Balanced growth

COSCO Pacific Limited
Annual Report 2010

Balanced Growth

In 2010, the global economic recovery provided impetus for the rebound of shipping and container related industries. By seizing these growth opportunities, COSCO Pacific achieved satisfactory results with strong profit growth in terminal, container leasing and container manufacturing businesses. Meanwhile, we continued to optimise our business model to accelerate terminal business development and to sustain solid growth in the container leasing business. As a result we enhanced the enterprise value of COSCO Pacific in 2010.

During the year, we increased the Group's revenue, implemented effective cost control and improved capital structure. Taking these measures, we expanded our business portfolio, further consolidated our leading position in the industry, and strengthened our profitability to enhance shareholder returns and to maximise enterprise value.

The global economy is solidly moving forward in 2011. China has commenced its 12th Five-Year Plan, which focuses on optimising China's economic structure and boosting its domestic demand so as to achieve solid and healthy economic growth for the next five years. It is expected that container transportation volume will maintain growth momentum, providing a favourable operating environment for the Group's terminal, container leasing and container manufacturing businesses in 2011.

COSCO Pacific will take this opportunity to further strengthen its terminal business model by expanding the business of its existing terminal portfolio and seeking quality port and terminal investments. Meanwhile, as the container demand remains strong, we will continue to expand our fleet capacity and develop our container leasing business.

Our duty is to build sustainable value for shareholders and to protect interests for stakeholders. Our efforts to be a good corporate citizen have focused on implementing policies to protect the social environment and maintaining high levels of transparency and corporate governance. As stated in our business model in related industries, we design our development programme to balance short-term interests and long-term investment return so as to sustain our long range planning and maximise COSCO Pacific's profitability, enterprise value and shareholder returns.

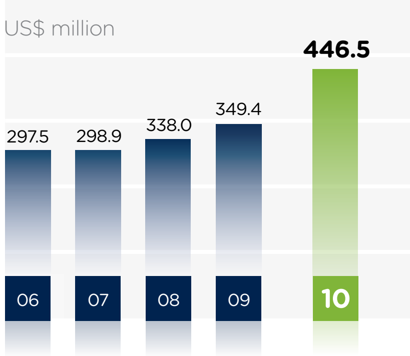
Contents

Business and financial review

Corporate social responsibility

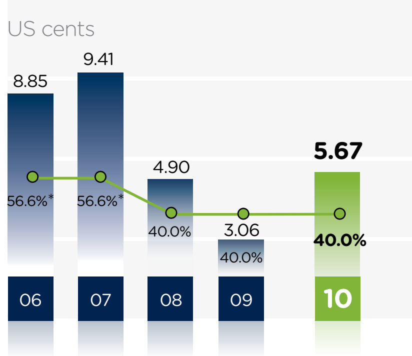
Business Overview

Revenue



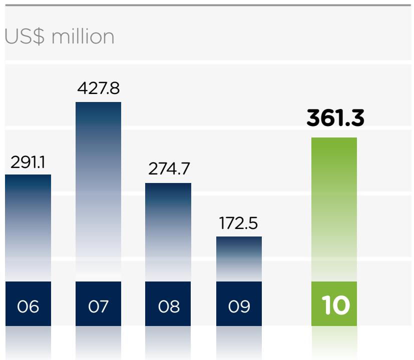
US$446.5m

Dividend per share and payout ratio



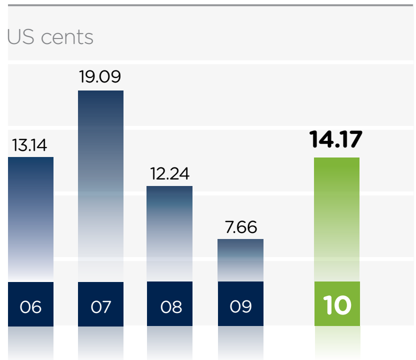
US5.67cents

Profit attributable to equity holders of the Company



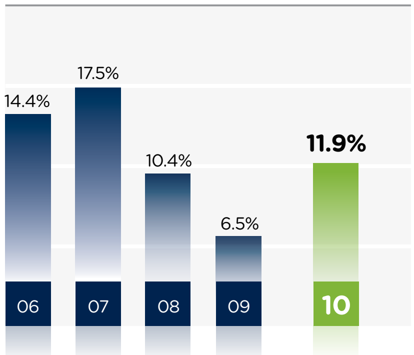
US$361.3m

Basic earnings per share



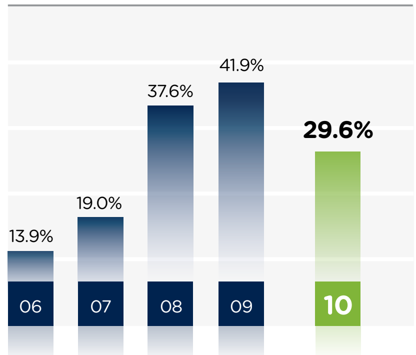
US14.17cents

Return on equity holders of the Company



11.9%

Net debt-to-equity ratio



29.6%

The financial effect of the put options of CIMC was excluded in the calculation of dividend payout ratio for 2006 and 2007.

Revenue

The Group's revenue rose by 27.8% to US$446,492,000 (2009: US$349,424,000). The first full-year contribution of revenue from Piraeus Terminal, a wholly owned subsidiary of the Company, led the terminal divisional revenue to achieve a strong growth of 63.5% to US$195,594,000. Revenue from container leasing, management and sale businesses increased by 9.2% to US$250,898,000.

Profitability

Gross profit rose by 11.7% to US$166,724,000 (2009: US$149,250,000). Piraeus Terminal, undergoing its ramp-up period, and having incurred high operating cost in the first half of 2010, affected the gross profit of the Group.

Profit attributable to equity holders rose significantly by 109.4% to US$361,307,000 (2009: US$172,526,000). Excluding the non-recurring items[1], profit attributable to equity holders of the Company increased by 92.7% to US$269,577,000 (2009: US$139,890,000).

Dividends

Proposed final cash dividend of US2.483 cents (2009: US1.199 cents). Full-year dividend to be US5.668 cents (2009: US3.061 cents) with payout ratio of 40.0% (2009: 40.0%).

Businesses

Ranked as the fifth largest container terminal operator in the world, the Group's container throughput rose by 19.4% to 48,523,870 TEUs. During the year, the Group acquired approximately 10% additional equity interest in Yantian terminal, which accelerated the Group's equity throughput[2] growth by 29.3% to 12,236,920 TEUs. Profit from the terminal business grew by 43.5% to US$119,882,000.

Ranked as the third largest container leasing company in the world, the Group's container fleet size increased by 3.1% to 1,631,783 TEUs. During the year, strong container demand facilitated a significant rise in the utilisation rate of the container fleet by 6.7 percentage points to 97.3%. Profit from the container leasing, management and sale businesses increased by 35.0% to US$96,366,000.

Profit from the container manufacturing business increased significantly by 197.5% to US$91,871,000.

Awards

The Group's commitment to maintaining a high level of corporate governance has led us to receiving unfailing recognition by stakeholders. The Company won the Corporate Governance Asia Recognition Award given by Corporate Governance Asia magazine for the fourth consecutive year. It was also recognised as the Hong Kong Outstanding Enterprise by Economist Digest magazine for the sixth consecutive year. The Company also won The Asset Corporate Governance Gold Award for Investor Relations given by The Asset magazine. Meanwhile, the 2009 annual report of the Company was cited for corporate governance disclosure by Hong Kong Management Association. The Company was also awarded Foreign Company In-House Team of the Year by Asian Legal Business, a well recognised professional magazine.

Note

1. *Non-recurring items include profit on disposal of COSCO Logistics of US$84,710,000 in 2010; profit on disposal of Dalian Port Container of US$7,020,000 in 2010; share of profit of COSCO Logistics of US$25,627,000 in 2009; dividend income from Dalian Port Container of US$1,493,000 in 2009 and profit on disposal of Shanghai CIMC Reefer of US$5,516,000 in 2009.*
2. *Equity throughput is calculated according to the shareholding proportion of the Group.*

Results highlights

	2010	2009	y-o-y change
	US$	US$	%
Revenue[1]	**446,492,000**	349,424,000	+27.8
Operating profit before finance income and finance costs	**113,267,000**	99,918,000	+13.4
Share of profits less losses of jointly controlled entities and associates	**206,774,000**	117,700,000	+75.7
Profit attributable to equity holders of the Company	**361,307,000**	172,526,000	+109.4
Profit attributable to equity holders of the Company (excluding non-recurring items[2])	**269,577,000**	139,890,000	+92.7
	US cents	US cents	%
Basic earnings per share	**14.17**	7.66	+85.0
Dividend per share	**5.668**	3.061	+85.2
interim dividend	**1.759**	1.862	-5.5
special interim dividend[3]	**1.426**	nil	n.a.
final dividend	**2.483**	1.199	+107.1
Payout ratio	**40.0%**	40.0%	-
	US$	US$	%
Total equity	**3,493,862,000**	2,858,351,000	+22.2
Capital and reserves attributable to the equity holders of the Company	**3,348,121,000**	2,742,293,000	+22.1
Consolidated total assets	**5,251,917,000**	4,635,312,000	+13.3
Consolidated total liabilities	**1,758,055,000**	1,776,961,000	-1.1
Consolidated net assets	**3,493,862,000**	2,858,351,000	+22.2
Consolidated net debts	**1,034,481,000**	1,198,531,000	-13.7
	%	%	pp
Return on equity holders of the Company	**11.9**	6.5	+5.4
Return on total assets	**7.3**	3.9	+3.4
Net debt-to-equity ratio	**29.6**	41.9	-12.3
Interest coverage[4]	**11.1x**	5.1x	+6.0x

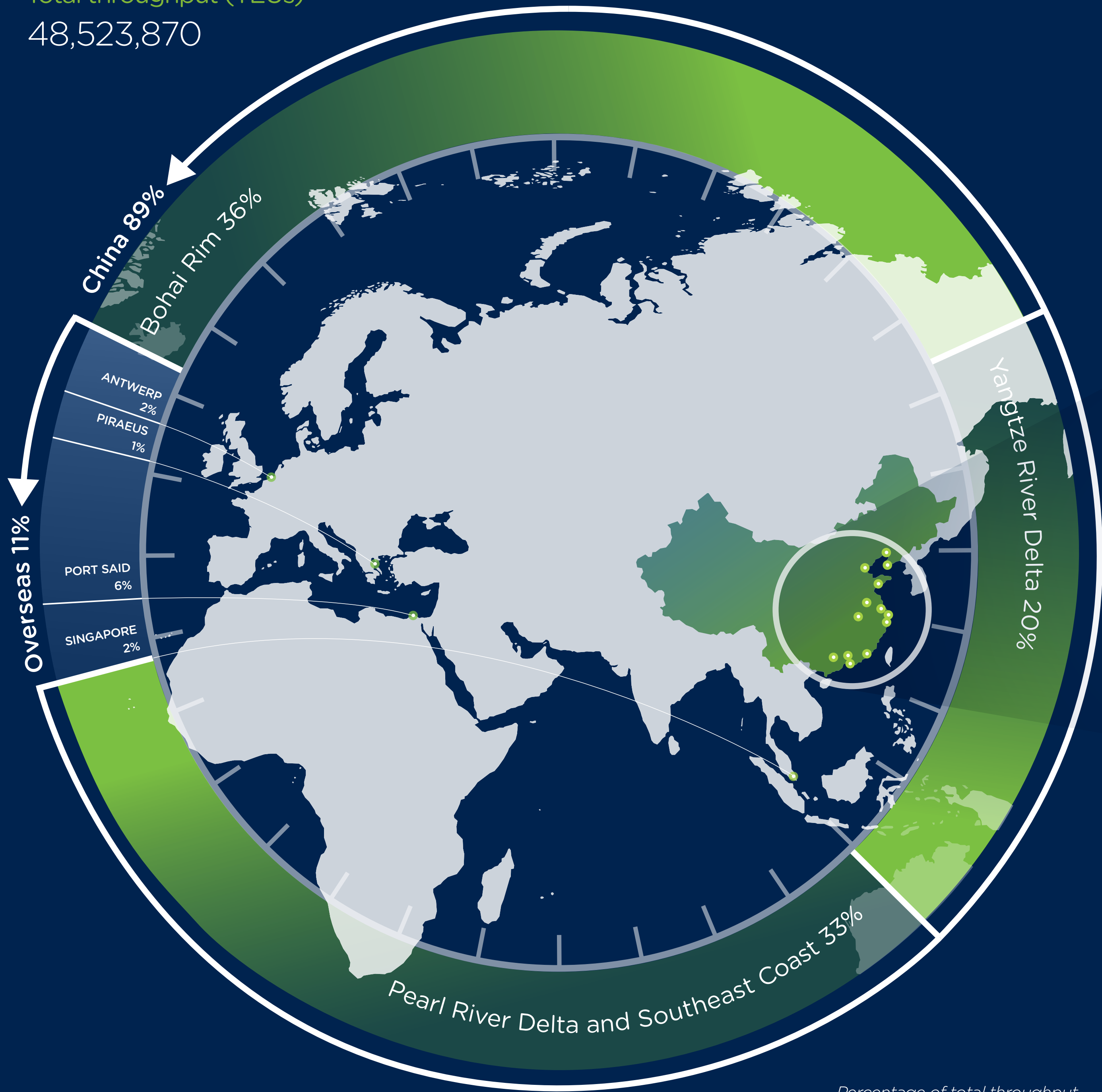
Note

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.*
2 *Non-recurring items include profit on disposal of COSCO Logistics of US$84,710,000 in 2010; profit on disposal of Dalian Port Container of US$7,020,000 in 2010; share of profit of COSCO Logistics of US$25,627,000 in 2009; dividend income from Dalian Port Container of US$1,493,000 in 2009 and profit on disposal of Shanghai CIMC Reefer of US$5,516,000 in 2009.*
3 *Special interim cash dividend was declared as a result of the disposal of 49% equity interest in COSCO Logistics.*
4 *Interest coverage excluding profit from discontinued logistics operation in 2009 and 2010.*

Worldwide Terminal Network

Total throughput (TEUs)

48,523,870

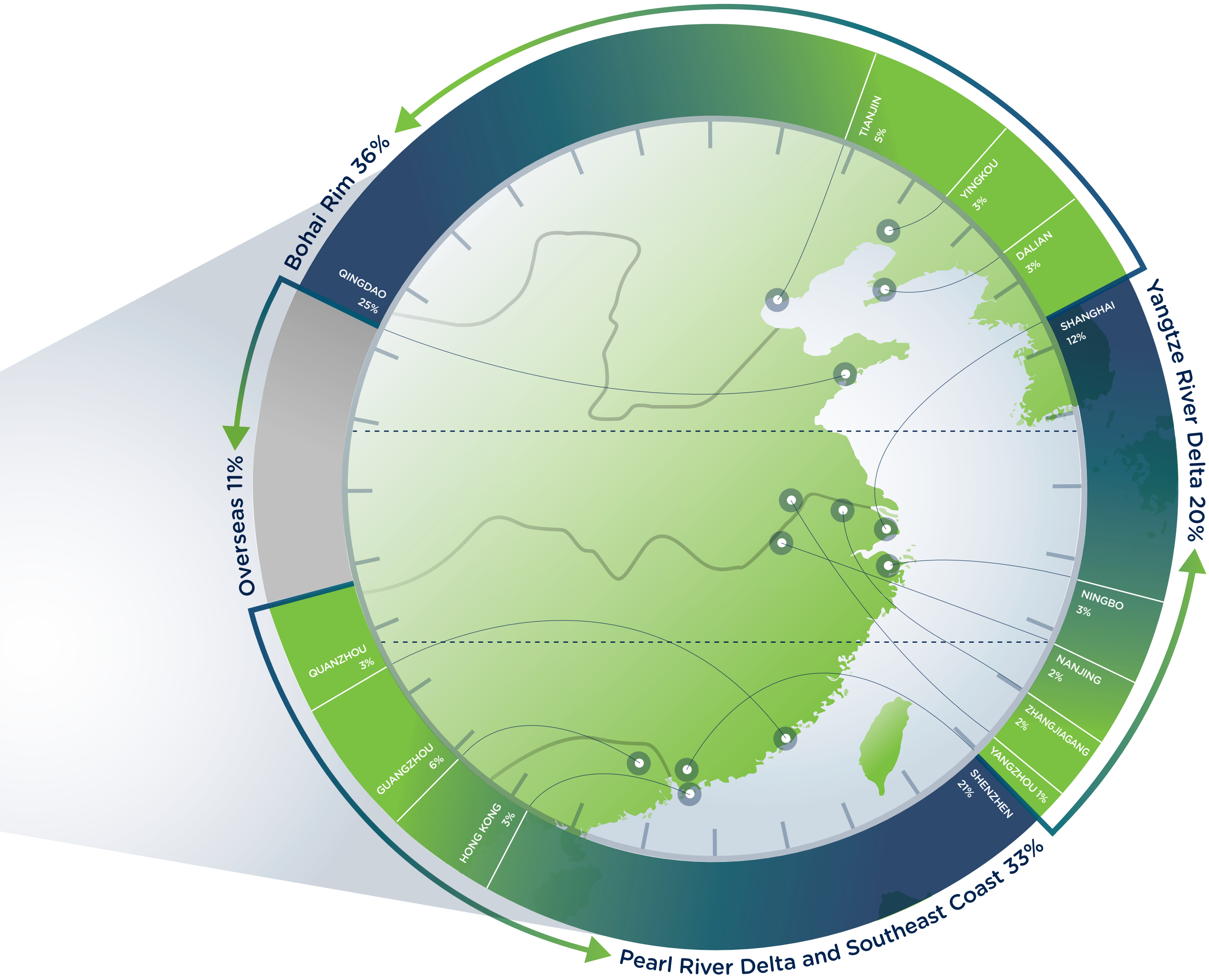


Percentage of total throughput

Operating Berths

Overseas	15
Port Said	5
Antwerp	4
Piraeus	4
Singapore	2

China Terminal Network



Percentage of total throughput

Operating Berths

Bohai Rim	32
Qingdao	17
Tianjin	7
Dalian	6
Yingkou	2

Yangtze River Delta	30
Shanghai	13
Yangzhou	6
Nanjing	5
Ningbo	3
Zhangjiagang	3

Pearl River Delta and Southeast Coast	30
Shenzhen	15
Quanzhou	7
Guangzhou	6
Hong Kong	2

Worldwide Container Depot Network

North America

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

Central America

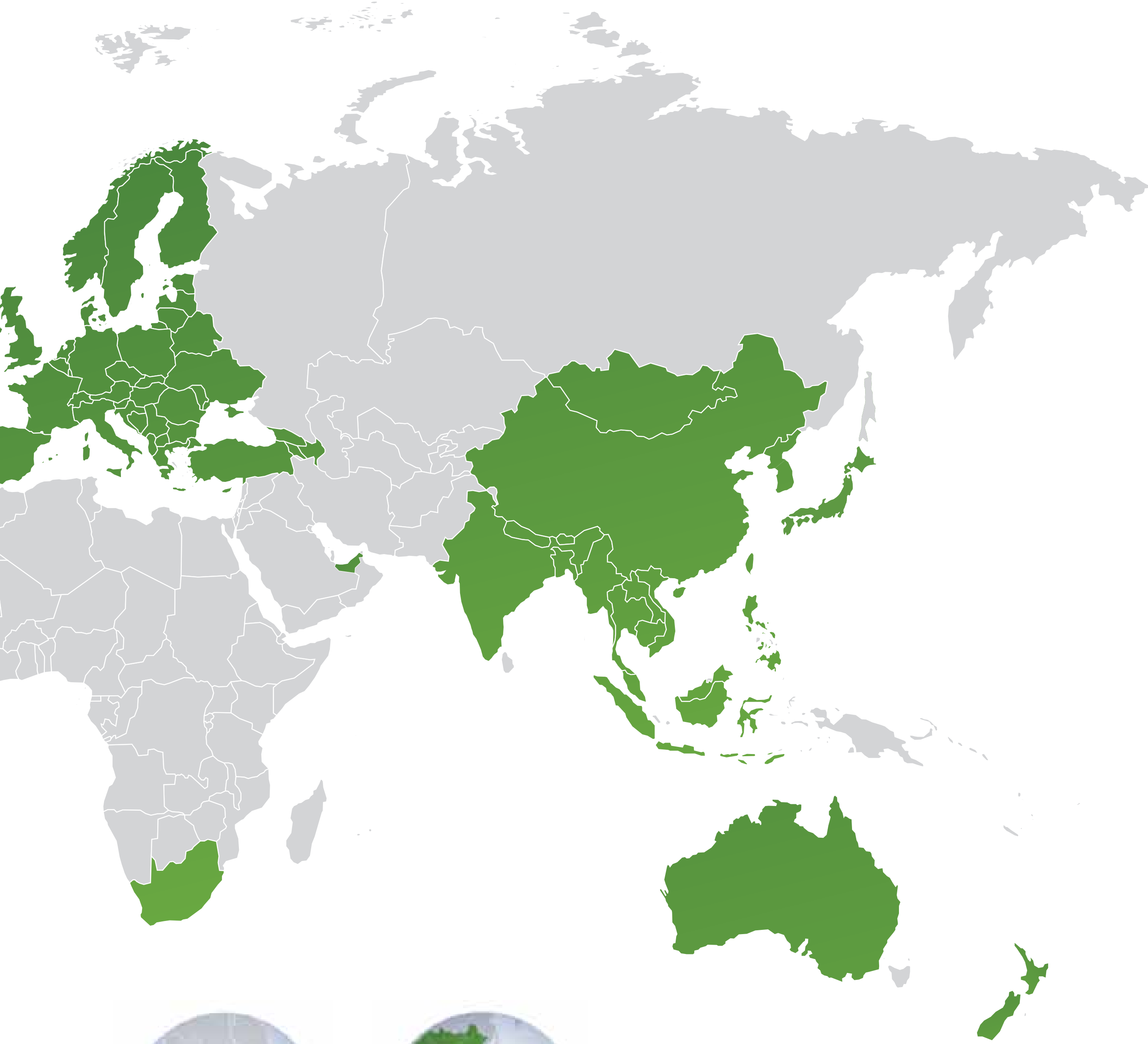
Puerto Limon

South America

Arica
Buenos Aires
Guayaquil
Itajai
Paranagua
Rio de Janeiro
Rio Grande
San Antonio
Santiago
Santos
Talcahuano
Valparaiso

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
Rotterdam
Rubiera
Valencia
Venice
Vienna



South Africa

Cape Town
Durban
Johannesburg

Asia Pacific

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

Moving forward with purpose to maximise our enterprise value

Delivering satisfactory results performance

I am delighted to report that COSCO Pacific delivered satisfactory results in 2010. Driven by strong recovery of domestic and international trades in China, we witnessed strong profit growth in our terminal, container leasing and container manufacturing businesses. Profits attributable to equity holders of the Company rose significantly by 109.4% to US$361,307,000 (2009:US$172,526,000). Excluding the non-recurring items[1], profit attributable to equity holders of the Company in 2010 rose to US$269,577,000, a year-on-year increase of 92.7% (2009:US$139,890,000).

The global economy gradually recovered from the financial crisis and registered a 5.0% GDP growth in 2010. The overall growth rate was higher than expected but there are some uncertainties. The global economy is recovering at two different speeds with emerging economies achieving higher and faster growth than major developed economies. High inflation in emerging markets, sovereign debt problems in the Eurozone area and political instability in the Middle East region may impact the global economic recovery and also hinder the business growth of the global container transportation industry. However, we remain confident about future business development as we see opportunities and challenges arising from the solid growth of both the global and Chinese economy in 2011.

In recent years, we have continued to optimise our business model with a major focus on accelerating terminal business development while sustaining solid growth in the container leasing division. 2010 was a fruitful year for this as we have strengthened the profitability and enhanced the enterprise value of COSCO Pacific. We will continue to strive to maximise enterprise value. Furthermore, our duty is to build sustainable value for shareholders and to protect the interests of our stakeholders. Our efforts to be a good corporate citizen have focused on implementing policies to protect the social environment and maintaining high levels of transparency and corporate governance.

Note

1 Non-recurring items include profit on disposal of COSCO Logistics of US$84,710,000 in 2010; profit on disposal of Dalian Port Container of US$7,020,000 in 2010; share of profit of COSCO Logistics of US$25,627,000 in 2009; dividend income from Dalian Port Container of US$1,493,000 in 2009 and profit on disposal of Shanghai CIMC Reefer of US$5,516,000 in 2009.

In 2010, earnings per share were US14.17 cents, an increase of 85.0% over US7.66 cents in 2009. The Board of Directors has recommended the distribution of final cash dividends at HK19.3 cents per share (approximately US2.483 cents). In addition to the interim cash dividends distributed on 20th September, 2010 at HK13.7 cents per share (approximately US1.759 cents), as well as special interim dividends distributed at HK11.1 cents per share (approximately US1.426 cents) for the disposal of 49% equity interest in COSCO Logistics, full year dividends amount to HK44.1 cents per share (approximately US5.668 cents), an increase of 86.1% over that of HK23.7 cents (approximately US3.061 cents) in 2009.

After extensive consideration, the Board has proposed the annual dividend payout ratio at 40.0% in 2010 (2009: 40.0%). By closely monitoring the latest situation of the global economy and capital market, the Board will consider the adjustment of dividend payout ratio if appropriate after considering the company's financial position and capital needs for future development.

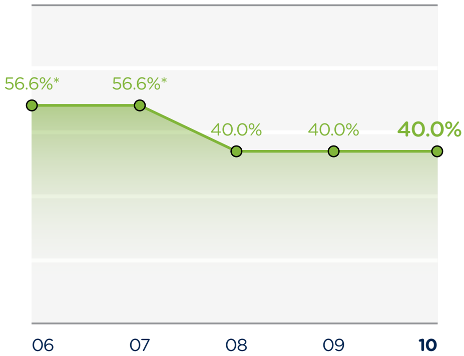
In 2010, we saw the accelerated growth of COSCO Pacific's businesses, and I had the honour of being appointed by the Board of Directors as chairman in October, taking on this role with the understanding of my responsibility and the challenges ahead. I would like to express my gratitude to my predecessor, ex-chairman Mr. Chen Hongsheng, for his wholehearted efforts in supporting the business transformation and development of COSCO Pacific. Furthermore, Mr. Chen also provided full support in enhancing the corporate governance, which built a solid foundation for the sustainable development of COSCO Pacific.

Due to the changes in director's work designation, Mr. Li Jianhong and Ms. Sun Yueying resigned as executive directors, and I would like to express my gratitude for their support of the Company over the years. Mr. Wang Zenghua and Mr. Feng Jinhua were appointed in their places. In addition, Mr. Wang Haimin and Mr. Gao Ping were appointed as non-executive directors. I would like to welcome them all to the Board.

I am sincerely grateful to ex-chairman, Mr. Chen Hongsheng, as well as to each of the former directors, for the great contributions they made to the development of COSCO Pacific. While looking back on the development of the past five years, I hope we will be able to carry forward the cause together with the dedicated efforts of our staff and forge ahead into the future. With the strong support from COSCO Group and China COSCO, and from the affiliated companies, I am confident that COSCO Pacific will continue to achieve outstanding performance in future.

Earnings and dividend per share

Dividend payout ratio



* *The financial effect of put options associated with the CIMC share reform was excluded in the calculation of dividend payout ratio of year 2006 and 2007.*

Optimising the business model and enhancing enterprise value

COSCO Pacific has continuously benefited from the strong growth of the Chinese economy for years. During the period of the 11th Five-Year Plan (2006-2010), China's GDP achieved an average annual growth rate of 11.2%, turning into the powerhouse of global economic growth. During this period, COSCO Pacific navigated its way through an important stage of its business development, and has now become the fifth largest container terminal operator and third largest container leasing company in the world.

Over the past five years, COSCO Pacific had improved its business model and accelerated its terminal business growth.

Improved business model

We transformed our container leasing business to an asset light model in 2006, via the sales and managed back of 600,082 TEUs of marine containers. This sales and managed back transaction improved the capital structure and financial flexibility of our container leasing business. The proceeds of sales were used to purchase new containers and further expand our market share in the industry.

We disposed of non-core assets so as to focus our resources on developing our core businesses. In 2007, we sold our 20% shareholdings in Chong Hing Bank. In 2010, we disposed in our 49% of shareholdings in COSCO Logistics and our 8.13% minority stakes of terminal investment in Dalian Port Container. The aggregate proceeds from the above four transactions amounted to US$1,433,382,000 in cash, which provided additional funds for developing our terminal and container leasing businesses.

Accelerating terminal business growth

In order to build a stronger and larger terminal platform on which to develop terminal business as our key earnings growth driver, COSCO Pacific has implemented the following four transformation strategies since 2007. These strategies help to improve the terminal business portfolio in terms of profitability, size of network and sources of income.

Our four transformation strategies:

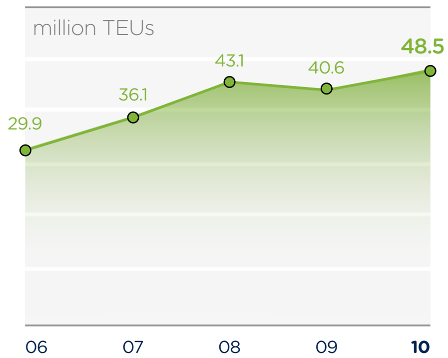
— From investing in minority stakes to investing in controlling stakes;

— From sole focus on the Chinese market to a global player with primary focus on China;

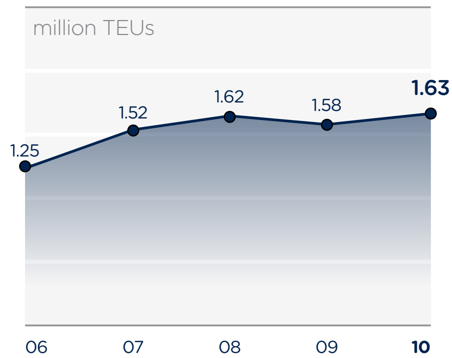
— From investing in container berths to diversifying terminal investments in other types of berths;

— From placing the emphasis on profits to maximising enterprise value.

Container throughput[1]



Container fleet capacity



Note

1 The Group completed a transaction for disposal of its 8.13% stake in Dalian Port Container in January 2010, and this datum is not incorporated into the terminal company's throughput.

COSCO Pacific fully took over the operation at Pier 2 of the Port of Piraeus in 2010. This is our first wholly-owned terminal subsidiary and a significant development in our terminal business. Meanwhile, we further strengthened the profitability of our terminal portfolio by increasing our equity stake in Yantian terminal. These two major achievements further consolidated our leading position as a global terminal operator and also enhanced our enterprise value.

Enhancing enterprise value

COSCO Pacific achieved an outstanding share price performance with a 36.4% increase in 2010 outperforming the Hang Seng Index of 5.3% increase. We were also one of the best performing stocks among the constituent stocks of Hang Seng Chinese Affiliated Corporations Index. At 31st December 2010, our price-to-book ratio rose to 1.4 times (31st December 2009: 1.0 times) and our market capitalisation reached US$4,723,523,000, up by 63.0% year-on-year.

At 31st December		2006	2007	2008	2009	**2010**
Closing price	HK$	18.26	20.80	7.91	9.93	**13.54**
Net asset value per share	HK$	7.73	9.64	9.14	9.80	**10.03**
Price-to-book ratio	times	2.4	2.2	0.9	1.0	**1.4**
Market capitalisation	million US$	5,234	5,988	2,291	2,897	**4,724**

Acting as a good corporate citizen and delivering sustainable shareholder returns

Corporate governance can be described as the way a company manages itself in order to generate fair and equitable returns to its stakeholders. It also refers to rules and incentives by which shareholders control and influence a company's management so as to maximise the profits and value of a corporation. Therefore, maintaining a high standard of corporate governance is crucial to improve both the quality of management and the value of the Company.

We believe that a successful and well-respected company should commit to maintaining a high level of social responsibility, and this duty is an integral part of management's role. Our commitment to social responsibility is seen via our strict manufacturing requirements and the quality of container being leased to customers; the container boxes have to be built in accordance with the international ISO approved standard. Our commitment is also reflected in the safety processes and the environmental regulations of our container terminal operations.

COSCO Pacific's efforts in the fields of corporate governance and investor relations have been widely recognised externally. In 2010, the Company's high level of corporate transparency and good corporate governance earned market recognition. During the year, the Company won the Corporate Governance Asia Recognition Award given from Corporate Governance Asia magazine for the fourth consecutive year and was recognised as the Hong Kong outstanding enterprise by Economist Digest magazine for the sixth consecutive year. The Company also won The Asset Corporate Governance Gold Award for Investor Relations from The Asset magazine. Meanwhile, our 2009 Annual Report of the Company earned a citation for corporate governance disclosure by the Hong Kong Management Association. The Company was also awarded Foreign Company In-House Team of the Year by Asian Legal Business, a well recognised professional magazine.

Seizing opportunities to achieve well-balanced growth

The global economy continues to be affected by short-term issues including inflation in emerging markets, difficulties of sovereign debt in the European region and political tension in the Middle East, which will put certain pressure on the global container transportation sector. However, the Group believes that there are opportunities as well as challenges in 2011.

According to the forecast of the International Monetary Fund (IMF) in January 2011, the global economy is expected to grow by 4.4% in 2011. Therefore the global trade and container transportation sector will be able to sustain its growth momentum and provide a favourable environment for the development of the Group's terminal, container leasing and container manufacturing businesses.

2011 marks the start of China's 12th Five-Year Plan. With the general aim of "transformation of economic development pattern and expansion of domestic demand", the economy of China will be driven along a path of steady and healthy growth. Referring to China's 2011 action plan, Premier Wen Jiabo expressed that China's GDP is expected to grow by about 8% in 2011. In January 2011, the IMF projected an even more optimistic forecast of 9.6% for China.

Domestic demand expansion is a key focus of the 12th Five-Year Plan. With a population of approximately 1.3 billion, the consumer market of China has an enormous potential, which sees international enterprises accelerate their investment plans in China. More goods will be transported to the China market via the supply chain system. Port industry plays an important role in China economic growth and is located at a unique position along the supply chain.

Meanwhile, in tandem with the growing market demand, China is planning to establish a highly efficient transportation system, strengthen the construction of national highways, and systematically improve the infrastructure of ports and airports, all of which will facilitate the healthy development of logistics, shipping and port industries of the country.

Referring to the forecast of Clarkson PLC in February 2011, China ports are expected to achieve an overall container throughput growth of about 13% in 2011. At the beginning of 2011 major terminals in China have started to raise tariffs, which will in turn benefit the operation of the terminal industry.

However, the Group still faces increasing operational costs due to rising inflation and this will create pressure on the profitability of the Group's terminal business. Hence, the Group will continue to tighten its costs and will pay particular attention to those terminals that are making a loss or will incur start-up losses due to commencement of operation in 2011. Looking forward, while expanding our existing terminal operation, COSCO Pacific will continue to actively look for investment opportunities in terminals for the year of 2011.

As container shipping lines will expand their fleet capacity in the next three years, it will create container demand and benefit the growth of the Group's container leasing and container manufacturing businesses. Given the strong expectation of the container demand, the Group will expand its container leasing business during 2011.

The Group will continue to aim at maximising enterprise value. Through implementing corporate citizen, the Group will further enhance its standard of corporate governance and maintain a high level of corporate transparency, and put emphasis on environmental protection, safeguarding the interest of stakeholders, and creating value for the shareholders.

Finally, on behalf of the Board of Directors, I would like to extend my sincere gratitude to the shareholders for their unfailing support of COSCO Pacific Limited and to all the staff for their usual dedication. In the coming year, we will continue to seize development opportunities and optimise the terminal business structure. We will further strengthen efficiency. This is all with a view to enhancing the enterprise core competency and profitability and to realising COSCO Pacific's sustainable and balanced development in the long term.

XU Lirong
Chairman

23rd March, 2011

On course to deliver a strengthened business model

In 2010, the global economic recovery provided impetus for the rebound of shipping and container related industries. By seizing these growth opportunities, COSCO Pacific achieved satisfactory results in 2010 with strong profit growth in terminals, container leasing and container manufacturing businesses.

Meanwhile, we continued to optimise our business model to accelerate terminal business development and to sustain solid growth in the container leasing division. As a result we enhanced the enterprise value of COSCO Pacific in 2010. We also increased the Group's revenue, implemented effective cost control and improved capital structure. Taking these measures, we expanded our business portfolio, which further consolidated our leading position in the industry, and strengthened its profitability to enhance shareholder returns and to maximise enterprise value.

Results highlights

		2010	2009	y-o-y change
Revenue	Million US$	**446.5**	349.4	+27.8%
Profit attributable to equity holders	Million US$	**361.3**	172.5	+109.4%
Profit attributable to equity holders excluding non-recurring items[1]	Million US$	**269.6**	139.9	+92.7%
Earnings per share	US cents	**14.17**	7.66	+85.0%
Dividends per share	HK cents	**44.1**	23.7	+86.1%
	US cents	**5.668**	3.061	+85.2%
Dividend payout ratio		**40%**	40%	-

Note

1 *Non-recurring items include profit on disposal of COSCO Logistics of US$84,710,000 in 2010; profit on disposal of Dalian Port Container of US$7,020,000 in 2010; share of profit of COSCO Logistics of US$25,627,000 in 2009; dividend income from Dalian Port Container of US$1,493,000 in 2009 and profit on disposal of Shanghai CIMC Reefer of US$5,516,000 in 2009.*

Strengthening terminal portfolio & solid container leasing performance

In 2010, COSCO Pacific optimised its business model by the disposal of its 49% equity interest of non-core business, COSCO Logistics, and the disposal of a 8.13% minority interest in Dalian Port Container. The proceeds from these transactions amounted to US$321,000,000 in cash which helped the Group to focus its resources and develop its terminal and container leasing businesses.

Business model with primary focus on terminals

COSCO Pacific dedicated its efforts to grow its terminal business which achieved satisfactory performance in 2010. Total container throughput reached 48,523,870 TEUs, representing a 19.4% year-on-year growth over 2009. During the year, throughput of break-bulk cargo and automobiles increased significantly by 39.1% to 23,606,588 tons andby 143.2% to 121,887 vehicles respectively. We focused on growing our business in major terminals, among which Guangzhou South China Oceangate achieved a good business performance with throughput growing by 41.8% to 3,060,591 TEUs in 2010.

Furthermore, Qingdao Qianwan United Terminal and Tianjin Euroasia Terminal formally commenced their operation of eight berths which increased our operating terminal capacity in China. It is encouraging that the utilisations of these new berths have been increasing and driving growth of the Group's container throughput. We also further enhanced the civil works and the construction of the port area in Xiamen Ocean Gate Terminal. Purchase of terminal equipment is underway while a marketing plan is being implemented to provide a solid foundation for the commencement of terminal operation in the second half of 2011.

Terminal business

		2010	2009	y-o-y change
Operating berths	No. of berths	**107**	106	+1
Annual handling capacity of operating container berths	Million TEUs	**55.5**	52.1	+6.6%
Total container throughput	Million TEUs	**48.5**	40.6	+19.4%
China market share[1]	%	**28.7**	28.8	-0.1pp

Note

1 The annual container throughput of ports in China reached 145 million TEUs, a year-on-year increase of about 18.8%.

Expanding container fleet capacity

Strong container demand provided great opportunity for us to expand our container fleet capacity and to increase the Group's revenue. During the year, we purchased 111,625 TEUs of new containers and leased it to our customers. At 31st December 2010, our owned and managed container fleet capacity was expanded by 3.1% to 1,631,783 TEUs, ranking us as the third largest container leasing company in the world with a global market share of approximately 13.0%. Utilisation rate reached 97.3%, the highest level forthe past ten years. The result is enhanced profitability of our container leasing division.

Container leasing, management and sale businesses

	2010	2009	y-o-y change
	Million TEUs	Million TEUs	%
Container fleet capacity	**1.63**	1.58	+3.1
	%	%	pp
Global market share[1]	**13.0**	14.3	-1.3
Utilisation rate	**97.3**	90.6	+6.7

Note

1 Source: Alphaliner 2011

Significant revenue and profit growth

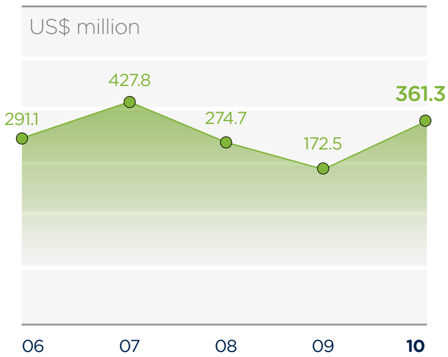
Revenue increased by 27.8% to US$446,492,000

For the past few years, COSCO Pacific has increased its terminal subsidiaries to six in order to enlarge its sources of income. In 2010, the Group's revenue rose by 27.8% year-on-year to US$446,492,000. This satisfactory revenue growth was mainly attributed to Piraeus Terminal in Greece, which provided its first full year revenue contribution to the Group. It boosted our terminal divisional revenue up by 63.5% to US$195,594,000 in 2010. In addition, driven by the increase in container leasing volume and the disposal of returned containers, our container leasing, management and sale businesses also expanded its revenue by 9.2% to US$250,898,000 in 2010.

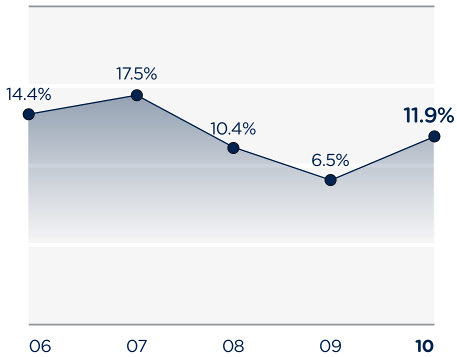
Profit attributable to the equity holders increased by 109.4% to US$361,307,000

Strong profit growth of the following three businesses enabled COSCO Pacific to sustain a satisfactory net profit growth by 109.4% to US$361,307,000 in 2010. During the year, profit contribution from terminal business rose by 43.5% to US$119,882,000 while container leasing, management, and sale businesses contributed a 35.0% growth to US$96,366,000. Profit contribution from the container manufacturing business increased by 197.5% to US$91,871,000. The above profit growth helped to increase our return on equity holders to 11.9% in 2010, up by 5.4 percentage points over 2009.

Profit attributable to equity holders



Return on equity holders



Prudent financial policy

To maintain sustainable business growth, we invested in our core business with major capital expenditure averaging US$790,654,000 per annum for the past five years. The amount for terminal division accounted for 48.1% of our total capital expenditure, while purchase of new containers accounted for 43.7% of it. To cope with our funding need, we have a prudent financial policy to maintain a healthy financial position in order to provide flexibility for future business growth. Bank loans and internal cash were major sources of funds for our capital expenditure.

Navigating through the financial crisis in 2008, COSCO Pacific seized the growth opportunity arising from the global economic recovery and reactivated its investment plan in 2010. During the year, the Group increased approximately 10% equity interest in Yantian terminal with a total consideration of US$520,000,000. This acquisition boosted our terminal capital expenditure to US$721,051,000, a substantial increase of 92.8% since 2009. Meanwhile, purchase of new containers amounted to US$250,364,000, up by 304.7% over 2009. As a result, total major capital expenditure reached US$977,085,000 (2009: US$465,516,000) in 2010.

In 2010, we raised approximately US$584,000,000 through a placement in May. Use of proceeds is mainly for terminal investment. This placement provided funding for our acquisition of additional interest in Yantian terminal while maintaining our solid financial position. As of 31st December 2010, net debt-to-equity ratio dropped 12.3 percentage points to 29.6% year-on-year, while cash on hand increased by 29.2% year-on-year to US$524,274,000.

US$ million	2006	2007	2008	2009	**2010**	Annual average
Terminal capital expenditure	275	249	281	374	**721**	380
New container purchase	481	586	348	62	**250**	346
Others	5	21	264	30	**6**	65
Total	**761**	**856**	**893**	**466**	**977**	**791**

Balanced growth

Optimising the terminal portfolio

COSCO Pacific will continue to optimise its business structure and strengthen its business model in 2011. We will pay particular attention to the progress of terminal transformation for operations located at some older port areas.

Disposal of 50% interest in Qingdao Cosport Terminal

Located in the old port area of Qingdao port, Qingdao Cosport Terminal was affected by the limitation on terminal facilities, and hence saw a continuous decline in containers handled over the past few years. The terminal can no longer cope with the rapid growth of Qingdao port as the vessels for international and domestic trade increase in size and capacity. Both of the international and domestic containers of Qingdao Cosport have been transferred to Qingdao Qianwan port area. Therefore we have decided to dispose of all interest in Qingdao Cosport Terminal.

On 10th March 2011, the Group entered into an agreement with Qingdao Port Group pursuant to which, the Group agreed to dispose of its 50% equity interest in Qingdao Cosport Terminal to Qingdao Port Group at a consideration of RMB184,000,000 (equivalent to approximately US$28,000,000). It is expected that the transaction will be completed in the second quarter of 2011.

Transformation of Shanghai Terminal

Shanghai Terminal is a joint venture company established by Shanghai International Port (Group) Co., Ltd. ("SIPG") and Hutchison Ports Shanghai Limited ("Hutchsion Ports Shanghai"), a company in which the Group holds minority interests. In order to cope with requirements of planning and development requirement in the Shanghai urban area, Shanghai Terminal started to change its business model and the use of its land, and stopped handling containers from January 2011.

The transformation of Shanghai Terminal has minimal impact on the Group's profit. The Group holds 10% effective equity interest in Shanghai Terminal. In 2010, profit contribution from Shanghai Terminal to COSCO Pacific represented only 0.5% of the total profit attributable to equity holders of the Company. Hutchsion Ports Shanghai leads the discussion and planning with SIPG in relation to the change of business model of Shanghai Terminal.

Strengthening core competence and profitability

Rising inflation escalates operating costs. We will attach great importance to the cost control of our major terminals. We will also make efforts to further enhance terminal operating efficiency, to strengthen marketing workforce so as to increase business volume and sales. It will help to narrow the losses or generate profit as quickly as possible for several existing loss-making terminal operations including Piraeus Terminal, Guangzhou South China Oceangate Terminal and Tianjin Euroasia Terminal. It will also help to minimise the start up loss from Xiamen Ocean Gate Terminal. We believe that the improving performance of above terminals will strengthen our core competence and profitability.

Sustainable and balanced growth

According to Drewry Shipping Consultants Limited (Drewry) research report, terminal operators postponed their terminal investment plans after the financial crisis in 2008. The overall utilisation of global container ports rose to 66% in 2010 from 63% in 2009. It is expected that it will further increase to 69% in 2011 and hopefully reach the pre-crisis level by 2012. By 2015, global container terminal utilisation will reach 80% providing favourable conditions for terminal business development.

Million TEUs	2009	**2010**	2011	2012	2015	Annual Growth Rate
Global						
Utilisation	62.9%	**65.7%**	68.7%	71.2%	80.3%	-
Throughput	473	**513**	551	589	718	7.2%
Capacity	752	**782**	803	828	895	2.9%
Far East						
Utilisation	66.0%	**70.2%**	74.3%	78.2%	94.6%	-
Throughput	178	**197**	215	234	300	9.0%
Capacity	270	**281**	290	299	317	2.7%

Note

Drewry's prediction of the future capacity is based on confirmed expansion plans only. Countries in the Far East include China, Japan, South Korea and some Russian areas in the vicinity of Japan.

China is part of the Far East region in which the utilisation will be close to 95% by 2015. It is estimated that the overall utilisation of top 10 China ports, will rise to 79% in 2011 from 73% in 2010. Demand and supply will become more balanced.

For the next five years, China will boost domestic demand and improve the living standard of Chinese people. This will create opportunities for the global economic growth and provide a larger growth platform for port and terminal operators. We will seize this great opportunity to further strengthen our terminal portfolio and to enhance its profitability.

The core competence of the container leasing business is its capability to provide steady cash flow for COSCO Pacific. We will continue to develop this business through the asset light model with an optimal fleet mix between managed and owned containers. It is important to strike a balance between the benefits of high growth and the risk factors of over investment.

Finally, I would like to express my gratitude to all the shareholders, board, partners, investors, financial institutions and the media, as well as our staff, for all the trust which you have placed in my leadership and our management for over four years. With the strong support of our parent company, affiliated companies and staff, I strongly believe that we will achieve a long-term sustainable and balanced growth in the future.

XU Minjie
Vice Chairman and Managing Director

23rd March 2011

Corporate Structure

World's No. 1
Bulk Shipping Fleet

COSCO Bulk Carrier Co., Ltd.

Qingdao Ocean Shipping Co., Ltd.

COSCO (Hong Kong) Shipping Co., Ltd.

Shenzhen Ocean Shipping Co., Ltd.

World's No. 6
Line Container Shipping Fleet

COSCO Container Lines Company Limited

China Ocean Shipping (Group) Company

52.80%

100%

China COSCO Holdings (Group) Limited
Stock code : 1919

42.72%

COSCO Pacific Limited
Stock code : 1199

57.28%

Independent shareholders

World's No. 5

Terminal and related business

World's No. 3

Container leasing, management and sale businesses

World's No. 1

Container manufacturing business

As at 31st December 2010

Terminal and related business

Yangtze River Delta

30% Shanghai Pudong Terminal
10% Shanghai Terminal
10% Shanghai Xiangdong International Container Terminal Company Limited
20% Ningbo Yuan Dong Terminal
51% Zhangjiagang Win Hanverky Terminal
55.59% Yangzhou Yuanyang Terminal
20% Nanjing Longtan Terminal

Overseas

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

Bohai Rim

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

Pearl River Delta and Southeast Coast

50% COSCO-HIT Terminal
15% Yantian Terminal Phases I & II
13.36% Yantian Terminal Phase III
39% Guangzhou South China Oceangate Terminal
71.43% Quan Zhou Pacific Terminal
80% Jinjiang Pacific Terminal
70% Xiamen Ocean Gate Terminal

Terminal Related Services

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

Container leasing, management and sale businesses

100% Florens
100% Florens Container Services Company Limited

Branches

Asia Pacific
Hong Kong • Shenzhen • Macau • Tianjin • Shanghai • Tokyo • Sydney • Singapore
Americas
San Francisco • New York • Sao Paulo
Europe
London • Hamburg • Genoa

Container manufacturing business

21.8% CIMC

Location of container manufacturing plants

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

As at 31st December 2010

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 Co., Ltd.	Dalian Port Container
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

2010

January

Completed disposal of 8.13% equity interest in Dalian Port Container

Held the first meeting of the Board of Directors of COSCO Pacific in 2010

Participated in "Greater China Conference" held by UBS Securities in Shanghai

March

Held the second meeting of the Board of Directors of COSCO Pacific in 2010

Announced 2009 annual results and held press conference and analysts' panel discussion

Completed disposal of 49% equity interest in COSCO Logistics to China COSCO

April

Honoured for the fourth consecutive year with a Corporate Governance Asia Recognition Award from Corporate Governance Asia magazine

Awarded Foreign Company In-House Team of the Year by Asian Legal Business, a well recognised professional magazine

Conducted a results road show in Hong Kong

Held the third meeting of the Board of Directors of COSCO Pacific in 2010

Announced 2010 first quarter results on a voluntary basis

Announced the acquisition of approximately an additional 10% equity interest in Yantian terminal. After the completion of the acquisition, the Group hold approximately 15% equity interest in the terminal and account for the share of profit from the terminal using equity method

Placing of 449 million new shares and raised HK$4,535 million (equivalent to approximately US$584 million) for acquisition of approximately an additional 10% equity interest in Yantian terminal and the Group's operation

May

Held annual general meeting and a press conference

June

Fully took over the operation of Pier 2 at Piraeus Port in Greece

Completed the acquisition of approximately an additional 10% equity interest in Yantian terminal

Chinese Vice Premier Zhang Dejiang visited the Piraeus Port in Greece

July

Tianjin Euroasia Terminal began operation

August

Held the fourth meeting of the Board of Directors of COSCO Pacific in 2010

Announced 2010 interim results and held press conference and analysts' panel discussion

Conducted a results road show in Hong Kong

September

Conducted a results road show in Singapore

Conducted a results road show in Beijing

Goldman Sachs included COSCO Pacific in the Conviction Buy list

Florens Container Services (Shenzhen) Limited started business operations

October

The 2009 annual report earned a Citation for Corporate Governance Disclosure from the Hong Kong Management Association

Rated for the sixth consecutive year by Economic Digest as Hong Kong Outstanding Enterprise

Chinese Premier Wen Jiabao and Greek Prime Minister George Papandreou inspected the Piraeus Port in Greece

Held the fifth meeting of the Board of Directors of COSCO Pacific in 2010 regarding appointment of Mr. XU Lirong, Vice President of COSCO and Non-executive Director of COSCO Pacific, as Chairman of the Board and approval of other changes of Directors

Held the sixth meeting of the Board of Directors of COSCO Pacific in 2010

Announced 2010 third quarter results on a voluntary basis

November

Nomura Securities included COSCO Pacific in the Asia-Pacific Conviction Buy list

2011

January

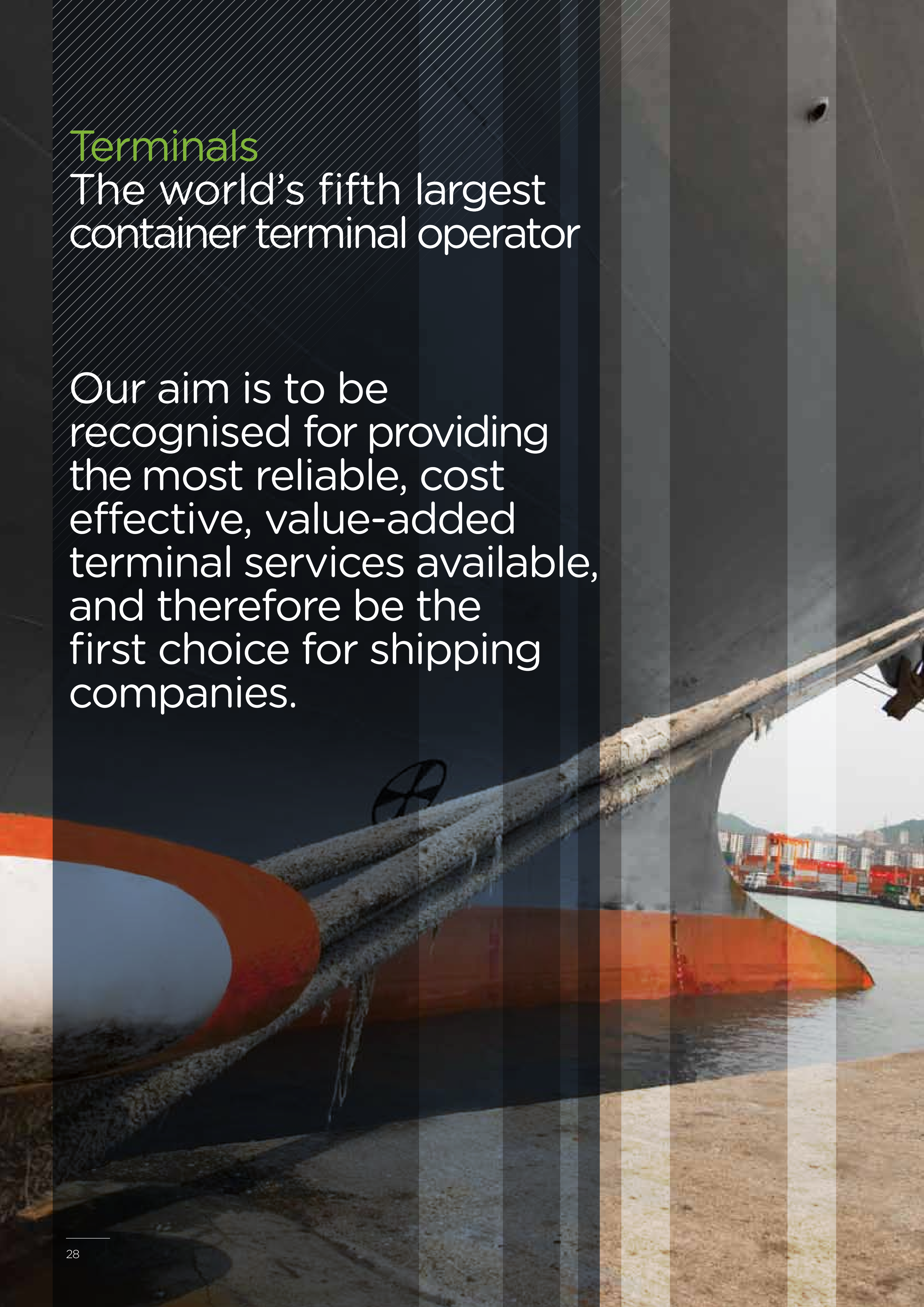
Held the first meeting of the Board of Directors of COSCO Pacific in 2011

March

COSCO Pacific won The Asset Corporate Governance Gold Award for Investor Relations given by The Asset magazine

Held the second meeting of the Board of Directors of COSCO Pacific in 2011

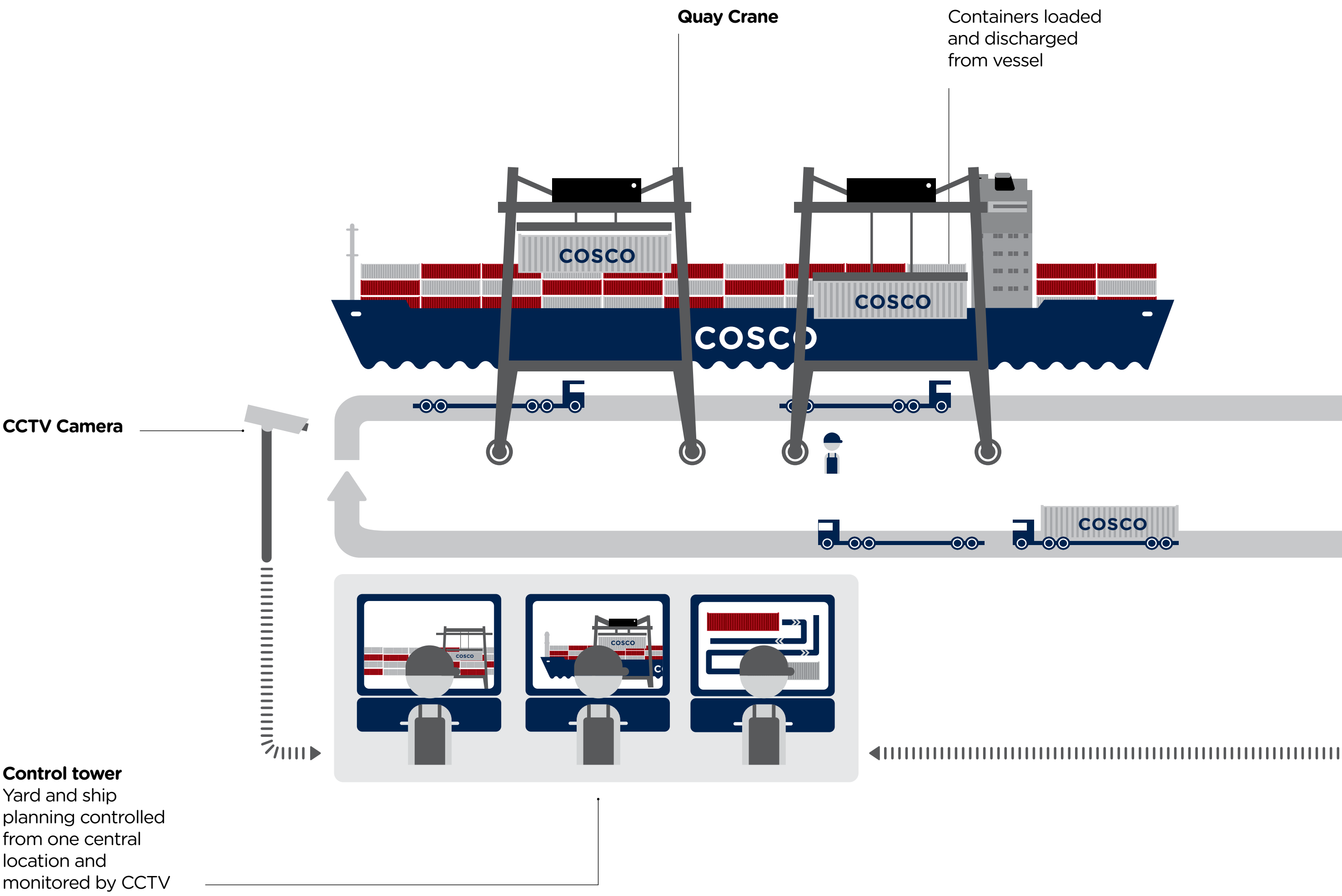
Announced 2010 annual results and held press conference and analysts' panel discussion



Terminals
The world's fifth largest container terminal operator

Our aim is to be recognised for providing the most reliable, cost effective, value-added terminal services available, and therefore be the first choice for shipping companies.

To serve our customers better, we have established a terminal portfolio with 107 operating berths strategically located at 17 ports in Asia, the Mediterranean and Europe, and with a strong presence in China. Our terminals handled 48,523,870 TEUs of containers, representing 19.4% year-on-year growth in 2010.



48,523,870*

Total container throughput (TEUs)

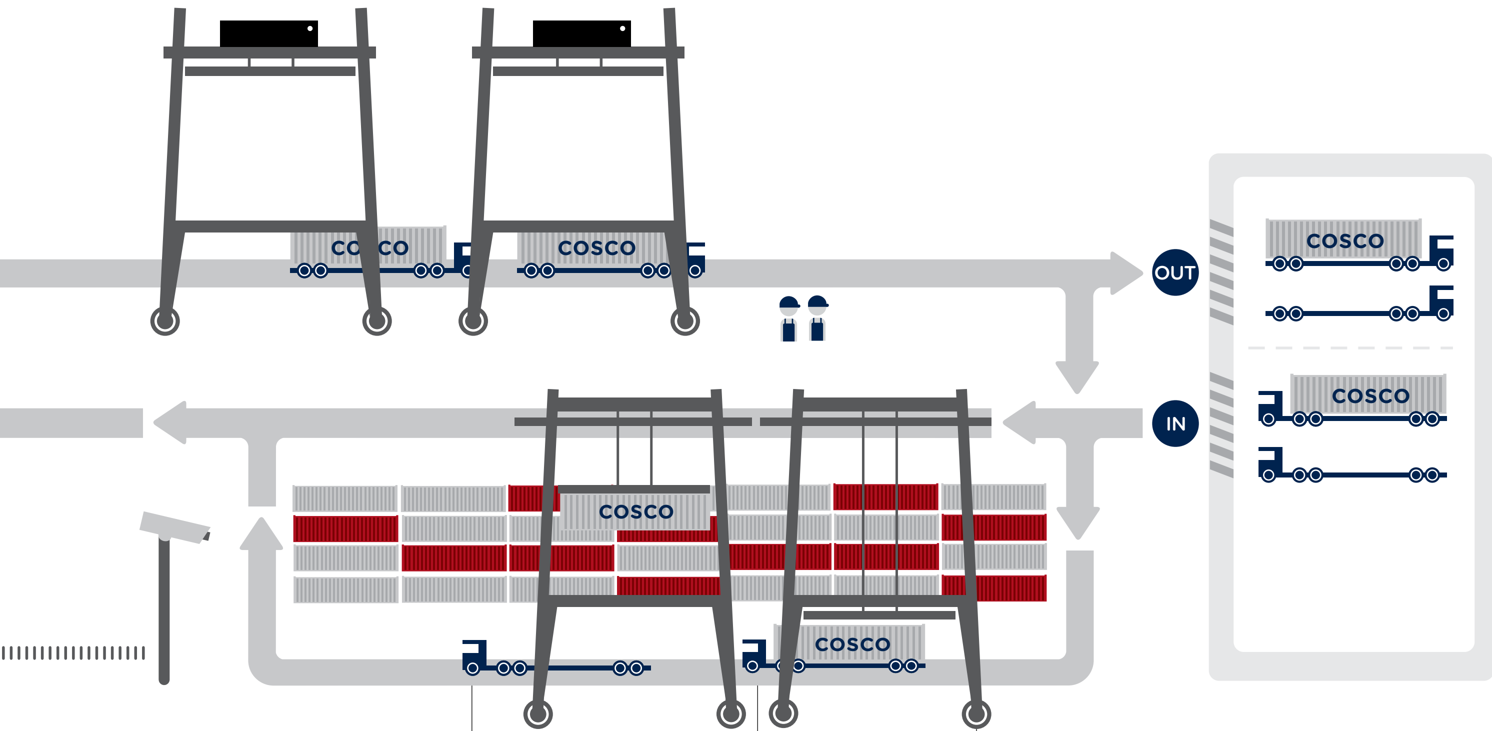
2010	48,523,870
2009	40,643,042
2008	43,136,372
2007	36,109,131
2006	29,906,437

Total container operating capacity (TEUs)

2010	55,497,500
2009	49,050,000
2008	45,150,000
2007	44,450,000
2006	35,500,000

Note

1 The Group completed a transaction for disposal of its 8.13% stake in Dalian Port Container in January 2010, and this datum is not incorporated into the terminal company's throughput.



Tractor
On-site trucks transport containers from yard to vessel or vessel to yard

Containers delivered for yard storage or collected by customers

Rubber Tyre Gantry

Market overview

The global economy showed signs of a two-speed recovery in 2010. While the major developed countries in Europe and America were restoring their growth momentum, the major developing countries in Asia were experiencing a strong rebound in economic and trade growth. This helped the global container port industry achieve a solid recovery in 2010. This year, the terminal business of COSCO Pacific delivered satisfactory results, further consolidating its position as the world's fifth largest operator of container terminals.

Top 10 global container ports throughput

Rank	Port	Throughput	y-o-y change
2010		Million TEUs	%
1	Shanghai	29.1	+16.3
2	Singapore	28.4	+9.9
3	Hong Kong	23.6	+12.6
4	Shenzhen	22.5	+23.3
5	Busan	14.3	+19.5
6	Ningbo-Zhoushan	13.1	+25.1
7	Guangzhou	12.6	+12.3
8	Qingdao	12.0	+17.0
9	Dubai	11.6	+4.3
10	Rotterdam	11.1	+14.0

Global container ports throughtput increases by 13.4%

The International Monetary Fund forecast a 5.0% increase in the 2010 global economy in October 2010, and the World Trade Organization predicted a 13% increase in global trade in December the same year. Statistics from Clarkson PLC in December 2010 show that the world container traffic volume has gained an increase of 12.3% in 2010. Driven by the recovery of the global trade and container shipping industry, according to the forecast of Drewry in December 2010, the global port container throughput would reach 539,518,000 TEUs in 2010 (2009: 475,965,000 TEUs), representing a year-on-year increase of 13.4%.

Top 10 China container ports throughput

Rank	Port	Throughput	y-o-y change
2010		Million TEUs	%
1	Shanghai	29.1	+16.3
2	Shenzhen	22.5	+23.3
3	Ningbo-Zhoushan	13.1	+25.1
4	Guangzhou	12.6	+12.3
5	Qingdao	12.0	+17.0
6	Tianjin	10.1	+15.8
7	Xiamen	5.8	+24.3
8	Dalian	5.2	+14.5
9	Lianyungang	3.9	+25.4
10	Yingkou	3.3	+31.6

Source: www.chineseport.cn

Throughtput at China container ports increases by 18.8%

In 2010, China economy increased 10.3%, stimulating a vigorous recovery in imports and exports, and thus in the port industry. Figures from the General Administration of Customs of China show total imports and exports in China as US$2,972.8 billion in 2010, representing a year-on-year increase of 34.7%, while imports and exports recorded year-on-year increases of 38.7% and 31.3% respectively. This outstanding imports performance of China accelerated the growth of container terminal throughput. The Ministry of Transport of China shows the container throughput of the major ports in China for the year of 2010 to be approximately 145,000,000 TEUs, representing an increase of approximately 18.8%.

COSCO Pacific container throughput grows by 19.4%

COSCO Pacific's terminal development strategy is to expand its worldwide terminal network while continuing to focus on China, allowing the Group to benefit from both China and global economic growth. At 31st December 2010, the Group operated 107 berths at 17 ports worldwide, including 97 container berths, eight break-bulk berths and two automobile berths. This terminal portfolio performed satisfactorily in 2010. Total container throughput rose by 19.4% to 48,523,870 TEUs (2009: 40,643,042 TEUs). Of this, 43,094,962 TEUs (2009: 36,272,610 TEUs) were handled in Mainland China and Hong Kong, accounting for 88.8% of total throughput. The Group steadily diversified the portfolio to handle break-bulk cargoes and automobiles. During the year, break-bulk cargo throughput increased strongly by 39.1% to 23,606,588 tons (2009: 16,973,421 tons) while automobile throughput rose significantly by 143.2% to 121,887 vehicles (2009: 50,110 vehicles).

Further strengthening our leading position in the global container terminal market

In August 2010, Drewry published its league table of global container terminal operators by throughput for 2009. COSCO Pacific maintained its position as the fifth largest container terminal operator, with a global market share of 6.9% (2008: 6.1%). Furthermore, COSCO Pacific was also one of the major container terminal operators in China with approximately 28.7% of the market share (2009: 28.8%). In 2010, the container throughput growth of 19.4% outperformed the global throughput growth of 13.4%, further strengthening the Group's leading position.

Enhancing the profitability of terminals

This year, the Group made great strides in expanding terminals in China and abroad, while enjoying a growth in the whole terminal business. After the full takeover of Pier 2 of the Port of Piraeus in Greece in June 2010, the Group have enhanced the terminal's operational efficiency and profitability. Meanwhile, the Group successfully increased its stake in Yantian terminal and further enhanced the profitability of the terminal business.

Terminal revenue rises sharply by 63.5%

At 31st December 2010, the Group held controlling stakes in six terminals, including the first wholly-owned terminal subsidiary of the Group, Piraeus Terminal (100%). The others are Quan Zhou Pacific Terminal (71.43%), Jinjiang Pacific Terminal (80%), Zhangjiagang Win Hanverky Terminal (51%), Yangzhou Yuanyang Terminal (55.59%) and Xiamen Ocean Gate Terminal (70%). The Group expected Xiamen Ocean Gate Terminal to commence operation in the second half of 2011. These subsidiaries currently operate and manage 20 berths, including 12 container berths and eight break-bulk or multi-purpose berths. In recent years, the Group has focused on assuming controlling stakes in terminals. As a result, the Group's revenue from terminals has achieved a five-year compound annual growth rate of 61.9%.

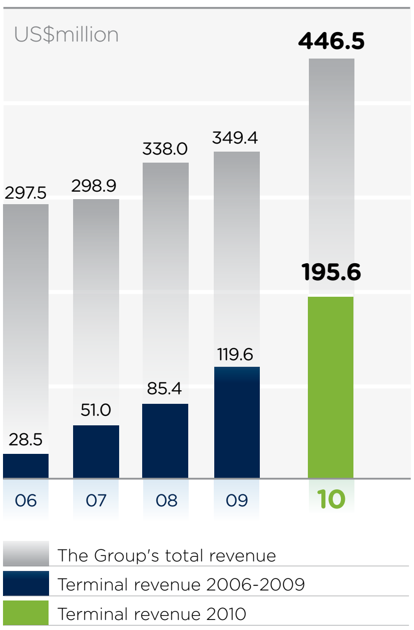
In June 2010, the Group fully took over the operation of Pier 2 at Piraeus Port in its entirety. While the sovereign debt crisis in Greece had an impact on the terminal's operation in 2010, the Group coped with the adverse market changes by focusing on cost control and Piraeus Terminal showed continuous improvement in performance during the year. In 2010, Piraeus Terminal contributed its first full-year revenue, US$83,303,000 (2009: US$23,159,000). This boosted the Group's terminal revenue up by 63.5% to US$195,594,000 (2009: US$119,593,000), which accounted for 43.8% (2009: 34.2%) of the Group's total revenue in 2010.

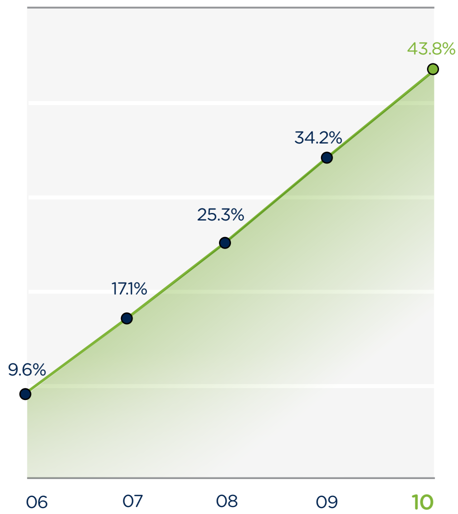
Compound annual growth rate

Terminal revenue

61.9%

Increased proportion of terminal revenue to the Group's total revenue (2006-2010)





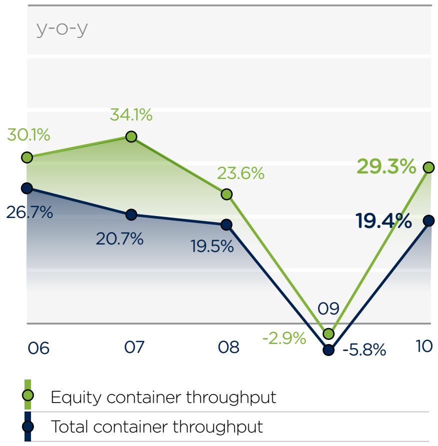
Profit contribution from terminals increases by 43.5%

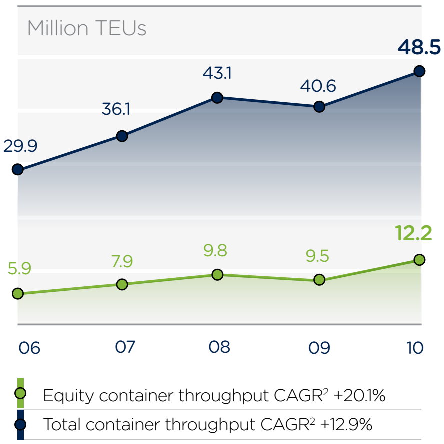
The Group expanded its terminal business, strengthened cost controls and looked to enhance the profitability of its terminal portfolio. In 2010, the Group made a substantial year-on-year increase in terminal profit by 43.5% to US$119,882,000, mainly due to a strong recovery of the China container terminal market. With the 19.4% increase in total container throughput, the operating profit of the terminals also grew.

Satisfactory growth in equity throughput

In addition, upon completion of the acquisition of approximately 10% equity interest in Yantian terminal, shareholding in Yantian terminal increased from approximately 5% to approximately 15%, which has been accounted for using equity method and reclassified as an associate since 30th June 2010. In 2010, the Group's equity throughput increased by 29.3% to 12,236,920 TEUs and profitability rose accordingly. In the past five years, the annual compound growth rate of the equity throughput reached 20.1%, higher than the annual compound growth rate of total throughput of 12.9%, suggesting a gradual strengthening of the control and profitability of the Group's terminal portfolio.

Equity throughput growth rate outperforming total throughput growth rate[1]





Note

1 *The Group completed a transaction for disposal of its 8.13% stake in Dalian Port Container in January 2010, and this datum is not incorporated into the terminal company's throughput.*

2 *Compound annual growth rate*

Growing terminal business in China and overseas

COSCO Pacific's strategy of expanding worldwide with a primary focus on China helps the Group benefit from the economic development of China and the world in further developing its global terminal network, and strengthening the risk-resistant capability of terminal business.

A high-quality portfolio of terminals

China's economic growth has remained high in recent years, and so has the growth of its port industry. Among the top ten global ports, six of them belong in China — Shanghai, Hong Kong, Shenzhen, Ningbo, Guangzhou and Qingdao. COSCO Pacific operates 56 berths at these ports. This high-quality terminal portfolio offers significant potential for business growth.

The Group has a strong presence in China. During the year, container terminal throughput in China accounted for 88.8% (2009: 89.2%) of the total throughput, while overseas terminals accounted for 11.2% (2009: 10.8%). Our terminal portfolio is well-balanced, and located at four major port areas in China and four hub ports overseas. Meanwhile, the Group invests not only in terminals at hub ports in the coastal region, but also in feeder ports in China. This strategy provides a hub and spoke terminal network, which helps the Group take advantage of the growth in domestic and foreign trade in China.

Container terminals of the Group have enjoyed strong throughput growth in all regions.

The container terminals in the Pearl River Delta and Southeast Coast of China performed well, with a year-on-year increase of 20.9% container throughput, while throughput in the Bohai Rim recorded a year-on-year growth of 18.0%. The performance in these two regions was in line with those of the local markets. In the Yangtze River Delta, container throughput recorded a year-on-year increase of 16.8%, slightly lower than the average growth rate of 21.0% in the region. This was mainly due to some mature terminals experiencing lower throughput growth. Overseas, Piraeus Terminal reported its first full-year throughput contribution, accelerating overseas container terminal throughput growth by 24.2% year-on-year.

The Group put 11 terminal berths into operation in 2010, including five at Qingdao Qianwan United Terminal, three at Tianjin Euroasia Terminal, one at Ningbo Yuan Dong Terminal, one at Yantian terminal and one at Suez Canal Terminal in Port Said, Egypt.

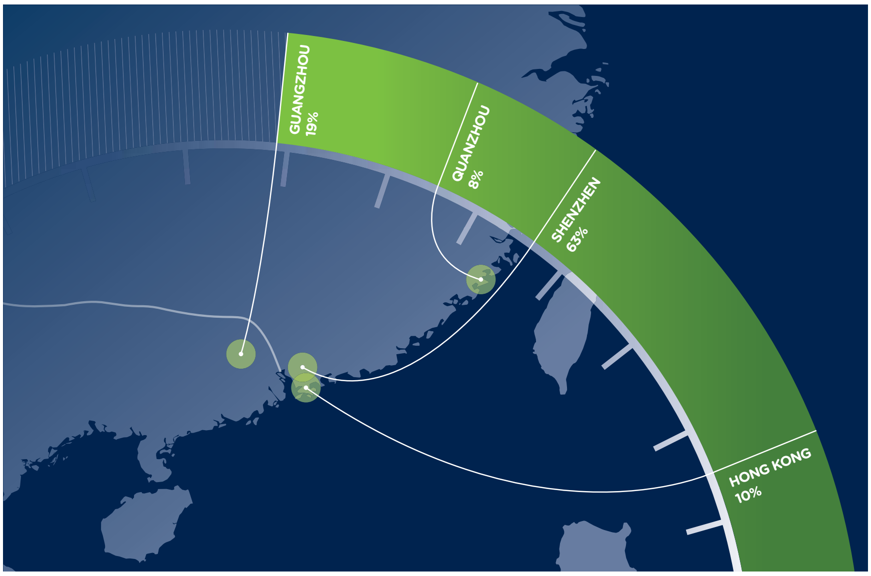
Pearl River Delta and Southeast Coast

Shenzhen	10,133,967	+18.1%
Guangzhou	3,060,591	+41.8%
Hong Kong	1,535,923	+12.9%
Quanzhou	1,364,295	+12.7%

TOTAL THROUGHPUT

16,094,776 TEUs

+20.9%



Percentage of regional throughput

Bohai Rim

Qingdao	11,852,968	+17.3%
Tianjin	2,492,169	+28.4%
Dalian	1,668,418	+10.5%
Yingkou	1,196,932	+17.0%

TOTAL THROUGHPUT

17,210,487 TEUs

+18.0%

Percentage of regional throughput

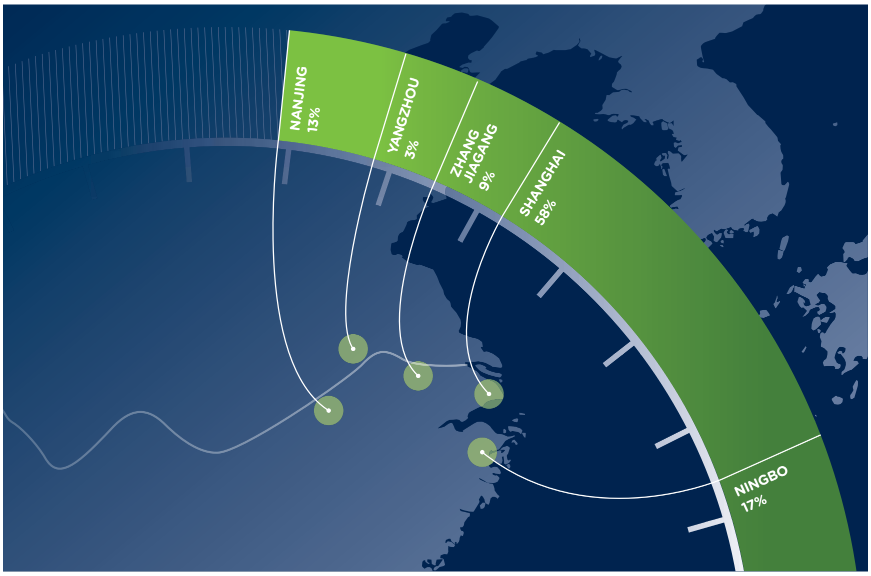
Yangtze River Delta

Shanghai	5,647,420	+7.1%
Ningbo	1,704,588	+52.6%
Nanjing	1,245,559	+17.7%
Zhangjiagang	889,515	+24.3%
Yangzhou	302,617	+36.9%

TOTAL THROUGHPUT

9,789,699 TEUs

+16.8%



Percentage of regional throughput

Overseas

Port Said	2,856,854	+7.4%
Singapore	1,091,639	+20.6%
Antwerp	795,534	+24.3%
Piraeus	684,881	+312.4%

TOTAL THROUGHPUT

5,428,908 TEUs

+24.2%

Percentage of regional throughput

Enhancing the sustainable growth of the terminal business

The Group expects to begin operations at eight new berths in 2011: two berths in Xiamen Ocean Gate Terminal, one in Jinjiang Pacific Terminal, one in Yangzhou Yuanyang Terminal, two in Qingdao Qianwan United Terminal and two in Suez Canal Terminal. These newly operational berths will not only help increase the operating capacity of these terminals, but also help grow the Group's terminal business.

To enhance the sustainable growth of the terminal business, the Group has taken part in the construction and management of many new terminal projects in recent years, including six berths at Guangzhou South China Oceangate Terminal that entered full operation in 2007, three berths at Tianjin Euroasia Terminal that started operation in July 2010 and also two new container berths at Xiamen Ocean Gate Terminal that will begin operation in the second half of 2011. Meanwhile, the Group successfully obtained the 35-year concession right for Piers 2 and 3 of the Piraeus Port in Greece and took over four berths at Pier 2 in October 2009.

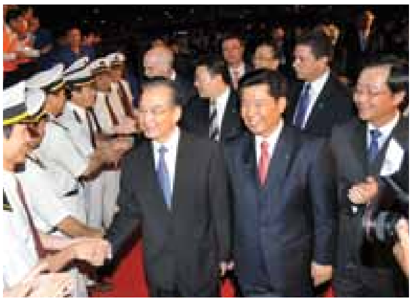
The four projects above are still in their ramp-up phases and ran at a loss in 2010. The Group has been working on shortening this transitional period by increasing the terminals' operating efficiency and providing quality services. The Group has also been making efforts to strengthen marketing and control costs. The total loss from these four terminals within the year was reduced to US$19,513,000 (2009: US$24,217,000), decreasing by 19.4%. The losses of the Guangzhou South China Oceangate Terminal and the Piraeus Terminal for the year are US$5,088,000 (2009: US$10,327,000) and US$10,156,000 (2009: US$12,277,000) respectively, which were decreases of 50.7% and 17.3% respectively. The loss generated by Guangzhou South China Oceangate Terminal reduced gradually during the year and Piraeus Terminal recorded a marginal profit during the fourth quarter in 2010.

Meanwhile, the Group will advance market development work for Tianjin Euroasia Terminal and Xiamen Ocean Gate Terminal with the aim of quickening the rate of growth of the business.

Furthering the development of four key terminals

COSCO Pacific will continue to optimise the portfolio of terminals and advance the development of the four key terminals — the Piraeus Terminal, the Yantian terminal, the Guangzhou South China Oceangate Terminal and the Xiamen Ocean Gate Terminal. These four terminals will enhance the sustainable growth of the Group.

Piraeus Terminal



Piraeus Terminal, a subsidiary of the Group, took over the Pier 2 at Piraeus Port, Greece, on 1st October 2009 and began operating Pier 2 and 3 under a 35-year concession right. Piraeus Terminal is the first overseas wholly-owned container terminal operation, and it will further consolidate the leading position of the Group as a global terminal operator. It will also be the primary growth driver of the Group's terminal business's operating income.

Piraeus Terminal operates and manages six deep-water berths at Piers 2 and 3. The total quay length is 2,087m, the water depth ranges from 14m to 16m, and the total area of the terminal is 776,000 square metres. The four container berths at the current operating Pier 2 have a total annual handling capacity of 1,600,000 TEUs and it handled 684,881 TEUs in 2010.

Improving the terminal's efficiency and competitiveness

The upgrading work of Pier 2 is now underway to improve its efficiency and competitiveness. A civil work for upgrading is scheduled for completion prior to May 2012 and the upgrading of all terminal facilities by April 2014. This will increase the annual handling capacity to 2,600,000 TEUs. In addition, the Group will finish construction of two new berths with annual handling capacity of 1,100,000 TEUs at Pier 3 by October 2015. The annual handling capacity of Piraeus Terminal will increase to 3,700,000 TEUs.

COSCO Pacific plans to buy 13 quay cranes to improve terminal facilities. The Group installed three quay cranes in Pier 2 in September 2010 and will install another three quay cranes by July 2011. This will enable the terminal to handle post-panamax large container vessels, significantly enhancing its competitiveness. Meanwhile, the terminal will adopt a more advanced operational approach to provide clients with a comprehensive terminal service.

Increasing the source of revenue

In 2011, the operational capacity of Pier 2 will be continuously upgraded and staff productivity will also improve. As a result, the terminal will be significantly more appealing to shipping companies, which will lead to stable growth in business. Among all the Group's controlling terminals, Piraeus Terminal is the Group's biggest revenue contributor. Its revenue in 2010 was US$83,303,000, accounting for 42.6% of the Group's terminal business revenue, and boosting the Group's cash flow. From January to February 2011, Piraeus Terminal handled 138,446 TEUs, a year-on-year increase of 21.6%. Its container throughput growth in 2011 is estimated to have a relatively rapid growth rate, hence, the Group expects revenue in 2011 to grow further.

From 1st June 2010 onwards, Piraeus Terminal was entirely operated by its own employees. After the takeover, the Piraeus Terminal adopted a series of reformative measures, implementing a more flexible employment system and greatly reducing the operating cost. Despite the incurring operating loss of US$10,156,000 in the initial phase this year, the Piraeus Terminal recorded a marginal profit during the fourth quarter of 2010, which places the port in a good position for profitability in 2011.

Becoming the gateway for international container liners entering the Balkans and Black Sea region

Piraeus Terminal is in the Port of Piraeus, the largest port in Greece, and is located on important and strategic commercial shipping lines, serving Eastern Europe, the Mediterranean, the Balkans and Black Sea, and offers tremendous potential for development. The Group is looking forward to cooperating with its counterparts in the marine industry in Greece, to build the Port of Piraeus into a gateway for local shipping companies and international container liners entering and exiting the Balkans and Black Sea region, and also to act as a transhipment port in the Mediterranean.

Yantian terminal

The Group owns approximately 15% interest in Yantian terminal, jointly operating and managing the West Port and Phase I, II and III of Yantian terminal in Shenzhen, China. The terminal operates 16 berths, covering an area of 373 hectares, with a 7,936m quay length, front water depth of 14m to 16.5m, and an annual handling capacity of 13,500,000 TEUs. In 2010, Yantian terminal handled 10,133,967 TEUs, 18.1% higher than the previous year.

A preferred container terminal for mega-vessels

Yantian terminal is equipped with world-standard advanced operating systems and modern cargo handling facilities, enhancing the service quality for our customers. The terminal provides post-panamax quay cranes to handle the world's biggest container vessels. At present, it is cooperating with more than 30 international container liner companies, operating more than 100 shipping services covering worldwide locations each week.

Yantian terminal is also the biggest container terminal of Shenzhen Port with a 45% market share. Shenzhen Port is the second biggest container port in China and the fourth largest in the world. The throughput of Shenzhen Port reached 22,500,000 TEUs in 2010, an increase of 23.3% over 2009.

As one of the terminals with the fastest growing cargo volumes, Yantian terminal boasts strategic advantages in the port group of the Pearl River Delta. Its utilisation rate far surpassed the national average level thanks to its unique location and sound supporting facilities. The well-managed operation and highly efficient service stabilised Yantian terminal's leading position in the market. With the global economic recovery and sustained economic growth in China, which directly benefits the port industry, the company believes that the business of Yantian terminal will maintain the momentum in growth as South China is one of the most dynamic economic regions.

Enhance the terminal's profitability and the Group's corporate value

Since 30th June 2010, the Group's share of profit from Yantian terminal has been accounted for using the equity method. The terminal contributed its half-year profit of US$30,216,000 (2009: dividend income of US$18,727,000), calculated on the approximately 15% shareholding (2009: approximately 5% dividend income), a year-on-year increase of 61.3%. In 2011, it will contribute the entire year's profit, driving the profit growth of the terminal business.

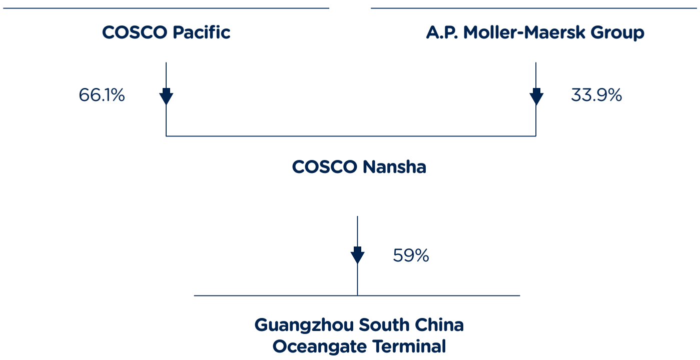
Guangzhou South China Oceangate Terminal

The Group holds approximately 39% of the shareholdings of Guangzhou South China Oceangate Terminal, which is the phase II container terminal in Nansha Port in Guangzhou, Guangdong province. It is jointly constructed, operated and managed by the Group, Guangzhou Port Holding Company Limited, and A.P. Møller-Maersk A/S ("APM"). It operates six berths from number 5 to number 10 with quay length of 2,100m, front water depth of 15.5m to 16.0m and an area covering 2,230,000 square metres. Additionally, it is also equipped with 18 post-panamax quay cranes, with the annual handling capacity of up to 4.2 million TEUs.

The six berths went into full operation in September 2007 and handled 2,000,130 TEUs in 2008. Despite the financial crisis in 2009, throughput maintained positive growth, with an increase of 7.9% to 2,158,291 TEUs. With the global economic recovery in 2010, the terminal achieved a strong growth with a 41.8% year-on-year throughput increase to 3,060,591 TEUs.

COSCO Nansha will be accounted for by COSCO Pacific as a subsidiary in 2011

The Group holds approximately 39% of the substantial shareholdings of Guangzhou South China Oceangate Terminal through its subsidiary, COSCO Ports (Nansha) Limited (COSCO Nansha), which is accounted for as a jointly controlled entity of the Group. COSCO Pacific held 59% of the shareholdings of Guangzhou South China Oceangate Terminal through its wholly-owned subsidiary, COSCO Nansha in December 2005. Later, in August 2006, APM subscribed 33.9% equity interest of COSCO Nansha, while the substantial shareholdings of COSCO Pacific in COSCO Nansha reduced to 66.1%. As a result, APM and COSCO Pacific indirectly held approximately 20% and approximately 39% equity interest in the Guangzhou South China Oceangate Terminal respectively. In the meantime, their shareholders signed an agreement on joint control of COSCO Nansha, which expired on 31st December 2010 and the Group has the power to govern the financial and operating policies of COSCO Nansha. From 1st January 2011 onwards, the Group will account for COSCO Nansha as a subsidiary. The change in accounting method will strengthen the power of the Group in supervising COSCO Nansha and Guangzhou South China Oceangate Terminal.



Expanding the international container business

With efforts from all shareholders, Guangzhou South China Oceangate Terminal has now become a modern terminal, providing a highly efficient and high quality terminal service, with 16 shipping routes for foreign trade, seven shipping routes and two feeder routes for domestic trade. Domestic trade was the terminal's priority in 2010 — based on the container handling volume, domestic cargo accounted for 59% and international cargo accounted for 41%. The Group plans to expand the proportion of foreign trade in 2011.

Enhancing the development of Nansha Port in Guangzhou

Nansha Port is located on the geometric centre of the Pearl River Delta Economic Zone (PRDEZ). Fourteen major cities and industrial manufacturing centres, such as Guangzhou, Foshan, Shenzhen, Zhuhai, Macau, Dongguan and Zhongshan, are situated within 60 kilometres. The entire Pearl River Delta urban network, with its convenient land and water transportation system, is located within its 100 kilometres.

The district serves as an important base for strengthening Guangzhou Port's position as the pivot harbour in the South China region and a world-class harbour. Guangzhou Port, the seventh largest in the world and the fourth largest one in China, boasted container throughput totaling 12,550,000 TEUs (2009: 11,190,000 TEUs), a 12.2% increase over the same period of the previous year. There are ten berths for the first and second phases of the port, with container throughput of 7,160,000 TEUs in 2010 (2009: 6,555,000 TEUs), accounting for 57.0% (2009: 58.6%) market share of Guangzhou Port.

The growth in market share of the second phase port operated by Guangzhou South China Oceangate Terminal was satisfactory; its market share accounted for 42.7 % (2009: 32.9%) of Nansha Port, 24.4% (2009: 18.4%) of Guangzhou Port. The Group expect the throughput growth rate of this terminal in 2011 will be higher than the country's average, and is optimistic about the future development of this terminal.

Xiamen Ocean Gate Terminal

In November 2007, the Group established Xiamen Ocean Gate Terminal jointly with Xiamen Haicang Investment Corporation (renamed to Xiamen Haicang Investment Group Co., Ltd.). We hold 70% of its equity. This joint venture company builts, operates and manages four deep-water container berths numbers 14 – 17 located in Haicang District at Xiamen Port in Fujian Province. The quay length of Xiamen Haicang Ocean Gate Terminal is 1,508m, with water depth of 17m, area of 1,220,000 square metres, and annual handling capacity of 2,800,000 TEUs.

The Group plans to put two berths into operation in the second half of 2011. As the fixed cost is high for container terminal operations, we expect there to be an early stage operational loss. However this terminal is now focusing on market changes, analysing clients' requests and shipping routes and preparing marketing strategies to shorten the ramp-up period.

Throughput in Xiamen Port is growing

The Chinese government has accelerated construction of the great sea-bound passage from the interior provinces to the southeast coastal provinces over the recent years. Thanks to this, the coastal ports in Fujian Province have become an important hub for land and water transportation for the hinterland provinces. Xiamen Ocean Gate Terminal is located in Xiamen Port, which is a good natural deep-water port along the southeast coast and the seventh biggest port in China. Xiamen Port enjoyed sound growth in container throughput in 2010, reaching 5,820,000 TEUs (4,680,000 TEUs in 2009), a year-on-year increase of 24.3%, which is higher than the national average growth rate of 18.8%. The container throughput in 2011 is expected to continue to grow, and this will create favourable conditions for the Group to put into operation its Xiamen Ocean Gate Terminal.

Terminal portfolio[1]

Terminal companies	Shareholding	No. of berths	Depth	Annual handling capacity
			m	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	17.0-20.0	5,250,000
Qingdao Cosport International Container Terminals Co., Ltd.[2]	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		**37**		**24,300,000**
COSCO-HIT Terminals (Hong Kong) Limited	50%	2	15.5	1,800,000
Yantian International Container Terminals Co., Ltd.	15%	5	14.0-15.5	4,500,000
Yantian International Container Terminals (Phase III) Limited	13.36%	10	16.0-16.5	9,000,000
Guangzhou South China Oceangate Container Terminal Co., Ltd.	39%	6	15.5-16.0	4,200,000
Quan Zhou Pacific Container Terminal Co., Ltd.	71.43%	3	7.0-15.1	1,200,000
		2	5.1-9.6	1,000,000 (tons of break-bulk cargo)
Jinjiang Pacific Ports Development Co., Ltd.	80%	2	10.2-14.0	800,000
		3	7.9-9.8	4,200,000 (tons of break-bulk cargo)
Xiamen Ocean Gate Container Terminal Co., Ltd.	70%	4	17.0	2,800,000
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		**145**		
Total no. of container berths / Annual handling capacity		**133**		**77,950,000**
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

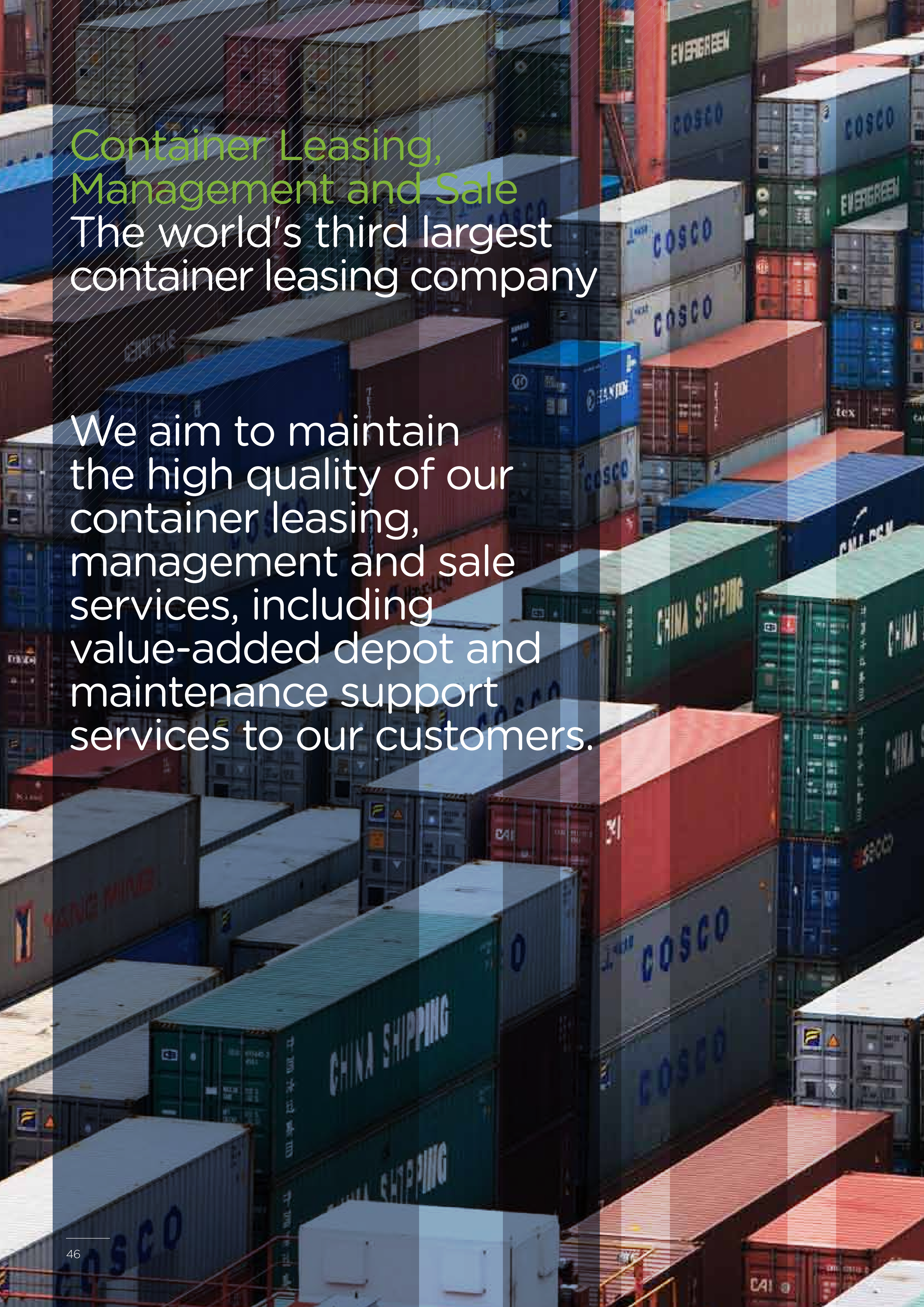
1 *Terminal portfolio includes all terminal projects for which agreements have been signed on or a before 31st December 2010. It includes operating and non-operating terminal companies, berths and annual handling capacity.*

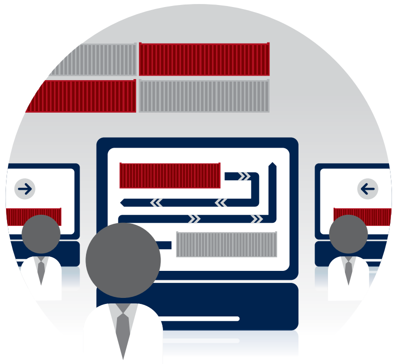
2 *On 10th March 2011, the Group signed the agreement on disposal of the Group's 50% interest in Qingdao Cosport Terminal.*

Container Leasing, Management and Sale

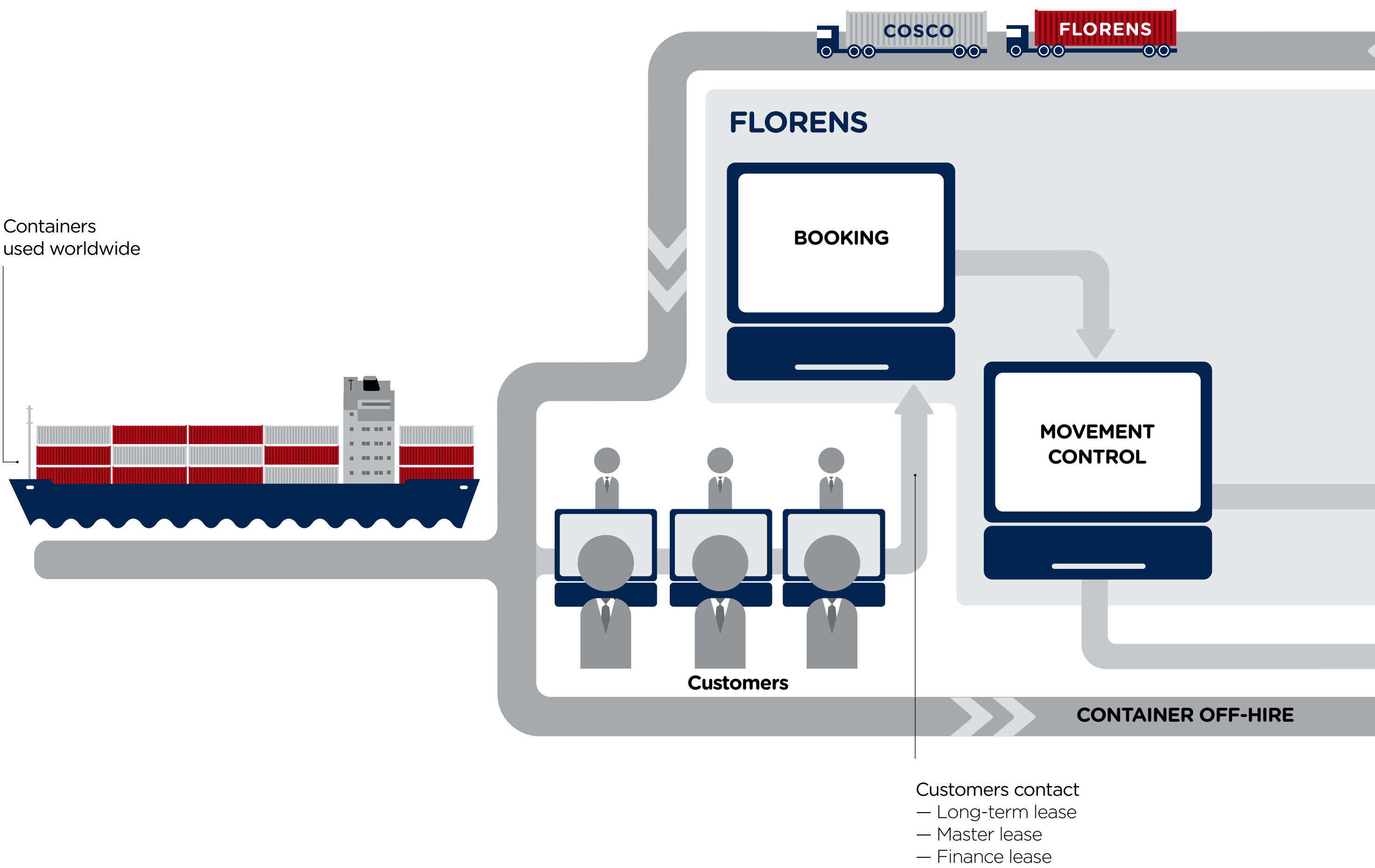
The world's third largest container leasing company

We aim to maintain the high quality of our container leasing, management and sale services, including value-added depot and maintenance support services to our customers.





We own and manage a container fleet of 1,631,783 TEUs, providing long-term and short-term leasing services to customers, including the top 20 global container shipping companies. We offer a high quality of container management service to the owners of the managed containers. To facilitate the convenient pick-up and drop-off of containers for customers, we have built a strong network of 225 depots around the world.



Fleet capacity

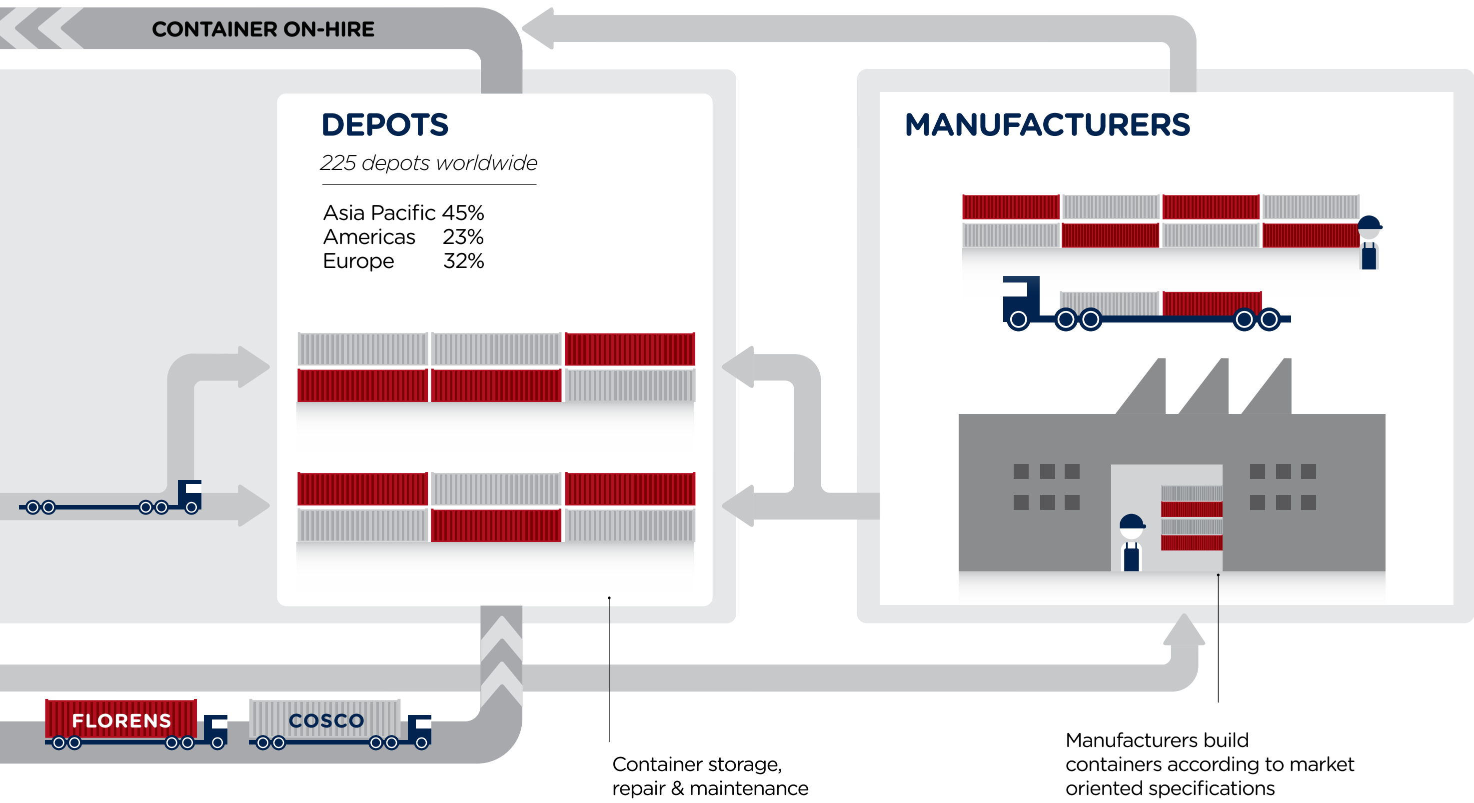
	Million TEUs
2010	1.63
2009	1.58
2008	1.62
2007	1.52
2006	1.25

Top 5 container leasing companies in the world

	Fleet size (TEUs)	Market share (%)
Textainer Group	2,310,000	18
Triton Container	1,750,000	14
COSCO Pacific (Florens)	1,631,783*	13
TAL International	1,380,000	11
GESeaCo	940,000	7

Source : Alphaliner 2011

** The container fleet size of Florens at 31st December 2010*



Note

Florens has strict principles and rules for controlling the quality of containers throughout the manufacturing process:

1. *All our containers are manufactured to the relevant ISO requirements, including technical specifications and testing standards for the container body (ISO1496-1/2) and the key component — corner fitting (ISO1161); the international standards for containers (ISO6346), and the size and weight rating (ISO668) are the main criteria for manufacturing and design.*
2. *We adopt these standards as a guide, combine them with relevant container industry technical standards, plus our own inspecting procedure for on-site quality control of paint, flooring, steel and any part that will affect product safety and lifespan.*
3. *All containers in manufacture must be inspected and certified by the classification society, which certifies that they meet the ISO technical standards and relevant provisions as stated in the CSC.*

Strong market demand for containers

The global container shipping and container leasing market recovered strongly in 2010. During the year, the volume of container shipping increased by 13.6% year-on-year. Shipping companies added capacity of 1,300,000 TEUs, and slow steaming operation. Production capacity at container manufacturing factories remained behind demand, leading to a severe shortage in the container supply. The price of a 20-foot dry container increased to a maximum of US$2,800 during the year. The average utilisation rate of the container leasing sector was as high as 95% (2009: 86%).

In 2010, the total newly-built containers in the world was approximately 2,750,000TEUs (2009: 450,000 TEUs), among which, leasing companies purchased approximately 1,725,000 TEUs (2009: 245,000 TEUs), accounting for 63% (2009: 54%) of the world total of newly-built containers. According to the information from Alphaliner in 2011, by the end of 2010, the total number of containers globally was approximately 29,000,000 TEUs (2009: 27,250,000 TEUs). Of these, the size of fleet operated and managed by the leasing companies was approximately 12,600,000 TEUs (2009: 11,500,000 TEUs), making up 43% (2009: 42%) of the global total containers, showing a one percentage point increase in the leasing proportion. Thus the size of the container fleet owned by shipping companies was approximately 16,400,000 TEUs (2009: 15,750,000 TEUs), accounting for 57% (2009: 58%) of the global total containers.

Fleet capacity movement

	2010	2009	y-o-y change
	TEUs	TEUs	%
Fleet capacity at 1st January	**1,582,614**	1,621,222	-2.4
New containers purchased	**111,625**	15,000	+644.2
Managed containers deposited by a third party	**4,402**	--	n/a
Containers returned from COSCON upon expiry of leases			
— Total	**(40,992)**	(26,589)	+54.2
— Re-leased	**5,863**	9,113	-35.7
— Disposed of and pending for disposal	**(35,129)**	(17,476)	+101.0
Ownership transferred to customers upon expiry of finance leases	**(162)**	(556)	-70.9
Defective containers written off	**(59)**	(2)	+2,850.0
Total loss of containers declared and compensated by customers	**(31,508)**	(35,574)	-11.4
Fleet capacity at 31st December	**1,631,783**	**1,582,614**	**+3.1**

Steady development of container fleet

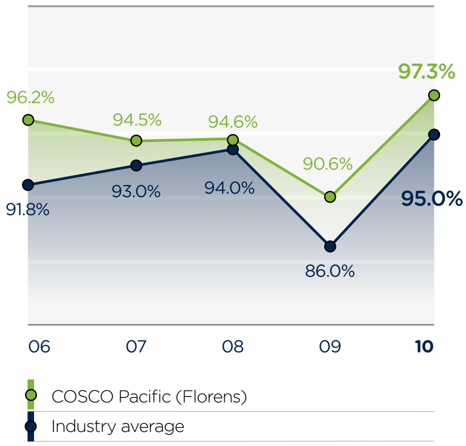
The Group's container leasing, management and sale businesses ("container leasing business") are operated and managed by Florens. To further develop the container leasing operation, Florens follows a business model of combining owned containers with managed containers.

At 31st December 2010, our owned and managed container fleet had increased by 3.1% from last year to reach 1,631,783 TEUs (31st December 2009: 1,582,614 TEUs), ranking as the third largest container leasing company in the world, and representing a market share of approximately 13% (2009: 14.3%), according to the information released by Alphaliner in 2011. The average age of the container fleet was 5.36 years (2009: 4.96 years), and the average utilisation rate in 2010 was 97.3% (2009: 90.6%).

During the year, the Group expanded its owned fleet by purchasing 111,625 TEUs (2009: 15,000 TEUs) of new containers significantly throughout the year, representing a year-on-year increase of 644.2%, 14,900 TEUs (2009: 3,600 TEUs) of these for COSCON, and 96,725 TEUs (2009: 11,400 TEUs) for international customers, accounting for 13.3% (2009: 24.0%) and 86.7% (2009: 76.0%) of the total new containers respectively. The new containers were mainly on long term leases and most of them were delivered before the fourth quarter of 2010, further increasing the profitability of the container leasing business.

In addition, COSCON returned containers of 40,992 TEUs (2009: 26,589 TEUs) upon expiry of leases during the year. The Group sold a total of 28,674 TEUs (2009: 22,863 TEUs) of returned containers during the year, representing an increase of 25.4% year-on-year.

Utilisation rate



Expansion of owned container fleet

The total number of the Group's leasing customers was 300 (2009: 306), including 28 out of the 30 largest shipping lines in the world, a sound customer base. COSCON was the largest customer of the Group. At 31st December 2010, the Group leased 499,106 TEUs (31st December 2009: 527,891 TEUs) of containers to COSCON, and 1,132,677 TEUs (31st December 2009: 1,054,723 TEUs) to other international customers, thus 30.6% (2009: 33.4%) and 69.4% (2009: 66.6%) respectively of our total container fleet.

At 31st December 2010, the Group's owned container fleet expanded by 9.6% to 813,625 TEUs (31st December 2009: 742,388 TEUs), which represented 49.8% (31st December 2009: 46.9%) of the total container fleet. Of the owned container fleet, a total of 381,012 TEUs (31st December 2009: 409,797 TEUs) were leased to COSCON, and a total of 432,613 TEUs (31st December 2009: 332,591 TEUs) were leased to international customers. The managed container fleet capacity reduced by 3.1% to 700,064 TEUs (31st December 2009: 722,132 TEUs), which represented 42.9% (31st December 2009: 45.6%) of the total container fleet. The capacity of the sale-and-leaseback containers remained unchanged at 118,094 TEUs, which represented 7.3% (31st December 2009: 7.5%) of the total container fleet. Most of the owned containers and sale-and-leaseback containers are on long term leases. The rental income generated from long term leases during the year accounted was 92.7% (2009: 93.2%) of the total container leasing income, providing the Group with a steady source of income.

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

At 31st December	Leasing customers	2010	2009	y-o-y change
		TEUs	TEUs	%
Owned containers	COSCON	**381,012**	409,797	-7.0
Owned containers	International customers	**432,613**	332,591	+30.1
Managed containers	International customers	**700,064**	722,132	-3.1
Sale-and-leaseback containers	COSCON	**118,094**	118,094	-
Total		**1,631,783**	**1,582,614**	**+3.1**

At 31st December	Leasing customers	2010	2009	y-o-y change
		%	%	pp
Owned containers	COSCON	**23.3**	25.9	-2.6
Owned containers	International customers	**26.5**	21.0	+5.5
Managed containers	International customers	**42.9**	45.6	-2.7
Sale-and-leaseback containers	COSCON	**7.3**	7.5	-0.2
Total		**100.0**	**100.0**	**-**

Satisfactory performance of container leasing business

With the increase in lease of containers and the sale of returned containers, our revenue from container leasing business in 2010 increased by 9.2% year-on-year to US$250,898,000 (2009: US$229,831,000), reflecting satisfactory business growth. This business segment contributed a total profit of US$96,366,000 (2009: US$71,375,000), representing a substantial increase of 35.0% year-on-year.

The revenue from container leasing business is one of the major revenue sources for the Group.

During the year, the leasing revenue increased 4.6% to US$207,245,000 (2009: US$198,069,000). Revenue from managed containers increased by 14.6% to US$7,416,000 (2009: US$6,470,000). The Group sold 28,674 TEUs (2009: 22,863 TEUs) of returned containers and generated a revenue of US$33,895,000 (2009: US$22,844,000), increasing 48.4% year-on-year. The revenue contributions from container leasing, management and sale accounted for 82.6% (2009: 86.2%), 3.0% (2009: 2.8%) and 13.5% (2009: 9.9%) of this divisional total revenue respectively.

Revenue breakdown

	2006	2007	2008	2009	**2010**
	US$M	US$M	US$M	US$M	US$M
Container leasing	219.6	181.3	202.4	198.1	**207.2**
Disposal of returned containers	43.5	57.0	39.4	22.8	**33.9**
Container management	4.1	7.3	8.5	6.5	**7.4**
Others	1.8	2.3	2.3	2.4	**2.4**
Total revenue	**269.0**	**247.9**	**252.6**	**229.8**	**250.9**

Promising outlook for the container leasing business

Due to the extension of the lifespan of old containers across the globe in recent years, the demand for renewal has grown to over 1,400,000 TEUs in 2011. Meanwhile, due to an expected increase in container shipping volume of approximately 8% and an increase of over 1,300,000 TEUs in global shipping capacity in 2011, the increase in demand for new containers will surge further and is expected to create a seasonal shortage of containers in 2011. In 2010, over 60% of the world's new containers were bought by container leasing companies and shipping companies are expected to continue to take up a large proportion of leasing. With the strong demand in containers, continued appreciation in Renminbi exchange rate and high material cost, the price of new containers is expected to remain at a high level in 2011.

In the beginning of 2011, the container leasing industry saw increased mergers and acquisitions, which reflected the optimistic outlook for the container leasing market. Based on this market trend, the Group will seize the favourable opportunity to expand our container fleet, particularly the proportion of more profitable owned containers. The Group will also bring the purchase and sale in line with market conditions to increase overall returns. As the demand for container leasing is still strong, the utilisation rate is expected to remain generally at a higher level. The approximately 90,000 TEUs of new containers ordered in mid-February 2011 will be delivered in the first and second quarters and we will formulate the next new container purchase plan according to the market demand. The leasing volume of the owned containers of the Group will further increase. The price and rent of new containers are expected to maintain at a relatively high level in 2011, which will benefit the Group in respect of growth of leasing revenue.

The Group holds a 21.8% stake in CIMC, the world's largest container manufacturer. Due to the buoyant demand for new dry containers, supply is falling short and there is a huge surge in the price of new containers. In 2010, CIMC saw marked improvement in its dry container manufacturing business, with a significant increase in operating profit. Profit contribution from container manufacturing business to the Company amounted to US$91,871,000, representing a year-on-year increase of 197.5%.
It is expected that demand will still be strong in the container market in 2011 and the outlook for the container manufacturing business is promising.

Management discussion and analysis

Overall Analysis of Results

Driven by the economic recovery in the PRC and overseas, COSCO Pacific regained momentum in the overall operation of its terminal and container leasing businesses. Profit attributable to equity holders of the Company for the year of 2010 was US$361,307,000 (2009: US$172,526,000), a 109.4% increase compared with last year. Excluding the non-recurring items , profit attributable to equity holders of the Company increased by 92.7% to US$269,577,000 (2009: US$139,890,000). Non-recurring items include profit on disposal of COSCO Logistics of US$84,710,000 in 2010; profit on disposal of Dalian Port Container of US$7,020,000 in 2010; share of profit of COSCO Logistics of US$25,627,000 in 2009; dividend income from Dalian Port Container of US$1,493,000 in 2009 and profit on disposal of Shanghai CIMC Reefer of US$5,516,000 in 2009.

In 2010, with the gradual recovery of the global economy, container throughput of the terminals also restored its growth. During the year, throughput of the container terminals reached 48,523,870 TEUs (2009: 40,643,042 TEUs), a 19.4% increase compared with last year. In addition, the Group completed the acquisition of approximately 10% additional equity interest in Yantian terminal on 11th June 2010, leading to an increase in the profit of Yantian terminal attributable to COSCO Pacific. Meanwhile, COSCO Pacific completed the disposal of its stake in Dalian Port Container in January 2010 and recorded a profit of US$7,020,000. The overall profit of the terminal business therefore increased to US$119,882,000 (2009: US$83,554,000), an increase of 43.5% compared with last year.

Container leasing, management and sale businesses yielded a profit of US$96,366,000 (2009: US$71,375,000), a 35.0% increase compared with last year. As at 31st December 2010, the total container fleet of the container leasing business of the Group increased by 3.1% to 1,631,783 TEUs (31st December 2009: 1,582,614 TEUs), among which 813,625 TEUs (31st December 2009: 742,388 TEUs) were owned containers, 118,094 TEUs (31st December 2009: 118,094 TEUs) were sale-and-leaseback containers and 700,064 TEUs (31st December 2009: 722,132 TEUs) were managed containers.

With regard to the container manufacturing business, due to the increase in demand and the price of containers in 2010, CIMC saw marked improvement in its dry container manufacturing business with an increase in operating profit. During the year, profit from container manufacturing business rose significantly to US$91,871,000 (2009: US$30,876,000), an increase of 197.5% compared with last year. Profit from container manufacturing business in 2009 included profit attributable from CIMC, as well as profit of US$5,516,000 from the disposal of 20% stake in Shanghai CIMC Reefer in 2009.

With regard to the logistics business, the Group completed the disposal of its 49% stake in COSCO Logistics on 30th March 2010, realising a profit (net of tax and direct expenses) of US$84,710,000. In 2009, the Group's share of profit of COSCO Logistics was US$25,627,000. No relevant profit was attributable in 2010.

Financial Analysis

Revenue

Revenue of the Group in 2010 was US$446,492,000, a 27.8% increase from US$349,424,000 in 2009. Revenue was mainly derived from container leasing, management and sale businesses and terminal business of US$250,898,000 (2009: US$229,831,000) and US$195,594,000 (2009: US$119,593,000) 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 reached 813,625 TEUs and 118,094 TEUs respectively at the end of 2010 (2009: 742,388 TEUs and 118,094 TEUs respectively), revenue from container leasing therefore increased to US$207,245,000 in the year (2009: US$198,069,000), an increase of 4.6% over last year. On the other hand, as the sale of returned containers increased to 28,674 TEUs (2009: 22,863 TEUs), revenue from sale of returned containers rose to US$33,895,000 (2009: US$22,844,000), an increase of 48.4% year-on-year. Revenue from container management was US$7,416,000, an increase of 14.6% over US$6,470,000 of 2009. Revenue from leasing of reefer-container generator sets was US$2,135,000, a slight decrease of 3.5% from US$2,213,000 recorded last year.

For the terminal and related businesses with controlling stakes, revenue amounted to US$195,594,000 in 2010 (2009: US$119,593,000), a significant increase of 63.5% as compared with last year. The increase was primarily contributed from Piraeus Terminal. In October 2009, COSCO Pacific took over the operation of Pier 2 of the Piraeus Port in Greece. Piraeus Terminal achieved a throughput of 684,881 TEUs (2009: 166,062 TEUs) in 2010, contributing revenue of US$83,303,000 (2009: US$23,159,000) to the Group during the year, representing an increase of approximately 2.6 times year-on-year. The throughput of Quan Zhou Pacific Terminal was 1,050,710 TEUs and 1,698,693 tons of break-bulk cargo (2009: 936,136 TEUs and 1,473,156 tons of break-bulk cargo) and its revenue increased to US$44,783,000 in the year (2009: US$37,203,000), representing a rise of 20.4% year-on-year.

Cost of sales

Cost of sales mainly comprised depreciation charges on owned containers, net carrying amounts of returned containers disposed of, container rental expense and operating expenses of the terminal companies with controlling stakes. Cost of sales in 2010 was US$279,768,000 (2009: US$200,174,000), an increase of 39.8% over last year. The increase was mainly from the consolidation of the cost of sales incurred by Piraeus Terminal into the accounts of the Group starting from 1st October 2009. In addition, a rise in the container and break-bulk cargo throughput of terminals with controlling stakes also led to the rise in the related cost of sales. The total operating expenses of the terminal business increased to US$154,408,000 in 2010 (2009: US$84,155,000). For container leasing, the depreciation charges for containers were US$84,665,000 (2009: US$77,241,000) in the year. The number of returned containers sold increased to 28,674 TEUs (2009: 22,863 TEUs) and the net carrying amount of disposed returned containers rose to US$25,347,000 (2009: US$19,734,000).

Investment income

Investment income, comprising mainly dividend income, was US$1,612,000 (2009: US$22,339,000), a significant drop of 92.8% over last year. The decrease was mainly due to the completion of the disposal of the Group's stake in Dalian Port Container in January 2010 and, following the completion of the Group's acquisition of approximately 10% additional equity interest in Yantian terminal in June 2010, Yantian terminal being reclassified from an available-for-sale financial asset to an associate and accounted for using the equity method. Yantian terminal did not declare an interim dividend in the first half of 2010. Accordingly, no relevant dividend income from Yantian terminal and Dalian Port Container were recorded in the year (2009: dividend income of US$18,727,000 and US$1,493,000 respectively). Tianjin Five Continents Terminal declared dividends of US$1,485,000 in 2010 (2009: US$2,034,000) to the Group.

Administrative expenses

Administrative expenses in the year were US$59,823,000 (2009: US$62,949,000), a decrease of 5.0% as compared with last year. Though the administrative expenses increased due to the commencement of new terminals in the year, the pre-operating expenses of Piraeus Terminal had been taken into account in the administrative expenses in 2009 and the over-provision of the professional services fee accrued for the project regarding the disposal of COSCO Logistics was reversed in 2010. As a result, the overall administrative expenses decreased in 2010 as compared with last year.

Other operating income/expense, net

Net other operating income in 2010 was US$4,754,000 (2009: an expense of US$8,722,000). In January 2010, the Group completed the disposal of equity interest in Dalian Port Container and recognised a profit of US$7,020,000. On the other hand, owing to the improved economic environment, provision for the year decreased significantly as compared with 2009. In 2010, provision for impairment loss on trade receivables of US$292,000 was reversed (2009: provision for trade receivables: US$3,791,000); provision for inventories of US$1,495,000 (2009: US$7,028,000) was made; and provision for asset impairment of US$1,167,000 (2009: US$3,607,000) was recognised. All the abovementioned factors led to the significant increase of the overall net other operating income in 2010.

Finance costs

The Group's finance costs in 2010 were US$29,439,000 (2009: US$39,805,000), a decrease of 26.0% from last year. The average balance of borrowings increased to US$1,579,766,000 during the year (2009: US$1,485,567,000), an increase of 6.3% as compared with last year. However, the increase was offset by the decrease in London Interbank Offer Rate ("LIBOR"). Average cost of borrowings during the year, including the amortisation of transaction costs over bank loans and notes, was an average 6-month LIBOR of approximately 0.51% plus 135 basis points (i.e. 1.86%). The average cost of borrowings for 2009 was an average 6-month LIBOR of approximately 1.13% plus 155 basis points (i.e. 2.68%).

Share of profits less losses of jointly controlled entities and associates

Net profit contribution from jointly controlled entities amounted to US$74,654,000 in 2010, an increase of 26.1% from US$59,183,000 of last year. Among them, the throughput of COSCO-HIT Terminal and Shanghai Pudong Terminal increased by 12.9% and 6.9% respectively during the year and their profits increased to US$21,244,000 and US$22,945,000 respectively (2009: US$17,080,000 and US$20,118,000 respectively), representing increases of 24.4% and 14.1% respectively. The throughput of Guangzhou South China Oceangate Terminal also increased markedly, up 41.8% to 3,060,591 TEUs (2009: 2,158,291 TEUs). Its loss in the year narrowed down to US$5,088,000 (2009: a loss of US$10,327,000), representing a decrease in loss of 50.7%. In 2010, Ningbo Yuan Dong Terminal successfully introduced new routes, leading to an increase in throughput by 52.6% to 1,704,588 TEUs (2009: 1,117,169 TEUs). Its profit also increased by 103.7% to US$6,534,000 (2009: US$3,207,000). During the year, COSCO-PSA Terminal also saw an increase in its throughput, and turned around from loss-making to profitable, recording a profit of US$1,263,000 (2009: a loss of US$1,516,000). Qingdao Qianwan Terminal achieved a throughput of 10,568,065 TEUs (2009: 8,961,785 TEUs), representing a 17.9% increase. However, the gradual certification and commencement of production of terminal equipment of Qingdao Qianwan United Terminal, a jointly controlled entity of Qingdao Qianwan Terminal, led to an increase in depreciation and interest charges of Qingdao Qianwan Terminal. The overall profit of Qingdao Qianwan Terminal fell to US$25,563,000 (2009: US$ 26,649,000), representing a decrease of 4.1% year-on-year.

During the year, share of net profit from associates increased significantly to US$132,120,000 (2009: US$32,890,000), an increase of 301.7% year-on-year. After the completion of acquisition of further interest in Yantian terminal in June 2010, the Group's investment in Yantian terminal was reclassified from an available-for-sale financial asset to an associate and is accounted for using the equity method. The share of profit from Yantian terminal to the Group using the equity method was US$30,216,000 (2009: Nil) in 2010. With regard to the container manufacturing business, due to the increase in demand and the price of containers in 2010, CIMC saw marked improvement in its dry container manufacturing business with an increase in operating profit. Its profit contribution to the Group rose by 262.3% to US$91,871,000 (2009: US$25,360,000) in 2010 as compared with last year.

Profit on disposal of a jointly controlled entity

In order to simplify the shareholding structure of the container manufacturing business of the Group and concentrate on the development of the core businesses 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. No relevant profit was recognised in 2010.

Income tax expenses

During the year, income tax expenses amounted to US$15,653,000 (2009: US$13,286,000). This included a provision of US$12,900,000 (2009: US$11,317,000) for withholding income tax in respect of the profit distribution by certain investments of the Group in the PRC.

Profit from discontinued operation

Profit from discontinued operation represents the profit generated from the disposal of COSCO Logistics. In March 2010, the Group completed the disposal of COSCO Logistics which resulted in a profit (net of direct expenses and tax) of US$84,710,000. Profit of US$25,627,000 attributed from COSCO Logistics was recognised in 2009 and no profit was recorded in this regard in 2010.

Financial Position

Cash flow

Cash inflow of the Group remained steady in 2010. During the year, net cash from operating activities amounted to US$255,702,000 (2009: US$174,896,000). The Group drew bank loans of US$202,401,000 (2009: US$285,783,000) and repaid US$265,153,000 (2009: US$100,749,000) in 2010. On the other hand, the net proceeds from the placing of the Company's 449,000,000 new shares amounted to approximately US$584,000,000, after deduction of placing commission and expenses.

In 2010, the total cash outflow for investments of the Group amounted to US$570,871,000, mainly comprising US$520,000,000 used for the acquisition of an approximate 10% equity interest in Yantian terminal, US$27,996,000 used for reinvestment of dividend of Yantian terminal, US$9,052,000 used for capital injection in Nanjing Longtan Terminal, US$7,030,000 used for capital injection in Dalian Automobile Terminal and US$3,352,000 used for provision of shareholders' loan to Antwerp Terminal. In 2009, the total cash outflow for investments of the Group amounted to US$39,027,000, comprising US$13,560,000 used for Nanjing Longtan Terminal, US$18,727,000 used for reinvestment of dividend of Yantian terminal and US$6,740,000 for Antwerp Terminal. In 2010, an amount of US$375,342,000 (2009: US$364,716,000) was paid in cash for the expansion of berths and purchase of property, plant and equipment, of which US$239,607,000 (2009: US$47,222,000) was for the purchase of new containers.

Financing and credit facilities

On 12th May 2010, COSCO Pacific completed the placing of 449,000,000 new shares at HK$10.4 per share. After deduction of commission and expenses of the placing, the net proceeds of approximately US$584,000,000 were raised, which were mainly for the acquisition of approximately 10% equity interest in Yantian terminal. After the placing, the number of issued shares of the Company increased from 2,262,525,573 shares to 2,711,525,573 shares.

As at 31st December 2010, cash balance of the Group was US$524,274,000 (2009: US$405,754,000) and banking facilities available but unused amounted to US$1,099,127,000 (2009: US$673,000,000).

Assets and liabilities

As at 31st December 2010, the Group's total assets and total liabilities amounted to US$5,251,917,000 (2009: US$4,635,312,000) and US$1,758,055,000 (2009: US$1,776,961,000) respectively. Net assets in 2010 increased to US$3,493,862,000 (2009: US$2,858,351,000) and the increase was primarily from the placing and the net profit of 2010. Net asset value per share was US$1.29 (2009: US$1.26), an increase of 2.4% over last year.

As at 31st December 2010, the cash balance of the Group was US$524,274,000 (2009: US$405,754,000). Total outstanding borrowings amounted to US$1,558,755,000 (2009: US$1,604,285,000). Net debt-to-equity ratio decreased to 29.6% from 41.9% of last year. Excluding profit from the discontinued logistics business, the interest coverage was 11.1 times compared with 5.1 times of last year. As at 31st December 2010, certain of the Group's property, plant and equipment with an aggregate net book value of US$20,896,000 (2009: Nil) were pledged as securities against bank borrowings of US$64,180,000 (2009: Nil).

Debt analysis

	As at 31st December 2010		As at 31st December 2009	
	US$	%	US$	%
By repayment term				
Within the first year	**169,109,000**	**10.8**	193,614,000	12.1
Within the second year	**297,490,000**	**19.1**	143,053,000	8.9
Within the third year	**668,458,000**	**42.9**	290,219,000	18.1
Within the fourth year	**173,001,000**	**11.1**	662,174,000	41.3
Within the fifth year and after	**250,697,000**	**16.1**	315,225,000	19.6
	1,558,755,000*	**100.0**	1,604,285,000*	100.0
By category				
Secured borrowings	**64,180,000**	**4.1**	–	–
Unsecured borrowings	**1,494,575,000**	**95.9**	1,604,285,000	100.0
	1,558,755,000*	**100.0**	1,604,285,000*	100.0
By denominated currency				
US dollar borrowings	**1,165,404,000**	**74.8**	1,226,587,000	76.5
RMB borrowings	**329,171,000**	**21.1**	377,698,000	23.5
Euro borrowings	**64,180,000**	**4.1**	–	–
	1,558,755,000*	**100.0**	1,604,285,000*	100.0

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

Financial guarantee contracts

As at 31st December 2010, the Group had provided guarantees on a loan facility granted to an associate of US$29,505,000 (2009: US$31,788,000).

Contingent liabilities

A statement of claim was issued on 19th October 2009 by ADK against the Company and Piraeus Terminal, a wholly-owned subsidiary of the Company, in a civil claim at the Court of First Instance of Athens in Greece alleging non-payment of fees for design services and project management services. The plaintiff has claimed approximately Euro 5,800,000 (equivalent to approximately US$7,700,000) in total. The Company and Piraeus Terminal have defended all material claims at the trial hearing held on 30th November 2010.

The Court of First Instance of Athens has issued (pronounced) judgment on the case and has dismissed the aforementioned statement of claim in its entirety both as regards the Company and as regards Piraeus Terminal. According to Greek procedural law, the plaintiff (ADK) has the right to file an appeal against the aforesaid judgment of the Court of First Instance of Athens before the Court of Appeals of Athens. 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 and that the dismissal of the aforementioned statement of claim in its entirety by the Court of First Instance of Athens has further strengthened the Company's position on this case. However, and as long as ADK maintains the right to file an appeal against the judgment of the Court of First Instance in accordance with Greek procedural law, it is still not possible to predict the final 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 as the majority of its revenue and expenses so as to minimise potential foreign exchange exposure.

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

The Group continues to exercise stringent control over the use of financial derivatives to hedge against its interest rates exposure. As at 31st December 2010, outstanding interest rate swap contracts comprised nominal principal amounting to US$200,000,000 (31st December 2009: 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 (2009: 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% per annum (2009: 5.875%).

As at 31st December 2010, after adjustment of the fixed rate borrowings for the interest rate swap contracts, 6.4% (31st December 2009: 6.2%) 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

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

Corporate culture

Employee relations

At 31st December 2010, COSCO Pacific had 2,809 employees in China and other regions of Asia, the Americas, Europe and Australia.

Building and training a team of efficient and self-motivated employees is crucial to the Group's business development, and the Group's business expansion provides employees with promising opportunities for career development. During the year, the Group concentrated its efforts on building the management team in the core terminal business. As the Group is establishing more terminals, both domestic and overseas, the management team is focusing on setting consistent and professional standards internationally.

In the interest of continuous efforts to attract and nurture new recruits, an internal job rotation scheme was implemented to develop fully the potential of staff members. The Group enhanced the supervision, training and professional guidance of the terminals management team. The Group's headquarters provided full support to the management team posted to Piraeus Terminal in Greece. Despite many difficulties, the team was able to fully take over operations, which was a remarkable achievement. The Group encourages employees to contribute to its operation and development, and in 2010, four employees were awarded the title Operations Management Champions for their outstanding accomplishments.

The Group firmly believes that employees are its most important assets, and so it aims to create a harmonious working environment. The Group also encourages staff to learn conscientiously and strive for excellence, improving through a variety of training programmes. With a fair and competitive incentive scheme and personalised management practices, the Group aims to heighten everyone's enthusiasm and sense of belonging. In 2010, the Company organised tours for its staff heading to Chengdu, Jiuzhaigou and the World Expo in Shanghai, to strengthen staff relationships.

Social responsibility

COSCO Pacific is devoted to corporate citizenship and participates in public welfare and community service, promoting environmental awareness and supporting sustainable social development.

The Company is genuinely concerned about community development, and takes part in community construction activities. In 2010, the Company committed to sponsor staff uniforms for the Special Olympics hosted by Greece, and donated through the COSCO Foundation towards reconstruction after the earthquake in Yushu, Qinghai province, China. Subsidiary companies also made various forms of contribution in support of local schools, hospitals and other social organisations.

The Company feels it is important to act responsibly on environmental issues. In 2007, COSCO Pacific joined the Hong Kong Business Environment Council to promote environmental conservation and to increase its employees' awareness of environment protection. The Company continues to adhere to the Clear Air Charter Certification Scheme, co-organised by the Hong Kong General Chamber of Commerce and the Business Coalition on the Environment, which aims to improve air quality in the Greater Pearl River Delta. In addition, the Company encourages its terminals to use environmentally friendly technology, such as switching from fuel-powered to electrical equipment.

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

We respond promptly to investors' enquiries and organise planned regular communications such as investor meetings, events and presentations. This helps ensure COSCO Pacific's strengths and competitive advantages, as well as its ability to manage changes in the business environment, are fully understood, and so reflected in the Company's market valuation.

The investor relations team informs senior management regularly of the latest market perceptions of the Company, issues of concern to investors, and changes to regulations or compliance requirements, as well as international best practice in investor relations.

We analyse our shareholding structure regularly, which includes reviewing the register of institutional and retail investors to keep track of changes in shareholdings by type of investor. This helps us establish sound relationships with existing and potential shareholders.

In 2010, to keep interested parties fully aware of our performance, strategies and outlook for the business, we conducted press conferences and panel discussions with investors and analysts by teleconferencing, and also during luncheons and roadshows.

During the year, we participated in one investor conference and conducted four roadshows. In addition, we met 411 investors, analysts and media representatives and arranged six visits to terminals. We also emailed information to analysts, fund managers and the media, including press releases, announcements, and interim and annual reports.

Since 1997, over and above regulatory requirements, we have posted the monthly throughput figures for our terminals on our website, as a valuable reference for investors and the media. Furthermore, since the third quarter of 2007 we have released results quarterly, providing timely updates on the latest developments affecting our operations and financial performance.

Investor activities

January

Attended Greater China Conference held by UBS Securities in Shanghai

March

Released 2009 annual results announcement, and held press conference and analyst panel discussion

April

Hong Kong roadshow
2010 first quarter results announcement on a voluntary basis

August

Released 2010 interim results announcement, and held press conference and analyst panel discussion

Hong Kong roadshow

September

Singapore roadshow
Beijing roadshow

October

2010 third quarter results announcement on a voluntary basis

One-on-one meetings 2010

	People	%
Fund managers	202	49%
Investment banks	109	27%
Securities houses (including analysts and brokers)	59	14%
Media	41	10%
Total	**411**	**100%**

Market capitalisation

	2006	2007	2008	2009	**2010**
Closing price (HK$)	18.26	20.80	7.91	9.93	**13.54**
Market capitalisation (in HK$ million)	40,696	46,694	17,758	22,467	**36,714**

Share price performance

(HK$)	**2010**	2009
Highest	**14.00**	13.78
Lowest	**8.41**	5.25
Average	**11.28**	9.58
Closing price on 31st December	**13.54**	9.93
Monthly average trading volume (shares)	**251,765,563***	165,445,184
Monthly average trading value	**2,779,893,313***	1,576,105,148
Total number of shares issued (shares)	**2,711,525,573**	2,262,525,573
Market capitalisation on 31st December	**36,714,056,000**	22,466,878,000

** Excluding the placing of 449 million new shares at HK$10.4 per share in 2010*
Source: Bloomberg

Analyst coverage

Company	Analyst	E-mail	Telephone	Facsimile
Barclays Capital Asia Limited	Jon WINDHAM	jon.windham@barcap.com	+852 2903 4672	+852 2903 2149
BNP Paribas Equities (Asia) Limited	Sarah LIU	sarah.liu@asia.bnpparibas.com	+8621 6096 9000	+8621 6096 9048
China International Capital Corporation Limited	YANG Xin	yangxin@cicc.com.cn	+8610 6505 1166	+8610 6505 8157
China Merchants Securities (HK) Company Limited	YU Huangyan	yuhuangyan@cmschina.com.cn	+86755 8294 3507	+86755 8373 6959
Citic Securities International	Simon YEUNG	simonyeung@citics.com.hk	+852 2237 6899	+852 2104 6580
Citigroup Global Markets Asia Limited	Ally MA	ally.ma@citi.com	+852 2501 2470	+852 2501 8237
CLSA Research Limited	OH Kuan Yu	kuanyu.oh@clsa.com	+852 2600 8888	+852 2845 9844
Credit Suisse (Hong Kong) Limited	Ingrid WEI	ingrid.wei@credit-suisse.com	+8621 3856 0288	+8621 6881 5744
Daiwa Capital Markets Hong Kong Limited	Jimmy LAM	jimmy.lam@hk.daiwacm.com	+852 2525 0121	+852 2845 2190
DBS Vickers (Hong Kong) Limited	Ken HE	ken-he@hk.dbsvickers.com	+8621 6888 3376	+8621 6888 3363
Deutsche Bank AG	Michael-KC LEE	michael-kc.lee@db.com	+852 2203 8888	+852 2203 6921
Goldman Sachs (Asia) L.L.C.	Simon CHEUNG	simon.cheung@gs.com	+852 2978 1000	+852 2978 0479
Guotai Junan Securities (Hong Kong) Ltd	Serena LI	liwen@gtjas.com	+86755 2397 6888	+86755 2397 0682
J.P. Morgan Securities (Asia Pacific) Limited	Karen LI	karen.yy.li@jpmorgan.com	+852 2800 1000	+852 2810 8511
Jefferies Hong Kong Limited	Rong LI	rli@jefferies.com	+852 3743 8000	+852 3016 1170
Japaninvest (Hong Kong) Ltd.	Neil JUGGINS	neil.juggins@ji-asia.com	+852 2537 6541	+852 2537 0260
Macquarie Capital Securities Limited	Carson NG	carson.ng@macquarie.com	+852 3922 1888	+852 3922 3560
Merrill Lynch (Asia Pacific) Limited	Mandy QU	mandy.qu@baml.com	+852 2536 3888	+852 2536 3428
MF Global Hong Kong	Geoffrey CHENG	gcheng@mfglobal.com	+852 3553 1000	+852 3553 1886
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
SYWG Research Co., Ltd.	Leo FAN	fanlei@swsresearch.com	+8621 6329 5888	+8621 6329 8312
Standard & Poor's	CHAN Kah Ling	kahling_chan@ standardandpoors.com	+65 6530 6532	+65 6533 3897
Standard Chartered Bank (Hong Kong) Limited	Claire TENG	claire.teng@sc.com	+852 3983 8525	+852 3983 8529
The Hongkong and Shanghai Banking Corporation Limited	Parash JAIN	parashjain@hsbc.com.hk	+852 2996 6633	+852 2596 0200
The Royal Bank of Scotland	Osbert TANG	osbert.tang@rbs.com	+8621 5049 6333	+8621 5049 6999
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

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 in and high standards of corporate governance practices and investor relations in 2010 continued to earn market recognition from different stakeholders. In 2010, the Company was awarded "Foreign Company In-House Team of the Year" by Asian Legal Business, a well recognized law profession magazine. The Company also received several other recognitions in 2010, including the "Corporate Governance Asia Recognition Award" given by Corporate Governance Asia magazine for the fourth consecutive year, the Hong Kong outstanding enterprise recognised by Economist Digest magazine for the sixth consecutive year, and "The Asset Corporate Governance Gold Award for Investor Relations" given by The Asset magazine. Meanwhile, the 2009 annual report of the Company was recognized by a citation for corporate governance disclosure by Hong Kong Management Association. Besides, Mr. CHOW Kwong Fai, Edward, an independent non-executive director of the Company, was an awardee of the Directors of the Year Award 2010 in the non-executive director of listed companies (SEHK – Hang Seng Index Constituents) category awarded by The Hong Kong Institute of Directors during the year. These awards represented 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 Organization 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 performances. The Company is pleased to confirm that for the year ended 31st December 2010, it has complied with the code provisions of the Corporate Governance Code, except the following deviation:

From left to right

HUNG Man, Michelle • CHAN Hang, Ken • WONG Tin Yau, Kelvin • XU Minjie • YIN Weiyu • LUI Sai Kit, Eddie • DING Weiming • QIU Jinguang

Code Provision E.1.2

The code provision E.1.2 of the Corporate Governance Code provides that the chairman of the board shall attend the annual general meeting of the company. Due to business commitment, Mr. CHEN Hongsheng, the ex-Chairman of the Board, was unable to attend the annual general meeting of the Company held on 25th May 2010. This constituted a deviation from the code provision E.1.2 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 2010:

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 28th April 2010 and 27th October 2010, 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/her duties and responsibilities in the Company in the conduct, business and development of the Company and should act in good faith, exercise due diligence and 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 fourteen members. Among them, six are executive directors, four are non-executive directors and four are independent non-executive directors. The directors, as at the date of this report, are Mr. XU Lirong[2] (Chairman), Mr. XU Minjie[1] (Vice Chairman and Managing Director), Dr. SUN Jiakang[2], Mr. HE Jiale[1], Mr. WANG Zenghua[1], Mr. FENG Jinhua[1], Mr. WANG Haimin[2], Mr. GAO Ping[2], 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. XU Lirong, 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 four 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 four 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 Group's strategy. The four independent non-executive directors have well recognized experience in areas such as accounting, legal, banking and/or commercial fields. Their insightful advice, profound mix of skills and business experience are major contributions 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.

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

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

In 2010, the Nomination Committee of the Company has conducted an annual review of the independence of all independent non-executive directors of the Company and confirmed that all the independent non-executive directors satisfied the criteria of independence as set out in the Listing Rules.

Board meetings

The Board held a total of four regular Board meetings during the financial year ended 31st December 2010 at quarterly intervals. Two additional Board meetings were also held as required. The average attendance rate was 92.40%. Amongst these, four meetings were held to approve the 2009 final results, 2010 interim results and 2010 first and third quarterly results of the Company; one meeting was held to consider new investment opportunities and review the strategy and business directions, as well as financial and operational performances of the Group, and the remaining one was held to approve the change of Chairman of the Board and change of directors of the Company. As the members of the Board are either in Hong Kong or in the mainland China, all of these meetings were conducted by video and/or telephone conference which are allowed under the Bye-laws of the Company. The Financial Controller and the General Counsel & Company Secretary also attended the Board meetings to report matters arising from corporate governance, risk management, statutory compliance, accounting and financial aspects.

Before each regular Board meeting, the Board is provided with adequate information by the senior management pertaining to matters to be brought before the Board for decision as well as reports relating to operational and financial performances of the Group, in addition to the minutes of 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 3 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 are 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 questions 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 detail the matters considered by the Board and the decisions reached, including any concerns raised by the directors. Draft minutes of each Board meeting are sent to all directors for comments within a reasonable time after the 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 2010 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 2010**	Attendance rate (%)
Directors		
Mr. XU Lirong[2 Note] (Chairman)	5/6	83.33
Mr. XU Minjie[1] (Vice Chairman and Managing Director)	6/6	100
Dr. SUN Jiakang[2]	6/6	100
Mr. HE Jiale[1]	6/6	100
Mr. WANG Zenghua[1] (appointed on 12th October 2010)	1/1	100
Mr. FENG Jinhua[1] (appointed on 12th October 2010)	1/1	100
Mr. WANG Haimin[2] (appointed on 12th October 2010)	1/1	100
Mr. GAO Ping[2] (appointed on 12th October 2010)	1/1	100
Dr. WONG Tin Yau, Kelvin[1]	6/6	100
Mr. YIN Weiyu[1]	6/6	100
Dr. LI Kwok Po, David[3]	5/6	83.33
Mr. CHOW Kwong Fai, Edward[3]	6/6	100
Mr. Timothy George FRESHWATER[3]	5/6	83.33
Dr. FAN HSU Lai Tai, Rita[3]	6/6	100
Ex-directors		
Mr. CHEN Hongsheng[2 Note] (resigned on 12th October 2010)	5/5	100
Mr. LI Jianhong[1] (resigned on 12th October 2010)	3/5	60
Ms. SUN Yueying[1] (resigned on 12th October 2010)	4/5	80

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

Note: Mr. CHEN Hongsheng resigned as Chairman and Non-executive Director with effect from 12th October 2010.
Mr. XU Lirong has been appointed as Chairman with effect from 12th October 2010.

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 directors proposed for re-election at general meetings.

Details of the selection process of new directors and a summary of work performed by the Nomination Committee during 2010 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.

Procedures to Enable Directors to Seek Independent Professional Advice

To assist the directors to discharge their duties to the Company, the Board has established written procedures to enable 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 2010.

Responsibilities of Directors

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

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 2010. No incident of non-compliance was noted by the Company in 2010.

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 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 2010, the Executive Committee held a total of 16 meetings. All the matters considered and decided by the Executive Committee at the committee meetings had been recorded in detail by minutes. A committee member will present a summary report on the businesses transacted at the committee meetings to the Board 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.

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/or commercial areas.

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

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 2010, a total of four meetings were held and the attendance rate was 100%.

The key matters deliberated on by the Audit Committee in 2010 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 the proposal relating to the Company's acquisition of approximately 10% additional interest in Yantian terminal

Attendance of individual members at Audit Committee meetings

Name of Members	No. of meetings attended / held in the financial year 2010	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]	4/4	100
Dr. FAN HSU Lai Tai, Rita[1]	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 for 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, the Remuneration Committee 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 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 2010:

— reviewed the remuneration packages of all executive directors and senior management
— made recommendations to the Board on the remuneration of non-executive directors

Attendance of individual members at Remuneration Committee meetings

Name of Members	No. of meetings attended / held in the financial year 2010	Attendance rate (%)
Dr. FAN HSU Lai Tai, Rita[1] (Chairman)	4/4	100
Dr. LI Kwok Po, David[1]	4/4	100
Mr. CHOW Kwong Fai, Edward[1]	4/4	100
Mr. XU Minjie[2]	4/4	100
Mr. ZHU Lizhi	4/4	100

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

Remuneration policy

The remuneration policy of the Company ensures the competitiveness and effectiveness of the pay levels for attracting, retaining and motivating employees. No director, or any of his associates, is involved in determining his own remuneration. The remuneration policy for non-executive directors ensures that they are sufficiently yet not excessively compensated for their efforts and time dedicated to the Company. The policy for the employees (including the executive directors and senior management) assures 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 goals and objectives, the Company has granted share options to the employees (including directors of the Company and its subsidiaries) of the Group under the share option schemes of the Company, based on their performance and contribution.

4. Nomination Committee

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 2010, the work performed by the Nomination Committee includes the following:

— made recommendations to the Board on matters relating to the resignation, appointment and re-election of directors
— conducted an annual review of the independence of the independent non-executive directors
— reviewed the renewal of term of appointment of an independent 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 and are recommended by the Nomination Committee to the Board for decision. New directors appointed by the Board are subject to re-election by shareholders at the next following general meeting (in the case of filling a casual vacancy) or annual general meeting (in the case of an addition to the Board) pursuant to the Bye-laws of the Company. In 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 ability to commit time and effort to carry out his duties and responsibilities effectively etc.

In early 2011, the Nomination Committee nominated and the Board recommended Mr. XU Minjie, Mr. HE Jiale, Dr. WONG Tin Yau, Kelvin, Mr. CHOW Kwong Fai, Edward and Dr. FAN HSU Lai Tai, Rita to retire by rotation and Mr. WANG Zenghua, Mr. FENG Jinhua, Mr. WANG Haimin and Mr. GAO Ping, who were appointed as directors with effect from 12th October 2010, to retire. All the retiring directors will be eligible to offer themselves for re-election 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 2010	Attendance rate (%)
Dr. LI Kwok Po, David[1] (Chairman)	3/3	100
Mr. CHOW Kwong Fai, Edward[1]	3/3	100
Dr. FAN HSU Lai Tai, Rita[1]	3/3	100
Mr. XU Minjie[2]	3/3	100

[1] Independent Non-executive Director
[2] Executive 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 development of the Company.

Attendance of individual members at Investment and Strategic Planning Committee meetings

Name of Members	No. of meetings attended / held in the financial year 2010	Attendance rate (%)
Mr. XU Minjie[1] (Chairman)	4/4	100
Mr. YIN Weiyu[2]	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	4/4	100
Mr. ZHANG Wei	4/4	100
Mr. HUNG Chun, Johnny	3/4	75
Mr. FAN Chih Kang, Ken	2/4	50

[1] Executive Director, Vice Chairman and Managing Director
[2] Executive 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 practices 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 2010	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.

Attendance of individual members at Risk Management Committee meetings

Name of Members	No. of meetings attended/ held in the financial year 2010	Attendance rate (%)
Mr. YIN Weiyu[1] (Chairman)	4/4	100
Ms. HUNG Man, Michelle	4/4	100
Mr. DING Weiming	4/4	100
Mr. QIU Jinguang	2/4	50
Mr. ZHANG Jie	4/4	100
Mr. SHI Jingmin	2/4	50
Mr. XU Jian	4/4	100
Mr. FAN Chih Kang, Ken	4/4	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 126 which acknowledges the reporting responsibilities of the Group's auditor.

Annual Report and Financial Statements

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

Accounting Policies

The directors consider that in preparing 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 controls.

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 2010, 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 2010, the directors have conducted reviews of the effectiveness of the system of internal control of the Group, covering all material controls, including financial, operational and compliance controls and risk management functions.

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

Risk Assessment

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

Major financial risk factors

Benefited from the global economic recovery and the effect of quantitative easing monetary policy, the market interest rate in 2010 was well below the average historical market interest rate. However, due to the uncertainties in the global economy, the Group maintained its prudent financial policy. Meanwhile, in order to cope with the budgeted development and operational 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. Changes in market interest rates can significantly affect the financial performance of the Group.

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

Following the 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 the mainland China, the United States, Europe and Hong Kong, the Group is subject to risks which change as the systems of taxation change in these regions.

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

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

Terminal business and container leasing business involve both manual and machinery operation, which may be accompanied by risks of workplace safety, including physical harm, damage to reputation, legal liabilities and business interruption.

Major compliance risk factors

As the Group has been investing in the mainland 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 terminal business. Therefore, the number of terminal joint venture companies which constitute subsidiaries of the Company under the Listing Rules is constantly increasing. This has resulted in an increase in connected transactions with (1) China COSCO 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, since the Company cannot obtain the corporate structure of all companies (especially those companies outside the Group), the identification of connected persons and the updating of an exhaustive list of connected persons may 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 often constitute discloseable transactions or subject to approval by shareholders under the Listing Rules. The need for timely and strict compliance with the relevant regulatory requirements exposes the Group to compliance risk.

To identify and analyse the relevant risks in achieving the Company's objectives, the internal control system is designed to provide reasonable, but not absolute, assurance against material misstatements and to manage rather than completely eliminate the risk of system failure in this regard. In addition to safeguarding the assets of the Company, the system design also pays 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 on 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 and 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, behavioral and systematic risk that may have an impact on the Group.

4. A comprehensive management accounting system is in place providing financial and operational performance measurement indications to the management and relevant financial information for reporting and disclosure purposes. 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 to monitor business operations closely and enables the Board to formulate and, if necessary, revise strategic plans 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 work of internal audit includes:

- ascertaining the extent to which the Group's assets are accounted for and safeguarded to avoid any losses
- reviewing and evaluating the soundness, adequacy and effective application of accounting, financial and other controls in the Group
- ascertaining the compliance with established policies, procedures and statutory rules and regulations
- monitoring and evaluating the effectiveness of risk management system
- monitoring the efficiency of operation, the appropriateness and efficiency with which resources are employed
- evaluating the reliability and integrity of financial and operating information reporting systems
- ensuring that findings and recommendations arising from the internal audit are communicated to the management and monitoring the implementation of the corrective measures
- 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 the 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 recongnized risks and focuses on material internal controls and risk management, including financial, operational and compliance controls during the financial year ended 31st December 2010. Internal audits were carried out on all significant business units in the Group, a total of 23 audit assignments were conducted for the above period. All internal audit reports are submitted to the Audit Committee for review and approval. The Internal Auditor's summary of findings, recommendations and follow-up reviews of previous internal audit findings are discussed at the Audit Committee meetings. The Audit Committee actively monitors the number and importance of findings raised by the Internal Audit and also the corrective measures taken by the management.

The yearly internal audit plan, which is reviewed and approved by the Audit Committee, is based on the sizes and prevailing risks of all business units of the Group to establish audit scopes and frequencies. All internal audit work scheduled for the year of 2010 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 reviews and supervision of financial reporting, and satisfying themselves as to the effectiveness of the Group's internal controls and the adequacy of the external and internal audits.

7. The 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 the 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 the financial market, the industry and regulatory bodies and imposes various internal control risk measures to minimize the adverse impact on 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 requirements, and uses hedging instruments only when there is an operational need. The effectiveness of the hedging relationship is assessed continuously and regularly with reference to the Group's risk management objective and strategy.
— To maintain a certain leverage level for funding requirements in respect of daily operation, investments and capital expenditure, the Group adopts prudent liquidity risk management which implies maintaining sufficient cash and bank balances, having available funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group aims to maintain flexibility in funding by keeping committed credit lines available.
— Consistent with other companies in the industry, the Group monitors capital on the basis of the gearing ratio. The Group may adjust the amount of dividend paid out, return capital to shareholders, issue new shares or capital or sell assets to reduce debts in order to maintain or adjust the capital structure when need arises.
— To ensure the tax risk is understood and properly controlled, the management reviews and assesses the global tax impact on the Group annually and conducts an annual Group tax planning exercise after seeking advice 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 in currencies that match as far as possible 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 the US dollar revenue and expenses of the leasing business, in order to minimise any potential foreign exchange risk. For those jointly controlled entities and associates for the terminal business, all material borrowings were denominated in the respective functional currencies. The management will consider hedging significant foreign currency exposure should the need arises.
— The Group has been very keen on safeguarding cash and capital, 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 detail of the approval and procedures should be strictly 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 the PRC 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 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 minimize adverse/vigorous effects on the Group's financial performance as a consequence of 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 kind of risk management measures is useful in making appropriate preparation to combat the future risk of asset impairment.
- For available-for-sale financial assets, the management will monitor and report to the Board on its price performance and re-affirm strategic objective of these strategic investments.
- The Group limits its exposure to credit risk through performing credit reviews and monitoring financial strength of its major customers. Despite no collateral on trade receivables is required, the Group has insured the recoverability for a 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 container leasing business, the credit committee of each operating unit establishes the maximum credit limit for each customer based on their credit quality, taking into account 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, systems which are related to container leasing and terminal businesses are operated by trained professional, frequently checked and upgraded when necessary. Backup of all data are prepared timely. For security purpose, disaster recovery plan is developed.
- The Group has experienced rapid growth in recent years, which led our business to develop in different locations in the mainland China and overseas countries of varying local safety standard. Regardless of the locations and nature of businesses, the Group makes a continuing effort to build the highest safety standard within the organizations so that managers and staff put safety as the top priority, and promote the safety standard to all sites.

Major Compliance Risk Measures

- The General Counsel & Company Secretary formulates the overall strategies and mechanisms in relation to the Group's legal compliance. Upon becoming aware of any material development in the legal environment, the legal department will report such updated information to the Board and disseminate the information within the Group as appropriate. The General Counsel & Company Secretary coordinates the engagement of Hong Kong and foreign lawyers to provide professional advice on specialised and geographically diverged legal issues.
- A non-exhaustive list of connected persons (since the Company cannot obtain the corporate structure of all companies, especially those companies outside the Group, the list may not be able to cover all the connected persons of the Company) 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 the finance department and the strategy and development department will closely monitor the transaction amounts on a monthly basis. Management meetings are held regularly on a quarterly basis to review the nature and amount of all connected transactions. Summary of continuing connected 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 provides employee manuals to each employee, in 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 mean 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 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 when 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
   — informs 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 unauthorized use of confidential, sensitive or insider information; and has communicated it to all staff
   — 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 on designated areas

The Board considered that the system of internal controls in place during the year is 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 2010, the auditor's remuneration paid or payable in respect of the auditing and other non-audit service provided by the auditor to the Company were as follows:

Nature of Service	**2010**	2009
	US$	US$
Audit service	**669,000**	719,000
Audit related service	**201,000**	203,000
Non-audit services		
Tax related services	**295,000**	281,000
Circular related services	**205,000**	163,000
Financial advisory services	**54,000**	2,319,000

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 Committee, Nomination Committee and Remuneration Committee 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 follows the code provisions contained in the Code on Corporate Governance Practices to encourage 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 of 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 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.

Shareholdings and shareholders information

Share Capital (as at 31st December 2010)

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$271,152,557.30 comprising 2,711,525,573 shares of HK$0.1 each

Types of Shareholders (as at 31st December 2010)

Type of shareholders	No. of shares held	% of the issued share capital
COSCO Pacific Investment Holdings Limited and its subsidiary	1,158,303,338	42.718
Other corporate shareholders	1,545,166,107	56.985
Individual shareholders	8,056,128	0.297
Total	**2,711,525,573**	**100.00**

Other corporate information

Location of Shareholders (as at 31st December 2010)

Location of shareholders[1]	No. of shareholders	No. of shares held
Hong Kong	569	2,711,515,573 [2]
Macau	1	2,000
The United States	1	4,000
The People's Republic of China	1	4,000
Total	**572**	**2,711,525,573**

[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 1,746,804,165 shares registered in the name of HKSCC Nominees Limited which may hold these shares on behalf of its clients in or outside Hong Kong.

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 2010.

Key Corporate Dates

The following are dates for certain key corporate events:

Event	Date
Payment of 2010 Interim Dividend	20th September 2010
2010 Final Results Announcement	23rd March 2011
2011 First Quarter Results Announcement	26th April 2011
Closure of Register of Members	11th May 2011 to 16th May 2011
Annual General Meeting	16th May 2011
Payment of 2010 Final Dividend	31st May 2011
2011 Interim Results Announcement	August 2011
2011 Third Quarter Results Announcement	October 2011

Directors

XU Lirong

Non-executive Director and Chairman of the Board

Mr. XU, aged 53, the Chairman of the Board of the Company, has been a Director of the Company since March 2000. Before his re-designation as a Non-executive Director in June 2005, he was an Executive Director of the Company. He has been the Chairman of the Board of the Company since October 2010. 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.

XU Minjie

Executive Director, Vice Chairman of the Board and Managing Director

Mr. XU, aged 52, 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 the Executive Vice President of China Ocean Shipping (Group) Company and 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.

SUN Jiakang

Non-executive Director

Dr. SUN, aged 51, has been a Director of the Company since September 2002. Before his re-designation as a Non-executive Director in January 2007, he served as the Vice Chairman and Managing Director. He is the Executive Vice President of China Ocean Shipping (Group) Company and 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 29 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.

HE Jiale

Executive Director

Mr. HE, aged 56, 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 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.

WANG Zenghua
Executive Director

Mr. WANG, aged 50, has been an Executive Director of the Company since October 2010. He is also the General Manager of the Strategic Planning Division (General Counsel Office) of China COSCO Holdings Company Limited and a director of certain subsidiaries of China Ocean Shipping (Group) Company. Mr. WANG joined COSCO Group in 1992. He had been the Heads of Planning Department of the Finance and Accounting Division, Planning and Investment Department and Planning and Statistics Department of the Development Division and Planning Department of the Corporate Planning Division, the Deputy General Manager of the Corporate Planning Division and the General Manager of the Strategic Planning Division of China Ocean Shipping (Group) Company. Mr. WANG obtained his Master of Economics degree from Nankai Institute of Economics.

FENG Jinhua
Executive Director

Mr. FENG, aged 55, has been an Executive Director of the Company since October 2010. He is also the General Manager of the Finance Division of China COSCO Holdings Company Limited and a director of certain subsidiaries of China Ocean Shipping (Group) Company. Mr. FENG joined COSCO Group in 1980. He had been the Heads of Planning and Finance Department and Finance Department and the Chief Financial Officer of Qingdao Ocean Shipping Co., Ltd. and the General Manager of the Finance and Capital Division of China Ocean Shipping (Group) Company. Mr. FENG obtained his Executive Master of Business Administration degree from the University of International Business and Economics. He is a senior accountant.

WANG Haimin

Non-executive Director

Mr. WANG, aged 38, has been a Non-executive Director of the Company since October 2010. He is also the General Manager of the Transportation Division of China COSCO Holdings Company Limited and a director of certain subsidiaries of China Ocean Shipping (Group) Company and China COSCO Holdings Company Limited, and a Non-executive Director of COSCO Corporation (Singapore) Limited. He joined COSCO Group in 1995. He had been the Head of Planning and Cooperation Department of the Strategic Planning Division, the Deputy General Manager of the Corporate Planning Division and the General Manager of the Strategy and Development Division of COSCO Container Lines Company Limited, and the General Manager of the Transportation Division of China Ocean Shipping (Group) Company. Mr. WANG obtained his Master of Business Administration degree from Shanghai Fudan University. He is an engineer.

GAO Ping

Non-executive Director

Mr. GAO, aged 55, has been a Non-executive Director of the Company since October 2010. He is also the Head of the Organisation Division and the General Manager of the Human Resource Division of China COSCO Holdings Company Limited, a director of certain subsidiaries of China Ocean Shipping (Group) Company and China COSCO Holdings Company Limited, and a Supervisor of the State-owned Enterprise Supervisory Committee appointed by the State Council to COSCO Group. Mr. GAO joined COSCO Group in 1977. He had been the General Manager of the Personnel Division of COSCO Container Lines Company Limited, the Executive Assistant to Managing Director and General Manager of Crew Management Department and Deputy General Manager of COSCO (H.K.) Shipping Co., Ltd., the General Manager of CHS (Guangzhou) Crew Cooperation Ltd. and the General Manager of the Human Resource Division of China Ocean Shipping (Group) Company. Mr. GAO obtained his Executive Master of Business Administration degree from the University of International Business and Economics. He is a senior engineer.

WONG Tin Yau, Kelvin
Executive Director

Dr. WONG, aged 50, 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), a board director of Business Environment Council, a member of the Appeal Board Panel (Town Planning), a council member of the Hong Kong Management Association and was appointed by the Hong Kong Special Administrative Region as a member of the Standing Committee on Company Law Reform and the Corruption Prevention Advisory Committee of Independent Commission Against Corruption. He obtained his Master of Business Administration degree from Andrews University in Michigan, the USA in 1992 and his Doctor of Business Administration degree from The Hong Kong Polytechnic University in 2007. Dr. WONG is currently an Independent Non-executive Director and Chairman of the Audit Committee of China Metal International Holdings Inc. and China ZhengTong Auto Services Holdings Limited, an Independent Non-executive Director of CIG Yangtze Ports PLC and 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 44, 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 72, 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.

CHOW Kwong Fai, Edward, JP
Independent Non-executive Director

Mr. CHOW, aged 58, 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 and council member of The Institute of Chartered Accountants in England and Wales and a past president of the Hong Kong Institute of Certified Public Accountants (HKICPA). Before elected president, he chaired the HKICPA's Corporate Governance Committee and Professional Accountants in Business (PAIB) Committee. He was a Deputy Chairman of The Hong Kong Institute of Directors from 2001 to 2008 and the Chairman of the PAIB Committee of the International Federation of Accountants (IFAC) from 2006 to 2008. Mr. CHOW is currently a core member of the OECD/World Bank Asian Corporate Governance Roundtable, a Deputy Chairman of the Business and Professionals Federation of Hong Kong, a member of The Chinese People's Political Consultative Conference – Zhejiang Province, a member of the Election Committee of Hong Kong Special Administrative Region and 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 was an independent director of Mountain China Resorts (Holdings) Limited (formerly "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. Mr. CHOW was also an awardee of the Directors of the Year Award 2010 in the non-executive director of listed companies (SEHK – Hang Seng Index Constituents) category, awarded by The Hong Kong Institute of Directors.

Timothy George FRESHWATER

Independent Non-executive Director

Mr. FRESHWATER, aged 66, 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.

FAN HSU Lai Tai, Rita, GBM, GBS, JP

Independent Non-executive Director

Dr. FAN, aged 65, 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 the President of the legislature of the Hong Kong Special Administrative Region ("HKSAR") for 11 years. Dr. FAN was a member of the Preliminary Working Committee for the Preparatory Committee for the HKSAR from 1993 to 1995 and of the Preparatory Committee for the HKSAR from 1995 to 1997, and was the Chairman of the Board of Education from 1986 to 1989 and the Chairman of the Education Commission from 1990 to 1992. She was elected as a Hong Kong Deputy to both the Ninth and Tenth sessions of the National People's Congress ("NPC") between 1998 and 2007. 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 and China Shenhua Energy Company Limited, Patron of the Hong Kong Kidney Foundation, the Hong Kong Transplant Sports Association and the Whole Person Education Foundation. Dr. FAN was awarded the Gold Bauhinia Star and the Grand Bauhinia Medal in 1998 and 2007 respectively by the Government of the HKSAR.

CHAN Hang, Ken

Deputy Managing Director

Mr. CHAN, aged 53, 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.

LUI Sai Kit, Eddie

Financial Controller

Mr. LUI, aged 47, 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 the United Kingdom and a member of the Certified Management Accountants of Canada. He also has a Master Degree in Business Administration from University of Ottawa and Bachelor Degree of Administration from York University in Canada. Prior to joining the Company, he had held Chief Financial Officer and General Management positions for companies listed on the Hong Kong Stock Exchange and US multinational companies such as New World TMT Limited, Wang On Group Limited and General Electric Company Limited Hong Kong Plastic Division.

HUNG Man, Michelle
General Counsel & Company Secretary

Ms. HUNG, aged 41, 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. 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

Mr. DING, aged 52, 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.

QIU Jinguang

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

Mr. QIU, aged 49, 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.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Report of the Directors and Financial Statements

The board of directors of the Company (the "Board") submits its report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31st December 2010.

Principal activities and segmental analysis of operations

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in note 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 2010 are set out in the consolidated income statement on page 130 of this annual report.

The directors declared an interim cash dividend of HK13.7 cents (equivalent to US1.759 cents) per share and a special interim cash dividend of HK11.1 cents (equivalent to US1.426 cents) per share, totaling HK$672,458,000 (equivalent to US$86,362,000), which were paid on 20th September 2010.

The directors recommend the payment of a final cash dividend of HK19.3 cents (equivalent to US2.483 cents) per share, totaling HK$523,324,000 (equivalent to US$67,327,000), payable on or before 31st May 2011.

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 207 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 132 and 133 of this annual report.

Movements in the reserves of the 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$1,479,000.

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 2010 calculated under the Companies Act of Bermuda amounted to US$1,040,396,000.

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]	(resigned as a non-executive director and Chairman of the Board on 12th October 2010)
Mr. LI Jianhong[1]	(resigned on 12th October 2010)
Mr. XU Lirong[2] *(Chairman)*	(appointed as Chairman of the Board on 12th October 2010)
Ms. SUN Yueying[1]	(resigned on 12th October 2010)
Mr. XU Minjie[1] *(Vice Chairman and Managing Director)*	
Dr. SUN Jiakang[2]	
Mr. HE Jiale[1]	
Mr. WANG Zenghua[1]	(appointed on 12th October 2010)
Mr. FENG Jinhua[1]	(appointed on 12th October 2010)
Mr. WANG Haimin[2]	(appointed on 12th October 2010)
Mr. GAO Ping[2]	(appointed on 12th October 2010)
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

In accordance with Clause 86(2) of the Bye-laws of the Company, Mr. WANG Zenghua, Mr. FENG Jinhua, Mr. WANG Haimin and Mr. GAO Ping, being new directors appointed during the year, retire at the forthcoming general meeting and, being eligible, offer themselves for re-election.

In accordance with Clauses 87(1) and (2) of the Bye-laws of the Company, Mr. XU Minjie, Mr. HE Jiale, Dr. WONG Tin Yau, Kelvin, Mr. CHOW Kwong Fai, Edward and Dr. FAN HSU Lai Tai, Rita, being directors longest in office since their last re-election, 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 confirming their independence to the Company and considers that each of the independent non-executive directors is independent to the Company.

Biographical details of directors and senior management

Biographical details of directors and senior management as at the date of this report are set out on pages 90 to 99 of this annual report.

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 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' prior 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 development and expansion of the Group and to provide the Company with a flexible means of giving incentive to rewarding, remunerating, compensating and/or providing benefits to the Participants and for such other purposes as the Board may approve from time to time.

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

The maximum number of shares which may be issued upon exercise of all options to be granted under the 2003 Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of the total number of shares in issue as at the date of the adoption of the 2003 Share Option Scheme (the "Scheme Mandate Limit") unless the Company seeks approval of its shareholders in general meeting to refresh the Scheme Mandate Limit, such that the maximum number of shares which may be issued upon exercise of all options to be granted under the 2003 Share Option Scheme or any other share option schemes of the Company under the limit as refreshed shall not exceed 10% of the total number of shares in issue as at the date of approval to refresh such limit. The Company may seek separate approval 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 91,803,229 shares (representing approximately 3.39% 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 38,283,000 shares (representing approximately 1.41% 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 ("COSCO"), the Company's parent company; and
(iii) any person seconded or nominated by the Group to represent the Group's interest in any of the Group's associated companies or jointly controlled entities (as defined in note 2 below), or any other company or organisation.

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

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

Movements of the options, which 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 2010	Granted during the year	Exercised during the year	Transfer (to)/ from other categories during the year	Lapsed during the year	Outstanding at 31st December 2010	% of total issued share capital	Exercisable period	Note
Directors										
Mr. XU Minjie	19.30	800,000	—	—	—	—	800,000	0.030%	19.4.2007 -18.4.2017	(3), (4)
Dr. SUN Jiakang	13.75	700,000	—	—	—	—	700,000	0.026%	1.12.2004 -30.11.2014	(2), (4)
Dr. WONG Tin Yau, Kelvin	9.54	800,000	—	—	—	—	800,000	0.030%	28.10.2003 -27.10.2013	(1), (4)
	13.75	1,000,000	—	—	—	—	1,000,000	0.037%	2.12.2004 -1.12.2014	(2), (4)
	19.30	500,000	—	—	—	—	500,000	0.018%	18.4.2007 -17.4.2017	(3), (4)
Mr. YIN Weiyu	19.30	500,000	—	—	—	—	500,000	0.018%	19.4.2007 -18.4.2017	(3), (4)
Ex-directors										
Mr. CHEN Hongsheng	13.75	1,000,000	—	—	(1,000,000)	—	—	—	3.12.2004 -2.12.2014	(2), (4), (5)
Mr. LI Jianhong	13.75	1,000,000	—	—	(1,000,000)	—	—	—	2.12.2004 -1.12.2014	(2), (4), (5)
Ms. SUN Yueying	13.75	1,000,000	—	—	(1,000,000)	—	—	—	3.12.2004 -2.12.2014	(2), (4), (5)
		7,300,000	—	—	(3,000,000)	—	4,300,000			
Continuous contract employees	9.54	1,519,000	—	—	—	—	1,519,000	0.056%	(refer to note 1)	(1)
	13.75	13,482,000	—	—	(500,000)	(350,000)	12,632,000	0.466%	(refer to note 2)	(2)
	19.30	13,910,000	—	—	(340,000)	(450,000)	13,120,000	0.484%	(refer to note 3)	(3)
Others	9.54	50,000	—	—	—	—	50,000	0.002%	(refer to note 1)	(1)
	13.75	4,790,000	—	—	3,500,000	(810,000)	7,480,000	0.276%	(refer to note 2)	(2)
	19.30	660,000	—	—	340,000	(660,000)	340,000	0.013%	(refer to note 3)	(3)
		34,411,000	—	—	3,000,000	(2,270,000)	35,141,000			
		41,711,000	—	—	—	(2,270,000)	39,441,000			

Notes:

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

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

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

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

(5) Mr. CHEN Hongsheng resigned as Chairman of the Board and a non-executive director of the Company, and Mr. LI Jianhong and Ms. SUN Yueying resigned as executive directors of the Company on 12th October 2010. In this respect, the options granted to Mr. CHEN Hongsheng, Mr. LI Jianhong and Ms. SUN Yueying were re-classified from the category of "directors" to the category of "others".

(6) No share options were granted, exercised or cancelled under the 2003 Share Option Scheme during the year ended 31st December 2010.

Directors' interests in shares, underlying shares and debentures

As at 31st December 2010, the interests of the Company's directors in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules were as follows:

(a) Long positions in the shares of the Company

Name of director	Capacity	Nature of interest	Number of ordinary shares held	% of total issued share capital of the Company
Dr. WONG Tin Yau, Kelvin	Beneficial owner	Personal	450,000	0.017%
Dr. LI Kwok Po, David	Beneficial owner	Personal	1,000,000	0.037%
Mr. Timothy George FRESHWATER	Beneficial owner	Personal	30,000	0.001%

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

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

(c) Long positions in the shares of associated corporations

Name of associated corporation	Name of director	Capacity	Nature of interest	Number of H shares held	% of total issued H share capital of the relevant associated corporation
China COSCO Holdings Company Limited	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 International Holdings Limited	Dr. WONG Tin Yau, Kelvin	Beneficial owner	Personal	203,529	0.013%
COSCO Shipping Co., Ltd.	Dr. WANG Zenghua	Beneficial owner	Personal	36,000	0.003%

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

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

					Number of share options						
Name of associated corporation	Name of director	Capacity	Nature of interest	Exercise price HK$	Outstanding at 1st January 2010	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31st December 2010	% of total issued share capital of the relevant associated corporation	Note
COSCO International Holdings Limited	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)
	Ex-director										
	Mr. LI Jianhong	Beneficial owner	Personal	1.37	1,200,000	—	—	—	N/A	N/A	(1), (2)

Notes:

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

(2) Mr. LI Jianhong resigned as an executive director of the Company on 12th October 2010.

(3) 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 2010	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31st December 2010	% of total issued share capital of the relevant associated corporation	Note
COSCO Corporation (Singapore) Limited	Mr. FENG Jinhua	Beneficial owner	Personal	2.48	N/A	—	—	—	300,000	0.013%	(1), (3)
	Ex-directors										
	Mr. LI Jianhong	Beneficial owner	Personal	1.23	700,000	—	—	—	N/A	N/A	(2), (4)
	Ms. SUN Yueying	Beneficial owner	Personal	1.23	700,000	—	—	—	N/A	N/A	(2), (4)

Notes:

(1) The share options were granted by COSCO Corporation (Singapore) Limited ("COSCO Singapore"), an associated corporation of the Company listed on the Main Board of the Singapore Exchange, on 5th February 2007 and are exercisable at any time between 5th February 2008 and 27th September 2011.

(2) 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.

(3) Mr. FENG Jinhua was appointed as an executive director of the Company on 12th October 2010.

(4) Mr. LI Jianhong and Ms. SUN Yueying resigned as executive directors of the Company on 12th October 2010.

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

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

					Number of units of share appreciation rights					
Name of associated corporation	Name of director	Capacity	Nature of interest	Exercise price HK$	Outstanding at 1st January 2010	Granted during the year	Exercised during the year	Outstanding at 31st December 2010	% of total issued H share capital of the relevant associated corporation	Note
China COSCO Holdings Company Limited	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)
	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. WANG Zenghua	Beneficial owner	Personal	3.195	N/A	—	—	100,000	0.004%	(1), (4)
				3.588	N/A	—	—	90,000	0.003%	(2), (4)
				9.540	N/A	—	—	85,000	0.003%	(3), (4)
	Mr. FENG Jinhua	Beneficial owner	Personal	3.195	N/A	—	—	100,000	0.004%	(1), (4)
				3.588	N/A	—	—	90,000	0.003%	(2), (4)
				9.540	N/A	—	—	85,000	0.003%	(3), (4)
	Mr. WANG Haimin	Beneficial owner	Personal	3.195	N/A	—	—	57,000	0.002%	(1), (4)
				3.588	N/A	—	—	90,000	0.003%	(2), (4)
				9.540	N/A	—	—	75,000	0.003%	(3), (4)
	Mr. GAO Ping	Beneficial owner	Personal	3.195	N/A	—	—	100,000	0.004%	(1), (4)
				3.588	N/A	—	—	90,000	0.003%	(2), (4)
				9.540	N/A	—	—	85,000	0.003%	(3), (4)
	Mr. YIN Weiyu	Beneficial owner	Personal	3.195	100,000	—	—	100,000	0.004%	(1)
				3.588	65,000	—	—	65,000	0.003%	(2)
	Ex-directors									
	Mr. CHEN Hongsheng	Beneficial owner	Personal	3.195	525,000	—	—	N/A	N/A	(1), (5)
				3.588	700,000	—	—	N/A	N/A	(2), (5)
				9.540	680,000	—	—	N/A	N/A	(3), (5)
	Mr. LI Jianhong	Beneficial owner	Personal	3.195	450,000	—	—	N/A	N/A	(1), (5)
				3.588	600,000	—	—	N/A	N/A	(2), (5)
				9.540	580,000	—	—	N/A	N/A	(3), (5)
	Ms. SUN Yueying	Beneficial owner	Personal	3.195	450,000	—	—	N/A	N/A	(1), (5)
				3.588	600,000	—	—	N/A	N/A	(2), (5)
				9.540	580,000	—	—	N/A	N/A	(3), (5)

Notes:

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

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

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

(4) Mr. WANG Zenghua and Mr. FENG Jinhua were appointed as executive directors of the Company and Mr. WANG Haimin and Mr. GAO Ping were appointed as non-executive directors of the Company on 12th October 2010.

(5) Mr. CHEN Hongsheng resigned as Chairman of the Board and a non-executive director of the Company, and Mr. LI Jianhong and Ms. SUN Yueying resigned as executive directors of the Company on 12th October 2010.

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

Save as disclosed above, as at 31st December 2010, 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. The Transfer was completed on 30th March 2010. Before completion of the Transfer, China COSCO and the Group had 51% and 49% equity interests in COSCO Logistics respectively.

As at 31st December 2010, Mr. XU Lirong, Mr. XU Minjie, Dr. SUN Jiakang, Mr. HE Jiale, Mr. WANG Zenghua, Mr. FENG Jinhua, Mr. WANG Haimin and Mr. GAO Ping, 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 2010, 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	%	Lending pool	%	Note
COSCO Investments Limited	Beneficial owner	Beneficial interest	202,592,613	7.47	—	—	—	—	(1)
COSCO Pacific Investment Holdings Limited	Beneficial owner and interest of controlled corporation	Beneficial interest and corporate interest	1,158,303,338	42.72	—	—	—	—	(1)
China COSCO Holdings Company Limited	Interest of controlled corporation	Corporate interest	1,158,303,338	42.72	—	—	—	—	(1)
China Ocean Shipping (Group) Company	Interest of controlled corporation	Corporate interest	1,158,303,338	42.72	—	—	—	—	(1)
JPMorgan Chase & Co.	Beneficial owner, investment manager and custodian corporation/approved lending agent	Beneficial interest and corporate interest	243,693,539	8.99	—	—	68,351,338	2.52	(2)

Notes:

(1) 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. COSCO held 52.80% interest of the issued share capital of China COSCO as at 31st December 2010, and accordingly, COSCO is deemed to have the interests of 1,158,303,338 shares of the Company held by COSCO Pacific Investment.

(2) The corporate interest of JPMorgan Chase & Co. was attributable on account through a number of its wholly owned subsidiaries and a non-wholly owned subsidiary, J.P. Morgan Securities Ltd. (98.95% control).

Save as disclosed above, as at 31st December 2010, 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.

Public float

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

Purchase, sale or redemption of shares

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

Pre-emptive rights

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

Management contracts

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

Major suppliers and lessees

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

Percentage of container purchases attributable to the Group's largest supplier	11.16%
Percentage of container purchases attributable to the Group's five largest suppliers	48.23%
Percentage of leasing income attributable to the Group's largest lessee, which is a subsidiary of COSCO	59.50%
Percentage of leasing income attributable to the Group's five largest lessees	75.35%

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 2010, the Group and COSCO have equity interest in China International Marine Containers (Group) Co., Ltd., the holding company of the aforesaid five suppliers of the Group. In 2010, these five suppliers attributed 48.23% of container purchases of the Group.

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

Corporate governance

The Company is committed to maintaining high standards of corporate governance so as to ensure better transparency and protection of shareholders' interests. The Company has complied with the code provisions of the Code on Corporate Governance Practices (the "Corporate Governance Code") set out in Appendix 14 of the Listing Rules throughout the year ended 31st December 2010, except for the following deviation:

Code Provision E.1.2

The code provision E.1.2 of the Corporate Governance Code provides that the chairman of the board shall attend the annual general meeting of the company. Due to business commitment, Mr. CHEN Hongsheng, the ex-Chairman of the Board, was unable to attend the annual general meeting of the Company held on 25th May 2010. This constituted a deviation from the code provision E.1.2 of the Corporate Governance Code.

Further information on the Company's corporate governance practices is set out in the Corporate Governance Report on pages 68 to 89 of this annual report.

Connected transactions

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

(I) Connected transaction

Acquisition of 13.70% effective interest in Sigma Enterprises Limited

On 29th April 2010, the Company and its wholly owned subsidiary, Crestway International Limited ("Crestway"), entered into a conditional sale and purchase agreement (the "Agreement") with A.P. Moller-Maersk A/S ("APMM") and Orion Limited ("Orion"), pursuant to which (i) APMM conditionally agreed to sell and assign, and Crestway conditionally agreed to purchase 1,005 ordinary shares of US$1.00 each in the share capital of Sigma Enterprises Limited ("Sigma") owned by APMM, representing approximately 9.64% of the entire issued share capital of Sigma and take an assignment of the aggregate of the loans advanced by APMM to Sigma or otherwise owing to APMM by Sigma and outstanding as at the completion date of the Agreement (being HK$623,487,042.55); and (ii) Orion conditionally agreed to sell and assign and Crestway conditionally agreed to purchase 32 ordinary shares of US$1.00 each in the share capital of Wattrus Limited ("Wattrus") owned by Orion, representing approximately 5.12% of the entire issued share capital of Wattrus and take an assignment of the aggregate of the loans advanced by Orion to Wattrus or otherwise owing to Orion by Wattrus and outstanding as at the completion date of the Agreement (being HK$113,348,694.45) for a total cash consideration of US$520,000,000 (equivalent to approximately HK$4,045,600,000) (the "Acquisition").

In consideration of APMM and Orion agreeing to enter into the Agreement, the Company agreed to unconditionally guarantee the payment and performances by Crestway, when due, of all amounts and obligations under the Agreement.

Taking into account of the approximately 6.85% interest in the entire issued share capital of Sigma held by Crestway as at the date of the Agreement, after completion of the Agreement on 11th June 2010, Crestway directly and indirectly holds approximately 20.55% interest in Sigma, which in turn holds, among others, an approximately 73% equity interest in the joint venture engaging in the management and operation of Yantian Terminal (Phase I and Phase II), approximately 65% equity interest in the joint venture engaging in the management and operation of Yantian Terminal (Phase III) and approximately 65% equity interest in the joint venture engaging in the management and operation of Yantian Terminal (West Port).

As APM Terminals Invest Company Limited (a subsidiary of APMM) is a substantial shareholder of a subsidiary of the Company, APMM is therefore a connected person of the Company and the Acquisition constituted a connected transaction of the Company under the Listing Rules. The transaction also constituted a major transaction of the Company.

The Company considered the Acquisition strongly supports the Company's long-term strategy of improving the quality and profitability of the terminal business of the Company and enhances the Group's market position in South China.

(II) Continuing connected transactions

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.

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 Holding") 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 Holding 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 Holding in accordance with the relevant documents issued by Jiangsu Price Bureau and the actual situation of Zhangjiagang Port Holding. The total amount of the abovementioned transactions for the year ended 31st December 2010 was RMB2,788,870. The annual caps of such transactions for the years ended/ending 31st December 2009, 2010 and 2011 were RMB3,200,000, RMB3,900,000 and RMB4,500,000 respectively. The aforesaid annual caps for the year ended 31st December 2010 and the year ending 31st December 2011 ceased to be applicable as the transaction amounts under the abovementioned agreement for these two financial years became included in the corresponding annual caps under the Zhangjiagang Container Terminal Services Master Agreement as referred to below.

(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 Holding, 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 total amount of the abovementioned transactions for the year ended 31st December 2010 was RMB9,022,638. The annual caps of such transactions for the years ended/ending 31st December 2009, 2010 and 2011 were RMB9,000,000, RMB10,800,000 and RMB14,000,000 respectively. The aforesaid annual caps for the year ended 31st December 2010 and the year ending 31st December 2011 ceased to be applicable as the transaction amounts under the abovementioned agreement for these two financial years became included in the corresponding annual caps under the Zhangjiagang Container Terminal Services Master Agreement as referred to below.

(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 total amount of the abovementioned transactions for the year ended 31st December 2010 was RMB1,532,223. The annual cap of such transactions for each of the years ended/ending 31st December 2009, 2010 and 2011 was RMB1,000,000. The aforesaid annual caps for the year ended 31st December 2010 and the year ending 31st December 2011 ceased to be applicable as the transaction amounts under the abovementioned agreement for these two financial years became included in the corresponding annual caps under the Zhangjiagang Container Terminal Services Master Agreement as referred to below.

(4) Manpower services provided by Zhangjiagang Port Holding

On 3rd September 2009, Zhangjiagang Win Hanverky entered into an agreement with Zhangjiagang Port Holding in respect of provision of manpower services by Zhangjiagang Port Holding 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 Holding and would not be employees of Zhangjiagang Win Hanverky. The total amount of the abovementioned transactions for the year ended 31st December 2010 was approximately RMB1,470,000. The annual cap of such transactions for each of the three years ended/ending 31st December 2009, 2010 and 2011 was RMB1,470,000. The aforesaid annual caps for the year ended 31st December 2010 and the year ending 31st December 2011 ceased to be applicable as the transaction amounts under the abovementioned agreement for these two financial years became included in the corresponding annual caps under the Zhangjiagang Container Terminal Services Master Agreement as referred to below.

(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 Holding, 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 total amount of the abovementioned transactions for the year ended 31st December 2010 was RMB198,964. The annual cap of such transactions for each of the three years ended/ending 31st December 2009, 2010 and 2011 was RMB186,700. The aforesaid annual caps for the year ended 31st December 2010 and the year ending 31st December 2011 ceased to be applicable as the transaction amounts under the abovementioned agreement for these two financial years became included in the corresponding annual caps under the Zhangjiagang Container Terminal Services Master Agreement as referred to below.

(6) Lease of property by Zhangjiagang Win Hanverky from Zhangjiagang Port Holding

On 3rd September 2009, Zhangjiagang Win Hanverky as lessee and Zhangjiagang Port Holding 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 Zhangjiagang Port Holding (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 Holding 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 31st December 2009 and 2010 is RMB6,200,000. The total amounts of the aforesaid rental and taxes for the year ended 31st December 2010 were RMB5,000,000 and RMB660,000 respectively.

As Zhangjiagang Port Holding holds a 49% equity interest in Zhangjiagang Win Hanverky, Zhangjiagang Port Holding 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 (6) 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.

On 7th September 2009, 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 in relation to the continued 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 from 1st September 2009 to 31st March 2010 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 2010 was RMB2,070,000.

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 Leased 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, 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) respectively) as the operators for the provision of interchanging, storing, handling and repairing services by the aforesaid operators for the container of which Florens Container Services Company Limited 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 total amount of the abovementioned transactions for the year ended 31st December 2010 was US$695,706. The annual caps of the aforesaid depot services transactions for the three years ended/ending 31st December 2009, 2010 and 2011 were US$1,310,000, US$1,507,000 and US$1,732,000 respectively. The aforesaid annual caps for the year ended 31st December 2010 and the year ending 31st December 2011 ceased to be applicable as the transaction amounts under the Depot Services Agreements for these two financial years became included in the corresponding annual caps under the Florens-COSCON Container Related Services and Purchase of Materials Master Agreement as referred to below.

As COSCO is a 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 Guangzhou South China Oceangate Container Terminal Company Limited

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

On 4th November 2009, Guangzhou South China Oceangate Container Terminal Company Limited (廣州南沙海港集裝箱碼頭有限公司) ("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 Guangzhou Port Holding Company Limited (廣州港集團有限公司) ("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. For the year ended 31st December 2010, GZ South China did not pay any fees to GZ Engineering pursuant to such agreement. The annual caps of such transactions for the years ended 31st December 2009 and 31st December 2010 were RMB460,000 and RMB1,000,000 respectively. The aforesaid annual cap for the year ended 31st December 2010 ceased to be applicable as the transaction amounts under the abovementioned agreement for such financial year became included in the corresponding annual cap under the Nansha Container Terminal Services Master Agreement as referred to below.

(2) Lease of pontoon to Guangzhou Port Nansha Port Affairs Company Limited and GZ South China by Guangzhou Port Holding Shipping Affairs Company Limited

On 4th November 2009, GZ South China entered into an agreement with Guangzhou Port Holding Shipping Affairs Company Limited (廣州港集團船務有限公司) ("GZ Port Shipping Affairs") and Guangzhou Port Nansha Port Affairs Company Limited (廣州港南沙港務有限公司) ("GZ Port Nansha Affairs"), subsidiaries of GZ Port Holding, 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 total amount of the abovementioned transactions for the year ended 31st December 2010 was approximately RMB83,000. The annual cap for such transactions for each of the years ended 31st December 2009 and 31st December 2010 was RMB60,000. The aforesaid annual cap for the year ended 31st December 2010 ceased to be applicable as the transaction amounts under the abovementioned agreement for such financial year became included in the corresponding annual cap under the Nansha Container Terminal Services Master Agreement as referred to below.

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

On 4th November 2009, GZ South China entered into an agreement 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 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 total amount of the abovementioned transactions for the year ended 31st December 2010 was RMB1,015,932. The annual caps for the amount payable by GZ South China to GZ Port Property Management for such transactions for the years ended/ending 31st December 2010, 31st December 2011 and 31st December 2012 were RMB1,500,000, RMB1,600,000 and RMB1,700,000 respectively. The aforesaid annual caps for the year ended 31st December 2010 and the year ending 31st December 2011 and 31st December 2012 ceased to be applicable as the transaction amounts under the abovementioned agreement for such financial years became included in the corresponding annual caps under the Nansha Container Terminal Services Master Agreement as referred to below.

(4) 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, which has been extended for the year ended 31st December 2010. 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 total amount of the abovementioned transactions for the year ended 31st December 2010 was RMB6,223,131. The annual caps for such transactions for the years ended 31st December 2009 and 31st December 2010 were RMB4,800,000 and RMB9,000,000 respectively. The aforesaid annual caps for the year ended 31st December 2010 ceased to be applicable as the transaction amounts under the abovementioned agreement for such financial year became included in the corresponding annual cap under the Nansha Container Terminal Services Master Agreement as referred to below.

(5) 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 ended 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 2010, GZ South China did not receive any fees from GZ Tally pursuant to such agreement.

(6) 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 total amount of the abovementioned transactions for the year ended 31st December 2010 was RMB793,872. The annual caps for such transactions for the year ended 31st December 2009 and 31st December 2010 were RMB600,000 and RMB800,000 respectively. The aforesaid annual cap for the year ended 31st December 2010 ceased to be applicable as the transaction amounts under the abovementioned agreement for such financial year became included in the corresponding annual cap under the Nansha Container Terminal Services Master Agreement as referred to below.

(7) 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 total amount of the abovementioned transactions for the year ended 31st December 2010 was RMB2,050,000. The annual cap for such transactions for each of the year ended 31st December 2009 and 31st December 2010 was RMB2,050,000. The aforesaid annual cap for the year ended 31st December 2010 ceased to be applicable as the transaction amounts under the abovementioned agreement for such financial year became included in the corresponding annual cap under the Nansha Container Terminal Services Master Agreement as referred to below.

As GZ Port Holding is a substantial shareholder of GZ South China, members of GZ Port Holding (which includes GZ Port Holding, GZ Engineering, GZ Port Development, GZ Port Nansha Affairs, GZ Port Property Management, GZ Port Shipping Affairs, GZ Port Vehicle and GZ Tally) are connected persons of the Company. Accordingly, the transactions under sub-paragraphs (1) to (7) above constituted continuing connected transactions of the Company.

Master agreements entered into by COSCO Ports (Holdings) Limited, Piraeus Container Terminal S.A., Florens Container Holdings Limited, GZ South China, Yangzhou Yuanyang International Ports Co. Ltd., Plangreat Limited, Zhangjiagang Win Hanverky and Xiamen Ocean Gate Container Terminal Co., Ltd. respectively

On 30th November 2009, certain subsidiaries of the Company entered into the following master agreements each for a term of three years from 1st January 2010 to 31st December 2012:

(1) COSCON Shipping Services Master Agreement entered into between COSCO Ports (Holdings) Limited ("COSCO Ports", a wholly owned subsidiary of the Company), Piraeus Container Terminal S.A. ("PCT", a wholly owned subsidiary of the Company), COSCO and COSCO Container Lines Company Limited ("COSCON") in respect of the provision of shipping related services by COSCO Ports and its subsidiaries ("COSCO Port Group") or PCT to COSCO and COSCON and their respective associates (excluding the Group) ("COSCO Group"). The service fees shall be at rates no less favourable to the relevant members of COSCO Ports Group or to PCT than that at which the relevant members of COSCO Ports Group or PCT charges independent third party customers for the relevant services.

The annual caps of the aggregate amount receivable by COSCO Ports Group and PCT from COSCO Group for the abovementioned services for the years ended/ending 31st December 2010, 2011 and 2012 are RMB815,402,000, RMB1,097,176,000 and RMB1,310,131,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2010 was RMB324,833,190.

(2) APM Shipping Services Master Agreement entered into between COSCO Ports, PCT and APMM for and on behalf of entities trading under the names of Maersk Line, Safmarine, MCC or any other future names with majority ownership by APMM ("the Line") in respect of the provision of shipping related services by members of COSCO Ports Group or PCT to the Line on normal commercial terms.

The annual caps of the aggregate amount receivable by COSCO Ports Group and PCT from the Line for the abovementioned services for the years ended/ending 31st December 2010, 2011 and 2012 are RMB334,504,000, RMB443,599,000 and RMB527,878,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2010 was RMB54,946,497.

(3) Florens-COSCON Container Related Services and Purchase of Materials Master Agreement entered into between Florens Container Holdings Limited ("Florens", a wholly owned subsidiary of the Company), COSCO and COSCON in respect of the following transactions:

(a) Purchase of container related materials by Florens and its subsidiaries ("Florens Group") from members of COSCO Group. The annual caps of the aggregate amount payable by Florens Group to COSCO Group for such purchases for the years ended/ending 31st December 2010, 2011 and 2012 are US$300,000, US$400,000 and US$500,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2010 was US$115,251.

(b) Provision of container related services by members of COSCO Group (including COSCON) to members of Florens Group. The annual caps of the aggregate amount payable by Florens Group to COSCO Group for such services for the years ended/ending 31st December 2010, 2011 and 2012 are US$6,307,000, US$8,032,000 and US$8,912,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2010 was US$782,842.

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

(4) Florens-APMM Container Purchasing and Related Services Master Agreement entered into between Florens and the Line in respect of the following transactions:

(a) Purchase of containers and container related materials by members of Florens Group from the Line. The annual cap of the aggregate amount payable by Florens Group to the Line for such purchases for each of the years ended/ending 31st December 2010, 2011 and 2012 is US$15,000,000.

(b) Provision of container related services by the Line to members of Florens Group. The annual cap of the aggregate amount payable by Florens Group to the Line for such services for each of the years ended/ending 31st December 2010, 2011 and 2012 is US$100,000.

It was agreed that the consideration for the purchase of containers and container related materials by Florens Group and the provision of container related services by the Line shall be at rates no less favourable to Florens Group (as purchaser or service receiving party, as the case may be) than that at which the Line charge independent third parties for the relevant transactions. For the year ended 31st December 2010, Florens did not pay any fees to the Line pursuant to such agreement.

(5) Nansha Container Terminal Services Master Agreement entered into between COSCO Ports, GZ South China and GZ Port Holding in respect of the following transactions:

(a) Provision of container terminal related services by GZ South China to GZ Port Holding and its subsidiaries, branches and associates ("GZ Port Group"). The annual caps of aggregate amount receivable by GZ South China from GZ Port Group for such services for the years ended/ending 31st December 2010, 2011 and 2012 are RMB14,900,000, RMB20,500,000 and RMB26,400,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2010 was RMB4,420,480.

(b) Provision of container terminal related services by members of GZ Port Group to GZ South China. The annual caps of the aggregate amount payable by GZ South China to GZ Port Group for such services for the years ended/ending 31st December 2010, 2011 and 2012 are RMB73,050,000, RMB87,120,000 and RMB104,970,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2010 was RMB29,918,014.

(c) 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) in respect of cargoes entering and departing from the phase 2 terminal at the Nansha Port in accordance with the applicable laws and regulations and/or as required by the relevant government or supervisory authorities from time to time. The relevant annual caps are as follows:

(i) The annual caps of the aggregate amount of the port construction fee payable by GZ South China to GZ Port Holding for the years ended/ending 31st December 2010, 2011 and 2012 are RMB30,000,000, RMB36,500,000 and RMB40,500,000 respectively. The total amount of the aforesaid fee paid by GZ South China to GZ Port Holding for the year ended 31st December 2010 was RMB26,459,140.

(ii) The annual caps of the aggregate amount of the handling fee receivable by GZ South China from GZ Port Holding in respect of the charging of the port construction fee for the years ended/ending 31st December 2010, 2011 and 2012 are RMB100,000, RMB150,000 and RMB180,000 respectively. The total amount of the handling fee received by GZ South China from GZ Port Holding for the year ended 31st December 2010 was RMB98,175.

(iii) The annual caps of the aggregate amount of the refunded fee receivable by GZ South China from GZ Port Holding in respect of the charging of the port construction fee for the years ended/ending 31st December 2010, 2011 and 2012 are RMB7,700,000, RMB11,850,000 and RMB14,420,000 respectively. The total amount of the refunded fee received by GZ South China from GZ Port Holding for the year ended 31st December 2010 was RMB5,485,204.

(d) The appointment of GZ South China by GZ Port Holding to charge on behalf of GZ Port Holding the vessels which use the high-frequency wireless communication services (甚高頻無線電通訊服務) at the Guangzhou port, or the agents of such vessels, the high-frequency communication fee (甚高頻通訊費) at a rate as prescribed by GZ Port Holding from time to time. The relevant annual caps are as follows:

(i) The annual caps of the aggregate amount of the high-frequency communication fee payable by GZ South China to GZ Port Holding for the years ended/ending 31st December 2010, 2011 and 2012 are RMB1,000,000, RMB2,200,000 and RMB3,000,000 respectively. The total amount of the aforesaid fee paid by GZ South China to GZ Port Holding for the year ended 31st December 2010 was RMB353,650.

(ii) The annual caps of the aggregate amount of the handling fee receivable by GZ South China in respect of the charging of the high-frequency communication fee for the years ended/ending 31st December 2010, 2011 and 2012 are RMB30,000, RMB70,000 and RMB90,000 respectively. The total amount of the handling fee received by GZ South China for the year ended 31st December 2010 was RMB6,302.

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

(6) Yangzhou Terminal Services Master Agreement entered into between COSCO Ports, Yangzhou Yuanyang International Ports Co. Ltd. ("Yangzhou Yuanyang", a subsidiary of the Company), and Jiangsu Province Yangzhou Port Group Co., Ltd. (江蘇省揚州港務集團有限公司) ("Yangzhou Port Holding") in respect of the following transactions:

(a) Provision of terminal related services by Yangzhou Port Holding and its subsidiaries, branches and associates ("Yangzhou Port Group") to Yangzhou Yuanyang. The annual caps of the aggregate amount payable by Yangzhou Yuanyang to Yangzhou Port Group for such services for the years ended/ending 31st December 2010, 2011 and 2012 are RMB68,985,000, RMB92,080,000 and RMB136,188,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2010 was RMB52,863,094.

(b) The appointment of Yangzhou Yuanyang by Yangzhou Port Holding to charge on behalf of Yangzhou Port Holding the port construction fee in respect of cargoes entering and departing from the terminals of Yangzhou Yuanyang in accordance with the applicable laws and regulations and/or as required by the relevant government or supervisory authorities from time to time. The relevant annual caps are as follows:

(i) The annual caps of the aggregate amount of the port construction fee payable by Yangzhou Yuanyang to Yangzhou Port Holding for the years ended/ending 31st December 2010, 2011 and 2012 are RMB1,700,000, RMB2,035,000 and RMB2,442,000 respectively. The total amount of port construction fee paid by Yangzhou Yuanyang to Yangzhou Port Holding for the year ended 31st December 2010 was RMB855,248.

(ii) The annual caps of the aggregate amount of the refunded fee receivable by Yangzhou Yuanyang from Yangzhou Port Holding in respect of the charging of the port construction fee for the years ended/ending 31st December 2010, 2011 and 2012 are RMB424,000, RMB509,000 and RMB611,000 respectively. For the year ended 31st December 2010, Yangzhou Yuanyang did not receive any refunded fees from Yangzhou Port Holding pursuant to such agreement.

(c) The appointment of Yangzhou Yuanyang by Yangzhou Port Holding to receive on behalf of the relevant members of Yangzhou Port Group the service fees which are payable by independent third party terminal users to such members of Yangzhou Port Group in accordance with tripartite agreements between the relevant member of Yangzhou Port Group, Yangzhou Yuanyang and such independent third party terminal users and are paid by such independent third party terminal users to Yangzhou Yuanyang.

Under the above appointment, Yangzhou Yuanyang shall pay the entire amount of the service fees to the relevant members of Yangzhou Port Group, and Yangzhou Yuanyang shall not be liable to pay any of such service fees to the relevant members of Yangzhou Port Group if the relevant independent third party terminal users fail to pay such fees to Yangzhou Port Group; and no amount is receivable by Yangzhou Yuanyang in respect of the receipt of service fees from independent third party terminal users on behalf of Yangzhou Port Group. Accordingly, no annual cap was set in respect of such payment arrangement.

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

(7) COSCON Container Services Master Agreement entered into between Plangreat Limited ("Plangreat", a wholly owned subsidiary of the Company), COSCO and COSCON in respect of the provision of container related services by Plangreat and its subsidiaries to members of COSCO Group (including COSCON). The service fees shall be at rates no less favourable to Plangreat and its subsidiaries than that at which Plangreat and its subsidiaries charge independent third parties for the relevant services.

The annual cap of the aggregate amount receivable by Plangreat and its subsidiaries from COSCO Group for each of the years ended/ending 31st December 2010, 2011 and 2012 is US$3,372,000. The total amount of the aforesaid transactions for the year ended 31st December 2010 was US$2,165,311.

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

(a) Grant of leases of containers (being containers which have been used for at least 10 years) for a term of not more than 3 years by members of Florens Group to members of COSCO Group. The annual caps of the aggregate amount receivable by Florens Group from COSCO Group for such transactions for the years ended/ending 31st December 2010, 2011 and 2012 are US$468,000, US$985,000 and US$1,358,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2010 was US$14,345.

(b) Sales of old containers by members of Florens Group to members of COSCO Group (including COSCON). The annual caps of the aggregate amount receivable by Florens Group from COSCO Group for such transactions for the years ended/ending 31st December 2010, 2011 and 2012 are US$2,500,000, US$3,000,000 and US$3,300,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2010 was US$87,500.

(c) Provision of container related services by members of Florens Group to members of COSCO Group (including COSCON). The annual caps of the aggregate amount receivable by Florens Group from COSCO Group for such services for the years ended/ending 31st December 2010, 2011 and 2012 are US$1,000,000, US$1,500,000 and US$1,800,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2010 was US$5,109.

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

(9) Florens-APMM Container Leasing, Sales and Related Services Master Agreement entered into between Florens and the Line in respect of the following transactions:

(a) Grant of leases of containers for a term of not more than 3 years by members of Florens Group to the Line. The annual caps of the aggregate amount receivable by Florens Group from the Line for such transactions for the years ended/ending 31st December 2010, 2011 and 2012 are US$55,000, US$65,000 and US$80,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2010 was US$16,337.

(b) Sales of old containers by members of Florens Group to the Line. The annual caps of the aggregate amount receivable by Florens Group from the Line for the aforesaid transactions for the years ended/ending 31st December 2010, 2011 and 2012 are US$300,000, US$350,000 and US$400,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2010 was US$61,540.

(c) Provision of container related services by members of Florens Group to the Line. The annual caps of the aggregate amount receivable by Florens Group from the Line for the aforesaid services for each of the years ended/ending 31st December 2010, 2011 and 2012 is US$20,000. The total amount of the aforesaid transactions for the year ended 31st December 2010 was US$19,875.

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

(10) Diesel Oil Purchase Master Agreement entered into between COSCO Ports, GZ South China and China Marine Bunker 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. The terms for the supply of diesel oil by CM Supply shall be no less favourable to GZ South China than terms available to independent third parties from CM Supply for the relevant transactions.

The annual caps of the aggregate amount payable by GZ South China to CM Supply for the years ended/ending 31st December 2010, 2011 and 2012 are RMB35,000,000, RMB40,000,000 and RMB50,000,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2010 was RMB11,740,916.

(11) Zhangjiagang Container Terminal Services Master Agreement entered into between COSCO Ports, Zhangjiagang Win Hanverky and Zhangjiagang Port Holding in respect of the following transactions:

(a) Provision of container terminal related services by Zhangjiagang Win Hanverky to Zhangjiagang Port Holding and its subsidiaries, branches and associates ("Zhangjiagang Port Group"). The annual caps of the aggregate amount receivable by Zhangjiagang Win Hanverky from Zhangjiagang Port Group for such services for the years ended/ending 31st December 2010, 2011 and 2012 are RMB8,450,000, RMB9,970,000 and RMB12,490,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2010 was RMB125,037.

(b) Provision of container terminal related services by members of Zhangjiagang Port Group to Zhangjiagang Win Hanverky. The annual caps of the aggregate amount payable by Zhangjiagang Win Hanverky to Zhangjiagang Port Group for the abovementioned services for the years ended/ending 31st December 2010, 2011 and 2012 are RMB18,990,000, RMB23,980,000 and RMB29,390,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2010 was RMB15,115,105.

(c) The appointment of Zhangjiagang Win Hanverky by Zhangjiagang Port Holding to charge on behalf of Zhangjiagang Port Holding the port construction fee in respect of cargoes entering and departing from the terminal of Zhangjiagang Win Hanverky in accordance with the applicable laws and regulations and/or as required by the relevant government or supervisory authorities from time to time. The relevant annual caps are as follows:

(i) The annual caps of the aggregate amount of the port construction fee payable by Zhangjiagang Win Hanverky to Zhangjiagang Port Holding for the years ended/ending 31st December 2010, 2011 and 2012 are RMB18,260,000, RMB21,910,000 and RMB26,290,000 respectively. The total amount of the aforesaid fee paid by Zhangjiagang Win Hanverky to Zhangjiagang Port Holding for the year ended 31st December 2010 was RMB17,366,069.

(ii) The annual caps of the aggregate amount of the handling fee receivable by Zhangjiagang Win Hanverky from Zhangjiagang Port Holding in respect of the charging of the port construction fee for the years ended/ending 31st December 2010, 2011 and 2012 are RMB92,000, RMB110,000 and RMB132,000 respectively. The total amount of the handling fee received by Zhangjiagang Win Hanverky from Zhangjiagang Port Holding for the year ended 31st December 2010 was RMB76,990.

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

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

(12) Xiamen Container Terminal Services Master Agreement entered into between COSCO Ports, Xiamen Ocean Gate Container Terminal Co., Ltd. ("Xiamen Ocean Gate", a subsidiary of the Company), and Xiamen Haicang Investment Group Co., Ltd. (廈門海滄投資集團有限公司) ("Xiamen Haicang Holding") in respect of the provision of container terminal related services by Xiamen Haicang Holding and its subsidiaries, branches and associates ("Xiamen Haicang Group") to Xiamen Ocean Gate. The terms for the provision of services by Xiamen Haicang Group shall be no less favourable to Xiamen Ocean Gate than terms available to independent third parties from Xiamen Haicang Group for the relevant services.

The annual caps of the aggregate amount payable by Xiamen Ocean Gate to Xiamen Haicang Group for the abovementioned services for the years ended/ending 31st December 2010, 2011 and 2012 are RMB3,200,000, RMB19,700,000 and RMB22,200,000 respectively. The total amount for the aforesaid transactions for the year ended 31st December 2010 was RMB2,300,000.

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

GZ Port Holding indirectly holds a 41% equity interest in GZ South China. Accordingly, members of GZ Port Group (including GZ Port Holding) are connected persons of the Company. As Yangzhou Port Holding indirectly holds a 40% equity interest in Yangzhou Yuanyang, members of Yangzhou Port Group (including Yangzhou Port Holding) are connected persons of the Company. CM Supply is owned as to 50% by COSCO and hence CM Supply is a connected person of the Company. Zhangjiagang Port Holding holds a 49% equity interest in Zhangjiagang Win Hanverky. Accordingly, members of Zhangjiagang Port Group (including Zhangjiagang Port Holding) are connected persons of the Company. Xiamen Haicang Holding indirectly holds a 30% equity interest in Xiamen Ocean Gate. Therefore, members of Xiamen Haicang Group (including Xiamen Haicang Holding) are connected persons of the Company.

Each of the above master agreements and the transactions contemplated thereunder constituted continuing connected transactions under Chapter 14A of the Listing Rules. The continuing connected transactions under agreements no. (1) to (6) above are subject to the reporting, announcement and independent shareholders' approval requirements. Accordingly, the written approval for the transactions under agreements no. (2), (4), (5) and (6) above was obtained from COSCO Pacific Investment Holdings Limited and COSCO Investments Limited (both being subsidiaries of COSCO and together being interested in an aggregate of 51.20% of the total issued share capital of the Company as at the date of such agreements). The continuing connected transactions under agreements no. (1) and (3) above were approved by the independent shareholders of the Company at the special general meeting held on 7th January 2010.

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

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

During the year, long term container leasing transactions were entered into between COSCO Group and the Group in respect of the provision of long term container leases by the Group to COSCO Group to which the Stock Exchange had, subject to certain conditions, granted waiver dated 14th December 1994 to the Company from strict compliance with the requirements stipulated in the then Chapter 14 of the Listing Rules to disclose details of such connected transactions by press notice and/or circular and/or to obtain prior independent shareholders' approval. The total consideration of the aforesaid transactions for the year ended 31st December 2010 amounted to US$123,308,877. 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 three 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 three independent container leasing companies and were fair and reasonable so far as the shareholders of the Company were concerned; and

(ii) the 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 Container Services Company Limited, the transactions entered into by GZ South China and the transactions entered into by COSCO Ports, PCT, Florens, GZ South China, Yangzhou Yuanyang, Plangreat, Zhangjiagang Win Hanverky and Xiamen Ocean Gate under the master agreements were:

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

Report from the auditor on the continuing connected transactions

For the purposes of the conditions of the waiver in relation to long term container leasing transactions, the Board engaged the auditor of the Company to perform certain agreed-upon procedures on the long term container leasing transactions for the year ended 31st December 2010 (the "Relevant Year") in accordance with Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants, and the auditor reported that the long term container leasing transactions for the Relevant Year had been conducted in the ordinary and normal course of business of the Group and by reference to, if applicable, the average of the available leasing rates quoted from three independent container leasing companies.

For the purposes of Rule 14A.38 of the Listing Rules in relation to the other continuing connected transactions, the Board engaged the auditor of the Company to report on the above other continuing connected transactions as identified by management for the Relevant Year in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the other continuing connected transactions, including the rental of 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 Container Services Company Limited, the transactions entered into by GZ South China and the transactions entered into by COSCO Ports, PCT, Florens, GZ South China, Yangzhou Yuanyang, Plangreat, Zhangjiagang Win Hanverky and Xiamen Ocean Gate under the master agreements for the Relevant Year, in accordance with paragraph 14A.38 of Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Disclosure under Rule 13.22 of Chapter 13 of the Listing Rules

In relation to the financial assistance granted by the Group to certain affiliated companies, a proforma combined balance sheet of the affiliated companies as at 31st December 2010 required to be disclosed under Rule 13.22 of Chapter 13 of the Listing Rules is set out below:

	US$'000
Non-current assets	7,856,742
Current assets	2,387,049
Current liabilities	(4,994,235)
Non-current liabilities	(1,707,315)
Net assets	3,542,241
Share capital	483,838
Reserves	1,475,380
Non-controlling interest	1,583,023
Capital and reserves	3,542,241

As at 31st December 2010, the Group's attributable interests in these affiliated companies amounted to US$1,013,938,000.

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, 23rd March 2011

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 127 to 206, which comprise the consolidated and company balance sheets as at 31st December 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st December 2010, 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, 23rd March 2011

Consolidated Balance Sheet

As at 31st December 2010

	Note	2010 US$'000	2009 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	2,127,307	1,834,079
Investment properties	8	4,742	4,169
Land use rights	9	141,736	148,237
Intangible assets	10	7,593	5,719
Jointly controlled entities	12	460,898	431,132
Loans to jointly controlled entities	12	131,342	160,147
Associates	13	1,460,370	730,102
Loans to associates	13	28,500	32,440
Available-for-sale financial assets	14	25,000	320,000
Finance lease receivables	15	1,418	1,051
Deferred income tax assets	16	3,477	1,980
Derivative financial instruments	17	19,532	16,556
Other non-current assets	18	64,466	71,511
		4,476,381	3,757,123
Current assets			
Inventories	19	13,553	9,821
Trade and other receivables	20	214,771	182,315
Current income tax recoverable		860	1,355
Available-for-sale financial assets	14	—	20,581
Restricted bank deposits	42(b)	—	14
Cash and cash equivalents	42(b)	524,274	405,740
		753,458	619,826
Assets held for sale	21	22,078	258,363
		775,536	878,189
Total assets		5,251,917	4,635,312
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	22	34,801	29,018
Reserves		3,245,993	2,686,147
Proposed final dividend		67,327	27,128
		3,348,121	2,742,293
Non-controlling interests		145,741	116,058
Total equity		3,493,862	2,858,351

Consolidated Balance Sheet

As at 31st December 2010

	Note	2010 US$'000	2009 US$'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	16	29,814	19,603
Long term borrowings	25	1,389,646	1,410,671
Other long term liabilities	26	2,425	744
		1,421,885	1,431,018
Current liabilities			
Trade and other payables	27	162,370	148,000
Current income tax liabilities		4,691	4,329
Current portion of long term borrowings	25	136,045	83,051
Short term bank loans	25	33,064	110,563
		336,170	345,943
Total liabilities		1,758,055	1,776,961
Total equity and liabilities		5,251,917	4,635,312
Net current assets		439,366	532,246
Total assets less current liabilities		4,915,747	4,289,369

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 135 to 206 are an integral part of these consolidated financial statements.

Balance Sheet

As at 31st December 2010

	Note	2010 US$'000	2009 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	153	195
Subsidiaries	11	2,526,768	2,087,060
		2,526,921	2,087,255
Current assets			
Other receivables	20	360	246
Amounts due from subsidiaries	11	325,869	252,216
Cash and cash equivalents	42(b)	269,988	59,028
		596,217	311,490
Total assets		3,123,138	2,398,745
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	22	34,801	29,018
Reserves	24	2,279,599	1,599,916
Proposed final dividends	24	67,327	27,128
Total equity		2,381,727	1,656,062
LIABILITIES			
Non-current liability			
Loan due to a subsidiary	11	296,655	296,655
Current liabilities			
Other payables	27	2,955	5,195
Amounts due to subsidiaries	11	441,801	440,833
		444,756	446,028
Total liabilities		741,411	742,683
Total equity and liabilities		3,123,138	2,398,745

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 135 to 206 are an integral part of these consolidated financial statements.

Consolidated Income Statement

For the year ended 31st December 2010

	Note	2010 US$'000	2009 US$'000
Continuing operations:			
Revenue	6	446,492	349,424
Cost of sales		(279,768)	(200,174)
Gross profit		166,724	149,250
Investment income		1,612	22,339
Administrative expenses		(59,823)	(62,949)
Other operating income	28	21,172	10,009
Other operating expenses		(16,418)	(18,731)
Operating profit	29	113,267	99,918
Finance income	30	6,537	6,005
Finance costs	30	(29,439)	(39,805)
Operating profit after finance income and costs		90,365	66,118
Share of profits less losses of			
– jointly controlled entities		74,654	59,183
– associates		132,120	32,890
Profit on disposal of a jointly controlled entity	31	—	5,516
Profit before income tax from continuing operations		297,139	163,707
Income tax expenses	32	(15,653)	(13,286)
Profit for the year from continuing operations		281,486	150,421
Discontinued operation:			
Profit on disposal of a jointly controlled entity, net of tax	21(a)	84,710	—
Share of profit of a jointly controlled entity		—	25,627
Profit for the year from discontinued operation		84,710	25,627
Profit for the year		366,196	176,048
Profit attributable to:			
Equity holders of the Company	33	361,307	172,526
Non-controlling interests		4,889	3,522
		366,196	176,048
Dividends	34	159,113	69,162
Earnings per share for profit attributable to equity holders of the Company			
– basic	35		
– from continuing operations		US10.85 cents	US6.52 cents
– from discontinued operation		US3.32 cents	US1.14 cents
		US14.17 cents	US7.66 cents
– diluted	35		
– from continuing operations		US10.84 cents	US6.52 cents
– from discontinued operation		US3.32 cents	US1.14 cents
		US14.16 cents	US7.66 cents

The accompanying notes on pages 135 to 206 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31st December 2010

	2010 US$'000	2009 US$'000
Profit for the year	366,196	176,048
Other comprehensive income		
Exchange differences arising on translation of financial statements of foreign subsidiaries, jointly controlled entities and associates	45,138	9,831
Net fair value (loss)/gain on available-for-sale financial assets	(1,000)	43,824
Release of investment revaluation reserve upon reclassification of an available-for-sale financial asset to an associate	(237,023)	—
Share of reserves upon reclassification of an available-for-sale financial asset to an associate	48,385	—
Release of reserves upon disposal of a jointly controlled entity	(46,364)	—
Release of reserve upon disposal of available-for-sale financial assets	(7,020)	(85)
Fair value adjustment upon transfer from property, plant and equipment to investment properties	—	294
Share of reserves of jointly controlled entities and associates		
– exchange reserve	(3,847)	4,937
– revaluation reserve	(8,643)	6,554
– hedging reserve	(630)	(433)
– other reserves	(93)	6,644
Other comprehensive income for the year	(211,097)	71,566
Total comprehensive income for the year	155,099	247,614
Total comprehensive income attributable to:		
Equity holders of the Company	145,944	243,935
Non-controlling interests	9,155	3,679
	155,099	247,614

The accompanying notes on pages 135 to 206 are an integral part of the consolidated financial statement.

Consolidated Statement of Changes in Equity

For the year ended 31st December 2010

	Share capital US$'000	Share premium US$'000	Share option reserve US$'000	Capital reserve US$'000	Contributed surplus US$'000	Investment revaluation reserve US$'000	Properties revaluation reserve US$'000	Exchange reserve US$'000	Other reserves US$'000	Retained profits US$'000	Total reserves US$'000	Non-controlling interests US$'000	Total US$'000
At 1st January 2010	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
Profit for the year	–	–	–	–	–	–	–	–	–	361,307	361,307	4,889	366,196
Exchange differences arising on translation of financial statements of foreign subsidiaries, jointly controlled entities and associates	–	–	–	–	–	–	–	40,872	–	–	40,872	4,266	45,138
Fair value loss on an available-for-sale financial asset	–	–	–	–	–	(1,000)	–	–	–	–	(1,000)	–	(1,000)
Release of investment revaluation reserve upon reclassification of an available-for-sale financial asset to an associate	–	–	–	–	–	(237,023)	–	–	–	–	(237,023)	–	(237,023)
Share of reserves upon reclassification of an available-for-sale financial asset to an associate	–	–	–	–	–	–	–	–	–	48,385	48,385	–	48,385
Share of reserves of jointly controlled entities and associates	–	–	–	7	–	(8,643)	–	(3,847)	(730)	–	(13,213)	–	(13,213)
Release of reserve upon disposal of a jointly controlled entity	–	–	–	1,356	–	(13,376)	–	(32,987)	2,360	(3,717)	(46,364)	–	(46,364)
Release of reserve upon disposal of an available-for-sale financial asset	–	–	–	–	–	(6,333)	–	(687)	–	–	(7,020)	–	(7,020)
Total comprehensive income for the year	–	–	–	1,363	–	(266,375)	–	3,351	1,630	405,975	145,944	9,155	155,099
Placement of shares	5,783	595,698	–	–	–	–	–	–	–	–	595,698	–	601,481
Share issue expenses	–	(17,359)	–	–	–	–	–	–	–	–	(17,359)	–	(17,359)
Transfer of reserve upon lapse of share option	–	–	(706)	–	–	–	–	–	–	706	–	–	–
Capital contributions from non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	24,449	24,449
Transfer of reserves	–	–	–	–	–	–	–	–	5,471	(5,471)	–	–	–
Share of reserves of an associate	–	–	–	–	–	–	–	–	2,003	(7,327)	(5,324)	–	(5,324)
Dividends paid to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(3,921)	(3,921)
Dividends paid to equity holders of the Company													
- 2009 final	–	–	–	–	–	–	–	–	–	(32,552)	(32,552)	–	(32,552)
- 2010 interim and special interim	–	–	–	–	–	–	–	–	–	(86,362)	(86,362)	–	(86,362)
	5,783	578,339	(706)	1,363	–	(266,375)	–	3,351	9,104	274,969	600,045	29,683	635,511
At 31st December 2010	34,801	1,296,828	9,702	6,049	115	(8,080)	1,160	163,642	60,941	1,782,963	3,313,320	145,741	3,493,862
Representing:													
Share capital	34,801	–	–	–	–	–	–	–	–	–	–		
Reserves	–	1,296,828	9,702	6,049	115	(8,080)	1,160	163,642	60,941	1,715,636	3,245,993		
2010 final dividend proposed	–	–	–	–	–	–	–	–	–	67,327	67,327		
	34,801	1,296,828	9,702	6,049	115	(8,080)	1,160	163,642	60,941	1,782,963	3,313,320		

	Share capital US$'000	Share premium US$'000	Share option reserve US$'000	Capital reserve US$'000	Contributed surplus US$'000	Investment revaluation reserve US$'000	Properties revaluation reserve US$'000	Exchange reserve US$'000	Other reserves US$'000	Retained profits US$'000	Total reserves US$'000	Non-controlling interests US$'000	Total US$'000
At 1st January 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 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 non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	22,944	22,944
Transfer of reserves	–	–	–	–	–	–	–	–	5,592	(5,592)	–	–	–
Dividends paid to non-controlling 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		

The accompanying notes on pages 135 to 206 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31st December 2010

	Note	2010 US$'000	2009 US$'000
Cash flows from operating activities			
Cash generated from operations	42(a)	250,631	176,672
Interests received		2,912	1,140
Net cash received from interest rate swap contracts		8,398	3,610
Tax refunded		109	90
Tax paid		(6,348)	(6,616)
Net cash generated from operating activities		255,702	174,896
Cash flows from investing activities			
Dividends received from jointly controlled entities		50,678	73,154
Dividends received from associates		40,609	18,169
Dividends received from available-for-sale financial assets		1,493	22,254
Purchase of property, plant and equipment		(375,342)	(364,716)
Acquisition of a business		—	(7,889)
Acquisition of associates		(428,733)	—
Investments in an jointly controlled entity		(9,052)	(13,560)
Investments in an associate		(7,030)	—
Loans advanced to associates and an investee company		(126,056)	(25,467)
Repayment of loans by an associate and an investee company		6,868	43,281
Sale of available-for-sale financial assets		20,581	3,808
Sale of property, plant and equipment		5,996	1,504
Net proceeds on disposal of jointly controlled entities		300,161	16,400
Compensation received for loss of containers		1,789	464
Increase in other non-current assets		—	(66,658)
Decrease in restricted bank deposits		—	77,345
Net cash used in investing activities		(518,038)	(221,911)
Cash flows from financing activities			
Loans borrowed		202,401	285,783
Loans repaid		(265,153)	(100,749)
Issue of shares		601,481	25
Share issue expenses		(17,359)	—
Dividends paid to equity holders of the Company		(118,914)	(53,532)
Dividends paid to non-controlling shareholders of subsidiaries		(3,656)	(5,003)
Interests paid		(43,931)	(48,978)
Other incidental borrowing costs paid		(44)	(322)
Capital contributions by non-controlling shareholders of subsidiaries		24,449	22,944
Net cash generated from financing activities		379,274	100,168
Net increase in cash and cash equivalents		116,938	53,153
Cash and cash equivalents at 1st January		405,740	351,606
Exchange differences		1,596	981
Cash and cash equivalents at 31st December	42(b)	524,274	405,740

The accompanying notes on pages 135 to 206 are an integral part of these consolidated financial statements.

1 General information

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

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

These consolidated financial statements have been approved for issue by the Board of Directors on 23rd March 2011.

2 Basis of preparation

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

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

(a) Adoption of new HKFRSs

In 2010, the Group has adopted the following 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 2010:

HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 Amendment	Financial Instruments: Recognition and Measurement – Eligible Hedged Items
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards
HKFRS 1 Amendment	Additional Exemptions for First-time Adopters
HKFRS 2 Amendment	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners

2 Basis of preparation (Continued)

(a) Adoption of new HKFRSs (Continued)

Improvements to existing standards

HKAS 1 (Revised) Amendment	Presentation of Financial Statements
HKAS 7 Amendment	Statement of Cash Flows
HKAS 17 Amendment	Leases
HKAS 18 Amendment	Revenue
HKAS 36 Amendment	Impairment of Assets
HKAS 38 Amendment	Intangible Assets
HKAS 39 Amendment	Financial Instruments: Recognition and Measurement
HKFRS 2 Amendment	Share-based Payments
HKFRS 5 Amendment	Non-current Assets Held for Sale and Discontinued Operations
HKFRS 8 Amendment	Operating Segments
HK(IFRIC)-Int 9 Amendment	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 16 Amendment	Hedges of a Net Investment in a Foreign Operation

In November 2010, the HKICPA issued HK-Int 5 "Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause" which is effective immediately and is adopted by the Group for the year ended 31st December 2010.

In addition, the Group has early adopted HKAS 24 (Revised) "Related Party Disclosures" for the year ended 31st December 2010.

Except that the adoption of HKAS 24 (Revised), HKAS 27 (Revised), HKFRS 3 (Revised), HKAS 17 Amendment and HK-Int 5 had resulted in changes in accounting policies as described below, the adoption of the other 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.

(i) HKAS 24 (Revised) introduced an exemption from all of the disclosure requirements of HKAS 24 for transactions among government-related entities and the government. Those disclosures are replaced with a requirement to disclose the name of the government and the nature of their relationship, the nature and amount of any individually-significant transactions, and the extent of any collectively-significant transactions qualitatively or quantitatively. It also clarifies and simplifies the definition of a related party.

2 Basis of preparation (Continued)

(a) Adoption of new HKFRSs (Continued)

Improvements to existing standards (Continued)

(ii) HKAS 27 (Revised) required the effects of all transactions with non-controlling interests to be recorded in equity if there was no change in control. These transactions would no longer result in goodwill or gains and losses. When control over a previous subsidiary was lost, any remaining interest in the entity was re-measured to fair value and the resulting gain or loss was recognised in the consolidated income statement.

HKFRS 3 (Revised) continued to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business were to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the consolidated income statement. There was a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. When a business combination was achieved in stages, the acquirer should re-measure its previously held interest in the acquiree at its fair value at the date of control is obtained, recognising a gain or loss in the consolidated income statement. All acquisition-related costs should be expensed.

The changes in the accounting policy in respect of the adoption of HKAS 27 (Revised) and HKFRS 3 (Revised) had been applied prospectively to transactions during the year ended 31st December 2010 and there was no significant effect on the consolidated financial statements.

(iii) HKAS 17 Amendment removed the specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating using the general principles of the standard.

The Group has reassessed the classification of leasehold land and land use rights on the basis of information existing at the inception of those leases, and recognised the leasehold land and land use rights in Hong Kong and outside Hong Kong as finance lease and operating lease respectively. However, the change in the accounting policy in respect of the adoption of HKAS 17 Amendment had been applied prospectively as the effect of the reclassification in prior years was insignificant to the consolidated financial statements (notes 7 and 9).

(iv) HK-Int 5 clarifies that under existing HKAS 1, this requires the liability to be classified as current liability if the borrower does not have the unconditional right at the reporting date to defer settlement for at least twelve months after the balance sheet date.

The change in the accounting policy in respect of the adoption of HK-Int 5 had been applied retrospectively and there was no significant effect on the consolidated financial statements.

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 2010 and have not been early adopted by the Group

The HKICPA has issued the following new HKFRSs standards, interpretations, amendments or improvements to existing standards which are not yet effective for the year ended 31st December 2010 and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
New standards, interpretations and amendments		
HKAS 12 Amendment	Deferred Tax: Recovery of Underlying Assets	1st January 2012
HKAS 32 Amendment	Classification of Right Issues	1st February 2010
HKFRS 1 Amendment	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters	1st July 2010
HKFRS 1 Amendment	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	1st July 2011
HKFRS 7 Amendment	Disclosures — Transfers of Financial Assets	1st July 2011
HKFRS 9	Financial Instruments	1st January 2013
HK(IFRIC)-Int 14 Amendment	Prepayments of a Minimum Funding Requirement	1st January 2011
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments	1st July 2010
Improvements to existing standards		
HKAS 1 (Revised) Amendment	Presentation of Financial Statements	1st January 2011
HKAS 27 (Revised) Amendment	Consolidated and Separate Financial Statements	1st July 2010
HKAS 34 Amendment	Interim Financial Reporting	1st January 2011
HKFRS 1 Amendment	First time Adoption of Hong Kong Financial Reporting Standards	1st January 2011
HKFRS 3 (Revised) Amendment	Business Combinations	1st July 2010
HKFRS 7 Amendment	Financial Instruments: Disclosures	1st January 2011
HK(IFRIC)-Int 13 Amendment	Customer Loyalty Programmes	1st January 2011

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 the Group's significant accounting policies and presentation of the financial information will be resulted.

3 Summary of significant accounting policies

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

3.1 Group accounting

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

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, 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. 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.

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

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

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, balances and unrealised gains and losses on transactions 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 with jointly controlled entities and associates 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. 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.

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

(b) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

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

(c) 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.

(d) 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.

(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 Summary of significant accounting policies (Continued)

3.3 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

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

(c) Group companies

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

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

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

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

On 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 other comprehensive income. 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 consolidated income statement during the financial period in which they are incurred.

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

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

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

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

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

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

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

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

3.5 Land use rights

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

3 Summary of significant accounting policies (Continued)

3.6 Investment properties

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

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

Investment properties are measured initially at 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 consolidated income statement. The fair value of investment properties reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

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

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting 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 other comprehensive income as properties revaluation reserve under HKAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the consolidated income statement. Properties revaluation reserve, including any previously recognised, shall remain and be transferred to retained profits upon disposal of properties.

3.7 Assets held for sale

Non-current assets are classified as held for sale when their carrying amount is to be recovered principally 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 other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the consolidated income statement as gains or losses from investments.

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

3 Summary of significant accounting policies (Continued)

3.11 Derivative financial instruments and hedging activities

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

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

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

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

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

3.12 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
- 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.

3 Summary of significant accounting policies (Continued)

3.12 Impairment of financial assets (Continued)

(a) Assets carried at amortised cost (Continued)

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 consolidated income statement) is removed from equity and recognised in the consolidated income statement. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

3.13 Inventories

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

3.14 Trade and other receivables

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

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

3.15 Cash and cash equivalents

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

3 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 consolidated income statement on a straight-line basis over the lease periods.

(b) Leases – where the Group is the lessor

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

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

3.17 Provisions

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

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

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

3.18 Trade and other payables

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

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

3.19 Financial guarantee contracts

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

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

3.20 Share capital

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

3 Summary of significant accounting policies (Continued)

3.21 Borrowings

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

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

3.22 Current and deferred income tax

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

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.

3.23 Employee benefits

(a) Retirement benefit costs

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

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

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

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

3 Summary of significant accounting policies (Continued)

3.23 Employee benefits (Continued)

(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 consolidated income statement, with a corresponding adjustment to equity over the remaining vesting period.

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

3.24 Recognition of revenue and income

The Group recognises revenue and income on the following bases:

(a) Revenue from terminal operations

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

(b) Revenue from leasing of containers and generator sets

Rental income from leasing of containers and generator sets under operating leases 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.

3 Summary of significant accounting policies (Continued)

3.24 Recognition of revenue and income (Continued)

(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.

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 consolidated 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 Government subsidy

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

3.28 Dividend distribution

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

3.29 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.

3 Summary of significant accounting policies (Continued)

3.29 Contingent liabilities and contingent assets (Continued)

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.

(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 US$328,000 (2009: US$305,000) 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.

4 Financial risk management (Continued)

4.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(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$3,952,000 (2009: US$4,816,000).

(b) Credit risk

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

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

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

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

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

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

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

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 2010				
Bank and other borrowings	211,842	336,311	949,459	251,223
Trade and other payables	162,370	—	—	—
Financial guarantee contracts	—	—	16,044	13,461
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	—
Company				
At 31st December 2010				
Loan due to a subsidiary	—	—	296,655	—
Other payables	2,955	—	—	—
Amounts due to subsidiaries	441,801	—	—	—
Financial guarantee contracts	108,000	266,000	774,044	13,461
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	—

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. During the current year, the Company completed placement of shares to strengthen the Company's balance sheet and cash resources and to support the acquisition of Sigma Enterprises Limited ("Sigma") and Wattrus Limited "Wattrus" (note 13(a)). As at 31st December 2010, the net debt to equity ratio is 29.6% (2009: 41.9%).

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

4 Financial risk management (Continued)

4.3 Fair value estimation

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

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

The following table presents the Group's financial instruments that are measured at fair value at 31st December 2010:

	2010 Level 2 US$'000	2009 Level 2 US$'000
Available-for-sale financial assets	25,000	340,581
Derivatives financial instruments	19,532	16,556
Borrowings under fair value hedge	219,652	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.

(a) Useful lives and residual values of containers

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

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

Management reviewed the residual values and useful lives of property, plant and equipment as at 1st January 2010. The estimated residual values remained unchanged.

5 Critical accounting estimates and judgements (Continued)

5.1 Critical accounting estimates and assumptions (Continued)

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

If the useful lives of containers differ by 10% from management's estimates as at 31st December 2010 with all other variables held constant, the estimated depreciation charge for the year would be US$11,065,000 higher or US$8,414,000 lower for the year ended 31st December 2010.

If the residual values of containers differ by 10% from management's estimates as at 31st December 2010 with all other variables held constant, the estimated depreciation charge for the year would be US$2,405,000 higher or US$2,405,000 lower for the year ended 31st December 2010.

(b) Impairment of containers

Containers represent the Group's major operating assets. 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. There would be no significant impact on the carrying amount of the containers if the estimated future income stream from the use and subsequent resale of the containers or the estimated pre-tax discount rate applied to the value-in-use calculations differ by 5% from management's estimates.

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.

(c) Acquisition of associates and a business

The initial accounting on the acquisition of associates and a business involves identifying and determining the fair values to be assigned to the identifiable assets, liabilities and contingent liabilities of the acquired entities or businesses. The fair values of property, plant and equipment, land use rights and intangible assets are determined by reference to market prices or by using financial models. Any changes in the assumptions used and estimates made in determining the fair values will impact the carrying amount of these assets and liabilities.

6 Revenue and segment information

Revenues recognised during the year are as follows:

	2010 US$'000	2009 US$'000
Terminal operation income	190,832	114,935
Operating lease rentals on		
– containers	207,245	198,069
– generator sets	2,135	2,213
Sale of inventories	33,895	22,844
Finance lease income on containers	207	235
Container management income	7,416	6,470
Container handling, transportation and storage income	4,762	4,658
	446,492	349,424

(a) Operating segments

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

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

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

(iii) container manufacturing and related businesses.

The performance of the operating segments 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, land use rights, intangible assets and other non-current assets.

6 Revenue and segment information (Continued)

(a) Operating segments (Continued)

Segment assets

	Continuing operations							Discontinued operation
	Terminal and related businesses US$'000	Container leasing, management, sale and related businesses US$'000	Container manufacturing and related businesses US$'000	Segment total US$'000	Corporate US$'000	Elimination of inter-segment loans US$'000	Total US$'000	Logistics and related businesses US$'000
At 31st December 2010								
Segment assets	2,589,021	1,685,327	671,831	4,946,179	595,114	(289,376)	5,251,917	—
Segment assets include:								
Jointly controlled entities	460,898	—	—	460,898	—	—	460,898	—
Associates	788,539	—	671,831	1,460,370	—	—	1,460,370	—
Available-for-sale financial assets	25,000	—	—	25,000	—	—	25,000	—
Asset held for sale	22,078	—	—	22,078	—	—	22,078	—
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	—	—	—	—	—	—	—	258,363

6 Revenue and segment information (Continued)

(a) Operating segments (Continued)

Segment revenue, results and other information

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

6 Revenue and segment information (Continued)

(a) Operating segments (Continued)

Segment revenue, results and other information (Continued)

	Continuing operations							Discontinued operation
	Terminal and related businesses US$'000	Container leasing, management, sale and related businesses US$'000	Container manufacturing and related businesses US$'000	Segment total US$'000	Corporate US$'000	Elimination of inter-segment (revenue) and finance (income)/ costs US$'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)	—

(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 mainly 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 activities of the Group are predominantly carried out in the following geographical areas:

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

7 Property, plant and equipment

Group

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

7 Property, plant and equipment (Continued)

Group

	Containers US$'000	Generator sets US$'000	Buildings in Hong Kong US$'000	Buildings outside Hong Kong US$'000	Leasehold improve-ments 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)

Company

	Other property, plant and equipment 2010 US$'000	2009 US$'000
Cost		
At 1st January	736	527
Additions	—	209
At 31st December	736	736
Accumulated depreciation		
At 1st January	541	506
Depreciation charge for the year	42	35
At 31st December	583	541
Net book value		
At 31st December	153	195

Notes:

(a) Certain land and buildings in Hong Kong of the Group with carrying amount of US$15,052,000 (2009: US$693,000) were revalued in 1994 on an open market value basis by C.Y. Leung & Company Limited (now known as DTZ Debenham Tie Leung Limited), an independent professional property valuer.

The carrying amount of these land and buildings as at 31st December 2010 would have been US$13,718,000 (2009: US$630,000) 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 2010 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$1,574,219,000 (2009: US$1,405,270,000), US$322,785,000 (2009: US$317,072,000) and US$1,958,000 (2009: US$3,107,000) respectively.

(c) The accumulated impairment losses of property, plant and equipment of the Group as at 31st December 2010 amounted to US$4,887,000 (2009: US$5,765,000).

(d) During the year, the Group transferred containers with an aggregate net book value of US$26,383,000 (2009: US$27,528,000) to inventories.

(e) As at 31st December 2010, certain other property, plant and equipment with an aggregate net book value of US$20,896,000 (2009: US$Nil) were pledged as securities for a banking facility granted to the Group (note 25(h)).

8 Investment properties

	Group 2010 US$'000	2009 US$'000
At 1st January	4,169	1,679
Transfer from property, plant and equipment and land use rights	—	1,935
Revaluation surplus (note a)	573	555
At 31st December	4,742	4,169

Notes:

(a) The investment properties as at 31st December 2010 and 2009 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 2010 of US$573,000 (2009: US$555,000) 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 Land use rights

	Group 2010 US$'000	2009 US$'000
At 1st January	148,237	60,660
Reclassification to property, plant and equipment upon adoption of new HKFRSs (note 2(a)(iii))	(14,691)	—
Exchange differences	4,226	87
Additions	7,252	90,926
Transfer to investment properties	—	(1,480)
Amortisation	(2,878)	(1,956)
Disposal	(410)	—
At 31st December	141,736	148,237

Note:

The Group's interests in land use rights represent prepaid operating lease payments and their net book values are analysed as follows:

	Group 2010 US$'000	2009 US$'000
In Hong Kong, held on leases of over 50 years	—	14,691
Outside Hong Kong, held on:		
Leases of between 10 to 50 years	141,736	133,196
Leases of less than 10 years	—	350
	141,736	148,237

10 Intangible assets

Group

	Computer software		Computer systems under development		Total	
	2010 US$'000	2009 US$'000	2010 US$'000	2009 US$'000	2010 US$'000	2009 US$'000
Cost						
At 1st January	12,565	10,502	2,431	2,558	14,996	13,060
Exchange differences	18	7	(44)	18	(26)	25
Additions	1,221	449	1,735	1,483	2,956	1,932
Write-off	—	(21)	—	—	—	(21)
Transfer	2,100	1,628	(2,100)	(1,628)	—	—
At 31st December	15,904	12,565	2,022	2,431	17,926	14,996
Accumulated amortisation						
At 1st January	9,277	8,372	—	—	9,277	8,372
Exchange differences	8	—	—	—	8	—
Amortisation for the year	1,048	926	—	—	1,048	926
Write-off	—	(21)	—	—	—	(21)
At 31st December	10,333	9,277	—	—	10,333	9,277
Net book value						
At 31st December	5,571	3,288	2,022	2,431	7,593	5,719

11 Subsidiaries

	Company 2010 US$'000	2009 US$'000
Unlisted investments, at cost (note a)	214,148	198,506
Amounts due from subsidiaries (note b)	2,312,620	1,888,554
	2,526,768	2,087,060
Amounts due from subsidiaries (net of provision) (note c)	325,869	252,216
Loan due to a subsidiary (note d)	(296,655)	(296,655)
Amounts due to subsidiaries (note e)	(441,801)	(440,833)

Notes:

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

(b) 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$93,069,000 (2009: US$91,372,000) which bear interests of 0.6% (2009: 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$16,045,000 (2009: US$78,940,000) bear interests of 1.5% (2009: 1.5%) per annum above the Euro Interbank Offered Rate and have no fixed terms of repayment.

(c) The amounts due from/(to) subsidiaries are unsecured and have no fixed terms of repayment. Except for an amount due from a subsidiary of US$57,227,000 (2009: US$Nil) which bear interests of 1.5% per annum above the Euro Interbank Offered Rate, the remaining balances are interest free. Movement on the provision for impairment of amounts due from subsidiaries is as follows:

	Company 2010 US$'000	2009 US$'000
At 1st January	(104,939)	(78,239)
Provision for impairment of amounts due from subsidiaries	(11,500)	(26,700)
At 31st December	(116,439)	(104,939)

(d) 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.

(e) Details of the subsidiaries as at 31st December 2010 are set out in note 45 to the consolidated financial statements.

12 Jointly controlled entities

	Group 2010 US$'000	2009 US$'000
Share of net assets	398,685	370,718
Goodwill on acquisitions (note a)	41,443	41,443
	440,128	412,161
Loan to a jointly controlled entity (note b)	20,770	18,971
	460,898	431,132
Loans to jointly controlled entities (note c)	131,342	160,147

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 (2009: US$31,435,000), US$5,362,000 (2009: US$5,362,000) and US$4,533,000 (2009: US$4,533,000) respectively.

(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$93,069,000 (2009: US$91,372,000) which bears interest at 0.6% (2009: 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 not repayable within twelve months.

(d) The financial information below, including the financial information of Qingdao Cosport International Container Terminals Co., Ltd. and COSCO Logistics Co., Ltd. ("COSCO Logistics") which were classified as assets held for sale as at 31st December 2010 and 2009 respectively (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
2010	1,343,374	127,643	(610,316)	(380,426)	278,085	(195,500)	74,654
2009	1,485,513	609,373	(626,641)	(797,803)	872,687	(772,469)	84,810

(e) The Company has no directly owned jointly controlled entity as at 31st December 2010 and 2009. Details of the principal jointly controlled entities as at 31st December 2010 are set out in note 46 to the consolidated financial statements.

13 Associates

	Group 2010 US$'000	2009 US$'000
Share of net assets		
Share listed outside Hong Kong	671,831	595,996
Unlisted shares	580,448	134,019
	1,252,279	730,015
Goodwill on acquisitions (note a)	28,279	87
Loans to associates (note b)	179,812	—
	1,460,370	730,102
Loans to associates (note c)	28,500	32,440
Market value of listed shares	1,843,722	1,015,809

13 Associates (Continued)

Notes:

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

The carrying amount of goodwill on acquisitions of associates mainly represented the goodwill on acquisition of equity interests in Sigma and Wattrus of US$20,669,000 (2009: US$Nil) and US$7,523,000 (2009: US$Nil) respectively.

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

(c) Loans to associates are unsecured. Balance of US$28,500,000 (2009: US$25,572,000) bears interest at 2% (2009: 2%) per annum above the 10-year Belgium prime rate and has no fixed terms of repayment. For 2009, balance of US$6,868,000 bore interest at 0.5% per annum above the Tokyo Interbank Offered Rate.

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

	Total assets US$'000	Total liabilities US$'000	Revenue US$'000	Expenses US$'000	Profit less losses after income tax US$'000
2010	**3,279,648**	**(1,790,464)**	**1,807,816**	**(1,631,012)**	**132,120**
2009	1,595,083	(812,477)	700,587	(652,660)	32,890

(e) The Company has no directly owned associate as at 31st December 2010 and 2009. Details of the principal associates as at 31st December 2010 are set out in note 47 to the consolidated financial statements.

14 Available-for-sale financial assets

	Group	
	2010 US$'000	2009 US$'000
At 1st January	**340,581**	325,119
Additions	—	18,727
Reclassification to an associate (note c)	**(294,000)**	—
Disposals	**(20,581)**	(3,808)
Repayment of loan by an investee company	—	(43,281)
Net fair value (loss)/gain recognised in equity	**(1,000)**	43,824
At 31st December	**25,000**	340,581
Less: current portion	—	(20,581)
Non-current portion	**25,000**	320,000

Notes:

(a) Available-for-sale financial asset as at 31st December 2010 comprises investment in equity securities of an investee company. Available-for-sale financial assets as at 31st December 2009 comprised 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. The loan advanced to an investee company was unsecured, interest free and has no fixed terms of repayment.

(b) Unlisted investments of US$25,000,000 (2009: US$340,581,000) mainly comprise equity interests in entities which are involved in container terminal operations in Tianjin (2009: 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 investment was classified as a current asset as at 31st December 2009. The disposal was completed in January 2010 and resulted in a gain of US$7,020,000.

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

(d) Available-for-sale financial assets as at 31st December 2010 and 2009 are denominated in Renminbi.

15 Finance lease receivables

	Group						
	2010				2009		
	Gross receivables US$'000	Unearned finance income US$'000	Provision US$'000	Present value of minimum lease payment receivable US$'000	Gross receivables US$'000	Unearned finance income US$'000	Present value of minimum lease payment receivable US$'000
Amounts receivable under finance leases:							
Current portion (note 20)	840	(209)	(97)	534	1,081	(150)	931
Non-current portion							
- later than one year and not later than five years	1,769	(375)	(145)	1,249	985	(184)	801
- later than five years	186	(17)	—	169	287	(37)	250
	1,955	(392)	(145)	1,418	1,272	(221)	1,051
	2,795	(601)	(242)	1,952	2,353	(371)	1,982

As at 31st December 2010, the Group entered into 10 (2009: 12) finance lease contracts for leasing of certain containers. The average term of the finance lease contracts is 5 years (2009: 5 years).

The cost of assets acquired for the purpose of letting under finance leases amounted to US$6,943,000 (2009: US$6,343,000) as at 31st December 2010.

Unguaranteed residual values of assets leased under finance lease contracts are estimated at approximately US$3,000 (2009: US$6,000).

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	
	2010 US$'000	2009 US$'000
At 1st January	17,623	11,572
Exchange differences	118	(58)
Charged to consolidated income statement (note 32)	8,596	6,109
At 31st December	26,337	17,623

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 2010, the Group and the Company have unrecognised tax losses of US$10,157,000 (2009: US$8,261,000) and US$2,563,000 (2009: US$2,563,000) respectively to carry forward. These tax losses have no expiry dates (2009: Nil).

As at 31st December 2010, deferred income tax liabilities of US$6,119,000 (2009: US$6,041,000) have not been established for the withholding taxation that would be payable on the undistributed earnings of certain subsidiaries in certain tax jurisdictions totaling US$33,674,000 (2009: US$34,121,000) as the directors considered that the timing of the reversal of the related temporary differences can be controlled and accordingly the temporary difference will not be reversed in the foreseeable future.

16 Deferred income tax (Continued)

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

Deferred income tax liabilities

	Group					
	Accelerated tax depreciation		Undistributed profits		Total	
	2010 US$'000	2009 US$'000	2010 US$'000	2009 US$'000	2010 US$'000	2009 US$'000
At 1st January	4,421	4,078	17,111	10,854	21,532	14,932
Charged to consolidated income statement	679	343	9,567	6,257	10,246	6,600
At 31st December	5,100	4,421	26,678	17,111	31,778	21,532

Deferred income tax assets

	Group					
	Tax losses		Others		Total	
	2010 US$'000	2009 US$'000	2010 US$'000	2009 US$'000	2010 US$'000	2009 US$'000
At 1st January	1,978	2,285	1,931	1,075	3,909	3,360
Exchange differences	(72)	37	(46)	21	(118)	58
Credited/(charged) to consolidated income statement	1,296	(344)	354	835	1,650	491
At 31st December	3,202	1,978	2,239	1,931	5,441	3,909

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	
	2010 US$'000	2009 US$'000
Deferred income tax assets	3,477	1,980
Deferred income tax liabilities	29,814	19,603

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

	Group	
	2010 US$'000	2009 US$'000
Deferred income tax assets to be recovered after more than 12 months	3,271	1,370
Deferred income tax liabilities to be settled after more than 12 months	3,301	2,463

As at 31st December 2010 and 2009, the Company did not have significant deferred income tax assets and liabilities.

17 Derivative financial instruments

	Group 2010 US$'000	Group 2009 US$'000
Interest rate swap contracts		
– fair value hedges (note)	19,532	16,556

Note:

The notional principal amount of the related interest rate swap contracts amounted to US$200,000,000 (2009: US$200,000,000) which were committed with interest rates ranging from 1.05% to 1.16% (2009: 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 Piers 2 and 3 of the Piraeus Port in Greece for a term of 35 years (the "Concession"). The Concession commenced on 1st October 2009.

19 Inventories

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

20 Trade and other receivables

	Group		Company	
	2010 US$'000	2009 US$'000	2010 US$'000	2009 US$'000
Trade receivables (note a)				
– third parties	39,571	32,179	—	—
– fellow subsidiaries (notes b and c)	21,391	60,056	—	—
– jointly controlled entities (note b)	170	517	—	—
– related companies (note b)	483	340	—	—
	61,615	93,092	—	—
Less: provision for impairment	(3,852)	(4,206)	—	—
	57,763	88,886	—	—
Other receivables, deposits and prepayments	67,983	56,337	360	246
Rent receivable collected on behalf of owners of managed containers (note d)	32,743	35,117	—	—
Current portion of finance lease receivables (note 15)	534	931	—	—
Amounts due from (note b)				
– fellow subsidiaries	172	51	—	—
– jointly controlled entities (note e)	33,644	980	—	—
– associates (note e)	21,819	12	—	—
– related companies	—	1	—	—
– a non-controlling shareholder	113	—	—	—
	214,771	182,315	360	246

20 Trade and other receivables (Continued)

Notes:

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

	Group	
	2010 US$'000	2009 US$'000
Within 30 days	27,517	22,262
31-60 days	23,593	19,595
61-90 days	5,504	16,755
Over 90 days	1,149	30,274
	57,763	88,886

As at 31st December 2010, trade receivables of US$39,079,000 (2009: US$31,979,000) were fully performing.

As at 31st December 2010, trade receivables of US$18,684,000 (2009: US$55,531,000) 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	
	2010 US$'000	2009 US$'000
Within 30 days	15,590	25,939
31-60 days	2,106	11,231
61-90 days	786	11,360
Over 90 days	202	7,001
	18,684	55,531

As at 31st December 2010, trade receivables of US$3,852,000 (2009: US$5,582,000) were impaired. The amount of the provision was US$3,852,000 (2009: US$4,206,000) as at 31st December 2010. 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	
	2010 US$'000	2009 US$'000
Within 30 days	1,027	1,373
31-60 days	980	810
61-90 days	779	897
Over 90 days	1,066	2,502
	3,852	5,582

20 Trade and other receivables (Continued)

Movement on the provision for impairment of trade receivables is as follows:

	Group	
	2010 US$'000	2009 US$'000
At 1st January	(4,206)	(417)
Exchange differences	(18)	—
Provision for impairment of trade receivables (note 29)	(2,628)	(3,933)
Write back of provision for impairment of trade receivables (note 29)	2,920	142
Receivables written off during the year as uncollectible	80	2
At 31st December	(3,852)	(4,206)

(b) The amounts due from fellow subsidiaries, jointly controlled entities, associates, related companies and a non-controlling shareholder 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$19,634,000 (2009: US$57,986,000). During the year ended 31st December 2010, the container leasing income from COSCON and the other fellow subsidiaries amounted to US$123,309,000 (2009: US$134,284,000) and US$14,000 (2009: US$7,000) 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	
	2010 US$'000	2009 US$'000	2010 US$'000	2009 US$'000
US dollar	73,013	109,914	81	—
Renminbi	72,338	45,495	—	11
Hong Kong dollar	22,618	2,050	279	235
Euro	46,140	24,348	—	—
Other currencies	662	508	—	—
	214,771	182,315	360	246

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

21 Assets held for sale

	Group	
	2010 US$'000	2009 US$'000
Asset held for sale under discontinued operation		
– a jointly controlled entity (note a)	—	258,363
Asset held for sale		
– a jointly controlled entity (note b)	22,078	—
	22,078	258,363

Notes:

(a) On 27th August 2009, COSCO Pacific Logistics Company Limited ("CP Logistics"), a wholly owned subsidiary of the Company, entered into an equity transfer agreement with China COSCO, pursuant to which CP Logistics conditionally agreed to sell and China COSCO conditionally agreed to purchase CP Logistics' 49% equity interest in COSCO Logistics, 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 non-controlling interest of COSCO Logistics for the year ended 31st December 2009 as shown in the audited consolidated financial statements of COSCO Logistics for the year ended 31st December 2009 prepared in accordance with the accounting standards generally accepted in the PRC. 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 discontinued operation as at 31st December 2009.

The disposal of COSCO Logistics was completed in March 2010, and the profit on disposal was set out as follows:

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

The cash flows in relation to the Group's investment in COSCO Logistics reflected in the Group's consolidated financial statements are as follows:

	2010 US$'000	2009 US$'000
Cash inflows from investing activities	300,161	18,049

The Group's shares of revenue and results of COSCO Logistics are as follows:

	2010 US$'000	2009 US$'000
Revenue	—	637,768
Expenses	—	(599,739)
Profit before income tax	—	38,029
Income tax expenses	—	(7,460)
Profit for the year	—	30,569
Profit attributable to:		
Equity holders of COSCO Logistics	—	25,627
Non-controlling interests	—	4,942
	—	30,569

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

On 10th March 2011, the Group entered into an agreement with Qingdao Port (Group) Co., Ltd. ("Qingdao Port Group"), the other shareholder of Qingdao Cosport Terminal, to dispose of the aforesaid equity interest at a consideration of RMB184,000,000 (equivalent to approximately US$28,000,000). It is expected that the disposal will be completed in the second quarter of 2011.

22 Share capital

	2010 US$'000	2009 US$'000
Authorised:		
3,000,000,000 ordinary shares of HK$0.10 each	38,462	38,462
Issued and fully paid:		
2,711,525,573 (2009: 2,262,525,573) ordinary shares of HK$0.10 each	34,801	29,018

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 2010	2,262,525,573	29,018
Placement of shares (note a)	449,000,000	5,783
At 31st December 2010	2,711,525,573	34,801
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 (note b)	17,476,275	225
At 31st December 2009	2,262,525,573	29,018

Notes:

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

(b) During the year ended 31st December 2009, 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.

Movements of the share options are set out below:

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

			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 contract employees	(i) (ii)	9.54	1,611,000	(20,000)	—	(72,000)	1,519,000
	(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

23 Share-based payment (Continued)

Notes:

(i) All the outstanding options were vested and exercisable as at 31st December 2010 and 2009. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

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

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

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

(v) In 2009, the proceeds, net of transaction costs, yielded from the exercise of 20,000 share options were as follows:

	2009 US$'000
Ordinary share capital – at par	1
Share premium (net of issue expenses)	24
Proceeds (net of issue expenses)	25

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

Expiry date	Exercise price HK$	Number of share options 2010	2009
28th October 2013 to 6th November 2013	9.54	2,369,000	2,369,000
25th November 2014 to 16th December 2014	13.75	21,812,000	22,972,000
17th April 2017 to 19th April 2017	19.30	15,260,000	16,370,000
		39,441,000	41,711,000

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

	2010 Average exercise price per share HK$	2010 Number of share options	2009 Average exercise price per share HK$	2009 Number of share options
At 1st January	15.69	41,711,000	15.70	42,783,000
Exercised	—	—	9.54	(20,000)
Lapsed	16.46	(2,270,000)	16.15	(1,052,000)
At 31st December	15.64	39,441,000	15.69	41,711,000

The weighted average closing market price of the Company's shares on the dates when the share options were exercised in 2009 was HK$11.40 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 2010	718,489	414,214	10,408	483,933	1,627,044
Placement of shares	595,698	—	—	—	595,698
Share issue expense	(17,359)	—	—	—	(17,359)
Transfer of reserve upon lapse of share options	—	—	(706)	706	—
Profit for the year	—	—	—	260,457	260,457
Dividends					
– 2009 final	—	—	—	(32,552)	(32,552)
– 2010 interim and special interim	—	—	—	(86,362)	(86,362)
At 31st December 2010	1,296,828	414,214	9,702	626,182	2,346,926
Representing:					
Reserves	1,296,828	414,214	9,702	558,855	2,279,599
2010 final dividend proposed	—	—	—	67,327	67,327
At 31st December 2010	1,296,828	414,214	9,702	626,182	2,346,926

	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

Note:

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

25 Borrowings

	Group 2010 US$'000	2009 US$'000
Long term borrowings		
– secured	64,180	—
– unsecured	1,461,511	1,493,722
	1,525,691	1,493,722
Amounts due within one year included under current liabilities	(136,045)	(83,051)
	1,389,646	1,410,671
Short term bank loans – unsecured	33,064	110,563

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

	Group 2010 US$'000	2009 US$'000
Wholly repayable within five years		
– Bank loans	935,416	988,014
– Notes (note c)	319,382	315,175
	1,254,798	1,303,189
Bank loans not wholly repayable within five years	270,893	190,533
	1,525,691	1,493,722

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

	Group 2010 US$'000	2009 US$'000
Bank loans		
Within one year	136,045	83,051
Between one and two years	297,490	143,053
Between two and five years	561,801	808,530
Over five years	210,973	143,913
	1,206,309	1,178,547
Notes (note c)		
Between two and five years	319,382	315,175
	1,525,691	1,493,722

25 Borrowings (Continued)

(c) Details of the notes as at 31st December 2010 are as follows:

	Group 2010 US$'000	2009 US$'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	1,484	1,315
– notes issuance cost	1,406	1,246
	299,191	298,862
Effect of fair value hedge	20,191	16,313
	319,382	315,175

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

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

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

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

25 Borrowings (Continued)

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

	2010 US$'000	2009 US$'000
US dollar	1,165,404	1,226,587
Renminbi	329,171	377,698
Euro	64,180	—
	1,558,755	1,604,285

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

	2010			2009	
	US$	RMB	Euro	US$	RMB
Bank loans	1.0%	5.7%	2.2%	0.7%	5.3%
Notes	5.9%	N/A	N/A	5.9%	N/A

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

	Carrying amounts		Fair values	
	2010 US$'000	2009 US$'000	2010 US$'000	2009 US$'000
Bank loans	1,070,264	1,095,496	1,069,659	1,095,519
Notes	319,382	315,175	340,419	338,279
	1,389,646	1,410,671	1,410,078	1,433,798

The fair values are determined based on cash flows discounted using a weighted average borrowing rate of 1.0% (2009: 0.7%) per annum.

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

(h) A bank loan of US$64,180,000 (2009: US$Nil) granted to a subsidiary of the Company was secured by certain other property, plant and equipment of the Group (note 7(e)) and the Company's interest in the subsidiary (note 11(a)). Under the circumstances that the terms and conditions as included in the loan agreement were not met, bank balances of US$12,629,000 (2009: US$Nil) would be pledged as securities (note 42(b)(iii)). As at 31st December 2010, there was no violation of the terms and conditions of this loan and thus such bank balances were not pledged.

(i) As at 31st December 2010, the committed and undrawn borrowing facilities of the Group amounted to US$1,099,127,000 (2009: US$673,000,000).

26 Other long term liabilities

	Group 2010 US$'000	Group 2009 US$'000
Deferred deal management fee	—	691
Deferred upfront administration fee	744	2,231
Deferred income	2,273	—
Others	220	—
	3,237	2,922
Less: current portion (note 27)	(812)	(2,178)
	2,425	744

27 Trade and other payables

	Group 2010 US$'000	Group 2009 US$'000	Company 2010 US$'000	Company 2009 US$'000
Trade payables (note a)				
– third parties	36,298	29,421	—	—
– fellow subsidiaries (note b)	72	337	—	—
– a jointly controlled entity (note b)	59	—	—	—
– a non-controlling shareholder of a subsidiary (note b)	1,054	1,855	—	—
– subsidiaries of an associate (notes b and c)	2,334	14,695	—	—
– related companies (note b)	—	2	—	—
	39,817	46,310	—	—
Other payables and accruals	75,414	55,618	2,919	5,160
Payable to owners of managed containers (note d)	40,730	38,542	—	—
Current portion of other long term liabilities (note 26)	812	2,178	—	—
Dividend payable	36	35	36	35
Amounts due to (note b)				
– fellow subsidiaries	11	152	—	—
– non-controlling shareholders of subsidiaries	5,521	5,103	—	—
– subsidiaries of an associate	25	55	—	—
– related companies	4	7	—	—
	162,370	148,000	2,955	5,195

27 Trade and other payables (Continued)

Notes:

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

	Group	
	2010 US$'000	2009 US$'000
Within 30 days	36,189	37,388
31-60 days	776	3,563
61-90 days	138	1,422
Over 90 days	2,714	3,937
	39,817	46,310

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

(c) The balances represented the amounts payable to subsidiaries of an associate of the Group in respect of the purchases of containers (note 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	
	2010 US$'000	2009 US$'000	2010 US$'000	2009 US$'000
US dollar	88,935	79,458	1,371	4,006
Renminbi	38,488	40,890	500	483
Euro	30,282	24,265	134	2
Hong Kong dollar	4,579	3,253	950	704
Other currencies	86	134	—	—
	162,370	148,000	2,955	5,195

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

28 Other operating income

	2010 US$'000	2009 US$'000
Profit on disposal of available-for-sale financial assets	7,020	85
Management fee and other service income	4,116	4,093
Profit on disposal of property, plant and equipment	1,969	545
Write back of provision for impairment of trade receivables	2,920	142
Revaluation surplus of investment properties (note 8)	573	555
Exchange gain, net	—	563
Container repair insurance income	—	345
Others	4,574	3,681
	21,172	10,009

29 Operating profit

Operating profit is stated after crediting and charging the following:

	2010 US$'000	2009 US$'000
Crediting:		
Dividend income from unlisted investments (note a)	1,485	22,254
Rental income from		
– investment properties (note a)	127	85
– buildings, leasehold land and land use rights	731	246
Profit on disposal of available-for-sale financial assets	7,020	85
Profit on disposal of property, plant and equipment	1,969	545
Write back of provision for impairment of trade receivables (note 20)	2,920	142
Revaluation surplus of investment properties (note 8)	573	555
Exchange gain, net	—	563
Charging:		
Amortisation of		
– land use rights	2,878	1,956
– intangible assets (note b)	1,048	926
– other non-current assets (note 18)	1,896	497
Depreciation of		
– owned property, plant and equipment leased out under operating leases	85,698	78,277
– other owned property, plant and equipment	20,301	16,689
Exchange loss, net	2,999	—
Impairment loss of property, plant and equipment	1,167	3,607
Cost of inventories sold	25,347	19,734
Auditors' remuneration		
– current year	763	838
– overprovision in prior year	(60)	(102)
Outgoings in respect of investment properties	5	4
Provision for inventories	1,495	7,028
Provision for impairment of trade receivables (note 20) and finance lease receivables (note 15)	2,870	3,933
Rental expense under operating leases of		
– land and buildings leased from third parties	1,472	1,512
– buildings leased from fellow subsidiaries	1,420	1,423
– land and buildings leased from a jointly controlled entity	33	33
– land use rights leased from non-controlling shareholders of subsidiaries	1,148	1,942
– plant and machinery leased from third parties	1,385	1,355
– containers leased from third parties	9,823	11,185
– Concession (note 18)	31,008	6,275
Total staff costs (including directors' emoluments and retirement benefit costs) (note c):		
Wages, salaries and other benefits	98,960	68,387
Less: amounts capitalised in intangible assets	(209)	(520)
	98,751	67,867

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

	2010 US$'000	2009 US$'000
Finance income		
Interest income on		
– bank balances and deposits	3,348	1,058
– loans to jointly controlled entities and associates	3,189	4,947
	6,537	6,005
Finance costs		
Interest expenses on		
– bank loans	(26,441)	(27,586)
– notes	(9,227)	(14,015)
Fair value gain/(loss) on derivative financial instruments	2,976	(7,659)
Fair value adjustment of notes attributable to interest rate risk	(3,878)	6,566
	(902)	(1,093)
Amortised amount of		
– discount on issue of notes	(169)	(180)
– transaction costs on bank loans and notes	(1,286)	(1,074)
	(38,025)	(43,948)
Less: amount capitalised in construction in progress	9,352	4,479
	(28,673)	(39,469)
Other incidental borrowing costs and charges	(766)	(336)
	(29,439)	(39,805)
Net finance costs	(22,902)	(33,800)

31 Profit on disposal of a jointly controlled entity

The transaction on disposal of 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, was completed in January 2009 and resulted in a profit of US$5,516,000.

32 Income tax expenses

	2010 US$'000	2009 US$'000
Current income tax		
– Hong Kong profits tax	(86)	(49)
– China mainland taxation	(5,282)	(6,547)
– Overseas taxation	(1,837)	(581)
– Over provision in prior years	148	—
	(7,057)	(7,177)
Deferred income tax charge (note 16)	(8,596)	(6,109)
	(15,653)	(13,286)

The Group's shares of income tax expenses of jointly controlled entities and associates of US$11,675,000 (2009: US$15,194,000) and US$30,333,000 (2009: US$10,423,000) 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% (2009: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

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

	2010 US$'000	2009 US$'000
Profit before income tax from continuing operations	297,139	163,707
Less: Share of profits less losses of jointly controlled entities and associates from continuing operations	(206,774)	(92,073)
Profit on disposal of a jointly controlled entity	—	(5,516)
	90,365	66,118
Aggregate tax at domestic rates applicable to profits in respective territories concerned	575	1,506
Income not subject to income tax	(554)	(1,161)
Expenses not deductible for income tax purposes	957	868
Over provision in prior years	(148)	—
Utilisation of previously unrecognised tax losses	23	(1,219)
Tax losses not recognised	847	1,843
Withholding income tax upon distribution of profits and payment of interest	14,130	11,317
Others	(177)	132
Income tax expenses	15,653	13,286

Except for the Group's share of income tax credit of jointly controlled entities and associates recognised in to other comprehensive income of US$Nil and US$1,564,000 respectively (2009: income tax charge of US$1,284,000 and US$189,000 respectively), there was no income tax relating to components of other comprehensive income for the year ended 31st December 2010 and 2009.

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$260,457,000 (2009: US$106,269,000).

34 Dividends

	2010 US$'000	2009 US$'000
Interim dividend paid of US1.759 cents (2009: US1.862 cents) per ordinary share	**47,696**	41,802
Special interim dividend paid of US1.426 cents (2009: Nil) per ordinary share	**38,666**	—
Final dividend proposed of US2.483 cents (2009: US1.199 cents) per ordinary share	**67,327**	27,128
Additional dividends paid on shares issued due to placement of shares and on scrip dividends before the closure of register of members:		
– 2009 final	**5,424**	—
– 2009 interim	—	232
	159,113	69,162

Note:

At a meeting held on 23rd March 2011, the directors recommended the payment of a final cash dividend of HK19.3 cents (equivalent to US2.483 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 2011.

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.

	2010	2009
Profit from continuing operations attributable to equity holders of the Company	**US$276,597,000**	US$146,899,000
Profit from discontinued operation attributable to equity holders of the Company	**US$84,710,000**	US$25,627,000
	US$361,307,000	US$172,526,000
Weighted average number of ordinary shares in issue	**2,550,377,628**	2,252,933,291
Basic earnings per share		
– from continuing operations	**US10.85 cents**	US6.52 cents
– from discontinued operation	**US3.32 cents**	US1.14 cents
	US14.17 cents	US7.66 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.

	2010	2009
Profit from continuing operations attributable to equity holders of the Company	**US$276,597,000**	US$146,899,000
Profit from discontinued operation attributable to equity holders of the Company	**US$84,710,000**	US$25,627,000
	US$361,307,000	US$172,526,000
Weighted average number of ordinary shares in issue	**2,550,377,628**	2,252,933,291
Adjustments for assumed issuance of shares on exercise of share options	**379,751**	11,370
Weighted average number of ordinary shares for diluted earnings per share	**2,550,757,379**	2,252,944,661
Diluted earnings per share		
– from continuing operations	**US10.84 cents**	US6.52 cents
– from discontinued operation	**US3.32 cents**	US1.14 cents
	US14.16 cents	US7.66 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$5,758,000 (2009: US$2,668,000). Contributions totaling US$1,666,000 (2009: US$133,000) were payable to the retirement benefit schemes as at 31st December 2010 and were included in trade and other payables. No forfeited contributions were available as at 31st December 2010 (2009: US$Nil) to reduce future contributions.

37 Directors' and management's emoluments

(a) Directors' emoluments

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

	2010 US$'000	2009 US$'000
Fees	266	258
Salaries, housing and other allowances	1,280	1,380
Benefits in kind	76	99
Bonuses	174	232
Contributions to retirement benefit schemes	2	2
	1,798	1,971

Directors' fees disclosed above include US$162,000 (2009: US$164,000) paid to independent non-executive directors.

The Company did not grant any share options during the year ended 31st December 2010 and 2009.

As at 31st December 2010, one (2009: one) director of the Company had 800,000 (2009: 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 2010, two (2009: five) directors of the Company had 1,700,000 (2009: 4,700,000) 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 2010, three (2009: three) directors of the Company had 1,800,000 (2009: 1,800,000) share options which are exercisable at HK$19.30 per share granted by the Company under the 2003 Share Option Scheme.

For the year ended 31st December 2010 and 2009, there was no share option exercised by the directors.

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

The directors' emoluments are analysed as follows:

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

37 Directors' and management's emoluments (Continued)

(a) Directors' emoluments (Continued)

The directors' emoluments are analysed as follows:

Name of directors	Note	Year ended 31st December 2009 Fees US$'000	Salaries, housing and other allowances US$'000	Benefits in kind US$'000	Bonuses US$'000	Contributions to retirement benefit schemes US$'000	Total US$'000
Mr. CHEN Hongsheng	(iii)	19	—	—	—	—	19
Mr. LI Jianhong	(iii)	15	—	—	—	—	15
Mr. XU Lirong		15	—	—	—	—	15
Ms. SUN Yueying	(iii)	15	—	—	—	—	15
Mr. XU Minjie		—	650	76	90	—	816
Dr. SUN Jiakang		15	—	—	—	—	15
Mr. HE Jiale	(i)	15	—	—	—	—	15
Dr. WONG Tin Yau, Kelvin		—	318	—	77	2	397
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	(i)	43	—	—	—	—	43
Mr. WANG Zhi	(iv)	—	184	23	—	—	207
		258	1,380	99	232	2	1,971

Notes:

(i) appointed on 1st January 2009

(ii) appointed on 12th October 2010

(iii) resigned on 12th October 2010

(iv) resigned on 1st November 2009

The above analysis includes three (2009: three) directors whose emoluments were among the five highest in the Group.

37 Directors' and management's emoluments (Continued)

(b) Management's emoluments

Details of the aggregate emoluments paid to two (2009: two) individuals whose emoluments were the highest in the Group and have not been included in the directors' emoluments above are set out below:

	2010 US$'000	2009 US$'000
Salaries and other allowances	589	525
Bonuses	102	130
Contributions to retirement benefit schemes	4	4
	695	659

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

	Number of individuals	
	2010 US$'000	2009 US$'000
Emolument bands		
US$258,021-US$322,527 (HK$2,000,001-HK$2,500,000)	—	1
US$322,528-US$387,032 (HK$2,500,001-HK$3,000,000)	2	1
	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 2010 is analysed as below:

	Group		Company	
	2010 US$'000	2009 US$'000	2010 US$'000	2009 US$'000
Guarantees for:				
– Notes issued by a subsidiary (note 25(c))	—	—	300,000	300,000
– Other loan facilities granted to subsidiaries	—	—	832,000	891,500
– Bank guarantees to an associate	29,505	31,788	29,505	31,788
	29,505	31,788	1,161,505	1,223,288

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

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

39 Contingent liabilities

A statement of claim was issued on 19th October 2009 by Aronis-Drettas-Karlaftis Consultant Engineers S.A. ("ADK") against the Company and Piraeus Terminal, a wholly owned subsidiary of the Company, in a civil claim at the Court of First Instance of Athens in Greece alleging non-payment of fees for design services and project management services. The plaintiff has claimed approximately Euro 5,800,000 (equivalent to approximately US$7,700,000) in total. The Company and Piraeus Terminal have defended all material claims at the trial hearing held on 30th November 2010.

The Court of First Instance of Athens has issued (pronounced) judgment on the case and has dismissed the aforementioned statement of claim in its entirety both as regards the Company and as regards Piraeus Terminal. According to Greek procedural law the plaintiff (ADK) has the right to file an appeal against the aforesaid judgment of the Court of First Instance of Athens before the Athens Court of Appeals. 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 and that the dismissal of the aforementioned statement of claim in its entirety by the Court of First Instance of Athens has further strengthened the Company's position in this litigation. However, and as long as ADK maintains the right to file an appeal against the judgment of the Court of First Instance in accordance with Greek procedural law, it is still 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 has the following significant capital commitments as at 31st December 2010:

	Group	
	2010 US$'000	2009 US$'000
Authorised but not contracted for		
– Containers	**249,621**	130,005
– Computer system under development	**756**	807
– Other property, plant and equipment	**141,298**	57,449
	391,675	188,261
Contracted but not provided for		
– Containers	**138,470**	1,820
– Investments (note)	**583,977**	580,465
– Other property, plant and equipment	**287,502**	219,817
	1,009,949	802,102

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

	Group	
	2010 US$'000	2009 US$'000
Contracted but not provided for	**3,282**	5,662
Authorised but not contracted for	**11,936**	8,965
	15,218	14,627

The Company did not have any capital commitment as at 31st December 2010 and 2009.

40 Capital commitments (Continued)

Note:

The capital commitments in respect of investments of the Group as at 31st December 2010 are as follows:

	Group 2010 US$'000	Group 2009 US$'000
Contracted but not provided for Investments in:		
– Qingdao Qianwan Container Terminal Co., Ltd.	64,997	64,997
– Antwerp Gateway NV	59,561	69,466
– Dalian Port Container Terminal Co., Ltd.	44,091	42,764
– COSCO Ports (Nansha) Limited	183,545	178,021
– Tianjin Port Euroasia International Container Terminal Co., Ltd.	105,999	102,809
– Others	60,532	59,120
	518,725	517,177
Terminal projects in:		
– Shanghai Yangshan Port Phase II	60,398	58,581
– Others	4,854	4,707
	65,252	63,288
	583,977	580,465

41 Operating lease arrangements/commitments

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

At 31st December 2010, the Group had future minimum lease receipts under non-cancellable operating leases as follows:

	Group 2010 US$'000	Group 2009 US$'000
Containers		
– not later than one year	200,697	176,221
– later than one year and not later than five years	605,128	536,914
– later than five years	147,670	195,744
	953,495	908,879
Generator sets		
– not later than one year	1,469	1,746
– later than one year and not later than five years	1,696	2,042
– later than five years	120	269
	3,285	4,057
Buildings, leasehold land and land use rights		
– not later than one year	182	405
– later than one year and not later than five years	79	80
	261	485
Investment properties		
– not later than one year	43	85
– later than one year and not later than five years	—	32
	43	117
	957,084	913,538

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

41 Operating lease arrangements/commitments (Continued)

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

At 31st December 2010, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Group 2010 US$'000	2009 US$'000
Buildings, leasehold land and land use rights		
– not later than one year	2,187	3,828
– later than one year and not later than five years	1,623	1,839
– later than five years	766	2
	4,576	5,669
Plant and machinery		
– not later than one year	608	1,321
– later than one year and not later than five years	395	1,033
	1,003	2,354
Containers (note)		
– not later than one year	10,031	9,606
– later than one year and not later than five years	15,647	25,378
	25,678	34,984
Concession (note 18)		
– not later than one year	35,326	34,331
– later than one year and not later than five years	168,394	168,134
– later than five years	4,222,612	4,511,290
	4,426,332	4,713,755
	4,457,589	4,756,762

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.

(c) The Company did not have any lease commitments as at 31st December 2010 and 2009.

42 Notes to the consolidated cash flow statement

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

	2010 US$'000	2009 US$'000
Profit before income tax including discontinued operation	381,849	189,334
Depreciation and amortisation	111,821	98,345
Interest expenses	27,218	38,215
Amortised amount of		
– discount on issue of notes	169	180
– transaction costs on bank loans and notes	1,286	1,074
Other incidental borrowing costs and charges	766	336
Impairment loss of property, plant and equipment	1,167	3,607
Provision for impairment of trade and finance lease receivables	2,870	3,933
Provision for inventories	1,495	7,028
Profit on disposal of property, plant and equipment	(1,969)	(545)
Dividend income from unlisted investments	(1,485)	(22,254)
Profit on disposal of		
– jointly controlled entities, net of tax	(84,710)	(5,516)
– available-for-sale financial assets	(7,020)	(85)
Revaluation surplus of investment properties	(573)	(555)
Write back of provision for impairment of trade receivables	(2,920)	(142)
Interest income	(6,537)	(6,005)
Share of profits less losses of		
– jointly controlled entities	(74,654)	(84,810)
– associates	(132,120)	(32,890)
Operating profit before working capital changes	216,653	189,250
(Increase)/decrease in net amount due from jointly controlled entities	(119)	104
Decrease in finance lease receivables	1,029	961
Decrease in rent receivable collected on behalf of owners of managed containers	2,374	4,408
Decrease in inventories	21,157	16,055
Decrease/(increase) in trade and other receivables	6,637	(49,346)
Decrease in restricted bank deposits	14	76
(Increase)/decrease in amounts due from fellow subsidiaries	(121)	115
Decrease in amounts due from related companies	—	4
(Increase)/decrease in net amount due from an associate	(30)	376
Increase in amounts due from non-controlling shareholders	(113)	—
Increase in trade and other payables	953	24,322
Increase/(decrease) in payables to owners of managed containers	2,187	(1,355)
(Decrease)/increase in amounts due to fellow subsidiaries	(141)	149
(Decrease)/increase in amounts due to related companies	(3)	7
Increase/(decrease) in amounts due to non-controlling shareholders of subsidiaries	154	(8,454)
Cash generated from operations	250,631	176,672

42 Notes to the consolidated cash flow statement (Continued)

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

	Group		Company	
	2010 US$'000	2009 US$'000	2010 US$'000	2009 US$'000
Total time deposits, bank balances and cash (note i)	524,274	405,754	269,988	59,028
Restricted bank deposits included in current assets	—	(14)	—	—
	524,274	405,740	269,988	59,028
Representing:				
Time deposits	245,856	100,361	194,914	48,097
Bank balances and cash	278,418	305,379	75,074	10,931
	524,274	405,740	269,988	59,028

Notes:

(i) As at 31st December 2010, cash and cash equivalents of US$124,979,000 (2009: US$46,015,000) 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	
	2010 US$'000	2009 US$'000	2010 US$'000	2009 US$'000
US dollar	423,882	313,657	255,674	48,587
Renminbi	65,666	38,038	—	—
Euro	13,761	36,908	—	—
Hong Kong dollar	19,795	15,105	14,314	10,441
Other currencies	1,170	2,046	—	—
	524,274	405,754	269,988	59,028

(iii) Under the circumstances that the terms and conditions as included in the loan agreement were not met, bank balances of US$12,629,000 (2009: US$Nil) would be pledged as securities for a banking facility granted to the Group (note 25(h)). As at 31st December 2010, there was no violation of the terms and conditions of this loan and thus such bank balances were not pledged.

43 Related party transactions

The Group is controlled by China COSCO which owns 42.72% of the Company's shares as at 31st December 2010. The parent company of China COSCO is COSCO.

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

For the purpose of the related party transaction disclosures, the Directors believe that it is meaningful to disclose the related party transactions with COSCO group companies for the interests of financial statements' users, although those transactions are exempted from disclosure upon the early adoption of HKAS 24 (Revised). The Directors believe that the information of related party transactions has been adequately disclosed in the consolidated financial statements.

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

43 Related party transactions (Continued)

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

	2010 US$'000	2009 US$'000
Container rental income from fellow subsidiaries (note i)		
– long term leases	123,309	134,284
– short term leases	14	7
Compensation for loss of containers from a fellow subsidiary (note ii)	1,789	464
Handling, storage and transportation income from (note iii)		
– fellow subsidiaries	2,165	2,939
– a jointly controlled entity	1,767	1,259
Management fee and service fee income from (note iv)		
– jointly controlled entities	3,932	3,875
– associates	106	105
– an investee company	77	79
Terminal handling and storage income received from fellow subsidiaries and an associate of the parent company (note v)	14,552	8,536
Container freight charges to (note vi)		
– a fellow subsidiary	(1)	—
– subsidiaries of CIMC	(1,338)	(158)
Logistics service fees to a non-controlling shareholder of a subsidiary (note vii)	(7,521)	(4,370)
Electricity and fuel expenses to a non-controlling shareholder of a subsidiary (note viii)	(1,744)	(1,320)
Approved continuous examination program fees to a fellow subsidiary (note ix)	(2,000)	(2,000)
Purchase of containers from subsidiaries of CIMC (note x)	(158,467)	(34,501)
Handling, storage and maintenance expenses paid to fellow subsidiaries (note xi)	(697)	(1,010)
Port construction fee to a non-controlling shareholder of a subsidiary (note xii)	(2,565)	—
Proceeds on disposal of a jointly controlled entity to intermediate holding company (note 21(a))	314,167	—
Proceeds on disposal of jointly controlled entity to CIMC (note 31)	—	16,400

43 Related party transactions (Continued)

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

Notes:

(i) The Group conducts long term container leasing business with COSCON. During the two years ended 31st December 2010, the Group entered into new long term container leasing contracts/arrangements with COSCON. The Group's long term container leasing transactions with COSCON during the year were conducted by reference to, if applicable, the average of the available leasing rates quoted from three (2009: two) independent container leasing companies and in the ordinary and normal course of the business of the Group.

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

(ii) During the year the Group had compensation received and receivable of US$1,789,000 (2009: US$464,000) from COSCON for the loss of containers under operating leases, resulting in a profit of US$336,000 (2009: US$71,000).

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

(iv) The Group provided advisory and management services to COSCO-HIT Terminals (Hong Kong) Limited, a jointly controlled entity of the Group, during the year. Management fee was charged and agreed at HK$20,000,000 (equivalent to US$2,574,000) (2009: HK$20,000,000 (equivalent to US$2,580,000)) 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 charged at rates by reference to rates as set out by the Ministry of Communications of the PRC.

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

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

(vii) The logistics service fees paid to a non-controlling shareholder of a subsidiary were charged at rates as mutually agreed.

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

(ix) Approved continuous examination program fees of US$2,000,000 (2009: US$2,000,000) to COSCON in connection with the containers leased to COSCON on a long term basis were agreed between the Group and COSCON.

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

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

(xii) Port construction fee paid to a non-controlling shareholder of a subsidiary was charged at rates as mutually agreed.

43 Related party transactions (Continued)

(b) Balances with state-owned banks

	2010 US$'000	2009 US$'000
Bank deposit balances		
– in China mainland	124,979	46,015
– outside China mainland	235,844	295,533
Long term bank loans		
– in China mainland	297,582	290,725
– outside China mainland	471,180	429,000
Short term bank loans		
– in China mainland	33,064	101,044
Committed and undrawn bank borrowings facilities		
– in China mainland	634,241	608,400
– outside China mainland	223,292	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.

(c) Balances with government related entities

	2010 US$'000	2009 US$'000
Other payables to a government related entity	7,144	6,090

The balance represented the port construction levies collected by subsidiaries of the Group on behalf of the port authority in Zhangjiagang and Quanzhou 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

	2010 US$'000	2009 US$'000
Salaries, bonuses and other allowances	2,942	3,032
Contributions to retirement benefit schemes	8	7
	2,950	3,039

Key management includes directors of the Company and five (2009: five) senior management members of the Group.

44 Event after the balance sheet date

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

Details of net assets acquired are as follows:

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

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

	Fair value US$'000
Property, plant and equipment	667,021
Investment properties	2,864
Land use rights	64,166
Intangible assets	1,343
Trade and other receivables	21,272
Cash and cash equivalents	9,517
Long term borrowings	(386,101)
Loan from a non-controlling shareholder	(47,732)
Trade and other payables	(27,668)
Current income tax liabilities	(325)
Short term bank loans	(126,082)
Current portion of long term borrowings	(30,199)
Total identifiable net assets	148,076
Non-controlling interests	(71,385)
	76,691

45 Details of subsidiaries

Details of the subsidiaries as at 31st December 2010 are as follows:

	Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/paid-up capital	Group equity interest 2010	Group equity interest 2009
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%
	COSCO Pacific Properties Limited (formerly known as Yeman Limited)	British Virgin Islands	Hong Kong	Property holding	1 ordinary share of US$1	**100.00%**	100.00%
2, 3	COSCO Ports Services (Guangzhou) Limited	PRC	PRC	Depot handling, storage and container repairing	US$5,000,000	**100.00%**	100.00%
2	COSCO Ports (Antwerp) NV	Belgium	Belgium	Investment holding	EURO61,500 divided into 2 shares with no face value	**100.00%**	100.00%
	COSCO Ports (Belgium) Limited	Hong Kong	Hong Kong	Investment holding	1 ordinary share of HK$1	**100.00%**	100.00%

45 Details of subsidiaries (Continued)

	Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/paid-up capital	Group equity interest 2010	Group equity interest 2009
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%
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%

45 Details of subsidiaries (Continued)

	Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/paid-up capital	Group equity interest 2010	2009
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%
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%

45 Details of subsidiaries (Continued)

	Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/paid-up capital	Group equity interest 2010	2009
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%
2, 3	Florens (Tianjin) Finance Leasing Co., Ltd.	PRC	PRC	Finance leasing	US$50,000,000	**100.00%**	—
	Florens Capital Management Company Limited	Hong Kong	Hong Kong	Investment holding	1 ordinary share of HK$1	**100.00%**	—
	Florens Container (Macao Commercial Offshore) Limited	Macau	Worldwide	Sale of containers and administration of marine shipping container activities	1 quota of MOP100,000	**100.00%**	100.00%
	Florens Container Corporation S.A.	Panama	Worldwide	Container leasing	100 ordinary shares of US$100 each	**100.00%**	100.00%
1	Florens Container Holdings Limited	British Virgin Islands	Hong Kong	Investment holding	22,014 ordinary shares of US$1 each	**100.00%**	100.00%
	Florens Container Inc.	United States of America	United States of America	Investment holding and container leasing	1 ordinary share of US$1	**100.00%**	100.00%
	Florens Container, Inc. (1998)	United States of America	United States of America	Leasing of generator sets	100 ordinary shares of US$1 each	**100.00%**	100.00%
	Florens Container Inc. (1999)	United States of America	United States of America	Leasing of generator sets	100 ordinary shares of US$1 each	**100.00%**	100.00%
	Florens Container, Inc. (2000)	United States of America	United States of America	Information technology development and software maintenance	100 ordinary shares of US$1 each	**100.00%**	100.00%
	Florens Container, Inc. (2001)	United States of America	United States of America	Container leasing	1 ordinary share of US$1	**100.00%**	100.00%
	Florens Container, Inc. (2002)	United States of America	United States of America	Sale of old containers	1 ordinary share of US$1	**100.00%**	100.00%

45 Details of subsidiaries (Continued)

	Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/paid-up capital	Group equity interest 2010	2009
	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, 3	Florens Container Services (Shenzhen) Co., Ltd.	PRC	PRC	Container leasing, sale, management and auxiliary services	US$500,000	100.00%	—
2	Florens Container Services (UK) Limited	United Kingdom	United Kingdom	Provision of container management services	183,610 ordinary shares of GBP1 each	100.00%	100.00%
	Florens Container Services (USA), Ltd.	United States of America	United States of America	Container manager and provision of container management services	1,000 ordinary shares of US$0.001 each	100.00%	100.00%
1, 2	Florens Industrial Holdings Limited	Bermuda	Hong Kong	Inactive	12,000 ordinary shares of US$1 each	100.00%	100.00%
	Florens Management Services (Macao Commercial Offshore) Limited	Macau	Macau	Provision of container management services	1 quota of MOP100,000	100.00%	100.00%
	Florens Maritime Limited	Bermuda	Worldwide	Container leasing	12,000 ordinary shares of US$1 each	100.00%	100.00%
	Florens Shipping Corporation Limited	Bermuda	Worldwide	Container leasing	12,000 ordinary shares of US$1 each	100.00%	100.00%
2	Fota Limited	British Virgin Islands	Hong Kong	Inactive	12,000 ordinary shares of US$1 each	100.00%	100.00%

45 Details of subsidiaries (Continued)

	Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/paid-up capital	Group equity interest 2010	Group equity interest 2009
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 terminal	US$49,900,000	**80.00%**	80.00%
2	Loson Investment Limited	British Virgin Islands	Hong Kong	Inactive	1 ordinary share of US$1	**100.00%**	100.00%
2	Plangreat Limited	British Virgin Islands	Hong Kong	Investment holding	100 ordinary shares of US$1 each	**100.00%**	100.00%
1	Piraeus Container Terminal S.A.	Greece	Greece	Operation of container terminal	EURO34,500,000	**100.00%**	100.00%
2, 3	Quan Zhou Pacific Container Terminal Co., Ltd.	PRC	PRC	Operation of terminal	US$49,900,000	**71.43%**	71.43%
1, 2	Topview Investment Limited	British Virgin Islands	Hong Kong	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	RMB1,396,850,000/ RMB1,396,839,975	**70.00%**	70.00%
2, 3	Yangzhou Yuanyang International Ports Co., Ltd.	PRC	PRC	Operation of terminal	US$61,500,000/ US$54,820,000	**55.59%**	55.59%
2, 3	Zhangjiagang Win Hanverky Container Terminal Co., Ltd.	PRC	PRC	Operation of container terminal	US$36,800,000	**51.00%**	51.00%

1 Shares held directly by the Company.

2 Subsidiaries not audited by PricewaterhouseCoopers.

3 COSCO Pacific (China) Investments Co., Ltd., COSCO Ports Services (Guangzhou) Limited, Florens (China) Company Limited, Florens (Tianjin) Finance Leasing Co., Ltd. and Florens Container Services (Shenzhen) Co., Ltd. are wholly foreign-owned enterprises. 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 2010, 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 2010, 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 2010	2009
COSCO Ports (Nansha) Limited (note 44)	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	SGD65,900,000	**49.00%/ 50.00%/ 49.00%**	49.00%/ 50.00%/ 49.00%
Guangzhou South China Oceangate Container Terminal Company Limited (note 44)	PRC	Operation of container terminal	RMB1,678,293,400	**39.00%/ 40.00%/ 39.00%**	39.00%/ 40.00%/ 39.00%
Nanjing Port Longtan Container Co., Ltd.	PRC	Operation of container terminal	RMB1,246,450,000	**20.00%/ 22.20%/ 20.00%**	20.00%/ 22.20%/ 20.00%
Ningbo Yuan Dong Terminals Limited	PRC	Operation of container terminal	RMB624,000,000	**20.00%**	20.00%
Panama International Terminals, S.A.	Panama	Inactive	300 ordinary shares with no face value	**50.00%**	50.00%
Qingdao Cosport International Container Terminals Co., Ltd. (note 21(b))	PRC	Operation of container terminal	RMB337,868,700	**50.00%**	50.00%
Qingdao Qianwan Container Terminal Co., Ltd.	PRC	Operation of container terminal	US$308,000,000	**20.00%/ 18.18%/ 20.00%**	20.00%/ 18.18%/ 20.00%
Shanghai Pudong International Container Terminals Limited	PRC	Operation of container terminal	RMB1,900,000,000	**30.00%**	30.00%

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 2010	2009
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 2010, 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 2010	2009
Antwerp Gateway NV	Belgium	Operation of container terminal	EURO17,900,000	**20.00%**	20.00%
China International Marine Containers (Group) Co., Ltd.	PRC	Container manufacturing	RMB2,662,396,051 (1,231,917,342 "A" shares and 1,430,478,709 "B" shares), all of RMB1 each	**21.80%**	21.80%
Dalian Automobile Terminal Co., Ltd.	PRC	Construction and operation of automobile terminal	RMB320,000,000	**30.00%**	30.00%
Dalian Port Container Terminal Co., Ltd.	PRC	Operation of container terminal	RMB730,000,000	**20.00%**	20.00%
Dawning Company Limited	British Virgin Islands/PRC	Investment holding	200 "A" shares of US$1 each and 800 "B" shares of US$1 each	**20.00%**	20.00%
Sigma Enterprises Limited (note)	British Virgin Islands/PRC	Investment holding	2,005 "A" shares of US$1 each and 8,424 "B" shares of US$1 each	**16.49%**	—
Suez Canal Container Terminal S.A.E.	Egypt	Operation of container terminal	1,856,250 ordinary shares of US$100 each	**20.00%**	20.00%
Wattrus Limited (note)	British Virgin Islands/PRC	Investment holding	32 "A" shares of US$1 each and 593 "B" shares of US$1 each	**5.12%**	—

Note:

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

Five-year Financial Summary

	For the year ended 31st December				
	2010 US$'000	2009 US$'000	2008 US$'000	2007 US$'000	2006 US$'000
Revenue	**446,492**	349,424	337,973	298,948	297,473
Operating profit after finance income and costs	**90,365**	66,118	120,089	172,844	169,542
Share of profits less losses of					
– jointly controlled entities (note 3)	**74,654**	84,810	100,273	106,933	85,070
– associates	**132,120**	32,890	54,815	80,326	89,042
Profit on disposal of jointly controlled entities/an associate (note 3)	**84,710**	5,516	—	90,742	—
Profit before income tax	**381,849**	189,334	275,177	450,845	343,654
Income tax (expenses)/credit	**(15,653)**	(13,286)	4,585	(17,796)	(49,196)
Profit for the year	**366,196**	176,048	279,762	433,049	294,458
Profit attributable to:					
Equity holders of the Company	**361,307**	172,526	274,725	427,768	291,082
Non-controlling interests	**4,889**	3,522	5,037	5,281	3,376
	366,196	176,048	279,762	433,049	294,458
Dividends	**159,113**	69,162	109,873	211,003	197,370
Basic earnings per share (US cents)	**14.17**	7.66	12.24	19.09	13.14
Dividend per share (US cents)	**5.67**	3.06	4.90	9.41	8.85

	As at 31st December				
	2010 US$'000	2009 US$'000	2008 US$'000	2007 US$'000	2006 US$'000
Total assets	**5,251,917**	4,635,312	4,213,208	3,871,575	2,987,155
Total liabilities	**(1,758,055)**	(1,776,961)	(1,566,905)	(1,096,916)	(778,954)
Net assets	**3,493,862**	2,858,351	2,646,303	2,774,659	2,208,201

Notes:

1. The consolidated results of the Group for the two years ended 31st December 2010 and the assets and liabilities of the Group as at 31st December 2010 have been extracted from the audited consolidated financial statements of the Group as set out on pages 127 to 134 of the annual report.

2. The Company was incorporated in Bermuda under the Companies Act 1981 of Bermuda (as amended) on 26th July 1994.

3. Balances included the profit on disposal of COSCO Logistics in 2010 and the share of profit of COSCO Logistics in 2009, which was classified as a discontinued operation.

Historical Statistics Summary

Financial statistics		2001	2002
Consolidated income statement	US$M		
Revenue			
Terminal		5.7	7.8
Container leasing, management, sale and related businesses		216.2	232.1
Container handling, transportation and storage		9.6	8.8
Total		231.5	248.7
EBITDA		258.8	254.6
Depreciation & amortisation		(81.0)	(87.7)
EBIT		177.8	166.9
Interest expenses		(24.0)	(15.5)
Interest income		5.2	3.8
Profit before income tax		159.0	155.2
Operating profit after finance income and costs		99.0	91.9
Profit attributable to equity holders of the Company		154.5	142.5
Breakdown of profit attributable to equity holders of the Company			
Terminal and related businesses		46.0	54.3
Container leasing, management, sale and related businesses		80.1	75.2
Container manufacturing and related businesses		5.6	5.9
Logistics and related businesses		—	—
Other operations		23.1	8.4
Net corporate finance income/(costs)		2.9	2.1
Net corporate expenses		(3.2)	(3.4)
Total		154.5	142.5
Consolidated balance sheet	US$M		
Consolidated total assets		1,731.9	1,746.4
Consolidated total liabilities		544.3	482.4
Consolidated net assets		1,187.6	1,264.0
Consolidated total debts		509.5	420.7
Consolidated cash balances		254.1	236.1
Consolidated net debts		255.4	184.6
Per share data			
Capital and reserves attributable to the equity holders of the Company per share	US$	0.55	0.58
Basic earnings per share	US cents	7.21	6.64
Dividend per share	US cents	3.01	3.72
Net asset value per share	HK$	4.324	4.592
Share price (as at 31st December)	US$	0.516	0.821
	HK$	4.025	6.400
Ratios			
P/E (as at 31st December)	Times	7.2	12.4
Dividend payout ratio	%	41.7	56.0
Return on total assets	%	9.4	8.2
Return on net assets	%	13.6	11.6
Return on equity holders of the Company	%	13.7	11.8
Net debt-to-equity ratio	%	21.5	14.6
Interest coverage	Times	7.6	11.0
Other information			
Total number of shares issued (as at 31st December)	M	2,142.5	2,147.0
Weighted average number of ordinary shares issued	M	2,141.2	2,146.2
Market capitalisation (as at 31st December)	US$M	1,105.6	1,761.7

Notes:
1. The amount in 2006 & 2007 included the financial effect of put options associated with the CIMC share reform.
2. The financial effect of put options associated with the CIMC share reform was excluded in the calculation of dividend payout ratio of year 2006 & 2007.
3. Excluded profit from discontinued operation of COSCO Logistics of US$84,710,000 and US$25,627,000 in 2010 & 2009 respectively.
4. The comparative figures from 2001 to 2008 for the breakdown of profit attributable to equity holders of the Company as presented above have been restated as a result of the adoption of Hong Kong Financial Reporting Standard 8 "Operating Segments" issued by the Hong Kong Institute of Certified Public Accountants.

2003	2004	2005	2006	2007	2008	2009	**2010**
9.0	11.1	12.5	20.9	43.3	78.7	114.9	**190.8**
250.5	281.8	299.0	269.0	247.9	252.6	229.8	**250.9**
8.8	7.2	6.8	7.6	7.7	6.7	4.7	**4.8**
268.3	300.1	318.3	297.5	298.9	338.0	349.4	**446.5**
274.1	351.1	499.3	462.6	574.2	413.6	321.4	**516.6**
(95.5)	(102.5)	(107.7)	(88.1)	(84.0)	(92.6)	(98.3)	**(111.8)**
178.6	248.6	391.6	374.5	490.2	321.0	223.1	**404.8**
(11.9)	(24.8)	(35.6)	(43.4)	(49.9)	(52.7)	(39.8)	**(29.4)**
2.3	3.3	4.4	12.6	10.5	6.9	6.0	**6.5**
169.0	227.1	360.4	343.7	450.8	275.2	189.3	**381.9**
109.3	133.4	205.1	169.5	172.8	120.0	66.1	**90.4**
154.7	206.6	334.9	291.1	427.8	274.7	172.5	**361.3**
68.0	98.2	161.0	100.6	120.6	120.6	83.5	**119.9**
80.8	104.9	114.8	166.4	92.3	115.0	71.4	**96.3**
6.2	3.5	58.7	16.9 Note 1	123.5 Note 1	39.3	30.9	**91.9**
—	11.8	15.1	18.4	19.7	25.0	25.6	**84.7**
9.8	9.8	10.3	12.8	98.4	—	—	**—**
(4.5)	(15.5)	(15.8)	(13.3)	(14.5)	(9.7)	(9.6)	**(1.9)**
(5.6)	(6.1)	(9.2)	(10.7)	(12.2)	(15.5)	(29.3)	**(29.6)**
154.7	206.6	334.9	291.1	427.8	274.7	172.5	**361.3**
1,903.3	2,243.0	2,855.1	2,987.2	3,871.6	4,213.2	4,635.3	**5,251.9**
570.5	757.4	964.8	779.0	1,096.9	1,566.9	1,776.9	**1,758.0**
1,332.8	1,485.6	1,890.3	2,208.2	2,774.7	2,646.3	2,858.4	**3,493.9**
478.3	653.3	835.6	531.6	914.0	1,424.3	1,604.3	**1,558.8**
283.8	100.6	179.3	224.7	387.4	429.0	405.8	**524.3**
194.5	552.7	656.3	306.9	526.6	995.3	1,198.5	**1,034.5**
0.61	0.67	0.85	0.97	1.21	1.14	1.21	**1.23**
7.20	9.57	15.28	13.14	19.09	12.24	7.66	**14.17**
4.08	5.40	8.65	8.85	9.41	4.90	3.06	**5.67**
4.839	5.307	6.666	7.704	9.637	9.135	9.796	**10.015**
1.327	2.064	1.830	2.349	2.668	1.021	1.281	**1.742**
10.350	16.100	14.200	18.260	20.800	7.910	9.930	**13.540**
18.4	21.7	11.9	17.9	14.0	8.3	16.7	**12.3**
56.6	56.4	56.6	56.6 Note 2	56.6 Note 2	40.0	40.0	**40.0**
8.5	10.0	13.1	10.0	12.5	6.8	3.9	**7.3**
11.9	14.7	19.8	14.2	17.2	10.1	6.3	**11.4**
12.1	14.7	20.0	14.4	17.5	10.4	6.5	**11.9**
14.6	37.2	34.7	13.9	19.0	37.6	41.9	**29.6**
15.2	10.1	11.1	8.8	10.0	6.2	5.1 Note 3	**11.1** Note 3
2,148.5	2,183.6	2,199.0	2,228.7	2,244.9	2,245.0	2,262.5	**2,711.5**
2,147.3	2,160.0	2,192.1	2,214.7	2,240.3	2,245.0	2,252.9	**2,550.4**
2,851.0	4,507.2	4,024.2	5,234.1	5,988.4	2,291.3	2,897.3	**4,723.5**

Historical Statistics Summary

Operating statistics		2001	2002
Container leasing, management and sale	US$M		
Breakdown of rental income			
– COSCON		136.0	136.1
– International customers (long term lease)		40.4	49.1
– International customers (master lease)		31.9	39.2
Fleet capacity	TEUs	610,019	707,890
Breakdown of fleet capacity by customers			
– COSCON (included owned, sale-and-leaseback containers)	TEUs	327,370	329,028
– International customers			
Owned containers	TEUs	282,649	373,644
Managed containers	TEUs	—	5,218
– COSCON (included owned, sale-and-leaseback containers)	%	53.7	46.5
– International customers			
Owned containers	%	46.3	52.8
Managed containers	%	—	0.7
Breakdown of fleet capacity			
– Dry	TEUs	561,419	657,466
– Reefer	TEUs	35,078	36,962
– Special	TEUs	13,522	13,462
– Dry	%	92.0	92.9
– Reefer	%	5.8	5.2
– Special	%	2.2	1.9
Capital expenditure on containers	US$M	165.0	153.7
Purchase of new containers	TEUs	96,953	119,466
Disposal of returned containers (Note 1)	TEUs	12,151	15,822
Fleet age	Years	4.3	4.4
Utilisation rate			
– COSCO Pacific (Florens)	%	91.4	93.4
– Industry average	%	75.0	83.0
Number of customers		155	176
Container throughput	TEUs		
COSCO-HIT Terminal		1,301,966	1,526,074
Yantian Terminal		2,751,885	4,181,478
Shanghai Terminal		2,609,800	3,049,080
Zhangjiagang Win Hanverky Terminal		161,208	202,348
Qingdao Cosport Terminal		600,329	454,528
Dalian Port Container Co., Ltd. (Note 2)		—	1,326,463
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		—	—
Tianjin Euroasia Terminal		—	—
Total		7,425,188	10,739,971

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.

2003	2004	2005	2006	2007	2008	2009	2010
130.6	120.8	126.4	136.9	140.1	142.4	134.3	**123.3**
64.9	88.0	104.3	60.9	32.7	44.3	50.3	**68.9**
43.6	47.1	43.8	21.8	8.5	15.7	13.5	**15.0**
808,825	919,128	1,042,852	1,250,609	1,519,671	1,621,222	1,582,614	**1,631,783**
310,444	327,845	377,324	456,877	517,311	551,219	527,891	**499,106**
481,701	567,644	630,925	163,851	239,742	314,077	332,591	**432,613**
16,680	23,639	34,603	629,881	762,618	755,926	722,132	**700,064**
38.4	35.7	36.2	36.5	34.0	34.0	33.4	**30.6**
59.5	61.7	60.5	13.1	15.8	19.4	21.0	**26.5**
2.1	2.6	3.3	50.4	50.2	46.6	45.6	**42.9**
758,783	870,789	993,988	1,198,770	1,470,832	1,570,462	1,532,723	**1,587,775**
37,400	36,639	38,020	41,456	38,745	41,183	39,860	**35,616**
12,642	11,700	10,844	10,383	10,094	9,577	10,031	**8,392**
93.8	94.7	95.3	95.9	96.8	96.9	96.9	**97.3**
4.6	4.0	3.6	3.3	2.5	2.5	2.5	**2.2**
1.6	1.3	1.1	0.8	0.7	0.6	0.6	**0.5**
195.6	270.9	333.6	480.6	586.3	348.0	61.9	**250.4**
142,218	155,526	168,592	268,236	326,715	152,752	15,000	**111,625**
23,714	39,517	27,288	48,071	56,759	34,043	22,863	**28,674**
4.3	4.3	4.3	4.0	3.8	4.2	5.0	**5.4**
95.2	97.0	95.5	96.2	94.5	94.6	90.6	**97.3**
89.0	92.0	90.9	91.8	93.0	94.0	86.0	**95.0**
202	218	256	270	280	300	306	**300**
1,513,559	1,697,212	1,841,193	1,688,697	1,846,559	1,752,251	1,360,945	**1,535,923**
5,258,106	6,259,515	7,355,459	8,470,919	9,368,696	9,683,493	8,579,013	**10,133,967**
3,400,963	3,650,319	3,646,732	3,703,460	3,446,135	3,681,785	2,979,849	**3,197,244**
247,306	328,199	377,121	455,946	601,801	710,831	715,413	**889,515**
244,159	385,856	605,791	744,276	1,005,439	1,099,937	1,145,352	**1,284,903**
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	**2,450,176**
1,332,746	4,532,769	5,443,086	6,770,003	8,237,501	8,715,098	8,961,785	**10,568,065**
95,830	571,863	611,013	627,894	833,892	1,247,283	904,829	**1,091,639**
—	118,079	157,123	222,912	253,772	267,970	221,046	**302,617**
—	393,097	633,573	837,574	1,125,557	950,801	1,023,107	**1,196,932**
—	—	178,686	700,098	950,289	1,160,261	1,058,499	**1,245,559**
—	—	132,984	421,068	850,359	1,656,968	1,509,401	**1,668,418**
—	—	87,462	1,773,141	1,988,456	1,938,580	1,940,933	**1,917,873**
—	—	70,084	599,170	792,459	1,091,657	639,957	**795,534**
—	—	—	241,272	856,784	910,058	936,136	**1,050,710**
—	—	—	—	577,196	2,000,130	2,158,291	**3,060,591**
—	—	—	—	331,361	903,865	1,117,169	**1,704,588**
—	—	—	—	319,153	2,392,516	2,659,584	**2,856,854**
—	—	—	—	—	193,779	274,390	**313,585**
—	—	—	—	—	—	166,062	**684,881**
—	—	—	—	—	—	—	**574,296**
15,502,664	22,448,640	25,946,628	32,370,645	38,982,605	45,878,875	43,549,810	**48,523,870**

Note

Corporate Information

Board of Directors

Mr. XU Lirong[2] (Chairman)
Mr. XU Minjie[1] (Vice Chairman and Managing Director)
Dr. SUN Jiakang[2]
Mr. HE Jiale[1]
Mr. WANG Zenghua[1]
Mr. FENG Jinhua[1]
Mr. WANG Haimin[2]
Mr. GAO Ping[2]
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

Place of Incorporation

Bermuda

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

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Auditor

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Certified Public Accountants
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Prince's Building
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Solicitors

Holman Fenwick Willan
Linklaters
Orrick, Herrington & Sutcliffe
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

HSBC Securities Services (Bermuda) Limited
6 Front Street
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Bermuda

Branch Registrar and Transfer Office in Hong Kong

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Listing Information/Stock Code

The Stock Exchange of Hong Kong Limited: 1199
Bloomberg: 1199 HK
Reuters: 1199.HK

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