

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

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

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

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

2 Basis of preparation

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

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

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

(a) Adoption of HKFRS amendments and interpretation

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Basis of preparation (Continued)

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

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

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

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

2 Basis of preparation (Continued)

(c) New Hong Kong Companies Ordinance

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

3 Summary of significant accounting policies

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

3.1 Group accounting

(a) Business combination

The Group applies the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

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

Acquisition-related costs are expensed as incurred.

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

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

(b) Subsidiaries

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

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

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

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

3 Summary of significant accounting policies (Continued)

3.1 Group accounting (Continued)

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

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

(d) Disposal of subsidiaries

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

(e) Joint ventures/associates

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

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

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

The Group's investment in joint ventures/associates includes goodwill identified on acquisition. The measurement of goodwill is the same as that of goodwill arising from the acquisition of subsidiaries. Appropriate adjustments to the Group's share of the profits or losses after acquisition are made to the consolidated financial statements based on the fair values of the assets and liabilities acquired at date of acquisition.

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

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

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

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

3 Summary of significant accounting policies (Continued)

3.1 Group accounting (Continued)

(e) Joint ventures/associates (Continued)

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

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

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

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

(f) Balances with subsidiaries, joint ventures and associates

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

3.2 Segment reporting

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

3.3 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

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

3 Summary of significant accounting policies (Continued)

3.3 Foreign currency translation (Continued)

(c) Group companies

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

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (iii) all resulting exchange differences are recognised in other comprehensive income.

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

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

3.4 Property, plant and equipment

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

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

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

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

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

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

3 Summary of significant accounting policies (Continued)

3.4 Property, plant and equipment (Continued)

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

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

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

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

3.5 Land use rights

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

3.6 Investment properties

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

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

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

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

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

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

3 Summary of significant accounting policies (Continued)

3.7 Intangible assets

(a) Goodwill

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

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

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

(b) Computer software

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

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

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

3.8 Impairment of non-financial assets

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

3.9 Available-for-sale financial assets

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

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

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

3 Summary of significant accounting policies (Continued)

3.9 Available-for-sale financial assets (Continued)

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

3.10 Offsetting financial instruments

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

3.11 Impairment of financial assets

(a) Assets carried at amortised cost

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

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

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

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

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

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

3.12 Inventories

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

3 Summary of significant accounting policies (Continued)

3.13 Trade and other receivables

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

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

3.14 Cash and cash equivalents

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

3.15 Assets under leases

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

(a) Leases – where the Group is the lessee

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

(b) Leases – where the Group is the lessor

When the Group leases out assets under operating leases, the assets are included in the balance sheet according to their nature and where applicable, are depreciated in accordance with the Group's depreciation policies, as set out in note 3.4 above. Revenue arising from assets leased out under operating leases is recognised in accordance with the Group's revenue recognition policies, as set out in notes 3.23(b) and 3.23(e) below.

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

3.16 Provisions

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

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

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

3.17 Trade and other payables

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

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

3 Summary of significant accounting policies (Continued)

3.18 Financial guarantee contracts

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

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

3.19 Share capital

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

3.20 Borrowings

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

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

3.21 Current and deferred income tax

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

(a) Current income tax

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

(b) Deferred income tax

Inside basis differences

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

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

3 Summary of significant accounting policies (Continued)

3.21 Current and deferred income tax (Continued)

(b) Deferred income tax (Continued)

Outside basis differences

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

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

(c) Offsetting

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

3.22 Employee benefits

(a) Retirement benefit costs

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

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

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

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

(b) Employee leave entitlements

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

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

(c) Bonus entitlements

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

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

3 Summary of significant accounting policies (Continued)

3.22 Employee benefits (Continued)

(d) Share-based compensation

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

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

3.23 Recognition of revenues and income

The Group recognises revenues and income on the following bases:

(a) Revenues from terminal operations

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

(b) Revenues from leasing of assets

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

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

(c) Revenues from container handling, transportation and storage

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

(d) Revenues from container management

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

(e) Operating lease rental income from investment properties

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

3 Summary of significant accounting policies (Continued)

3.23 Recognition of revenues and income (Continued)

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

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

(g) Interest income

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

(h) Dividend income

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

(i) Income on sale of investments

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

3.24 Borrowing costs

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

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

3.25 Government subsidy

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

3.26 Dividend distribution

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

3.27 Contingent liabilities and contingent assets

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

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

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

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

4 Financial risk management

4.1 Financial risk factors

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

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

(a) Market risk

(i) Foreign exchange risk

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

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

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

(ii) Price risk

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

(iii) Cash flow and fair value interest rate risk

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

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

With all other variables held constant, if the interest rate had increased/decreased by 50 basis-points, the corresponding increase/decrease in net finance costs (representing interest expenses on Interest Bearing Liabilities net of interest income on the Interest Bearing Assets) would have been approximately US\$1,761,000 (2013: US\$2,421,000).

4 Financial risk management (Continued)

4.1 Financial risk factors (Continued)

(b) Credit risk

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

The majority of the Group's trade and finance lease receivables relate to container leasing rental income receivable from COSCO Container Lines Company Limited ("COSCON"), a fellow subsidiary of the Group and a subsidiary of China COSCO, and third party customers which are operating in the container shipping industry. Container leasing rental income from COSCON accounted for approximately 20% (2013: 19%) of the Group's revenues and most of balance receivable from COSCON are aged within the credit period granted.

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

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

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

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

For bank balances and cash, the Group has limited its credit exposure by restricting their selection of financial institutions on those reputable local banks or state-owned banks with sound credit ratings. As at 31 December 2014, approximately 80% of the Group's bank balances were placed with listed state-owned banks. Management considers these balances are subject to low credit risk.

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

(c) Liquidity risk

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

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

4 Financial risk management (Continued)

4.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

| | Less than 1 year US\$'000 | Between 1 and 2 years US\$'000 | Between 2 and 5 years US\$'000 | Over 5 years US\$'000 |
|--|---------------------------------|--------------------------------------|--------------------------------------|-----------------------------|
| Group | | | | |
| At 31 December 2014 | | | | |
| Bank and other borrowings | 481,967 | 185,490 | 786,186 | 642,511 |
| Loans from non-controlling shareholders of subsidiaries | 66,941 | 152,958 | – | – |
| Trade and other payables | 327,982 | – | – | – |
| Financial guarantee contracts | 6,049 | 6,049 | 1,515 | – |
| At 31 December 2013 | | | | |
| Bank and other borrowings | 333,779 | 614,477 | 609,298 | 767,877 |
| Loans from non-controlling shareholders of subsidiaries | 164,970 | 50,000 | – | – |
| Trade and other payables | 309,064 | – | – | – |
| Financial guarantee contracts | 5,506 | 6,882 | 8,706 | – |
| Company | | | | |
| At 31 December 2014 | | | | |
| Bank borrowings | 182,371 | – | – | – |
| Loan due to a subsidiary | 296,610 | – | – | – |
| Other payables | 1,941 | – | – | – |
| Amounts due to subsidiaries | 1,150,692 | – | – | – |
| Financial guarantee contracts | 189,049 | 49,049 | 522,515 | 300,000 |
| At 31 December 2013 | | | | |
| Bank borrowings | 6,086 | 233,043 | – | – |
| Loan due to a subsidiary | 296,610 | – | – | – |
| Other payables | 2,795 | – | – | – |
| Amounts due to subsidiaries | 918,462 | – | – | – |
| Financial guarantee contracts | 170,506 | 289,882 | 362,706 | 300,000 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Financial risk management (Continued)

4.2 Capital management

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

The Group monitors capital on the basis of the net debt (total bank borrowings less cash and cash equivalents and restricted bank deposits) to total equity ratio. The Group aims to maintain a manageable net debt to total equity ratio. As at 31 December 2014, the net debt-to-total equity ratio is 14.7% (2013: 16.7%).

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

4.3 Fair value estimation

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

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

The following table presents the Group's financial instrument that is measured at fair value at 31 December 2014 and 2013:

| | 2014 Level 3 US\$'000 | 2013 Level 3 US\$'000 |
|------------------------------------|-----------------------------|-----------------------------|
| Available-for-sale financial asset | 35,000 | 27,000 |

As at 31 December 2014 and 2013, the fair value of unlisted available-for-sale financial asset is determined by reference to valuation report of an independent professional valuer which is determined using valuation technique (including price/earnings multiple method and direct market quote). A discount rate of 20% is applied to compute the fair value on top of market price/earnings multiples. This available-for-sale financial asset is included in level 3 (note 14).

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There was no transfer during the year.

4 Financial risk management (Continued)

4.3 Fair value estimation (Continued)

Quantitative information about fair value measurements using significant unobservable inputs (Level 3)

| Description Equity security: | Fair value at 31 December 2014 US\$'000 | Valuation techniques | Unobservable input | Range |
|---------------------------------|--|-----------------------------|--|-------------------------------|
| | | | | (weighted average) |
| Port industry | 35,000 | Market comparable companies | price/earnings multiples (a) discount for lack of marketability (b) | 10.9%–34.3% (19.0%) 20% |

| Description Equity security: | Fair value at 31 December 2013 US\$'000 | Valuation techniques | Unobservable input | Range |
|---------------------------------|--|-----------------------------|--|------------------------------|
| | | | | (weighted average) |
| Port industry | 27,000 | Market comparable companies | price/earnings multiples (a) discount for lack of marketability (b) | 9.8%–18.6% (15.4%) 20% |

(a) Represents amounts used when the entity has determined that market participants would use such price/earnings multiples when pricing the investment.

(b) Represents amounts used when the entity has determined that market participants would take into account the discount when pricing the investment.

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

5 Critical accounting estimates and judgements

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

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

(a) Useful lives and residual values of containers

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

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

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

5 Critical accounting estimates and judgements (Continued)

(a) Useful lives and residual values of containers (Continued)

If the useful lives of containers differ by 10% from management's estimates as at 31 December 2014 with all other variables held constant, the estimated depreciation charge for the year would be US\$21,108,000 higher or US\$14,821,000 lower for the year ended 31 December 2014.

If the residual values of containers differ by 10% from management's estimates as at 31 December 2014 with all other variables held constant, the estimated depreciation charge for the year would be US\$4,633,000 higher or lower for the year ended 31 December 2014.

(b) Acquisition of a joint venture and a business

The initial accounting on the acquisition of a joint venture and a business involves identifying and determining the fair values to be assigned to the identifiable assets, liabilities and contingent liabilities of the acquired entities or businesses. The fair values of identifiable net assets are determined by using financial models or by reference to the valuation performed by independent professional valuer. Any changes in the assumptions used and estimates made in determining the fair values will impact the carrying amount of these assets and liabilities.

(c) Income taxes

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

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

(d) Impairment of investments in joint ventures, associates and trade receivables

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

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

6 Revenues and segment information

Revenues recognised during the year are as follows:

| | 2014 US\$'000 | 2013 US\$'000 |
|---|------------------|------------------|
| Terminal operations income | 514,561 | 452,063 |
| Operating lease rentals on | | |
| – containers | 295,774 | 290,883 |
| – generator sets | 1,427 | 1,576 |
| Sale of inventories | 47,771 | 42,808 |
| Finance lease income | 1,797 | 959 |
| Container management income | 6,377 | 7,398 |
| Container handling, transportation and storage income | 2,384 | 2,939 |
| Turnover | 870,091 | 798,626 |

(a) Operating segments

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

- (i) terminals and related businesses including terminal operations, container handling, transportation and storage; and
- (ii) container leasing, management, sale and related businesses.

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

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

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

Segment assets

| | Terminals and related businesses US\$'000 | Container leasing, management, sale and related businesses US\$'000 | Segment total US\$'000 | Corporate US\$'000 | Inter- segment elimination US\$'000 | Total US\$'000 |
|------------------------------------|--|--|------------------------------|-----------------------|--|-------------------|
| At 31 December 2014 | | | | | | |
| Segment assets | 4,649,728 | 2,204,278 | 6,854,006 | 1,807,860 | (1,045,156) | 7,616,710 |
| Segment assets include: | | | | | | |
| Joint ventures | 840,891 | – | 840,891 | – | – | 840,891 |
| Associates | 826,197 | – | 826,197 | – | – | 826,197 |
| Available-for-sale financial asset | 35,000 | – | 35,000 | – | – | 35,000 |
| At 31 December 2013 | | | | | | |
| Segment assets | 4,399,661 | 2,134,325 | 6,533,986 | 2,031,613 | (1,014,295) | 7,551,304 |
| Segment assets include: | | | | | | |
| Joint ventures | 635,554 | – | 635,554 | – | – | 635,554 |
| Associates | 824,598 | – | 824,598 | – | – | 824,598 |
| Available-for-sale financial asset | 27,000 | – | 27,000 | – | – | 27,000 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 Revenues and segment information (Continued)

(a) Operating segments (Continued)

Segment revenues, results and other information

| | Continuing operations | | | | | |
|---|--|--|---------------------------|-----------------------|--|-------------------|
| | Terminals and related businesses US\$'000 | Container leasing, management, sale and related businesses US\$'000 | Segment total US\$'000 | Corporate US\$'000 | Elimination of inter-segment (revenues) and finance (income)/costs US\$'000 | Total US\$'000 |
| Year ended 31 December 2014 | | | | | | |
| Revenues – total sales | 516,993 | 357,075 | 874,068 | – | (3,977) | 870,091 |
| Segment profit/(loss) attributable to equity holders of the Company | 220,978 | 95,757 | 316,735 | (23,976) | – | 292,759 |
| Segment profit/(loss) attributable to equity holders of the Company includes: | | | | | | |
| Finance income | 962 | 874 | 1,836 | 51,135 | (27,233) | 25,738 |
| Finance costs | (61,728) | (22,782) | (84,510) | (19,163) | 31,167 | (72,506) |
| Share of profits of | | | | | | |
| – joint ventures | 99,729 | – | 99,729 | – | – | 99,729 |
| – associates | 71,496 | – | 71,496 | – | – | 71,496 |
| Income tax expenses | (18,350) | (2,739) | (21,089) | (17,906) | – | (38,995) |
| Depreciation and amortisation | (83,266) | (126,750) | (210,016) | (1,709) | – | (211,725) |
| Provision for inventories | – | (7,568) | (7,568) | – | – | (7,568) |
| Other non-cash expenses | (88) | (2,451) | (2,539) | (13) | – | (2,552) |
| Additions to non-current assets | (107,680) | (305,863) | (413,543) | (188) | – | (413,731) |

6 Revenues and segment information (Continued)

(a) Operating segments (Continued)

Segment revenues, results and other information (Continued)

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

Note:

For the year ended 31 December 2014, the container leasing, management, sale and related businesses segment revenues included US\$172,877,000 (2013: US\$153,436,000) container leasing income from COSCON.

6 Revenues and segment information (Continued)

(b) Geographical information

(i) Revenues

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

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

| | 2014 US\$'000 | 2013 US\$'000 |
|--|------------------|------------------|
| Terminals and related businesses | | |
| – Mainland China (excluding Hong Kong) | 336,096 | 296,634 |
| – Europe | 178,466 | 155,429 |
| – Others | 2,383 | 2,939 |
| Unallocated | 353,146 | 343,624 |
| | 870,091 | 798,626 |

(ii) Non-current assets

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

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

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

Other than container leasing, management, sale and related businesses, the activities of terminals and related businesses of the Group, its joint ventures and associates are predominantly carried out in Hong Kong, Mainland China, Singapore, Belgium, Egypt, Greece and Taiwan.

| | 2014 US\$'000 | 2013 US\$'000 |
|--------------------------------------|------------------|------------------|
| Mainland China (excluding Hong Kong) | 3,623,862 | 3,538,058 |
| Europe | 366,132 | 427,235 |
| Others | 424,023 | 256,064 |
| Unallocated | 1,706,111 | 1,771,066 |
| | 6,120,128 | 5,992,423 |

7 Property, plant and equipment Group

| | Containers US\$'000 | Generator sets US\$'000 | Leasehold land and buildings in Hong Kong US\$'000 | Buildings outside Hong Kong US\$'000 | Leasehold improvements US\$'000 | Other property, plant and equipment US\$'000 | Construction in progress US\$'000 | Total US\$'000 |
|--|------------------------|-------------------------------|--|---|---------------------------------------|--|---|-------------------|
| Cost or valuation | | | | | | | | |
| At 1 January 2014 | 2,238,919 | 11,748 | 24,079 | 1,327,159 | 3,257 | 837,302 | 462,368 | 4,904,832 |
| Exchange differences | (65) | - | - | (22,174) | (13) | (23,962) | (8,689) | (54,903) |
| Additions | 305,803 | - | - | 5,320 | 42 | 7,530 | 94,914 | 413,609 |
| Disposals | (250,856) | (2,404) | - | (294) | (102) | (4,276) | - | (257,932) |
| Transfer to inventories | (105,042) | - | - | - | - | - | - | (105,042) |
| Fair value adjustment upon transfer to investment properties | - | - | 1,098 | 9,610 | - | - | - | 10,708 |
| Transfer to investment properties (note 8) | - | - | (2,121) | (25,388) | - | - | - | (27,509) |
| Transfers | - | - | - | 89,504 | - | 14,820 | (104,324) | - |
| At 31 December 2014 | 2,188,759 | 9,344 | 23,056 | 1,383,737 | 3,184 | 831,414 | 444,269 | 4,883,763 |
| Accumulated depreciation and impairment losses | | | | | | | | |
| At 1 January 2014 | 472,728 | 6,872 | 5,815 | 105,712 | 1,824 | 144,087 | - | 737,038 |
| Exchange differences | (10) | - | - | (1,641) | (8) | (2,694) | - | (4,353) |
| Depreciation charge for the year | 124,329 | 746 | 212 | 33,968 | 330 | 42,751 | - | 202,336 |
| Disposals | (58,237) | (1,710) | - | (253) | (76) | (3,730) | - | (64,006) |
| Transfer to inventories | (52,727) | - | - | - | - | - | - | (52,727) |
| Transfer to investment properties (note 8) | - | - | (393) | (3,025) | - | - | - | (3,418) |
| At 31 December 2014 | 486,083 | 5,908 | 5,634 | 134,761 | 2,070 | 180,414 | - | 814,870 |
| Net book value | | | | | | | | |
| At 31 December 2014 | 1,702,676 | 3,436 | 17,422 | 1,248,976 | 1,114 | 651,000 | 444,269 | 4,068,893 |
| The analysis of cost or valuation of the above assets as at 31 December 2014 is as follows: | | | | | | | | |
| At cost | 2,188,759 | 9,344 | 3,082 | 1,383,737 | 3,184 | 831,414 | 444,269 | 4,863,789 |
| At 1994 professional valuation | - | - | 19,974 | - | - | - | - | 19,974 |
| | 2,188,759 | 9,344 | 23,056 | 1,383,737 | 3,184 | 831,414 | 444,269 | 4,883,763 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7 Property, plant and equipment (Continued) Group (Continued)

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

7 Property, plant and equipment (Continued) Company

| | Other property, plant and equipment | |
|----------------------------------|--|------------------|
| | 2014 US\$'000 | 2013 US\$'000 |
| Cost | | |
| At 1 January | 845 | 845 |
| Additions | 37 | – |
| At 31 December | 882 | 845 |
| Accumulated depreciation | | |
| At 1 January | 752 | 688 |
| Depreciation charge for the year | 57 | 64 |
| At 31 December | 809 | 752 |
| Net book value | | |
| At 31 December | 73 | 93 |

Notes:

- (a) Certain land and buildings in Hong Kong of the Group with carrying amount of US\$14,488,000 (2013: US\$14,628,000) were revalued in 1994 on an open market value basis by C.Y. Leung & Company Limited (now known as DTZ), an independent professional property valuer.
- The carrying amount of these land and buildings as at 31 December 2014 would have been US\$13,105,000 (2013: US\$13,256,000) had the buildings been carried at cost less accumulated depreciation and impairment losses in the consolidated financial statements.
- (b) The aggregate cost and accumulated depreciation as at 31 December 2014 of the leased assets of the Group (where the Group is a lessor) which comprised containers, generator sets and certain other property, plant and equipment and were leased to fellow subsidiaries and third parties under operating leases amounted to US\$2,094,983,000 (2013: US\$2,114,777,000) and US\$492,039,000 (2013: US\$479,634,000) respectively. There are no accumulated impairment losses as at 31 December 2014 (2013: US\$Nil).
- (c) The accumulated impairment losses of property, plant and equipment of the Group as at 31 December 2014 amounted to US\$2,627,000 (2013: US\$2,627,000).
- (d) During the year, the Group transferred containers with an aggregate net book value of US\$52,315,000 (2013: US\$27,357,000) to inventories.
- (e) During the year, the Group transferred buildings within and outside Hong Kong with an aggregate net book value of US\$24,091,000 (2013: US\$Nil) to investment properties at the time of commencement of leases during the year.
- (f) As at 31 December 2014, certain other property, plant and equipment with an aggregate net book value of US\$55,119,000 (2013: US\$65,473,000) were pledged as security for a banking facility granted to the Group (note 24(h)).
- (g) During the year, interest expense of US\$6,700,000 (2013: US\$12,611,000) was capitalised in construction in progress (note 30).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 Investment properties

| | Group | |
|--|------------------|------------------|
| | 2014 US\$'000 | 2013 US\$'000 |
| At 1 January | 5,356 | 4,899 |
| Exchange differences | 36 | 93 |
| Transfer from property, plant and equipment (note 7) | 24,091 | – |
| Revaluation (deficit)/surplus (note a) | (289) | 364 |
| At 31 December | 29,194 | 5,356 |

Notes:

- (a) The investment properties as at 31 December 2014 and 2013 were revalued on an open market value basis by China Tong Cheng Assets Appraisals Company Limited and Jones Lang Lasalle Sallmanns Limited, independent professional property valuers who hold recognised relevant professional qualifications and have recent experiences in the locations and segments of the investment properties valued. The revaluation deficit for the year ended 31 December 2014 of US\$289,000 (2013: revaluation surplus of US\$364,000) was accounted for in the consolidated income statement within other operating income and expenses (note 28 and 29). For all investment properties, their current use equates to the highest and best use.
- (b) The Group's interests in investment properties are office units situated in PRC on leases of 50 years and in Hong Kong on leases of over 50 years respectively.
- (c) The valuations are derived using direct comparison method, discounted cash flow method and income capitalisation method respectively.

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

Direct comparison method is based on comparing the property to be valued directly with other comparable properties, which have recently transacted. However, given the heterogeneous nature of real estate properties, appropriate adjustments are usually required to allow for any qualitative differences that may affect the price likely to be achieved by the property under consideration.

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

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

9 Land use rights

| | Group | |
|---------------------------------------|------------------|------------------|
| | 2014 US\$'000 | 2013 US\$'000 |
| At 1 January | 244,175 | 219,631 |
| Exchange differences | (904) | 7,187 |
| Acquisition of a subsidiary (note 44) | – | 12,626 |
| Additions | – | 9,844 |
| Amortisation | (5,431) | (5,113) |
| At 31 December | 237,840 | 244,175 |

Note:

The Group's interests in land use rights represent prepaid operating lease payments for leases outside Hong Kong which held between 10 to 50 years (2013: between 10 to 50 years).

10 Intangible assets

| Group | Computer software | | Computer systems under development | | Goodwill | | Total | |
|---------------------------------------|-------------------|----------|------------------------------------|----------|------------|----------|---------------|----------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| Cost | | | | | | | | |
| At 1 January | 23,504 | 22,164 | 1,529 | 1,427 | 343 | – | 25,376 | 23,591 |
| Exchange differences | (493) | 267 | – | 1 | (1) | 10 | (494) | 278 |
| Acquisition of a subsidiary (note 44) | – | – | – | – | – | 333 | – | 333 |
| Additions | 122 | 589 | – | 670 | – | – | 122 | 1,259 |
| Write-off | (3) | (85) | – | – | – | – | (3) | (85) |
| Transfer | 1,529 | 569 | (1,529) | (569) | – | – | – | – |
| At 31 December | 24,659 | 23,504 | – | 1,529 | 342 | 343 | 25,001 | 25,376 |
| Accumulated amortisation | | | | | | | | |
| At 1 January | 15,699 | 13,596 | – | – | – | – | 15,699 | 13,596 |
| Exchange differences | (125) | 71 | – | – | – | – | (125) | 71 |
| Amortisation for the year | 2,069 | 2,117 | – | – | – | – | 2,069 | 2,117 |
| Write-off | (3) | (85) | – | – | – | – | (3) | (85) |
| At 31 December | 17,640 | 15,699 | – | – | – | – | 17,640 | 15,699 |
| Net book value | | | | | | | | |
| At 31 December | 7,019 | 7,805 | – | 1,529 | 342 | 343 | 7,361 | 9,677 |

11 Subsidiaries

| | Company | |
|--|--------------------|-----------|
| | 2014 | 2013 |
| | US\$'000 | US\$'000 |
| Unlisted investments, at cost (note a) | 382,759 | 382,759 |
| Advances to subsidiaries (note b) | 1,723,205 | 1,570,032 |
| | 2,105,964 | 1,952,791 |
| Amounts due from subsidiaries (net of provision) | | |
| – Non-current (note c) | 563,419 | 476,012 |
| – Current (note d) | 1,534,035 | 1,385,044 |
| Loan due to a subsidiary (note e) | (296,610) | (296,610) |
| Amounts due to subsidiaries (note f) | (1,150,692) | (918,462) |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 Subsidiaries (Continued)

Notes:

- (a) As at 31 December 2014, the Company's investment in a subsidiary amounted to US\$105,362,000 (2013: US\$105,362,000) was pledged as security for a banking facility granted to the Group (note 24(h)).
- (b) The advances to subsidiaries are equity in nature, unsecured, interest free and have no fixed terms of repayment.
- (c) These amounts due from subsidiaries are unsecured, interest bearing and repayment terms as follows:

As at 31 December 2014, balances of US\$10,000,000 (2013: US\$10,000,000), US\$10,000,000 (2013: US\$10,000,000), US\$15,000,000 (2013: US\$15,000,000) and US\$10,000,000 (2013: US\$10,000,000) which bear interests of 4.2% (2013: 4.2%) per annum above the US dollar London Interbank Offered Rate ("LIBOR") and are wholly repayable on or before 4 November 2017, 17 December 2017, 23 January 2018 and 17 March 2018 respectively. Balances of US\$197,745,000 (2013: US\$198,461,000), US\$24,513,000 (2013: US\$24,603,000), US\$8,171,000 (2013: US\$8,201,000), US\$8,171,000 (2013: US\$Nil) and US\$11,440,000 (2013: US\$Nil) which bear interests of 5.76% (2013: 5.76%) per annum and are wholly repayable on or before 15 July 2018, 5 August 2018, 18 December 2018, 27 August 2019 and 24 November 2019 respectively. Balance of US\$163,425,000 (2013: US\$164,018,000) which bears interests of 5.8425% (2013: 5.8425%) per annum and is wholly repayable on or before 23 July 2023. Balance of US\$8,000,000 (2013: US\$Nil) which bears interests of 3.8% per annum above the US dollar London Interbank Offered Rate ("LIBOR") and are wholly repayable on or before 7 December 2017. Balance of US\$27,322,000 (2013: US\$26,229,000) which bears interest of 2.28% (2013: 2.28%) per annum and is wholly repayable on or before 31 December 2016. Balances of US\$38,684,000 (2013: US\$Nil) and US\$30,947,000 (2013: US\$Nil) which bear interests of 5% per annum above the US dollar Hong Kong Interbank Offered Rate ("HIBOR") and are wholly repayable on or before 7 March 2018 and 18 November 2018 respectively.

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

| | Company | |
|---|------------------|------------------|
| | 2014 US\$'000 | 2013 US\$'000 |
| At 1 January | (178,339) | (153,639) |
| Provision for impairment of amounts due from subsidiaries | (20,800) | (24,700) |
| At 31 December | (199,139) | (178,339) |

- (e) The loan due to a subsidiary as at 31 December 2014 and 2013 is unsecured, interest free and repayable on demand.
- (f) The amounts due to subsidiaries are unsecured, interest free and have no fixed terms of repayment.
- (g) Details of the subsidiaries as at 31 December 2014 are set out in note 45 to the consolidated financial statements.

12 Joint ventures

| | Group | |
|--|------------------|------------------|
| | 2014 US\$'000 | 2013 US\$'000 |
| Investment in joint ventures (including goodwill on acquisitions) (note b) | 653,018 | 590,554 |
| Equity loans to joint ventures (note e) | 187,873 | 45,000 |
| | 840,891 | 635,554 |
| Loans to joint ventures (note f) | 73,503 | 4,129 |

12 Joint ventures (Continued)

Notes:

- (a) Qingdao Qianwan Container Terminal Co., Ltd. ("QQCT") is a joint venture (note 46) that is material to the Group. QQCT is a container terminal operator and developer of the port facilities in the Qingdao Qianwan Container Terminal. The information below reflects the amounts presented in the financial statements of the joint venture (not the Group's share of these amounts), adjusted for differences in accounting policies between the Group and the joint venture.

QQCT is a private company and there is no quoted market price available for its shares.

Set out below are the summarised consolidated financial information for QQCT which is accounted for using the equity method:

Summarised consolidated balance sheet

| | QQCT | |
|--|------------------|------------------|
| | 2014 US\$'000 | 2013 US\$'000 |
| Non-current | | |
| Assets | 1,473,815 | 1,763,610 |
| Financial liabilities | (423,023) | (344,437) |
| Current | | |
| Cash and cash equivalents | 90,064 | 81,891 |
| Other current assets | 134,450 | 63,210 |
| Total current assets | 224,514 | 145,101 |
| Financial liabilities (excluding trade and other payables) | (81,794) | (221,424) |
| Other current liabilities | (276,470) | (411,945) |
| Total current liabilities | (358,264) | (633,369) |
| Net assets | 917,042 | 930,905 |

Summarised consolidated statement of comprehensive income

| | QQCT | |
|--|------------------|------------------|
| | 2014 US\$'000 | 2013 US\$'000 |
| Revenues | 439,650 | 391,424 |
| Depreciation and amortisation | (51,291) | (62,761) |
| Interest income | 26,021 | 29,114 |
| Interest expense | (40,989) | (44,774) |
| Profit before income tax | 261,946 | 197,427 |
| Income tax expense | (65,865) | (51,746) |
| Profit for the year | 196,081 | 145,681 |
| Other comprehensive (loss)/income | (56) | 56 |
| Total comprehensive income | 196,025 | 145,737 |
| Dividends declared by joint venture | 41,101 | 28,833 |
| Group's share of profit of joint venture | 39,034 | 29,521 |

Reconciliation of summarised consolidated financial information

Reconciliation of summarised consolidated financial information presented to the carrying amount of the Group's interest in the joint venture.

Summarised consolidated financial information

| | QQCT | |
|--|------------------|------------------|
| | 2014 US\$'000 | 2013 US\$'000 |
| Attributable to equity holders: | | |
| Opening net assets | 939,146 | 906,052 |
| Profit for the year | 196,755 | 147,749 |
| Dividends | (206,280) | (142,666) |
| Other appropriations | (252) | (99) |
| Exchange difference | (4,801) | 28,110 |
| Closing net assets | 924,568 | 939,146 |
| Interest in joint venture at 20% | 184,914 | 187,829 |
| Goodwill | 5,361 | 5,361 |
| Carrying amount | 190,275 | 193,190 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 Joint ventures (Continued)

- (b) The carrying amount of goodwill on acquisitions of joint ventures amounted to US\$41,443,000 (2013: US\$41,443,000), mainly represented the goodwill on acquisitions of equity interests in Shanghai Pudong International Container Terminals Limited, QQCT and Nanjing Port Longtan Containers Co., Ltd. of US\$31,435,000 (2013: US\$31,435,000), US\$5,362,000 (2013: US\$5,362,000) and US\$4,533,000 (2013: US\$4,533,000).
- (c) In January 2014, the Group invested 25% equity interest in Dongjiakou Ore Terminal Co., Ltd. at a consideration of US\$57,330,000.
- (d) On 13 March 2014, the Group entered into a 50:50 joint venture agreement to establish COSCO-HPHT ACT Limited ("COSCO-HPHT ACT") for acquisition of 80% equity interest in Asia Container Terminals Limited ("ACT") at a total consideration of approximately US\$212,335,000.
- (e) The balance is equity in nature, unsecured, interest free and no fixed terms of repayment.
- (f) Balances of US\$3,871,000 (2013: US\$4,129,000) is secured, which bears interest at 5% per annum above the 3 months Euro Interbank Offered Rate ("EURIBOR") and wholly repayable on or before December 2016. The remaining balances are unsecured and interest bearing at the rate of 5% above Hong Kong Interbank Offered Rate ("HIBOR") per annum quoted in respect of a one month's period, and wholly repayable on or before March 2018 and November 2018.
- (g) The financial information below, after making necessary adjustments to conform to the Group's significant accounting policies, represents the Group's interests in respective joint ventures other than QQCT disclosed above:

| | Net assets US\$'000 | Profits less losses for the year US\$'000 | Other comprehensive (loss)/income US\$'000 | Total comprehensive income US\$'000 |
|------|------------------------|--|---|--|
| 2014 | 650,616 | 60,695 | (2,544) | 58,151 |
| 2013 | 442,364 | 51,885 | 9 | 51,894 |

- (h) There are no contingent liabilities relating to the Group's interest in joint ventures.
- (i) The Company has no directly owned joint venture as at 31 December 2014 and 2013. Details of the principal joint ventures as at 31 December 2014 are set out in note 46 to the consolidated financial statements.

13 Associates

| | Group | |
|---|------------------|------------------|
| | 2014 US\$'000 | 2013 US\$'000 |
| Investment in associates, including goodwill on acquisitions (note b) | 826,197 | 797,385 |
| Equity loans to associates (note c) | – | 27,213 |
| | 826,197 | 824,598 |
| Loan to an associate (note d) | 30,472 | 33,543 |

Notes:

- (a) Sigma Enterprises Limited ("Sigma") and Wattrus Limited ("Wattrus") and their subsidiary companies (collectively "Sigma and Wattrus Group") are associates (note 47) that are material to the Group. Sigma and Wattrus Group are engaged in the operation, management and development of container terminals and investment holding. Set out below are the summarised financial information, after fair value adjustments upon acquisition, for these associates which are accounted for using the equity method:

Summarised balance sheet

| | Sigma and Wattrus Group | |
|-------------------------|-------------------------|------------------|
| | 2014 US\$'000 | 2013 US\$'000 |
| Non-current assets | 3,927,526 | 3,946,348 |
| Current assets | 743,545 | 693,096 |
| Non-current liabilities | (740,052) | (406,357) |
| Current liabilities | (561,103) | (1,006,855) |

13 Associates (Continued)

(a) Summarised statement of comprehensive income

| | Sigma and Wattrus Group | |
|--|-------------------------|------------------|
| | 2014 US\$'000 | 2013 US\$'000 |
| Revenues | 926,370 | 861,158 |
| Profit attributable to equity holders for the year | 240,613 | 267,182 |
| Group's share of profits of associates | 49,446 | 54,906 |

Reconciliation of summarised financial information

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

Summarised financial information

| | Sigma and Wattrus Group | |
|--|-------------------------|------------------|
| | 2014 US\$'000 | 2013 US\$'000 |
| Capital and reserves attributable to equity holders | 2,616,204 | 2,487,713 |
| Group's effective interest | 20.55% | 20.55% |
| Group's share of capital and reserves attributable to equity holders | 537,630 | 511,225 |
| Equity loans to associates | - | 27,213 |
| Adjustment to cost of investment | 46,860 | 46,860 |
| Carrying amount | 584,490 | 585,298 |

- (b) The carrying amount of goodwill on acquisitions of associates amounted to US\$30,192,000 (2013: US\$28,415,000), mainly represented the goodwill on acquisition of equity interests in Sigma and Wattrus of US\$20,669,000 (2013: US\$20,669,000) and US\$7,523,000 (2013: US\$7,523,000) respectively.
- (c) As at 31 December 2013, the balances were equity in nature, unsecured, interest free and have no fixed terms of repayment.
- (d) The loan to an associate is unsecured, bears interest at 2% (2013: 2%) per annum above the 10-year Belgium prime rate and has no fixed terms of repayment.
- (e) The financial information below, after making necessary adjustments to conform to the Group's significant accounting policies, represents the Group's interests in respective associates other than Sigma and Wattrus Group disclosed above and CIMC which was disposed in 2013 (note 32):

| | Net assets US\$'000 | Profits less losses for the year US\$'000 | Other comprehensive income US\$'000 | Total comprehensive income US\$'000 |
|------|------------------------|--|--|--|
| 2014 | 241,707 | 22,050 | 318 | 22,368 |
| 2013 | 239,300 | 17,598 | 2,042 | 19,640 |

- (f) There are no significant contingent liabilities relating to the Group's interest in associates.
- (g) The Company has no directly owned associate as at 31 December 2014 and 2013. Details of the Group's associates as at 31 December 2014 are set out in note 47 to the consolidated financial statements.

14 Available-for-sale financial asset

| | Group | |
|--------------------------------------|------------------|------------------|
| | 2014 US\$'000 | 2013 US\$'000 |
| At 1 January | 27,000 | 25,000 |
| Fair value gain recognised in equity | 8,000 | 2,000 |
| At 31 December | 35,000 | 27,000 |

Note:

As at 31 December 2014 and 2013, available-for-sale financial asset represents equity interest in an unlisted investee company, Tianjin Five Continents International Container Terminal Co., Ltd. which operates container terminals in Tianjin of Mainland China and is denominated in Renminbi.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 Finance lease receivables

| | Group | | | Group | | |
|---|-------------|----------|---------------|-------------|----------|---------------|
| | 2014 | | Present value | 2013 | | Present value |
| | Gross | Unearned | of minimum | Gross | Unearned | of minimum |
| | receivables | finance | lease payment | receivables | finance | lease payment |
| | US\$'000 | income | receivables | US\$'000 | income | receivables |
| | | US\$'000 | US\$'000 | | US\$'000 | US\$'000 |
| Amounts receivable under finance leases: | | | | | | |
| Current portion (note 19) | 7,244 | (1,773) | 5,471 | 2,821 | (838) | 1,983 |
| Non-current portion | | | | | | |
| – later than one year and not later than five years | 26,223 | (3,789) | 22,434 | 9,502 | (2,114) | 7,388 |
| – later than five years | 3,034 | (144) | 2,890 | 4,962 | (406) | 4,556 |
| | 29,257 | (3,933) | 25,324 | 14,464 | (2,520) | 11,944 |
| | 36,501 | (5,706) | 30,795 | 17,285 | (3,358) | 13,927 |

As at 31 December 2014, the Group entered into 13 (2013: 9) finance lease contracts for leasing of certain containers and a vessel. The average term of the finance lease contracts is 5.1 years (2013: 3.9 years).

The cost of assets acquired for the purpose of letting under finance leases amounted to US\$39,200,000 (2013: US\$17,974,000) as at 31 December 2014.

Unguaranteed residual values of assets leased under finance lease contracts are estimated at approximately US\$40,000 (2013: US\$1,000).

16 Deferred income tax

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

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

| | Group | |
|--|----------|----------|
| | 2014 | 2013 |
| | US\$'000 | US\$'000 |
| At 1 January | 33,386 | 50,002 |
| Exchange differences | 159 | (38) |
| Charged to consolidated income statement (note 31) | 5,867 | 9,823 |
| Charged to other comprehensive income (note 31) | 2,403 | – |
| Write back of deferred income tax on undistributed profit resulted from disposal of an associate | – | (26,401) |
| At 31 December | 41,815 | 33,386 |

Deferred income tax assets are recognised for tax losses carry forwards to the extent that realisation of the related tax benefit through the future taxable profits is probable. As at 31 December 2014, the Group has unrecognised tax losses of US\$61,330,000 (2013: US\$79,611,000) to carry forward. Except for the tax losses of US\$199,000 (2013: US\$9,255,000), US\$2,647,000 (2013: US\$1,745,000), US\$16,625,000 (2013: US\$11,892,000) and US\$3,782,000 (2013: US\$Nil) of the Group which will be expired as at 31 December 2015, 2016, 2017 and 2018 respectively, all other tax losses have no expiry dates.

16 Deferred income tax (Continued)

As at 31 December 2014, deferred income tax liabilities of US\$8,295,000 (2013: US\$7,443,000) have not been established for the withholding taxation that would be payable on the undistributed profits of certain subsidiaries in certain tax jurisdictions totaling US\$50,374,000 (2013: US\$43,420,000) as the directors considered that the timing of the reversal of the related temporary differences can be controlled and accordingly the temporary differences will not be reversed in the foreseeable future.

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

Deferred income tax liabilities

| | Group | | | | | | | |
|--|---------------------------------|------------------|--------------------------|------------------|------------------|------------------|------------------|------------------|
| | Accelerated tax depreciation | | Undistributed profits | | Fair value gains | | Total | |
| | 2014 US\$'000 | 2013 US\$'000 | 2014 US\$'000 | 2013 US\$'000 | 2014 US\$'000 | 2013 US\$'000 | 2014 US\$'000 | 2013 US\$'000 |
| At 1 January | 9,735 | 8,082 | 28,974 | 45,773 | – | – | 38,709 | 53,855 |
| Exchange differences | (258) | 83 | – | – | – | – | (258) | 83 |
| Charged to consolidated income statement | 592 | 1,570 | 6,842 | 9,602 | – | – | 7,434 | 11,172 |
| Charged to other comprehensive income | – | – | – | – | 2,403 | – | 2,403 | – |
| Write back resulted from disposal of an associate | – | – | – | (26,401) | – | – | – | (26,401) |
| At 31 December | 10,069 | 9,735 | 35,816 | 28,974 | 2,403 | – | 48,288 | 38,709 |

Deferred income tax assets

| | Group | | | | | |
|--|------------------|------------------|------------------|------------------|------------------|------------------|
| | Tax losses | | Others | | Total | |
| | 2014 US\$'000 | 2013 US\$'000 | 2014 US\$'000 | 2013 US\$'000 | 2014 US\$'000 | 2013 US\$'000 |
| At 1 January | 322 | 262 | 5,001 | 3,591 | 5,323 | 3,853 |
| Exchange differences (Charged)/credited to consolidated income statement | – | (1) | (417) | 122 | (417) | 121 |
| | (13) | 61 | 1,580 | 1,288 | 1,567 | 1,349 |
| At 31 December | 309 | 322 | 6,164 | 5,001 | 6,473 | 5,323 |

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

| | Group | |
|---------------------------------|------------------|------------------|
| | 2014 US\$'000 | 2013 US\$'000 |
| Deferred income tax assets | 2,470 | 1,236 |
| Deferred income tax liabilities | 44,285 | 34,622 |

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

| | Group | |
|---|------------------|------------------|
| | 2014 US\$'000 | 2013 US\$'000 |
| Deferred income tax assets to be recovered after more than 12 months | 4,066 | 3,958 |
| Deferred income tax liabilities to be settled after more than 12 months | 12,418 | 9,609 |

As at 31 December 2014 and 2013, the Company did not have significant deferred income tax assets and liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 Other non-current assets

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

18 Inventories

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

19 Trade and other receivables

| | Group | | Company | |
|---|------------------|------------------|------------------|------------------|
| | 2014 US\$'000 | 2013 US\$'000 | 2014 US\$'000 | 2013 US\$'000 |
| Trade receivables (note a) | | | | |
| – third parties | 56,016 | 59,138 | – | – |
| – fellow subsidiaries (notes b and c) | 36,251 | 28,107 | – | – |
| – non-controlling shareholders of a subsidiary (note b) | 4,997 | 4,561 | – | – |
| – related companies (note b) | 1,046 | 468 | – | – |
| | 98,310 | 92,274 | – | – |
| Bills receivable (note a) | 3,450 | 6,520 | – | – |
| | 101,760 | 98,794 | – | – |
| Less: provision for impairment | (4,240) | (3,946) | – | – |
| | 97,520 | 94,848 | – | – |
| Other receivables, deposits and prepayments | 41,475 | 47,416 | 3,924 | 7,611 |
| Rent receivable collected on behalf of owners of managed containers (note d) | 20,248 | 22,685 | – | – |
| Current portion of finance lease receivables (note 15) | 5,471 | 1,983 | – | – |
| Loans to joint ventures (note e) | 20,599 | 22,485 | – | – |
| Amounts due from | | | | |
| – fellow subsidiaries (note b) | 163 | 525 | – | – |
| – joint ventures (note f) | 285 | 28,186 | – | – |
| – associates (note f) | 1,537 | 4,430 | – | – |
| – non-controlling shareholders of subsidiaries (note b) | 2,296 | 1,935 | – | – |
| | 189,594 | 224,493 | 3,924 | 7,611 |

Notes:

- (a) The Group grants credit periods of 30 to 90 days to its customers. The ageing analysis of the trade receivables and bills receivable (net of provision) based on invoice date and issuance date respectively is as follows:

| | Group | |
|----------------|------------------|------------------|
| | 2014 US\$'000 | 2013 US\$'000 |
| Within 30 days | 54,081 | 50,734 |
| 31–60 days | 33,802 | 32,707 |
| 61–90 days | 4,947 | 6,125 |
| Over 90 days | 4,690 | 5,282 |
| | 97,520 | 94,848 |

19 Trade and other receivables (Continued)

- (a) As at 31 December 2014, trade receivables and bills receivable of US\$91,151,000 (2013: US\$71,102,000) were fully performing.

As at 31 December 2014, trade receivables of US\$6,369,000 (2013: US\$23,746,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables which were past due but not impaired is as follows:

| | Group | |
|----------------|------------------|------------------|
| | 2014 US\$'000 | 2013 US\$'000 |
| Within 30 days | 4,245 | 20,968 |
| 31–60 days | 763 | 1,783 |
| 61–90 days | 80 | 592 |
| Over 90 days | 1,281 | 403 |
| | 6,369 | 23,746 |

As at 31 December 2014, trade receivables of US\$4,240,000 (2013: US\$3,946,000) were impaired. The amount of the provision was US\$4,240,000 (2013: US\$3,946,000) as at 31 December 2014. The individually impaired receivables mainly relate to lessees, which are in unexpected difficult economic situations. The ageing of these receivables is as follows:

| | Group | |
|----------------|------------------|------------------|
| | 2014 US\$'000 | 2013 US\$'000 |
| Within 30 days | 689 | 737 |
| 31–60 days | 660 | 693 |
| 61–90 days | 549 | 518 |
| Over 90 days | 2,342 | 1,998 |
| | 4,240 | 3,946 |

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

| | Group | |
|---|------------------|------------------|
| | 2014 US\$'000 | 2013 US\$'000 |
| At 1 January | (3,946) | (2,508) |
| Exchange differences | (2) | (15) |
| Provision for impairment of trade receivables (note 29) | (1,078) | (3,068) |
| Write back of provision for impairment of trade receivables (note 28) | 786 | 1,493 |
| Receivables written off during the year as uncollectible | – | 152 |
| At 31 December | (4,240) | (3,946) |

- (b) The balances are unsecured and interest free. Trading balances have credit periods ranging from 30 to 90 days while other balances have no fixed terms of repayment.
- (c) The balance mainly represented container leasing income receivables from fellow subsidiaries and included a receivable balance from COSCON of US\$32,686,000 (2013: US\$24,681,000). During the year ended 31 December 2014, the container leasing income from COSCON and the other fellow subsidiaries amounted to US\$172,883,000 (2013: US\$153,440,000) and US\$191,000 (2013: US\$18,000) respectively.
- (d) The balance represented the unsettled billings to be collected by the Group in respect of the leases of those containers managed on behalf of third parties.
- (e) As at 31 December 2014, balance of US\$20,115,000 (2013: US\$21,109,000) is unsecured, interest free, and wholly repayable within twelve months. Balance of US\$484,000 (2013: US\$1,376,000) is secured, bears interest at 5% per annum above 3 months EURIBOR and repayable within twelve months.
- (f) The amounts receivable mainly represented dividend and interest receivable from joint ventures and associates.
- (g) The carrying amounts of trade and other receivables are denominated in the following currencies:

| | Group | | Company | |
|------------------|------------------|------------------|------------------|------------------|
| | 2014 US\$'000 | 2013 US\$'000 | 2014 US\$'000 | 2013 US\$'000 |
| US dollar | 84,147 | 108,844 | 1,290 | 3,726 |
| Renminbi | 59,162 | 89,114 | 2,065 | 3,332 |
| Hong Kong dollar | 2,407 | 2,162 | 499 | 438 |
| Euro | 23,034 | 23,671 | 70 | 115 |
| Other currencies | 20,844 | 702 | – | – |
| | 189,594 | 224,493 | 3,924 | 7,611 |

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 Financial instruments by category – Group and Company

| | Group | | Company | |
|--|------------------|------------------|------------------|------------------|
| | 2014 US\$'000 | 2013 US\$'000 | 2014 US\$'000 | 2013 US\$'000 |
| Assets as per balance sheet | | | | |
| Available-for-sale financial assets | 35,000 | 27,000 | – | – |
| Loans and receivables | | | | |
| Loans to joint ventures | 94,102 | 26,614 | – | – |
| Loan to an associate | 30,472 | 33,543 | – | – |
| Loans to subsidiaries | – | – | 850,289 | 778,857 |
| Finance lease receivables | 30,795 | 13,927 | – | – |
| Trade and other receivables excluding prepayments | 148,122 | 188,399 | 1,250,885 | 1,089,740 |
| Cash and cash equivalents | 1,116,307 | 1,237,403 | 736,821 | 878,308 |
| Restricted bank deposits | 172 | 148 | – | – |
| Total | 1,454,970 | 1,527,034 | 2,837,995 | 2,746,905 |
| Liabilities as per balance sheet | | | | |
| Financial liabilities at amortised cost | | | | |
| Borrowings | 1,860,193 | 2,046,210 | 180,000 | 230,000 |
| Loans from non-controlling shareholders of subsidiaries | 206,028 | 206,285 | – | – |
| Loan from a joint venture | 31,868 | 24,603 | – | – |
| Trade and other payables excluding receipt in advance | 286,150 | 276,556 | 1,817 | 2,696 |
| Total | 2,384,239 | 2,553,654 | 181,817 | 232,696 |

21 Share capital

| | 2014 US\$'000 | 2013 US\$'000 |
|--|------------------|------------------|
| Authorised: 4,000,000,000 (2013: 4,000,000,000) ordinary shares of HK\$0.10 each | 51,282 | 51,282 |
| Issued and fully paid: 2,940,437,862 (2013: 2,912,325,528) ordinary shares of HK\$0.10 each | 37,753 | 37,391 |

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

| | Number of ordinary shares | Nominal value US\$'000 |
|---|------------------------------|------------------------------|
| At 1 January 2014 | 2,912,325,528 | 37,391 |
| Issue of scrip dividend for 2013 final (note a) | 26,454,797 | 341 |
| Issue of scrip dividend for 2014 interim (note b) | 1,657,537 | 21 |
| At 31 December 2014 | 2,940,437,862 | 37,753 |
| At 1 January 2013 | 2,786,052,002 | 35,762 |
| Issue of scrip dividend for 2012 final (note a) | 20,981,194 | 270 |
| Issue of scrip dividend for 2013 interim and special interim (note b) | 103,381,332 | 1,334 |
| Issued on exercise of share options (note 22) | 1,911,000 | 25 |
| At 31 December 2013 | 2,912,325,528 | 37,391 |

Notes:

- During the year ended 31 December 2014, 26,454,797 (2013: 20,981,194) new shares were issued by the Company at HK\$10.472 (2013: HK\$11.164) per share for the settlement of 2013 final (2013: 2012 final) scrip dividends.
- During the year ended 31 December 2014, 1,657,537 (2013: 103,381,332) new shares were issued by the Company at HK\$10.788 (2013: HK\$11.352) per share for the settlement of 2014 interim (2013: 2013 interim and special interim) scrip dividends.

22 Share-based payment

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

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

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

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

Movements of the share options are set out below:

| Category | Note | For the year ended 31 December 2014 | | | | | |
|-------------------------------|-----------|-------------------------------------|-------------------------------|---------------------------|---|------------------------|---------------------------------|
| | | Exercise Price HK\$ | Outstanding at 1 January 2014 | Exercised during the year | Transfer (to)/from other categories during the year | Lapsed during the year | Outstanding at 31 December 2014 |
| Directors | (i) (iii) | 13.75 | 1,000,000 | – | – | (1,000,000) | – |
| | (i) (iv) | 19.30 | 500,000 | – | – | – | 500,000 |
| Continuous contract employees | (i) (iii) | 13.75 | 10,806,000 | – | – | (10,806,000) | – |
| | (i) (iv) | 19.30 | 12,030,000 | – | (70,000) | (80,000) | 11,880,000 |
| Others | (i) (iii) | 13.75 | 1,650,000 | – | – | (1,650,000) | – |
| | (i) (iv) | 19.30 | 860,000 | – | 70,000 | (70,000) | 860,000 |
| | | | 26,846,000 | – | – | (13,606,000) | 13,240,000 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 Share-based payment (Continued)

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

Notes:

- (i) All the outstanding options were vested and exercisable as at 31 December 2014 and 2013. The Group has no legal or constructive obligation to repurchase or settle the options in cash.
- (ii) The share options were granted during the period from 28 October 2003 to 6 November 2003 under the 2003 Share Option Scheme at an exercise price of HK\$9.54. The options are exercisable at any time within ten years from the date on which an offer is accepted or deemed to be accepted by the grantee under the 2003 Share Option Scheme from 28 October 2003 to 6 November 2003, which have already been lapsed for the year ended 31 December 2013.
- (iii) The share options were granted during the period from 25 November 2004 to 16 December 2004 under the 2003 Share Option Scheme at an exercise price of HK\$13.75. The options are exercisable at any time within ten years from the date on which an offer is accepted or deemed to be accepted by the grantee under the 2003 Share Option Scheme from 25 November 2004 to 16 December 2004.
- (iv) The share options were granted during the period from 17 April 2007 to 19 April 2007 under the 2003 Share Option Scheme at an exercise price of HK\$19.30. The options are exercisable at any time within ten years from the date on which an offer is accepted or deemed to be accepted by the grantee under the 2003 Share Option Scheme from 17 April 2007 to 19 April 2007.
- (v) Share options outstanding at the end of the year have the following expiry dates and exercise prices:

| Expiry date | Exercise price | Number of share options | |
|--------------------------------------|----------------|-------------------------|------------|
| | HK\$ | 2014 | 2013 |
| 25 November 2014 to 16 December 2014 | 13.75 | – | 13,456,000 |
| 17 April 2017 to 19 April 2017 | 19.30 | 13,240,000 | 13,390,000 |
| | | 13,240,000 | 26,846,000 |

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

| | 2014 | | 2013 | |
|----------------|--|-------------------------|--|-------------------------|
| | Average exercise price per share HK\$ | Number of share options | Average exercise price per share HK\$ | Number of share options |
| At 1 January | 16.52 | 26,846,000 | 15.98 | 29,269,000 |
| Exercised | – | – | 9.54 | (1,911,000) |
| Lapsed | 13.81 | (13,606,000) | 11.88 | (512,000) |
| At 31 December | 19.30 | 13,240,000 | 16.52 | 26,846,000 |

23 Reserves Company

| | Share Premium US\$'000 | Contributed surplus (note) US\$'000 | Share option reserve US\$'000 | Retained profits US\$'000 | Total US\$'000 |
|--|------------------------------|--|--|---------------------------------|-------------------|
| At 1 January 2014 | 1,572,097 | 414,214 | 8,514 | 1,140,624 | 3,135,449 |
| Profit for the year | – | – | – | 140,550 | 140,550 |
| Issue of shares on settlement of scrip dividends | 37,682 | – | – | – | 37,682 |
| Transfer of reserve upon lapse of share options | – | – | (95) | 95 | – |
| Dividends | | | | | |
| – 2013 final | – | – | – | (56,383) | (56,383) |
| – 2014 interim | – | – | – | (59,245) | (59,245) |
| Unclaimed dividends forfeited | – | – | – | 35 | 35 |
| At 31 December 2014 | 1,609,779 | 414,214 | 8,419 | 1,165,676 | 3,198,088 |
| Representing: | | | | | |
| Reserves | 1,609,779 | 414,214 | 8,419 | 1,107,220 | 3,139,632 |
| 2014 final dividend proposed | – | – | – | 58,456 | 58,456 |
| At 31 December 2014 | 1,609,779 | 414,214 | 8,419 | 1,165,676 | 3,198,088 |
| At 1 January 2013 | 1,389,831 | 414,214 | 8,558 | 562,018 | 2,374,621 |
| Profit for the year | – | – | – | 870,294 | 870,294 |
| Issue of shares on exercise of share options | 2,326 | – | – | – | 2,326 |
| Issue of shares on settlement of scrip dividends | 179,940 | – | – | – | 179,940 |
| Transfer of reserve upon lapse of share options | – | – | (44) | 44 | – |
| Dividends | | | | | |
| – 2012 final | – | – | – | (65,866) | (65,866) |
| – 2013 interim and special interim | – | – | – | (225,866) | (225,866) |
| At 31 December 2013 | 1,572,097 | 414,214 | 8,514 | 1,140,624 | 3,135,449 |
| Representing: | | | | | |
| Reserves | 1,572,097 | 414,214 | 8,514 | 1,084,241 | 3,079,066 |
| 2013 final dividend proposed | – | – | – | 56,383 | 56,383 |
| At 31 December 2013 | 1,572,097 | 414,214 | 8,514 | 1,140,624 | 3,135,449 |

Note:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 Borrowings

| | Group | | Company | |
|--|------------------|------------------|------------------|------------------|
| | 2014 US\$'000 | 2013 US\$'000 | 2014 US\$'000 | 2013 US\$'000 |
| Long term borrowings | | | | |
| – secured | 241,967 | 275,277 | – | – |
| – unsecured | 1,608,420 | 1,754,531 | 180,000 | 230,000 |
| | 1,850,387 | 2,029,808 | 180,000 | 230,000 |
| Amounts due within one year included under current liabilities | (419,956) | (259,383) | (180,000) | – |
| | 1,430,431 | 1,770,425 | – | 230,000 |
| Short term bank loans – unsecured | 9,806 | 16,402 | – | – |

Notes:

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

| | Group | | Company | |
|---|------------------|------------------|------------------|------------------|
| | 2014 US\$'000 | 2013 US\$'000 | 2014 US\$'000 | 2013 US\$'000 |
| Wholly repayable within five years | | | | |
| – Bank loans | 1,196,084 | 1,307,418 | 180,000 | 230,000 |
| Bank loans not wholly repayable within five years | | | | |
| – Bank loans | 357,442 | 426,108 | – | – |
| – Notes (note c) | 296,861 | 296,282 | – | – |
| | 1,850,387 | 2,029,808 | 180,000 | 230,000 |

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

| | Group | | Company | |
|----------------------------|------------------|------------------|------------------|------------------|
| | 2014 US\$'000 | 2013 US\$'000 | 2014 US\$'000 | 2013 US\$'000 |
| Bank loans | | | | |
| Within one year | 419,956 | 259,383 | 180,000 | – |
| Between one and two years | 142,804 | 567,710 | – | 230,000 |
| Between two and five years | 704,847 | 521,111 | – | – |
| Over five years | 285,919 | 385,322 | – | – |
| | 1,553,526 | 1,733,526 | 180,000 | 230,000 |
| Notes (note c) | | | | |
| Over five years | 296,861 | 296,282 | – | – |
| | 1,850,387 | 2,029,808 | 180,000 | 230,000 |

(c) Details of the notes as at 31 December 2014 are as follows:

| | Group | |
|----------------------------------|------------------|------------------|
| | 2014 US\$'000 | 2013 US\$'000 |
| Principal amount | 300,000 | 300,000 |
| Discount on issue | (2,040) | (2,040) |
| Notes issuance cost | (2,250) | (2,250) |
| Net proceeds received | 295,710 | 295,710 |
| Accumulated amortised amounts of | | |
| – discount on issue | 547 | 272 |
| – notes issuance cost | 604 | 300 |
| | 296,861 | 296,282 |

24 Borrowings (Continued)

- (c) 10-year notes with principal amount of US\$300,000,000 were issued by a subsidiary of the Company to investors on 31 January 2013. The notes carried a fixed interest yield of 4.46% per annum and were issued at a price of 99.320 per cent of their principal amount with a fixed coupon rate of 4.375% per annum, resulting in a discount on issue of US\$2,040,000. The notes bear interest from 31 January 2013, payable semi-annually in arrear on 31 January and 31 July of each year, commencing on 31 July 2013. The notes are guaranteed unconditionally and irrevocably by the Company and listed on the Stock Exchange. Unless previously redeemed or repurchased by the Company, the notes will mature on 31 January 2023 at their principal amount. The notes are subject to redemption in whole, at their principal amount, together with accrued interest, at the option of the Company at any time in the event of certain changes affecting the taxes of certain jurisdictions.
- (d) The exposure of long term borrowings to interest rate changes and the contractual repricing dates are as follows:

| | Group | | | | Company | | | |
|----------------------------|--------------------------------|-------------------------------|-----------------------------|-------------------|--------------------------------|-------------------------------|-----------------------------|-------------------|
| | Less than one year US\$'000 | One to five years US\$'000 | Over five years US\$'000 | Total US\$'000 | Less than one year US\$'000 | One to five years US\$'000 | Over five years US\$'000 | Total US\$'000 |
| At 31 December 2014 | | | | | | | | |
| Total long term borrowings | 1,553,526 | – | 296,861 | 1,850,387 | 180,000 | – | – | 180,000 |
| At 31 December 2013 | | | | | | | | |
| Total long term borrowings | 1,733,526 | – | 296,282 | 2,029,808 | 230,000 | – | – | 230,000 |

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

| | Group | | Company | |
|-----------|------------------|------------------|------------------|------------------|
| | 2014 US\$'000 | 2013 US\$'000 | 2014 US\$'000 | 2013 US\$'000 |
| US dollar | 1,266,764 | 1,375,387 | 180,000 | 230,000 |
| Renminbi | 351,462 | 395,546 | – | – |
| Euro | 241,967 | 275,277 | – | – |
| | 1,860,193 | 2,046,210 | 180,000 | 230,000 |

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

| | Group | | | Company | | | | |
|------------|-------------|-------------|-------------|---------|-------------|------|--------------|--------------|
| | US\$ | 2014 RMB | Euro | US\$ | 2013 RMB | Euro | 2014 US\$ | 2013 US\$ |
| Bank loans | 2.5% | 5.7% | 1.3% | 2.3% | 5.6% | 1.5% | 2.7% | 2.6% |
| Notes | 4.4% | N/A | N/A | 4.4% | N/A | N/A | N/A | N/A |

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

| | Group | | | | Company | | | |
|------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | Carrying amounts | | Fair values | | Carrying amounts | | Fair values | |
| | 2014 US\$'000 | 2013 US\$'000 | 2014 US\$'000 | 2013 US\$'000 | 2014 US\$'000 | 2013 US\$'000 | 2014 US\$'000 | 2013 US\$'000 |
| Bank loans | 1,133,570 | 1,474,143 | 1,132,029 | 1,472,720 | 180,000 | 230,000 | 180,000 | 230,000 |
| Notes | 296,861 | 296,282 | 296,568 | 295,925 | – | – | – | – |
| | 1,430,431 | 1,770,425 | 1,428,597 | 1,768,645 | 180,000 | 230,000 | 180,000 | 230,000 |

The fair values of the Group's non-current borrowings are determined based on cash flows discounted using a weighted average borrowing rate of 2.5% (2013: 2.3%) per annum.

- (g) The carrying amounts of short term bank loans approximate their fair values.
- (h) As at 31 December 2014, a bank loan of US\$241,967,000 (2013: US\$275,277,000) granted to a subsidiary of the Company was secured by certain other property, plant and equipment of the Group (note 7(f)) and the Company's interest in the subsidiary (note 11(a)). Under the circumstances that the terms and conditions as included in the loan agreement were not met, bank balances of US\$36,706,000 (2013: US\$38,367,000) would be pledged as security (note 42(b)(iii)). As at 31 December 2014, there was no violation of the terms and conditions of this loan and thus such bank balances were not pledged.
- (i) The Company obtained a bank loan of US\$230,000,000 from China Development Bank Corporation, Hong Kong Branch in December 2012, which is unsecured, bears interest at 2.4% over the US dollar LIBOR per annum, the loan has been partly repaid in 2014 and the remaining balance is repayable within twelve months.
- (j) As at 31 December 2014, the committed and undrawn borrowing facilities of the Group amounted to US\$475,694,000 (2013: US\$504,575,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 Loans from non-controlling shareholders of subsidiaries

As at 31 December 2014 and 2013, balance of US\$50,000,000 was unsecured, interest free and not repayable within next twelve months.

As at 31 December 2014, balance of US\$98,055,000 was unsecured, bore interest at 6% per annum and wholly repayable on or before October 2016.

The carrying values of the loans are not materially different from their fair values.

26 Other long term liabilities

| | Group | |
|---------------------------------|------------------|------------------|
| | 2014 US\$'000 | 2013 US\$'000 |
| Deferred income | 30,921 | 21,847 |
| Others | 1,879 | 1,617 |
| | 32,800 | 23,464 |
| Less: current portion (note 27) | (903) | (934) |
| | 31,897 | 22,530 |

27 Trade and other payables

| | Group | | Company | |
|--|------------------|------------------|------------------|------------------|
| | 2014 US\$'000 | 2013 US\$'000 | 2014 US\$'000 | 2013 US\$'000 |
| Trade payables (note a) | | | | |
| – third parties | 40,650 | 51,561 | – | – |
| – fellow subsidiaries (note b) | 58 | 213 | – | – |
| – non-controlling shareholders of subsidiaries (note b) | 7,835 | 5,595 | – | – |
| – related companies (note b) | 52,720 | 23,614 | – | – |
| | 101,263 | 80,983 | – | – |
| Other payables and accruals | 153,795 | 159,648 | 1,934 | 2,756 |
| Payable to owners of managed containers (note c) | 23,570 | 26,241 | – | – |
| Current portion of other long term liabilities (note 26) | 903 | 934 | – | – |
| Dividend payable | 7 | 39 | 7 | 39 |
| Loan from a joint venture (note d) | 31,868 | 24,603 | – | – |
| Loans from non-controlling shareholders of subsidiaries (note e) | 57,973 | 156,285 | – | – |
| Amounts due to (note b) | | | | |
| – fellow subsidiaries | 39 | 192 | – | – |
| – non-controlling shareholders of subsidiaries | 15,516 | 15,419 | – | – |
| – joint ventures | 351 | 390 | – | – |
| – related companies | 12 | 5 | – | – |
| | 385,297 | 464,739 | 1,941 | 2,795 |

27 Trade and other payables (Continued)

Notes:

- (a) The ageing analysis of the trade payables based on invoice date is as follows:

| | Group | |
|----------------|------------------|------------------|
| | 2014 US\$'000 | 2013 US\$'000 |
| Within 30 days | 61,085 | 36,945 |
| 31–60 days | 4,180 | 24,155 |
| 61–90 days | 18,429 | 2,373 |
| Over 90 days | 17,569 | 17,510 |
| | 101,263 | 80,983 |

- (b) The balances are unsecured and interest free. Trading balances have similar credit periods granted as those of other third party suppliers while the other balances have no fixed terms of repayment.
- (c) The balances represented the rental income of the managed containers collected, net of the direct operating expenses of the managed containers paid by the Group on behalf of third parties and the management fee income entitled by the Group.
- (d) Loan from a joint venture is unsecured, bears interest at 3.5% per annum and repayable within twelve months.
- (e) Loans from non-controlling shareholders of subsidiaries are unsecured and repayable within twelve months. Balance of US\$8,292,000 (2013: US\$8,193,000) bears interest at 0.6% above 1-year US dollar LIBOR per annum. Balance of US\$49,681,000 (2013: US\$49,681,000) is interest free. As at 31 December 2013, balance of US\$32,804,000 bore interest at 5.13% per annum and balance of US\$65,607,000 bore interest at 6.77% per annum.
- (f) The carrying amounts of trade and other payables are denominated in the following currencies:

| | Group | | Company | |
|------------------|------------------|------------------|------------------|------------------|
| | 2014 US\$'000 | 2013 US\$'000 | 2014 US\$'000 | 2013 US\$'000 |
| US dollar | 201,280 | 166,634 | 972 | 1,501 |
| Renminbi | 134,447 | 228,745 | 32 | 23 |
| Euro | 41,729 | 62,221 | 138 | 229 |
| Hong Kong dollar | 7,101 | 6,440 | 799 | 1,042 |
| Other currencies | 740 | 699 | – | – |
| | 385,297 | 464,739 | 1,941 | 2,795 |

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

28 Other operating income

| | 2014 US\$'000 | 2013 US\$'000 |
|---|------------------|------------------|
| Management fee and other service income | 5,321 | 6,936 |
| Dividend income from an unlisted investment | 2,034 | 1,923 |
| Write back of provision for impairment of trade receivables (note 19(a)) and finance lease receivable | 786 | 1,530 |
| Revaluation surplus of investment properties (note 8) | – | 364 |
| Rental income from | | |
| – investment properties | 1,315 | 397 |
| – buildings, leasehold land and land use rights | 802 | 872 |
| Gain on disposal of property, plant and equipment | 8,354 | 479 |
| Exchange gain, net | – | 11,468 |
| Net gain on liquidation of subsidiaries | 811 | – |
| Others | 3,526 | 7,695 |
| | 22,949 | 31,664 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29 Operating profit

Operating profit is stated after charging the following:

| | 2014 US\$'000 | 2013 US\$'000 |
|--|------------------|------------------|
| Charging: | | |
| Amortisation of | | |
| – land use rights | 5,431 | 5,113 |
| – intangible assets (note a) | 2,069 | 2,117 |
| – other non-current assets (note 17) | 1,889 | 1,898 |
| Depreciation of | | |
| – owned property, plant and equipment leased out under operating leases | 125,089 | 111,424 |
| – other owned property, plant and equipment | 77,247 | 69,912 |
| Exchange loss, net | 7,600 | – |
| Loss on disposal of property, plant and equipment | 1,167 | 564 |
| Cost of inventories sold | 40,848 | 20,165 |
| Auditors' remuneration | | |
| – current year | 1,055 | 1,037 |
| – underprovision in prior year | 3 | 4 |
| Revaluation deficit of investment properties (note 8) | 289 | – |
| Outgoings in respect of investment properties | 6 | 6 |
| Provision for impairment of trade receivables (note 19(a)) | 1,078 | 3,068 |
| Provision for inventories | 7,568 | 1,792 |
| Rental expense under operating leases of | | |
| – land and buildings leased from third parties | 2,764 | 3,247 |
| – buildings leased from a fellow subsidiary | 1,569 | 1,553 |
| – buildings leased from a joint venture | 33 | 37 |
| – land use rights leased from non-controlling shareholders of subsidiaries | 1,106 | 1,096 |
| – plant and machinery leased from third parties | 590 | 443 |
| – containers leased from third parties | 33,048 | 30,462 |
| – Concession (note 17) | 46,790 | 40,611 |
| Total staff costs (including directors' emoluments and retirement benefit costs) (note b): | | |
| Wages, salaries and other benefits | 195,214 | 179,912 |
| Less: amounts capitalised in intangible assets | – | (91) |
| | 195,214 | 179,821 |

Notes:

- (a) Amortisation of intangible assets is included in administrative expenses in the consolidated income statement.
- (b) Total staff costs do not include the amounts of benefits in kind provided to the Company's directors and the Group's employees in respect of the Company's share options granted prior to 2005 and staff quarters. Details of the Company's share options are set out in note 22 to the consolidated financial statements.

30 Finance income and costs

| | 2014 US\$'000 | 2013 US\$'000 |
|---|------------------|------------------|
| Finance income | | |
| Interest income on | | |
| – bank balances and deposits | 20,786 | 15,705 |
| – loans to joint ventures and an associate | 4,952 | 2,407 |
| | 25,738 | 18,112 |
| Finance costs | | |
| Interest expenses on | | |
| – bank loans | (52,749) | (68,923) |
| – notes wholly repayable within five years | – | (4,840) |
| – notes not wholly repayable within five years | (13,128) | (12,033) |
| – loans from non-controlling shareholders of subsidiaries (note 25) | (6,204) | (7,299) |
| – loan from a joint venture (note 27(d)) | (1,034) | (825) |
| Fair value loss on derivative financial instruments | – | (8,563) |
| Fair value adjustment of notes attributable to interest rate risk | – | 11,239 |
| | – | 2,676 |
| Amortised amount of | | |
| – discount on issue of notes | (275) | (378) |
| – transaction costs on bank loans and notes | (3,342) | (3,359) |
| | (76,732) | (94,981) |
| Less: amount capitalised in construction in progress (note 7(g)) | 6,700 | 12,611 |
| | (70,032) | (82,370) |
| Other incidental borrowing costs and charges | (2,474) | (2,169) |
| | (72,506) | (84,539) |
| Net finance costs | (46,768) | (66,427) |

31 Income tax expenses

| | 2014 US\$'000 | 2013 US\$'000 |
|--------------------------------------|------------------|------------------|
| Current income tax | | |
| – Hong Kong profits tax | (101) | (228) |
| – Mainland China taxation | (19,963) | (13,302) |
| – Overseas taxation | (12,847) | (10,089) |
| – Under provision in prior years | (217) | (55) |
| | (33,128) | (23,674) |
| Deferred income tax charge (note 16) | (5,867) | (9,823) |
| | (38,995) | (33,497) |

The Group's share of income tax expenses of joint ventures and associates of US\$28,384,000 (2013: US\$23,059,000) and US\$14,764,000 (2013: US\$18,315,000) are included in the Group's shares of profits less losses of joint ventures and associates respectively. The deferred income tax charge mainly represents the withholding income tax in respect of the undistributed earnings for the year of the Group's subsidiaries, joint ventures and associates.

Hong Kong profits tax was provided at a rate of 16.5% (2013: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 Income tax expenses (Continued)

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

| | 2014 US\$'000 | 2013 US\$'000 |
|--|------------------|------------------|
| Profit before income tax from continuing operations | 351,882 | 334,302 |
| Less: Share of profits less losses of joint ventures and associates from continuing operations | (171,225) | (153,910) |
| | 180,657 | 180,392 |
| Aggregate tax at domestic rates applicable to profits in respective territories concerned | 22,581 | 17,667 |
| Income not subject to income tax | (6,094) | (9,807) |
| Expenses not deductible for income tax purposes | 1,352 | 4,108 |
| Under provision in prior years | 217 | 55 |
| Utilisation of previously unrecognised tax losses | (960) | (2,470) |
| Tax losses not recognised | 4,534 | 7,290 |
| Withholding income tax upon distribution of profits and payment of interest | 17,465 | 16,981 |
| Tax effect of change in tax rate | – | (130) |
| Others | (100) | (197) |
| Income tax expenses | 38,995 | 33,497 |

Except for the income tax of US\$2,403,000 (2013: US\$Nil) relating to the fair value adjustment upon transfer to investment properties (note 8) and Group's share of income tax credit of an associate recognised in other comprehensive income of US\$213,000 in 2013, there was no income tax relating to components of other comprehensive income for the year ended 31 December 2014 and 2013 respectively.

32 Net gain on disposal of an associate

The disposal of 21.8% equity interest in CIMC, a then associate of the Group listed in Shenzhen, which represented a discontinued operation, was completed on 27 June 2013 and resulted in a net gain of US\$393,411,000 after deducting transaction costs and provisions of US\$80,867,000. There was a net investing cash inflow from the discontinued operation amounting US\$1,218,815,000 for the year ended 31 December 2013. The cash consideration was US\$1,219,789,000.

33 Profit attributable to equity holders of the Company

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of US\$140,550,000 (2013: US\$870,294,000).

34 Earnings per share

(a) Basic

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

| | 2014 | 2013 |
|--|------------------------|-----------------|
| Profit from continuing operations attributable to equity holders of the Company | US\$292,759,000 | US\$286,206,000 |
| Profit from discontinued operation attributable to equity holders of the Company | – | US\$416,470,000 |
| | US\$292,759,000 | US\$702,676,000 |
| Weighted average number of ordinary shares in issue | 2,924,874,180 | 2,816,153,817 |
| Basic earnings per share | | |
| – from continuing operations | US10.01 cents | US10.16 cents |
| – from discontinued operation | – | US14.79 cents |
| | US10.01 cents | US24.95 cents |

34 Earnings per share (Continued)

(b) Diluted

The outstanding share options granted by the Company did not have any dilutive effect on the earnings per share for the year ended 31 December 2014, and the diluted earnings per share is equal to the basic earnings per share for the year ended 31 December 2014.

For the year ended 31 December 2013, diluted earnings per share is calculated based on the profit attributable to equity holders of the Company and the weighted average number of ordinary shares in issue during the year, after adjusting for the number of dilutive potential ordinary shares deemed to be issued at no considerations as if all outstanding dilutive share options granted by the Company had been exercised.

| | 2013 |
|--|------------------------|
| Profit from continuing operations attributable to equity holders of the Company | US\$286,206,000 |
| Profit from discontinued operation attributable to equity holders of the Company | US\$416,470,000 |
| | <u>US\$702,676,000</u> |
| Weighted average number of ordinary shares in issue | 2,816,153,817 |
| Adjustments for assumed issuance of shares on exercise of dilutive share options | 190,291 |
| Weighted average number of ordinary shares for diluted earnings per share | <u>2,816,344,108</u> |
| Diluted earnings per share | |
| – from continuing operations | US10.16 cents |
| – from discontinued operation | US14.79 cents |
| | <u>US24.95 cents</u> |

35 Dividends

| | 2014 US\$'000 | 2013 US\$'000 |
|--|------------------|------------------|
| Interim dividend paid of US\$2.016 cents (2013: US2.396 cents) per ordinary share | 58,712 | 66,758 |
| 2013 special interim dividend paid of US\$5.648 cents per ordinary share | – | 157,366 |
| Final dividend proposed of US1.988 cents (2013: US1.936 cents) per ordinary share | 58,456 | 56,383 |
| Additional dividends paid on shares issued due to issue of scrip dividend and exercise of share options before the closure of register of members: | | |
| – 2014 interim | 533 | – |
| – 2013 interim and special interim | – | 1,742 |
| – 2012 final | – | 4 |
| | <u>117,701</u> | <u>282,253</u> |

Note:

At a meeting held on 24 March 2015, the directors recommended the payment of a final dividend of HK15.4 cents (equivalent to US1.988 cents) per ordinary share. The proposed dividend will be payable in cash and with a scrip dividend alternative. This proposed final dividend is not reflected as dividend payable in these consolidated financial statements until it has been approved at the annual general meeting, but will be reflected as an appropriation of retained profits for the year ending 31 December 2015.

36 Retirement benefit costs

The retirement benefit costs charged to the consolidated income statement represent contributions payable by the Group to the retirement benefit schemes and amounted to US\$9,774,000 (2013: US\$9,436,000). Contributions totaling US\$1,647,000 (2013: US\$1,630,000) were payable to the retirement benefit schemes as at 31 December 2014 and were included in trade and other payables. No forfeited contributions were available as at 31 December 2014 and 31 December 2013 to reduce future contributions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 Directors' and management's emoluments

(a) Directors' emoluments

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

| | 2014 US\$'000 | 2013 US\$'000 |
|---|------------------|------------------|
| Fees | 282 | 309 |
| Salaries, housing and other allowances | 1,595 | 1,485 |
| Benefits in kind | 58 | 98 |
| Bonuses | 284 | 298 |
| Contributions to retirement benefit schemes | 2 | 2 |
| | 2,221 | 2,192 |

Directors' fees disclosed above include US\$222,000 (2013: US\$221,000) paid to independent non-executive directors. The Company did not grant any share options during the year ended 31 December 2014 and 2013.

As at 31 December 2013, one director of the Company had 1,000,000 share options which are exercisable at HK\$13.75 per share granted by the Company under the 2003 Share Option Scheme. These have been lapsed for the year ended 31 December 2014.

As at 31 December 2014, one (2013: one) director of the Company had 500,000 (2013: 500,000) share options which are exercisable at HK\$19.30 per share granted by the Company under the 2003 Share Option Scheme.

For the year ended 31 December 2014, no (2013: 800,000) share option was exercised.

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

The directors' emoluments are analysed as follows:

| Name of directors | Note | Year ended 31 December 2014 | | | | | Total US\$'000 |
|----------------------------------|-------|-----------------------------|---|---------------------------------|---------------------|--|-------------------|
| | | 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 | |
| | | | | | | | |
| Mr. LI Yunpeng | | - | - | - | - | - | - |
| Dr. WANG Xingru | (i) | - | 421 | 53 | 103 | - | 577 |
| Mr. WAN Min | | 15 | - | - | - | - | 15 |
| Mr. WANG Haimin | | - | 268 | 5 | 15 | - | 288 |
| Mr. FENG Jinhua | | - | 268 | - | 15 | - | 283 |
| Mr. TANG Runjiang | (ii) | 15 | - | - | - | - | 15 |
| Mr. FENG Bo | | 15 | - | - | - | - | 15 |
| Mr. WANG Wei | | 15 | - | - | - | - | 15 |
| Dr. WONG Tin Yau, Kelvin | | - | 370 | - | 71 | 2 | 443 |
| Mr. QIU Jinguang | (iii) | - | 268 | - | 80 | - | 348 |
| Mr. Timothy George FRESHWATER | | 40 | - | - | - | - | 40 |
| Dr. FAN HSU Lai Tai, Rita | | 50 | - | - | - | - | 50 |
| Mr. Adrian David LI Man Kiu | | 57 | - | - | - | - | 57 |
| Mr. IP Sing Chi | | 41 | - | - | - | - | 41 |
| Mr. FAN Ergang | (iv) | 34 | - | - | - | - | 34 |
| | | 282 | 1,595 | 58 | 284 | 2 | 2,221 |

37 Directors' and management's emoluments (Continued)

(a) Directors' emoluments (Continued)

| Name of directors | Note | Year ended 31 December 2013 | | | | | Total US\$'000 |
|----------------------------------|-------|-----------------------------|---|---------------------------------|---------------------|--|-------------------|
| | | 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 | |
| Mr. LI Yunpeng | | – | – | – | – | – | – |
| Dr. WANG Xingru | (i) | – | 727 | 98 | 88 | – | 913 |
| Mr. WAN Min | | 15 | – | – | – | – | 15 |
| Mr. WANG Haimin | | 13 | 54 | – | – | – | 67 |
| Mr. FENG Jinhua | | 13 | 54 | – | – | – | 67 |
| Mr. TANG Runjiang | (ii) | 13 | – | – | – | – | 13 |
| Mr. FENG Bo | | 15 | – | – | – | – | 15 |
| Mr. WANG Wei | | 15 | – | – | – | – | 15 |
| Dr. WONG Tin Yau, Kelvin | | – | 358 | – | 70 | 2 | 430 |
| Mr. QIU Jinguang | (iii) | – | 259 | – | 71 | – | 330 |
| Mr. Timothy George FRESHWATER | | 40 | – | – | – | – | 40 |
| Dr. FAN HSU Lai Tai, Rita | | 50 | – | – | – | – | 50 |
| Mr. Adrian David LI Man Kiu | | 55 | – | – | – | – | 55 |
| Mr. IP Sing Chi | | 39 | – | – | – | – | 39 |
| Mr. FAN Ergang | (iv) | 14 | – | – | – | – | 14 |
| Mr. HE Jiale | (v) | 4 | – | – | – | – | 4 |
| Mr. YIN Weiyu | (vi) | – | 33 | – | 69 | – | 102 |
| Mr. CHOW Kwong Fai, Edward | (vii) | 23 | – | – | – | – | 23 |
| | | 309 | 1,485 | 98 | 298 | 2 | 2,192 |

Notes:

- (i) resigned on 4 July 2014
- (ii) appointed on 21 March 2013
- (iii) appointed on 8 April 2013
- (iv) appointed on 22 August 2013
- (v) resigned on 21 March 2013
- (vi) resigned on 8 April 2013
- (vii) retired on 23 May 2013

The above analysis includes two (2013: two) directors whose emoluments were among the five highest in the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 Directors' and management's emoluments (Continued)

(b) Management's emoluments

Details of the aggregate emoluments paid to three (2013: three) individuals whose emoluments were the highest in the Group and have not been included in the directors' emoluments above are set out below:

| | 2014 US\$'000 | 2013 US\$'000 |
|---|------------------|------------------|
| Salaries and other allowances | 911 | 883 |
| Bonuses | 258 | 228 |
| Contributions to retirement benefit schemes | 8 | 8 |
| | 1,177 | 1,119 |

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

| | Number of individuals | |
|---|-----------------------|------|
| | 2014 | 2013 |
| Emolument bands | | |
| US\$322,334–US\$386,799 (HK\$2,500,001–HK\$3,000,000) | 1 | 3 |
| US\$386,800–US\$451,266 (HK\$3,000,001–HK\$3,500,000) | 2 | – |
| | 3 | 3 |

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

38 Financial guarantee contracts

The financial guarantees issued by the Group and the Company as at 31 December 2014 are analysed as below:

| | Group | | Company | |
|---|------------------|------------------|------------------|------------------|
| | 2014 US\$'000 | 2013 US\$'000 | 2014 US\$'000 | 2013 US\$'000 |
| Guarantees for: | | | | |
| – Notes issued by a subsidiary (note 24(c)) | – | – | 300,000 | 300,000 |
| – Other loan facilities granted to subsidiaries | – | – | 747,000 | 802,000 |
| – Bank guarantees to an associate | 13,613 | 21,094 | 13,613 | 21,094 |
| | 13,613 | 21,094 | 1,060,613 | 1,123,094 |

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

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

39 Contingent liabilities

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

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

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

40 Capital commitments

The Group has the following significant capital commitments as at 31 December 2014:

| | Group | |
|---------------------------------------|------------------|------------------|
| | 2014 US\$'000 | 2013 US\$'000 |
| Authorised but not contracted for | | |
| – Investments (note) | 33,572 | 33,694 |
| – Containers | 349,920 | 418,000 |
| – Computer system under development | 1,000 | 790 |
| – Other property, plant and equipment | 822,596 | 377,627 |
| | 1,207,088 | 830,111 |
| Contracted but not provided for | | |
| – Containers | 21,619 | 16,540 |
| – Investments (note) | 566,195 | 630,304 |
| – Other property, plant and equipment | 185,486 | 215,882 |
| | 773,300 | 862,726 |

The Group's share of capital commitments of the joint ventures themselves not included in the above are as follows:

| | Group | |
|-----------------------------------|------------------|------------------|
| | 2014 US\$'000 | 2013 US\$'000 |
| Authorised but not contracted for | 25,408 | 6,014 |
| Contracted but not provided for | 9,789 | 9,385 |
| | 35,197 | 15,399 |

The Company did not have any capital commitments as at 31 December 2014 and 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40 Capital commitments (Continued)

Note:

The capital commitments in respect of investments of the Group as at 31 December 2014 are as follows:

| | Group | |
|--|------------------|------------------|
| | 2014 US\$'000 | 2013 US\$'000 |
| Authorised but not contracted for | | |
| Investment in: | | |
| – Changshu Chang Jiang International Port Co., Ltd. | 33,572 | 33,694 |
| Contracted but not provided for | | |
| Investments in: | | |
| – Qingdao Qianwan Container Terminal Co., Ltd. | 64,997 | 64,997 |
| – Antwerp Gateway NV | 49,063 | 61,312 |
| – Dalian Port Container Terminal Co., Ltd. | 47,720 | 47,893 |
| – Tianjin Port Euroasia International Container Terminal Co., Ltd. | 114,725 | 115,140 |
| – Qingdao Port Dongjiakou Ore Terminal Co., Ltd. | 98,055 | 155,817 |
| – Others | 121,012 | 114,266 |
| | 495,572 | 559,425 |
| Terminal projects in: | | |
| – Shanghai Yangshan Port Phase II | 65,370 | 65,607 |
| – Others | 5,253 | 5,272 |
| | 70,623 | 70,879 |
| | 566,195 | 630,304 |

41 Operating lease arrangements/commitments

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

As at 31 December 2014, the Group had future minimum lease receipts under non-cancellable operating leases as follows:

| | Group | |
|---|------------------|------------------|
| | 2014 US\$'000 | 2013 US\$'000 |
| Containers | | |
| – not later than one year | 256,171 | 267,979 |
| – later than one year and not later than five years | 608,601 | 626,031 |
| – later than five years | 276,401 | 260,599 |
| | 1,141,173 | 1,154,609 |
| Generator sets | | |
| – not later than one year | 666 | 835 |
| – later than one year and not later than five years | 448 | 909 |
| – later than five years | 87 | 210 |
| | 1,201 | 1,954 |
| Plant and machinery | | |
| – not later than one year | 23 | 23 |
| – later than one year and not later than five years | 78 | 92 |
| – later than five years | – | 10 |
| | 101 | 125 |
| Buildings, leasehold land and land use rights | | |
| – not later than one year | 2,493 | 930 |
| – later than one year and not later than five years | 1,290 | 2,491 |
| – later than five years | 973 | 415 |
| | 4,756 | 3,836 |
| Investment properties | | |
| – not later than one year | 657 | 130 |
| – later than one year and not later than five years | 1,093 | 18 |
| | 1,750 | 148 |
| | 1,148,981 | 1,160,672 |

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

41 Operating lease arrangements/commitments (Continued)

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

As at 31 December 2014, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

| | Group | |
|---|------------------|------------------|
| | 2014 US\$'000 | 2013 US\$'000 |
| Buildings, leasehold land and land use rights | | |
| – not later than one year | 3,040 | 3,254 |
| – later than one year and not later than five years | 4,361 | 1,609 |
| | 7,401 | 4,863 |
| Plant and machinery | | |
| – not later than one year | 93 | 120 |
| – later than one year and not later than five years | 37 | 91 |
| | 130 | 211 |
| Containers (note) | | |
| – not later than one year | 44,059 | 33,063 |
| – later than one year and not later than five years | 81,226 | 91,654 |
| | 125,285 | 124,717 |
| Concession (note 17) | | |
| – not later than one year | 41,690 | 46,268 |
| – later than one year and not later than five years | 228,268 | 171,018 |
| – later than five years | 3,526,157 | 4,044,292 |
| | 3,796,115 | 4,261,578 |
| | 3,928,931 | 4,391,369 |

Note:

The Group had entered operating lease agreements from 2008 to 2014 for the disposal of certain containers and agreed to lease back these containers from the purchasers with lease terms of five to six years. The lessors calculated the rent payable by the Group, which was determined on the terms agreed among the parties.

Pursuant to the operating lease agreement entered into in 2008, the lessor has granted a lease extension option to the Group, which must be exercised by the Group at least six months but not more than eight months from the expiry date of the original term. If exercised, the lease term of all containers under the operating lease agreement will be extended for a further term of five years from the original expiry date. During 2012, the Group has exercised the lease extension option with same terms. The new expiry date of this operating lease agreement is in July 2018.

(c) The Company did not have any lease commitments as at 31 December 2014 and 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42 Notes to the consolidated cash flow statement

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

| | 2014 US\$'000 | 2013 US\$'000 |
|--|------------------|------------------|
| Profit before income tax including discontinued operation | 351,882 | 750,772 |
| Depreciation and amortisation | 211,725 | 190,464 |
| Interest expenses | 66,415 | 78,633 |
| Amortised amount of | | |
| – discount on issue of notes | 275 | 378 |
| – transaction costs on bank loans and notes | 3,342 | 3,359 |
| Other incidental borrowing costs and charges | 2,474 | 2,169 |
| Provision for impairment of trade and finance lease receivables | 1,078 | 3,068 |
| Provision for inventories | 7,568 | 1,792 |
| (Gain)/loss on disposal of property, plant and equipment, net | (7,187) | 85 |
| Dividend income from an unlisted investment | (2,034) | (1,923) |
| Gain on disposal of an associate | – | (393,411) |
| Net gain on liquidation of subsidiaries | (811) | – |
| Revaluation deficit/(surplus) of investment properties | 289 | (364) |
| Write back of provision for impairment of trade receivables and finance lease receivables | (786) | (1,530) |
| Interest income | (25,738) | (18,112) |
| Share of profits less losses of | | |
| – joint ventures | (99,729) | (81,406) |
| – associates | (71,496) | (95,563) |
| Operating profit before working capital changes | 437,267 | 438,411 |
| (Increase)/decrease in finance lease receivables | (16,852) | 1,489 |
| Increase in prepaid agency fee for finance lease | (16) | (20) |
| Decrease in rent receivable collected on behalf of owners of managed containers | 2,437 | 7,491 |
| Decrease in inventories | 40,049 | 19,326 |
| (Increase)/decrease in trade and other receivables | (3,257) | 1,674 |
| (Increase)/decrease in restricted bank deposits | (24) | 759 |
| Decrease/(increase) in amounts due from fellow subsidiaries | 362 | (278) |
| Decrease/(increase) in amount due from an associate | 1,641 | (1,903) |
| Increase in amount due from a joint venture | (68) | – |
| Increase in amounts due from non-controlling shareholders | (361) | (1,867) |
| Increase in trade and other payables | 107 | 4,225 |
| (Decrease)/increase in payables to owners of managed containers | (2,671) | 4,728 |
| (Decrease)/increase in amounts due to fellow subsidiaries | (153) | 80 |
| (Decrease)/increase in amounts due to joint ventures | (47) | 1,103 |
| Increase in amounts due to related companies | 6 | 2 |
| Increase in amounts due to non-controlling shareholders of subsidiaries | 1,455 | 5,820 |
| Increase in other long term liabilities | 9,444 | – |
| Cash generated from operations | 469,319 | 481,040 |

42 Notes to the consolidated cash flow statement (Continued)

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

| | Group | | Company | |
|---|------------------|------------------|------------------|------------------|
| | 2014 US\$'000 | 2013 US\$'000 | 2014 US\$'000 | 2013 US\$'000 |
| Total time deposits, bank balances and cash (note i) | 1,116,479 | 1,237,551 | 736,821 | 878,308 |
| Restricted bank deposits included in current assets | (172) | (148) | – | – |
| | 1,116,307 | 1,237,403 | 736,821 | 878,308 |
| Representing: | | | | |
| Time deposits | 948,401 | 1,017,071 | 736,064 | 857,675 |
| Bank balances and cash | 146,049 | 220,332 | 757 | 20,633 |
| Balance placed with COSCO Finance Co., Ltd. ("COSCO Finance") (note iv) | 21,857 | – | – | – |
| | 1,116,307 | 1,237,403 | 736,821 | 878,308 |

Notes:

- (i) As at 31 December 2014, cash and cash equivalents of US\$278,214,000 (2013: US\$540,143,000) of the Group denominated in Renminbi and US dollar were held by certain subsidiaries with bank accounts operating in the PRC where exchange controls apply.
- (ii) The carrying amounts of time deposits, bank balances and cash are denominated in the following currencies:

| | Group | | Company | |
|------------------|------------------|------------------|------------------|------------------|
| | 2014 US\$'000 | 2013 US\$'000 | 2014 US\$'000 | 2013 US\$'000 |
| US dollar | 516,228 | 598,793 | 279,170 | 458,773 |
| Renminbi | 482,175 | 505,228 | 384,314 | 333,005 |
| Euro | 64,083 | 70,293 | 27,079 | 30,400 |
| Hong Kong dollar | 53,657 | 62,679 | 46,258 | 56,130 |
| Other currencies | 164 | 410 | – | – |
| | 1,116,307 | 1,237,403 | 736,821 | 878,308 |

- (iii) Under the circumstances that the terms and conditions as included in the loan agreement were not met, bank balances of US\$36,706,000(2013: US\$38,367,000) would be pledged as security for a banking facility granted to the Group (note 24(h)). As at 31 December 2014, there was no violation of the terms and conditions of this loan and thus such bank balances were not pledged.
- (iv) Balances placed with COSCO Finance, a fellow subsidiary of the Group, bear interest at prevailing market rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

43 Related party transactions

The Group is controlled by China COSCO which owns 44.54% of the Company's shares as at 31 December 2014. The parent company of China COSCO is COSCO.

COSCO is controlled by the PRC government, which also owns a significant portion of the productive assets in the PRC. PRC government related entities and their subsidiaries, directly or indirectly controlled, jointly controlled or significantly influenced by the PRC government, are also defined as related parties of the Group. On that basis, related parties include COSCO and its subsidiaries, other government related entities and their subsidiaries, other entities and corporations in which the Company is able to control or exercise significant influence and key management personnel of the Company and COSCO as well as their close family members.

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

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

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

| | 2014 US\$'000 | 2013 US\$'000 |
|---|------------------|------------------|
| Container rental income from fellow subsidiaries (note i, xiv) | | |
| – long term leases | 172,877 | 153,436 |
| – short term leases | 197 | 22 |
| Compensation for loss of containers from a fellow subsidiary (note ii, xiv) | 528 | 478 |
| Handling, storage and transportation income from fellow subsidiaries (note iii, xiv) | 1,927 | 2,566 |
| Management fee and service fee income from (note iv, xiv) | | |
| – joint ventures | 4,298 | 4,029 |
| – associates | 625 | 2,267 |
| – an investee company | 102 | 99 |
| Terminal handling and storage income received from (note v, xiv) | | |
| – fellow subsidiaries | 42,159 | 41,019 |
| – a non-controlling shareholder of a subsidiary | 43,292 | 43,928 |
| Container freight charges to subsidiaries of CIMC (note vi) | (1,588) | (1,551) |
| Container handling and logistics service fees to non-controlling shareholders of subsidiaries (note vii, xiv) | (19,985) | (17,616) |
| Electricity and fuel expenses paid to (note viii, xiv) | | |
| – a fellow subsidiary | (611) | (1,113) |
| – non-controlling shareholders of subsidiaries | (5,385) | (4,870) |
| Approved continuous examination program fees to a fellow subsidiary (note ix, xiv) | – | (2,000) |
| Purchase of containers from subsidiaries of CIMC (note x) | (250,371) | (167,573) |
| Handling, storage and maintenance expenses paid to fellow subsidiaries (note xi, xiv) | (1,565) | (1,274) |
| High-frequency communication fee to non-controlling shareholders of subsidiaries (note xii, xiv) | (161) | (133) |
| Rental expenses paid to (note xiii, xiv) | | |
| – a fellow subsidiary | (1,569) | (1,554) |
| – non-controlling shareholders of subsidiaries | (3,053) | (3,569) |

43 Related party transactions (Continued)

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

Notes:

- (i) The Group conducts long term container leasing business with COSCON. During the two years ended 31 December 2013 and 2014, the Group entered into new long term container leasing contracts/arrangements with COSCON. The Group's long term container leasing transactions with COSCON during the year were conducted by reference to, if applicable, the average of the available leasing rates quoted from five (2013: four) independent container leasing companies and in the ordinary and normal course of the business of the Group.

The other container leasing businesses with COSCON and other subsidiaries of COSCO were conducted at terms as agreed between the Group and respective parties in concern.
- (ii) During the year the Group had compensation received and receivable of US\$528,000 (2013: US\$478,000) from COSCON for the loss of containers under operating leases, resulting in a loss of US\$60,000 (2013: profit of US\$3,000).
- (iii) The handling, storage and transportation income received from fellow subsidiaries of the Group were at terms as set out in the agreements entered into between the Group and these fellow subsidiaries.
- (iv) The Group provided advisory and management services to COSCO-HIT Terminals (Hong Kong) Limited, a joint venture of the Group, during the year. Management fee was charged and agreed at HK\$20,000,000 (equivalent to US\$2,579,000) (2013: HK\$20,000,000 (equivalent to US\$2,579,000)) per annum.

Other management fee and service fee income charged to joint ventures, associates and an investee company were agreed between the Group and the respective parties in concern.
- (v) The terminal handling and storage income received from fellow subsidiaries and a non-controlling shareholder of a subsidiary in relation to the cargoes shipped from/to Zhangjiagang, Yangzhou, Quanzhou, Jinjiang, Xiamen and Nansha were charged at rates by reference to rates as set out by the Ministry of Communications of the PRC.

The container terminal handling and storage income received from fellow subsidiaries in relation to the cargoes shipped from/to Piraeus Terminal were charged at rates as mutually agreed.
- (vi) The container freight charges paid to subsidiaries of CIMC for container repositioning services rendered to the Group were charged at rates as mutually agreed.
- (vii) The container handling and logistics service fees paid to non-controlling shareholders of subsidiaries were charged at rates as mutually agreed.
- (viii) Electricity and fuel expenses paid to a fellow subsidiary and non-controlling shareholders of subsidiaries were charged at rates as mutually agreed.
- (ix) Approved continuous examination program fees of US\$2,000,000 to COSCON in connection with the containers leased to COSCON on a long term basis were agreed between the Group and COSCON for the year ended 31 December 2013.
- (x) The purchases of containers from subsidiaries of CIMC were conducted at terms as set out in the agreements entered into between the Group and the respective parties in concern.
- (xi) Handling, storage and maintenance expenses paid to fellow subsidiaries were charged at rates as mutually agreed.
- (xii) High-frequency communication fee paid to non-controlling shareholders of subsidiaries were charged at rates as mutually agreed.
- (xiii) Rental expenses paid to a fellow subsidiary and non-controlling shareholders of subsidiaries were charged at rates as mutually agreed.
- (xiv) The transactions represent continuing connected transactions which has complied with the disclosure requirements in accordance with Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

43 Related party transactions (Continued)

(b) Balances with state-owned banks

| | 2014 US\$'000 | 2013 US\$'000 |
|---|------------------|------------------|
| Bank deposit balances | | |
| – in Mainland China | 116,358 | 540,143 |
| – outside Mainland China | 770,469 | 573,747 |
| Long term bank loans | | |
| – in Mainland China | 382,316 | 420,412 |
| – outside Mainland China | 765,634 | 853,649 |
| Short term bank loans | | |
| – in Mainland China | 9,806 | 16,402 |
| Committed and undrawn bank borrowing facilities | | |
| – in Mainland China | 357,546 | 385,429 |
| – outside Mainland China | 18,148 | 20,646 |

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

(c) Balances with other state-controlled entities in the PRC

| | 2014 US\$'000 | 2013 US\$'000 |
|--|------------------|------------------|
| Other payable to a government port authority | 10,074 | 9,983 |

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

43 Related party transactions (Continued)

(d) Key management compensation

| | 2014 US\$'000 | 2013 US\$'000 |
|---|------------------|------------------|
| Fees | – | 26 |
| Salaries, bonuses and other allowances | 3,445 | 3,313 |
| Contributions to retirement benefit schemes | 13 | 11 |
| | 3,458 | 3,350 |

Key management includes directors of the Company and four (2013: four) senior management members of the Group.

The emoluments of the senior management members fell within the following bands:

| | Number of individuals | |
|---|-----------------------|------|
| | 2014 | 2013 |
| Emolument bands | | |
| US\$257,866–US\$322,333 (HK\$2,000,001–HK\$2,500,000) | – | 1 |
| US\$322,334–US\$386,799 (HK\$2,500,001–HK\$3,000,000) | 2 | 3 |
| US\$386,800–US\$451,266 (HK\$3,000,001–HK\$3,500,000) | 2 | – |
| | 4 | 4 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

44 Business combination

On 29 March 2013, the Group acquired a subsidiary with 70% effective shareholdings with a consideration of US\$33,575,000. Details of net asset acquired are as follows:

| | 2013 US\$'000 |
|--|------------------|
| Purchase consideration | 33,575 |
| Fair value of net assets acquired shown as below | (33,242) |
| Goodwill | 333 |

The assets and liabilities of the acquired terminal operations as at the date of acquisition were as follows:

| | Fair value 2013 US\$'000 |
|--|--------------------------------|
| Property, plant and equipment | 72,460 |
| Land use rights | 12,626 |
| Deferred income tax assets | 1 |
| Trade and other receivables | 783 |
| Current income tax recoverable | 16 |
| Cash and cash equivalents | 1,781 |
| Long term borrowings | (40,358) |
| Trade and other payables | (6,330) |
| Current portion of long term borrowings | (7,737) |
| Total identifiable net assets acquired | 33,242 |
| Purchase consideration settled in cash | (33,575) |
| Cash and cash equivalents in acquired terminal operation | 1,781 |
| Net cash outflow on acquisition | (31,794) |

The acquired terminal operations contributed approximately US\$2,527,000 revenues and contributed a loss of approximately US\$76,000 for the year ended 31 December 2013 since the date of acquisition. If the acquisition have occurred on 1 January 2013, the Group's revenues and profit for the year ended 31 December 2013 would have been increased by approximately US\$587,000 and decreased by approximately US\$71,000 respectively.

45 Details of subsidiaries

Details of the subsidiaries as at 31 December 2014 are as follows:

| Name | Place of incorporation/ establishment | Place of operation | Principal activities | Issued share capital/ paid-up capital | Group equity interest | |
|---|--|--------------------|---|---|-----------------------|---------|
| | | | | | 2014 | 2013 |
| 2 Allgood International Limited | British Virgin Islands | Hong Kong | Inactive | 1 ordinary share of US\$1 | 100.00% | 100.00% |
| Cheer Hero Development Limited | Hong Kong | Hong Kong | Container handling, storage and stevedoring | HK\$100,000 divided into 10,000 ordinary shares | 77.00% | 77.00% |
| COSCO Container Services Limited | Hong Kong | Hong Kong | Investment holding, depot handling, storage and container repairing | HK\$2 divided into 2 ordinary shares | 100.00% | 100.00% |
| 1, 2, 3 COSCO Pacific (China) Investments Co., Ltd. | PRC | PRC | Investment holding | US\$147,000,000 | 100.00% | 100.00% |
| 1 COSCO Pacific Finance (2003) Company Limited | British Virgin Islands | Hong Kong | Financing | 1 ordinary share of US\$1 | 100.00% | 100.00% |
| 1 COSCO Pacific Finance (2013) Company Limited | British Virgin Islands | Hong Kong | Financing | 1 ordinary share of US\$1 | 100.00% | 100.00% |
| 1, 2 COSCO Pacific Logistics Company Limited | British Virgin Islands | Hong Kong | Inactive | 1 ordinary share of US\$1 | 100.00% | 100.00% |
| 1 COSCO Pacific Management Company Limited | Hong Kong | Hong Kong | Investment holding and provision of management services | HK\$2 divided into 2 ordinary shares | 100.00% | 100.00% |
| 1, 2 COSCO Pacific Nominees Limited | British Virgin Islands | Hong Kong | Provision of nominee services | 1 ordinary share of US\$1 | 100.00% | 100.00% |
| COSCO Pacific Properties Limited | British Virgin Islands | Hong Kong | Property holding | 1 ordinary share of US\$1 | 100.00% | 100.00% |
| 2 COSCO Ports (ACT) Limited | British Virgin Islands | Hong Kong | Investment holding | 1 ordinary share of US\$1 | 100.00% | 100.00% |
| 2 COSCO Ports (Antwerp) NV | Belgium | Belgium | Investment holding | Euro61,500 divided into 2 shares with no face value | 100.00% | 100.00% |
| COSCO Ports (Belgium) Limited | Hong Kong | Hong Kong | Investment holding | HK\$1 divided into 1 ordinary share | 100.00% | 100.00% |
| 2 COSCO Ports (Dalian) Limited | British Virgin Islands | Hong Kong | Investment holding | 1 ordinary share of US\$1 | 100.00% | 100.00% |
| 2 COSCO Ports (Dalian RoRo) Limited | British Virgin Islands | Hong Kong | Investment holding | 1 ordinary share of US\$1 | 100.00% | 100.00% |
| 2 COSCO Ports (Europe) Limited | British Virgin Islands | Hong Kong | Investment holding | 1 ordinary share of US\$1 | 100.00% | 100.00% |
| 2 COSCO Ports (Fuzhou) Limited | British Virgin Islands | Hong Kong | Inactive | 1 ordinary share of US\$1 | 100.00% | 100.00% |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

45 Details of subsidiaries (Continued)

| Name | Place of incorporation/ establishment | Place of operation | Principal activities | Issued share capital/ paid-up capital | Group equity interest | |
|---|--|--------------------|----------------------|--|-----------------------|---------|
| | | | | | 2014 | 2013 |
| 1, 2 COSCO Ports (Greece) S.à r.l. | Luxembourg | Luxembourg | Investment holding | Euro512,500 | 100.00% | 100.00% |
| 2 COSCO Ports (Guangzhou) Limited | British Virgin Islands | Hong Kong | Investment holding | 1 ordinary share of US\$1 | 100.00% | 100.00% |
| 2 COSCO Ports (Haikou) Limited | British Virgin Islands | Hong Kong | Inactive | 1 ordinary share of US\$1 | 100.00% | 100.00% |
| 1 COSCO Ports (Holdings) Limited | British Virgin Islands | Hong Kong | Investment holding | 1 ordinary share of US\$1 | 100.00% | 100.00% |
| 2 COSCO Ports (Hong Kong) Limited | British Virgin Islands | Hong Kong | Inactive | 1 ordinary share of US\$1 | 100.00% | 100.00% |
| 2 COSCO Ports (Lian Yun Gang) Limited | British Virgin Islands | Hong Kong | Inactive | 1 ordinary share of US\$1 | 100.00% | 100.00% |
| 2 COSCO Ports (Nanjing) Limited | British Virgin Islands | Hong Kong | Investment holding | 1 ordinary share of US\$1 | 100.00% | 100.00% |
| COSCO Ports (Nansha) Limited | British Virgin Islands | Hong Kong | Investment holding | US\$10,000 | 66.10% | 66.10% |
| 2 COSCO Ports (Netherlands) Limited | British Virgin Islands | Hong Kong | Investment holding | 1 ordinary share of US\$1 | 100.00% | 100.00% |
| 2 COSCO Ports (Ningbo Beilun) Limited | British Virgin Islands | Hong Kong | Investment holding | 1 ordinary share of US\$1 | 100.00% | 100.00% |
| 2 COSCO Ports (Panama) Limited | British Virgin Islands | Hong Kong | Investment holding | 1 ordinary share of US\$1 | 100.00% | 100.00% |
| 2 COSCO Ports (Port Said) Limited | British Virgin Islands | Hong Kong | Investment holding | 1 ordinary share of US\$1 | 100.00% | 100.00% |
| 2 COSCO Ports (Pudong) Limited | British Virgin Islands | Hong Kong | Investment holding | 1 ordinary share of US\$1 | 100.00% | 100.00% |
| 2 COSCO Ports (Qianwan) Limited | British Virgin Islands | Hong Kong | Investment holding | 1 ordinary share of US\$1 | 100.00% | 100.00% |
| 2 COSCO Ports (Qingdao) Limited | British Virgin Islands | Hong Kong | Inactive | 1 ordinary share of US\$1 | 100.00% | 100.00% |
| 2 COSCO Ports (Quanzhou) Limited | British Virgin Islands | Hong Kong | Investment holding | 1 ordinary share of US\$1 | 100.00% | 100.00% |
| 2 COSCO Ports (Quanzhou Jinjiang) Limited | British Virgin Islands | Hong Kong | Investment holding | 1 ordinary share of US\$1 | 100.00% | 100.00% |
| 2, 4 COSCO Ports (Rotterdam) Coöperatief U.A. | Netherlands | Netherlands | Inactive | – | 100.00% | 100.00% |
| 2 COSCO Ports (Services) Limited | British Virgin Islands | Hong Kong | Investment holding | 1 ordinary share of US\$1 | 100.00% | 100.00% |
| 2 COSCO Ports (Singapore) Limited | British Virgin Islands | Hong Kong | Investment holding | 1 ordinary share of US\$1 | 100.00% | 100.00% |

45 Details of subsidiaries (Continued)

| Name | Place of incorporation/ establishment | Place of operation | Principal activities | Issued share capital/ paid-up capital | Group equity interest | |
|---|--|--------------------|---|--|-----------------------|---------|
| | | | | | 2014 | 2013 |
| COSCO Ports (Taiwan Kaohsiung) Limited | Hong Kong | Hong Kong | Investment holding | HK\$1 divided into 1 ordinary share | 100.00% | 100.00% |
| 2 COSCO Ports (Tianjin) Limited | British Virgin Islands | Hong Kong | Investment holding | 1 ordinary share of US\$1 | 100.00% | 100.00% |
| 2 COSCO Ports (Tianjin North Basin) Limited | British Virgin Islands | Hong Kong | Investment holding | 1 ordinary share of US\$1 | 100.00% | 100.00% |
| 2 COSCO Ports (Xiamen Haicang) Limited | British Virgin Islands | Hong Kong | Investment holding | 1 ordinary share of US\$1 | 100.00% | 100.00% |
| 2 COSCO Ports (Yangshan) Limited | British Virgin Islands | Hong Kong | Inactive | 1 ordinary share of US\$1 | 100.00% | 100.00% |
| 2 COSCO Ports (Yangzhou) Limited | British Virgin Islands | Hong Kong | Investment holding | 1 ordinary share of US\$1 | 100.00% | 100.00% |
| 2 COSCO Ports (Yingkou) Limited | British Virgin Islands | Hong Kong | Investment holding | 1 ordinary share of US\$1 | 100.00% | 100.00% |
| 2 COSCO Ports (Zhenjiang) Limited | British Virgin Islands | Hong Kong | Inactive | 1 ordinary share of US\$1 | 100.00% | 100.00% |
| COSCO Ports (Zhenjiang Terminal) Limited | Hong Kong | Hong Kong | Inactive | HK\$1 divided into 1 ordinary share | 100.00% | 100.00% |
| 2, 3, 6 COSCO Ports Services (Guangzhou) Limited | PRC | PRC | Depot handling, storage and container repairing | US\$2,500,000 | – | 100.00% |
| 1 CPL Treasury Limited | British Virgin Islands | Hong Kong | Provision of treasury services | 1 ordinary share of US\$1 | 100.00% | 100.00% |
| Crestway International Limited | British Virgin Islands | Hong Kong | Investment holding | 50,000 ordinary shares of US\$1 each | 100.00% | 100.00% |
| 1, 2 Elegance Investment Limited | British Virgin Islands | Hong Kong | Inactive | 1 ordinary share of US\$1 | 100.00% | 100.00% |
| Fairbreeze Shipping Company Limited | Hong Kong | Hong Kong | Property investment | HK\$500,000 divided into 5,000 ordinary shares | 100.00% | 100.00% |
| 2 Famous International Limited | British Virgin Islands | Worldwide | Investment holding | 1 ordinary share of US\$1 | 100.00% | 100.00% |
| 2, 3 Florens (China) Company Limited | PRC | PRC | Container leasing and resale of old containers | US\$12,800,000 | 100.00% | 100.00% |
| 2, 3, 5 Florens (Tianjin) Finance Leasing Co., Ltd. | PRC | PRC | Financing leasing | US\$50,000,000 | 50.00% | 50.00% |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

45 Details of subsidiaries (Continued)

| Name | Place of incorporation/ establishment | Place of operation | Principal activities | Issued share capital/ paid-up capital | Group equity interest | |
|---|--|--------------------------|---|--|-----------------------|---------|
| | | | | | 2014 | 2013 |
| 5 Florens Capital Management Company Limited | Hong Kong | Hong Kong | Investment holding | HK\$2,000 divided into 2,000 ordinary shares | 50.00% | 50.00% |
| Florens Container (Macao Commercial Offshore) Limited | Macau | Worldwide | Sale of containers and administration of marine shipping container activities | 1 quota of MOP100,000 | 100.00% | 100.00% |
| Florens Container Corporation S.A. | Panama | Worldwide | Container leasing | 100 ordinary shares of US\$100 each | 100.00% | 100.00% |
| 1 Florens Container Holdings Limited | British Virgin Islands | Hong Kong | Investment holding | 22,014 ordinary shares of US\$1 each | 100.00% | 100.00% |
| Florens Container Inc. | United States of America | United States of America | Investment holding and container leasing | 1 ordinary share of US\$1 | 100.00% | 100.00% |
| Florens Container, Inc. (1998) | United States of America | United States of America | Leasing of generator sets | 100 ordinary shares of US\$1 each | 100.00% | 100.00% |
| Florens Container Inc. (1999) | United States of America | United States of America | Leasing of generator sets | 100 ordinary shares of US\$1 each | 100.00% | 100.00% |
| Florens Container, Inc. (2000) | United States of America | United States of America | Information technology development and software maintenance | 100 ordinary shares of US\$1 each | 100.00% | 100.00% |
| Florens Container, Inc. (2001) | United States of America | United States of America | Container leasing | 1 ordinary share of US\$1 | 100.00% | 100.00% |
| Florens Container, Inc. (2002) | United States of America | United States of America | Sale of old containers | 1 ordinary share of US\$1 | 100.00% | 100.00% |
| Florens Container, Inc. (2003) | United States of America | United States of America | Sale of old containers | 1 ordinary share of US\$1 | 100.00% | 100.00% |
| Florens Container Services Company Limited | Hong Kong | Worldwide | Provision of container management services | HK\$100 divided into 100 ordinary shares | 100.00% | 100.00% |
| 2 Florens Container Services (Australia) Pty Limited | Australia | Australia | Provision of container management services | 100 ordinary shares of AUD1 each | 100.00% | 100.00% |
| 2 Florens Container Services (Deutschland) GmbH. | Germany | Germany | Provision of container management services | 2 shares of Euro 12,782.30 each | 100.00% | 100.00% |

45 Details of subsidiaries (Continued)

| Name | Place of incorporation/ establishment | Place of operation | Principal activities | Issued share capital/ paid-up capital | Group equity interest | |
|---|--|--------------------------|--|--|-----------------------|---------|
| | | | | | 2014 | 2013 |
| 2 Florens Container Services (Italy) S.R.L. | Italy | Italy | Provision of container management services | 20,000 quotas of Euro 0.52 each | 100.00% | 100.00% |
| 2, 6 Florens Container Services (Japan) Co. Ltd. | Japan | Japan | Provision of container management services | 200 ordinary shares of JPY50,000 each | – | 100.00% |
| 2, 3 Florens Container Services (Shenzhen) Co., Ltd. | PRC | PRC | Container leasing, sale, management and auxiliary services | US\$500,000 | 100.00% | 100.00% |
| Florens Container Services (Singapore) Pte. Ltd. | Singapore | Singapore | Provision of container management services | 1,000 ordinary shares of SGD1 each | 100.00% | – |
| 2 Florens Container Services (UK) Limited | United Kingdom | United Kingdom | Provision of container management services | 183,610 ordinary shares of GBP1 each | 100.00% | 100.00% |
| Florens Container Services (USA), Ltd. | United States of America | United States of America | Container manager and provision of container management services | 1,000 ordinary shares of US\$0.001 each | 100.00% | 100.00% |
| 1, 2 Florens Industrial Holdings Limited | Bermuda | Hong Kong | Inactive | 12,000 ordinary shares of US\$1 each | 100.00% | 100.00% |
| Florens Management Services (Macao Commercial Offshore) Limited | Macau | Macau | Provision of container management services | 1 quota of MOP100,000 | 100.00% | 100.00% |
| Florens Maritime Limited | Bermuda | Worldwide | Container leasing | 12,000 ordinary shares of US\$1 each | 100.00% | 100.00% |
| Florens Shipping Corporation Limited | Bermuda | Worldwide | Container leasing | 12,000 ordinary shares of US\$1 each | 100.00% | 100.00% |
| 2 Fota Limited | British Virgin Islands | Hong Kong | Inactive | 1 ordinary share of US\$1 | 100.00% | 100.00% |
| 2 Frosti International Limited | British Virgin Islands | Hong Kong | Investment holding | 2 ordinary shares of US\$1 each | 100.00% | 100.00% |
| Greating Services Limited | Hong Kong | Hong Kong | Transportation of containers | HK\$250,000 divided into 250,000 ordinary shares | 100.00% | 100.00% |
| 2, 3 Guangzhou South China Océangate Container Terminal Company Limited | PRC | PRC | Operation of container terminals | RMB1,928,293,400 | 39.00% | 39.00% |
| 1, 2 Hang Shing Investment Limited | British Virgin Islands | Hong Kong | Inactive | 1 ordinary share of US\$1 | 100.00% | 100.00% |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

45 Details of subsidiaries (Continued)

| Name | Place of incorporation/ establishment | Place of operation | Principal activities | Issued share capital/ paid-up capital | Group equity interest | |
|---|--|--------------------|----------------------------------|---|-----------------------|---------|
| | | | | | 2014 | 2013 |
| 2, 3 Jinjiang Pacific Ports Development Co., Ltd. | PRC | PRC | Operation of terminals | US\$49,900,000 | 80.00% | 80.00% |
| 2 Loson Investment Limited | British Virgin Islands | Hong Kong | Inactive | 1 ordinary share of US\$1 | 100.00% | 100.00% |
| 1 Piraeus Container Terminal S.A. | Greece | Greece | Operation of container terminals | Euro77,299,800 | 100.00% | 100.00% |
| 2 Plangreat Limited | British Virgin Islands | Hong Kong | Investment holding | 100 ordinary shares of US\$1 each | 100.00% | 100.00% |
| 2, 3 Quan Zhou Pacific Container Terminal Co., Ltd. | PRC | PRC | Operation of terminals | US\$80,770,000 | 82.35% | 82.35% |
| 1, 2 Topview Investment Limited | British Virgin Islands | Hong Kong | Inactive | 1 ordinary share of US\$1 | 100.00% | 100.00% |
| Win Hanverky Investments Limited | Hong Kong | Hong Kong | Investment holding | HK\$100,000 divided into 10,000 ordinary shares | 100.00% | 100.00% |
| 2, 3 Xiamen Haitou Tongda Terminal Co., Ltd. | PRC | PRC | Operation of terminals | RMB150,000,000 | 70.00% | 70.00% |
| 2, 3 Xiamen Ocean Gate Container Terminal Co., Ltd. | PRC | PRC | Operation of container terminals | RMB1,627,480,000 | 70.00% | 70.00% |
| 2, 3 Yangzhou Yuanyang International Ports Co., Ltd. | PRC | PRC | Operation of terminals | US\$61,500,000 | 55.59% | 55.59% |
| 2, 3 Zhangjiagang Win Hanverky Container Terminal Co., Ltd. | PRC | PRC | Operation of container terminals | US\$36,800,000 | 51.00% | 51.00% |

1 Shares held directly by the Company.

2 Subsidiaries not audited by PricewaterhouseCoopers.

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

4 As at 31 December 2014, there is no issued share capital and paid up capital for this subsidiary.

5 The directors of the Company considered that the Group remains to have control through its representatives on the board of directors of Florens Capital Management Company Limited ("FCMCL") and Florens (Tianjin) Finance Leasing Co., Ltd. ("FFLTJ") and therefore classified FCMCL and FFLTJ as subsidiaries as at 31 December 2014 and 2013.

6 These subsidiaries were dissolved during the year.

46 Details of joint ventures

Details of the joint ventures as at 31 December 2014, which principally affect the results and/or net assets of the Group, are as follows:

| Name | Place of incorporation/ establishment | Principal activities | Paid-up capital | Percentage of interest in ownership/ voting power/profit sharing | |
|--|---------------------------------------|---|---|--|--------------------------------|
| | | | | 2014 | 2013 |
| Cheer Dragon Investment Limited (note i) | Hong Kong | Investment holding | HK\$3 divided into 3 ordinary shares | 33.33% | 33.33% |
| China Ports and Shipping Consortium Coöperatief U.A. | Netherlands | Investment holding | – | 33.33% | 33.33% |
| COSCO-HIT Terminals (Hong Kong) Limited | Hong Kong | Operation of container terminals | HK\$20 divided into 2 "A" ordinary shares HK\$20 divided into 2 "B" ordinary shares HK\$40 divided into 4 non-voting 5% deferred shares | 50.00% | 50.00% |
| COSCO-HPHT ACT Limited (notes ii) | British Virgin Islands | Investment holding | 1,000 ordinary shares of US\$1 each | 50.00% | – |
| Qingdao Port Dongjiakou Ore Terminal Co., Ltd. | PRC | Operation of iron ore terminals | RMB1,400,000,000 | 25.00% / 22.22% / 25.00% | – |
| COSCO-PSA Terminal Private Limited | Singapore | Operation of container terminals | SGD65,900,000 | 49.00% / 50.00% / 49.00% | 49.00% / 50.00% / 49.00% |
| Nanjing Port Longtan Container Co., Ltd. | PRC | Operation of container terminals | RMB1,246,450,000 | 20.00% / 22.20% / 20.00% | 20.00% / 22.20% / 20.00% |
| Ningbo Yuan Dong Terminals Limited | PRC | Operation of container terminals | RMB2,500,000,000 | 20.00% | 20.00% |
| Panama International Terminals, S.A. | Panama | Inactive | 300 ordinary shares with no face value | 50.00% | 50.00% |
| Piraeus Consolidation and Distribution Centre S.A. | Greece | Storage, consolidation and distribution | Euro1,000,000 | 50.00% / 60.00% / 50.00% | 50.00% |
| Qingdao Qianwan Container Terminal Co., Ltd. | PRC | Operation of container terminals | US\$308,000,000 | 20.00% / 18.18% / 20.00% | 20.00% / 18.18% / 20.00% |
| Shanghai Pudong International Container Terminals Limited | PRC | Operation of container terminals | RMB1,900,000,000 | 30.00% | 30.00% |
| Tianjin Port Euroasia International Container Terminal Co., Ltd. | PRC | Operation of container terminals | RMB1,260,000,000 | 30.00% / 28.60% / 30.00% | 30.00% / 28.60% / 30.00% |
| Xiamen Haicang Free Trade Port Zone Container Inspection Co., Ltd. | PRC | Container stevedoring, storage, inspection and auxiliary services | RMB10,000,000 | 22.40% / 33.33% / 22.40% | 22.40% / 33.33% / 22.40% |
| Yingkou Container Terminals Company Limited | PRC | Operation of container terminals | RMB8,000,000 | 50.00% / 57.14% / 50.00% | 50.00% / 57.14% / 50.00% |

Notes:

- (i) Cheer Dragon Investment Limited ("Cheer Dragon") effectively holds 30% equity interest in Kao Ming Container Terminal Corp., which engages in container terminal operations in Taiwan, and is considered as an associate of Cheer Dragon.
- (ii) COSCO-HPHT ACT effectively holds 80% equity interest in ACT, which engages in the operation, management and development of container terminals in Hong Kong, and is considered as a subsidiary of COSCO-HPHT ACT.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

47 Details of associates

Details of the associates as at 31 December 2014, which principally affect the results and/or net assets of the Group, are as follows:

| Name | Place of incorporation/ establishment | Principal activities | Issued share capital/registered capital | Group equity interest | |
|--|---------------------------------------|--|---|-----------------------|--------|
| | | | | 2014 | 2013 |
| Antwerp Gateway NV | Belgium | Operation of container terminals | Euro17,900,000 | 20.00% | 20.00% |
| Dalian Automobile Terminal Co., Ltd. | PRC | Construction and operation of automobile terminals | RMB320,000,000 | 30.00% | 30.00% |
| Dalian Port Container Terminal Co., Ltd. | PRC | Operation of container terminals | RMB730,000,000 | 20.00% | 20.00% |
| Dawning Company Limited | British Virgin Islands | Investment holding | 200 "A" shares of US\$1 each and 800 "B" shares of US\$1 each | 20.00% | 20.00% |
| Sigma Enterprises Limited (note) | British Virgin Islands | Investment holding | 2,005 "A" shares of US\$1 each and 8,424 "B" shares of US\$1 each | 16.49% | 16.49% |
| Suez Canal Container Terminal S.A.E. | Egypt | Operation of container terminals | 1,856,250 ordinary shares of US\$100 each | 20.00% | 20.00% |
| Taicang International Container Terminal Co., Ltd. | PRC | Operation of terminals | RMB450,800,000 | 39.04% | 39.04% |
| Wattrus Limited (note) | British Virgin Islands | Investment holding | 32 "A" shares of US\$1 each and 593 "B" shares of US\$1 each | 5.12% | 5.12% |

Note:

The directors of the Company considered that the Group has significant influence over Sigma and Wattrus through its representatives on the boards of directors of Sigma and Wattrus with 20% voting rights respectively and therefore classified Sigma and Wattrus as associates as at 31 December 2014 and 2013.