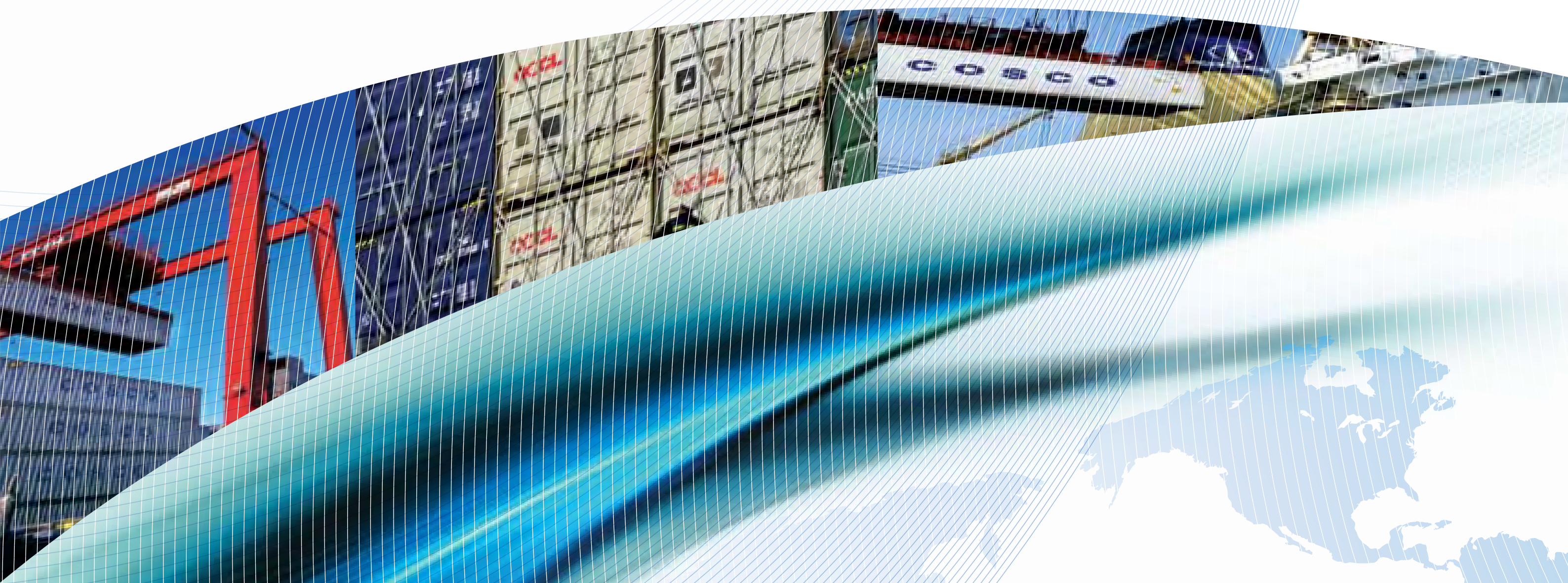
COSCO Pacific Limited

Annual Report 2009



Navigating through turbulent times

Pacific

Navigating through turbulent times

Over the course of 2009, the marine container transportation industry faced its toughest market conditions since the inception of containerisation in the 1960s. Despite this adverse market change, COSCO Pacific was able to report a profit attributable to the equity holders of the Company of US$172,526,000. The Company steered its businesses in response to the difficult market conditions by constraining capital expenditure, strengthening cost control and mitigating risk factors so as to preserve a healthy financial position amid the economic downturn.

The global economic downturn in 2009 has created substantial uncertainty over the outlook for worldwide container trade. Despite this difficult time for its businesses, with its strong parental support and extensive expertise in container related industries, COSCO Pacific has built its competitive edge with a resilient business model. This model is allowing the Company to navigate through the turbulent times, as well as seize upon the business opportunities that are arising in this complex economic realignment.

Results Highlights

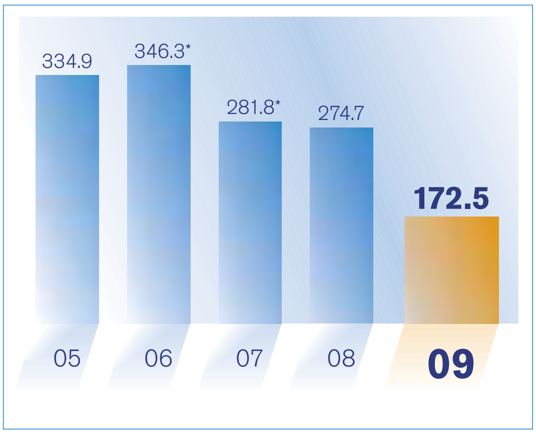
- Revenue rose by 3.4% to US$349,424,000 (2008: US$337,973,000).
- Profit attributable to equity holders and profit from core earnings of the Company decreased by 37.2% to US$172,526,000 (2008: US$274,725,000) and 29.5% to US$211,432,000 (2008: US$299,854,000) respectively.
- A final cash dividend of US1.199 cents (2008: US1.382 cents) has been proposed. Full-year dividend was US3.061 cents (2008: US4.896 cents) with payout ratio unchanged at 40.0%.
- Maintained position as the fifth largest container terminal operator in the world with an increase in global market share to 6.1%.
- Equity throughput continued to outperform total throughput, demonstrating that the Group's strategy to increase ownership of assets remains on course and is enhancing value.
- The Group's China terminals outperformed the China container terminal market, owing to a strong performance from Bohai Rim and Southeast Coast terminals.
- Commenced operating Pier 2 of the Port of Piraeus in Greece, the Group's first wholly-owned terminal venture, with rights for 30 years, extendable for a further 5 years.
- Maintained ranking as the second largest container leasing company in the world with an approximate 14.3% (2008: 13.6%) global market share.
- Average utilisation rate of the container fleet outperformed the industry average at 90.6%, with 93.2% of lease revenue from long term leases, helping to maintain stable revenue amidst the financial crisis.
- Disposed of COSCO Logistics for RMB2,000,000,000 (equivalent to approximately US$292,900,000) in cash, further streamlining core businesses by focusing resources on terminals. The disposal generated a gain (net of tax and direct expenses) of approximately US$85,000,000, which will be recognised in the 2010 financial year.

Revenue

US$ million

Profit attributable to equity holders of the Company

US$ million



Basic earnings per share

US cents

Dividend per share and payout ratio

US cents

* Excluding the financial effect of the put options of CIMC in 2006 and 2007 and gain on disposal of Chong Hing Bank in 2007.
† The financial effect of the put options of CIMC was excluded in the calculation of dividend payout ratio for 2006 and 2007.

	09 US$	08 US$	y-o-y change %
Revenue[1]	**349,424,000**	337,973,000	+3.4
Operating profit before finance income and finance costs	**99,918,000**	165,961,000	-39.8
Share of profits less losses of jointly controlled entities and associates	**117,700,000**	155,088,000	-24.1
Profit attributable to equity holders of the Company	**172,526,000**	274,725,000	-37.2
	US cents	US cents	%
Basic earnings per share	**7.66**	12.24	-37.4
Dividend per share	**3.061**	4.896	-37.5
interim dividend	**1.862**	3.514	-47.0
final dividend	**1.199**	1.382	-13.2
Payout ratio	**40.0%**	40.0%	–
	US$	US$	%
Total equity	**2,858,351,000**	2,646,303,000	+8.0
Capital and reserves attributable to the equity holders of the Company	**2,742,293,000**	2,551,865,000	+7.5
Consolidated total assets	**4,635,312,000**	4,213,208,000	+10.0
Consolidated total liabilities	**1,776,961,000**	1,566,905,000	+13.4
Consolidated net assets	**2,858,351,000**	2,646,303,000	+8.0
Consolidated net debts	**1,198,531,000**	995,294,000	+20.4
	%	%	pp
Return to equity holders of the Company	**6.5**	10.4	-3.9
Return on total assets	**3.9**	6.8	-2.9
Net debt-to-equity ratio	**41.9**	37.6	+4.3
Interest coverage	**5.8x**	6.2x	-0.4x

Note
[1] The Group's revenue was generated from Florens, Zhangjiagang Win Hanverky Terminal, Quan Zhou Pacific Terminal, Yangzhou Yuanyang Terminal, Jinjiang Pacific Terminal, Piraeus Terminal, Plangreat Limited and its subsidiaries and COSCO Ports Services (Guangzhou) Co., Limited.

Major Events

January

- **08/01** Held the first meeting of the Board of Directors of COSCO Pacific in 2009
- **14–16/01** Participated in "Access China Conference 2009" in Beijing organised by Deutsche Bank

April

- **08/04** Held the second meeting of the Board of Directors of COSCO Pacific in 2009
- **08/04** Announced 2008 annual results
- **09/04** Held a press conference and an analysts' panel discussion
- **15–16/04** Post-results roadshow in Hong Kong
- **29/04** Held the third meeting of the Board of Directors of COSCO Pacific in 2009
- **29/04** Announced 2009 first quarter results on a voluntary basis

June

- Honoured for the third consecutive year with a "Corporate Governance Asia Recognition Award" given by *Corporate Governance Asia* magazine
- **29/06** Signed an agreement with Dalian Port (PDA) Company Limited to dispose of the Group's 8.13% equity interest in Dalian Port Container Co., Ltd.

March

- **05/03** The agreement for the concession of Piers 2 and 3 of the Piraeus Port in Greece was ratified by the Greek Parliament
- The law ratifying the concession agreement was published in the Government Gazette dated 30 March 2009

May

- **27/05** Held the Annual General Meeting

July

- The fifth berth of the phase III expansion project of Yantian Terminal commenced operation on a trial run basis

August

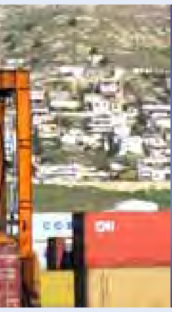
- **06/08** Signed a Euro 215,000,000 credit agreement with a 21-year term
- **27/08** Held the fourth meeting of the Board of Directors of COSCO Pacific in 2009
- **27/08** Announced 2009 interim results
- **27/08** Announced the disposal of 49% equity interest in COSCO Logistics to China COSCO
- **28/08** Held a press conference and an analysts' panel discussion
- **31/08–02/09** Post-results roadshow in Hong Kong
- The second container berth of Ningbo Yuan Dong Terminal commenced operation

October

- COSCO Pacific 2008 annual report earned a "Citation for Corporate Governance Disclosure" from The Hong Kong Management Association
- **01/10** COSCO Pacific officially took over Pier 2 of the Piraeus Port in Greece
- **08/10** Held a Special General Meeting to approve the disposal of equity interest in COSCO Logistics
- **28/10** Held the fifth meeting of the Board of Directors of COSCO Pacific in 2009
- **28/10** Announced 2009 third quarter results on a voluntary basis

December

- Won the Titanium Award for "Corporate Governance and Investor Relations" in The Asset Triple A Corporate Awards organised by *The Asset* magazine
- Awarded the "Grand Prix for Best Overall Investor Relations (Hong Kong)" in the small or mid cap category by *IR* magazine
- **01–03/12** Roadshow in San Francisco, the United States
- Qingdao New Qianwan Container Terminal Co., Ltd. and China Merchants International Container Terminal (Qingdao) Co., Ltd. signed up for the establishment of Qingdao Qianwan United Container Terminal Co., Ltd. in which each party holds a 50% stake



September

- Awarded consecutively "Shipping In-House Team of the Year" by *Asian Legal Business*, a recognised professional magazine
- **21–23/09** Participated in the "16th Investors' Forum" in Hong Kong organised by CLSA

November

- Named a "Hong Kong Outstanding Enterprise" by the *Economic Digest* magazine
- The fourth container berth of Quan Zhou Pacific Terminal commenced operation

Chairman's Report

COSCO Pacific has managed to deliver profits in 2009, despite turbulent times for the global container shipping market. We continue to focus on our terminal business as the key earnings growth driver, a strategy that will deliver sustainable growth. As a leading player in the market and a good corporate citizen, we look forward to the future with confidence and to enhancing shareholder value.

Dear Shareholders,

I have pleasure in presenting the annual report of COSCO Pacific for 2009, a year that was both challenging and eventful.

The Group faced severe economic conditions in the form of a global recession in 2009 and hence the difficult operating environment. GDP among the advanced countries fell an estimated 3.2% in 2009, according to the International Monetary Fund (IMF). The only major economy to achieve growth during the year was China, which according to the National Bureau of Statistics of China (NBSC) saw GDP rise by 8.7%.

Global trade was heavily impacted, with the IMF estimating a decline of 12.3% for the year. China's economic expansion came despite a substantial decrease in exports, which for the full year fell 16.0%. The sharp reduction in trade naturally led to a fall in demand for container terminal and container leasing services during 2009. According to Drewry Shipping Consultants Limited (Drewry), world container port traffic is estimated to have fallen 11.6% in 2009, the first decline on record. Ports in mainland China fared better than the world average, but even so, saw throughput fall 6.0% in 2009.

This environment made market conditions very difficult for our businesses, with lower volumes and reduction in utilisation rates almost across the board. Despite this, the Group managed to make headway in many areas, gained market share and recorded a profit for the year. Profit attributable to the equity holders of the Company for the year was US$172,526,000 (2008: US$274,725,000), albeit a 37.2% reduction compared to a year ago.

COSCO Pacific has managed to navigate through these toughest of economic times. One of our competitive strengths lies in COSCO, China COSCO and our affiliated companies, which have provided strong support to COSCO Pacific. It is on this solid foundation that we have established our global container terminal and leasing networks, which rank respectively the fifth and second largest in the world, and provide comprehensive services to customers.

China remains the key player in world economic development. With 90.0% (2008: 89.7%) of our container throughput generated in China, this makes us well positioned to take advantage of China's continuing economic growth and hence achieve higher growth in our terminal business.

Furthermore, the asset light business model of our leasing business, together with the fact that 93.2% (2008: 92.2%) of leasing revenue is long-term, stood the Group in good stead in 2009. Although our average utilisation rate dropped to 90.6% (2008: 94.6%), this was still 4.6 percentage points higher than the industry average of 86.0% (2008: 94.0%).

Emphasising shareholder returns

The Board has proposed a final cash dividend of HK9.3 cents per share for the fiscal year 2009. Together with the interim dividend of HK14.4 cents per share paid on 22nd September 2009, the full-year cash dividend for 2009 will be HK23.7 cents per share, down by 37.8% from the previous year's HK38.1 cents per share. This represents a 40.0% payout ratio for 2009 (2008: 40.0%).

Since becoming a constituent stock of the Hang Seng Index in 2003, COSCO Pacific had been maintaining a dividend payout ratio of approximately 56.6% until 2007. In recognition of its track record on dividends, the Company became a constituent stock of the Dow Jones Global Select Dividend Index, Dow Jones EPAC Select Dividend Index, and Dow Jones Asia/Pacific Select Dividend 30 Index in November 2008.

In order to preserve cash at a time of uncertainty and for future investment, the Company has reduced the dividend payout to 40.0% since 2008. We will monitor the availability and cost of capital closely, as well as our internal cash flow and capital expenditure requirement, and will consider revising upwards the payout ratio when the market recovers.

Focusing on terminals as the key earnings growth driver

During 2009, we achieved notable progress towards our long term goals. Expansion of the global terminal network saw a major milestone passed in October with the commencement of the concession to operate and develop Piers 2 and 3 of the Piraeus Port in Greece.

The rights under the concession run for 30 years, and are extendable for a further five years. Piraeus Terminal thus became our fourth overseas operation, alongside COSCO-PSA Terminal in Singapore, Antwerp Terminal in Belgium and Suez Canal Terminal in Egypt. It is our first 100% owned terminal operation and hence meets the goal of increasing equity participation and management control in our terminal portfolio.

In the course of the year, we also put in place a number of transactions designed to focus our resources on the terminal division and streamline the Group's shareholdings.

- The largest of these was the disposal of the Group's entire 49% interest in COSCO Logistics to China COSCO, for a cash consideration of RMB2,000,000,000 (equivalent to approximately US$292,900,000). Apart from the aforesaid cash consideration, the Group was entitled to receive a special distribution of an additional cash amount under the agreement signed in August 2009, which was completed in March 2010.

Chairman's Report

- In June 2009, the Group signed an agreement for the disposal of its 8.13% stake in Dalian Port Container Co., Ltd. to the Dalian Port (PDA) Company Limited for a total consideration of RMB140,605,000 (equivalent to approximately US$20,581,000). The transaction was completed in January 2010.
- During the first half of 2009, the Group disposed of its 20% stake in Shanghai CIMC Reefer to CIMC for a total consideration of US$16,400,000. This transaction has simplified the shareholding structure of our container manufacturing business.

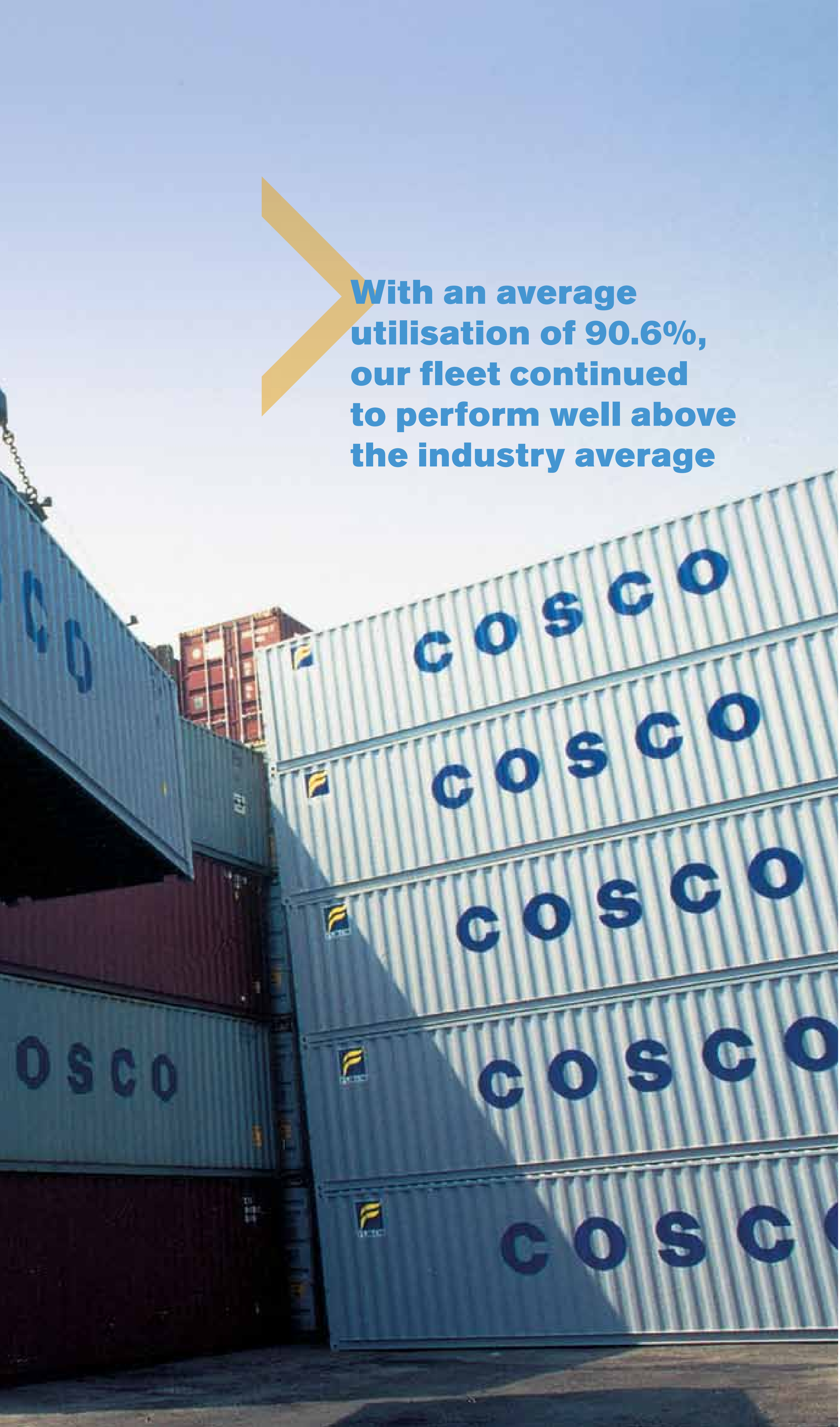
Leading market player

Our vision has been to transform our business model by becoming a leading global terminal operator and by focusing on terminals as the principal earnings driver. We aim to maintain our leading position in the container leasing industry by converting it into an asset light business.

A good corporate citizen

COSCO Pacific believes that good corporate governance practices are vital to protecting the long term interests not only of shareholders but also of the Company itself. To this end, we strive continually to strengthen the function of our Board and improve the Company's corporate governance structure. This commitment has been especially important since the onset of the financial crisis, and the attendant decline in trust among financial institutions, investors and corporations.

In this context, COSCO Pacific's reputation for stringent compliance with the rules governing its listing has been invaluable. We maintain high standards of transparency and accuracy in relation to the Company's financial performance and, over and above the regulatory requirements, release results on quarterly basis, bringing us in line with the practices of the world's most demanding listing jurisdictions. The latest data on terminal throughput is published on the corporate website each month, as a further aid to stakeholders' understanding of business developments through the course of the year.



With an average utilisation of 90.6%, our fleet continued to perform well above the industry average

Chairman's Report

During the year, the Company again received wide recognition from the media and investors for its efforts in the Corporate Governance, including a Corporate Governance Asia Recognition award given by Corporate Governance Asia magazine and a Titanium Award for Corporate Governance and Investor Relations in The Asset Triple A Corporate Awards by the Asset magazine. In addition, the Group won several awards for its overall management, including being named one of Hong Kong's outstanding enterprises by the Economic Digest magazine, and as home to the Shipping In-House Team of the Year by Asian Legal Business magazine.

Outlook

On the back of accommodative monetary policy, the world economy has shown encouraging signs that it is turning the corner and is set to grow in 2010. The IMF is forecasting growth of 2.1% for the advanced economies and 6.0% for the emerging and developing economies.

China is expected to maintain its high rate of growth in 2010. Indeed, China's main concern is to regulate growth in order to prevent too rapid an expansion. Trade with China is picking up, with Chinese exports and imports rising 31.4% and 63.6% respectively in the first two months of 2010. This improving trend is expected to carry through into the rest of the year.

This current picture bodes well for all of our businesses, which have experienced an upturn since the fourth quarter of 2009, and which will benefit from the capacity added in recent months, as well as new berths coming into operation in 2010. Increases in profitability will, however, be constrained in the short term by the fact that much new capacity is still in a ramp up phase, with the rewards to be harvested in 2011 and beyond.

Although it has been a difficult year, our operations are on a strong footing operationally and financially. We have continued to build the global terminal network and increased the market share of our container leasing business. Our resilient business model has not only enabled us to weather the storm of the economic crisis, but has left us strongly positioned to make the most of the turnaround in global trade.

We believe that as economies and world trade continue their recovery, COSCO Pacific will be able to make further progress and enhance returns to shareholders.

Finally, on behalf of the Board of Directors, I would like to take this opportunity to thank all our shareholders, investors and business partners for their support. As ever, the support of our parent company, COSCO, China COSCO, our affiliated companies and international customers, has been invaluable. My deep gratitude goes to our staff for their dedication and their valuable contributions during this very difficult year.

CHEN Hongsheng
Chairman
30th March 2010

Vice Chairman's Report

Navigating through turbulent times is a challenge COSCO Pacific met well in 2009. We have a sound long-term strategy for port and terminal development, with a global portfolio and a strong presence in China, and an "asset light" container leasing business. This, combined with successful risk mitigation and a prudent financial policy, form a resilient business model that will enable us to achieve higher growth once the container market recovers.

According to Drewry, global container shipping volume saw a substantial 11.7% year-on-year decline to 131,500,000 TEUs in 2009 from 148,900,000 TEUs in 2008. During the year, major carriers reduced the operating capacity of their shipping fleets, and the situation only began to stabilise in the fourth quarter as the global economy improved.

Navigating through turbulent times

The contraction of container traffic put pressure on our operational and financial performance in 2009, as the container terminal, leasing and manufacturing industries faced an unprecedented downturn in demand.

Against this background of adverse market change, we managed our business during the year by constraining capital expenditure, strengthening cost control and mitigating risk factors. Despite difficult market conditions, we are pleased at having achieved impressive revenue growth, while at the same time delivering a profit. This is a testament to our strengthened business model and strong customer base.

Vice Chairman's Report

Terminal revenue grew by 40.1%

The Group's revenue rose 3.4% to US$349,424,000 (2008: US$337,973,000) in 2009. Our container leasing division accounted for US$229,831,000 (2008: US$252,620,000), or 65.8% (2008: 74.7%) of the Group's total revenue, while our terminal division generated the remaining 34.2% (2008: 25.3%), which amounted to US$119,593,000 (2008: US$85,353,000).

Thanks to the solid performance and expansion of the Group's five terminal subsidiaries, our terminal division achieved a strong 40.1% revenue growth in 2009. Quan Zhou Pacific Terminal and Yangzhou Yuanyang Terminal delivered stable revenue growth. Jinjiang Pacific Terminal made its first full year contribution. Furthermore, Piraeus Terminal has contributed three months of revenue since the Group took over this terminal in October 2009.

Terminals continued as the largest profit contributor

Profit attributable to equity holders of the Company decreased by 37.2% to US$172,526,000 for the year 2009 and the terminal division remained the largest profit contributor. All of our three major business divisions experienced profit declines.

- The overall 5.1% drop in terminal throughput caused terminal divisional profit to fall by 30.7% year-on-year to US$83,554,000. (This terminal divisional profit includes profit contribution from the Group's subsidiaries, jointly controlled entities, associates and available-for-sale financial assets of terminal investments.)
- Impacted by a 4 percentage points drop in the average utilisation rate of its leasing fleet, which also shrank by 2.4%, profit contribution from the container leasing division decreased by 37.9% to US$71,375,000.
- Profit contribution from the container manufacturing division decreased by 21.5% to US$30,876,000, as CIMC's profit contribution fell by 35.1% to US$25,360,000 because of the halt in dry container production since the fourth quarter of 2008.

Long-term strategy for port and terminal development

During the year, COSCO Pacific further strengthened its terminal portfolio to provide comprehensive terminal services to its customers. In September 2009, Drewry released its annual review for global container terminal operators for the year 2008. COSCO Pacific continued to rank as the fifth largest operator, with our global market share increasing to 6.1% (2007: 5.5%).

The Group's total container throughput declined by 5.1% year-on-year to 43,549,810 TEUs as a result of the decline in global container trade. However, our total container throughput in China, excluding Hong Kong, decreased by 4.0%, better than the 6.0% overall drop recorded by China ports, and easily outperforming the 11.6% decline in global container port throughput.

This achievement of an even stronger position in the market reflects the Group's continuing efforts to transform its business model by becoming a leading global terminal operator and by focusing on terminals as the principal earnings driver. We have continued to pursue this long-term strategy based on four key elements of control, globalisation, diversification and enhancement of enterprise value.

Increasing controlling rights in terminals

The Group has placed increasing emphasis on obtaining controlling stakes in new terminal investments, and now holds such investments in six terminals: Piraeus Terminal (100%), Zhangjiagang Win Hanverky Terminal (51%), Yangzhou Yuanyang Terminal (55.59%), Quan Zhou Pacific Terminal (71.43%), Jinjiang Pacific Terminal (80%) and Xiamen Ocean Gate Terminal (70%). This strategy has successfully expanded the Group's revenue, which reached US$119,593,000 in 2009 (2008: US$85,353,000), representing a growth of 40.1% year-on-year.

Expanding worldwide terminal network with primary focus on China

Since its first overseas terminal investment in Singapore in 2003, COSCO Pacific has adjusted its investment strategy from solely focusing on China to become a global player with China as its primary market. As at 31st December 2009, the total number of berths reached 146 (2008: 146), including 134 (2008: 134) container berths, 10 (2008: 10) break-bulk cargo berths and 2 (2008: 2) automobile berths.

During the year, another major milestone was achieved with the takeover of our first wholly owned terminal, Piraeus Terminal, which has added 1,600,000 TEUs of handling capacity to the portfolio. Upon completion of the upgrading of Pier 2 and the construction of Pier 3, this terminal will have a total capacity of 3,700,000 TEUs. The Group is confident that Piraeus Terminal can be developed as a major transshipment centre in the Mediterranean region and as a gateway to Southern Europe.

Our terminal portfolio provides ample room for volume growth because only 96 (2008: 89) of the 134 container berths are currently operating. Most of the remaining 38 (2008: 45) container berths will be brought into operation once the utilisation of their respective terminals reaches an appropriate level. This strategy ensures that we manage our capacity effectively so as to enhance the profitability of the terminal portfolio while maintaining sustainable growth.

The existing annual capacity of the 96 (2008: 89) operating container berths is 52,050,000 TEUs (2008: 48,150,000 TEUs). Despite a difficult year in 2009, these berths handled 43,549,810 TEUs (2008: 45,878,875 TEUs).

Diversifying the terminal portfolio

The Group has diversified its terminal portfolio from investing solely in container berths to one that includes investments in break-bulk cargo and multi-purpose berths. This diversification serves to expand our sources of income.

We have invested in 10 break-bulk cargo berths, among which 8 berths are in operation, located in Quan Zhou Pacific Terminal, Jinjiang Pacific Terminal and Yangzhou Yuanyang Terminal. These achieved a strong 24.3% year-on-year throughput growth to 16,973,421 tons of cargo in 2009.

We continually study investment opportunities in new ports and terminals, seeking to identify those that offer significant potential to enhance the profitability of our terminal divisional through having a more diversified portfolio.

Enhancing enterprise value

Aiming to create value over the medium to long term, the Group deferred new terminal investments in response to the adverse market change in 2009. We nonetheless continued to undertake a substantial review of our terminal investment plans to ensure we are able to seize good investment opportunities at the right time that can enhance the value of our terminal assets, and hence create enterprise value for COSCO Pacific.

Successful container leasing business model mitigates risk factors

The container leasing, management and sale businesses provide another core profit contribution for COSCO Pacific. We own the world's second largest container leasing company, with a fleet size of 1,582,614 TEUs as at 31st December 2009 (2008: 1,621,222 TEUs), accounting for approximately 14.3% (2008: approximately 13.6%) of the global container leasing market.

Vice Chairman's Report

During the year, the Group's leasing fleet capacity shrank by 2.4% to 1,582,614 TEUs. Despite its average utilisation rate dropping by 4 percentage points to 90.6%, the fleet continued to perform well above the industry average, which at 86% experienced eight percentage points decrease in 2009.

To mitigate risks, we implement a comprehensive set of risk management principles to evaluate customer credit. The Group focuses its customer targeting on well-established container shipping companies, especially those among the world's top ten. During the year, the container leasing rental revenue from these shipping companies accounted for 77.7% (2008: 80.7%) of our total container leasing revenue.

We limit risks by providing more long-term leasing services, which enable us to maintain a higher utilisation rate and reduce cyclical market risks. In 2009, 93.2% (2008: 92.2%) of the Group's total leasing revenue was generated from long-term leases.

We have built a resilient container leasing business model since we first began to offer leasing services to international customers in 1997. Since 2006, we have developed our leasing business as an asset light model through sale-and-manage-back and sale-and-lease-back container contracts. The complementary advantages of the leasing, management and sale of containers lower the Group's investment risks while consolidating its leading industry position.

Prudent financial policy

COSCO Pacific has a policy of exercising prudence in relation to financial planning, and senior management closely monitors the Group's gearing ratio, interest coverage ratio, debt structure, dividend policy and financing strategy, to ensure the Group maintains a strong financial position that allows it to continue to invest in future development.

The Group's financial position remains healthy. As at 31st December 2009, total loans outstanding amounted to US$1,604,285,000 (2008: US$1,424,335,000), with an average loan tenure of 3.8 years (2008: 4.4 years). Loans to be repaid in the coming two years amounted to US$336,667,000 (2008: US$156,975,000) representing 21.0% (2008: 11.0%) of total outstanding loans.

In August 2009, the Company signed a Euro 215,000,000 credit agreement with a 21-year term to 2030. This facility is solely for the development of Piraeus Terminal. As at 31st December 2009, the total cash balance of the Company was US$405,754,000 (2008: US$429,041,000). Net debt to equity ratio increased slightly to 41.9% (2008: 37.6%) but remained at a relatively healthy level. The interest coverage ratio was 5.8 times (2008: 6.2 times).

Core capital expenditures of the Group decreased to US$465,516,000 in 2009 (2008: US$893,381,000). Among these, US$374,192,000 in 2009 (2008: US$281,383,000) was applied in the terminal division, mainly for committed terminal projects, upgrading of existing terminal operations to enhance operating efficiency, expansion of facilities, and the purchase of machinery.

During the year, the Group incurred US$61,871,000 (2008: US$348,008,000) to acquire 15,000 TEUs (2008: 152,752 TEUs) of new containers, including 6,000 TEUs (2008: 5,512 TEUs) of refrigerated and specialised containers, and 9,000 TEUs (2008: 147,240 TEUs) of dry containers.

Given the uncertainties in the global economy, COSCO Pacific will maintain its prudent financial policy and manage risk carefully, while prudently investing in future growth. The Group has carefully assessed how market conditions may affect its businesses and funding requirements, and is fine tuning operations and investment planning accordingly.

Well positioned to capture growth opportunities

As to international trade, it is generally believed that the worst of the contraction is over and that imports and exports may return to sustainable growth. COSCO Pacific believes that its two core businesses of container terminals and container leasing are well positioned to take advantage of these positive trends and expects their performances to improve further in 2010.

On the container terminal side, with a strong presence in China, COSCO Pacific has already achieved a stronger than expected over 20% year-on-year growth in container throughput volume in the first two months of 2010. The Group notes the persistently high unemployment rate and weak consumer confidence around the world, two critical factors that are likely to restrain the growth of international trade, including that with China. Notwithstanding this, COSCO Pacific believes further improvement of its terminal division performance for the full year in 2010 is achievable as long as the recent improvement in global containerised trade volumes is sustained.

The operating efficiency of the Group's container leasing division has improved further in the first two months of 2010. During this period, the average utilisation rate increased to 93.1%, representing a 2.5 percentage points rise from the full year average recorded in 2009. The on-going slow steaming operations of shipping lines and the strong upturn in cargo volume are likely to translate into stronger container leasing demand, and hence higher utilisation and profitability for the Group in 2010.

As long as significant vulnerabilities in the global economy remain, in particular financial vulnerabilities that can magnify business risks, COSCO Pacific will continue to maintain its prudent financial policy and tighten cost control in 2010. Provided global containerised trade continues to recover, COSCO Pacific will re-activate its capital expenditure programme so as to seize the opportunity for business growth. COSCO Pacific strongly believes that its long range planning will allow the Group to deliver profitability and long term stability to its shareholders.

XU Minjie
Vice Chairman and Managing Director
30th March 2010

Long range planning will allow the Group to deliver profitability and long term stability to shareholders

Corporate Structure

China Ocean Shipping (Group) Company

54.55%

China COSCO Holdings Company Limited

100%

COSCO Bulk Carrier Co., Ltd.

Qingdao Ocean Shipping Co., Ltd.

COSCO (Hong Kong) Shipping Co., Ltd.

Shenzhen Ocean Shipping Co., Ltd.

51.20%

COSCO Pacific

Terminal and related businesses

Bohai Rim

Qingdao Qianwan Container Terminal Co., Ltd. **20%**

Qingdao New Qianwan Container Terminal Co., Ltd. **16%**

Qingdao Qianwan United Container Terminal Co., Ltd. **8%**

Qingdao Cosport International Container Terminals Co., Ltd. **50%**

Dalian Port Container Co., Ltd. **8.13%***

Dalian Port Container Terminal Co., Ltd. **20%**

Dalian Automobile Terminal Co., Ltd. **30%**

Tianjin Port Euroasia International Container Terminal Co., Ltd. **30%**

Tianjin Five Continents International Container Terminal Co., Ltd. **14%**

Yingkou Container Terminals Company Limited **50%**

Yangtze River Delta

Shanghai Pudong International Container Terminals Limited **30%**

Shanghai Container Terminals Limited **10%**

Shanghai Xiangdong International Container Terminal Company Limited **10%**

Ningbo Yuan Dong Terminals Limited **20%**

Zhangjiagang Win Hanverky Container Terminal Co., Ltd. **51%**

Yangzhou Yuanyang International Ports Co., Ltd. **55.59%**

Nanjing Port Longtan Container Co., Ltd. **20%**

Pearl River Delta and Southeast Coast

COSCO-HIT Terminals (Hong Kong) Limited **50%**

Yantian International Container Terminals Co., Ltd. **5%**

Yantian International Container Terminals (Phase III) Limited **4.45%**

Guangzhou South China Oceangate Container Terminal Company Limited **39%**

Quan Zhou Pacific Container Terminal Co., Ltd. **71.43%**

Jinjiang Pacific Ports Development Co., Ltd. **80%**

Xiamen Ocean Gate Container Terminal Co., Ltd. **70%**

Overseas

Piraeus Container Terminal S.A. **100%**

Suez Canal Container Terminal S.A.E. **20%**

COSCO-PSA Terminal Private Limited **49%**

Antwerp Gateway NV **20%**

Terminal related services

Plangreat Limited **100%**

COSCO Ports Services (Guangzhou) Co., Ltd. **100%**

* The Group signed an agreement for the disposal of 8.13% equity interest in Dalian Port Container Co., Ltd. in June 2009 and the disposal was completed in January 2010.

100%

COSCO Container Lines Company Limited

48.80%

Independent shareholders

Container leasing, management and sale businesses

Florens Container Holdings Limited **100%**

Florens Container Services Company Limited **100%**

Branches

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

Americas
San Francisco • New York • Sao Paulo

Europe
London • Hamburg • Genoa

Container manufacturing business

China International Marine Containers (Group) Co., Ltd. **21.8%**

Location of container manufacturing plants

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

Logistics business

COSCO Logistics Co., Ltd. **49%***

Regional headquarters

Beijing (Headquarter) • Dalian • Qingdao • Shanghai • Ningbo • Xiamen • Guangzhou • Wuhan • Hong Kong • Dubai • New York

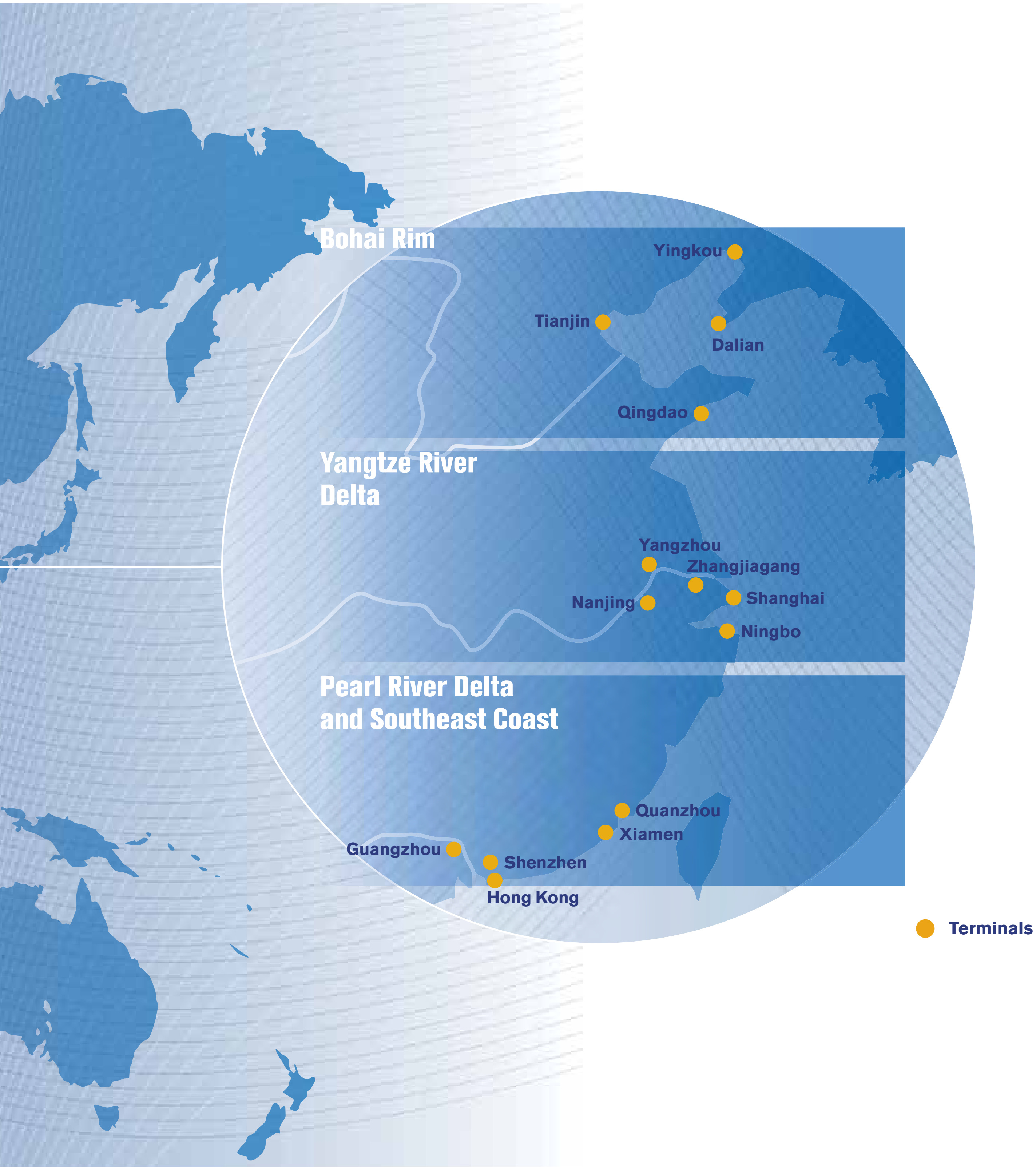
Representation offices

Hong Kong • Seoul • Tokyo • Athens • Singapore

As at 31st December 2009

* The Group announced the disposal of 49% equity interest in COSCO Logistics in August 2009 and the disposal was completed in March 2010.

Worldwide Terminal Network


Bohai Rim
Yingkou
Tianjin
Dalian
Qingdao
Yangtze River Delta
Yangzhou
Zhangjiagang
Nanjing
Shanghai
Ningbo
Pearl River Delta and Southeast Coast
Quanzhou
Xiamen
Guangzhou
Shenzhen
Hong Kong
Terminals

Worldwide Container Leasing Business Depot Network

North America

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

South America

Buenos Aires
Guayaquil
Itajai
Jacksonville
Paranagua
Rio de Janeiro
Rio Grande
Santiago
Santos
Talcahuano

Europe & Mediterranean

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

South Africa

Cape Town
Durban
Johannesburg

Asia Pacific

Adelaide
Auckland
Bangkok
Brisbane
Calcutta
Changzhou
Cochin
Colombo
Dalian
Da Nang
Delhi
Fremantle
Fuzho
Haiphong
Hanoi
Hastings
Ho Chi Minh City
Hong Kong
Huangpu
Huizhou
Inchon
Jakarta
Jinzhou
Kandla
Kaohsiung
Karachi
Keelung
Kobe
Laem Chabang
Lianyungang
Lyttelton
Madras
Manila
Melbourne
Nagoya
Nansha
Nantong
Nha Trang
Nhava Sheva
Ningbo
Osaka
Pasir Gudang
Penang
Port Kelang
Pusan
Pyeongtaek
Qingdao
Qui Nhon
Seoul
Shanghai
Shekou
Shunde
Singapore
Surabaya
Suzhou
Sydney
Taicang
Taichung
Tauranga
Tianjin
Tokyo
Tuticorn
Xiamen
Xinhui
Yangzhou
Yantian
Yingkou
Yokohama
Zhangzhou
Zhuhai

Operational Review
Terminals

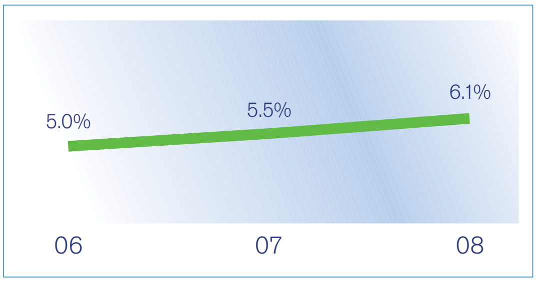
Commencement of Piraeus Terminal concession

Gain in market share to 6.1% of world throughput

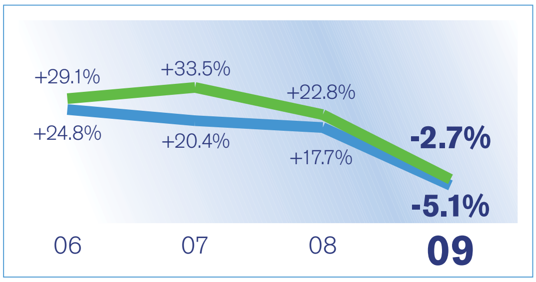
Strong performance from Bohai Rim region

COSCO Pacific maintained its position as the world's fifth largest operator of container terminals. Our strategy during the past four years has been to obtain controlling stakes in new terminal investments, expanding our global terminal networks and diversify our terminal investments. This has led to increased global market share, strong revenue growth and equity throughput rising faster than total throughput.

2006–2008 global market share



2006–2009 equity throughput outperforms total throughput



Equity throughput growth rate

Total throughput growth rate

Top 10 global container ports throughput

Rank		Port	Throughput (TEUs)	y-o-y change	
2009	(2008)		2009	2009	(2008)
1	(1)	Singapore	25,867,000	-13.5%	(+7.0%)
2	(2)	Shanghai	25,002,000	-10.7%	(+7.0%)
3	(3)	Hong Kong	21,040,000	-14.1%	(+2.1%)
4	(4)	Shenzhen	18,250,000	-14.8%	(+1.5%)
5	(5)	Busan	11,980,000	-10.9%	(+1.0%)
6	(8)	Guangzhou	11,190,000	+4.9%	(+18.8%)
7	(6)	Dubai	11,120,000	-6.0%	(+11.0%)
8	(7)	Ningbo	10,503,000	-3.9%	(+19.0%)
9	(10)	Qingdao	10,260,000	+2.4%	(+9.1%)
10	(9)	Rotterdam	9,743,000	-9.6%	(+0.0%)

Source: The websites of Hong Kong Port Development Council and China Association Container Branch

Top 10 China container ports throughput

Rank		Port	Throughput (TEUs)	y-o-y change	
2009	(2008)		2009	2009	(2008)
1	(1)	Shanghai	25,002,000	-10.7%	(+7.0%)
2	(2)	Shenzhen	18,250,000	-14.8%	(+1.5%)
3	(4)	Guangzhou	11,190,000	+4.9%	(+18.8%)
4	(3)	Ningbo	10,503,000	-3.9%	(+19.0%)
5	(5)	Qingdao	10,260,000	+2.4%	(+9.1%)
6	(6)	Tianjin	8,700,000	+2.4%	(+19.7%)
7	(7)	Xiamen	4,680,000	-7.0%	(+10.3%)
8	(8)	Dalian	4,552,000	+1.1%	(+18.1%)
9	(9)	Lianyungang	3,021,000	+1.3%	(+48.2%)
10	(10)	Yingkou	2,537,000	+24.6%	(+7.5%)

Source: The website of China Association Container Branch

Strong Revenue Growth

The profit contribution from the terminals division decreased 30.7% year-on-year to US$83,554,000 (2008: US$120,557,000). Revenue increased by 40.1% year-on-year to US$119,593,000 (2008: US$85,353,000).

The strong growth in revenue is attributable to a full year contribution from 80% owned subsidiary Jinjiang Pacific Terminal, which was consolidated in April 2008, as well as the addition of Piraeus Terminal as a wholly-owned subsidiary in October 2009. The decline in profit reflects the fall in throughput and higher depreciation expense. In addition, Guangzhou South China Oceangate Terminal and Piraeus Terminal are still in early phases of ramping up, hence both recorded losses for the year.

Challenging Operating Environment

The container terminal market experienced its first decline in throughput on record in 2009, as merchandise trade declined severely in the wake of the financial crisis that erupted in the US in late 2008. According to Drewry, global port throughput in 2009 is estimated to have fallen by 11.6% to 463,600,000 TEUs from 524,500,000 TEUs in 2008.

The fall in import and export volumes was the result of a recessionary environment in the major developed economies, exacerbated by tight credit conditions. Even though China managed to achieve strong GDP growth of 8.7% for the year, this was achieved largely through increased investment in fixed assets, which led to growth in raw materials imports, rather than a continued expansion of exports.

The contraction of exports was especially severe in the early part of 2009, with China's container throughput slumping by 16% in February, according to the Ministry of Communications. In November and December, however, volumes rose substantially, reversing the usual seasonal pattern of fourth quarter weakness. For the year, throughput fell by 6.0%.

The effects of the downturn were especially severe in the Pearl River Delta and Yangtze River Delta regions, whose economies are closely tied to global trade. The Bohai Rim region, which has more exposure to Asian and domestic trade, outperformed those two regions. Yingkou Port and Guangzhou Port, both of which cater mainly to domestic trade, posted the strongest performances.

Operational Review
Terminals

Increasing Global Market Share

According to the report on global container terminal operators released by Drewry in July 2009, COSCO Pacific ranked as the fifth largest operator in the world in 2008 (2007: fifth) with a 6.1% share of the global market (2007: 5.5%). This year-on-year increase of 0.6 percentage points represents the highest increase in market share among the top 10 terminal operators.

Top 10 global container terminal operators

Rank 2008	(2007)	Container terminal operator	Market share 2008	(2007)
1	(1)	HPH	13.0%	(13.3%)
2	(2)	APM Terminals	12.3%	(12.1%)
3	(3)	PSA	11.4%	(11.0%)
4	(4)	DP World	8.9%	(8.7%)
5	(5)	COSCO Pacific	6.1%	(5.5%)
6	(6)	MSC	3.1%	(2.9%)
7	(7)	Eurogate	2.5%	(2.7%)
8	(8)	Evergreen	2.0%	(2.1%)
9	(10)	HHLA	1.4%	(1.5%)
10	(9)	SSA Marine	1.4%	(1.6%)

Source: Drewry Shipping Consultants Limited (July 2009)

Throughput Returns to Growth in the Final Quarter

2009 quarterly total throughput y-o-y growth rate

Beginning in the final quarter of 2008, COSCO Pacific's container throughput began to suffer from the impact of the financial crisis on global container trade, with especially steep declines during the first two quarters of 2009. Throughput showed improvement in the third quarter and returned to growth in the final quarter after three consecutive quarters of decline. Throughput for the year fell 5.1% (2008: +17.7%) to 43,549,810 TEUs (2008: 45,878,875 TEUs), a decrease of 2,329,065 TEUs (2008: an increase of 6,896,270 TEUs).

Our China Throughput Outperforms the China Market

For the China terminals, excluding Hong Kong, the decline in throughput amounted to 4.0%, outperforming the China market, where throughput in 2009 declined by 6.0%. This good performance resulted from the Group's high exposure in Bohai Rim and increased investment in domestic ports in recent years.

Equity Throughput Outperforms Total Throughput

Equity throughput vs total throughput

	Equity throughput (TEUs)	y-o-y change	Total throughput (TEUs)	y-o-y change
Bohai Rim	3,686,517	+2.6%	17,487,346	+2.2%
Yangtze River Delta	1,908,243	-10.3%	8,383,257	-11.8%
Pearl River Delta and Southeast Coast	2,839,351	-3.6%	13,308,775	-8.5%
China	8,434,111	-2.7%	39,179,378	-4.8%
China (excluding Hong Kong)	7,753,639	-0.5%	37,818,433	-4.0%
Overseas	1,269,336	-3.0%	4,370,432	-7.6%
Total	**9,703,447**	**-2.7%**	**43,549,810**	**-5.1%**

To enhance its leadership as a global terminal operator, the Group has placed increasing emphasis on obtaining controlling stakes in new terminal investments, and now holds such investments in six terminals: Piraeus Terminal (100%), Zhangjiagang Win Hanverky Terminal (51%), Yangzhou Yuanyang Terminal (55.59%), Quan Zhou Pacific Terminal (71.43%), Jinjiang Pacific Terminal (80%) and Xiamen Ocean Gate Terminal (70%).

For the year, the Group's equity throughput was 9,703,447 TEUs (2008: 9,973,805 TEUs). Throughput on an equity basis declined by only 2.7% year-on-year, 2.4 percentage points less than the decrease in total throughput, an encouraging indication of the success of the Group's strategy. The outperformance reflected the addition of Piraeus Terminal in October 2009, a first full year contribution from Jinjiang Pacific Terminal, which consolidated in April 2008, and a strong volume rebound at the Quan Zhou Pacific Terminal.

Balanced Geographical Terminal Network

During 2009, the Group added a total of 3,700,000 TEUs of handling capacity in seven berths at four locations, including one berth of 600,000 TEUs at Ningbo Yuan Dong Terminal, one berth of 600,000 TEUs at Quan Zhou Pacific Terminal and one berth of 900,000 TEUs at Yantian Terminal, as well as the four berths at Piraeus Terminal of 1,600,000 TEUs.

Following the expansion, as at 31st December 2009, the annual handling capacity of the Group's operating terminal companies in the Bohai Rim region reached 15,100,000 TEUs at 31 container berths and 600,000 vehicles at two automobile berths. The Yangtze River Delta region capacity was 9,700,000 TEUs at 24 berths and 6,550,000 tons of break bulk cargo at five berths. The Pearl River Delta and Southeast Coast capacity rose to 20,500,000 TEUs at 27 berths and 2,500,000 tons of break bulk cargo at 3 berths. Overseas, the Group had 6,750,000 TEUs of capacity at 14 berths.

2009 newly launched capacity

Terminal companies	No. of Berths	Annual handling capacity (TEUs)	Equity annual handling capacity (TEUs)
Ningbo Yuan Dong Terminal	1	600,000	120,000
Quan Zhou Pacific Terminal	1	600,000	428,580
Yantian Terminal	1	900,000	40,050
China	3	2,100,000	588,630
Piraeus Terminal	4	1,600,000	1,600,000
Total	**7**	**3,700,000**	**2,188,630**

Regional breakdown of operating berths and annual handling capacity

	No. of Berths	Annual handling capacity	% of total annual handling capacity
Bohai Rim			
Container berths	31	15,100,000 TEUs	29.0%
Automobile berths	2	600,000 vehicles	100.0%
Total no. of berths	33		
Yangtze River Delta			
Container berths	24	9,700,000 TEUs	18.6%
Break-bulk cargo berths	5	6,550,000 tons	72.4%
Total no. of berths	29		
Pearl River Delta and Southeast Coast			
Container berths	27	20,500,000 TEUs	39.4%
Break-bulk cargo berths	3	2,500,000 tons	27.6%
Total no. of berths	30		
China			
Container berths	82	45,300,000 TEUs	87.0%
Break-bulk cargo berths	8	9,050,000 tons	100.0%
Automobile berths	2	600,000 vehicles	100.0%
Total no. of berths	92		
Overseas			
Total no. of berths	14	6,750,000 TEUs	13.0%
Total no. of container berths	**96**	**52,050,000 TEUs**	
Total no. of break-bulk cargo berths	**8**	**9,050,000 tons**	
Total no. of automobile berths	**2**	**600,000 vehicles**	
Total no. of berths	**106**		

Operational Review

Terminals

Throughput by Region

Regional breakdown of total throughput

	Total throughput (TEUs)	y-o-y change	% of total	% of total y-o-y change
Bohai Rim	17,487,346	+2.2%	40.2%	+2.9pp
Yangtze River Delta	8,383,257	-11.8%	19.2%	-1.5pp
Pearl River Delta and Southeast Coast	13,308,775	-8.5%	30.6%	-1.1pp
China	39,179,378	-4.8%	90.0%	+0.3pp
China (excluding Hong Kong)	37,818,433	-4.0%	86.8%	+1.0pp
Overseas	4,370,432	-7.6%	10.0%	-0.3pp
Total	**43,549,810**	**-5.1%**	**100%**	**–**

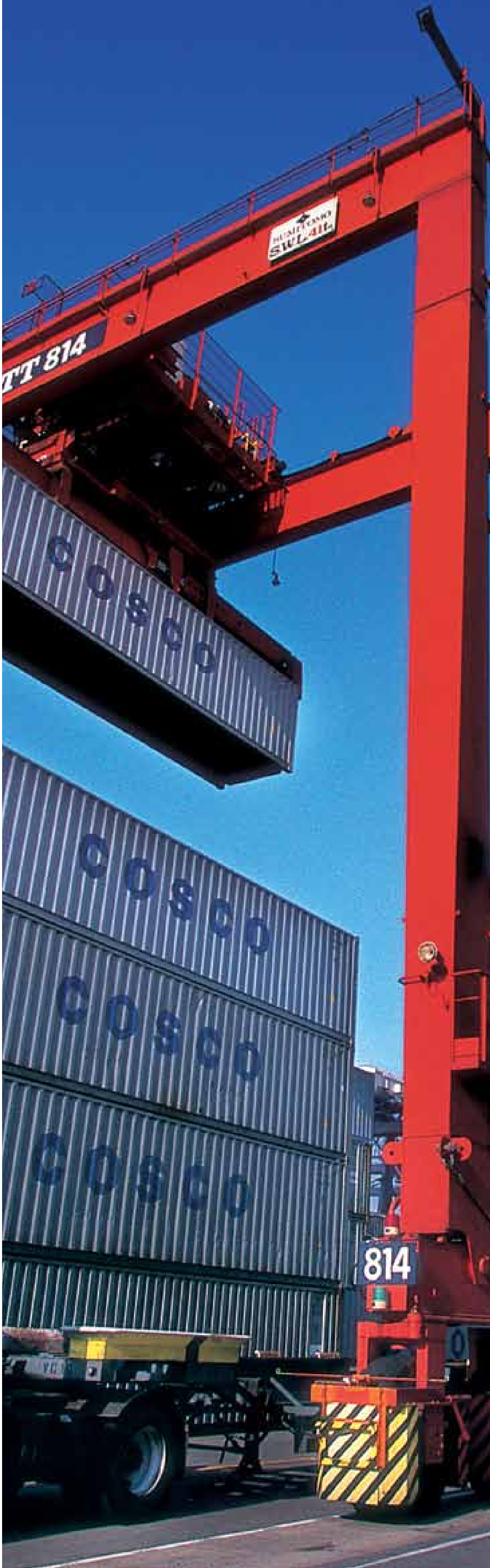
The share in total throughput accounted for by the Group's four major regions showed the effects of its investment in new ports, as well as the change in patterns of trade.

The Bohai Rim region saw throughput increase by 2.2% to 17,487,346 TEUs (2008: 17,103,887 TEUs), accounting for 40.2% of the total throughput (2008: 37.3%). The outperformance was mainly driven by Qingdao Qianwan Terminal.

Throughput in the Yangtze River Delta fell sharply by 11.8% to 8,383,257 TEUs (2008: 9,503,821 TEUs), accounting for 19.2% of the total throughput (2008: 20.7%). The region was the worst performer among all regions as Shanghai Port experienced a severe decline in exports, which badly affected Shanghai Terminal, Shanghai Pudong Terminal and feeder ports along Yangtze River.

The throughput in the Pearl River Delta and Southeast Coast fell to 13,308,775 TEUs (2008: 14,539,711 TEUs), a decrease of 8.5% year-on-year, accounting for 30.6% of the total throughput (2008: 31.7%). The internationally oriented Pearl River Delta terminals saw volumes fall 10.0%, while the Southeast Coast recorded a 9.7% rise.

The share of overseas terminal companies in total throughput held steady at 10.0% in 2009. Their total throughput fell by 7.6% to 4,370,432 TEUs (2008: 4,731,456 TEUs), as the severe decline in world trade affected the terminals in Antwerp and Singapore.



Bohai Rim

Throughput of Bohai Rim terminal companies

	2009 (TEUs)	2008 (TEUs)	y-o-y change
Qingdao Qianwan Terminal	8,961,785	8,715,098	+2.8%
Qingdao Cosport Terminal	1,145,352	1,099,937	+4.1%
Dalian Port Container Co., Ltd.	2,906,768	2,742,503	+6.0%
Dalian Port Terminal	1,509,401	1,656,968	-8.9%
Tianjin Five Continents Terminal	1,940,933	1,938,580	+0.1%
Yingkou Terminal	1,023,107	950,801	+7.6%
Total	**17,487,346**	**17,103,887**	**+2.2%**
As a percentage of total throughput	**40.2%**	**37.3%**	**+2.9pp**

The throughput of Qingdao Qianwan Terminal in 2009 rose 2.8% to reach 8,961,785 TEUs (2008: 8,715,098 TEUs), as a result of the successful affiliation of new routes. Qingdao Cosport Terminal handled 1,145,352 TEUs (2008: 1,099,937 TEUs), up 4.1% on strong domestic trade. The market share of the two terminals in Qingdao Port was 98.5%.

In December 2009, Qingdao New Qianwan Terminal and China Merchants International Container Terminal (Qingdao) Co., Ltd. (China Merchants Qingdao), a subsidiary of the China Merchants Holdings (International) Company Limited, formed a 50:50 joint venture company, Qingdao Qianwan United Container Terminal Co., Ltd.

The joint venture operates four berths owned by Qingdao New Qianwan Terminal and five berths owned by China Merchants Qingdao. The total investment is approximately RMB6,000,000,000 (equivalent to approximately US$878,709,000). The joint venture began operations in January 2010. The venture will assist the development of container terminal business at Qingdao Port.

Dalian Port Container Co. Ltd, saw throughput increase 6.0% to 2,906,768 TEUs (2008: 2,742,503 TEUs). In June 2009, the Group signed an agreement for the disposal of its 8.13% stake in the terminal company to the Dalian Port (PDA) Company Limited for a total consideration of RMB140,605,000 (equivalent to approximately US$20,581,000). The transaction was completed in January 2010, yielding a pre-tax gain on disposal of US$7,020,000 which will be recognised in the first half of 2010. The disposal serves to dispose of a terminal investment in which the Group has only a minority stake.

Dalian Port Terminal is located in the bonded port area in Dalian Port and only handles international cargo. After very strong growth in 2008 Dalian Port Terminal saw throughput decline by 8.9% to 1,509,401 TEUs (2008: 1,656,968 TEUs), affected by the decrease in international trade.

Throughput at Tianjin Five Continents Terminal was broadly unchanged at 1,940,933 TEUs (2008: 1,938,580 TEUs), led by increased handling of domestic cargo in the fourth quarter.

Yingkou Terminal recorded a 7.6% rise in throughput to 1,023,107 TEUs (2008: 950,801 TEUs) on the back of strong domestic trade.

Operational Review
Terminals

Yangtze River Delta

Throughput of Yangtze River Delta terminal companies

	2009 (TEUs)	2008 (TEUs)	y-o-y change
Shanghai Pudong Terminal	2,291,281	2,779,109	-17.6%
Shanghai Terminal	2,979,849	3,681,785	-19.1%
Ningbo Yuan Dong Terminal	1,117,169	903,865	+23.6%
Zhangjiagang Win Hanverky Terminal	715,413	710,831	+0.6%
Yangzhou Yuanyang Terminal	221,046	267,970	-17.5%
Nanjing Longtan Terminal	1,058,499	1,160,261	-8.8%
Total	**8,383,257**	**9,503,821**	**-11.8%**
As a percentage of total throughput	**19.2%**	**20.7%**	**-1.5pp**
Break-bulk cargo throughput (tons)	**14,212,852**	**11,882,066**	**+19.6%**

The throughput of Shanghai Pudong Terminal declined by 17.6% to 2,291,281 TEUs (2008: 2,779,109 TEUs), as shipping companies adjusted their routes. This also affected Shanghai Terminal, where throughput fell by 19.1% to 2,979,849 TEUs (2008: 3,681,785 TEUs).

Ningbo Yuan Dong Terminal, which began operations in 2007, continued to perform well, with throughput surging 23.6% to 1,117,169 TEUs (2008: 903,865 TEUs). A new container berth of 600,000 TEUs annual handling capacity was launched in the third quarter of 2009, driving throughput growth in the second half.

Zhangjiagang Win Hanverky Terminal, Yangzhou Yuanyang Terminal and Nanjing Longtan Terminal are branch line ports and feeder ports located in the Yangtze River Basin which connect cargo sources on the lower and middle reaches of the Yangtze River with the Shanghai Port. Their performance thus partly mirrored the slowdown at the main Shanghai terminals.

The three terminal companies together handled 1,994,958 TEUs in 2009 (2008: 2,139,062 TEUs), representing a 6.7% decrease from the previous year. The decline narrowed markedly in the final quarter, however, and Zhangjiagang Win Hanverky Terminal has recorded monthly year-on-year growth since July 2009 on higher transhipment cargo.

In April 2009, the Group participated in a capital increase in Nanjing Longtan Terminal. This transaction provided capital for the development of five container berths of the phase II of the Longtan port area in Nanjing Port and was in accord with the terms of the joint venture agreement signed in 2005. Total project investment is RMB2,207,700,000 (equivalent to approximately US$324,662,000). The new berths of the expansion project are expected to launch in 2011. Annual handling capacity of the five berths is 1,000,000 TEUs.

Pearl River Delta & Southeast Coast

Throughput of Pearl River Delta and Southeast Coast terminal companies

	2009 (TEUs)	2008 (TEUs)	y-o-y change
COSCO-HIT Terminal	1,360,945	1,752,251	-22.3%
Yantian Terminal	8,579,013	9,683,493	-11.4%
Guangzhou South China Oceangate Terminal	2,158,291	2,000,130	+7.9%
Quan Zhou Pacific Terminal	936,136	910,058	+2.9%
Jinjiang Pacific Terminal	274,390	193,779	+41.6%
Total	**13,308,775**	**14,539,711**	**-8.5%**
As a percentage of total throughput	**30.6%**	**31.7%**	**-1.1pp**
Break-bulk cargo throughput (tons)	**2,760,569**	**1,773,157**	**+55.7%**

The severe recession in Europe and the United States continued to pressure exports from the Pearl River Delta, exacerbated by further reductions in routes to these markets during the early part of the year. This badly affected those container terminals with a high exposure to international trade flowing to these two regions.

COSCO-HIT Terminal in Hong Kong handled 1,360,945 TEUs during the year (2008: 1,752,251 TEUs), down 22.3% year-on-year. Though registering a decline, Yantian Terminal outperformed the Shenzhen port, with throughput falling by only 11.4% to 8,579,013 TEUs (2008: 9,683,493 TEUs). This followed the launch of the fifth berth of the phase three expansion project as scheduled in the third quarter of 2009, the strengthening of the port's domestic cargo and international transhipment business and the successful establishment of a sea-rail container transportation business in 2008.

Guangzhou South China Oceangate Terminal, however, saw a 7.9% increase, buoyed by the high proportion of its cargoes being domestic trade. For the year, throughput at the terminal rose to 2,158,291 TEUs (2008: 2,000,130 TEUs).

The Group owns controlling stakes in Quan Zhou Pacific Terminal and Jinjiang Pacific Terminal, both located in Quanzhou Port on China's Southeast Coast. They are the only terminals handling containers at Quanzhou Port and mainly handle domestic cargo. During 2009, the terminals performed well, helped by Quanzhou's position as China's third largest domestic port.

On the back of strong domestic trade, Quan Zhou Pacific Terminal handled 936,136 TEUs (2008: 910,058 TEUs), a 2.9% increase, while Jinjiang Pacific Terminal, which began operations in 2008, handled a total of 274,390 TEUs in 2009 (2008: 193,779 TEUs), an increase of 41.6%.

Operational Review
Terminals
Overseas

Throughput of overseas terminal companies

	2009 (TEUs)	2008 (TEUs)	y-o-y change
Piraeus Terminal	166,062	-	NA
Suez Canal Terminal	2,659,584	2,392,516	+11.2%
COSCO-PSA Terminal	904,829	1,247,283	-27.5%
Antwerp Terminal	639,957	1,091,657	-41.4%
Total	**4,370,432**	**4,731,456**	**-7.6%**
As a percentage of total throughput	**10.0%**	**10.3%**	**-0.3pp**

The Group has three established container terminals in the Port of Singapore, Port of Antwerp in Belgium and Port Said Port in Egypt. In October, the Group took over the operation of Piraeus Terminal in Greece. The four overseas terminals handled a combined total of 4,370,432 TEUs in 2009 (2008: 4,731,456 TEUs), a decrease of 7.6%.

Piraeus Terminal

On 1st October 2009, the Group's wholly-owned subsidiary Piraeus Terminal took over Pier 2, which has an annual handling capacity of 1,600,000 TEUs, pursuant the concession agreement signed in November 2008 with Piraeus Port Authority S.A. (PPA) regarding the operation and development of Piers 2 and 3 of the Piraeus Port in Greece.

On 30th September 2009, Piraeus Terminal and PPA concluded an agreement under which PPA has agreed to provide the labour and other services required for the smooth operation of the terminal until 31st May 2010, in exchange for a service fee. The agreement stipulates both agreed wage levels and levels of productivity. Under the agreement, beginning on 1st February 2010, employees of Piraeus Terminal may gradually replace PPA staff.

On 1st October 2009, the Labour Unions of Piraeus Port began strike actions to express their views on privatisation issues. Following negotiations, the strike actions were terminated on 19th October and normal operations resumed. For the period from 1st October 2009 to 31st December 2009, Piraeus Terminal recorded throughput of 166,062 TEUs.

The concession right is for 30 years and is extendable for five years. The Group plans to upgrade Pier 2 and construct Pier 3, projects that are expected to complete by the end of 2015. Upon completion, the annual handling capacity of Pier 2 will increase by 1,000,000 TEUs to 2,600,000 TEUs and Pier 3 will have an annual handling capacity of 1,100,000 TEUs, for a combined capacity of 3,700,000 TEUs.

Piraeus Port is the largest container terminal in Greece, and the country's primary transhipment port, serving Eastern Europe, the Mediterranean, the Balkans and Black Sea. With the steady growth of trade between China and these regions, demand for related shipping and transhipment services will increase. With the support of the COSCO Group and shipping companies the Group intends to develop Piraeus Terminal into an important transhipment terminal, contributing steady cash flow and a favourable investment return for the Group.

Suez Canal Terminal

Suez Canal Terminal at Port Said Port built on its earlier momentum to record a rise in throughput of 11.2% to 2,659,584 TEUs (2008: 2,392,516 TEUs). The growth was driven by the fleets of COSCON, Kawasaki Kisen Kaisha and Yang Ming Marine Transport Corporation beginning berthing at Suez Canal Terminal in early 2008.

COSCO-PSA and Antwerp Terminal

COSCO-PSA Terminal in the Port of Singapore was badly hit by the severe decline in exports from the Singapore region, with throughput falling sharply by 27.5% to 904,829 TEUs (2008: 1,247,283 TEUs). Antwerp Terminal likewise suffered from the fall in world trade, with throughput down 41.4% year-on-year to 639,957 TEUs (2008: 1,091,657 TEUs), following the cancellation in late 2008 of many Europe-Asia routes.

Outlook

The Group's container terminals, especially those most exposed to international trade flows, saw throughput return to growth in the final two months of 2009. There is some cause for optimism that this pattern will continue during 2010, and that global throughput volumes will increase for the full year.

There are, however, a number of uncertainties. The recovery in global trade could falter, once inventory has been restocked, given the weak state of consumer finances. A "double dip" recession could occur. Given this situation, the Group will remain prudent in its capital expenditure plans. No new terminal investments have been entered into since 2009 and hence only projects committed before 2009 will require expenditure. In addition to exercising prudence in relation to expansion, the Group will maintain tight control over costs.

Nonetheless, the 3,700,000 TEUs of new capacity added in late 2009 will boost throughput and hence revenues, while a further 10,450,000 TEUs is expected to come in line during 2010. This comprises 5,250,000 TEUs at Qingdao Qianwan United Terminal, 1,800,000 TEUs at Tianjin Euroasia Terminal, 600,000 TEUs at Ningbo Yuan Dong Terminal, 900,000 TEUs at Yantian Terminal and 1,900,000 TEUs at Suez Canal Terminal. The rise in throughput may not be mirrored by equally strong increases in profit contribution, however, given that a number of terminals and berths will still in a ramp-up phase.

Overall, the Group's strategy is to maintain a well balanced portfolio of terminal assets. To this end, in China the Group is investing not only in major coastal hub ports, but also allocates resources to branch line and feeder ports that handle domestic and international cargo. The development of China's internal economy should mean that domestic cargo growth will outpace that in international cargo, and hence developing a hub-and-spoke network including second tier ports in China may offer good growth potential. The current challenges to the container terminals industry globally may also provide opportunities to acquire high quality assets at attractive valuations.

2010 expected new berths and their annual handing capacity

Terminal companies	No. of berths	Annual handling capacity (TEUs)	Equity annual handling capacity (TEUs)	Expected time for operation to commerce
Qingdao Qianwan United Terminal	9	5, 250,000	420,000	First quarter
Tianjin Euroasia Terminal (Beigangchi at Tianjing Port)	3	1,800,000	540,000	Third quarter
Ningbo Yuan Dong Terminal (phase five of Beilun at Ningbo Port)	1	600,000	120,000	Second quarter
Yantian Terminal (phase III expansion project)	1	900,000	40,050	Second half
China	14	8,550,000	1,120,050	
Suez Canal Terminal (phase II project at East Port Said Port)	3	1,900,000	380,000	Second half
Total	**17**	**10,450,000**	**1,500,050**	

Operational Review
Terminals

Terminal Portfolio

Terminal companies	Shareholding	No. of berths	Depth (m)	Annual handling capacity (TEUs)
Bohai Rim		44		24,450,000
Qingdao Qianwan Container Terminal Co., Ltd.	20%	11	17.5	6,500,000
Qingdao New Qianwan Container Terminal Co., Ltd.	16%	6	15.0–20.0	3,600,000
Qingdao Qianwan United Container Terminal Co., Ltd.	8%	9	15.0–20.0	5,250,000
Qingdao Cosport International Container Terminals Co., Ltd.	50%	1	13.5	600,000
Dalian Port Container Terminal Co., Ltd.	20%	6	13.5–17.8	4,200,000
Dalian Automobile Terminal Co., Ltd.	30%	2	11.0	600,000 (vehicles)
Tianjin Port Euroasia International Container Terminal Co., Ltd.	30%	3	15.5	1,800,000
Tianjin Five Continents International Container Terminal Co., Ltd.	14%	4	15.7	1,500,000
Yingkou Container Terminals Company Limited	50%	2	14.0	1,000,000
Yangtze River Delta		42		15,900,000
Shanghai Pudong International Container Terminals Limited	30%	3	12.0	2,300,000
Shanghai Container Terminals Limited	10%	10	9.4–10.5	3,700,000
Shanghai Xiangdong International Container Terminal Co., Ltd.	10%	4	15.0	3,200,000
Ningbo Yuan Dong Terminals Limited	20%	5	15.0	3,000,000
Zhangjiagang Win Hanverky Container Terminal Co., Ltd.	51%	3	10.0	1,000,000
Yangzhou Yuanyang International Ports Co., Ltd.	55.59%	2	12.0	700,000
		5	8.0–12.0	6,550,000 (tons of break-bulk cargo)
Nanjing Port Longtan Container Co., Ltd.	20%	10	12.0	2,000,000
Pearl River Delta and Southeast Coast		38		24,700,000
COSCO-HIT Terminals (Hong Kong) Limited	50%	2	15.5	1,800,000
Yantian International Container Terminals Co., Ltd.	5%	5	14.0–15.5	4,500,000
Yantian International Container Terminals (Phase III) Limited	4.45%	10	16.0	9,000,000
Guangzhou South China Oceangate Container Terminal Co., Ltd.	39%	6	14.5	4,200,000
Quan Zhou Pacific Container Terminal Co., Ltd.	71.43%	4	7.0–15.1	1,600,000
		2	5.1–9.6	1,000,000 (tons of break-bulk cargo)
Jinjiang Pacific Ports Development Co., Ltd.	80%	2	10.2–14.0	800,000
		3	7.9–9.8	4,200,000 (tons of break-bulk cargo)
Xiamen Ocean Gate Container Terminal Co., Ltd.	70%	4	17.0	2,800,000
Overseas		22		13,300,000
Piraeus Container Terminal S.A.	100%	6	14.0–16.0	3,700,000
Suez Canal Container Terminal S.A.E.	20%	8	16.0	5,100,000
COSCO-PSA Terminal Private Limited	49%	2	15.0	1,000,000
Antwerp Gateway NV	20%	6	17.0	3,500,000
Total no. of berths		**146**		
Total no. of container berths/Annual handling capacity		**134**		**78,350,000**
Total no. of break-bulk cargo berths/ Annual handling capacity		**10**		**11,750,000 (tons of break-bulk cargo)**
Total no. of automobile berths/Annual handling capacity		**2**		**600,000 (vehicles)**

Note 1: Terminal portfolio includes all terminal projects for which agreements have been signed on or before 31st December 2009. It includes operating and non-operating terminal companies, berths and annual handling capacity.

Note 2: The Group signed an agreement for the disposal of its 8.13% stake in Dalian Port Container Co., Ltd. in June 2009.

Operational Review

Container Leasing, Management and Sale

Unprecedented market challenges
Solid performance with utilisation outperforming industry average
Well established lease mix generating stable revenue
Adjustment of fleet growth
Effective risk management

COSCO Pacific owns the world's second largest container leasing company, with a fleet size of 1,582,614 TEUs as at 31st December 2009 (2008: 1,621,222 TEUs), accounting for approximately 14.3% (2008: approximately 13.6%) of the global container leasing market. It is operated and managed by its wholly-owned subsidiary Florens.

Top 10 container leasing companies

	Fleet size (TEUs)	Market share
Textainer Group	2,305,000	21.1%
COSCO Pacific (Florens)	1,582,614*	14.3%
Triton Container	1,485,000	13.6%
TAL International	1,050,000	9.6%
GE SeaCo	960,000	8.8%
CAI International	770,000	7.1%
Gold Container	500,000	4.6%
UES International HK	460,000	4.2%
Cronos Group	440,000	4.0%
Seacastle Container Leasing	390,000	3.6%

Source: World Cargo News, September 2009

* The container fleet size of Florens as at 31st December 2009

Unprecedented Market Challenges

The container leasing industry was hit hard by the global recession in 2009. According to Drewry, global container shipping volume saw a substantial decline, falling by 11.7% from 148,900,000 TEUs in 2008 to 131,500,000 TEUs in 2009.

The first quarter of 2009 was the toughest, as the abundant lay-up capacity forced shipping lines to return containers to leasing companies upon expiry of leasing contracts. With demand for container leasing in decline, the industry reduced substantially its purchase of new containers and as a result global leasing fleet capacity shrank by 3.4% to 10,900,000 TEUs in June 2009, according to World Cargo News. This was the first decline in the industry's more than 40 year history.

The ratio of on-hire to off-hire containers only finally came into balance in July 2009. There was a modest recovery in leasing demand in the third quarter due to shipping lines operating their fleets in slow steaming mode to reduce fuel costs, requiring larger volumes of containers for their fleets.

Operational Review

Container Leasing, Management and Sale

Solid Performance with Utilisation Outperforming Industry Average

Faced with these unprecedented market challenges, the Group's container leasing, management and sale businesses inevitably came under pressure and the fleet capacity shrunk by 2.4% to 1,582,614 TEUs. Despite its average utilisation rate dropping by four percentage points to 90.6% (2008: 94.6%), the Group's fleet continued to perform well above the industry average, which stood at 86.0% in 2009 (2008: 94.0%), an eight percentage points decrease from the previous year.

A solid customer base and relatively young fleet, with an average age of 4.96 years (2008: 4.15 years) was a competitive strength that helped the Group survive the severe downturn, to achieve a solid performance in 2009. The Group's customer base includes COSCON, the world's sixth largest container line, and other international container shipping companies. The total number of customers was 306 (2008: 300). Another critical success factor was the percentage of the Group's leases under long term contracts, which was approximately 15 percentage points higher than the industry average of about 74.0% in 2009.

Top 10 container shipping lines

	Fleet capacity (TEUs)
Maersk Line	1,743,248
MSC	1,481,042
CMA CGM	934,613
Evergreen	591,070
APL	519,744
COSCON	493,654
Hapag-Lloyd	463,033
CSCL	443,150
Hanjing	400,033
NYK	359,608

Source: CI Online (January 2010)

Well Established Lease Mix Generating Stable Revenue

As at 31st December 2009, the Group leased a total of 527,891 TEUs (2008: 552,219 TEUs) of containers to COSCON on 10-year long term leases, which represented 33.4% (2008: 34.0%) of the Group's total container fleet.

For those 332,591 TEUs (2008: 314,077 TEUs) of containers available for leasing to other international customers, 82.4% (2008: 80.7%) were leased under long term contracts ranging from three to eight years.

As a result of this well established lease mix, 93.2% (2008: 92.2%) of the Group's leasing revenue was generated by containers under long-term leases. These containers provided stable revenue for the Group's container leasing division, and hence lowered its investment risk.

The remaining 722,132 TEUs (2008: 755,926 TEUs) were managed containers and these accounted for 45.6% (2008: 46.6%) of its total fleet. These managed containers provided another revenue stream for the Group, which received management fee from the owners based on the containers' operating performance.

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

As at 31st December	Leasing Customers	2009 (TEUs)	2008 (TEUs)	y-o-y change
Owned Containers	COSCON	409,797	433,125	-5.4%
Owned Containers	International customers	332,591	314,077	+5.9%
Managed Containers	International customers	722,132	755,926	-4.5%
Sale-and-leaseback Containers	COSCON	118,094	118,094	–
Total		**1,582,614**	**1,621,222**	**-2.4%**

As at 31st December	Leasing Customers	2009 % of total	2008 % of total	y-o-y change
Owned Containers	COSCON	25.9%	26.7%	-0.8pp
Owned Containers	International customers	21.0%	19.4%	+1.6pp
Managed Containers	International customers	45.6%	46.6%	-1.0pp
Sale-and-leaseback Containers	COSCON	7.5%	7.3%	+0.2pp
Total		100%	100%	

Profit contribution from the container leasing, management and sale division decreased 37.9% year-on-year to US$71,375,000 (2008: US$114,975,000). Total revenue from this division was US$229,831,000 (2008: US$252,620,000). Among these, container leasing revenue accounted for 86.2% (2008: 80.1%) of the divisional total revenue. The global economic downturn and the fall in the volume of containerised shipping led to a drop of utilisation, together with a reduction in fleet size. As a result, the leasing revenue decreased 2.2% year-on-year to US$198,069,000 (2008: US$202,437,000).

Revenue from disposal of returned containers fell by 41.9% to US$22,844,000 (2008: US$39,352,000) owing to a 32.8% decline in disposal volume and a 13.6% drop in average sales price. The disposal revenue of returned containers accounted for 9.9% of total revenue (2008: 15.6%).

The management fee charged depends on the operating performance of the managed containers, but the decrease of on-hire volume and the increase of operating expenses of the managed containers, together with the 4.5% drop of fleet size, led to a decrease of the net operating income of the managed containers. As a result, management fee income declined 23.6% to US$6,470,000 (2008: US$8,465,000), accounting for 2.8% (2008: 3.4%) of the total revenue.

Adjustment of Fleet Growth

The severe decline in container leasing demand led the Group to reduce substantially its purchase of new containers in 2009, which fell by 90.2% to 15,000 TEUs (2008: 152,752 TEUs). Among these new containers 3,600 TEUs (2008: 64,802 TEUs) were ordered for COSCON, accounting for 24.0% (2008: 42.4%) of the Group's new purchases for the year. The remaining 76.0% (2008: 57.6%) or 11,400 TEUs (2008: 87,950 TEUs), were built for international customers.

The Group paid particular attention to the continued demand for reefers and specialised containers within an overall market that was extremely challenging. The Group purchased 6,000 TEUs of reefers and specialised containers in the first half of 2009, and another 9,000 TEUs of dry containers in December as demand picked up.

Operational Review
Container Leasing, Management and Sale

Fleet capacity movement

	2009 (TEUs)	2008 (TEUs)	y-o-y change
Fleet capacity as at 1st January	1,621,222	1,519,671	+6.7%
New containers purchased	15,000	152,752	-90.2%
Containers returned from COSCON upon expiry of leases			
Total	(26,589)	(28,770)	-7.6%
Re-leased	9,113	2,867	+217.9%
Disposed of and pending for disposal	(17,476)	(25,903)	-32.5%
Ownership transferred to customers upon expiry of finance leases	(556)	(828)	-32.9%
Defective containers written off	(2)	(230)	-99.1%
Total loss of containers declared and compensated by customers	(35,574)	(24,240)	+46.8%
Fleet capacity as at 31st December	**1,582,614**	**1,621,222**	**-2.4%**

Effective Risk Management

The Group has implemented a set of risk management principles to evaluate customer credit. The Group focuses its customer targeting on well-established container shipping companies, especially those among the world's top ten. During the year, the container leasing rental revenue from the world's top ten container shipping companies accounted for 77.7% (2008: 80.7%) of the Group's total container leasing revenue.

The Group also limits its risks by providing more long-term leasing services, which enable it to maintain a higher utilisation rate and reduce cyclical market risks. For the year ended 31st December 2009, 93.2% (2008: 92.2%) of the Group's total container leasing revenue was generated by long-term leases.

To ensure its long-term business success, since 2006 the Group has been strengthening its asset light business model through sale-and-manage-back and sale-and-leaseback container contracts. The complementary advantages of the leasing, management and sale of containers lower the Group's investment risks while consolidating its leading industry position by allowing it to expand market share.

Outlook

COSCO Pacific strongly believes that the successful business model of its container leasing, management and sale division is capable of meeting the market challenges that lie ahead. The Group is well positioned to achieve a stronger business performance as the global economy recovers. Global trade and container traffic showed signs of improvement towards the end of 2009, and the Group is optimistic that this trend will continue into 2010.

Operating efficiency of the Group's container leasing division has improved further in the first two months of 2010. During this period, the average utilisation rate increased to 93.1%, representing a 2.5 percentage points rise from the full year average in 2009. The on-going slow steaming operations of shipping lines and the strong upturn in cargo volume are likely to translate into stronger container leasing demand, and hence higher utilisation and profitability for the Group in 2010.

Operational Review

Container Manufacturing

The Group maintained its position as the world's largest container manufacturer, via its 21.8% stake in CIMC.

The continued contraction in the global container shipping market, especially in the first half of 2009, resulted in a further decline in demand for new containers, especially dry containers. This led to a temporary halt to the manufacture of dry containers at CIMC towards the end of 2008. The halt in production extended into 2009, although some plants reopened in the fourth quarter.

These unfavourable market conditions naturally led to a decline in operating profit at CIMC, which was partly offset by profits realised on the sale of securities held for investment.

In the first half of 2009, in order to simplify the shareholder structure of its container manufacturing business, the Group disposed of its 20% stake in Shanghai CIMC Reefer to CIMC for a total consideration of US$16,400,000. This allowed the Group to record a pre-tax gain on the disposal of US$5,516,000 which was recognised in the first half of 2009.

Despite this gain, the profit contribution from the container manufacturing business to the Group declined by 21.5% from US$39,316,000 in 2008 to US$30,876,000.

Logistics

At the interim results, the Group announced the disposal of its entire 49% interest in COSCO Logistics to China COSCO, under an agreement signed in August 2009. The disposal is designed to allow the Group to concentrate its resources on its core terminal business.

The total cash consideration, which was paid upon completion in March 2010, amounted to RMB2,000,000,000 (equivalent to approximately US$292,900,000). The disposal generated a gain net of tax and direct expenses of approximately US$85,000,000, which will be recognised in the 2010 financial year. The proceeds will be used for investments in terminals and to improve working capital.

The Group's subsidiary CP Logistics, the immediate shareholder of COSCO Logistics, is further entitled to receive a special distribution in cash equivalent to 49% of 90% of the distributable annual net profit for the first nine months of 2009. The special distribution is payable on or before 30th June 2010.

The net profit contribution from COSCO Logistics due to the Group for 2009 amounted to US$25,627,000, compared with a contribution of US$25,006,000 recorded in 2008.

Financial Review

Overall analysis of results

As the impact of the financial crisis on the global economy further extended in 2009, the Group's terminal and container leasing operations, our two main businesses, were badly hit. The profit attributable to equity holders of the Company for the year of 2009 was US$172,526,000, a 37.2% decrease compared to US$274,725,000 recorded last year. Return on equity holders of the Company was 6.5% (2008: 10.4%).

The shrinking global trade resulted in a slowdown of the global ports and shipping industry, which put the container terminal business under pressure in 2009. In addition, the certification and commencement of operations of berths in new terminals led to an increase in depreciation and finance costs, affecting the profitability of the container terminal business. The Group's total container terminal throughput was 43,549,810 TEUs during the year (2008: 45,878,875 TEUs), representing a 5.1% decrease from last year. Profit from the container terminal business dropped 30.7% to US$83,554,000 (2008: US$120,557,000).

In 2009, shipping companies laid up capacity and hence reduced leasing of containers, causing a fall in demand for the container leasing business. During the year, the profit contribution from the container leasing, management and sale businesses amounted to US$71,375,000 (2008: US$114,975,000), a 37.9% decrease as compared with last year. As at 31st December 2009, the total container fleet of the leasing business was 1,582,614 TEUs (31st December 2008: 1,621,222 TEUs), among which 742,388 TEUs (31st December 2008: 747,202 TEUs) were owned containers, 118,094 TEUs (31st December 2008: 118,094 TEUs) were sale-and-leaseback containers and 722,132 TEUs (31st December 2008: 755,926 TEUs) were managed containers.

The drop in the demand for containers also put the Group's container manufacturing business under pressure. Profit from the container manufacturing business decreased by 21.5% to US$30,876,000 in 2009 (2008: US$39,316,000), including a profit of US$25,360,000 (2008: US$39,080,000) attributable to CIMC and profit of US$5,516,000 generated from the disposal of a 20% equity interest in Shanghai CIMC Reefer during the year.

For the logistics business, the Group entered into an equity transfer agreement with China COSCO on 27th August 2009 in relation to the transfer of 49% equity interest in COSCO Logistics at a consideration of RMB2,000,000,000 (equivalent to approximately US$292,900,000). The transaction was approved at a special general meeting of the Company held on 8th October 2009. Pursuant to the agreement, the Group was entitled to share the profit of COSCO Logistics for the first nine months of 2009. Therefore, profit from logistics business for the year ended 31st December 2009 was US$25,627,000 (2008: US$25,006,000).

Financial analysis

Revenue

Revenue of the Group in 2009 was US$349,424,000, a 3.4% increase from US$337,973,000 of 2008. The revenue was derived from container leasing, management and sale businesses and container terminal businesses with US$229,831,000 (2008: US$252,620,000) and US$119,593,000 (2008: US$85,353,000) respectively. Revenue from container leasing, management and sale businesses primarily included container leasing income and revenue from disposal of returned containers. For container leasing income, as the fleet capacity of owned containers and sale-and-leaseback containers decreased to 860,482 TEUs by the end of 2009 (2008: 865,296 TEUs), income also decreased to US$198,069,000 for the year (2008: US$202,437,000), representing a decrease of 2.2% from last year. On the other hand, the number of returned containers sold during the year decreased to 22,863 TEUs (2008: 34,043 TEUs), causing revenue from disposal of returned containers during the year decreased to US$22,844,000 (2008: US$39,352,000), a drop of 41.9% as compared with last year. Revenue from container management was US$6,470,000, a 23.6% decrease from US$8,465,000 of last year. Revenue from leasing of reefer-container generator sets was US$2,213,000, an 8.5% increase from US$2,039,000 recorded last year.

For the container terminal operations and related businesses with controlling stakes, revenue from container terminal operations and related businesses amounted to US$119,593,000 in 2009 (2008: US$85,353,000), an increase of 40.1% as compared with last year. The increase was mainly contributed by Piraeus Terminal, Quan Zhou Pacific Terminal and Jinjiang Pacific Terminal. Piraeus Terminal was taken over by the Group on 1st October 2009 and achieved a throughput of 166,062 TEUs in 2009, contributing a revenue of US$23,159,000 to the Group in 2009. The throughput of Quan Zhou Pacific Terminal during 2009 was 936,136 TEUs and 1,473,156 tons of break-bulk cargo (2008: 910,058 TEUs and 828,298 tons of break-bulk cargo). The significant increase in break-bulk cargo throughput resulted in a rise in total revenue of Quan Zhou Pacific Terminal to US$37,203,000 (2008: US$31,286,000), representing an increase of 18.9%. Besides, having been consolidated into the Group in April 2008, Jinjiang Pacific Terminal's business contributed a full year revenue in 2009, achieving a throughput of 274,390 TEUs and 1,287,413 tons of break-bulk cargo (2008: 193,779 TEUs and 944,859 tons of break-bulk cargo) and recording a 59.3% growth in total revenue to US$15,178,000 for 2009 (2008: US$9,529,000). Zhangjiagang Win Hanverky Terminal recorded a throughput of 715,413 TEUs (2008: 710,831 TEUs) and an 8.6% drop in revenue from last year to US$17,092,000 (2008: US$18,690,000). Throughput of Yangzhou Yuanyang Terminal in 2009 amounted to 221,046 TEUs and 14,212,852 tons of break-bulk cargo (2008: 267,970 TEUs and 11,882,066 tons of break-bulk cargo) with a total revenue of US$22,303,000 (2008: US$19,173,000), an increase of 16.3% over last year.

Cost of sales

Cost of sales mainly comprised depreciation charge on owned containers, carrying amounts of returned containers disposed, container rental expense and operating expenses of the terminal companies. Cost of sales in 2009 was US$200,174,000 (2008: US$165,454,000), an increase of 21.0% over last year. The sale-and-leaseback containers sold by the Group in July 2008 to CBA USD Investments Pty Limited ("CBA USD Investments"), a wholly owned subsidiary of the Commonwealth Bank of Australia, gave rise to a container rental expense in 2009 of US$11,185,000 (2008: US$8,747,000), an increase of 27.9% over last year. In addition, depreciation charge for containers increased to US$77,241,000 during the year (2008: US$76,063,000). The number of returned containers sold in 2009 decreased to 22,863 TEUs (2008: 34,043 TEUs), and the carrying amount of disposed returned containers was therefore reduced to US$19,734,000 (2008: US$31,344,000), representing a drop of 37.0%. On the other hand, the takeover of Piraeus Terminal in Greece by the Group on 1st October 2009 and the consolidation of Jinjiang Pacific Terminal's business into the Group in April 2008 led to a rise in the total operating expenses of the container terminal businesses to US$84,155,000 in 2009 (2008: US$46,609,000).

Investment income

Investment income, comprising mainly dividend income from available-for-sale financial assets, was US$22,339,000 (2008: US$22,493,000), a drop of 0.7% from last year. Yantian International Container Terminals Co., Ltd., Tianjin Five Continents Terminal and Dalian Port Container declared dividends of US$18,727,000, US$2,034,000 and US$1,493,000 respectively (2008: US$18,661,000, US$2,267,000 and US$1,380,000 respectively).

Administrative expenses

Administrative expenses in 2009 were US$62,949,000 (2008: US$50,142,000), an increase of 25.5% over last year. During the year, the increase was mainly due to the professional expenses arising from the Group's investment project on Piraeus Terminal in Greece. In addition, the pre-operating expenses of Xiamen Ocean Gate Container Terminal Co., Ltd. and Piraeus Terminal, and the full year administrative expenses of Jinjiang Pacific Terminal in 2009, which were consolidated to the Group since April 2008, causing an increase in the total administrative expenses.

Other operating income/expenses (net)

Other operating income/expense (net) in 2009 was an expense of US$8,722,000 (2008: an income of US$21,091,000). The change was mainly attributable to the significant decrease in the amount incurred from the Group's other operating income items during 2009 over last year. As a result of the increase in repair and maintenance expense and decrease in insurance income, net container repair insurance income decreased to US$345,000 (2008: US$4,915,000); the profits on disposal of equity interest in China Shipping Container Lines Company Limited amounted to US$85,000 during the year (2008: US$1,959,000); the profit of US$236,000 incurred by the disposal of equity interest in Tianjin CIMC North Ocean Container Co., Ltd. was recognised in 2008 while such profit was not recorded in 2009; in addition, profit before tax of US$302,000 and a related one-off management

Financial Review

income of US$1,111,000 were generated from the disposal of 13,509 TEUs of containers (the Group had provided after sale management service thereafter) which was recognised in 2008, while such profit was not recorded in 2009; and the Group also completed the Equipment Procurement Agreement and the Lease Agreement which had been entered into with CBA USD Investments in 2008, resulting in a profit of US$3,928,000 while such profit was not recorded in 2009. On the other hand, the Group's other operating expense items also increased in 2009 over last year, mainly representing provision items. Due to the drop in the price of resaleable containers, in particular the price of reefer containers, provision for inventories amounted to US$7,028,000 in 2009 (2008: write back of US$21,000). In addition, in accordance with the requirement under HKFRSs, the Group assessed the impairment on containers. Provision for impairment of containers of US$3,607,000 (2008: US$45,000) was recognised in 2009. In addition, the Group carried out a comprehensive assessment of customers' credit risks as of the year end date. The net provision for impairment of trade receivables of US$3,791,000 was recognised in 2009 (2008: write back of US$1,472,000). These factors resulted in a substantial drop of the overall net operating income in 2009.

Finance costs

The Group's finance costs in 2009 were US$39,805,000 (2008: US$52,738,000), a decrease of 24.5% from last year. Finance costs included interest expenses, and the amortisation of transaction costs over bank loans and notes. The average balance of borrowings in 2009 amounted to US$1,485,567,000 (2008: US$1,208,065,000), an increase of 23.0% as compared with last year. However, the increase was more than offset by the decrease in London Interbank Offer Rate ("LIBOR") and the reduction of the benchmark interest rate for RMB loans in the PRC. Average cost of borrowing in 2009, including the amortisation of transaction costs over bank loans and notes, was an average 6-month LIBOR plus 137 basis points (2008: an average 6-month LIBOR plus 115 basis points).

Share of profits less losses of jointly controlled entities and associates

In 2009, net profit contribution from jointly controlled entities amounted to US$59,183,000, a decrease of 21.4% from US$75,267,000 in 2008. In respect of the container terminal and related business, profit from terminals was affected by the recession in the global economy. During the year, throughput of COSCO-HIT Terminal was 1,360,945 TEUs (2008: 1,752,251 TEUs) and its profit decreased to US$17,080,000 (2008: US$25,793,000), representing a drop of 33.8% over last year. Throughput of Shanghai Pudong Terminal was 2,291,281 TEUs (2008: 2,779,109 TEUs) and a profit of US$20,118,000 was recorded during the year (2008: US$25,688,000), representing a drop of 21.7% from last year. The throughput of COSCO-PSA Terminal experienced a drop of 27.5% to 904,829 TEUs (2008: 1,247,283 TEUs) during the year, and recorded a loss of US$1,516,000 (2008: a profit of US$2,201,000) in 2009. Qingdao Qianwan Terminal recorded a slight growth of 2.8% in its throughput to 8,961,785 TEUs (2008: 8,715,098 TEUs) in 2009. However, due to the initial loss recorded in Qingdao New Qianwan Terminal, which was consolidated into the performance of Qingdao Qianwan Terminal during the year, the overall profit decreased to US$26,649,000 (2008: US$27,325,000), representing a 2.5% fall over last year.

During the year, share of net profits from associates amounted to US$32,890,000 (2008: US$54,815,000), a decrease of 40.0% from last year. Throughput of Antwerp Terminal dropped substantially by 41.4% to 639,957 TEUs during the year (2008: 1,091,657 TEUs) with a loss of US$3,850,000 (2008: a profit of US$745,000). Due to certain shipping route adjustments at Antwerp Terminal in the first quarter of the year, a significant drop of its throughput resulted during the year and a loss was recorded. During 2009, the throughput of Suez Canal Terminal amounted to 2,659,584 TEUs (2008: 2,392,516 TEUs), an increase of 11.2%. Following the capital injection of Suez Canal Terminal in 2008, it repaid a portion of its bank loans during 2009, and interest expenses reduced. Suez Canal Terminal recorded a profit of US$9,557,000 in 2009 (2008: US$7,430,000), representing a rise of 28.6%. On the other hand, certain dry cargo containers plants of CIMC suspended production since the fourth quarter of 2008, which had not entirely resumed production so far, while profits were generated from the disposal of its shares in China Merchants Bank in the year, offseting the operational loss of CIMC. Profits of CIMC dropped to US$25,360,000 (2008: US$39,080,000), representing a decrease of 35.1%.

Profit on disposal of a jointly controlled entity

In order to concentrate on the development of our core business such as terminal business and container leasing business, the Group completed the disposal of its 20% equity interest in Shanghai CIMC Reefer in 2009, which generated a profit of US$5,516,000.

Income tax expenses/credit

During the year, income tax expense amounted to US$13,286,000 (2008: income tax credit of US$4,585,000). The rise of income tax expense in 2009 was mainly due to a write back of the over provision of income tax made in prior years totaling US$12,612,000 in 2008, while there was no such write back in 2009. In addition, among the income tax expense, US$11,317,000 (2008: US$6,542,000) was a provision for withholding income tax that applied to certain PRC investments of the Group under the tax reform in Mainland China.

Profit from discontinuing operation

Profit from discontinuing operation represents the profit generated from COSCO Logistics of US$25,627,000 in 2009 (2008: US$25,006,000). On 27th August 2009, CP Logistics, a wholly owned subsidiary of the Company, entered into an equity transfer agreement with China COSCO, pursuant to which CP Logistics conditionally agreed to sell and China COSCO conditionally agreed to purchase CP Logistics' entire 49% equity interest in COSCO Logistics, a jointly controlled entity of the Group, at a cash consideration of RMB2,000,000,000 (equivalent to approximately US$292,900,000). Apart from the aforesaid cash consideration, CP Logistics is entitled to receive a special distribution of an additional cash amount equivalent to 273/365 (representing the first nine months of year 2009) of 49% of 90% of the audited consolidated net profit after tax and minority interest of COSCO Logistics for the year ended 31st December 2009 as shown in the audited consolidated financial statements of COSCO Logistics for the year ended 31st December 2009 prepared in accordance with the accounting standards generally accepted in the PRC. In October 2009, the disposal was approved by the independent shareholders of the Company. Accordingly, this investment was reclassified as an asset held for sale under discontinuing operation.

In March 2010, the disposal of COSCO Logistics was completed and resulted in a gain (net of tax and direct expenses) of approximately US$85,000,000. The gain will be recognised in 2010.

Financial position

Cash flow

Cash inflow of the Group remained steady in 2009. During the year, net cash from operating activities amounted to US$174,896,000 (2008: US$266,394,000). The Group drew bank loans of US$285,783,000 (2008: US$590,544,000) and repaid US$100,749,000 (2008: US$144,738,000) in 2009. The total cash outflow for investments of the Group amounted to US$39,027,000, comprising US$13,560,000 being used in Nanjing Longtan Terminal, US$18,727,000 in Yantian Terminal Phase III by reinvestment of dividend and US$6,740,000 in Antwerp Terminal. In 2008, the total cash outflow for investments of the Group amounted to US$363,616,000, mainly comprising US$259,360,000 being used to purchase an additional 5.26% equity interest in CIMC, US$14,220,000 in Dalian Port Terminal, US$23,767,000 in Guangzhou South China Oceangate Terminal, US$23,375,000 in Suez Canal Terminal, US$18,661,000 in Yantian Terminal Phase III by reinvestment of dividend, US$6,868,000 in Dalian Automobile Terminal Co., Ltd., US$1,739,000 in Antwerp Terminal and US$15,600,000 in Qingdao Qianwan Terminal by reinvestment of dividend. During 2009, an amount of US$364,716,000 (2008: US$522,468,000) was paid in cash for the expansion of terminal operation and purchase of property, plant and equipment, of which US$47,222,000 (2008: US$409,191,000) was for the purchase of new containers.

Financing and credit facilities

During 2009, the Group completed the signing of a project loan agreement with China Development Bank. The loan agreement was for a term of 21 years and the amount was Euro 215,000,000, together with a performance guarantee of Euro 124,400,000, for a total of Euro 339,400,000.

As at 31st December 2009, cash balances was US$405,754,000 (2008: US$429,041,000) and banking facilities available but unused amounted to US$673,000,000 (2008: US$40,236,000).

Financial Review

Assets and liabilities

As at 31st December 2009, the Group's total assets amounted to US$4,635,312,000 (2008: US$4,213,208,000) and total liabilities amounted to US$1,776,961,000 (2008: US$1,566,905,000). Net assets were US$2,858,351,000 in 2009 (2008: US$2,646,303,000). Net asset value per share was US$1.26 (2008: US$1.18), representing a 6.8% increase from last year.

The cash balances of the Group amounted to US$405,754,000 as at 31st December 2009 (2008: US$429,041,000). Total outstanding borrowings amounted to US$1,604,285,000 (2008: US$1,424,335,000). The net debt-to-equity ratio increased from 37.6% last year to 41.9%, and the interest coverage was 5.8 times, as compared to 6.2 times last year. As at 31st December 2009, the Group did not have loan pledged by assets (2008: Nil).

Debt analysis

	As at 31st December 2009		As at 31st December 2008	
	US$	(%)	US$	(%)
By repayment term				
Within the first year	193,614,000	12.1	67,380,000	4.7
Within the second year	143,053,000	8.9	89,595,000	6.3
Within the third year	290,219,000	18.1	142,688,000	10.0
Within the fourth year	662,174,000	41.3	285,758,000	20.1
Within the fifth year and after	315,225,000	19.6	838,914,000	58.9
	1,604,285,000*	100.0	1,424,335,000*	100.0
By category				
Secured borrowings	-	-	-	-
Unsecured borrowings	1,604,285,000	100.0	1,424,335,000	100.0
	1,604,285,000*	100.0	1,424,335,000*	100.0
By denominated currency				
US dollar borrowings	1,226,587,000	76.5	1,248,685,000	87.7
RMB borrowings	377,698,000	23.5	175,650,000	12.3
	1,604,285,000*	100.0	1,424,335,000*	100.0

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

Financial guarantee contracts

As at 31st December 2009, the Group had provided guarantees on a loan facility granted to an associate of US$31,788,000 (2008: US$37,057,000).

Contingent liabilities

A statement of claim was issued on 19th October 2009 by Aronis-Drettas-Karlaftis Consultant Engineers S.A. against the Company and Piraeus Terminal, a wholly owned subsidiary of the Company, in a civil claim at the Court of First Instance 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$7,900,000) in total.

The Directors and management of the Company, having taken legal advice, are of the view that the Company and Piraeus Terminal have good defences to all material claims. The Company will therefore contest the claims vigorously. However, at this stage, it is not possible to predict the outcome of this litigation with certainty. Hence, no provision has been made for the claims.

Treasury policy

The Group manages its foreign exchange risk by matching the currencies of its loans with the Group's functional currency of major cash receipts and underlying assets as far as possible. Borrowings for the container leasing business are mainly denominated in US dollars, which is the same currency of its revenue and expenses, so as to minimise potential foreign exchange exposure.

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

The Group continues to exercise stringent control over the use of financial derivatives to hedge against its interest rates exposure. As at 31st December 2009, outstanding interest rates swap contracts comprised notional principal amounting to US$200,000,000 (31st December 2008: US$200,000,000) in total whereby the Group agreed to pay the banks interest at floating rates ranging from 105 basis points to 116 basis points (2008: 105 basis points to 116 basis points) above 6-month LIBOR in return for receiving interests from the banks at a fixed interest rate of 5.875% (2008: 5.875%) per annum.

As at 31st December 2009, after adjustment of the fixed rate borrowings for the interest rates swap contracts, 6.2% (31st December 2008: 7.0%) of the Group's total borrowings were in fixed rate. The Group continues to monitor and regulate its fixed and floating rate debt portfolio from time to time in light of the market conditions, with a view to minimising its potential interest rate exposure.

Event after the balance sheet date

In March 2010, the disposal of COSCO Logistics was completed and resulted in a gain (net of tax and direct expenses) of approximately US$85,000,000 for the year ending 31st December 2010.

Investor relations

COSCO Pacific has always regarded investor relations as an important aspect of corporate governance. During 2009, the Company took particular care to keep investors and analysts abreast of Company developments, given the severe downturn in the market and the uncertainties surrounding global economic prospects.

The Company is committed to meeting investors' requests on business-related information in a timely manner, and at the same time proactively communicates with the investment community. This is designed to ensure the COSCO Pacific's strengths and competitive advantages, as well as its ability to manage changes in the business environment, are fully understood and hence reflected in the Company's market valuation. As part of this commitment, the Company releases information according to standards that are higher than those of the disclosure regulations that govern its listing.

The investor relations team is dedicated to being a highly efficient two-way communication channel between senior management and the investment community. The Company organises a variety of activities to provide business updates to the investment community. The investor relations team also reports to senior management on a regular basis to keep executives informed of the latest perceptions in the market regarding the Company, the issues of concern to investors, changes to regulations or compliance requirements, as well as the latest international best practices in investor relations. These initiatives aim to enhance the standards of the Company's investor relations practice.

The Company analyses its shareholding structure on a regular basis, including a review of the registry of institutional and retail investors, to keep track of changes in shareholdings by type of investor. This helps the Company meet its goal of establishing sound relationships with existing and potential shareholders and maintaining a solid and diverse shareholder base.

During 2009, COSCO Pacific held a series of activities in relation to its interim and annual results announcements, including press conferences and panel discussions with investors and analysts via teleconferencing and during luncheons and roadshows in Hong Kong and other parts of the world. These activities were designed to keep the investment community fully aware of the Company's results performance, development strategies and business outlook. In all, the Company participated in two investor conferences organised by investment banks and conducted three roadshows. During the year, the Company met with a total of 497 investors, analysts and media representatives through one-on-one and group meetings. It also arranged six visits to its terminals for the investment community.

As part of its commitment to provide information above and beyond regulatory requirements, since 1997, the Company has posted the throughput figures for its terminals on the corporate website on a monthly basis. This has served as a valuable reference for the investment community and media.

To further enhance transparency, since the third quarter of 2007, the Company has released results on a quarterly basis, giving the investment community timely update on the latest developments affecting the Company's operations and financial performance. At the same time, the Company disseminates information via e-mail to analysts, fund managers and the media, including updates on corporate information, press releases, announcements, and interim and annual reports, thereby keeping the investment community informed of the Company's latest business activities.

In March 2008, the Company launched an award winning new corporate website with a well defined structure, clear navigation and abundant information, which has proved a useful source of reference for both the investment community and the media.

COSCO Pacific's efforts in investor relations have been widely recognised externally, and in 2009 the Group was awarded the Grand Prix for Best Overall Investor Relations (Hong Kong) in the small or mid cap category by IR magazine. The Company also won a Titanium Award for Corporate Governance and Investor Relations in The Asset Triple A Corporate Awards, while the 2008 Annual Report earned a citation for corporate governance disclosure from the Hong Kong Management Association.

Investor activities

January	14 to 16 January, Access China Conference 2009 in Beijing organised by Deutsche Bank
April	8 April, 2008 annual results announcement 9 April, 2008 annual results press conference and analyst panel discussion 15 to 16 April, post-results Hong Kong roadshow 29 April, 2009 first quarter results announcement on a voluntary basis
August	27 August, 2009 interim results announcement 28 August, 2009 interim results press conference and analyst panel discussion 31 August to 2 September, post-results Hong Kong roadshow
September	21 to 23 September, 16th Investor Forum in Hong Kong organised by CLSA
October	28 October, 2009 third quarter results announcement on a voluntary basis
December	1 to 3 December, San Francisco roadshow

Market capitalisation

Share price performance

(HK$)	2009	2008
Highest	13.78	20.95
Lowest	5.25	3.20
Average	9.58	11.99
Closing price on 31st December	9.93	7.91
Monthly average trading volume (shares)	165,445,184	148,672,244
Monthly average trading value	1,576,105,148	1,798,878,426
Total number of shares issued (shares)	2,262,525,573	2,245,029,298
Market capitalisation on 31st December	22,466,878,000	17,758,181,000

Investor relations

Analyst coverage

Company	Analyst	E-mail	Telephone	Facsimile
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BOCI Research Limited	Jimmy LAM	jimmy.lam@bocigroup.com	+852 2867 6333	+852 2147 9513
China International Capital Corporation Limited	YANG Xin	yangxin@cicc.com.cn	+86 10 6505 1166	+86 10 6505 8157
China Merchants Securities (HK) Company Limited	YU Huangyan	yuhuangyan@cmschina.com.cn	+86755 8294 3507	+86755 8373 6959
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CLSA Research Limited	OH Kuan Yu	kuanyu.oh@clsa.com	+852 2600 8888	+852 2845 9844
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Merrill Lynch (Asia Pacific) Limited	Mandy QU	mandy.qu@baml.com	+852 2536 3888	+852 2536 3428
Morgan Stanley Asia Limited	Edward XU	edward.xu@morganstanley.com	+852 2848 5200	+852 3407 5084
Nomura International (Hong Kong) Limited	Jim WONG	jim.wong@nomura.com	+852 2252 6000	+852 2252 1901
RBS Asia Limited	Osbert TANG	osbert.tang@rbs.com	+8621 5049 6333	+8621 5049 6999
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Tai Fook Research Limited	CHO Fook Tat	ftcho@taifook.com	+852 2848 4333	+852 2869 7737
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UBS Securities Co. Limited	Robin XU	bin.xu@ubssecurities.com	+8621 3866 8872	+8621 3866 8867
UOB Kay Hian Investment Consulting (Shanghai) Co., Ltd.	Lawrence LI	lawrenceli@uobkayhian.com	+8621 5404 7225	+8621 5404 7366

Corporate Culture

Employee Relations

As at 31st December 2009, COSCO Pacific had 2,346 employees in China and other locations across Asia, the Americas, Europe and Australia.

COSCO Pacific is committed to building a team of dedicated staff in pursuit of excellence, and sees the growth and evolution of the COSCO Pacific team as vital to the Group's future business development. The expansion of the Group's businesses translates into promising and sustained career development opportunities for its employees. During the year, the Group focused strongly on building a professional management team for its business, with terminals at the core. Since November 2008, when the agreement for the concession of Piraeus Port in Greece was signed, the Group has successfully expanded the operations and management team for overseas terminals.

In the interest of continuous efforts to attract and nurture new recruits, an internal job rotation scheme was implemented to develop the potential of staff members. Particular emphasis was placed on expanding fully the management role of COSCO Pacific (China) Investments Co., Ltd., a wholly owned subsidiary of the Company, in order to enhance the governance and support the work of the Group's Mainland China terminals management team. As part of the programme to encourage staff engagement in the Group's operations and development, during 2009 three employees who had excelled in operations management were named "Cost Control Champions".

The Group regards its staff as its most valuable asset. The Group fosters a harmonious work environment and encourages staff members to be diligent in their everyday work. The Group also holds a wide range of training and incentive programmes designed to enhance employees' management skills and professionalism. A fair and competitive remuneration and incentive scheme, coupled with a personalised management practice, reinforce staff members' passion for their work and sense of belonging.

Social Responsibility

COSCO Pacific is committed to embracing corporate citizenship through initiating and supporting social responsibility programmes and community services, as well as contributing to environmental protection and sustainable development.

The Company shows its care for the community through initiating and supporting social welfare programmes. Participating in the "School-Company Partnership" campaign organised by the Young Entrepreneurs Development Council for the second consecutive year, the Company and Hotung Secondary School co-hosted six workshops attended by COSCO Pacific's senior executives in November and December 2009. Through activities such as seminars and site visits to the COSCO-HIT Terminal, secondary school students have gained a better understanding of society as well as their inner selves, empowering them to set targets and boosting their confidence in dealing with challenges directly. The Company also organised its staff to join the "Parade of Reunification Unity, Self Strengthening, Celebration of Reunification" on 1st July 2009 and the "Grand Parade of the Hong Kong Youth Consortium for Celebrating the 60th Anniversary of the Founding of the People's Republic of China" on 3rd October 2009.

Environmental protection and climate change have become significant global issues and COSCO Pacific is committed to a responsible approach to environmental protection. Since 2007, the Company has been a Council Member of the Hong Kong Business Environment Council. Senior management of the Company has been participating in the meetings of council members to promote project planning for the enhancement of the environment. We encourage our staff to attend the council's events and conferences, and make efforts to promote environmental protection awareness among our employees. In an effort to improve air quality in the Greater Pearl River Delta, the Company continues to adhere to fill the Clean Air Charter Certification Scheme co-organised by the Hong Kong General Chamber of Commerce and the Business Coalition on the Environment. The Group also encourages all the terminals in which has an interest to invest in energy conservation and emissions reduction. One exemplary initiative has involved switching from fuel-powered to electricity-powered equipment to support energy saving through the use of environmentally friendly technology.

Corporate Governance Report

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

The Company's continuous effort to promote excellence and high standards of corporate governance practices and investor relations in 2009 continued to earn market recognition from different stakeholders. In 2005, 2007, 2008 and 2009, the Company was awarded "Shipping In-House Team of the Year" by Asian Legal Business, a well recognised law profession magazine. In 2009, the Company was awarded the "Grand Prix for Best Overall Investor Relations (Hong Kong)" in the small or mid cap category by IR magazine. The Company also won a Titanium Award for "Corporate Governance and Investor Relations" in The Asset Triple A Corporate Awards organised by The Asset magazine and a "Corporate Governance Asia Recognition Award" given by Corporate Governance Asia magazine for the third consecutive year, while the 2008 Annual Report earned a citation for corporate governance disclosure from the Hong Kong Management Association. These awards represent market's recognition of our dedication towards upholding and enhancing corporate governance.

Corporate Governance Practices

The Company adopted the code provisions set out in the Code on Corporate Governance Practices (the "Corporate Governance Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as its own code on corporate governance practices in January 2005. Long before the implementation of the Corporate Governance Code, the Company had taken its own initiative to disclose its corporate governance practices in its annual reports commencing from the year ended 31st December 2002.

The Company's corporate governance practices are in compliance with the Corporate Governance Code. The Company also takes the Organisation for Economic Co-operation and Development (OECD) principles for reference.

The Company believes that commitment to good corporate governance is essential to the sustainability of the Company's businesses and performance. The Company is pleased to confirm that for the year ended 31st December 2009, it has fully complied with the code provisions of the Corporate Governance Code.

In order to promote transparency, the Company would conduct a review, from time to time, of the extent to which the Company would comply with the recommended best practices in the Corporate Governance Code and the following is a major recommended best practice in the Corporate Governance Code with which the Company continued to comply during the year ended 31st December 2009:

Recommended Best Practice C.1.4

The recommended best practice C.1.4 states that an issuer should announce and publish quarterly financial results. The Company had, on 29th April 2009 and 28th October 2009, published announcements of its first and third quarterly results respectively on a voluntary basis. The Company considers the publication of the quarterly results as a regular compliance practice.

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

Board of Directors

Board Composition

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

The Board currently consists of thirteen members. Among them, six are executive directors, three are non-executive directors and four are independent non-executive directors. The directors, as at the date of this report, are Mr. CHEN Hongsheng[2] (Chairman), Mr. LI Jianhong[1], Mr. XU Lirong[2], Ms. SUN Yueying[1], Mr. XU Minjie[1] (Vice Chairman and Managing Director), Dr. SUN Jiakang[2], Mr. HE Jiale[1], Dr. WONG Tin Yau, Kelvin[1], Mr. YIN Weiyu[1], Dr. LI Kwok Po, David[3], Mr. CHOW Kwong Fai, Edward[3], Mr. Timothy George FRESHWATER[3] and Dr. FAN HSU Lai Tai, Rita[3].

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

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

Separation of Chairman and Managing Director

To ensure independence, accountability and responsibility, the posts of Chairman and Managing Director are separated and each of them plays a distinctive role. As at the date of this report, the Chairman, Mr. CHEN Hongsheng, who is a non-executive director, is responsible for setting the Group's strategy and business directions, managing the Board and ensuring that the Board is functioning properly and with good corporate governance practices and procedures. The Vice Chairman and Managing Director, Mr. XU Minjie, who is an executive director, supported by other Board members and the senior management, is responsible for managing the Group's business, including implementation of major strategies set by the Board, making day-to-day decisions and co-ordinating overall business operations. In addition, he guides and motivates the senior management towards achieving the Group's objectives.

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

The Company has three non-executive directors and four independent non-executive directors who are not involved in the day-to-day operation and management of the Group's businesses. The three non-executive directors always provide innovative views to the Board's decision-making process through their rich experience in container shipping business and corporate management. These experience, expertise and skills would facilitate the process of formulating the Company's strategy. The four independent non-executive directors have well recognised experience in areas such as accounting, legal, finance and business. Their insightful advice, profound mix of skills and business experience is a major contribution to the future development of the Company and the check-and-balance of the Board. They ensure that matters are fully debated and that no individual or group of individuals dominates the Board's decision-making processes. In addition, they facilitate the Board to maintain a high standard of financial, regulatory and other mandatory reporting and provide adequate check-and-balance to safeguard the interests of shareholders in general and the Company as a whole.

Corporate Governance Report

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

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

In 2009, our Nomination Committee has conducted an annual review of the independence of all independent non-executive directors of the Company and confirmed that all the independent non-executive directors satisfied the criteria of independence as set out in the Listing Rules.

Board Meetings

The Board held a total of four regular board meetings during the financial year ended 31st December 2009 at quarterly intervals. An additional board meeting was also held. The average attendance rate was 90%. Amongst these, four meetings were held to approve the 2008 final results, 2009 interim results and 2009 first and third quarterly results of the Company. The remaining meeting was held to consider new investment opportunities and review the strategic business directions, financial and operational performances of the Group. As the members of the Board are either in Hong Kong or in China, all of these meetings were conducted by video and/or telephone conferencing which are allowed under the Bye-laws of the Company. The Financial Controller and the General Counsel & Company Secretary also attended all board meetings to report matters arising from corporate governance, risk management, statutory compliance, accounting and financial aspects.

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

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

Set out below are the details of all directors' attendance at the Board meetings during the financial year ended 31st December 2009 which illustrate the attention given by the Board in overseeing the Company's affairs:

Attendance of individual members at Board meetings

Name of Directors	No. of meetings attended/ held in the financial year 2009	Attendance rate (%)
Directors		
Mr. CHEN Hongsheng[2] (Chairman)	5/5	100
Mr. LI Jianhong[1]	4/5	80
Mr. XU Lirong[2]	3/5	60
Ms. SUN Yueying[1]	5/5	100
Mr. XU Minjie[1] (Vice Chairman and Managing Director)	5/5	100
Dr. SUN Jiakang[2]	5/5	100
Mr. HE Jiale[1] (appointed on 1st January 2009)	5/5	100
Dr. WONG Tin Yau, Kelvin[1]	5/5	100
Mr. YIN Weiyu[1]	5/5	100
Dr. LI Kwok Po, David[3]	4/5	80
Mr. CHOW Kwong Fai, Edward[3]	5/5	100
Mr. Timothy George FRESHWATER[3]	3/5	60
Dr. FAN HSU Lai Tai, Rita[3] (appointed on 1st January 2009)	5/5	100
Ex-director		
Mr. WANG Zhi[1] (resigned on 1st November 2009)	4/5	80

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

Appointment, Re-election and Removal of Directors

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

Details of the selection process of new directors and a summary of work performed by the Nomination Committee during 2009 are set out under the section of "Nomination Committee" below.

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

Procedure to Enable Directors to Seek Independent Professional Advice

To assist the directors to discharge their duties to the Company, the Board has established written procedures to enable the directors, upon reasonable request, to seek independent professional advice, at the Company's expense, in appropriate circumstances. No request was made by any director for such independent professional advice in 2009.

Responsibilities of Directors

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

Corporate Governance Report

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

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

The Company has arranged for liability insurance to indemnify its directors for their liabilities arising out of corporate activities. The insurance coverage is reviewed by the Company on an annual basis.

Directors/Senior Management's Securities Transactions

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

Specific confirmation has been obtained from directors and senior management to confirm their compliance with the Model Code and the aforementioned guidelines respectively for 2009. No incident of non-compliance was noted by the Company in 2009.

General Counsel & Company Secretary

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

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

Delegation by the Board

Management Functions

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

Board Committees

To assist the Board in execution of its duties and to facilitate effective management, certain functions of the Board have been delegated by the Board to various Board committees, which review and make recommendations to the Board on specific areas. The Board has established a total of seven Board committees, details of which are set out below, which consist of directors, members of senior management and management. Each committee has its defined scope of duties and terms of reference and the committee members are empowered to make decisions on matters within the terms of reference of each committee. These committees have the authority to examine particular issues and report to the Board with their recommendations, where appropriate. The ultimate responsibility for the final decision on all matters, however, lies with the Board.

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

1. Executive Committee

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

During the year ended 31st December 2009, the Executive Committee held a total of 34 meetings. All the matters considered and decided by the Executive Committee at the committee meetings had been recorded in details by minutes. A committee member will present a summary report of the businesses transacted at the committee meetings to the Board members at Board meetings. All directors of the Company could inspect the minutes of the committee meetings at any time and upon request, the General Counsel & Company Secretary will provide a copy of the minutes of the committee meetings to the directors.

Corporate Governance Report

2. Audit Committee

As at the date of this report, the Audit Committee, chaired by an independent non-executive director with appropriate professional qualifications, consists of four members, all of whom are independent non-executive directors of the Company. All committee members are professionals in their own working fields, including the accounting, legal, banking and commercial areas.

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

The Audit Committee, in addition to providing advice and recommendations to the Board, also oversees all matters relating to the external auditors. It therefore plays an important role in monitoring and safeguarding the independence of the external auditors. Both the Financial Controller and the Internal Auditor are directly accountable to the Chairman of the Audit Committee.

Regular meetings of the Audit Committee are held normally four times a year on a quarterly basis, with additional meetings arranged, as and when required. During the year ended 31st December 2009, a total of four meetings were held and the average attendance rate was 87.5%.

The key matters deliberated on by the Audit Committee in 2009 include the following:

- reviewed the accounting principles and practices adopted by the Group and other financial reporting matters
- reviewed the draft annual, interim and quarterly results announcements and the draft annual report and interim report of the Company and assuring the completeness, accuracy and fairness of the financial statements of the Company
- reviewed the results of external audit and discussed with the external auditors on any significant findings and audit issues
- reviewed the internal audit plan and the internal audit reports
- reviewed the summary of continuing connected transactions of the Company on a quarterly basis
- discussed the effectiveness of the systems of internal controls throughout the Group, including financial, operational and compliance controls, and risk management policies and systems established by the management
- reviewed the reports and related materials relating to the Company's investment at Piraeus Port, Greece
- reviewed cash flow analysis of the Company

Attendance of individual members at Audit Committee meetings

Name of Members	No. of meetings attended/ held in the financial year 2009	Attendance rate (%)
Mr. CHOW Kwong Fai, Edward[1] (Chairman)	4/4	100
Dr. LI Kwok Po, David[1]	4/4	100
Mr. Timothy George FRESHWATER[1]	2/4	50
Dr. FAN HSU Lai Tai, Rita[1] (appointed on 1st January 2009)	4/4	100

[1] Independent Non-executive Director

3. Remuneration Committee

As at the date of this report, the Remuneration Committee, led by an independent non-executive director, comprises five members, the majority of whom are independent non-executive directors of the Company.

The Remuneration Committee formulates the Group's remuneration policy of directors and senior management, reviews and determines their remuneration packages and makes recommendations to the Board on the directors' fee and annual salary of directors. If necessary, it will engage professional advisers to assist and/or provide professional advice on relevant issues.

When formulating the remuneration packages (which comprise salaries, bonus, benefits in kind, etc.), the Remuneration Committee considers several factors such as the salaries paid by comparable companies, time commitment, job responsibilities, performance of the individual and performance of the Company. The Remuneration Committee will also review and approve performance-based remuneration by reference to the corporate goals and objectives resolved by the Board from time to time.

The following is a summary of the work of the Remuneration Committee during 2009:

- reviewed the remuneration packages of all executive directors and senior management
- made recommendations to the Board of the remuneration of non-executive directors
- discussed long term incentive arrangements

Attendance of individual members at Remuneration Committee meetings

Name of Members	No. of meetings attended/ held in the financial year 2009	Attendance rate (%)
Members		
Dr. FAN HSU Lai Tai, Rita[1] (Chairman) (appointed on 1st January 2009)	3/3	100
Dr. LI Kwok Po, David[1]	3/3	100
Mr. CHOW Kwong Fai, Edward[1]	3/3	100
Mr. XU Minjie[2]	3/3	100
Mr. ZHU Lizhi (appointed on 26th June 2009)	N/A	N/A
Ex-member		
Mr. ZHANG Hanfeng (resigned on 26th June 2009)	3/3	100

[1] Independent Non-executive Director
[2] Executive Director, Vice Chairman and Managing Director

Remuneration policy

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

The key components of the Company's remuneration package include basic salary plus other allowances, discretionary cash bonus and mandatory provident fund. Cash bonus is tied to the performance of individual employee. As a long-term incentive plan and with the aim of motivating employees in the continual pursuit of the Company's goal and objectives, the Company has granted share options to the employees of the Group under the share option schemes of the Company, based on their performance and contribution.

Corporate Governance Report

4. Nomination Committee

As at the date of this report, the Nomination Committee, led by an independent non-executive director, comprises four members, the majority of whom are independent non-executive directors of the Company.

The Nomination Committee is responsible for nominating potential candidates for directorship, reviewing the nomination and resignation of directors, assessing the independence of independent non-executive directors and making recommendations to the Board on such appointments.

During the financial year ended 31st December 2009, the work performed by the Nomination Committee includes the following:

- made recommendations to the Board on matters relating to the resignation and re-election of directors
- made recommendations to the Board on matters relating to the appointment and change of senior management and committee members
- conducted an annual review of the independence of the independent non-executive directors
- reviewed the renewal of term of appointment of a non-executive director

All new appointment of directors and nomination of directors proposed for re-election at the annual general meeting are first considered by the Nomination Committee. The recommendations of the Nomination Committee will then be put to the Board for decision. New directors appointed by the Board are subject to re-election by shareholders at the next following general meeting (in the case of filling a casual vacancy) or annual general meeting (in the case of an addition to the Board) pursuant to the Bye-laws of the Company. In considering the new appointment or nomination of directors proposed for re-election, the Nomination Committee will assess the candidate or incumbent on criteria such as integrity, independent mindedness, experience, skill and the ability to commit time and effort to carry out his duties and responsibilities effectively etc.

In early 2010, the Nomination Committee nominated and the Board recommended Mr. XU Lirong, Dr. SUN Jiakang, Mr. YIN Weiyu, Dr. LI Kwok Po, David and Mr. Timothy George FRESHWATER to retire by rotation and to be re-elected by shareholders of the Company at the forthcoming annual general meeting.

Attendance of individual members at Nomination Committee meetings

Name of Members	No. of meetings attended/ held in the financial year 2009	Attendance rate (%)
Dr. LI Kwok Po, David[1] (Chairman)	6/6	100
Mr. CHOW Kwong Fai, Edward[1]	6/6	100
Dr. FAN HSU Lai Tai, Rita[1] (appointed on 1st January 2009)	6/6	100
Mr. XU Minjie[2]	6/6	100

[1] Independent Non-executive Director
[2] Executive Director, Vice Chairman and Managing Director

5. Investment and Strategic Planning Committee

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

Attendance of individual members at Investment and Strategic Planning Committee meetings

Name of Members	No. of meetings attended/ held in the financial year 2009	Attendance rate (%)
Members		
Mr. XU Minjie[2] (Chairman)	4/4	100
Mr. YIN Weiyu[1]	4/4	100
Mr. CHAN Hang, Ken	4/4	100
Mr. DING Weiming	4/4	100
Mr. QIU Jinguang	4/4	100
Mr. ZHANG Jie	4/4	100
Mr. XU Jian (appointed on 31st August 2009)	2/2	100
Mr. ZHANG Wei (appointed on 29th August 2009)	2/2	100
Mr. HUNG Chun, Johnny	4/4	100
Mr. FAN Chih Kang, Ken	4/4	100
Ex-members		
Mr. WANG Zhi[1] (resigned on 31st August 2009)	0/2	0
Ms. YANG Jianjian (resigned on 29th August 2009)	2/2	100

[1] Executive Director
[2] Executive Director, Vice Chairman and Managing Director

6. Corporate Governance Committee

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

Attendance of individual members at Corporate Governance Committee meetings

Name of Members	No. of meetings attended/ held in the financial year 2009	Attendance rate (%)
Dr. WONG Tin Yau, Kelvin[1] (Chairman)	4/4	100
Ms. HUNG Man, Michelle	4/4	100
Mr. DING Weiming	4/4	100
Mr. ZHANG Jie	4/4	100
Mr. FAN Chih Kang, Ken	4/4	100
Ms. LIU Mei Wan, May	4/4	100

[1] Executive Director

7. Risk Management Committee

The Risk Management Committee, led by an executive director, comprises eight members (including an executive director, members of senior management and management). It provides support to the Board by identifying and minimizing the operational risks of the Company, sets the direction for the Group's risk management strategy and strengthens the Group's system of risk management.

Corporate Governance Report

Attendance of individual members at Risk Management Committee meetings

Name of Members	No. of meetings attended/ held in the financial year 2009	Attendance rate (%)
Members		
Mr. YIN Weiyu[1] (Chairman) (appointed on 31st August 2009)	3/3	100
Ms. HUNG Man, Michelle	4/4	100
Mr. DING Weiming	3/4	75
Mr. QIU Jinguang	3/4	75
Mr. ZHANG Jie	4/4	100
Mr. SHI Jingmin	2/4	50
Mr. XU Jian (appointed on 29th August 2009)	2/3	66.67
Mr. FAN Chih Kang, Ken	4/4	100
Ex-members		
Mr. WANG Zhi[1] (resigned on 31st August 2009)	1/1	100
Ms. YANG Jianjian (resigned on 29th August 2009)	1/1	100

[1] Executive Director

Accountability and Audit

Financial Reporting

The following statement, which sets out the responsibilities of the directors in relation to the financial statements, should be read in conjunction with, but distinguished from, the Independent Auditor's Report on page 102 which acknowledges the reporting responsibilities of the Group's auditors.

Annual Report and Financial Statements

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

Accounting Policies

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

Accounting Records

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

Safeguarding Assets

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

Internal Control

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

Control Environment

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

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

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

The Board is ultimately responsible for the effectiveness of the internal control and risk management system. The Board has delegated the Risk Management Committee to assist the Board to identify and minimise the operational risks of the Company, to set the direction for the Group's risk management strategy and to strengthen the Group's risk management system. The Risk Management Committee monitored and reviewed the results of internal control and risk management assessment for the year for report and discussion on a regular basis. Moreover, the Audit Committee assists the Board to review the effectiveness of the internal control and risk management system twice a year by reviewing the underlying mechanism and functioning of the Group's internal control system and discussing their opinion with the Board as to the system effectiveness. In 2009, the Audit Committee has reviewed the risk register and internal control and risk management assessment questionnaire submitted by the Risk Management Committee, annual report, interim report, results announcements and internal audit plans and reports. During 2009, the directors have conducted reviews of the effectiveness of the system of internal control of the Group, covering all material controls, including financial, operational and compliance controls and risk management functions.

As the control environment is the foundation for all of the other components of the internal control system, the Group has defined a Group-wide structure of and has set up a procedure manual to regulate business processes and activities. Besides establishing an effective internal control system, the Group also values and requires the integrity of the accounts and finance personnel, as well as their qualification. Continuous training resources and its budgets have been adequately considered.

Risk Assessment

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

Major financial risk factors

Under the impact of the financial tsunami, the credit market was tightened in early 2009. In order to cope with the budgeted development and operation needs of container leasing and terminal businesses, the Group has striven to maintain a certain leverage level to fund the need of the Group's capital expenditure in accordance with the budgeted business plans and market demand. Due to the tightening of loans and financing, market interest rate becomes relatively fluctuated and affects the financial performance of the Group.

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

Following the expansion in the global market, the operating environment of the Group is increasingly complex and geographically diversified while the taxation environment is also an area of concern. As the businesses of the Group are predominantly carried out in China, the United States, Europe and Hong Kong, the Group is subject to risks which change as the systems of taxation change in these regions.

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

Major operational risk factors

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

The future recoverable amounts of the containers will be affected by the economic turmoil and market fluctuations. These unfavorable market factors will increase the asset impairment risk of containers.

Corporate Governance Report

Under the economic turmoil, the receivable aging has deteriorated, resulting in another operational risk factor encountered by the Group - credit risk on accounts receivable and the recoverability problem.

Major compliance risk factors

As the Group has been investing in China and overseas, these new investments may be exposed to various foreign legal and regulatory regimes of which different levels of transparency and compliance are involved. Where necessary, the Group has sought independent professional advice on compliance matters in foreign jurisdictions in order to protect its interest. Regulatory changes were designed to promote transparency and raise the profile of compliance. Therefore, the need for satisfying diverse legal and regulatory requirements in a multitude of jurisdictions exposes the Group to compliance risk.

The Group is continuously expanding its business partnership network for container terminal business and, in particular, the number of container terminal joint venture companies which constitute subsidiaries of the Company under the Listing Rules is constantly increasing. This has resulted in an increase in connected transactions with (1) China COSCO Holdings Company Limited, an intermediate holding company of the Company, (2) COSCO Group, (3) the Maersk Group, (4) the DP World Group and (5) various port authorities, which are respectively regarded as connected persons of the Group under the Listing Rules.

By the very nature of the Group's business activities, transactions with these connected persons are inevitable. However, the identification of connected persons and the updating of the non-exhaustive list of connected persons may prove to be difficult and the volume of such transactions may expose the Group to compliance risk in relation to the identification, authorisation, recording and disclosure of such transactions.

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

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

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

The Group's risk assessment process considers the entire organisation where significant relationships and portfolio of relationships such as fraud, going concern, internal and external reporting, and accounting in accordance with generally accepted accounting principles have been performed. When risks are identified, existing controls are examined to determine if there has been a failure in control, and if so, to determine the reason for such failure.

Control Activities and Monitoring

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

1. To allow delegation of authority, proper segregation of duties as well as to increase accountability, a clear organisational structure exists which details lines of authority and control responsibilities in each business unit of the Group. Certain specific matters are not delegated and are subject to the Board's decision. These include, among others, the approval of annual, interim and quarterly results, annual budgets, distribution of dividends, board structure, and the board's composition and succession.

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

3. Systems and procedures, approved by the management, are set up to identify, measure, manage and control risks including but not limited to legal, credit, concentration, operational, environmental, behavioural and systematic risk that may have an impact on the Group.

4. A comprehensive management accounting system is in place providing financial and operational performance measurement indications to the management and relevant financial information for reporting and disclosure purposes. Variances against actual performances and targets are prepared, analysed and explained. Appropriate actions are also taken to rectify the identified deficiencies, if necessary. This helps the management of the Group monitor business operations closely and enables the Board to formulate and, if necessary, revise strategic plan timely and prudently.

5. The Group places great importance on the internal audit functions. The internal audit's roles include assisting the management and the Audit Committee to ensure the Group maintains an effective system of internal control and a high standard of governance by reviewing all aspects of the Group's activities with unrestricted right of access and conducting comprehensive audits of all practices and procedures on a regular basis. The scope of works of internal audit includes:

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

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

As in previous years, the internal audit function adopted a risk-based auditing approach which is based on the COSO framework and the requirements laid out by the Hong Kong Institute of Certified Public Accountants, considering such factors as recognised risks and focuses on material internal controls and risk management, including financial, operational and compliance controls during the financial year ended 31st December 2009. Internal audits were carried out on all significant business units in the Group, a total of 22 audit assignments were conducted for the above period. All internal audit reports are submitted to the Audit Committee for review and approval. The Internal Auditor's summary of findings, recommendations and follow up reviews of previous internal audit findings are discussed at the Audit Committee meetings. The

Corporate Governance Report

Audit Committee actively monitors the number and importance of findings raised by the internal audit and also the corrective measures taken by management.

The yearly internal audit plan, which is reviewed and approved by the Audit Committee, is based on the sizes and prevailing risks of all business units of the Group to establish audit scopes and frequencies. All internal audit works scheduled for the year of 2009 have been completed. All areas of concern reported by the Internal Auditor have been monitored by the management until appropriate corrective measures are taken or implemented.

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

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

8. In consideration of those identified major risk factors of financial risk, operational risk and compliance risk, the 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 unpredictability arising from financial market, industry and regulatory bodies and imposes various internal control risk measures to minimise the adverse impact of the Group's financial performance.

Major Financial Risk Measures

- To reduce the interest rate risk exposure, the Group uses the diversified debt profiles (including different combination of bank borrowings and notes, different maturity profiles and different combination of fixed and floating interest rates debts) based upon market conditions and the Group's internal requirement and, hedging instruments only when there is an operational need. The effectiveness of the hedging relationship is assessed continuously and regularly by reference to the Group's risk management objective and strategy.
- To maintain a certain leverage level for funding requirements in respect of daily operation, investments and capital expenditure, the Group adopts prudent liquidity risk management which implies maintaining sufficient cash and bank balances, having available funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group aims to maintain flexibility in funding by keeping committed credit lines available.
- Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. The Group may adjust on the amount of dividend paid out, return capital to shareholders, issues new shares or capital or sell assets to reduce debts in order to maintain or adjust the capital structure when need arises.
- To ensure the tax risk is understood and properly controlled, management reviews and assesses the global tax impact to the Group annually and conducts an annual Group tax planning exercise after seeking advices from different external consultants.
- The Group currently does not have a written foreign currency hedging policy. However, it monitors and controls foreign exchange risk by conducting borrowings as far as possible in currencies that match with the Group's functional currency used for transacting the Group's major cash receipts and underlying assets. Borrowings for the container leasing business were conducted mainly in US dollars, which match well with the US dollar revenues and expenses of the leasing business, in order to minimise any potential foreign exchange risk. For those jointly controlled entities and associates for the container terminal business, all material borrowings were denominated in the respective functional currencies. The management will consider hedging significant foreign currency exposure should the need arise.
- The Group has been very keen to safeguard cash and capital and it mainly co-operates with banks with good reputation and seldom engages in high risk businesses. The Group places tight control measures over bank accounts management. It

copes with the operation need to create, operate or close a bank account and every details of the approval and procedures should be straightly followed. Moreover, respective subsidiaries will prepare and report relevant information for management discussion every week, every month and every quarter. Furthermore, self inspection and evaluation will be conducted half yearly to mitigate non-compliance and enhance effectiveness. A centralised capital management platform was established in China to further enhance the timely monitor of capital use by respective subsidiaries.

Major Operational Risk Measures

- Management meetings among department heads and senior management are held on a monthly basis to analyse and discuss the performance of each business segment and the response to the changes of business environment, market conditions and operational issues. For the container leasing business, management holds weekly meetings with their operational managers to discuss the current leasing rate and current market price for containers and to convey the Group's strategies on market changes and to minimise adverse/vigorous effects on the Group's financial performance as a consequence to price fluctuation.
- The container value is reviewed and evaluated periodically with reference to the Group's accounting policy and impairment provision for containers will be accounted for if the carrying value of the containers exceeds the recoverable amount. The weekly departmental meetings among the management and departmental managers will help facilitate better understanding of the latest market trend and possible changes so as to review the impact on the Group brought by impairment losses. Such risk management measures are useful in making appropriate preparation to combat the future risk of asset impairment.
- For available for sale financial assets, management will monitor and report timely to the Board in a timely manner on its price performance and re-affirm the strategic objective of these strategic investments.
- The Group limits its exposure to credit risk through performing credit reviews and monitoring the financial strength of its major customers. Even though no collateral on trade receivables is required, the Group has insured the recoverability for the majority of its third party trade receivable balance to mitigate exposure to credit risk. Moreover, the workflow and procedures are improved to further strengthen the management.
- For the container leasing business, the credit committee of each operating units establishes the maximum credit limit for each customer based on their credit quality, taking into account the financial position, past settlement history and other factors. Utilisation of credit limits is regularly monitored, the system would suspend the provision of services to those customers whose transactions exceed the defined credit limits.
- To ensure the stability and reliability of computer systems, those in relation to container leasing and terminal businesses are operated by trained professionals, frequently checked and upgraded when necessary. Backup of all data are prepared timely. For security purpose, disaster recovery plan is developed.

Major Compliance Risk Measures

- The General Counsel & Company Secretary formulates the overall strategies and mechanisms in relation to the Group's legal compliance. Upon becoming aware of any material development in the legal environment, the legal department will communicate such updated information to the Board and disseminate the information within the Group if and when appropriate. The General Counsel & Company Secretary coordinates the engagement of Hong Kong and foreign lawyers to provide professional advice on specialised and geographically diverged legal issues.
- A non-exhaustive list of connected persons is prepared and updated on a regular basis. In order to effectively assess and report any potential "connected transactions", all originating departments are required to obtain and report the shareholding structure of respective new customers and business partners. If a customer is classified as a new "connected person", both finance department and strategy and development department will closely monitor the transaction amounts on a monthly basis. Management meetings are held regularly and on a quarterly basis to review the nature and amount of all connected transactions. Summary of continuing connected

Corporate Governance Report

transactions is submitted to the Audit Committee on a quarterly basis. Contract negotiation and conclusion in relation to connected transactions are cautiously authorised by appropriate level of management to ensure adherence to the Group's pricing policy. Disclosures made to the public are continuously compared against the evolving disclosure requirements to ensure compliance with respective rules and regulations.

- The code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules are adopted by the Company.

Information and Communications

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

2. The Company prepared employee manuals for each employee, which indicates that employees can communicate with the Company in case any problem arises. The Company considers this as a mechanism to help encourage communications between the Company and employees. Moreover, regular meetings are held to provide an avenue for the mutual understanding between the Company and the empolyees.

3. To promote corporate governance and provide the shareholders with timely information about the financial performance of the Group, there is a regular dialogue with institutional shareholders and general presentations are made when the financial results are announced. To foster effective communications, the Company provides extensive information in its annual reports, interim reports, results announcements, press releases and also disseminates information relating to the Group and its business electronically through its website at www.coscopac.com.hk. Shareholders are also welcome to raise enquiries at the Annual General Meeting or Special General Meeting (if any) where directors are available for direct communication.

4. The Company attaches great priority to fair disclosure as it is considered as a key means to enhance corporate governance standards and provide necessary information to shareholders and other stakeholders for their formation of own judgments as well as provision of feedback. The Company also understands that the integrity of the information provided is essential in building market confidence.

5. With respect to procedures and internal controls for the handling and dissemination of price-sensitive information, the Company,

- is well aware of its obligations under the Listing Rules and the overriding principle that information which is considered price-sensitive should be announced promptly after it is the subject of a decision;
- conducts its affairs with close regard to the "Guide on Disclosure of Price-sensitive Information" issued by The Stock Exchange of Hong Kong Limited;
- inform all directors, senior management and related staff of the latest regulations and requirements according to the letters issued or announcements published by The Stock Exchange of Hong Kong Limited;
- has included in its Code of Conduct a strict prohibition on the unauthorised use of confidential, sensitive or insider information; and has communicated it to all staff; and
- has established and implemented procedures for responding to external enquiries about the Company's affairs. Only directors and delegated management of the Company can act as the Company's spokesperson and respond to enquiries in allocated areas of issues.

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

Auditor's Remuneration

For the year ended 31st December 2009, the auditor's remuneration paid or payable in respect of the auditing and other non-audit service provided by the auditors to the Company were as follows:

Nature of Service	2009 US$	2008 US$
Audit service	719,000	861,000
Audit related service	203,000	239,000
Non-audit services:		
– Tax related services	281,000	593,000
– Circular related services	163,000	193,000
– Financial advisory services	2,319,000	470,000

Investor Relations

The Company continues to promote and enhance investor relations and communications with its investors. Our dedicated investor relations team supports designated executive directors and senior management in maintaining regular dialogue with institutional investors and analysts to keep them abreast of the Company's development and attend to any queries promptly. An intensive communications channel has been maintained with the media, analysts and fund managers through one-on-one meetings, roadshows and conferences. Press and analysts conferences are held at least twice a year subsequent to the interim and final results announcements at which the executive directors are available to answer questions regarding the Group's operational and financial performances.

Communication With Shareholders

The Company believes regular and timely communication with shareholders forms part of the Group's effort to help our shareholders understand our business better. The Company embraces and commits to fair, transparent and timely disclosure policy and practices. All price-sensitive information or data are publicly released, prior to individual sessions held with investors or analysts. There is a regular dialogue with institutional shareholders and general presentations are made when the financial results are announced. To foster effective communication, the Company provides extensive information in its annual reports, interim reports, results announcements, press releases and also disseminates information relating to the Group and its business electronically through its website at www.coscopac.com.hk.

Shareholders and investors are welcome to raise enquiries through our Investor Relations Department whose contact details are available on the Company's website.

The Company views the Annual General Meeting ("AGM") as an opportune forum for shareholders to meet the Board and senior management. All directors and senior management will make an effort to attend. External auditors are also available at the AGM to address shareholders' queries on the financial statements. The Chairmen of the audit, nomination and remuneration committees are normally available at AGMs to take any relevant questions. All shareholders will be given at least 20 business days' notice of the AGM and they are encouraged to attend the AGM and other shareholders' meetings. The Company supports the Corporate Governance Code's principle of encouraging shareholders' participation. Questioning by the shareholders at such meetings is encouraged and welcomed. The General Counsel & Company Secretary, on behalf of the chairman of the general meetings, explains the detailed procedures for conducting a poll at the commencement of general meetings.

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

Corporate Governance Report

Shareholdings and Shareholders Information

Share Capital (as at 31st December 2009)

Authorised share capital	HK$300,000,000 divided into 3,000,000,000 shares of a par value of HK$0.1 each
Issued and fully paid-up capital	HK$226,252,557.30 comprising 2,262,525,573 shares of HK$0.1 each

Types of Shareholders (as at 31st December 2009)

Type of shareholders	No. of shares held	% of the issued share capital
COSCO Pacific Investment Holdings Limited and its subsidiary	1,158,303,338	51.195
Other corporate shareholders	1,096,144,690	48.448
Individual shareholders	8,077,545	0.357
Total	**2,262,525,573**	**100.00**

Location of Shareholders (as at 31st December 2009)

Location of shareholders[1]	No. of shareholders	No. of shares held
Hong Kong	572	2,262,515,573[2]
Macau	1	2,000
United States	1	4,000
China	1	4,000
Total	**575**	**2,262,525,573**

[1] The location of shareholders is prepared according to the address of shareholders registered in the register of members of the Company.
[2] These shares include 1,297,034,748 shares registered in the name of HKSCC Nominees Limited which may hold these shares on behalf of its clients in or outside Hong Kong.

Other Corporate Information

Memorandum of Association and Bye-laws

There was no change to the Memorandum of Association and Bye-laws of the Company during the year ended 31st December 2009.

Key Corporate Dates

The following are dates for certain key corporate events:

Event	Date
Payment of 2009 Interim Dividend	22nd September 2009
2009 Final Results Announcement	30th March 2010
2010 First Quarter Results Announcement	28th April 2010
Closure of Register of Members	18th May 2010 to 24th May 2010
Annual General Meeting	25th May 2010
Payment of 2009 Final Dividend	10th June 2010
2010 Interim Results Announcement	August 2010
2010 Third Quarter Results Announcement	October 2010

Directors and Senior Management Profiles

Directors

CHEN Hongsheng

Non-executive Director and Chairman of the Board

Mr. CHEN, aged 60, is the Chairman of the Board of the Company. He has been an Executive Director of the Company since September 2003 and was redesignated as Non-executive Director and Chairman of the Board in July 2008. He is also the Executive Vice President of COSCO (Hong Kong) Group Limited, a Non-executive Director of China COSCO Holdings Company Limited, the Chairman of COSCO Logistics Co., Ltd. and COSCO Japan Co., Ltd., a Director of COSCO Container Lines Company Limited, COSCO Bulk Carrier Co., Ltd. and Qingdao Ocean Shipping Co., Ltd. Mr. CHEN graduated from Sichuan Foreign Language College, majoring in English and from Capital University of Economics and Business, in postgraduate studies in business administration. He had been the Deputy General Manager of Penavico Nantong Branch Company, General Manager of Shipping Department of Penavico, General Manager of COSCO Beijing International Freight Forwarding Company, Deputy General Manager of the Liner Division of China Ocean Shipping (Group) Company, Managing Director of COSCO International Freight Forwarding Co., Ltd., Deputy General Manager of COSCO Container Lines Company Limited, the Chairman of COSCO Shipping Co., Ltd., an Executive Vice President of China Ocean Shipping (Group) Company and a Director and the President of China COSCO Holdings Company Limited. He is currently a Vice Chairman of China Enterprise Confederation and China Enterprise Directors Association. Mr. CHEN is one of the experienced experts engaging in the container shipping and logistics business at its initial stage in the PRC. He has over 30 years of experience in shipping industry with extensive experience in enterprise operation and management.

LI Jianhong

Executive Director

Mr. LI, aged 53, has been a Director of the Company since October 1997. He is also an Executive Vice President of China Ocean Shipping (Group) Company, the Chairman of COSCO Corporation (Singapore) Limited, COSCO Shipyard Group Co., Ltd., COSCO International Ship Trading Co., Ltd. and Chinese-Tanzanian Join Shipping Company; Vice Chairman of China International Marine Containers (Group) Co., Ltd. and Suzhou Industrial Park Company Limited; Non-executive Director of China COSCO Holdings Company Limited and COSCO International Holdings Limited and Director of COSCO Logistics Co., Ltd. and Boao COSCO Co., Ltd. Mr. LI is also the Vice Chairman of Chinese Society of Naval Architecture & Marine Engineering and China Association of the National Shipbuilding Industry. Since 1986, Mr. LI had been the General Manager of Nantong Shipyard, Managing Director of COSCO Industry Co., Ltd., COSCO Property Ltd. (now known as Sino-Ocean Land Limited), Assistant President and Chief Commercial Officer of China Ocean Shipping (Group) Company, and Chairman of Sino-Ocean Land Holdings Limited. Mr. LI possesses two Master Degrees in Business Administration from University of East London in the United Kingdom and Jilin University respectively. He is also a senior economist. Mr. LI possesses extensive experience in corporate management and capital operation.

Directors and Senior Management Profile

XU Lirong

Non-executive Director

Mr. XU, aged 52, has been a Director of the Company since March 2000. Before his redesignation as a Non-executive Director in June 2005, he served as an Executive Director. He is now the Executive Vice President of China Ocean Shipping (Group) Company, a Non-executive Director of China COSCO Holdings Company Limited and the Chairman of a number of companies including COSCO Shipping Co., Ltd., COSCO Europe GmbH, COSCO Americas Inc. and China Marine Bunker (PetroChina) Co., Ltd. Mr. XU obtained his Master of Business Administration degree from Shanghai Maritime University and the Maastricht School of Management in the Netherlands. He is a senior engineer. Mr. XU had been the Executive Vice President of China COSCO Holdings Company Limited, the Managing Director of COSCO Container Lines Company Limited, the Marine Captain and Deputy Director of the first management department of Shanghai Ocean Shipping Company, the General Manager of Shanghai International Freight Forwarding Company, the Deputy Managing Director of Shanghai Ocean Shipping Company and the President of Shanghai Shipping Exchange. He has extensive experience in container shipping business management and corporate management.

SUN Yueying

Executive Director

Ms. SUN, aged 51, has been an Executive Director of the Company since March 2002. She is currently the Chief Financial Officer of China Ocean Shipping (Group) Company, a Non-executive Director of China COSCO Holdings Company Limited and China Merchants Bank Co., Ltd. and a Director of a number of companies including COSCO (Hong Kong) Group Limited, COSCO Container Lines Company Limited and COSCO Corporation (Singapore) Limited. Ms. SUN obtained her Executive Master of Business Administration degree from the University of International Business and Economics. She is a certified accountant and a senior accountant. She had been the Vice Director of the Finance Division of Tianjin Ocean Shipping Co., Director and Finance Manager of COSCO Japan Co., Ltd. and the General Manager of the Finance and Capital Division and the Deputy Chief Financial Officer of China Ocean Shipping (Group) Company. She has extensive experience in the shipping industry and corporate financial management.

XU Minjie

Executive Director,
Vice Chairman of the Board
and Managing Director

SUN Jiakang

Non-executive Director

Mr. XU, aged 51, is the Vice Chairman of the Board and the Managing Director of the Company. He is also the Chairman of the Investment and Strategic Planning Committee and a member of the Executive Committee, Nomination Committee and Remuneration Committee of the Company. He is also a director of China International Marine Containers (Group) Co., Ltd. Mr. XU graduated from the Marine Navigation Department of Qingdao Ocean Shipping Mariners College and obtained his Master of Business Administration degree from Shanghai Maritime University and also obtained a Master Degree in Management from Maastricht School of Management in the Netherlands (荷蘭馬斯特里赫特商學院). Mr. XU joined COSCO Group in 1980 and was appointed as Managing Director of COSCO Shanghai International Freight Company Limited in November 1998. He was the Vice Chairman of Shanghai City Freight Forwarders Association (上海市貨運代理協會) during the period from December 1998 to September 2003 and was appointed as the General Manager of the Transportation Division of China Ocean Shipping (Group) Company in September 2003. He had been a former marine captain on COSCO's ocean-going ships, General Manager of the Container Division, Operation Division, Export Division of Shanghai Ocean Shipping Company and Deputy Managing Director of Shanghai International Freight Forwarding Company. During the period from June 2005 to January 2007, Mr. XU was an Executive Committee member of China Communications and Transportation Association (中國交通運輸協會). Mr. XU has accumulated around 30 years of experience in the shipping industry and has demonstrated excellent enterprise operation and management skills. His outstanding vision and management power have been highly appreciated by the industry. He joined the Company in January 2007 as the Vice Chairman and Managing Director and leads the Company's overall management, strategic development, corporate governance and financial management.

Dr. SUN, aged 50, has been a Director of the Company since September 2002. Before his redesignation as a Non-executive Director in January 2007, he served as the Vice Chairman and Managing Director. He is an Executive Vice President of China COSCO Holdings Company Limited, a fellow member of The Hong Kong Institute of Directors, a member of International WHO'S WHO of Professionals and a visiting professor at Dalian Maritime University. In January 2008, he was elected as a Member of the Thirteenth session of the Shanghai People's Congress and a Member of the Standing Committee of the Shanghai People's Congress. Dr. SUN graduated from the Faculty of Navigation of Dalian Maritime Transportation Institute with a bachelor degree in shipping management in 1982 and obtained a bachelor degree in economic management of industrial enterprises from the People's University of China in 1987, a master degree in management from Dalian Maritime University in 2001 and a doctor of philosophy (PhD) degree in management from Preston University, USA in 2005. After graduating from university in 1982, Dr. SUN joined COSCO Group and had been the Assistant to the President and Spokesman of China Ocean Shipping (Group) Company. For the past 27 years, Dr. SUN has been committed to shipping management and has accumulated rich experiences in international shipping and logistics operations and has demonstrated excellent management skills.

Directors and Senior Management Profile

HE Jiale

Executive Director

Mr. HE, aged 55, has been appointed as an Executive Director of the Company since January 2009. He is also the Chief Financial Officer of China COSCO Holdings Company Limited and a director of certain of its subsidiaries. Mr. HE joined the COSCO group in 1974. He was the Chief Accountant of COSCO Container Lines Company Limited in 1998 and the Financial Controller of COSCO (Hong Kong) Group Limited in 2003. He was an Executive Director of the Company during 2003 to 2005. Mr. HE had been the Deputy Director of the Finance Division of Shanghai Ocean Shipping Company, the Deputy General Manager of Finance Department of the COSCO Container Lines, the Deputy General Manager of Finance and Capital Department of China Ocean Shipping (Group) Company and the Chief Accountant of COSCO Container Lines Company Limited. Mr. HE has over 30 years of experience in the shipping business and has extensive experience in corporate finance, finance management and capital operation. Mr. HE graduated from the postgraduate studies of management science and engineering from Shanghai University. He is a senior accountant.

WONG Tin Yau, Kelvin

Executive Director

Dr. WONG, aged 49, is a Deputy Managing Director of the Company. He is also the Chairman of the Corporate Governance Committee and member of the Executive Committee of the Company. Dr. WONG is the Chairman of The Hong Kong Institute of Directors, the council advisor and past chairman of the Hong Kong Chinese Orchestra Limited, a member of the OECD/World Bank Asian Corporate Governance Roundtable, a member of Main Board and GEM Listing Committee of The Stock Exchange of Hong Kong Limited, a member of the SFC (HKEC Listing) Committee, a member of the Board of Review (Inland Revenue Ordinance), board director of Business Environment Council, a member of the Appeal Board Panel (Town Planning) and was appointed by the Hong Kong Special Administrative Region as a member of the Standing Committee on Company Law Reform. He obtained his Master of Business Administration degree from Andrews University in Michigan, the USA in 1992 and his Doctor of Business Administration degree from The Hong Kong Polytechnic University in 2007. He was a member of the National Investor Relations Institute in the USA. He has more than 25 years of working experience in management, banking and securities industries. Dr. WONG is currently an Independent Non-executive Director and Chairman of the Audit Committee of China Metal International Holdings Inc., an Independent Non-executive Director of CIG Yangtze Ports PLC and an Independent Non-executive Director of I.T Limited and was an Independent Non-executive Director of Tradelink Electronic Commerce Limited. All the aforementioned companies are listed on The Stock Exchange of Hong Kong Limited. Dr. WONG held various senior positions in several listed companies in Hong Kong before he joined the Company in July 1996. He is responsible for the overall management, strategic planning, financial management, and investor relations of the Company.

YIN Weiyu

Executive Director

Mr. YIN, aged 43, is a Deputy Managing Director of the Company. He is also the Chairman of Risk Management Committee and a member of the Executive Committee and Investment and Strategic Planning Committee of the Company. He obtained his Master of Science degree major in Applied Mathematics from Graduate School of Sun Yat-Sen University in 1990. Before joining the Company in October 2006, Mr. YIN has been the Managing Director of COSCO Guangzhou International Freight Co., Ltd. and Deputy General Manager of South China COSCO International Freight Co., Ltd. Mr. YIN is responsible for the Company's strategic planning and terminal and related business development.

LI Kwok Po, David

GBM, GBS, OBE, JP

Independent Non-executive Director

Dr. LI, aged 71, has been an Independent Non-executive Director of the Company since February 1998. He is also the Chairman of the Nomination Committee and a member of the Audit Committee and the Remuneration Committee of the Company. Dr. LI is currently the Chairman and Chief Executive of The Bank of East Asia, Limited, and an Independent Non-executive Director of China Overseas Land & Investment Limited, Guangdong Investment Limited, PCCW Limited, San Miguel Brewery Hong Kong Limited, SCMP Group Limited, The Hong Kong and China Gas Company Limited, The Hongkong and Shanghai Hotels, Limited and Vitasoy International Holdings Limited. All the aforementioned companies are listed in Hong Kong. Dr. LI is also a director of Criteria CaixaCorp, S.A. and AFFIN Holdings Berhad, which are listed in Spain and Malaysia respectively. He is a member of the Legislative Council of Hong Kong. He is the Chairman of The Chinese Banks' Association, Limited and the Hong Kong Management Association. He is also a member of the Banking Advisory Committee and the Council of the Treasury Markets Association. Dr. LI was awarded the Grand Bauhinia Medal by the Government of the Hong Kong Special Administrative Region in July 2007.

Directors and Senior Management Profile

CHOW Kwong Fai, Edward
JP

Independent
Non-executive Director

Mr. CHOW, aged 57, has been an Independent Non-executive Director of the Company since June 2005. He is also the Chairman of the Audit Committee and a member of the Nomination Committee and the Remuneration Committee of the Company. Mr. CHOW is a fellow member of The Institute of Chartered Accountants in England and Wales and a past president of the Hong Kong Institute of Certified Public Accountants (HKICPA). Before elected president, he chaired the HKICPA's Corporate Governance Committee and Professional Accountants in Business (PAIB) Committee. He was a Deputy Chairman of The Hong Kong Institute of Directors from 2001 to 2008 and the Chairman of the PAIB Committee of the International Federation of Accountants (IFAC) from 2006 to 2008. Mr. CHOW is currently a core member of the OECD/World Bank Asian Corporate Governance Roundtable, a Deputy Chairman of the Business and Professionals Federation of Hong Kong, a member of The Chinese People's Political Consultative Conference – Zhejiang Province, a member of the Election Committee of Hong Kong Special Administrative Region and an expert advisor of the Accounting Standards Committee of the Ministry of Finance, the People's Republic of China. Mr. CHOW is currently Chairman of China Infrastructure Group and CIG Yangtze Ports PLC, listed in Hong Kong. He is also an independent director of China Merchants Bank Co., Ltd., which is listed on the stock exchanges of Hong Kong and Shanghai, and Melco China Resorts (Holding) Limited, listed in Toronto. Between 1988 and 1996, he was Managing Director of a conglomerate which had companies listed on the stock exchanges of Hong Kong and Thailand. Prior to entering the commercial sector, Mr. CHOW spent 11 years working for two major accounting firms, Deloitte Haskins & Sells and Price Waterhouse (as they were then known), respectively in London and Hong Kong. Mr. CHOW was appointed as a Justice of Peace by the Chief Executive of the Hong Kong Special Administrative Region in July 2008.

Timothy George FRESHWATER

Independent
Non-executive Director

Mr. FRESHWATER, aged 65, has been an Independent Non-executive Director of the Company since June 2005. He is also a member of the Audit Committee of the Company. He is a Vice Chairman of Goldman Sachs (Asia) L.L.C. Before joining Goldman Sachs in 2001, he was the Chairman of Jardine Fleming. Mr. FRESHWATER is admitted as a solicitor in England & Wales and Hong Kong. After graduating from the University of Cambridge, he joined the international law firm Slaughter and May in 1967 and remained with them for 29 years before joining the Jardine Fleming group in 1996. He became a partner of Slaughter and May in 1975 and worked in their Hong Kong office for seven years between 1978 and 1985. He was the head of Slaughter and May's worldwide corporate practice from 1993 until 1996. He is an ex-President of the Hong Kong Law Society. Mr. FRESHWATER is currently a Non-executive Director of Chong Hing Bank Limited and an Independent Non-Executive Director of Swire Pacific Limited, both of which are public companies listed in Hong Kong. He is also a Non-executive Director of Aquarius Platinum Limited, a public company listed in Australia, London and Johannesburg.

Senior Management

FAN HSU Lai Tai, Rita

GBM, GBS, JP

Independent
Non-executive Director

Dr. FAN, aged 64, has been appointed as an Independent Non-executive Director of the Company since January 2009. She is also the Chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee of the Company. Dr. FAN was appointed to the Legislative Council from 1983 to 1992 and was a Member of the Executive Council from 1989 to 1992. She became the President of the Provisional Legislative Council in 1997, and has since been re-elected as the President of the First, Second and Third Legislative Council. Dr. FAN has served as President of the legislature of the Hong Kong Special Administrative Region ("HKSAR") for 11 years. Dr. FAN was a member of the Preliminary Working Committee for the Preparatory Committee for the HKSAR from 1993 to 1995 and of the Preparatory Committee for the HKSAR from 1995 to 1997, and was Chairman of the Board of Education from 1986 to 1989 and Chairman of the Education Commission from 1990 to 1992. She was elected as a Hong Kong Deputy to both the Ninth and Tenth sessions of the National People's Congress ("NPC") between 1998 and 2007. Dr. FAN is currently a Member of the Standing Committee of the Eleventh session of the NPC, a steward of The Hong Kong Jockey Club, an Independent Non-executive Director of China Overseas Land & Investment Limited, an Honorary Advisor to Junior Chamber International Hong Kong and Patron of the Hong Kong Kidney Foundation, the Hong Kong Transplant Sports Association and the Whole Person Education Foundation. Dr. FAN was awarded the Gold Bauhinia Star and the Grand Bauhinia Medal in 1998 and 2007 respectively by the Government of the HKSAR.

CHAN Hang, Ken

Deputy Managing Director

Mr. CHAN, aged 52, is a Deputy Managing Director of the Company and a member of the Investment and Strategic Planning Committee of the Company. From 1998 to 2006, Mr. CHAN was the General Manager of the Corporate Development Department (name has been changed to Strategy and Development Department) of the Company. He obtained his Master of Business Administration degree from Dalhousie University in Canada in 1985 and continued his education in the University of Washington in the USA. Before joining the Company in September 1998, he had held senior positions in a local bank and an international securities firm in Hong Kong. He has over 20 years of working experience in corporate strategic planning and management and finance and securities. Mr. CHAN is responsible for terminal management and terminal development of the Group.

Directors and Senior Management Profile

LUI Sai Kit, Eddie

Financial Controller

Mr. LUI, aged 46, is the Financial Controller of the Company. He joined the Company in January 2008. He is a member of the Hong Kong Institution of Certified Public Accountants, a member of the American Institution of Certified Public Accountants, a member of the Chartered Institution of Management Accountants of United Kingdom and a member of the Certified Management Accountants of Canada. He also has a Master Degree in Business Administration from University of Ottawa and Bachelor Degree of Administration from York University in Canada. Prior to joining the Company, he had held Chief Financial Officer and General Management positions for companies listed on the Hong Kong Stock Exchange and US multinational companies such as New World TMT Limited, Wang On Group Limited and General Electric Company Limited Hong Kong Plastic Division.

HUNG Man, Michelle

General Counsel & Company Secretary

Ms. HUNG, aged 40, has been appointed as the General Counsel of the Group and the Company Secretary of the Company since November 1996 and March 2001, respectively. She is a member of the Corporate Governance Committee and Risk Management Committee of the Company. She is responsible for all legal, corporate governance, compliance, company secretarial and related matters for the Group. She obtained a Bachelor of Laws degree (Hons) from The University of Hong Kong. She is also a practicing solicitor of the High Court of the Hong Kong Special Administrative Region and qualified in England and Wales. Moreover, she is a member of the Executive Committee of the Hong Kong Corporate Counsel Association. For three years in a row from 2006 to 2008, Ms. HUNG was named among the top 25 "in-house high flyers" and "the best in Asia" by Asian Legal Business Magazine.

DING Weiming

Deputy Financial Controller

QIU Jinguang

Executive Assistant to Managing Director and General Manager of the Strategy and Development Department

Mr. DING, aged 51, has been the Financial Controller of Florens Container Services Company Limited, a wholly owned subsidiary of the Company, since January 2002 and is also the Deputy Financial Controller of the Company since January 2008. He is also a member of the Corporate Governance Committee, the Risk Management Committee and the Investment and Strategic Planning Committee of the Company. He graduated from Shanghai Maritime University majoring in marine transportation management and obtained a bachelor degree in Economics in 1982. Mr. DING was awarded the professional qualification of senior accountant by the Ministry of Communications of the PRC in 1994. Before he joined the Company, he has been the Deputy Treasurer of the Finance Department of China Ocean Shipping (Group) Company and the Finance Director of COSCO (UK) Limited. Mr. DING is responsible for assisting the Financial Controller of the Company and is in charge of the financial management and supervision of Florens Container Services Company Limited.

Mr. QIU, aged 48, is the Executive Assistant to Managing Director and General Manager of the Strategy and Development Department of the Company. He also serves as a member of the Investment and Strategic Planning Committee and the Risk Management Committee of the Company. Before joining the Company in February 2008, Mr. QIU assumed various positions with COSCO Group, including Vice President of COSCO Americas Terminals Inc., General Manager of Strategy and Development Department of COSCO Americas Inc., Deputy Director and Director of Logistic Department of Transportation Division of COSCO Group. He also served as Deputy Manager of Foreign Affairs Department of Penavico Head Office. Graduated from Shanghai Maritime University with an International Shipping major, Mr. QIU then obtained his MBA degree at University of California Los Angeles in 1999. Mr. QIU is responsible for the work of the Strategy and Development Department and the Company's key marine terminal development projects in the mainland and overseas.

Report of the Directors and Financial Statements

Reports of the Directors

The board of directors of the Company (the "Board") submit their report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31st December 2009.

Principal Activities and Geographical Analysis of Operations

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in note 45 to the consolidated financial statements.

An analysis of the Group's performance for the year by operating segment is set out in note 6 to the consolidated financial statements.

Results and Appropriations

The results of the Group for the year ended 31st December 2009 are set out in the consolidated income statement on page 106 of this annual report.

The directors declared an interim cash dividend of HK14.4 cents (equivalent to US1.862 cents) per share, totalling HK$325,801,000 (equivalent to US$41,802,000), which was paid on 22nd September 2009.

The directors recommend the payment of a final cash dividend of HK9.3 cents (equivalent to US1.199 cents) per share, totalling HK$210,415,000 (equivalent to US$27,128,000), payable on or before 10th June 2010.

Five-year Financial Summary

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 187 of this annual report.

Reserves

Movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on pages 108 and 109 of this annual report.

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

Donations

Charitable and other donations made by the Group during the year amounted to US$37,000.

Property, Plant and Equipment

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

Share Capital

Details of the movements in share capital of the Company during the year are shown in note 22 to the consolidated financial statements.

Distributable Reserves

The distributable reserves of the Company as at 31st December 2009 calculated under the Companies Act of Bermuda amounted to US$898,147,000.

Borrowings

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

Retirement Benefit Schemes

Details of retirement benefit schemes of the Group are set out in notes 3.23 and 36 to the consolidated financial statements.

Directors

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

Mr. CHEN Hongsheng[2] *(Chairman)*	
Mr. LI Jianhong[1]	
Mr. XU Lirong[2]	
Ms. SUN Yueying[1]	
Mr. XU Minjie[1] *(Vice Chairman and Managing Director)*	
Dr. SUN Jiakang[2]	
Mr. HE Jiale[1]	(appointed on 1st January 2009)
Dr. WONG Tin Yau, Kelvin[1]	
Mr. WANG Zhi[1]	(resigned on 1st November 2009)
Mr. YIN Weiyu[1]	
Dr. LI Kwok Po, David[3]	
Mr. CHOW Kwong Fai, Edward[3]	
Mr. Timothy George FRESHWATER[3]	
Dr. FAN HSU Lai Tai, Rita[3]	(appointed on 1st January 2009)

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

In accordance with Bye-laws 87(1) and (2) of the Bye-laws of the Company, Mr. XU Lirong, Dr. SUN Jiakang, Mr. YIN Weiyu, Dr. LI Kwok Po, David and Mr. Timothy George FRESHWATER, being directors in longest office, retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

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

Biographical Details of Directors and Senior Management

Biographical details of directors and senior management as at the date of this report are set out on pages 67 to 75 of this annual report.

Reports of the Directors

Directors' Service Contracts

Mr. XU Minjie has entered into a service agreement with COSCO Pacific Management Company Limited ("COSCO Pacific Management"), a wholly-owned subsidiary of the Company, on 24th January 2007 for a term of three years commencing from 24th January 2007. The agreement has been automatically renewed for a successive term of three years pursuant to the terms of the service agreement. The service agreement is subject to termination by either party giving not less than three months' notice in writing to the other party.

Dr. WONG Tin Yau, Kelvin has a service agreement with the Company commencing from 22nd July 1996. The agreement is terminable by either party giving to the other party not less than one month's prior notice in writing.

Mr. YIN Weiyu has an employment contract with COSCO Pacific Management commencing from 9th October 2006. Such contract is terminable by either party by giving to the other party not less than one month's prior notice in writing.

None of the directors has a service agreement or employment contract with the Company which is not terminable by the Company within one year without payment of compensation, other than statutory compensation.

Directors' Interests in Contracts

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

Share Options

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

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

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

The 2003 Share Option Scheme is designed to attract, retain and motivate talented participants (the "Participants" or a "Participant") (as defined in note 1 below) to strive for future developments and expansion of the Group and to provide the Company with a flexible means of giving incentive to rewarding, remunerating, compensating and/or providing benefits to the Participants and for such other purposes as the Board may approve from time to time.

Under the 2003 Share Option Scheme, the Board may, at its discretion, invite any Participants to take up options. In determining the basis of eligibility of each Participant, the Board would mainly take into account the experience of the Participant on the Group's business, the length of service of the Participant with the Group or the length of business relationship the Participant has established with the Group and such other factors as the Board may at its discretion consider appropriate.

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

As at the date of this report, a total of 88,903,229 shares (representing approximately 3.93% of the existing issued share capital of the Company) may be issued upon exercise of all options which may be granted under the 2003 Share Option Scheme and a total of 41,441,000 shares (representing approximately 1.83% of the existing issued share capital of the Company) may be issued upon exercise of all options which had been granted and yet to be exercised under the 2003 Share Option Scheme.

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

The period under which an option must be exercised shall be such period as the Board may in its absolute discretion determine at the time of grant, save that such period shall not be longer than ten years from the date on which an offer is accepted or deemed to be accepted by the grantee pursuant to the 2003 Share Option Scheme. The minimum period for which an option must be held before it can be exercised is determined by the Board upon the grant of an option. The amount payable on acceptance of an offer of the grant of an option is HK$1.00. The full amount of the exercise price for the subscription of shares must be paid upon exercise of an option.

The exercise price in relation to each option shall be determined by the Board in its absolute discretion, but in any event shall be at least the highest of (i) the closing price of the shares as stated in the daily quotation sheet of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the date when an option is offered; (ii) a price being the average of the closing prices of the shares as stated in the daily quotation sheets of the Stock Exchange for the five business days immediately preceding the date on which an option is offered; and (iii) the nominal value of a share.

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

Notes:

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

  (i) any employee of the Group (including any executive director of the Group);
  (ii) any management of China COSCO, or China Ocean Shipping (Group) Company, the Company's parent company; and
  (iii) any person seconded or nominated by the Group to represent the Group's interest in any of the Group's associated companies or jointly controlled entities (as defined in note 2 below), or any other company or organisation.

  As to whether a particular person falls within the definition of Participants, it shall be determined by the Board in its absolute discretion.

(2) Under the 2003 Share Option Scheme, associated companies and jointly controlled entities refer to those companies and/or enterprises which have defined and/or disclosed as associates and/or associated companies and joint ventures and/or jointly controlled entities of the Company in the latest audited financial statements of the Company.

Reports of the Directors

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

		Number of share options								
Category	Exercise price HK$	Outstanding at 1st January 2009	Granted during the year	Exercised during the year	Transfer (to)/ from other categories during the year	Lapsed during the year	Outstanding at 31st December 2009	% of total issued share capital	Exercisable period	Note
Directors										
Mr. CHEN Hongsheng	13.75	1,000,000	–	–	–	–	1,000,000	0.044%	3.12.2004 –2.12.2014	(2), (4)
Mr. LI Jianhong	13.75	1,000,000	–	–	–	–	1,000,000	0.044%	2.12.2004 –1.12.2014	(2), (4)
Ms. SUN Yueying	13.75	1,000,000	–	–	–	–	1,000,000	0.044%	3.12.2004 –2.12.2014	(2), (4)
Mr. XU Minjie	19.30	800,000	–	–	–	–	800,000	0.035%	19.4.2007 –18.4.2017	(3), (4)
Dr. SUN Jiakang	13.75	700,000	–	–	–	–	700,000	0.031%	1.12.2004 –30.11.2014	(2), (4)
Dr. WONG Tin Yau, Kelvin	9.54	800,000	–	–	–	–	800,000	0.035%	28.10.2003 –27.10.2013	(1), (4)
	13.75	1,000,000	–	–	–	–	1,000,000	0.044%	2.12.2004 –1.12.2014	(2), (4)
	19.30	500,000	–	–	–	–	500,000	0.022%	18.4.2007 –17.4.2017	(3), (4)
Mr. YIN Weiyu	19.30	500,000	–	–	–	–	500,000	0.022%	19.4.2007 –18.4.2017	(3), (4)
Ex-director										
Mr. WANG Zhi*	13.75	550,000	–	–	(550,000)	–	–	0.024%	29.11.2004 –28.11.2014	(2), (4), (5)
	19.30	500,000	–	–	(500,000)	–	–	0.022%	18.4.2007 –17.4.2017	(3), (4), (5)
		8,350,000	–	–	(1,050,000)	–	7,300,000			
Continuous contract employees	9.54	1,611,000	–	(20,000)	–	(72,000)	1,519,000	0.067%	(refer to note 1)	(1), (6)
	13.75	14,072,000	–	–	(120,000)	(470,000)	13,482,000	0.596%	(refer to note 2)	(2)
	19.30	14,580,000	–	–	(160,000)	(510,000)	13,910,000	0.614%	(refer to note 3)	(3)
Others	9.54	50,000	–	–	–	–	50,000	0.002%	(refer to note 1)	(1)
	13.75	4,120,000	–	–	670,000	–	4,790,000	0.212%	(refer to note 2)	(2)
	19.30	–	–	–	660,000	–	660,000	0.029%	(refer to note 3)	(3)
		34,433,000	–	(20,000)	1,050,000	(1,052,000)	34,411,000			
		42,783,000	–	(20,000)	–	(1,052,000)	41,711,000			

* Mr. WANG Zhi resigned as an executive director of the Company with effect from 1st November 2009.

Notes:

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

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

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

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

(5) Mr. WANG Zhi resigned as an executive director of the Company on 1st November 2009. In this respect, the options granted to Mr. WANG Zhi were re-classified from the category of "directors" to the category of "others".

(6) The weighted average closing price of the shares immediately before the dates on which the options were exercised was HK$11.62.

(7) No share options were granted or cancelled under the 2003 Share Option Scheme during the year ended 31st December 2009.

Directors' Interests in Shares, Underlying Shares and Debentures

As at 31st December 2009, the interests of the Company's directors in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules were as follows:

(a) Long positions in the shares of the Company

Name of director	Capacity	Nature of interest	Number of ordinary shares held	% of total issued share capital of the Company
Dr. LI Kwok Po, David	Beneficial owner	Personal	261,187	0.012%
Mr. Timothy George FRESHWATER	Beneficial owner	Personal	30,000	0.001%

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

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

Reports of the Directors

(c) Long positions in the shares of associated corporations

Name of associated corporation	Name of director	Capacity	Nature of interest	Number of H shares held	% of total issued H share capital of the relevant associated corporation
China COSCO Holdings Company Limited	Dr. FAN HSU Lai Tai, Rita	Beneficial owner	Personal	5,000	0.0002%

Name of associated corporation	Name of director	Capacity	Nature of interest	Number of shares held	% of total issued share capital of the relevant associated corporation
COSCO Corporation (Singapore) Limited	Mr. LI Jianhong	Beneficial owner	Personal	1,300,000 (Note)	0.058%
	Ms. SUN Yueying	Beneficial owner	Personal	1,400,000 (Note)	0.063%
COSCO International Holdings Limited	Dr. WONG Tin Yau, Kelvin	Beneficial owner	Personal	815,529	0.054%

Note:

Adjustments were made to the number of shares held by these directors as a result of the approval of the sub-division of every 1 ordinary share of S$0.20 each divided into 2 ordinary shares of S$0.10 each by the shareholders of COSCO Corporation (Singapore) Limited ("COSCO Singapore"), an associated corporation of the Company listed on the Main Board of the Singapore Exchange, at the extraordinary general meeting held on 17th January 2006.

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

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

Name of associated corporation	Name of director	Capacity	Nature of interest	Exercise price HK$	Number of share options: Outstanding at 1st January 2009	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31st December 2009	% of total issued share capital of the relevant associated corporation	Note
COSCO International Holdings Limited	Mr. LI Jianhong	Beneficial owner	Personal	1.37	1,200,000	–	–	–	1,200,000	0.079%	(1)
	Dr. SUN Jiakang	Beneficial owner	Personal	1.37	800,000	–	–	–	800,000	0.053%	(1)
	Mr. HE Jiale	Beneficial owner	Personal	1.37	1,200,000	–	–	–	1,200,000	0.079%	(1)
	Dr. WONG Tin Yau, Kelvin	Beneficial owner	Personal	1.37	500,000	–	–	–	500,000	0.033%	(1)

Notes:

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

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

Name of associated corporation	Name of director	Capacity	Nature of interest	Exercise price S$	Number of share options: Outstanding at 1st January 2009	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31st December 2009	% of total issued share capital of the relevant associated corporation	Note
COSCO Corporation (Singapore) Limited	Mr. LI Jianhong	Beneficial owner	Personal	1.23	700,000	–	–	–	700,000	0.031%	(1)
	Ms. SUN Yueying	Beneficial owner	Personal	1.23	700,000	–	–	–	700,000	0.031%	(1)

Notes:

(1) The share options were granted by COSCO Singapore on 21st February 2006 and are exercisable at any time between 21st February 2007 and 20th February 2011.

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

Reports of the Directors

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

					Number of units of share appreciation rights					
Name of associated corporation	Name of director	Capacity	Nature of interest	Exercise price HK$	Outstanding at 1st January 2009	Granted during the year	Exercised during the year	Outstanding at 31st December 2009	% of total issued H share capital of the relevant associated corporation	Note
China COSCO Holdings Company Limited	Mr. CHEN Hongsheng	Beneficial owner	Personal	3.195	525,000	–	–	525,000	0.020%	(1)
				3.588	700,000	–	–	700,000	0.027%	(2)
				9.540	680,000	–	–	680,000	0.026%	(3)
	Mr. LI Jianhong	Beneficial owner	Personal	3.195	450,000	–	–	450,000	0.017%	(1)
				3.588	600,000	–	–	600,000	0.023%	(2)
				9.540	580,000	–	–	580,000	0.022%	(3)
	Mr. XU Lirong	Beneficial owner	Personal	3.195	375,000	–	–	375,000	0.015%	(1)
				3.588	500,000	–	–	500,000	0.019%	(2)
				9.540	580,000	–	–	580,000	0.022%	(3)
	Ms. SUN Yueying	Beneficial owner	Personal	3.195	450,000	–	–	450,000	0.017%	(1)
				3.588	600,000	–	–	600,000	0.023%	(2)
				9.540	580,000	–	–	580,000	0.022%	(3)
	Mr. XU Minjie	Beneficial owner	Personal	3.195	75,000	–	–	75,000	0.003%	(1)
				3.588	90,000	–	–	90,000	0.003%	(2)
	Dr. SUN Jiakang	Beneficial owner	Personal	3.195	375,000	–	–	375,000	0.015%	(1)
				3.588	500,000	–	–	500,000	0.019%	(2)
				9.540	480,000	–	–	480,000	0.019%	(3)
	Mr. HE Jiale	Beneficial owner	Personal	3.195	375,000	–	–	375,000	0.015%	(1)
				3.588	500,000	–	–	500,000	0.019%	(2)
				9.540	480,000	–	–	480,000	0.019%	(3)
	Mr. YIN Weiyu	Beneficial owner	Personal	3.195	100,000	–	–	100,000	0.004%	(1)
				3.588	65,000	–	–	65,000	0.003%	(2)

Notes:

(1) The share appreciation rights were granted by China COSCO Holdings Company Limited ("China COSCO"), an associated corporation of the Company and a company listed on the Stock Exchange and the Shanghai Stock Exchange, in units with each unit representing one H share of China COSCO, on 16th December 2005 pursuant to the share appreciation rights plan adopted by China COSCO (the "Plan"). Under the Plan, no shares will be issued. The share appreciation rights are exercisable at HK$3.195 per unit at any time between 16th December 2007 and 15th December 2015.

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

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

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

Save as disclosed above, as at 31st December 2009, none of the directors or chief executive of the Company had any interests or short positions in any shares or underlying shares or interests in debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Directors' Interests in Competing Business

The COSCO Group (excluding the COSCO Logistics Group (as defined below)) carry on, among others, the businesses of shipping agency, freight forwarding and/or third party logistics and supporting services relating to the aforesaid services (the "Logistics Businesses"), details of which are disclosed in the circular on connected transactions issued by the Company dated 13th October 2003. The core of such businesses is unlikely to be in competition with the businesses carried on by COSCO Logistics Co., Ltd. ("COSCO Logistics") and its subsidiaries, jointly controlled entities and associates (collectively the "COSCO Logistics Group"). The relevant member of the Group as vendor and China COSCO as purchaser entered into an agreement for the sale and purchase of 49% equity interest in COSCO Logistics (the "Transfer"), details of which are disclosed in the announcement and circular issued by the Company on 27th August 2009 and 17th September 2009 respectively. As at 31st December 2009, the Transfer had not been completed, and China COSCO and the Group had 51% and 49% equity interests in COSCO Logistics respectively.

As at 31st December 2009, Mr. CHEN Hongsheng, Mr. LI Jianhong, Mr. XU Lirong, Ms. SUN Yueying, Mr. XU Minjie, Dr. SUN Jiakang and Mr. HE Jiale, all being Directors, held directorships and/or senior management posts in the COSCO Group and/or other companies which have interests in container terminals (the "Container Terminal Interests").

The Board is of the view that the Group is capable of carrying on its businesses independently of the Logistics Businesses and/or the Container Terminal Interests. When making decisions on the logistics businesses and/or the container terminal business of the Group, the relevant Directors, in the performance of their duties as directors of the Company, have acted and will continue to act in the best interests of the Group.

Substantial Interests in the Share Capital of the Company

As at 31st December 2009, the interests of shareholders in the shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

			Number of ordinary shares/Percentage of total issued share capital			
Name	**Capacity**	**Nature of interests**	**Long positions**	**%**	**Short positions**	**%**
COSCO Investments Limited	Beneficial owner	Beneficial interest	202,592,613	8.95	–	–
COSCO Pacific Investment Holdings Limited	Beneficial owner and interest of controlled corporation	Beneficial interest and corporate interest	1,158,303,338	51.20	–	–
China COSCO Holdings Company Limited	Interest of controlled corporation	Corporate interest	1,158,303,338	51.20	–	–
China Ocean Shipping (Group) Company	Interest of controlled corporation	Corporate interest	1,158,303,338	51.20	–	–

Note:

The 1,158,303,338 shares relate to the same batch of shares of the Company. COSCO Investments Limited ("COSCO Investments") is a wholly-owned subsidiary of COSCO Pacific Investment Holdings Limited ("COSCO Pacific Investment"). Accordingly, the 202,592,613 shares of the Company held by COSCO Investments are also included as part of COSCO Pacific Investment's interests in the Company. COSCO Pacific Investment is a wholly-owned subsidiary of China COSCO and it itself held 955,710,725 shares of the Company beneficially. Accordingly, COSCO Pacific Investment's interests in relation to the 1,158,303,338 shares of the Company are also recorded as China COSCO's interests in the Company. China Ocean Shipping (Group) Company ("COSCO") held 54.55% interest of the issued share capital of China COSCO as at 31st December 2009, and accordingly, COSCO is deemed to have the interests of 1,158,303,338 shares of the Company held by COSCO Pacific Investment.

Save as disclosed above, as at 31st December 2009, the Company has not been notified of any other interests or short positions in the shares and underlying shares of the Company which had been recorded in the register required to be kept under Section 336 of the SFO.

Reports of the Directors

Public Float

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

Purchase, Sale or Redemption of Shares

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

Pre-emptive Rights

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

Management Contracts

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

Major Suppliers and Lessees

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

Percentage of container purchases attributable to the Group's largest supplier	21.55%
Percentage of container purchases attributable to the Group's five largest suppliers	69.13%
Percentage of leasing income attributable to the Group's largest lessee, which is a subsidiary of COSCO	67.80%
Percentage of leasing income attributable to the Group's five largest lessees	81.12%

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

During the year ended 31st December 2009, the Group and COSCO have equity interest in China International Marine Containers (Group) Co., Ltd., the holding company of the aforesaid three suppliers of the Group. In 2009, these three suppliers attributed 35.73% of container purchases of the Group.

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

Corporate Governance

The Company is committed to maintaining high standards of corporate governance so as to ensure better transparency and protection of shareholders' interests. The Company has fully complied with the code provisions of the Code on Corporate Governance Practices set out in Appendix 14 of the Listing Rules throughout the year ended 31st December 2009.

Further information on the Company's corporate governance practices is set out in the Corporate Governance Report on pages 48 to 66 of this annual report.

Connected Transactions

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

(a) Connected transactions

Disposal of 49% Equity Interest in COSCO Logistics Co., Ltd.

On 27th August 2009, COSCO Pacific Logistics Company Limited ("CP Logistics"), a wholly-owned subsidiary of the Company, entered into an equity transfer agreement (the "Equity Transfer Agreement") with China COSCO Holdings Company Limited ("China COSCO"), pursuant to which CP Logistics conditionally agreed to sell and China COSCO conditionally agreed to purchase CP Logistics' entire 49% equity interest in COSCO Logistics Co., Ltd. ("COSCO Logistics"), a company then owned by China COSCO and CP Logistics as to 51% and 49% respectively, at a cash consideration of RMB2,000,000,000. Apart from the aforesaid cash consideration, CP Logistics is entitled to receive a special distribution of an additional cash amount equivalent to 273/365 (representing the first nine months of 2009) of 49% of 90% of the audited consolidated net profit after tax and minority interests of COSCO Logistics for the year ended 31st December 2009 as shown in the audited consolidated accounts of COSCO Logistics for the year ended 31st December 2009 prepared in accordance with the accounting standards of the People's Republic of China (the "PRC"). The payment shall be made by COSCO Logistics on or before 30th June 2010, and coordinated by China COSCO.

As China COSCO is a substantial shareholder of the Company and therefore a connected person of the Company, the transaction contemplated under the Equity Transfer Agreement constituted a connected transaction of the Company under the Listing Rules. The transaction also constituted a major disposal of the Company.

Pursuant to the Equity Transfer Agreement, all conditions precedent (the "Conditions") to the completion of transactions contemplated under the Equity Transfer Agreement (the "Completion") shall be fulfilled by 20th December 2009 (the "Long Stop Date"). As at 20th December 2009, all of the Conditions, except for the obtaining by COSCO Logistics of the approval of the Ministry of Commerce of the PRC or its authorized departments in respect of the transfer; and the completion of the procedures regarding change in business registration of COSCO Logistics and the obtaining of a new business licence by COSCO Logistics, had been fulfilled. Pursuant to the relevant clauses of the Equity Transfer Agreement, China COSCO and CP Logistics negotiated for an extension of the Long Stop Date and the date of the Completion (the "Completion Date"). As at 15th January 2010, the approval of the authorized department of Ministry of Commerce of the PRC had been obtained. As more time was required to complete the procedures regarding change in business registration of COSCO Logistics and to obtain a new business licence by COSCO Logistics, China COSCO and CP Logistics agreed to extend the deadline for fulfillment of the Conditions to 17th March 2010 and the Completion Date to no later than 31st March 2010. The Completion eventually took place in March 2010.

Transactions entered into by Guangzhou South China Oceangate Container Terminal Company Limited

(1) Dredging Project Management Services Agreement between GZ South China and GZ Port Project Management

On 4th November 2009, Guangzhou South China Oceangate Container Terminal Company Limited ("GZ South China"), a subsidiary (as defined under the Listing Rules) of the Company, entered into an agreement with Guangzhou Port Water Transportation Project Management Company (廣州港水運工程監理公司) ("GZ Port Project Management"), a subsidiary of Guangzhou Port Holding Company Limited (廣州港集團有限公司) ("GZ Port Holding"), pursuant to which GZ Port Project Management shall supervise the project concerning the maintaining of the depth of the water area connecting the phase 2 terminal at the Nansha Port, Guangzhou, the PRC (the "Nansha Port Terminal Phase 2") and the dredging of the channel thereunder. The project management period was 395 days from 30th April 2009 and the fee for supervising the conducting of the project was RMB450,000. The warranty management period was from 30th April 2009 to 31st May 2010 and the fee for supervising the maintenance work shall not exceed 5% of the total fee for supervising the conducting of the project.

Reports of the Directors

(2) Lighting Project Agreement between GZ South China and GZ Port Construction Project

On 4th November 2009, GZ South China entered into an agreement with Guangzhou Port Construction Project Company (廣州港建設工程公司) ("GZ Port Construction Project"), a subsidiary of GZ Port Holding, in respect of the engagement of GZ Port Construction Project by GZ South China to carry out the project concerning the construction of lamp posts and the installation of the related electricity facilities at certain areas of the Nansha Port Terminal Phase 2 for a term of 68 days from the date of such agreement plus a warranty period of 1 year after the completion of the project. The fee for the project was RMB3,800,000.

As GZ Port Holding is a substantial shareholder of GZ South China, GZ Port Project Management and GZ Port Construction Project, which are subsidiaries of GZ Port Holding, are connected persons of the Company. Accordingly, the Dredging Project Management Services Agreement and the Lighting Project Agreement and the respective transactions contemplated thereunder constituted connected transactions of the Company under the Listing Rules.

(b) Continuing connected transactions

Container related services and shipping related services transactions

COSCO is the ultimate controlling shareholder of the Company. COSCO Container Lines Company Limited ("COSCON") is a subsidiary of COSCO. Accordingly, COSCO and COSCON and their respective associates (excluding the Group) are connected persons of the Company. APM Terminals Invest Company Limited ("APMT"), which is a subsidiary of A.P. Møller-Maersk A/S ("APM"), has been a substantial shareholder of a subsidiary of the Company since 5th September 2006. Entities trading under the names of Maersk Line, Safmarine, MCC or any other future names with majority ownership by APM (collectively the "Line") are majority-owned by APM and are therefore associates of APMT. Accordingly, the Line is a connected person of the Company. Each of the master agreements referred to below and the transactions contemplated thereunder constituted continuing connected transactions (the "Continuing Connected Transactions") for the purpose of the Listing Rules and are subject to the reporting, announcement and independent shareholders approval requirements set out in Chapter 14A of the Listing Rules. The Continuing Connected Transactions for the years 2007 to 2009 were approved by the independent shareholders at the Special General Meeting held on 17th May 2007.

(1) The Shipping Services Master Agreement entered into between COSCO, COSCON and COSCO Ports (Holdings) Limited ("COSCO Ports", a wholly-owned subsidiary of the Company) on 23rd March 2007 in respect of provision of the shipping related services provided by COSCO Ports and its subsidiaries to COSCO and COSCON and their respective associates (excluding the Group but including COSCON) for a term of three years from 1st January 2007 to 31st December 2009 at rates no less favourable to COSCO Ports and its subsidiaries than that at which COSCO Ports and its subsidiaries charge independent third parties for the relevant services. The annual caps of the shipping related services transactions for the years ended 31st December 2007, 2008 and 2009 are US$34,929,000, US$51,272,000 and US$52,629,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2009 was US$34,373,000.

(2) The Shipping Services Master Agreement entered into between COSCO Ports and the Line on 23rd March 2007, in respect of provision of the shipping related services provided by COSCO Ports and its subsidiaries to the Line for a term of three years from 1st January 2007 to 31st December 2009 on normal commercial terms. The annual caps of the shipping related services transactions for the years ended 31st December 2007, 2008 and 2009 are US$15,000,000, US$34,000,000 and US$46,000,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2009 was US$9,743,000.

(3) The Container Services Master Agreement (as amended on 23rd March 2007) entered into between COSCO, COSCON and Plangreat Limited ("Plangreat", a wholly-owned subsidiary of the Company) commencing from 1st January 2005 and which was effectively renewed from 23rd March 2007 to expire on 31st December 2009, in respect of provision of the container related services by Plangreat and its subsidiaries to COSCO, COSCON and their respective associates (excluding the Group but including COSCON) at rates no less favourable to Plangreat and its subsidiaries than that at which Plangreat and its subsidiaries charge independent third parties for the relevant services. The annual cap of the container related services transactions for each of the years ended 31st December 2007, 2008 and 2009 is US$7,501,000. The total amount of the aforesaid transactions for the year ended 31st December 2009 was US$2,940,000.

Logistics services provided by Yangzhou Ports Modern Logistics Centre

On 20th April 2007, Yangzhou Yuanyang International Ports Co. Ltd. ("Yangzhou Yuanyang"), a subsidiary of the Company, entered into a new Ancillary Loading and Unloading Transportation Services Agreement with Yangzhou Ports Modern Logistics Centre ("Yangzhou Ports Modern Logistics"), a wholly-owned subsidiary of Jiangsu Province Yangzhou Port Group Co., Ltd. (江蘇省揚州港務集團有限公司) which holds 40% equity interest in Yangzhou Yuanyang, in respect of provision of logistics services by Yangzhou Ports Modern Logistics to Yangzhou Yuanyang for a term from 1st March 2007 to 31st December 2009. The services fees charged by Yangzhou Ports Modern Logistics were payable monthly by reference to the volume of work handled by Yangzhou Ports Modern Logistics. The annual caps of the aforesaid transactions for the years ended 31st December 2007, 2008 and 2009 are US$3,735,000, US$4,109,000 and US$4,518,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2009 was US$4,089,000.

Rental of office premises

On 28th November 2008, COSCO Pacific Management Company Limited ("COSCO Pacific Management"), a wholly-owned subsidiary of the Company, as tenant entered into a tenancy agreement with Wing Thye Holdings Limited ("Wing Thye") as landlord (the "Tenancy Agreement") in respect of the leasing of Units 4901, 4902A and 4903 situated at 49th Floor of COSCO Tower, 183 Queen's Road Central, Hong Kong (the "Premises").

Pursuant to the Tenancy Agreement, COSCO Pacific Management agreed to rent from Wing Thye the Premises for a term of three years commencing from 29th November 2008 at a monthly rental of HK$846,846.00 exclusive of government rent, rates and management fees payable to Wing Thye. The monthly management fees payable to Wing Thye is HK$72,586.80. During the subsistence of the Tenancy Agreement, the maximum aggregate annual value of the rental and the management fees is HK$11,033,193.60. The Tenancy Agreement does not provide for renewal clauses.

The Company intended to continue to occupy the Premises on a long term basis as the head office of itself and its subsidiaries and as its principal place of business in Hong Kong. In negotiating the rental under the Tenancy Agreement, the directors of the Company made reference to the professional opinion given by DTZ Debenham Tie Leung Limited ("DTZ"), an independent professional valuer engaged by COSCO Pacific Management and Wing Thye. DTZ opined that the monthly rental for the Premises was at market level and was fair and reasonable.

Wing Thye is a wholly-owned subsidiary of COSCO (Hong Kong) Group Limited ("COSCO Hong Kong"). COSCO is a controlling shareholder of both the Company and COSCO Hong Kong. Accordingly, COSCO, COSCO Hong Kong and Wing Thye are all connected persons of the Company. The Tenancy Agreement and the transactions contemplated thereunder constituted continuing connected transactions of the Company under the Listing Rules.

Reports of the Directors

Transactions entered into by Zhangjiagang Win Hanverky Container Terminal Co., Ltd.

(1) Supply of electricity by Zhangjiagang Port Group Co., Ltd.

On 3rd September 2009, Zhangjiagang Win Hanverky Container Terminal Co., Ltd. ("Zhangjiagang Win Hanverky"), a subsidiary of the Company, entered into an agreement with Zhangjiagang Port Group Co., Ltd. (張家港港務集團有限公司) ("Zhangjiagang Port Group") in respect of supply of electricity at designated areas of the terminal owned and operated by Zhangjiagang Win Hanverky at the Zhangjiagang Port, Jiangsu province, the PRC (the "Zhangjiagang Port Terminal") by Zhangjiagang Port Group to Zhangjiagang Win Hanverky for a term of three years from 1st January 2009 to 31st December 2011 at a unit price to be determined by Zhangjiagang Port Group in accordance with the relevant documents issued by Jiangsu Price Bureau and the actual situation of Zhangjiagang Port Group. The annual caps of the aforesaid electricity supply transactions for the years ended/ending 31st December 2009, 2010 and 2011 are RMB3,200,000, RMB3,900,000 and RMB4,500,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2009 was approximately RMB2,325,000.

(2) Supply of fuel by Zhangjiagang Port Group Co., Ltd. Gangkou Industrial Branch

On 3rd September 2009, Zhangjiagang Win Hanverky entered into an agreement with Zhangjiagang Port Group Co., Ltd. Gangkou Industrial Branch (張家港港務集團有限公司港口實業分公司) ("Zhangjiagang Port Industrial Branch"), a branch of Zhangjiagang Port Group, in respect of supply of diesel oil and gasoline by Zhangjiagang Port Industrial Branch to vehicles of Zhangjiagang Win Hanverky at the gas stations operated by Zhangjiagang Port Industrial Branch at Zhangjiagang Port Terminal for a term of three years from 1st January 2009 to 31st December 2011 at adjustable prices. The annual caps of the aforesaid fuel supply transactions for the years ended/ending 31st December 2009, 2010 and 2011 are RMB9,000,000, RMB10,800,000 and RMB14,000,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2009 was approximately RMB6,694,000.

(3) Repairing services provided by Zhangjiagang Port Industrial Branch

On 3rd September 2009, Zhangjiagang Win Hanverky entered into an agreement with Zhangjiagang Port Industrial Branch in respect of provision of repairing services by Zhangjiagang Port Industrial Branch to Zhangjiagang Win Hanverky for the Zhangjiagang Port Terminal for a term of three years from 1st January 2009 to 31st December 2011 at fee rates not higher than those at which Zhangjiagang Port Industrial Branch charges independent third parties and those at which independent third parties charge Zhangjiagang Win Hanverky for the provision of the same or similar repairing services. The annual cap of the aforesaid repairing services transactions for each of the years ended/ending 31st December 2009, 2010 and 2011 is RMB1,000,000. The total amount of the aforesaid transactions for the year ended 31st December 2009 was approximately RMB499,000.

(4) Manpower services provided by Zhangjiagang Port Group

On 3rd September 2009, Zhangjiagang Win Hanverky entered into an agreement with Zhangjiagang Port Group in respect of provision of manpower services by Zhangjiagang Port Group to Zhangjiagang Win Hanverky by appointing management officials to Zhangjiagang Win Hanverky for a term of three years from 1st January 2009 to 31st December 2011 at an annual services fee of RMB1,470,000. The management officials appointed to Zhangjiagang Win Hanverky under such agreement would remain as employees of the Zhangjiagang Port Group and would not be employees of Zhangjiagang Win Hanverky. The annual cap of the aforesaid manpower services transactions for each of the three years ended/ending 31st December 2009, 2010 and 2011 is RMB1,470,000. The total amount of the aforesaid transactions for the year ended 31st December 2009 was approximately RMB1,470,000.

(5) Cleaning services provided by Zhangjiagang Port Group Co., Ltd Port Property Branch

On 3rd September 2009, Zhangjiagang Win Hanverky entered into an agreement with Zhangjiagang Port Group Co., Ltd. Port Property Branch (張家港港務集團有限公司港房分公司) ("Zhangjiagang Port Property Branch"), a branch of Zhangjiagang Port Group, in respect of provision of cleaning services at the office building of Zhangjiagang Win Hanverky at the Zhangjiagang Port Terminal by Zhangjiagang Port Property Branch to Zhangjiagang Win Hanverky for a term of three years from 1st January 2009 to 31st December 2011 at an annual service fee of RMB186,700. The annual cap of the aforesaid cleaning services transactions for each of the three years ended/ending 31st December 2009, 2010 and 2011 is RMB186,700. The total amount of the aforesaid transactions for the year ended 31st December 2009 was approximately RMB186,700.

(6) Management services provided by Zhangjiagang Port Industrial Branch

On 3rd September 2009, Zhangjiagang Win Hanverky entered into an agreement with Zhangjiagang Port Industrial Branch in respect of provision of management services by Zhangjiagang Port Industrial Branch to Zhangjiagang Win Hanverky regarding a power substation of Zhangjiagang Win Hanverky at the Zhangjiagang Port Terminal for a term of one year from 1st January 2009 to 31st December 2009 at an annual management fee of RMB60,000, payable annually. The annual cap of the aforesaid management services transactions for the year ended 31st December 2009 is RMB60,000. The total amount of the aforesaid transactions for the year ended 31st December 2009 was approximately RMB60,000.

(7) Lease of property by Zhangjiagang Win Hanverky from Zhangjiagang Port Group

On 3rd September 2009, Zhangjiagang Win Hanverky as lessee and Zhangjiagang Port Group as lessor entered into an agreement in respect of leasing of a piece of land and the container berth no. 15 situated at the Zhangjiagang Port Terminal for a term of three years from 1st January 2008 to 31st December 2010. Pursuant to such agreement, Zhangjiagang Win Hanverky will pay to Zhangjiagang Port Group (a) the annual rental of RMB5,000,000; and (b) the land use tax and the sales tax (including the town facility maintenance tax and the education surcharges), which shall be the tax payable by Zhangjiagang Port Group to the relevant taxation authority of the PRC government in respect of such leased property, and which amount shall be calculated with reference to the land area and the rates of the relevant taxes. The annual cap of the aggregate amounts of rental and taxes payable by Zhangjiagang Win Hanverky for each of the two years ended/ending 31st December 2009 and 2010 is RMB6,200,000. The total amounts of the aforesaid rental and taxes for the year ended 31st December 2009 were RMB5,000,000 and RMB660,000 respectively.

As Zhangjiagang Port Group holds a 49% equity interest in Zhangjiagang Win Hanverky, Zhangjiagang Port Group and its subsidiaries, branches (which include Zhangjiagang Port Industrial Branch and Zhangjiagang Port Property Branch) and associates are connected persons of the Company. Accordingly, the transactions under sub-paragraphs (1) to (7) above constituted continuing connected transactions of the Company under the Listing Rules.

Lease of property by Quan Zhou Pacific Container Terminal Co., Ltd. from Quanzhou Harbour Container Co., Ltd.

Quan Zhou Pacific Container Terminal Co., Ltd ("QZ Pacific"), a subsidiary of the Company, as lessee and Quanzhou Harbour Container Co., Ltd. (泉州港務集裝箱股份有限公司) ("Quanzhou Harbour Co") as lessor entered into an agreement on 17th January 2007 in relation to the leasing of certain berths, trestle bridge, container storage space, terminal structures and ancillary facilities and other properties at the Quanzhou Houzhu Port Container Operation Zone (the "Houzhu operation Zone") (the "Leased Property") for a term expiring on 31st August 2009. On 7th September 2009, QZ Pacific as lessee entered into an agreement with Quanzhou Harbour Co as lessor in respect of the leasing of the Leased Property at a monthly rental of RMB690,000 (the "Lease Agreement"). Pursuant to the Lease Agreement, the water area use fee levied by the relevant authority as regards the use of the water area of Houzhu Operation Zone shall be borne by QZ Pacific. The maximum aggregate amounts of the rental payable for the year ended 31st December 2009 and for the period from 1st January 2010 to 31st March 2010 are RMB7,560,000 and RMB2,070,000 respectively. The total amount of the aforesaid rental for the year ended 31st December 2009 was approximately RMB7,560,000.

Reports of the Directors

As Quanzhou Harbour Co is a substantial shareholder of QZ Pacific, Quanzhou Harbour Co is a connected person of the Company. Accordingly, the leasing of the Lease Property pursuant to the Lease Agreement constituted continuing connected transaction of the Company.

Depot services provided to Florens Container Services Company Limited by certain subsidiaries of COSCO

On 14th September 2009, Florens Container Services Company Limited ("Florens"), a subsidiary of the Company, entered into agreements (the "Depot Services Agreements") with certain subsidiaries of COSCO (namely, COSCO Yingkou Container Repairs Co., Ltd. (營口中遠集裝箱維修工程有限公司), Dalian Xin Sanly Container Co., Ltd. (大連鑫三利集裝箱有限公司), Guangzhou Yuantai Xin Sanly Container Engineering Co., Ltd. (廣州遠太鑫三利集裝箱工程有限公司), Ningbo Xin Sanly Reefer Container Technical Co., Ltd. (寧波鑫三利冷箱技術有限公司), Qingdao Ocean & Great Asia Logistics Co., Ltd. (青島遠洋大亞物流有限公司), Qingdao Xin Sanly Reefer Container Technical Co., Ltd. (青島鑫三利冷箱技術有限公司), Shanghai Ya Tai International Container Freight Station & Transportation Co., Ltd. (上海亞太國際集裝箱儲運有限公司), Tianjin Binhai COSCO Container Logistics Co., Ltd. (天津濱海中遠集裝箱物流有限公司) and Tianjin Tian Chang Marine Service Engineering Co., Ltd. (天津天昌船務工程有限公司)) as the operators for the provision of interchanging, storing, handling and repairing services by the aforesaid operators for the container of which Florens or one of its subsidiaries and/or affiliates is the owner, lessee or manager for a term of three years from 1st January 2009.

The fees for the aforesaid depot services are determined in accordance with the current market rates. The annual caps of the aforesaid depot services transactions for the three years ended/ending 31st December 2009, 2010 and 2011 are USD1,310,000, USD1,507,000 and USD1,732,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2009 was approximately USD1,010,000.

As COSCO is the ultimate controlling shareholder of the Company, its subsidiaries are connected persons of the Company. Accordingly, the provision of depot services pursuant to the Depot Services Agreements constituted continuing connected transactions of the Company under the Listing Rules.

Transactions entered into by GZ South China

(1) Purchase of diesel oil from China Marine Bunker Supply Guangzhou Company

On 8th April 2009, GZ South China entered into an agreement with China Marine Bunker Supply Guangzhou Company (中國船舶燃料供應廣州公司) ("CM Supply") in respect of the purchase of diesel oil by GZ South China from CM Supply for a term from 1st January 2009 to 31st December 2009. The annual cap of the transactions under such agreement for the year ended 31st December 2009 is RMB16,560,000. The total amount of the aforesaid transactions for the year ended 31st December 2009 was approximately RMB6,626,000.

As CM Supply is owned as to 50% by COSCO which is the ultimate controlling shareholder of the Company, CM Supply is a connected person of the Company. Accordingly, the aforesaid purchase of diesel oil by GZ South China from CM Supply constituted continuing connected transactions of the Company under the Listing Rules.

(2) Purchase of diesel oil from Guangzhou Port Group Co., Ltd. Resources Branch Co

On 8th April 2009, GZ South China entered into an agreement with Guangzhou Port Group Co., Ltd. Resources Branch Co (廣州港集團有限公司物資分公司) ("GZ Port Resources"), a branch of GZ Port Holding, in respect of the purchase of diesel oil by GZ South China from GZ Port Resources for a term from 1st January 2009 to 31st December 2009. The annual cap of the transactions under such agreement for the year ended 31st December 2009 is RMB16,560,000. The total amount of the aforesaid transactions for the year ended 31st December 2009 was approximately RMB10,931,000.

(3) Port related services between GZ South China and GZ Port Holding and its subsidiaries (the "GZ Port Group")

On 8th April 2009, GZ South China entered into an agreement (the "Port Related Services Agreement No.1") with GZ Port Holding and Guangzhou Port Nansha Port Affairs Company Limited (廣州港南沙港務有限公司) ("GZ Port Nansha Affairs"), a subsidiary of GZ Port Holding, in respect of the mutual provision of port related services by GZ South China and GZ Port Nansha Affairs to the other at the Nansha Port terminals for a term from 1st January 2009 to 31st December 2009. The service fees charged were determined according to the agreed fee scale applicable to the types of services provided and the types and number of containers handled.

On 8th April 2009, GZ South China entered into another agreement (the "Port Related Services Agreement No.2") with Guangzhou Port Holding Logistics Company Limited (廣州港集團物流有限公司) ("GZ Port Logistics"), a subsidiary of GZ Port Holding, in respect of the provision of port related services by GZ South China to GZ Port Logistics (and its branch companies) at Nansha Port Terminal Phase 2 for the period from 1st January 2009 to 31st December 2009. The service fees charged by GZ South China to GZ Port Logistics were determined according to the agreed fee scales applicable to the types of services provided and the volume of work handled.

The annual cap for the aggregate amount receivable by GZ South China from GZ Port Nansha Affairs and GZ Port Logistics under the Port Related Services Agreement No.1 and the Port Related Services Agreement No.2 for the year ended 31st December 2009 is RMB4,800,000. The total amount received by GZ South China from GZ Port Nansha Affairs and GZ Port Logistics under the aforesaid agreements for the year ended 31st December 2009 was approximately RMB4,086,000. The annual cap for the aggregate amount payable by GZ South China to GZ Port Nansha Affairs under the Port Related Services Agreement No.1 for the year ended 31st December 2009 is RMB100,000. The total amount paid by GZ South China to GZ Port Nansha Affairs under the Port Related Services Agreement No.1 for the year ended 31st December 2009 was approximately RMB96,000.

(4) "Shuttle bus" services cooperation agreements between GZ South China and the GZ Port Group

On 8th April 2009, GZ South China entered into an agreement (the "GZ Port "Shuttle Bus" Services Cooperation Agreement") with GZ Port Holding and GZ Port Nansha Affairs in respect of the cooperation in the management and operation of "shuttle bus" services in connection with the transportation services provided at the Nansha Port terminals for the period from 1st January 2009 to 31st December 2009.

Pursuant to the GZ Port "Shuttle Bus" Services Cooperation Agreement, GZ South China and GZ Port Nansha Affairs should bear their own expenses incurred for cargo handling in respect of "shuttle buses" using services at their own terminals at Nansha Port. GZ South China and GZ Port Nansha Affairs should charge the relevant shipping companies using the "shuttle bus" services the loading and unloading fees incurred in respect of the use of such services at their respective terminals, and should not charge Guangzhou Port Holding Shipping Affairs Company Limited (廣州港集團船務有限公司) ("GZ Port Shipping Affairs"), a subsidiary of GZ Port Holding, any fee. GZ South China and GZ Port Nansha Affairs should pay GZ Port Shipping Affairs subsidies for the containers transported between the Pearl River Delta region and the Nansha Port terminals at the rate of RMB100 per container. The annual cap for the aggregate amount payable by GZ South China to GZ Port Shipping Affairs under the GZ Port "Shuttle Bus" Services Cooperation Agreement for the year ended 31st December 2009 is RMB4,000,000. The total amount paid by GZ South China to GZ Port Shipping Affairs under the GZ Port "Shuttle Bus" Services Cooperation Agreement in respect of the year ended 31st December 2009 was approximately RMB2,848,000.

On 8th April 2009, GZ South China entered into another agreement (as amended by a supplemental agreement dated 17th September 2009, the "HK Route "Shuttle Bus" Services Cooperation Agreement") with GZ Port Nansha Affairs and GZ Port Shipping Affairs in respect of the cooperation in the management and operation of Hong Kong route of the "shuttle bus" services in connection with the transportation services provided at the Nansha Port terminals for the period from 1st January 2009 to 31st December 2009.

Reports of the Directors

Pursuant to the HK Route "Shuttle Bus" Services Cooperation Agreement, cargo handling expenses arising from the Hong Kong route "shuttle buses" using the terminals of GZ Port Holding and GZ South China at Nansha Port should be the responsibility of GZ Port Nansha Affairs and GZ South China respectively. If according to the mode of transportation, GZ Port Shipping Affairs was responsible for the loading and unloading fees incurred in respect of the use of the respective terminals of GZ Port Nansha Affairs and GZ South China in connection with the Hong Kong route of the "shuttle bus" services, GZ Port Shipping Affairs should pay such loading and unloading fees to GZ Port Nansha Affairs or GZ South China (as the case may be) at the agreed fee scales applicable to the types and number of the containers handled. GZ Port Nansha Affairs and GZ South China should not charge any berthing fees in relation to the Hong Kong route of the "shuttle bus" services. The annual cap for the aggregate amount receivable by GZ South China from GZ Port Shipping Affairs under the HK Route "Shuttle Bus" Services Cooperation Agreement" for the year ended 31st December 2009 is RMB1,500,000. The total amount received by GZ South China from GZ Port Shipping Affairs under the HK Route "Shuttle Bus" Services Cooperation Agreement in respect of the year ended 31st December 2009 was approximately RMB1,468,000.

(5) Surveying services provided by Guangzhou Navigation Route Engineering Co.

On 4th November 2009, GZ South China entered into an agreement with Guangzhou Navigation Route Engineering Co. (廣州航道工程公司) ("GZ Engineering"), a subsidiary of GZ Port Holding, in respect of the provision of surveying services by GZ Engineering to GZ South China at the designated areas of the Nansha Port Terminal Phase 2 for the period from 1st February 2009 to 31st January 2010 at fees determined according to the agreed fee scale and actual area surveyed. The annual caps of the aforesaid surveying services transactions for the years ended/ending 31st December 2009 and 31st December 2010 are RMB460,000 and RMB1,000,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2009 was approximately RMB460,000.

(6) Joint establishment of a commercial centre

On 4th November 2009, GZ South China entered into an agreement (the "Commercial Centre Cooperation Agreement") with certain members of GZ Port Group (namely, GZ Port Holding, GZ Port Nansha Affairs, Guangzhou Container Terminal Company Limited (廣州集裝箱碼頭有限公司) ("GZ Container Terminal"), which is a subsidiary of GZ Port Holding, Guangzhou Port Holding Company Limited Huangpu Port Affairs Branch (廣州港集團有限公司黃埔港務分公司) ("GZ Port Huangpu Branch"), which is a branch of GZ Port Holding, GZ Port Logistics and GZ Port Shipping Affairs) in respect of the joint establishment of the commercial centre (營銷中心) for market expansion, sales and promotion and external coordination for a term of one year from 1st January 2009 to 31st December 2009.

Pursuant to the Commercial Centre Cooperation Agreement, GZ Port Holding shall provide office premises and the requisite facilities for the commercial centre free of charge. A commercial fund (營銷基金) at an annual budget of RMB3,300,000 for the year ended 31st December 2009 shall be set up for meeting expenses, which fund shall be contributed by GZ South China as to 35%, and by GZ Port Nansha Affairs, GZ Container Terminal, GZ Port Huangpu Branch, GZ Port Logistics and GZ Port Shipping Affairs as to 35%, 10%, 10%, 5% and 5% respectively. The annual cap for the amount payable by GZ South China pursuant to the Commercial Centre Cooperation Agreement for the year ended 31st December 2009 was RMB1,150,000. The total amount paid by GZ South China for the year ended 31st December 2009 was approximately RMB673,000.

(7) Lease of pontoon to GZ Port Nansha Affairs and GZ South China by GZ Port Shipping Affairs

On 4th November 2009, GZ South China entered into an agreement with GZ Port Shipping Affairs and GZ Port Nansha Affairs in respect of the leasing of a pontoon by GZ Port Shipping Affairs to GZ Port Nansha Affairs and GZ South China for a term of one year from 1st October 2008, which has been extended for the period from 1st October 2009 to 30th September 2010. The pontoon was leased at a monthly rental of RMB10,000 borne by GZ Port Nansha Affairs and GZ South China in equal shares. The annual cap for the aforesaid pontoon leasing transactions for each of the years ended/ending 31st December 2009 and 2010 is RMB60,000. The total amount of the aforesaid transactions for the year ended 31st December 2009 was approximately RMB60,000.

(8) Security services provided by Guangzhou Port Security Services Co.

On 4th November 2009, GZ South China entered into an agreement with Guangzhou Port Security Services Co. (廣州港保安服務公司) ("GZ Port Security"), a subsidiary of GZ Port Holding, in respect of the provision of security services at the Nansha Port Terminal Phase 2 by GZ Port Security to GZ South China for a term from 10th November 2008 to 9th November 2009 at fees determined according to the agreed fee rate and the actual number of security guards provided. The annual cap for the aforesaid security services transactions for the year ended 31st December 2009 was RMB1,200,000. The total amount of the aforesaid transactions for the year ended 31st December 2009 was approximately RMB1,038,000.

(9) Inspection Centre Related Agreements between GZ South China and certain members of the GZ Port Group

On 4th November 2009, GZ South China entered into the following agreements with certain subsidiaries of GZ Port Holding, all in relation to services provided in connection with the central inspection centre (查驗中心) at the Nansha Port where cargo inspection services are provided (the "Inspection Centre"):

(i) an agreement with GZ Port Nansha Affairs and GZ Port Logistics in relation to the cooperation in the management and operation of the Inspection Centre for the provision of cargo inspection services for customs clearance purpose for a term from 1st September 2008 to 31st December 2009 (the "Inspection Centre Services Agreement"). GZ South China and GZ Port Nansha Affairs shall provide the premises and resources (including facilities and equipment) for the operation of the Inspection Centre; and bear the related expenses for the expansion of the Inspection Centre and the purchase and modification of inspection facilities and equipment under their prior approval, which expenses shall be shared between them on a fair and reasonable basis. GZ Port Logistics shall bear certain expenses in relation to the provision of the cargo inspection services by the customs officials and the relevant border officers and the expenses for the maintenance of the premises of, and facilities and equipment at, the Inspection Centre.

(ii) an agreement with GZ Port Nansha Affairs and GZ Port Logistics in respect of the leasing of machinery and the provision of drivers and operation officers in relation to the operation of such machinery by GZ South China and GZ Port Nansha Affairs to GZ Port Logistics for a term from 1st March 2009 to 31st December 2009 (the "Inspection Centre Machinery Lease Agreement"). The fees under the Inspection Centre Machinery Lease Agreement were determined according to the agreed fee scale, the number of machinery and officers provided and the time used.

(iii) an agreement with GZ Port Logistics in respect of the provision of services by GZ South China to GZ Port Logistics for transporting the cargoes into and/or out of the Inspection Centre for a term from 1st April 2009 to 31st December 2009 (the "Inspection Centre Transportation Services Agreement") at a monthly service fee of RMB200,000.

No fee is expected to be receivable by GZ South China for the transactions under the Inspection Centre Services Agreement and therefore no annual cap amount is set in this regard. The annual cap for the aggregate amount payable by GZ South China to GZ Port Logistics under the Inspection Centre Services Agreement for the year ended 31st December 2009 is RMB1,000,000. For the year ended 31st December 2009, GZ South China did not pay any fees to GZ Port Logistics under the Inspection Centre Services Agreement. The annual cap for the aggregate amount receivable by GZ South China from GZ Port Logistics under the Inspection Centre Machinery Lease Agreement and the Inspection Centre Transportation Services Agreement is RMB3,600,000. For the year ended 31st December 2009, GZ South China did not receive any fees from GZ Port Logistics under the Inspection Centre Machinery Lease Agreement. The total amount received by GZ South China from GZ Port Logistics under the Inspection Centre Transportation Services Agreement for the year ended 31st December 2009 was RMB1,800,000.

Reports of the Directors

(10) Cleaning services provided by Guangzhou Port Haiyin Property Management Co., Ltd.

GZ South China entered into the following agreements with Guangzhou Port Haiyin Property Management Co., Ltd. (廣州港海印物業管理有限公司) ("GZ Port Property Management"), a subsidiary of GZ Port Holding, in respect of provision of cleaning services (collectively the "Cleaning Services Agreements"):

(i) an agreement entered into on 1st October 2007 in respect of the provision of day-to-day cleaning and pest control services for certain office building, apartment and hostels of GZ South China located at the Nansha Port Terminal Phase 2 for a term from 1st October 2007 to 30th September 2009 (the "Office and Residential Area Cleaning Services Agreement"). The monthly service fees were RMB71,000 for the period from 1st October 2007 to 31st December 2007 and RMB73,000 for the period from 1st January 2008 to 30th September 2009 respectively.

(ii) a supplemental agreement entered into on 4th November 2009 in respect of the provision of sanitary items at certain areas of the office building of GZ South China at the Nansha Port Terminal Phase 2 for a term from 1st October 2007 to 30th September 2009 at a monthly fee of RMB950.

(iii) a supplemental agreement entered into on 4th November 2009 in respect of the extension of provision of service scope under the Office and Residential Area Cleaning Services Agreement to cover an additional floor of the office building of GZ South China at the Nansha Port Terminal Phase 2 for a term from 1st January 2009 to 30th September 2009 at an additional monthly fee of RMB840.

(iv) an agreement entered into on 1st October 2007 in respect of the provision of day-to-day cleaning and pest control services in certain buildings located at, and certain areas of, the Nansha Port Terminal Phase 2 for a term from 1st October 2007 to 30th September 2009. The monthly service fees were RMB33,000 for the period from 1st October 2007 to 31st December 2007 and RMB36,000 for the period from 1st January 2008 to 30th September 2009 respectively. An addition amount of RMB5,600 was paid for the pest control services.

(v) an agreement entered into on 4th November 2009 in respect of the provision of day-to-day cleaning services in certain buildings, apartments, hostels and other areas located at the Nansha Port Terminal Phase 2 for a term from 1st October 2009 to 30th September 2012 at the monthly service fee of RMB104,600.

The annual caps for the aggregate amount payable by GZ South China to GZ Port Property Management under the Cleaning Services Agreements for the years ended/ending 31st December 2009, 2010, 2011 and 2012 are RMB1,450,000, RMB1,500,000, RMB1,600,000 and RMB1,700,000 respectively. The aggregate amount of the transactions under the Cleaning Services Agreements for the year ended 31st December 2009 was RMB1,212,000.

(11) Cargo handling services provided by Guangzhou Ocean Shipping Tally Company

On 4th November 2009, GZ South China entered into an agreement with Guangzhou Ocean Shipping Tally Company (廣州外輪理貨有限公司) ("GZ Tally"), a subsidiary of GZ Port Holding, in respect of the provision of cargo handling services at the Nansha Port Terminal Phase 2 by GZ Tally to GZ South China for a term of one year from 1st January 2009 to 31st December 2009. The service fees charged by GZ Tally under such agreement were determined according to the agreed fee scale applicable to the types of vessels and the number of cargoes handled. The annual caps for the aforesaid cargo handling services transactions for the years ended/ending 31st December 2009 and 2010 are RMB4,800,000 and RMB9,000,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2009 was RMB4,313,000.

(12) Portable Terminal Equipment Usage Agreement between GZ South China and GZ Tally

On 4th November 2009, GZ South China entered into an agreement with GZ Tally in respect of the granting of the usage right of certain portable terminal equipment by GZ South China to GZ Tally for a term of one year from 1st January 2009 to 31st December 2009, which has been extended for the year ending 31st December 2010. No fee is expected to be receivable by GZ South China from GZ Tally under such agreement and therefore no annual cap amount is set in this regard. For the year ended 31st December 2009, GZ South China did not receive any fees from GZ Tally pursuant to such agreement.

(13) Port Related Fees Agreement between GZ South China and GZ Port Holding

On 4th November 2009, GZ South China entered into an agreement with GZ Port Holding in respect of the appointment of GZ South China by GZ Port Holding to charge on behalf of GZ Port Holding the port construction fee (港口建設費) and the high-frequency communication fee (甚高頻通訊費) for a term of one year from 1st January 2009 to 31st December 2009 (the "Port Related Fees Agreement"). GZ South China shall receive from GZ Port Holding the handling fee for the above appointment at a rate pursuant to relevant fee requirement as applicable from time to time. The annual cap for the aggregate amount payable by GZ South China under the Port Related Fees Agreement for the year ended 31st December 2009 was RMB19,800,000. The annual cap for the aggregate amount receivable by GZ South China under the Port Related Fees Agreement for the year ended 31st December 2009 was RMB3,000,000. The total amount paid by GZ South China under the Port Related Fees Agreement for the year ended 31st December 2009 was RMB17,781,000. The total amount received by GZ South China under the Port Related Fees Agreement for the year ended 31st December 2009 was RMB2,247,000.

(14) APM Logistic Project Cooperation Agreement between GZ South China, GZ Port Nansha Affairs and GZ Port Logistics

On 4th November 2009, GZ South China entered into an agreement with GZ Port Nansha Affairs and GZ Port Logistics in respect of the provision of handling services by GZ Port Logistics in respect of customs declaration and inspection declaration formalities for the Line in relation to the containers to be exported by the phase 1 terminal at the Nansha Port and the Nansha Port Terminal Phase 2 for the period from 1st September 2009 to 31st December 2009. The annual cap for the aforesaid logistic handling services transactions for the year ended 31st December 2009 was RMB150,000. For the year ended 31st December 2009, GZ South China did not pay any fees to GZ Port Logistics pursuant to such agreement.

(15) Lease of terminal areas to Guangzhou Port Nansha Vehicle Terminal Company Limited

On 4th November 2009, GZ South China entered into an agreement with Guangzhou Port Nansha Vehicle Terminal Company Limited (廣州港南沙汽車碼頭有限公司) ("GZ Port Vehicle"), an associate of GZ Port Holding, in respect of the provision of berths and the leasing of the relevant terminal areas at the Nansha Port Terminal Phase 2 by GZ South China to GZ Port Vehicle for the operation of GZ Port Vehicle's stevedoring business in respect of commercial vehicles for a term from 12th September 2009 to 31st March 2010. The fees were determined according to the agreed monthly rental. The annual caps for the aforesaid terminal areas leasing transactions for the year ended/ending 31st December 2009 and 2010 are RMB600,000 and RMB800,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2009 was RMB418,000.

(16) Manpower services provided by Guangzhou Port Container Comprehensive Development Co., Ltd.

On 31st March 2008, GZ South China entered into an agreement with Guangzhou Port Container Comprehensive Development Co., Ltd. (廣州港集裝箱綜合發展有限公司) ("GZ Port Development"), a subsidiary of GZ Port Holding, in respect of the provision of manpower services by GZ Port Development to GZ South China by appointing management officials to GZ South China (such management officials remain as employees of GZ Port Development and will not be employees of GZ South China) for a term expiring on 31st December 2010 at an annual service fee of RMB2,050,000. The annual cap for the aforesaid manpower services transactions for each of the year ended/ending 31st December 2009 and 2010 is RMB2,050,000. The total amount of the aforesaid transactions for the year ended 31st December 2009 was RMB2,050,000.

As GZ Port Holding is a substantial shareholder of GZ South China, members of GZ Port Holding (which includes GZ Port Holding, GZ Container Terminal, GZ Engineering, GZ Port Construction Project, GZ Port Development, GZ Port Huangpu Branch, GZ Port Logistics, GZ Port Nansha Affairs, GZ Port Property Management, GZ Port Resources, GZ Port Security, GZ Port Shipping Affairs, GZ Port Vehicle and GZ Tally) are connected persons of the Company. Accordingly, the transactions under sub-paragraphs (2) to (16) above constituted continuing connected transactions of the Company.

Reports of the Directors

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

During the year, long term container leasing transactions were entered into between COSCO Group and the Group in respect of the provision of long term container leases by the Group to COSCO Group to which the Stock Exchange had, subject to certain conditions, granted waiver dated 14th December 1994 to the Company from strict compliance with the requirements stipulated in the then Chapter 14 of the Listing Rules to disclose details of such connected transactions by press notice and/or circular and/or to obtain prior independent shareholders' approval. The total consideration of the aforesaid transactions for the year ended 31st December 2009 amounted to US$134,285,000. In the opinion of the directors of the Company, the aforesaid transactions were conducted in the ordinary and normal course of business of the Group and using average leasing rates by reference to, if applicable, the average of the available leasing rates quoted from two independent container leasing companies.

Opinion from the independent non-executive directors on the continuing connected transactions

Pursuant to the conditions of the waiver in relation to long term container leasing transactions and Rule 14A.37 of the Listing Rules, the independent non-executive directors of the Company have reviewed the above continuing connected transactions and opined that:

(i) the long term container leasing transactions had been conducted in the ordinary course of business of the Group and using average market rates by reference to, if applicable, the average of the available leasing rates quoted from two independent container leasing companies and were fair and reasonable so far as the shareholders of the Company were concerned; and

(ii) the container related services transactions, shipping related services transactions, logistics services transactions, rental of the office premises transactions, the transactions entered into by Zhangjiagang Win Hanverky, the rental of premises at Houzhu Operation Zone by QZ Pacific, the depot services transactions entered into by Florens and the transactions entered into by GZ South China were:

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

Report from the auditor on the continuing connected transactions

For the purposes of the conditions of the waiver in relation to long term container leasing transactions and Rule 14A.38 of the Listing Rules in relation to the other continuing connected transactions, the Board engaged the auditor of the Company to perform certain agreed-upon procedures on the above continuing connected transactions as identified by management for the year ended 31st December 2009 (the "Relevant Year") in accordance with Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants and the auditor reported that:

(i) the long term container leasing transactions for the Relevant Year had been conducted in the ordinary and normal course of business of the Group and by reference to, if applicable, the average of the available leasing rates quoted from two independent container leasing companies; and

(ii) the container related services transactions, shipping related services transactions, logistics services transactions, rental of the office premises transactions, the transactions entered into by Zhangjiagang Win Hanverky, the rental of premises at Houzhu Operation Zone by QZ Pacific, the depot services transactions entered into by Florens and the transactions entered into by GZ South China for the Relevant Year:

- had been approved by the Executive Committee on behalf of the Board;
- had been conducted in accordance with the pricing policies of the Group, if applicable (for the samples selected);
- had been entered into in accordance with the terms of the relevant agreements governing such continuing connected transactions (for the samples selected); and
- had not exceeded the respective annual caps (as revised where applicable) as set out in the Company's announcements published in that regard.

Disclosure under Rule 13.22 of Chapter 13 of the Listing Rules

In relation to the financial assistance granted by the Group to certain affiliated companies, a proforma combined balance sheet of the affiliated companies as at 31st December 2009 required to be disclosed under Rule 13.22 of Chapter 13 of the Listing Rules is set out below:

	US$'000
Non-current assets	2,436,192
Current assets	417,776
Current liabilities	(1,210,915)
Non-current liabilities	(924,029)
Net assets	719,024
Share capital	489,972
Reserves	116,958
Minority interest	112,094
Capital and reserves	719,024

As at 31st December 2009, the Group's attributable interests in these affiliated companies amounted to US$350,351,000.

Audit Committee

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

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

Auditor

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

On behalf of the Board

XU Minjie
Vice Chairman and Managing Director

Hong Kong, 30th March 2010

Independent Auditor's Report

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

We have audited the consolidated financial statements of COSCO Pacific Limited (the "Company") and its subsidiaries (collectively the "Group") set out on pages 103 to 186, which comprise the consolidated and company balance sheets as at 31st December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st December 2009 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30th March 2010

Consolidated Balance Sheet

As at 31st December 2009	Note	2009 US$'000	2008 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	**1,834,079**	1,627,590
Investment properties	8	**4,169**	1,679
Leasehold land and land use rights	9	**148,237**	60,660
Intangible assets	10	**5,719**	4,688
Jointly controlled entities	12	**431,132**	642,149
Loans to jointly controlled entities	12	**160,147**	123,904
Associates	13	**730,102**	708,508
Loans to associates	13	**32,440**	23,835
Available-for-sale financial assets	14	**320,000**	323,000
Finance lease receivables	15	**1,051**	2,000
Deferred income tax assets	16	**1,980**	1,204
Derivative financial instruments	17	**16,556**	24,215
Other non-current assets	18	**71,511**	–
		3,757,123	3,543,432
Current assets			
Inventories	19	**9,821**	5,376
Trade and other receivables	20	**182,315**	232,265
Current income tax recoverable		**1,355**	975
Available-for-sale financial assets	14	**20,581**	2,119
Restricted bank deposits	42(c)	**14**	77,435
Cash and cash equivalents	42(c)	**405,740**	351,606
		619,826	669,776
Asset held for sale under discontinuing operation	21	**258,363**	–
		878,189	669,776
Total assets		**4,635,312**	4,213,208
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	22	**29,018**	28,792
Reserves		**2,686,147**	2,492,047
Proposed final dividend		**27,128**	31,026
		2,742,293	2,551,865
Minority interests		**116,058**	94,438
Total equity		**2,858,351**	2,646,303

Consolidated Balance Sheet

As at 31st December 2009	Note	2009 US$'000	2008 US$'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	16	**19,603**	12,776
Long term borrowings	25	**1,410,671**	1,356,955
Other long term liabilities	26	**744**	2,922
		1,431,018	1,372,653
Current liabilities			
Trade and other payables	27	**148,000**	123,531
Current income tax liabilities		**4,329**	3,341
Current portion of long term borrowings	25	**83,051**	56,406
Short term bank loans	25	**110,563**	10,974
		345,943	194,252
Total liabilities		**1,776,961**	1,566,905
Total equity and liabilities		**4,635,312**	4,213,208
Net current assets		**532,246**	475,524
Total assets less current liabilities		**4,289,369**	4,018,956

On behalf of the Board

XU Minjie
Vice Chairman and Managing Director

WONG Tin Yau, Kelvin
Executive Director and Deputy Managing Director

The accompanying notes on pages 111 to 186 are an integral part of these consolidated financial statements.

Balance Sheet

As at 31st December 2009	Note	2009 US$'000	2008 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	**195**	21
Subsidiaries	11	**2,087,060**	1,934,267
		2,087,255	1,934,288
Current assets			
Other receivables	20	**246**	3,259
Amounts due from subsidiaries	11	**252,216**	280,300
Restricted bank deposits	42(c)	**–**	77,345
Cash and cash equivalents	42(c)	**59,028**	99,212
		311,490	460,116
Total assets		**2,398,745**	2,394,404
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	22	**29,018**	28,792
Reserves	24	**1,599,916**	1,543,482
Proposed final dividend	24	**27,128**	31,026
Total equity		**1,656,062**	1,603,300
LIABILITIES			
Non-current liability			
Loan due to a subsidiary	11	**296,655**	296,655
Current liabilities			
Other payables	27	**5,195**	2,373
Amounts due to subsidiaries	11	**440,833**	492,076
		446,028	494,449
Total liabilities		**742,683**	791,104
Total equity and liabilities		**2,398,745**	2,394,404

On behalf of the Board

XU Minjie
Vice Chairman and Managing Director

WONG Tin Yau, Kelvin
Executive Director and Deputy Managing Director

The accompanying notes on pages 111 to 186 are an integral part of these consolidated financial statements.

Consolidated Income Statement

For the year ended 31st December 2009	Note	2009 US$'000	2008 US$'000
Continuing operations:			
Revenue	6	**349,424**	337,973
Cost of sales		**(200,174)**	(165,454)
Gross profit		**149,250**	172,519
Investment income		**22,339**	22,493
Administrative expenses		**(62,949)**	(50,142)
Other operating income	28	**10,009**	26,743
Other operating expenses		**(18,731)**	(5,652)
Operating profit	29	**99,918**	165,961
Finance income	30	**6,005**	6,866
Finance costs	30	**(39,805)**	(52,738)
Operating profit after finance income and costs		**66,118**	120,089
Share of profits less losses of			
– jointly controlled entities		**59,183**	75,267
– associates		**32,890**	54,815
Profit on disposal of a jointly controlled entity	31	**5,516**	–
Profit before income tax from continuing operations		**163,707**	250,171
Income tax (expenses)/credit	32	**(13,286)**	4,585
Profit for the year from continuing operations		**150,421**	254,756
Discontinuing operation:			
Profit for the year from discontinuing operation			
– share of profit of a jointly controlled entity	21	**25,627**	25,006
Profit for the year		**176,048**	279,762
Profit attributable to:			
Equity holders of the Company	33	**172,526**	274,725
Minority interests		**3,522**	5,037
		176,048	279,762
Dividends	34	**69,162**	109,873
Earnings per share for profit attributable to equity holders of the Company			
– basic	35		
– from continuing operations		**US6.52 cents**	US11.12 cents
– from discontinuing operation		**US1.14 cents**	US1.12 cents
		US7.66 cents	US12.24 cents
– diluted	35		
– from continuing operations		**US6.52 cents**	US11.12 cents
– from discontinuing operation		**US1.14 cents**	US1.11 cents
		US7.66 cents	US12.23 cents

The accompanying notes pages 111 to 186 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31st December 2009	2009 US$'000	2008 US$'000
Profit for the year	**176,048**	279,762
Other comprehensive income		
Exchange differences arising on translation of financial statements of foreign subsidiaries, jointly controlled entities and associates	**9,831**	85,192
Net fair value gain/(loss) on available-for-sale financial assets	**43,824**	(205,701)
Release of reserve upon disposal of an available-for-sale financial asset	**(85)**	(2,044)
Fair value adjustment upon transfer from property, plant and equipment to investment properties	**294**	152
Share of reserves of jointly controlled entities and associates		
– revaluation reserve	**6,554**	(81,967)
– hedging reserve	**(433)**	(863)
– exchange reserve	**4,937**	(9,302)
– other reserves	**6,644**	2,392
Other comprehensive income/(loss) for the year	**71,566**	(212,141)
Total comprehensive income for the year	**247,614**	67,621
Total comprehensive income attributable to:		
Equity holders of the Company	**243,935**	57,743
Minority interests	**3,679**	9,878
	247,614	67,621

The accompanying notes on pages 111 to 186 are an integral part of the consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31st December 2009	Share capital US$'000	Share premium US$'000	Share option reserve US$'000	Capital reserve US$'000	Contributed surplus US$'000	Investment revaluation reserve US$'000	Properties revaluation reserve US$'000	Exchange reserve US$'000	Other reserves US$'000	Retained profits US$'000	Total reserves US$'000	Minority interests US$'000	Total US$'000
At 1st January 2009	28,792	699,162	10,732	4,708	115	208,002	866	145,680	42,326	1,411,482	2,523,073	94,438	2,646,303
Profit for the year	-	-	-	-	-	-	-	-	-	172,526	172,526	3,522	176,048
Exchange differences arising on translation of financial statements of foreign subsidiaries, jointly controlled entities and associates	-	-	-	-	-	-	-	9,674	-	-	9,674	157	9,831
Net fair value gain on available-for-sale financial assets	-	-	-	-	-	43,824	-	-	-	-	43,824	-	43,824
Release of reserve upon disposal of an available-for-sale financial asset	-	-	-	-	-	(85)	-	-	-	-	(85)	-	(85)
Fair value adjustment upon transfer from property, plant and equipment to investment properties	-	-	-	-	-	-	294	-	-	-	294	-	294
Share of reserves of jointly controlled entities and associates	-	-	-	-	-	6,554	-	4,937	6,211	-	17,702	-	17,702
Release of reserve upon disposal of a jointly controlled entity	-	-	-	(22)	-	-	-	-	(2,292)	2,314	-	-	-
Total comprehensive (loss)/income for the year	-	-	-	(22)	-	50,293	294	14,611	3,919	174,840	243,935	3,679	247,614
Issue of shares on exercise of share options	1	24	-	-	-	-	-	-	-	-	24	-	25
Issue of shares on settlement of scrip dividends	225	19,303	-	-	-	-	-	-	-	-	19,303	-	19,528
Transfer of reserve upon lapse of share option	-	-	(324)	-	-	-	-	-	-	324	-	-	-
Capital contributions from minority shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	22,944	22,944
Transfer of reserves	-	-	-	-	-	-	-	-	5,592	(5,592)	-	-	-
Dividends paid to minority shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(5,003)	(5,003)
Dividends paid to equity holders of the Company													
– 2008 final	-	-	-	-	-	-	-	-	-	(31,026)	(31,026)	-	(31,026)
– 2009 interim	-	-	-	-	-	-	-	-	-	(42,034)	(42,034)	-	(42,034)
	226	19,327	(324)	(22)	-	50,293	294	14,611	9,511	96,512	190,202	21,620	212,048
At 31st December 2009	29,018	718,489	10,408	4,686	115	258,295	1,160	160,291	51,837	1,507,994	2,713,275	116,058	2,858,351
Representing:													
Share capital	29,018	-	-	-	-	-	-	-	-	-	-		
Reserves	-	718,489	10,408	4,686	115	258,295	1,160	160,291	51,837	1,480,866	2,686,147		
2009 final dividend proposed	-	-	-	-	-	-	-	-	-	27,128	27,128		
	29,018	718,489	10,408	4,686	115	258,295	1,160	160,291	51,837	1,507,994	2,713,275		

For the year ended 31st December 2008	Share capital US$'000	Share premium US$'000	Share option reserve US$'000	Capital reserve US$'000	Contributed surplus US$'000	Investment revaluation reserve US$'000	Properties revaluation reserve US$'000	Exchange reserve US$'000	Other reserves US$'000	Retained profits US$'000	Total reserves US$'000	Minority interests US$'000	Total US$'000
At 1st January 2008	28,790	698,956	10,853	4,708	115	497,714	714	74,640	33,320	1,362,583	2,683,603	62,266	2,774,659
Profit for the year	–	–	–	–	–	–	–	–	–	274,725	274,725	5,037	279,762
Exchange differences arising on translation of financial statements of foreign subsidiaries, jointly controlled entities and associates	–	–	–	–	–	–	–	80,351	–	–	80,351	4,841	85,192
Fair value loss on available-for-sale financial assets	–	–	–	–	–	(205,701)	–	–	–	–	(205,701)	–	(205,701)
Release of reserve upon disposal of an available-for-sale financial asset	–	–	–	–	–	(2,044)	–	–	–	–	(2,044)	–	(2,044)
Fair value adjustment upon transfer from property, plant and equipment to investment properties	–	–	–	–	–	–	152	–	–	–	152	–	152
Share of reserves of jointly controlled entities and associates	–	–	–	–	–	(81,967)	–	(9,302)	1,529	–	(89,740)	–	(89,740)
Release of reserve upon disposal of a jointly controlled entity	–	–	–	–	–	–	–	(9)	(83)	92	–	–	–
Total comprehensive (loss)/income for the year	–	–	–	–	–	(289,712)	152	71,040	1,446	274,817	57,743	9,878	67,621
Issue of shares on exercise of share options	2	209	–	–	–	–	–	–	–	–	209	–	211
Share issue expenses	–	(3)	–	–	–	–	–	–	–	–	(3)	–	(3)
Transfer of reserve upon lapse of share option	–	–	(121)	–	–	–	–	–	–	121	–	–	–
Acquisition of a business	–	–	–	–	–	–	–	–	–	–	–	9,980	9,980
Capital contribution from a minority shareholder of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	18,389	18,389
Transfer of reserves	–	–	–	–	–	–	–	–	7,560	(7,560)	–	–	–
Dividends paid to minority shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(6,075)	(6,075)
Dividends paid to equity holders of the Company													
– 2007 final and special	–	–	–	–	–	–	–	–	–	(139,686)	(139,686)	–	(139,686)
– 2008 interim	–	–	–	–	–	–	–	–	–	(78,793)	(78,793)	–	(78,793)
	2	206	(121)	–	–	(289,712)	152	71,040	9,006	48,899	(160,530)	32,172	(128,356)
At 31st December 2008	28,792	699,162	10,732	4,708	115	208,002	866	145,680	42,326	1,411,482	2,523,073	94,438	2,646,303
Representing:													
Share capital	28,792	–	–	–	–	–	–	–	–	–	–		
Reserves	–	699,162	10,732	4,708	115	208,002	866	145,680	42,326	1,380,456	2,492,047		
2008 final dividend proposed	–	–	–	–	–	–	–	–	–	31,026	31,026		
	28,792	699,162	10,732	4,708	115	208,002	866	145,680	42,326	1,411,482	2,523,073		

The accompanying notes on pages 111 to 186 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31st December 2009	Note	2009 US$'000	2008 US$'000
Cash flows from operating activities			
Cash generated from operations	42(a)	**176,672**	261,728
Interests received		**1,140**	5,033
Net cash received from interest rate swap contracts		**3,610**	1,570
Tax refunded		**90**	260
Tax paid		**(6,616)**	(2,197)
Net cash generated from operating activities		**174,896**	266,394
Cash flows from investing activities			
Dividends received from jointly controlled entities		**73,154**	93,359
Dividends received from associates		**18,169**	65,877
Dividends received from available-for-sale financial assets		**22,254**	22,443
Purchase of property, plant and equipment		**(364,716)**	(522,468)
Acquisition of a business	42(b)	**(7,889)**	(27,758)
Investments in jointly controlled entities		**(13,560)**	(15,626)
Investments in associates		**–**	(298,694)
Loans advanced to jointly controlled entities, associates and an investee company		**(25,467)**	(49,296)
Repayment of loans by jointly controlled entities, an associate and an investee company		**43,281**	27,862
Sale of available-for-sale financial assets		**3,808**	4,376
Sale of property, plant and equipment		**1,504**	273,355
Net proceeds on disposal of a jointly controlled entity		**16,400**	14,000
Compensation received for loss of containers		**464**	1,024
Increase in other non-current assets		**(66,658)**	–
Decrease/(increase) in restricted bank deposits		**77,345**	(77,345)
Net cash used in investing activities		**(221,911)**	(488,891)
Cash flows from financing activities			
Loans borrowed		**285,783**	590,544
Loans repaid		**(100,749)**	(144,738)
Issue of shares		**25**	211
Share issue expenses		**–**	(3)
Dividends paid to equity holders of the Company		**(53,532)**	(218,469)
Dividends paid to minority shareholders of subsidiaries		**(5,003)**	(6,075)
Interests paid		**(48,978)**	(49,520)
Other incidental borrowing costs paid		**(322)**	(3,330)
Capital contribution by minority shareholders of subsidiaries		**22,944**	18,389
Net cash generated from financing activities		**100,168**	187,009
Net increase/(decrease) in cash and cash equivalents		**53,153**	(35,488)
Cash and cash equivalents at 1st January		**351,606**	386,867
Exchange differences		**981**	227
Cash and cash equivalents at 31st December	42(c)	**405,740**	351,606

The accompanying notes on pages 111 to 186 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1 General information

COSCO Pacific Limited (the "Company") and its subsidiaries (collectively the "Group") are principally engaged in the businesses of managing and operating container terminals, container leasing, management and sale, container manufacturing, logistics, 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, 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 30th March 2010.

2 Basis of preparation

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

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

(a) Adoption of new HKFRSs

In 2009, the Group has adopted the following new and revised HKFRS standards, interpretations, amendments or improvements to existing standards (collectively the "new HKFRSs") issued by the HKICPA which are relevant to the Group's operations and mandatory for the financial year ended 31st December 2009:

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 and HKAS 1 Amendments	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 and HKAS 27 Amendments	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 Amendment	Share-based Payment Vesting Conditions and Cancellations
HKFRS 7 Amendment	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Embedded Derivatives
HK(IFRIC)-Int 13	Customer Loyalty Programmes
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC)-Int 18	Transfer of Assets from Customers

Notes to the Consolidated Financial Statements

2 Basis of preparation (Continued)

(a) Adoption of new HKFRSs (Continued)

Improvements to existing standards

HKAS 1 Amendment	Presentation of Financial Statements
HKAS 16 Amendment	Property, Plant and Equipment
HKAS 19 Amendment	Employee Benefits
HKAS 20 Amendment	Accounting for Government Grants and Disclosure of Government Assistance
HKAS 23 Amendment	Borrowing Costs
HKAS 27 Amendment	Consolidated and Separate Financial Statements
HKAS 28 Amendment	Investments in Associates
HKAS 29 Amendment	Financial Reporting in Hyperinflationary Economies
HKAS 31 Amendment	Interests in Joint Ventures
HKAS 36 Amendment	Impairment of Assets
HKAS 38 Amendment	Intangible Assets
HKAS 39 Amendment	Financial Instruments: Recognition and Measurement
HKAS 40 Amendment	Investment Property
HKAS 41 Amendment	Agriculture

Except for certain changes in presentation and disclosures as described below, the adoption of the above new HKFRSs in the current year did not have any significant effect on the consolidated financial statements or result in any substantial changes in the Group's significant accounting policies.

- HKAS 1 (Revised), "Presentation of Financial Statements". The Group has elected to present two statements: an income statement and a statement of comprehensive income. The consolidated financial statements have been prepared under the revised disclosure requirements.

- HKFRS 7 Amendment, "Improving Disclosures about Financial Instruments". The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. Additional disclosures have been made in the consolidated financial statements.

- HKFRS 8, "Operating segments". HKFRS 8 replaces HKAS 14, "Segment reporting". It requires a "management approach" under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in certain changes in the presentation and disclosures information of the reportable segments.

2 Basis of preparation (Continued)

(b) Standards, interpretations, amendments and improvements to existing standards that are not yet effective for the year ended 31st December 2009 and have not been early adopted by the Group

The HKICPA has issued the following new or revised HKFRSs standards, interpretations, amendments or improvements to existing standards which are not yet effective for the year ended 31st December 2009 and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
New or revised standards, interpretations and amendments		
HKAS 24 (Revised)	Related Party Disclosures	1st January 2011
HKAS 27 (Revised)	Consolidated and Separate Financial Statements	1st July 2009
HKAS 32 Amendment	Classification of Right Issues	1st February 2010
HKAS 39 Amendment	Financial Instruments: Recognition and Measurement – Eligible hedged items	1st July 2009
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards	1st July 2009
HKFRS 1 Amendment	Additional Exemptions for First-time Adopters	1st January 2010
HKFRS 1 Amendment	Limited Exemption from comparative HKFRS 7 Disclosures for First-time Adopters	1st July 2010
HKFRS 2 Amendment	Group Cash-settled Share-based Payment Transactions	1st January 2010
HKFRS 3 (Revised)	Business Combinations	1st July 2009
HKFRS 9	Financial Instruments	1st January 2013
HK(IFRIC)-Int 14 Amendment	Prepayments of a Minimum Funding Requirement	1st January 2011
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners	1st July 2009
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments	1st July 2010
Improvements to existing standards		
HKAS 1 Amendment	Presentation of Financial Statements	1st January 2010
HKAS 7 Amendment	Statement of Cash Flows	1st January 2010
HKAS 17 Amendment	Leases	1st January 2010
HKAS 18 Amendment	Revenue	1st January 2010
HKAS 36 Amendment	Impairment of Assets	1st January 2010
HKAS 38 Amendment	Intangible Assets	1st July 2009
HKAS 39 Amendment	Financial Instruments: Recognition and Measurement	1st January 2010
HKFRS 2 Amendment	Share-based Payments	1st July 2009
HKFRS 5 Amendment	Non-current Assets Held for Sale and Discontinued Operations	1st July 2009 and 1st January 2010
HKFRS 8 Amendment	Operating Segments	1st January 2010
HK(IFRIC)-Int 9 Amendment	Reassessment of Embedded Derivatives	1st July 2009
HK(IFRIC)-Int 16 Amendment	Hedges of a Net Investment in a Foreign Operation	1st July 2009

The Group will apply the above standards, interpretations, amendments and improvements as and when they become effective. The Group has already commenced an assessment of the related impact to the Group and it is not yet in a position to state whether any substantial changes to Group's significant accounting policies and presentation of the financial information will be resulted.

Notes to the Consolidated Financial Statements

3 Summary of significant accounting policies

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

3.1 Group accounting

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31st December.

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

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated income statement. Investment in a jointly controlled entity/an associate is accounted for using the equity method from the date on which it becomes a jointly controlled entity/an associate. The measurement of goodwill is the same as that of goodwill arising from the acquisition of subsidiaries. Goodwill relating to a jointly controlled entity/an associate is included in the carrying amount of the investment. 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. 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 consolidated income statement includes the Group's share of the results of jointly controlled entities and associates for the year, and the consolidated balance sheet includes the Group's share of the net assets of the jointly controlled entities and associates and goodwill (net of any accumulated impairment losses) on acquisition.

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 obligations or made payments on behalf of the associate.

Inter-company transactions and balances between group companies are eliminated. Unrealised gains on transactions between group companies and between the Group and its jointly controlled entities and associates to the extent of the Group's interest are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Accounting policies of subsidiaries, jointly controlled entities and associates have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

3 Summary of significant accounting policies (Continued)

3.1 Group accounting (Continued)

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted by the Company on the basis of dividend income.

(b) Jointly controlled entities

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

(c) Associates

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

(d) Minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share of the carrying value of net assets of the subsidiary being acquired.

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

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

3.2 Segment reporting

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

3.3 Foreign currency translation

(a) Functional and presentation currency

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

Notes to the Consolidated Financial Statements

3 Summary of significant accounting policies (Continued)

3.3 Foreign currency translation (Continued)

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. 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 income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

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

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 equity.

(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 as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to Group's total equity. When a foreign operation is sold, such exchange differences are recognised in the consolidated income statement as part of the gain or loss on sale.

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.

3 Summary of significant accounting policies (Continued)

3.4 Property, plant and equipment

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

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

Effective from 30th September 1995, no further revaluations of the Group's 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.

Depreciation of 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
Buildings	25 to 50 years
Leasehold improvements	5 years or the remaining period of the lease, whichever is shorter
Other property, plant and equipment	5 to 25 years

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

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

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 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 Leasehold land and land use rights

Leasehold land and land use rights 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.

Notes to the Consolidated Financial Statements

3 Summary of significant accounting policies (Continued)

3.6 Investment properties

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

Investment property comprises land held under operating leases and buildings held under finance leases.

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 its cost, including related transaction costs. After initial recognition, investment properties are carried at fair value. Fair value is based on valuations carried out by external valuers. Change in fair value is recognised in the 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 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 purposes.

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 equity as properties revaluation reserve under HKAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the income statement. Properties revaluation reserve, including any previously recognised, shall remain and be transferred to retained profits upon disposal of properties.

3.7 Asset held for sale

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

3.8 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/jointly controlled entity/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Goodwill on acquisitions of jointly controlled entities and associates is included in investments in jointly controlled entities and associates respectively. Separately recognised goodwill is tested for impairment annually and where there is indication for impairment, and is carried at cost less accumulated impairment losses. Impairment loss on goodwill is not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash generating units for the purpose of impairment testing.

3 Summary of significant accounting policies (Continued)

3.8 Intangible assets (Continued)

(b) Computer software

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

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

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

3.9 Impairment of investments in subsidiaries, jointly controlled entities, associates, and non-financial assets

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

Impairment testing of the investments in subsidiaries, jointly controlled entities or associates is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiaries, jointly controlled entities or associates 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.

3.10 Available-for-sale financial assets

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

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

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

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

Notes to the Consolidated Financial Statements

3 Summary of significant accounting policies (Continued)

3.11 Derivative financial instruments and hedging activities

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

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

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

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

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

3.12 Impairment of financial assets

(a) Assets carried at amortised cost

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

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulties of the issuer or obligor, probability that the issuer or obligor will enter bankruptcy or other financial reorganisation;

- A breach of contract, such as a default or delinquency in interest or principal payments;

- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;

- The disappearance of an active market for that financial asset because of financial difficulties; or

3 Summary of significant accounting policies (Continued)

3.12 Impairment of financial assets (Continued)

(a) Assets carried at amortised cost (Continued)

- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

  (i) adverse changes in the payment status of borrowers in the portfolio;

  (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

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 asset's carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

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

(b) Available-for-sale financial assets

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

3.13 Inventories

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

3.14 Trade and other receivables

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

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

3.15 Cash and cash equivalents

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

Notes to the Consolidated Financial Statements

3 Summary of significant accounting policies (Continued)

3.16 Assets under leases

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

(a) Leases – where the Group is the lessee

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

(b) Leases – where the Group is the lessor

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

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

3.17 Provisions

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

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

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

3.18 Trade and other payables

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

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

3 Summary of significant accounting policies (Continued)

3.19 Financial guarantee contracts

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

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

3.20 Share capital

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

3.21 Borrowings

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

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

3.22 Current and deferred income tax

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

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

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

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

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

Notes to the Consolidated Financial Statements

3 Summary of significant accounting policies (Continued)

3.23 Employee benefits

(a) Retirement benefit costs

The Group contributes to defined contribution retirement schemes which are available to all employees in Hong Kong, Macau and the United States of America (the "US"). 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 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.

(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 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 Summary of significant accounting policies (Continued)

3.24 Recognition of revenue and income

The Group recognises revenue and income on the following bases:

(a) Revenue from terminal operations

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

(b) Revenue from leasing of containers and generator sets

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

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

(c) Revenue from container handling, transportation and storage

Revenue from container handling and transportation is recognised when the services are rendered.

Revenue from container storage is recognised on a straight-line basis over the period of storage.

(d) Revenue from container management

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

(e) Operating lease rental income from investment properties

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

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

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

(g) Interest income

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

(h) Dividend income

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

(i) Income on sale of investments

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

Notes to the Consolidated Financial Statements

3 Summary of significant accounting policies (Continued)

3.25 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an 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.

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

3.26 Deal management fee and upfront administration fee

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

3.27 Dividend distribution

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

3.28 Contingent liabilities and contingent assets

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

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

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

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

4 Financial risk management

4.1 Financial risk factors

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

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

4 Financial risk management (Continued)

4.1 Financial risk factors (Continued)

(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 increased/decreased by approximately US$305,000 (2008: decreased/increased by approximately US$1,781,000) as a result of the translation of those Non-Functional Currency Items.

(ii) Price risk

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

The Group's interest rate risk arises from 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$4,816,000 (2008: US$3,837,000).

Notes to the Consolidated Financial Statements

4 Financial risk management (Continued)

4.1 Financial risk factors (Continued)

(b) Credit risk

The Group's maximum exposure to credit risk in relation to financial assets at the reporting date is the carrying amounts of bank balances and cash, trade and other receivables, loans to jointly controlled entities, associates and investee companies 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. COSCON accounted for approximately 38% of the Group's revenue and most of balance receivable from COSCON are aged within the credit period granted.

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

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

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

In addition, the Group monitors the exposure to credit risk in respect of the financial assistance provided to subsidiaries, jointly controlled entities, associates and investee companies 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.

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

4 Financial risk management (Continued)

4.1 Financial risk factors (Continued)

(c) Liquidity risk

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

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

	Less than 1 year US$'000	Between 1 and 2 years US$'000	Between 2 and 5 years US$'000	Over 5 years US$'000
Group				
At 31st December 2009				
Bank and other borrowings	**234,640**	**179,657**	**1,188,708**	**172,362**
Trade and other payables	**148,000**	**–**	**–**	**–**
Financial guarantee contracts	**6,301**	**5,608**	**19,879**	**–**
At 31st December 2008				
Bank and other borrowings	113,570	132,805	1,173,883	194,094
Trade and other payables	123,531	–	–	–
Financial guarantee contracts	6,024	6,151	24,882	–
Company				
At 31st December 2009				
Loan due to a subsidiary	**–**	**–**	**296,655**	**–**
Other payables	**5,195**	**–**	**–**	**–**
Amounts due to subsidiaries	**440,833**	**–**	**–**	**–**
Financial guarantee contracts	**65,801**	**113,608**	**1,043,879**	**–**
At 31st December 2008				
Loan due to a subsidiary	–	–	296,655	–
Other payables	2,373	–	–	–
Amounts due to subsidiaries	492,076	–	–	–
Financial guarantee contracts	42,024	65,651	1,156,882	–

4.2 Capital risk 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 borrowings less cash and cash equivalents and restricted bank deposits) to equity ratio. The Group aims to maintain a manageable net debt to equity ratio. As at 31st December 2009, the net debt to equity ratio is 41.9% (2008: 37.6%).

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

Notes to the Consolidated Financial Statements

4 Financial risk management (Continued)

4.3 Fair value estimation

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

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

The following table presents the Group's financial instruments that are measured at fair value at 31st December 2009:

	2009 Level 2 US$'000
Available-for-sale financial assets	**340,581**
Derivative financial instruments	**16,556**
Borrowings under fair value hedge	**215,554**

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

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

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

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

5 Critical accounting estimates and judgements

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

5.1 Critical accounting estimates and assumptions

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

5 Critical accounting estimates and judgements (Continued)

5.1 Critical accounting estimates and assumptions (Continued)

(a) Fair value estimation of available-for-sale financial assets

If information on current or recent prices of available-for-sale financial assets is not available, the fair values of available-for-sale financial assets are determined using valuation technique (including price/earnings multiple method and direct market quote). The Group uses assumptions that are mainly based on market conditions existing at each balance sheet date.

If the price/earnings ratio as used for the fair value estimation had been 10% lower than the management's estimates adopted, the Group's total equity and the carrying amount of available-for-sale financial assets would have been decreased by US$34,058,000.

(b) Useful lives and residual values of containers

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

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

Management reviewed the residual values and useful lives of property, plant and equipment as at 1st January 2009. The estimated residual values remained unchanged.

If the useful lives of containers differ by 10% from management's estimates as at 31st December 2009 with all other variables held constant, the estimated depreciation charge for the year would be US$14,896,000 higher or US$9,632,000 lower for the year ended 31st December 2009.

If the residual values of containers differ by 10% from management's estimates as at 31st December 2009 with all other variables held constant, the estimated depreciation charge for the year would be US$2,752,000 higher or US$2,752,000 lower for the year ended 31st December 2009.

(c) Impairment of containers

The Group tests whether containers have suffered any impairment in accordance with the accounting policy stated in note 3.9. The recoverable amounts of containers have been determined based on value-in-use calculations. These calculations require the use of estimates on the projections of cash inflows from the continual use of containers (including the amount to be received for the disposal of containers) and discount rate.

If the estimated future income stream from the use and subsequent resale of the containers had been 5% lower than the management's estimates as adopted in the value-in-use calculations, the Group would have recognised an additional impairment loss and a reduction of carrying amount of the property, plant and equipment of US$1,016,000.

If the estimated pre-tax discount rate applied to the value-in-use calculations had been 5% higher than management's estimates, the Group would have recognised additional impairment loss and a reduction of carrying amount of the property, plant and equipment of US$1,191,000.

The Group has no significant accumulated impairment loss carried forward. Any increase in the estimated future income stream from the use and subsequent resale of the container or any decrease in the estimated pre-tax discount rate applied to the value-in-use calculations would have no significant increase of carrying amount of the property, plant and equipment.

Notes to the Consolidated Financial Statements

5 Critical accounting estimates and judgements (Continued)

5.2 Critical judgement in applying the Group's accounting policies

(a) Income taxes

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

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

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

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

Revenues recognised during the year are as follows:

	2009 US$'000	2008 US$'000
Container terminal operation income	**114,935**	78,678
Operating lease rentals on		
– containers	**198,069**	202,437
– generator sets	**2,213**	2,039
Sale of inventories	**22,844**	39,352
Finance lease income on containers	**235**	327
Container management income	**6,470**	8,465
Container handling, transportation and storage income	**4,658**	6,675
	349,424	337,973

6 Revenue and segment information (Continued)

(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) container terminal and related businesses including terminal operation, container handling, transportation and storage;
(ii) container leasing, management, sale and related businesses; and
(iii) container manufacturing and related businesses.

The performance of the operating segments were 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.

Additions to non-current assets comprise additions to property, plant and equipment, prepaid operating lease payments for leasehold land, land use rights and other assets, intangible assets and investments in jointly controlled entities and associates.

Segment assets

	Continuing operations							Discontinuing operation
	Container terminal and related businesses US$'000	Container leasing, management, sale and related businesses US$'000	Container manufacturing and related businesses US$'000	Segment total US$'000	Corporate US$'000	Elimination of inter-segment loans US$'000	Total US$'000	Logistics and related businesses US$'000
At 31st December 2009								
Segment assets	**2,014,962**	**1,689,028**	**595,996**	**4,299,986**	**335,788**	**(258,825)**	**4,376,949**	**258,363**
Segment assets include:								
Jointly controlled entities	**431,132**	**-**	**-**	**431,132**	**-**	**-**	**431,132**	**-**
Associates	**134,106**	**-**	**595,996**	**730,102**	**-**	**-**	**730,102**	**-**
Available-for-sale financial assets	**340,581**	**-**	**-**	**340,581**	**-**	**-**	**340,581**	**-**
Asset held for sale under discontinuing operation	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**258,363**
At 31st December 2008								
Segment assets	1,610,103	1,474,658	585,928	3,670,689	391,794	(75,068)	3,987,415	225,793
Segment assets include:								
Jointly controlled entities	406,572	–	9,784	416,356	–	–	416,356	225,793
Associates	132,364	–	576,144	708,508	–	–	708,508	–
Available-for-sale financial assets	323,000	–	–	323,000	2,119	–	325,119	–

Notes to the Consolidated Financial Statements

6 Revenue and segment information (Continued)

(a) Operating segments (Continued)

Segment revenue, results and other information

	Continuing operations							Discontinuing operation
	Container terminal and related businesses US$'000	Container leasing, management, sale and related businesses US$'000	Container manufacturing and related businesses US$'000	Segment total US$'000	Corporate US$'000	Elimination of inter-segment (revenue) and finance (income)/costs US$'000	Total US$'000	Logistics and related businesses US$'000
Year ended 31st December 2009								
Revenue – external sales	119,599	229,831	-	349,430	-	(6)	349,424	-
Segment profit/(loss) attributable to equity holders of the Company	83,554	71,375	30,876	185,805	(38,906)	-	146,899	25,627
Segment profit/(loss) attributable to equity holders of the Company includes:								
Finance income	570	3,774	-	4,344	9,719	(8,058)	6,005	-
Finance costs	(14,265)	(14,271)	-	(28,536)	(19,327)	8,058	(39,805)	-
Share of profits less losses of								
– jointly controlled entities	59,183	-	-	59,183	-	-	59,183	25,627
– associates	7,530	-	25,360	32,890	-	-	32,890	-
Profit on disposal of a jointly controlled entity	-	-	5,516	5,516	-	-	5,516	-
Income tax credit/(expenses)	584	(644)	-	(60)	(13,226)	-	(13,286)	-
Depreciation and amortisation	(18,049)	(79,568)	-	(97,617)	(728)	-	(98,345)	-
Provision for impairment of property, plant and equipment	-	(3,607)	-	(3,607)	-	-	(3,607)	-
Provision for inventories	-	(7,028)	-	(7,028)	-	-	(7,028)	-
Other non-cash expenses	(505)	(4,331)	-	(4,836)	(369)	-	(5,205)	-
Additions to non-current assets	(420,750)	(63,286)	-	(484,036)	(28,038)	-	(512,074)	-

6 Revenue and segment information (Continued)

(a) Operating segments (Continued)

Segment revenue, results and other information (Continued)

	Continuing operations							Discontinuing operation
	Container terminal and related businesses US$'000	Container leasing, management, sale and related businesses US$'000	Container manufacturing and related businesses US$'000	Segment total US$'000	Corporate US$'000	Elimination of inter-segment finance (income)/ costs US$'000	Total US$'000	Logistics and related businesses US$'000
Year ended 31st December 2008								
Revenue – external sales	85,353	252,620	–	337,973	–	–	337,973	–
Segment profit/(loss) attributable to equity holders of the Company	120,557	114,975	39,316	274,848	(25,129)	–	249,719	25,006
Segment profit/(loss) attributable to equity holders of the Company includes:								
Finance income	454	1,610	–	2,064	8,015	(3,213)	6,866	–
Finance costs	(11,535)	(26,726)	–	(38,261)	(17,690)	3,213	(52,738)	–
Share of profits less losses of								
– jointly controlled entities	75,267	–	–	75,267	–	–	75,267	25,006
– associates	15,735	–	39,080	54,815	–	–	54,815	–
Income tax (expenses)/credit	(469)	12,046	–	11,577	(6,992)	–	4,585	–
Depreciation and amortisation	(13,910)	(78,171)	–	(92,081)	(479)	–	(92,560)	–
Provision for impairment of property, plant and equipment	–	(45)	–	(45)	–	–	(45)	–
Other non-cash expenses	(34)	(388)	–	(422)	(370)	–	(792)	–
Additions to non-current assets	(79,863)	(351,580)	–	(431,443)	(1,058)	–	(432,501)	–

(b) Geographical information

In respect of container leasing, management, sale and related businesses, the movements of containers and generator sets of the Group and those managed on behalf of third parties under operating leases or finance leases 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 geographical information on revenue of these related businesses.

The Group's non-current assets included containers and generator sets. These containers and generator sets are primarily utilised across geographical markets for shipment of cargoes throughout the world. Accordingly, it is also impractical to present the geographical information of these non-current assets.

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

Business segments	Geographical areas
Container terminal and related businesses	Mainland China, Greece, Hong Kong, Singapore, Belgium and Egypt
Container manufacturing and related businesses	Mainland China
Logistics and related businesses	Mainland China, Hong Kong, Dubai and New York

Notes to the Consolidated Financial Statements

7 Property, plant and equipment

Group

	Containers US$'000	Generator sets US$'000	Buildings in Hong Kong US$'000	Buildings outside Hong Kong US$'000	Leasehold improvements US$'000	Other property, plant and equipment US$'000	Construction in progress US$'000	Total US$'000
Cost or valuation								
At 1st January 2009	1,485,096	13,559	2,721	214,619	2,022	160,354	85,469	1,963,840
Exchange differences	1	-	-	236	10	195	168	610
Additions	61,871	15	-	28,807	80	33,387	209,471	333,631
Disposals	(3,256)	(10)	-	-	(174)	(466)	-	(3,906)
Transfer to inventories	(80,970)	-	-	-	-	-	-	(80,970)
Fair value adjustment upon transfer to investment properties	-	-	294	-	-	-	-	294
Transfer to investment properties	-	-	(478)	-	-	-	-	(478)
Transfer	-	-	-	38,230	-	475	(38,705)	-
At 31st December 2009	1,462,742	13,564	2,537	281,892	1,938	193,945	256,403	2,213,021
Accumulated depreciation and impairment losses								
At 1st January 2009	290,697	2,929	1,680	11,887	1,510	27,547	-	336,250
Exchange differences	-	-	-	14	10	45	-	69
Impairment loss for the year	3,607	-	-	-	-	-	-	3,607
Depreciation charge for the year	77,241	1,036	108	6,387	196	9,998	-	94,966
Disposals – accumulated depreciation and impairment losses	(1,887)	(2)	-	-	(152)	(444)	-	(2,485)
Transfer to inventories	(53,442)	-	-	-	-	-	-	(53,442)
Transfer to investment properties	-	-	(23)	-	-	-	-	(23)
At 31st December 2009	316,216	3,963	1,765	18,288	1,564	37,146	-	378,942
Net book value								
At 31st December 2009	1,146,526	9,601	772	263,604	374	156,799	256,403	1,834,079
The analysis of cost or valuation of the above assets as at 31st December 2009 is as follows:								
At cost	1,462,742	13,564	98	281,892	1,938	193,945	256,403	2,210,582
At 1994 professional valuation	-	-	2,439	-	-	-	-	2,439
	1,462,742	13,564	2,537	281,892	1,938	193,945	256,403	2,213,021

7 Property, plant and equipment (Continued)

Group

	Containers US$'000	Generator sets US$'000	Buildings in Hong Kong US$'000	Buildings outside Hong Kong US$'000	Leasehold improvements US$'000	Other property, plant and equipment US$'000	Construction in progress US$'000	Total US$'000
Cost or valuation								
At 1st January 2008	1,480,223	11,376	2,687	132,583	1,876	121,905	22,231	1,772,881
Exchange differences	–	–	–	11,287	(13)	8,661	2,995	22,930
Additions	348,008	2,192	–	1,977	159	7,394	69,495	429,225
Disposals	(285,751)	(9)	–	(27)	–	(1,262)	–	(287,049)
Transfer to inventories	(57,384)	–	–	–	–	–	–	(57,384)
Acquisition of a business	–	–	–	50,020	–	12,106	21,077	83,203
Transfer from investment properties	–	–	64	–	–	–	–	64
Fair value adjustment upon transfer to investment properties	–	–	152	–	–	–	–	152
Transfer to investment properties	–	–	(182)	–	–	–	–	(182)
Transfer	–	–	–	18,781	–	11,548	(30,329)	–
At 31st December 2008	1,485,096	13,559	2,721	214,621	2,022	160,352	85,469	1,963,840
Accumulated depreciation and impairment losses								
At 1st January 2008	268,268	1,940	1,575	6,776	1,288	18,770	–	298,617
Exchange differences	–	–	–	510	(22)	1,010	–	1,498
Impairment loss for the year	45	–	–	–	–	–	–	45
Depreciation charge for the year	76,063	991	112	4,614	244	8,923	–	90,947
Disposals – accumulated depreciation and impairment losses	(16,126)	(2)	–	(13)	–	(1,156)	–	(17,297)
Transfer to inventories	(37,553)	–	–	–	–	–	–	(37,553)
Transfer to investment properties	–	–	(7)	–	–	–	–	(7)
At 31st December 2008	290,697	2,929	1,680	11,887	1,510	27,547	–	336,250
Net book value								
At 31st December 2008	1,194,399	10,630	1,041	202,734	512	132,805	85,469	1,627,590
The analysis of cost or valuation of the above assets as at 31st December 2008 is as follows:								
At cost	1,485,096	13,559	282	214,621	2,022	160,352	85,469	1,961,401
At 1994 professional valuation	–	–	2,439	–	–	–	–	2,439
	1,485,096	13,559	2,721	214,621	2,022	160,352	85,469	1,963,840

Notes to the Consolidated Financial Statements

7 Property, plant and equipment (Continued)

Company

	Other property, plant and equipment	
	2009 US$'000	**2008 US$'000**
Cost		
At 1st January	**527**	527
Additions	**209**	–
At 31st December	**736**	527
Accumulated depreciation		
At 1st January	**506**	420
Depreciation charge for the year	**35**	86
At 31st December	**541**	506
Net book value		
At 31st December	**195**	21

Notes:

(a) Certain buildings in Hong Kong of the Group with carrying amount of US$693,000 (2008: US$792,000) were revalued in 1994 on an open market value basis by C.Y. Leung & Company Limited (now known as DTZ Debenham Tie Leung Limited), an independent professional property valuer.

The carrying amount of these buildings as at 31st December 2009 would have been US$630,000 (2008: US$720,000) had the buildings been carried at cost less accumulated depreciation and impairment losses in the consolidated financial statements.

(b) The aggregate cost, accumulated depreciation and accumulated impairment losses as at 31st December 2009 of the leased assets of the Group (where the Group is a lessor) which comprised containers and generator sets and were leased to fellow subsidiaries and third parties under operating leases amounted to US$1,405,270,000 (2008: US$1,414,730,000), US$317,072,000 (2008: US$293,199,000) and US$3,107,000 (2008: US$427,000) respectively.

(c) The accumulated impairment losses of property, plant and equipment of the Group as at 31st December 2009 amounted to US$5,765,000 (2008: US$3,084,000).

(d) During the year, the Group transferred containers with an aggregate net book value of US$27,528,000 (2008: US$19,831,000) to inventories.

8 Investment properties

	Group	
	2009 US$'000	2008 US$'000
At 1st January	**1,679**	1,676
Transfer to property, plant and equipment and leasehold land and land use rights	**–**	(214)
Transfer from property, plant and equipment and leasehold land and land use rights	**1,935**	220
Revaluation surplus/(deficit) (note a)	**555**	(3)
At 31st December	**4,169**	1,679

Notes:

(a) The investment properties as at 31st December 2009 and 2008 were revalued on an open market value basis by DTZ Debenham Tie Leung Limited and Jones Lang Lasalle Sallmanns Limited, independent professional property valuers, respectively. Valuations were based on current prices in an active market for all properties. The revaluation surplus for the year ended 31st December 2009 of US$555,000 (2008: deficit of US$3,000) was accounted for in the consolidated income statement (note 29).

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

9 Leasehold land and land use rights

	Group	
	2009 US$'000	2008 US$'000
At 1st January	**60,660**	43,654
Exchange differences	**87**	2,358
Additions	**90,926**	1,459
Acquisition of a business	**–**	14,040
Transfer from investment properties	**–**	150
Transfer to investment properties	**(1,480)**	(45)
Amortisation	**(1,956)**	(956)
At 31st December	**148,237**	60,660

Notes to the Consolidated Financial Statements

9 Leasehold land and land use rights (Continued)

Notes:

(a) The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and their net book values are analysed as follows:

	Group	
	2009 US$'000	2008 US$'000
In Hong Kong, held on leases of over 50 years	**14,691**	16,223
Outside Hong Kong, held on:		
Leases of between 10 to 50 years	**133,196**	44,026
Leases of less than 10 years	**350**	411
	148,237	60,660

(b) As at 31st December 2009, certain land use rights of the Group with net book value of US$14,068,000 (2008: US$14,342,000) were in the process of obtaining ownership certificates.

10 Intangible assets

Group

	Computer software		Computer systems under development		Total	
	2009 US$'000	2008 US$'000	2009 US$'000	2008 US$'000	2009 US$'000	2008 US$'000
Cost						
At 1st January	**10,502**	9,189	**2,558**	2,052	**13,060**	11,241
Exchange differences	**7**	18	**18**	–	**25**	18
Additions	**449**	759	**1,483**	1,058	**1,932**	1,817
Acquisition of a business	**–**	21	**–**	–	**–**	21
Write-off	**(21)**	(37)	**–**	–	**(21)**	(37)
Transfer	**1,628**	552	**(1,628)**	(552)	**–**	–
At 31st December	**12,565**	10,502	**2,431**	2,558	**14,996**	13,060
Accumulated amortisation						
At 1st January	**8,372**	7,735	**–**	–	**8,372**	7,735
Amortisation for the year	**926**	657	**–**	–	**926**	657
Write-off	**(21)**	(20)	**–**	–	**(21)**	(20)
At 31st December	**9,277**	8,372	**–**	–	**9,277**	8,372
Net book value						
At 31st December	**3,288**	2,130	**2,431**	2,558	**5,719**	4,688

11 Subsidiaries

	Company	
	2009 US$'000	**2008 US$'000**
Unlisted investments, at cost	**198,506**	170,972
Amounts due from subsidiaries (note a)	**1,888,554**	1,763,295
	2,087,060	1,934,267
Amounts due from subsidiaries (net of provision) (note b)	**252,216**	280,300
Loan due to a subsidiary (note c)	**(296,655)**	(296,655)
Amounts due to subsidiaries (note b)	**(440,833)**	(492,076)

Notes:

(a) These amounts due from subsidiaries are unsecured. Except for amounts due from subsidiaries mentioned below, the remaining balances are equity in nature, interest free and have no fixed terms of repayment:

(i) US$91,372,000 (2008: US$87,250,000) which bear interests of 0.6% (2008: 0.6%) per annum above the US dollar London Interbank Offered Rate ("LIBOR") and are wholly repayable on or before 30th June 2013 and not repayable within twelve months.

(ii) US$78,940,000 (2008: US$Nil) bear interests of 1.5% (2008: nil) per annum above the Euro Interbank Offered Rate and have no fixed terms of repayment.

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

	Company	
	2009 US$'000	**2008 US$'000**
At 1st January	**(78,239)**	(65,239)
Provision for impairment of amounts due from subsidiaries	**(26,700)**	(13,000)
At 31st December	**(104,939)**	(78,239)

(c) The loan due to a subsidiary is unsecured, interest free and wholly repayable on or before 3rd October 2013. The carrying amount of the loan due to a subsidiary is not materially different from its fair value.

(d) Details of the subsidiaries as at 31st December 2009 are set out in note 45 to the consolidated financial statements.

Notes to the Consolidated Financial Statements

12 Jointly controlled entities

	Group 2009 US$'000	Group 2008 US$'000
Share of net assets	**370,718**	539,863
Goodwill on acquisitions (note a)	**41,443**	83,694
	412,161	623,557
Loan to a jointly controlled entity (note b)	**18,971**	18,592
	431,132	642,149
Loans to jointly controlled entities (note c)	**160,147**	123,904
Investments, at cost		
Unlisted investments	**607,778**	760,497

Notes:

(a) The carrying amount of goodwill on acquisitions of jointly controlled entities mainly represented the goodwill on acquisitions of equity interests in Shanghai Pudong International Container Terminals Limited, Qingdao Qianwan Container Terminal Co., Ltd. and Nanjing Port Longtan Containers Co., Ltd. of US$31,435,000 (2008: US$31,435,000), US$5,362,000 (2008: US$5,362,000) and US$4,533,000 (2008: US$4,533,000) respectively. Balance at 31st December 2008 also included goodwill for COSCO Logistics Co., Ltd. ("COSCO Logistics") of US$42,251,000.

(b) The loan to a jointly controlled entity is equity in nature, unsecured, interest free and has no fixed term of repayment.

(c) The loans to jointly controlled entities are unsecured. Except for the loan to a jointly controlled entity of US$91,372,000 (2008: US$87,250,000) which bears interest at 0.6% per annum above the US dollar LIBOR and is wholly repayable on or before 30th June 2013 and not repayable within twelve months, the remaining balances are interest free and have no fixed terms of repayment.

(d) The financial information below, including the financial information of COSCO Logistics which is classified as held for sale under discontinuing operation as at 31st December 2009 (note 21) and after making necessary adjustments to conform to the Group's significant accounting policies, represents the Group's interests in respective jointly controlled entities:

	Non-current assets US$'000	Current assets US$'000	Non-current liabilities US$'000	Current liabilities US$'000	Revenue US$'000	Expenses US$'000	Profits less losses after income tax US$'000
2009	**1,485,513**	**609,373**	**(626,641)**	**(797,803)**	**872,687**	**(772,469)**	**84,810**
2008	1,383,591	536,921	(657,427)	(643,174)	1,268,900	(1,152,891)	100,273

(e) The Company has no directly owned jointly controlled entity as at 31st December 2009 and 2008. Details of the principal jointly controlled entities as at 31st December 2009 are set out in note 46 to the consolidated financial statements.

13 Associates

	Group 2009 US$'000	Group 2008 US$'000
Share of net assets		
Share listed outside Hong Kong (note a)	**595,996**	576,144
Unlisted shares	**134,019**	132,277
	730,015	708,421
Goodwill on acquisitions	**87**	87
	730,102	708,508
Loans to associates (note b)	**32,440**	23,835
Investments, at cost		
Shares listed outside Hong Kong (note a)	**412,080**	412,080
Unlisted shares	**102,902**	102,902
	514,982	514,982
Market value of listed shares (note a)	**1,015,809**	472,423

Notes:

(a) As at 31st December 2008, part of the shares of China International Marine Containers (Group) Co., Ltd ("CIMC") held by the Group cannot be freely placed or traded until the expiry of certain trading restrictions from the implementation date of the share reform of CIMC (the "Trading Restrictions"). The then market value of these shares of CIMC of US$150,525,000 as included in the disclosure above has not taken into account these Trading Restrictions. The Trading Restrictions were released in year 2009.

(b) Loans to associates are unsecured. Balance of US$25,572,000 (2008: US$16,967,000) bears interest at 2% (2008: 2%) per annum above the 10-year Belgium prime rate and has no fixed terms of repayment. Balance of US$6,868,000 (2008: US$6,868,000) bears interest at 0.5% (2008: 0.5%) per annum above the Tokyo Interbank Offered Rate and is wholly repayable on or before 24th April 2011 and not repayable within twelve months.

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

	Total assets US$'000	Total liabilities US$'000	Revenue US$'000	Expenses US$'000	Profit less losses after income tax US$'000
2009	**1,595,083**	**(812,477)**	**700,587**	**(652,660)**	**32,890**
2008	1,505,077	(748,628)	1,536,632	(1,464,959)	54,815

(d) The Company has no directly owned associate as at 31st December 2009 and 2008. Details of the principal associates as at 31st December 2009 are set out in note 47 to the consolidated financial statements.

Notes to the Consolidated Financial Statements

14 Available-for-sale financial assets

	Group	
	2009 US$'000	2008 US$'000
At 1st January	**325,119**	516,620
Additions	**18,727**	18,661
Disposals	**(3,808)**	(4,461)
Repayment of loan to an investee company	**(43,281)**	–
Net fair value gain/(loss) recognised in equity	**43,824**	(205,701)
At 31st December	**340,581**	325,119
Less: current portion	**(20,581)**	(2,119)
Non-current portion	**320,000**	323,000

Notes:

(a) Available-for-sale financial assets as at 31st December 2009 and 2008 comprise investments in equity securities of the investee companies and the shareholders' loan advanced to an investee company with the nominal value of US$56,885,000 (2008: US$81,439,000). The loan advanced to an investee company is unsecured, interest free and has no fixed terms of repayment.

(b) As at 31st December 2008, listed investment of US$2,119,000 represented equity interest in an entity which is principally engaged in the operation and management of international and domestic container marine transportation.

(c) Unlisted investments of US$340,581,000 (2008: US$323,000,000) mainly comprise equity interests in entities which are involved in container terminal operations in Yantian, Tianjin and Dalian of Mainland China.

In June 2009, the Group entered into a share transfer agreement to dispose of its entire 8.13% interest in Dalian Port Container Co., Ltd. with carrying amount of US$20,581,000 at a consideration of RMB140,605,000 (approximately US$20,581,000). The estimated pre-tax gain on the disposal was approximately US$7,020,000. The disposal was completed in January 2010 and accordingly the available-for-sale financial asset was classified as a current asset as at 31st December 2009.

(d) Available-for-sale financial assets are denominated in the following currencies:

	Group	
	2009 US$'000	2008 US$'000
Renminbi	**340,581**	323,000
Hong Kong dollar	**–**	2,119
	340,581	325,119

15 Finance lease receivables

Group

	2009			2008		
	Gross receivables US$'000	Unearned finance income US$'000	Present value of minimum lease payment receivable US$'000	Gross receivables US$'000	Unearned finance income US$'000	Present value of minimum lease payment receivable US$'000
Amounts receivable under finance leases:						
Current portion (note 20)	**1,081**	**(150)**	**931**	1,183	(240)	943
Non-current portion						
– later than one year and not later than five years	**985**	**(184)**	**801**	1,988	(308)	1,680
– later than five years	**287**	**(37)**	**250**	384	(64)	320
	1,272	**(221)**	**1,051**	2,372	(372)	2,000
	2,353	**(371)**	**1,982**	3,555	(612)	2,943

As at 31st December 2009, the Group entered into 12 (2008: 14) finance lease contracts for leasing of certain containers. The average term of the finance lease contracts is 5 years (2008: 5 years).

The cost of assets acquired for the purpose of letting under finance leases amounted to US$6,343,000 (2008: US$6,805,000) as at 31st December 2009.

Unguaranteed residual values of assets leased under finance lease contracts are estimated at approximately US$6,000 (2008: US$7,000).

16 Deferred income tax

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

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

	Group	
	2009 US$'000	2008 US$'000
At 1st January	**11,572**	7,349
Exchange difference	**(58)**	–
Charged to consolidated income statement (note 32)	**6,109**	4,223
At 31st December	**17,623**	11,572

Notes to the Consolidated Financial Statements

16 Deferred income tax (Continued)

Deferred income tax assets are recognised for tax losses carry forwards to the extent that realisation of the related tax benefit through the future taxable profits is probable. As at 31st December 2009, the Group and the Company have unrecognised tax losses of US$8,261,000 (2008: US$12,391,000) and US$2,563,000 (2008: US$2,563,000) respectively to carry forward. These tax losses have no expiry dates (2008: tax losses of US$4,858,000 of the Group will expire on various dates through year 2012).

As at 31st December 2009, deferred income tax liabilities of US$6,041,000 (2008: US$5,975,000) have not been established for the withholding taxation that would be payable on the undistributed earnings of certain subsidiaries in certain tax jurisdictions totalling US$34,121,000 (2008: US$34,189,000) as the directors considered that the timing of the reversal of the related temporary differences can be controlled and accordingly the temporary difference will not be reversed in the foreseeable future.

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

Deferred income tax liabilities

	Group					
	Accelerated tax depreciation		Undistributed profits		Total	
	2009 US$'000	2008 US$'000	2009 US$'000	2008 US$'000	2009 US$'000	2008 US$'000
At 1st January	**4,078**	3,757	**10,854**	6,517	**14,932**	10,274
Charged to consolidated income statement	**343**	321	**6,257**	4,337	**6,600**	4,658
At 31st December	**4,421**	4,078	**17,111**	10,854	**21,532**	14,932

Deferred income tax assets

	Group					
	Tax losses		Others		Total	
	2009 US$'000	2008 US$'000	2009 US$'000	2008 US$'000	2009 US$'000	2008 US$'000
At 1st January	**2,285**	1,265	**1,075**	1,660	**3,360**	2,925
Exchange difference	**37**	–	**21**	–	**58**	–
(Charged)/credited to consolidated income statement	**(344)**	1,020	**835**	(585)	**491**	435
At 31st December	**1,978**	2,285	**1,931**	1,075	**3,909**	3,360

16 Deferred income tax (Continued)

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

	Group	
	2009 US$'000	2008 US$'000
Deferred income tax assets	**1,980**	1,204
Deferred income tax liabilities	**19,603**	12,776

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

	Group	
	2009 US$'000	2008 US$'000
Deferred income tax assets to be recovered after more than 12 months	**1,370**	1,129
Deferred income tax liabilities to be settled after more than 12 months	**2,463**	1,906

As at 31st December 2009 and 2008, the Company did not have significant deferred income tax assets and liabilities.

17 Derivative financial instruments

	Group	
	2009 US$'000	2008 US$'000
Interest rate swap contracts		
– fair value hedges (note)	**16,556**	24,215

Note:

The notional principal amount of the related interest rate swap contracts amounted to US$200,000,000 (2008: US$200,000,000) which were committed with interest rates ranging from 1.05% to 1.16% (2008: 1.05% to 1.16%) per annum above LIBOR. These interest rate swap contracts have been designated as a hedge of the fair value of the notes issued by the Group.

18 Other non-current assets

Other non-current assets of the Group 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 Pier 2 and 3 of the Piraeus Port in Greece for a term of 35 years ("Concession"). The Concession commenced on 1st October 2009.

19 Inventories

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

Notes to the Consolidated Financial Statements

20 Trade and other receivables

	Group		Company	
	2009 US$'000	2008 US$'000	2009 US$'000	2008 US$'000
Trade receivables (note a)				
– third parties	**32,179**	32,719	**–**	–
– fellow subsidiaries (notes b and c)	**60,056**	26,367	**–**	–
– jointly controlled entities (note b)	**517**	450	**–**	–
– related companies (note b)	**340**	227	**–**	–
	93,092	59,763	**–**	–
Less: provision for impairment	**(4,206)**	(417)	**–**	–
	88,886	59,346	**–**	–
Other receivables, deposits and prepayments	**56,337**	78,414	**246**	3,259
Rent receivable collected on behalf of owners of managed containers (note d)	**35,117**	39,525	**–**	–
Current portion of finance lease receivables (note 15)	**931**	943	**–**	–
Amounts due from (note b)				
– fellow subsidiaries	**51**	165	**–**	–
– jointly controlled entities (note e)	**980**	53,544	**–**	–
– associates (note e)	**12**	323	**–**	–
– related companies	**1**	5	**–**	–
	182,315	232,265	**246**	3,259

Notes:

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

	Group	
	2009 US$'000	2008 US$'000
Within 30 days	**22,262**	24,762
31-60 days	**19,595**	23,412
61-90 days	**16,755**	6,832
Over 90 days	**30,274**	4,340
	88,886	59,346

20 Trade and other receivables (Continued)

As at 31st December 2009, trade receivables of US$31,979,000 (2008: US$35,445,000) were fully performing.

As at 31st December 2009, trade receivables of US$55,531,000 (2008: US$19,463,000) 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	
	2009 US$'000	2008 US$'000
Within 30 days	**25,939**	17,038
31-60 days	**11,231**	863
61-90 days	**11,360**	392
Over 90 days	**7,001**	1,170
	55,531	19,463

As at 31st December 2009, trade receivables of US$5,582,000 (2008: US$4,855,000) were impaired. The amount of the provision was US$4,206,000 (2008: US$417,000) as at 31st December 2009. The individually impaired receivables mainly relate to lessees, which are in unexpected difficult economic situations. It was assessed that a portion of the receivables is expected to be recovered. The ageing of these receivables is as follows:

	Group	
	2009 US$'000	2008 US$'000
Within 30 days	**1,373**	2,821
31-60 days	**810**	1,119
61-90 days	**897**	369
Over 90 days	**2,502**	546
	5,582	4,855

Movement on the provision for impairment of trade receivables is as follows:

	Group	
	2009 US$'000	2008 US$'000
At 1st January	**(417)**	(3,713)
Provision for impairment of trade receivables (note 29)	**(3,933)**	(200)
Write back of provision for impairment of trade receivables (note 29)	**142**	1,672
Receivables written off during the year as uncollectible	**2**	1,824
At 31st December	**(4,206)**	(417)

Notes to the Consolidated Financial Statements

20 Trade and other receivables (Continued)

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

(c) The balance mainly represented container leasing income receivable from fellow subsidiaries and included a receivable balance from COSCON of US$57,986,000 (2008: US$24,218,000). During the year ended 31st December 2009, the container leasing income from COSCON and the other fellow subsidiaries amounted to US$134,284,000 (2008: US$142,428,000) and US$7,000 (2008: US$50,000) respectively.

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

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

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

	Group		Company	
	2009 US$'000	2008 US$'000	**2009 US$'000**	2008 US$'000
US dollar	**109,914**	85,869	**–**	1,325
Renminbi	**45,495**	140,885	**11**	–
Euro	**24,348**	1,958	**–**	1,379
Hong Kong dollar	**2,050**	3,289	**235**	555
Other currencies	**508**	264	**–**	–
	182,315	232,265	**246**	3,259

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

21 Asset held for sale under discontinuing operation

	Group	
	2009 US$'000	2008 US$'000
A jointly controlled entity	**258,363**	–

On 27th August 2009, COSCO Pacific Logistics Company Limited ("CP Logistics"), a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with China COSCO, pursuant to which CP Logistics conditionally agreed to sell and China COSCO conditionally agreed to purchase CP Logistics' entire 49% equity interest in COSCO Logistics, a jointly controlled entity of the Group, at a cash consideration of RMB2,000,000,000 (equivalent to approximately US$292,900,000). Apart from the aforesaid cash consideration, CP Logistics is entitled to receive a special distribution of an additional cash amount equivalent to 273/365 (representing the first nine months of year 2009) of 49% of 90% of the audited consolidated net profit after tax and minority interest of COSCO Logistics for the year ended 31st December 2009 as shown in the audited consolidated financial statements of COSCO Logistics for the year ended 31st December 2009 prepared in accordance with the accounting standards generally accepted in the PRC. In October 2009, the disposal was approved by the independent shareholders of the Company. Accordingly, this investment was reclassified as an asset held for sale under discontinuing operation. The disposal of COSCO Logistics was completed in March 2010 (note 44).

The Group's shares of revenue and results of COSCO Logistics are as follows:

	2009 US$'000	2008 US$'000
Revenue	**637,768**	1,008,439
Expenses	**(599,739)**	(970,543)
Profit before income tax	**38,029**	37,896
Income tax expenses	**(7,460)**	(8,263)
Profit for the year	**30,569**	29,633
Profit attributable to:		
Equity holders of COSCO Logistics	**25,627**	25,006
Minority interests	**4,942**	4,627
	30,569	29,633

The cash flows in relation to the Group's investment in COSCO Logistics reflected in the Group's consolidated financial statements are as follows:

	2009 US$'000	2008 US$'000
Cash inflows from investing activities	**18,049**	19,313

Notes to the Consolidated Financial Statements

22 Share capital

	2009 US$'000	2008 US$'000
Authorised:		
3,000,000,000 ordinary shares of HK$0.10 each	**38,462**	38,462
Issued and fully paid:		
2,262,525,573 (2008: 2,245,029,298) ordinary shares of HK$0.10 each	**29,018**	28,792

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

	Number of ordinary shares	Nominal value US$'000
At 1st January 2009	**2,245,029,298**	**28,792**
Issued on exercising of share options (note 23)	**20,000**	**1**
Issued on 2008 final scrip dividends	**17,476,275**	**225**
At 31st December 2009	**2,262,525,573**	**29,018**
At 1st January 2008	2,244,881,298	28,790
Issued on exercising of share options (note 23)	148,000	2
At 31st December 2008	2,245,029,298	28,792

During the year 17,476,275 new shares were issued by the Company at HK$8.66 per share for the settlement of 2008 final scrip dividends.

23 Share-based payment

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

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

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

23 Share-based payment (Continued)

Movements of the share options are set out below:

			For the year ended 31st December 2009 Number of share options				
Category	**Note**	**Exercise price HK$**	**Outstanding at 1st January 2009**	**Exercised during the year**	**Transfer (to)/ from other categories during the year**	**Lapsed during the year**	**Outstanding at 31st December 2009**
Directors	(i) (ii)	9.54	**800,000**	**–**	**–**	**–**	**800,000**
	(i) (iii)	13.75	**5,250,000**	**–**	**(550,000)**	**–**	**4,700,000**
	(i) (iv)	19.30	**2,300,000**	**–**	**(500,000)**	**–**	**1,800,000**
Continuous	(i) (ii)	9.54	**1,611,000**	**(20,000)**	**–**	**(72,000)**	**1,519,000**
contract employees	(i) (iii)	13.75	**14,072,000**	**–**	**(120,000)**	**(470,000)**	**13,482,000**
	(i) (iv)	19.30	**14,580,000**	**–**	**(160,000)**	**(510,000)**	**13,910,000**
Others	(i) (ii)	9.54	**50,000**	**–**	**–**	**–**	**50,000**
	(i) (iii)	13.75	**4,120,000**	**–**	**670,000**	**–**	**4,790,000**
	(i) (iv)	19.30	**–**	**–**	**660,000**	**–**	**660,000**
			42,783,000	**(20,000)**	**–**	**(1,052,000)**	**41,711,000**

			For the year ended 31st December 2008 Number of share options				
Category	**Note**	**Exercise price HK$**	**Outstanding at 1st January 2008**	**Exercised during the year**	**Transfer (to)/ from other categories during the year**	**Lapsed during the year**	**Outstanding at 31st December 2008**
Directors	(i) (ii)	9.54	800,000	–	–	–	800,000
	(i) (iii)	13.75	6,450,000	–	(1,200,000)	–	5,250,000
	(i) (iv)	19.30	2,300,000	–	–	–	2,300,000
Continuous	(i) (ii)	9.54	1,725,000	(94,000)	–	(20,000)	1,611,000
contract employees	(i) (iii)	13.75	14,042,000	(50,000)	200,000	(120,000)	14,072,000
	(i) (iv)	19.30	14,770,000	–	–	(190,000)	14,580,000
Others	(i) (ii)	9.54	50,000	–	–	–	50,000
	(i) (iii)	13.75	3,124,000	(4,000)	1,000,000	–	4,120,000
			43,261,000	(148,000)	–	(330,000)	42,783,000

Notes:

(i) All the outstanding options were vested and exercisable as at 31st December 2009 and 2008. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

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

Notes to the Consolidated Financial Statements

23 Share-based payment (Continued)

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

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

(v) The exercise of the 20,000 (2008: 148,000) share options during the year yielded the proceeds, net of transaction costs of US$3,000 in 2008 as follows:

	Company	
	2009 US$'000	2008 US$'000
Ordinary share capital – at par	**1**	2
Share premium (net of issue expenses)	**24**	206
Proceeds (net of issue expenses)	**25**	208

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

Expiry date	Exercise price HK$	Number of share options 2009	Number of share options 2008
28th October 2013 to 6th November 2013	9.54	**2,369,000**	2,461,000
25th November 2014 to 16th December 2014	13.75	**22,972,000**	23,442,000
17th April 2017 to 19th April 2017	19.30	**16,370,000**	16,880,000
		41,711,000	42,783,000

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

	2009		2008	
	Average exercise price per share HK$	Number of share options	Average exercise price per share HK$	Number of share options
At 1st January	**15.70**	**42,783,000**	15.69	43,261,000
Exercised	**9.54**	**(20,000)**	11.08	(148,000)
Lapsed	**16.15**	**(1,052,000)**	16.69	(330,000)
At 31st December	**15.69**	**41,711,000**	15.70	42,783,000

The weighted average closing market price of the Company's shares on the dates when the share options were exercised was HK$11.40 (2008: HK$17.59) per share.

24 Reserves

Company

	Share premium US$'000	Contributed surplus (note) US$'000	Share option reserve US$'000	Retained profits US$'000	Total US$'000
At 1st January 2009	**699,162**	**414,214**	**10,732**	**450,400**	**1,574,508**
Issue of shares on exercise of share options	**24**	**–**	**–**	**–**	**24**
Issue of shares on settlement of scrip dividends	**19,303**	**–**	**–**	**–**	**19,303**
Transfer of reserve upon lapse of share options	**–**	**–**	**(324)**	**324**	**–**
Profit for the year	**–**	**–**	**–**	**106,269**	**106,269**
Dividends					
– 2008 final	**–**	**–**	**–**	**(31,026)**	**(31,026)**
– 2009 interim	**–**	**–**	**–**	**(42,034)**	**(42,034)**
At 31st December 2009	**718,489**	**414,214**	**10,408**	**483,933**	**1,627,044**
Representing:					
Reserves	**718,489**	**414,214**	**10,408**	**456,805**	**1,599,916**
2009 final dividend proposed	**–**	**–**	**–**	**27,128**	**27,128**
At 31st December 2009	**718,489**	**414,214**	**10,408**	**483,933**	**1,627,044**
At 1st January 2008	698,956	414,214	10,853	412,499	1,536,522
Issue of shares on exercise of share options	209	–	–	–	209
Share issue expenses	(3)	–	–	–	(3)
Transfer of reserve upon lapse of share options	–	–	(121)	121	–
Profit for the year	–	–	–	256,259	256,259
Dividends					
– 2007 final and special	–	–	–	(139,686)	(139,686)
– 2008 interim	–	–	–	(78,793)	(78,793)
At 31st December 2008	699,162	414,214	10,732	450,400	1,574,508
Representing:					
Reserves	699,162	414,214	10,732	419,374	1,543,482
2008 final dividend proposed	–	–	–	31,026	31,026
At 31st December 2008	699,162	414,214	10,732	450,400	1,574,508

Note:

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

Notes to the Consolidated Financial Statements

25 Borrowings

	Group	
	2009 US$'000	**2008 US$'000**
Long term borrowings – unsecured	**1,493,722**	1,413,361
Amounts due within one year included under current liabilities	**(83,051)**	(56,406)
	1,410,671	1,356,955
Short term bank loans – unsecured	**110,563**	10,974

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

	Group	
	2009 US$'000	**2008 US$'000**
Wholly repayable within five years		
– Bank loans	**988,014**	588,258
– Notes (note c)	**315,175**	321,391
	1,303,189	909,649
Bank loans not wholly repayable within five years	**190,533**	503,712
	1,493,722	1,413,361

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

	Group	
	2009 US$'000	**2008 US$'000**
Bank loans		
Within one year	**83,051**	56,406
Between one and two years	**143,053**	89,595
Between two and five years	**808,530**	760,354
Over five years	**143,913**	185,615
	1,178,547	1,091,970
Notes (note c)		
Between two and five years	**315,175**	321,391
	1,493,722	1,413,361

25 Borrowings (Continued)

(c) Details of the notes as at 31st December 2009 are as follows:

	Group 2009 US$'000	Group 2008 US$'000
Principal amount	**300,000**	300,000
Discount on issue	**(1,899)**	(1,899)
Notes issuance cost	**(1,800)**	(1,800)
Net proceeds received	**296,301**	296,301
Accumulated amortised amounts of		
– discount on issue	**1,315**	1,135
– notes issuance cost	**1,246**	1,076
	298,862	298,512
Effect of fair value hedge	**16,313**	22,879
	315,175	321,391

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

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

(d) The Group established a non-wholly owned subsidiary (the "Subsidiary") with a third party (the "Partner") in March 2008. For the establishment of the Subsidiary, the Partner injected certain assets and liabilities to the Subsidiary, including bank loans. As of 31st December 2008, the necessary procedures for transferring the legal obligor of the bank loans of US$34,969,000 to the Subsidiary had not yet been completed. As the Subsidiary undertook these bank loans with effect from the date of its establishment, the directors accounted for the related loans as the Group's bank loans as at 31st December 2008.

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

	Less than one year US$'000	One to five years US$'000	Total US$'000
At 31st December 2009			
Total borrowings	**1,178,547**	**315,175**	**1,493,722**
Effect of interest rate swaps qualified as hedges	**–**	**(200,000)**	**(200,000)**
	1,178,547	**115,175**	**1,293,722**
At 31st December 2008			
Total borrowings	1,091,970	321,391	1,413,361
Effect of interest rate swaps qualified as hedges	–	(200,000)	(200,000)
	1,091,970	121,391	1,213,361

Notes to the Consolidated Financial Statements

25 Borrowings (Continued)

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

	2009 US$'000	2008 US$'000
US dollar	**1,226,587**	1,248,685
Renminbi	**377,698**	175,650
	1,604,285	1,424,335

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

	2009		2008	
	US$	RMB	US$	RMB
Bank loans	**0.7%**	**5.3%**	1.9%	5.8%
Notes	**5.9%**	**N/A**	6.0%	N/A

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

	Carrying amounts		Fair values	
	2009 US$'000	2008 US$'000	2009 US$'000	2008 US$'000
Bank loans	**1,095,496**	1,035,564	**1,095,519**	1,032,194
Notes	**315,175**	321,391	**338,279**	333,919
	1,410,671	1,356,955	**1,433,798**	1,366,113

The fair values are determined based on cash flows discounted using a weighted average borrowing rate of 0.7% (2008: 1.9%) per annum.

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

(i) As at 31st December 2009 and 2008, the committed and undrawn borrowing facilities of the Group amounted to US$673,000,000 (2008: US$40,236,000).

26 Other long term liabilities

	Group	
	2009 US$'000	2008 US$'000
Deferred deal management fee	**691**	1,470
Deferred upfront administration fee	**2,231**	3,719
	2,922	5,189
Less: current portion (note 27)	**(2,178)**	(2,267)
	744	2,922

27 Trade and other payables

	Group		Company	
	2009 US$'000	2008 US$'000	2009 US$'000	2008 US$'000
Trade payables (note a)				
– third parties	**29,421**	9,029	**–**	–
– fellow subsidiaries (note b)	**337**	140	**–**	–
– jointly controlled entities (notes b and c)	**–**	2	**–**	–
– a minority shareholder of a subsidiary (note b)	**1,855**	1,089	**–**	–
– subsidiaries of an associate (notes b and c)	**14,695**	60	**–**	–
– related companies (note b)	**2**	1	**–**	–
	46,310	10,321	**–**	–
Other payables and accruals	**55,618**	49,555	**5,160**	2,339
Payable to owners of managed containers (note d)	**38,542**	39,897	**–**	–
Current portion of other long term liabilities (note 26)	**2,178**	2,267	**–**	–
Dividend payable	**35**	34	**35**	34
Amounts due to (note b)				
– fellow subsidiaries	**152**	3	**–**	–
– jointly controlled entities	**–**	8	**–**	–
– minority shareholders of subsidiaries	**5,103**	21,446	**–**	–
– subsidiaries of an associate	**55**	–	**–**	–
– related companies	**7**	–	**–**	–
	148,000	123,531	**5,195**	2,373

Notes:

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

	Group	
	2009 US$'000	2008 US$'000
Within 30 days	**37,388**	4,920
31-60 days	**3,563**	745
61-90 days	**1,422**	296
Over 90 days	**3,937**	4,360
	46,310	10,321

Notes to the Consolidated Financial Statements

27 Trade and other payables (Continued)

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

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

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

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

	Group		Company	
	2009 US$'000	2008 US$'000	2009 US$'000	2008 US$'000
US dollar	**79,458**	69,148	**4,006**	268
Renminbi	**40,890**	49,462	**483**	477
Euro	**24,265**	952	**2**	690
Hong Kong dollar	**3,253**	3,863	**704**	938
Other currencies	**134**	106	**–**	–
	148,000	123,531	**5,195**	2,373

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

28 Other operating income

	2009 US$'000	2008 US$'000
Exchange gain, net	**563**	509
Profit on disposal of a jointly controlled entity	**–**	236
Management fee and other service income	**4,093**	4,909
Profit on disposal of available-for-sale financial assets	**85**	1,959
Profit on disposal of property, plant and equipment	**545**	5,313
Write back of provision for impairment of trade receivables	**142**	1,672
Container repair insurance income	**345**	4,915
Revaluation surplus of investment properties (note 8)	**555**	–
Others	**3,681**	7,230
	10,009	26,743

29 Operating profit

Operating profit is stated after crediting and charging the following:

	2009 US$'000	2008 US$'000
Crediting		
Dividend income from listed and unlisted investments (note a)	**22,254**	22,440
Rental income from		
– investment properties (note a)	**85**	53
– buildings, leasehold land and land use rights	**246**	–
Exchange gain, net	**563**	509
Profit on disposal of available-for-sale financial assets	**85**	1,959
Profit on disposal of property, plant and equipment	**545**	5,313
Profit on disposal of a jointly controlled entity	**–**	236
Revaluation surplus of investment properties (note 8)	**555**	–
Write back of provision for inventories	**–**	21
Write back of provision for impairment of trade receivables (note 20)	**142**	1,672
Charging		
Amortisation of		
– leasehold land and land use rights	**1,956**	956
– intangible assets (note b)	**926**	657
– others	**497**	–
Depreciation of		
– owned property, plant and equipment leased out under operating leases	**78,277**	77,054
– other owned property, plant and equipment	**16,689**	13,893
Impairment loss of containers	**3,607**	45
Cost of inventories sold	**19,734**	31,344
Auditors' remuneration		
– current year	**838**	927
– overprovision in prior year	**(102)**	(92)
Outgoings in respect of investment properties	**4**	4
Provision for inventories	**7,028**	–
Provision for impairment of trade receivables (note 20)	**3,933**	200
Rental expense under operating leases of		
– buildings leased from third parties	**3,366**	1,388
– buildings leased from fellow subsidiaries	**1,423**	916
– buildings leased from a jointly controlled entity	**33**	33
– leasehold land and land use rights leased from minority shareholders of subsidiaries	**1,942**	1,944
– plant and machinery leased from third parties	**1,355**	337
– containers leased from third parties	**11,185**	8,747
– others	**4,421**	–
Revaluation deficit of investment properties (note 8)	**–**	3
Total staff costs (including directors' emoluments and retirement benefit costs) (note c):		
Wages, salaries and other benefits	**68,387**	41,204
Less: Amounts capitalised in intangible assets	**(520)**	(946)
	67,867	40,258

Notes to the Consolidated Financial Statements

29 Operating profit (Continued)

Notes:

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

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

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

30 Finance income and costs

	2009 US$'000	2008 US$'000
Finance income		
Interest income on		
– bank balances and deposits	**1,058**	4,165
– loans to jointly controlled entities and associates	**4,947**	2,701
	6,005	6,866
Finance costs		
Interest expenses on		
– bank loans	**(27,586)**	(38,642)
– notes	**(14,015)**	(16,117)
Fair value (loss)/gain on derivative financial instruments	**(7,659)**	19,574
Fair value adjustment of notes attributable to interest rate risk	**6,566**	(20,762)
	(1,093)	(1,188)
Amortised amount of		
– discount on issue of notes	**(180)**	(190)
– transaction costs on bank loans and notes	**(1,074)**	(398)
	(43,948)	(56,535)
Less: amount capitalised in construction in progress	**4,479**	3,827
	(39,469)	(52,708)
Other incidental borrowing costs and charges	**(336)**	(30)
	(39,805)	(52,738)
Net finance costs	**(33,800)**	(45,872)

31 Profit on disposal of a jointly controlled entity

A wholly owned subsidiary of the Group entered into a sale and purchase agreement to dispose of its entire 20% shareholding interest in Shanghai CIMC Reefer Containers Co., Ltd ("Shanghai CIMC Reefer"), a then jointly controlled entity, at a consideration of US$16,400,000 to CIMC, an associate. The transaction was completed in January 2009 and resulted in a profit of US$5,516,000.

32 Income tax (expenses)/credit

	2009 US$'000	2008 US$'000
Current income tax		
– Hong Kong profits tax	**(49)**	(176)
– China mainland taxation	**(6,547)**	(2,750)
– Overseas taxation	**(581)**	(878)
– Over provision in prior years	**–**	12,612
	(7,177)	8,808
Deferred income tax charge (note 16)	**(6,109)**	(4,223)
	(13,286)	4,585

The Group's shares of income tax expenses of jointly controlled entities and associates of US$15,194,000 (2008: US$14,685,000) and US$10,423,000 (2008: US$8,366,000) are included in the Group's shares of profits less losses of jointly controlled entities and associates respectively.

Hong Kong profits tax was provided at a rate of 16.5% (2008: 16.5%) on the estimated assessable profit for the year.

Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

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

	2009 US$'000	2008 US$'000
Profit before income tax from continuing operations	**163,707**	250,171
Less: Share of profits less losses of jointly controlled entities and associates from continuing operations	**(92,073)**	(130,082)
Profit on disposal of a jointly controlled entity	**(5,516)**	–
	66,118	120,089
Aggregate tax at domestic rates applicable to profits in respective territories concerned	**1,506**	1,189
Income not subject to income tax	**(1,161)**	(860)
Expenses not deductible for income tax purposes	**868**	476
Over provision in prior years	**–**	(12,612)
Utilisation of previously unrecognised tax losses	**(1,219)**	(55)
Tax losses not recognised	**1,843**	1,048
Effect of change in tax rate	**–**	64
Withholding income tax upon distribution of profits	**11,317**	6,542
Others	**132**	(377)
Income tax expenses/(credit)	**13,286**	(4,585)

Except for the Group's share of income tax expenses of jointly controlled entities and associates charged to other comprehensive income of US$1,284,000 and US$189,000 (2008: income tax credit of US$4,122,000 and US$18,979,000 respectively), there was no income tax relating to components of other comprehensive income for the year ended 31st December 2009 and 2008.

Notes to the Consolidated Financial Statements

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$106,269,000 (2008: US$256,259,000).

34 Dividends

	2009 US$'000	2008 US$'000
Interim dividend paid of US1.862 cents (2008: US3.514 cents) per ordinary share	**41,802**	78,890
Final dividend proposed of US1.199 cents (2008: US1.382 cents) per ordinary share	**27,128**	31,026
Exchange difference	**–**	(49)
Additional dividends paid on shares issued due to the exercise of share options and shares issued on scrip dividends before the closure of register of members:		
– 2008/2007 final	**–**	6
– 2009/2008 interim	**232**	–
	69,162	109,873

Note:

At a meeting held on 30th March 2010, the directors recommended the payment of a final cash dividend of HK9.3 cents (equivalent to US1.199 cents) per ordinary share. This proposed final cash dividend is not reflected as dividend payable in these consolidated financial statements until it has been approved at the annual general meeting, but will be reflected as an appropriation of retained profits for the year ending 31st December 2010.

35 Earnings per share

(a) Basic

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

	2009	2008
Profit from continuing operations attributable to equity holders of the Company	**US$146,899,000**	US$249,719,000
Profit from discontinuing operation attributable to equity holders of the Company	**US$25,627,000**	US$25,006,000
	US$172,526,000	US$274,725,000
Weighted average number of ordinary shares in issue	**2,252,933,291**	2,245,007,063
Basic earnings per share		
– from continuing operations	**US 6.52 cents**	US 11.12 cents
– from discontinuing operation	**US 1.14 cents**	US 1.12 cents
	US 7.66 cents	US 12.24 cents

35 Earnings per share (Continued)

(b) Diluted

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

	2009	2008
Profit from continuing operations attributable to equity holders of the Company	**US$146,899,000**	US$249,719,000
Profit from discontinuing operation attributable to equity holders of the Company	**US$25,627,000**	US$25,006,000
	US$172,526,000	US$274,725,000
Weighted average number of ordinary shares in issue	**2,252,933,291**	2,245,007,063
Adjustments for assumed issuance of shares on exercise of share options	**11,370**	515,437
Weighted average number of ordinary shares for diluted earnings per share	**2,252,944,661**	2,245,522,500
Diluted earnings per share		
– from continuing operations	**US 6.52 cents**	US 11.12 cents
– from discontinuing operation	**US 1.14 cents**	US 1.11 cents
	US 7.66 cents	US 12.23 cents

36 Retirement benefit costs

The retirement benefit costs charged to the consolidated income statement represent contributions payable by the Group to the retirement benefit schemes and amounted to US$2,668,000 (2008: US$2,267,000). Contributions totaling US$133,000 (2008: US$58,000) were payable to the retirement benefit schemes as at 31st December 2009 and were included in trade and other payables. No forfeited contributions were available as at 31st December 2009 (2008: US$Nil) 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:

	2009 US$'000	2008 US$'000
Fees	**258**	204
Salaries, housing and other allowances	**1,380**	1,448
Benefits in kind	**99**	115
Bonuses	**232**	264
Contributions to retirement benefit schemes	**2**	2
	1,971	2,033

Directors' fees disclosed above include US$164,000 (2008: US$116,000) paid to independent non-executive directors.

The Company has not granted any share options during the year ended 31st December 2009 and 2008.

As at 31st December 2009, one (2008: one) director of the Company had 800,000 (2008: 800,000) share options which are exercisable at HK$9.54 per share granted by the Company under the 2003 Share Option Scheme.

As at 31st December 2009, five (2008: six) directors of the Company had 4,700,000 (2008: 5,250,000) share options which are exercisable at HK$13.75 per share granted by the Company under the 2003 Share Option Scheme.

As at 31st December 2009, three (2008: four) directors of the Company had 1,800,000 (2008: 2,300,000) share options which are exercisable at HK$19.30 per share granted by the Company under the 2003 Share Option Scheme.

For the year ended 31st December 2009 and 2008, there was no share option exercised by the directors.

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

37 Directors' and management's emoluments (Continued)

(a) Directors' emoluments (Continued)

The directors' emoluments are analysed as follows:

Name of directors	Note	Fees US$'000	Salaries, housing and other allowances US$'000	Benefits in kind US$'000	Bonuses US$'000	Contributions to retirement benefit schemes US$'000	Total US$'000
		Year ended 31st December 2009					
Mr. CHEN Hongsheng		**19**	**–**	**–**	**–**	**–**	**19**
Mr. LI Jianhong		**15**	**–**	**–**	**–**	**–**	**15**
Mr. XU Lirong		**15**	**–**	**–**	**–**	**–**	**15**
Ms. SUN Yueying		**15**	**–**	**–**	**–**	**–**	**15**
Mr. XU Minjie		**–**	**650**	**76**	**90**	**–**	**816**
Dr. SUN Jiakang		**15**	**–**	**–**	**–**	**–**	**15**
Mr. HE Jiale	(v)	**15**	**–**	**–**	**–**	**–**	**15**
Dr. WONG Tin Yau, Kelvin		**–**	**318**	**–**	**77**	**2**	**397**
Mr. WANG Zhi	(vi)	**–**	**184**	**23**	**–**	**–**	**207**
Mr. YIN Weiyu		**–**	**228**	**–**	**65**	**–**	**293**
Dr. LI Kwok Po, David		**43**	**–**	**–**	**–**	**–**	**43**
Mr. CHOW Kwong Fai, Edward		**46**	**–**	**–**	**–**	**–**	**46**
Mr. Timothy George FRESHWATER		**32**	**–**	**–**	**–**	**–**	**32**
Dr. FAN HSU Lai Tai, Rita	(v)	**43**	**–**	**–**	**–**	**–**	**43**
		258	**1,380**	**99**	**232**	**2**	**1,971**

Name of directors	Note	Fees US$'000	Salaries, housing and other allowances US$'000	Benefits in kind US$'000	Bonuses US$'000	Contributions to retirement benefit schemes US$'000	Total US$'000
		Year ended 31st December 2008					
Dr. WEI Jiafu	(i)	11	–	–	–	–	11
Mr. CHEN Hongsheng		17	–	–	–	–	17
Mr. LI Jianhong		15	–	–	–	–	15
Mr. XU Lirong		15	–	–	–	–	15
Ms. SUN Yueying		15	–	–	–	–	15
Mr. XU Minjie		–	651	54	97	–	802
Dr. SUN Jiakang		15	–	–	–	–	15
Dr. WONG Tin Yau, Kelvin		–	320	–	90	2	412
Mr. WANG Zhi		–	246	61	–	–	307
Mr. YIN Weiyu	(iv)	–	231	–	77	–	308
Mr. QIN Fuyan	(ii)	–	–	–	–	–	–
Dr. LI Kwok Po, David		37	–	–	–	–	37
Mr. LIU Lit Man	(iii)	14	–	–	–	–	14
Mr. CHOW Kwong Fai, Edward		38	–	–	–	–	38
Mr. Timothy George FRESHWATER		27	–	–	–	–	27
		204	1,448	115	264	2	2,033

Notes to the Consolidated Financial Statements

37 Directors' and management's emoluments (Continued)

(a) Directors' emoluments (Continued)

Notes:

(i) resigned on 22nd July 2008
(ii) resigned on 4th January 2008
(iii) retired on 15th May 2008
(iv) appointed on 4th January 2008
(v) appointed on 1st January 2009
(vi) resigned on 1st November 2009

The above analysis includes three (2008: three) directors whose emoluments were among the five highest in the Group.

(b) Management's emoluments

Details of the aggregate emoluments paid to two (2008: two) individuals whose emoluments were the highest in the Group and have not been included in the directors' emoluments above are set out below:

	2009 US$'000	2008 US$'000
Salaries and other allowances	**525**	529
Bonuses	**130**	154
Contributions to retirement benefit schemes	**4**	4
	659	687

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

	Number of individuals	
	2009 US$'000	2008 US$'000
Emolument bands		
US$258,021-US$322,527 (HK$2,000,001-HK$2,500,000)	**1**	–
US$322,527-US$387,032 (HK$2,500,001-HK$3,000,000)	**1**	2
	2	2

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

38 Financial guarantee contracts

The financial guarantees issued by the Group and the Company as at 31st December 2009 is analysed as below:

	Group		Company	
	2009 US$'000	**2008 US$'000**	**2009 US$'000**	**2008 US$'000**
Guarantees for:				
– Notes issued by a subsidiary (note 25(c))	**–**	–	**300,000**	300,000
– Other loan facilities granted to subsidiaries	**–**	–	**891,500**	927,500
– Bank guarantees to an associate	**31,788**	37,057	**31,788**	37,057
	31,788	37,057	**1,223,288**	1,264,557

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

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

39 Contingent liabilities

A statement of claim was issued on 19th October 2009 by Aronis-Drettas-Karlaftis Consultant Engineers S.A. as the plaintiff 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 in Greece alleging non-payment of fees for design services and project management services. The plaintiff has claimed for approximately Euro 5,800,000 (equivalent to approximately US$7,900,000) in total.

The Directors and management of the Company, having taken legal advice, are of the view that the Company and Piraeus Terminal have good defences to all material claims. The Company would therefore contest the claims vigorously. However, at this stage, it is not possible to predict the outcome of this litigation with certainty. Hence, no provision has been made for the claims.

40 Capital commitments

The Group and the Company have the following significant capital commitments as at 31st December 2009:

	Group		Company	
	2009 US$'000	**2008 US$'000**	**2009 US$'000**	**2008 US$'000**
Authorised but not contracted for				
– Containers	**130,005**	89,545	**–**	–
– Computer system under development	**807**	749	**–**	–
– Investment (note)	**–**	–	**–**	59,063
– Other property, plant and equipment	**57,449**	464,142	**–**	–
	188,261	554,436	**–**	59,063
Contracted but not provided for				
– Containers	**1,820**	6,388	**–**	–
– Investments (note)	**580,465**	585,225	**–**	–
– Other property, plant and equipment	**219,817**	83,714	**–**	–
	802,102	675,327	**–**	–

Notes to the Consolidated Financial Statements

40 Capital commitments (Continued)

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

	Group	
	2009 US$'000	2008 US$'000
Contracted but not provided for	**5,662**	8,108
Authorised but not contracted for	**8,965**	17,031
	14,627	25,139

Note:

The capital commitments in respect of investments of the Group and the Company as at 31st December 2009 are as follows:

	Group		Company	
	2009 US$'000	2008 US$'000	2009 US$'000	2008 US$'000
Authorised but not contracted for				
Investment in:				
– Piraeus Container Terminal S.A.	**–**	–	**–**	59,063
Contracted but not provided for				
Investments in:				
– Qingdao Qianwan Container Terminal Co., Ltd.	**64,997**	64,997	**–**	–
– Antwerp Gateway NV	**69,466**	75,490	**–**	–
– Dalian Port Container Terminal Co., Ltd.	**42,764**	42,724	**–**	–
– COSCO Ports (Nansha) Limited	**178,021**	177,854	**–**	–
– Tianjin Port Euroasia International Container Terminal Co., Ltd.	**102,809**	102,713	**–**	–
– Others	**59,120**	58,218	**–**	–
	517,177	521,996	**–**	–
Terminal projects in:				
– Shanghai Yangshan Port Phase II	**58,581**	58,526	**–**	–
– Others	**4,707**	4,703	**–**	–
	63,288	63,229	**–**	–
	580,465	585,225	**–**	–

41 Operating lease arrangements/commitments

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

At 31st December 2009, the Group had future minimum lease receipts under non-cancellable operating leases as follows:

	Group	
	2009 US$'000	**2008 US$'000**
Containers		
– not later than one year	**176,221**	184,013
– later than one year and not later than five years	**536,914**	580,394
– later than five years	**195,744**	281,304
	908,879	1,045,711
Generator sets		
– not later than one year	**1,746**	2,002
– later than one year and not later than five years	**2,042**	2,714
– later than five years	**269**	413
	4,057	5,129
Buildings, leasehold land and land use rights		
– not later than one year	**405**	–
– later than one year and not later than five years	**80**	–
	485	–
Investment properties		
– not later than one year	**85**	43
– later than one year and not later than five years	**32**	23
	117	66
	913,538	1,050,906

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.

Notes to the Consolidated Financial Statements

41 Operating lease arrangements/commitments (Continued)

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

At 31st December 2009, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Group	
	2009 US$'000	2008 US$'000
Buildings, leasehold land and land use rights		
– not later than one year	**3,828**	4,595
– later than one year and not later than five years	**1,839**	7,369
– later than five years	**2**	9,643
	5,669	21,607
Plant and machinery		
– not later than one year	**1,321**	242
– later than one year and not later than five years	**1,033**	63
	2,354	305
Containers (note)		
– not later than one year	**9,606**	12,551
– later than one year and not later than five years	**25,378**	44,458
	34,984	57,009
	43,007	78,921

Note:

After the disposal of certain containers in 2008, the Group entered into an operating lease agreement of which the Group agreed to lease back these containers from the purchaser with an initial lease term of five years. The lessor calculated the rent payable by the Group, which was determined on the terms agreed between both parties.

Pursuant to the operating lease agreement, 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.

Except for the operating lease commitment above, the Group had commitment in relations to the Concession (note 18) as follows:

	2009 US$'000	2008 US$'000
Not later than one year	**34,331**	–
Later than one year and not later than five years	**168,134**	–
Later than five years	**4,511,290**	–
	4,713,755	–

(c) The Company did not have any lease commitments as at 31st December 2009 and 2008.

42 Notes to the consolidated cash flow statement

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

	2009 US$'000	2008 US$'000
Profit before income tax including discontinuing operation	**189,334**	275,177
Depreciation and amortisation	**98,345**	92,560
Interest expenses	**38,215**	52,120
Amortised amount of		
– discount on issue of notes	**180**	190
– transaction costs on bank loans and notes	**1,074**	398
Other incidental borrowing costs and charges	**336**	30
Impairment loss of containers	**3,607**	45
Provision for impairment of trade receivables	**3,933**	200
Provision/(write back of provision) for inventories	**7,028**	(21)
Profit on disposal of property, plant and equipment	**(545)**	(5,313)
Dividend income from		
– a listed investment	**–**	(132)
– unlisted investments	**(22,254)**	(22,308)
Profit on disposal of		
– a jointly controlled entity	**(5,516)**	(236)
– available-for-sale financial assets	**(85)**	(1,959)
Revaluation (surplus)/deficit of investment properties	**(555)**	3
Write back of provision for impairment of trade receivables	**(142)**	(1,672)
Interest income	**(6,005)**	(6,866)
Share of profits less losses of		
– jointly controlled entities	**(84,810)**	(100,273)
– associates	**(32,890)**	(54,815)
Operating profit before working capital changes	**189,250**	227,128
Decrease in net amount due from jointly controlled entities	**104**	217
Decrease in finance lease receivables	**961**	1,244
Decrease/(increase) in rent receivable collected on behalf of owners of managed containers	**4,408**	(282)
Decrease in inventories	**16,055**	24,585
(Increase)/decrease in trade and other receivables	**(49,346)**	10,859
Decrease in restricted bank deposits	**76**	416
Decrease/(increase) in amounts due from fellow subsidiaries	**115**	(165)
Decrease in amounts due from related companies	**4**	11
Decrease in amount due from an associate	**376**	101
Increase/(decrease) in trade and other payables	**24,322**	(2,708)
(Decrease)/increase in payables to owners of managed containers	**(1,355)**	282
Increase/(decrease) in amounts due to fellow subsidiaries	**149**	(102)
Increase/(decrease) in amounts due to related companies	**7**	(5)
(Decrease)/increase in amounts due to minority shareholders of subsidiaries	**(8,454)**	147
Cash generated from operations	**176,672**	261,728

Notes to the Consolidated Financial Statements

42 Notes to the consolidated cash flow statement (Continued)

(b) Acquisition of a business

	2008 US$'000
Net assets acquired	
Property, plant and equipment	83,203
Leasehold land and land use rights	14,040
Intangible assets	21
Trade and other receivables	3,088
Cash and cash equivalents	81
Long term borrowings	(33,718)
Trade and other payables	(14,074)
Current portion of long term borrowings	(3,132)
Minority interests	(9,980)
	39,529
Satisfied by:	
Cash consideration	27,839
Amounts due to minority shareholders	11,690
	39,529
Analysis of net outflow of cash and cash equivalents in respect of acquisition of a business	
Cash consideration	(27,839)
Cash and cash equivalents in acquired business	81
Net cash outflow on acquisition	(27,758)

Cash outflow of US$7,889,000 in 2009 represented the settlement of amounts due to minority shareholders for the acquisition of a business in 2008.

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

	Group		Company	
	2009 US$'000	2008 US$'000	**2009 US$'000**	2008 US$'000
Total time deposits, bank balances and cash (note i)	**405,754**	429,041	**59,028**	176,557
Restricted bank deposits included in current assets	**(14)**	(77,435)	**–**	(77,345)
	405,740	351,606	**59,028**	99,212
Representing:				
Time deposits	**100,361**	161,684	**48,097**	98,464
Bank balances and cash	**305,379**	189,922	**10,931**	748
	405,740	351,606	**59,028**	99,212

42 Notes to the consolidated cash flow statement (Continued)

(c) Analysis of the balances of cash and cash equivalents (Continued)

Notes:

(i) As at 31st December 2009, cash and cash equivalents of US$46,015,000 (2008: US$68,331,000) 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	
	2009 US$'000	2008 US$'000	2009 US$'000	2008 US$'000
US dollar	**313,657**	364,423	**48,587**	175,075
Renminbi	**38,038**	40,292	**–**	–
Euro	**36,908**	14,408	**–**	3
Hong Kong dollar	**15,105**	6,944	**10,441**	1,478
Other currencies	**2,046**	2,974	**–**	1
	405,754	429,041	**59,028**	176,557

43 Related party transactions

The Group is controlled by China COSCO which owns 51.20% of the Company's shares as at 31st December 2009. The parent company of China COSCO is COSCO.

COSCO itself is a state-owned enterprise and is controlled by the PRC government, which also owns a significant portion of the productive assets in the PRC. In accordance with HKAS 24 "Related Party Disclosures" issued by the HKICPA, other state-owned enterprises and their subsidiaries (other than COSCO group companies), directly or indirectly controlled by the PRC government, are also defined as related parties of the Group. On that basis, related parties include COSCO and its subsidiaries, other state-owned enterprises and their subsidiaries directly or indirectly controlled by the PRC government, 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 related party transaction disclosures, the Group has identified, to the extent practicable, its customers and suppliers as to whether they are state-owned enterprises. Nevertheless, the directors believe that meaningful information in respect of related party transactions has been adequately disclosed.

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.

Notes to the Consolidated Financial Statements

43 Related party transactions (Continued)

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

	2009 US$'000	2008 US$'000
Container rental income from fellow subsidiaries (note i)		
– long term leases	**134,284**	142,428
– short term leases	**7**	50
Container rental income from other state-owned enterprises (note i)	**430**	360
Compensation for loss of containers from a fellow subsidiary (note ii)	**464**	1,024
Handling, storage and transportation income from (note iii)		
– fellow subsidiaries	**2,939**	5,253
– a jointly controlled entity	**1,259**	1,248
Management fee and service fee income from (note iv)		
– jointly controlled entities	**3,875**	4,229
– associates	**105**	106
– an investee company	**79**	81
Container terminal handling and storage income received from fellow subsidiaries and an associate of the parent company (note v)	**8,536**	8,163
Container freight charges to (note vi)		
– a fellow subsidiary	**–**	(180)
– jointly controlled entities	**–**	(256)
– subsidiaries of CIMC	**(158)**	(2,907)
Logistics services fees to a minority shareholder of a subsidiary (note vii)	**(4,370)**	(3,544)
Electricity and fuel expenses to a minority shareholder of a subsidiary (note viii)	**(1,320)**	(1,629)
Approved continuous examination program fees to a fellow subsidiary (note ix)	**(2,000)**	–
Purchase of containers from (note x)		
– subsidiaries of CIMC	**(34,501)**	(125,686)
– jointly controlled entities	**–**	(18,402)
– a related company	**–**	(1,975)
Handling, storage and maintenance expenses paid to fellow subsidiaries (note xi)	**(1,010)**	(604)
Proceeds on disposal of a jointly controlled entity to CIMC (note 31)	**16,400**	–
Proceeds on disposal of a jointly controlled entity to a subsidiary of CIMC (note xii)	**–**	14,000

43 Related party transactions (Continued)

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

Notes:

(i) The Group has conducted long term container leasing business with COSCON. During the two years ended 31st December 2009, 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 have been conducted by reference to, if applicable, the average of the available leasing rates quoted from two (2008: 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, other subsidiaries of COSCO and other state-owned enterprises 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$464,000 (2008: US$1,024,000) from COSCON for the loss of containers under operating leases, resulting in a profit of US$71,000 (2008: US$168,000).

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

(iv) The Group provided advisory and management services to COSCO-HIT Terminals (Hong Kong) Limited, a jointly controlled entity of the Group, during the year. Management fee was charged and agreed at HK$20,000,000 (equivalent to US$2,580,000) (2008: HK$20,000,000 (equivalent to US$2,569,000)) per annum.

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

(v) The container terminal handling and storage income received from fellow subsidiaries and an associate of COSCO in relation to the cargoes shipped from/to Zhangjiagang, Yangzhou and Quanzhou were conducted by the Group by reference to rates as set out by the Ministry of Communications of the PRC.

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

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

(vii) The logistics service fees paid to a minority shareholder of a subsidiary were charged at rates as mutually agreed.

(viii) Electricity and fuel expenses paid to a minority shareholder of a subsidiary were charged at rates as mutually agreed.

Notes to the Consolidated Financial Statements

43 Related party transactions (Continued)

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

(ix) Approved continuous examination program fees to COSCON of US$2,000,000 in connection with the containers leased to COSCON on a long term basis were agreed between the Group and COSCON for the year ended 31st December 2009 (2008: US$Nil).

(x) The purchases of containers from subsidiaries of CIMC, jointly controlled entities and a related company of the Group 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) During 2008, the Group entered into an agreement with CIMC Holdings (B.V.I.) Ltd., a subsidiary of CIMC, to dispose of its entire 22.5% equity interest in Tianjin CIMC North Ocean Co., Ltd., a then jointly controlled entity of the Group, at a consideration of US$14,000,000. The disposal resulted in a gain of US$236,000.

(b) Balances with state-owned banks

	2009 US$'000	2008 US$'000
Bank deposit balances		
– in China mainland	**46,015**	68,345
– outside China mainland	**295,533**	228,703
Long term bank loans		
– in China mainland	**290,725**	169,053
– outside China mainland	**429,000**	436,700
Short term bank loans		
– in China mainland	**101,044**	10,974
Committed and undrawn bank borrowings facilities		
– in China mainland	**608,400**	16,736
– outside China mainland	**30,000**	–

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

43 Related party transactions (Continued)

(c) Balances with other state-owned enterprise

	2009 US$'000	2008 US$'000
Other payables to a state-owned enterprise	**6,090**	5,760

The balance represented the port construction levies collected by subsidiaries 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 balances are unsecured, interest free and have no fixed terms of repayment.

(d) Key management compensation

	2009 US$'000	2008 US$'000
Salaries, bonuses and other allowances	**3,032**	2,996
Contributions to retirement benefit schemes	**7**	8
	3,039	3,004

Key management includes directors of the Company and five (2008: four) senior management members of the Group.

44 Event after the balance sheet date

In March 2010, the disposal of COSCO Logistics (note 21) was completed and resulted in a gain (net of tax and direct expenses) of approximately US$85,000,000 for the year ending 31st December 2010.

Notes to the Consolidated Financial Statements

45 Details of subsidiaries

Details of the subsidiaries as at 31st December 2009 are as follows:

	Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/paid-up capital	Group equity interest	
						2009	2008
2	Allgood International Limited	British Virgin Islands	Hong Kong	Inactive	1 ordinary share of US$1	**100.00%**	100.00%
	Cheer Hero Development Limited	Hong Kong	Hong Kong	Container handling, storage and stevedoring	10,000 ordinary shares of HK$10 each	**75.00%**	75.00%
1, 2	COSCO Container Industries Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
	COSCO Container Services Limited	Hong Kong	Hong Kong	Investment holding depot handling, storage and container repairing	2 ordinary shares of HK$1 each	**100.00%**	100.00%
1, 2, 3	COSCO Pacific (China) Investments Co., Ltd.	PRC	PRC	Investment holding	US$37,496,000	**100.00%**	100.00%
1	COSCO Pacific Finance (2003) Company Limited	British Virgin Islands	Hong Kong	Financing	1 ordinary share of US$1	**100.00%**	100.00%
1, 2	COSCO Pacific Logistics Company Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
1	COSCO Pacific Management Company Limited	Hong Kong	Hong Kong	Investment holding and provision of management services	2 ordinary shares of HK$1 each	**100.00%**	100.00%
1, 2	COSCO Pacific Nominees Limited	British Virgin Islands	Hong Kong	Provision of nominee services	1 ordinary share of US$1	**100.00%**	100.00%
2, 3	COSCO Ports Services (Guangzhou) Limited	PRC	PRC	Depot handling, storage and container repairing	US$5,000,000	**100.00%**	100.00%
2	COSCO Ports (Antwerp) NV	Belgium	Belgium	Investment holding	EURO61,500 divided into 2 shares with no face value	**100.00%**	100.00%
	COSCO Ports (Belgium) Limited	Hong Kong	Hong Kong	Investment holding	1 ordinary share of HK$1	**100.00%**	100.00%
2	COSCO Ports (Dalian) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
2	COSCO Ports (Dalian RoRo) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
2	COSCO Ports (Europe) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
2	COSCO Ports (Fuzhou) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
1, 2	COSCO Ports (Greece) S.à r.l.	Luxembourg	Luxembourg	Investment holding	EURO12,500	**100.00%**	100.00%

45 Details of subsidiaries (Continued)

	Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/paid-up capital	Group equity interest 2009	Group equity interest 2008
[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	Investment holding	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	Investment holding	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%
[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	Investment holding	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	Investment holding	–	**100.00%**	100.00%
[2]	COSCO Ports (Services) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
[2]	COSCO Ports (Singapore) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
[2]	COSCO Ports (Tianjin) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%

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 2009	Group equity interest 2008
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	Investment holding	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	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
	COSCO Ports (Zhenjiang Terminal) Limited	Hong Kong	Hong Kong	Investment holding	1 ordinary share of HK$1	**100.00%**	100.00%
1	CPL Treasury Limited	British Virgin Islands	Hong Kong	Provision of treasury services	1 ordinary share of US$1	**100.00%**	100.00%
	Crestway International Limited	British Virgin Islands	Hong Kong	Investment holding	50,000 ordinary share of US$1 each	**100.00%**	100.00%
1, 2	Elegance Investment Limited	British Virgin Islands	Hong Kong	Inactive	1 ordinary share of US$1	**100.00%**	100.00%
	Fairbreeze Shipping Company Limited	Hong Kong	Hong Kong	Property investment	5,000 ordinary share of HK$100 each	**100.00%**	100.00%
2	Famous International Limited	British Virgin Islands	Worldwide	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
2, 3	Florens (China) Company Limited	PRC	PRC	Container leasing and resale of old containers	US$12,800,000	**100.00%**	100.00%
	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%

45 Details of subsidiaries (Continued)

	Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/paid-up capital	Group equity interest 2009	Group equity interest 2008
	Florens Container, Inc. (1998)	United States of America	United States of America	Leasing of generator sets	100 ordinary shares of US$1 each	**100.00%**	100.00%
	Florens Container Inc. (1999)	United States of America	United States of America	Leasing of generator sets	100 ordinary shares of US$1 each	**100.00%**	100.00%
	Florens Container, Inc. (2000)	United States of America	United States of America	Information technology development and software maintenance	100 ordinary shares of US$1 each	**100.00%**	100.00%
	Florens Container, Inc. (2001)	United States of America	United States of America	Container leasing	1 ordinary share of US$1	**100.00%**	100.00%
	Florens Container, Inc. (2002)	United States of America	United States of America	Sale of old containers	1 ordinary share of US$1	**100.00%**	100.00%
	Florens Container, Inc. (2003)	United States of America	United States of America	Sale of old containers	1 ordinary share of US$1	**100.00%**	100.00%
	Florens Container Services Company Limited	Hong Kong	Worldwide	Provision of container management services	100 ordinary shares of HK$1 each	**100.00%**	100.00%
2	Florens Container Services (Australia) Pty Limited	Australia	Australia	Provision of container management services	100 ordinary shares of AUD1 each	**100.00%**	100.00%
2	Florens Container Services (Deutschland) GmbH.	Germany	Germany	Provision of container management services	2 shares of EURO12,782.30 each	**100.00%**	100.00%
2	Florens Container Services (Italy) S.R.L.	Italy	Italy	Provision of container management services	20,000 quotas of EURO0.52 each	**100.00%**	100.00%
2	Florens Container Services (Japan) Co. Ltd.	Japan	Japan	Provision of container management services	200 ordinary shares of JPY50,000 each	**100.00%**	100.00%
2	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%

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 2009	Group equity interest 2008
	Florens Management Services (Macao Commercial Offshore) Limited	Macau	Macau	Provision of container management services	1 quota of MOP100,000	**100.00%**	100.00%
	Florens Maritime Limited	Bermuda	Worldwide	Container leasing	12,000 ordinary shares of US$1 each	**100.00%**	100.00%
	Florens Shipping Corporation Limited	Bermuda	Worldwide	Container leasing	12,000 ordinary shares of US$1 each	**100.00%**	100.00%
2	Fota Limited	British Virgin Islands	Hong Kong	Inactive	12,000 ordinary shares of US$1 each	**100.00%**	100.00%
2	Frosti International Limited	British Virgin Islands	Hong Kong	Investment holding	2 ordinary shares of US$1 each	**100.00%**	100.00%
	Greating Services Limited	Hong Kong	Hong Kong	Transportation of containers	250,000 ordinary shares of HK$1 each	**100.00%**	100.00%
1	Hang Shing Investment Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
2, 3	Jinjiang Pacific Ports Development Co., Ltd.	PRC	PRC	Operation of container terminal	US$49,900,000	**80.00%**	80.00%
2	Loson Investment Limited	British Virgin Islands	Hong Kong	Inactive	1 ordinary share of US$1	**100.00%**	100.00%
2	Plangreat Limited	British Virgin Islands	Hong Kong	Investment holding	100 ordinary shares of US$1 each	**100.00%**	100.00%
1	Piraeus Container Terminal S.A.	Greece	Greece	Investment holding	EURO22,500,000	**100.00%**	100.00%
2, 3	Quan Zhou Pacific Container Terminal Co., Ltd.	PRC	PRC	Operation of container terminal	US$49,900,000	**71.43%**	71.43%
1, 2	Topview Investment Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
	Win Hanverky Investments Limited	Hong Kong	Hong Kong	Investment holding	10,000 ordinary shares of HK$10 each	**100.00%**	100.00%
2, 3	Xiamen Ocean Gate Container Terminal Co., Ltd.	PRC	PRC	Operation of container terminal	RMB419,055,000	**70.00%**	70.00%
2, 3	Yangzhou Yuanyang International Ports Co., Ltd.	PRC	PRC	Operation of container terminal	US$61,500,000/ US$48,140,000	**55.59%**	55.59%

45 Details of subsidiaries (Continued)

	Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/paid-up capital	Group equity interest	
						2009	2008
	Yeman Limited	British Virgin Islands	British Virgin Islands	Property holding	1 ordinary share of US$1	**100.00%**	100.00%
2, 3	Zhangjiagang Win Hanverky Container Terminal Co., Ltd.	PRC	PRC	Operation of container terminal	US$36,800,000	**51.00%**	51.00%

[1] Shares held directly by the Company.
[2] Subsidiaries not audited by PricewaterhouseCoopers.
[3] COSCO Pacific (China) Investments Co., Ltd, COSCO Ports Services (Guangzhou) Limited and Florens (China) Company Limited are wholly foreign-owned enterprises. Jinjiang Pacific Ports Development Co., Ltd., Quan Zhou Pacific Container Terminal Co., Ltd., Xiamen Ocean Gate Container Terminal Co., Ltd., Yangzhou Yuanyang International Ports Co., Ltd. and Zhangjiagang Win Hanverky Container Terminal Co., Ltd. are sino-foreign equity joint ventures established in the PRC.
[4] As at 31st December 2009, there is no issued share capital and paid up capital for this subsidiary.

46 Details of principal jointly controlled entities

Details of the principal jointly controlled entities as at 31st December 2009, which principally affect the results and/or net assets of the Group, are as follows:

Name	Place of establishment/ operation	Principal activities	Paid-up capital	Percentage of interest in ownership/voting power/profit sharing	
				2009	2008
COSCO Logistics Co., Ltd. (note 21)	PRC	Shipping agency, freight forwarding, third party logistics and supporting services	RMB1,582,029,851	**49.00%/ 44.40%/ 49.00%**	49.00%/ 44.40%/ 49.00%
COSCO Ports (Nansha) Limited	British Virgin Islands/PRC	Investment in a container terminal	US$10,000	**66.10%/ 66.67%/ 66.10%**	66.10%/ 66.67%/ 66.10%
COSCO-HIT Terminals (Hong Kong) Limited	Hong Kong	Operation of container terminal	2 "A" ordinary shares of HK$10 each, 2 "B" ordinary shares of HK$10 each and 4 non-voting 5% deferred shares of HK$10 each	**50.00%**	50.00%
COSCO-PSA Terminal Private Limited	Singapore	Operation of container terminal	SGD48,900,000	**49.00%/ 50.00%/ 49.00%**	49.00% 50.00%/ 49.00%/
Guangzhou South China Oceangate Container Terminal Company Limited	PRC	Operation of container terminal	RMB1,403,171,000	**39.00%/ 40.00%/ 39.00%**	39.00%/ 40.00%/ 39.00%
Nanjing Port Longtan Container Co., Ltd.	PRC	Operation of container terminal	RMB937,470,000	**20.00%/ 22.20%/ 20.00%**	20.00%/ 22.20%/ 20.00%
Ningbo Yuan Dong Terminals Limited	PRC	Operation of container terminal	RMB390,000,000	**20.00%**	20.00%

Notes to the Consolidated Financial Statements

46 Details of principal jointly controlled entities (Continued)

Name	Place of establishment/ operation	Principal activities	Paid-up capital	Percentage of interest in ownership/voting power/profit sharing 2009	2008
Panama International Terminals, S.A.	Panama	Inactive	300 ordinary shares with no face value	**50.00%**	50.00%
Qingdao Cosport International Container Terminals Co., Ltd.	PRC	Operation of container terminal	RMB337,868,700	**50.00%**	50.00%
Qingdao Qianwan Container Terminal Co., Ltd.	PRC	Operation of container terminal	US$230,000,000	**20.00%/ 18.18%/ 20.00%**	20.00%/ 18.18%/ 20.00%
Shanghai CIMC Reefer Containers Co., Ltd. (note 31)	PRC	Container manufacturing	US$31,000,000	**– – –**	20.00%/ 21.40%/ 20.00%
Shanghai Pudong International Container Terminals Limited	PRC	Operation of container terminal	RMB1,900,000,000	**30.00%**	30.00%
Tianjin Port Euroasia International Container Terminal Co., Ltd.	PRC	Operation of container terminal	RMB1,260,000,000	**30.00%/ 28.60%/ 30.00%**	30.00%/ 28.60%/ 30.00%
Yingkou Container Terminals Company Limited	PRC	Operation of container terminal	RMB8,000,000	**50.00%/ 57.14%/ 50.00%**	50.00%/ 57.14%/ 50.00%

47 Details of principal associates

Details of the principal associates as at 31st December 2009, which principally affect the results and/or net assets of the Group, are as follows:

Name	Place of establishment/ operation	Principal activities	Issued share capital/ registered capital	Group equity interest 2009	2008
Antwerp Gateway NV	Belgium	Operation of container terminal	EURO17,900,000	**20.00%**	20.00%
China International Marine Containers (Group) Co., Ltd.	PRC	Container manufacturing	RMB2,662,396,051 (1,231,917,342 "A" shares and 1,430,478,709 "B" shares), all of RMB1 each	**21.80%**	21.80%
Dalian Automobile Terminal Co., Ltd.	PRC	Construction and operation of automobile terminals	RMB160,000,000	**30.00%**	30.00%
Dalian Port Container Terminal Co., Ltd.	PRC	Operation of container terminal	RMB240,000,000	**20.00%**	20.00%
Dawning Company Limited	British Virgin Islands/PRC	Investment holding	200 "A" shares of US$1 each and 800 "B" shares of US$1 each	**20.00%**	20.00%
Suez Canal Container Terminal S.A.E.	Egypt	Operation of container terminal	1,375,000 ordinary shares of US$100 each	**20.00%**	20.00%

Five-year Financial Summary

	For the year ended 31st December				
	2009 US$'000	2008 US$'000	2007 US$'000	2006 US$'000	2005 US$'000
Revenue	**349,424**	337,973	298,948	297,473	318,266
Operating profit after finance income and costs	**66,118**	120,089	172,844	169,542	205,092
Share of profits less losses of					
– jointly controlled entities (note 3)	**84,810**	100,273	106,933	85,070	72,969
– associates	**32,890**	54,815	80,326	89,042	82,320
Profit on disposal of a jointly controlled entity/an associate	**5,516**	–	90,742	–	–
Profit before income tax	**189,334**	275,177	450,845	343,654	360,381
Income tax (expenses)/credit	**(13,286)**	4,585	(17,796)	(49,196)	(22,426)
Profit for the year	**176,048**	279,762	433,049	294,458	337,955
Profit attributable to:					
Equity holders of the Company	**172,526**	274,725	427,768	291,082	334,937
Minority interests	**3,522**	5,037	5,281	3,376	3,018
	176,048	279,762	433,049	294,458	337,955
Dividends	**69,162**	109,873	211,003	197,370	190,333
Basic earnings per share (US cents)	**7.66**	12.24	19.09	13.14	15.28
Dividend per share (US cents)	**3.06**	4.90	9.41	8.85	8.65

	As at 31st December				
	2009 US$'000	2008 US$'000	2007 US$'000	2006 US$'000	2005 US$'000
Total assets	**4,635,312**	4,213,208	3,871,575	2,987,155	2,855,150
Total liabilities	**(1,776,961)**	(1,566,905)	(1,096,916)	(778,954)	(964,807)
Net assets	**2,858,351**	2,646,303	2,774,659	2,208,201	1,890,343

Notes:

1 The consolidated results of the Group for the two years ended 31st December 2009 and the assets and liabilities of the Group as at 31st December 2009 have been extracted from the audited consolidated financial statements of the Group as set out on pages 103 to 110 of the annual report.

2 The Company was incorporated in Bermuda under the Companies Act 1981 of Bermuda (as amended) on 26th July 1994.

3 Balance included the share of profit of COSCO Logistics Co., Ltd., which was classified as a discontinuing operation in 2009.

Historical Statistics Summary

Financial statistics		2000	2001
Consolidated income statement	US$M		
Revenue			
Container terminal		5.3	5.7
Container leasing, management, sale and related businesses		219.5	216.2
Container handling, transportation and storage		10.5	9.6
Total		235.3	231.5
EBITDA		245.6	258.8
Depreciation & amortisation		(74.8)	(81.0)
EBIT		170.8	177.8
Interest expenses		(38.1)	(24.0)
Interest income		12.2	5.2
Profit before income tax		144.9	159.0
Operating profit after finance income and costs		81.8	99.0
Profit attributable to equity holders of the Company		140.0	154.5
Breakdown of profit attributable to equity holders of the Company			
Container terminal and related businesses		46.1	46.0
Container leasing, management, sale and related businesses		71.5	80.1
Container manufacturing and related businesses		3.2	5.6
Logistics and related businesses		–	–
Other operations		15.7	23.1
Net corporate finance income/(costs)		6.4	2.9
Net corporate expenses		(2.9)	(3.2)
Total		140.0	154.5
Consolidated balance sheet	US$M		
Consolidated total assets		1,558.9	1,731.9
Consolidated total liabilities		470.9	544.3
Consolidated net assets		1,088.0	1,187.6
Consolidated total debts		423.6	509.5
Consolidated cash balances		145.6	254.1
Consolidated net debts		278.0	255.4
Per share data			
Capital and reserves attributable to the equity holders of the Company per share	US$	0.50	0.55
Basic earnings per share	US cents	6.55	7.21
Dividend per share	US cents	2.46	3.01
Net asset value per share	HK$	3.967	4.324
Share price (as at 31st December)	US$	0.776	0.516
	HK$	6.050	4.025
Ratios			
P/E (as at 31st December)	Times	11.9	7.2
Dividend payout ratio	%	37.6	41.7
Return on total assets	%	8.8	9.4
Return on net assets	%	13.4	13.6
Return on equity holders of the Company	%	13.5	13.7
Net debt-to-equity ratio	%	25.6	21.5
Interest coverage	Times	4.8	7.6
Other information			
Total number of shares issued (as at 31st December)	M	2,139.2	2,142.5
Weighted average number of ordinary shares issued	M	2,139.2	2,141.2
Market capitalisation (as at 31st December)	US$M	1,659.3	1,105.6

Notes:

1. The amount in 2006 & 2007 included the financial effect of put options associated with the CIMC share reform.
2. The financial effect of put options associated with the CIMC share reform was excluded in the calculation of dividend payout ratio of year 2006 & 2007.
3. The comparative figures for the breakdown of profit attributable to the equity holders of the Company as presented above have been restated as a result of the adoption of Hong Kong Financial Reporting Standard 8 "Operating Segments" issued by the Hong Kong Institute of Certified Public Accountants.

2002	2003	2004	2005	2006	2007	2008	2009
7.8	9.0	11.1	12.5	20.9	43.3	78.7	114.9
232.1	250.5	281.8	299.0	269.0	247.9	252.6	229.8
8.8	8.8	7.2	6.8	7.6	7.7	6.7	4.7
248.7	268.3	300.1	318.3	297.5	298.9	338.0	349.4
254.6	274.1	351.1	499.3	462.6	574.2	413.6	321.4
(87.7)	(95.5)	(102.5)	(107.7)	(88.1)	(84.0)	(92.6)	(98.3)
166.9	178.6	248.6	391.6	374.5	490.2	321.0	223.1
(15.5)	(11.9)	(24.8)	(35.6)	(43.4)	(49.9)	(52.7)	(39.8)
3.8	2.3	3.3	4.4	12.6	10.5	6.9	6.0
155.2	169.0	227.1	360.4	343.7	450.8	275.2	189.3
91.9	109.3	133.4	205.1	169.5	172.8	120.0	66.1
142.5	154.7	206.6	334.9	291.1	427.8	274.7	172.5
54.3	68.0	98.2	161.0	100.6	120.6	120.6	83.5
75.2	80.8	104.9	114.8	166.4	92.3	115.0	71.4
5.9	6.2	3.5	58.7	16.9 Note 1	123.5 Note 1	39.3	30.9
–	–	11.8	15.1	18.4	19.7	25.0	25.6
8.4	9.8	9.8	10.3	12.8	98.4	–	–
2.1	(4.5)	(15.5)	(15.8)	(13.3)	(14.5)	(9.7)	(9.6)
(3.4)	(5.6)	(6.1)	(9.2)	(10.7)	(12.2)	(15.5)	(29.3)
142.5	154.7	206.6	334.9	291.1	427.8	274.7	172.5
1,746.4	1,903.3	2,243.0	2,855.1	2,987.2	3,871.6	4,213.2	4,635.3
482.4	570.5	757.4	964.8	779.0	1,096.9	1,566.9	1,776.9
1,264.0	1,332.8	1,485.6	1,890.3	2,208.2	2,774.7	2,646.3	2,858.4
420.7	478.3	653.3	835.6	531.6	914.0	1,424.3	1,604.3
236.1	283.8	100.6	179.3	224.7	387.4	429.0	405.8
184.6	194.5	552.7	656.3	306.9	526.6	995.3	1,198.5
0.58	0.61	0.67	0.85	0.97	1.21	1.14	1.21
6.64	7.20	9.57	15.28	13.14	19.09	12.24	7.66
3.72	4.08	5.40	8.65	8.85	9.41	4.90	3.06
4.592	4.839	5.307	6.666	7.704	9.637	9.135	9.796
0.821	1.327	2.064	1.830	2.349	2.668	1.021	1.281
6.400	10.350	16.100	14.200	18.260	20.800	7.910	9.930
12.4	18.4	21.7	11.9	17.9	14.0	8.3	16.7
56.0	56.6	56.4	56.6	56.6 Note 2	56.6 Note 2	40.0	40.0
8.2	8.5	10.0	13.1	10.0	12.5	6.8	3.9
11.6	11.9	14.7	19.8	14.2	17.2	10.1	6.3
11.8	12.1	14.7	20.0	14.4	17.5	10.4	6.5
14.6	14.6	37.2	34.7	13.9	19.0	37.6	41.9
11.0	15.2	10.1	11.1	8.8	10.0	6.2	5.8
2,147.0	2,148.5	2,183.6	2,199.0	2,228.7	2,244.9	2,245.0	2,262.5
2,146.2	2,147.3	2,160.0	2,192.1	2,214.7	2,240.3	2,245.0	2,252.9
1,761.7	2,851.0	4,507.2	4,024.2	5,234.1	5,988.4	2,291.3	2,897.3

Historical Statistics Summary

Operating statistics		2000	2001
Container leasing, management and sale			
Revenue	US$M	219.5	216.2
Breakdown of rental income			
– COSCON		136.8	136.0
– International customers (long term lease)		35.7	40.4
– International customers (master lease)		27.9	31.9
Fleet capacity	TEUs	527,982	610,019
Breakdown of fleet capacity by customers			
– COSCON (included owned, sale-and-leaseback containers)	TEUs	303,978	327,370
– International customers			
Owned containers	TEUs	224,004	282,649
Managed containers	TEUs	–	–
– COSCON (included owned, sale-and-leaseback containers)	%	57.6	53.7
– International customers			
Owned containers	%	42.4	46.3
Managed containers	%	–	–
Breakdown of fleet capacity			
– Dry	TEUs	482,516	561,419
– Reefer	TEUs	31,880	35,078
– Special	TEUs	13,586	13,522
– Dry	%	91.4	92.0
– Reefer	%	6.0	5.8
– Special	%	2.6	2.2
Capital expenditure on containers	US$M	116.3	165.0
Purchase of new containers	TEUs	69,060	96,953
Disposal of returned containers (Note 1)	TEUs	34,087	12,151
Fleet age	Year	4.2	4.3
Utilisation rate			
– COSCO Pacific (Florens)	%	95.1	91.4
– Industry average	%	83.0	75.0
Number of customers		155	155
Container throughput	TEUs		
COSCO-HIT Terminal		1,412,854	1,301,966
Yantian Terminal		2,147,476	2,751,885
Shanghai Terminal		2,950,500	2,609,800
Zhangjiagang Win Hanverky Terminal		136,778	161,208
Qingdao Cosport Terminal		502,119	600,329
Dalian Port Container Co., Ltd. (Note 2)		–	–
Shanghai Pudong Terminal		–	–
Qingdao Qianwan Terminal		–	–
COSCO-PSA Terminal		–	–
Yangzhou Yuanyang Terminal		–	–
Yingkou Terminal		–	–
Nanjing Longtan Terminal		–	–
Dalian Port Terminal		–	–
Tianjin Five Continents Terminal		–	–
Antwerp Terminal		–	–
Quan Zhou Pacific Terminal		–	–
Guangzhou South China Oceangate Terminal		–	–
Ningbo Yuan Dong Terminal		–	–
Suez Canal Terminal		–	–
Jinjiang Pacific Terminal		–	–
Piraeus Terminal		–	–
Total		7,149,727	7,425,188

Notes:

1. Included COSCON and the buy-in of returned containers upon the expiry of lease.
2. The Group signed an agreement for the disposal of the 8.13% equity interest in Dalian Port Container Co., Ltd. in June 2009 and the transaction was completed in January 2010.

2002	2003	2004	2005	2006	2007	2008	2009
232.1	250.5	281.8	299.0	269.0	247.9	252.6	229.8
136.1	130.6	120.8	126.4	136.9	140.1	142.4	134.3
49.1	64.9	88.0	104.3	60.9	32.7	44.3	50.3
39.2	43.6	47.1	43.8	21.8	8.5	15.7	13.5
707,890	808,825	919,128	1,042,852	1,250,609	1,519,671	1,621,222	1,582,614
329,028	310,444	327,845	377,324	456,877	517,311	551,219	527,891
373,644	481,701	567,644	630,925	163,851	239,742	314,077	332,591
5,218	16,680	23,639	34,603	629,881	762,618	755,926	722,132
46.5	38.4	35.7	36.2	36.5	34.0	34.0	33.4
52.8	59.5	61.7	60.5	13.1	15.8	19.4	21.0
0.7	2.1	2.6	3.3	50.4	50.2	46.6	45.6
657,466	758,783	870,789	993,988	1,198,770	1,470,832	1,570,462	1,532,723
36,962	37,400	36,639	38,020	41,456	38,745	41,183	39,860
13,462	12,642	11,700	10,844	10,383	10,094	9,577	10,031
92.9	93.8	94.7	95.3	95.9	96.8	96.9	96.9
5.2	4.6	4.0	3.6	3.3	2.5	2.5	2.5
1.9	1.6	1.3	1.1	0.8	0.7	0.6	0.6
153.7	195.6	270.9	333.6	480.6	586.3	348.0	61.9
119,466	142,218	155,526	168,592	268,236	326,715	152,752	15,000
15,822	23,714	39,517	27,288	48,071	56,759	34,043	22,863
4.4	4.3	4.3	4.3	4.0	3.8	4.2	5.0
93.4	95.2	97.0	95.5	96.2	94.5	94.6	90.6
83.0	89.0	92.0	90.9	91.8	93.0	94.0	86.0
176	202	218	256	270	280	300	306
1,526,074	1,513,559	1,697,212	1,841,193	1,688,697	1,846,559	1,752,251	1,360,945
4,181,478	5,258,106	6,259,515	7,355,459	8,470,919	9,368,696	9,683,493	8,579,013
3,049,080	3,400,963	3,650,319	3,646,732	3,703,460	3,446,135	3,681,785	2,979,849
202,348	247,306	328,199	377,121	455,946	601,801	710,831	715,413
454,528	244,159	385,856	605,791	744,276	1,005,439	1,099,937	1,145,352
1,326,463	1,644,409	2,172,252	2,334,481	2,464,208	2,873,474	2,742,503	2,906,768
–	1,765,586	2,339,479	2,471,840	2,650,007	2,723,722	2,779,109	2,291,281
–	1,332,746	4,532,769	5,443,086	6,770,003	8,237,501	8,715,098	8,961,785
–	95,830	571,863	611,013	627,894	833,892	1,247,283	904,829
–	–	118,079	157,123	222,912	253,772	267,970	221,046
–	–	393,097	633,573	837,574	1,125,557	950,801	1,023,107
–	–	–	178,686	700,098	950,289	1,160,261	1,058,499
–	–	–	132,984	421,068	850,359	1,656,968	1,509,401
–	–	–	87,462	1,773,141	1,988,456	1,938,580	1,940,933
–	–	–	70,084	599,170	792,459	1,091,657	639,957
–	–	–	–	241,272	856,784	910,058	936,136
–	–	–	–	–	577,196	2,000,130	2,158,291
–	–	–	–	–	331,361	903,865	1,117,169
–	–	–	–	–	319,153	2,392,516	2,659,584
–	–	–	–	–	–	193,779	274,390
–	–	–	–	–	–	–	166,062
10,739,971	15,502,664	22,448,640	25,946,628	32,370,645	38,982,605	45,878,875	43,549,810

Abbreviation

Company name	Abbreviation
COSCO Pacific Limited	COSCO Pacific or the Company
COSCO Pacific Limited and its subsidiaries	the Group
China COSCO Holdings Company Limited	China COSCO
China Ocean Shipping (Group) Company	COSCO
COSCO Container Lines Company Limited	COSCON
Terminal company	
Antwerp Gateway NV	Antwerp Terminal
COSCO-HIT Terminals (Hong Kong) Limited	COSCO-HIT Terminal
COSCO-PSA Terminal Private Limited	COSCO-PSA Terminal
Dalian Automobile Terminal Co., Ltd.	Dalian Automobile Terminal
Dalian Port Container Terminal Co., Ltd.	Dalian Port Terminal
Guangzhou South China Oceangate Container Terminal Company Limited	Guangzhou South China Oceangate Terminal
Jinjiang Pacific Ports Development Co., Ltd.	Jinjiang Pacific Terminal
Nanjing Port Longtan Container Co., Ltd.	Nanjing Longtan Terminal
Ningbo Yuan Dong Terminals Limited	Ningbo Yuan Dong Terminal
Plangreat Limited	Plangreat
Piraeus Container Terminal S.A.	Piraeus Terminal
Qingdao Cosport International Container Terminals Co., Ltd.	Qingdao Cosport Terminal
Qingdao New Qianwan Container Terminal Co., Ltd.	Qingdao New Qianwan Terminal
Qingdao Qianwan Container Terminal Co., Ltd.	Qingdao Qianwan Terminal
Qingdao Qianwan United Container Terminal Co., Ltd.	Qingdao Qianwan United Terminal
Quan Zhou Pacific Container Terminal Co., Ltd.	Quan Zhou Pacific Terminal
Shanghai Container Terminals Limited	Shanghai Terminal
Shanghai Pudong International Container Terminals Limited	Shanghai Pudong Terminal
Suez Canal Container Terminal S.A.E.	Suez Canal Terminal
Tianjin Five Continents International Container Terminal Co., Ltd.	Tianjin Five Continents Terminal
Tianjin Port Euroasia International Container Terminal Co., Ltd.	Tianjin Euroasia Terminal
Xiamen Ocean Gate Container Terminal Co., Ltd.	Xiamen Ocean Gate Terminal
Yangzhou Yuanyang International Ports Co., Ltd.	Yangzhou Yuanyang Terminal
Yantian International Container Terminals (Phase III) Limited	Yantian Terminal Phase III
Yantian International Container Terminals Co., Ltd.	Yantian Terminal Phases I & II
Yingkou Container Terminals Company Limited	Yingkou Terminal
Zhangjiagang Win Hanverky Container Terminal Co., Ltd.	Zhangjiagang Win Hanverky Terminal
Container leasing, management and sale company	
Florens Container Holdings Limited and its subsidiaries	Florens
Logistics company	
COSCO Logistics Co., Ltd.	COSCO Logistics
COSCO Pacific Logistics Company Limited	CP Logistics
Container manufacturing company	
China International Marine Containers (Group) Co., Ltd.	CIMC
Shanghai CIMC Reefer Containers Co., Ltd.	Shanghai CIMC Reefer
Tianjian CIMC North Ocean Container Co., Ltd.	Tianjin CIMC North Ocean
Others	
Chong Hing Bank Limited	Chong Hing Bank

Corporate Information

Board of Directors
Mr. CHEN Hongsheng[2] (*Chairman*)
Mr. LI Jianhong[1]
Mr. XU Lirong[2]
Ms. SUN Yueying[1]
Mr. XU Minjie[1] (*Vice Chairman and Managing Director*)
Dr. SUN Jiakang[2]
Mr. HE Jiale[1]
Dr. WONG Tin Yau, Kelvin[1]
Mr. YIN Weiyu[1]
Dr. LI Kwok Po, David[3]
Mr. CHOW Kwong Fai, Edward[3]
Mr. Timothy George FRESHWATER[3]
Dr. FAN HSU Lai Tai, Rita[3]

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

General Counsel & Company Secretary
Ms. HUNG Man, Michelle

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Bermuda

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Website: www.coscopac.com.hk

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Certified Public Accountants
22nd Floor
Prince's Building
Hong Kong

Solicitors
Coudert Brothers
Holman, Fenwick & Willan
Linklaters
Woo, Kwan, Lee & Lo

Principal Bankers
Bank of China (Hong Kong) Limited
China Development Bank
ING Bank N.V.
The Hongkong and Shanghai Banking Corporation Limited
The Royal Bank of Scotland

Principal Registrar and Transfer Office in Bermuda
The Bank of Bermuda Limited
6 Front Street
Hamilton HM 11
Bermuda

Branch Registrar and Transfer Office in Hong Kong
Tricor Secretaries Limited
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Listing Information/Stock Code
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Reuters: 1199.HK

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