COSCO Pacific Limited

Annual Report 2013

BETTER OPERATIONS FOR A BRIGHTER FUTURE

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 fourth largest container terminal operator and fourth largest container leasing company. Strong support from our ultimate parent company and its affiliated subsidiaries has provided us with competitive advantages that have allowed us to steadily 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 terminals 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 terminals business will continue to be our key growth driver.

In its terminal investment strategy, COSCO Pacific emphasises maintaining a balanced geographical distribution. The Group's terminal portfolio covers four main port regions in mainland China, Hong Kong and Taiwan, as well as overseas hub ports. As of 31 December 2013, we operated and managed 117 berths at 21 ports worldwide, 17 of them in mainland China, Hong Kong and Taiwan and four overseas. Among the 117 berths, 104 were for containers, with a combined annual handling capacity of 62.75 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 1,888,200 TEU as of 31 December 2013, representing approximately 11.3% of the global market. The Group has adhered to its prudent investment strategy and operation model in business development. We seek the balanced development of our fleets of owned containers, sale-and-leaseback containers and managed containers with a view to minimising the investment risks, so as to ensure a stable business.

We provide comprehensive long and short-term container leasing and container management services to our customers. To minimise market cycle risk, most lease contracts are long-term and revenue from long-term leasing accounted for 95.5% of total container leasing revenue in 2013. Our key customers include the world's top ten shipping lines, with revenue from these lines accounting for 74.9% of total container leasing revenue in 2013.

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MAJOR EVENTS

JANUARY

- Held the first meeting of the Board of Directors of COSCO Pacific in 2013

MARCH

- Completed the acquisition of 70% effective interest in Xiamen Tongda Terminal
- The Board of Directors of COSCO Pacific passed unanimous resolutions approving the appointment of Mr. TANG Runjiang as an Executive Director
- Held the second meeting of the Board of Directors of COSCO Pacific in 2013
- Announced the 2012 final results and held a press conference and analysts' panel discussion

APRIL

- The Board of Directors of COSCO Pacific passed unanimous resolutions approving the appointment of Mr. QIU Jinguang as an Executive Director and a Deputy Managing Director
- Held the third meeting of the Board of Directors of COSCO Pacific in 2013
- Announced the 2013 first quarter results on a voluntary basis

MAY

- Signed a joint venture agreement for the Dongjiakou Ore Terminal project in Qingdao
- Held the fourth meeting of the Board of Directors of COSCO Pacific in 2013
- Held the Annual General Meeting and a press conference
- Honoured for the seventh consecutive year with a "Corporate Governance Asia Recognition Award" by Corporate Governance Asia magazine

JUNE

- Eastern Part of Pier 3 of Piraeus Terminal in Greece commenced operations
- Held a Special General Meeting in which independent shareholders passed a resolution approving the disposal of 21.8% equity interest in CIMC by COSCO Pacific, and held a press conference
- Completed the disposal of 21.8% equity interest in CIMC

JULY

- Honoured for the second consecutive year with an "Outstanding China Enterprise Award" by Capital magazine
- Completed the acquisition of 39.04% equity interest in Taicang Terminal

AUGUST

- The Board of Directors of COSCO Pacific passed unanimous resolution approving the appointment of Mr. FAN Ergang as an Independent Non-executive Director
- Held the fifth meeting of the Board of Directors of COSCO Pacific in 2013
- Announced the 2013 interim results and held a press conference and analysts' panel discussion

SEPTEMBER

- Held the sixth meeting of the Board of Directors of COSCO Pacific in 2013
- Honoured with "Shipping In-House Team of the Year Award" by Asian Legal Business, a well-recognised professional magazine

OCTOBER

- The Board of Directors of COSCO Pacific passed unanimous resolutions approving the re-designation of Mr. WANG Haimin from a Non-executive Director to an Executive Director and a Deputy Managing Director and the appointment of Mr. FENG Jinhua, an Executive Director, as a Deputy Managing Director
- Held the seventh meeting of the Board of Directors of COSCO Pacific in 2013
- Announced the 2013 third quarter results on a voluntary basis
- Honoured with "2013 Best Investment Value Award for Listed Companies", jointly organised by Financial PR Group, Cre8 (Greater China), TodayIR Group and Moment magazine

NOVEMBER

- Piraeus Terminal and Piraeus Port Authority S.A. agreed to enter into an amendment agreement of the concession agreement. The amendment agreement will be entered into upon approval by the Hellenic Court of Audit and become effective after it has been ratified by the Hellenic Parliament
- Honoured with "1st Asian Company Secretary of the Year Recognition Award" by Corporate Governance Asia magazine

DECEMBER

- Named "The Hong Kong Outstanding Enterprise" by Economic Digest magazine for the ninth consecutive year
- Honoured with "Titanium Award for Financial Performance, Environmental Responsibility and Investor Relations" by The Asset magazine

FINANCIAL AND OPERATING HIGHLIGHTS

Revenue

The Group's revenue[1] rose by 8.6% to US$798,626,000 (2012: US$735,500,000).

- Revenue from the terminals business rose by 13.2% to US$455,071,000 (2012: US$402,161,000), the increase being mainly attributable to Piraeus Terminal, Guangzhou South China Oceangate Terminal and Xiamen Ocean Gate Terminal.
- Revenue from the container leasing, management and sale businesses rose by 3.4% to US$347,747,000 (2012: US$336,224,000), mainly due to an increase in the number of containers on hire.

Gross Profit

The Group's gross profit rose by 0.9% to US$318,169,000 (2012: US$315,282,000) and gross profit margin dropped by 3.1 percentage points to 39.8% (2012: 42.9%).

- Gross profit from the terminals business recorded growth. However, the growth rate was affected by higher initial operating costs arising from Xiamen Ocean Gate Terminal.
- Gross profit from the container leasing, management and sale businesses decreased, mainly due to a decline in container prices and the overall average utilisation rate of the Group's containers as a result of weaker demand for container leasing services.

Profit

Excluding the discontinued operation[2], profit attributable to equity holders of the Company increased by 2.1% to US$286,206,000 (2012: US$280,299,000).

Including the discontinued operation[2], profit attributable to equity holders of the Company increased by 105.3% to US$702,676,000 (2012: US$342,194,000).

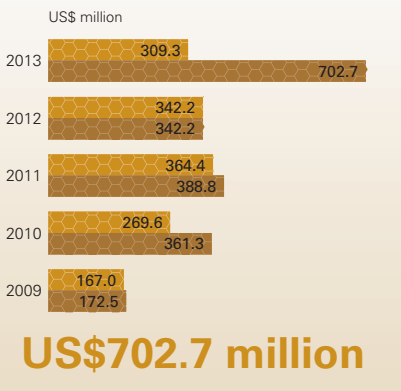
- Profit from the terminals business decreased slightly by 1.2% to US$186,767,000 (2012: US$188,964,000) as a result of upward pressure on costs. Equity throughput increased by 10.0% to 17,196,297 TEU (2012: 15,638,070 TEU). Total throughput increased by 10.1% to 61,284,891 TEU (2012: 55,685,225 TEU).
- Profit from the container leasing, management and sale businesses dropped by 10.2% to US$125,259,000 (2012: US$139,522,000). The container fleet size increased by 1.8% to 1,888,200 TEU (2012: 1,855,597 TEU), with an overall average utilisation rate of 94.5% (2012: 95.3%).

Dividend

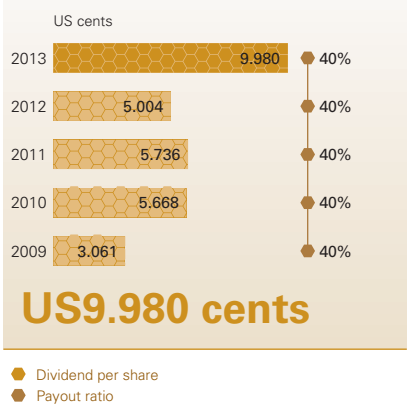
The proposed final dividend is HK15.0 cents per share (2012: HK18.3 cents), and the dividend will be payable in cash and with a scrip dividend alternative. The full-year dividend was HK77.4 cents (2012: HK38.8 cents) representing a payout ratio of 40.0% (2012: 40.0%).

Revenue

Profit Attributable to Equity Holders of the Company



Dividend per Share and Payout Ratio



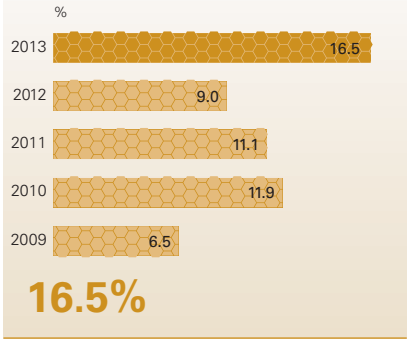
Results Highlights

	2013	2012	Change
	US$	US$	%
Revenue[1]	**798,626,000**	735,500,000	+8.6
Operating profit before finance income and finance costs	**246,819,000**	227,388,000	+8.5
Share of profits less losses of jointly controlled entities and associates	**176,969,000**	223,038,000	-20.7
Profit attributable to equity holders of the Company (excluding the discontinued operation[2])	**286,206,000**	280,299,000	+2.1
Profit attributable to equity holders of the Company	**702,676,000**	342,194,000	+105.3
	US cents	US cents	%
Basic earnings per share (excluding the discontinued operation[2])	**10.16**	10.25	-0.9
Basic earnings per share	**24.95**	12.51	+99.4
Dividend per share	**9.980**	5.004	+99.4
Interim dividend	**2.396**	2.640	-9.2
Special interim dividend	**5.648**	–	N/A
Final dividend	**1.936**	2.364	-18.1
Payout ratio	**40.0%**	40.0%	–
	US$	US$	%
Consolidated total assets	**7,551,304,000**	7,363,858,000	+2.5
Consolidated total liabilities	**2,707,810,000**	3,146,465,000	-13.9
Consolidated net assets	**4,843,494,000**	4,217,393,000	+14.8
Capital and reserves attributable to the equity holders of the Company	**4,546,106,000**	3,954,020,000	+15.0
Consolidated net debts	**808,659,000**	1,752,367,000	-53.9
	%	%	pp
Return on equity holders of the Company	**16.5**	9.0	+7.5
Return on total assets	**9.4**	4.9	+4.5
Net debt-to-total equity ratio	**16.7**	41.6	-24.9
Interest coverage	**9.9 times**	5.9 times	+4.0 times
Dividend yield	**7.3**	3.5	+3.8

Note:

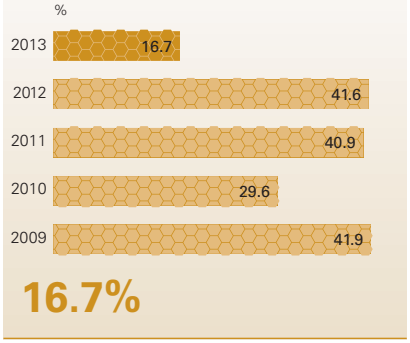
1. The Group's revenue was generated from Florens, Piraeus Terminal, Guangzhou South China Oceangate Terminal, Quan Zhou Pacific Terminal, Yangzhou Yuanyang Terminal, Zhangjiagang Terminal, Jinjiang Pacific Terminal, Xiamen Ocean Gate Terminal and its subsidiary Xiamen Tongda Terminal, Plangreat and its subsidiaries and COSCO Ports Services (Guangzhou) Limited.
2. On 20 May 2013, the Group announced the disposal of its 21.8% equity interest in CIMC for a cash consideration of US$1,219,789,000, which was completed on 27 June 2013, resulting in a net gain of US$393,411,000. Cash consideration of US$610,000,000 was received on 27 June 2013 and the remaining balance was received in full on 26 September 2013. Since the disposal of its equity interest in CIMC was completed in June 2013, the Group's share of profit from CIMC included the profit for the period from January to May of 2013 of US$23,059,000 (January to December of 2012: US$61,895,000).

Return on Equity Holders of the Company



Basic Earnings per Share

Net Debt-to-total Equity Ratio




Collecting the best from
over a wide area.

BUILDING

The team at COSCO Pacific strives to become the world's leading terminal operator and to help our customers capture the opportunities in global trade. Our goals? To promote the continuous growth of all staff members, create shareholder value and ensure a long-term win-win scenario.

FOCUS ON STRENGTH TO CAPTURE GROWTH OPPORTUNITIES

"COSCO Pacific set a clear direction for business development to focus on our strengths in 2013. Divesting the container manufacturing business allows the Company to concentrate on the development of its terminals and container leasing businesses. This restructuring has strengthened our core competence and financial position, which will enable us to capture the opportunity for future business growth."

Dear Shareholders,

On behalf of the board of directors ("Board") of the Company, I am pleased to report to you the Company's final results for 2013.

During the year, the global economic recovery remained fragile. As a result, the growth in volume of world container traffic and container throughput declined to 3.1% (2012: 4.4%) and 3.3% (2012: 4.6%) respectively. The slowdown gradually increased competition in the terminals and container leasing markets. China's port industry experienced a profit margin squeeze due to rising cost pressure, as the increase in operating costs exceeded growth in revenue. The gross profit margin of the container leasing industry also came under pressure due to a decline in container prices and rental yields. In order to meet the challenge of rising competition, the Group strengthened its marketing, thus achieving stable business growth. During the year, the Group's total container throughput rose 10.1% to 61,284,891 TEU and the container fleet size grew 1.8% to 1,888,200 TEU.

For the year 2013, profit attributable to equity holders of the Company increased 105.3% to US$702,676,000. In June 2013, the Company divested its 21.8% equity interest in CIMC for a total consideration of US$1,219,789,000 ("Divestment" or "Transaction"). The disposal recorded a net gain of US$393,411,000, contributing to the Company's significant profit growth. Net profit contributed by CIMC from January to May 2013 amounted to US$23,059,000, down 62.7% when compared to the full year contribution of US$61,895,000 in 2012. Excluding these two factors, the Group's profit attributable to equity holders from continuing operations rose 2.1% to US$286,206,000.

During the year, the earnings per share of the Company rose 99.4% to US24.95 cents (2012: US12.51 cents). The Board recommends a final dividend of HK15.0 cents per share (2012: HK18.3 cents). Thus the full-year dividend will be HK77.4 cents (2012: HK 38.8 cents) per share with the payout ratio 40.0% (2012: 40.0%).

FOCUS ON STRENGTH: Focus on the Development of Terminals and Container Leasing Businesses

Net proceeds from the Divestment will be used to expand the Group's terminals and container leasing businesses, and will further improve its cash flow and gearing ratio. The Transaction was approved by independent shareholders with 99.87% of votes in favour at the Special General Meeting held on 13 June 2013. On behalf of COSCO Pacific, I would like to express my sincere and special thanks to our shareholders for the trust and support given to the Company.

The Transaction enhanced the Group's financial position. As at 31 December 2013, the Group's cash on hand increased significantly by 45.7% to US$1,237,551,000. The net debt-to-total equity ratio decreased 24.9 percentage points to 16.7%. Interest coverage increased to 9.9 times (2012: 5.9 times). This healthy financial position provides a solid foundation to support the Group's future business development.

The Group applied its efforts to consolidating its leading positions in the world's container terminal operators and container leasing companies. During the year, total capital expenditure for our two core businesses amounted to US$679,963,000 of which 57.5% was for terminals and 42.5% was for container leasing. Capital expenditure

for terminals amounted to US$391,209,000, which was used to upgrade terminal facilities and purchase terminal equipment so as to enhance handling efficiency and competitiveness. We also continued to further expand our terminal business through acquisitions. Capital expenditure for container leasing amounted to US$288,754,000, for the purchase of 151,500 TEU of new containers.

The Group continued to build a terminal portfolio with a strong presence in China while expanding the network overseas. During the year, the Group acquired two terminal projects in mainland China, namely 70% effective interest in Xiamen Tongda Terminal and 39.04% equity interest in Taicang Terminal. The Group also invested a 25% equity interest in a joint venture to operate an iron ore terminal in Dongjiakou port at Qingdao. The joint-venture company was established in January 2014. In addition, the Group acquired 40% effective interest in Asia Container Terminal in Hong Kong in March 2014. These acquisitions strengthen the Group's ability to achieve sustainable growth in the terminal business. They have also enhanced our diversified terminal portfolio.

Overseas, Piraeus Terminal is an example of the Group's successful terminal operations. It is strategically located in a prime region of the Mediterranean and provides efficient container handling services to its customers. It has become the major hub in the eastern Mediterranean region for international shipping lines. We will further enhance its container handling capability so as to provide an even higher quality of terminal services to its customers.

The Group has implemented a prudent strategy to develop its container leasing business. In order to strike a balance between return on investment and risk, we have expanded our container fleet in a conservative way. As at 31 December 2013, the container fleet capacity reached 1,888,200 TEU of which owned containers,

managed containers, and sale-and-leaseback containers accounted for 57.5%, 29.3%, and 13.2% respectively. The fleet provides comprehensive container leasing and management services to the Group's customers. Long-term leasing revenue accounted for 95.5% of total leasing revenue and continued to be a stable source of income for the Group in 2013.

CAPTURE GROWTH OPPORTUNITIES: Enhance Core Competence to Capture Business Growth Opportunities

According to the forecast from Drewry Shipping Consultants Limited ("Drewry"), the growth of global container throughput will increase 4.2% to 670,500,000 TEU and is expected to accelerate when compared with 3.1% growth in 2013. The Group is strengthening its marketing team and widening the scope of its marketing plan so as to support business growth in terminals. The market is seeing an increasing number of shipping companies setting up strategic alliances. It is still difficult to evaluate fully how these alliances will affect the ports industry in terms of policies relating to the selection of ports of call. However, the Group is confident of strengthening its partnerships with customers by providing high quality terminal services.

Currently, over 600 shipping routes call at the terminals in the Group's portfolio, representing a global shipping network connecting major regions of the world. Furthermore, the Group's terminals located at the ports of Hong Kong, Shenzhen, Guangzhou, Shanghai, Ningbo, Qingdao, Tianjin, Dalian, Xiamen, Piraeus, Port Said, Singapore and Antwerp are all capable of loading and unloading large container vessels, as they are well-equipped, highly efficient and have sufficient site capacity. Hence, the Group is confident that its terminals will continue to be frequent ports of call for international container shipping companies and alliances.

The Group believes that another key success factor in its marketing is to provide value-added terminal services to customers. We are moving forward to attract more container trunk routes and welcoming container non-trunk routes to call at the Group's terminals. At the same time, we are providing strong support to customers willing to establish their logistics distribution centres in the Group's port areas. For example, Hewlett-Packard Development Company, L.P. and Huawei Technologies Co., Ltd. have selected the Group's Piraeus Terminal to establish their logistics distribution centres in Greece. Their choices reflected the fact that Piraeus Terminal is the first terminal in the eastern Mediterranean with modern facilities capable of handling giant container vessels of 18,000 TEU. In addition, the terminal provides access to the logistics supply chain to Europe by connecting to the national railway system in Greece.

PROSPECTS: Opportunity and Challenge

Looking ahead, the economic recovery in Europe and the United States is expected to gather momentum, which is the key driver for accelerating growth in the global economy in 2014. China's GDP growth is expected to remain stable at approximately 7.5% and will play an important role in supporting global economic growth. The International Monetary Fund ("IMF") forecasts that world GDP growth will increase 0.7 percentage points to 3.7%. As the economic recovery gathers momentum, developed countries will tighten monetary policy. This tightening of liquidity will, however, bring challenges to emerging markets that may affect global economic growth.

Facing these uncertainties, the capital market remains cautiously optimistic regarding the economic outlook for Europe and the US. Furthermore, improved European economic performance will play an important role in the recovery of the shipping industry. Most of the large container vessels are being operated on the container trunk routes between the Far East and Europe. A rebound in volume on these routes would facilitate an increase in the utilisation of shipping slot capacity, in turn helping to improve shipping companies' business performance and benefiting the terminals and container leasing industries.

As a global leader in these industries, the Group is thus well positioned to benefit from the economic recovery in Europe and the US. As at 31 December 2013, COSCO Pacific's terminal portfolio consisted of 104 container berths located at 21 ports around the world. Total container throughput reached 61,284,891 TEU in 2013, representing about 9% of the global market share. In relation to total throughput, the volume of handling on international container routes accounted for about 80% while the volume of handling on routes linking Asia to Europe, the Mediterranean and the US accounted for about 40%. Therefore, a pick-up in this substantial area will enhance the Group's overall throughput performance. It will also help to develop the Group's container leasing business. Going forward, the Group will proactively facilitate development projects at its terminals and container leasing businesses. We will also adjust the timing and scope of our investments in response to changes in market conditions.

Regarding the development of the terminals business, the Group took the opportunity to acquire 40% equity interest in Asia Container Terminal for a total consideration of HK$1,648,000,000 (equivalent to approximately US$212,335,000) in March 2014. The terminal is located at Terminal 8 west at Kwai Chung in Hong Kong, adjacent to Terminal 8 east, which is being operated by the Group in the form of the COSCO – HIT Terminal. The acquisition

will increase the Group's market share in Hong Kong. Both terminals will enjoy enhanced operating flexibility and efficiency. This acquisition creates a synergy that is a key factor in attracting mega container vessels to call and thus is expected to enhance both terminals' business growth and profitability.

Looking at container leasing business development, according to Drewry, the global container shipping capacity is expected to increase 5.8% to 18,286,000 TEU in 2014, which will trigger demand for new containers and container leasing services. The price of new containers has seen improvement since early 2014. However, the rental yield remains low. In planning the purchase of new containers in 2014, we will therefore continue to take a prudent approach aligned with market demand.

Lastly, I would like to express my most sincere gratitude to our shareholders and business partners for their strong support. My special thanks go to the staff of COSCO Pacific for their dedicated effort and substantial contribution to the Company's business development. I firmly believe that under the Board's supervision, the management of COSCO Pacific will lead all of our staff to strive to achieve our common goal of creating value for our shareholders.

李云鹏

LI Yunpeng
Chairman
25 March 2014

Sources of economic and market consensus:
1. International Monetary Fund (January 2014)
2. Drewry Maritime Research (December 2013)

VICE CHAIRMAN'S REPORT

STRENGTHEN SUSTAINABLE GROWTH

"During the year, COSCO Pacific strived to enhance its marketing competence so as to strengthen business growth. We are also moving forward solidly with new development projects so as to build momentum for sustainable business growth."

Despite only a moderate pick-up in the global economy and the decelerating growth of the shipping industry, the Group maintained a solid rate of business growth in 2013. During the year, revenue rose 8.6% to US$798,626,000, of which 57% derived from the terminals business and 43% from the container leasing business. The Group invested US$285,101,000 to upgrade the facilities of its terminal subsidiaries so as to enhance their handling capacity and market competitiveness. Terminal subsidiaries throughput rose 11.3% to 10,911,715 TEU driving revenue up by 13.2%. Meanwhile, the Group invested US$288,754,000 to purchase 151,500 TEU of new containers for container leasing services. The owned and sale-and-leaseback containers fleet expanded 9.0% to 1,335,797 TEU contributing a 3.4% of container leasing turnover growth.

Cost of sales was up 14.3% to US$480,457,000 in 2013. This was largely driven by costs to support the business growth and the rising cost of depreciation on terminals and containers. As a result, the Group's profit performance came under a certain degree of pressure. Gross profit rose slightly by 0.9% to US$318,169,000 and gross profit margin declined 3.1 percentage points to 39.8%. Looking at the bottom line, the Group's profit attributable to equity holders from continuing operations rose 2.1% to US$286,206,000.

Solid Profit Performance of Terminals Business

The Group's business portfolio comprises terminals situated at prime locations in four major port areas in China, namely the Pearl River Delta, Yangtze River Delta, Bohai Rim and Southeast Coast, together with four hub ports overseas, namely Piraeus in Greece, Port Said in Egypt, Singapore and Antwerp in Belgium. These terminals are well positioned to exploit their competitive edge. In 2013, container throughput rose 10.1% to 61,284,891 TEU. Relating to the Group's effective shareholding in these terminals, equity throughput rose 10.0% to 17,196,297 TEU. Both measures outperformed global throughput growth of about 3.3% and mainland China throughput growth of about 6.7%.

Despite this satisfactory throughput performance, net profit of the terminals business decreased slightly by 1.2% to US$186,767,000. Tax rate increases in some major terminals added pressure to profit performance. The tax holidays for Qingdao Qianwan Terminal and Shanghai Pudong Terminal expired in 2013, increasing their corporate income tax rates for the year by 12.5 percentage points. Meanwhile, the corporate income tax rate payable by Piraeus Terminal rose by 6.0 percentage points because of an increase in tax rates by the Greek government. These three terminals contributed a substantial portion, amounting to 38.7%, of the Group's total net profit from terminals. As such, their increased tax rates exerted some pressure on profitability. Excluding these non-recurring incremental expenses, profit from terminals was stable.

Challenges of Container Leasing Market

Against a background of weak container traffic growth and container leasing demand, the global production of dry containers dropped 17.8% to 1,270,000 TEU and the Group slowed down the expansion of its container fleet. As at 31 December 2013, the container fleet capacity had increased by 1.8% to 1,888,200 TEU, while the overall average utilisation rate in 2013 fell slightly to 94.5% (2012: 95.3%). Meanwhile, competition in the container leasing market intensified and new container leasing rates fell,

which was reflected in a 14.0% decline in the average price for a new 20-foot dry container to US$2,150 and a decrease in the rental yield to 9.4% (2012: 11.0%). Gross profit margins for new container leasing and for disposal of used containers came under pressure during the year. As a result, net profit for the container leasing business fell 10.2% to US$125,259,000.

Strengthen Sustainable Growth

During the year, the Group engaged in five new terminal projects in China and overseas. We paid particular attention to projects that would create synergies with our existing terminals, so as to increase the Group's market share in the regions where they are located and to enhance profitability. Asia Container Terminal is a strong example that will become a new profit contributor in 2014. In addition, the Group enhanced the development of its diversified terminals business and comprehensive container leasing services.

Acquisition of 40% equity interest in Asia Container Terminal

The Group has seized the opportunity to invest in a high quality terminal in Hong Kong. In March 2014, the Group announced its acquisition of 40% effective interest in Asia Container Terminal for a total consideration of HK$1,648,000,000 (equivalent to approximately US$212,335,000). Asia Container Terminal handled 1,131,854 TEU of throughput in 2013. The terminal is located at Terminal 8 west of Kwai Chung in Hong Kong adjacent to Terminal 8 east, which is being operated by an existing Group terminal, namely COSCO-HIT Terminal, in which the Group currently holds a 50% equity interest. In 2013, container throughput at COSCO-HIT Terminal reached 1,639,275 TEU. The combined quay length of the two terminals is 1,380 metres and there are four berths. The combined annual handling capacity will be approximately 3,400,000 TEU. The Group's container terminal market share in the Pearl River Delta is expected to increase following the acquisition. Furthermore, both

terminals will enjoy the synergies of greater flexibility and efficiency enhancement. This will help to attract an increasing number of large container vessels to call, supporting growth in volume and profit at the Group's terminals business.

Acquisition of 70% equity interest in Xiamen Tongda Terminal

In March 2013, Xiamen Ocean Gate Terminal, a subsidiary of the Group, acquired 100% equity interest in Xiamen Tongda Terminal, which operates a break-bulk cargo berth at Xiamen Haicang Berth No. 13 with a quay length of 298 metres. The Group holds an effective stake of 70% of this terminal, with a total consideration of RMB205,864,000 (equivalent to approximately US$33,575,000). This berth is adjacent to the Group's Xiamen Ocean Gate Terminal Berth No. 14. It provides support to the development of domestic feeder routes, linking the terminal to Fujian and Northern Guangdong and thus expands the terminal's sources of cargo. From April to December 2013, the berth's break-bulk cargo throughput amounted to about 2,450,000 tons.

Acquisition of 39.04% equity interest in Taicang Terminal

In July 2013, the Group acquired 39.04% equity interest in Taicang Terminal from COSCO Group, its ultimate parent company, for a total consideration of RMB323,109,000 (equivalent to approximately US$52,319,000). The terminal has a quay length of 930 metres, fitted with two container berths and two break-bulk berths with annual handling capacities of 550,000 TEU and 4,000,000 tons respectively. From August to December 2013, the container throughput was 235,759 TEU and break-bulk cargo throughput was about 1,970,000 tons. This acquisition enhances the Group's share of the container terminal market in the Yangtze River Delta and strengthens the development of the Group's diversified terminals business.

Investment in 25% equity interest in Dongjiakou Ore Terminal at Qingdao

During the year, another major development for our diversified terminals business was the investment in a 25% equity interest in Dongjiakou Ore Terminal. In January 2014, the Group joined forces with Qingdao Port Group, China Merchants Group and IMG Group to establish a joint-venture company to operate an iron ore terminal in Dongjiakou at the port of Qingdao. In line with its shareholding, the Group invested capital amounting to RMB350,000,000. There are two berths and a total of 882 metres of quay length. Depth alongside is 23 metres, allowing the berths to handle super- Panamax bulk carriers. Annual handling capacity is 29,000,000 tons. This terminal is well positioned in Shandong province and provides efficient and professional iron ore handling services to its customers. The outlook for the business is thus very positive.

Expansion plan for Piraeus Terminal

Piraeus Terminal is a wholly-owned subsidiary of the Group, which commenced its concession right to operate Pier 2 of Piraeus Port in October 2009. In 2011, we started to build Pier 3 east, with the first berth commencing operation in mid 2013. The business growth of Piraeus Terminal has been remarkable, with throughput reaching 2,519,664 TEU in 2013. Container throughput for the years 2010 to 2013 achieved a compound annual growth rate ("CAGR") of 54.4%, which has facilitated gradual profit growth at the terminal. The Group will further enhance its container handling capability so as to provide an even higher quality of terminal services to its customers. To this end, Piraeus Terminal reached an agreement with Piraeus Port Authority S.A. in November 2013 in relation to the amendment to its concession agreement. This amendment agreement will be signed after approval by the Hellenic Court of Audit and will only become effective after it has been ratified by the Hellenic Parliament.

Comprehensive container leasing services

The Group has maintained a prudent strategy for developing its container leasing business. In order to strike a balance between return on investment and risk, we have expanded our container fleet conservatively. Meanwhile, the Group will also adjust the timing and scope of its investments in response to changes in market conditions. In order to meet customer demand, the Group provides comprehensive container leasing and management services to its customers. In the past two years, the Group has accelerated the expansion of its owned container fleet, which recorded a CAGR of 11.4%. As at 31 December 2013, the Group's owned container fleet had reached 1,085,507 TEU, accounting for 57.5% of the total container fleet. The Group also develops managed and sale-and-lease back container fleet as it continues to grow its container fleet capacity, so as to consolidate its leading position in the global container leasing market.

A responsible corporate citizen

COSCO Pacific is not only committed to enhancing operational efficiency but also attaches high importance to its corporate social responsibility. In 2013, we were the proud recipient of a number of awards from renowned financial and legal magazines in Asia, including *Business Digest, Capital Magazine, The Asset, Corporate Governance Asia* and *Asia Legal Business*. These awards reflect market recognition for our corporate governance, corporate management, corporate values, social sustainability, legal practices, financial performance and investor relations. The Company will continue to dedicate its efforts in striving for higher returns to shareholders and to serving its other stakeholders and communities well. In order to strengthen communications with stakeholders, we have appointed the Hong Kong Business Environmental Council as our consultant to assist the Company in enhancing its disclosure on corporate social responsibility matters since 2014.

2014 Outlook

In 2013, COSCO Pacific set a clear direction for business development to focus on the terminals and container leasing businesses. We are facing opportunities and challenges in 2014. The management team will apply its efforts fully to align planning and execution in relation to the Company's corporate strategy. We firmly believe that it is crucially important to enhance our core competence because it will be a key factor to achieving sustainable business growth.

Looking ahead, against a backdrop of modest global economic growth, we see opportunities to develop our terminals and container leasing businesses. The Group will monitor closely changes in market conditions so as to seize business growth opportunities. We are moving forward solidly towards our long-term objective of achieving a higher return for our shareholders by building a robust and sustainable business platform.

WANG Xingru
Vice Chairman and Managing Director
25 March 2014

Source of container leasing market consensus:
Drewry Maritime Research (January 2014)

CORPORATE STRUCTURE

Terminals and Related Businesses

Bohai Rim		Yangtze River Delta		Southeast Coast and Others	
30%	Dalian Automobile Terminal	20%	Ningbo Yuan Dong Terminal	80%	Jinjiang Pacific Terminal
20%	Dalian Port Terminal	20%	Nanjing Longtan Terminal	10%	Kao Ming Terminal
20%	Qingdao Qianwan Terminal	30%	Shanghai Pudong Terminal	82.35%	Quan Zhou Pacific Terminal
16%	Qingdao New Qianwan Terminal	10%	Shanghai Terminal	70%	Xiamen Ocean Gate Terminal
8%	Qingdao Qianwan United Terminal	39.04%	Taicang Terminal	70%	Xiamen Tongda Terminal
5.6%	Qingdao Qianwan United Advance Terminal	55.59%	Yangzhou Yuanyang Terminal		
30%	Tianjin Euroasia Terminal	51%	Zhangjiagang Terminal		
14%	Tianjin Five Continents Terminal				
50%	Yingkou Terminal				

Pearl River Delta		Overseas	
50%	COSCO-HIT Terminal	20%	Antwerp Terminal
39%	Guangzhou South China Oceangate Terminal	49%	COSCO-PSA Terminal
14.59%	Yantian Terminal Phase I & II	100%	Piraeus Terminal
13.36%	Yantian Terminal Phase III	20%	Suez Canal Terminal

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

Container Leasing, Management and Sale Businesses

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

As at 31 December 2013


Bees work together, diligently
collecting nectar.

CO-OPERATION

In Chinese, the honey bee derives its name from the act of collecting nectar. Bees work hard, collectively, with an efficient division of labour and guided by clear objectives. COSCO Pacific's dedicated management aims to build the No. 1 container terminal network in the world, laying a solid foundation for sustainable development. We practice continuous improvement to drive outstanding results.

WORLDWIDE TERMINAL NETWORK

Mainland China, Hong Kong and Taiwan

Terminal Coverage
17 PORTS

Terminal Companies in Operation
22

Annual Handling Capacity
51,750,000 TEU

Bohai Rim

- Percentage of total annual handling capacity 30.9%
- Container berths 34
- Annual handling capacity 19,400,000 TEU

Southeast Coast and Others

- Percentage of total annual handling capacity 6.9%
- Container berths 8
- Annual handling capacity 4,300,000 TEU

Yangtze River Delta

- Percentage of total annual handling capacity 13.6%
- Container berths 20
- Annual handling capacity 8,550,000 TEU

Pearl River Delta

- Percentage of total annual handling capacity 31.1%
- Container berths 23
- Annual handling capacity 19,500,000 TEU

Overseas

Terminal Coverage
4 PORTS

Terminal Companies in Operation
4

Annual Handling Capacity
11,000,000 TEU

Overseas

- Percentage of total annual handling capacity 17.5%
- Container berths 19
- Annual handling capacity 11,000,000 TEU

TERMINAL

Mainland China, Hong Kong and Taiwan
82.5%

Overseas
17.5%

Percentage of Total Annual Handing Capacity

Total Annual Handling Capacity
62,750,000 TEU

WORLDWIDE CONTAINER DEPOT NETWORK

1,888,200 TEU

Container Fleet Capacity

Total Container Depots

221

North America		Central America	South America	South Africa
Atlanta	Minneapolis	Puerto Limon	Buenos Aires	Cape Town
Baltimore	Montreal		Itajai	Durban
Charleston	New Orleans		Paranagua	Johannesburg
Chicago	New York		Rio Grande	
Cincinnati	Norfolk		San Antonio	
Cleveland	Portland		Santiago	
Columbus	San Francisco		Santos	
Detroit	Savannah		Talcahuano	
Houston	Seattle		Valparaiso	
Jacksonville	St. Louis			
Kansas City	Toronto			
Los Angeles	Vancouver			
Louisville				
Memphis				
Miami				

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


Nectar is collected from
hundreds of flowers.

EFFECTIVENESS

COSCO Pacific's mission is to become the world's leading port operator. We have established strategically positioned terminal assets along the Chinese coast and worldwide. Our network is extensive and diverse, supporting our aim to become the world's leading terminal operator, while guarding effectively against the risk from local economic downturns.

OPERATIONAL REVIEW

TERMINALS

The recovery of the world economy and global trade remained slow during 2013. In January 2014, the IMF estimated the growth of the global economy to have been 3.0% in 2013, similar to the 3.1% recorded in 2012. For the Eurozone, the IMF's growth estimate was -0.4%, representing the second consecutive year of negative growth. The growth of global trade was put at 2.7%, the same as in 2012.

The growth in global container port throughput experienced a further slowdown. According to the forecast by Drewry in December 2013, the growth in global container port throughput in 2013 was estimated to be 3.3% (2012: +4.6%).

Container Throughput of Top 10 Global Ports

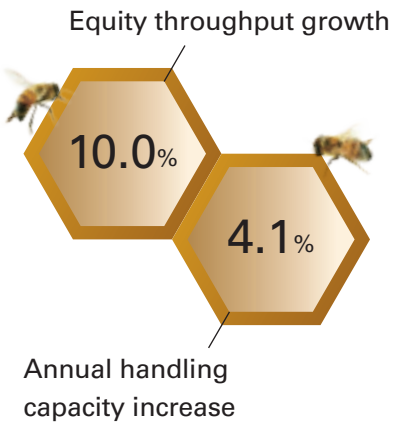
Rank	Port	Throughput (TEU)	Year-on-year change
1	Shanghai	33,617,000	+3.3%
2	Singapore	32,579,000	+2.9%
3	Shenzhen	23,278,000	+1.5%
4	Hong Kong	22,352,000	-3.3%
5	Busan	17,686,000	+3.8%
6	Ningbo	17,351,000	+7.3%
7	Qingdao	15,520,000	+7.0%
8	Guangzhou	15,309,000	+5.2%
9	Dubai	13,641,000	+2.7%
10	Tianjin	13,010,000	+5.7%

Source: Hong Kong Port Development Council

Container Throughput of Top 10 Chinese Ports

Rank	Port	Throughput (TEU)	Year-on-year change
1	Shanghai	33,617,000	+3.3%
2	Shenzhen	23,278,000	+1.5%
3	Ningbo	17,351,000	+7.3%
4	Qingdao	15,520,000	+7.0%
5	Guangzhou	15,309,000	+5.2%
6	Tianjin	13,010,000	+5.7%
7	Dalian	9,912,000	+22.9%
8	Xiamen	8,008,000	+11.2%
9	Lianyungang	5,488,000	+9.3%
10	Yingkou	5,301,000	+9.3%

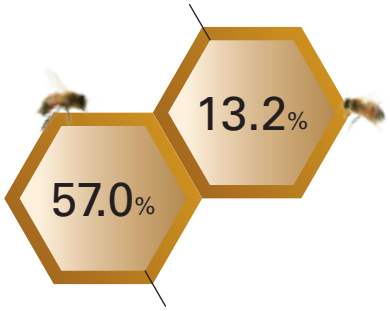
Source: www.portcontainer.cn/Hong Kong Port Development Council



Growth in China's foreign trade remained flat in 2013, with a growth rate similar to that of 2012. According to the Chinese Ministry of Commerce, the growth in China's imports and exports was 7.3% (2012: 4.3%) and 7.9% (2012: 7.9%) respectively in 2013. Throughput at Chinese ports in 2013 saw slower growth. According to the statistics from a port association in mainland China, container throughput at China's ports grew by approximately 6.7% in 2013 (2012: approximately +8.0%).

Among the top ten container ports in mainland China, Shanghai port in the Yangtze River Delta and Shenzhen port in the Pearl River Delta recorded low single-digit growth, reflecting the continued weak economic recovery in Europe and the United States.

Terminals business revenue growth



Proportion of the Group's revenue from the terminals business

Throughput Growth Remained Stable Overall While Some Overseas Terminals Outperformed

During the year, the growth of container throughput at the Group's terminals remained stable. The equity throughput rose by 10.0% to 17,196,297 TEU (2012: 15,638,070 TEU). Even though profit from the terminals business decreased slightly by 1.2% to US$186,767,000 in 2013 (2012: US$188,964,000) as a result of cost increases, certain terminals reported distinctive performances that were mainly driven by throughput growth, representing highlights for the year.

Overseas terminals performed satisfactorily during the year. Despite Piraeus Terminal in Greece being impacted by an increase in the rate of local corporate income tax, the terminal recorded a 16.0% growth in profit to US$23,051,000 (2012: US$19,864,000) thanks to a 19.5% increase in throughput that was attributable to continued business development. The profit from Suez Canal Terminal in Egypt rose by 15.9% to US$10,261,000 (2012: US$8,857,000). The loss from Antwerp Terminal in Belgium narrowed further.

The profit from Ningbo Yuan Dong Terminal rose by 26.7% to US$9,965,000 (2012: US$7,864,000). The profit from Guangzhou South China Oceangate Terminal rose by 34.0% to US$8,282,000 (2012: US$6,182,000), while that from Yantian Terminal rose by 2.4% to US$54,906,000 (2012: US$53,639,000). In addition, the acquisition of 39.04% equity interest in Taicang Terminal was completed on 22 July 2013, which generated US$1,437,000 in profit attributable to the Group during the year.

Despite such increases, due to the relatively high increase of costs at certain terminals, the overall profit for the terminals business in 2013 decreased as compared to 2012. Among these, the profits from Qingdao Qianwan Terminal and Shanghai Pudong Terminal decreased by 21.7% to US$29,521,000 (2012: US$37,689,000) and by 8.8% to US$19,686,000 (2012: US$21,588,000) respectively. Such cost increases were mainly due to expiry of the tax incentives of 50% of income tax relief at the end of 2012.

In addition, the profit from COSCO-HIT Terminal decreased by 26.9% to US$16,203,000 (2012: US$22,163,000) due to the impact of an increase in borrowing costs and of a strike. Meanwhile, Xiamen Ocean Gate Terminal, whose operations commenced in May 2012, was still in a ramp-up phase. Its loss in its first full year, which includes the cost of its acquisition of Xiamen Tongda Terminal in March 2013, amounted to US$14,112,000 in 2013 (2012: a loss of US$11,039,000).

Revenue Recorded Satisfactory Growth

The majority of the terminal subsidiaries recorded growth in 2013. Piraeus Terminal and Guangzhou South China Oceangate Terminal continued to drive the Group's revenue growth in 2013. The revenue from Piraeus Terminal increased by 15.3% to US$155,429,000 (2012: US$134,773,000), while that from Guangzhou South China Oceangate Terminal increased by 10.9% to US$132,329,000 (2012: US$119,270,000). Xiamen Ocean Gate Terminal and Xiamen Tongda Terminal recorded a total revenue of US$19,275,000 (2012: US$6,372,000), representing an increase of 202.5%.

Looking at the full-year performance, revenue from the terminals business of COSCO Pacific reached US$455,071,000 (2012: US$402,161,000), up 13.2%. Revenue from the terminals business accounted for 57.0% (2012: 54.7%) of the Group's revenue and remained the anchor of the Group's steady operations.

Throughput Growth Secured, Ranked No.4 in the World

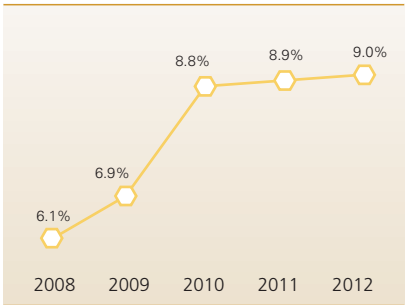
According to Drewry's "Global Container Terminal Operators Annual Review and Forecast" published in August 2013, the total container throughput of COSCO Pacific's terminals accounted for approximately 9.0% of the world total, up 0.1 percentage point year-on-year. The Group's ranking among the world's container terminal operators rose from number five to number four.

The total container throughput of the Group reached 61,284,891 TEU (2012: 55,685,225 TEU), up 10.1%, in line with the high end of the growth target set by the Group's management of 10.0%. Equity throughput rose 10.0% and reached 17,196,297 TEU (2012: 15,638,070 TEU), a slowing of the growth rate to a level similar to that of the total throughput. This was mainly due to the cooling from the rapid growth rates experienced by Piraeus Terminal and Guangzhou South China Oceangate Terminal in recent years.

The Group's terminal companies in mainland China (excluding Hong Kong and Taiwan) handled 50,410,965 TEU (2012: 46,696,103 TEU) in total, up 8.0%, higher than the national average growth rate of approximately 6.7%.

The throughput of the Bohai Rim region was 23,534,240 TEU (2012: 21,747,801 TEU), an increase of 8.2%, and accounting for 38.4% of the Group's total throughput. Qingdao Qianwan United Terminal and Qingdao Qianwan United Advance Terminal,

Global market share



two jointly controlled entities of Qingdao Qianwan Terminal, and Tianjin Euroasia Terminal have entered a stable growth phase after growth plateaued following their launch of operations. During the year, the throughput of Qingdao Qianwan Terminal and Tianjin Euroasia Terminal increased by 6.7% to 14,981,635 TEU (2012: 14,045,503 TEU) and 5.7% to 1,803,407 TEU (2012: 1,705,667 TEU) respectively.

The throughput of the Yangtze River Delta rose by 15.7% to 9,513,006 TEU (2012: 8,219,406 TEU), accounting for 15.5% of the Group's total. While the operation of Shanghai Pudong Terminal was affected by a platform retrofitting project in the first half of the year, the volume picked up in the second half of the year as a result of several new shipping routes being introduced to the terminal after the project was completed. The throughput of Shanghai Pudong Terminal increased by 4.4% to 2,246,026 TEU (2012: 2,151,297 TEU). Ningbo Yuan Dong Terminal successfully introduced additional international transshipment routes, leading to a 16.8% increase to 2,806,406 TEU (2012: 2,402,554 TEU). The acquisition of 39.04% equity interest in Taicang Terminal was

Total Throughput by Region

	Throughput (TEU)	Year-on-year change(%)	Percentage of total(%)
Bohai Rim	23,534,240	+8.2	38.4
Yangtze River Delta	9,513,006	+15.7	15.5
Southeast Coast and others	3,288,999	+79.6	5.4
Pearl River Delta	16,884,699	+1.8	27.5
Overseas	8,063,947	+10.4	13.2
Total	**61,284,891**	**+10.1**	**100.0**

Equity Throughput by Region

	Throughput (TEU)	Year-on-year change(%)	Percentage of total(%)
Bohai Rim	4,598,873	+6.6	26.8
Yangtze River Delta	2,758,318	+15.8	16.0
Southeast Coast and others	1,776,398	+28.0	10.3
Pearl River Delta	4,130,022	+2.0	24.0
Overseas	3,932,686	+12.2	22.9
Total	**17,196,297**	**+10.0**	**100.0**

completed on 22 July 2013. The Group has included the terminal's throughput since August 2013 and its throughput for the year was 235,759 TEU.

The combined throughput of the Southeast Coast and others reached 3,288,999 TEU (2012: 1,831,564 TEU), up 79.6% and accounting for 5.4% of the total throughput. Xiamen Ocean Gate Terminal commenced operations in May 2012. The year 2013 was the first full year of operations of the terminal, which has been experiencing a period of rapid growth. Its throughput surged by 124.5% to 609,393 TEU (2012: 271,449 TEU). In addition, the Group had completed its acquisition of 10% effective interest in Kao Ming Terminal in the Port of Kaohsiung, Taiwan on 27 December 2012. The terminal contributed 1,170,704 TEU to the Group's throughput during the full year of 2013. A decrease in the export of construction materials from Quanzhou affected the container handling business of Quan Zhou Pacific Terminal, where throughput decreased by 9.2% to 1,090,660 TEU (2012: 1,201,279 TEU).

The throughput of the Pearl River Delta region reached 16,884,699 TEU (2012: 16,581,080 TEU), representing an increase of 1.8% and accounting for 27.5% of the total throughput. The throughput of Yantian Terminal rose by 1.2% to 10,796,113 TEU (2012: 10,666,758 TEU), primarily driven by growth in transshipment cargoes. Since April 2012, Nansha port district has implemented measures to separate the handling of domestic cargoes and foreign trade cargoes. Guangzhou South China Oceangate Terminal was designated mainly to handle foreign trade cargoes. While the cargo mix has changed, the terminal recorded a throughput of 4,449,311 TEU (2012: 4,230,574 TEU) during the year, up 5.2%. The throughput of COSCO-HIT Terminal decreased by 2.6% to 1,639,275 TEU (2012: 1,683,748 TEU) due to a strike.

The throughput of overseas terminals reached 8,063,947 TEU (2012: 7,305,374 TEU), representing an increase of 10.4% and accounting for 13.2% of the total throughput. Piraeus Terminal handled 2,519,664 TEU (2012: 2,108,090 TEU), up 19.5%, thanks to effective marketing strategies and optimisation of the customer mix. Suez Canal Terminal in Egypt enjoyed an increase of shipping routes calling, enabling its throughput to reach 3,124,828 TEU (2012: 2,863,167 TEU), up 9.1%. PSA Corporation Limited has leased 40% of the operating capacity of COSCO-PSA Terminal in Singapore since July 2012 under its replacement of volume contribution commitment. As a result, the throughput of the terminal declined in 2013 by 14.9% to 1,048,846 TEU (2012: 1,232,954 TEU). The throughput of Antwerp Terminal in Belgium grew by 24.5% to 1,370,609 TEU (2012: 1,101,163 TEU), driven by the successful introduction of new routes since mid 2013, which improved its operational performance during the year.

Throughput of Terminals

2013 (TEU)
2012 (TEU)

Total Container Throughput

61,284,891 ↑ 10.1%
55,685,225

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

53,220,944 ↑ 10.0%
48,379,851

Bohai Rim

23,534,240 ↑ 8.2%
21,747,801

Qingdao Qianwan Teriminal[1]
14,981,635 ↑ 6.7%
14,045,503

Tianjin Five Continents Terminal
2,300,918 ↑ 5.5%
2,180,184

Tianjin Euroasia Terminal
1,803,407 ↑ 5.7%
1,705,667

Dalian Port Terminal
2,732,174 ↑ 23.3%
2,216,353

Yingkou Terminal
1,716,106 ↑ 7.3%
1,600,094

Yangtze River Delta

9,513,006 ↑ 15.7%
8,219,406

Shanghai Pudong Terminal
2,246,026 ↑ 4.4%
2,151,297

Ningbo Yuan Dong Terminal
2,806,406 ↑ 16.8%
2,402,554

Zhangjiagang Terminal
1,374,596 ↑ 11.9%
1,228,935

Yangzhou Yuanyang Terminal
449,849 ↑ 12.2%
401,003

Taicang Terminal
235,759 N/A
–

Nanjing Longtan Terminal
2,400,370 ↑ 17.9%
2,035,617

Southeast Coast and others

3,288,999 ↑ 79.6%
1,831,564

Quan Zhou Pacific Terminal
1,090,660 ↓ 9.2%
1,201,279

Jinjiang Pacific Terminal
418,242 ↑ 16.6%
358,836

Xiamen Ocean Gate Terminal
609,393 ↑ 124.5%
271,449

Kao Ming Terminal
1,170,704 N/A
–

Pearl River Delta

16,884,699 ↑ 1.8%
16,581,080

COSCO-HIT Terminal
1,639,275 ↓ 2.6%
1,683,748

Yantian Terminal
10,796,113 ↑ 1.2%
10,666,758

Guangzhou South China Oceangate Terminal
4,449,311 ↑ 5.2%
4,230,574

Overseas

8,063,947 ↑ 10.4%
7,305,374

Piraeus Terminal
2,519,664 ↑ 19.5%
2,108,090

Suez Canal Terminal
3,124,828 ↑ 9.1%
2,863,167

COSCO-PSA Terminal
1,048,846 ↓ 14.9%
1,232,954

Antwerp Terminal
1,370,609 ↑ 24.5%
1,101,163

Note:

1. Throughput of Qingdao Qianwan Terminal includes the throughput of Qingdao Qianwan United Terminal and Qingdao Qianwan United Advance Terminal and these two terminals are jointly controlled entities of Qingdao Qianwan Terminal. The throughput of the two terminals was 3,975,335 TEU (2012: 3,253,010 TEU) and 1,305,917 TEU (2012: 1,146,692 TEU) respectively.
2. The total throughput of break-bulk cargo in 2013 was 40,436,547 tons (2012: 23,690,892 tons), an increase of 70.7%. The throughput of Dalian Automobile Terminal reached 358,227 vehicles (2012: 226,563 vehicles), an increase of 58.1%.

Annual Handling Capacity Increased by 4.1% to 62,750,000 TEU

As of 31 December 2013, there were 104 berths (2012: 99) under the Group's operating container terminals and the total annual handling capacity was 62,750,000 TEU (2012: 60,300,000 TEU). There were 11 break-bulk berths (2012: 8), with a total annual handling capacity of 17,050,000 tons (2012: 9,050,000 tons).

Newly-added Annual Handling Capacity in 2013

	Container Berth		Break-bulk Berth		
Terminal	**No. of berths**	**Annual handling capacity (TEU)**	**No. of berths**	**Annual handling capacity (tons)**	**Operation commenced**
Ningbo Yuan Dong Terminal	2	1,200,000	–	–	February
Xiamen Tongda Terminal	–	–	1	4,000,000	March
Piraeus Terminal	1	700,000	–	–	June
Taicang Terminal	2	550,000	2	4,000,000	August
Total	**5**	**2,450,000**	**3**	**8,000,000**	

During 2013, five container berths with a total annual handling capacity of 2,450,000 TEU and three break-bulk berths with a total annual handling capacity of 8,000,000 tons were newly-added. The additional annual handling capacity included those respectively from Ningbo Yuan Dong Terminal (1,200,000 TEU), Xiamen Tongda Terminal (4,000,000 tons), Piraeus Terminal (700,000 TEU) and Taicang Terminal (550,000 TEU and 4,000,000 tons).

During the year, the Group adhered to its strategy to expand handling capacity via terminal asset acquisitions and the expansion of terminals already in operation. For the expansion of terminals in operation, new berths commenced operations in Piraeus Terminal and Ningbo Yuan Dong Terminal. With a quay length of 600 metres and a depth alongside of 16 metres, Pier 3 of Piraeus Terminal will construct and operate two container berths. The first berth, with an annual handling capacity of 700,000 TEU, commenced operation in June 2013. Equipped with state-of-the-art equipment, Pier 3 is capable of handling container vessels with a capacity of 18,000 TEU.

In addition to providing efficient, reliable and stable container loading and unloading services for international shipping companies, Piraeus Terminal provides value-added services for global enterprises that take advantage of its prime location in the region. During the year, two global information and technology

companies chose the terminal to be their logistics distribution centre for the Mediterranean region. The terminal's service quality has been recognised by global companies and it will continue to strengthen connectivity with the Greek railway network to expand its hinterland, enhancing opportunities for business development.

In addition, with a total annual handling capacity of 1,200,000 TEU, Berths 10 and 11 of Ningbo Yuan Dong Terminal started operation in February 2013. With a depth alongside of 22 metres, they are the only berths in Ningbo Port capable of receiving container vessels with a capacity of 18,000 TEU. By providing loading and unloading services for large container vessels, they are enhancing the terminal's competitiveness.

The Group also sought to diversify its terminals business. The acquisitions of 70% effective interest in Xiamen Tongda Terminal and 39.04% equity interest in Taicang Terminal were completed. The considerations were approximately RMB205,864,000 (equivalent to approximately US$33,575,000) and RMB323,109,000 (equivalent to approximately US$52,319,000) respectively. Xiamen Tongda Terminal holds and operates Berth 13, a break-bulk berth at the Haicang port area of Xiamen Port, with an annual handling capacity of 4,000,000 tons. Taicang Terminal holds and operates two container berths and two break-bulk berths, with annual handling capacities 550,000 TEU and 4,000,000 tons respectively.

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	30.9%
Automobile	2	600,000 vehicles	100%
Yangtze River Delta			
Container	20	8,550,000	13.6%
Break-bulk	7	10,550,000 tons of break-bulk cargo	61.9%
Southeast Coast and others			
Container	8	4,300,000	6.9%
Break-bulk	4	6,500,000 tons of break-bulk cargo	38.1%
Pearl River Delta			
Container	23	19,500,000	31.1%
Overseas			
Container	19	11,000,000	17.5%
Total number of container berths/ annual handling capacity	**104**	**62,750,000**	
Total number of break-bulk berths/annual handling capacity	**11**	**17,050,000 tons of break-bulk cargo**	
Total number of automobile berths/ annual handling capacity	**2**	**600,000 vehicles**	

During 2013, the Group, Qingdao Port Group, China Merchants Holdings (International) Company Limited and IMC Group Limited entered into an agreement to establish a joint venture to operate an iron ore terminal which had been built at Dongjiakou port area in Qingdao, China. The terminal is equipped with a 300,000-ton berth especially for receiving and unloading iron-ore vessels and a 200,000-ton berth for iron-ore transshipment. The designed annual handling capacity of the terminal is approximately 29,000,000 tons. The total investment in the joint venture is approximately RMB3,800,000,000. The Group will have 25% equity interest in the terminal. The investment in the project offers a long-term investment value, which is in line with COSCO Pacific's corporate strategy to diversify its terminals business. The joint venture, Dongjiakou Ore Terminal, was established in January 2014 and the acquisition is expected to complete in the first half of 2014.

2014 Throughput to Maintain Stable Growth

On 13 March 2014, the Group has established strategic partnership with Hutchison Port Holdings Trust ("HPH Trust") and China Shipping Terminal Development Company Limited ("CSTD") regarding the management and operation of Asia Container Terminal. The Group, HPH Trust and China Shipping Terminal Development (Hong Kong) Company Limited (a company which is managed and operated by CSTD) hold effective interest of 40%, 40% and 20% respectively in Asia Container Terminal following the completion of the transaction. Consideration for the acquisition of 40% effective interest is approximately HK$1,648,000,000 (equivalent to approximately US$212,335,000).

Asia Container Terminal owns and operates Container Terminal 8 West at Kwai Chung, Hong Kong, and is adjacent to COSCO-HIT Terminal. The two terminals will form a combined 1,380 metre long contiguous berth, thus creating a more competitive platform and providing more efficient services to their customers. The acquisition will increase the Group's container terminal market share in Hong Kong and strengthen the profitability of our terminals business.

Meanwhile, the Group plans to invest RMB750,000,000 in the expansion of three break-bulk berths (Berths 3 to 5) at Jiangdu port area in the Port of Yangzhou, with a total annual handling capacity of 4,400,000 tons. One berth will commence operation in the second half of 2014. Yangzhou Port mainly handles bulk cargoes such as timber, coal, ore, steel and food, with Jiangdu the major port area for handling bulk cargo within Yangzhou Port. The operations of the two break-bulk berths in Jiangdu port area under the Group have been operating at full capacity. It is expected that the expansion will be favourable to the overall profitability of Yangzhou Yuanyang Terminal.

Looking forward, the Group expects the throughput growth of the terminals business to be stable and to be driven mainly by organic growth within our terminal companies and newly-added capacity. The Group will continue to expand its handling capacity through acquiring terminal assets and expanding its operating terminals. It will also continue to upgrade the facilities of its terminals to enhance their productivity and competitiveness, with a view to maintaining business growth.

Newly-added handling capacity in 2014 is expected to come from Asia Container Terminal (1,600,000 TEU), Kao Ming Terminal (1,400,000 TEU), Dongjiakou Ore Terminal (29,000,000 tons), Yangzhou Yuanyang Terminal (900,000 tons) and Dalian Automobile Terminal (180,000 vehicles), which will commence operations during the year.

In addition, an amendment to the concession agreement was agreed between Piraeus Terminal and Piraeus Port Authority S.A. on 18 November 2013. The relevant amendment agreement will be entered into upon approval by the Hellenic Court of Audit and become effective after it has been ratified by the Hellenic Parliament.

The agreement amendment will allow Piraeus Terminal to pay a reasonable concession fee when the market is unfavorable and revenue lower than expected. Meanwhile, Piraeus Terminal will enhance the operation capacity of Pier 2 and build the Western Part of Pier 3. A further 2,500,000 TEU, among which 1,900,000 TEU is from the Western Part of Pier 3, will be added to the annual handling capacity of Piraeus Terminal, enhancing the facilities and the operational efficiency of the container terminals in Piraeus Port. These arrangements will generate additional profit and other long-term benefits to Piraeus Terminal as the concessionaire. The construction of the Western Part of Pier 3 is expected to commence within three months after the amendment agreement comes into force and be completed within a period of four years from work commencement. Installation of the mechanical equipment at the Western Part of Pier 3 is expected to be completed within a period of seven years from the commencement of the pier construction work.

Terminal Portfolio[1] (as of 31 December 2013)

Terminal companies	Shareholdings	No. of berths	Design annual handling capacity (TEU)	Depth (m)
Bohai Rim		**41**	**23,850,000**	
		3	**780,000 vehicles**	
Qingdao Qianwan Terminal	20%	11	6,500,000	17.5
Qingdao New Qianwan Terminal	16%	6	3,600,000	15.0 – 20.0
Qingdao Qianwan United Terminal	8%	7	3,950,000	15.0 – 20.0
Qingdao Qianwan United advance Terminal	5.6%	2	1,300,000	15.0 – 20.0
Dalian Port Terminal	20%	6	4,200,000	13.5 – 17.8
Dalian Automobile Terminal	30%	3	780,000 vehicles	11.0
Tianjin Five Continents Terminal	14%	4	1,500,000	16.5
Tianjin Euroasia Terminal	30%	3	1,800,000	16.5
Yingkou Terminal	50%	2	1,000,000	14.0
Yangtze River Delta		**25**	**9,550,000**	
		10	**14,950,000 tons of break-bulk cargo**	
Shanghai Pudong Terminal	30%	3	2,300,000	12.0
Ningbo Yuan Dong Terminal	20%	5	3,000,000	15.0 – 22.0
Zhangjiagang Terminal	51%	3	1,000,000	10.0 – 11.0
Yangzhou Yuanyang Terminal	55.59%	2	700,000	12.0
		8	10,950,000 tons of break-bulk cargo	8.0 – 12.0
Taicang Terminal	39.04%	2	550,000	12.5
		2	4,000,000 tons of break-bulk cargo	12.5
Nanjing Longtan Terminal	20%	10	2,000,000	12.0
Southeast Coast and others		**13**	**7,600,000**	
		5	**9,200,000 tons of break-bulk cargo**	
Quan Zhou Pacific Terminal	82.35%	3	1,200,000	7.0 – 15.1
		2	1,000,000 tons of break-bulk cargo	5.1 – 9.6
Jinjiang Pacific Terminal	80%	2	800,000	8.3 – 10.5
		2	4,200,000 tons of break-bulk cargo	9.8 – 15.3
Xiamen Ocean Gate Terminal	70%	4	2,800,000	17.0
Xiamen Tongda Terminal	70%	1	4,000,000 tons of break-bulk cargo	16.5
Kao Ming Terminal	10%	4	2,800,000	16.5
Pearl River Delta		**23**	**19,500,000**	
COSCO-HIT Terminal	50%	2	1,800,000	15.5
Yantian Terminals Phase I & II	14.59%	5	4,500,000	14.0 – 15.5
Yantian Terminals Phase III	13.36%	10	9,000,000	16.0 – 16.5
Guangzhou South China Oceangate Terminal	39%	6	4,200,000	15.5
Overseas		**22**	**13,300,000**	
Piraeus Terminal	100%	6	3,700,000	14.5 – 18.5
Suez Canal Terminal	20%	8	5,100,000	16.0
COSCO-PSA Terminal	49%	2	1,000,000	15.0
Antwerp Terminal	20%	6	3,500,000	17.0
Total		**142**		
Total number of container berths/ annual handling capacity		**124**	**73,800,000**	
Total number of break-bulk cargo berths/ annual handling capacity		**15**	**24,150,000 tons of break-bulk cargo**	
Total number of automobile berths/ annual handling capacity		**3**	**780,000 vehicles**	

Note:

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

OPERATIONAL REVIEW

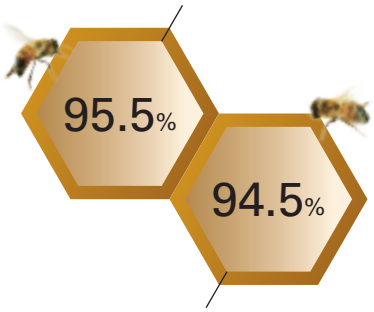
CONTAINER

LEASING, MANAGEMENT AND SALE

The price of containers experienced a downward trend during 2013 that was caused by weak demand for container leasing services. Although container shipping lines increased capacity in the first half of the year, container trade subsequently lost momentum as a result of the protracted weakness of the global economy. A rebound in demand for new containers emerged only at the end of the second quarter of 2013 and did not continue into the second half of the year.

The Group's container leasing, management and sale businesses are operated and managed by Florens. During the year, both the number of containers on hire and the disposal of returned containers upon expiry of 10-year leases recorded growth, thus leading to an increase in overall revenue. The market price of containers and the overall average utilisation rate of the Group's containers, on

Proportion of total container leasing revenue from long-term leases



Utilisation

the other hand, decreased as a result of the weak demand for container leasing. Profit therefore decreased by 10.2% to US$125,259,000 (2012: US$139,522,000).

Long-term leases accounted for 95.5% (2012: 94.3%) of the Group's total revenue from container leasing in 2013, while revenue from master leases accounted for 4.5% (2012: 5.7%). With containers leased mainly on a long-term basis, the Group enjoys a stable source of income and the overall average utilisation rate of the Group's containers remained stable during the year. Overall average utilisation was 94.5% (2012: 95.3%), higher than the industry average of approximately 93.9% (2012: approximately 94.8%).

Steady Growth in Leasing Revenue

Revenue Breakdown of Container Leasing, Management and Sale Businesses

	2013 US$	Year-on-year change	Percentage of total
Container leasing	**290,883,000**	+3.7%	83.6%
Disposal of returned containers	**42,967,000**	+0.8%	12.4%
Container management	**7,398,000**	-1.3%	2.1%
Others	**6,499,000**	+15.8%	1.9%
Total	**347,747,000**	**+3.4%**	**100.0%**

In 2013, revenue from the Group's container leasing, management and sale businesses reached US$347,747,000 (2012: US$336,224,000), representing an increase of 3.4%. The growth was mainly attributable to the increase in revenue from container leasing.

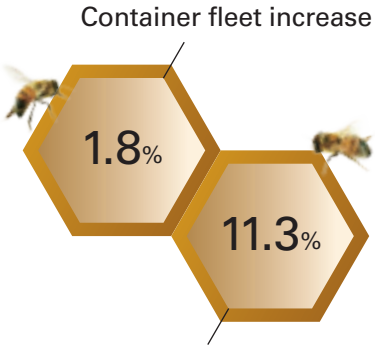
Revenue from container leasing was US$290,883,000 (2012: US$280,514,000), representing an increase of 3.7%. Revenue from container leasing represented 83.6% (2012: 83.4%) of the total revenue of the container leasing, management and sale businesses. The fleet size of owned containers and sale-and-leaseback containers increased by 9.0% to 1,335,797 TEU (2012: 1,225,244 TEU). The decreases in the Group's overall average utilisation rate and the prevailing market lease rates limited revenue growth in container leasing.

Revenue from the disposal of returned containers increased by 0.8% to US$42,967,000 (2012: US$42,606,000), representing 12.4% (2012: 12.7%) of the total revenue of the container leasing, management and sale businesses. Although the number of disposed returned containers increased by 12.8% to 35,714 TEU (2012: 31,671 TEU), growth in revenue from the disposal

of returned containers was minimal as a result of the lower resale prices achieved. During the year, the number of containers returned from COSCON upon expiry of 10-year leases was 36,193 TEU (2012: 28,098 TEU).

Revenue from managed containers decreased by 1.3% to US$7,398,000 (2012: US$7,492,000), as the fleet size declined to 552,403 TEU (2012: 630,353 TEU), a decrease of 12.4%, and represented 2.1% (2012: 2.2%) of the total revenue of the container leasing, management and sale businesses.

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 74.9% (2012: 72.1%) of the container leasing revenue of the Group came from the world's top ten container shipping lines.



Maintained our Rank as the World's Fourth Largest Container Leasing Company

Fleet Capacity Movement

	2013 (TEU)	2012 (TEU)	Change (%)
Fleet capacity at 1 January	**1,855,597**	1,777,792	+4.4
New containers purchased	**151,500**	162,742	-6.9
Containers returned from COSCON upon expiry of leases			
– Total	**(36,193)**	(28,098)	+28.8
– Re-leased	**544**	352	+54.5
– Disposed of and pending for disposal	**(35,649)**	(27,746)	+28.5
Ownership transferred to customers upon expiry of finance leases	**(231)**	–	N/A
Defective containers written off	**(19)**	(451)	- 95.8
Owned containers declared lost and compensated for by customers	**(5,048)**	(12,744)	- 60.4
Managed containers disposal of or declared lost and compensated for by customers	**(77,950)**	(43,996)	+77.2
Fleet capacity at 31 December	**1,888,200**	1,855,597	+1.8

As of 31 December 2013, the Group's container fleet had reached 1,888,200 TEU (2012: 1,855,597 TEU), up 1.8%. The Group was the world's fourth largest container leasing company, with a market share of approximately 11.3% (2012: approximately 12.0%). The average age of containers in the fleet was 6.35 years (2012: 6.13 years).

During the year, the Group purchased 151,500 TEU (2012: 162,742 TEU) of new containers. Among these, 138,459 TEU (2012: 120,000 TEU) were purchased for COSCON, accounting for 91.4% (2012: 73.7%) of total new containers, while 13,041 TEU (2012: 42,742 TEU) were for international customers, representing 8.6% (2012: 26.3%) of total new containers. The capital expenditure on new containers was US$288,754,000 (2012: US$371,668,000).

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

As of 31 December	Leasing customers	2013 (TEU)	2012 (TEU)	Change (%)
Owned containers	COSCON	**490,191**	409,348	+19.7
Owned containers	International customers	**595,316**	586,613	+1.5
Sale-and-leaseback containers	COSCON	**250,290**	229,283	+9.2
Managed containers	International customers	**552,403**	630,353	-12.4
Total		**1,888,200**	**1,855,597**	**+1.8**

As of 31 December	Leasing customers	2013 Percentage of total	2012 Percentage of total	Change (pp)
Owned containers	COSCON	**26.0**	22.1	+3.9
Owned containers	International customers	**31.5**	31.6	-0.1
Sale-and-leaseback containers	COSCON	**13.2**	12.3	+0.9
Managed containers	International customers	**29.3**	34.0	-4.7
Total		**100.0**	**100.0**	**–**

The Group's business investment strategy is to expand its container fleet, while balancing the development of fleets of owned containers, sale-and-leaseback containers and managed containers in order to lower investment risk as well as achieve overall business stability. The Group's owned container fleet reached 1,085,507 TEU (2012: 995,961 TEU), which represented 57.5% (2012: 53.7%) of the total container fleet. The sale-and-leaseback container fleet size and the managed container fleet size amounted to 802,693 TEU (2012: 859,636 TEU), which represented 42.5% (2012: 46.3%) of the total fleet size.

The Group's customers are global container shipping lines and COSCON is one of the major customers. Classified by customer, COSCON leased 740,481 TEU (2012: 638,631 TEU), while international customers took up 1,147,719 TEU (2012: 1,216,966 TEU), which represented 39.2% (2012: 34.4%) and 60.8% (2012: 65.6%) of the total fleet size respectively.

Container Leasing Demand is Expected to Increase in 2014

Looking to the year ahead, there remains uncertainty about the global economic recovery, while the shipping industry is yet to reach an equilibrium. Although new container prices have rebounded in early 2014, leasing rental yields and container resale prices are still at low levels. In 2014, the operating environment of the container leasing industry is expected to remain highly competitive as a result rental yield is still under pressure. Meanwhile, resale prices are expected to remain at a low level resulting in a decline in profit from the disposal of returned containers.

According to a forecast made in December 2013 by Drewry, global container traffic will increase by 4.2% in 2014, representing an improvement from 3.1% in 2013. Meanwhile, global shipping capacity will increase by 5.8% to 18,286,000 TEU. Container leasing demand is also expected to increase in 2014. The Group will be vigilant in observing market demand when planning the purchase of new containers.

The Group will continue to adhere to its prudent investment strategy and operation model in its business development, carefully implementing its plan to purchase new containers and seek the balanced development of its container fleets, so as to minimise the investment risks. Meanwhile, the Group will retain its focus on long-term leasing with a view to lowering its exposure to market cycles, so as to achieve stable income.

VALUE

Dedicated management day after day and wisdom accumulated year upon year create COSCO Pacific's unique value. We have established excellent internal structures and standards, and we strive for the best results while upholding our values.

Nectar is gathered through hard work, and well-structured beehives testify to bees' achievements.

FINANCIAL REVIEW

Overall Analysis of Results

Profit attributable to equity holders of COSCO Pacific for the year 2013 was US$702,676,000 (2012: US$342,194,000), a 105.3% increase compared with last year. Excluding profit from the discontinued container manufacturing business, profit attributable to equity holders of COSCO Pacific for 2013 was US$286,206,000 (2012: US$280,299,000), a 2.1% increase compared with last year. Profit from the discontinued container manufacturing business included a net gain of US$393,411,000 on the disposal of its equity interest in CIMC and the share of profit of CIMC of US$23,059,000 during the year (2012: US$61,895,000).

Profit from the terminals business for 2013 was US$186,767,000 (2012: US$188,964,000), a 1.2% decrease compared with last year. In 2013, the throughput of the Group's container terminals was 61,284,891 TEU (2012: 55,685,225 TEU), a 10.1% increase compared with last year. Equity throughput increased to 17,196,297 TEU (2012: 15,638,070 TEU), a 10.0% increase compared with last year. With regard to terminals in which the Group has controlling stakes, Piraeus Terminal in Greece and Guangzhou South China Oceangate Terminal showed strong performances during the year, recording a profit of US$23,051,000 (2012: US$19,864,000) and US$8,282,000 (2012: US$6,182,000) respectively, representing a 16.0% increase and a 34.0% increase respectively compared with last year. Xiamen Ocean Gate Terminal, a subsidiary of the Group which started operation in

May 2012, is still in a ramp-up period. Its full-year loss in 2013, together with its acquisition of Xiamen Tongda Terminal in March 2013, amounted to a total loss of US$14,112,000 for the year (2012: a loss of US$11,039,000). In respect of non-controlled terminals, the tax holiday of 50% income tax relief for Qingdao Qianwan Terminal and Shanghai Pudong Terminal expired at the end of 2012, resulting in a decrease in profit at these terminals. In addition, COSCO-HIT Terminal recorded a decline in profit compared with last year due to rising borrowing costs and a strike. However, Taicang Terminal, in which the Group acquired an equity interest in August 2013, contributed a share of profit of US$1,437,000 for the year, partly offsetting the decrease in the profit from non-controlled terminals. The combination of the above factors resulted in a slight decrease in the profit of the terminals business of COSCO Pacific in 2013.

The container leasing, management and sale businesses recorded a profit of US$125,259,000 (2012: US$139,522,000) for the year, a 10.2% decrease compared with last year. As at 31 December 2013, the fleet size of the Group increased to 1,888,200 TEU (31 December 2012: 1,855,597 TEU), a 1.8% increase compared with last year.

With regard to the container manufacturing business, the Group completed the disposal of its 21.8% equity interest in CIMC on 27 June 2013, recording a net gain of US$393,411,000 on the disposal. COSCO Pacific's share of profit of CIMC for 2013, which is limited to the profit for the period from January to May as the disposal of its equity interest in CIMC was completed in June 2013, was US$23,059,000 (January to December of 2012: US$61,895,000), a 62.7% decrease compared with last year. Including the net gain on the disposal of its equity interest in CIMC and the share of profit from CIMC for the year, the profit from the discontinued container manufacturing business amounted to US$416,470,000 (2012: US$61,895,000).

Financial Analysis

Revenue

Revenue of the Group for 2013 was US$798,626,000 (2012: US$735,500,000), an 8.6% increase compared with last year. The revenue was primarily derived from the terminals business of US$455,071,000 (2012: US$402,161,000) and the container leasing, management and sale businesses of US$347,747,000 (2012: US$336,224,000).

Revenue from terminals business for 2013 increased by 13.2% compared with last year. The increase was mainly derived from Piraeus Terminal, Guangzhou South China Oceangate Terminal and Xiamen Ocean Gate Terminal. The throughput of Piraeus Terminal reached 2,519,664 TEU (2012: 2,108,090 TEU) in 2013, contributing a revenue of US$155,429,000 (2012: US$134,773,000) to the Group, a 15.3% increase compared with last year. The throughput of Guangzhou South China Oceangate Terminal was 4,449,311 TEU (2012: 4,230,574 TEU) in 2013, and its revenue increased to US$132,329,000 (2012: US$119,270,000), a 10.9% increase compared with last year. In addition, Xiamen Ocean Gate Terminal, which commenced operation in May 2012 and acquired Xiamen Tongda Terminal in March 2013, recorded a revenue of US$19,275,000 in total (2012: US$6,372,000) during the year, a 202.5% increase compared with last year.

In respect of the container leasing, management and sale businesses, revenue for 2013 was US$347,747,000 (2012: US$336,224,000), a 3.4% increase compared with last year. The revenue primarily included container leasing income and revenue from the disposal of returned containers. As at 31 December 2013, the fleet capacity of owned containers and sale-and-leaseback containers reached 1,085,507 TEU and 250,290 TEU respectively (31 December 2012: 995,961 TEU and 229,283 TEU respectively). With an increase in the fleet size during the year, revenue from container leasing for 2013 increased to US$290,883,000 (2012: US$280,514,000), a 3.7% increase compared with last year. On the other hand, the number of returned containers disposed of during 2013 was 35,714 TEU (2012: 31,671 TEU). The revenue from the disposal of returned containers was US$42,967,000 (2012: US$42,606,000).

Cost of sales

Cost of sales mainly comprised operating expenses of the terminal companies in which the Group has controlling stakes, depreciation charges on owned containers, net carrying amount of returned containers disposed of and rental expenses of sale-and-leaseback containers. Cost of sales in 2013 was US$480,457,000 (2012: US$420,218,000), a 14.3% increase compared with last year. Of this, cost of sales of terminals business in which the Group has controlling stakes was US$310,696,000 (2012: US$268,574,000), a 15.7% increase compared with last year. The increase was mainly attributable to a rise in the related cost of sales resulting from an increase in the business volume of terminals business in which the Group has controlling stakes. In addition, the cost of sales of Xiamen Ocean Gate Terminal, which commenced operation in May 2012, has been fully included in 2013. Cost of sales of the container leasing, management and sale businesses was US$169,989,000 (2012: US$151,658,000), a 12.1% increase compared with last year. Of this, depreciation charges for containers were US$110,507,000 (2012: US$102,407,000). The net carrying amount of returned containers disposed of in 2013 was US$20,165,000 (2012: US$17,023,000).

Administrative expenses

Administrative expenses in 2013 were US$90,058,000 (2012: US$91,919,000), a 2.0% decrease compared with last year. The overall administrative expenses of COSCO Pacific decreased in the year as controlled subsidiaries controlled costs strictly.

Finance costs

The Group's finance costs in 2013 were US$84,539,000 (2012: US$77,263,000), a 9.4% increase compared with last year. The rise in finance costs was primarily attributable to an increase in the average balance of bank loans of the Group to US$2,607,329,000 (2012: US$2,300,291,000) in 2013, a 13.3% increase compared with last year. In addition, Xiamen Ocean Gate Terminal commenced operation in May 2012, and its interest expenses were expensed-off once its berths and terminal equipment were ready for use, which caused an increase in finance costs. Taking into account capitalised interest, the average cost of bank borrowings in 2013, including the amortisation of transaction costs relating to bank loans and notes, was 3.41%, compared with 3.78% last year.

Other operating income/ (expenses), net

Net other operating income for the year was US$18,708,000 (2012: US$4,025,000), which included a net exchange gain of US$11,468,000 (2012: a net exchange loss of US$1,211,000) for 2013.

Share of profit contribution from jointly controlled entities and associates

Excluding the share of profit of CIMC which has been disposed of, the profit contribution from jointly controlled entities and associates for 2013 amounted to US$153,910,000 (2012: US$161,143,000), representing a decrease of 4.5% compared with last year. The decrease was mainly attributable to Qingdao Qianwan Terminal, COSCO-HIT Terminal and Shanghai Pudong Terminal. The tax holiday of 50% income tax relief for Qingdao Qianwan Terminal and Shanghai Pudong Terminal expired at the end of 2012 and hence the income tax for 2013 needs to be

provided for in full. The Group's share of profit of Qingdao Qianwan Terminal for the year was US$29,521,000 (2012: US$37,689,000), a 21.7% decrease compared with last year. The Group's share of profit of Shanghai Pudong Terminal for the year was US$19,686,000 (2012: US$21,588,000), an 8.8% decrease compared with last year. Meanwhile, as a result of a rise in borrowing costs and the strike, COSCO-HIT Terminal recorded a profit of US$16,203,000 (2012: US$22,163,000) for 2013, representing a 26.9% decrease compared with last year. However, Taicang Terminal, in which the Group acquired an interest in August 2013, contributed a share of profit of US$1,437,000. In addition, Shanghai Terminal received a tax rebate in 2013. The Group's share of profit of Shanghai Terminal for 2013 was US$4,656,000 (2012: US$2,413,000), partly offsetting the decrease.

Income tax expenses

During the year, income tax expenses amounted to US$33,497,000 (2012: US$27,905,000). This included a provision of US$14,282,000 (2012: US$15,403,000) for withholding income tax in respect of the profit distribution by certain investments of the Group.

Discontinued operation

Profit from discontinued operation represents profit derived from the container manufacturing business. The Group completed the disposal of its 21.8% equity interest in CIMC on 27 June 2013, recording a net gain of US$393,411,000 on the disposal. In addition, the Group has recognised its share of profit of CIMC of US$23,059,000 (January to December of 2012: US$61,895,000) for the year, a 62.7% decrease compared with last year. Including the net gain on the disposal of its equity interest in CIMC and the share of profit of CIMC for the year, the total profit from the discontinued container manufacturing business amounted to US$416,470,000 (2012: US$61,895,000).

Financial Position

Cash flow

Cash inflow of the Group remained steady in 2013. During the year, net cash from operating activities amounted to US$476,544,000 (2012: US$427,345,000). The Group borrowed bank loans of US$283,691,000 (2012: US$1,165,121,000) in 2013 and issued US$300,000,000 of 10-year guaranteed notes in January 2013. During the year, the Group repaid loans of US$900,523,000 (2012: US$726,641,000), and in October 2013 the Group repaid the US$300,000,000 of 10-year notes issued in 2003.

During the year, an amount of US$531,526,000 (2012: US$710,372,000) was paid in cash by the Group for the expansion of berths and purchase of property, plant and equipment, of which US$255,198,000 (2012: US$371,691,000) was for the purchase of new containers. In addition, the total cash outflow for capital investment by COSCO Pacific amounted to US$104,311,000 in 2013, comprising US$52,319,000 for the acquisition of the equity interest in Taicang Terminal, net equity investment of US$31,794,000 for the acquisition of the equity interest in Xiamen Tongda Terminal and US$20,198,000 used for capital injection in Ningbo Yuan Dong Terminal. 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 31 December 2013, the Group's total outstanding bank borrowings and cash balance amounted to US$2,046,210,000 (31 December 2012: US$2,601,697,000) and US$1,237,551,000 (31 December 2012: US$849,330,000) respectively. Banking facilities available but unused amounted to US$504,575,000 (31 December 2012: US$636,285,000).

Assets and liabilities

As at 31 December 2013, the Group's total assets and total liabilities were US$7,551,304,000 (31 December 2012: US$7,363,858,000) and US$2,707,810,000 (31 December 2012: US$3,146,465,000) respectively. Net assets were US$4,843,494,000, representing an increase of 14.8% as compared with US$4,217,393,000 at the end of 2012. Net current assets at the end of 2013 amounted to US$650,796,000 (31 December 2012: net current liabilities of US$48,302,000). As at 31 December 2013, the net asset value per share of the Company was US$1.66 (31 December 2012: US$1.51).

As at 31 December 2013, the net debt-to-total equity ratio had decreased to 16.7% (31 December 2012: 41.6%). Including the discontinued operation, the interest coverage was 9.9 times (2012: 5.9 times). As at 31 December 2013, certain of the Group's property, plant and equipment with an aggregate net book value of US$65,473,000 (31 December 2012: US$18,828,000) were pledged as securities against bank borrowings of US$275,785,000 (31 December 2012: US$197,858,000).

Debt analysis

	As at 31 December 2013		As at 31 December 2012	
By repayment term	**US$**	**(%)**	**US$**	**(%)**
Within the first year	**275,785,000**	**13.5**	775,042,000	29.8
Within the second year	**567,710,000**	**27.7**	414,914,000	15.9
Within the third year	**144,492,000**	**7.1**	558,290,000	21.5
Within the fourth year	**270,678,000**	**13.2**	162,898,000	6.3
Within the fifth year and after	**787,545,000**	**38.5**	690,553,000	26.5
	2,046,210,000*	**100.0**	2,601,697,000*	100.0
By borrowing category				
Secured borrowings	**275,277,000**	**13.5**	197,858,000	7.6
Unsecured borrowings	**1,770,933,000**	**86.5**	2,403,839,000	92.4
	2,046,210,000*	**100.0**	2,601,697,000*	100.0
By borrowing denominated currency				
US dollar borrowings	**1,375,387,000**	**67.2**	1,621,148,000	62.3
RMB borrowings	**395,546,000**	**19.3**	782,691,000	30.1
Euro borrowings	**275,277,000**	**13.5**	197,858,000	7.6
	2,046,210,000*	**100.0**	2,601,697,000*	100.0

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

Financial guarantee contracts

As at 31 December 2013, the Group provided guarantees on a loan facility granted to an associate of US$21,094,000 (31 December 2012: US$24,428,000).

Contingent liabilities

A statement of claim was issued on 19 October 2009 by Aronis-Drettas-Karlaftis Consultant Engineers S.A. ("ADK") against the Company and Piraeus 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$8,000,000) in total. The Company and Piraeus Terminal defended all material claims at the trial hearing held on 30 November 2010.

The Court of First Instance of Athens has issued and pronounced judgment on the case and has dismissed the aforementioned statement of claim in its entirety both as regards the Company and as regards Piraeus Terminal, and has awarded to the Company and Piraeus Terminal part of the legal expenses in the amount of Euro 30,000 (equivalent to approximately US$41,000) against the plaintiff (ADK). The plaintiff has filed an appeal against the judgment of the Court of First Instance of Athens according to Greek procedural law. The hearing of this appeal was first scheduled to take place on 13 November 2012 but was then postponed to 26 November 2013 due to the strike called by the Association of the Justices of the Greek courts. Subsequently, the hearing was further adjourned by the Court of Appeals of Athens to 21 October 2014 at the request of ADK. According to the rules of Greek Civil Procedure, the hearing cannot be adjourned again, except if the courts are closed for whatever reason on 21 October 2014. 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 as far as possible with the Group's functional currency of major cash receipts and underlying assets. Borrowings for the 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 are denominated in their respective functional currencies so as to minimise foreign exchange exposure in investments.

As at 31 December 2013, 14.7% of the Group's total borrowings were fixed rate. At the end of 2012, after adjustment of the fixed rate borrowings for interest rate swap contracts, 3.8% of the Group's total borrowings were at a fixed rate as at 31 December 2012. The Group continues to monitor and regulate its fixed and floating rate debt portfolio from time to time in light of market conditions, with a view to minimising its potential interest rate exposure.

Event after the balance sheet date

On 13 March 2014, COSCO Ports (ACT) Limited, a wholly-owned subsidiary of the Company and Sea Prime Holdings Limited, a wholly-owned subsidiary of HPH Trust, entered into a 50:50 joint venture arrangement for the establishment of a joint venture company, COSCO-HPHT ACT Limited, to acquire an 80% equity interest in Asia Container Terminal. The total consideration paid by the Group under the Subscription Agreement and Assignment Deeds is HK$1,648,000,000 (equivalent to approximately US$212,335,000). Completion of the subscription and assignment took place on 13 March 2014.

Bees work tirelessly to collect nectar, enabling plants to flourish.

FUTURE

COSCO Pacific strives to implement the best corporate governance practices and together with a strong corporate sustainability strategy, we can continue to achieve stable growth, nurture shipping industry talent in China and around the world, and support the development of our employees. Our established growth strategy and dividend policy effectively grow capital and deliver satisfactory returns to shareholders.

Environmental Protection

COSCO Pacific enacts measures and policies to protect and improve the environment. Environmental protection is taken into account during 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 operations on the environment.

The Group encourages its subsidiary terminals to give preference to energy-saving technology when purchasing new equipment. The Group also promotes measures and technologies for energy conservation and carbon emission reduction through technology sharing among its terminals. The Group encourages and supports terminal companies in which the Group has controlling stakes to invest in the renovation of rubber tired gantries ("RTGs") by substituting fuel-powered equipment with electrical equipment, with the aim of reducing emissions and decreasing power consumption. As at the end of 2013, the Group had completed the substitution of fuel-powered equipment with electrical equipment for a total of 126 RTGs, thereby reducing average annual carbon emissions by the equivalent of approximately 10,000 tons of standard coal. The Group has developed high-power LED lighting for terminals and equipment. Following its complete installation, this lighting will reduce the power consumption of lighting for terminals and equipment by approximately two thirds. The fully-intelligent, zero-emission model project undertaken at Xiamen Ocean Gate Terminal has begun preparation for full operation. The Group will keep driving the optimisation of other terminal equipment and systems, to enhance energy conservation and reduce emissions even further.

Caring for the Community

The Company is committed to embracing its corporate citizenship through active participation in social welfare and community service, producing a positive impact on the communities it operates in. The Group and its subsidiaries in different regions care for and assist in the affairs of local communities by various means. Our employees in mainland China took an active part in donation activities held by the COSCO Charity Foundation. These included "Care for Ya'an", which raised funds for those affected in the quake-stricken area in Sichuan, China in April 2013, and "Desks and chairs of care", which helped students in remote mountainous areas. The

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

Employee-Oriented Philosophy

As at 31 December 2013, COSCO Pacific had a total of 3,344 employees.

COSCO Pacific regards 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. The Group focuses 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 by providing training of various kinds and organising a number of activities including the "Pacific Library". The Group promotes the integration of different cultures, in an effort to create a harmonious working environment which continuously enhances the overall quality and cohesion of staff. In 2013, the Company held two sessions of "COSCO Pacific Terminals - Senior Management Training" at Qingdao Ocean Shipping Mariners College, which were attended by 60 senior managers.

In order to maintain 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. In response to the continuous hot summer weather that affected many areas of China in 2013, the Group's subsidiary terminals adopted preventative measures tailored to local conditions to ensure the health and safety of employees.

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. In April 2013, the opening ceremony of COSCO Pacific Limited Corporate Culture Exhibition Hall was held at Xiamen Ocean Gate Terminal. Centred on the theme "Win", the exhibition hall displays the development of COSCO Pacific since it was listed in Hong Kong in 1994. At the same time, the Group released a corporate video, "Win", on its website. The Group has enriched the content of its corporate magazine "COSCO PACIFIC" and renovated its website. In addition, the Group has introduced a WeChat public platform "coscopacific" to provide staff with an interactive platform for learning and communication.

Based on COSCO's values of "harmonious development and win-win global cooperation", and COSCO's operating philosophy of being a "trustworthy global carrier", the Group has defined its core values as follows:

Corporate vision: to be a world-class terminal operator and container leasing enterprise;

Corporate mission: to facilitate the development of shipping and trading, drive regional development and create value for shareholders and employees;

Core values: to promote trustworthiness, seek win-win results through co-operation, achieve excellence with professionalism and create harmony through open-mindedness.

A good corporate culture is the favourable soil that fosters the growth of an enterprise. The Group's Piraeus Terminal in Greece has achieved outstanding results through an integrated corporate culture and Chinese-style management. In consequence, the terminal has been recognised as an "Outstanding Cultural Brand of COSCO" by COSCO. Internationally renowned media including the New York Times, Deutsche Welle, Hong Kong's Mingpao newspaper and the People's Daily Overseas Edition have also published or reproduced exclusive interviews with management at Piraeus Terminal, adding to the Company's reputation.

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

In 2013, 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 met investors and related parties 449 man-times, among which fund managers accounted for 59%, analysts for 22%, investment banks for 3%, and media for 16%. Meanwhile, we conducted four roadshows, participated in nine investor forums, and arranged four 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. In recent years, the Company has striven to present the theme effectively, and incorporate human elements into the design, with a view to enhancing the reading experience for shareholders.

Adding to wider capital market engagement, COSCO Pacific's

Investor Relations Activities

January

- Participated in "Hong Kong and China Corporate Days" held by Citigroup Global Markets Asia Limited
- Participated in "Conglomerates & Gaming Corporate Day" held by Goldman Sachs (Asia) L.L.C.
- Participated in "dbAccess China Conference" held by Deutsche Bank AG
- Participated in a "Group meeting" held by BOCOM International Holdings Co., Ltd. for the Company

March

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

April

- 2013 first quarter results announcement on a voluntary basis
- Participated in "Greater China London Forum" held by J.P. Morgan Securities (Asia Pacific) Limited

May

- Hong Kong roadshow and analyst meeting in regard to the disposal of the equity interest in CIMC

June

- Hong Kong roadshow in regard to the disposal of the equity interest in CIMC

July

- Participated in "Asia Infrastructure Corporate Access Day" held by J.P. Morgan Securities (Asia Pacific) Limited
- Participated in "Discovery Luncheon" held by Daiwa Capital Markets Hong Kong Limited

August

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

September

- Reverse roadshow for large institutional investors in bond markets with Standard Chartered Bank (Hong Kong) Ltd.

October

- 2013 third quarter results announcement on a voluntary basis

November

- Participated in "China Conference" held by Merrill Lynch (Asia Pacific) Limited
- Participated in "China Investor Conference" held by J.P. Morgan Securities (Asia Pacific) Limited

continuous efforts towards investor relations has also gained extensive recognition. During 2013, the Group was honoured with "Titanium Award for Financial Performance, Environmental Responsibility and Investor Relations" by The Asset magazine as well as the "2013 Best Investment Value Award for Listed Companies", given jointly by multiple professional financial services corporations in Asia. In early 2014, the Group was awarded "Best Investor Relations Company" and Charlotte So, Investor Relations Department Manager, won "Best Investor Relations Professional" in the "4th Asian Excellence Recognition Awards 2014" by Corporate Governance Asia magazine. These awards represent 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 in 2013

	People	Percentage of total
Fund managers	264	59%
Securities houses (including analysts and brokers)	100	22%
Investment banks	12	3%
Media	73	16%
Total	**449**	**100%**

Market Capitalisation

As at 31 December	2009	2010	2011	2012	2013
Closing price (HK$)	9.93	13.54	9.07	11.04	**10.64**
Market capitalisation (in HK$ million)	22,467	36,714	24,596	30,758	**30,987**

Share Price Performance

(HK$)	2013	2012
Highest	**12.82**	13.06
Lowest	**8.92**	8.82
Average	**10.95**	10.77
Closing price on 31 December	**10.64**	11.04
Monthly average trading volume (shares)	**133,277,533**	125,580,134
Monthly average trading value	**1,500,085,558**	1,354,888,966
Total number of shares issued (shares)	**2,912,325,528**	2,786,052,002
Market capitalisation on 31 December	**30,987,143,618**	30,758,014,000

Source: Bloomberg

Analyst Coverage

Company	Analyst	E-mail	Telephone	Fax
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China International Capital Corporation Limited	YANG Xin	yangxin@cicc.com.cn	+8610 6505 1166	+8610 6505 8157
China Merchants Securities (HK) Company Limited	Kate LI	liyiqian@cmschina.com.cn	+86755 8327 1060	+86755 8373 6959
Citigroup Global Markets Asia Limited	Vivian TAO	vivian.tao@citi.com	+852 2501 2470	+852 2501 8220
Clarkson Capital Markets	Urs DÜR	urs.dur@clarksons.com	+1212 314 0960	+1212 419 3895
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Religare Capital Markets (Hong Kong) Limited	Peter WILLIAMSON	peter.williamson@religarecm.com	+852 3923 9388	+852 2169 0962
Standard & Poor's	YAP Peyherng	peyherng_yap@standardandpoors.com	+65 6530 6532	+65 6533 3897
Standard Chartered Bank (Hong Kong) Ltd	Claire TENG	claire.teng@sc.com	+852 3983 8525	+852 3983 8529
The Hongkong and Shanghai Banking Corporation Limited	Parash JAIN	parashjain@hsbc.com.hk	+852 2996 6633	+852 2596 0200
UBS Securities Co. Limited	Robin XU	bin.xu@ubssecurities.com	+8621 3866 8872	+8621 3866 8867
UOB Kay Hian Investment Consulting (Shanghai) Co., Ltd.	Lawrence LI	lawrenceli@uobkayhian.com	+8621 5404 7225	+8621 5404 7366

Abbreviations

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

CORPORATE GOVERNANCE REPORT

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

The Company has made continuous efforts to promote high standards of corporate governance and excellence in investor relations practices, earning market recognition from different stakeholders for its high levels of transparency and corporate governance. The Company is included as a constituent of the Hang Seng Corporate Sustainability Benchmark Index. In 2013, the Company was awarded "Shipping In-House Team of the Year" by *Asian Legal Business*, a well-recognised professional magazine, "1st Asian Company Secretary of the Year Recognition Awards 2013" by *Corporate Governance Asia* magazine and other revered awards, including the "Titanium Award for Financial Performance, Environmental Responsibility and Investor Relations" by *The Asset* magazine, the "Corporate Governance Asia Recognition Award" for the seventh consecutive year by *Corporate Governance Asia* magazine, the "Hong Kong Outstanding Enterprise" for the ninth consecutive year by *Economic Digest* magazine, the "Outstanding China Enterprise Award" for the second consecutive year by *Capital* magazine, and the "Best Investment Value Award for listed companies" jointly organised by *Financial PR Group, Cre8 (Greater China), TodayIR Group* and *Moment* magazine.

Corporate Governance Practices

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

The Company's corporate governance practices are in compliance with the Corporate Governance Code contained in Appendix 14 of the current Listing Rules. 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 31 December 2013, it has fully complied with the code provisions of the Corporate Governance Code.

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

Code provision A.1.8

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

Code provisions A.5.1 to A.5.6

The code provisions A.5.1 to A.5.6 of the Corporate Governance Code provides that a listed company should establish a nomination committee with its terms of reference. The Company established its Nomination Committee in 2005, long before the implementation of the relevant code provisions. Details of the composition and terms of reference of the Nomination Committee are set out under the section titled "Nomination Committee" below.

In order to promote transparency, the Company will periodically conduct a review, of the extent to which the Company complies with the recommended best practices in the Corporate Governance Code. The following is a major recommended best practice in the Corporate Governance Code with which the Company continued to comply during the year ended 31 December 2013:

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

25 April 2013 and 28 October 2013, published announcements of its first and third quarterly results respectively on a voluntary basis. The Company considers the publication of the quarterly results a regular compliance practice.

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

Board of Directors

Board functions and responsibilities of Directors

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

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

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

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

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

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

Board composition

As at 25 March 2014 (the date on which the Board approved this report), the Board consisted of fifteen members. Among them, seven are executive directors, three 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. WANG Haimin[1], Mr. FENG Jinhua[1], Mr. TANG Runjiang[1], Mr. FENG Bo[1], Mr. WANG Wei[2], Dr. WONG Tin Yau, Kelvin[1], Mr. QIU Jinguang[1], Mr. Timothy George FRESHWATER[3], Dr. FAN HSU Lai Tai, Rita[3], Mr. Adrian David LI Man Kiu[3], Mr. IP Sing Chi[3] and Mr. FAN Ergang[3].

There are no relationships (including financial, business, family or other material/relevant relationship(s)) 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. A list containing the names of the directors and their respective roles and functions is also published on the said website.

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

Procedures to enable Directors to seek independent professional advice

To assist the directors in fulfilling their duties to the Company, the Board has established written procedures to enable them, upon reasonable request, to seek independent professional advice at the Company's expense in appropriate circumstances. No request was made by any director for such independent professional advice in 2013.

Separation of Chairman and Managing Director

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

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

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

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

As announced by the Company on 23 May 2013, Mr. CHOW Kwong Fai, Edward, an independent non-executive director of the Company, retired from office after the conclusion of the annual general meeting of the Company held on 23 May 2013. Following the retirement of Mr. CHOW, the Board comprised 14 members including six executive directors, four non-executive directors and four independent non-executive directors. The number of independent non-executive directors consequently fell below one-third of the Board as required under Rule 3.10A of the Listing Rules.

As such, the Company had been actively identifying suitable candidates for appointment as an independent non-executive director of the Company in order to meet the requirement under Rule 3.10A of the Listing Rules. On 22 August 2013, Mr. FAN Ergang was appointed as an independent non-executive director of the Company, within the three-month grace period allowed under Rule 3.11 of the Listing Rules. Accordingly, the Company has complied with the requirement under Rule 3.10A of the Listing Rules since 22 August 2013.

Board meetings

Board meetings are scheduled one year in advance to facilitate maximum attendance by directors. The Board held four regular Board meetings during the financial year ended 31 December 2013 at quarterly intervals. Three additional Board meetings were also held as required. The average attendance rate was 86.67%. Amongst these seven meetings, four were held to approve the 2012 final results, 2013 interim results and 2013 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 two to approve a major and connected transaction and a possible discloseable transaction of the Company respectively. As the members of the Board are either in Hong Kong or in mainland China, all of these meetings were conducted by video and/or telephone conference as allowed under the Bye-laws of the Company. The Financial Controller and the General Counsel & Company Secretary also attended the Board meetings to report matters arising from corporate governance, risk management, statutory compliance, accounting and financial aspects.

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

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

Set out below are the details of all directors' attendance at the Board meetings and general meetings during the financial year ended 31 December 2013 which illustrate the attention given by the directors in overseeing the Company's affairs and understanding shareholders' views:

Attendance of Individual Board Members at Board Meetings and General Meetings

Name of Directors	No. of Board meetings attended/held in 2013	Attendance rate of Board meetings (%)	No. of general meetings attended/held in 2013	Attendance rate of general meetings (%)
Directors				
Mr. LI Yunpeng[2] (Chairman)	**6/7**	85.71	**2/2**	100
Dr. WANG Xingru[1] (Vice Chairman and Managing Director)	**6/7**	85.71	**2/2**	100
Mr. WAN Min[2]	**3/7**	42.86	**0/2**	0
Mr. WANG Haimin[1] Note	**5/7**	71.43	**2/2**	100
Mr. FENG Jinhua[1]	**7/7**	100	**2/2**	100
Mr. TANG Runjiang[1] (appointed on 21 March 2013)	**6/6**	100	**2/2**	100
Mr. FENG Bo[1]	**5/7**	71.43	**1/2**	50
Mr. WANG Wei[2]	**6/7**	85.71	**2/2**	100
Dr. WONG Tin Yau, Kelvin[1]	**7/7**	100	**2/2**	100
Mr. QIU Jinguang[1] (appointed on 8 April 2013)	**3/5**	60	**2/2**	100
Mr. Timothy George FRESHWATER[3]	**7/7**	100	**2/2**	100
Dr. FAN HSU Lai Tai, Rita[3]	**7/7**	100	**2/2**	100
Mr. Adrian David LI Man Kiu[3]	**7/7**	100	**2/2**	100
Mr. IP Sing Chi[3]	**7/7**	100	**1/2**	50
Mr. FAN Ergang[3] (appointed on 22 August 2013)	**3/3**	100	**N/A**	N/A
Ex-directors				
Mr. HE Jiale[1] (resigned on 21 March 2013)	**1/1**	100	**N/A**	N/A
Mr. YIN Weiyu[1] (resigned on 8 April 2013)	**1/2**	50	**N/A**	N/A
Mr. CHOW Kwong Fai, Edward[3] (retired on 23 May 2013)	**4/4**	100	**1/1**	100

1 Executive Director

2 Non-executive Director

3 Independent Non-executive Director

Note: With effect from 29 October 2013, Mr. WANG Haimin has been re-designated from a non-executive director to an executive director of the Company.

During the financial year ended 31 December 2013, a meeting of the Chairman and the non-executive directors (including independent non-executive directors) without the presence of the executive directors was held pursuant to code provision A.2.7 of the Corporate Governance Code.

Appointment, Re-election and Removal of Directors

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

Details of the selection process of new directors and a summary of work performed by the Nomination Committee in 2013 are set out under the "Nomination Committee" section below.

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

Directors' commitment

The Company has received confirmation from all directors that they have given sufficient time and attention to the affairs of the Company during the financial year ended 31 December 2013. Directors have also disclosed to the Company the number and nature of offices held in public companies or organisations and other significant commitments, as well as the identity of the said public companies and an indication of time involved in them.

Directors are reminded to participate in continuous professional development to ensure that they have a proper understanding of the Company's operations and business and are fully aware of their responsibilities under the Listing Rules and other applicable laws and regulations. During the financial year ended 31 December 2013, directors participated in various training programmes and seminars at the Company's expense. Set out below are the details of all directors' participation in continuous professional development during the financial year ended 31 December 2013:

Directors' Participation in Continuous Professional Development Programmes in 2013

	Reading regulatory updates	Making visits to management of the Company and/or its subsidiaries	Attending directors' training organised by the Company or other listed companies / professional organisations
Mr. LI Yunpeng[2] (Chairman)	√	√	√
Dr. WANG Xingru[1] (Vice Chairman and Managing Director)	√	√	√
Mr. WAN Min[2]	√	√	√
Mr. WANG Haimin[1 Note1]	√	√	√
Mr. FENG Jinhua[1]	√	√	√
Mr. TANG Runjiang[1] (appointed on 21 March 2013)	√	√	√
Mr. FENG Bo[1]	√	√	√
Mr. WANG Wei[2]	√	√	√
Dr. WONG Tin Yau, Kelvin[1]	√	√	√
Mr. QIU Jinguang[1] (appointed on 8 April 2013)	√	√	√
Mr. Timothy George FRESHWATER[3]	√	√	√
Dr. FAN HSU Lai Tai, Rita[3]	√	√	√
Mr. Adrian David LI Man Kiu[3]	√	√	√
Mr. IP Sing Chi[3]	√	√	√
Mr. FAN Ergang[3] (appointed on 22 August 2013)	√	√	√

1 Executive Director

2 Non-executive Director

3 Independent Non-executive Director

Note 1: With effect from 29 October 2013, Mr. WANG Haimin has been re-designated from a non-executive director to an executive director of the Company.

Note 2: The Company has provided training related to directors' duties of listed companies and reports on business and financial information of the Company to all newly appointed directors.

Directors/Senior Management's securities transactions

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

Specific confirmation has been obtained from directors and senior management regarding their compliance with the Model Code and the aforementioned guidelines in 2013. No incident of non-compliance was noted by the Company in 2013.

General Counsel & Company Secretary

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

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

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

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

Delegation by the Board

Management functions

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

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

Board Committees

To assist the Board in the execution of its duties and to facilitate effective management, ensuring that certain functions of the Board have been delegated to various Board committees, which in turn will review and make recommendations to the Board on specific areas. The Board

has established a total of seven Board committees, details of which are set out below. Each committee consists of directors, members of senior management and management and has a defined scope of duties and terms of reference, and committee members are empowered to make decisions on matters within the terms of reference of each committee. These committees have the authority to examine particular issues and report to the Board with their recommendations, where appropriate. The ultimate authority for the final decision on all matters, however, lies with the Board.

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

1. Executive Committee

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

   During the year ended 31 December 2013, the Executive Committee held a total of 49 meetings. All the matters considered and decided by the Executive Committee at the committee meetings have been recorded in detailed minutes. A committee member presents a summary report on the business transacted at the Executive Committee meetings to the Board at Board meetings. All directors of the Company can inspect the minutes of the committee meetings at any time and upon request, and the General Counsel & Company Secretary will provide a copy of the minutes of the committee meetings to the directors.

2. Audit Committee

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

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

   In addition to providing advice and recommendations to the Board, the Audit Committee 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 normally held four times a year on a quarterly basis, with additional meetings arranged as and when required. During the year ended 31 December 2013, five meetings were held and the average attendance rate was 95%.

The key matters deliberated on by the Audit Committee in 2013 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 the framework for disclosure of inside information of the Group

Attendance of individual members at Audit Committee meetings

Name of Members	No. of meetings attended/held in 2013	Attendance rate (%)
Members		
Mr. Adrian David LI Man Kiu[1] (Chairman) (appointed as Chairman on 23 May 2013)	4/5	80
Mr. Timothy George FRESHWATER[1]	5/5	100
Dr. FAN HSU Lai Tai, Rita[1]	5/5	100
Ex-member		
Mr. CHOW Kwong Fai, Edward[1] (retired on 23 May 2013)	3/3	100

1 Independent Non-executive Director

3. Remuneration Committee

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

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

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

reference to the corporate goals and objectives approved by the Board periodically.

The following is a summary of the work of the Remuneration Committee in 2013:

- reviewed and made recommendations to the Board on the remuneration packages of each executive director and senior management
- reviewed and made recommendations to the Board on the remuneration of the Chairman of the Board, and newly appointed executive directors and independent non-executive directors

Attendance of individual members at Remuneration Committee meetings

Name of Members	No. of meetings attended/held in 2013	Attendance rate (%)
Members		
Dr. FAN HSU Lai Tai, Rita[1] (Chairman)	7/7	100
Mr. Adrian David LI Man Kiu[1]	7/7	100
Mr. IP Sing Chi[1] (appointed on 23 May 2013)	3/3	100
Dr. WANG Xingru[2]	7/7	100
Mr. ZHU Lizhi	7/7	100
Ex-member		
Mr. CHOW Kwong Fai, Edward[1] (retired on 23 May 2013)	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/her associates, is involved in determining his/her own remuneration. The remuneration policy for non-executive directors ensures that they are sufficiently yet not excessively compensated for their efforts and time dedicated to the Company. The policy for employees (including executive directors and senior management) assures that remuneration offered is appropriate for the duties involved and in line with market practice. The aggregate amount of directors' fees is subject to approval by shareholders at the annual general meeting.

The key components of the Company's remuneration package include basic salary plus other allowances, discretionary cash bonus and mandatory provident fund. The cash bonus is tied to the performance of an 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 of directors, assessing the independence of independent non-executive directors and making recommendations to the Board on appointments and re-elections. In addition, the Nomination Committee is responsible for reviewing the Board Diversity Policy (with its summary set out below) to ensure its effectiveness and making recommendations to the Board on requisite amendments.

During 2013, the work performed by the Nomination Committee included the following:

- established the Board Diversity Policy for approval by the Board
- made recommendations to the Board on matters relating to the resignation, re-designation, appointment and re-election of directors
- made recommendations to the Board on matters relating to the appointment and change of senior management and Board Committees members
- conducted an annual review of the independence of the independent non-executive directors

All new appointments of directors and the nomination of retiring directors proposed for re-election at the annual general meeting are first considered by the Nomination Committee and are then recommended by the Nomination Committee to the Board for a 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 2014, the Nomination Committee nominated and the Board recommended Mr. WAN Min, Mr. FENG Bo, Mr. WANG Wei and Dr. FAN HSU Lai Tai, Rita, being directors longest in office since their last re-election, retire by rotation and Mr. FAN Ergang who was appointed as director by the Board on 22 August 2013, retires at the forthcoming annual general meeting. All the retiring directors, being eligible, will offer themselves for re-election by shareholders of the Company.

During 2013, Mr. TANG Runjiang, Mr. QIU Jinguang and Mr. FAN Ergang were appointed as directors of the Company, and Mr. WANG Haimin was re-designated from a non-executive director to an executive director of the Company. In considering the new appointments and re-designations, 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 his 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 2013	Attendance rate (%)
Members		
Mr. Adrian David LI Man Kiu[1] (Chairman)	8/8	100
Dr. FAN HSU Lai Tai, Rita[1]	8/8	100
Mr. IP Shing Chi[1] (appointed on 23 May 2013)	4/4	100
Dr. WANG Xingru[2]	8/8	100
Ex-member		
Mr. CHOW Kwong Fai, Edward[1] (retired on 23 May 2013)	4/4	100

1 Independent Non-executive Director

2 Executive Director, Vice Chairman and Managing Director

Board Diversity Policy

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

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

The Board's diversity is summarised below:

Board Diversity			
1. Designation	Executive Director (7)	Non-executive Director (3)	Independent Non-executive Director (5)
2. Gender	Male (14)	Female (1)	
3. Ethnicity	Chinese (14)	Non-Chinese (1)	
4. Age group	61 – 70 (2)	51 – 60 (6)	40 – 50 (7)
5. Length of service (years)	11 – 20 (1)	5 – 10 (2)	1 – 4 (12)
6. Skills, knowledge and professional experience Note 1	Terminal operation and management (11)	Accounting and financing (4)	Banking (2)
	Law (3)	Management and commercial (1)	Finance Leasing (1)
	Human resources (1)	Containers related business (10)	Capital management and investor relations (1)
7. Academic background	University (15)		

Note 1: Directors may possess multiple skills, knowledge and professional experience.
Note 2: The number in brackets refers to the number of directors under the relevant category.

The Nomination Committee reviewed the Board's diversification and monitored the implementation of the Board Diversity Policy and considered that the Board Diversity Policy is effective. It is currently not required to set any measurable objectives for implementing the policy.

5. Corporate Governance Committee

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

In 2013 and early 2014, the Corporate Governance Committee performed the following in relation to 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
- reviewed the Company's corporate sustainable development initiatives

Attendance of individual members at Corporate Governance Committee meetings

Name of Members	No. of meetings attended/held in 2013	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	3/4	75
Mr. FAN Chih Kang, Ken	4/4	100
Ms. LIU Mei Wan, May	4/4	100

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 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 2013	Attendance rate (%)
Members		
Dr. WANG Xingru[1] (Chairman)	**4/4**	100
Mr. QIU Jinguang[2]	**4/4**	100
Mr. DING Weiming	**4/4**	100
Mr. HUANG Chen	**4/4**	100
Mr. LI Jie (appointed on 8 April 2013)	**3/3**	100
Mr. CHEN Bin (appointed on 8 April 2013)	**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-members		
Mr. CHAN Hang, Ken (resigned on 8 April 2013)	**0/1**	0
Mr. YIN Weiyu[2] (resigned on 8 April 2013)	**1/1**	100

1 Executive Director, Vice Chairman and Managing Director

2 Executive Director

Note: Subsequent to the year ended 31 December 2013, Mr. FENG Jinhua, an Executive Director, was appointed as a member of the Investment and Strategic Planning Committee in place of Mr. XU Jian with effect from 27 January 2014.

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, setting 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 2013	Attendance rate (%)
Members		
Mr. QIU Jinguang[1] (Chairman) (appointed as Chairman on 8 April 2013)	**4/4**	100
Mr. CHAN Hang, Ken (appointed on 8 April 2013)	**4/4**	100
Ms. HUNG Man, Michelle	**4/4**	100
Mr. DING Weiming	**4/4**	100
Mr. HUANG Chen	**4/4**	100
Mr. LI Jie	**3/4**	75
Mr. XU Jian	**0/4**	0
Mr. ZHANG Wei (appointed on 3 July 2013)	**2/3**	66.67
Mr. FAN Chih Kang, Ken	**4/4**	100
Ex-member		
Mr. YIN Weiyu[1] (resigned on 8 April 2013)	**N/A**	N/A

1 Executive Director

Note: Subsequent to the year ended 31 December 2013, Mr. FENG Jinhua, an Executive Director, was appointed as a member of the Risk Management Committee in place of Mr. XU Jian with effect from 27 January 2014.

Accountability and Audit

Financial reporting

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

Annual Report and Financial Statements

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

Accounting Policies

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

Accounting Records

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

Safeguarding Assets

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

Internal control

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

Control Environment

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

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

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

The Board is ultimately responsible for the effectiveness of the internal control and risk management system. The Board has delegated to the Risk Management Committee the task of assisting the Board to identify and minimise the operational risks of the Company, to set the direction for the Group's risk management strategy and to strengthen the Group's risk management system. The Risk Management Committee 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 2013, the Audit Committee reviewed the risk register and internal control questionnaire submitted by the Risk Management Committee, annual report, interim report, results

announcements and internal audit plans and reports. During the year 2013, the directors conducted reviews of the effectiveness of the system of internal control of the Group, covering all material controls, including financial, operational and compliance controls and risk management functions.

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

Risk Assessment

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

Major financial risk factors

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

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

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

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

Major operational risk factors

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

The future recoverable amounts for the containers will be affected by economic downturns and market fluctuations. Such 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 terminals business and container leasing business involve both manual and machine operations, which may be accompanied by risks involving workplace safety, including physical harm, damage to reputation, legal liabilities and business interruption.

Major compliance risk factors

The Group has been investing in mainland China and overseas. These new investments may be exposed to

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

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

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

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

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

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

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

Control Activities and Monitoring

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

1. To allow delegation of authority and proper segregation of duties as well as to increase accountability, a clear organisational structure exists which details lines of authority and

controls responsibilities in each business unit of the Group. Certain specific matters are not delegated and are subject to the Board's decision. These include, among others, the approval of annual, interim and quarterly results, annual budgets, distribution of dividends, Board structure, and the Board's composition and succession.

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

3. Systems and procedures, approved by the management, are set up to identify, measure, manage and control risks that include but are not limited to legal, credit, concentration, operational, environmental, 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 work of internal audit includes:

   - Ascertaining the extent to which the Group's assets are accounted for and safeguarded to avoid any losses;
   - Reviewing and evaluating the soundness, adequacy and effective application of accounting, financial and other controls in the Group;
   - Ascertaining the compliance with established policies, procedures and statutory rules and regulations;
   - Monitoring and evaluating the effectiveness of risk management system;
   - Monitoring the operational efficiency, as well as the appropriateness and efficiency with which resources are employed;
   - Evaluating the reliability and integrity of financial and operating information reporting systems;
   - Ensuring that findings and recommendations arising from the internal audit are communicated to the management and monitoring the implementation of corrective measures; and
   - Conducting ad hoc projects and investigative work as required by the management and/or the Audit Committee.

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

As in previous years, the internal audit function adopted a risk-based auditing approach based on the COSO framework and the requirements laid down by the Hong Kong Institute of Certified Public Accountants, considering factors recognised as risks and focusing on material internal controls and risk management, including financial, operational and compliance controls during the financial year ended 31 December 2013. Internal audits were carried out on all significant business units in the Group, with a total of 24 audit assignments 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 size and prevailing risks of all business units of the Group so as to establish audit scopes and frequencies. All internal audit work scheduled for the year 2013 has been completed. All areas of concern reported by the Internal Auditor were monitored by management until appropriate corrective measures were taken or implemented.

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

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

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

Major Financial Risk Measures

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

hedging relationship is assessed continuously and regularly with reference to the Group's risk management objective and strategy.

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

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

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

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

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

Major Operational Risk Measures

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

- The value of containers is reviewed and evaluated periodically with reference to the Group's accounting policy and impairment provision for containers is made if the carrying value of the containers exceeds the recoverable amount. The weekly departmental meetings among the management and departmental managers facilitate a better understanding of the

latest market trends and of possible changes so as to assist in reviewing the impact on the Group of impairment losses. Such risk management measures are useful in making appropriate preparations to reduce the risk of future asset impairment.

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

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

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

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

- The Group has experienced rapid growth in recent years, which has led our business to develop in different locations in mainland China and overseas countries that have varying local safety standards. Regardless of the locations and nature of the businesses, the Group makes a continuous effort to achieve the highest safety standards within its 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 importance to fair disclosure as it is considered a key means by which enhance corporate governance standards and provide necessary information to shareholders and other stakeholders, to enable them to form their own judgments, as well as providing feedback to the Company. The Company also understands that the integrity of the information provided is essential in building market confidence.

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

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

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

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

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

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

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

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

Auditor's Remuneration

For the year ended 31 December 2013, the auditor's remuneration paid or payable in respect of the auditing and other non-audit services provided by the auditor to the Company was as follows:

Nature of Service	2013 US$	2012 US$
Audit services	**855,000**	841,000
Audit related services	**218,000**	231,000
Non-audit services:		
– Tax related services	**539,000**	403,000
– Financial advisory services	**323,000**	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 attending to any queries promptly. An open communications channel is maintained with the media, analysts and fund managers through one-on-one meetings, roadshows and conferences. Press and analysts conferences are held at least twice a year subsequent to the interim and final results announcements at which the executive directors and senior management are available to answer questions regarding the Group's operational and financial performances.

Communication with Shareholders

Shareholders' Communication Policy

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

The Company views its 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 clear business days' notice of the Annual General Meeting and 10 clear business days' notice of a Special General Meeting and they are encouraged to attend the General Meetings. The Company follows the code provisions contained in the Corporate Governance Code to encourage shareholders' participation. Questioning by the shareholders at the General Meetings is encouraged and welcome. The General Counsel & Company Secretary, on behalf of the chairman of the General Meetings, explains the detailed procedures for conducting a poll at the General Meetings. To facilitate enforcement of shareholders' rights, substantially 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 like form each signed by one or more requisitionists.

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

Procedures for Shareholders to put forward proposals at General Meetings

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

- notify shareholders entitled to receive notice of the next General Meeting of any resolution which may officially be moved and is proposed to be moved at that meeting;

- circulate to shareholders entitled to have notice of any General Meeting any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at the meeting.

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

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

Shareholdings and shareholders information

Share Capital (as at 31 December 2013)	
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$291,232,552.8 comprising 2,912,325,528 shares of HK$0.1 each

Types of Shareholders (as at 31 December 2013)

Type of shareholder	No. of shares held	% of the issued share capital
COSCO Pacific Investment Holdings Limited and its subsidiary	1,278,951,686	43.92
Other corporate shareholders	1,626,008,969	55.83
Individual shareholders	7,364,873	0.25
Total	**2,912,325,528**	**100.00**

Location of Shareholders (as at 31 December 2013)

Location of shareholders[1]	No. of shareholders	No. of shares held
Hong Kong	537	2,912,314,424[2]
United Kingdom	1	5,000
Macau	1	2,104
The People's Republic of China	1	4,000
Total	**540**	**2,912,325,528**

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

Note 2: These shares include 1,838,409,767 shares registered in the name of HKSCC Nominees Limited which may hold these shares on behalf of its clients in or outside Hong Kong.

Other Corporate Information

Memorandum of Association and Bye-laws

There was no change to the Memorandum of Association and Bye-laws of the Company during the year ended 31 December 2013.

Key Corporate Dates

The following are the dates for certain key corporate events:

Event	Date
Payment of 2013 Interim Dividend	23 October 2013
2013 Final Results Announcement	25 March 2014
2014 First Quarter Results Announcement	28 April 2014
Closures of Register of Members (a) for attending the 2014 Annual General Meeting (b) for receiving the 2013 Final Dividend	 13 May 2014 to 15 May 2014 21 May 2014 to 23 May 2014
Annual General Meeting	15 May 2014
Payment of 2013 Final Dividend	16 July 2014
2014 Interim Results Announcement	August 2014
2014 Third Quarter Results Announcement	October 2014

DIRECTORS AND SENIOR MANAGEMENT PROFILES

DIRECTORS

LI Yunpeng

Chairman of the Board, Non-executive Director

Mr. LI, aged 55, has been the Chairman of the Board and a Non-executive Director of the Company since February 2012. He is also a Director and the President of China Ocean Shipping (Group) Company, the Vice Chairman and an Executive Director of China COSCO Holdings Company Limited and a director of certain of their respective subsidiaries and the Chairman of the Board and a Non-Independent and Non-executive Director of COSCO Corporation (Singapore) Limited. 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, the Head of the CPC Discipline Inspection Committee, the Spokesman and the Executive Vice President 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

Vice Chairman of the Board and Managing Director, Executive Director

Dr. WANG, aged 49, has been the Vice Chairman of the Board and Managing Director and an Executive 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 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., Non-Independent and Non-Executive Director of COSCO Corporation (Singapore) Limited. Dr. WANG was the Vice President of China Association of the National Shipbuilding Industry, the President of its Ship Repair Branch and the Vice President of its Marine Engineering Equipment Branch. 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 45, 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 Department, Section Manager of Sales Department, Deputy Manager, Deputy Manager (Person-In-Charge) and Manager of the Marketing Department and General Manager Assistant of COSCO Freight (Shanghai) Co., Ltd., Deputy General Manager of the Marketing Division, General Manager of the Asia-Pacific Trading Division and the American Trading Division and Vice General Manager of COSCO Container Lines Company Limited and as President of COSCO Americas, Inc. and COSCO Container Lines Americas, Inc. Mr. WAN obtained his Master of Business Administration from Shanghai Jiao Tong University. He is an engineer.

WANG Haimin

Executive Director

Mr. WANG, aged 41, has been re-designated as an Executive Director and appointed as a Deputy Managing Director and a member of the Executive Committee of the Company since October 2013. Before his re-designation, he has been a Non-executive Director of the Company since October 2010. He is also a director of certain subsidiaries of China COSCO Holdings Company Limited and a Non-independent and Non-executive Director of COSCO Corporation (Singapore) Limited. Mr. WANG joined COSCO group in 1995. He had been the Head of Planning and Cooperation Department of the Strategic Planning Division, the Deputy General Manager of the Corporate Planning Division and the General Manager of the Strategy and Development Division of COSCO Container Lines Company Limited, and the General Manager of the Transportation Division of China COSCO Holdings Company Limited. Mr. WANG graduated from Shanghai Maritime University and obtained his Master of Business Administration degree from Fudan University. He is an engineer. Mr. WANG is responsible for the Company's overall marketing.

FENG Jinhua

Executive Director

Mr. FENG, aged 58, has been an Executive Director of the Company since October 2010 and appointed as a Deputy Managing Director since October 2013. He is a member of the Executive Committee, Investment and Strategic Planning Committee and Risk Management Committee of the Company. He is also a director of certain subsidiaries of China COSCO Holdings Company Limited. Mr. FENG joined COSCO group in 1980. He had been the Head of Planning and Finance Department, and Finance Department and the Chief Financial Officer of Qingdao Ocean Shipping Co., Ltd., the General Manager of the Finance and Capital Division of China Ocean Shipping (Group) Company, and the Chief Financial Officer of China COSCO Holdings Company Limited. Mr. FENG obtained his Executive Master of Business Administration degree from the University of International Business and Economics. He is a senior accountant. Mr. FENG is responsible for the economics and operations management of the Company and assists the Managing Director to take charge of Florens Container Holdings Limited (a wholly owned subsidiary of the Company) and its subsidiaries.

TANG Runjiang

Executive Director

Mr. TANG, aged 45, has been an Executive Director of the Company since March 2013. He is also the Chief Financial Officer of China COSCO Holdings Company Limited and a director of certain subsidiaries of China Ocean Shipping (Group) Company and China COSCO Holdings Company Limited. Mr. TANG joined COSCO group in 1991. He had been the Manager of Treasury Department of Planning and Finance Division (Finance and Capital Division) and the Deputy General Manager of the Finance and Capital Division and the Finance Division of China Ocean Shipping (Group) Company, the Deputy Chief Accountant and the Chief Accountant of COSCO Bulk Carrier Co., Ltd., the Chief Accountant of China COSCO Bulk Shipping (Group) Co., Ltd., and the General Manager of the Finance Division of China COSCO Holdings Company Limited. Mr. TANG graduated from Central University of Finance and Economics, majoring in accounting.

FENG Bo

Executive Director

Mr. FENG, aged 43, has been an Executive Director of the Company since February 2012. He is also the General Manager of the Strategic Planning Division of China COSCO Holdings Company Limited and a director of certain subsidiaries of China Ocean Shipping (Group) Company and China COSCO Holdings Company Limited. Mr. FENG joined COSCO group in 1995. He had been the Deputy Manager of the Transport Management Department and the Transport Operations Department of the Transportation Division of China Ocean Shipping (Group) Company, the Manager of the Logistics Operations Department of the Transportation Division and the Deputy General Manager of the Strategic Planning Division of China COSCO Holdings Company Limited. Mr. FENG graduated from Beijing Foreign Studies University, majoring in Spanish.

WANG Wei

Non-executive Director

Mr. WANG, aged 42, 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.

WONG Tin Yau, Kelvin JP

Executive Director

Dr. WONG, aged 53, 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 Non-executive Director of the Securities and Futures Commission, a former member of the Main Board and GEM Listing Committee of The Stock Exchange of Hong Kong Limited (2007-2013), a convenor-cum-member of the Financial Reporting Review Panel, a member of the Standing Committee on Company Law Reform, a member of the Corruption Prevention Advisory Committee of Independent Commission Against Corruption, a member of the Appeal Board Panel (Town Planning), a Board Director of the Hong Kong Sports Institute Limited, a council member of The Hong Kong Management Association, a member of the OECD/World Bank Asian Corporate Governance Roundtable and a council advisor and past Chairman of the Hong Kong Chinese Orchestra Limited. Dr. WONG obtained his Master of Business Administration degree from Andrews University in Michigan, the USA in 1992 and his Doctor of Business Administration degree from The Hong Kong Polytechnic University in 2007. Dr. WONG is currently an Independent Non-executive Director and Chairman of the Audit Committee of China ZhengTong Auto Services Holdings Limited, I.T Limited and Xinjiang Goldwind Science & Technology Co., Ltd., and an Independent Non-executive Director of CIG Yangtze Ports PLC. He was also an Independent Non-executive Director and Chairman of the Audit Committee of China Metal International Holdings Inc. (2004-2013). All the aforementioned companies are listed on The Stock Exchange of Hong Kong Limited. Dr. WONG is responsible for the management of the Company's work relating to the capital markets and investor relations. He held various senior positions in several listed companies in Hong Kong before he joined the Company. Dr. WONG was appointed as a Justice of the Peace by the Government of the Hong Kong Special Administrative Region in 2013.

QIU Jinguang

Executive Director

Mr. QIU, aged 52, 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. After graduating 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.

Timothy George FRESHWATER

Independent Non-executive Director

Mr. FRESHWATER, aged 69, has been an Independent Non-executive Director of the Company since June 2005. He is a member of the Audit Committee of the Company. He is currently an Advisory Director of Goldman Sachs (Asia) L.L.C. and was a Vice Chairman of the company from 2005 to 2012. Before joining Goldman Sachs in 2001, he was the Chairman of Jardine Fleming. Mr. FRESHWATER is admitted as a solicitor in England & Wales and Hong Kong. After graduating from the University of Cambridge, he joined the international law firm Slaughter and May in 1967 and remained with them for 29 years before joining the Jardine Fleming group in 1996. He became a partner of Slaughter and May in 1975 and worked in their Hong Kong office for seven years between 1978 and 1985. He was the head of Slaughter and May's worldwide corporate practice from 1993 until 1996. He is an ex-President of the Hong Kong Law Society. Mr. FRESHWATER is currently an Independent Non-executive Director of Swire Pacific Limited and Hong Kong Exchanges and Clearing Limited and was an Independent Non-executive Director of Chong Hing Bank Limited, all of which are public companies listed in Hong Kong. He is also a Non-executive Director of Aquarius Platinum Limited, a public company listed in Australia, London and Johannesburg, and an Independent Non-executive Director of Savills PLC, a public company listed in London.

FAN HSU Lai Tai, Rita GBM, GBS, JP

Independent Non-executive Director

Dr. FAN, aged 68, 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 40, has been an Independent Non-executive Director of the Company since May 2012. He is Chairman of the Audit Committee and Nomination Committee and a member of the Remuneration Committee of the Company. Mr. LI is Deputy Chief Executive of The Bank of East Asia, Limited, with responsibility for the bank's Hong Kong business. He is an Independent Non-executive Director of Sino Land Company Limited, Tsim Sha Tsui Properties Limited, Sino Hotels (Holdings) Limited and China State Construction International Holdings Limited, and an Alternate Independent Non-executive Director of San Miguel Brewery Hong Kong Limited. All the above are Hong Kong-listed companies. He is an Independent Non-executive Director of Shanghai Fosun Pharmaceutical (Group) Co., Ltd., which is dual listed in Hong Kong and Shanghai, a Non-executive Director of The Berkeley Group Holdings plc, which is listed in London, and an Alternate Director of AFFIN Holdings Berhad, which is listed in Malaysia. He also serves as a member of the International Advisory Board of Abertis Infraestructuras, S.A., a company listed in Spain. Mr. LI is a member of the Guangdong Provincial Committee of the Chinese People's Political Consultative Conference, a member of the All-China Youth Federation, Deputy Chairman of the Beijing Youth Federation and a Counsellor of the Hong Kong United Youth Association. He is a board member of The Community Chest of Hong Kong, 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 holds a Master of Management degree from the Kellogg School of Management, Northwestern University in the US, and a Master of Arts degree and a Bachelor of Arts degree in Law from the University of Cambridge in Britain. He is a member of The Law Society of England and Wales, and The Law Society of Hong Kong.

IP Sing Chi

Independent Non-executive Director

Mr. IP, aged 60, has been an Independent Non-executive Director of the Company since November 2012. He is a member of the Nomination Committee and the Remuneration Committee of the Company. Mr. IP is currently an Executive Director of Hutchison Port Holdings Management Pte. Limited (the Trustee-Manager of Hutchison Port Holdings Trust, listed in Singapore), an Outside Director of Hyundai Merchant Marine Co., Ltd. (listed in Korea) and a Non-independent Non-executive Director of Westports Holdings Berhad (listed in Malaysia). He is the Group Managing Director of Hutchison Port Holdings Limited and the Chairman of Yantian International Container Terminals Co., Ltd. Mr. IP is a member of the Hong Kong Port Development Council and Chairman of the Shipping & Port Operations Group of the Employers' Federation of Hong Kong. He 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.

FAN Ergang

Independent Non-executive Director

Mr. FAN, aged 59, has been an Independent Non-executive Director of the Company since August 2013. Mr. FAN is currently the Vice Chairman of ICBC Financial Leasing Co., Ltd. He had been the General Manager of Legal Affairs Division of Industrial and Commercial Bank of China Limited ("ICBC"), the Secretary of Party Committee and Head of ICBC Inner Mongolia Branch, and was the Deputy Secretary-General and Head of Legal Work Committee of China Banking Association and an arbitrator (financial law) of China International Economic and Trade Arbitration Commission. Mr. FAN holds a Bachelor of Laws degree from China University of Political Science and Law (formerly The Peking College of Political Science and Law). He has extensive experience in financial and law fields, and is a senior economist, a senior legal counsel and a practicing lawyer in the People's Republic of China.

SENIOR MANAGEMENT

CHAN Hang, Ken

Deputy Managing Director

Mr. CHAN, aged 56, 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 50, 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 44, has served as the General Counsel of the Group and the Company Secretary of the Company since November 1996 and March 2001, respectively. Ms. HUNG is mainly responsible for all legal, corporate governance, compliance, company secretarial and related matters for the Company. She is currently a member of the Corporate Governance Committee and Risk Management Committee of the Company. From January 2012, Ms. HUNG has served as the Joint Company Secretary of China COSCO Holdings Company Limited which is the parent company of the Company and listed on the Hong Kong Stock Exchange. She holds a Bachelor of Laws degree (Hons) from The University of Hong Kong. She is currently a practicing solicitor of the High Court of the Hong Kong Special Administrative Region and is qualified in England and Wales. Ms. HUNG was named among the top 25 "in-house high flyers" and "the best in Asia" for three consecutive years (2006-08) by Asian Legal Business Magazine, and was granted the "1st Asian Company Secretary of the Year Recognition Awards 2013" by Corporate Governance Asia, a corporate governance magazine.

DING Weiming

Deputy Financial Controller

Mr. DING, aged 55, is the Vice Chairman of the board of directors and Chief Executive Officer of Florens Container Holdings Limited, a wholly owned subsidiary of the Company and the Deputy Financial Controller of the Company. He is also a member of the Corporate Governance Committee, the Investment and Strategic Planning Committee and the Risk Management Committee of the Company. From 2002 to 2011, Mr. DING was the Financial Controller of Florens Container Services Company Limited, a wholly owned subsidiary of the Company. Mr. DING graduated from Shanghai Maritime University majoring in marine transportation management and obtained a bachelor degree in Economics in 1982, and was awarded the professional qualification of senior accountant by the Ministry of Communications of the PRC in 1994. Before joining the Company, Mr. DING 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.

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 31 December 2013.

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 31 December 2013 are set out in the consolidated income statement on page 120 of this annual report.

The directors declared an interim dividend of HK18.6 cents (equivalent to US2.396 cents) per share and a special interim dividend of HK43.8 cents (equivalent to US5.648 cents) with a scrip dividend alternative, totaling HK$1,752,116,000 (equivalent to US$225,866,000), which was paid on 23 October 2013.

The directors recommend the payment of a final dividend of HK15.0 cents (equivalent to US1.936 cents) per share with a scrip dividend alternative, totaling HK$436,849,000 (equivalent to US$56,383,000), payable on or about 16 July 2014.

Five-year financial summary

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

Reserves

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

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

Donations

Charitable and other donations made by the Group during the year amounted to US$107,000.

Property, plant and equipment

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

Share capital

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

Distributable reserves

The distributable reserves of the Company as at 31 December 2013 calculated under the Companies Act of Bermuda amounted to US$1,554,838,000.

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)*	
Dr. WANG Xingru[1] *(Vice Chairman and Managing Director)*	
Mr. WAN Min[2]	
Mr. HE Jiale[1]	(resigned on 21 March 2013)
Mr. WANG Haimin[1]	(re-designated from a non-executive director to an executive director on 29 October 2013)
Mr. FENG Jinhua[1]	
Mr. TANG Runjiang[1]	(appointed on 21 March 2013)
Mr. FENG Bo[1]	
Mr. WANG Wei[2]	
Dr. WONG Tin Yau, Kelvin[1]	
Mr. QIU Jinguang[1]	(appointed on 8 April 2013)
Mr. YIN Weiyu[1]	(resigned on 8 April 2013)
Mr. CHOW Kwong Fai, Edward[3]	(retired on 23 May 2013)
Mr. Timothy George FRESHWATER[3]	
Dr. FAN HSU Lai Tai, Rita[3]	
Mr. Adrian David LI Man Kiu[3]	
Mr. IP Sing Chi[3]	
Mr. FAN Ergang[3]	(appointed on 22 August 2013)

[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. FAN Ergang, being a new director appointed by the Board, shall retire at the forthcoming annual general meeting and, being eligible, offer himself for re-election.

In accordance with Clauses 87(1) and (2) of the Bye-laws of the Company, Mr. WAN Min, Mr. FENG Bo, Mr. WANG Wei and Dr. FAN HSU Lai Tai, Rita, 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 88 to 96 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' interest in contracts

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

Share options

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

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

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

The 2003 Share Option Scheme 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")).

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 was expired on 22 May 2013. No further options shall thereafter be granted under the 2003 Share Option Scheme but in all other respects the provisions of the 2003 Share Option Scheme shall remain in full force and effect.

As at the date of this report, a total of 26,706,000 shares (representing approximately 0.92% of the existing issued share capital of the Company) may be issued upon exercise of all options which had been granted and yet to be exercised under the 2003 Share Option Scheme.

Notes:

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

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

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

(iii) any person seconded or nominated by the Group to represent the Group's interest in any of the Group's associated companies or 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 1 January 2013	Granted during the year	Exercised during the year	Transfer(to)/ from other categories during the year	Lapsed during the year	Outstanding at 31 December 2013	% of total issued share capital	Exercisable period	Note
Directors										
Dr. WONG Tin Yau, Kelvin	9.54	800,000	–	(800,000)	–	–	–	–	28.10.2003-27.10.2013	(1), (4)
	13.75	1,000,000	–	–	–	–	1,000,000	0.034%	2.12.2004-1.12.2014	(2), (4)
	19.30	500,000	–	–	–	–	500,000	0.017%	18.4.2007-17.4.2017	(3), (4)
Ex-director										
Mr. YIN Weiyu	19.30	500,000	–	–	(500,000)	–	–	N/A	19.4.2007-18.4.2017	(3), (4), (5)
		2,800,000	–	(800,000)	(500,000)	–	1,500,000			
Continuous contract employees	9.54	1,381,000	–	(1,061,000)	–	(320,000)	–	N/A	(refer to note 1)	(1)
	13.75	10,948,000	–	–	(80,000)	(62,000)	10,806,000	0.371%	(refer to note 2)	(2)
	19.30	12,160,000	–	–	(60,000)	(70,000)	12,030,000	0.413%	(refer to note 3)	(3)
Others	9.54	50,000	–	(50,000)	–	–	–	N/A	(refer to note 1)	(1)
	13.75	1,630,000	–	–	80,000	(60,000)	1,650,000	0.057%	(refer to note 2)	(2)
	19.30	300,000	–	–	560,000	–	860,000	0.029%	(refer to note 3)	(3), (5)
		26,469,000	–	(1,111,000)	500,000	(512,000)	25,346,000			
		29,269,000	–	(1,911,000)	–	(512,000)	26,846,000			

Notes:

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

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

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

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

(5) Mr. YIN Weiyu resigned as an executive director of the Company on 8 April 2013. In this respect, the options granted to Mr. YIN Weiyu were re-classified from the category of "directors" to the category of "others".

(6) No share options were granted or cancelled under the 2003 Share Option Scheme during the year ended 31 December 2013.

Directors' interest in shares, underlying shares and debentures

As at 31 December 2013, the interest of the Company's directors in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the 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	548,171	0.019%
Mr. Timothy George FRESHWATER	Beneficial owner	Personal	30,000	0.001%

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

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

(c) Long positions in the shares of associated corporations

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

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

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:

Name of associated corporation	Name of director	Capacity	Nature of interest	Exercise price HK$	Number of share options: Outstanding at 1 January 2013	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Outstanding at 31 December 2013	% of total issued share capital of the relevant associated corporation	Note
COSCO International Holdings Limited	Dr. WONG Tin Yau, Kelvin	Beneficial owner	Personal	1.37	500,000	–	–	–	–	500,000	0.033%	(1)
	Ex-director Mr. HE Jiale	Beneficial owner	Personal	1.37	1,200,000	–	–	–	(1,200,000)	N/A	N/A	(1), (2)

Notes:

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

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

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

Name of associated corporation	Name of director	Capacity	Nature of interest	Exercise price HK$	Number of units of share appreciation rights: Outstanding at 1 January 2013	Granted during the year	Exercised during the year	Outstanding at 31 December 2013	% 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	450,000	–	–	450,000	0.017%	(1)
				3.588	600,000	–	–	600,000	0.023%	(2)
				9.540	580,000	–	–	580,000	0.022%	(3)
	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. 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. FENG Jinhua	Beneficial owner	Personal	3.195	100,000	–	–	100,000	0.004%	(1)
				3.588	90,000	–	–	90,000	0.003%	(2)
				9.540	85,000	–	–	85,000	0.003%	(3)
	Mr. TANG Runjiang	Beneficial owner	Personal	3.195	N/A	–	–	75,000	0.003%	(1), (4)
				3.588	N/A	–	–	65,000	0.003%	(2), (4)
	Mr. FENG Bo	Beneficial owner	Personal	3.195	75,000	–	–	75,000	0.003%	(1)
				3.588	90,000	–	–	90,000	0.003%	(2)
				9.540	85,000	–	–	85,000	0.003%	(3)
	Mr. WANG Wei	Beneficial owner	Personal	3.195	75,000	–	–	75,000	0.003%	(1)
				3.588	65,000	–	–	65,000	0.003%	(2)
				9.540	60,000	–	–	60,000	0.002%	(3)
	Ex-directors									
	Mr. HE Jiale	Beneficial owner	Personal	3.195	375,000	–	–	N/A	N/A	(1), (5)
				3.588	500,000	–	–	N/A	N/A	(2), (5)
				9.540	480,000	–	–	N/A	N/A	(3), (5)
	Mr. YIN Weiyu	Beneficial owner	Personal	3.195	100,000	–	–	N/A	N/A	(1), (6)
				3.588	65,000	–	–	N/A	N/A	(2), (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 16 December 2005 pursuant to the share appreciation rights plan adopted by China COSCO (the "Plan"). Under the Plan, no shares of China COSCO will be issued. The share appreciation rights are exercisable at HK$3.195 per unit at any time between 16 December 2007 and 15 December 2015.

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

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

(4) Mr. TANG Runjiang was appointed as an executive director of the Company on 21 March 2013.

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

(6) Mr. YIN Weiyu resigned as an executive director of the Company on 8 April 2013.

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

Save as disclosed above, as at 31 December 2013, none of the directors or chief executive of the Company had any interest or short positions in any shares or underlying shares or interest in debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Directors' interest in competing business

As at 31 December 2013, the directors namely Mr. LI Yunpeng, Dr. WANG Xingru, Mr. WAN Min, Mr. WANG Haimin, Mr. FENG Jinhua, Mr. TANG Runjiang, Mr. FENG Bo 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 interest in container terminals (the "Container Terminals Interest"). In addition, Mr. IP Sing Chi acted as the Group Managing Director of Hutchison Port Holdings Limited (which engages in, inter alia, the operation of container terminals) and directors of certain other companies which have the Container Terminals Interest.

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

Substantial interest in the share capital of the Company

So far as is known to any directors or chief executive of the Company, as at 31 December 2013, the interest of shareholders in the shares of the Company as recorded in the register required to be kept under Section 336 of the SFO, or as otherwise notified to the Company or the Stock Exchange were as follows:

			Number of ordinary shares/Percentage of total issued share capital as at 31 December 2013						
Name	Capacity	Nature of interest	Long positions	%	Short positions	%	Lending pool	%	Note
COSCO Investments Limited	Beneficial owner	Beneficial interest	213,989,277	7.35	–	–	–	–	(1)
COSCO Pacific Investment Holdings Limited	Beneficial owner and interest of controlled corporation	Beneficial interest and corporate interest	1,278,951,686	43.92	–	–	–	–	(1)
China COSCO Holdings Company Limited	Interest of controlled corporation	Corporate interest	1,278,951,686	43.92	–	–	–	–	(1)
China Ocean Shipping (Group) Company	Interest of controlled corporation	Corporate interest	1,278,951,686	43.92	–	–	–	–	(1)
The Capital Group Companies, Inc.	Interest of controlled corporation	Beneficial interest and corporate interest	158,851,551	5.45	–	–	–	–	

Note:

(1) The 1,278,951,686 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 213,989,277 shares of the Company held by COSCO Investments are also included as part of COSCO Pacific Investment's interest in the Company. COSCO Pacific Investment is a wholly owned subsidiary of China COSCO and it itself held 1,064,962,409 shares of the Company beneficially. Accordingly, COSCO Pacific Investment's interest in relation to the 1,278,951,686 shares of the Company are also recorded as China COSCO's interest in the Company. COSCO held 52.80% interest of the issued share capital of China COSCO as at 31 December 2013, and accordingly, COSCO is deemed to have the interest of 1,278,951,686 shares of the Company held by COSCO Pacific Investment.

Save as disclosed above, as at 31 December 2013, the Company has not been notified of any other interest or short positions in the shares and underlying shares of the Company which had to be recorded in the register required to be kept under Section 336 of the SFO.

Public float

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

Purchase, sale or redemption of shares

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

Pre-emptive rights

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

Management contracts

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

Major suppliers and lessees

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

Percentage of container purchases attributable to the Group's largest supplier	21.73%
Percentage of container purchases attributable to the Group's five largest suppliers	52.99%
Percentage of leasing income attributable to the Group's largest lessee, which is a subsidiary of COSCO	52.75%
Percentage of leasing income attributable to the Group's five largest lessees	72.73%

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

During the year ended 31 December 2013, COSCO have equity interest in China International Marine Containers (Group) Co., Ltd., the holding company of three of the five largest suppliers of the Group. In 2013, these three suppliers attributed 35.37% of container purchases of the Group.

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

Corporate governance

The Company is committed to maintaining high standards of corporate governance so as to ensure better transparency and protection of shareholders' interest. The Company has fully complied with the code provisions of Corporate Governance Code and Corporate Governance Report (the "Corporate Governance Code") set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2013.

As announced by the Company on 23 May 2013, Mr. CHOW Kwong Fai, Edward, an independent non-executive director of the Company, retired from office after the conclusion of the annual general meeting of the Company held on 23 May 2013. Following the retirement of Mr. CHOW, the Board comprised 14 members including 6 executive directors, 4 non-executive directors and 4 independent non-executive directors. The number of independent non-executive directors fell below one-third of the Board required under Rule 3.10A of the Listing Rules.

As such, the Company had been actively identifying suitable candidates for appointment as an independent non-executive director of the Company in order to meet the requirement under Rule 3.10A of the Listing Rules. On 22 August 2013, Mr. FAN Ergang was appointed as an independent non-executive director of the Company, within the three-month grace period allowed under Rule 3.11 of the Listing Rules. Accordingly, the Company has complied with the requirement under Rule 3.10A of the Listing Rules since 22 August 2013.

Further information on the Company's corporate governance practices is set out in the Corporate Governance Report on pages 60 to 87 of this annual report.

Connected transactions

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

(I) Connected transaction

Disposal of the entire issued share capital of COSCO Container Industries Limited

On 20 May 2013, the Company as the vendor entered into a conditional sale and purchase agreement (the "Agreement") with Long Honour Investments Limited ("Long Honour") as the purchaser and COSCO (Hong Kong) Group Limited ("COSCO (Hong Kong)") as the guarantor pursuant to which the Company agreed to dispose of and Long Honour agreed to acquire (i) the entire issued share capital of COSCO Container Industries Limited ("COSCO Container"), a then wholly owned subsidiary of the Company whose major asset is the 21.80% equity interest in China International Marine Containers (Group) Co., Ltd. ("CIMC") and (ii) the unsecured, non-interest bearing and on-demand loan outstanding and owing from COSCO Container to the Company (the "Sale Loan") as at the date of completion of the transactions contemplated under the Agreement (the "Disposal"), at a total consideration of US$1,219,788,621. In consideration of the Company entering into the Agreement, COSCO (Hong Kong) irrevocably and unconditionally agreed to guarantee the due and punctual performance and observance by Long Honour of all its obligations under or pursuant to the Agreement.

CIMC is a joint stock limited company established in the PRC and its A shares and H shares are listed and traded on the Shenzhen Stock Exchange and the Stock Exchange respectively.

Pursuant to the Agreement, the consideration of the transaction shall be satisfied in the manner of (i) 50% of the consideration should be paid by Long Honour to the Company at completion of the Disposal (the "Completion"); and (ii) the balance of the consideration should be paid by Long Honour to the Company within three months after the Completion. The deferred payment of the balance of the Consideration was requested by Long Honour and it was agreed to by the Company and Long Honour as a result of arm's length negotiations between the parties after taking into account the following factors: (i) security has been provided by Long Honour in favour of the Company for securing the deferred payment obligations; and (ii) all the terms and conditions of the Disposal (including the amount of the consideration) as a whole.

To secure the payment obligations of Long Honour for the balance of the consideration, a charge over the entire issued shares of COSCO Container incorporating COSCO Container's undertaking not to dispose of and deal with its major asset, being its 21.80% equity interest in CIMC, and the entire Sale Loan would upon Completion be created by Long Honour in favour of the Company.

The Completion took place on 27 June 2013 and COSCO Container ceased to be a subsidiary of the Company and the Company ceased to hold any interest in CIMC on that day. The balance of the consideration was settled by Long Honour on 26 September 2013.

As Long Honour is an indirect wholly owned subsidiary of COSCO, the ultimate controlling shareholder of the Company, and hence a connected person of the Company, the Disposal (including the financial assistance provided by the Company to Long Honour in connection with Long Honour's deferred payment of the part of the consideration after Completion) constituted a connected transaction of the Company under Chapter 14A of the Listing Rules. The transaction also constituted a major transaction of the Company.

(II) Continuing connected transactions

Rental of office premises

On 28 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 29 November 2011 at a monthly rental of HK$927,498 exclusive of government rent, rates and management fees. The monthly management fees payable to Wing Thye is HK$72,586.80 (subject to further increase to an amount not exceeding HK$80,652 from January 2012, HK$90,330 from January 2013 and HK$101,170 from January 2014 respectively). During the subsistence of the 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). 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 transactions contemplated thereunder constituted a continuing connected transaction of the Company under the Listing Rules.

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

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

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

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

(b) Provision of terminals related services by the COSCO Group to the COSCO Ports Group. The annual caps of the aggregate amount payable by the COSCO Ports Group to the COSCO Group for such services for the years ended 31 December 2013, 2014 and 2015 are RMB69,200,000, RMB104,520,000 and RMB 140,028,000 respectively. The total amount of the aforesaid transactions for the year ended 31 December 2013 was RMB2,332,000.

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

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

(a) Provision of shipping related services by the COSCO Ports Group and PCT to China COSCO and COSCON and their respective associates (excluding the Group) (collectively the "China COSCO Group"). The annual caps of the aggregate amount receivable by the COSCO Ports Group and PCT from the China COSCO Group for such services for the years ended 31 December 2013, 2014 and 2015 are RMB2,388,669,000, RMB4,082,654,000 and RMB6,846,075,000 respectively. The total amount of the aforesaid transactions for the year ended 31 December 2013 was RMB254,549,000.

(b) Provision of terminals related services by the China COSCO Group (including COSCON) to the COSCO Ports Group. The annual caps of the aggregate amount payable by the COSCO Ports Group to the China COSCO Group for such services for the years ended 31 December 2013, 2014 and 2015 are RMB58,000,000, RMB87,000,000 and RMB116,000,000 respectively. The total amount of the aforesaid transactions for the year ended 31 December 2013 was RMB1,062,000.

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

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

The annual caps of the aggregate amount receiveable by the COSCO Ports Group and PCT from the Line for such services for the years ended 31 December 2013, 2014 and 2015 are RMB905,651,000, RMB1,318,430,000 and RMB1,875,845,000 respectively. The total amount of the aforesaid transactions for the year ended 31 December 2013 was RMB293,422,000.

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

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

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

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

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

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

(a) Provision of container terminals related services by GZ South China to GZ Port Holding and its subsidiaries, branches and associates (collectively the "GZ Port Group"). The annual caps of the aggregate amount receivable by GZ South China from the GZ Port Group for such services for the years ended 31 December 2013, 2014 and 2015 are RMB62,350,000, RMB94,030,000 and RMB139,035,000 respectively. The total amount of the aforesaid transactions for the year ended 31 December 2013 was RMB9,717,000.

(b) Provision of container terminals related services by the GZ Port Group to GZ South China. The annual caps of the aggregate amount payable by GZ South China to the GZ Port Group for such services for the years ended 31 December 2013, 2014 and 2015 are RMB292,370,000, RMB439,450,000 and RMB652,110,000 respectively. The total amount of the aforesaid transactions for the year ended 31 December 2013 was RMB59,652,000.

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

(i) The annual caps of the aggregate amount of the high-frequency communication fee payable by GZ South China to GZ Port Holding for the years ended 31 December 2013, 2014 and 2015 are RMB6,000,000, RMB9,000,000 and RMB13,500,000 respectively. The total amount of the aforesaid fee paid by GZ South China to GZ Port Holding for the year ended 31 December 2013 was RMB826,000.

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

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

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

The annual caps of the aggregate amount payable by Yangzhou Yuanyang to the Yangzhou Port Group for such services for the years ended 31 December 2013, 2014 and 2015 are RMB225,400,000, RMB270,240,000 and RMB324,024,000 respectively. The total amount of the aforesaid transactions for the year ended 31 December 2013 was RMB72,031,000.

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

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

The annual cap of the aggregate amount receivable by Plangreat and its subsidiaries from the COSCO Group for each of the years ended 31 December 2013, 2014 and 2015 is US$3,000,000. The total amount of the aforesaid transactions for the year ended 31 December 2013 was US$2,566,000.

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

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

(a) Grant of leases of containers for a term of not more than three years by the Florens Group to the COSCO Group (including COSCON). The annual cap of the aggregate amount receivable by the Florens Group from the COSCO Group for such transactions for each of the years ended 31 December 2013, 2014 and 2015 is US$2,470,000. The total amount of the aforesaid transactions for the year ended 31 December 2013 was US$22,000.

(b) Sales of old containers by the Florens Group to the COSCO Group (including COSCON). The annual caps of the aggregate amount receivable by the Florens Group from the COSCO Group for such transactions for the years ended 31 December 2013, 2014 and 2015 are US$2,330,000, US$2,450,000 and US$2,570,000 respectively. The total amount of the aforesaid transactions for the year ended 31 December 2013 was US$2,000.

(c) Provision of container related services by the Florens Group to the COSCO Group (including COSCON). The annual caps of the aggregate amount receivable by the Florens Group from the COSCO Group for such services for the years ended 31 December 2013, 2014 and 2015 are US$1,530,000, US$1,613,000 and US$1,710,000 respectively. The total amount of the aforesaid transactions for the year ended 31 December 2013 was US$1,386,000.

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

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

(a) Provision of container related services by the COSCO Group (including COSCON) to the Florens Group. The annual caps of the aggregate amount payable by the Florens Group to the COSCO Group for the aforesaid services for the years ended 31 December 2013, 2014 and 2015 are US$4,670,000, US$5,280,000 and US$5,960,000 respectively. The total amount of the aforesaid transactions for the year ended 31 December 2013 was US$1,783,000.

(b) Purchase of container related materials by the Florens Group from the COSCO Group (including COSCON). The annual caps of the aggregate amount payable by the Florens Group to the COSCO Group for such purchase for the years ended 31 December 2013, 2014 and 2015 are US$50,000, US$50,000 and US$70,000 respectively. For the year ended 31 December 2013, the Florens Group did not pay any fees to the COSCO Group (including COSCON) pursuant to such agreement.

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

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

The annual caps of the aggregate amount payable by GZ South China to CM Supply for the years ended 31 December 2013, 2014 and 2015 are RMB90,000,000, RMB135,000,000 and RMB150,000,000 respectively. The total amount of the aforesaid transactions for the year ended 31 December 2013 was RMB6,897,000.

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

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

(a) Provision of container terminals related services by Zhangjiagang Terminal to Zhangjiagang Port Holding and its subsidiaries, branches and associates (collectively the "Zhangjiagang Port Group"). The annual caps of the aggregate amount receivable by Zhangjiagang Terminal from the Zhangjiagang Port Group for such services for the years ended 31 December 2013, 2014 and 2015 are RMB6,280,000, RMB8,890,000 and RMB12,790,000 respectively. The total amount of the aforesaid transactions for the year ended 31 December 2013 was RMB637,000.

(b) Provision of container terminals related services by the Zhangjiagang Port Group to Zhangjiagang Terminal. The annual caps of the aggregate amount payable by Zhangjiagang Terminal to the Zhangjiagang Port Group for such services for the years ended 31 December 2013, 2014 and 2015 are RMB36,260,000, RMB50,030,000 and RMB69,060,000 respectively. The total amount of the aforesaid transactions for the year ended 31 December 2013 was RMB17,214,000.

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

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

(a) Provision of container terminals related services by Xiamen Haicang Holding and its subsidiaries, branches and associates (collectively the "Xiamen Haicang Group") to Xiamen Ocean Gate. The annual caps of the aggregate amount payable by Xiamen Ocean Gate to the Xiamen Haicang Group for such services for the years ended 31 December 2013, 2014 and 2015 are RMB64,500,000, RMB79,000,000 and RMB93,500,000 respectively. The total amount for the aforesaid transactions for the year ended 31 December 2013 was RMB6,180,000.

(b) Provision of container terminals related services by Xiamen Ocean Gate to the Xiamen Haicang Group. The annual caps of the aggregate amount payable by the Xiamen Haicang Group to Xiamen Ocean Gate for such services for the years ended 31 December 2013, 2014 and 2015 are RMB7,000,000, RMB10,000,000 and RMB12,000,000 respectively. The total amount for the aforesaid transactions for the year ended 31 December 2013 was RMB655,000.

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

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

GZ Port Holding has 41% equity interest in GZ South China. Accordingly, members of the GZ Port Group (including GZ Port Holding) are connected persons of the Company. As Yangzhou Port Holding has 40% equity interest in Yangzhou Yuanyang, members of the Yangzhou Port Group (including Yangzhou Port Holding) are connected persons of the Company. CM Supply is owned as to 50% by COSCO and hence CM Supply is a connected person of the Company. Zhangjiagang Port Holding has 49% equity interest in Zhangjiagang Terminal. Accordingly, members of Zhangjiagang Port Group (including Zhangjiagang Port Holding) are connected persons of the Company. Xiamen Haicang Holding has 30% equity interest in Xiamen Ocean Gate. Therefore, members of the 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, annual review, announcement and independent shareholders' approval requirements and were approved by the independent shareholders of the Company at the special general meeting held on 29 November 2012 ("SGM").

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

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

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

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

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

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

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

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

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

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

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

The annual caps of the aggregate amount payable by the COSCO Ports Group to the Florens Capital Management Group for such services for the years ended 31 December 2013, 2014 and 2015 are US$200,000,000, US$250,000,000 and US$300,000,000 respectively. The total amount of the aforesaid transactions for the year ended 31 December 2013 was US$9,324,000.

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

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

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

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

During the year, long term container leasing transactions were entered into between COSCO Group and the Group in respect of the provision of long term container leases by the Group to COSCO Group to which the Stock Exchange had, subject to certain conditions, granted waiver dated 14 December 1994 to the Company from strict compliance with the requirements stipulated in the then Chapter 14 of the Listing Rules to disclose details of such connected transactions by press notice and/or circular and/or to obtain prior independent shareholders' approval. The total consideration of the aforesaid transactions for the year ended 31 December 2013 amounted to US$153,436,000. In the opinion of the directors of the Company, the aforesaid transactions were conducted in the ordinary and normal course of business of the Group and using average 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.

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. Timothy George FRESHWATER, Mr. Adrian David LI Man Kiu, Mr. IP Sing Chi and Mr. FAN Ergang, independent non-executive directors of the Company, have reviewed the above continuing connected transactions and opined that:

(i) the long term container leasing transactions had been conducted in the ordinary course of business of the Group and using average market rates by reference to, if applicable, the average of the available leasing rates quoted from 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 Shipping and Terminals and Container Related Services Master Agreements and the Finance Leasing Master Agreement were:

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

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

Report from the auditor on the continuing connected transactions

For the purposes of the conditions of the waiver in relation to long term container leasing transactions, the Board engaged the auditor of the Company to perform certain agreed-upon procedures on the long term container leasing transactions for the year ended 31 December 2013 (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 Shipping and Terminals and Container Related Services Master Agreements and the Finance Leasing Master Agreement 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 31 December 2013 required to be disclosed under Rule 13.22 of Chapter 13 of the Listing Rules is set out below:

	US$'000
Non-current assets	5,618,919
Current assets	1,459,574
Current liabilities	(2,075,218)
Non-current liabilities	(1,061,194)
Net assets	3,942,081
Share capital	121,290
Reserves	2,215,476
Non-controlling interest	1,605,315
Capital and reserves	3,942,081

As at 31 December 2013, the Group's attributable interest in these affiliated companies amounted to US$671,750,000.

Audit Committee

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

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

Auditor

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

On behalf of the Board

WANG Xingru
Vice Chairman and Managing Director

Hong Kong, 25 March 2014

INDEPENDENT AUDITOR'S REPORT

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

We have audited the consolidated financial statements of COSCO Pacific Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 117 to 194, which comprise the consolidated and company balance sheets as at 31 December 2013, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013, 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, 25 March 2014

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2013

	Note	2013 US$'000	2012 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	**4,167,794**	3,717,804
Investment properties	8	**5,356**	4,899
Land use rights	9	**244,175**	219,631
Intangible assets	10	**9,677**	9,995
Jointly controlled entities	12	**635,554**	599,510
Loan to a jointly controlled entity	12	**4,129**	5,276
Associates	13	**824,598**	1,570,615
Loan to an associate	13	**33,543**	30,702
Available-for-sale financial asset	14	**27,000**	25,000
Finance lease receivables	15	**11,944**	13,542
Deferred income tax assets	16	**1,236**	676
Other non-current assets	17	**105,269**	73,841
		6,070,275	6,271,491
Current assets			
Inventories	18	**18,985**	12,746
Trade and other receivables	19	**224,493**	221,728
Derivative financial instruments	20	**–**	8,563
Restricted bank deposits	42(b)	**148**	907
Cash and cash equivalents	42(b)	**1,237,403**	848,423
		1,481,029	1,092,367
Total assets		**7,551,304**	7,363,858
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	21	**37,391**	35,762
Reserves		**4,452,332**	3,852,396
Proposed final dividend		**56,383**	65,862
		4,546,106	3,954,020
Non-controlling interests		**297,388**	263,373
Total equity		**4,843,494**	4,217,393

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2013

	Note	2013 US$'000	2012 US$'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	16	**34,622**	50,678
Long term borrowings	24	**1,770,425**	1,826,655
Loans from non-controlling shareholders of subsidiaries	25	**50,000**	121,714
Other long term liabilities	26	**22,530**	6,749
		1,877,577	2,005,796
Current liabilities			
Trade and other payables	27	**464,739**	358,200
Current income tax liabilities		**89,709**	7,427
Current portion of long term borrowings	24	**259,383**	688,260
Short term bank loans	24	**16,402**	86,782
		830,233	1,140,669
Total liabilities		**2,707,810**	3,146,465
Total equity and liabilities		**7,551,304**	7,363,858
Net current assets/(liabilities)		**650,796**	(48,302)
Total assets less current liabilities		**6,721,071**	6,223,189

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

BALANCE SHEET

AS AT 31 DECEMBER 2013

	Note	2013 US$'000	2012 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	**93**	157
Subsidiaries	11	**1,952,791**	2,172,342
Amounts due from subsidiaries	11	**476,012**	35,745
		2,428,896	2,208,244
Current assets			
Other receivables	19	**7,611**	538
Amounts due from subsidiaries	11	**1,385,044**	1,060,311
Cash and cash equivalents	42(b)	**878,308**	474,788
		2,270,963	1,535,637
Total assets		**4,699,859**	3,743,881
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	21	**37,391**	35,762
Reserves	23	**3,079,066**	2,308,759
Proposed final dividend	23	**56,383**	65,862
Total equity		**3,172,840**	2,410,383
LIABILITIES			
Non-current liabilities			
Long term borrowings	24	**230,000**	230,000
Current liabilities			
Other payables	27	**2,795**	2,075
Current income tax liabilities		**79,152**	–
Loan due to a subsidiary	11	**296,610**	296,655
Amounts due to subsidiaries	11	**918,462**	804,768
		1,297,019	1,103,498
Total liabilities		**1,527,019**	1,333,498
Total equity and liabilities		**4,699,859**	3,743,881

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

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013 US$'000	2012 US$'000
Continuing operations:			
Revenues	6	**798,626**	735,500
Cost of sales		**(480,457)**	(420,218)
Gross profit		**318,169**	315,282
Administrative expenses		**(90,058)**	(91,919)
Other operating income	28	**31,664**	15,237
Other operating expenses		**(12,956)**	(11,212)
Operating profit	29	**246,819**	227,388
Finance income	30	**18,112**	9,211
Finance costs	30	**(84,539)**	(77,263)
Operating profit after finance income and costs		**180,392**	159,336
Share of profits less losses of			
– jointly controlled entities	12(d)	**81,406**	96,461
– associates	13	**72,504**	64,682
Profit before income tax from continuing operations		**334,302**	320,479
Income tax expenses	31	**(33,497)**	(27,905)
Profit for the year from continuing operations		**300,805**	292,574
Discontinued operation:			
Net gain on disposal of an associate	32	**393,411**	–
Share of profit of an associate		**23,059**	61,895
Profit for the year from discontinued operation		**416,470**	61,895
Profit for the year		**717,275**	354,469
Profit attributable to:			
Equity holders of the Company		**702,676**	342,194
Non-controlling interests		**14,599**	12,275
		717,275	354,469
Earnings per share for profit attributable to equity holders of the Company			
Basic			
– from continuing operations	34	**US10.16 cents**	US10.25 cents
– from discontinued operation	34	**US14.79 cents**	US2.26 cents
		US24.95 cents	US12.51 cents
Diluted			
– from continuing operations	34	**US10.16 cents**	US10.25 cents
– from discontinued operation	34	**US14.79 cents**	US2.26 cents
		US24.95 cents	US12.51 cents

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

	Note	2013 US$'000	2012 US$'000
Dividends	35	**282,253**	138,474

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2013

	2013 US$'000	2012 US$'000
Profit for the year	**717,275**	354,469
Other comprehensive income		
Items that may be reclassified to profit or loss		
Exchange differences from retranslation of financial statements of subsidiaries, jointly controlled entities and associates	**70,485**	13,062
Fair value gain on an available-for-sale financial asset	**2,000**	8,000
Release of reserves upon disposal of an associate	**(65,428)**	–
Share of reserves of jointly controlled entities and associates		
– investment revaluation reserve	**1,331**	983
– exchange reserve	**1,149**	(4,464)
– other reserves	**(1,019)**	9,692
Other comprehensive income for the year, net of tax	**8,518**	27,273
Total comprehensive income for the year	**725,793**	381,742
Total comprehensive income attributable to:		
Equity holders of the Company	**699,923**	368,768
Non-controlling interests	**25,870**	12,974
	725,793	381,742
Total comprehensive income attributable to equity holders of the Company arising from:		
Continuing operations	**338,986**	299,240
Discontinued operation	**360,937**	69,528
	699,923	368,768

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2013

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

	Share capital US$'000	Share premium US$'000	Share option reserve US$'000	Capital reserve US$'000	Contributed surplus US$'000	Investment revaluation reserve US$'000	Properties revaluation reserve US$'000	Exchange reserve US$'000	Other reserves US$'000	Retained profits US$'000	Total reserves US$'000	Non-controlling interests US$'000	Total US$'000
At 1 January 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 reserves 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 31 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		

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

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013 US$'000	2012 US$'000
Cash flows from operating activities			
Cash generated from operations	42(a)	**481,040**	431,574
Interest received		**7,944**	5,221
Net cash received from interest rate swap contracts		**8,379**	8,154
Tax refunded		**443**	13
Tax paid		**(21,262)**	(17,617)
Net cash generated from operating activities		**476,544**	427,345
Cash flows from investing activities			
Dividends received from jointly controlled entities		**54,466**	138,022
Dividends received from associates		**14,205**	77,665
Dividend received from an available-for-sale financial asset		**1,748**	1,798
Purchase of property, plant and equipment, land use rights and intangible assets		**(531,526)**	(710,372)
Acquisition of a subsidiary	44	**(31,794)**	–
Investments in jointly controlled entities		**(20,198)**	(75,238)
Investment in an associate		**(52,319)**	–
Loan advanced to a jointly controlled entity		**–**	(6,049)
Repayment of equity loans from associates		**54,443**	60,259
Sale of property, plant and equipment		**51,187**	6,233
Proceeds on disposal of an associate	32	**1,218,815**	–
Compensation received for loss of containers		**388**	378
Net cash generated from/(used in) investing activities		**759,415**	(507,304)
Cash flows from financing activities			
Loans drawn down		**283,691**	1,165,121
Loans repaid		**(900,523)**	(726,641)
Loans from non-controlling shareholders of subsidiaries		**–**	47,729
Repayment of loans from non-controlling shareholders of subsidiaries		**(16,402)**	–
Proceeds from exercise of share options		**2,351**	–
Issue of notes		**295,985**	–
Settlement of notes		**(300,000)**	–
Dividends paid to equity holders of the Company		**(110,143)**	(39,963)
Dividends paid to non-controlling shareholders of subsidiaries		**(2,876)**	(4,664)
Interest paid		**(94,254)**	(84,611)
Other incidental borrowing costs paid		**(7,881)**	(11,265)
Capital contribution from a non-controlling shareholder of a subsidiary		**11,021**	–
Net cash (used in)/generated from financing activities		**(839,031)**	345,706
Net increase in cash and cash equivalents		**396,928**	265,747
Cash and cash equivalents at 1 January		**848,423**	580,958
Exchange differences		**(7,948)**	1,718
Cash and cash equivalents at 31 December	42(b)	**1,237,403**	848,423

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

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

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

These consolidated financial statements have been approved for issue by the Board of Directors on 25 March 2014.

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 31 December 1994 less accumulated depreciation and impairment losses.

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

(a) Adoption of new HKFRSs

In 2013, the Group has adopted the following new and revised HKFRS standards, interpretation, amendments or improvements to existing standards (collectively the "new HKFRSs") issued by the HKICPA which are mandatory for the financial year ended 31 December 2013:

New Standards, interpretation and amendments	
HKAS 1 Amendment	Presentation of Financial Statements
HKAS 19 (2011)	Employee Benefits
HKAS 27 (2011)	Separate Financial Statements
HKAS 28 (2011)	Investment in Associates and Joint Ventures
HKFRS 1 Amendment	Government Loans
HKFRS 7 Amendment	Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKFRS 10, HKFRS 11 and HKFRS 12 Amendment	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine

2 Basis of preparation (Continued)

(a) Adoption of new HKFRSs (Continued)

Annual Improvements 2009-2011 Cycle

HKAS 1 Amendment	Presentation of Financial Statements
HKAS 16 Amendment	Property, Plant and Equipment
HKAS 32 Amendment	Financial Instruments: Disclosures
HKAS 34 Amendment	Interim Financial Reporting
HKFRS 1 Amendment	First-time Adoption of Hong Kong Financial Reporting Standards

Annual Improvements 2010-2012 Cycle

HKFRS 13 Amendment	Fair Value Measurement

Annual Improvements 2011-2013 Cycle

HKFRS 1 Amendment	First-time Adoption of Hong Kong Financial Reporting Standards

Except for the adoption of HKAS 1 Amendment, HKFRS 12 and HKFRS 13 which affected the Group's presentation and required additional disclosures, the Group has assessed the impact of the adoption of these new HKFRSs and considered that there was no significant impact on the Group's results and financial position.

(b) Standards, interpretation, amendments or improvements to existing standards that are not yet effective for the year ended 31 December 2013 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 year ended 31 December 2013 and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
New standards, interpretation and amendments		
HKAS 19 Amendment	Employee Benefits	1 July 2014
HKAS 32 Amendment	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities	1 January 2014
HKAS 36 Amendment	Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
HKAS 39 Amendment	Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
HKFRS 9	Financial Instruments	To be determined
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendment	Investment Entities	1 January 2014
HK(IFRIC)-Int 21	Levies	1 January 2014

2 Basis of preparation (Continued)

(b) Standards, interpretation, amendments or improvements to existing standards that are not yet effective for the year ended 31 December 2013 and have not been early adopted by the Group (Continued)

		Effective for accounting periods beginning on or after
Annual Improvements 2010-2012 Cycle		
HKAS 16 Amendment	Property, Plant and Equipment	1 July 2014
HKAS 24 Amendment	Related Party Disclosures	1 July 2014
HKAS 38 Amendment	Intangible Assets	1 July 2014
HKFRS 2 Amendment	Share-based Payment	1 July 2014
HKFRS 3 Amendment	Business Combinations	1 July 2014
HKFRS 8 Amendment	Operating Segments	1 July 2014
HKFRS 13 Amendment	Fair Value Measurement	1 July 2014
Annual Improvements 2011-2013 Cycle		
HKAS 40 Amendment	Investment Property	1 July 2014
HKFRS 1 Amendment	First-time Adoption of Hong Kong Financial Reporting Standards	1 July 2014
HKFRS 3 Amendment	Business Combinations	1 July 2014
HKFRS 13 Amendment	Fair Value Measurement	1 July 2014

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. Except for certain changes in presentation and disclosures of consolidated financial information, it is anticipated that the adoption of these new standards, interpretation, amendments or improvements to existing standards are not expected to have any significant impact on the consolidated financial statements or result in any significant changes in the Group's significant accounting policies.

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.

3 Summary of significant accounting policies (Continued)

3.1 Group accounting (Continued)

(b) Subsidiaries

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

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

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

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

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

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

(d) Disposal of subsidiaries

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

The Group has applied HKFRS 11 to all joint arrangements as of 1 January 2013. Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The Group has assessed the nature of its jointly controlled entities and determined them to be joint ventures, which are accounted for using the equity method.

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

Investment in a 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.

3 Summary of significant accounting policies (Continued)

3.1 Group accounting (Continued)

(e) Jointly controlled entities/associates (Continued)

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

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

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

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

The Group's share of post-acquisition profit or loss is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in consolidated statement of comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the 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.

Gain or losses on dilution of equity interest 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 executive directors of the Company.

3 Summary of significant accounting policies (Continued)

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.

(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 Summary of significant accounting policies (Continued)

3.4 Property, plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

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

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

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

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 Summary of significant accounting policies (Continued)

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.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

3 Summary of significant accounting policies (Continued)

3.7 Intangible assets (Continued)

(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 of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash flows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

3.9 Available-for-sale financial assets

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

Available-for-sale financial assets are non-derivatives 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.

3 Summary of significant accounting policies (Continued)

3.11 Impairment of financial assets (Continued)

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

The Group assesses at each balance sheet date whether there is objective evidence that available-for-sale financial assets are impaired. A significant or prolonged decline in the fair value of the equity securities below its cost is considered as an indicator that the securities are impaired. If any such evidence exists the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the consolidated income statement) is removed from equity and recognised in the consolidated income statement. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

3.12 Inventories

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

3.13 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 Summary of significant accounting policies (Continued)

3.16 Provisions

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

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

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

3.17 Trade and other payables

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

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

3.18 Financial guarantee contracts

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

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

3.19 Share capital

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

3.20 Borrowings

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

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

3.21 Current and deferred income tax

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

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group, its jointly controlled entities and its associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

3 Summary of significant accounting policies (Continued)

3.21 Current and deferred income tax (Continued)

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised (provided) in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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.

3 Summary of significant accounting policies (Continued)

3.22 Employee benefits (Continued)

(c) Bonus entitlements

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

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

(d) Share-based compensation

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

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

3.23 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.

3 Summary of significant accounting policies (Continued)

3.23 Recognition of revenues and income (Continued)

(h) Dividend income

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

(i) Income on sale of investments

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

3.24 Borrowing costs

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

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

3.25 Government subsidy

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

3.26 Dividend distribution

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

3.27 Contingent liabilities and contingent assets

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

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

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

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

4 Financial risk management

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures. 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$17,790,000 (2012: decreased/increased US$1,156,000) 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 jointly controlled entities, 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$2,421,000 (2012: US$8,355,000).

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 jointly controlled entities and 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% (2012: 19%) 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.

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 31 December 2013				
Bank and other borrowings	**333,779**	**614,477**	**609,298**	**767,877**
Loans from non-controlling shareholders of subsidiaries	**164,970**	**–**	**–**	**–**
Trade and other payables	**309,064**	**–**	**–**	**–**
Financial guarantee contracts	**5,506**	**6,882**	**8,706**	**–**
At 31 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	–

4 Financial risk management (Continued)

4.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

	Less than 1 year US$'000	Between 1 and 2 years US$'000	Between 2 and 5 years US$'000	Over 5 years US$'000
Company				
At 31 December 2013				
Bank borrowings	**6,086**	**233,043**	**–**	**–**
Loan due to a subsidiary	**296,610**	**–**	**–**	**–**
Other payables	**2,795**	**–**	**–**	**–**
Amounts due to subsidiaries	**918,462**	**–**	**–**	**–**
Financial guarantee contracts	**170,506**	**289,882**	**362,706**	**300,000**
At 31 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	–

4.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital on the basis of the net debt (total bank borrowings less cash and cash equivalents and restricted bank deposits) to total equity ratio. The Group aims to maintain a manageable net debt to total equity ratio. As at 31 December 2013, the net debt-to-total equity ratio is 16.7% (2012: 41.6%).

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to equity holders, return capital to equity holders, issue new shares or capital or sell assets to reduce debt.

4.3 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 assets and liabilities that are measured at fair value as at 31 December 2013:

	2013 Level 3 US$'000	2012 Level 2 US$'000
Available-for-sale financial asset	**27,000**	25,000
Derivatives financial instruments	**–**	8,563
Borrowings under fair value hedge	**–**	211,102

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

4 Financial risk management (Continued)

4.3 Fair value estimation (Continued)

As at 31 December 2013, the fair value of unlisted available-for-sale financial asset is determined by reference to valuation report of an independent professional valuer which is determined using valuation technique (including price/earnings multiple method and direct market quote). A discount rate of 20% is applied to compute the fair value on top of market price/earnings multiples. This available-for-sale financial asset is included in level 3 (note 14).

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. In 2013, the Group transferred an available-for-sale financial asset from level 2 into level 3. This is because less comparables are available for computing the price/earnings multiple, resulting in increased significance of the unobservable liquidity discount rate.

The carrying amounts of receivables and payables are assumed to approximate their fair values. The fair values of financial liabilities for disclosure purposes are estimated by discounting the future contractual cash flows at the current market interest rates that are available to the Group for similar financial instruments.

5 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Useful lives and residual values of containers

Management determines the estimated useful lives of containers by reference to the Group's business model, its assets management policy and industry practice. The change in these factors can significantly affect the estimation of useful lives of containers and depreciation expenses will change when useful lives are different from the previous estimates.

Management determines the residual values of containers based on all relevant factors (including the use of the current scrap value of steel in an active market as a reference value) at each measurement date. The depreciation expenses will change when the residual values are different from the previous estimates.

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Any adjustment will result in a change in depreciation expenses.

If the useful lives of containers differ by 10% from management's estimates as at 31 December 2013 with all other variables held constant, the estimated depreciation charge for the year would be US$18,559,000 higher or US$13,293,000 lower for the year ended 31 December 2013.

If the residual values of containers differ by 10% from management's estimates as at 31 December 2013 with all other variables held constant, the estimated depreciation charge for the year would be US$4,161,000 higher or lower for the year ended 31 December 2013.

(b) Acquisition of a business

The initial accounting on the acquisition of a business involves identifying and determining the fair values to be assigned to the identifiable assets, liabilities and contingent liabilities of the acquired entities or businesses. The fair values of identifiable net assets are determined by 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.

5 Critical accounting estimates and judgements (Continued)

(c) Income taxes

Deferred income tax liabilities have not been established for the withholding taxation that would be payable on the undistributed earnings of certain subsidiaries which were under certain jurisdictions as the directors consider that the timing of the reversal of related temporary differences can be controlled (note 16).

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises or writes back liabilities for anticipated tax issues based on estimates of whether additional taxes will be due or reversal to be made. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

(d) Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market (for example, derivatives and available-for-sale financial assets) is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

(e) 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.

6 Revenues and segment information

Revenues recognised during the year are as follows:

	2013 US$'000	2012 US$'000
Terminal operations income	**452,063**	398,491
Operating lease rentals on		
– containers	**290,883**	280,514
– generator sets	**1,576**	1,628
Sale of inventories	**42,808**	42,606
Finance lease income	**959**	1,113
Container management income	**7,398**	7,492
Container handling, transportation and storage income	**2,939**	3,656
Turnover	**798,626**	735,500

(a) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments. The operating segments were determined based on the reports reviewed by management. The following operating segments were identified in accordance with the Group's continuing operations:

(i) terminals and related businesses including terminal operations, container handling, transportation and storage; and

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

The performance of the operating segments was assessed based on their segment profit/loss attributable to equity holders of the Company and segment assets, which is measured in a manner consistent with that in the consolidated financial statements.

Corporate assets comprise property, plant & equipment, investment properties, intangible assets, derivative financial assets, inter-segment loans, other receivables and prepayments and cash and cash equivalents.

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

Segment assets

	Terminals and related businesses US$'000	Container leasing, management, sale and related businesses US$'000	Container manufacturing and related businesses (note) US$'000	Segment total US$'000	Corporate US$'000	Inter-segment elimination US$'000	Total US$'000
At 31 December 2013							
Segment assets	**4,399,661**	**2,134,325**	**–**	**6,533,986**	**2,031,613**	**(1,014,295)**	**7,551,304**
Segment assets include:							
Jointly controlled entities	**635,554**	**–**	**–**	**635,554**	**–**	**–**	**635,554**
Associates	**824,598**	**–**	**–**	**824,598**	**–**	**–**	**824,598**
Available-for-sale financial asset	**27,000**	**–**	**–**	**27,000**	**–**	**–**	**27,000**
At 31 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

Note:

The container manufacturing and related businesses segment was classified as discontinued operation in 2013 (note 32).

6 Revenues and segment information (Continued)

(a) Operating segments (Continued)

Segment revenues, results and other information

	Continuing operations						Discontinued operation
	Terminals and related businesses US$'000	Container leasing, management, sale and related businesses US$'000	Segment total US$'000	Corporate US$'000	Elimination of inter-segment (revenues) and finance (income)/ costs US$'000	Total US$'000	Container manufacturing and related businesses US$'000
Year ended 31 December 2013							
Revenues – total sales	455,071	347,747	802,818	–	(4,192)	798,626	–
Segment profit/(loss) attributable to equity holders of the Company	186,767	125,259	312,026	(25,820)	–	286,206	416,470
Segment profit/(loss) attributable to equity holders of the Company includes:							
Finance income	934	452	1,386	33,094	(16,368)	18,112	–
Finance costs	(60,305)	(22,150)	(82,455)	(22,429)	20,345	(84,539)	–
Share of profits less losses of							
– jointly controlled entities	81,406	–	81,406	–	–	81,406	–
– associates	72,504	–	72,504	–	–	72,504	23,059
Net gain on disposal of an associate	–	–	–	–	–	–	393,411
Income tax expenses	(13,249)	(3,128)	(16,377)	(17,120)	–	(33,497)	–
Depreciation and amortisation	(74,989)	(113,112)	(188,101)	(2,363)	–	(190,464)	–
Provision for inventories	–	(1,792)	(1,792)	–	–	(1,792)	–
Other non-cash expenses	(568)	(3,198)	(3,766)	–	–	(3,766)	–
Additions to non-current assets	(285,405)	(289,677)	(575,082)	(190)	–	(575,272)	–
Additions arising from business combination	(85,086)	–	(85,086)	–	–	(85,086)	–

6 Revenues and segment information (Continued)

(a) Operating segments (Continued)

Segment revenues, results and other information (Continued)

	Continuing operations						Discontinued operation
	Terminals and related businesses US$'000	Container leasing, management, sale and related businesses US$'000	Segment total US$'000	Corporate US$'000	Elimination of inter-segment (revenues) and finance (income)/ costs US$'000	Total US$'000	Container manufacturing and related businesses US$'000
Year ended 31 December 2012							
Revenues – 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	328,486	(48,187)	–	280,299	61,895
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	–	64,682	–	–	64,682	61,895
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)	–

Note:

For the year ended 31 December 2013, the container leasing, management, sale and related businesses segment revenues included US$153,436,000 (2012: US$139,113,000) container leasing income from COSCON.

6 Revenues and segment information (Continued)

(b) Geographical information

(i) Revenues

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

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

	2013 US$'000	2012 US$'000
Terminals and related businesses		
– Mainland China (excluding Hong Kong)	**296,634**	263,718
– Europe	**155,429**	134,773
– Others	**2,939**	3,656
Unallocated	**343,624**	333,353
	798,626	735,500

(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's 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
Terminals and related businesses	Hong Kong, Mainland China, Singapore, Belgium, Egypt, Greece and Taiwan
Container manufacturing and related businesses	Mainly Mainland China

	2013 US$'000	2012 US$'000
Mainland China (excluding Hong Kong)	**3,538,058**	3,993,046
Europe	**427,235**	286,259
Others	**256,064**	245,779
Unallocated	**1,771,066**	1,671,211
	5,992,423	6,196,295

7 Property, plant and equipment

Group

	Containers US$'000	Generator sets US$'000	Leasehold land and buildings in Hong Kong US$'000	Buildings outside Hong Kong US$'000	Leasehold improvements US$'000	Other property, plant and equipment US$'000	Construction in progress US$'000	Total US$'000
Cost or valuation								
At 1 January 2013	2,073,889	11,939	24,079	1,162,733	3,188	650,382	394,119	4,320,329
Exchange differences	546	–	–	40,352	62	25,371	14,273	80,604
Acquisition of a subsidiary (note 44)	–	–	–	–	–	9,749	62,711	72,460
Additions	288,754	–	–	6,766	38	79,825	188,786	564,169
Disposals	(53,180)	(191)	–	(456)	(31)	(7,782)	–	(61,640)
Transfer to inventories	(71,090)	–	–	–	–	–	–	(71,090)
Transfers	–	–	–	117,764	–	79,757	(197,521)	–
At 31 December 2013	2,238,919	11,748	24,079	1,327,159	3,257	837,302	462,368	4,904,832
Accumulated depreciation and impairment losses								
At 1 January 2013	408,554	6,063	5,577	71,669	1,468	109,194	–	602,525
Exchange differences	99	–	–	2,832	22	3,937	–	6,890
Depreciation charge for the year	110,507	904	238	31,465	337	37,885	–	181,336
Disposals – accumulated depreciation and impairment losses	(2,699)	(95)	–	(254)	(3)	(6,929)	–	(9,980)
Transfer to inventories	(43,733)	–	–	–	–	–	–	(43,733)
At 31 December 2013	472,728	6,872	5,815	105,712	1,824	144,087	–	737,038
Net book value								
At 31 December 2013	1,766,191	4,876	18,264	1,221,447	1,433	693,215	462,368	4,167,794
The analysis of cost or valuation of the above assets as at 31 December 2013 is as follows:								
At cost	2,238,919	11,748	4,105	1,327,159	3,257	837,302	462,368	4,884,858
At 1994 professional valuation	–	–	19,974	–	–	–	–	19,974
	2,238,919	11,748	24,079	1,327,159	3,257	837,302	462,368	4,904,832

7 Property, plant and equipment (Continued)

Group (Continued)

	Containers US$'000	Generator sets US$'000	Leasehold land and buildings in Hong Kong US$'000	Buildings outside Hong Kong US$'000	Leasehold improvements US$'000	Other property, plant and equipment US$'000	Construction in progress US$'000	Total US$'000
Cost or valuation								
At 1 January 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 31 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 1 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 31 December 2012	408,554	6,063	5,577	71,669	1,468	109,194	–	602,525
Net book value								
At 31 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 31 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)

Company

	Other property, plant and equipment	
	2013 US$'000	2012 US$'000
Cost		
At 1 January and 31 December	**845**	845
Accumulated depreciation		
At 1 January	**688**	625
Depreciation charge for the year	**64**	63
At 31 December	**752**	688
Net book value		
At 31 December	**93**	157

Notes:

(a) Certain land and buildings in Hong Kong of the Group with carrying amount of US$14,628,000 (2012: US$14,769,000) were revalued in 1994 on an open market value basis by C.Y. Leung & Company Limited (now known as DTZ), an independent professional property valuer.

The carrying amount of these land and buildings as at 31 December 2013 would have been US$13,256,000 (2012: US$13,409,000) had the buildings been carried at cost less accumulated depreciation and impairment losses in the consolidated financial statements.

(b) The aggregate cost and accumulated depreciation as at 31 December 2013 of the leased assets of the Group (where the Group is a lessor) which comprised containers, generator sets and certain other property, plant and equipment and were leased to fellow subsidiaries and third parties under operating leases amounted to US$2,114,777,000 (2012: US$1,844,221,000) and US$479,634,000 (2012: US$413,486,000) respectively. There are no accumulated impairment losses as at 31 December 2013 (2012: US$1,150,000).

(c) The accumulated impairment losses of property, plant and equipment of the Group as at 31 December 2013 amounted to US$2,627,000 (2012: US$3,819,000).

(d) During the year, the Group transferred containers with an aggregate net book value of US$27,357,000 (2012: US$14,639,000) to inventories.

(e) As at 31 December 2013, certain other property, plant and equipment with an aggregate net book value of US$65,473,000 (2012: US$18,828,000) were pledged as security for a banking facility granted to the Group (note 24(h)).

(f) During the year, interest expense of US$12,611,000 (2012: US$16,341,000) was capitalised in construction in progress (note 30).

8 Investment properties

	Group	
	2013 US$'000	2012 US$'000
At 1 January	**4,899**	7,571
Exchange differences	**93**	8
Transfer to property, plant and equipment (note 7)	**–**	(3,083)
Revaluation surplus (note a)	**364**	403
At 31 December	**5,356**	4,899

Notes:

(a) The investment properties as at 31 December 2013 and 2012 were revalued on an open market value basis by China Tong Cheng Assets Appraisals Company Limited and Jones Lang Lasalle Sallmanns Limited, independent professional property valuers who hold recognised relevant professional qualifications and have recent experiences in the locations and segments of the investment properties valued. The revaluation surplus for the year ended 31 December 2013 of US$364,000 (2012: US$403,000) was accounted for in the consolidated income statement within other operating income (note 28). For all investment properties, their current use equates to the highest and best use.

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

8 Investment properties (Continued)

(c) The valuations are derived using the discounted cash flow method and income capitalisation method respectively.

For properties in PRC, discounted cash flow method is based on net present value of estimated income stream by adopting an appropriate discount rate which reflects the risk profile and net operating income growth rate. The higher the discount rate, the lower the fair value. The higher the net operating income growth rate, the higher the fair value. Prevailing market rents are estimated based on recent lettings within the subject properties and other comparable properties. The lower the rents, the lower the fair value.

For properties in Hong Kong, income capitalisation method is based on the capitalisation of the net rental income derived from the existing leases and/or achievable in existing market with reversionary income potential by adopting appropriate capitalisation rates. Capitalisation is estimated by valuer based on the risk profile of the properties being valued. The higher the rates, the lower the fair value. Prevailing market rents are estimated based on recent lettings within the subject properties and other comparable properties. The lower the rents, the lower the fair value.

(d) There were no changes to the valuation techniques during the year.

9 Land use rights

	Group	
	2013	2012
	US$'000	US$'000
At 1 January	**219,631**	223,870
Exchange differences	**7,187**	529
Acquisition of a subsidiary (note 44)	**12,626**	–
Additions	**9,844**	–
Amortisation	**(5,113)**	(4,768)
At 31 December	**244,175**	219,631

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 (2012: between 10 to 50 years)

10 Intangible assets

Group

	Computer software		Computer systems under development		Goodwill		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Cost								
At 1 January	**22,164**	19,842	**1,427**	1,231	**–**	–	**23,591**	21,073
Exchange differences	**267**	55	**1**	2	**10**	–	**278**	57
Acquisition of a subsidiary (note 44)	**–**	–	**–**	–	**333**	–	**333**	–
Additions	**589**	1,693	**670**	797	**–**	–	**1,259**	2,490
Write-off	**(85)**	(29)	**–**	–	**–**	–	**(85)**	(29)
Transfer	**569**	603	**(569)**	(603)	**–**	–	**–**	–
At 31 December	**23,504**	22,164	**1,529**	1,427	**343**	–	**25,376**	23,591
Accumulated amortisation								
At 1 January	**13,596**	11,842	**–**	–	**–**	–	**13,596**	11,842
Exchange differences	**71**	14	**–**	–	**–**	–	**71**	14
Amortisation for the year	**2,117**	1,769	**–**	–	**–**	–	**2,117**	1,769
Write-off	**(85)**	(29)	**–**	–	**–**	–	**(85)**	(29)
At 31 December	**15,699**	13,596	**–**	–	**–**	–	**15,699**	13,596
Net book value								
At 31 December	**7,805**	8,568	**1,529**	1,427	**343**	–	**9,677**	9,995

11 Subsidiaries

	Company 2013 US$'000	2012 US$'000
Unlisted investments, at cost (note a)	**382,759**	273,255
Advances to subsidiaries (note b)	**1,570,032**	1,899,087
	1,952,791	2,172,342
Amounts due from subsidiaries (net of provision)		
– Non-current (note c)	**476,012**	35,745
– Current (note d)	**1,385,044**	1,060,311
Loan due to a subsidiary (note e)	**(296,610)**	(296,655)
Amounts due to subsidiaries (note f)	**(918,462)**	(804,768)

Notes:

(a) As at 31 December 2013, the Company's investment in a subsidiary amounted to US$105,362,000 (2012: US$105,362,000) was pledged as security for a banking facility granted to the Group (note 24(h)).

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

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

(i) As at 31 December 2013, balances of US$10,000,000 (2012: US$10,000,000), US$10,000,000 (2012: US$10,000,000), US$15,000,000 (2012: US$Nil), US$10,000,000 (2012: US$Nil) and US$9,500,000 (2012: US$Nil) which bear interests of 4.2% (2012: 4.2%) per annum above the US dollar London Interbank Offered Rate ("LIBOR") and are wholly repayable on or before 4 November 2017, 17 December 2017, 23 January 2018, 17 March 2018 and 2 June 2018 respectively. Balances of US$198,461,000 (2012: US$Nil), US$24,603,000 (2012: US$Nil) and US$8,201,000 (2012: US$Nil) which bear interests of 5.76% per annum and are wholly repayable on or before 15 July 2018, 5 August 2018 and 18 December 2018 respectively. Balance of US$164,018,000 (2012: US$Nil) which bears interests of 5.8425% (2012: US$Nil) per annum and is wholly repayable on or before 23 July 2023. Balance of US$26,229,000 which bears interest of 2.28% per annum and is wholly repayable on or before 31 December 2016. Such balance was equity in nature, unsecured, interest free, have no fixed terms of repayment and classified as advances to subsidiaries as at 31 December 2012 (note b).

(ii) As at 31 December 2012, balance of US$15,745,000 bore interests of 0.6% per annum above the US dollar LIBOR and was wholly repayable on or before 30 December 2014. This balance is classified as current as at 31 December 2013 (note d).

(d) The amounts due from subsidiaries are unsecured, interest free and have no fixed terms of repayment except for the balance of US$15,976,000 which bears interest of 0.6% per annum above the US dollar LIBOR and is wholly repayable on or before 30 December 2014 (note c(ii)). Movement on the provision for impairment of amounts due from subsidiaries is as follows:

	Company 2013 US$'000	2012 US$'000
At 1 January	**(153,639)**	(135,239)
Provision for impairment of amounts due from subsidiaries	**(24,700)**	(18,400)
At 31 December	**(178,339)**	(153,639)

(e) The loan due to a subsidiary as at 31 December 2013 is unsecured, interest free and repayable on demand.

The loan due to a subsidiary as at 31 December 2012 was unsecured, interest free and wholly repayable on or before 3 October 2013. The loan has been repaid in 2013.

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

(g) Details of the subsidiaries as at 31 December 2013 are set out in note 46 to the consolidated financial statements.

12 Jointly controlled entities

	Group 2013 US$'000	2012 US$'000
Investment in jointly controlled entities including goodwill on acquisitions (note a)	**590,554**	554,510
Equity loan to a jointly controlled entity (note b)	**45,000**	45,000
	635,554	599,510
Loan to a jointly controlled entity (note c)	**4,129**	5,276

Notes:

(a) The carrying amount of goodwill on acquisitions of jointly controlled entities amounted to US$41,443,000 (2012: 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 (2012: US$31,435,000), US$5,362,000 (2012: US$5,362,000) and US$4,533,000 (2012: US$4,533,000).

(b) The balance is equity in nature, unsecured, interest free and has no fixed terms of repayment.

(c) Loan to a jointly controlled entity is secured, which bears interest at 5% per annum above the 3 months Euro Interbank Offered Rate ("EURIBOR") and wholly repayable on or before December 2016.

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

	Non-current assets US$'000	Current assets US$'000	Non-current liabilities US$'000	Current liabilities US$'000	Revenues US$'000	Expenses US$'000	Other comprehensive income US$'000	Profits less losses after income tax US$'000
2013	**980,540**	**141,447**	**(349,587)**	**(219,012)**	**286,475**	**(182,423)**	**18**	**81,406**
2012	957,135	130,599	(379,684)	(145,940)	283,131	(172,089)	–	96,461

(e) The Company has no directly owned jointly controlled entity as at 31 December 2013 and 2012. Details of the Group's jointly controlled entities as at 31 December 2013 are set out in note 47 to the consolidated financial statements.

13 Associates

	Group 2013 US$'000	2012 US$'000
Investment in associates including goodwill on acquisitions (note b)		
– Listed shares	**–**	804,377
– Unlisted shares	**797,385**	684,531
	797,385	1,488,908
Equity loans to associates (note c)	**27,213**	81,707
	824,598	1,570,615
Loan to an associate (note d)	**33,543**	30,702
Market value of listed shares	**–**	1,020,111

13 Associates (Continued)

Notes:

(a) Sigma Enterprises Limited ("Sigma") and Wattrus Limited ("Wattrus") and their subsidiary companies (collectively "Sigma and Wattrus Group") are associates (note 48) that are material to the Group. Sigma and Wattrus Group are engaged in the operation, management and development of container terminals and investment holding. Set out below are the summarised financial information, after fair value adjustments upon acquisition, for these associates which are accounted for using the equity method:

Summarised balance sheet

	Sigma and Wattrus Group 2013 US$'000	2012 US$'000
Non-current assets	**3,946,348**	3,986,235
Current assets	**693,096**	750,013
Non-current liabilities	**(406,357)**	(791,554)
Current liabilities	**(1,006,855)**	(1,028,252)

Summarised statement of comprehensive income

	Sigma and Wattrus Group 2013 US$'000	2012 US$'000
Revenues	**861,158**	848,606
Profit attributable to equity holders for the year	**267,182**	261,017
Group's share of profits of associates	**54,906**	53,639

Reconciliation of summarised financial information

Reconciliation of summarised financial information presented to the carrying amount of the Group's interests in these associates.

Summarised financial information	Sigma and Wattrus Group 2013 US$'000	2012 US$'000
Capital and reserves attributable to equity holders	**2,487,713**	2,264,710
Group's effective interest	**20.55%**	20.55%
Group's share of capital and reserves attributable to equity holders	**511,225**	465,398
Equity loans to associates	**27,213**	81,707
Adjustment to cost of investment	**46,860**	46,860
Carrying amount	**585,298**	593,965

(b) The carrying amount of goodwill on acquisitions of associates amounted to US$28,415,000 (2012: US$28,279,000), mainly represented the goodwill on acquisition of equity interests in Sigma and Wattrus of US$20,669,000 (2012: US$20,669,000) and US$7,523,000 (2012: US$7,523,000) respectively.

On 22 July 2013, the Group completed the acquisition of 39.04% equity interest in Taicang International Container Terminal Co., Ltd. from COSCO at a consideration of US$52,319,000.

During the year, China International Marine Containers (Group) Co., Ltd. ("CIMC") was disposed of to a related party and details of the disposal are set out in note 32.

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

(d) The loan to an associate is unsecured, bears interest at 2% (2012: 2%) per annum above the 10-year Belgium prime rate and has no fixed terms of repayment.

(e) The financial information below, after making necessary adjustments to conform to the Group's significant accounting policies, represents the Group's interests in respective associates other than Sigma and Wattrus Group disclosed above and CIMC which was disposed in 2013 (note 32):

	Total assets US$'000	Total liabilities US$'000	Revenues US$'000	Expenses US$'000	Other comprehensive income US$'000	Profit less losses after income tax US$'000
2013	**403,553**	**(164,430)**	**84,362**	**(66,870)**	**2,042**	**17,598**
2012	307,974	(135,752)	68,405	(53,933)	199	11,043

(f) There are no significant contingent liabilities relating to the Group's interest in associates.

(g) The Company has no directly owned associate as at 31 December 2013 and 2012. Details of the Group's associates as at 31 December 2013 are set out in note 48 to the consolidated financial statements.

14 Available-for-sale financial asset

	Group	
	2013	2012
	US$'000	US$'000
At 1 January	**25,000**	17,000
Fair value gain recognised in equity	**2,000**	8,000
At 31 December	**27,000**	25,000

Note:

As at 31 December 2013 and 2012, 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							
	2013				2012			
	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 19)	**2,821**	**(838)**	**–**	**1,983**	2,802	(949)	(37)	1,816
Non-current portion								
– later than one year and not later than five years	**9,502**	**(2,114)**	**–**	**7,388**	9,852	(2,516)	–	7,336
– later than five years	**4,962**	**(406)**	**–**	**4,556**	6,953	(747)	–	6,206
	14,464	**(2,520)**	**–**	**11,944**	16,805	(3,263)	–	13,542
	17,285	**(3,358)**	**–**	**13,927**	19,607	(4,212)	(37)	15,358

As at 31 December 2013, the Group entered into 9 (2012: 12) finance lease contracts for leasing of certain containers and a vessel. The average term of the finance lease contracts is 3.9 years (2012: 5 years).

The cost of assets acquired for the purpose of letting under finance leases amounted to US$17,974,000 (2012: US$18,505,000) as at 31 December 2013.

Unguaranteed residual values of assets leased under finance lease contracts are estimated at approximately US$1,000 (2012: 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	
	2013	2012
	US$'000	US$'000
At 1 January	**50,002**	43,765
Exchange differences	**(38)**	11
Charged to consolidated income statement (note 31)	**9,823**	6,226
Write back of deferred income tax on undistributed profit resulted from disposal of an associate	**(26,401)**	–
At 31 December	**33,386**	50,002

Deferred income tax assets are recognised for tax losses carry forwards to the extent that realisation of the related tax benefit through the future taxable profits is probable. As at 31 December 2013, the Group and the Company have unrecognised tax losses of US$79,611,000 (2012: US$28,236,000) and US$Nil (2012: US$2,563,000) respectively to carry forward. Except for the tax losses of US$19,086,000 (2012:US$Nil), US$9,255,000 (2012: US$Nil), US$996,000 (2012: US$194,000), US$11,504,000 (2012: US$1,850,000) and US$Nil (2012: US$4,338,000) of the Group which will be expired as at 31 December 2014, 2015, 2016, 2017 and 2018 respectively, all other tax losses have no expiry dates.

As at 31 December 2013, deferred income tax liabilities of US$7,443,000 (2012: US$5,963,000) have not been established for the withholding taxation that would be payable on the undistributed profits of certain subsidiaries in certain tax jurisdictions totaling US$43,420,000 (2012: US$32,100,000) as the directors considered that the timing of the reversal of the related temporary differences can be controlled and accordingly the temporary differences will not be reversed in the foreseeable future.

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

Deferred income tax liabilities

	Group					
	Accelerated tax depreciation		Undistributed profits		Total	
	2013	2012	2013	2012	2013	2012
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
At 1 January	**8,082**	6,676	**45,773**	41,050	**53,855**	47,726
Exchange differences	**83**	25	**–**	–	**83**	25
Charged to consolidated income statement	**1,570**	1,381	**9,602**	4,723	**11,172**	6,104
Write back resulted from disposal of an associate	**–**	–	**(26,401)**	–	**(26,401)**	–
At 31 December	**9,735**	8,082	**28,974**	45,773	**38,709**	53,855

16 Deferred income tax (Continued)

Deferred income tax assets

	Group					
	Tax losses		Others		Total	
	2013 US$'000	2012 US$'000	2013 US$'000	2012 US$'000	2013 US$'000	2012 US$'000
At 1 January	**262**	1,696	**3,591**	2,265	**3,853**	3,961
Exchange differences	**(1)**	(3)	**122**	17	**121**	14
Credited/(charged) to consolidated income statement	**61**	(1,431)	**1,288**	1,309	**1,349**	(122)
At 31 December	**322**	262	**5,001**	3,591	**5,323**	3,853

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet:

	Group	
	2013 US$'000	2012 US$'000
Deferred income tax assets	**1,236**	676
Deferred income tax liabilities	**34,622**	50,678

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

	Group	
	2013 US$'000	2012 US$'000
Deferred income tax assets to be recovered after more than 12 months	**3,958**	3,114
Deferred income tax liabilities to be settled after more than 12 months	**9,609**	7,956

As at 31 December 2013 and 2012, the Company did not have significant deferred income tax assets and liabilities.

17 Other non-current assets

Other non-current assets of the Group mainly represent prepaid operating lease payments, which included the unamortised upfront concession fee incurred in respect of the concession agreement with Piraeus Port Authority S.A. for the concession of Piers 2 and 3 of the Piraeus Port in Greece for a term of 35 years (the "Concession"). The Concession commenced on 1 October 2009. Apart from the aforesaid upfront concession fee, the Group had operating lease commitment in relations to the Concession (note 41(b)).

18 Inventories

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

19 Trade and other receivables

	Group 2013 US$'000	Group 2012 US$'000	Company 2013 US$'000	Company 2012 US$'000
Trade receivables (note a)				
– third parties	**59,138**	61,096	**–**	–
– fellow subsidiaries (notes b and c)	**28,107**	27,261	**–**	–
– a jointly controlled entity (note b)	**–**	21	**–**	–
– non-controlling shareholders of a subsidiary (note b)	**4,561**	3,053	**–**	–
– related companies (note b)	**468**	343	**–**	–
	92,274	91,774	**–**	–
Less: provision for impairment	**(3,946)**	(2,508)	**–**	–
	88,328	89,266	**–**	–
Other receivables, deposits and prepayments	**53,936**	75,080	**7,611**	538
Rent receivable collected on behalf of owners of managed containers (note d)	**22,685**	30,176	**–**	–
Current portion of finance lease receivables (note 15)	**1,983**	1,816	**–**	–
Loans to jointly controlled entities (note e)	**22,485**	22,485	**–**	–
Amounts due from				
– fellow subsidiaries (note b)	**525**	247	**–**	–
– jointly controlled entities (note f)	**28,186**	2,590	**–**	–
– associates (note f)	**4,430**	–	**–**	–
– a non-controlling shareholder of a subsidiary (note b)	**1,935**	68	**–**	–
	224,493	221,728	**7,611**	538

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) based on invoice date is as follows:

	Group 2013 US$'000	Group 2012 US$'000
Within 30 days	**50,333**	47,014
31-60 days	**31,037**	29,568
61-90 days	**5,408**	9,856
Over 90 days	**1,550**	2,828
	88,328	89,266

As at 31 December 2013, trade receivables of US$64,582,000 (2012: US$62,525,000) were fully performing.

As at 31 December 2013, trade receivables of US$23,746,000 (2012: US$26,741,000) 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 2013 US$'000	Group 2012 US$'000
Within 30 days	**20,968**	21,067
31-60 days	**1,783**	4,250
61-90 days	**592**	764
Over 90 days	**403**	660
	23,746	26,741

19 Trade and other receivables (Continued)

(a) As at 31 December 2013, trade receivables of US$3,946,000 (2012: US$2,508,000) were impaired. The amount of the provision was US$3,946,000 (2012: US$2,508,000) as at 31 December 2013. The individually impaired receivables mainly relate to lessees, which are in unexpected difficult economic situations. The ageing of these receivables is as follows:

	Group	
	2013 US$'000	2012 US$'000
Within 30 days	**737**	743
31-60 days	**693**	710
61-90 days	**518**	47
Over 90 days	**1,998**	1,008
	3,946	2,508

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

	Group	
	2013 US$'000	2012 US$'000
At 1 January	**(2,508)**	(3,446)
Exchange differences	**(15)**	(4)
Provision for impairment of trade receivables (note 29)	**(3,068)**	(895)
Write back of provision for impairment of trade receivables (note 28 and 29)	**1,493**	1,254
Receivables written off during the year as uncollectible	**152**	583
At 31 December	**(3,946)**	(2,508)

(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$24,681,000 (2012: US$23,553,000). During the year ended 31 December 2013, the container leasing income from COSCON and the other fellow subsidiaries amounted to US$153,440,000 (2012: US$139,113,000) and US$18,000 (2012: US$8,000) respectively.

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

(e) As at 31 December 2013, balance of US$21,109,000 (2012: US$21,825,000) is unsecured, interest free, and wholly repayable within twelve months. Balance of US$1,376,000 (2012: 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	
	2013 US$'000	2012 US$'000	2013 US$'000	2012 US$'000
US dollar	**108,844**	84,027	**3,726**	170
Renminbi	**89,114**	95,757	**3,332**	55
Hong Kong dollar	**2,162**	2,615	**438**	313
Euro	**23,671**	38,409	**115**	–
Other currencies	**702**	920	**–**	–
	224,493	221,728	**7,611**	538

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

20 Derivative financial instruments

	Group	
	2013 US$'000	2012 US$'000
Interest rate swap contracts		
– fair value hedges (note)	–	8,563

Note:

As at 31 December 2012, the notional principal amount of the related interest rate swap contracts amounted to US$200,000,000 which were committed with interest rates ranging from 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 matured on 3 October 2013.

21 Share capital

	2013 US$'000	2012 US$'000
Authorised:		
4,000,000,000 (2012: 4,000,000,000) ordinary shares of HK$0.10 each	**51,282**	51,282
Issued and fully paid:		
2,912,325,528 (2012: 2,786,052,002) ordinary shares of HK$0.10 each	**37,391**	35,762

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

	Number of ordinary shares	Nominal value US$'000
At 1 January 2013	**2,786,052,002**	**35,762**
Issued on scrip dividend for 2012 final (note a)	**20,981,194**	**270**
Issued on scrip dividends for 2013 interim and special interim (note b)	**103,381,332**	**1,334**
Issued on exercise of share options (note 22)	**1,911,000**	**25**
At 31 December 2013	**2,912,325,528**	**37,391**
At 1 January 2012	2,711,783,573	34,805
Issued on scrip dividend for 2011 final (note a)	35,636,349	459
Issued on scrip dividend for 2012 interim (note b)	38,632,080	498
At 31 December 2012	2,786,052,002	35,762

Notes:

(a) During the year ended 31 December 2013, 20,981,194 (2012: 35,636,349) new shares were issued by the Company at HK$11.164 (2012: HK$9.206) per share for the settlement of 2012 final (2012: 2011 final) scrip dividends.

(b) During the year ended 31 December 2013, 103,381,332 (2012: 38,632,080) new shares were issued by the Company at HK$11.352 (2012: HK$10.28) per share for the settlement of 2013 interim and special interim (2012: 2012 interim) scrip dividends.

22 Share-based payment

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

On 5 December 2005, amendments to certain terms of the 2003 Share Option Scheme were approved by the shareholders of the Company (the "Amended 2003 Share Option Scheme"). Under the Amended 2003 Share Option Scheme, the directors of the Company may, at their discretion, invite any participants, as defined under the Amended 2003 Share Option Scheme, to take up share options for subscribing the Company's shares, subject to the terms and conditions stipulated therein.

The consideration on acceptance of an offer of the grant of options is HK$1.00.

The 2003 Share Option Scheme was expired on 22 May 2013. No further options shall thereafter be granted under the 2003 Share Option Scheme but in all other respects the provisions of the 2003 Share Option Scheme shall remain in full force and effect.

Movements of the share options are set out below:

			For the year ended 31 December 2013 Number of share options				
Category	**Note**	**Exercise price HK$**	**Outstanding at 1 January 2013**	**Exercised during the year (note v)**	**Transfer (to)/ from other categories during the year**	**Lapsed during the year**	**Outstanding at 31 December 2013**
Directors	(i) (ii)	**9.54**	**800,000**	**(800,000)**	**–**	**–**	**–**
	(i) (iii)	**13.75**	**1,000,000**	**–**	**–**	**–**	**1,000,000**
	(i) (iv)	**19.30**	**1,000,000**	**–**	**(500,000)**	**–**	**500,000**
Continuous contract employees	(i) (ii)	**9.54**	**1,381,000**	**(1,061,000)**	**–**	**(320,000)**	**–**
	(i) (iii)	**13.75**	**10,948,000**	**–**	**(80,000)**	**(62,000)**	**10,806,000**
	(i) (iv)	**19.30**	**12,160,000**	**–**	**(60,000)**	**(70,000)**	**12,030,000**
Others	(i) (ii)	**9.54**	**50,000**	**(50,000)**	**–**	**–**	**–**
	(i) (iii)	**13.75**	**1,630,000**	**–**	**80,000**	**(60,000)**	**1,650,000**
	(i) (iv)	**19.30**	**300,000**	**–**	**560,000**	**–**	**860,000**
			29,269,000	**(1,911,000)**	**–**	**(512,000)**	**26,846,000**

			For the year ended 31 December 2012 Number of share options					
Category	**Note**	**Exercise price HK$**	**Outstanding at 1 January 2012**	**Exercised during the year**	**Transfer (to)/ from other categories during the year**	**Cancelled during the year**	**Lapsed during the year**	**Outstanding at 31 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

22 Share-based payment (Continued)

Notes:

(i) All the outstanding options were vested and exercisable as at 31 December 2013 and 2012. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

(ii) The share options were granted during the period from 28 October 2003 to 6 November 2003 under the 2003 Share Option Scheme at an exercise price of HK$9.54. The options are exercisable at any time within ten years from the date on which an offer is accepted or deemed to be accepted by the grantee under the 2003 Share Option Scheme from 28 October 2003 to 6 November 2003, which have already been lapsed for the year ended 31 December 2013.

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

(iv) The share options were granted during the period from 17 April 2007 to 19 April 2007 under the 2003 Share Option Scheme at an exercise price of HK$19.30. The options are exercisable at any time within ten years from the date on which an offer is accepted or deemed to be accepted by the grantee under the 2003 Share Option Scheme from 17 April 2007 to 19 April 2007.

(v) In 2013, the proceeds, net of transaction costs, yielded from the exercise of 1,911,000 share options were as follows:

	2013 US$'000
Ordinary share capital – at par	**25**
Share premium (net of issue expenses)	**2,326**
Proceeds (net of issue expenses)	**2,351**

(vi) Share options outstanding at the end of the year have the following expiry dates and exercise prices:

Expiry date	Exercise price HK$	Number of share options 2013	2012
28 October 2013 to 6 November 2013	9.54	**–**	2,231,000
25 November 2014 to 16 December 2014	13.75	**13,456,000**	13,578,000
17 April 2017 to 19 April 2017	19.30	**13,390,000**	13,460,000
		26,846,000	29,269,000

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

	2013		2012	
	Average exercise price per share HK$	Number of share options	Average exercise price per share HK$	Number of share options
At 1 January	**15.98**	**29,269,000**	15.63	38,103,000
Exercised	**9.54**	**(1,911,000)**	–	–
Cancelled	**–**	**–**	14.16	(6,700,000)
Lapsed	**11.88**	**(512,000)**	15.42	(2,134,000)
At 31 December	**16.52**	**26,846,000**	15.98	29,269,000

The weighted average closing market price of the Company's shares on the dates when the share options were exercised in 2013 was HK$11.72 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 1 January 2013	**1,389,831**	**414,214**	**8,558**	**562,018**	**2,374,621**
Profit for the year	**–**	**–**	**–**	**870,294**	**870,294**
Issue of shares on exercise of share options	**2,326**	**–**	**–**	**–**	**2,326**
Issue of shares on settlement of scrip dividends	**179,940**	**–**	**–**	**–**	**179,940**
Transfer of reserves upon lapse of share options	**–**	**–**	**(44)**	**44**	**–**
Dividends					
– 2012 final	**–**	**–**	**–**	**(65,866)**	**(65,866)**
– 2013 interim and special interim	**–**	**–**	**–**	**(225,866)**	**(225,866)**
At 31 December 2013	**1,572,097**	**414,214**	**8,514**	**1,140,624**	**3,135,449**
Representing:					
Reserves	**1,572,097**	**414,214**	**8,514**	**1,084,241**	**3,079,066**
2013 final dividend proposed	**–**	**–**	**–**	**56,383**	**56,383**
	1,572,097	**414,214**	**8,514**	**1,140,624**	**3,135,449**

	Share premium US$'000	Contributed surplus (note) US$'000	Share option reserve US$'000	Retained profits US$'000	Total US$'000
At 1 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 reserves upon cancellation and lapse of share options	–	–	(788)	788	–
Dividends					
– 2011 final	–	–	–	(60,744)	(60,744)
– 2012 interim	–	–	–	(72,612)	(72,612)
At 31 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
	1,389,831	414,214	8,558	562,018	2,374,621

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	
	2013 US$'000	2012 US$'000	2013 US$'000	2012 US$'000
Long term borrowings				
– secured	**275,277**	197,858	**–**	–
– unsecured	**1,754,531**	2,317,057	**230,000**	230,000
	2,029,808	2,514,915	**230,000**	230,000
Amounts due within one year included under current liabilities	**(259,383)**	(688,260)	**–**	–
	1,770,425	1,826,655	**230,000**	230,000
Short term bank loans – unsecured	**16,402**	86,782	**–**	–

Notes:

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

	Group		Company	
	2013 US$'000	2012 US$'000	2013 US$'000	2012 US$'000
Wholly repayable within five years				
– bank loans	**1,307,418**	1,737,215	**230,000**	230,000
– notes (note c)	**–**	311,033	**–**	–
	1,307,418	2,048,248	**230,000**	230,000
Bank loans not wholly repayable within five years				
– bank loans	**426,108**	466,667	**–**	–
– notes (note c)	**296,282**	–	**–**	–
	2,029,808	2,514,915	**230,000**	230,000

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

	Group		Company	
	2013 US$'000	2012 US$'000	2013 US$'000	2012 US$'000
Bank loans				
Within one year	**259,383**	377,227	**–**	–
Between one and two years	**567,710**	414,914	**230,000**	–
Between two and five years	**521,111**	999,057	**–**	230,000
Over five years	**385,322**	412,684	**–**	–
	1,733,526	2,203,882	**230,000**	230,000
Notes (note c)				
Within one year	**–**	311,033	**–**	–
Over five years	**296,282**	–	**–**	–
	296,282	311,033	**–**	–
	2,029,808	2,514,915	**230,000**	230,000

24 Borrowings (Continued)

(c) Details of the notes as at 31 December 2013 are as follows:

	Group 2013 US$'000 (note i)	2012 US$'000 (note ii)
Principal amount	**300,000**	300,000
Discount on issue	**(2,040)**	(1,899)
Notes issuance cost	**(2,250)**	(1,800)
Net proceeds received	**295,710**	296,301
Accumulated amortised amounts of		
– discount on issue	**300**	1,794
– notes issuance cost	**272**	1,699
	296,282	299,794
Effect of fair value hedge	**–**	11,239
	296,282	311,033

Notes:

(i) 10-year notes with principal amount of US$300,000,000 were issued by a subsidiary of the Company to investors on 31 January 2013. The notes carried a fixed interest yield of 4.46% per annum and were issued at a price of 99.320 per cent of their principal amount with a fixed coupon rate of 4.375% per annum, resulting in a discount on issue of US$2,040,000. The notes bear interest from 31 January 2013, payable semi-annually in arrear on 31 January and 31 July of each year, commencing on 31 July 2013. The notes are guaranteed unconditionally and irrevocably by the Company and listed on the Stock Exchange. Unless previously redeemed or repurchased by the Company, the notes will mature on 31 January 2023 at their principal amount. The notes are subject to redemption in whole, at their principal amount, together with accrued interest, at the option of the Company at any time in the event of certain changes affecting the taxes of certain jurisdictions.

(ii) 10-year notes with principal amount of US$300,000,000 were issued by a subsidiary of the Company to investors on 3 October 2003. The notes carried a fixed interest yield of 5.96% per annum and were issued at a price of 99.367 per cent of their principal amount with a fixed coupon rate of 5.875% per annum, resulting in a discount on issue of US$1,899,000. The notes bear interest from 3 October 2003, payable semi-annually in arrear on 3 April and 3 October of each year, commencing on 3 April 2004. The notes are guaranteed unconditionally and irrevocably by the Company and listed on Singapore Exchange Limited. The notes matured on 3 October 2013 at their principal amount.

(d) The exposure of 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 31 December 2013						
Total borrowings	**2,029,808**	**–**	**2,029,808**	**230,000**	**–**	**230,000**
At 31 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

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

	Group 2013 US$'000	2012 US$'000	Company 2013 US$'000	2012 US$'000
US dollar	**1,375,387**	1,621,148	**230,000**	230,000
Renminbi	**395,546**	782,691	**–**	–
Euro	**275,277**	197,858	**–**	–
	2,046,210	2,601,697	**230,000**	230,000

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

	Group 2013 US$	RMB	Euro	2012 US$	RMB	Euro	Company 2013 US$	2012 US$
Bank loans	**2.3%**	**5.6%**	**1.5%**	1.9%	5.8%	1.4%	**2.6%**	2.7%
Notes	**4.4%**	**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	
	2013 US$'000	2012 US$'000	2013 US$'000	2012 US$'000	2013 US$'000	2012 US$'000	2013 US$'000	2012 US$'000
Bank loans	**1,474,143**	1,826,655	**1,472,720**	1,826,527	**230,000**	230,000	**230,000**	230,000
Notes	**296,282**	–	**295,925**	–	**–**	–	**–**	–
	1,770,425	1,826,655	**1,768,645**	1,826,527	**230,000**	230,000	**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 2.3% (2012: 1.9%) per annum.

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

(h) As at 31 December 2013, a bank loan of US$275,277,000 (2012: US$197,858,000) 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$38,367,000 (2012: US$21,955,000) would be pledged as security (note 42(b)(iii)). As at 31 December 2013, there was no violation of the terms and conditions of this loan and thus such bank balances were not pledged.

(i) The Company obtained a bank loan of US$230,000,000 from China Development Bank Corporation, Hong Kong Branch in December 2012, which is unsecured, bears interest at 2.4% over the US dollar LIBOR per annum and not repayable within twelve months.

(j) As at 31 December 2013, the committed and undrawn borrowing facilities of the Group amounted to US$504,575,000 (2012: US$636,285,000).

25 Loans from non-controlling shareholders of subsidiaries

As at 31 December 2013 and 2012, balance of US$50,000,000 was unsecured, interest free and not repayable within next twelve months.

As at 31 December 2012, balance also included US$63,639,000 which bore interest at 6.77% per annum and US$8,075,000 which bore interest at 0.6% above 1-year US dollar LIBOR per annum. These loans have been partly repaid in 2013 and remaining balances are repayable in 2014.

The carrying values of the loans are not materially different from their fair value.

26 Other long term liabilities

	Group	
	2013 US$'000	2012 US$'000
Deferred income	**22,682**	7,457
Others	**782**	311
	23,464	7,768
Less: current portion (note 27)	**(934)**	(1,019)
	22,530	6,749

27 Trade and other payables

	Group		Company	
	2013	2012	2013	2012
	US$'000	US$'000	US$'000	US$'000
Trade payables (note a)				
– third parties	**51,561**	43,521	**–**	–
– fellow subsidiaries (note b)	**213**	121	**–**	–
– non-controlling shareholders of subsidiaries (note b)	**5,595**	2,527	**–**	–
– subsidiaries of an associate (notes b and c)	**–**	34	**–**	–
– related companies (note b)	**23,614**	5	**–**	–
	80,983	46,208	**–**	–
Other payables and accruals	**159,648**	147,699	**2,756**	2,037
Payable to owners of managed containers (note d)	**26,241**	37,236	**–**	–
Current portion of other long term liabilities (note 26)	**934**	1,019	**–**	–
Dividend payable	**39**	38	**39**	38
Loan from a jointly controlled entity (note e)	**24,603**	23,890	**–**	–
Loans from non-controlling shareholders of subsidiaries (note f)	**156,285**	96,864	**–**	–
Amounts due to (note b)				
– fellow subsidiaries	**192**	112	**–**	–
– non-controlling shareholders of subsidiaries	**15,419**	5,131	**–**	–
– jointly controlled entities	**390**	–	**–**	–
– related companies	**5**	3	**–**	–
	464,739	358,200	**2,795**	2,075

Notes:

(a) The ageing analysis of the trade payables based on invoice date is as follows:

	Group	
	2013	2012
	US$'000	US$'000
Within 30 days	**36,945**	23,182
31-60 days	**24,155**	1,735
61-90 days	**2,373**	1,443
Over 90 days	**17,510**	19,848
	80,983	46,208

(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 CIMC 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$8,193,000 (2012: US$49,135,000) bears interest at 0.6% above 1-year US dollar LIBOR per annum. Balance of US$32,804,000 (2012: US$47,729,000) bears interest at 5.13% per annum. Balance of US$65,607,000 (2012: US$Nil) bears interest at 6.77% per annum. Balance of US$49,681,000 (2012: USNil) is interest free.

27 Trade and other payables (Continued)

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

	Group		Company	
	2013 US$'000	2012 US$'000	2013 US$'000	2012 US$'000
US dollar	**166,634**	85,765	**1,501**	843
Renminbi	**228,745**	214,653	**23**	32
Euro	**62,221**	51,383	**229**	102
Hong Kong dollar	**6,440**	5,498	**1,042**	1,081
Other currencies	**699**	901	**–**	17
	464,739	358,200	**2,795**	2,075

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

28 Other operating income

	2013 US$'000	2012 US$'000
Management fee and other service income	**6,936**	4,477
Dividend income from an unlisted investment	**1,923**	1,826
Write back of provision for impairment of trade receivables (note 19(a)) and finance lease receivable (note 15)	**1,530**	1,362
Revaluation surplus of investment properties (note 8)	**364**	403
Rental income from		
– investment properties	**397**	320
– buildings, leasehold land and land use rights	**872**	1,203
Gain on disposal of property, plant and equipment	**479**	157
Exchange gain, net	**11,468**	–
Write back of provision for inventories	**–**	12
Others	**7,695**	5,477
	31,664	15,237

29 Operating profit

Operating profit is stated after crediting and charging the following:

	2013 US$'000	2012 US$'000
Crediting:		
Dividend income from an unlisted investment	**1,923**	1,826
Rental income from		
– investment properties	**397**	320
– buildings, leasehold land and land use rights	**872**	1,203
Gain on disposal of property, plant and equipment	**479**	157
Write back of provision for impairment of trade receivables (note 19(a)) and finance lease receivables (note 15)	**1,530**	1,362
Write back of provision for inventories	**–**	12
Revaluation surplus of investment properties (note 8)	**364**	403
Exchange gain, net	**11,468**	–
Charging:		
Amortisation of		
– land use rights	**5,113**	4,768
– intangible assets (note a)	**2,117**	1,769
– other non-current assets (note 17)	**1,898**	1,846
Depreciation of		
– owned property, plant and equipment leased out under operating leases	**111,424**	103,345
– other owned property, plant and equipment	**69,912**	56,148
Exchange loss, net	**–**	1,211
Loss on disposal of property, plant and equipment	**564**	437
Impairment loss of property, plant and equipment	**–**	375
Cost of inventories sold	**20,165**	17,023
Auditors' remuneration		
– current year	**1,037**	1,039
– underprovision in prior year	**4**	28
Outgoings in respect of investment properties	**6**	5
Provision for impairment of trade receivables (note 19(a))	**3,068**	895
Provision for inventories	**1,792**	–
Rental expense under operating leases of		
– land and buildings leased from third parties	**3,247**	3,850
– buildings leased from fellow subsidiaries	**1,553**	1,553
– buildings leased from a jointly controlled entity	**37**	33
– land use rights leased from non-controlling shareholders of subsidiaries	**1,096**	1,076
– plant and machinery leased from third parties	**443**	466
– containers leased from third parties	**30,462**	29,498
– Concession (note 17)	**40,611**	36,652
Total staff costs (including directors' emoluments and retirement benefit costs) (note b):		
Wages, salaries and other benefits	**179,912**	146,233
Less: amounts capitalised in intangible assets	**(91)**	(66)
	179,821	146,167

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

	2013 US$'000	2012 US$'000
Finance income		
Interest income on		
– bank balances and deposits	**15,705**	5,732
– loans to jointly controlled entities and an associate	**2,407**	3,479
	18,112	9,211
Finance costs		
Interest expenses on		
– bank loans	**(68,923)**	(70,358)
– notes wholly repayable within five years	**(4,840)**	(9,706)
– notes not wholly repayable within five years	**(12,033)**	–
– loans from non-controlling shareholders of subsidiaries (note 25)	**(7,299)**	(5,803)
– loan from a jointly controlled entity (note 27(e))	**(825)**	(846)
Fair value loss on derivative financial instruments	**(8,563)**	(5,385)
Fair value adjustment of notes attributable to interest rate risk	**11,239**	2,801
	2,676	(2,584)
Amortised amount of		
– discount on issue of notes	**(378)**	(151)
– transaction costs on bank loans and notes	**(3,359)**	(2,274)
	(94,981)	(91,722)
Less: amount capitalised in construction in progress (note 7(f))	**12,611**	16,341
	(82,370)	(75,381)
Other incidental borrowing costs and charges	**(2,169)**	(1,882)
	(84,539)	(77,263)
Net finance costs	**(66,427)**	(68,052)

31 Income tax expenses

	2013 US$'000	2012 US$'000
Current income tax		
– Hong Kong profits tax	**(228)**	(62)
– Mainland China taxation	**(13,302)**	(16,061)
– Overseas taxation	**(10,089)**	(5,546)
– Under provision in prior years	**(55)**	(10)
	(23,674)	(21,679)
Deferred income tax charge (note 16)	**(9,823)**	(6,226)
	(33,497)	(27,905)

The Group's share of income tax expenses of jointly controlled entities and associates of US$23,059,000 (2012: US$14,778,000) and US$18,315,000 (2012: US$45,003,000) 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% (2012: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

31 Income tax expenses (Continued)

Below is a numerical reconciliation between income tax expenses in the consolidated income statement and aggregate tax expense at the domestic rates applicable to profits in respective territories concerned:

	2013 US$'000	2012 US$'000
Profit before income tax from continuing operations	**334,302**	320,479
Less: Share of profits less losses of jointly controlled entities and associates from continuing operations	**(153,910)**	(161,143)
	180,392	159,336
Aggregate tax at domestic rates applicable to profits in respective territories concerned	**17,667**	10,490
Income not subject to income tax	**(9,807)**	(1,197)
Expenses not deductible for income tax purposes	**4,108**	821
Under provision in prior years	**55**	10
Utilisation of previously unrecognised tax losses	**(2,470)**	(119)
Tax losses not recognised	**7,290**	2,369
Withholding income tax upon distribution of profits and payment of interest	**16,981**	15,596
Tax effect of change in tax rate	**(130)**	–
Others	**(197)**	(65)
Income tax expenses	**33,497**	27,905

Except for the Group's share of income tax credit of an associate recognised in other comprehensive income of US$213,000 (2012: income tax charge of US$287,000), there was no income tax relating to components of other comprehensive income for the year ended 31 December 2013 and 2012.

32 Net gain on disposal of an associate

On 20 May 2013, the Group entered into a sale and purchase agreement to dispose of its 21.8% equity interest in CIMC, a then associate of the Group listed in Shenzhen and Hong Kong to Long Honour Investments Limited ("Long Honour"), a direct wholly owned subsidiary of COSCO (Hong Kong) Group Limited which in turn is a direct wholly owned subsidiary of COSCO, the ultimate controlling shareholder of the Company. The cash consideration was US$1,219,789,000. In June 2013, the disposal was approved by the independent shareholders of the Company. Accordingly, the container manufacturing and related businesses were reclassified as discontinued operation. COSCO Container Industries Limited ("COSCO Container"), a direct wholly owned subsidiary of the Company whose major asset is the Group's 21.8% equity interest in CIMC was disposed of in the same transaction. Long Honour had acquired the entire issued share capital and sale loan of COSCO Container. The disposal was completed on 27 June 2013 and resulted in a net gain of US$393,411,000 after deducting transaction costs and provisions of US$80,867,000. There was a net investing cash inflow from the discontinued operation amounting US$1,218,815,000 for the year ended 31 December 2013.

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$870,294,000 (2012: US$119,154,000).

34 Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2013	2012
Profit from continuing operations attributable to equity holders of the Company	**US$286,206,000**	US$280,299,000
Profit from discontinued operation attributable to equity holders of the Company	**US$416,470,000**	US$61,895,000
	US$702,676,000	US$342,194,000
Weighted average number of ordinary shares in issue	**2,816,153,817**	2,735,132,237
Basic earnings per share		
– from continuing operations	**US10.16 cents**	US10.25 cents
– from discontinued operation	**US14.79 cents**	US2.26 cents
	US24.95 cents	US12.51 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.

	2013	2012
Profit from continuing operations attributable to equity holders of the Company	**US$286,206,000**	US$280,299,000
Profit from discontinued operation attributable to equity holders of the Company	**US$416,470,000**	US$61,895,000
	US$702,676,000	US$342,194,000
Weighted average number of ordinary shares in issue	**2,816,153,817**	2,735,132,237
Adjustments for assumed issuance of shares on exercise of dilutive share options	**190,291**	191,637
Weighted average number of ordinary shares for diluted earnings per share	**2,816,344,108**	2,735,323,874
Diluted earnings per share		
– from continuing operations	**US10.16 cents**	US10.25 cents
– from discontinued operation	**US14.79 cents**	US2.26 cents
	US24.95 cents	US12.51 cents

35 Dividends

	2013 US$'000	2012 US$'000
Interim dividend paid of US2.396 cents (2012: US2.640 cents) per ordinary share	**66,758**	71,591
Special interim dividend paid of US5.648 cents (2012: Nil) per ordinary share	**157,366**	–
Final dividend proposed of US1.936 cents (2012: US2.364 cents) per ordinary share	**56,383**	65,862
Additional dividends paid on shares issued due to issue of scrip dividends and exercise of share options before the closure of register of members:		
– 2013 interim and special interim	**1,742**	–
– 2012 final	**4**	–
– 2012 interim	**–**	1,021
	282,253	138,474

Note:

At a meeting held on 25 March 2014, the directors recommended the payment of a final dividend of HK15.0 cents (equivalent to US1.936 cents) per ordinary share. The proposed dividend will be payable in cash and with a scrip dividend alternative. This proposed final dividend is not reflected as dividend payable in these consolidated financial statements until it has been approved at the annual general meeting, but will be reflected as an appropriation of retained profits for the year ending 31 December 2014.

36 Retirement benefit costs

The retirement benefit costs charged to the consolidated income statement represent contributions payable by the Group to the retirement benefit schemes and amounted to US$9,436,000 (2012: US$8,759,000). Contributions totaling US$1,630,000 (2012: US$1,363,000) were payable to the retirement benefit schemes as at 31 December 2013 and were included in trade and other payables. No forfeited contributions were available as at 31 December 2013 and 31 December 2012 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:

	2013 US$'000	2012 US$'000
Fees	**309**	320
Salaries, housing and other allowances	**1,485**	1,335
Benefits in kind	**98**	88
Bonuses	**298**	239
Contributions to retirement benefit schemes	**2**	2
	2,192	1,984

Directors' fees disclosed above include US$221,000 (2012: US$205,000) paid to independent non-executive directors. The Company did not grant any share options during the year ended 31 December 2013 and 2012.

As at 31 December 2012, one director of the Company had 800,000 share options which are exercisable at HK$9.54 per share granted by the Company under the 2003 Share Option Scheme. These have been exercised for the year ended 31 December 2013.

As at 31 December 2013, one (2012: one) director of the Company had 1,000,000 (2012: 1,000,000) share options which are exercisable at HK$13.75 per share granted by the Company under the 2003 Share Option Scheme.

37 Directors' and management's emoluments (Continued)

(a) Directors' emoluments (Continued)

As at 31 December 2013, one (2012: two) director of the Company had 500,000 (2012: 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 31 December 2013, 800,000 (2012: Nil) share options were exercised by one director. The directors' emoluments as disclosed above do not include the difference between the aggregate amount of the market price of the Company's shares issued at the date of exercise of these share options and the amount paid by the director exercising these share options of US$234,000 (2012: Nil).

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

The directors' emoluments are analysed as follows:

		Year ended 31 December 2013					
Name of directors	Note	Fees US$'000	Salaries, housing and other allowances US$'000	Benefits in kind US$'000	Bonuses US$'000	Contributions to retirement benefit schemes US$'000	Total US$'000
Mr. LI Yunpeng	(i)	–	–	–	–	–	–
Dr. WANG Xingru		–	727	98	88	–	913
Mr. WAN Min		15	–	–	–	–	15
Mr. WANG Haimin		13	54	–	–	–	67
Mr. FENG Jinhua		13	54	–	–	–	67
Mr. TANG Runjiang	(ii)	13	–	–	–	–	13
Mr. FENG Bo	(i)	15	–	–	–	–	15
Mr. WANG Wei	(i)	15	–	–	–	–	15
Dr. WONG Tin Yau, Kelvin		–	358	–	70	2	430
Mr. QIU Jinguang	(iii)	–	259	–	71	–	330
Mr. Timothy George FRESHWATER		40	–	–	–	–	40
Dr. FAN HSU Lai Tai, Rita		50	–	–	–	–	50
Mr. Adrian David LI Man Kiu	(iv)	55	–	–	–	–	55
Mr. IP Sing Chi	(v)	39	–	–	–	–	39
Mr. FAN Ergang	(vi)	14	–	–	–	–	14
Mr. HE Jiale	(vii)	4	–	–	–	–	4
Mr. YIN Weiyu	(viii)	–	33	–	69	–	102
Mr. CHOW Kwong Fai, Edward	(ix)	23	–	–	–	–	23
		309	1,485	98	298	2	2,192

37 Directors' and management's emoluments (Continued)

(a) Directors' emoluments (Continued)

		Year ended 31 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		–	722	88	93	–	903
Mr. WAN Min		15	–	–	–	–	15
Mr. HE Jiale	(vii)	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	(viii)	–	257	–	73	–	330
Mr. CHOW Kwong Fai, Edward	(ix)	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	(x)	3	–	–	–	–	3
Mr. WANG Zenghua	(x)	3	–	–	–	–	3
Mr. GAO Ping	(x)	3	–	–	–	–	3
Dr. LI Kwok Po, David	(xi)	21	–	–	–	–	21
		320	1,335	88	239	2	1,984

Notes:

(i) appointed on 24 February 2012

(ii) appointed on 21 March 2013

(iii) appointed on 8 April 2013

(iv) elected on 17 May 2012

(v) appointed on 7 November 2012

(vi) appointed on 22 August 2013

(vii) resigned on 21 March 2013

(viii) resigned on 8 April 2013

(ix) retired on 23 May 2013

(x) resigned on 24 February 2012

(xi) retired on 17 May 2012

The above analysis includes two (2012: two) directors whose emoluments were among the five highest in the Group.

37 Directors' and management's emoluments (Continued)

(b) Management's emoluments

Details of the aggregate emoluments paid to three (2012: three) individuals whose emoluments were the highest in the Group and have not been included in the directors' emoluments above are set out below:

	2013 US$'000	2012 US$'000
Salaries and other allowances	**883**	900
Bonuses	**228**	236
Contributions to retirement benefit schemes	**8**	4
	1,119	1,140

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

	Number of individuals	
	2013	2012
Emolument bands		
US$322,315-US$386,777 (HK$2,500,001-HK$3,000,000)	**3**	2
US$386,778-US$451,240 (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 31 December 2013 are analysed as below:

	Group		Company	
	2013 US$'000	2012 US$'000	2013 US$'000	2012 US$'000
Guarantees for:				
– notes issued by a subsidiary (note 24(c))	**–**	–	**300,000**	300,000
– other loan facilities granted to subsidiaries	**–**	–	**802,000**	1,028,000
– bank guarantees to an associate	**21,094**	24,428	**21,094**	24,428
	21,094	24,428	**1,123,094**	1,352,428

The directors of the Company consider that it is not probable for a claim to be made against the Group and the Company under any of these guarantees as at the balance sheet date.

The fair value of the guarantee contracts is not material and has not been recognised.

39 Contingent liabilities

A statement of claim was issued on 19 October 2009 by Aronis-Drettas-Karlaftis Consultant Engineers S.A. ("ADK") against the Company and Piraeus 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$8,000,000) in total. The Company and Piraeus Terminal defended all material claims at the trial hearing held on 30 November 2010.

The Court of First Instance of Athens has issued and pronounced judgment on the case and has dismissed the aforementioned statement of claim in its entirety both as regards the Company and as regards Piraeus Terminal, and has awarded to the Company and Piraeus Terminal part of the legal expenses in the amount of Euro 30,000 (equivalent to approximately US$41,000) against the plaintiff (ADK). The plaintiff has filed an appeal against the judgment of the Court of First Instance of Athens according to Greek procedural law. The hearing of this appeal was first scheduled to take place on 13 November 2012 but was then postponed to 26 November 2013 due to the strike called by the Association of the Justices of the Greek courts. Subsequently, the hearing was further adjourned by the Court of Appeals to 21 October 2014 at the request of ADK. According to the rules of Greek Civil Procedure, the hearing cannot be adjourned again, except only if the courts are closed for whatever reason on 21 October 2014. The directors and management of the Company, having taken legal advice, are of the view that the Company and Piraeus Terminal have good rebuttal to the arguments set forth in the appeal document. Nonetheless, it is still not possible to predict the final outcome of this litigation with certainty. No provision has been made for the claims.

40 Capital commitments

The Group has the following significant capital commitments as at 31 December 2013:

	Group	
	2013	2012
	US$'000	US$'000
Authorised but not contracted for		
– Investment (note)	**33,694**	32,682
– Containers	**418,000**	318,999
– Computer system under development	**790**	1,029
– Other property, plant and equipment	**377,627**	256,369
	830,111	609,079
Contracted but not provided for		
– Containers	**16,540**	94,890
– Investments (note)	**630,304**	443,042
– Other property, plant and equipment	**215,882**	347,815
	862,726	885,747

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

	Group	
	2013	2012
	US$'000	US$'000
Authorised but not contracted for	**6,014**	6,283
Contracted but not provided for	**9,385**	100
	15,399	6,383

The Company did not have any capital commitments as at 31 December 2013 and 2012.

40 Capital commitments (Continued)

Note:

The capital commitments in respect of investments of the Group as at 31 December 2013 are as follows:

	Group 2013 US$'000	2012 US$'000
Authorised but not contracted for		
Investment in:		
– Changshu Chang Jiang International Port Co., Ltd.	**33,694**	32,682
Contracted but not provided for		
Investments in:		
– Qingdao Qianwan Container Terminal Co., Ltd.	**64,997**	64,997
– Antwerp Gateway NV	**61,312**	58,758
– Dalian Port Container Terminal Co., Ltd.	**47,893**	46,456
– Tianjin Port Euroasia International Container Terminal Co., Ltd.	**115,140**	111,686
– Qingdao Port Dongjiakou Ore Terminal Co, Ltd.	**155,817**	–
– Others	**114,266**	92,392
	559,425	374,289
Terminal projects in:		
– Shanghai Yangshan Port Phase II	**65,607**	63,639
– Others	**5,272**	5,114
	70,879	68,753
	630,304	443,042

41 Operating lease arrangements/commitments

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

As at 31 December 2013, the Group had future minimum lease receipts under non-cancellable operating leases as follows:

	Group 2013 US$'000	2012 US$'000
Containers		
– not later than one year	**267,979**	263,614
– later than one year and not later than five years	**626,031**	658,249
– later than five years	**260,599**	155,739
	1,154,609	1,077,602
Generator sets		
– not later than one year	**835**	944
– later than one year and not later than five years	**909**	1,643
– later than five years	**210**	303
	1,954	2,890
Plant and machinery		
– not later than one year	**23**	22
– later than one year and not later than five years	**92**	89
– later than five years	**10**	31
	125	142
Buildings, leasehold land and land use rights		
– not later than one year	**930**	953
– later than one year and not later than five years	**2,491**	2,097
– later than five years	**415**	457
	3,836	3,507
Investment properties		
– not later than one year	**130**	123
– later than one year and not later than five years	**18**	82
	148	205
	1,160,672	1,084,346

The future lease receipts above do not include those lease contracts with the amount of future lease receipts depends on the timing of pick up and drop off of containers by lessees during the lease period of the contracts.

41 Operating lease arrangements/commitments (Continued)

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

As at 31 December 2013, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Group	
	2013	2012
	US$'000	US$'000
Buildings, leasehold land and land use rights		
– not later than one year	**3,254**	4,962
– later than one year and not later than five years	**1,609**	4,464
– later than five years	**–**	92
	4,863	9,518
Plant and machinery		
– not later than one year	**120**	67
– later than one year and not later than five years	**91**	33
	211	100
Containers (note)		
– not later than one year	**33,063**	30,233
– later than one year and not later than five years	**91,654**	92,279
– later than five years	**–**	6,236
	124,717	128,748
Concession (note 17)		
– not later than one year	**46,268**	39,880
– later than one year and not later than five years	**171,018**	197,220
– later than five years	**4,044,292**	3,952,359
	4,261,578	4,189,459
	4,391,369	4,327,825

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. During the year, the Group has exercised the lease extension option with same terms. The new expiry date of this operating lease agreement is in July 2018.

(c) The Company did not have any lease commitments as at 31 December 2013 and 2012.

42 Notes to the consolidated cash flow statement

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

	2013 US$'000	2012 US$'000
Profit before income tax including discontinued operation	**750,772**	382,374
Depreciation and amortisation	**190,464**	167,876
Interest expenses	**78,633**	72,956
Amortised amount of		
– discount on issue of notes	**378**	151
– transaction costs on bank loans and notes	**3,359**	2,274
Other incidental borrowing costs and charges	**2,169**	1,882
Impairment loss of property, plant and equipment	**–**	375
Provision for impairment of trade and finance lease receivables	**3,068**	895
Provision/(write back) of provision for inventories	**1,792**	(12)
Loss on disposal of property, plant and equipment, net	**85**	280
Dividend income from an unlisted investment	**(1,923)**	(1,826)
Net gain on disposal of an associate	**(393,411)**	–
Revaluation surplus of investment properties	**(364)**	(403)
Write back of provision for impairment of trade receivables and finance lease receivables	**(1,530)**	(1,362)
Interest income	**(18,112)**	(9,211)
Share of profits less losses of		
– jointly controlled entities	**(81,406)**	(96,461)
– associates	**(95,563)**	(126,577)
Operating profit before working capital changes	**438,411**	393,211
Decrease in finance lease receivables	**1,489**	1,769
Increase in prepaid agency fee for finance lease	**(20)**	(16)
Decrease in rent receivable collected on behalf of owners of managed containers	**7,491**	418
Decrease in inventories	**19,326**	11,278
Decrease/(increase) in trade and other receivables	**1,674**	(19,549)
Decrease/(increase) in restricted bank deposits	**759**	(796)
Increase in amounts due from fellow subsidiaries	**(278)**	(50)
Increase in amount due from an associate	**(1,903)**	–
Increase in amounts due from non-controlling shareholders	**(1,867)**	(55)
Increase in trade and other payables	**4,225**	48,186
Increase/(decrease) in payables to owners of managed containers	**4,728**	(676)
Increase in amounts due to fellow subsidiaries	**80**	47
Increase in amounts due to jointly controlled entities	**1,103**	–
Increase in amounts due to related companies	**2**	2
Increase/(decrease) in amounts due to non-controlling shareholders of subsidiaries	**5,820**	(2,195)
Cash generated from operations	**481,040**	431,574

42 Notes to the consolidated cash flow statement (Continued)

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

	Group		Company	
	2013 US$'000	2012 US$'000	2013 US$'000	2012 US$'000
Total time deposits, bank balances and cash (note i)	**1,237,551**	849,330	**878,308**	474,788
Restricted bank deposits included in current assets	**(148)**	(907)	**–**	–
	1,237,403	848,423	**878,308**	474,788
Representing:				
Time deposits	**1,017,071**	648,262	**857,675**	472,698
Bank balances and cash	**220,332**	200,161	**20,633**	2,090
	1,237,403	848,423	**878,308**	474,788

Notes:

(i) As at 31 December 2013, cash and cash equivalents of US$540,143,000 (2012: US$132,461,000) 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	
	2013 US$'000	2012 US$'000	2013 US$'000	2012 US$'000
US dollar	**598,793**	542,652	**458,773**	349,829
Renminbi	**505,228**	151,945	**333,005**	–
Euro	**70,293**	53,145	**30,400**	29,699
Hong Kong dollar	**62,679**	100,227	**56,130**	95,260
Other currencies	**410**	454	**–**	–
	1,237,403	848,423	**878,308**	474,788

(iii) Under the circumstances that the terms and conditions as included in the loan agreement were not met, bank balances of US$38,367,000 (2012: US$21,955,000) would be pledged as security for a banking facility granted to the Group (note 24(h)). As at 31 December 2013, 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 43.92% of the Company's shares as at 31 December 2013. 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

	2013 US$'000	2012 US$'000
Container rental income from fellow subsidiaries (note i, xiv)		
– long term leases	**153,436**	139,113
– short term leases	**22**	8
Compensation for loss of containers from a fellow subsidiary (note ii, xiv)	**478**	378
Handling, storage and transportation income from fellow subsidiaries (note iii, xiv)	**2,566**	2,397
Management fee and service fee income from (note iv)		
– jointly controlled entities	**4,029**	4,031
– associates	**2,267**	152
– an investee company	**99**	97
Terminal handling and storage income received from (note v, xiv)		
– fellow subsidiaries	**41,019**	42,277
– a non-controlling shareholder of a subsidiary	**43,928**	38,842
Container freight charges to subsidiaries of CIMC (note vi)	**(1,551)**	(1,096)
Container handling and logistics service fees to non-controlling shareholders of subsidiaries (note vii, xiv)	**(17,616)**	(17,439)
Electricity and fuel expenses paid to (note viii, xiv)		
– a fellow subsidiary	**(1,113)**	(283)
– non-controlling shareholders of subsidiaries	**(4,870)**	(7,037)
Approved continuous examination program fees to a fellow subsidiary (note ix, xiv)	**(2,000)**	–
Purchase of containers from subsidiaries of CIMC (note x)	**(167,573)**	(225,616)
Handling, storage and maintenance expenses paid to fellow subsidiaries (note xi, xiv)	**(1,274)**	(1,126)
High-frequency communication fee to non-controlling shareholders of subsidiaries (note xii, xiv)	**(133)**	(201)
Rental expenses paid to (note xiii, xiv)		
– a fellow subsidiary	**(1,554)**	(1,550)
– non-controlling shareholders of subsidiaries	**(3,569)**	(1,069)

Notes:

(i) The Group conducts long term container leasing business with COSCON. During the two years ended 31 December 2013, 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 (2012: 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$478,000 (2012: US$378,000) from COSCON for the loss of containers under operating leases, resulting in a profit of US$3,000 (2012: US$28,000).

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

(iv) The Group provided advisory and management services to COSCO-HIT Terminals (Hong Kong) Limited, a jointly controlled entity of the Group, during the year. Management fee was charged and agreed at HK$20,000,000 (equivalent to US$2,579,000) (2012: HK$20,000,000 (equivalent to US$2,578,000)) 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 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 subsidiaries of CIMC for container repositioning services rendered to the Group were charged at rates as mutually agreed.

(vii) The container handling and logistics service fees paid to non-controlling shareholders of subsidiaries were charged at rates as mutually agreed.

(viii) Electricity and fuel expenses paid to a fellow subsidiary and non-controlling shareholders of subsidiaries were charged at rates as mutually agreed.

(ix) Approved continuous examination program fees of US$2,000,000 to COSCON in connection with the containers leased to COSCON on a long term basis were agreed between the Group and COSCON for the year ended 31 December 2013.

(x) The purchases of containers from subsidiaries of CIMC were conducted at terms as set out in the agreements entered into between the Group and the respective parties in concern.

(xi) Handling, storage and maintenance expenses paid to fellow subsidiaries were charged at rates as mutually agreed.

(xii) High-frequency communication fee paid to non-controlling shareholders of subsidiaries were charged at rates as mutually agreed.

(xiii) Rental expenses paid to a fellow subsidiary and non-controlling shareholders of subsidiaries were charged at rates as mutually agreed.

(xiv) The transactions represent continuing connected transactions which has complied with the disclosure requirements in accordance with Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange.

(b) Balances with state-owned banks

	2013 US$'000	2012 US$'000
Bank deposit balances		
– in Mainland China	**540,143**	132,461
– outside Mainland China	**573,747**	597,980
Long term bank loans		
– in Mainland China	**420,412**	742,493
– outside Mainland China	**853,649**	951,024
Short term bank loans		
– in Mainland China	**16,402**	24,257
Committed and undrawn bank borrowings facilities		
– in Mainland China	**385,429**	547,365
– outside Mainland China	**20,646**	85,738

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.

43 Related party transactions (Continued)

(c) Balances with government related entities

	2013 US$'000	2012 US$'000
Other payable to a government port authority	**9,983**	9,843

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

(d) Key management compensation

	2013 US$'000	2012 US$'000
Fees	**26**	–
Salaries, bonuses and other allowances	**3,313**	3,374
Contributions to retirement benefit schemes	**11**	11
	3,350	3,385

Key management includes directors of the Company and four (2012: five) senior management members of the Group.

The emoluments of the senior management members fell within the following bands:

	Number of individuals	
	2013	2012
Emolument bands		
US$257,852-US$322,314 (HK$2,000,001-HK$2,500,000)	**1**	1
US$322,315-US$386,777 (HK$2,500,001-HK$3,000,000)	**3**	4
	4	5

44 Business combination

On 29 March 2013, the Group acquired a subsidiary with 70% effective shareholdings with a consideration of US$33,575,000. Details of net asset acquired are as follows:

	US$'000
Purchase consideration	**33,575**
Fair value of net assets acquired shown as below	**(33,242)**
Goodwill	**333**

The assets and liabilities of the acquired terminal operations as at the date of acquisition were as follows:

	Fair value US$'000
Property, plant and equipment	**72,460**
Land use rights	**12,626**
Deferred income tax assets	**1**
Trade and other receivables	**783**
Current income tax recoverable	**16**
Cash and cash equivalents	**1,781**
Long term borrowings	**(40,358)**
Trade and other payables	**(6,330)**
Current portion of long term borrowings	**(7,737)**
Total identifiable net assets acquired	**33,242**
Purchase consideration settled in cash	**(33,575)**
Cash and cash equivalents in acquired terminal operations	**1,781**
Net cash outflow on acquisition	**(31,794)**

The acquired terminal operations contributed approximately US$2,527,000 revenues and contributed a loss of approximately US$76,000 for the year ended 31 December 2013 since the date of acquisition. If the acquisition have occurred on 1 January 2013, the Group's revenues and profit for the year ended 31 December 2013 would have been increased by approximately US$587,000 and decreased by approximately US$71,000 respectively.

45 Event after the balance sheet date

On 13 March 2014, COSCO Ports (ACT) Limited, a wholly-owned subsidiary of the Company and Sea Prime Holdings Limited, a wholly-owned subsidiary of Hutchison Ports Holdings Trust, entered into a 50:50 joint venture arrangement for the establishment of a joint venture company, COSCO-HPHT ACT Limited, to acquire 80% equity interest in Asia Container Terminal Holdings Limited. The total consideration paid by the Group under the Subscription Agreement and Assignment Deeds is HK$1,648,000,000 (equivalent to approximately US$212,335,000). Completion of the subscription and assignment took place on 13 March 2014.

46 Details of subsidiaries

Details of the subsidiaries as at 31 December 2013 are as follows:

	Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/ paid-up capital	Group equity interest 2013	Group equity interest 2012
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 (note 32)	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1 each	**–**	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$147,000,000	**100.00%**	100.00%
1	COSCO Pacific Finance (2003) Company Limited	British Virgin Islands	Hong Kong	Financing	1 ordinary share of US$1	**100.00%**	100.00%
1	COSCO Pacific Finance (2013) Company Limited	British Virgin Islands	Hong Kong	Financing	1 ordinary share of US$1	**100.00%**	100.00%
1, 2	COSCO Pacific Logistics Company Limited	British Virgin Islands	Hong Kong	Inactive	1 ordinary share of US$1	**100.00%**	100.00%
1	COSCO Pacific Management Company Limited	Hong Kong	Hong Kong	Investment holding and provision of management services	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 Properties 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%
	COSCO Ports (ACT) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	N/A
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%

46 Details of subsidiaries (Continued)

	Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/ paid-up capital	Group equity interest 2013	2012
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%
2	COSCO Ports (Nanjing) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
	COSCO Ports (Nansha) Limited	British Virgin Islands	Hong Kong	Investment holding	US$10,000	**66.10%**	66.10%
2	COSCO Ports (Netherlands) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
2	COSCO Ports (Ningbo Beilun) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
2	COSCO Ports (Panama) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
2	COSCO Ports (Port Said) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
2	COSCO Ports (Pudong) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
2	COSCO Ports (Qianwan) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
2	COSCO Ports (Qingdao) Limited	British Virgin Islands	Hong Kong	Inactive	1 ordinary share of US$1	**100.00%**	100.00%

46 Details of subsidiaries (Continued)

	Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/ paid-up capital	Group equity interest 2013	2012
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%
	COSCO Ports (Taiwan Kaohsiung) Limited	Hong Kong	Hong Kong	Investment holding	1 ordinary share of HK$1	**100.00%**	100.00%
2	COSCO Ports (Tianjin) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
2	COSCO Ports (Tianjin North Basin) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
2	COSCO Ports (Xiamen Haicang) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
2	COSCO Ports (Yangshan) Limited	British Virgin Islands	Hong Kong	Inactive	1 ordinary share of US$1	**100.00%**	100.00%
2	COSCO Ports (Yangzhou) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
2	COSCO Ports (Yingkou) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
2	COSCO Ports (Zhenjiang) Limited	British Virgin Islands	Hong Kong	Inactive	1 ordinary share of US$1	**100.00%**	100.00%
	COSCO Ports (Zhenjiang Terminal) Limited	Hong Kong	Hong Kong	Inactive	1 ordinary share of HK$1	**100.00%**	100.00%
1	CPL Treasury Limited	British Virgin Islands	Hong Kong	Provision of treasury services	ordinary share of US$1	**100.00%**	100.00%
	Crestway International Limited	British Virgin Islands	Hong Kong	Investment holding	50,000 ordinary shares of US$1 each	**100.00%**	100.00%
1, 2	Elegance Investment Limited	British Virgin Islands	Hong Kong	Inactive	1 ordinary share of US$1	**100.00%**	100.00%
	Fairbreeze Shipping Company Limited	Hong Kong	Hong Kong	Property investment	5,000 ordinary shares of HK$100 each	**100.00%**	100.00%

46 Details of subsidiaries (Continued)

	Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/ paid-up capital	Group equity interest 2013	2012
2	Famous International Limited	British Virgin Islands	Worldwide	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
2, 3	Florens (China) Company Limited	PRC	PRC	Container leasing and resale of old containers	US$12,800,000	**100.00%**	100.00%
2, 3, 5	Florens (Tianjin) Finance Leasing Co. Ltd.	PRC	PRC	Financing leasing	US$50,000,000	**50.00%**	50.00%
5	Florens Capital Management Company Limited	Hong Kong	Hong Kong	Investment holding	2,000 ordinary shares 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%

46 Details of subsidiaries (Continued)

	Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/ paid-up capital	Group equity interest 2013	2012
2	Florens Container Services (Deutschland) GmbH.	Germany	Germany	Provision of container management services	2 shares of Euro 12,782.30 each	**100.00%**	100.00%
2	Florens Container Services (Italy) S.R.L.	Italy	Italy	Provision of container management services	20,000 quotas of Euro 0.52 each	**100.00%**	100.00%
2	Florens Container Services (Japan) Co. Ltd.	Japan	Japan	Provision of container management services	200 ordinary shares of JPY50,000 each	**100.00%**	100.00%
2, 3	Florens Container Services (Shenzhen) Co., Ltd.	PRC	PRC	Container leasing, sale, management and auxiliary services	US$500,000	**100.00%**	100.00%
2	Florens Container Services (UK) Limited	United Kingdom	United Kingdom	Provision of container management services	183,610 ordinary shares of GBP1 each	**100.00%**	100.00%
	Florens Container Services (USA), Ltd.	United States of America	United States of America	Container manager and provision of container management services	1,000 ordinary shares of US$0.001 each	**100.00%**	100.00%
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	Guangzhou South China Oceangate Container Terminal Company Limited	PRC	PRC	Operation of container terminals	RMB1,928,293,400	**39.00%**	39.00%
1, 2	Hang Shing Investment Limited	British Virgin Islands	Hong Kong	Inactive	1 ordinary share of US$1	**100.00%**	100.00%
2, 3	Jinjiang Pacific Ports Development Co., Ltd.	PRC	PRC	Operation of terminals	US$49,900,000	**80.00%**	80.00%

46 Details of subsidiaries (Continued)

	Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/ paid-up capital	Group equity interest 2013	2012
2	Loson Investment Limited	British Virgin Islands	Hong Kong	Inactive	1 ordinary share of US$1	**100.00%**	100.00%
1	Piraeus Container Terminal S.A.	Greece	Greece	Operation of container terminals	Euro77,299,800	**100.00%**	100.00%
2	Plangreat Limited	British Virgin Islands	Hong Kong	Investment holding	100 ordinary shares of US$1 each	**100.00%**	100.00%
2, 3	Quan Zhou Pacific Container Terminal Co., Ltd.	PRC	PRC	Operation of terminals	US$80,770,000	**82.35%**	82.35%
1, 2	Topview Investment Limited	British Virgin Islands	Hong Kong	Inactive	1 ordinary share of US$1	**100.00%**	100.00%
	Win Hanverky Investments Limited	Hong Kong	Hong Kong	Investment holding	10,000 ordinary shares of HK$10 each	**100.00%**	100.00%
2, 3	Xiamen Haitou Tongda Terminal Co., Ltd.	PRC	PRC	Operation of terminals	RMB150,000,000	**70.00%**	N/A
2, 3	Xiamen Ocean Gate Container Terminal Co., Ltd.	PRC	PRC	Operation of container terminals	RMB1,627,480,000	**70.00%**	70.00%
2, 3	Yangzhou Yuanyang International Ports Co. Ltd.	PRC	PRC	Operation of terminals	US$61,500,000	**55.59%**	55.59%
2, 3	Zhangjiagang Win Hanverky Container Terminal Co., Ltd.	PRC	PRC	Operation of container terminals	US$36,800,000	**51.00%**	51.00%

1 Shares held directly by the Company.

2 Subsidiaries not audited by PricewaterhouseCoopers.

3 COSCO Pacific (China) Investments Co., Ltd., COSCO Ports Services (Guangzhou) Limited, Florens (China) Company Limited, Florens (Tianjin) Finance Leasing Co., Ltd. and Florens Container Services (Shenzhen) Co., Ltd. are wholly foreign-owned enterprises. Guangzhou South China Oceangate Terminal Company Limited, Jinjiang Pacific Ports Development Co., Ltd., Quan Zhou Pacific Container Terminal Co., Ltd., Xiamen Haitou Tongda Terminal Co., Ltd., Xiamen Ocean Gate Container Terminal Co., Ltd., Yangzhou Yuanyang International Ports Co. Ltd. and Zhangjiagang Win Hanverky Container Terminal Co., Ltd. are sino-foreign equity joint ventures established in the PRC.

4 As at 31 December 2013, there is no issued share capital and paid up capital for this subsidiary.

5 The directors of the Company considered that the Group remains to have control through its representatives on the board of directors of Florens Capital Management Company Limited ("FCMCL") and Florens (Tianjin) Finance Leasing Co., Ltd. ("FFLTJ") and therefore classified FCMCL and FFLTJ as subsidiaries as at 31 December 2013 and 2012.

47 Details of jointly controlled entities

Details of the jointly controlled entities as at 31 December 2013, which principally affect the results and/or net assets of the Group, are as follows:

Name	Place of incorporation/ establishment	Principal activities	Paid-up capital	Percentage of interest in ownership/ voting power/profit sharing 2013	2012
Cheer Dragon Investment Limited (note)	Hong Kong	Investment holding	3 ordinary shares of HK$1 each	**33.33%**	33.33%
China Ports Shipping Consortium Coöperatief U.A.	Netherlands	Investment holding	–	**33.33%**	N/A
COSCO-HIT Terminals (Hong Kong) Limited	Hong Kong	Operation of container terminals	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 terminals	SGD65,900,000	**49.00%/ 50.00%/ 49.00%**	49.00%/ 50.00%/ 49.00%
Nanjing Port Longtan Container Co., Ltd.	PRC	Operation of container terminals	RMB1,246,450,000	**20.00%/ 22.20%/ 20.00%**	20.00%/ 22.20%/ 20.00%
Ningbo Yuan Dong Terminals Limited	PRC	Operation of container terminals	RMB2,185,000,000	**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 terminals	US$308,000,000	**20.00%/ 18.18%/ 20.00%**	20.00%/ 18.18%/ 20.00%
Shanghai Pudong International Container Terminals Limited	PRC	Operation of container terminals	RMB1,900,000,000	**30.00%**	30.00%
Tianjin Port Euroasia International Container Terminal Co., Ltd.	PRC	Operation of container terminals	RMB1,260,000,000	**30.00%/ 28.60%/ 30.00%**	30.00%/ 28.60%/ 30.00%
Xiamen Haicang Free Trade Port Zone Container Inspection Co., Ltd.	PRC	Container stevedoring, storage, inspection and auxiliary services	RMB10,000,000	**22.40%/ 33.33%/ 22.40%**	22.40%/ 33.33%/ 22.40%
Yingkou Container Terminals Company Limited	PRC	Operation of container terminals	RMB8,000,000	**50.00%/ 57.14%/ 50.00%**	50.00%/ 57.14%/ 50.00%

Note:

Cheer Dragon Investment Limited ("Cheer Dragon") effectively holds 30% equity interest in Kao Ming Container Terminal Corp., which engages in container terminal operations in Taiwan, and is considered as an associate of Cheer Dragon.

48 Details of associates

Details of the associates as at 31 December 2013, 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 2013	Group equity interest 2012
Antwerp Gateway NV	Belgium	Operation of container terminals	Euro17,900,000	**20.00%**	20.00%
China International Marine Containers (Group) Co., Ltd. (Note 32)	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%
Dalian Automobile Terminal Co., Ltd.	PRC	Construction and operation of automobile terminals	RMB320,000,000	**30.00%**	30.00%
Dalian Port Container Terminal Co., Ltd.	PRC	Operation of container terminals	RMB730,000,000	**20.00%**	20.00%
Dawning Company Limited	British Virgin Islands/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 terminals	1,856,250 ordinary shares of US$100 each	**20.00%**	20.00%
Taicang International Container Terminal Co., Ltd.	PRC	Operation of terminals	RMB450,800,000	**39.04%**	N/A
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 with 20% voting rights respectively and therefore classified Sigma and Wattrus as associates as at 31 December 2013 and 2012.

FIVE-YEAR FINANCIAL SUMMARY

	For the year ended 31 December				
	2013	2012	2011	2010	2009
	US$'000	US$'000	US$'000	US$'000	US$'000
Revenues	**798,626**	735,500	599,159	446,492	349,424
Operating profit after finance income and costs	**180,392**	159,336	126,051	90,365	66,118
Share of profits less losses of					
– jointly controlled entities (note 3)	**81,406**	96,461	96,638	74,654	84,810
– associates (note 4)	**95,563**	126,577	179,290	132,120	32,890
Gain on disposal of jointly controlled entities/ associates (note 5)	**393,411**	–	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	**750,772**	382,374	426,377	381,849	189,334
Income tax expenses	**(33,497)**	(27,905)	(28,771)	(15,653)	(13,286)
Profit for the year	**717,275**	354,469	397,606	366,196	176,048
Profit attributable to:					
Equity holders of the Company	**702,676**	342,194	388,771	361,307	172,526
Non-controlling interests	**14,599**	12,275	8,835	4,889	3,522
	717,275	354,469	397,606	366,196	176,048
Dividends	**282,253**	138,474	155,416	159,113	69,162
Basic earnings per share (US cents)	**24.95**	12.51	14.34	14.17	7.66
Dividend per share (US cents)	**9.980**	5.004	5.736	5.668	3.061

	As at 31 December				
	2013	2012	2011	2010	2009
	US$'000	US$'000	US$'000	US$'000	US$'000
Total assets	**7,551,304**	7,363,858	6,472,184	5,251,917	4,635,312
Total liabilities	**(2,707,810)**	(3,146,465)	(2,592,025)	(1,758,055)	(1,776,961)
Net assets	**4,843,494**	4,217,393	3,880,159	3,493,862	2,858,351

Notes:

1 The consolidated results of the Group for the two years ended 31 December 2013 and the assets and liabilities of the Group as at 31 December 2013 have been extracted from the audited consolidated financial statements of the Group as set out on pages 117 to 124 of the annual report.

2 The Company was incorporated in Bermuda under the Companies Act 1981 of Bermuda (as amended) on 26 July 1994.

3 Balances included the share of profit of COSCO Logistics, which was classified as a discontinued operation in 2009.

4 Balances included the share of profit of CIMC, which was classified as a discontinued operation in 2013.

5 Balances included the net gain on disposal of CIMC in 2013 and the gain on disposal of COSCO Logistics in 2010 which were reclassified as discontinued operation in 2013 and 2010 respectively.

HISTORICAL STATISTICS SUMMARY

Financial statistics		2004	2005
Consolidated income statement	US$M		
Revenues			
Terminals		11.1	12.5
Container leasing, management, sale and related businesses		281.8	299.0
Container handling, transportation and storage		7.2	6.8
Elimination of inter-segment		–	–
Total		300.1	318.3
EBITDA		351.1	499.3
Depreciation & amortisation		(102.5)	(107.7)
EBIT		248.6	391.6
Interest expenses		(24.8)	(35.6)
Interest income		3.3	4.4
Profit before income tax		227.1	360.4
Operating profit after finance income and costs		133.4	205.1
Profit attributable to equity holders of the Company		206.6	334.9
Breakdown of profit attributable to equity holders of the Company			
Terminals and related businesses		98.2	161.0
Container leasing, management, sale and related businesses		104.9	114.8
Container manufacturing and related businesses		3.5	58.7
Logistics and related businesses		11.8	15.1
Other operations		9.8	10.3
Net corporate finance income/(costs)		(15.5)	(15.8)
Net corporate expenses		(6.1)	(9.2)
Total		206.6	334.9
Consolidated balance sheet	US$M		
Consolidated total assets		2,243.0	2,855.1
Consolidated total liabilities		757.4	964.8
Consolidated net assets		1,485.6	1,890.3
Consolidated total debts		653.3	835.6
Consolidated cash balances		100.6	179.3
Consolidated net debts		552.7	656.3
Per share data			
Capital and reserves attributable to the equity holders of the Company per share	US$	0.67	0.85
Basic earnings per share	US cents	9.57	15.28
Dividend per share	US cents	5.396	8.650
Net asset value per share	US$	0.68	0.86
Net asset value per share	HK$	5.307	6.666
Share price (as at 31 December)	US$	2.064	1.830
	HK$	16.10	14.20
Ratios			
P/E (as at 31 December)	Times	21.7	11.9
Dividend payout ratio	%	56.4	56.6
Return on total assets	%	10.0	13.1
Return on net assets	%	14.7	19.8
Return on equity holders of the Company	%	14.7	20.0
Net debt-to-total equity ratio	%	37.2	34.7
Interest coverage	Times	10.1	11.1
Other information			
Total number of shares issued (as at 31 December)	M	2,183.6	2,199.0
Weighted average number of ordinary shares issued	M	2,160.0	2,192.1
Market capitalisation (as at 31 December)	US$M	4,507.2	4,024.2

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. The comparative figures from 2004 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.

2006	2007	2008	2009	2010	2011	2012	2013
20.9	43.3	78.7	114.9	190.8	320.1	398.5	**452.2**
269.0	247.9	252.6	229.8	250.9	276.5	336.2	**347.7**
7.6	7.7	6.7	4.7	4.8	3.3	3.7	**2.9**
–	–	–	–	–	(0.7)	(2.9)	**(4.2)**
297.5	298.9	338.0	349.4	446.5	599.2	735.5	**798.6**
462.6	574.2	413.6	321.4	516.6	621.9	618.3	**1,007.7**
(88.1)	(84.0)	(92.6)	(98.3)	(111.8)	(142.2)	(167.9)	**(190.5)**
374.5	490.2	321.0	223.1	404.8	479.7	450.4	**817.2**
(43.4)	(49.9)	(52.7)	(39.8)	(29.4)	(58.4)	(77.3)	**(84.5)**
12.6	10.5	6.9	6.0	6.5	5.1	9.2	**18.1**
343.7	450.8	275.2	189.3	381.9	426.4	382.3	**750.8**
169.5	172.8	120.0	66.1	90.4	126.1	159.3	**180.4**
291.1	427.8	274.7	172.5	361.3	388.8	342.2	**702.7**
100.6	120.6	120.6	83.5	119.9	184.9	189.0	**186.8**
166.4	92.3	115.0	71.4	96.3	116.5	139.5	**125.2**
16.9[Note1]	123.5[Note1]	39.3	30.9	91.9	119.8	61.9	**416.5**
18.4	19.7	25.0	25.6	84.7	–	–	**–**
12.8	98.4	–	–	–	–	–	**–**
(13.3)	(14.5)	(9.7)	(9.6)	(1.9)	(0.6)	(1.9)	**10.7**
(10.7)	(12.2)	(15.5)	(29.3)	(29.6)	(31.8)	(46.3)	**(36.5)**
291.1	427.8	274.7	172.5	361.3	388.8	342.2	**702.7**
2,987.2	3,871.6	4,213.2	4,635.3	5,251.9	6,472.2	7,363.9	**7,551.3**
779.0	1,096.9	1,566.9	1,776.9	1,758.0	2,592.0	3,146.5	**2,707.8**
2,208.2	2,774.7	2,646.3	2,858.4	3,493.9	3,880.2	4,217.4	**4,843.5**
531.6	914.0	1,424.3	1,604.3	1,558.8	2,168.0	2,601.7	**2,046.2**
224.7	387.4	429.0	405.8	524.3	581.1	849.3	**1,237.6**
306.9	526.6	995.3	1,198.5	1,034.5	1,586.9	1,752.4	**808.6**
0.97	1.21	1.14	1.21	1.23	1.34	1.42	**1.56**
13.14	19.09	12.24	7.66	14.17	14.34	12.51	**24.95**
8.847	9.406	4.896	3.061	5.668	5.736	5.004	**9.980**
0.99	1.24	1.18	1.26	1.29	1.43	1.51	**1.66**
7.704	9.637	9.135	9.796	10.015	11.115	11.732	**12.895**
2.349	2.668	1.021	1.281	1.742	1.167	1.424	**1.372**
18.26	20.80	7.91	9.93	13.54	9.07	11.04	**10.64**
17.9	14.0	8.3	16.7	12.3	8.1	11.4	**5.5**
56.6[Note 2]	56.6[Note 2]	40.0	40.0	40.0	40.0	40.0	**40.0**
10.0	12.5	6.8	3.9	7.3	6.6	4.9	**9.4**
14.2	17.2	10.1	6.3	11.4	10.5	8.5	**15.5**
14.4	17.5	10.4	6.5	11.9	11.1	9.0	**16.5**
13.9	19.0	37.6	41.9	29.6	40.9	41.6	**16.7**
8.8	10.0	6.2	5.8	14.0	8.3	5.9	**9.9**
2,228.7	2,244.9	2,245.0	2,262.5	2,711.5	2,711.8	2,786.1	**2,912.3**
2,214.7	2,240.3	2,245.0	2,252.9	2,550.4	2,711.8	2,735.1	**2,816.2**
5,234.1	5,988.4	2,291.3	2,897.3	4,723.5	3,166.4	3,968.5	**3,996.4**

Financial statistics		2004	2005
Container leasing, management and sale			
Breakdown of rental income	US$M		
– COSCON		120.8	126.4
– International customers (long term lease)		88.0	104.3
– International customers (master lease)		47.1	43.8
Total		255.9	274.5
Fleet capacity	TEU	919,128	1,042,852
Breakdown of fleet capacity by customers			
– COSCON (included owned, sale-and-leaseback containers)	TEU	327,845	377,324
– International customers			
Owned containers	TEU	567,644	630,925
Managed containers	TEU	23,639	34,603
– COSCON (included owned, sale-and-leaseback containers)	%	35.7	36.2
– International customers			
Owned containers	%	61.7	60.5
Managed containers	%	2.6	3.3
Breakdown of fleet capacity			
– Dry	TEU	870,789	993,988
– Reefer	TEU	36,639	38,020
– Special	TEU	11,700	10,844
– Dry	%	94.7	95.3
– Reefer	%	4.0	3.6
– Special	%	1.3	1.1
Capital expenditure on containers	US$M	270.9	333.6
Purchase of containers	TEU	155,526	168,592
Disposal of returned containers	TEU	39,517	27,288
Fleet age	Year	4.3	4.3
Utilisation rate			
– COSCO Pacific (Florens)	%	97.0	95.5
– Industry average	%	92.0	90.9
Number of customers		218	256
Container throughput	TEU		
COSCO-HIT Terminal		1,697,212	1,841,193
Yantian Terminal		6,259,515	7,355,459
Shanghai Terminal		3,650,319	3,646,732
Zhangjiagang Win Hanverky Terminal		328,199	377,121
Qingdao Cosport Terminal		385,856	605,791
Dalian Port Container Co., Ltd.		2,172,252	2,334,481
Shanghai Pudong Terminal		2,339,479	2,471,840
Qingdao Qianwan Terminal		4,532,769	5,443,086
COSCO-PSA Terminal		571,863	611,013
Yangzhou Yuanyang Terminal		118,079	157,123
Yingkou Terminal		393,097	633,573
Nanjing Longtan Terminal		–	178,686
Dalian Port Terminal		–	132,984
Tianjin Five Continents Terminal		–	87,462
Antwerp Terminal		–	70,084
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		–	–
Kao Ming Container Terminal		–	–
Taicang International Container Terminal		–	–
Total		22,448,640	25,946,628

2006	2007	2008	2009	2010	2011	2012	2013
136.9	140.1	142.4	134.3	123.3	131.5	139.1	**153.4**
60.9	32.7	44.3	50.3	68.9	100.1	125.3	**124.3**
21.8	8.5	15.7	13.5	15.0	15.2	16.1	**13.2**
219.6	181.3	202.4	198.1	207.2	246.8	280.5	**290.9**
1,250,609	1,519,671	1,621,222	1,582,614	1,631,783	1,777,792	1,855,597	**1,888,200**
456,877	517,311	551,219	527,891	499,106	547,077	638,631	**740,481**
163,851	239,742	314,077	332,591	432,613	556,366	586,613	**595,316**
629,881	762,618	755,926	722,132	700,064	674,349	630,353	**552,403**
36.5	34.0	34.0	33.4	30.6	30.8	34.4	**39.2**
13.1	15.8	19.4	21.0	26.5	31.3	31.6	**31.5**
50.4	50.2	46.6	45.6	42.9	37.9	34.0	**29.3**
1,198,770	1,470,832	1,570,462	1,532,723	1,587,775	1,731,530	1,810,448	**1,846,286**
41,456	38,745	41,183	39,860	35,616	38,658	38,774	**36,146**
10,383	10,094	9,577	10,031	8,392	7,604	6,375	**5,768**
95.9	96.8	96.9	96.9	97.3	97.4	97.6	**97.8**
3.3	2.5	2.5	2.5	2.2	2.2	2.1	**1.9**
0.8	0.7	0.6	0.6	0.5	0.4	0.3	**0.3**
480.6	586.3	348.0	61.9	250.4	432.9	371.7	**288.8**
268,236	326,715	152,752	15,000	111,625	185,231	162,742	**151,500**
48,071	56,759	34,043	22,863	28,674	9,826	31,671	**35,714**
4.0	3.8	4.2	5.0	5.4	5.9	6.1	**6.4**
96.2	94.5	94.6	90.6	97.3	96.1	95.3	**94.5**
91.8	93.0	94.0	86.0	95.0	95.0	94.8	**93.9**
270	280	300	306	300	287	276	**264**
1,688,697	1,846,559	1,752,251	1,360,945	1,535,923	1,625,819	1,683,748	**1,639,275**
8,470,919	9,368,696	9,683,493	8,579,013	10,133,967	10,264,440	10,666,758	**10,796,113**
3,703,460	3,446,135	3,681,785	2,979,849	3,197,244	–	–	**–**
455,946	601,801	710,831	715,413	889,515	1,065,382	1,228,935	**1,374,596**
744,276	1,005,439	1,099,937	1,145,352	1,284,903	–	–	**–**
2,464,208	2,873,474	2,742,503	2,906,768	–	–	–	**–**
2,650,007	2,723,722	2,779,109	2,291,281	2,450,176	2,388,156	2,151,297	**2,246,026**
6,770,003	8,237,501	8,715,098	8,961,785	10,568,065	12,426,090	14,045,503	**14,981,635**
627,894	833,892	1,247,283	904,829	1,091,639	1,106,262	1,232,954	**1,048,846**
222,912	253,772	267,970	221,046	302,617	400,224	401,003	**449,849**
837,574	1,125,557	950,801	1,023,107	1,196,932	1,303,068	1,600,094	**1,716,106**
700,098	950,289	1,160,261	1,058,499	1,245,559	1,600,523	2,035,617	**2,400,370**
421,068	850,359	1,656,968	1,509,401	1,668,418	1,900,204	2,216,353	**2,732,174**
1,773,141	1,988,456	1,938,580	1,940,933	1,917,873	2,100,321	2,180,184	**2,300,918**
599,170	792,459	1,091,657	639,957	795,534	1,168,930	1,101,163	**1,370,609**
241,272	856,784	910,058	936,136	1,050,710	1,186,799	1,201,279	**1,090,660**
–	577,196	2,000,130	2,158,291	3,060,591	3,914,348	4,230,574	**4,449,311**
–	331,361	903,865	1,117,169	1,704,588	2,145,653	2,402,554	**2,806,406**
–	319,153	2,392,516	2,659,584	2,856,854	3,246,467	2,863,167	**3,124,828**
–	–	193,779	274,390	313,585	314,101	358,836	**418,242**
–	–	–	166,062	684,881	1,188,148	2,108,090	**2,519,664**
–	–	–	–	574,296	1,350,962	1,705,667	**1,803,407**
–	–	–	–	–	–	271,449	**609,393**
–	–	–	–	–	–	–	**1,170,704**
–	–	–	–	–	–	–	**235,759**
32,370,645	38,982,605	45,878,875	43,549,810	48,523,870	50,695,897	55,685,225	**61,284,891**

CORPORATE INFORMATION

Board of Directors

Mr. LI Yunpeng[2] *(Chairman)*
Dr. WANG Xingru[1] *(Vice Chairman and Managing Director)*
Mr. WAN Min[2]
Mr. WANG Haimin[1]
Mr. FENG Jinhua[1]
Mr. TANG Runjiang[1]
Mr. FENG Bo[1]
Mr. WANG Wei[2]
Dr. WONG Tin Yau, Kelvin[1]
Mr. QIU Jinguang[1]
Mr. Timothy George FRESHWATER[3]
Dr. FAN HSU Lai Tai, Rita[3]
Mr. Adrian David LI Man Kiu[3]
Mr. IP Sing Chi[3]
Mr. FAN Ergang[3]

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

General Counsel & Company Secretary

Ms. HUNG Man, Michelle

Place of Incorporation

Bermuda

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Hamilton HM 11
Bermuda

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Website: www.coscopac.com.hk

Auditor

PricewaterhouseCoopers
Certified Public Accountants
22nd Floor
Prince's Building
Hong Kong

Solicitors

Holman Fenwick Willan
Linklaters
Norton Rose Fulbright
Woo, Kwan, Lee & Lo

Principal Bankers

Bank of China (Hong Kong) Limited
China Development Bank
China Merchants Bank
Commonwealth Bank of Australia
DBS Bank Ltd
ING Bank N.V.
The Bank of East Asia, Limited
The Hongkong and Shanghai Banking Corporation Limited

Principal Registrar and Transfer Office in Bermuda

Codan Services Limited
Clarendon House
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Hamilton HM 11
Bermuda

Branch Registrar and Transfer Office in Hong Kong

Tricor Secretaries Limited
Level 22, Hopewell Centre
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Hong Kong

Listing Information/Stock Code

The Stock Exchange of Hong Kong Limited: 1199
Bloomberg: 1199 HK
Reuters: 1199. HK

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