NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

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

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

These consolidated financial statements have been approved for issue by the Board of Directors on 27th March 2012.

2 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The consolidated financial statements have been prepared under the historical cost convention except that, available-for-sale financial assets, derivative financial instruments and investment properties are carried at fair value and certain buildings are carried at valuation as at 31st December 1994 less accumulated depreciation and impairment losses.

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

(a) Adoption of new HKFRSs

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

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

Improvements to existing standards

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

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

2 Basis of preparation (Continued)

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

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

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

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

3 Summary of significant accounting policies

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

3.1 Group accounting

(a) Business combination

The Group applies the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

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

(b) Subsidiaries

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

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

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

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

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

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

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

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

3 Summary of significant accounting policies (Continued)

3.1 Group accounting (Continued)

(d) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in consolidated income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as jointly controlled entities, associates or financial assets. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to consolidated income statement.

(e) Jointly controlled entities/associates

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

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

Investment in a jointly controlled entity/an associate is accounted for using the equity method from the date on which it becomes a jointly controlled entity/an associate. The investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in jointly controlled entities/associates includes goodwill identified on acquisition. The measurement of goodwill is the same as that of goodwill arising from the acquisition of subsidiaries. Appropriate adjustments to the Group's share of the profits or losses after acquisition are made to the consolidated financial statements based on the fair values of the assets and liabilities acquired at date of acquisition.

The initial accounting on the acquisition of associates and reclassification of jointly controlled entities to subsidiaries involve identifying and determining the fair values to be assigned to the identifiable assets, liabilities and contingent liabilities of the acquired entities.

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

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

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

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

3 Summary of significant accounting policies (Continued)

3.1 Group accounting (Continued)

(e) Jointly controlled entities/associates (Continued)

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

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

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

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

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

3.2 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources, assessing performance of the operating segments and making strategic decisions, is identified as the Board of Directors of the Company.

3.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in United States dollar ("US dollar"), which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the securities and other changes in the carrying amount of the securities. Translation differences relating to the changes in amortised cost are recognised in the consolidated income statement, and other changes in carrying amount are recognised in other comprehensive income.

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

3 Summary of significant accounting policies (Continued)

3.3 Foreign currency translation (Continued)

(c) Group companies

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

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

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

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

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

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Related exchange differences are recognised in equity.

3.4 Property, plant and equipment

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

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

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

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

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

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

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

3 Summary of significant accounting policies (Continued)

3.4 Property, plant and equipment (Continued)

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

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

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

3.5 Land use rights

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

3.6 Investment properties

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

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

Investment properties are measured initially at cost, including related transaction costs. After initial recognition, investment properties are carried at fair value. Fair value is based on valuations carried out by external valuers. Change in fair value is recognised in the consolidated income statement. The fair value of investment properties reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance costs are expensed in the consolidated income statement during the financial period in which they are incurred.

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

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

3.7 Assets held for sale

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

3 Summary of significant accounting policies (Continued)

3.8 Intangible assets

(a) Goodwill

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

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

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

(b) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over the estimated useful lives of 5 years on a straight-line basis.

Costs associated with developing or maintaining computer software programmes which do not generate economic benefits exceeding costs beyond one year are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

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

3.9 Impairment of non-financial assets

Non-financial assets that have an indefinite useful life or are not subject to depreciation or amortisation are tested at least annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. All other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

3 Summary of significant accounting policies (Continued)

3.10 Available-for-sale financial assets

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

Available-for-sale financial assets are non-derivatives and they are included in non-current assets unless management intends to dispose of the investment within 12 months from the balance sheet date.

Available-for-sale financial assets are carried at fair value. Unrealised gains and losses arising from changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the consolidated income statement as gains or losses from investments.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market input and relying as little as possible on entity-specific input.

3.11 Derivative financial instruments and hedging activities

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

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

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

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

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

3 Summary of significant accounting policies (Continued)

3.12 Impairment of financial assets

(a) Assets carried at amortised cost

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

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

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

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

(b) Available-for-sale financial assets

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

3 Summary of significant accounting policies (Continued)

3.13 Inventories

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

3.14 Trade and other receivables

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

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

3.15 Cash and cash equivalents

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

3.16 Assets under leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessors are accounted for as operating leases. Leases that substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as finance leases, including leases which transfer ownership of the asset to the lessee at the end of lease term.

(a) Leases – where the Group is the lessee

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

(b) Leases – where the Group is the lessor

When the Group leases out assets under operating leases, the assets are included in the balance sheet according to their nature and where applicable, are depreciated in accordance with the Group's depreciation policies, as set out in note 3.4 above. Revenue arising from assets leased out under operating leases is recognised in accordance with the Group's revenue recognition policies, as set out in notes 3.24(b) and 3.24(e) below.

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

3 Summary of significant accounting policies (Continued)

3.17 Provisions

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

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

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

3.18 Trade and other payables

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

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

3.19 Financial guarantee contracts

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

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

3.20 Share capital

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

3.21 Borrowings

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

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

3.22 Current and deferred income tax

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

(a) Current income tax

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

3 Summary of significant accounting policies (Continued)

3.22 Current and deferred income tax (Continued)

(b) Deferred income tax

Inside basis differences

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

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

Outside basis differences

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, jointly controlled entities and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

3.23 Employee benefits

(a) Retirement benefit costs

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

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

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

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

(b) Employee leave entitlements

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

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

3 Summary of significant accounting policies (Continued)

3.23 Employee benefits (Continued)

(c) Bonus entitlements

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

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

(d) Share-based compensation

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

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

3.24 Recognition of revenue and income

The Group recognises revenue and income on the following bases:

(a) Revenue from terminal operations

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

(b) Revenue from leasing of containers and generator sets

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

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

(c) Revenue from container handling, transportation and storage

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

(d) Revenue from container management

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

(e) Operating lease rental income from investment properties

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

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

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

(g) Interest income

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

3 Summary of significant accounting policies (Continued)

3.24 Recognition of revenue and income (Continued)

(h) Dividend income

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

(i) Income on sale of investments

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

(j) Deal management fee and upfront administration fee

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

3.25 Borrowing costs

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

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

3.26 Government subsidy

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

3.27 Dividend distribution

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

3.28 Contingent liabilities and contingent assets

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

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

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

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

4 Financial risk management

4.1 Financial risk factors

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

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

(a) Market risk

(i) Foreign exchange risk

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

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

With all other variables held constant, if the currencies of Non-Functional Currency Items had weakened/strengthened by 5% against the US dollar, the Group's profit after income tax for the year would have been decreased/increased by US$1,940,000 (2010: increase/decreased US$328,000) as a result of the translation of those Non-Functional Currency Items.

(ii) Price risk

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

(iii) Cash flow and fair value interest rate risk

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

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

With all other variables held constant, if the interest rate had increased/decreased by 50 basis-points, the corresponding increase/decrease in net finance costs (representing interest expenses on Interest Bearing Liabilities net of interest income on the Interest Bearing Assets) would have been approximately US$7,230,000 (2010: US$3,952,000).

4 Financial risk management (Continued)

4.1 Financial risk factors (Continued)

(b) Credit risk

The Group's maximum exposure to credit risk in relation to financial assets at the reporting date is the carrying amounts of bank balances and cash, trade and other receivables, loans to associates and finance lease receivables.

The majority of the Group's trade and finance lease receivables relate to container leasing rental income receivables from COSCO Container Lines Company Limited ("COSCON"), a fellow subsidiary of the Group and a subsidiary of China COSCO, and third party customers which are operating in the container shipping industry. Container leasing rental income from COSCON accounted for approximately 22% (2010: 28%) of the Group's revenue and most of balance receivables from COSCON are aged within the credit period granted.

There is no concentration of credit risk with respect to trade and finance lease receivables from third party customers as the Group has a large number of customers which are internationally dispersed. No individual third party customers accounted for greater than 10% of the Group's revenue. The Group limits its exposure to credit risk through performing credit reviews and monitoring the financial strength of its major customers and generally does not require collateral on trade receivables.

Customer lease out limit is assessed by the credit and risk management department with reference to their financial positions, historical credit references and other factors. This limit will be reviewed and adjusted, if circumstances required, to comply with the Group's credit and risk management policy.

No credit limits were exceeded during the year, and management does not expect any significant losses from non-performance by these relevant parties.

In addition, the Group monitors the exposure to credit risk in respect of the financial assistance provided to subsidiaries, jointly controlled entities and associates through exercising control or influence over their financial and operating policy decisions and reviewing their financial positions on a regular basis.

For bank balances and cash, the Group has limited its credit exposure by restricting their selection of financial institutions on those reputable local banks or state-owned banks with sound credit ratings.

No other financial assets carry a significant exposure to credit risk.

(c) Liquidity risk

The Group's cash management policy is to regularly monitor its current and expected liquidity positions to ensure adequate funds are available for its short term and long term requirements.

The table below analyses the Group's and the Company's financial liabilities which will be settled into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

4 Financial risk management (Continued)

4.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

	Less than 1 year US$'000	Between 1 and 2 years US$'000	Between 2 and 5 years US$'000	Over 5 years US$'000
Group				
At 31st December 2011				
Bank and other borrowings	**660,577**	**782,696**	**555,559**	**414,318**
Loans from non-controlling shareholders of subsidiaries	**5,215**	**103,214**	**73,632**	**—**
Trade and other payables	**202,095**	**—**	**—**	**—**
Financial guarantee contracts	**—**	**3,883**	**18,113**	**5,517**
At 31st December 2010				
Bank and other borrowings	211,842	336,311	949,459	251,223
Trade and other payables	162,370	—	—	—
Financial guarantee contracts	—	—	16,044	13,461

	Less than 1 year US$'000	Between 1 and 2 years US$'000	Between 2 and 5 years US$'000	Over 5 years US$'000
Company				
At 31st December 2011				
Loan due to a subsidiary	**—**	**296,655**	**—**	**—**
Other payables	**2,160**	**—**	**—**	**—**
Amounts due to subsidiaries	**318,592**	**—**	**—**	**—**
Financial guarantee contracts	**341,000**	**629,883**	**150,113**	**5,517**
At 31st December 2010				
Loan due to a subsidiary	—	—	296,655	—
Other payables	2,955	—	—	—
Amounts due to subsidiaries	441,801	—	—	—
Financial guarantee contracts	108,000	266,000	774,044	13,461

4.2 Capital management

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

The Group monitors capital on the basis of the net debt (total bank borrowings less cash and cash equivalents and restricted bank deposits) to total equity ratio. The Group aims to maintain a manageable net debt to total equity ratio. As at 31st December 2011, the net debt-to-total equity ratio is 40.9% (2010: 29.6%).

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

4 Financial risk management (Continued)

4.3 Fair value estimation

The Group's financial instruments that are measured at fair value are disclosed by levels of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

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

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

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

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

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

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

5 Critical accounting estimates and judgements

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

5.1 Critical accounting estimates and assumptions

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

(a) Useful lives and residual values of containers

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

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

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

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

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

(b) Impairment of containers and terminal equipment

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

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

Management determines whether terminal equipment has suffered any impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, according to their recoverable amounts determined by the cash-generating units based on value-in-use calculations. Management considered that there was no indicator for impairment of terminal equipment as at 31st December 2011.

5 Critical accounting estimates and judgements (Continued)

5.2 Critical judgement in applying the Group's accounting policies

(a) Income taxes

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

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

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

Management determines whether investments in jointly controlled entities and associates have suffered any impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable, according to their recoverable amounts determined by the cash-generating units based on value-in-use calculations. The determination of impairment indication requires significant judgement, and the calculations require the use of estimates which are subject to change of economic environment in future.

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

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

The reclassification of a jointly controlled entity to a subsidiary involves identifying and determining the fair values to be assigned to the identifiable assets, liabilities and contingent liabilities. The fair values of identifiable net assets are determined by reference to the valuation performed by independent professional valuer. Any changes in the assumptions used and estimates made in determining the fair values will impact the carrying amounts of these assets and liabilities.

6 Revenue and segment information

Revenues recognised during the year are as follows:

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

(a) Operating segments

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

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

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

(iii) container manufacturing and related businesses.

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

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

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

6 Revenue and segment information (Continued)

(a) Operating segments (Continued)

Segment assets

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

6 Revenue and segment information (Continued)

(a) Operating segments (Continued)

Segment revenue, results and other information

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

6 Revenue and segment information (Continued)

(a) Operating segments (Continued)

Segment revenue, results and other information (Continued)

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

6 Revenue and segment information (Continued)

(b) Geographical information

(i) Revenue

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

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

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

(ii) Non-current assets

The Group's non-current assets, other than financial instruments and deferred income tax assets ("Geographical Non-Current Assets"), consist of property, plant and equipment, investment properties, land use rights, intangible assets, jointly controlled entities, associates and other non-current assets.

The containers and generator sets (included in property, plant and equipment) are primarily utilised across geographical markets for shipment of cargoes throughout the world. Accordingly, it is impractical to present the locations of the containers and generator sets by geographical areas and thus the containers and generator sets are presented as unallocated non-current assets.

In respect of the terminal non-current assets and the remaining Geographical Non-Current Assets, they are presented based on the geographical areas in which the business operations/assets are located.

Other than container leasing, management, sale and related businesses, the Group's activities are predominantly carried out in the following geographical areas:

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

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

7 Property, plant and equipment

Group

	Containers US$'000	Generator sets US$'000	Leasehold land and buildings in Hong Kong US$'000	Buildings outside Hong Kong US$'000	Leasehold improvements US$'000	Other property, plant and equipment US$'000	Construction in progress US$'000	Total US$'000
Cost or valuation								
At 1st January 2011	1,598,356	13,479	20,265	322,287	2,141	228,803	349,789	2,535,120
Exchange differences	471	—	—	37,633	56	16,131	17,341	71,632
Reclassification of a jointly controlled entity to a subsidiary (note 45)	—	—	—	400,026	—	179,939	87,055	667,020
Additions	432,897	—	—	1,459	148	37,971	163,478	635,953
Disposals	(237,946)	(991)	—	(31)	(105)	(1,961)	—	(241,034)
Write-off	—	—	—	—	—	—	(309)	(309)
Transfer to inventories	(28,084)	—	—	—	—	—	—	(28,084)
Transfer from investment properties (note 8)	—	—	731	—	—	—	—	731
Transfer	—	—	—	50,899	—	18,940	(69,839)	—
At 31st December 2011	1,765,694	12,488	20,996	812,273	2,240	479,823	547,515	3,641,029
Accumulated depreciation and impairment losses								
At 1st January 2011	319,775	4,968	4,954	27,140	1,116	49,558	302	407,813
Exchange differences	52	—	—	1,800	17	2,640	7	4,516
Write-off	—	—	—	—	—	—	(309)	(309)
Depreciation charge for the year	87,191	993	259	19,119	276	26,187	—	134,025
Disposals – accumulated depreciation and impairment losses	(36,727)	(479)	—	(54)	(105)	(1,151)	—	(38,516)
Transfer to inventories	(22,365)	—	—	—	—	—	—	(22,365)
At 31st December 2011	347,926	5,482	5,213	48,005	1,304	77,234	—	485,164
Net book value								
At 31st December 2011	1,417,768	7,006	15,783	764,268	936	402,589	547,515	3,155,865
The analysis of cost or valuation of the above assets as at 31st December 2011 is as follows:								
At cost	1,765,694	12,488	1,022	812,273	2,240	479,823	547,515	3,621,055
At 1994 professional valuation	—	—	19,974	—	—	—	—	19,974
	1,765,694	12,488	20,996	812,273	2,240	479,823	547,515	3,641,029

7 Property, plant and equipment (Continued)

Group

	Containers US$'000	Generator sets US$'000	Leasehold land and buildings in Hong Kong US$'000	Buildings outside Hong Kong US$'000	Leasehold improvements US$'000	Other property, plant and equipment US$'000	Construction in progress US$'000	Total US$'000
Cost or valuation								
At 1st January 2010	1,462,742	13,564	2,537	281,892	1,938	193,945	256,403	2,213,021
Reclassification from land use rights upon adoption of HKAS 17 Amendment	—	—	17,728	—	—	—	—	17,728
Exchange differences	63	—	—	9,360	22	6,080	9,242	24,767
Additions	250,364	—	—	5,514	856	6,994	132,278	396,006
Disposals	(25,187)	(85)	—	(146)	(675)	(683)	—	(26,776)
Transfer to inventories	(89,626)	—	—	—	—	—	—	(89,626)
Transfer	—	—	—	25,667	—	22,467	(48,134)	—
At 31st December 2010	1,598,356	13,479	20,265	322,287	2,141	228,803	349,789	2,535,120
Accumulated depreciation and impairment losses								
At 1st January 2010	316,216	3,963	1,765	18,288	1,564	37,146	—	378,942
Reclassification from land use rights upon adoption of HKAS 17 Amendment	—	—	3,037	—	—	—	—	3,037
Exchange differences	37	—	—	745	3	1,252	7	2,044
Impairment loss for the year	872	—	—	—	—	—	295	1,167
Depreciation charge for the year	84,665	1,033	152	8,126	216	11,807	—	105,999
Disposals – accumulated depreciation and impairment losses	(18,772)	(28)	—	(19)	(667)	(647)	—	(20,133)
Transfer to inventories	(63,243)	—	—	—	—	—	—	(63,243)
At 31st December 2010	319,775	4,968	4,954	27,140	1,116	49,558	302	407,813
Net book value								
At 31st December 2010	1,278,581	8,511	15,311	295,147	1,025	179,245	349,487	2,127,307
The analysis of cost or valuation of the above assets as at 31st December 2010 is as follows:								
At cost	1,598,356	13,479	291	322,287	2,141	228,803	349,789	2,515,146
At 1994 professional valuation	—	—	19,974	—	—	—	—	19,974
	1,598,356	13,479	20,265	322,287	2,141	228,803	349,789	2,535,120

7 Property, plant and equipment (Continued)

Company

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

Notes:

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

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

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

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

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

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

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

8 Investment properties

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

Notes:

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

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

9 Land use rights

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

Note:
The Group's interests in land use rights represent prepaid operating lease payments for leases outside Hong Kong which held between 10 to 50 years. (2010: between 10 to 50 years)

10 Intangible assets

Group

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

11 Subsidiaries

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

Notes:

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

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

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

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

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

(d) Except for an amount due from a subsidiary of US$57,227,000 as at 31st December 2010 which bore interests of 1.5% per annum above the Euro Interbank Offered Rate, the amounts due from/(to) subsidiaries are unsecured, interest free and have no fixed terms of repayment. Movement on the provision for impairment of amounts due from subsidiaries is as follows:

	Company	
	2011 US$'000	2010 US$'000
At 1st January	**(116,439)**	(104,939)
Provision for impairment of amounts due from subsidiaries	**(18,800)**	(11,500)
At 31st December	**(135,239)**	(116,439)

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

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

12 Jointly controlled entities

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

Notes:

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

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

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

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

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

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

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

13 Associates

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

13 Associates (Continued)

Notes:

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

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

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

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

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

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

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

14 Available-for-sale financial asset

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

Notes:

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

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

15 Finance lease receivables

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

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

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

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

16 Deferred income tax

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

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

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

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

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

16 Deferred income tax (Continued)

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

Deferred income tax liabilities

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

Deferred income tax assets

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

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

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

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

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

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

17 Derivative financial instruments

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

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

18 Other non-current assets

Other non-current assets of the Group mainly represent prepaid operating lease payments, which included the unamortised upfront concession fee incurred in respect of the concession agreement with Piraeus Port Authority S.A. for the concession of Piers 2 and 3 of the Piraeus Port in Greece for a term of 35 years (the "Concession"). The Concession commenced on 1st October 2009. Apart from the aforesaid upfront concession fee, the Group had operating lease commitment in relations to the Concession (note 42(b)).

19 Inventories

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

20 Trade and other receivables

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

20 Trade and other receivables (Continued)

Notes:

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

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

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

As at 31st December 2011, trade receivables of US$19,590,000 (2010: US$18,684,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables which were past due but not impaired is as follows:

	Group 2011 US$'000	Group 2010 US$'000
Within 30 days	**17,975**	15,590
31-60 days	**976**	2,106
61-90 days	**432**	786
Over 90 days	**207**	202
	19,590	18,684

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

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

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

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

(b) The amounts due from fellow subsidiaries, jointly controlled entities, associates, related companies and a non-controlling shareholder of a subsidiary are unsecured and interest free. Trading balances have credit periods ranging from 30 to 90 days while other balances have no fixed terms of repayment.

(c) The balance mainly represented container leasing income receivable from fellow subsidiaries and included a receivable balance from COSCON of US$22,210,000 (2010: US$19,634,000). During the year ended 31st December 2011, the container leasing income from COSCON and the other fellow subsidiaries amounted to US$131,488,000 (2010: US$123,309,000) and US$11,000 (2010: US$14,000) respectively.

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

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

20 Trade and other receivables (Continued)

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

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

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

21 Asset held for sale

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

Note:

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

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

22 Share capital

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

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

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

Notes:

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

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

23 Share-based payment

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

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

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

Movements of the share options are set out below:

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

23 Share-based payment (Continued)

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

Notes:

(i) All the outstanding options were vested and exercisable as at 31st December 2011 and 2010. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

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

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

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

23 Share-based payment (Continued)

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

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

(vi) Share options outstanding at the end of the year have the following expiry dates and exercise prices:

Expiry date	Exercise price HK$	Number of share options 2011	2010
28th October 2013 to 6th November 2013	9.54	2,361,000	2,369,000
25th November 2014 to 16th December 2014	13.75	21,042,000	21,812,000
17th April 2017 to 19th April 2017	19.30	14,700,000	15,260,000
		38,103,000	39,441,000

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

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

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

24 Reserves

Company

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

24 Reserves (Continued)

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

Note:

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

25 Borrowings

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

Notes:

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

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

25 Borrowings (Continued)

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

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

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

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

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

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

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

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

25 Borrowings (Continued)

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

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

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

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

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

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

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

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

(h) As at 31st December 2011, a bank loan of US$130,682,000 (2010: US$64,180,000) granted to a subsidiary of the Company was secured by certain other property, plant and equipment of the Group (note 7(e)) and the Company's interest in the subsidiary (note 11(a)). Under the circumstances that the terms and conditions as included in the loan agreement were not met, bank balances of US$12,108,000 (2010: US$12,629,000) would be pledged as securities (note 43(b)(iii)). As at 31st December 2011, there was no violation of the terms and conditions of this loan and thus such bank balances were not pledged.

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

26 Loans from non-controlling shareholders of subsidiaries

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

27 Other long term liabilities

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

28 Trade and other payables

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

Notes:

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

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

(b) Amounts due to fellow subsidiaries, a jointly controlled entity, non-controlling shareholders of subsidiaries, subsidiaries of an associate and related companies are unsecured and interest free. Trading balances have similar credit periods granted as those of other third party suppliers while the other balances have no fixed terms of repayment.

(c) The balances represented the amounts payable to subsidiaries of an associate of the Group in respect of the purchases of containers (note 44(a)(x)).

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

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

28 Trade and other payables (Continued)

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

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

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

29 Other operating income

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

30 Operating profit

Operating profit is stated after crediting and charging the following:

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

Notes:

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

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

(c) Total staff costs do not include the amounts of benefits in kind provided to the Company's directors and the Group's employees in respect of the Company's share options granted prior to 2005 and staff quarters. Details of the Company's share options are set out in note 23 to the consolidated financial statements.

31 Finance income and costs

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

32 Income tax expenses

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

The Group's share of income tax expenses of jointly controlled entities and associates of US$13,377,000 (2010: US$11,675,000) and US$56,864,000 (2010: US$30,333,000) are included in the Group's share of profits less losses of jointly controlled entities and associates respectively. The deferred income tax charge mainly represents the withholding income tax in respect of the undistributed earnings for the year of the Group's subsidiaries, jointly controlled entities and associates.

32 Income tax expenses (Continued)

Hong Kong profits tax was provided at a rate of 16.5% (2010: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

Below is a numerical reconciliation between income tax expenses in the consolidated income statement and aggregate tax expense at the domestic rates applicable to profits in respective territories concerned:

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

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

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

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

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

34 Profit attributable to equity holders of the Company

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of US$110,893,000 (2010: US$260,457,000).

35 Dividends

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

Note:

At a meeting held on 27th March 2012, the directors recommended the payment of a final dividend of HK17.4 cents (equivalent to US2.240 cents) per ordinary share. The dividend will be payable in cash and with a scrip dividend alternative. This proposed final dividend is not reflected as dividend payable in these consolidated financial statements until it has been approved at the annual general meeting, but will be reflected as an appropriation of retained profits for the year ending 31st December 2012.

36 Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

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

36 Earnings per share (Continued)

(b) Diluted

Diluted earnings per share is calculated based on the profit attributable to equity holders of the Company and the weighted average number of ordinary shares in issue during the year, after adjusting for the number of dilutive potential ordinary shares deemed to be issued at no considerations as if all outstanding dilutive share options granted by the Company had been exercised.

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

37 Retirement benefit costs

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

38 Directors' and management's emoluments

(a) Directors' emoluments

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

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

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

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

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

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

38 Directors' and management's emoluments (Continued)

(a) Directors' emoluments (Continued)

As at 31st December 2011, two (2010: three) directors of the Company had 1,000,000 (2010: 1,800,000) share options which are exercisable at HK$19.30 per share granted by the Company under the 2003 Share Option Scheme.

For the year ended 31st December 2011 and 2010, there was no share option exercised by the directors.

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

The directors' emoluments are analysed as follows:

		Year ended 31st December 2011					
Name of directors	Note	Fees US$'000	Salaries, housing and other allowances US$'000	Benefits in kind US$'000	Bonuses US$'000	Contributions to retirement benefit schemes US$'000	Total US$'000
Mr. XU Lirong		19	—	—	—	—	19
Dr. WANG Xingru	(i)	—	336	—	—	—	336
Mr. WAN Min	(ii)	6	—	—	—	—	6
Mr. HE Jiale		15	—	—	—	—	15
Mr. WANG Zenghua	(iii)	15	—	—	—	—	15
Mr. FENG Jinhua	(iii)	15	—	—	—	—	15
Mr. WANG Haimin	(iii)	15	—	—	—	—	15
Mr. GAO Ping	(iii)	15	—	—	—	—	15
Dr. WONG Tin Yau, Kelvin		—	344	—	77	2	423
Mr. YIN Weiyu		—	249	—	67	—	316
Dr. LI Kwok Po, David		50	—	—	—	—	50
Mr. CHOW Kwong Fai, Edward		54	—	—	—	—	54
Mr. Timothy George FRESHWATER		40	—	—	—	—	40
Dr. FAN HSU Lai Tai, Rita		50	—	—	—	—	50
Mr. XU Minjie	(iv)	—	371	—	93	—	464
Dr. SUN Jiakang	(v)	10	—	—	—	—	10
		304	1,300	—	237	2	1,843

38 Directors' and management's emoluments (Continued)

(a) Directors' emoluments (Continued)

The directors' emoluments are analysed as follows:

		Year ended 31st December 2010					
Name of directors	Note	Fees US$'000	Salaries, housing and other allowances US$'000	Benefits in kind US$'000	Bonuses US$'000	Contributions to retirement benefit schemes US$'000	Total US$'000
Mr. XU Lirong		16	—	—	—	—	16
Mr. XU Minjie	(iv)	—	679	76	68	—	823
Dr. SUN Jiakang	(v)	15	—	—	—	—	15
Mr. HE Jiale		15	—	—	—	—	15
Mr. WANG Zenghua	(iii)	4	—	—	—	—	4
Mr. FENG Jinhua	(iii)	4	—	—	—	—	4
Mr. WANG Haimin	(iii)	4	—	—	—	—	4
Mr. GAO Ping	(iii)	4	—	—	—	—	4
Dr. WONG Tin Yau, Kelvin		—	355	—	58	2	415
Mr. YIN Weiyu		—	246	—	48	—	294
Dr. LI Kwok Po, David		42	—	—	—	—	42
Mr. CHOW Kwong Fai, Edward		46	—	—	—	—	46
Mr. Timothy George FRESHWATER		32	—	—	—	—	32
Dr. FAN HSU Lai Tai, Rita		42	—	—	—	—	42
Mr. CHEN Hongsheng	(vi)	16	—	—	—	—	16
Mr. LI Jianhong	(vi)	13	—	—	—	—	13
Ms. SUN Yueying	(vi)	13	—	—	—	—	13
		266	1,280	76	174	2	1,798

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

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

38 Directors' and management's emoluments (Continued)

(b) Management's emoluments

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

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

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

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

(c) During the year, no emolument had been paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office. No directors waived or agreed to waive any emoluments during the year.

39 Financial guarantee contracts

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

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

The directors of the Company consider that it is not probable for a claim to be made against the Group and the Company under any of these guarantees as at the balance sheet date.

The fair value of the guarantee contracts is not material and has not been recognised.

40 Contingent liabilities

A statement of claim was issued on 19th October 2009 by Aronis-Drettas-Karlaftis Consultant Engineers S.A. ("ADK") against the Company and Piraeus Container Terminal S.A. ("Piraeus Terminal"), a wholly owned subsidiary of the Company, in a civil claim at the Court of First Instance of Athens in Greece alleging non-payment of fees for design services and project management services. The plaintiff has claimed approximately Euro 5,800,000 (equivalent to approximately US$7,500,000) in total. The Company and Piraeus Terminal have defended all material claims at the trial hearing held on 30th November 2010.

The Court of First Instance of Athens has issued (pronounced) judgment on the case and has dismissed the aforementioned statement of claim in its entirety both as regards the Company and as regards Piraeus Terminal, and has awarded to the Company and Piraeus Terminal part of the legal expenses in the amount of Euro 30,000 (equivalent to approximately US$39,000) against the plaintiff (ADK). The plaintiff has filed an appeal against the judgment of the Court of First Instance of Athens before the Court of Appeals of Athens according to Greek procedural law. The hearing of this appeal has been set to take place before the Court of Appeals of Athens on 13th November 2012. The directors and management of the Company, having taken legal advice, are of the view that the Company and Piraeus Terminal have good rebuttal to the arguments set forth in the appeal document. Nonetheless, it is still not possible to predict the final outcome of this litigation with certainty. No provision has been made for the claims.

41 Capital commitments

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

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

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

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

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

41 Capital commitments (Continued)

Note:

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

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

42 Operating lease arrangements/commitments

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

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

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

The future lease receipts above do not include those lease contracts with the amount of future lease receipts depends on the timing of pick up and drop off of containers by lessees during the lease period of the contracts.

42 Operating lease arrangements/commitments (Continued)

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

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

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

Note:

After the disposal of certain containers in 2008 and 2011, the Group entered into operating lease agreements of which the Group agreed to lease back these containers from the purchasers with lease terms of five years each. The lessors calculated the rent payable by the Group, which was determined on the terms agreed among the parties.

Pursuant to the operating lease agreement entered into in 2008, the lessor has granted a lease extension option to the Group, which must be exercised by the Group at least six months but not more than eight months from the expiry date of the original term. If exercised, the lease term of all containers under the operating lease agreement will be extended for a further term of five years from the original expiry date.

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

43 Notes to the consolidated cash flow statement

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

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

43 Notes to the consolidated cash flow statement (Continued)

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

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

Notes:

(i) As at 31st December 2011, cash and cash equivalents of US$176,636,000 (2010: US$124,979,000) of the Group denominated in Renminbi and US dollar were held by certain subsidiaries with bank accounts operating in the PRC where exchange controls apply.

(ii) The carrying amounts of time deposits, bank balances and cash are denominated in the following currencies:

	Group		Company	
	2011 US$'000	2010 US$'000	2011 US$'000	2010 US$'000
US dollar	**324,494**	423,882	**125,923**	255,674
Renminbi	**182,442**	65,666	**—**	—
Euro	**43,653**	13,761	**30,135**	—
Hong Kong dollar	**29,589**	19,795	**23,602**	14,314
Other currencies	**891**	1,170	**—**	—
	581,069	524,274	**179,660**	269,988

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

44 Related party transactions

The Group is controlled by China COSCO which owns 42.71% of the Company's shares as at 31st December 2011. The parent company of China COSCO is COSCO.

COSCO is controlled by the PRC government, which also owns a significant portion of the productive assets in the PRC. In accordance with HKAS 24 (Revised) "Related Party Disclosures" issued by the HKICPA, government related entities and their subsidiaries, directly or indirectly controlled, jointly controlled or significantly influenced by the PRC government, are also defined as related parties of the Group. On that basis, related parties include COSCO and its subsidiaries, other government related entities and their subsidiaries, other entities and corporations in which the Company is able to control or exercise significant influence and key management personnel of the Company and COSCO as well as their close family members.

For the purpose of the related party transaction disclosures, the Directors believe that it is meaningful to disclose the related party transactions with COSCO group companies for the interests of financial statements' users, although certain of those transactions which are individually or collectively not significant, and are exempted from disclosure upon adoption of HKAS 24 (Revised). The Directors believe that the information of related party transactions has been adequately disclosed in the consolidated financial statements.

In addition to those disclosed elsewhere in the consolidated financial statements, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties during the year.

44 Related party transactions (Continued)

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

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

Notes:

(i) The Group conducts long term container leasing business with COSCON. During the two years ended 31st December 2011, the Group entered into new long term container leasing contracts/arrangements with COSCON. The Group's long term container leasing transactions with COSCON during the year were conducted by reference to, if applicable, the average of the available leasing rates quoted from four (2010: three) independent container leasing companies and in the ordinary and normal course of the business of the Group.

The other container leasing businesses with COSCON and other subsidiaries of COSCO were conducted at terms as agreed between the Group and respective parties in concern.

(ii) During the year the Group had compensation received and receivable of US$474,000 (2010: US$1,789,000) from COSCON for the loss of containers under operating leases, resulting in a profit of US$50,000 (2010: US$336,000).

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

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

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

44 Related party transactions (Continued)

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

(v) The terminal handling and storage income received from fellow subsidiaries, an associate of COSCO and a non-controlling shareholder of a subsidiary in relation to the cargoes shipped from/to Zhangjiagang, Yangzhou, Quanzhou and Nansha were charged at rates by reference to rates as set out by the Ministry of Communications of the PRC.

The container terminal handling and storage income received from fellow subsidiaries in relation to the cargoes shipped from/to Piraeus Ports were charged at rates as mutually agreed.

(vi) The container freight charges paid to a fellow subsidiary of the Group and subsidiaries of CIMC for container repositioning services rendered to the Group were charged at rates as mutually agreed.

(vii) The container handling and logistics service fees paid to non-controlling shareholders of subsidiaries were charged at rates as mutually agreed.

(viii) Electricity and fuel expenses paid to a fellow subsidiary and non-controlling shareholders of subsidiaries were charged at rates as mutually agreed.

(ix) Approved continuous examination program fees of US$2,000,000 (2010: US$2,000,000) to COSCON in connection with the containers leased to COSCON on a long term basis were agreed between the Group and COSCON.

(x) The purchases of containers from subsidiaries of CIMC were conducted at terms as set out in the agreements entered into between the Group and the respective parties in concern.

(xi) Handling, storage and maintenance expenses paid to fellow subsidiaries were charged at rates as mutually agreed.

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

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

(b) Balances with state-owned banks

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

The deposits and loans with state-owned banks were in accordance with the terms as set out in the respective agreements or as mutually agreed between the parties in concern.

(c) Balances with government related entities

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

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

44 Related party transactions (Continued)

(d) Key management compensation

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

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

45 Business combination

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

Details of net assets acquired are as follows:

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

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

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

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

46 Details of subsidiaries

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

	Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/ paid-up capital	Group equity interest 2011	Group equity interest 2010
2	Allgood International Limited	British Virgin Islands	Hong Kong	Inactive	1 ordinary share of US$1	**100.00%**	100.00%
	Cheer Hero Development Limited	Hong Kong	Hong Kong	Container handling, storage and stevedoring	10,000 ordinary shares of HK$10 each	**77.00%**	75.00%
1, 2	COSCO Container Industries Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
	COSCO Container Services Limited	Hong Kong	Hong Kong	Investment holding, depot handling, storage and container repairing	2 ordinary shares of HK$1 each	**100.00%**	100.00%
1, 2, 3	COSCO Pacific (China) Investments Co., Ltd.	PRC	PRC	Investment holding	US$37,496,000	**100.00%**	100.00%
1	COSCO Pacific Finance (2003) Company Limited	British Virgin Islands	Hong Kong	Financing	1 ordinary share of US$1	**100.00%**	100.00%
1, 2	COSCO Pacific Logistics Company Limited	British Virgin Islands	Hong Kong	Inactive	1 ordinary share of US$1	**100.00%**	100.00%
1	COSCO Pacific Management Company Limited	Hong Kong	Hong Kong	Investment holding and provision of management services	2 ordinary shares of HK$1 each	**100.00%**	100.00%
1, 2	COSCO Pacific Nominees Limited	British Virgin Islands	Hong Kong	Provision of nominee services	1 ordinary share of US$1	**100.00%**	100.00%
	COSCO Pacific Property Limited	British Virgin Islands	Hong Kong	Property holding	1 ordinary share of US$1	**100.00%**	100.00%
2, 3, 7	COSCO Ports Services (Guangzhou) Limited	PRC	PRC	Depot handling, storage and container repairing	US$5,000,000	**100.00%**	100.00%
2	COSCO Ports (Antwerp) NV	Belgium	Belgium	Investment holding	Euro61,500 divided into 2 shares with no face value	**100.00%**	100.00%
	COSCO Ports (Belgium) Limited	Hong Kong	Hong Kong	Investment holding	1 ordinary share of HK$1	**100.00%**	100.00%
2	COSCO Ports (Dalian) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
2	COSCO Ports (Dalian RoRo) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
2	COSCO Ports (Europe) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
2	COSCO Ports (Fuzhou) Limited	British Virgin Islands	Hong Kong	Inactive	1 ordinary share of US$1	**100.00%**	100.00%
1, 2	COSCO Ports (Greece) S.à r.l.	Luxembourg	Luxembourg	Investment holding	Euro12,500	**100.00%**	100.00%
2	COSCO Ports (Guangzhou) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
2	COSCO Ports (Haikou) Limited	British Virgin Islands	Hong Kong	Inactive	1 ordinary share of US$1	**100.00%**	100.00%
1	COSCO Ports (Holdings) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
2	COSCO Ports (Hong Kong) Limited	British Virgin Islands	Hong Kong	Inactive	1 ordinary share of US$1	**100.00%**	100.00%
2	COSCO Ports (Lian Yun Gang) Limited	British Virgin Islands	Hong Kong	Inactive	1 ordinary share of US$1	**100.00%**	100.00%
2	COSCO Ports (Nanjing) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
5	COSCO Ports (Nansha) Limited	British Virgin Islands	Hong Kong	Investment holding	US$10,000	**66.10%**	N/A

46 Details of subsidiaries (Continued)

	Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/ paid-up capital	Group equity interest 2011	Group equity interest 2010
2	COSCO Ports (Netherlands) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
2	COSCO Ports (Ningbo Beilun) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
2	COSCO Ports (Panama) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
2	COSCO Ports (Port Said) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
2	COSCO Ports (Pudong) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
2	COSCO Ports (Qianwan) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
2	COSCO Ports (Qingdao) Limited	British Virgin Islands	Hong Kong	Inactive	1 ordinary share of US$1	**100.00%**	100.00%
2	COSCO Ports (Quanzhou) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
2	COSCO Ports (Quanzhou Jinjiang) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
2, 4	COSCO Ports (Rotterdam) Coöperatief U.A.	Netherlands	Netherlands	Inactive	—	**100.00%**	100.00%
2	COSCO Ports (Services) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
2	COSCO Ports (Singapore) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
2	COSCO Ports (Tianjin) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
2	COSCO Ports (Tianjin North Basin) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
2	COSCO Ports (Xiamen Haicang) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
2	COSCO Ports (Yangshan) Limited	British Virgin Islands	Hong Kong	Inactive	1 ordinary share of US$1	**100.00%**	100.00%
2	COSCO Ports (Yangzhou) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
2	COSCO Ports (Yingkou) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
2	COSCO Ports (Zhenjiang) Limited	British Virgin Islands	Hong Kong	Inactive	1 ordinary share of US$1	**100.00%**	100.00%
	COSCO Ports (Zhenjiang Terminal) Limited	Hong Kong	Hong Kong	Inactive	1 ordinary share of HK$1	**100.00%**	100.00%
1	CPL Treasury Limited	British Virgin Islands	Hong Kong	Provision of treasury services	1 ordinary share of US$1	**100.00%**	100.00%
	Crestway International Limited	British Virgin Islands	Hong Kong	Investment holding	50,000 ordinary shares of US$1 each	**100.00%**	100.00%
1, 2	Elegance Investment Limited	British Virgin Islands	Hong Kong	Inactive	1 ordinary share of US$1	**100.00%**	100.00%
	Fairbreeze Shipping Company Limited	Hong Kong	Hong Kong	Property investment	5,000 ordinary shares of HK$100 each	**100.00%**	100.00%
2	Famous International Limited	British Virgin Islands	Worldwide	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
2, 3	Florens (China) Company Limited	PRC	PRC	Container leasing and resale of old containers	US$12,800,000	**100.00%**	100.00%
2, 3, 6	Florens (Tianjin) Finance Leasing Co., Ltd.	PRC	PRC	Financing leasing	US$50,000,000	**50.00%**	100.00%

46 Details of subsidiaries (Continued)

	Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/ paid-up capital	Group equity interest 2011	Group equity interest 2010
6	Florens Capital Management Company Limited	Hong Kong	Hong Kong	Investment holding	2,000 ordinary shares of HK$1 each	**50.00%**	100.00%
	Florens Container (Macao Commercial Offshore) Limited	Macau	Worldwide	Sale of containers and administration of marine shipping container activities	1 quota of MOP100,000	**100.00%**	100.00%
	Florens Container Corporation S.A.	Panama	Worldwide	Container leasing	100 ordinary shares of US$100 each	**100.00%**	100.00%
1	Florens Container Holdings Limited	British Virgin Islands	Hong Kong	Investment holding	22,014 ordinary shares of US$1 each	**100.00%**	100.00%
	Florens Container Inc.	United States of America	United States of America	Investment holding and container leasing	1 ordinary share of US$1	**100.00%**	100.00%
	Florens Container, Inc. (1998)	United States of America	United States of America	Leasing of generator sets	100 ordinary shares of US$1 each	**100.00%**	100.00%
	Florens Container Inc. (1999)	United States of America	United States of America	Leasing of generator sets	100 ordinary shares of US$1 each	**100.00%**	100.00%
	Florens Container, Inc. (2000)	United States of America	United States of America	Information technology development and software maintenance	100 ordinary shares of US$1 each	**100.00%**	100.00%
	Florens Container, Inc. (2001)	United States of America	United States of America	Container leasing	1 ordinary share of US$1	**100.00%**	100.00%
	Florens Container, Inc. (2002)	United States of America	United States of America	Sale of old containers	1 ordinary share of US$1	**100.00%**	100.00%
	Florens Container, Inc. (2003)	United States of America	United States of America	Sale of old containers	1 ordinary share of US$1	**100.00%**	100.00%
	Florens Container Services Company Limited	Hong Kong	Worldwide	Provision of container management services	100 ordinary shares of US$1 each	**100.00%**	100.00%
2	Florens Container Services (Australia) Pty Limited	Australia	Australia	Provision of container management services	100 ordinary shares of AUD1 each	**100.00%**	100.00%
2	Florens Container Services (Deutschland) GmbH.	Germany	Germany	Provision of container management services	2 shares of Euro 12,782.30 each	**100.00%**	100.00%
2	Florens Container Services (Italy) S.R.L.	Italy	Italy	Provision of container management services	20,000 quotas of Euro 0.52 each	**100.00%**	100.00%
2	Florens Container Services (Japan) Co. Ltd.	Japan	Japan	Provision of container management services	200 ordinary shares of JPY50,000 each	**100.00%**	100.00%
2, 3	Florens Container Services (Shenzhen) Co., Ltd.	PRC	PRC	Container leasing, sale, management and auxiliary services	US$500,000	**100.00%**	100.00%
2	Florens Container Services (UK) Limited	United Kingdom	United Kingdom	Provision of container management services	183,610 ordinary shares of GBP1 each	**100.00%**	100.00%
	Florens Container Services (USA), Ltd.	United States of America	United States of America	Container manager and provision of container management services	1,000 ordinary shares of US$0.001 each	**100.00%**	100.00%

46 Details of subsidiaries (Continued)

	Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/ paid-up capital	Group equity interest 2011	Group equity interest 2010
1, 2	Florens Industrial Holdings Limited	Bermuda	Hong Kong	Inactive	12,000 ordinary shares of US$1 each	**100.00%**	100.00%
	Florens Management Services (Macao Commercial Offshore) Limited	Macau	Macau	Provision of container management services	1 quota of MOP100,000	**100.00%**	100.00%
	Florens Maritime Limited	Bermuda	Worldwide	Container leasing	12,000 ordinary shares of US$1 each	**100.00%**	100.00%
	Florens Shipping Corporation Limited	Bermuda	Worldwide	Container leasing	12,000 ordinary shares of US$1 each	**100.00%**	100.00%
2	Fota Limited	British Virgin Islands	Hong Kong	Inactive	12,000 ordinary shares of US$1 each	**100.00%**	100.00%
2	Frosti International Limited	British Virgin Islands	Hong Kong	Investment holding	2 ordinary shares of US$1 each	**100.00%**	100.00%
	Greating Services Limited	Hong Kong	Hong Kong	Transportation of containers	250,000 ordinary shares of HK$1 each	**100.00%**	100.00%
2, 3, 5	Guangzhou South China Oceangate Container Terminal Company Limited	PRC	PRC	Operation of container terminal	RMB1,928,293,400	**39.00%**	N/A
1	Hang Shing Investment Limited	British Virgin Islands	Hong Kong	Inactive	1 ordinary share of US$1	**100.00%**	100.00%
2, 3	Jinjiang Pacific Ports Development Co., Ltd.	PRC	PRC	Operation of terminal	US$49,900,000	**80.00%**	80.00%
2	Loson Investment Limited	British Virgin Islands	Hong Kong	Inactive	1 ordinary share of US$1	**100.00%**	100.00%
2	Plangreat Limited	British Virgin Islands	Hong Kong	Investment holding	100 ordinary shares of US$1 each	**100.00%**	100.00%
1	Piraeus Container Terminal S.A.	Greece	Greece	Operation of container terminal	Euro77,299,800	**100.00%**	100.00%
2, 3	Quan Zhou Pacific Container Terminal Co., Ltd.	PRC	PRC	Operation of terminal	US$49,900,000	**71.43%**	71.43%
1, 2	Topview Investment Limited	British Virgin Islands	Hong Kong	Inactive	1 ordinary share of US$1	**100.00%**	100.00%
	Win Hanverky Investments Limited	Hong Kong	Hong Kong	Investment holding	10,000 ordinary shares of HK$10 each	**100.00%**	100.00%
2, 3	Xiamen Ocean Gate Container Terminal Co., Ltd.	PRC	PRC	Operation of container terminal	RMB1,396,850,000	**70.00%**	70.00%
2, 3	Yangzhou Yuanyang International Ports Co., Ltd.	PRC	PRC	Operation of terminal	US$61,500,000	**55.59%**	55.59%
2, 3	Zhangjiagang Win Hanverky Container Terminal Co., Ltd.	PRC	PRC	Operation of container terminal	US$36,800,000	**51.00%**	51.00%

1 Shares held directly by the Company.

2 Subsidiaries not audited by PricewaterhouseCoopers.

3 COSCO Pacific (China) Investments Co., Ltd., COSCO Ports Services (Guangzhou) Limited, Florens (China) Company Limited, Florens (Tianjin) Finance Leasing Co., Ltd. and Florens Container Services (Shenzhen) Co., Ltd. are wholly foreign-owned enterprises. Guangzhou South China Oceangate Container Terminal Company Limited, Jinjiang Pacific Ports Development Co., Ltd., Quan Zhou Pacific Container Terminal Co., Ltd., Xiamen Ocean Gate Container Terminal Co., Ltd., Yangzhou Yuanyang International Ports Co., Ltd. and Zhangjiagang Win Hanverky Container Terminal Co., Ltd. are sino-foreign equity joint ventures established in the PRC.

46 Details of subsidiaries (Continued)

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

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

6 The directors of the Company considered that the Group remains to have control through its representatives on the board of directors of Florens Capital Management Company Limited ("FCMCL") and Florens (Tianjin) Finance Leasing Co., Ltd. ("FFLTJ") and therefore classified FCMCL and FFLTJ as subsidiaries as at 31st December 2011.

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

47 Details of principal jointly controlled entities

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

Name	Place of establishment/ operation	Principal activities	Paid-up capital	Percentage of interest in ownership/ voting power/profit sharing 2011	2010
COSCO Ports (Nansha) Limited (note 45)	British Virgin Islands/PRC	Investment in a container terminal	US$10,000	**N/A**	66.10%/ 66.67%/ 66.10%
COSCO-HIT Terminals (Hong Kong) Limited	Hong Kong	Operation of container terminal	2 "A" ordinary shares of HK$10 each, 2 "B" ordinary shares of HK$10 each and 4 non-voting 5% deferred shares of HK$10 each	**50.00%**	50.00%
COSCO-PSA Terminal Private Limited	Singapore	Operation of container terminal	SGD65,900,000	**49.00%/ 50.00%/ 49.00%**	49.00%/ 50.00%/ 49.00%
Guangzhou South China Oceangate Container Terminal Company Limited (note 45)	PRC	Operation of container terminal	RMB1,928,293,400	**N/A**	39.00%/ 40.00%/ 39.00%
Nanjing Port Longtan Container Co., Ltd.	PRC	Operation of container terminal	RMB1,246,450,000	**20.00%/ 22.20%/ 20.00%**	20.00%/ 22.20%/ 20.00%
Ningbo Yuan Dong Terminals Limited	PRC	Operation of container terminal	RMB624,000,000	**20.00%**	20.00%
Panama International Terminals, S.A.	Panama	Inactive	300 ordinary shares with no face value	**50.00%**	50.00%
Piraeus Consolidation and Distribution Centre S.A.	Greece	Storage, consolidation and distribution	Euro1,000,000	**50.00%**	N/A
Qingdao Cosport International Container Terminals Co., Ltd. (note 21)	PRC	Operation of container terminal	RMB337,868,700	**—**	50.00%

47 Details of principal jointly controlled entities (Continued)

Name	Place of establishment/ operation	Principal activities	Paid-up capital	Percentage of interest in ownership/ voting power/profit sharing 2011	2010
Qingdao Qianwan Container Terminal Co., Ltd.	PRC	Operation of container terminal	US$308,000,000	**20.00%/ 18.18%/ 20.00%**	20.00%/ 18.18%/ 20.00%
Shanghai Pudong International Container Terminals Limited	PRC	Operation of container terminal	RMB1,900,000,000	**30.00%**	30.00%
Tianjin Port Euroasia International Container Terminal Co., Ltd.	PRC	Operation of container terminal	RMB1,260,000,000	**30.00%/ 28.60%/ 30.00%**	30.00%/ 28.60%/ 30.00%
Yingkou Container Terminals Company Limited	PRC	Operation of container terminal	RMB8,000,000	**50.00%/ 57.14%/ 50.00%**	50.00%/ 57.14%/ 50.00%

48 Details of principal associates

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

Name	Place of establishment/ operation	Principal activities	Issued share capital/ registered capital	Group equity interest 2011	2010
Antwerp Gateway NV	Belgium	Operation of container terminal	Euro17,900,000	**20.00%**	20.00%
China International Marine Containers (Group) Co., Ltd.	PRC	Container manufacturing	RMB2,662,396,051 (1,231,917,342 "A" shares and 1,430,478,709 "B" shares), all of RMB1 each	**21.80%**	21.80%
Dalian Automobile Terminal Co., Ltd.	PRC	Construction and operation of automobile terminal	RMB320,000,000	**30.00%**	30.00%
Dalian Port Container Terminal Co., Ltd.	PRC	Operation of container terminal	RMB730,000,000	**20.00%**	20.00%
Dawning Company Limited	British Virgin Islands/PRC	Investment holding	200 "A" shares of US$1 each and 800 "B" shares of US$1 each	**20.00%**	20.00%
Sigma Enterprises Limited (note)	British Virgin Islands/PRC	Investment holding	2,005 "A" shares of US$1 each and 8,424 "B" shares of US$1 each	**16.49%**	16.49%
Suez Canal Container Terminal S.A.E.	Egypt	Operation of container terminal	1,856,250 ordinary shares of US$100 each	**20.00%**	20.00%
Wattrus Limited (note)	British Virgin Islands/PRC	Investment holding	32 "A" shares of US$1 each and 593 "B" shares of US$1 each	**5.12%**	5.12%

Note:

The directors of the Company considered that the Group has significant influence over Sigma and Wattrus through its representatives on the boards of directors of Sigma and Wattrus and therefore classified Sigma and Wattrus as associates as at 31st December 2011 and 2010.