounted for greater than 10% of the Group's 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.

Notes with principal amount of US$300,000,000 will mature on 3rd October 2013. The Group recorded net current liabilities amounting to US$48,302,000 as at 31st December 2012. As management has subsequently refinanced the notes with 10-year US$300,000,000 guaranteed notes in January 2013 (note 45(a)), the Group has returned to a net current assets position.

4 Financial risk management (Continued)

4.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

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.

	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 2012				
Bank and other borrowings	**878,731**	**463,085**	**1,669,744**	**445,232**
Loans from non-controlling shareholders of subsidiaries	**101,277**	**123,920**	**–**	**–**
Trade and other payables	**261,753**	**–**	**–**	**–**
Financial guarantee contracts	**3,957**	**5,276**	**15,194**	**–**
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

	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 2012				
Bank borrowings	**6,224**	**6,224**	**233,112**	**–**
Loan due to a subsidiary	**296,655**	**–**	**–**	**–**
Other payables	**2,075**	**–**	**–**	**–**
Amounts due to subsidiaries	**804,768**	**–**	**–**	**–**
Financial guarantee contracts	**629,957**	**170,276**	**552,194**	**–**
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

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 2012, the net debt-to-total equity ratio is 41.6% (2011: 40.9%).

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 2012:

	2012 Level 2 US$'000	**2011 Level 2 US$'000**
Available-for-sale financial asset	**25,000**	17,000
Derivatives financial instruments	**8,563**	13,948
Borrowings under fair value hedge	**211,102**	213,707

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 technique (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.

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.

Management reviewed the residual values and useful lives of property, plant and equipment as at 1st January 2012. The depreciation charge of containers for the year ended 31st December 2012 was calculated based on the revised estimated residual values. This represents a change in an accounting estimate and has been accounted for prospectively. The overall effect of this change is a decrease in depreciation charge by approximately US$4,022,000 and an increase in deferred income tax charge by approximately US$45,000 for the year ended 31st December 2012.

If the useful lives of containers differ by 10% from management's estimates as at 31st December 2012 with all other variables held constant, the estimated depreciation charge for the year would be US$15,468,000 higher or US$11,273,000 lower for the year ended 31st December 2012.

If the residual values of containers differ by 10% from management's estimates as at 31st December 2012 with all other variables held constant, the estimated depreciation charge for the year would be US$3,646,000 higher or lower for the year ended 31st December 2012.

(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 3.8.

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 2012.

5 Critical accounting estimates and judgements (Continued)

(c) 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.

(d) 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 amount may not be recoverable, according to their recoverable amounts determined by the cash-generating units based on value-in-use calculations. The determination of impairment indication requires significant judgement, and the calculations require the use of estimates which are subject to change of economic environment in future.

Management determines the provision for impairment of trade receivables based on the credit history of customers and the current market condition.

(e) 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 amount of these assets and liabilities.

6 Revenues and segment information

Revenues recognised during the year are as follows:

	2012 US$'000	2011 US$'000
Terminal operations income	**398,491**	320,063
Operating lease rentals on		
– containers	**280,514**	246,782
– generator sets	**1,628**	1,877
Sale of inventories	**42,606**	18,245
Finance lease income	**1,113**	744
Container management income	**7,492**	8,181
Container handling, transportation and storage income	**3,656**	3,267
Turnover	**735,500**	599,159

(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 businesses:

(i) terminal and related businesses including terminal operations, 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 & 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 and intangible assets.

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$'000	Inter-segment elimination US$'000	Total US$'000
At 31st December 2012							
Segment assets	**3,907,266**	**2,067,570**	**804,377**	**6,779,213**	**833,925**	**(249,280)**	**7,363,858**
Segment assets include:							
Jointly controlled entities	**599,510**	**–**	**–**	**599,510**	**–**	**–**	**599,510**
Associates	**766,238**	**–**	**804,377**	**1,570,615**	**–**	**–**	**1,570,615**
Available-for-sale financial asset	**25,000**	**–**	**–**	**25,000**	**–**	**–**	**25,000**
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

6 Revenues and segment information (Continued)

(a) Operating segments (Continued)

Segment revenues, results and other information

	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 2012							
Revenue – total sales	**402,161**	**336,224**	**–**	**738,385**	**–**	**(2,885)**	**735,500**
Segment profit/(loss) attributable to equity holders of the Company	**188,964**	**139,522**	**61,895**	**390,381**	**(48,187)**	**–**	**342,194**
Segment profit/(loss) attributable to equity holders of the Company includes:							
Finance income	**952**	**895**	**–**	**1,847**	**11,522**	**(4,158)**	**9,211**
Finance costs	**(56,449)**	**(14,717)**	**–**	**(71,166)**	**(13,479)**	**7,382**	**(77,263)**
Share of profits less losses of							
– jointly controlled entities	**96,461**	**–**	**–**	**96,461**	**–**	**–**	**96,461**
– associates	**64,682**	**–**	**61,895**	**126,577**	**–**	**–**	**126,577**
Income tax expenses	**(9,073)**	**(2,547)**	**–**	**(11,620)**	**(16,285)**	**–**	**(27,905)**
Depreciation and amortisation	**(60,601)**	**(105,080)**	**–**	**(165,681)**	**(2,195)**	**–**	**(167,876)**
Impairment loss of property, plant and equipment	**–**	**(375)**	**–**	**(375)**	**–**	**–**	**(375)**
Other non-cash expenses	**(73)**	**(1,311)**	**–**	**(1,384)**	**(1)**	**–**	**(1,385)**
Additions to non-current assets	**(359,469)**	**(372,812)**	**–**	**(732,281)**	**(1,282)**	**–**	**(733,563)**

6 Revenues and segment information (Continued)

(a) Operating segments (Continued)

Segment revenues, results and other information (Continued)

	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 – total 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
Gain 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 44)	(735,394)	–	–	(735,394)	–	–	(735,394)

6 Revenues and segment information (Continued)

(b) Geographical information

(i) Revenues

In respect of terminal and related businesses, revenues are based on the geographical areas in which the business operations are located.

In respect of container leasing, management, sale and related businesses, the movements of containers and generator sets of the Group are known through report from the lessees but the Group is not able to control the movements of containers and generator sets except to the degree that the movements are restricted by the terms of the leases or where safety of the containers and generator sets is concerned. It is therefore impracticable to present financial information by geographical areas and thus the revenues of which are presented as unallocated revenues.

	2012 **US$'000**	**2011** **US$'000**
Terminal and related businesses		
– Mainland China (excluding Hong Kong)	**263,718**	218,643
– Europe	**134,773**	101,420
– Others	**3,656**	3,268
Unallocated	**333,353**	275,828
	735,500	599,159

(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 activities of the Group, its jointly controlled entities and associates are predominantly carried out in the following geographical areas:

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

	2012 **US$'000**	**2011** **US$'000**
Mainland China (excluding Hong Kong)	**3,993,046**	3,724,076
Europe	**286,259**	196,738
Others	**245,779**	199,347
Unallocated	**1,671,211**	1,424,774
	6,196,295	5,544,935

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 2012	**1,765,694**	**12,488**	**20,996**	**812,273**	**2,240**	**479,823**	**547,515**	**3,641,029**
Exchange differences	**43**	**–**	**–**	**4,568**	**9**	**3,229**	**2,147**	**9,996**
Additions	**371,668**	**–**	**–**	**7,721**	**939**	**24,510**	**326,235**	**731,073**
Disposals	**(21,595)**	**(549)**	**–**	**(7)**	**–**	**(780)**	**–**	**(22,931)**
Transfer to inventories	**(41,921)**	**–**	**–**	**–**	**–**	**–**	**–**	**(41,921)**
Transfer from investment properties (note 8)	**–**	**–**	**3,083**	**–**	**–**	**–**	**–**	**3,083**
Transfers	**–**	**–**	**–**	**338,178**	**–**	**143,600**	**(481,778)**	**–**
At 31st December 2012	**2,073,889**	**11,939**	**24,079**	**1,162,733**	**3,188**	**650,382**	**394,119**	**4,320,329**
Accumulated depreciation and impairment losses								
At 1st January 2012	**347,926**	**5,482**	**5,213**	**48,005**	**1,304**	**77,234**	**–**	**485,164**
Exchange differences	**9**	**–**	**–**	**247**	**5**	**416**	**–**	**677**
Depreciation charge for the year	**102,407**	**924**	**364**	**23,420**	**159**	**32,219**	**–**	**159,493**
Impairment loss for the year	**375**	**–**	**–**	**–**	**–**	**–**	**–**	**375**
Disposals – accumulated depreciation and impairment losses	**(14,881)**	**(343)**	**–**	**(3)**	**–**	**(675)**	**–**	**(15,902)**
Transfer to inventories	**(27,282)**	**–**	**–**	**–**	**–**	**–**	**–**	**(27,282)**
At 31st December 2012	**408,554**	**6,063**	**5,577**	**71,669**	**1,468**	**109,194**	**–**	**602,525**
Net book value								
At 31st December 2012	**1,665,335**	**5,876**	**18,502**	**1,091,064**	**1,720**	**541,188**	**394,119**	**3,717,804**
The analysis of cost or valuation of the above assets as at 31st December 2012 is as follows:								
At cost	**2,073,889**	**11,939**	**4,105**	**1,162,733**	**3,188**	**650,382**	**394,119**	**4,300,355**
At 1994 professional valuation	**–**	**–**	**19,974**	**–**	**–**	**–**	**–**	**19,974**
	2,073,889	**11,939**	**24,079**	**1,162,733**	**3,188**	**650,382**	**394,119**	**4,320,329**

7 Property, plant and equipment (Continued)

Group (Continued)

	Containers US$'000	Generator sets US$'000	Leasehold land and buildings in Hong Kong US$'000	Buildings outside Hong Kong US$'000	Leasehold improvements US$'000	Other property, plant and equipment US$'000	Construction in progress US$'000	Total US$'000
Cost or valuation								
At 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	–	–	–	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)

Company

	Other property, plant and equipment 2012 US$'000	2011 US$'000
Cost		
At 1st January	**845**	736
Additions	**–**	109
At 31st December	**845**	845
Accumulated depreciation		
At 1st January	**625**	583
Depreciation charge for the year	**63**	42
At 31st December	**688**	625
Net book value		
At 31st December	**157**	220

Notes:

(a) Certain land and buildings in Hong Kong of the Group with carrying amount of US$14,769,000 (2011: US$14,911,000) were revalued in 1994 on an open market value basis by C.Y. Leung & Company Limited (now known as DTZ), an independent professional property valuer.

The carrying amount of these land and buildings as at 31st December 2012 would have been US$13,409,000 (2011: US$13,563,000) 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 2012 of the leased assets of the Group (where the Group is a lessor) which comprised containers, generator sets and certain other property, plant and equipment and were leased to fellow subsidiaries and third parties under operating leases amounted to US$1,844,221,000 (2011: US$1,685,906,000), US$413,486,000 (2011: US$352,598,000) and US$1,150,000 (2011: US$816,000) respectively.

(c) The accumulated impairment losses of property, plant and equipment of the Group as at 31st December 2012 amounted to US$3,819,000 (2011: US$3,443,000).

(d) During the year, the Group transferred containers with an aggregate net book value of US$14,639,000 (2011: US$5,719,000) to inventories.

(e) As at 31st December 2012, certain other property, plant and equipment with an aggregate net book value of US$18,828,000 (2011: US$19,277,000) were pledged as securities for a banking facility granted to the Group (note 24(h)).

(f) During the year, interest expense of US$16,341,000 (2011: US$12,668,000) were capitalised in construction in progress (note 30).

8 Investment properties

	Group 2012 US$'000	2011 US$'000
At 1st January	**7,571**	4,742
Exchange differences	**8**	146
Reclassification of a jointly controlled entity to a subsidiary	**–**	2,864
Transfer to property, plant and equipment (note 7)	**(3,083)**	(731)
Revaluation surplus (note a)	**403**	550
At 31st December	**4,899**	7,571

Notes:

(a) The investment properties as at 31st December 2012 were revalued on an open market value basis by Jones Lang Lasalle Sallmanns Limited ("Jones Lang Lasalle") (2011: DTZ Debenham Tie Leung Limited and Jones Lang Lasalle), independent professional property valuers. Valuations were based on current prices in an active market for all properties. The revaluation surplus for the year ended 31st December 2012 of US$403,000 (2011: US$550,000) was accounted for in the consolidated income statement within other operating income (note 28).

(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 2012 US$'000	 2011 US$'000
At 1st January	**223,870**	141,736
Exchange differences	**529**	10,692
Reclassification of a jointly controlled entity to a subsidiary	**–**	64,166
Additions	**–**	11,903
Amortisation	**(4,768)**	(4,627)
At 31st December	**219,631**	223,870

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. (2011: between 10 to 50 years)

10 Intangible assets

Group

	Computer software		Computer systems under development		Total	
	2012 US$'000	2011 US$'000	2012 US$'000	2011 US$'000	2012 US$'000	2011 US$'000
Cost						
At 1st January	**19,842**	15,904	**1,231**	2,022	**21,073**	17,926
Exchange differences	**55**	(38)	**2**	–	**57**	(38)
Reclassification of a jointly controlled entity to a subsidiary	**–**	1,343	**–**	–	**–**	1,343
Additions	**1,693**	964	**797**	884	**2,490**	1,848
Write-off	**(29)**	(6)	**–**	–	**(29)**	(6)
Transfer	**603**	1,675	**(603)**	(1,675)	**–**	–
At 31st December	**22,164**	19,842	**1,427**	1,231	**23,591**	21,073
Accumulated amortisation						
At 1st January	**11,842**	10,333	**–**	–	**11,842**	10,333
Exchange differences	**14**	3	**–**	–	**14**	3
Amortisation for the year	**1,769**	1,512	**–**	–	**1,769**	1,512
Write-off	**(29)**	(6)	**–**	–	**(29)**	(6)
At 31st December	**13,596**	11,842	**–**	–	**13,596**	11,842
Net book value						
At 31st December	**8,568**	8,000	**1,427**	1,231	**9,995**	9,231

11 Subsidiaries

	Company	
	2012	**2011**
	US$'000	**US$'000**
Unlisted investments, at cost (note a)	**273,255**	273,255
Advances to subsidiaries (note b)	**1,899,087**	1,844,238
	2,172,342	2,117,493
Amounts due from subsidiaries (net of provision)		
– Non-current (note c)	**35,745**	109,833
– Current (note d)	**1,060,311**	540,899
Loan due to a subsidiary (note e)		
– Non-current	**–**	(296,655)
– Current	**(296,655)**	–
Amounts due to subsidiaries (note f)	**(804,768)**	(318,592)

Notes:

(a) As at 31st December 2012, the Company's investment in a subsidiary amounted to US$105,362,000 (2011: US$105,362,000) was pledged as securities for a banking facility granted to the Group (noted 24(h)).

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

(c) These amounts due from subsidiaries are unsecured, interest bearing and repayment terms as follows:

(i) As at 31st December 2012, balance of US$15,745,000 (2011: US$15,474,000) which bears interests of 0.6% (2011: 0.6%) per annum above the US dollar London Interbank Offered Rate ("LIBOR") and is wholly repayable on or before 30th December 2014. Balances of US$10,000,000 (2011: US$Nil) and US$10,000,000 (2011: US$Nil) which bear interests of 4.2% (2011: Nil) per annum above the US dollar LIBOR and are wholly repayable on or before 5th November 2017 and 18th December 2017 respectively.

(ii) As at 31st December 2011, balance of US$94,359,000 bore interests of 0.6% per annum above the US dollar LIBOR and was wholly repayable on or before 30th June 2013.

(d) The amounts due from subsidiaries are unsecured, interest free and have no fixed terms of repayment. Movement on the provision for impairment of amounts due from subsidiaries is as follows:

	Company	
	2012	**2011**
	US$'000	**US$'000**
At 1st January	**(135,239)**	(116,439)
Provision for impairment of amounts due from subsidiaries	**(18,400)**	(18,800)
At 31st December	**(153,639)**	(135,239)

(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 is not materially different from its fair value.

(f) The amounts due to subsidiaries are unsecured, interest free and have no fixed terms of repayment.

(g) Details of the subsidiaries as at 31st December 2012 are set out in note 46 to the consolidated financial statements.

12 Jointly controlled entities

	Group 2012 US$'000	2011 US$'000
Investment in jointly controlled entities including goodwill on acquisitions (note a)	**599,510**	517,140
Equity loan to a jointly controlled entity	**–**	20,560
	599,510	537,700
Loan to a jointly controlled entity (note b)	**5,276**	–

Notes:

(a) The carrying amount of goodwill on acquisitions of jointly controlled entities amounted to US$41,443,000 (2011: 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 (2011: US$31,435,000), US$5,362,000 (2011: US$5,362,000) and US$4,533,000 (2011: US$4,533,000).

(b) As at 31st December 2012, the loan to a jointly controlled entity was secured, which bore interest at 5% per annum above the 3 months Euro Interbank Offered Rate ("EURIBOR") and wholly repayable on or before December 2016.

(c) 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
2012	**957,135**	**130,599**	**(379,684)**	**(145,940)**	**283,131**	**(172,089)**	**96,461**
2011	839,565	127,471	(309,148)	(176,722)	272,910	(162,727)	96,638

(d) The Company has no directly owned jointly controlled entity as at 31st December 2012 and 2011. Details of the principal jointly controlled entities as at 31st December 2012 are set out in note 47 to the consolidated financial statements.

13 Associates

	Group 2012 US$'000	Group 2011 US$'000
Investment in associates including goodwill on acquisitions (note a)		
– Listed shares	**804,377**	777,379
– Unlisted shares	**684,531**	630,964
	1,488,908	1,408,343
Equity loans to associates (note b)	**81,707**	141,687
	1,570,615	1,550,030
Loan to an associate (note c)	**30,702**	28,930
Market value of listed shares	**1,020,111**	1,051,306

Notes:

(a) The carrying amount of goodwill on acquisitions of associates amounted to US$28,279,000 (2011: US$28,279,000), mainly represented the goodwill on acquisition of equity interests in Sigma Enterprises Limited ("Sigma") and Wattrus Limited ("Wattrus") of US$20,669,000 (2011: US$20,669,000) and US$7,523,000 (2011: 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% (2011: 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	Profits less losses after income tax US$'000
2012	**3,630,405**	**(1,942,188)**	**2,131,508**	**(1,922,166)**	**126,577**
2011	3,726,636	(2,092,280)	2,399,686	(2,125,144)	179,290

(e) The Company has no directly owned associate as at 31st December 2012 and 2011. Details of the principal associates as at 31st December 2012 are set out in note 48 to the consolidated financial statements.

14 Available-for-sale financial asset

	Group 2012 US$'000	Group 2011 US$'000
At 1st January	**17,000**	25,000
Fair value gain/(loss) recognised in equity	**8,000**	(8,000)
At 31st December	**25,000**	17,000

Note:

As at 31st December 2012 and 2011, 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.

15 Finance lease receivables

	Group							
	2012				2011			
	Gross receivables US$'000	Unearned finance income US$'000	Provision US$'000	Present value of minimum lease payment receivables US$'000	Gross receivables US$'000	Unearned finance income US$'000	Provision US$'000	Present value of minimum lease payment receivables US$'000
Amounts receivable under finance leases:								
Current portion (note 20)	**2,802**	**(949)**	**(37)**	**1,816**	2,908	(1,137)	(108)	1,663
Non-current portion								
– later than one year and not later than five years	**9,852**	**(2,516)**	**–**	**7,336**	10,472	(3,199)	(37)	7,236
– later than five years	**6,953**	**(747)**	**–**	**6,206**	9,317	(1,294)	–	8,023
	16,805	**(3,263)**	**–**	**13,542**	19,789	(4,493)	(37)	15,259
	19,607	**(4,212)**	**(37)**	**15,358**	22,697	(5,630)	(145)	16,922

As at 31st December 2012, the Group entered into 12 (2011: 11) finance lease contracts for leasing of certain containers and a vessel. The average term of the finance lease contracts is 5 years (2011: 5.25 years).

The cost of assets acquired for the purpose of letting under finance leases amounted to US$18,505,000 (2011: US$18,409,000) as at 31st December 2012.

Unguaranteed residual values of assets leased under finance lease contracts are estimated at approximately US$1,000 (2011: US$1,000).

16 Deferred income tax

Deferred income tax is calculated in full on temporary differences under the liability method using tax rates substantively enacted by the balance sheet date.

The movements on the net deferred income tax liabilities during the year are as follows:

	Group	
	2012 US$'000	2011 US$'000
At 1st January	**43,765**	26,337
Exchange differences	**11**	(145)
Charged to consolidated income statement (note 32)	**6,226**	17,573
At 31st December	**50,002**	43,765

Deferred income tax assets are recognised for tax losses carry forwards to the extent that realisation of the related tax benefit through the future taxable profits is probable. As at 31st December 2012, the Group and the Company have unrecognised tax losses of US$28,236,000 (2011: US$19,122,000) and US$2,563,000 (2011: US$2,563,000) respectively to carry forward. Except for the tax losses of US$194,000 (2011: US$193,000), US$1,850,000 (2011: US$2,986,000) and US$4,338,000 (2011: US$Nil) of the Group which will be expired as at 31st December 2016, 2017 and 2018 respectively, all other tax losses have no expiry dates.

As at 31st December 2012, deferred income tax liabilities of US$5,963,000 (2011: US$9,707,000) 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$32,100,000 (2011: US$45,888,000) as the directors considered that the timing of the reversal of the related temporary differences can be controlled and accordingly the temporary differences will not be reversed in the foreseeable future.

16 Deferred income tax (Continued)

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

Deferred income tax liabilities

	Group					
	Accelerated tax depreciation		Undistributed profits		Total	
	2012 US$'000	2011 US$'000	2012 US$'000	2011 US$'000	2012 US$'000	2011 US$'000
At 1st January	**6,676**	5,100	**41,050**	26,678	**47,726**	31,778
Exchange differences	**25**	(28)	**–**	–	**25**	(28)
Charged to consolidated income statement	**1,381**	1,604	**4,723**	14,372	**6,104**	15,976
At 31st December	**8,082**	6,676	**45,773**	41,050	**53,855**	47,726

Deferred income tax assets

	Group					
	Tax losses		Others		Total	
	2012 US$'000	2011 US$'000	2012 US$'000	2011 US$'000	2012 US$'000	2011 US$'000
At 1st January	**1,696**	3,202	**2,265**	2,239	**3,961**	5,441
Exchange differences	**(3)**	123	**17**	(6)	**14**	117
(Charged)/credited to consolidated income statement	**(1,431)**	(1,629)	**1,309**	32	**(122)**	(1,597)
At 31st December	**262**	1,696	**3,591**	2,265	**3,853**	3,961

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	
	2012 US$'000	2011 US$'000
Deferred income tax assets	**676**	1,690
Deferred income tax liabilities	**50,678**	45,455

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

	Group	
	2012 US$'000	2011 US$'000
Deferred income tax assets to be recovered after more than 12 months	**3,114**	559
Deferred income tax liabilities to be settled after more than 12 months	**7,956**	4,797

As at 31st December 2012 and 2011, the Company did not have significant deferred income tax assets and liabilities.

17 Derivative financial instruments

	Group	
	2012 US$'000	2011 US$'000
Interest rate swap contracts		
– fair value hedges (note)		
– Non-current	**–**	13,948
– Current	**8,563**	–

Note:

The notional principal amount of the related interest rate swap contracts amounted to US$200,000,000 (2011: US$200,000,000) which were committed with interest rates ranging from 1.05% to 1.16% (2011: 1.05% to 1.16%) per annum above US dollar LIBOR. These interest rate swap contracts have been designated as a hedge of the fair value of the notes issued by the Group and will mature on 3rd October 2013.

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 41(b)).

19 Inventories

Inventories of the Group mainly include containers held for sale transferred from property, plant and equipment and consumable parts for terminal operations at their carrying amount.

20 Trade and other receivables

	Group		Company	
	2012 US$'000	2011 US$'000	2012 US$'000	2011 US$'000
Trade receivables (note a)				
– third parties	**61,096**	50,881	**–**	–
– fellow subsidiaries (notes b and c)	**27,261**	28,870	**–**	–
– a jointly controlled entity (note b)	**21**	–	**–**	–
– non-controlling shareholders of a subsidiary (note b)	**3,053**	2,809	**–**	–
– related companies (note b)	**343**	470	**–**	–
	91,774	83,030	**–**	–
Less: provision for impairment	**(2,508)**	(3,446)	**–**	–
	89,266	79,584	**–**	–
Other receivables, deposits and prepayments	**75,080**	78,124	**538**	375
Rent receivable collected on behalf of owners of managed containers (note d)	**30,176**	30,594	**–**	–
Current portion of finance lease receivables (note 15)	**1,816**	1,663	**–**	–
Loans to jointly controlled entities (note e)	**22,485**	–	**–**	–
Amounts due from				
– fellow subsidiaries (note b)	**247**	197	**–**	–
– jointly controlled entities (note f)	**2,590**	46,151	**–**	–
– associates (note f)	**–**	23,665	**–**	–
– a non-controlling shareholder of a subsidiary (note b)	**68**	13	**–**	–
	221,728	259,991	**538**	375

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	
	2012	**2011**
	US$'000	**US$'000**
Within 30 days	**47,014**	44,329
31–60 days	**29,568**	28,109
61–90 days	**9,856**	5,855
Over 90 days	**2,828**	1,291
	89,266	79,584

As at 31st December 2012, trade receivables of US$62,525,000 (2011: US$59,994,000) were fully performing.

As at 31st December 2012, trade receivables of US$26,741,000 (2011: US$19,590,000) 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	
	2012	**2011**
	US$'000	**US$'000**
Within 30 days	**21,067**	17,975
31–60 days	**4,250**	976
61–90 days	**764**	432
Over 90 days	**660**	207
	26,741	19,590

As at 31st December 2012, trade receivables of US$2,508,000 (2011: US$3,446,000) were impaired. The amount of the provision was US$2,508,000 (2011: US$3,446,000) as at 31st December 2012. The individually impaired receivables mainly relate to lessees, which are in unexpected difficult economic situations. The ageing of these receivables is as follows:

	Group	
	2012	**2011**
	US$'000	**US$'000**
Within 30 days	**743**	1,419
31–60 days	**710**	836
61–90 days	**47**	81
Over 90 days	**1,008**	1,110
	2,508	3,446

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

	Group	
	2012	**2011**
	US$'000	**US$'000**
At 1st January	**(3,446)**	(3,852)
Exchange differences	**(4)**	(32)
Provision for impairment of trade receivables (note 29)	**(895)**	(1,864)
Write back of provision for impairment of trade receivables (note 28)	**1,254**	2,208
Receivables written off during the year as uncollectible	**583**	94
At 31st December	**(2,508)**	(3,446)

(b) The balances are unsecured and interest free. Trading balances have credit periods ranging from 30 to 90 days while other balances have no fixed terms of repayment.

(c) The balance mainly represented container leasing income receivables from fellow subsidiaries and included a receivable balance from COSCON of US$23,553,000 (2011: US$22,210,000). During the year ended 31st December 2012, the container leasing income from COSCON and the other fellow subsidiaries amounted to US$139,113,000 (2011: US$131,488,000) and US$8,000 (2011: US$11,000) respectively.

20 Trade and other receivables (Continued)

(d) The balance represented the unsettled billings to be collected by the Group in respect of the leases of those containers managed on behalf of third parties.

(e) As at 31st December 2012, balance of US$21,825,000 is unsecured, interest free, and wholly repayable within twelve months. Balance of US$660,000 is secured, bears interest at 5% per annum above EURIBOR and repayable within twelve months.

(f) The amounts receivable mainly represented dividend and interest receivable from jointly controlled entities and associates.

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

	Group		Company	
	2012 **US$'000**	**2011** **US$'000**	**2012** **US$'000**	**2011** **US$'000**
US dollar	**84,027**	90,202	**170**	276
Renminbi	**95,757**	106,825	**55**	43
Hong Kong dollar	**2,615**	23,944	**313**	55
Euro	**38,409**	32,643	**–**	1
Other currencies	**920**	6,377	**–**	–
	221,728	259,991	**538**	375

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

21 Share capital

	2012 **US$'000**	**2011** **US$'000**
Authorised:		
4,000,000,000 (2011: 4,000,000,000) ordinary shares of HK$0.10 each	**51,282**	51,282
Issued and fully paid:		
2,786,052,002 (2011: 2,711,783,573) ordinary shares of HK$0.10 each	**35,762**	34,805

The movements of the issued share capital of the Company are summarised as follows:

	Number of ordinary shares	**Nominal value US$'000**
At 1st January 2012	**2,711,783,573**	**34,805**
Issue of scrip dividend for 2011 final (note a)	**35,636,349**	**459**
Issue of scrip dividend for 2012 interim (note b)	**38,632,080**	**498**
At 31st December 2012	**2,786,052,002**	**35,762**
At 1st January 2011	2,711,525,573	34,801
Issued on exercise of share options (note 22)	258,000	4
At 31st December 2011	2,711,783,573	34,805

Notes:

(a) During the year ended 31st December 2012, 35,636,349 new shares were issued by the Company at HK$9.206 per share for the settlement of 2011 final scrip dividends.

(b) During the year ended 31st December 2012, 38,632,080 new shares were issued by the Company at HK$10.28 per share for the settlement of 2012 interim scrip dividends.

22 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 options is HK$1.00.

Movements of the share options are set out below:

			For the year ended 31st December 2012 Number of share options					
Category	**Note**	**Exercise price HK$**	**Outstanding at 1st January 2012**	**Exercised during the year**	**Transfer (to)/ from other categories during the year**	**Cancelled during the year**	**Lapsed during the year**	**Outstanding at 31st December 2012**
Directors	(i) (ii)	**9.54**	**800,000**	**–**	**–**	**–**	**–**	**800,000**
	(i) (iii)	**13.75**	**1,000,000**	**–**	**1,000,000**	**(1,000,000)**	**–**	**1,000,000**
	(i) (iv)	**19.30**	**1,000,000**	**–**	**–**	**–**	**–**	**1,000,000**
Continuous contract employees	(i) (ii)	**9.54**	**1,511,000**	**–**	**–**	**–**	**(130,000)**	**1,381,000**
	(i) (iii)	**13.75**	**12,412,000**	**–**	**–**	**(200,000)**	**(1,264,000)**	**10,948,000**
	(i) (iv)	**19.30**	**12,900,000**	**–**	**–**	**–**	**(740,000)**	**12,160,000**
Others	(i) (ii)	**9.54**	**50,000**	**–**	**–**	**–**	**–**	**50,000**
	(i) (iii)	**13.75**	**7,630,000**	**–**	**(1,000,000)**	**(5,000,000)**	**–**	**1,630,000**
	(i) (iv)	**19.30**	**800,000**	**–**	**–**	**(500,000)**	**–**	**300,000**
			38,103,000	**–**	**–**	**(6,700,000)**	**(2,134,000)**	**29,269,000**

			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

22 Share-based payment (Continued)

Notes:

(i) All the outstanding options were vested and exercisable as at 31st December 2012 and 2011. 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.

(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:

	Exercise price	**Number of share options**	
Expiry date	**HK$**	**2012**	**2011**
28th October 2013 to 6th November 2013	9.54	**2,231,000**	2,361,000
25th November 2014 to 16th December 2014	13.75	**13,578,000**	21,042,000
17th April 2017 to 19th April 2017	19.30	**13,460,000**	14,700,000
		29,269,000	38,103,000

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

	2012		**2011**	
	Average exercise price per share HK$	**Number of share options**	**Average exercise price per share HK$**	**Number of share options**
At 1st January	**15.63**	**38,103,000**	15.64	39,441,000
Exercised	**–**	**–**	13.62	(258,000)
Cancelled	**14.16**	**(6,700,000)**	–	–
Lapsed	**15.42**	**(2,134,000)**	16.63	(1,080,000)
At 31st December	**15.98**	**29,269,000**	15.63	38,103,000

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.

23 Reserves

Company

	Share premium US$'000	Contributed surplus (note) US$'000	Share option reserve US$'000	Retained profits US$'000	Total US$'000
At 1st January 2012	**1,297,276**	**414,214**	**9,346**	**575,432**	**2,296,268**
Profit for the year	**–**	**–**	**–**	**119,154**	**119,154**
Issue of shares on settlement of scrip dividend	**92,555**	**–**	**–**	**–**	**92,555**
Transfer of reserve upon cancellation and lapse of share options	**–**	**–**	**(788)**	**788**	**–**
Dividends					
– 2011 final	**–**	**–**	**–**	**(60,744)**	**(60,744)**
– 2012 interim	**–**	**–**	**–**	**(72,612)**	**(72,612)**
At 31st December 2012	**1,389,831**	**414,214**	**8,558**	**562,018**	**2,374,621**
Representing:					
Reserves	**1,389,831**	**414,214**	**8,558**	**496,156**	**2,308,759**
2012 final dividend proposed	**–**	**–**	**–**	**65,862**	**65,862**
At 31st December 2012	**1,389,831**	**414,214**	**8,558**	**562,018**	**2,374,621**

	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
Profit for the year	–	–	–	110,893	110,893
Issue of shares on exercise of share options	448	–	–	–	448
Transfer of reserve upon lapse of share options	–	–	(356)	356	–
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

Note:

The contributed surplus of the Company represents the difference between the nominal value of the Company's shares issued in exchange for the issued share capital and the net asset value of the subsidiaries acquired. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to shareholders.

24 Borrowings

	Group		Company	
	2012 US$'000	2011 US$'000	2012 US$'000	2011 US$'000
Long term borrowings				
– secured	**197,858**	130,682	**–**	–
– unsecured	**2,317,057**	1,862,919	**230,000**	–
	2,514,915	1,993,601	**230,000**	–
Amounts due within one year included under current liabilities	**(688,260)**	(420,131)	**–**	–
	1,826,655	1,573,470	**230,000**	–
Short term bank loans – unsecured	**86,782**	174,393	**–**	–

Notes:

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

	Group		Company	
	2012 US$'000	2011 US$'000	2012 US$'000	2011 US$'000
Wholly repayable within five years				
– Bank loans	**1,737,215**	1,299,323	**230,000**	–
– Notes (note c)	**311,033**	313,541	**–**	–
	2,048,248	1,612,864	**230,000**	–
Bank loans not wholly repayable within five years	**466,667**	380,737	**–**	–
	2,514,915	1,993,601	**230,000**	–

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

	Group		Company	
	2012 US$'000	2011 US$'000	2012 US$'000	2011 US$'000
Bank loans				
Within one year	**377,227**	420,131	**–**	–
Between one and two years	**414,914**	419,322	**–**	–
Between two and five years	**999,057**	493,797	**230,000**	–
Over five years	**412,684**	346,810	**–**	–
	2,203,882	1,680,060	**230,000**	–
Notes (note c)				
Within one year	**311,033**	–	**–**	–
Between one and two years	**–**	313,541	**–**	–
	311,033	313,541	**–**	–
	2,514,915	1,993,601	**230,000**	–

24 Borrowings (Continued)

(c) Details of the Notes as at 31st December 2012 are as follows:

	Group 2012 US$'000	2011 US$'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	**1,794**	1,643
– notes issuance cost	**1,699**	1,557
	299,794	299,501
Effect of fair value hedge	**11,239**	14,040
	311,033	313,541

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:

	Group Less than one year US$'000	One to five years US$'000	Total US$'000	Company Less than one year US$'000	One to five years US$'000	Total US$'000
At 31st December 2012						
Total borrowings	**2,514,915**	**–**	**2,514,915**	**230,000**	**–**	**230,000**
Effect of interest rate swaps qualified as hedges	**(200,000)**	**–**	**(200,000)**	**–**	**–**	**–**
	2,314,915	**–**	**2,314,915**	**230,000**	**–**	**230,000**
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	–	–	–

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

	Group 2012 US$'000	2011 US$'000	Company 2012 US$'000	2011 US$'000
US dollar	**1,621,148**	1,175,832	**230,000**	–
Renminbi	**782,691**	861,480	**–**	–
Euro	**197,858**	130,682	**–**	–
	2,601,697	2,167,994	**230,000**	–

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

	Group 2012 US$	RMB	Euro	2011 US$	RMB	Euro	Company 2012 US$	2011 US$
Bank loans	**1.9%**	**5.8%**	**1.4%**	1.1%	6.1%	2.6%	**2.7%**	N/A
Notes	**5.9%**	**N/A**	**N/A**	5.9%	N/A	N/A	**N/A**	N/A

24 Borrowings (Continued)

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

	Group				Company			
	Carrying amounts		Fair values		Carrying amounts		Fair values	
	2012 US$'000	2011 US$'000	2012 US$'000	2011 US$'000	2012 US$'000	2011 US$'000	2012 US$'000	2011 US$'000
Bank loans	**1,826,655**	1,259,929	**1,826,527**	1,257,722	**230,000**	–	**230,000**	–
Notes	**–**	313,541	**–**	327,515	**–**	–	**–**	–
	1,826,655	1,573,470	**1,826,527**	1,585,237	**230,000**	–	**230,000**	–

The fair values of the Group's non-current borrowings are determined based on cash flows discounted using a weighted average borrowing rate of 1.9% (2011: 1.1%) per annum.

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

(h) As at 31st December 2012, a bank loan of US$197,858,000 (2011: US$130,682,000) 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$21,955,000 (2011: US$12,108,000) would be pledged as securities (note 42(b)(iii)). As at 31st December 2012, there was no violation of the terms and conditions of this loan and thus such bank balances were not pledged.

(i) In 2012, the Company obtained a banking facility of US$230,000,000 from China Development Bank Corporation, Hong Kong Branch. As at 31st December 2012, the bank loan was fully drawn down. It was interest bearing at 2.4% over the US dollar LIBOR per annum and fully repayable within 36 months from the loan agreement date.

(j) As at 31st December 2012, the committed and undrawn borrowing facilities of the Group amounted to US$636,285,000 (2011: US$1,041,658,000).

25 Loans from non-controlling shareholders of subsidiaries

As at 31st December 2012, loans from non-controlling shareholders of subsidiaries are unsecured. Balance of US$63,639,000 (2011: US$63,483,000) bears interest at 6.77% per annum and repayable in 2014. Balances of US$8,075,000 (2011: US$56,329,000) bear interest at 0.6% above 1-year US dollar LIBOR per annum and repayable in 2013 and 2014. Balance of US$50,000,000 (2011: US$50,000,000) is interest-free and not repayable next twelve months. The carrying values of the loans are not materially different from its fair value.

26 Other long term liabilities

	Group	
	2012 US$'000	2011 US$'000
Deferred deal management fee	**810**	808
Deferred income	**6,647**	2,504
Others	**311**	330
	7,768	3,642
Less: current portion (note 27)	**(1,019)**	(78)
	6,749	3,564

27 Trade and other payables

	Group		Company	
	2012 US$'000	2011 US$'000	2012 US$'000	2011 US$'000
Trade payables (note a)				
– third parties	**43,521**	28,452	**–**	–
– fellow subsidiaries (note b)	**121**	33	**–**	–
– non-controlling shareholders of subsidiaries (note b)	**2,527**	2,741	**–**	–
– subsidiaries of an associate (notes b and c)	**34**	34	**–**	–
– related companies (note b)	**5**	1	**–**	–
	46,208	31,261	**–**	–
Other payables and accruals	**147,699**	103,055	**2,037**	2,123
Payable to owners of managed containers (note d)	**37,236**	37,802	**–**	–
Current portion of other long term liabilities (note 26)	**1,019**	78	**–**	–
Dividend payable	**38**	37	**38**	37
Loan from a jointly controlled entity (note e)	**23,890**	23,832	**–**	–
Loans from non-controlling shareholders of subsidiaries (note f)	**96,864**	–	**–**	–
Amounts due to (note b)				
– fellow subsidiaries	**112**	65	**–**	–
– non-controlling shareholders of subsidiaries	**5,131**	5,339	**–**	–
– related companies	**3**	1	**–**	–
	358,200	201,470	**2,075**	2,160

Notes:

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

	Group	
	2012 US$'000	2011 US$'000
Within 30 days	**23,182**	17,399
31–60 days	**1,735**	1,504
61–90 days	**1,443**	998
Over 90 days	**19,848**	11,360
	46,208	31,261

(b) The balances are unsecured and interest free. Trading balances have similar credit periods granted as those of other third party suppliers while the other balances have no fixed terms of repayment.

(c) The balances represented the amounts payable to subsidiaries of an associate of the Group in respect of the purchases of containers (note 43(a)(x)).

(d) The balances represented the rental income of the managed containers collected, net of the direct operating expenses of the managed containers paid by the Group on behalf of third parties and the management fee income entitled by the Group.

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

(f) Loans from non-controlling shareholders of subsidiaries are unsecured and repayable within twelve months. Balance of US$49,135,000 bears interest at 0.6% above 1-year US dollar LIBOR per annum. Balance of US$47,729,000 bears interest at 5.13% per annum.

27 Trade and other payables (Continued)

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

	Group		Company	
	2012 **US$'000**	**2011** **US$'000**	**2012** **US$'000**	**2011** **US$'000**
US dollar	**85,765**	69,622	**843**	510
Renminbi	**214,653**	94,389	**32**	13
Euro	**51,383**	31,838	**102**	18
Hong Kong dollar	**5,498**	5,478	**1,081**	1,619
Other currencies	**901**	143	**17**	–
	358,200	201,470	**2,075**	2,160

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

28 Other operating income

	2012 **US$'000**	**2011** **US$'000**
Management fee and other service income	**4,477**	4,405
Dividend income from an unlisted investment	**1,826**	1,628
Write back of provision for impairment of trade receivables (note 20(a))	**1,254**	2,208
Revaluation surplus of investment properties (note 8)	**403**	550
Rental income from investment properties	**320**	364
Gain on disposal of property, plant and equipment	**157**	1,003
Exchange gain, net	**–**	4,305
Others	**6,800**	7,977
	15,237	22,440

29 Operating profit

Operating profit is stated after crediting and charging the following:

	2012 US$'000	2011 US$'000
Crediting:		
Dividend income from an unlisted investment	**1,826**	1,628
Rental income from		
– investment properties	**320**	364
– buildings, leasehold land and land use rights	**1,203**	1,040
Gain on disposal of property, plant and equipment	**157**	1,003
Write back of provision for impairment of trade receivables (note 20(a)) and finance lease receivables (note 15)	**1,362**	2,305
Write back of provision for inventories	**12**	43
Revaluation surplus of investment properties (note 8)	**403**	550
Exchange gain, net	**–**	4,305
Charging:		
Amortisation of		
– land use rights	**4,768**	4,627
– intangible assets (note a)	**1,769**	1,512
– other non-current assets (note 18)	**1,846**	1,989
Depreciation of		
– owned property, plant and equipment leased out under operating leases	**103,345**	88,191
– other owned property, plant and equipment	**56,148**	45,834
Exchange loss, net	**1,211**	–
Loss on disposal of property, plant and equipment	**437**	3,954
Impairment loss of property, plant and equipment	**375**	–
Cost of inventories sold	**17,023**	10,232
Auditors' remuneration		
– current year	**1,039**	975
– underprovision/(overprovision) in prior year	**28**	(11)
Outgoings in respect of investment properties	**5**	3
Provision for impairment of trade receivables (note 20(a))	**895**	1,864
Rental expense under operating leases of		
– land and buildings leased from third parties	**3,850**	5,015
– buildings leased from fellow subsidiaries	**1,553**	1,429
– buildings leased from a jointly controlled entity	**33**	32
– land use rights leased from non-controlling shareholders of subsidiaries	**1,076**	1,052
– plant and machinery leased from third parties	**466**	584
– containers leased from third parties	**29,498**	22,376
– Concession (note 18)	**36,652**	37,044
Total staff costs (including directors' emoluments and retirement benefit costs) (note b):		
Wages, salaries and other benefits	**146,233**	106,604
Less: amounts capitalised in intangible assets	**(66)**	(84)
	146,167	106,520

Notes:

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

(b) Total staff costs do not include the amounts of benefits in kind provided to the Company's directors and the Group's employees in respect of the Company's share options granted prior to 2005 and staff quarters. Details of the Company's share options are set out in note 22 to the consolidated financial statements.

30 Finance income and costs

	2012 US$'000	2011 US$'000
Finance income		
Interest income on		
– bank balances and deposits	**5,732**	3,591
– loans to jointly controlled entities and an associate	**3,479**	1,479
	9,211	5,070
Finance costs		
Interest expenses on		
– bank loans	**(70,358)**	(56,753)
– Notes wholly repayable within five years	**(9,706)**	(9,082)
– loans from non-controlling shareholders of subsidiaries (note 25)	**(5,803)**	(2,552)
– loan from a jointly controlled entity (note 27(e))	**(846)**	(564)
Fair value loss on derivative financial instruments	**(5,385)**	(5,584)
Fair value adjustment of notes attributable to interest rate risk	**2,801**	6,151
	(2,584)	567
Amortised amount of		
– discount on issue of Notes	**(151)**	(159)
– transaction costs on bank loans and Notes	**(2,274)**	(1,198)
	(91,722)	(69,741)
Less: amount capitalised in construction in progress (note 7(f))	**16,341**	12,668
	(75,381)	(57,073)
Other incidental borrowing costs and charges	**(1,882)**	(1,346)
	(77,263)	(58,419)
Net finance costs	**(68,052)**	(53,349)

31 Gain on disposal of a jointly controlled entity, net of tax

On 10th March 2011, the Group entered into an agreement with Qingdao Port (Group) Co., Ltd., the remaining shareholder of Qingdao Cosport International Container Terminals Co., Ltd. ("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 with a gain after tax of US$12,557,000 recorded in 2011.

32 Income tax expenses

	2012 US$'000	2011 US$'000
Current income tax		
– Hong Kong profits tax	**(62)**	(77)
– Mainland China taxation	**(16,061)**	(9,853)
– Overseas taxation	**(5,546)**	(1,248)
– Under provision in prior years	**(10)**	(20)
	(21,679)	(11,198)
Deferred income tax charge (note 16)	**(6,226)**	(17,573)
	(27,905)	(28,771)

32 Income tax expenses (Continued)

The Group's share of income tax expenses of jointly controlled entities and associates of US$14,778,000 (2011: US$13,377,000) and US$45,003,000 (2011: US$56,864,000) are included in the Group's shares 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.

Hong Kong profits tax was provided at a rate of 16.5% (2011: 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:

	2012 **US$'000**	**2011** **US$'000**
Profit before income tax	**382,374**	426,377
Less: Share of profits less losses of jointly controlled entities and associates	**(223,038)**	(275,928)
Gain 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)
	159,336	126,051
Aggregate tax at domestic rates applicable to profits in respective territories concerned	**10,490**	5,810
Income not subject to income tax	**(1,197)**	(720)
Expenses not deductible for income tax purposes	**821**	716
Under provision in prior years	**10**	20
Utilisation of previously unrecognised tax losses	**(119)**	(118)
Tax losses not recognised	**2,369**	2,116
Withholding income tax upon distribution of profits and payment of interest	**15,596**	21,050
Others	**(65)**	(103)
Income tax expenses	**27,905**	28,771

Except for the Group's share of income tax charge of an associate recognised in other comprehensive income of US$287,000 (2011: income tax credit of US$1,579,000), there was no income tax relating to components of other comprehensive income for the year ended 31st December 2012 and 2011.

33 Profit attributable to equity holders of the Company

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of US$119,154,000 (2011: US$110,893,000).

34 Dividends

	2012 US$'000	2011 US$'000
Interim dividend paid of US2.640 cents (2011: US3.496 cents) per ordinary share	**71,591**	94,804
Final dividend proposed of US2.364 cents (2011: US2.240 cents) per ordinary share	**65,862**	60,744
Exchange differences	**–**	(138)
Additional dividends paid on shares issued due to issue of scrip dividend and exercise of share options before the closure of register of members:		
– 2012 interim	**1,021**	–
– 2010 final	**–**	6
	138,474	155,416

Note:

At a meeting held on 26th March 2013, the directors recommended the payment of a final dividend of HK18.3 cents (equivalent to US2.364 cents) per ordinary share. The proposed dividend will be payable in cash and with a scrip dividend alternative. This proposed final cash 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 2013.

35 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.

	2012	2011
Profit attributable to equity holders of the Company	**US$342,194,000**	US$388,771,000
Weighted average number of ordinary shares in issue	**2,735,132,237**	2,711,755,398
Basic earnings per share	**US12.51 cents**	US14.34 cents

(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.

	2012	2011
Profit attributable to equity holders of the Company	**US$342,194,000**	US$388,771,000
Weighted average number of ordinary shares in issue	**2,735,132,237**	2,711,755,398
Adjustments for assumed issuance of shares on exercise of dilutive share options	**191,637**	546,114
Weighted average number of ordinary shares for diluted earnings per share	**2,735,323,874**	2,712,301,512
Diluted earnings per share	**US12.51 cents**	US14.33 cents

36 Retirement benefit costs

The retirement benefit costs charged to the consolidated income statement represent contributions payable by the Group to the retirement benefit schemes and amounted to US$8,759,000 (2011: US$7,434,000). Contributions totaling US$1,363,000 (2011: US$952,000) were payable to the retirement benefit schemes as at 31st December 2012 and were included in trade and other payables. No forfeited contributions were available as at 31st December 2012 (2011: US$Nil) to reduce future contributions.

37 Directors' and management's emoluments

(a) Directors' emoluments

The aggregate amounts of emoluments paid to directors of the Company during the year are set out as follows:

	2012 **US$'000**	**2011** **US$'000**
Fees	**320**	304
Salaries, housing and other allowances	**1,335**	1,300
Benefits in kind	**88**	–
Bonuses	**239**	237
Contributions to retirement benefit schemes	**2**	2
	1,984	1,843

Directors' fees disclosed above include US$205,000 (2011: US$194,000) paid to independent non-executive directors.

The Company did not grant any share options during the year ended 31st December 2012 and 2011.

As at 31st December 2012, one (2011: one) director of the Company had 800,000 (2011: 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 2012, one (2011: one) director of the Company had 1,000,000 (2011: 1,000,000) share options which are exercisable at HK$13.75 per share granted by the Company under the 2003 Share Option Scheme.

As at 31st December 2012, two (2011: two) directors of the Company had 1,000,000 (2011: 1,000,000) 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 2012 and 2011, there was no share option exercised by the directors.

Details and movements of share options granted and exercised during the year are set out in note 22 to the consolidated financial statements.

37 Directors’ and management’s emoluments (Continued)

(a) Directors’ emoluments (Continued)

The directors’ emoluments are analysed as follows:

		Year ended 31st December 2012					
Name of directors	**Note**	**Fees US$’000**	**Salaries, housing and other allowances US$’000**	**Benefits in kind US$’000**	**Bonuses US$’000**	**Contributions to retirement benefit schemes US$’000**	**Total US$’000**
Mr. LI Yunpeng	(i)	18	–	–	–	–	18
Dr. WANG Xingru	(ii)	–	722	88	93	–	903
Mr. WAN Min	(iii)	15	–	–	–	–	15
Mr. HE Jiale		15	–	–	–	–	15
Mr. FENG Jinhua		15	–	–	–	–	15
Mr. FENG Bo	(i)	14	–	–	–	–	14
Mr. WANG Haimin		15	–	–	–	–	15
Mr. WANG Wei	(i)	14	–	–	–	–	14
Dr. WONG Tin Yau, Kelvin		–	356	–	73	2	431
Mr. YIN Weiyu		–	257	–	73	–	330
Mr. CHOW Kwong Fai, Edward		54	–	–	–	–	54
Mr. Timothy George FRESHWATER		40	–	–	–	–	40
Dr. FAN HSU Lai Tai, Rita		50	–	–	–	–	50
Mr. Adrian David LI Man Kiu	(iv)	34	–	–	–	–	34
Mr. IP Sing Chi	(v)	6	–	–	–	–	6
Mr. XU Lirong	(vi)	3	–	–	–	–	3
Mr. WANG Zenghua	(vi)	3	–	–	–	–	3
Mr. GAO Ping	(vi)	3	–	–	–	–	3
Dr. LI Kwok Po, David	(vii)	21	–	–	–	–	21
		320	1,335	88	239	2	1,984

		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	(vi)	19	–	–	–	–	19
Dr. WANG Xingru	(ii)	–	336	–	–	–	336
Mr. WAN Min	(iii)	6	–	–	–	–	6
Mr. HE Jiale		15	–	–	–	–	15
Mr. WANG Zenghua	(vi)	15	–	–	–	–	15
Mr. FENG Jinhua		15	–	–	–	–	15
Mr. WANG Haimin		15	–	–	–	–	15
Mr. GAO Ping	(vi)	15	–	–	–	–	15
Dr. WONG Tin Yau, Kelvin		–	344	–	77	2	423
Mr. YIN Weiyu		–	249	–	67	–	316
Dr. LI Kwok Po, David	(vii)	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	(viii)	–	371	–	93	–	464
Dr. SUN Jiakang	(ix)	10	–	–	–	–	10
		304	1,300	–	237	2	1,843

37 Directors' and management's emoluments (Continued)

(a) Directors' emoluments (Continued)

Notes:

(i) appointed on 24th February 2012
(ii) appointed on 11th July 2011
(iii) appointed on 9th August 2011
(iv) elected on 17th May 2012
(v) appointed on 7th November 2012
(vi) resigned on 24th February 2012
(vii) retired on 17th May 2012
(viii) resigned on 11th July 2011
(ix) resigned on 9th August 2011

The above analysis includes two (2011: two) directors whose emoluments were among the five highest in the Group.

(b) Management's emoluments

Details of the aggregate emoluments paid to three (2011: three) individuals whose emoluments were the highest in the Group and have not been included in the directors' emoluments above are set out below:

	2012 US$'000	2011 US$'000
Salaries and other allowances	**900**	858
Bonuses	**236**	210
Contributions to retirement benefit schemes	**4**	4
	1,140	1,072

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

	Number of individuals	
	2012	2011
Emolument bands		
US$322,306–US$386,767 (HK$2,500,001–HK$3,000,000)	**2**	3
US$386,768–US$451,229 (HK$3,000,001–HK$3,500,000)	**1**	–
	3	3

(c) During the year, no emolument had been paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office. No directors waived or agreed to waive any emoluments during the year.

38 Financial guarantee contracts

The financial guarantees issued by the Group and the Company as at 31st December 2012 are analysed as below:

	Group		Company	
	2012 **US$'000**	**2011** **US$'000**	**2012** **US$'000**	**2011** **US$'000**
Guarantees for:				
– Notes issued by a subsidiary (note 24(c))	**–**	–	**300,000**	300,000
– Other loan facilities granted to subsidiaries	**–**	–	**1,028,000**	799,000
– Bank guarantees to an associate	**24,428**	27,513	**24,428**	27,513
	24,428	27,513	**1,352,428**	1,126,513

The directors of the Company consider that it is not probable for a claim to be made against the Group and the Company under any of these guarantees as at the balance sheet date.

The fair value of the guarantee contracts is not material and has not been recognised.

39 Contingent liabilities

A statement of claim was issued on 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$7,700,000) 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 and pronounced judgement 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$40,000) against the plaintiff. 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 before the Court of Appeals of Athens has been re-scheduled from 13th November 2012 to 26th November 2013 due to the strike called by the Association of the Justices of the Greek courts. 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 not possible to predict the final outcome of this litigation with certainty. No provision has been made for the claims.

40 Capital commitments

The Group has the following significant capital commitments as at 31st December 2012:

	Group 2012 US$'000	 2011 US$'000
Authorised but not contracted for		
– Investment (note)	**32,682**	–
– Containers	**318,999**	757,566
– Computer system under development	**1,029**	798
– Other property, plant and equipment	**256,369**	189,680
	609,079	948,044
Contracted but not provided for		
– Containers	**94,890**	8,730
– Investments (note)	**443,042**	409,671
– Other property, plant and equipment	**347,815**	358,458
	885,747	776,859

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

	Group 2012 US$'000	 2011 US$'000
Authorised but not contracted for	**6,283**	14,418
Contracted but not provided for	**100**	8,520
	6,383	22,938

The Company did not have any capital commitment as at 31st December 2012 and 2011.

Note:

The capital commitments in respect of investments of the Group as at 31st December 2012 are as follows:

	Group 2012 US$'000	 2011 US$'000
Authorised but not contracted for		
Investment in:		
– Changshu Chang Jiang International Port Co., Ltd.	**32,682**	–
Contracted but not provided for		
Investments in:		
– Qingdao Qianwan Container Terminal Co., Ltd.	**64,997**	64,997
– Antwerp Gateway NV	**58,758**	57,637
– Dalian Port Container Terminal Co., Ltd.	**46,456**	46,343
– Tianjin Port Euroasia International Container Terminal Co., Ltd.	**111,686**	111,412
– Others	**92,392**	60,697
	374,289	341,086
Terminal projects in:		
– Shanghai Yangshan Port Phase II	**63,639**	63,483
– Others	**5,114**	5,102
	68,753	68,585
	443,042	409,671

41 Operating lease arrangements/commitments

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

At 31st December 2012, the Group had future minimum lease receipts under non-cancellable operating leases as follows:

	Group	
	2012 US$'000	**2011 US$'000**
Containers		
– not later than one year	**263,614**	244,204
– later than one year and not later than five years	**658,249**	685,520
– later than five years	**155,739**	212,465
	1,077,602	1,142,189
Generator sets		
– not later than one year	**944**	998
– later than one year and not later than five years	**1,643**	2,051
– later than five years	**303**	379
	2,890	3,428
Plant and machinery		
– not later than one year	**22**	22
– later than one year and not later than five years	**89**	89
– later than five years	**31**	54
	142	165
Buildings, leasehold land and land use rights		
– not later than one year	**953**	366
– later than one year and not later than five years	**2,097**	698
– later than five years	**457**	614
	3,507	1,678
Investment properties		
– not later than one year	**123**	287
– later than one year and not later than five years	**82**	44
	205	331
	1,084,346	1,147,791

The future lease receipts above do not include those lease contracts with the amount of future lease receipts depends on the timing of pick up and drop off of containers by lessees during the lease period of the contracts.

41 Operating lease arrangements/commitments (Continued)

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

At 31st December 2012, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Group	
	2012 **US$'000**	**2011** **US$'000**
Buildings, leasehold land and land use rights		
– not later than one year	**4,962**	4,082
– later than one year and not later than five years	**4,464**	6,382
– later than five years	**92**	431
	9,518	10,895
Plant and machinery		
– not later than one year	**67**	296
– later than one year and not later than five years	**33**	59
	100	355
Containers (note)		
– not later than one year	**30,233**	29,821
– later than one year and not later than five years	**92,279**	71,856
– later than five years	**6,236**	–
	128,748	101,677
Concession (note 18)		
– not later than one year	**39,880**	36,700
– later than one year and not later than five years	**197,220**	178,555
– later than five years	**3,952,359**	3,980,794
	4,189,459	4,196,049
	4,327,825	4,308,976

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 2012 and 2011.

42 Notes to the consolidated cash flow statement

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

	2012 US$'000	2011 US$'000
Profit before income tax	**382,374**	426,377
Depreciation and amortisation	**167,876**	142,153
Interest expenses	**72,956**	55,716
Amortised amount of		
– discount on issue of Notes	**151**	159
– transaction costs on bank loans and Notes	**2,274**	1,198
Other incidental borrowing costs and charges	**1,882**	1,346
Impairment loss of property, plant and equipment	**375**	–
Provision for impairment of trade and finance lease receivables	**895**	1,864
Write back of provision for inventories	**(12)**	(43)
Loss on disposal of property, plant and equipment	**280**	2,951
Dividend income from an unlisted investment	**(1,826)**	(1,628)
Gain on disposal of a jointly controlled entity, net of tax	**–**	(12,557)
Gain on release of exchange reserve upon reclassification from a jointly controlled entity to a subsidiary	**–**	(11,841)
Revaluation surplus of investment properties	**(403)**	(550)
Write back of provision for impairment of trade receivables and finance lease receivables	**(1,362)**	(2,305)
Interest income	**(9,211)**	(5,070)
Share of profits less losses of		
– jointly controlled entities	**(96,461)**	(96,638)
– associates	**(126,577)**	(179,290)
Operating profit before working capital changes	**393,211**	321,842
Decrease/(increase) in finance lease receivables	**1,769**	(14,294)
Increase in prepaid agency fee for finance lease	**(16)**	(159)
Decrease in rent receivable collected on behalf of owners of managed containers	**418**	2,149
Decrease in inventories	**11,278**	9,983
Increase in trade and other receivables	**(19,549)**	(7,738)
Increase in restricted bank deposits	**(796)**	(111)
Increase in amounts due from fellow subsidiaries	**(50)**	(28)
Increase in amounts due from related companies	**–**	(3)
Increase in amount due from an associate	**–**	(25)
(Increase)/decrease in amounts due from non-controlling shareholders	**(55)**	106
Increase in trade and other payables	**48,186**	19,866
Decrease in payables to owners of managed containers	**(676)**	(2,928)
Increase in amounts due to fellow subsidiaries	**47**	54
Increase/(decrease) in amounts due to related companies	**2**	(3)
(Decrease)/increase in amounts due to non-controlling shareholders of subsidiaries	**(2,195)**	2,174
Cash generated from operations	**431,574**	330,885

42 Notes to the consolidated cash flow statement (Continued)

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

	Group		Company	
	2012 US$'000	2011 US$'000	2012 US$'000	2011 US$'000
Total time deposits, bank balances and cash (note i)	**849,330**	581,069	**474,788**	179,660
Restricted bank deposits included in current assets	**(907)**	(111)	**–**	–
	848,423	580,958	**474,788**	179,660
Representing:				
Time deposits	**648,262**	264,283	**472,698**	170,704
Bank balances and cash	**200,161**	316,675	**2,090**	8,956
	848,423	580,958	**474,788**	179,660

Notes:

(i) As at 31st December 2012, cash and cash equivalents of US$132,461,000 (2011: US$176,636,000) 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	
	2012 US$'000	2011 US$'000	2012 US$'000	2011 US$'000
US dollar	**542,652**	324,494	**349,829**	125,923
Renminbi	**152,852**	182,442	**–**	–
Euro	**53,145**	43,653	**29,699**	30,135
Hong Kong dollar	**100,227**	29,589	**95,260**	23,602
Other currencies	**454**	891	**–**	–
	849,330	581,069	**474,788**	179,660

(iii) Under the circumstances that the terms and conditions as included in the loan agreement were not met, bank balances of US$21,955,000 (2011: US$12,108,000) would be pledged as securities for a banking facility granted to the Group (note 24(h)). As at 31st December 2012, there was no violation of the terms and conditions of this loan and thus such bank balances were not pledged.

43 Related party transactions

The Group is controlled by China COSCO which owns 43.21% of the Company's shares as at 31st December 2012. 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.

43 Related party transactions (Continued)

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

	2012 **US$'000**	**2011** **US$'000**
Container rental income from fellow subsidiaries (note i)		
– long term leases	**139,113**	131,488
– short term leases	**8**	11
Compensation for loss of containers from a fellow subsidiary (note ii)	**378**	474
Handling, storage and transportation income from (note iii)		
– fellow subsidiaries	**2,397**	2,573
– a jointly controlled entity	**–**	3
Management fee and service fee income from (note iv)		
– jointly controlled entities	**4,031**	4,163
– associates	**152**	149
– an investee company	**97**	93
Terminal handling and storage income received from (note v)		
– fellow subsidiaries and an associate of the parent company	**42,277**	62,715
– a non-controlling shareholder of a subsidiary	**38,842**	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)
– subsidiaries of CIMC	**(1,096)**	(1,156)
Container handling and logistics service fees to non-controlling shareholders of subsidiaries (note vii)	**(17,439)**	(11,860)
Electricity and fuel expenses paid to (note viii)		
– a fellow subsidiary	**(283)**	(1,285)
– non-controlling shareholders of subsidiaries	**(7,037)**	(8,649)
Approved continuous examination program fees to a fellow subsidiary (note ix)	**–**	(2,000)
Purchase of containers from subsidiaries of CIMC (note x)	**(225,616)**	(215,308)
Handling, storage and maintenance expenses paid to fellow subsidiaries (note xi)	**(1,126)**	(269)
Port construction fee and high-frequency communication fee to non-controlling shareholders of subsidiaries (note xii)	**(201)**	(5,897)

Notes:

(i) The Group conducts long term container leasing business with COSCON. During the two years ended 31st December 2012, 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 (2011: four) independent container leasing companies and in the ordinary and normal course of the business of the Group.

The other container leasing businesses with COSCON and other subsidiaries of COSCO were conducted at terms as agreed between the Group and respective parties in concern.

(ii) During the year the Group had compensation received and receivable of US$378,000 (2011: US$474,000) from COSCON for the loss of containers under operating leases, resulting in a profit of US$28,000 (2011: US$50,000).

(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$2,578,000) (2011: HK$20,000,000 (equivalent to US$2,570,000)) 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.

43 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, Jinjiang, Xiamen and Nansha were charged at rates by reference to rates as set out by the Ministry of Communications of the PRC.

The container terminal handling and storage income received from fellow subsidiaries in relation to the cargoes shipped from/to Piraeus 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 to COSCON in connection with the containers leased to COSCON on a long term basis were agreed between the Group and COSCON for the year ended 31st December 2011.

(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

	2012 US$'000	**2011 US$'000**
Bank deposit balances		
– in Mainland China	**132,461**	176,636
– outside Mainland China	**597,980**	356,432
Long term bank loans		
– in Mainland China	**742,493**	811,013
– outside Mainland China	**951,024**	504,682
Short term bank loans		
– in Mainland China	**24,257**	99,393
Committed and undrawn bank borrowings facilities		
– in Mainland China	**547,365**	875,111
– outside Mainland China	**85,738**	147,502

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

	2012 US$'000	**2011 US$'000**
Other payables to government port authorities	**9,843**	10,092

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.

43 Related party transactions (Continued)

(d) Key management compensation

	2012 US$'000	2011 US$'000
Salaries, bonuses and other allowances	**3,374**	3,015
Contributions to retirement benefit schemes	**11**	8
	3,385	3,023

Key management includes directors of the Company and five (2011: five) senior management members of the Group.

The emoluments of the senior management members fell within the following bands:

	Number of individuals	
	2012	2011
Emolument bands		
US$128,923–US$193,384 (HK$1,000,001–HK$1,500,000)	**–**	1
US$257,845–US$322,305 (HK$2,000,001–HK$2,500,000)	**1**	2
US$322,306–US$386,767 (HK$2,500,001–HK$3,000,000)	**4**	2
	5	5

44 Business combination

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 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. During the year ended 31st December 2011, the Group recorded a gain on release of exchange reserve upon reclassification from a jointly controlled entity to a subsidiary of US$11,841,000.

45 Events after the balance sheet date

(a) On 24th January 2013, COSCO Pacific Finance (2013) Company Limited, a wholly owned subsidiary of the Company, as the issuer (the "Issuer"), and the Company entered into a subscription agreement with BOCI Asia Limited, Deutsche Bank AG, Singapore Branch, J.P. Morgan Securities plc and UBS AG, Hong Kong Branch (as the joint bookrunners and the joint lead managers) in relation to an international offering of US$300,000,000 4.375% guaranteed notes due 2023 (the "Guaranteed Notes") to be issued by the Issuer and guaranteed by the Company. The net proceeds from the issuance of the Guaranteed Notes will be used primarily for the capital investment for the expansion of the Group's terminal and container leasing businesses, the repayment of the Group's existing indebtedness and general corporate purposes. The Guaranteed Notes were successfully issued on 31st January 2013.

(b) On 24th January 2013, the Group entered into an agreement to acquire 39.04% equity interest in Taicang International Container Terminals Co., Ltd. from COSCO, the ultimate controlling shareholder of the Company. Consideration for the acquisition is approximately RMB323,109,000 (equivalent to approximately US$51,400,000). The completion of the acquisition is subject to the satisfaction of certain conditions precedent as specified in the agreement.

(c) On 25th February 2013, Xiamen Ocean Gate Container Terminal Co., Ltd., a subsidiary terminal of the Group, entered into an agreement with its non-controlling shareholder, Xiamen Haicang Investment Group Co., Ltd., to acquire 100% equity interest in Xiamen Haitou Tongda Container Terminal Co., Ltd.. Consideration for the acquisition is RMB205,864,000 (equivalent to approximately US$32,800,000). The completion of the acquisition is subject to the satisfaction of certain conditions precedent as specified in the agreement.

46 Details of subsidiaries

Details of the subsidiaries as at 31st December 2012 are as follows:

	Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/ paid-up capital	Group equity interest	
						2012	2011
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%**	77.00%
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 Finance (2013) Company Limited	British Virgin Islands	Hong Kong	Financing	1 ordinary share of US$1	**100.00%**	N/A
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	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	Euro512,500	**100.00%**	100.00%
2	COSCO Ports (Guangzhou) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
2	COSCO Ports (Haikou) Limited	British Virgin Islands	Hong Kong	Inactive	1 ordinary share of US$1	**100.00%**	100.00%
1	COSCO Ports (Holdings) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
2	COSCO Ports (Hong Kong) Limited	British Virgin Islands	Hong Kong	Inactive	1 ordinary share of US$1	**100.00%**	100.00%
2	COSCO Ports (Lian Yun Gang) Limited	British Virgin Islands	Hong Kong	Inactive	1 ordinary share of US$1	**100.00%**	100.00%

46 Details of subsidiaries (Continued)

	Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/ paid-up capital	Group equity interest 2012	Group equity interest 2011
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%**	66.10%
2	COSCO Ports (Netherlands) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
2	COSCO Ports (Ningbo Beilun) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
2	COSCO Ports (Panama) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
2	COSCO Ports (Port Said) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
2	COSCO Ports (Pudong) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
2	COSCO Ports (Qianwan) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
2	COSCO Ports (Qingdao) Limited	British Virgin Islands	Hong Kong	Inactive	1 ordinary share of US$1	**100.00%**	100.00%
2	COSCO Ports (Quanzhou) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
2	COSCO Ports (Quanzhou Jinjiang) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
2, 4	COSCO Ports (Rotterdam) Coöperatief U.A.	Netherlands	Netherlands	Inactive	–	**100.00%**	100.00%
2	COSCO Ports (Services) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
2	COSCO Ports (Singapore) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
2	COSCO Ports (Taiwan Kaohsiung) Limited (formerly known as Gracelike Enterprises Limited)	Hong Kong	Hong Kong	Investment holding	1 ordinary share of HK$1	**100.00%**	N/A
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%

46 Details of subsidiaries (Continued)

	Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/ paid-up capital	Group equity interest	
						2012	2011
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%**	50.00%
6	Florens Capital Management Company Limited	Hong Kong	Hong Kong	Investment holding	2,000 ordinary share of HK$1 each	**50.00%**	50.00%
	Florens Container (Macao Commercial Offshore) Limited	Macau	Worldwide	Sale of containers and administration of marine shipping container activities	1 quota of MOP100,000	**100.00%**	100.00%
	Florens Container Corporation S.A.	Panama	Worldwide	Container leasing	100 ordinary shares of US$100 each	**100.00%**	100.00%
1	Florens Container Holdings Limited	British Virgin Islands	Hong Kong	Investment holding	22,014 ordinary shares of US$1 each	**100.00%**	100.00%
	Florens Container Inc.	United States of America	United States of America	Investment holding and container leasing	1 ordinary share of US$1	**100.00%**	100.00%
	Florens Container, Inc. (1998)	United States of America	United States of America	Leasing of generator sets	100 ordinary shares of US$1 each	**100.00%**	100.00%
	Florens Container Inc. (1999)	United States of America	United States of America	Leasing of generator sets	100 ordinary shares of US$1 each	**100.00%**	100.00%
	Florens Container, Inc. (2000)	United States of America	United States of America	Information technology development and software maintenance	100 ordinary shares of US$1 each	**100.00%**	100.00%
	Florens Container, Inc. (2001)	United States of America	United States of America	Container leasing	1 ordinary share of US$1	**100.00%**	100.00%
	Florens Container, Inc. (2002)	United States of America	United States of America	Sale of old containers	1 ordinary share of US$1	**100.00%**	100.00%
	Florens Container, Inc. (2003)	United States of America	United States of America	Sale of old containers	1 ordinary share of US$1	**100.00%**	100.00%
	Florens Container Services Company Limited	Hong Kong	Worldwide	Provision of container management services	100 ordinary shares of HK$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%

46 Details of subsidiaries (Continued)

	Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/ paid-up capital	Group equity interest 2012	Group equity interest 2011
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%
1, 2	Florens Industrial Holdings Limited	Bermuda	Hong Kong	Inactive	12,000 ordinary shares of US$1 each	**100.00%**	100.00%
	Florens Management Services (Macao Commercial Offshore) Limited	Macau	Macau	Provision of container management services	1 quota of MOP100,000	**100.00%**	100.00%
	Florens Maritime Limited	Bermuda	Worldwide	Container leasing	12,000 ordinary shares of US$1 each	**100.00%**	100.00%
	Florens Shipping Corporation Limited	Bermuda	Worldwide	Container leasing	12,000 ordinary shares of US$1 each	**100.00%**	100.00%
2	Fota Limited	British Virgin Islands	Hong Kong	Inactive	1 ordinary share of US$1	**100.00%**	100.00%
2	Frosti International Limited	British Virgin Islands	Hong Kong	Investment holding	2 ordinary shares of US$1 each	**100.00%**	100.00%
	Greating Services Limited	Hong Kong	Hong Kong	Transportation of containers	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%**	39.00%
1, 2	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%
1	Piraeus Container Terminal S.A.	Greece	Greece	Operation of container terminal	Euro77,299,800	**100.00%**	100.00%
2	Plangreat Limited	British Virgin Islands	Hong Kong	Investment holding	100 ordinary shares of US$1 each	**100.00%**	100.00%
2, 3	Quan Zhou Pacific Container Terminal Co., Ltd.	PRC	PRC	Operation of terminal	US$80,770,000	**82.35%**	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%

46 Details of subsidiaries (Continued)

	Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/ paid-up capital	Group equity interest	
						2012	2011
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 Terminal, 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.

4 As at 31st December 2012, there is no issued share capital and paid up capital for this subsidiary.

5 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 Terminal, 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 2012 and 2011.

47 Details of principal jointly controlled entities

Details of the principal jointly controlled entities as at 31st December 2012, 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 2012	2011
Cheer Dragon Investment Limited (note)	Hong Kong	Investment holding	3 ordinary shares of HK$1 each	**33.33%**	N/A
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%
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	RMB1,247,000,000	**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%**	50.00%
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%
Xiamen Haicang Free Trade Port Zone Container Inspection Co., Ltd.	PRC	Container stevedoring, storage, inspection and auxiliary services	RMB10,000,000	**22.40%/ 33.33%/ 22.40%**	N/A/ N/A/ N/A
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%

Note:

Cheer Dragon Investment Limited ("Cheer Dragon") effectively holds 30% equity interest in Kao Ming Container Terminal Corp., which engages in container terminal operation in Taiwan, and is considered as an associate of Cheer Dragon.

48 Details of principal associates

Details of the principal associates as at 31st December 2012, 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	
				2012	2011
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 (1,231,915,542 "A" shares and 1,430,480,509 "H" 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 2012 and 2011.

FIVE-YEAR FINANCIAL SUMMARY

	For the year ended 31st December				
	2012 **US$'000**	**2011** **US$'000**	**2010** **US$'000**	**2009** **US$'000**	**2008** **US$'000**
Revenue	**735,500**	599,159	446,492	349,424	337,973
Operating profit after finance income and costs	**159,336**	126,051	90,365	66,118	120,089
Share of profits less losses of					
– jointly controlled entities (note 3)	**96,461**	96,638	74,654	84,810	100,273
– associates	**126,577**	179,290	132,120	32,890	54,815
Gain on disposal of jointly controlled entities/ associates (note 3)	**–**	12,557	84,710	5,516	–
Gain on release of exchange reserve upon reclassification from a jointly controlled entity to a subsidiary	**–**	11,841	–	–	–
Profit before income tax	**382,374**	426,377	381,849	189,334	275,177
Income tax (expenses)/credit	**(27,905)**	(28,771)	(15,653)	(13,286)	4,585
Profit for the year	**354,469**	397,606	366,196	176,048	279,762
Profit attributable to:					
Equity holders of the Company	**342,194**	388,771	361,307	172,526	274,725
Non-controlling interests	**12,275**	8,835	4,889	3,522	5,037
	354,469	397,606	366,196	176,048	279,762
Dividends	**138,474**	155,416	159,113	69,162	109,873
Basic earnings per share (US cents)	**12.51**	14.34	14.17	7.66	12.24
Dividend per share (US cents)	**5.004**	5.736	5.668	3.061	4.896

	As at 31st December				
	2012 **US$'000**	**2011** **US$'000**	**2010** **US$'000**	**2009** **US$'000**	**2008** **US$'000**
Total assets	**7,363,858**	6,472,184	5,251,917	4,635,312	4,213,208
Total liabilities	**(3,146,465)**	(2,592,025)	(1,758,055)	(1,776,961)	(1,566,905)
Net assets	**4,217,393**	3,880,159	3,493,862	2,858,351	2,646,303

Notes:

1 The consolidated results of the Group for the two years ended 31st December 2012 and the assets and liabilities of the Group as at 31st December 2012 have been extracted from the audited consolidated financial statements of the Group as set out on pages 120 to 127 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.

HISTORICAL STATISTICS SUMMARY

Financial statistics		2003	2004
Consolidated income statement	US$M		
Revenue			
Terminals		9.0	11.1
Container leasing, management, sale and related businesses		250.5	281.8
Container handling, transportation and storage		8.8	7.2
Elimination of inter-segment		–	–
Total		268.3	300.1
EBITDA		274.1	351.1
Depreciation & amortisation		(95.5)	(102.5)
EBIT		178.6	248.6
Interest expenses		(11.9)	(24.8)
Interest income		2.3	3.3
Profit before income tax		169.0	227.1
Operating profit after finance income and costs		109.3	133.4
Profit attributable to equity holders of the Company		154.7	206.6
Breakdown of profit attributable to equity holders of the Company			
Terminal and related businesses		68.0	98.2
Container leasing, management, sale and related businesses		80.8	104.9
Container manufacturing and related businesses		6.2	3.5
Logistics and related businesses		–	11.8
Other operations		9.8	9.8
Net corporate finance income/(costs)		(4.5)	(15.5)
Net corporate expenses		(5.6)	(6.1)
Total		154.7	206.6
Consolidated balance sheet	US$M		
Consolidated total assets		1,903.3	2,243.0
Consolidated total liabilities		570.5	757.4
Consolidated net assets		1,332.8	1,485.6
Consolidated total debts		478.3	653.3
Consolidated cash balances		283.8	100.6
Consolidated net debts		194.5	552.7
Per share data			
Capital and reserves attributable to the equity holders of the Company per share	US$	0.61	0.67
Basic earnings per share	US cents	7.20	9.57
Dividend per share	US cents	4.077	5.396
Net asset value per share	US$	0.62	0.68
Net asset value per share	HK$	4.839	5.307
Share price (as at 31st December)	US$	1.327	2.064
	HK$	10.35	16.10
Ratios			
P/E (as at 31st December)	Times	18.4	21.7
Dividend payout ratio	%	56.6	56.4
Return on total assets	%	8.5	10.0
Return on net assets	%	11.9	14.7
Return on equity holders of the Company	%	12.1	14.7
Net debt-to-equity ratio	%	14.6	37.2
Interest coverage	Times	15.2	10.1
Other information			
Total number of shares issued (as at 31st December)	M	2,148.5	2,183.6
Weighted average number of ordinary shares issued	M	2,147.3	2,160.0
Market capitalisation (as at 31st December)	US$M	2,851.0	4,507.2

Notes:
1. The amount in 2006 & 2007 included the financial effect of put options associated with the CIMC share reform.
2. The financial effect of put options associated with the CIMC share reform was excluded in the calculation of dividend payout ratio of year 2006 & 2007.
3. 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 2003 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” issue.

2005	2006	2007	2008	2009	2010	2011	2012
12.5	20.9	43.3	78.7	114.9	190.8	320.1	**398.5**
299.0	269.0	247.9	252.6	229.8	250.9	276.5	**336.2**
6.8	7.6	7.7	6.7	4.7	4.8	3.3	**3.7**
–	–	–	–	–	–	(0.7)	**(2.9)**
318.3	297.5	298.9	338.0	349.4	446.5	599.2	**735.5**
499.3	462.6	574.2	413.6	321.4	516.6	621.9	**618.3**
(107.7)	(88.1)	(84.0)	(92.6)	(98.3)	(111.8)	(142.2)	**(167.9)**
391.6	374.5	490.2	321.0	223.1	404.8	479.7	**450.4**
(35.6)	(43.4)	(49.9)	(52.7)	(39.8)	(29.4)	(58.4)	**(77.3)**
4.4	12.6	10.5	6.9	6.0	6.5	5.1	**9.2**
360.4	343.7	450.8	275.2	189.3	381.9	426.4	**382.3**
205.1	169.5	172.8	120.0	66.1	90.4	126.1	**159.3**
334.9	291.1	427.8	274.7	172.5	361.3	388.8	**342.2**
161.0	100.6	120.6	120.6	83.5	119.9	184.9	**189.0**
114.8	166.4	92.3	115.0	71.4	96.3	116.5	**139.5**
58.7	16.9[Note 1]	123.5[Note 1]	39.3	30.9	91.9	119.8	**61.9**
15.1	18.4	19.7	25.0	25.6	84.7	–	**–**
10.3	12.8	98.4	–	–	–	–	**–**
(15.8)	(13.3)	(14.5)	(9.7)	(9.6)	(1.9)	(0.6)	**(1.9)**
(9.2)	(10.7)	(12.2)	(15.5)	(29.3)	(29.6)	(31.8)	**(46.3)**
334.9	291.1	427.8	274.7	172.5	361.3	388.8	**342.2**
2,855.1	2,987.2	3,871.6	4,213.2	4,635.3	5,251.9	6,472.2	**7,363.9**
964.8	779.0	1,096.9	1,566.9	1,776.9	1,758.0	2,592.0	**3,146.5**
1,890.3	2,208.2	2,774.7	2,646.3	2,858.4	3,493.9	3,880.2	**4,217.4**
835.6	531.6	914.0	1,424.3	1,604.3	1,558.8	2,168.0	**2,601.7**
179.3	224.7	387.4	429.0	405.8	524.3	581.1	**849.3**
656.3	306.9	526.6	995.3	1,198.5	1,034.5	1,586.9	**1,752.4**
0.85	0.97	1.21	1.14	1.21	1.23	1.34	**1.42**
15.28	13.14	19.09	12.24	7.66	14.17	14.34	**12.51**
8.650	8.847	9.406	4.896	3.061	5.668	5.736	**5.004**
0.86	0.99	1.24	1.18	1.26	1.29	1.43	**1.51**
6.666	7.704	9.637	9.135	9.796	10.015	11.115	**11.732**
1.830	2.349	2.668	1.021	1.281	1.742	1.167	**1.424**
14.20	18.26	20.80	7.91	9.93	13.54	9.07	**11.04**
11.9	17.9	14.0	8.3	16.7	12.3	8.1	**11.4**
56.6	56.6[Note 2]	56.6[Note 2]	40.0	40.0	40.0	40.0	**40.0**
13.1	10.0	12.5	6.8	3.9	7.3	6.6	**4.9**
19.8	14.2	17.2	10.1	6.3	11.4	10.5	**8.5**
20.0	14.4	17.5	10.4	6.5	11.9	11.1	**9.0**
34.7	13.9	19.0	37.6	41.9	29.6	40.9	**41.6**
11.1	8.8	10.0	6.2	5.1[Note 3]	11.1[Note 3]	8.3	**5.9**
2,199.0	2,228.7	2,244.9	2,245.0	2,262.5	2,711.5	2,711.8	**2,786.1**
2,192.1	2,214.7	2,240.3	2,245.0	2,252.9	2,550.4	2,711.8	**2,735.1**
4,024.2	5,234.1	5,988.4	2,291.3	2,897.3	4,723.5	3,166.4	**3,968.5**

HISTORICAL STATISTICS SUMMARY

Operating statistics		2003	2004
Container leasing, management and sale			
Breakdown of rental income	US$M		
– COSCON		130.6	120.8
– International customers (long term lease)		64.9	88.0
– International customers (master lease)		43.6	47.1
Total		239.1	255.9
Fleet capacity	TEU	808,825	919,128
Breakdown of fleet capacity by customers			
– COSCON (included owned, sale-and-leaseback containers)	TEU	310,444	327,845
– International customers			
Owned containers	TEU	481,701	567,644
Managed containers	TEU	16,680	23,639
– COSCON (included owned, sale-and-leaseback containers)	%	38.4	35.7
– International customers			
Owned containers	%	59.5	61.7
Managed containers	%	2.1	2.6
Breakdown of fleet capacity			
– Dry	TEU	758,783	870,789
– Reefer	TEU	37,400	36,639
– Special	TEU	12,642	11,700
– Dry	%	93.8	94.7
– Reefer	%	4.6	4.0
– Special	%	1.6	1.3
Capital expenditure on containers	US$M	195.6	270.9
Purchase of containers	TEU	142,218	155,526
Disposal of returned containers	TEU	23,714	39,517
Fleet age	Year	4.3	4.3
Utilisation rate			
– COSCO Pacific (Florens)	%	95.2	97.0
– Industry average	%	89.0	92.0
Number of customers		202	218
Container throughput	TEU		
COSCO-HIT Terminal		1,513,559	1,697,212
Yantian Terminal		5,258,106	6,259,515
Shanghai Terminal		3,400,963	3,650,319
Zhangjiagang Win Hanverky Terminal		247,306	328,199
Qingdao Cosport Terminal		244,159	385,856
Dalian Port Container Co., Ltd.		1,644,409	2,172,252
Shanghai Pudong Terminal		1,765,586	2,339,479
Qingdao Qianwan Terminal		1,332,746	4,532,769
COSCO-PSA Terminal		95,830	571,863
Yangzhou Yuanyang Terminal		–	118,079
Yingkou Terminal		–	393,097
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		–	–
Xiamen Ocean Gate Terminal		–	–
Total		15,502,664	22,448,640

2005	2006	2007	2008	2009	2010	2011	2012
126.4	136.9	140.1	142.4	134.3	123.3	131.5	**139.1**
104.3	60.9	32.7	44.3	50.3	68.9	100.1	**125.3**
43.8	21.8	8.5	15.7	13.5	15.0	15.2	**16.1**
274.5	219.6	181.3	202.4	198.1	207.2	246.8	**280.5**
1,042,852	1,250,609	1,519,671	1,621,222	1,582,614	1,631,783	1,777,792	**1,855,597**
377,324	456,877	517,311	551,219	527,891	499,106	547,077	**638,631**
630,925	163,851	239,742	314,077	332,591	432,613	556,366	**586,613**
34,603	629,881	762,618	755,926	722,132	700,064	674,349	**630,353**
36.2	36.5	34.0	34.0	33.4	30.6	30.8	**34.4**
60.5	13.1	15.8	19.4	21.0	26.5	31.3	**31.6**
3.3	50.4	50.2	46.6	45.6	42.9	37.9	**34.0**
993,988	1,198,770	1,470,832	1,570,462	1,532,723	1,587,775	1,731,530	**1,810,448**
38,020	41,456	38,745	41,183	39,860	35,616	38,658	**38,774**
10,844	10,383	10,094	9,577	10,031	8,392	7,604	**6,375**
95.3	95.9	96.8	96.9	96.9	97.3	97.4	**97.6**
3.6	3.3	2.5	2.5	2.5	2.2	2.2	**2.1**
1.1	0.8	0.7	0.6	0.6	0.5	0.4	**0.3**
333.6	480.6	586.3	348.0	61.9	250.4	432.9	**371.7**
168,592	268,236	326,715	152,752	15,000	111,625	185,231	**162,742**
27,288	48,071	56,759	34,043	22,863	28,674	9,826	**31,671**
4.3	4.0	3.8	4.2	5.0	5.4	5.9	**6.1**
95.5	96.2	94.5	94.6	90.6	97.3	96.1	**95.3**
90.9	91.8	93.0	94.0	86.0	95.0	95.0	**94.8**
256	270	280	300	306	300	287	**276**
1,841,193	1,688,697	1,846,559	1,752,251	1,360,945	1,535,923	1,625,819	**1,683,748**
7,355,459	8,470,919	9,368,696	9,683,493	8,579,013	10,133,967	10,264,440	**10,666,758**
3,646,732	3,703,460	3,446,135	3,681,785	2,979,849	3,197,244	–	**–**
377,121	455,946	601,801	710,831	715,413	889,515	1,065,382	**1,228,935**
605,791	744,276	1,005,439	1,099,937	1,145,352	1,284,903	–	**–**
2,334,481	2,464,208	2,873,474	2,742,503	2,906,768	–	–	**–**
2,471,840	2,650,007	2,723,722	2,779,109	2,291,281	2,450,176	2,388,156	**2,151,297**
5,443,086	6,770,003	8,237,501	8,715,098	8,961,785	10,568,065	12,426,090	**14,045,503**
611,013	627,894	833,892	1,247,283	904,829	1,091,639	1,106,262	**1,232,954**
157,123	222,912	253,772	267,970	221,046	302,617	400,224	**401,003**
633,573	837,574	1,125,557	950,801	1,023,107	1,196,932	1,303,068	**1,600,094**
178,686	700,098	950,289	1,160,261	1,058,499	1,245,559	1,600,523	**2,035,617**
132,984	421,068	850,359	1,656,968	1,509,401	1,668,418	1,900,204	**2,216,353**
87,462	1,773,141	1,988,456	1,938,580	1,940,933	1,917,873	2,100,321	**2,180,184**
70,084	599,170	792,459	1,091,657	639,957	795,534	1,168,930	**1,101,163**
–	241,272	856,784	910,058	936,136	1,050,710	1,186,799	**1,201,279**
–	–	577,196	2,000,130	2,158,291	3,060,591	3,914,348	**4,230,574**
–	–	331,361	903,865	1,117,169	1,704,588	2,145,653	**2,402,554**
–	–	319,153	2,392,516	2,659,584	2,856,854	3,246,467	**2,863,167**
–	–	–	193,779	274,390	313,585	314,101	**358,836**
–	–	–	–	166,062	684,881	1,188,148	**2,108,090**
–	–	–	–	–	574,296	1,350,962	**1,705,667**
–	–	–	–	–	–	–	**271,449**
25,946,628	32,370,645	38,982,605	45,878,875	43,549,810	48,523,870	50,695,897	**55,685,225**

CORPORATE INFORMATION

Board of Directors

Mr. LI Yunpeng[2] *(Chairman)*
Dr. WANG Xingru[1] *(Vice Chairman and Managing Director)*
Mr. WAN Min[2]
Mr. FENG Jinhua[1]
Mr. FENG Bo[1]
Mr. WANG Haimin[2]
Mr. WANG Wei[2]
Mr. TANG Runjiang[1]
Dr. WONG Tin Yau, Kelvin[1]
Mr. YIN Weiyu[1] (resigned on 8th April 2013)
Mr. QIU Jinguang[1] (appointed on 8th April 2013)
Mr. CHOW Kwong Fai, Edward[3]
Mr. Timothy George FRESHWATER[3]
Dr. FAN HSU Lai Tai, Rita[3]
Mr. Adrian David LI Man Kiu[3]
Mr. IP Sing Chi[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

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2 Church Street
Hamilton HM 11
Bermuda

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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
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 Bank of East Asia, Limited
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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Stock Code: 1199