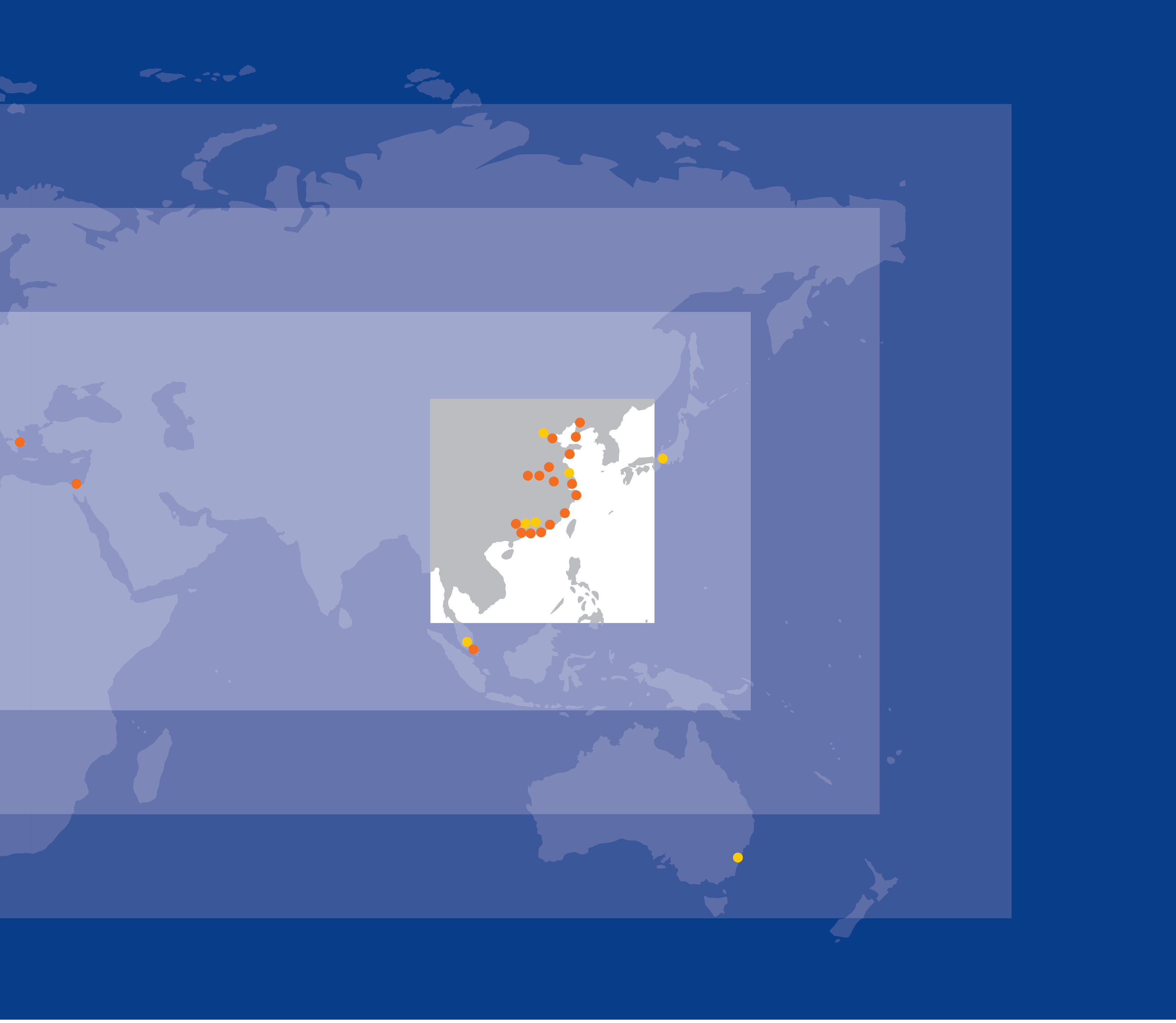
COSCO PACIFIC LIMITED
ANNUAL REPORT 2008

LONG RANGE PLANNING

COSCO Pacific

● Terminals
● Branches and offices of container leasing division



CONTENTS

MAJOR EVENTS

JANUARY

1 January, a new berth at COSCO-PSA Terminal commenced operation. The Group holds a 49% stake in the terminal

8 January, the first meeting of the Board of Directors of COSCO Pacific in 2008

16 and 17 January, Shanghai roadshow organised by Goldman Sachs

22 and 23 January, Access China Conference 2008 in Beijing organised by Deutsche Bank

FEBRUARY

14 and 15 February, Hong Kong roadshow organised by CLSA

19 and 20 February, Daiwa Investment Conference 2008 in Japan organised by Daiwa Institute of Research

MARCH

Launch of COSCO Pacific's new corporate website, which won two bronze prizes for Stakeholder Communications and Website Redesign by iNOVA Awards in December

From December 2007 to March 2008, an investment of HK$2,139,058,000 was made for the purchase of 148,320,037 B shares of CIMC, which increased the Group's interest in CIMC to 21.8% from 16.23%

APRIL

7 April, the second meeting of the Board of Directors of COSCO Pacific in 2008

7 April, announcement of 2007 annual results with a press conference and an analysts' panel discussion

8 to 11 April, post-results Hong Kong roadshow organised by CLSA

16 April, commencement of operation of Jinjiang Pacific Terminal in which the Group holds an 80% stake

28 April, the Group participated in the capital increase of Suez Canal Terminal. Shareholders of Suez Canal Terminal made a pro rata contribution in accordance with their respective interests in Suez Canal Terminal. The share capital of Suez Canal Terminal was increased from US$68,750,000 to US$137,500,000 and the Group paid US$13,750,100 in proportion to its interest

29 April, the third meeting of the Board of Directors of COSCO Pacific in 2008

29 April, announcement of 2008 first quarter results on a voluntary basis

30 April, the Group signed a US$440,000,000 6-year club loan agreement

MAY

Donation of HK$3,000,000 to the victims in the stricken area of the earthquake with measured 8 on the Richter scale in Sichuan, China

15 May, Annual General Meeting with a press briefing

Awarded the Corporate Governance Asia Recognition Award by Corporate Governance Asia magazine for the second consecutive year

JUNE

25 June, COSCO Pacific received the official notification from Piraeus Port Authority S.A., that the Company was appointed as the provisional awarded bidder in respect of its bid for a concession to operate and develop Piers 2 and 3 of the Piraeus Port in Greece

JULY

2 July, the Group completed the Equipment Procurement Agreement and the Lease Agreement which entered into with CBA USD Investments Pty Limited, a wholly-owned subsidiary of Commonwealth Bank of Australia, selling and leasing back a total of 118,094 TEUs of marine containers for US$250,000,000

8 July, China Infrastructure Access Day in Hong Kong organised by CLSA

22 July, the fourth meeting of the Board of Directors of COSCO Pacific in 2008. The Company announced that Mr. Chen Hongsheng, director and president of China COSCO and a former executive director of COSCO Pacific, succeeded Dr. Wei Jiafu who retired as Chairman of the Board and non-executive director of the Company

AUGUST

25 August, the fifth meeting of the Board of Directors of COSCO Pacific in 2008

25 August, announcement of 2008 interim results with a press conference and an analysts' panel discussion

26 August, COSCO Ports (Qianwan) Limited, a wholly owned subsidiary of COSCO Pacific, entered into a Capital Increase and Amendment Agreement with Qingdao Port (Group) Co. Ltd. and PTS Holdings Limited. Pursuant to the agreement, COSCO Ports (Qianwan) Limited would increase its capital in Qingdao Qianwan Terminal by US$15,600,000

26 and 27 August, post-results Hong Kong roadshow organised by Credit Suisse

SEPTEMBER

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

1 to 3 September, post-results Singapore roadshow organised by J.P. Morgan

OCTOBER

29 October, the sixth meeting of the Board of Directors of COSCO Pacific in 2008

29 October, announcement of 2008 third quarter results on a voluntary basis

NOVEMBER

Named one of the best companies in China in the Corporate Governance Award by The Asset magazine for the second consecutive year

Awarded the Hong Kong Outstanding Enterprise by the Economic Digest (Hong Kong) magazine

11 November, became a constituent stock of the Dow Jones Asia/Pacific Select Dividend 30 Index

13 November, became a constituent stock of the Dow Jones Global Select Dividend Index and Dow Jones EPAC Select Dividend Index respectively

19 November, a circular on the proposed concession agreement in relation to Piers 2 and 3 of the Piraeus Port in Greece was dispatched

25 November, COSCO Pacific signed a concession agreement with Piraeus Port Authority S.A. to operate and develop Piers 2 and 3 of the Piraeus Port in Greece. President Hu Jintao of China and Prime Minister Kostas Karamanlis of Greece attended and witnessed the signing ceremony

28 November, Xiamen Ocean Gate Terminal in which the Group holds a 70% stake, was established

A company ambassdor from COSCO Pacific attended the School-Company Partnership programme organised by the Young Entrepreneurs Development Council to encourage and inspire the young people in Hong Kong to pursue their dreams and work hard for the benefit of the society

DECEMBER

Awarded Most Progress in Investor Relations by IR magazine

11 December, the Group participated in the capital increase of Suez Canal Terminal. Shareholders of Suez Canal Terminal made a pro rata contribution in accordance with their respective interests in Suez Canal Terminal. The share capital of Suez Canal Terminal will be increased from US$137,500,000 to US$185,625,000 and the Group paid US$9,625,100 in proportion to its interest

15 December, COSCO Pacific announced the appointment of Dr. Fan Hsu Lai Tai, Rita, as an independent non-executive director of COSCO Pacific with effect from 1 January 2009

22 December, COSCO Pacific announced the appointment of Mr. He Jiale, the CFO of China COSCO and a former executive director of COSCO Pacific, as an executive director of COSCO Pacific with effect from 1 January 2009

RESULTS HIGHLIGHTS

Revenue rose by 13.1% to US$337,973,000 (2007: US$298,948,000)

Profit attributable to equity holders of the Company decreased by 35.8% to US$274,725,000 (2007: US$427,768,000)

Excluding the financial gain of the put options of CIMC and gain on disposal of interest in Chong Hing Bank in 2007, profit attributable to equity holders of the Company should have slightly decreased by 2.5% to US$274,725,000 (2007: US$281,845,000)

A proposed final dividend of US1.382 cents (2007: a final dividend of US3.924 cents and a special final dividend of US2.296 cents). The dividend will be payable in cash, and with a scrip alternative. Full-year dividend was US4.896 cents (2007: US9.406 cents) with payout ratio moderately adjusted to 40.0% (2007: 56.6%) [Note] in order to retain more cash for the development of the Company and to provide an opportunity for its shareholders to reinvest in the Company

Terminal throughput rose by 17.7% to 45,878,875 TEUs (2007: 38,982,605 TEUs)

Maintained the position as the fifth largest container terminal operator in the world with an increase in global market share to 5.5%

The operational performances of overseas terminal companies were outstanding. Shares of overseas terminal companies in total throughput increased to 10.3% (2007: 5.0%), with their total throughput reaching 4,731,456 TEUs (2007: 1,945,504 TEUs), up 143.2% year-on-year

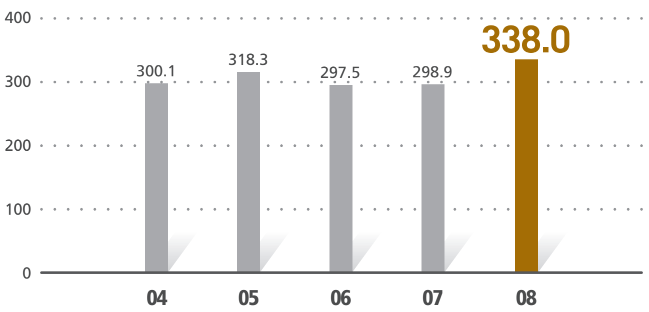
The Group successfully bid for a concession to operate and develop Piers 2 and 3 of the Piraeus Port in Greece. The duration of the rights is 30 years and is extendable for 5 years. This marked the corner stone for the Group as this is the first wholly-owned terminal venture of the Group

Container fleet size increased by 6.7% to 1,621,222 TEUs (2007: 1,519,671 TEUs), ranking as the second largest container leasing company in the world with an approximate 13.6% global market share (2007: approximately 13.2%)

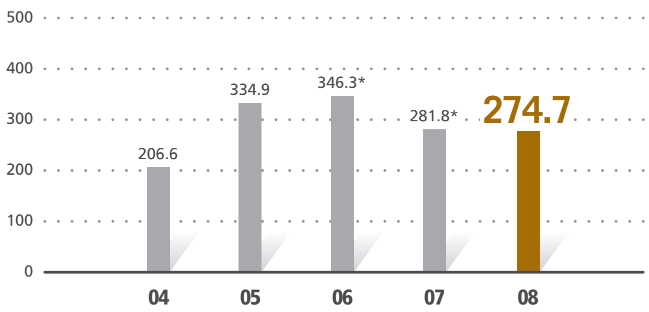
To further optimise the asset light business model, the Group sold and leased back 118,094 TEUs of containers with a consideration of US$250,000,000

Note: Excluding financial gain of the put options of CIMC in 2007.

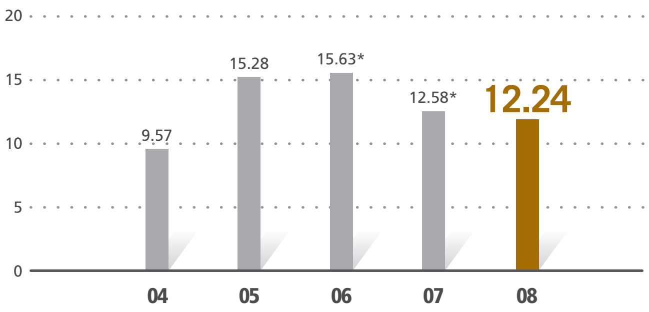
Revenue (US$million)



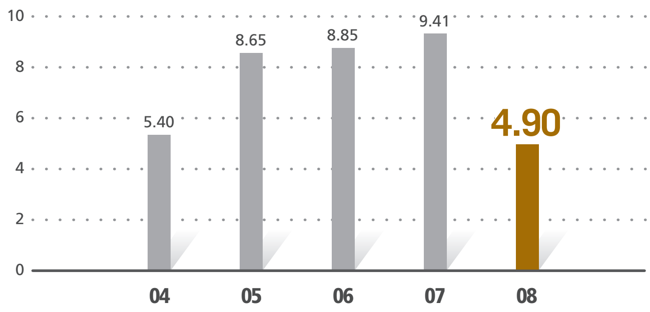
Profit attributable to equity holders of the Company (US$million)



Basic earnings per share (US cents)



Dividend per share (US cents)



* Excluding the financial effect of the put options of CIMC in 2006 and 2007 and gain on disposal of Chong Hing Bank in 2007.

	2008	2007	y-o-y change
Revenue[Note 1]	US$337,973,000	US$298,948,000	+13.1%
Operating profit before finance income and finance costs	US$165,961,000	US$212,256,000	-21.8%
Share of profits less losses of jointly controlled entities and associates	US$155,088,000	US$187,259,000	-17.2%
Profit attributable to equity holders of the Company	US$274,725,000	US$427,768,000	-35.8%
Profit attributable to equity holders of the Company[Note 2]	US$274,725,000	US$281,845,000	-2.5%
Basic earnings per share	US12.24 cents	US19.09 cents	-35.9%
Basic earnings per share[Note 2]	US12.24 cents	US12.58 cents	-2.7%
Dividend per share	US4.896 cents	US9.406 cents	-47.9%
interim dividend	US3.514 cents	US3.186 cents	+10.3%
final dividend	US1.382 cents	US3.924 cents	-64.8%
final special dividend	–	US2.296 cents	N/A
Payout ratio (Excluding financial gain of the put options of CIMC)	40.0%	56.6%	-16.6pp
Total equity	US$2,646,303,000	US$2,774,659,000	-4.6%
Capital and reserves attributable to the equity holders of the Company	US$2,551,865,000	US$2,712,393,000	-5.9%
Consolidated total assets	US$4,213,208,000	US$3,871,575,000	+8.8%
Consolidated total liabilities	US$1,566,905,000	US$1,096,916,000	+42.8%
Consolidated net assets	US$2,646,303,000	US$2,774,659,000	-4.6%
Consolidated net debts	US$995,294,000	US$526,661,000	+89.0%
Return on equity holders of the Company	10.4%	17.5%	-7.1pp
Return on equity holders of the Company[Note 2]	10.4%	11.5%	-1.1pp
Return on total assets	6.8%	12.5%	-5.7 pp
Return on total assets[Note 2]	6.8%	8.2%	-1.4 pp
Net debt-to-equity ratio	37.6%	19.0%	+18.6pp
Interest coverage	6.2x	10.0x	-3.8x

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

Note 2: Excluding financial gain of the put options of CIMC of US$55,181,000 and profit on disposal of 20% stake in Chong Hing Bank of US$90,742,000 in 2007.

CHAIRMAN'S REPORT

The global economy is in the midst of a deep downturn caused by an unprecedented financial tsunami in 2008. The precipitous decline in trade activities across the globe is consequently damaging the international shipping industry. Responding to this dramatic worsening market, COSCO Pacific is maintaining its prudent business strategy in order to meet challenges ahead and is pleased to announce that it has achieved a stable financial performance in the difficult year of 2008. During the year, the Group expanded its global terminal network and increased the controlling right in its terminal portfolio. Meanwhile, the Group further optimised the capital structure of its container leasing division by an asset light strategy. These achievements have further strengthened the Group's leading positions in the industries in which it is engaged.

Looking ahead, 2009 is expected to be a year with unprecedented challenges. The global recession has generated historic decline in trade volumes which has inevitably resulted in a further decline in container terminal throughput. During the first two months of 2009, China trade volume and China major ports throughput declined by 27.2% and 15.0% respectively, compared with the same period in 2008, resulting in a substantial impact on the Group's core businesses. The terminal and container leasing industries are facing relatively a sharp market contraction of which is highly likely to last for the year of 2009.

With our expertise in the shipping and port industries and the capital market, we are well equipped to meet challenges ahead. COSCO Pacific is maintaining its prudent financial policy with risk management playing an important part of its long term planning. Moreover, with the strong support from COSCO, China COSCO's shipping fleet and COSCO Pacific will fully leverage their business synergy so as to strengthen their core competence. The Group will also further strengthen its cooperation with terminal business partners so as to overcome difficulties arising from the volatile markets. COSCO Pacific makes its dedicated efforts to provide the most efficient container terminal handling and container leasing services to our customers. The Company believes that it is well positioned to benefit immediately from the recovery of market and to make solid progress towards its long-term development targets.

COSCO Pacific is confident that its long range planning will steer it through the current financial storm and should be beneficial to its long term stability and lead to a solid profitability for its shareholders.

Dear Shareholders,

I am pleased to report that despite the difficult global economic and market situation, COSCO Pacific continued to achieve a stable business performance in 2008. On behalf of the Board of Directors, I would like to take this opportunity to thank all of you and our business partners for your unfailing support, as well as all of our staff for their untiring efforts and valuable contributions to the accomplishment of our goals and targets.

2008: AN EVENTFUL YEAR

In 2008, the most severe financial crisis in the past fifty years resulted in a global credit crunch which substantially impacted the economy. During the year, the global economic growth slowed down to 3.4% from 5.2% in 2007.

China economic growth also slowed down to 9.0% in 2008 from 13.0% in 2007. What caused concerns was that the growth rate slowed down to just 6.8% in the fourth quarter, the slowest quarterly growth in the past seven years. This slowing trend extended to the first quarter of 2009. The contraction in economic activities around the world resulted in a slowdown in growth of China's external trade. Total China trade amounted to US$2,561.6 billion for the full year of 2008, with growth rate slowed down by 5.7 percentage points year-on-year to 17.8%. The total throughput of China major ports reached 126 million TEUs while the growth rate slowed down by 9 percentage points year-on-year to 12.2% in 2008.

Growth of the global container shipping volume also decelerated in 2008. According to estimates from Drewry Shipping Consultants Limited, the global container traffic rose 7.2% to 153 million TEUs in 2008, 4.8 percentage points slower than that in 2007. Due to the plunge in the demand for container shipping services, shipping companies had to reduce shipping capacity in the fourth quarter of 2008 so as to curtail operating costs on this front. The Group's terminal and container leasing businesses are under considerable pressure. The situation is expected to become more critical in 2009.

STABLE PERFORMANCE IN 2008

Since the fourth quarter of 2008, COSCO Pacific's terminal and container leasing businesses have been affected by the slow down of the global economy and shipping industry. As a result, the growth of the Group's terminal throughput and the expansion of container fleet slowed down. Throughput for 2008 recorded a year-on-year increase of 17.7% (2007: 20.4%) to 45,878,875 TEUs (2007: 38,982,605 TEUs). The container fleet size increased by 101,551 TEUs to 1,621,222 TEUs, representing a year-on-year increase of 6.7% (2007: 21.5%). The utilisation rate remained at 94.6% (2007: 94.5%). COSCO Pacific maintained its ranking as the fifth largest container terminal operator and the second largest container leasing company in the world.

Profit attributable to the equity holders of the Company for the year was US$274,725,000 (2007: US$427,768,000). If the non-recurring gain of financial gain of US$55,181,000 in relation to the put options of CIMC and the profit of US$90,742,000 from disposal of our equity interest in Chong Hong Bank in 2007 are excluded, the profit attributable to the equity holders of the Company in 2008 should have declined only slightly by 2.5% year-on-year.

DIVIDEND DISTRIBUTION

The Company has always been committed to enhancing shareholders' returns. Since becoming a constituent stock of the Hang Seng Index in 2003, it has maintained a dividend payout ratio of about 56%. While making a decision on the payout of dividends, the Board of Directors took into account the supply of capital required for the Company's development. In view of the economic downturn in 2008 generating uncertainties for the economic and capital market outlook in 2009, we expect the financial sector to remain under heavy strain making the funding of capital to be difficult and the cost of capital to be likely increased.

Very careful consideration has been given to the persistent illiquidity of the financial market, resulting in the Board of Directors' decision to moderately adjust the dividend payout ratio to 40.0% (2007: 56.6%) so as to retain more cash for the Company. The Board has proposed a final dividend of HK10.7 cents per share for the fiscal year 2008. Together with the interim dividend of HK27.4 cents per share paid on 19th September 2008, the full-year dividend for 2008 will be HK38.1 cents per share, down by 48.1% from the prior year.

In addition, the Company is providing a scrip dividend alternative so that our shareholders may have a choice of reinvesting their cash into our Company. This is the first time the Company will provide its shareholders with a scrip dividend alternative. In addition to preserving cash for the Company, this arrangement provides long-term shareholders a chance to reinvest in the Company. Management of the Company is confident that the dividend payout ratio is still relatively high among peer companies following the adjustment and we will consider increasing the ratio when the market recovers.

REINFORCING CORPORATE DEVELOPMENT STRATEGY

In June 2008, Dr. Wei Jiafu resigned as Chairman of the Board and a non-executive director of the Company in order to have more time to pursue his duty as the president and CEO of COSCO and the chairman and CEO of China COSCO. With great honour, I was appointed by the Board to take over Dr. Wei's role as Chairman of the Board, fully aware of what a Herculean task I have been entrusted with.

Since June 2000, Dr. Wei dedicated his efforts in optimising the Group's asset structure as well as its business model and placed great emphasis on corporate governance and management, through which he built a solid foundation for the Company's business development, leading the COSCO Pacific team from one achievement to another and generating good returns for shareholders. During his tenure, Dr. Wei also substantially strengthened the Company's leading position in terminal and container leasing industries. In 2003, COSCO Pacific became a constituent stock of the Hang Seng Index. From 2000 to 2007, the Company's profit attributable to equity holders grew at a compound annual growth rate of 17.3%.

I, on behalf of the Board of COSCO Pacific and its staff, would like to take this opportunity to extend our heartfelt thanks and sincere tributes to Dr. Wei for his achievements over the past eight years.

Going forward, I will continue to reinforce COSCO Pacific's stated strategy. Whilst further strengthening the leading position of the Group's core businesses, I will also endeavour to develop the terminal business to be our principle earnings driver and further enhance our global terminal network so as to provide efficient terminal services to shipping companies.

TERMINAL BUSINESS: SOLIDLY MOVING FORWARD

In 2008, COSCO Pacific continued to implement its transformation strategy for the development of the terminal business. The four key components of this strategy included the increase in controlling rights in terminals, expansion of the global terminal network, further diversification of the terminal portfolio and enhancement of value of its terminal business. However, the world economy started slowing down dramatically in the fourth quarter of 2008. In response to such a rapid change in the market, the Group has adjusted its pace of investments in new terminals in 2009.

Four key components of the transformation strategy

Control - Increasing the controlling rights in terminals:

The Group has transformed its terminal development strategy from an investment-based model to a control-based model by obtaining controlling stakes in new terminal investments. In 2008, the Group successfully bid for a concession to operate and develop Piers 2 and 3 of the Piraeus Port in Greece. This brings the total number of terminals in which the Group holds controlling stakes to six.

The other five are the 51% interest in Zhangjiagang Win Hanverky Terminal, the 55.59% interest in Yangzhou Yuanyang Terminal, the 71.43% interest in Quan Zhou Pacific Terminal, the 80% interest in Jinjiang Pacific Terminal, and the 70% interest in Xiamen Ocean Gate Terminal. Two berths under construction at Xiamen Ocean Gate Terminal are expected to be in trial operation by 2011.

As at 31st December 2008, the Group held various equity interests in 28 terminal companies, among which 22 were operating. Based on the Group's equity interest in each terminal company, its equity throughput reached 9,973,805 TEUs in 2008, up 22.8% year-on-year, which represents 21.7% of the Group's overall total throughput, up 0.9 percentage point year-on-year.

Globalise - Expanding global terminal network:

The Group has adjusted its investment targets from solely focusing on China's terminals market to being a global player with the China market as its core and has committed to further expanding its global terminal network. In June 2008, the Group won the privatisation tender for Piers 2 and 3 of the Piraeus Port in Greece, and received a 35-year concession to operate and develop these two piers from 1st October 2009.

Following COSCO-PSA Terminal, Antwerp Terminal and Suez Canal Terminal, Piraeus Terminal became the fourth overseas terminal invested in and operated by the Group. The three overseas terminals handled a combined throughput of 4,731,456 TEUs in 2008, up 143.2% year-on-year, accounting for 10.3% of the Group's overall total throughput, an increase of 5.3 percentage points from 2007.

Diversify - Further diversifying terminal portfolio:

The Group has diversified its terminal portfolio from investing solely in container berths to a portfolio with investments in break-bulk cargo or multi-purpose berths. This diversification serves to lower the Group's investment risks and to expand its sources of income. During the year, one break-bulk cargo berth at Jinjiang Pacific Terminal commenced operation. The Group continues to study the investment opportunities in some ports and terminals with great potential to enhance the profitability of its terminal division.

Enhancement - Maximising value of terminal business:

The Group attaches great importance to mid to long-term development in its terminal portfolio. In order to enhance the enterprise value of COSCO Pacific, we move from a profit-centric strategy, to value-maximising strategy. The entry barrier of investment in terminal is relatively high. Terminal investment requires certain amount of committed capital and the construction of a new terminal takes a longer time. However, after the ramp-up period of operation, a terminal will be capable to generate stable cash flow with an attractive investment return. Therefore, the Group evaluates the return of terminal investment with a mid to long-term perspective.

Besides, geographical location is a critical success factor of a terminal operation. Prime locations are considered as scarce resources. The Group will continue its efforts on studying investments in quality ports and terminal assets. However, the current global economic downturn has exposed terminals investment to more uncertainties that will likely induce certain investment risks and higher cost of capital. Therefore, the Group has deferred new terminal investments since the fourth quarter of 2008 and is taking substantial review on modifying its existing terminal investment plan and the valuation of related projects.

STRENGTHENING RISK MANAGEMENT

While dedicating it efforts in developing core businesses, the Group also attaches great importance to risk management. In the first half of 2008, with the emergence of the US sub-prime mortgage crisis, many financial institutions became saddled with huge losses, which led to a problematic US economy. The Group has always kept on monitoring the potential impact of the global economy and market conditions on the operational performance of its businesses and has instructed all senior management team to be fully aware of the importance of risk management. Furthermore, the Group studies intensively the measures of how to monitor investment risks, operational risks and financial risks by consulting the Investment and Strategic Planning Committee, Risk Management Committee and Audit Committee of the Board.

Whilst exercising prudence in relation to financial planning, COSCO Pacific's senior management team also closely monitors the Company's gearing ratio, interest cover ratio, debt structure, financial risks, dividend policy and financing strategy, so as to provide a strong financial position for the future development of the Company.

ATTACHING GREAT IMPORTANCE TO CORPORATE GOVERNANCE

COSCO Pacific has always been striving for practicing good corporate governance to protect the long term interests of the Company and its shareholders. Meanwhile, the Company strongly believes that a successful and well respected company should make its utmost effort to be a good corporate citizen. The Company has been continually strengthening the supervising function of the Board of Directors, and is committed to improving its corporate governance structure so as to take all necessary steps to prevent any possible fraud and other irregularities.

The financial tsunami has triggered collapses of various financial institutions. This had led to a plunge of investors' confidence in the market. Corporate governance and enhanced transparency have become particularly important to win their confidence. COSCO Pacific is very stringent in compliance with regulatory rules on the disclosure of Company's financials, results performance and particularly on the accuracy of information disclosed. It also takes the initiative of releasing the Company's quarterly results and updating terminals throughput on the corporate website on a monthly basis, in order to effectively communicate the latest information about the Company to its stakeholders. These initiatives have won wide acclaim from the market.

During the year, the Company received the Corporate Governance Asia Recognition Award from the Corporate Governance Asia magazine and one of the best companies in China in the Corporate Governance Award from The Asset magazine. The Company was also awarded the Hong Kong Outstanding Enterprise by the Economic Digest (Hong Kong) magazine. In addition, COSCO Pacific attaches great importance in enhancing shareholder returns. As a result, the Company became a constituent stock of the Dow Jones Global Select Dividend Index, Dow Jones EPAC Select Dividend Index, and Dow Jones Asia/Pacific Select Dividend 30 Index in November 2008.

2009 WILL BE A YEAR WITH UNPRECEDENTED CHALLENGES

Looking ahead, 2009 is expected to be a challenging year. According to the forecast by the International Monetary Fund, the global economy is expected to contract by 0.5% to 1.0% in 2009, the first decline in 60 years. The world trade volume (including goods and services) is also expected to slow down from 4.1% in 2008 to a negative growth of 2.8% in 2009. According to Drewry Shipping Consultants Limited, the global container traffic growth will drop to 2.8% in 2009, from 7.2% in 2008.

China's external trade has also deteriorated. During the first two months of 2009, China trade volume and China major ports throughput declined by 27.2% and 15.0% respectively in comparison with the same period in 2008, resulting in a substantial impact on the Group's core businesses that led to a 7.8% decline in the container terminal throughput. The terminal, container leasing and container manufacturing industries are in a difficult situation which is highly likely to last for the full year.

China plays a critical role in stimulating the global economy. Premier Wen Jiabao said in the Second Session of the 11th National People's Congress on 5th March 2009 that one of the major working plans of the government includes a substantial increase in government investment. A RMB 4 trillion investment plan will be implemented over two years, including RMB 1.18 trillion of structural tax reductions to boost domestic demand and consumption. Large scale stimulation plans for specific industries will also be implemented to enhance the overall competitiveness of the country. Premier Wen also stated clearly that China's GDP growth for 2009 is expected to be around 8%.

It remains uncertain on when the economy will start to recover. In order to deal with chanllenges ahead, COSCO Pacific maintains its prudent financial policy while risk management playing an important part of its long term planning.

COSCO, the ultimate parent company of COSCO Pacific, is the largest shipping enterprise in China and the second largest in the world. Of this giant's shipping fleet, China COSCO manages and operates its bulk and container shipping fleets as the largest bulk cargo shipping fleet and the sixth largest container shipping line in the world. With our expertise in the shipping and port industries and the capital market, we are well equipped to meet challenges ahead. Moreover, with the strong support from COSCO, our ultimate holding company, China COSCO's shipping fleet and COSCO Pacific will fully leverage their business synergy so as to strengthen their core competence.

The Group will also further strengthen its cooperation with terminal business partners so as to overcome difficulties which have arisen from the volatile markets. COSCO Pacific makes its dedicated efforts to provide the most efficient container terminal handling and container leasing services to our customers. Our senior management believes that it is well positioned to benefit immediately from the recovery of market and to make solid progress towards its long-term development targets.

COSCO Pacific is confident that its long range planning will steer it through the current financial storm and should be beneficial to its long term stability and lead to a solid profitability for its shareholders.

Last but not least, I would like to take this opportunity to show my deepest gratitude for the trust from shareholders and support from COSCO, China COSCO and affiliated companies, and business partners. My sincere thanks also goes to members of the Board and all staff at COSCO Pacific for their contribution to the Company's business development in 2008.

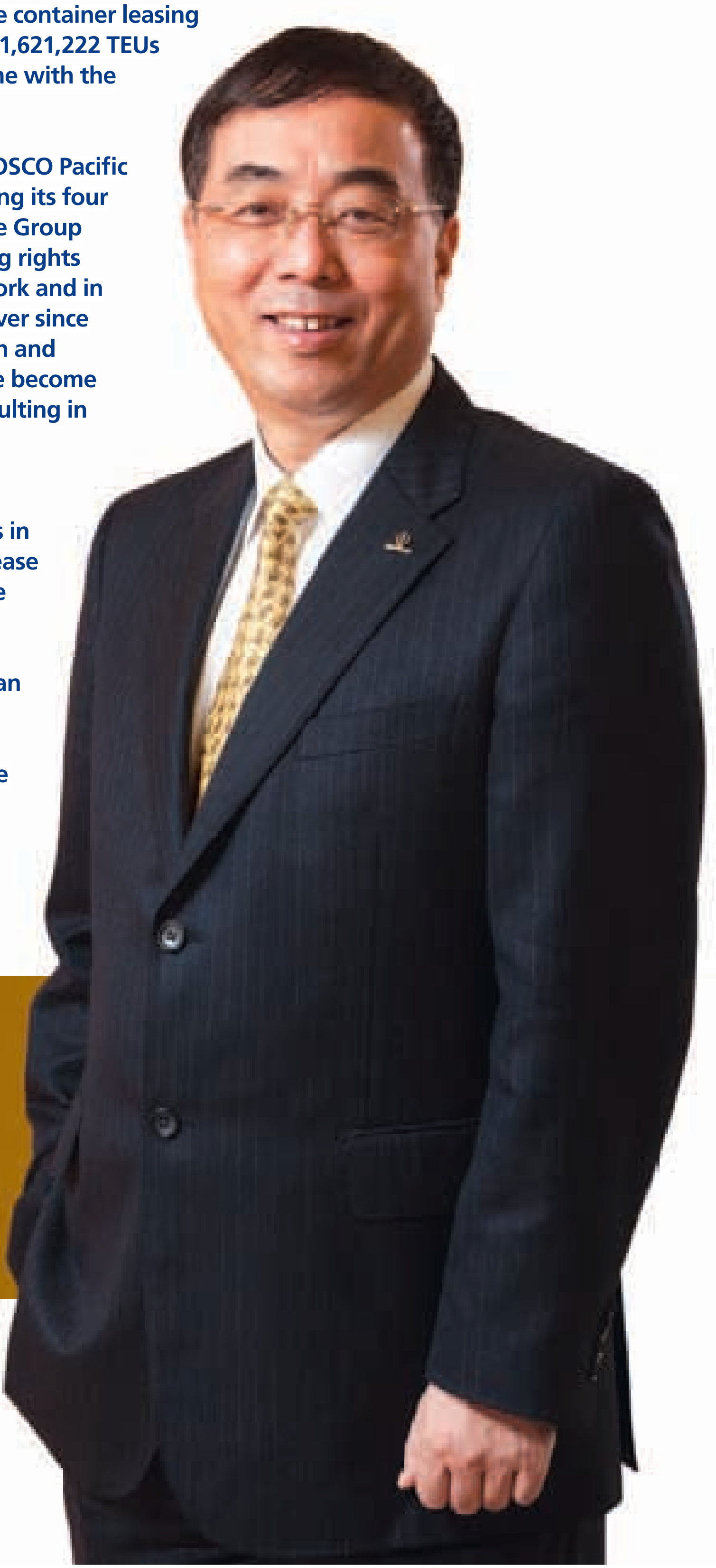
CHEN Hongsheng
Chairman
8th April 2009

VICE CHAIRMAN'S REPORT

In 2008, COSCO Pacific's core businesses faced many challenges due to the global recession and financial tsunami. Despite the severe economic downturn, the Group's two core businesses, terminal and container leasing divisions, continued to deliver steady growth during the year. For the terminal business, the drop in China's exports in November and December of 2008 by 9.1% and 11.1% respectively, posed a certain negative impact on the Group's terminal throughput performance in China. However, the strong growth of the Group's overseas terminal business became a new engine for the overall satisfactory container terminal performance with its total throughput increased by 17.7% to 45,878,875 TEUs in 2008. For the container leasing business, the Group's container fleet grew by 6.7% to 1,621,222 TEUs and its utilisation rate remained at 94.6%, largely in line with the 94.5% in 2007.

In order to sustain the continuous business growth, COSCO Pacific further expanded its terminal portfolio by implementing its four transformation strategies in 2008. During the year, the Group made satisfactory progress in increasing the controlling rights in terminals, in expansion of the global terminal network and in further diversification of the terminal portfolio. However since the second half of 2008, due to the global credit crunch and deterioration of the business environment, banks have become more prudent and conservative in providing loans, resulting in increased difficulties in project financing.

The Group has strengthened the operational and risk management of its terminals, particularly for terminals in which the Group holds controlling stakes so as to increase their abilities to further enhance efficiency. Meanwhile it has been taking a prudent approach to its terminal investments. The selection criteria for new terminal investments have been tightened. The construction plan of terminals and the expansion of existing operating terminals have been slowed down. Furthermore, the Group has reduced substantially its capital expenditure on the purchase of new containers and the dividend payout ratio has been moderately adjusted. By these measures, COSCO Pacific endeavours to secure its sources of capital so as to optimise the long term development with stability and profitability.



The Group will adjust its investment program and business strategy so as to cope with the adverse economic slowdown in 2009.

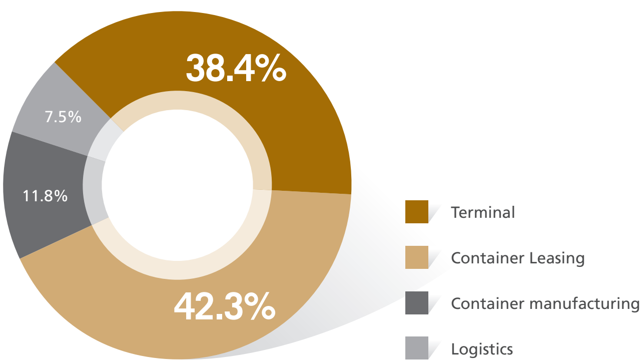
STABLE PERFORMANCE IN 2008

Revenue of the Group in 2008 reached US$337,973,000, up 13.1% from 2007. Profit attributable to equity holders of the Company was US$274,725,000. If the non-recurring gains of the financial gain of the put options of CIMC and profit from the disposal of interest in Chong Hing Bank in 2007 were excluded, the profit attributable to equity holders of the Company in 2008 declined slightly by 2.5% over 2007.

(US$)	2008	2007	y-o-y change
Revenue[Note 1]	337,973,000	298,948,000	+13.1%
Profit attributable to equity holders of the Company	274,725,000	427,768,000	-35.8%
Profit attributable to equity holders of the Company[Note 2]	274,725,000	281,845,000	-2.5%

During the year, the Group's four core businesses, namely container terminal, container leasing, logistics, and container manufacturing, contributed an aggregate US$333,609,000 of core business profit[Note 3], similar to last year. Profit contribution from the container terminal business was US$128,232,000, fairly unchanged from 2007. Profit contribution from the container leasing business was US$141,055,000, a 19.5% increase from 2007. Profit contribution from the container manufacturing business was US$39,316,000, a 42.5% decline from 2007. Profit contribution of COSCO Logistics increased by 27.2% from 2007 to US$25,006,000.

2008 core business profit contribution



Note 1: Revenue included revenues from container leasing and terminal related businesses. Among the 22 container terminal joint ventures in operations, the Company only holds controlling stakes in four of them (Quan Zhou Pacific Terminal, Zhangjiagang Win Hanverky Terminal, Jinjiang Pacific Terminal, and Yangzhou Yuanyang Terminal). Their revenues were consolidated into the Company's financial statements. For the other 18 terminal companies, their profit contribution or dividends were recorded according to their status as jointly controlled entities, associates, and available-for-sale financial assets.

Note 2: Excluding the major non-recurring gains for 2007, which, include the US$55,181,000 financial gain of put options of CIMC and the US$90,742,000 profit from disposal of interest in Chong Hing Bank. The above-stated put options of CIMC was the 424,106,507 put options granted to holders of CIMC tradeable A shares in 2006. As none of the put options of CIMC were exercised upon their expiry in 2007, the provision of US$55,181,000 made in 2006 was fully written back in 2007.

Note 3: The above-stated profits did not include the Group's net interest expenses and corporate expenses.

STEADY DEVELOPMENT OF CONTAINER TERMINAL BUSINESS

During the year, the Group further strengthened its position as the world's leading container terminal operator, with market share increasing to 5.5%.

During the year, with the support of COSCO and China COSCO, COSCO Pacific successfully expanded its terminal business overseas. Witnessed by President Hu Jiantao of China and Prime Minister Kostas Karamanlis of Greece, Dr. Wei Jiafu, the President of COSCO, signed on behalf of COSCO Pacific a concession agreement of Piers 2 and 3 of Piraeus Port on 25th November 2008. The ratification law of the concession agreement was published in the Greek Government Gazette dated 30th March 2009.

The investment is one of the key projects of the Sino-Greek plan for further economic cooperation and development. This transaction also represents another success in expanding the Group's overseas terminal portfolio. Piraeus Port is the largest port in Greece. The total annual handling capacity of Piers 2 and 3 of Piraeus Port is expected to reach 3,700,000 TEUs by 2015 and it will become an important hub port for the Eastern Mediterranean region.

A Balanced Terminal Portfolio

As at 31st December 2008, the Group managed and operated 146 berths (2007: 140 berths) located in 19 ports in China and overseas, among which 124 berths (2007: 124 berths) were located in the 4 major coastal economic regions in China, including Bohai Rim, Yangtze River Delta, Pearl River Delta and Southeast Coast. The 22 overseas berths (2007: 16 berths) were located in Singapore, Port of Antwerp of Belgium, Port Said of Egypt, and Piraeus Port of Greece.

Container Throughput Increased by 17.7%

During the year, two container berths and one break-bulk cargo berth commenced operation. As at 31st December 2008, 99 berths (2007: 96 berths) were in operation, including 89 container berths (2007: 87 berths) with an annual container handling capacity of 48,150,000 TEUs (2007: 47,450,000 TEUs), and 8 break-bulk cargo berths (2007: 7 berths) with an annual handling capacity of 9,050,000 tons (2007: 7,550,000 tons). The other 2 berths were automobile berths. The Group's container throughput during the year was 45,878,875 TEUs, a 17.7% increase from 2007. Its break-bulk cargo throughput increased substantially by 70.9% to 13,655,223 tons.

Steady Growth in China Terminal Throughput

The Group has 79 (2007: 78) container berths operating in China, handling a total throughput of 41,147,419 TEUs in 2008, an increase of 11.1% from 2007. Throughput of container terminals in the Bohai Rim reached 17,103,887 TEUs, an increase of 6.4% from 2007, accounting for 37.3% of the Group's total throughput. Throughput of container terminals in Yangtze River Delta was 9,503,821 TEUs, an increase of 14.4% from 2007, accounting for 20.7% of the Group's total throughput. The throughput of container terminals in the Pearl River Delta and Southeast Coast was 14,539,711 TEUs, an increase of 14.9% from 2007, accounting for 31.7% of the Group's total throughput.

Satisfactory Performance of Overseas Terminals

The Group has 10 overseas container berths in operation (2007: 9), handling a total throughput of 4,731,456 TEUs in 2008, representing a substantial increase of 143.2% from 2007 and became one of the key growth drivers for the Group's container terminal business in 2008. The overseas container terminal throughput accounted for 10.3% (2007: 5.0%)of the Group's total throughput. Suez Canal Terminal made its first full-year contribution to the Group in 2008. Based on the original investment agreement, the COSCO-PSA Terminal added a new container berth in January 2008. In addition, operation of Antwerp Terminal became more mature and achieved a 37.8% growth in throughput during the year, adding momentum to the growth in throughput of overseas terminals.

FURTHER OPTIMISATION OF THE CAPITAL STRUCTURE OF CONTAINER LEASING BUSINESS

Facing a global economic slowdown and severe market competition during the fourth quarter of 2008, the Group continued to streamline the asset light business model and to expand steadily its container fleet capacity which comprises owned, managed and sale-and-leaseback containers and further strengthened its leadership in the industry. During the year, the Group continued to be the world's second largest container leasing company, with a global market share of 13.6% (2007: 13.2%) and provided quality container leasing and management service to international container lines.

6.7% Growth in Container Fleet Size

As at 31st December 2008, the size of the Group's container fleet reached 1,621,222 TEUs (2007: 1,519,671 TEUs), an increase of 6.7% from 2007. In 2008, the average utilisation rate maintained at 94.6% (2007: 94.5%). The number of customers reached 300 (2007:280).

While increasing the number of managed containers, the Group continued to expand its owned container fleet. During the year, the Group purchased 152,752 TEUs of new containers (2007: 326,715 TEUs), including 64,802 TEUs (2007: 112,754 TEUs) of new containers that were ordered for COSCON, accounting for 42.4% (2007: 34.5%) of the Group's 2008 purchase of new containers. 87,950 TEUs of containers were purchased for international customers (2007: 213,961 TEUs), representing 57.6% (2007: 65.5%) of new containers purchased in the year.

US$272,421,000 in Cash Received from Two Container Sales Transactions

During the year, the Group further optimised its capital structure by adopting the asset light business model. In March 2008, the Group sold 13,509 TEUs of containers for US$22,421,000 and provided management services for the buyer after the sale. In July 2008, the Group also sold 118,094 TEUs of containers for US$250,000,000 in cash by sale-and-leaseback transaction model. These two transactions raised US$272,421,000 for the Group during the year.

As at 31st December 2008, the Group's fleet of managed and sale-and-leaseback containers increased to 874,020 TEUs, representing 53.9% of the total fleet. The fleet size of owned containers was 747,202 TEUs, representing 46.1% of the total fleet. Approximately 87% of the owned containers were on long-term leases to effectively lower the operating risks.

	2008(TEUs)	2007(TEUs)	y-o-y change
COSCON	**551,219**	**517,311**	**+6.6%**
Owned containers	433,125	517,311	-16.3%
Sale-and-leaseback containers	118,094	Nil	N/A
International Customers	**1,070,003**	**1,002,360**	**+6.7%**
Owned containers	314,077	239,742	+31.0%
Managed containers	755,926	762,618	-0.9%
Total	**1,621,222**	**1,519,671**	**+6.7%**

OTHER BUSINESSES

As at 31st December 2008, the Group owned a 49% interest in COSCO Logistics and a 21.8% stake in CIMC. COSCO Logistics and CIMC contributed US$25,006,000 and US$39,080,000 of profit to the Group, representing an increase of 27.2% and a decrease of 41.8% from 2007, respectively.

MAINTAINING A HEALTHY FINANCIAL POSITION

The Group arranged a 6-year club loan of US$440,000,000 in April 2008. As at 31st December 2008, the Group's total outstanding loans amounted to US$1,424,335,000 (2007: US$914,034,000), with an average loan term of 4.4 years (2007: 5.0 years). The loans to be repaid in the coming two years amounted to US$156,975,000, representing only 11.0% of the total outstanding loans. Apart from financing provided by banks, the Group also raised US$272,421,000 by a sale-and-manage-back transaction in March and a sale-and-leaseback transaction in July, further increasing its cash position. As at 31st December 2008, cash balance of the Company was US$429,041,000

As at 31st December 2008, the Group's net debt to equity ratio was 37.6% (2007: 19.0%). Interest coverage ratio was 6.2 times (2007: 10.0 times). While main capital expenditures increased to US$893,381,000 in 2008 (2007: US$856,177,000), the Group's overall financial position remained healthy.

Capital Expenses for the Terminal Business Mainly Used in Committed Projects and Terminal Expansions

COSCO Pacific's capital expenditure for the terminal business was US$281,383,000 in 2008 (2007: US$249,082,000), which was mainly used in committed terminal projects, as well as upgraded of existing terminal operation for enhancing its operating efficiency, expansion of facilities and purchase of machineries.

Purchase of New Containers Decreased by 53.2%

While focusing on developing the terminal business, the Group also considered it important to maintain a continuous development of its container leasing business. During the year, the Group added 152,752 TEUs of new containers (2007: 326,715 TEUs), a decrease of 53.2% from last year, for US$348,008,000 (2007: US$586,323,000). Approximately 82% of these new containers were on long-term leases to customers. In the first half of 2008, the Group added 138,162 TEUs of new containers (2007 1H: 184,931 TEUs). As the global economy slowed down in the second half of 2008, the Group added only 14,590 TEUs of new containers during the second half (2007 2H: 141,784 TEUs).

Increased Stake in CIMC to Enhance Vertically-Integrated Capabilities

In order to enhance its vertically-integrated capabilities in container-related businesses, the Group bought 148,320,037 CIMC's B shares from December 2007 to March 2008, representing a 5.57% interest in CIMC, at a cost of US$274,480,000. Together with its original 432,171,843 A shares, the Group owns a total stake of 21.8% in CIMC. CIMC is the world's largest container manufacturer, with a global market share of about 50%.

OUTLOOK

Economies of the United States, European Union, Japan and other developed countries are already in recession, China's economy, which is mainly driven by the external sector, will also come under tremendous pressure. Under this challenging global economic environment, the business of terminal and shipping companies will be directly affected. Throughput has been falling substantially with intensified competition in the port industry.

Under this challenging business environment, COSCO Pacific will maintain its continual development through a series of strategies in 2009, including strengthening operation management, risk management, cost control and enhancement of efficiency. The Group is strengthening operation management of its terminals, particularly for terminals in which the Group owns controlling stakes and key terminals, with a view to increasing their abilities to enhance efficiency. One of the key priorities in 2009 is the preparation for the takeover of Piraeus Container Terminal in Greece on 1st October 2009.

Since the global credit crunch is yet to alleviate, and financial institutions continue to operate in a conservative and prudent manner, financing channels have been substantially narrowed. In 2009, COSCO Pacific will appropriately and timely adjust its investment and business operation strategies to enhance its ability to withstand risks.

We take a number of measures to ensure safety of capital and appropriate allocation of funds. We closely monitor the changing capital market and review our capital expenditure program for terminal and leasing divisions regularly. For terminal investments, the selection criteria for new terminal investments have been tightened and the construction of newly invested terminals has been slowed down so as to reduce the capital expenditure. Investments in expansion of existing operating terminals have also slowed down and operating costs are under stringent control. For the capital expenditure of the container leasing business, we have substantially reduced the purchase of new containers.

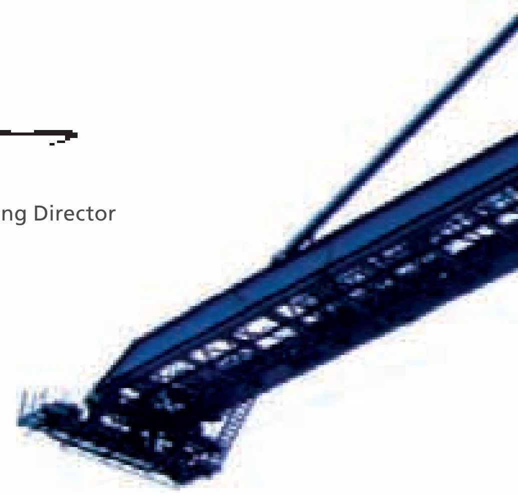
In terms of financial management, we will strengthen our cash flow through different channels. The Board has proposed to moderately adjust the dividend payout ratio in 2008 to 40.0%. At the same time, shareholders are provided with a scrip dividend alternative. This measure will not only help the Company retain cash, but also provide an opportunity for shareholders to re-invest their dividend. We will adhere to our prudent financial strategy to secure its sources of capital so as to optimise the long term development with stability and profitability.

2009 is expected to be a year full of challenges. Despite the complex and challenging economic environment, with the support from the parent company and the efforts by our outstanding team, COSCO Pacific will further strengthen the competitiveness of its core businesses, and deliver an even higher quality of services to its customers. We will continue to adhere to the principle of prudent business management. By implementing stringent measures to control risks and enhancement in management, COSCO Pacific will strengthen its sustainable core competence and continue to steadily develop its business despite the difficult economic environment.

The sharp economic downturn has caused companies to cut back on costs and reduce inventories. However, once the efforts by governments around the world to stimulate the economy start to produce positive effects, demands for goods will increase and the global economy will start to recover. While it is difficult to predict when the economy will start to recover, COSCO Pacific has formulated its long term development plan and is accumulating momentum for the new development phase.

Finally, I would like to take this opportunity to thank all of our staff for the untiring efforts and outstanding contributions made during such a difficult business environment, which has resulted in the achievement of all the Group's goals and targets. Despite the challenges ahead in 2009, I firmly believe that, under the guidance of the Board of Directors of COSCO Pacific, all of our staff will dedicate our efforts to tackle these challenges and contribute to the steady growth of COSCO Pacific in the future.

XU Minjie
Vice Chairman and Managing Director
8th April 2009




COSCO
COSCO
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CORPORATE STRUCTURE

COSCO BULK CARRIER CO., LTD.

QINGDAO OCEAN SHIPPING CO., LTD.

COSCO (HONG KONG) SHIPPING CO., LTD.

SHENZHEN OCEAN SHIPPING CO., LTD.

100%

CHINA OCEAN SHIPPING (GROUP) COMPANY

54.55%

CHINA COSCO HOLDINGS COMPANY LIMITED

50.96%

COSCO PACIFIC LIMITED

TERMINAL AND RELATED BUSINESSES

Bohai Rim

Qingdao Qianwan Container Terminal Co., Ltd. (20%)

Qingdao New Qianwan Container Terminal Co., Ltd. (16%)

Qingdao Cosport International Container Terminals Co., Ltd. (50%)

Dalian Port Container Co., Ltd. (8.13%)

Dalian Port Container Terminal Co., Ltd. (20%)

Dalian Automobile Terminal Co., Ltd. (30%)

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

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

Yingkou Container Terminals Company Limited (50%)

Yangtze River Delta

Shanghai Pudong International Container Terminals Limited (30%)

Shanghai Container Terminals Limited (10%)

Shanghai Xiangdong International Container Terminal Company Limited (10%)

Ningbo Yuan Dong Terminals Limited (20%)

Zhangjiagang Win Hanverky Container Terminal Co., Ltd. (51%)

Yangzhou Yuanyang International Ports Co., Ltd. (55.59%)

Nanjing Port Longtan Container Co., Ltd. (20%)

Zhenjiang Jinyuan Container Terminals Co., Ltd. (25%)

Pearl River Delta and Southeast Coast

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

Yantian International Container Terminals Co., Ltd. (5%)

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

Guangzhou South China Oceangate Container Terminal Company Limited (39%)

Quan Zhou Pacific Container Terminal Co., Ltd. (71.43%)

Jinjiang Pacific Ports Development Co., Ltd. (80%)

Xiamen Ocean Gate Container Terminal Co., Ltd. (70%)

Overseas

COSCO-PSA Terminal Private Limited (49%)

Antwerp Gateway NV (20%)

Suez Canal Container Terminal S.A.E. (20%)

Piraeus Container Terminal S.A. (100%)

Terminal related services

Plangreat Limited (100%)

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

100%

COSCO CONTAINER LINES COMPANY LIMITED

49.04%

INDEPENDENT SHAREHOLDERS

CONTAINER LEASING, MANAGEMENT AND SALE BUSINESSES

Florens Container Holdings Limited (100%)

Florens Container Services Company Limited (100%)

Branches:

Asia-Pacific:

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

Americas:

San Francisco • New York • Sao Paulo

Europe:

London • Hamburg • Genoa

LOGISTICS BUSINESS

COSCO Logistics Co., Ltd. (49%)

Regional headquarters:

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

Representative offices:

Hong Kong • Seoul • Tokyo • Athens • Singapore

CONTAINER MANUFACTURING BUSINESS

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

Location of container manufacturing plants:

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

Shanghai CIMC Reefer Containers Co., Ltd. (20%)[Note]

As at 31st December 2008

Note: The Group signed an agreement to sell its 20% stake in Shanghai CIMC Reefer to CIMC. The transaction was completed in January 2009.

WORLDWIDE BUSINESS NETWORK

COSCO Pacific

Terminals

Florens* and its branches
*Florens is a wholly owned subsidiary of COSCO Pacific Limited.

New terminal

NORTH AMERICA

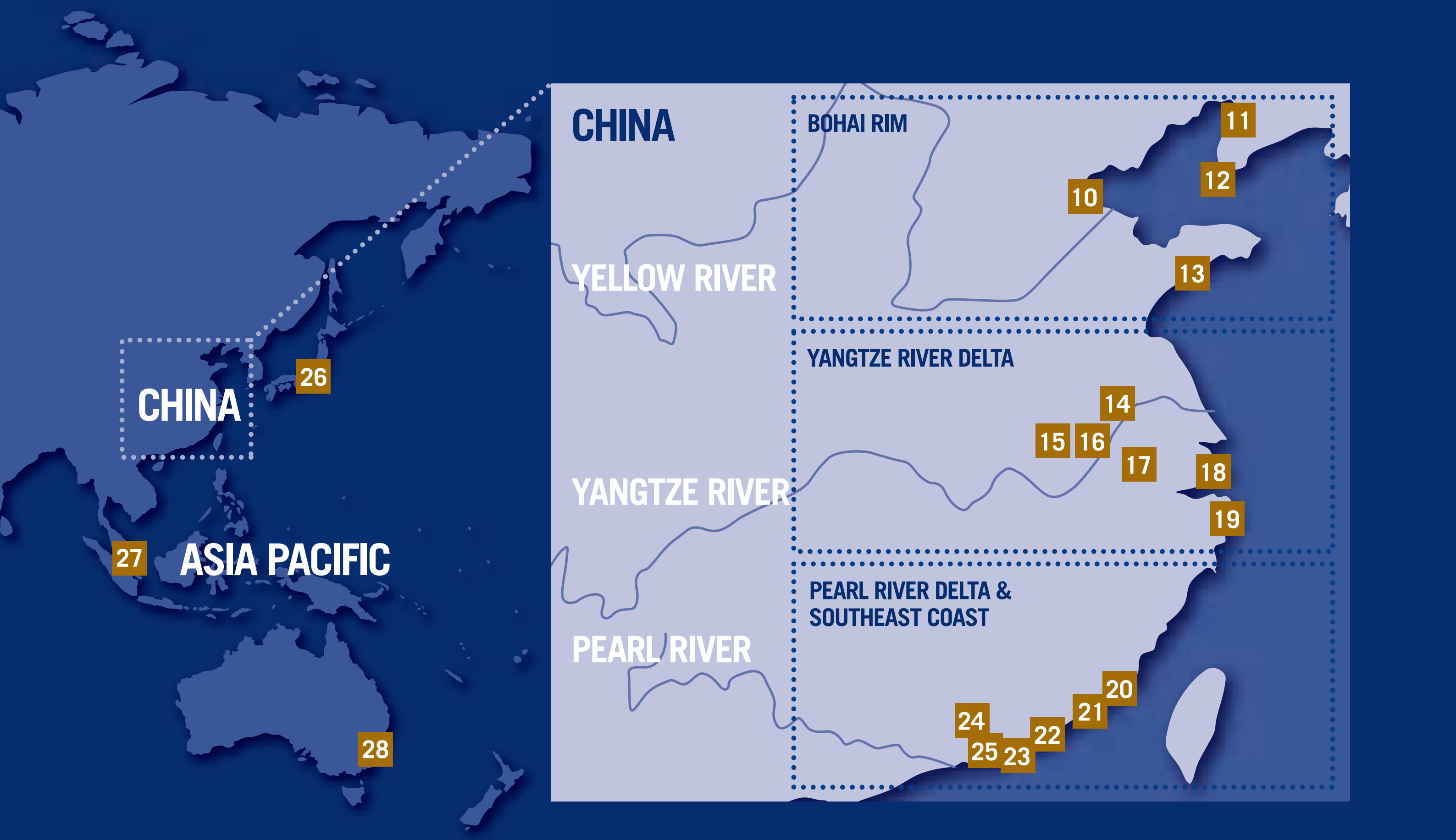
1	San Francisco
2	New York

SOUTH AMERICA

3	Sao Paulo

EUROPE & MEDITERRANEAN

4	London
5	Hamburg
6	Antwerp
7	Genoa
8	Piraeus
9	Port Said



ASIA PACIFIC

10	Tianjin
11	Yingkou
12	Dalian
13	Qingdao
14	Yangzhou
15	Nanjing
16	Zhenjiang
17	Zhangjiagang
18	Shanghai
19	Ningbo
20	Quanzhou
21	Xiamen
22	Shenzhen
23	Hong Kong
24	Guangzhou
25	Macau
26	Tokyo
27	Singapore
28	Sydney

OPERATIONAL REVIEW

GLOBAL ECONOMIC REVIEW AND OUTLOOK

2008 will be remembered for turbulence in the global economy. The global financial tsunami, caused by the US sub-prime crisis, impacted both the European and US economies and signs of negative effects on China's export sectors started to emerge in the fourth quarter of 2008. The global economy is anticipated to slow down further in 2009, due to the recession in Europe and the United States. This will result in a plunge in global trade volumes which will inevitably affect the shipping industry and foreign trade-related sectors globally.

FINANCIAL TSUNAMI HITS GLOBAL ECONOMY

The world's major economies were hit by the financial tsunami in 2008 and moved into a recession in the second half of the year. This led to an abrupt slowdown in the global GDP and trade volume in the fourth quarter. According to the International Monetary Fund, the global economy recorded a 3.4% growth in 2008 (2007: +5.2%), 1.8 percentage points less than that for 2007. The US and Euro area economies grew by only 1.1% and 1.0%, respectively, 0.9 and 1.6 percentage points less than those for 2007. The economy of developing countries in Asia grew by 7.8% only, 2.8 percentage points less than 2007.

NEGATIVE IMPACTS ON CHINA ECONOMY

China's economy recorded steady growth in the first three quarters of 2008 at 10.6%, 10.1% and 9.0%, respectively. However, as the "factory of the world", China was unavoidably dealt a heavy blow by the weak global economy in the last quarter of 2008 and recorded a growth rate of just 6.8%, the slowest in seven years. Impacts on China's imports and exports also became obvious in the fourth quarter when the total value of China's exports and imports recorded negative growth in November and December 2008, with a drop of 2.2% and 17.9% in November and 2.8% and 21.3% in December. As a result, China's aggregate exports and imports for 2008 rose by only 17.2% (2007: +25.7%) and 18.5% (2007: +20.8%), respectively.

IMPACTS ON THE SHIPPING INDUSTRY

According to estimates by London-based maritime adviser Drewry Shipping Consultants Limited, the global container traffic in 2008 rose to 153 million TEUs, representing a year on year increase of 7.2%, 4.8 percentage points slower than the growth in 2007. The growth of shipping volume from Asia to North Europe slowed down to 1.9% in 2008 from 16.6% in 2007. Shipping volume for transpacific routes also weakened considerably. The growth of container shipping volume from Asia to North America dropped from 1.6% in 2007 to a negative growth of 5.7% in 2008. Due to the plunge in demand for container shipping, shipping companies have cut their shipping capacities to save on operational costs in the fourth quarter, in particular for those routes that are already suffering from excess capacities.

OUTLOOK

Looking ahead, global economic and trade volume growths are expected to slow down further in 2009 amid recessions in Europe and the United States. The International Monetary Fund expects the global economy to contract by 0.5% to 1.0%, the first decline in 60 years. The economies of the U.S. and the Euro area are expected to contract by 2.6% and 3.2% respectively, the sharpest declines since World War II. Growth of emerging economies will slow down further to between 1.5% to 2.5%. Growth in international trade volume (including goods and services) is also expected to slide from 4.1% in 2008 to a negative growth of 2.8% in 2009.

The growth of global container traffic is expected to slow down tremendously as a result. According to Drewry Shipping Consultants Limited, growth in global container traffic will drop to 2.8% in 2009, from 7.2% in 2008. Global shipping and foreign trade-related businesses will be impacted directly. Business for the Group on all fronts will be facing a difficult and challenging operating environment.

OPERATIONAL REVIEW – TERMINALS

To enhance its leadership as a top global terminal operator, the Group has transformed its terminal development strategy over the past three years through an emphasis on obtaining controlling stakes in new terminal investments, expansion of global terminal networks and diversification in terminal investments. These efforts have now started to bear fruits as highlighted below.

- Global market share increased to 5.5% from 5.0%
- Invested in our first wholly-owned terminal venture overseas – Piraeus Terminal
- Equity throughput reached 9,973,805 TEUs, up 22.8% year on year, and higher than the 17.7% year-on-year growth in total throughput
- Shares of overseas terminal companies in total throughput increased to 10.3% from 5.0%

MARKET REVIEW

The container terminals market maintained its growth momentum in early 2008, but became sluggish in the second half of the year which was the traditional peak exports season. According to Drewry Shipping Consultants Limited, global port throughput in 2008 rose to 534 million TEUs, an increase of 7.4% over 2007, 5.2 percentage points slower than the growth in 2007.

After enjoying rapid growth in throughput by increasing their investments and improving operational management, major ports around the world have experienced the first slowdown in growth in a decade in 2008 as both Europe and the United States were in a recession.

With six of the top 10 global container ports located in the country, China demonstrates its role as the "World Factory". Container throughput in China ports has continuously gained weight, accounting for 23.6% of global container throughput, up 1.0 percentage points from 2007.

In China, impacted by the global and domestic economic conditions, container throughput of the ports fell short of growth momentum in the traditional peak exports season for Christmas, as imports and exports weakened in the fourth quarter. China's throughput in 2008 was 126 million TEUs, translating into a 12.2% year-on-year growth.

Top 10 global container ports throughput

Rank 2008	(2007)	Port	Throughput (TEUs) 2008	y-o-y change 2008	(2007)
1	(1)	Singapore	29,920,000	+7.1%	(+12.7%)
2	(2)	Shanghai	27,980,000	+7.0%	(+20.5%)
3	(3)	Hong Kong	24,490,000	+2.1%	(+1.9%)
4	(4)	Shenzhen	21,400,000	+1.5%	(+14.2%)
5	(5)	Busan	13,430,000	+1.0%	(+10.1%)
6	(7)	Dubai	11,830,000	+11.0%	(+19.4%)
7	(11)	Ningbo	11,230,000	+19.0%	(+32.4%)
8	(12)	Guangzhou	11,000,000	+18.8%	(+39.4%)
9	(6)	Rotterdam	10,784,000	+0.0%	(+11.8%)
10	(10)	Qingdao	10,320,000	+9.1%	(+22.9%)

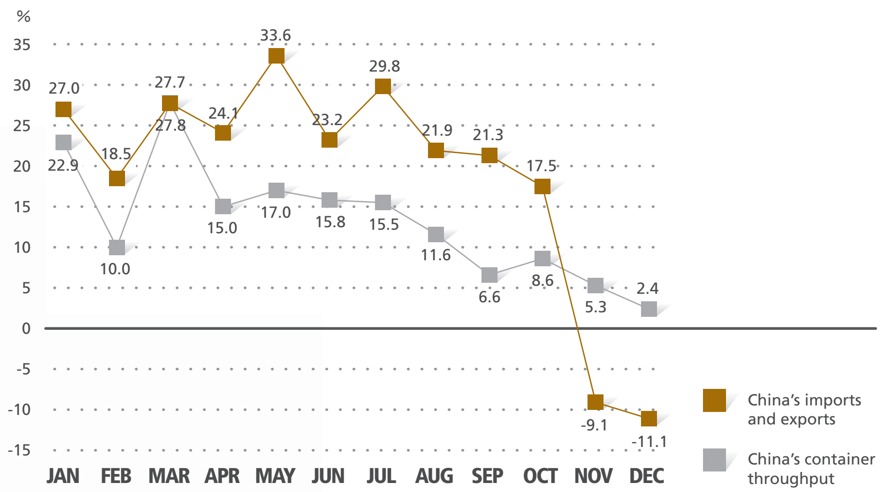
Sources: The websites of Hong Kong Port Development Council and China Ports Association Container Branch

Top 10 China container ports throughput

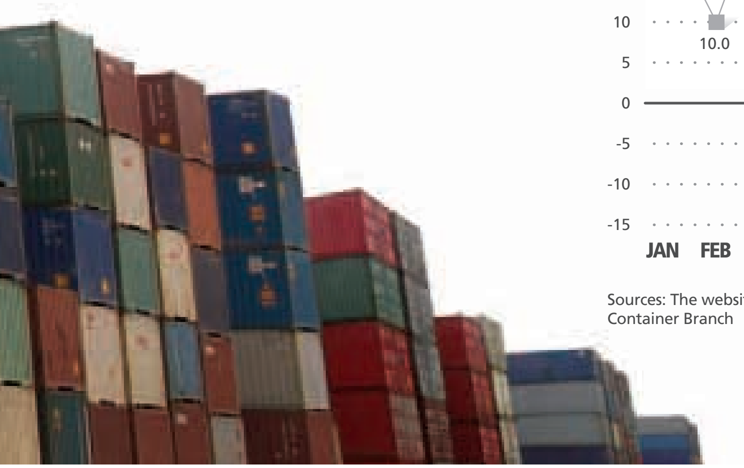
Rank 2008	(2007)	Port	Throughput (TEUs) 2008	y-o-y change 2008	(2007)
1	(1)	Shanghai	27,980,000	+7.0%	(+20.5%)
2	(2)	Shenzhen	21,400,000	+1.5%	(+14.2%)
3	(4)	Ningbo	11,230,000	+19.0%	(+32.4%)
4	(5)	Guangzhou	11,000,000	+18.8%	(+39.4%)
5	(3)	Qingdao	10,320,000	+9.1%	(+22.9%)
6	(6)	Tianjin	8,500,000	+19.7%	(+19.4%)
7	(7)	Xiamen	5,030,000	+10.3%	(+15.3%)
8	(8)	Dalian	4,500,000	+18.1%	(+18.7%)
9	(9)	Lianyungang	3,000,000	+48.2%	(+53.6%)
10	(10)	Yingkou	2,030,000	+7.5%	(+35.7%)

Source: The website of China Ports Association Container Branch

2008 China's imports and exports and container throughput



Sources: The websites of the Ministry of Commerce of the People's Republic of China and China Ports Association Container Branch



BUSINESS REVIEW

Increase in Global Market Share

According to the global container terminal operators ranking by Drewry Shipping Consultants Limited released in September 2008, COSCO Pacific was the fifth largest operator in the world in 2007 (2006: the fifth) with a 5.5% global market share (2006: 5.0%), representing a year-on-year increase of 0.5 percentage point.

Top 10 global container terminal operators

Rank 2007	(2006)	Container terminal operator	Market share 2007	(2006)
1	(1)	HPH	13.3%	(13.8%)
2	(2)	APM Terminals	12.1%	(11.8%)
3	(3)	PSA	11.0%	(10.7%)
4	(4)	DP World	8.7%	(9.4%)
5	(5)	COSCO Pacific	5.5%	(5.0%)
6	(8)	MSC	2.9%	(2.0%)
7	(6)	Eurogate	2.7%	(2.7%)
8	(7)	Evergreen	2.1%	(2.1%)
9	(9)	SSA Marine	1.6%	(1.7%)
10	(10)	HHLA	1.5%	(1.5%)

Source: Drewry Shipping Consultants Limited (September 2008)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More Terminal Investments with Controlling Stakes

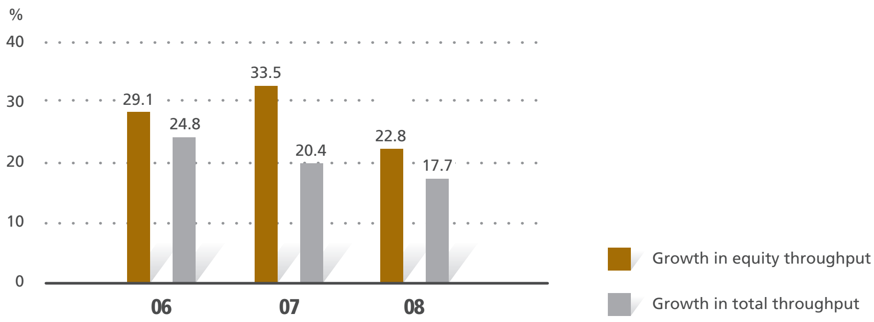
To enhance its leadership as a top global terminal operator, the Group has transformed its terminal development strategy through an emphasis on obtaining controlling stakes in new terminal investments, expansion of global terminal networks and diversification in terminal investments. In 2008, the Group achieved encouraging progress in investment in terminals with controlling stakes and expansion of the overseas terminal business. We invested in our first wholly-owned terminal venture overseas – Piraeus Terminal, which is also our first wholly-owned terminal venture. And the number of holding terminal companies in the Group will increase to six.

COSCO Pacific holds controlling stakes in six terminal companies

Terminal company	Shareholding	Year of signed investment contract	Terminal category
Zhangjiagang Win Hanverky Terminal	51%	1997	Container
Yangzhou Yuanyang Terminal	55.59%	2003	Container and break-bulk cargo
Quan Zhou Pacific Terminal	71.43%	2006	Container and break-bulk cargo
Jinjiang Pacific Terminal	80%	2007	Container and break-bulk cargo
Xiamen Ocean Gate Terminal	70%	2007	Container
Piraeus Terminal	100%	2008	Container

In the past three years, growth in the Group's equity throughput exceeded the growth in total throughput. In 2008, the Group's equity throughput reached 9,973,805 TEUs (2007: 8,120,869), up 22.8% year on year and higher than the 17.7% year-on-year growth in total throughput. This indicated that the Group's efforts in recent years in expanding investment in terminals with controlling stakes have started to bear fruits.

2006-2008 equity throughput growth faster than total throughput



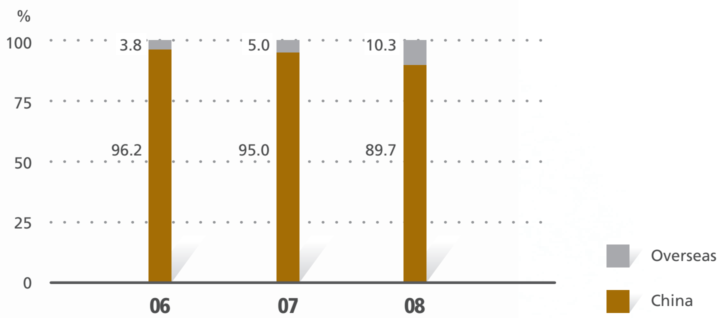
2008 equity throughput vs total throughput

	Equity throughput (TEU)	y-o-y change	Total throughput (TEU)	y-o-y change
Bohai Rim	3,594,149	+5.9%	17,103,887	+6.4%
Yangtze River Delta	2,126,225	+13.9%	9,503,821	+14.4%
Pearl River Delta and Southeast Coast	2,945,428	+32.2%	14,539,711	+14.9%
China	8,665,802	+15.7%	41,147,419	+11.1%
Overseas	1,308,003	+107.3%	4,731,456	+143.2%
Total	**9,973,805**	**+22.8%**	**45,878,875**	**+17.7%**

Rapid Growth in Throughput Contribution from Overseas Terminals

In 2008, shares of overseas terminal companies in total throughput increased to 10.3% from 5.0% in 2007, with their total throughput reaching 4,731,456 TEUs (2007: 1,945,504 TEUs), up 143.2% year-on-year (2007: 58.5%). Suez Canal Terminal, the acquisition which was completed in October 2007, was a major driver in the total throughput growth of the overseas terminal companies.

Increased share of overseas terminal companies in container throughput



Balanced Geographical Coverage of Terminals

Regional breakdown of berth and annual handling capacity

	Berths	Annual handling capacity	% of total annual handling capacity
Bohai Rim			
Container berths	46	24,600,000 TEUs	31.9%
Automobile berths	2	600,000 vehicles	100.0%
Total no. of berths	48		
Yangtze River Delta			
Container berths	33	14,200,000 TEUs	18.4%
Break-bulk cargo berths	5	6,550,000 tons	55.7%
Total no. of berths	38		
Pearl River Delta and Southeast Coast			
Container berths	33	25,100,000 TEUs	32.5%
Break-bulk cargo berths	5	5,200,000 tons	44.3%
Total no. of berths	38		
China			
Container berths	112	63,900,000 TEUs	82.8%
Break-bulk cargo berths	10	11,750,000 tons	100.0%
Automobile berths	2	600,000 vehicles	100.0%
Total no. of berths	124		
Overseas			
Total no. of berths	22	13,300,000 TEUs	17.2%
Total			
Total no. of container berths	**134**	**77,200,000 TEUs**	
Total no. of break-bulk cargo berths	**10**	**11,750,000 tons**	
Total no. of automobile berths	**2**	**600,000 vehicles**	
Total no. of berths	**146**		

As at 31st December 2008, the Group owned different equity stakes in 28 (2007: 27) terminal companies in 19 ports in China and overseas, participating in investment, operation and management of 146 (2007: 140) berths, of which 124 berths (2007: 124) were located in China and 22 (2007:16) overseas. The 124 berths in China are situated in four major port regions, of which 48 were located in Bohai Rim (46 container berths, 2 automobile berths), 38 in Yangtze River Delta (33 container berths, 5 break-bulk cargo berths) and 38 in Pearl River Delta and Southeast Coast (33 container berths, 5 break-bulk cargo berths).

Regional breakdown of operating berth and annual handling capacity

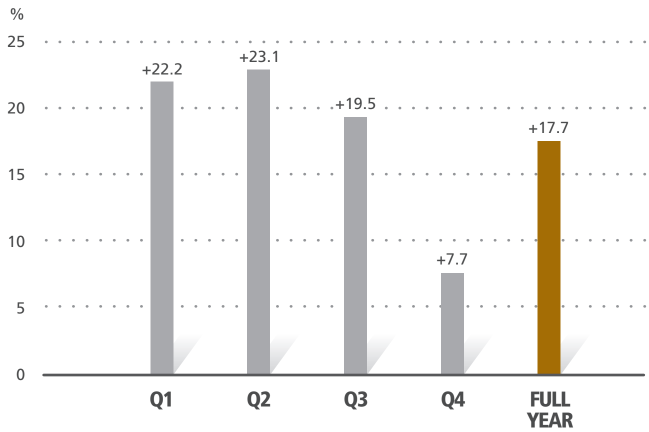
	Berths	Annual handling capacity	% of total annual handling capacity
Bohai Rim			
Container berths	31	15,100,000 TEUs	31.4%
Automobile berths	2	600,000 vehicles	100.0%
Total no. of berths	33		
Yangtze River Delta			
Container berths	23	8,900,000 TEUs	18.5%
Break-bulk cargo berths	5	6,550,000 tons	72.4%
Total no. of berths	28		
Pearl River Delta and Southeast Coast			
Container berths	25	19,000,000 TEUs	39.4%
Break-bulk cargo berths	3	2,500,000 tons	27.6%
Total no. of berths	28		
China			
Container berths	79	43,000,000 TEUs	89.3%
Break-bulk cargo berths	8	9,050,000 tons	100.0%
Automobile berths	2	600,000 vehicles	100.0%
Total no. of berths	89		
Overseas			
Total no. of berths	10	5,150,000 TEUs	10.7%
Total			
Total no. of container berths	**89**	**48,150,000 TEUs**	
Total no. of break-bulk cargo berths	**8**	**9,050,000 tons**	
Total no. of automobile berths	**2**	**600,000 vehicles**	
Total no. of berths	**99**		

The Group added three operating berths in 2008, including two container berths and one break-bulk cargo berth. Number of operating container berths increased to 89 (2007: 87), with annual handling capacity reaching 48,150,000 TEUs (2007: 47,450,000 TEUs). Number of operating break-bulk cargo berths increased to 8 (2007: 7), with annual handling capacity reaching 9,050,000 tons (2007: 7,550,000 tons).

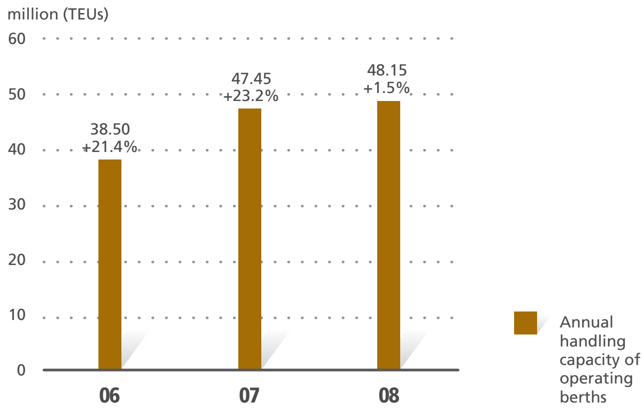
Of the three berths added, COSCO-PSA Terminal in Singapore added an operating berth with annual handling capacity of 400,000 TEUs, according to the original investment agreement. As a result, the number of operating berths increased to two, with total annual handling capacity increasing to 1,000,000 TEUs. In addition, Jinjiang Pacific Terminal at Quanzhou Port in Fujian Province commenced operation in April, with a total of five berths, including two container berths and three break-bulk cargo berths that have annual handling capacities of 800,000 TEUs and 4,200,000 tons of break-bulk cargo. One container berth and one break-bulk cargo berth have commenced operation, with annual handling capacities of 300,000 TEUs and 1,500,000 tons respectively.

Stable Throughput Growth in 2008

Quarterly container throughput y-o-y growth in 2008



New operational container annual handling capacity in 2006-2008



COSCO Pacific's container throughput maintained a steady growth in the first three quarters in 2008. However, with the impact of the financial tsunami on global container trade which gradually emerged in the fourth quarter, the growth in the Group's container throughput slid significantly in the fourth quarter. Throughput for the year rose 17.7% (2007: +20.4%) to 45,878,875 TEUs (2007: 38,982,605 TEUs), an increase of 6,896,270 TEUs (2007: 6,611,960 TEUs).

Besides the organic growth, major growth drivers came from the new container berths in China and overseas that commenced operation in 2007 and 2008. These include Guangzhou South China Oceangate Terminal, Ningbo Yuan Dong Terminal and the expansion of Yantian Terminal Phase III in China. For overseas ports, Suez Canal Terminal had its first full year contribution to the Group in 2008 and COSCO-PSA Terminal added a new container berth in January 2008, according to the original investment agreement. Moreover, the development and operations of Dalian Port Terminal and Antwerp Terminal became more mature in 2008, with annual throughput increasing 94.9% and 37.8% respectively, which added to the growth momentum of the total throughput.

The Group's terminals in all major regions in China have recorded different levels of throughput growth during the year. The throughput in Bohai Rim increased by 6.4% to 17,103,887 TEUs (2007: 16,080,786 TEUs), accounting for 37.3% of the total throughput (2007: 41.3%). The single-digit growth was due to a slower growth in Qingdao Qianwan Terminal. The throughput in Yangtze River Delta rose by 14.4% to 9,503,821 TEUs (2007: 8,307,080 TEUs), accounting for 20.7% of the total throughput (2007: 21.3%). This was driven by the Ningbo Yuan Dong Terminal which commenced operation in 2007. The throughput in the Pearl River Delta and Southeast Coast reached 14,539,711 TEUs (2007: 12,649,235 TEUs), an increase of 14.9% year-on-year, accounting for 31.7% of the total throughput (2007: 32.4%). The growth was driven by the Guangzhou South China Oceangate Terminal, which commenced operation in 2007. Total throughput of overseas terminals reached 4,731,456 TEUs (2007: 1,945,504 TEUs), a year-on-year surge of 143.2%, accounting for 10.3% of the total throughput (2007: 5.0%). The drastic increase was due to the first full-year throughput contribution from Suez Canal Terminal. In December 2007, two break-bulk cargo berths of Yangzhou Yuanyang Terminal commenced operation, increasing the break-bulk cargo throughput of the Group to 13,655,223 tons (2007: 7,989,609 tons), an increase of 70.9%.

Regional breakdown of container throughput

	2008 (TEUs)	y-o-y change	% of total	% of tota y-o-y change
Bohai Rim	17,103,887	+6.4%	37.3%	-4.0pp
Yangtze River Delta	9,503,821	+14.4%	20.7%	-0.6pp
Pearl River Delta and Southeast Coast	14,539,711	+14.9%	31.7%	-0.7pp
China	41,147,419	+11.1%	89.7%	-5.3pp
Overseas	4,731,456	+143.2%	10.3%	+5.3pp
Total throughput	**45,878,875**	**+17.7%**	**100.0%**	**–**

BOHAI RIM

Throughput of Bohai Rim terminal companies

	2008 (TEUs)	2007 (TEUs)	y-o-y change
Qingdao Qianwan Terminal	8,715,098	8,237,501	+5.8%
Qingdao Cosport Terminal	1,099,937	1,005,439	+9.4%
Dalian Port Container Co., Ltd.	2,742,503	2,873,474	-4.6%
Dalian Port Terminal	1,656,968	850,359	+94.9%
Tianjin Five Continents Terminal	1,938,580	1,988,456	-2.5%
Yingkou Terminal	950,801	1,125,557	-15.5%
Total container throughput	**17,103,887**	**16,080,786**	**+6.4%**
As a percentage of total container throughput	**37.3%**	**41.3%**	**-4.0pp**

The throughput of Qingdao Qianwan Terminal in 2008 reached 8,715,098 TEUs (2007: 8,237,501 TEUs), rising 5.8% (2007: +21.7%). The slower year-on-year growth was a result of the reduction in the number of normal operation days in Qingdao Port due to heavy fog and the Beijing Olympic Games.

A number of new international routes from Dalian Port Terminal were opened in 2008, raising throughput drastically by 94.9% (2007: +102.0%) to 1,656,968 TEUs (2007: 850,359 TEUs). Container berths were added to Tianjin Port and Yingkou Port during the year, resulting in a drop in throughput of Tianjin Five Continents Terminal and Yingkou Terminal by 2.5% (2007: +12.1%) and 15.5% (2007: +34.4%) respectively.

1 Qingdao Qianwan Terminal
2 Qingdao Cosport Terminal
3 Dalian Port Container Co., Ltd.
4 Dalian Port Terminal
5 Tianjin Five Continents Terminal
6 Yingkou Terminal

YANGTZE RIVER DELTA

Throughput of Yangtze River Delta terminal companies

	2008 (TEUs)	2007 (TEUs)	y-o-y change
Shanghai Pudong Terminal	2,779,109	2,723,722	+2.0%
Shanghai Terminal	3,681,785	3,446,135	+6.8%
Ningbo Yuan Dong Terminal	903,865	331,361	+172.8%
Zhangjiagang Win Hanverky Terminal	710,831	601,801	+18.1%
Yangzhou Yuanyang Terminal	267,970	253,772	+5.6%
Nanjing Longtan Terminal	1,160,261	950,289	+22.1%
Total container throughput	**9,503,821**	**8,307,080**	**+14.4%**
As a percentage of total container throughput	**20.7%**	**21.3%**	**-0.6pp**
Throughput of break-bulk cargo(Tons)	**11,882,066**	**7,196,428**	**+65.1%**

The throughput of Shanghai Pudong Terminal was up slightly by 2.0% (2007: +2.8%) to 2,779,109 TEUs (2007: 2,723,722 TEUs). The growth rate was similar to that of 2007 because the terminal operated beyond its maximum capacity. The throughput of Shanghai Terminal increased by 6.8% (2007: -6.9%) to 3,681,785 TEUs (2007: 3,446,135 TEUs). The routes from the terminal mainly comprised coastal routes for domestic cargo and Japan/Korea routes. Ningbo Yuan Dong Terminal commenced operation in March 2007 and has been performing well. The terminal recorded profit contribution in its first year of operation. It handled 903,865 TEUs during the year (2007: 331,361 TEUs).

Zhangjiagang Win Hanverky Terminal, Yangzhou Yuanyang Terminal and Nanjing Longtan Terminal are branch line ports and feeder ports located at Yangtze River Basin with high potentials, linking the cargo sources at lower-to-middle course of Yangtze River with the key shipping hub of Shanghai. The three terminal companies process domestic cargo and transhipment and together, handled 2,139,062 TEUs in 2008 (2007: 1,805,862 TEUs), which was an 18.5% increase from the year before (2007: +31.0%). Zhangjiagang Win Hanverky Terminal has established routes to Japan, Hong Kong, Korea, Yangtze River inland waterway and coastal trading routes, transhipping cargoes across the world. In 2008, throughput of the terminal reached 710,831 TEUs (2007: 601,801 TEUs), up 18.1% (2007: +32.0%). Yangzhou Port is the second largest timber import feeder port in mainland China. Yangzhou Yuanyang Terminal, in which the Group has a controlling stake, is the main operator in Yangzhou Port with five break-bulk cargo berths and one container berth in operation. The terminal company invested in two break-bulk cargo berths in Jiangdu Port Area of Yangzhou Port in 2007. Both berths commenced operation in December 2007, boasting the break-bulk cargo throughput in 2008 by 65.1% (2007: +9.0%), accounting for 21.7% (2007: 13.6%) of the break-bulk cargo throughput in Yangzhou Port. In October 2008, the three terminals were named "top five inland waterway container terminals in Mainland China ports" by China Ports Association Container Branch.

7 Shanghai Pudong Terminal
8 Shanghai Terminal
9 Ningbo Yuan Dong Terminal
10 Zhangjiagang Win Hanverky Terminal
11 Yangzhou Yuanyang Terminal
12 Nanjing Longtan Terminal

PEARL RIVER DELTA & SOUTHEAST COAST

Throughput of Pearl River Delta & Southeast Coast terminal companies

	2008 (TEUs)	2007 (TEUs)	y-o-y change
COSCO-HIT Terminal	1,752,251	1,846,559	-5.1%
Yantian Terminal	9,683,493	9,368,696	+3.4%
Guangzhou South China Oceangate Terminal	2,000,130	577,196	+246.5%
Quan Zhou Pacific Terminal	910,058	856,784	+6.2%
Jinjiang Pacific Terminal	193,779	-	NA
Total container throughput	**14,539,711**	**12,649,235**	**+14.9%**
As a percentage of total container throughput	**31.7%**	**32.4%**	**-0.7pp**
Throughput of break-bulk cargo (Tons)	**1,773,157**	**793,181**	**+123.6%**

Quan Zhou Pacific Terminal and Jinjiang Pacific Terminal in Southeast Coast in which the Group owns controlling stakes, handled a combined total of 1,103,837 TEUs (2007: 856,784 TEUs), an increase of 28.8% (2007: +255.1%). The two terminal companies are both located in Quanzhou Port and accounted for 100.0% of the port's container throughput in 2008 (2007: 81.3%). Quanzhou Port is an important port within Fujian Province and is also one of the top three mainland domestic cargo ports in China, with established routes for break-bulk cargo and containers to and from Japan, Hong Kong, across the straits and Korea's Busan. Jinjiang Pacific Terminal commenced operations in April 2008 with a total of five berths, including two container berths and three break-bulk cargo berths. The terminal has annual handling capacities of 800,000 TEUs and 4,200,000 tons of break-bulk cargo. One container berth and one break-bulk cargo berth have commenced operation, with annual handling capacities of 300,000 TEUs and 1,500,000 tons respectively. The terminal company primarily operates break-bulk cargo berths, handling 944,859 tons of break-bulk cargo during the year, which drove up the throughput of break-bulk terminals of Southeast Coast by 123.6% year-on-year (2007: +57.0%).

Impacted by the recession in Europe and the United States, exports from the Pearl River Delta declined. In addition, the reduction in routes to Europe and the United States in November and December further accelerated the decline in the volume of cargo shipped to these two regions. COSCO-HIT Terminal handled 1,752,251 TEUs during the year (2007: 1,846,559 TEUs), down 5.1% year-on-year (2007: +9.3%). Throughput of Yantian Terminal reached 9,683,493 TEUs (2007: 9,368,696 TEUs), an increase of 3.4% year-on-year (2007: +10.6%). During the year, Yantian Terminal strived to diversify the type of goods handled and strengthened its domestic cargo and international transhipment business by opening up new domestic cargo routes to ports in Northern China and establishing a sea-rail container transportation business. Yantian Terminal also developed a river-ocean container transportation business and raised the handling capacity for domestic cargo from branch line ports in order to mitigate the effect of the reduction in exports to the U.S.

Six berths of Guangzhou South China Oceangate Terminal have been in full operation since September 2007. The berths have a combined annual handling capacity of 4,200,000 TEUs, with containers for domestic cargos accounting for a higher proportion of containers handled. The throughput of the terminal reached 2,000,130 TEUs (2007: 577,196 TEUs) in 2008. This adds to the total throughput of the Group in the region to 13,435,874 TEUs (2007: 11,792,451 TEUs), a 13.9% increase year-on-year (2007: +16.1%).

13 COSCO-HIT Terminal
14 Yantian Terminal
15 Guangzhou South China Oceangate Terminal
16 Quan Zhou Pacific Terminal
17 Jinjiang Pacific Terminal

OVERSEAS

Throughput of overseas terminal companies

	2008 (TEUs)	2007 (TEUs)	y-o-y change
COSCO-PSA Terminal	1,247,283	833,892	+49.6%
Antwerp Terminal	1,091,657	792,459	+37.8%
Suez Canal Terminal	2,392,516	319,153	+649.6%
Total container throughput	**4,731,456**	**1,945,504**	**+143.2%**
As a percentage of total container throughput	**10.3%**	**5.0%**	**+5.3pp**

Throughput of overseas terminal companies accounted for 10.3% of the Group's total throughput, up from 5.0% in 2007. The Group has container terminals business in the Port of Singapore, Port of Antwerp in Belgium and Port Said Port in Egypt, which handled a combined total of 4,731,456 TEUs in 2008 (2007: 1,945,504 TEUs), a significant increase of 143.2%.

Based on the original investment agreement, COSCO-PSA Terminal in the Port of Singapore added an operating berth with annual handling capacity of 400,000 TEUs in January 2008, which raised the number of operating berths to two and annual handling capacity to 1,000,000 TEUs. Throughput increased by 49.6% (2007: +32.8%) to 1,247,283 TEUs (2007: 833,892 TEUs). Benefiting from the opening of a number of new routes in the first half of the year, the throughput of Antwerp Terminal increased by 37.8% year-on-year (2007: +32.3%) to 1,091,657 TEUs (2007: 792,459 TEUs), far exceeding the 6.0% overall container throughput growth of the Port of Antwerp. The market share of Antwerp Terminal in the Port of Antwerp increased to 12.6% (2007: 9.7%). The terminal also became profitable in January 2008. However, like other ports around the world, COSCO-PSA Terminal and Antwerp Terminal recorded sharp declines in throughput in November and December 2008, resulting in negative growth rates for these two months.

Suez Canal Terminal at Port Said Port, Egypt, commenced operation in October 2004 and is a key terminal of the port. The terminal has a market share in Port Said Port of over 50.0% in terms of container throughput and its operational berths have an annual handling capacity of 2,550,000 TEUs. The Group completed the acquisition of a 20% interest in the terminal company in October 2007. 2008 was the first year for Suez Canal Terminal to provide full year contribution of throughput and profit to the Group. The fleets of COSCON, Kawasaki Kisen Kaisha and Yang Ming Marine Transport Corporation all berthed to Suez Canal Terminal for the first time in early 2008. These increased the throughput of the terminal to 2,392,516 TEUs for the year (2007: 319,153 TEUs).

18 COSCO-PSA Terminal
19 Antwerp Terminal
20 Suez Canal Terminal

Container throughput

Terminal companies	2008 (TEUs)	2007 (TEUs)	y-o-y change
Bohai Rim	**17,103,887**	**16,080,786**	**+6.4%**
Qingdao Qianwan Terminal	8,715,098	8,237,501	+5.8%
Qingdao Cosport Terminal	1,099,937	1,005,439	+9.4%
Dalian Port Container Co., Ltd.	2,742,503	2,873,474	-4.6%
Dalian Port Terminal	1,656,968	850,359	+94.9%
Tianjin Five Continents Terminal	1,938,580	1,988,456	-2.5%
Yingkou Terminal	950,801	1,125,557	-15.5%
Yangtze River Delta	**9,503,821**	**8,307,080**	**+14.4%**
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Jinjiang Pacific Terminal	193,779	-	NA
Overseas	**4,731,456**	**1,945,504**	**+143.2%**
COSCO-PSA Terminal	1,247,283	833,892	+49.6%
Antwerp Terminal	1,091,657	792,459	+37.8%
Suez Canal Terminal	2,392,516	319,153	+649.6%
China total container throughput	**41,147,419**	**37,037,101**	**+11.1%**
Total container throughput	**45,878,875**	**38,982,605**	**+17.7%**
Throughput of break-bulk cargo (Tons)	**13,655,223**	**7,989,609**	**+70.9%**

EXPANSION STRATEGY

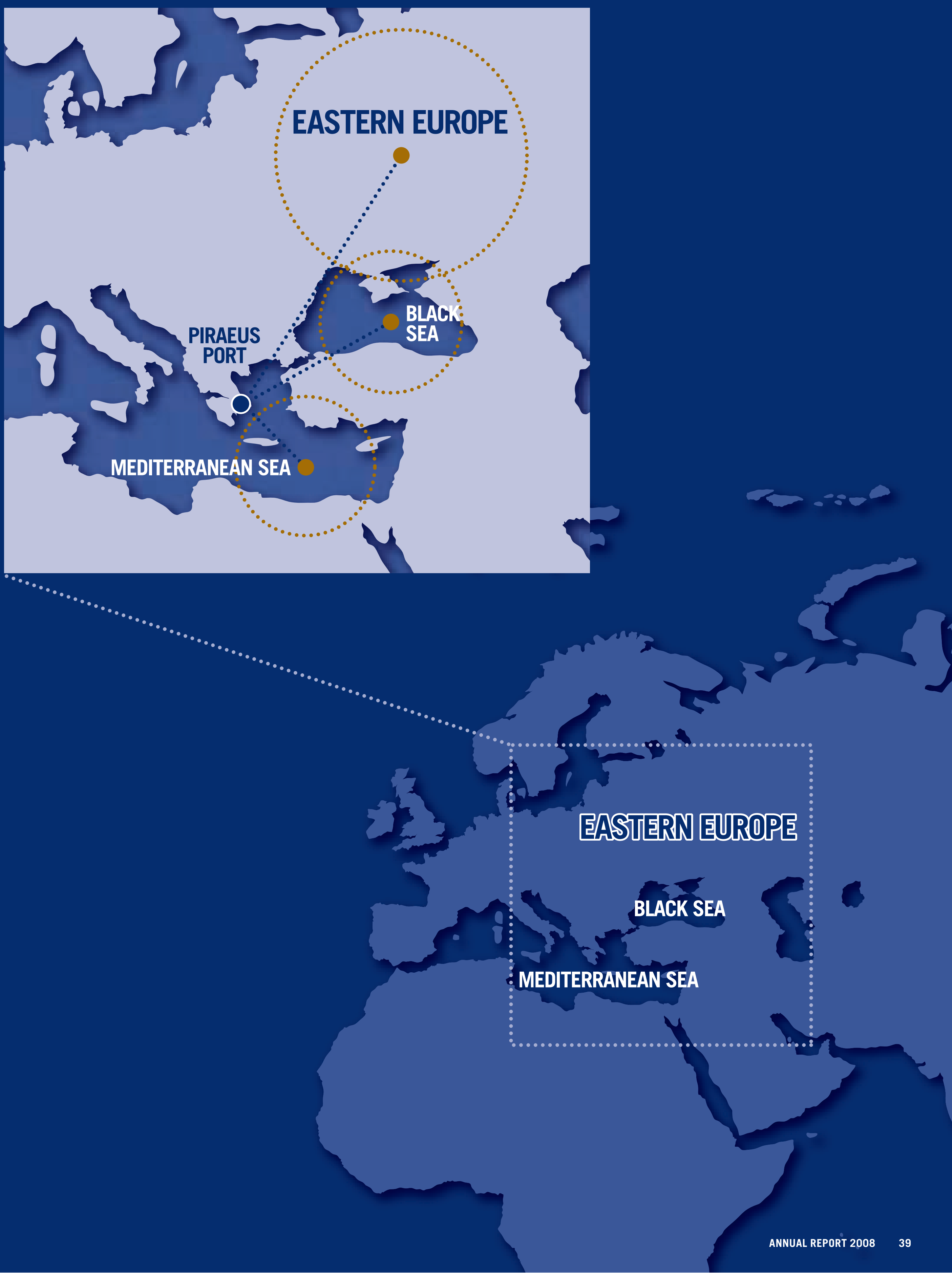
Concession to Operate and Develop Piers 2 and 3 of the Piraeus Port in Greece

The Group successfully bid for a concession to operate and develop Piers 2 and 3 of the Piraeus Port in Greece. The duration of the rights is 30 years and is extendable for 5 years. This marked the corner stone for the Group as this is the first wholly-owned terminal venture of the Group. COSCO Pacific and its wholly-owned subsidiary, Piraeus Terminal signed the concession agreement with Piraeus Port Authority S.A. ("PPA") on 25th November 2008. President Hu Jintao of China and Prime Minister Kostas Karamanlis of Greece attended and witnessed the signing ceremony.

COSCO Pacific will undertake the concession through its wholly-owned subsidiary, Piraeus Terminal to develop and operate Piers 2 and 3 of the Piraeus Port in Greece. COSCO Pacific will take over and operate Pier 2, which has an annual handling capacity of 1,600,000 TEUs, on 1st October 2009. The Group will commence the upgrade of Pier 2 and construction of Pier 3 shortly afterwards. These projects are expected to complete by the end of 2015. Upon completion, the annual handling capacity of Pier 2 will increase by 1,000,000 TEUs to 2,600,000 TEUs and Pier 3 will have an annual handling capacity of 1,100,000 TEUs. The combined capacity of the two piers will reach 3,700,000 TEUs.

Piraeus Port is the largest container terminal in Greece, handling imports and exports for Greece, as well as cargo transhipments. With its prime location, the port is not only the largest import and export terminal in Greece, but also the primary transhipment port of the country, serving Eastern Europe, the Mediterranean, the Balkans and Black Sea. Piraeus Port handled 1,370,000 TEUs in 2007, representing 73% of the total container throughput in Greece.

Operation and development of Piers 2 and 3 of the Piraeus Port are of strategic significance for the Group and COSCO in Eastern Europe, the Mediterranean, the Balkans and Black Sea region. With the steady growth of trade between China and the region, demand for related shipping and transhipment services will further increase. With the support of the COSCO Group and the shipping companies that have established relationships with us, the Group firmly believes that Piers 2 and 3 of the Piraeus Port will develop into an important transhipment terminal in Eastern Europe, the Mediterranean, the Balkans and Black Sea region, contributing steady cash flow and favourable investment return for the Group.


EASTERN EUROPE
BLACK SEA
PIRAEUS PORT
MEDITERRANEAN SEA
EASTERN EUROPE
BLACK SEA
MEDITERRANEAN SEA

Purchased Berths 13 and 14 of Dayao Bay at Dalian Port

Dalian Port Terminal, in which the Group holds a 20% interest, purchased container berths No. 13 and No. 14 of Dayao Bay phase II at Dalian Port for US$14,220,000 in June 2008. Dalian Port Terminal had been renting these two berths at different stages since the second half of 2006.

Terminal portfolio

Terminal companies	Shareholding	No. of berths	Depth (m)	Annual handling capacity(TEUs)
Bohai Rim		**48**		**24,600,000**
Qingdao Qianwan Container Terminal Co., Ltd.	20%	11	17.5	6,500,000
Qingdao New Qianwan Container Terminal Co., Ltd.	16%	10	15.0-20.0	6,000,000
Qingdao Cosport International Container Terminals Co., Ltd.	50%	1	13.5	600,000
Dalian Port Container Co., Ltd.	8.13%	9	8.9-14.0	3,000,000
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 Five Continents International Container Terminal Co., Ltd.	14%	4	15.7	1,500,000
Tianjin Port Euroasia International Container Terminal Co., Ltd.	30%	3	15.5	1,800,000
Yingkou Container Terminals Company Limited	50%	2	14.0	1,000,000
Yangtze River Delta		**38**		**14,200,000**
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	2,100,000
Zhangjiagang Win Hanverky Container Terminal Co., Ltd.	51%	3	10.0	1,000,000
Yangzhou Yuanyang International Ports Co., Ltd.	55.59%	2 5	12.0 8.0-12.0	700,000 6,550,000 (tons of break-bulk cargo)
Nanjing Port Longtan Container Co., Ltd.	20%	5	12.0	1,000,000
Zhenjiang Jinyuan Container Terminals Co., Ltd.	25%	1	13.0	200,000
Pearl River Delta and Southeast Coast		**38**		**25,100,000**
COSCO-HIT Terminals (Hong Kong) Limited	50%	2	15.5	1,800,000
Yantian International Container Terminals Co., Ltd.	5%	5	14.0-15.5	4,500,000
Yantian International Container Terminals (Phase III) Limited	4.45%	10	16.0	9,000,000
Guangzhou South China Oceangate Container Terminal Co., Ltd.	39%	6	14.5	4,200,000
Quan Zhou Pacific Container Terminal Co., Ltd.	71.43%	4 2	7.0-15.1 5.1-9.6	2,000,000 1,000,000 (tons of break-bulk cargo)
Jinjiang Pacific Ports Development Co., Ltd.	80%	2 3	10.2-14.0 7.9-9.8	800,000 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**
COSCO-PSA Terminal Private Limited	49%	2	15.0	1,000,000
Antwerp Gateway NV	20%	6	17.0	3,500,000
Suez Canal Container Terminal S.A.E.	20%	8	16.0	5,100,000
Piraeus Container Terminal S.A.	100%	6	14.0-16.0	3,700,000
Total no. of berths		**146**		
Total no. of container berths / Annual handling capacity		**134**		**77,200,000**
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)**

BUSINESS OUTLOOK

2009 is expected to be a very difficult year. The global economic recession is dragging on container throughput worldwide and it is hard to predict when the economy will recover at this stage. Amid global tightening of credit and the worsening of operating environment, the Group will inevitably have to strategically slow down the pace of investment in new terminals and expansion of existing terminals.

Five terminal companies are expected to commence operation or have new berths brought into operation, which will add 12 new berths and raise annual handling capacity by 6,750,000 TEUs. These berths will be spread across the four major port regions in mainland China and the Piraeus Port in Greece. The new berths in Mainland China and overseas will account for 45.0% and 55.0% of the equity annual handling capacity added. The majority of the capacity is expected to commence operation in the second half of the year.

The Group expects that most of the terminals will record negative year-on-year organic growth in 2009. On the other hand, as the Group will strategically slow down the pace for commencement of operation of new berths, the newly added capacity will not have an obvious impact on throughput.

The Group has maintained favourable relationships with container shipping lines and has co-operated with them in the development and operation of a number of terminals. With the quality services offered by the Group, together with the strong background of shipping partners, the support from parent company COSCO and the advantage from the world's largest shipping alliance CKYH, the Group will be in a stronger position to navigate through the tough operational environment.

It has long been the focus of the Group to invest in China terminals, while at the same time expand its overseas terminal network. To date, the terminal portfolio of the Group covers the four largest port regions in China. Together with its overseas terminals, the Group has established a well balanced terminal portfolio. The Group not only invests in major coastal hub ports in China, but also allocates resources in branch line ports and feeder ports that handle domestic cargo and international cargo, resulting in a further optimised and diversified terminal portfolio that will reduce the risk of investment. The Group believes that a diversified and balanced terminal portfolio will reduce the impact of the global economic recession on the terminal business of the Group and will immediately benefit once the economy starts to recover.

2009 expected new berths and their annual handling capacities

Terminal companies	Berths	Annual handling capacity (TEUs)	Equity annual handling capacity (TEU)	Expected time for operation to commence
Qingdao New Qianwan Terminal (The fourth phase of Qianwan at Qingdao Port)	4	2,400,000	384,000	Second quarter
Ningbo Yuan Dong Terminal (The fifth phase of Beilun at Ningbo Port)	2	850,000	170,000	Second quarter
Quanzhou Pacific Terminal (Berth no. 4 of Shihu port area at Quanzhou Port)	1	1,000,000	714,300	Second quarter
Yantian Terminal (Expansion of the third phase at Yantian Port)	1	900,000	40,050	Third quarter
China	8	5,150,000	1,308,350	
Piraeus Terminal (Pier 2 of Piraeus Port)	4	1,600,000	1,600,000	1st October
Total	**12**	**6,750,000**	**2,908,350**	

OPERATIONAL REVIEW – CONTAINER LEASING, MANAGEMENT AND SALE

In the face of intense competition in the market and the global economic slowdown, the Group continued to expand its container fleet in a steady pace through an asset light business model, thus further solidified its leading position in the industry. In 2008, Florens, a wholly-owned subsidiary of COSCO Pacific, continued to rank as the world's second largest container leasing company. With a fleet size of 1,621,222 TEUs (2007: 1,519,671 TEUs), Florens captured approximately 13.6% (2007: approximately 13.2%) of the global container leasing market. During the year, the profit contribution from container leasing, management and sale businesses rose 19.5% year-on-year to US$141,055,000 (2007: US$117,994,000).

Moving into 2009, the global economic downturn is expected to further exacerbate. Confronted with a very difficult business environment, the Group will take a prudent yet proactive approach in handling upcoming challenges. It will come up with appropriate measures to effectively control risks and plan ahead for the recovery of the economy.

MARKET REVIEW

Given the increasing demands by shipping companies, the container leasing market was generally active from January to September 2008. Starting from mid-October 2008, the overall demand for leased containers plunged dramatically as a result of the financial tsunami and the global economic slowdown.

According to the February 2009 issue of Containerisation International, the new vessels deliveries in 2008 totalled 1,503,000 TEUs (2007: 1,300,000 TEUs), which led to an increase in demand by shipping companies for containers. However, the price of new containers was generally high in 2008 given the increasing price in raw materials, energy and rising labour costs. The ex-factory price of a new 20-foot dry container soared up to US$2,600 in August 2008. Shipping companies therefore cut back on their purchase of new containers and instead leased containers from leasing companies in the first half of 2008. In the third quarter of 2008, the financial tsunami triggered by the US subprime mortgage crisis swept across the world. Signs of depression emerged in the developed economies and the financial crisis made a quick intrusion into the emerging economies as well. In the wake of this, tightening of capital flow was seen in the global capital markets and tightening of credits by banks resulted in high financing costs for businesses. All these contributed to a plunge in exports and imports. To control costs, shipping companies adjusted their capacities, which led to a drastic drop in the demand for leased containers.

The world's top 10 container leasing companies in 2008

	Fleet size (TEUs) and market share
Textainer Group	2,050,000 (17.1%)
COSCO Pacific (Florens)	1,621,222* (13.6%)
Triton Container	1,500,000 (12.5%)
TAL International	1,060,000 (8.8%)
Seacastle Container	980,000 (8.2%)
GE SeaCo	950,000 (7.9%)
CAI	780,000 (6.5%)
UES International (HK)	500,000 (4.2%)
Gold Container	480,000 (4.0%)
Cronos Group	460,000 (3.8%)

Source: World Cargo News (August 2008)
*The container fleet size of Florens as at 31st December 2008

The world's top 10 container lines in 2008

	Fleet capacity (TEUs) and market share
Maersk Line	1,865,603 (13.1%)
MSC	1,468,713 (10.3%)
CMA CGM	1,001,386 (7.0%)
Evergreen	629,312 (4.4%)
Hapag-Lloyd	496,724 (3.5%)
COSCON	496,000* (3.5%)
APL	474,453 (3.3%)
CSCL	420,562 (2.9%)
NYK	407,208 (2.9%)
Mitsui O.S.K. Lines	374,059 (2.6%)

Source: CI Online (February 2009)
*The fleet capacity of COSCON as at 31st December 2008

BUSINESS REVIEW

COSCO Pacific's container leasing, management and sale businesses are operated and managed by its wholly-owned subsidiary, Florens. In the face of intense competition in the market and the global economic slowdown, Florens further streamlined its asset light business model, which comprises owned, managed and sale-and-leaseback containers. Florens steadily expanded its container fleet, and further strengthened its leading position in the industry. During the year, Florens remained the world's second largest container leasing company, accounting for approximately 13.6% (2007: approximately 13.2%) of the global container leasing market and continued to provide quality container leasing services for international container lines.

As at 31st December 2008, the fleet size of the Group's owned, managed and sale-and-leaseback containers reached 1,621,222 TEUs (2007: 1,519,671 TEUs), representing a year-on-year increase of 6.7%. The fleet size of the owned containers was 747,202 TEUs (2007: 757,053 TEUs), accounting for 46.1% (2007: 49.8%) of the total container fleet. The size of the managed container fleet reached 755,926 TEUs (2007: 762,618 TEUs), or 46.6% (2007: 50.2%) of the total fleet. The size of the sale-and-leaseback container fleet reached 118,094 TEUs (2007: nil), or 7.3% (2007: nil) of the total fleet.

As at 31st December 2008, 551,219 TEUs (2007: 517,311 TEUs) of containers were made available to COSCON, among which 433,125 TEUs (2007: 517,311 TEUs) were owned containers and 118,094 TEUs (2007: nil) were sold and leased back by the Group. Containers made available to international customers amounted to 1,070,003 TEUs (2007: 1,002,360 TEUs), among which owned containers were 314,077 TEUs (2007: 239,742 TEUs) and the managed containers were 755,926 TEUs (2007: 762,618 TEUs).

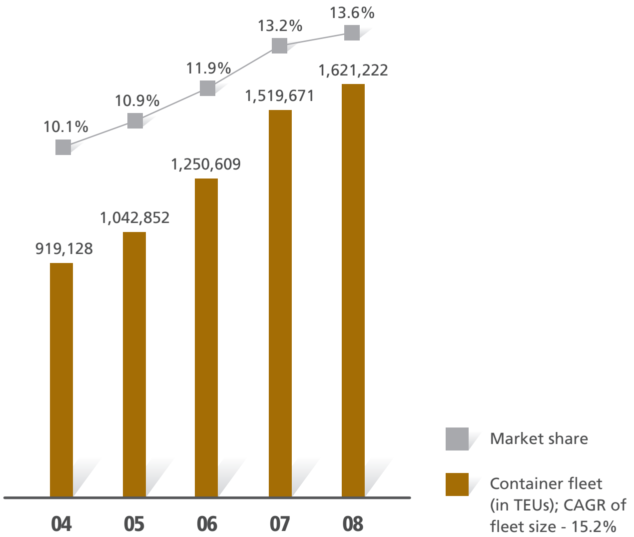
Whilst expanding its business in the sale-and-manage-back model, the Group kept abreast of the market developments and continued to develop its owned container fleet. During the year, the Group purchased 152,752 TEUs (2007: 326,715 TEUs) of new containers, of which 64,802 TEUs (2007: 112,754 TEUs) were ordered for COSCON, accounting for 42.4% (2007: 34.5%) of the Group's total new purchase of the year. The remaining 57.6% (2007: 65.5%) or 87,950 TEUs (2007: 213,961 TEUs), were for international customers.

As at 31st December 2008, the Group had a customer base of 300 companies (2007: 280). In 2008, the overall average utilisation rate was 94.6% (2007: 94.5%). The average fleet age was 4.15 years (2007: 3.75 years).

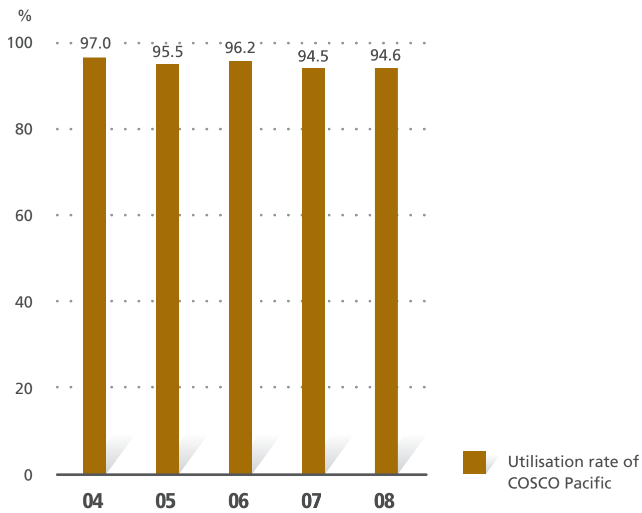
Breakdown of owned, managed and sale-and-leaseback containers (in TEUs)

	Owned Containers	Managed Containers	Sale-and-leaseback Containers	Total
As at 31st December 2008				
COSCON	433,125	-	118,094	551,219
International customers	314,077	755,926	-	1,070,003
Total	**747,202**	**755,926**	**118,094**	**1,621,222**
As at 31st December 2007				
COSCON	517,311	-	-	517,311
International customers	239,742	762,618	-	1,002,360
Total	**757,053**	**762,618**	**-**	**1,519,671**

Increasing market share and growing container fleet



Benefited from largely long-term leases, utilisation rates were kept high



Fleet age analysis (in TEUs)

Year	<1	1	2	3	4	5	6	7	8	9	10	>10	Total
Dry	142,987	337,061	258,977	165,991	145,510	145,824	111,335	89,565	60,634	33,469	18,834	60,275	1,570,462
Reefer	2,954	4,562	7,036	1,894	1,529	1,713	1,894	3,184	2,270	432	1,694	12,021	41,183
Special	780	600	199	–	–	–	10	–	–	932	2,011	5,045	9,577
Total	**146,721**	**342,223**	**266,212**	**167,885**	**147,039**	**147,537**	**113,239**	**92,749**	**62,904**	**34,833**	**22,539**	**77,341**	**1,621,222**

Fleet capacity breakdown by type of containers

		Owned Containers (COSCON)	Owned Containers (International customers)	Managed Containers (International customers)	Sale-and-leaseback Containers (COSCON)	Total
As at 31st December 2008						
Dry	%	95.5	97.7	97.8	94.1	96.9
Reefer	%	4.2	2.1	1.3	5.4	2.5
Special	%	0.3	0.2	0.9	0.5	0.6
Total number of containers	**TEUs**	**433,125**	**314,077**	**755,926**	**118,094**	**1,621,222**
Percentage of total	%	26.7	19.4	46.6	7.3	100.0
As at 31st December 2007						
Dry	%	94.8	98.7	97.5	-	96.8
Reefer	%	4.9	0.9	1.5	-	2.5
Special	%	0.3	0.4	1.0	-	0.7
Total number of containers	**TEUs**	**517,311**	**239,742**	**762,618**	**-**	**1,519,671**
Percentage of total	%	34.0	15.8	50.2	-	100.0

Container Leasing, Management and Sale – Profit and Revenue

In 2008, the Group's container leasing, management and sale businesses grew steadily. The profit contribution from this division increased 19.5% year-on-year to US$141,055,000 (2007: US$117,994,000). Divisional total revenue totalled US$252,620,000 (2007: US$247,853,000), representing a year-on-year increase of 1.9%. Container leasing revenue accounted for 80.1% (2007: 73.2%) of the divisional total revenue. This increased 11.6% year-on-year to US$202,437,000 (2007: US$181,334,000), mainly due to increased on-hired units by international customers.

Disposal of Returned Containers upon Expiry of Leases

During the year, 28,770 TEUs (2007: 51,464 TEUs) of containers were returned by COSCON upon expiry of their 10-year leases. In 2008, the returned containers disposed of by the Group totalled 34,043 TEUs (2007: 56,759 TEUs), including disposal of 26,645 TEUs (2007: 51,365 TEUs) of containers returned by COSCON upon expiry of their 10-year leases in 2008 or before. The Group generated US$39,352,000 (2007: US$57,038,000) of sales proceeds from the disposal of returned containers, accounting for 15.6% (2007: 23.0%) of the divisional total revenue. Profit before tax from the disposal amounted to US$7,094,000 (2007: US$6,583,000).

Revenue analysis

	2008 (US$'000)	2007 (US$'000)	y-o-y change	2008 percentage of total	2007 percentage of total
Container leasing revenue	202,437	181,334	+11.6%	80.1%	73.2%
Management income	8,465	7,327	+15.5%	3.4%	3.0%
Sale of returned containers	39,352	57,038	-31.0%	15.6%	23.0%
Others	2,366	2,154	+9.8%	0.9%	0.8%
Total revenue	**252,620**	**247,853**	**+1.9%**	**100.0%**	**100.0%**

Focused on long-term leases to generate steady revenue stream from container leasing

Breakdown of long-term and master lease		2008	2007	2006	2005	2004
COSCON (long-term lease)	%	70.4	77.3	62.3	46.1	47.2
International customers (long-term lease)	%	21.8	18.0	27.8	37.9	34.4
International customers (master lease)	%	7.8	4.7	9.9	16.0	18.4
Total container leasing revenue	**US$'000**	**202,437**	**181,334**	**219,566**	**274,476**	**255,921**

Further Streamlining of the Asset Light Business Model

To further optimise the container leasing business and lower operational risks, the Group further streamlined the asset light business model with the sale-and-manage-back business model getting more established. It completed a sale-and-manage-back transaction in March 2008 with containers amounting to 13,509 TEUs (2007: 135,956 TEUs), retrieving US$22,421,000 in cash (2007: US$238,802,000), and generating a pre-tax profit of US$302,000 (2007: US$25,975,000).

Following the successful launch of the sale-and-manage-back business model, the Group sold 118,094 TEUs of containers to CBA USD Investments Pty Limited, a wholly-owned subsidiary of the Commonwealth Bank of Australia, in July 2008. Upon the completion of the transaction, the Group leased back these containers, which were continued to be leased to COSCON. The Group retrieved US$250,000,000 in cash through the disposal and recorded a pre-tax profit of US$3,928,000. This transaction increased the Group's cash flow and helped reduce its gearing ratio. In addition, the arrangement allows the Group to retain the commercial control over these containers, enabling the Group to lease them to customers and earn and retain the profit from these leases.

Risk Management

The Group has a comprehensive risk management system to enable it to evaluate and scrutinize its customers. An effective risk monitoring system is also in place to ensure the implementation of various risk management measures. The global economic downturn has led to an unfavourable business operating environment, in response to which, the Group further enhanced its risk management. It employed measures such as applying risk evaluation to strengthen customers' credit risk management, keeping a close eye on changes in customers' business operations and financial situation and strengthening analysis and monitoring of receivables, to improve the cash management of the Group.

Fleet capacity movement

	2008 (TEUs)	2007 (TEUs)	y-o-y change
Fleet capacity as at 1st January	1,519,671	1,250,609	+21.5%
New containers purchased	152,752	326,715	-53.2%
Managed containers deposited by a third party	-	10,778	-100.0%
Containers returned from COSCON upon expiry of leases			
Total	(28,770)	(51,464)	-44.1%
Re-leased	2,867	502	+471.1%
Disposed of and pending for disposal	(25,903)	(50,962)	-49.2%
Ownership transferred to customers upon expiry of finance leases	(828)	(469)	+76.5%
Defective containers written off	(230)	-	N/A
Total loss of containers declared and compensated by customers	(24,240)	(17,000)	+42.6%
Fleet capacity as at 31st December	**1,621,222**	**1,519,671**	**+6.7%**

The majority of the Group's customers are the world-class container lines, including the world's top 10 container lines. During the year, container leasing revenue from the world's top 10 container lines accounted for 80.7% (2007: 86.0%) of the Group's total container leasing revenue.

Leases of the Group's owned containers were mostly long term in nature in order to mitigate cyclical risks and warrant a high utilisation rate. During the year, long-term leases contributed 92.2% (2007: 95.3%) to the total container leasing revenue. Long-term leases by COSCON contributed 70.4% (2007: 77.3%) to the total container leasing revenue, while long-term leases by international customers contributed 21.8% (2007: 18.0%), and only 7.8% (2007: 4.7%) from master leases.

BUSINESS OUTLOOK

The global trading volume, along with the global economic growth, is expected to further slow down in 2009, given that the US and European economies are both in recession. Consequently, the growth rate of global container traffic will also plunge substantially. According to the estimation by Drewry Shipping Consultants Limited, the global container traffic is expected to grow by just 2.8% in 2009, down from 7.2% in 2008. This would impose a heavy blow to the shipping industry and all foreign trade-related sectors.

The Group's container leasing, management and sale businesses will also be challenged by the very difficult business environment. Leasing revenue and utilisation rates are both anticipated to be under pressure. Despite all the uncertainties shrouding the global economy, the Group will continue to focus on the development of its long-term leasing business in 2009 to maintain a steady stream of leasing revenue. The Group will, in the coming year, continue to execute the asset light model for steady development of its container leasing, management and sale businesses and to exercise a strict control over capital expenditure and operating costs in order to maximise efficiency. The Group will closely monitor the global economy and market trends, and come up with appropriate measures to effectively control risks. It will take a prudent yet proactive approach in facing upcoming challenges and plan ahead for the recovery of the economy.

OPERATIONAL REVIEW – LOGISTICS AND CONTAINER MANUFACTURING

LOGISTICS

The Group owns a 49% stake in COSCO Logistics, whose major businesses include third party logistics, shipping agency services and freight forwarding. During the year, the profit contribution from COSCO Logistics for the Group amounted to US$25,006,000 (2007: US$19,663,000), a 27.2% year-on-year growth from 2007.

In 2008, COSCO Logistics strived hard to strengthen its brand identity by leveraging its leadership in technology and further solidified its dominant position in the market. During the year, COSCO Logistics won tenders for a number of high profile logistics projects, including the logistics service for the transportation of orbital module and its components, the re-entry module and the unmanned spacecraft model of Shenzhou-7. These projects elevated the brand awareness and reputation of COSCO Logistics in both mainland and international logistics markets.

In 2009, COSCO Logistics will continue to develop its high-end customer base, upgrade its technologies, explore innovative business models and develop domestic-international joint logistics services to bring the business to the next level and seek new breakthroughs in earnings models, with a view to further enhancing profitability and overall competitiveness.

Business performance

	2008	2007	y-o-y change
Third party logistics			
Product logistics			
Home appliance (thousand pieces)	58,582	43,182	+35.7%
Automobile (vehicles)	245,874	290,517	-15.4%
Chemical (tons)	3,102,599	2,802,658	+10.7%
Project logistics (RMB in millions)	1,150	832	+38.2%
Shipping agency (voyage)	136,041	138,843	-2.0%
Freight forwarding			
Sea freight forwarding			
Bulk cargo (thousand tons)	141,630	140,884	+0.5%
Container (TEUs)	2,212,978	2,153,882	+2.7%
Air freight forwarding (tons)	121,340	111,007	+9.3%

CONTAINER MANUFACTURING

The Group holds a 21.8% stake in CIMC, which is the world's largest container manufacturer, producing more than 50% of the containers in the global market.

In 2008, the Group signed an agreement to sell its interest in Tianjin CIMC North Ocean and Shanghai CIMC Reefer to simplify the shareholder structure of its container manufacturing business.

The global economy downturn has caused a sharp contraction in the container shipping market in the second half of 2008, resulting in a decline in demand for new containers. This led to a relatively sharp decline in the profit of CIMC. As a result, the profit contribution from the container manufacturing business for the Group declined by 42.5% to US$39,316,000.

FINANCIAL REVIEW

OVERALL ANALYSIS OF RESULTS

The financial tsunami has resulted in a global economic slowdown and the profit of the Group for 2008 was under pressure. In 2008, the profit attributable to equity holders of the Company was US$274,725,000 a 2.5% slight decrease compared to US$281,845,000 recorded last year (excluding the financial gain of the CIMC Put Options associated with the CIMC share reform of US$55,181,000 and profit of US$90,742,000 generated from the disposal of the 20% shareholding interest in Chong Hing Bank last year). Return on equity holders of the Company was 10.4% (2007: 11.5% (excluding the financial gain of the CIMC Put Options and profit on disposal of interest in Chong Hing Bank in 2007)).

During 2006 and 2007, the Group had been able to reap the benefits of its strategic efforts to expand the container terminal network in China and other parts of the world through investments in either subsidiaries with controlling stakes or joint ventures. It enabled the Group to carry out a defensive strategy in terminal investment. The ever developing terminal business in Mainland China and overseas provided the Group with a steady stream of profits. Moreover, during the year, the Group awarded the bid for the concession right in relation to Piers 2 and 3 of Piraeus Port in Greece. The Group's total container terminal throughput reached 45,878,875 TEUs in 2008, a 17.7% increase from the 38,982,605 TEUs recorded last year. Profit from the container terminal business for the year was US$128,232,000, similar to US$128,267,000 of last year.

As at 31st December 2008, the total container fleet amounted to 1,621,222 TEUs (2007: 1,519,671 TEUs), in which 755,926 TEUs (2007: 762,618 TEUs) were managed containers and 118,094 TEUs (2007: Nil) were sale-and-leaseback containers. In 2008, profit from the container leasing, management and sale businesses amounted to US$141,055,000 (2007: US$117,994,000), a 19.5% increase as compared with last year. In July 2008, the Group completed the Equipment Procurement Agreement and the Lease Agreement which were entered into with CBA USD Investments Pty Limited ("CBA USD Investments"), a wholly owned subsidiary of the Commonwealth Bank of Australia. Pursuant to which, 118,094 TEUs of containers were sold with a consideration of US$250,000,000.

Profit contribution from the container manufacturing business amounted to US$39,316,000 in 2008, a 42.5% drop over US$68,356,000 recorded last year (excluding the financial gain of the CIMC Put Options associated with the CIMC share reform). Decrease in profit was mainly due to the suspension in production in the dry cargo containers plants of CIMC during the fourth quarter and the provision for impairment on inventory.

In 2008, the Group held 49% equity interest in COSCO Logistics which generated a profit of US$25,006,000 to the Group, a 27.2% increase over the amount of US$19,663,000 recorded last year. The continued growth of China's economy has stimulated a significant increase in total logistics business, while the throughput amounts from home appliance logistics and chemical logistics rose 35.7% and 10.7% respectively for the year, maintaining a stable pattern in overall logistics business in 2008.

FINANCIAL REVIEW – FINANCIAL ANALYSIS

REVENUE

Driven by an increase in the number of on-hired containers and expansion in container terminal business, revenue of the Group in 2008 was US$337,973,000, a 13.1% increase from US$298,948,000 of last year. The revenue was mainly attributable to container leasing, management and sale businesses, totalling US$252,620,000 (2007: US$247,853,000), which 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 increased to 865,296 TEUs by the end of 2008 (2007: 757,053 TEUs), income also increased to US$202,437,000 for the year (2007: US$181,334,000), representing an increase of 11.6% over last year. On the other hand, revenue from disposal of returned containers during the year was US$39,352,000 (2007: US$57,038,000), a drop of 31.0% as compared with last year. Decrease was mainly attributable to a decrease in the number of returned containers sold during the year. The number of returned containers sold was 34,043 TEUs (2007: 56,759 TEUs). Revenue from container management was US$8,465,000, a 15.5% increase from US$7,327,000 of last year. Revenue from leasing of reefer-container generator sets was US$2,039,000, a 14.9% increase from US$1,775,000 of last year.

Revenue from container terminal operations and related businesses with controlling stakes showed a stable growth. In 2008, revenue from container terminal operations with controlling stakes achieved a US$85,353,000, an increase of 67.0% as compared with US$51,095,000 of last year. Quan Zhou Pacific Terminal recorded throughput of 910,058 TEUs (2007: 856,784 TEUs) and revenue of US$31,286,000 (2007: US$24,089,000), an increase of 6.2% and 29.9% respectively. Zhangjiagang Win Hanverky Terminal achieved an 18.1% growth in throughput to 710,831 TEUs (2007: 601,801 TEUs) and a 5.2% growth in revenue to US$18,690,000 (2007: US$17,763,000). Since the reclassification of Yangzhou Yuanyang Terminal from a jointly controlled entity to a subsidiary in December 2007, the whole-year revenue of Yangzhou Yuanyang Terminal was reflected in the total revenue of the Group, and the revenue for 2008 was US$19,173,000 (December 2007: US$1,532,000). In addition, the Group invested in Jinjiang Pacific Terminal in March 2008 and the revenue for the year was US$9,529,000.

COST OF SALES

Cost of sales mainly comprised depreciation charge of owned containers, carrying amount of returned containers disposed, container rental expense and operating expenses of terminal companies. Cost of sales in 2008 was US$165,454,000 (2007: US$152,513,000), an increase of 8.5% over last year. In July 2008, the Group leased back the containers which had been sold to CBA USD Investments, and therefore incurred a container rental expense of US$8,747,000. In addition, due to an increase in the number of owned containers, depreciation charge for containers increased to US$76,063,000 in 2008 (2007: US$74,667,000). The number of returned containers sold during the year decreased to 34,043 TEUs (2007: 56,759 TEUs) and the carrying amount of disposed returned containers was US$31,344,000 (2007: US$49,049,000), representing a drop of 36.1%. On the other hand, operating expense rose due to an increase in the throughput of Quan Zhou Pacific Terminal and Zhangjiagang Win Hanverky Terminal. Investment in Jinjiang Pacific Terminal during the year and the reclassification of Yangzhou Yuanyang Terminal to a subsidiary in December 2007 also contributed to an increase in the relevant operating expense in 2008 after consolidation.

INVESTMENT INCOME

Investment income, comprising mainly dividends, was US$22,493,000 (2007: US$21,874,000), an increase of 2.8% over last year. Among that, Yantian Terminals, Tianjin Five Continents Terminal and Dalian Port Container Co., Ltd. declared dividends of US$18,661,000, US$2,267,000 and US$1,380,000 respectively (2007: US$18,610,000, US$1,475,000 and US$1,099,000 respectively).

ADMINISTRATIVE EXPENSES

Administrative expenses in 2008 was US$50,142,000 (2007: US$55,582,000), a drop of 9.8% over last year. The decrease was mainly due to the expense of employee's share-based compensation amounting to US$11,190,000 for 2007. No such expense was incurred in 2008. On the other hand, investment in Jinjiang Pacific Terminal and the reclassification of Yangzhou Yuanyang Terminal to a subsidiary since December 2007 increased the administrative expenses.

NET OTHER OPERATING INCOME

Net other operating income in 2008 was US$21,091,000 (2007: US$44,348,000), a drop of 52.4% over last year. It was mainly attributable to the disposal of 135,956 TEUs of containers in 2007 (the Group has provided after sale management service thereafter), which generated a profit before tax of US$25,975,000, whereas the number of relevant disposed containers in 2008 decreased to 13,509 TEUs, which generated a profit before tax of US$302,000. On the other hand, the Group completed the Equipment Procurement Agreement and the Lease Agreement which had been entered into with CBA USD Investments by selling 118,094 TEUs of containers with a consideration of US$250,000,000 in 2008. After deducting direct costs of sales, a profit of US$3,928,000 was resulted. Moreover, the Group recognised container repair insurance income of US$4,915,000 in 2008.

INITIAL RECOGNITION AND SUBSEQUENT FAIR VALUE GAIN ON PUT OPTIONS

In 2006, the Company issued 424,106,507 put options to shareholders of the CIMC Tradeable A-shares. As none of the holders exercised the put options upon the maturity date, being 23rd November 2007, an amount of US$55,181,000 remained at 2006 year end was fully written back in 2007.

FINANCE COSTS

Finance costs for the year was US$52,738,000 (2007: US$49,878,000), an increase of 5.7% over last year. Finance costs include interest expenses, the amortisation of transaction costs over bank loans and notes. The increase in finance costs was mainly attributable to the increase in average balance of borrowings in 2008 to US$1,208,065,000 (2007: US$761,478,000), an increase of 58.6% as compared with last year. Average cost of borrowing, including the amortisation of transaction costs over bank loans and notes, was an average 6-month London Interbank Offer Rate ("LIBOR") plus 115 basis points as compared to the average 6-month LIBOR plus 99 basis points in 2007.

SHARE OF PROFITS LESS LOSSES OF JOINTLY CONTROLLED ENTITIES AND ASSOCIATES

In 2008, net profit contribution from jointly controlled entities amounted to US$100,273,000, a decrease of 6.2% from US$106,933,000 in 2007. In respect of container terminal and related businesses, Shanghai Pudong Terminal remained stable in performance with a throughput of 2,779,109 TEUs (2007: 2,723,722 TEUs). Together with an increase in tariff, it recorded a profit contribution of US$25,688,000 (2007: US$22,594,000), an increase of 13.7% over last year. Upon the commencement of operation in Ningbo Yuan Dong Terminal in early 2007, it made a turnaround in the second half of 2007. The terminal equipment of berth no. 7 of Ningbo Yuan Dong Terminal is in operation during 2008. Accordingly, its annual capacity increased substantially. It recorded a throughput of 903,865 TEUs (2007: 331,361 TEUs) in 2008 and the profit contribution was significantly increased by nearly 8.5 times. COSCO-HIT Terminal experienced a steady business with a throughput of 1,752,251 TEUs (2007: 1,846,559 TEUs). Due to the significant decrease in finance costs of COSCO-HIT Terminal during 2008, profit contribution rose slightly by 2.7% to US$25,793,000 (2007: US$25,125,000). Driven by the growth momentum, Nanjing Longtan Terminal also recorded a throughput of 1,160,261 TEUs (2007: 950,289 TEUs) and achieved a 50.3% growth in profit contribution for the year.

On the other hand, in 2008, Qingdao Qianwan Terminal recorded a growth of 5.8% in its throughput to 8,715,098 TEUs (2007: 8,237,501 TEUs), while the overall profit contribution dropped 13.0% to US$27,325,000 (2007: US$31,409,000). The drop mainly resulted from an increase in depreciation and amortisation arising from the newly-built terminal berths during the year, and the commencement of income tax charge for Qingdao Qianwan Terminal in 2008, which was charged at a 50% reduced rate. COSCO-PSA Terminal also exhibited a rapid growth in its throughput. As an additional berth in COSCO-PSA Terminal commenced operation in early 2008, its throughput substantially increased by 49.6% to 1,247,283 TEUs in 2008 (2007: 833,892 TEUs). Nevertheless, the overall profit contribution from COSCO-PSA Terminal in 2008 dropped as compared with 2007, since there was an increase in depreciation, amortisation and finance costs during the year arising from the newly-built terminal berths. Guangzhou South China Oceangate Terminal and Tianjin Euroasia Terminal are in initial stage of operation and under construction period respectively. Their attributable losses during the year were US$7,965,000 (2007: US$4,270,000) and US$768,000 (2007: Nil) respectively.

Yangzhou Yuanyang Terminal was reclassified from a jointly controlled entity to a subsidiary in December 2007. Accordingly, the Group's share of profits of jointly controlled entities for the year did not include Yangzhou Yuanyang Terminal. In 2007, profit contributed by Yangzhou Yuanyang Terminal to the share of profits of jointly controlled entities was US$1,943,000.

COSCO Logistics maintained a steady pace of growth during the year. Its profit contribution was US$25,006,000 (2007: US$19,663,000), an increase of 27.2% over last year.

During the year, share of net profits from associates amounted to US$54,815,000 (2007: US$80,326,000), a decrease of 31.8% over last year. The decrease resulted from a drop in profit contribution from CIMC. Notwithstanding this, the container terminal business has continuously sustained a steady growth in profit. Suez Canal Terminal, which was acquired by the end of 2007, recorded a profit contribution of US$7,430,000 and achieved a throughput of 2,392,516 TEUs in 2008. Antwerp Terminal also grew rapidly. With its throughput increasing by 37.8% to 1,091,657 TEUs in 2008 (2007: 792,459 TEUs), Antwerp Terminal made a turnaround and achieved a profit of US$745,000 (2007: a loss of US$922,000). Dalian Port Terminal acquired Berths No. 13 and 14 in June 2008. In 2008, its throughput increased by 94.9% and reached 1,656,968 TEUs (2007: 850,359 TEUs), while its profit contribution substantially increased by nearly four times to US$1,960,000 from US$395,000 of last year. The throughput and profit contribution of Shanghai Terminal in 2008 were 3,681,785 TEUs (2007: 3,446,135 TEUs) and US$6,469,000 (2007: US$6,392,000) respectively. On the other hand, the equity interest in CIMC held by the Group increased from 16.54% in late 2007 to 21.8% in 2008. However, due to a significant margin erosion led by the price rise of raw materials amid the global financial tsunami, as well as a provision for impairment of inventory due to the suspension in production in certain dry cargo containers plants of CIMC during the fourth quarter, the profit contribution during the year decreased significantly by 41.8% to US$39,080,000 (2007: US$67,168,000).

Since the Group disposed of its equity interest in Chong Hing Bank in 2007, no such profit was recorded in 2008. Profit contribution from Chong Hing Bank was US$7,628,000 for last year.

PROFIT ON DISPOSAL OF AN ASSOCIATE

In order to concentrate on the development of our core businesses such as terminal and container leasing businesses, the Group completed the disposal of the 20% equity interest in Chong Hing Bank in 2007, which generated a profit of US$90,742,000. No such profit was recorded in 2008.

INCOME TAX CREDIT/EXPENSES

During the year, income tax credit amounted to US$4,585,000 (2007: income tax expense of US$17,796,000), among which US$6,542,000 (2007: US$6,517,000) was a provision for withholding income tax that applied to certain PRC investments of the Group under the tax reform in Mainland China. In addition, the total write back of income tax during the year was US$12,612,000 (2007: US$29,000), as a result of a write back of the over provision of income tax made in prior years.

FINANCIAL REVIEW – FINANCIAL POSITION

CASH FLOW

Cash inflow of the Group remained steady. During the year, net cash from operating activities amounted to US$266,394,000 (2007: US$231,465,000). The Group drew bank loans of US$590,544,000 (2007: US$611,292,000) and repaid US$144,738,000 (2007: US$286,319,000). The total cash outflow for investments of the Group amounted to US$363,616,000, mainly comprising US$259,360,000 being used to purchase an additional 5.26% equity interest in CIMC, US$14,220,000 in Dalian Port Terminal, US$23,767,000 in Guangzhou South China Oceangate Terminal, US$23,375,000 in Suez Canal Terminal, US$18,661,000 in Yantian Terminal Phase III by reinvestment of dividend, US$6,868,000 in Dalian Automobile Terminal US$1,739,000 in Antwerp Terminal and US$15,600,000 in Qingdao Qianwan Terminal by reinvestment of dividend. During the same period of last year, the total cash outflow for investments amounted to US$215,169,000, mainly comprising US$37,212,000 in Guangzhou South China Oceangate Terminal, US$15,120,000 for approximately 0.31% additional equity interest in CIMC, US$18,610,000 in Yantian Terminal Phase III by reinvestment of dividend, US$6,158,000 in Ningbo Yuan Dong Terminal, US$28,756,000 in COSCO-PSA Terminal, US$9,005,000 in Yangzhou Yuanyang Terminal, US$1,703,000 in Antwerp Terminal, US$47,550,000 in Suez Canal Terminal and US$51,055,000 in Tianjin Euroasia Terminal. During 2008, an amount of US$522,468,000 (2007: US$682,829,000) was paid in cash for the expansion of terminal operation and purchase of property, plant and equipment, of which US$409,191,000 (2007: US$618,474,000) was for the purchase of new containers.

FINANCING AND CREDIT FACILITIES

A wholly-owned subsidiary of the Company completed a US$440,000,000 club loan with four international banks in April 2008, of which the amount was for working capital purpose and other corporate capital purposes. The loan was for a term of six years with an all-in-cost of LIBOR plus 75 basis points.

As at 31st December 2008, cash balances was US$429,041,000 (2007: US$387,373,000) and banking facilities available but unused amounted to US$40,236,000 (2007: Nil).

ASSETS AND LIABILITIES

As at 31st December 2008, the Group's total assets amounted to US$4,213,208,000 (2007: US$3,871,575,000) and total liabilities amounted to US$1,566,905,000 (2007: US$1,096,916,000). Net assets were US$2,646,303,000 (2007: US$2,774,659,000), mainly attributable to the decrease in the investment revaluation reserve of the available-for-sale financial assets. Net asset value per share was US$1.18 (2007: US$1.24), representing a 4.8% decrease from last year.

The cash balances of the Group amounted to US$429,041,000 as at 31st December 2008 (2007: US$387,373,000). Total outstanding borrowings amounted to US$1,424,335,000 (2007: US$914,034,000). Net debt-to-equity ratio increased from 19.0% last year to 37.6%, and the interest coverage was 6.2 times, as compared to 10.0 times last year. As at 31st December 2008, the Group did not have loan pledged by assets (2007: Nil).

CONTINGENT LIABILITIES

As at 31st December 2008, the Group provided guarantees on a loan facility granted to an associate of US$37,057,000 (2007: US$25,747,000) and the Group did not have any significant contingent liabilities.

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 dollar which is the same currency of its revenue and expenses so as to minimise potential foreign exchange exposure.

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

The Group continued to exercise stringent control over the use of financial derivatives to hedge against its interest rates exposure. As at 31st December 2008, outstanding interest rates swap contracts comprised notional principals of contracts amounting to US$200,000,000 (31st December 2007: 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 (2007: 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 (2007: 5.875%).

Debt analysis

	As at 31st December 2008 US$	(%)	As at 31st December 2007 US$	(%)
By repayment term				
Within the first year	67,380,000	4.7	39,599,000	4.3
Within the second year	89,595,000	6.3	43,054,000	4.7
Within the third year	142,688,000	10.0	61,460,000	6.7
Within the fourth year	285,758,000	20.1	96,531,000	10.6
Within the fifth year and after	838,914,000	58.9	673,390,000	73.7
	1,424,335,000*	100.0	914,034,000*	100.0
By category				
Secured borrowings	-	-	-	-
Unsecured borrowings	1,424,335,000	100.0	914,034,000	100.0
	1,424,335,000*	100.0	914,034,000*	100.0
By denominated currency				
US dollar borrowings	1,248,685,000	87.7	800,134,000	87.5
RMB borrowings	175,650,000	12.3	113,900,000	12.5
	1,424,335,000*	100.0	914,034,000*	100.0

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

As at 31st December 2008, after adjustment of the fixed rate borrowings for the interest rates swap contracts, 7.0% (31st December 2007: 10.9%) of the Group's total borrowings were fixed rate. The Group continued to monitor and regulate its fixed and floating rates debt portfolio from time to time in light of the market conditions, with a view to minimising its potential interest rates exposure.

EVENTS AFTER THE BALANCE SHEET DATE

The Company and its wholly-owned subsidiary, Piraeus Container Terminal S.A., signed a concession agreement with PPA in November 2008 for the concession of Pier 2 and 3 of the Piraeus Port in Greece ("Concession"). The concession agreement was ratified by the Parliament of Greece on 5th March 2009. The ratification law of the concession agreement was published in the Government Gazette dated 30th March 2009. The Group would pay the initial consideration of Euro 50,000,000 within 15 days upon notification in writing from PPA regarding enactment of the law of ratification and the publication of the same in the Government Gazette. The total consideration payable to PPA over the 35-year term of the Concession was estimated to be approximately Euro 831,000,000 in present value terms and the capital expenditures amounted to approximately Euro 236,000,000 in present value terms.

FREQUENTLY ASKED QUESTIONS

1. Is there any change to the business development strategy of your company amid the current global economic environment? What measures have you taken to weather the difficult economic environment and how will you seize opportunities once the market recovers?

A: COSCO Pacific's core businesses such as terminals and container leasing are operating under a challenging business environment due to the impact of the financial crisis. With the sharp slow down in the growth of China's imports and exports, container throughput began to contract in the fourth quarter of 2008, resulting in a drop in earnings of the Group's terminal business. Although the container leasing business continued to develop steadily and maintained a relatively high utilisation rate in the current market environment, the demand from container lines is expected to decline. Meanwhile, with a tight credit market and a deteriorating operating environment, banks have become more prudent and conservative in providing loans, adding more difficulties for funding of projects.

In response to the current economic situation, the Group has made appropriate adjustments to its business operation strategies in order to deal with the sudden changes in the market. However, terminals and container leasing will remain the focus of our development strategy. Regarding the development of its terminal business, COSCO Pacific will continue to focus on increasing controlling rights in terminals, expanding its global network, diversifying its terminal investment portfolio and enhancing the value of its terminal business. The Group will continue to steadily develop the container leasing business by implementing the asset light business model.

In addition, COSCO Pacific will further strengthen the management of investment risks, operational risks and financial risks and raise the awareness of risk management of our senior management team. The Group will also make its efforts to enhance the capabilities of its terminal companies, in particular, those in which the Group holds controlling interests, in withstanding risks and enhancing efficiency.

For new terminal investments, the Group will adopt a prudent and conservative strategy. The Group will adopt a prudent approach in selecting investment targets and assessing investment returns and risks. The Group will continue to have effective communications with cooperation partners and seize the appropriate opportunities for negotiations for new projects, so as to be fully prepared and to act proactively for the economic recovery.

2. COSCO Pacific's revenue increased by 13.1% in 2008, but its profit still fell by 2.5% even after deducting exceptional items for 2007. What is the reason for this?

A: Driven by the increase in the number of leased containers and the number of terminals in which the Group holds controlling stakes, COSCO Pacific recorded a revenue of US$337,973,000, an increase of 13.1% from the previous year (2007: US$298,948,000).

In 2008 the profit attributable to equity holders reached US$274,725,000, including profits from subsidiaries, jointly-controlled entities, associates and other investment of the Group. This number dropped by 2.5%, if compared with 2007's profit of US$281,845,000 after deducting non-recurring income. Within the reporting year, the Group's two major businesses continued to grow steadily. Profit contribution from the container leasing business reached US$141,055,000[Note], a 19.5% increase from the prior year. Profit contribution from the terminal business was US$128,232,000[Note], largely unchanged from 2007. COSCO Logistics contributed US$25,006,000[Note] of profit to the Group, an increase of 27.2% from 2007. The container manufacturing business contributed US$39,316,000[Note] of profit to the Company, falling by 42.5%, mainly due to a substantial decrease in profit of CIMC caused by the suspension of production of some of its dry cargo container manufacturing factories in the fourth quarter of 2008 and the resulting provisions for inventory impairment.

Note: Net interest cost are excluded from the above mentioned "profit contribution".

3. How will the Group plan its financing activities in 2009?

A: The Group is always committed to establishing a mutual trust with its shareholders and the financial industry and has been known for its goodwill and reputation in capital markets. The Group has strong fundraising capability and has maintained reliable funding sources for business development. Since the IPO in 1994, the Group has been raising funds primarily through issuing bonds and obtaining bank loans which were used to pay part of its capital expenditures and matured loans. The remainder of the Group's capital expenditures were paid by cash generated from operations and disposal of assets.

As at 31st December 2008, the Group had US$429,041,000 in cash. The Group will continue to use existing funds, cash flow from operation, sale of containers and newly obtained loans and other financing tools that could help reduce the Group's capital cost, and continue to adopt a prudent financial strategy to get well prepared for the working capital required in 2009.

4. What is the outlook for COSCO Pacific's terminal business in 2009?

A: In 2009, the growth of global container throughput will be affected by the economic slowdown and it is difficult to predict when the economy will recover. Facing a tight credit market and a deteriorating operating environment, the Group inevitably needs to strategically adjust the pace of investments in terminals and the expansion of existing terminals.

The Group expects a decline in throughput for most of its operating terminal companies in 2009. As the Group will strategically slow down the pace of putting new terminals into operation, the throughput growth contribution from new terminals will not be significant. Furthermore, due to the decline of global container shipping volume, terminal companies have to consider providing more discounts to major container lines in order to maintain stable container terminal throughput. Therefore, the Group expect a downward pressure on the average tariff in 2009.

The Group has been building long term relationship with global shipping lines in developing and operating its terminals. With the quality terminal services, strong background of business partners and the support from COSCON and other international shipping lines, the Group's terminal companies have maintained their relative competitive advantages, resulting in lower operational risks in this difficult market situation.

The Group has been focusing on investing in container terminals in China, while at the same time expanding the network of terminals abroad. Today, our balanced portfolio comprises terminals in the four key regions in China as well as overseas terminals. To further diversify the Group's terminal portfolio to lower investment risks, the Group has not only invested in international hub ports along coastal China, but also in feeder ports that support domestic trades and international shipping lines. The Group believes that a diversified and balanced terminal portfolio will help lower the impact of the global economic downturn on the terminal business and enable it to benefit once the economy starts to recover.

5. What are the prospects of the investment in Piraeus Port in Greece?

A: Piraeus Port is the largest port and the major centre for gateway and transhipment container traffic in Greece. Given its prime location, this port is also an important transhipment hub in Eastern Mediterranean. The container terminal of Piraeus Port provides transhipment container handling services for international liner operators in connection with regions of Eastern Europe, the Mediterranean, the Balkans and Black Sea. It is expected that the trade activities and the demand of shipping and terminal services between China and those regions will increase steadily and have a positive outlook in future. Therefore, the Group's investments in the operation and development of Piers 2 and 3 of Piraeus Port will play a strategic role for business development of COSCO, China COSCO and COSCO Pacific in those regions mentioned above.

The Group's terminal management team has extensive expertise in managing international container terminals. It will dedicate its effort to manage and develop Piers 2 and 3 of Piraeus Port to be an efficient terminal to provide comprehensive services to customers by quality terminal management and newly added capacity. With the support of COSCON and other international shipping lines, the Group is confident that the terminal will become an important transshipment hub in the regions of Eastern Europe, the Mediterranean and Black Sea.

The Group will take over and manage Pier 2 of the Piraeus Port on 1st October 2009, which has a total handling capacity of 1,600,000 TEUs per year. The Group will then commence the expansion of Pier 2 and the construction of Pier 3. Following the completion of these projects by the end of 2015, the total annual handing capacity of Pier 2 will increase by 1,000,000 TEUs to 2,600,000 TEUs. The annual handling capacity of Pier 3 will reach 1,100,000 TEUs. The combined annual handling capacities of Piers 2 and 3 will be 3,700,000 TEUs.

6. What is the outlook for the container leasing business in 2009?

A: In 2009, we expect further slowdown in the global economy and a decline in trade volume, as a result of the recessions in Europe and the United States. The Group will continue to streamline the asset light business model to expand steadily its container fleet capacity which comprises owned, managed and sale-and-leaseback containers.

As at the end of 2008, the size of the Group's container fleet reached 1,621,222 TEUs, among which 747,202 TEUs were owned containers (representing 46.1% of the total fleet). 433,125 TEUs were leased to COSCON, accounting for 58.0% of the total owned containers. All the containers leased to COSCON were on 10-year long term leases, providing the Group a stable income source and help lower its operating risks. The remaining 314,077 TEUs were leased to other international customers, accounting for 42.0% of total owned containers. These containers could be the assets for the future sale-and-manage-back transactions.

In addition, the Group sold and leased back 118,094 TEUs of containers (accounting for 7.3% of the total fleet) in July 2008, all of which continued to be leased to COSCON. In other words, COSCON leased from the Group a total of 551,219 TEUs of containers as at 31st December 2008.

Since 2006, the Group has been adopting the asset light business model by selling and managing back containers. As at the end of 2008, the managed containers reached 755,926 TEUs (accounting for 46.6% of the total fleet).

Meanwhile, the Group will continue to exercise a strict control over capital expenditure and operating costs so as to maximize operational efficiency. The Group will also closely monitor the global economy and market trends, and come up with appropriate measures to effectively control risks. It will take a prudent yet proactive approach in facing upcoming challenges and plan ahead for the recovery of the economy.

7. How is the Company's dividend policy determined?

A: The Company has always been committed to enhancing shareholders' returns. Since becoming a constituent stock of the Hang Seng Index in 2003, it has maintained a dividend payout ratio of about 56%. While making a decision on the payout of dividends, the Board of Directors takes into account the supply of capital required for the Company's development. In view of the economic downturn in 2008 which generated uncertainties for the economic and capital market outlook in 2009, we expect the financial sector to remain under heavy strain making the funding of capital to be difficult and the cost of capital to be likely increased.

Very careful consideration has been given to the persistent illiquidity of financial market, resulting in the Board of Directors' decision to moderately adjust the dividend payout ratio to 40.0% (2007: 56.6%) so as to retain more cash for the Company. The board has proposed a final dividend of HK10.7 cents per share for the fiscal year 2008. Together with the interim dividend of HK27.4 cents per share paid on 19th September 2008, the full-year dividend for 2008 will be HK38.1 cents per share, down by 48.1% from the prior year.

In addition, the Company is providing a scrip dividend alternative so that its shareholders may have a choice of reinvesting their cash into the Company. This is the first time the Company will provide a scrip dividend alternative. In addition to preserving cash for the Company, this arrangement provides long-term shareholders a chance to further invest in the Company. Management of the Company is confident that the dividend payout ratio is still relatively high among peer companies following the adjustment. The Company will consider increasing the ratio when the market recovers.

INVESTOR RELATIONS

COSCO Pacific is committed to the continual enhancement of its investor relations and corporate governance practices. In 2008, the Company improved its communication with investors through various initiatives, a significant one being the initiation of releasing quarterly results announcements, which has also led to enhanced transparency of the Company and allowed the investors to promptly grasp the important aspects of messages being sent across. COSCO Pacific's investor relations and corporate governance efforts have also won wide acclaim by the investment community. In 2009, the Company will continue to be dedicated to the enhancement of its work in investor relations and corporate governance, thus safeguarding the interests of its shareholders and stakeholders.

COSCO Pacific has always placed great emphasis on investor relations. Given the uncertainties in the financial market which have cast a shadow over global economic prospects, it is particularly important at this time to maintain smooth communication with investors and analysts. The Company is committed to meeting investors' requests on business-related information, and at the same time, proactively communicates with the investment community to ensure its strengths and advantages, along with its ability to handle economic downturns, are fully reflected in the Company's valuation by the market.

The Company's investor relations team is dedicated to becoming a highly efficient two-way communication channel between its senior management and the investment community. In 2008, the Company organised a series of activities to provide business updates to the investment community and released information according to standards that are stricter than related disclosure rules and regulations. In addition, the investor relations team reports to its senior management regularly to keep them informed of the latest views from the market, on the Company, the issues that investors are most concerned about, the latest changes on the regulatory and compliance side, as well as the latest international best practices. These initiatives are aimed to further uplift the standards of its investor relations.

The Company also analyses its shareholding structure on a regular basis, including the review of the registrar of institutional and retail investors to keep track with the changes in shareholding by different types of investors. Our company is dedicated to establishing sound relationships with existing and potential shareholders and to maintaining a solid shareholder base.

In 2008, COSCO Pacific continued its efforts in moving forward with its work on the investor relations front. The Company held a series of activities in relation to its interim and annual results announcements, including press conferences and panel discussions with investors and analysts via teleconferencing and over luncheons and roadshows in Hong Kong and other parts of the world. These activities were designed to keep the investment community fully aware of the Company's results performance, development strategies and its business outlook. In addition, the Company also participated in three investors conferences organised by investment banks and conducted five roadshows altogether. During the year, the Company met a total of 553 investors, analysts and media representatives through one-on-one and group meetings. It also arranged eight visits to its terminals for the investment community.

In terms of information disclosure, the Company is dedicated to reaching a level that is even higher than regulatory requirements. For example, since 1997, the Company has been posting the throughput figures of its terminals on the corporate website on a monthly basis, which has served as a valuable reference for the investment community and media. To further enhance transparency, the Company has, since the third quarter of 2007, started to release its results on a quarterly basis, allowing the investment community to have a swift grasp of the latest developments on the Company's operations and financials. At the same time, the Company has distributed information through e-mails to analysts, fund managers and the media, including latest updates on corporate information, press releases, announcements, and interim and annual reports, ensuring that the investment community is kept updated of the Company's latest business moves. In response to the recent focus of the general investment community on listed companies' expansion plans and their potential investments in derivatives, the Company, in an e-mail to investors and the media on its 2008 third quarter results, dispelled investors' doubts by specifying its plan to exercise strict controls over capital expenditure and by clarifying that it has no participation in any speculative, leveraged or structured foreign exchange products, such as accumulators.

In March 2008, the Company launched a new corporate website with a clearly distinguished structure, clear navigation and abundant information, which has proved a useful source of reference for both the investment community and the media. In December 2008, the Company won two bronze prizes for the new website in the categories of Stakeholder Communications and Website Redesign, from the iNOVA Awards.

COSCO Pacific Limited has always placed great emphasis on its shareholders' returns and has kept its dividend payout ratio at a level higher than its industry peers. In November 2008, the Company became a constituent of the Dow Jones Global Select Dividend Index, Dow Jones EPAC Select Dividend Index and Dow Jones Asia/Pacific Select Dividend 30 Index.

The Company's endeavours in investor relations and corporate governance have continued to win wide acclaim and recognition from the market. In May 2008, the Company received, for the second consecutive year, the Corporate Governance Asia Recognition Award from Corporate Governance Asia magazine. In November 2008, the Company received one of the best companies in China in the Corporate Governance Award from The Asset magazine. The Company was also awarded the Hong Kong Outstanding Enterprise by Economic Digest (Hong Kong) magazine. In December 2008, the Company was awarded Most Progress in Investor Relations by IR magazine.

In 2008, the Company made unremitting efforts to improve its work on investor relations and proactively gathered feedback from the investment community to achieve the best practice standards. Given that the financial markets are expected to remain volatile in 2009, the market will continue its focus on the Company's business and its ability to weather the economic downturn. The Company will, as always, continue to take a proactive approach in communicating with the investment community and the media, enhancing transparency and keeping the market fully aware of the latest information on its business development and strategies.

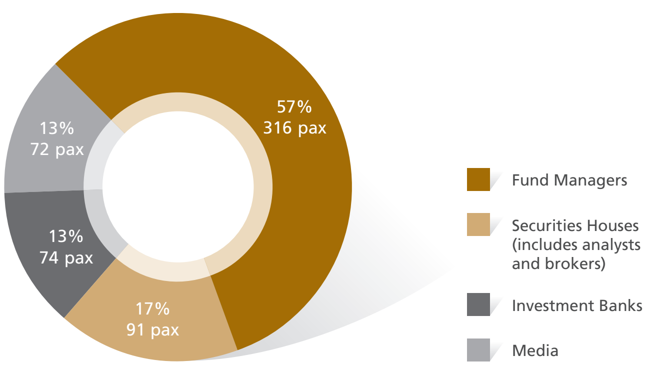
2008 awards to COSCO Pacific

May 2008	Corporate Governance Asia Recognition Award by Corporate Governance Asia magazine
November 2008	One of the best companies in China in the Corporate Governance Award by The Asset magazine
November 2008	Hong Kong Outstanding Enterprise by Economic Digest (Hong Kong) magazine
December 2008	Most Progress in Investor Relations by IR magazine
December 2008	COSCO Pacific Limited's corporate website was awarded two bronze prizes for "Stakeholder Communications" and "Website Redesign" by iNOVA Awards

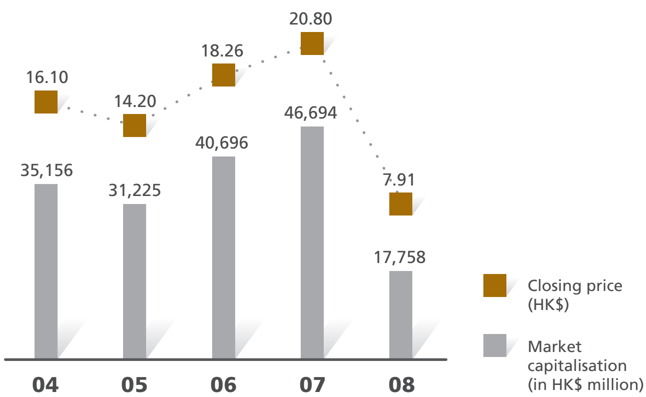
COSCO Pacific became constituent of the following indexes in 2008

November 2008	Dow Jones Global Select Dividend Index
	Dow Jones EPAC Select Dividend Index
	Dow Jones Asia/Pacific Select Dividend 30 Index

One-on-one meetings 2008



Market capitalisation



Share price performance

(HK$)	2008	2007
Highest	20.95	26.85
Lowest	3.20	16.58
Average	11.99	20.81
Closing price on 31st December	7.91	20.80
Monthly average trading volume (shares)	148,672,244	155,864,561
Monthly average trading value	1,798,878,426	3,241,342,857
Total number of shares issued (shares)	2,245,029,298	2,244,881,298
Market capitalisation on 31st December	17,758,181,000	46,693,531,000

Investor relations activities

JANUARY

16 and 17 January, Shanghai roadshow organised by Goldman Sachs

22 and 23 January, Access China Conference 2008 in Beijing organised by Deutsche Bank

FEBRUARY

14 and 15 February, Hong Kong roadshow organised by CLSA

19 and 20 February, Daiwa Investment Conference 2008 in Japan

APRIL

7 April, 2007 Annual Results Announcement with press conference and analysts' panel discussion

8 to 11 April, post-results Hong Kong roadshow organised by CLSA

29 April, 2008 first quarter results announcement on a voluntary basis

JULY

8 July, China Infrastructure Access Day in Hong Kong organised by CLSA

AUGUST

25 August, 2008 Interim Results Announcement with press conference and analysts' panel discussion

26 and 27 August, post-results Hong Kong roadshow organised by Credit Suisse

SEPTEMBER

1 to 3 September, post-results Singapore roadshow organised by J.P. Morgan

OCTOBER

29 October, 2008 third quarter results announcement on a voluntary basis

ANALYST COVERAGE

Company	Name	E-mail	Telephone	Facsimile
ABN AMRO Asia Limited	Osbert TANG	osbert.tang@cn.abnamro.com	(852) 2700 5567	(8621) 5049 6999
BNP Paribas Equity (Asia) Limited	Daisy ZHANG	daisy.zhang@asia.bnpparibas.com	(8621) 6096 9025	(8621) 6096 9048
BOCI Research Limited	Jimmy LAM	jimmy.lam@bocigroup.com	(852) 2905 2111	(852) 2147 9513
Cazenove Asia Limited	Claire TENG	claire.teng@cazenoveasia.com	(852) 2123 0454	(852) 2868 1411
China International Capital Corporation Limited	Dong ZHENG	zhengd@cicc.com.cn	(8610) 6505 1166	(8610) 6505 8157
China Merchants Securities (HK) Company Limited	Huangyan YU	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 Limited	Scarlett CHEN	scarlett.chen@clsa.com	(852) 2600 8058	(852) 2845 9844
Core Pacific - Yamaichi	Roslyn JI	roslyn.ji@cpy.com.hk	(8610) 6518 3275	(8610) 6518 2877
Credit Suisse	Ingrid WEI	ingrid.wei@credit-suisse.com	(8621) 6881 8188	(8621) 6881 5744
Daiwa Institute of Research (H.K.) Limited	Geoffrey CHENG	geoffrey.cheng@dir.com.hk	(852) 2848 4024	(852) 2845 2190
Deutsche Bank AG	Karen TANG	karen.tang@db.com	(852) 2203 6141	(852) 2203 6921
Goldman Sachs (Asia) L.L.C.	Edward CHAN	edward.chan@gs.com	(852) 2978 1642	(852) 2978 0479
Guotai Junan Securities (Hong Kong) Limited	Serena LI	liwen@gtjas.com	(852) 2509 9118	(86755) 8248 5567
J.P. Morgan Securities (Asia Pacific) Limited	Karen LI	karen.yy.li@jpmorgan.com	(852) 2800 8589	(852) 2537 4319
Macquarie Securities Limited	Gary PINGE	gary.pinge@macquarie.com	(852) 2823 3557	(852) 2823 3560
Merrill Lynch (Asia Pacific) Limited	Christie JU	christie_ju@ml.com	(852) 2536 3987	(852) 2536 3435
Morgan Stanley Dean Witter Asia Limited	Edward XU	edward.xu@morganstanley.com	(852) 2239 1521	(852) 3407 5084
Nomura International (Hong Kong) Limited	Jim WONG	jim.wong@hk.nomura.com	(852) 2536 1485	(852) 2536 1820
Shanghai Shenyin Wanguo Research & Consulting Company Limited	Leo FAN	fanlei@sw108.com	(8621) 6329 5888	(8621) 6329 9187
Standard & Poor's	Kah Ling CHAN	kahling_chan@standardandpoors.com	(65) 6530 6532	(65) 6533 3897
Tai Fook Research Limited	Fook Tat CHO	ftcho@taifook.com	(852) 2801 2655	(852) 2869 7737
UBS Securities Co. Limited	Robin XU	bin.xu@ubssecurities.com	(8621) 3866 8872	(8621) 3866 8867
UOB Kay Hian (Hong Kong) Limited	Stella KEI	stella.kei@uobkayhian.com.hk	(852) 2826 1351	(852) 2845 1655

CORPORATE CULTURE

EMPLOYEE RELATIONS

As at 31st December 2008, COSCO Pacific has a team of 2,492 employees in China, other Asian countries, the Americas, Europe and Australia.

The Group has been rapidly expanding its business in recent years, providing staff members with sound and sustained career development opportunities. In 2008, the Group, in the spirit of fairness and equality, continually refined its competitive remuneration and bonus incentive schemes. During the year, the Group focused its efforts on building a dedicated professional management team for its business with terminals at the core. It brought into full play the management role of COSCO Pacific (China) Investments Co., Ltd., a wholly-owned subsidiary of the Company, to further enhance the management of its Mainland China terminals management team. In August, the Group held the "2nd COSCO Terminals Operations & Management Training Course" for the terminals management team, to expand its talent pool. In addition to the continual recruitment and cultivation of new talents, the Group also implemented an internal rotation programme in the hope of bringing out the best potentials in its staff.

The Group encourages its staff members to be diligent in their daily studies and proactive in their everyday work. The Group also held training courses on various subjects to improve the management expertise and professional quality of its team. In 2008, the Group organised a diversity of activities for its staff, to improve internal communication, cultivate team spirit, enrich staff's extra-curricular activities and to enhance their sense of belonging to the Group.

The growth and evolution of the COSCO Pacific team is vital to the Group's future business development.

SOCIAL RESPONSIBILITY

Whilst dedicating its effort in business development, the Group is also a proactive participant in charitable and poverty alleviation causes. In May 2008, the Group donated HK$3,000,000 to victims of the Wenchuan earthquake to help them combat the disaster and rebuild their homes. In June, the Group's staff members initiated a fund raising campaign for Hong Kong's "Lifeline Express" project to finance cataract operations for some impoverished patients in Mainland China.

The Group also proactively supports and participates in community service. In May, the team at the Group, driven by their love of the motherland and of Hong Kong, participated in the Olympic Torch Relay in Hong Kong. Senior executives at the Group also attended the School-Company Partnership programme organised by the Young Entrepreneurs Development Council, to encourage high school students in Hong Kong to become active participants in society and to enrich their own lives.

COSCO Pacific will be, as it has always been, committed to its corporate social responsibilities, proactively participating in social welfare activities and community services and upholding environmental protection.

CORPORATE GOVERNANCE REPORT

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

The Company's continuous effort to promote excellence and high standards of corporate governance practices and investor relations in 2008 continued to earn market recognition from different stakeholders. In 2005, 2007 and 2008, the Company was awarded "Shipping In-House Team of the Year" by Asian Legal Business, a well recognized law profession magazine. In 2008, the Company was awarded "Corporate Governance Asia Recognition Award" by the Corporate Governance Asia magazine and was named one of the best companies in China in the "Corporate Governance Award" by The Asset magazine, both for the second consecutive year. The Company was given the "Hong Kong Outstanding Enterprises" by the Economic Digest (Hong Kong) magazine for four consecutive years and was also awarded "Most Progress in Investor Relations" by IR magazine. In addition, the corporate website of the Company won two bronze prizes in the categories of "Stakeholder Communications" and "Website Redesign" by iNOVA Awards. These awards represent market's recognition of our dedication towards upholding and enhancing corporate governance.

CORPORATE GOVERNANCE PRACTICES

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

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

We believe that commitment to good corporate governance is essential to the sustainability of the Company's businesses and performances. For the year ended 31st December 2008, we are pleased to confirm that the Company has complied with the code provisions of the Corporate Governance Code, except for the following deviations:

Code Provision B.1.1

The code provision B.1.1 of the Corporate Governance Code provides, inter alia, that a majority of the members of the remuneration committee should be independent non-executive directors. Mr. LIU Lit Man retired from office as an independent non-executive director at the annual general meeting of the Company held on 15th May 2008 and resigned as a member of the Remuneration Committee. Accordingly, there was a causal vacancy in the Remuneration Committee. During the period from 15th May 2008 to 31st December 2008, the Remuneration Committee comprised four members, half of whom were independent non-executive directors. This constituted a deviation from the code provision B.1.1 of the Corporate Governance Code.

On 1st January 2009, Dr. FAN HSU Lai Tai, Rita was appointed as an independent non-executive director and a member of the Remuneration Committee. As at the date of this report, the Remuneration Committee comprises five members, a majority of whom are independent non-executive directors.

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, Dr. WEI Jiafu, the ex-Chairman of the Board who resides in Beijing, was unable to attend the annual general meeting of the Company held on 15th May 2008. 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 2008:

Recommended Best Practice C.1.4

The recommended best practice C.1.4 states that an issuer should announce and publish quarterly financial results. The Company had, on 29th April 2008 and 29th October 2008, published announcements of its first and third quarterly results respectively on a voluntary basis. The Company considers the publication of the quarterly results as a regular compliance practice.

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

BOARD OF DIRECTORS

Board Composition

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

The Board currently consists of 14 members. Among them, seven are executive directors, three are non-executive directors and four are independent non-executive directors. The directors, as at the date of this report, are Mr. CHEN Hongsheng[2] (Chairman), Mr. LI Jianhong[1], Mr. XU Lirong[2], Ms. SUN Yueying[1], Mr. XU Minjie[1] (Vice Chairman and Managing Director), Dr. SUN Jiakang[2], Mr. HE Jiale[1], Dr. WONG Tin Yau, Kelvin[1], Mr. WANG Zhi[1], Mr. YIN Weiyu[1], Dr. LI Kwok Po, David[3], Mr. CHOW Kwong Fai, Edward[3], Mr. Timothy George FRESHWATER[3] and Dr. FAN HSU Lai Tai, Rita[3].

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

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

Separation of Chairman and Managing Director

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

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

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

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

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

In 2008, our Nomination Committee has conducted an annual review of the independence of all independent non-executive directors of the Company and confirmed that all the independent non-executive directors satisfied the criteria of independence as set out in the Listing Rules.

Board Meetings

The Board held a total of four regular board meetings during the financial year ended 31st December 2008 at quarterly intervals. Two additional board meetings had been held. The average attendance rate was 88.11%. Amongst these, four meetings were held to approve the 2007 final results, 2008 interim results and 2008 first and third quarterly results of the Company; one was held to approve the change of Chairman of the Company; the remaining one meeting was held to consider new investment opportunities and review the strategic business directions, financial and operational performances of the Group. As the members of the Board are either in Hong Kong or in the People's Republic of China, all of these meetings were conducted by video and/or telephone conferencing which are allowed under the Company's Bye-laws. The Financial Controller and the General Counsel & Company Secretary also attended all board meetings to report matters arising from corporate governance, risk management, statutory compliance, accounting and financial aspects.

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

The Chairman or the Vice Chairman of the Company conducts the proceedings of the Board at all board meetings. They ensure that sufficient time is allocated for discussion and consideration of each item on the agenda and that equal opportunities are given to the directors to speak and express their views and share their concerns. Minutes of the board meetings record in sufficient 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 the 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 2008 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 2008	Attendance rate (%)
Directors		
Mr. CHEN Hongsheng[2 Note] (Chairman)	6/6	100
Mr. LI Jianhong[1]	5/6	83.33
Mr. XU Lirong[2]	3/6	50
Ms. SUN Yueying[1]	6/6	100
Mr. XU Minjie[1] (Vice Chairman and Managing Director)	6/6	100
Dr. SUN Jiakang[2]	5/6	83.33
Mr. HE Jiale[1] (appointed on 1st January 2009)	N/A	N/A
Dr. WONG Tin Yau, Kelvin[1]	6/6	100
Mr. WANG Zhi[1]	6/6	100
Mr. YIN Weiyu[1] (appointed on 4th January 2008)	6/6	100
Dr. LI Kwok Po, David[3]	3/6	50
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] (appointed on 1st January 2009)	N/A	N/A
Ex-directors		
Dr. WEI Jiafu[2 Note] (resigned on 22nd July 2008)	4/4	100
Mr. QIN Fuyan[1] (resigned on 4th January 2008)	N/A	N/A
Mr. LIU Lit Man[3] (retired on 15th May 2008)	3/3	100

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

Note: Dr. WEI Jiafu resigned as Chairman and Non-executive Director with effect from 22nd July 2008. Mr. CHEN Hongsheng has been appointed as Chairman and re-designated from Executive Director to Non-executive Director with effect from 22nd July 2008.

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 fill in casual vacancy of the Board and making recommendations to the shareholders regarding any director proposed for re-election at general meetings.

Details of the selection process of new directors and a summary of work performed by the Nomination Committee during 2008 are set out under the section of "Nomination Committee" below.

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

Procedure to Enable Directors to Seek Independent Professional Advice

To assist the directors to discharge their duties to the Company, the Board has established written procedures to enable the directors, upon reasonable request, to seek independent professional advice, at the Company's expense, in appropriate circumstances. No request was made by any director for such independent professional advice in 2008.

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 aforesaid mentioned guidelines respectively for 2008. No incident of non-compliance was noted by the Company in 2008.

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 Company's Bye-laws.

The General Counsel & Company Secretary is the alternate authorised representative of the Company and the primary channel of communications 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 analyses 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 smoothen the daily operations of the Company. As most of the directors of the Company are fully engaged in their major responsibilities and/or stationed in different cities such as Beijing, Shanghai and Hong Kong, it may, in practice, be practically difficult and inconvenient to convene a full board meeting or arrange all the 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 2008, the Executive Committee held a total of 46 meetings. All the matters considered and decided by the Executive Committee at the committee meetings had been recorded in details by minutes. A committee member will present a summary report of the businesses transacted at the committee meetings to the board members at board meetings. All directors of the Company could inspect the minutes of the committee meetings at any time and upon request, the General Counsel & Company Secretary will provide a copy of the minutes of the committee meetings to the directors.

2. Audit Committee

During the year ended 31st December 2008, Mr. LIU Lit Man resigned as a member of the committee. Dr. FAN HSU Lai Tai, Rita was appointed as a member of the committee on 1st January 2009. 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 2008, a total of four meetings were held and the average attendance rate was 87.5%. The 2009 financial budget of the Company are circulated to the members of Audit Committee before submission to the Board.

The key matters deliberated on by the Audit Committee in 2008 includes 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 tender for the concession of the container terminal of Piraeus Port in Greece
- reviewed cash flow analysis of the Company

Attendance of individual members at Audit Committee meetings

Name of Members	No. of meetings attended/ held in the financial year 2008	Attendance rate (%)
Members		
Mr. CHOW Kwong Fai, Edward[1] (Chairman)	4/4	100
Dr. LI Kwok Po, David[1]	3/4	75
Mr. Timothy George FRESHWATER[1]	4/4	100
Dr. FAN HSU Lai Tai, Rita[1] (appointed on 1st January 2009)	N/A	N/A
Ex-member		
Mr. LIU Lit Man[1] (resigned on 15th May 2008)	1/2	50

[1] Independent Non-executive Director

3. Remuneration Committee

During the year ended 31st December 2008, Mr. LIU Lit Man resigned as a member of the committee. Dr. FAN HSU Lai Tai, Rita was appointed as a member of the committee on 1st January 2009. As at the date of this report, the Remuneration Committee, led by an independent non-executive director, comprises five members, the majority of whom are independent non-executive directors of the Company.

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

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

The following is a summary of the work of the Remuneration Committee during 2008:

- reviewed the remuneration packages of all executive directors and senior management
- made recommendations to the Board of the remuneration of non-executive directors
- recommended the remuneration of the independent non-executive directors and the members of the board committees of the Company for 2009

Attendance of individual members at Remuneration Committee meetings

Name of Members	No. of meetings attended/ held in the financial year 2008	Attendance rate (%)
Members		
Dr. FAN HSU Lai Tai, Rita[1 Note] (Chairman) (appointed on 1st January 2009)	N/A	N/A
Dr. LI Kwok Po, David[1]	6/6	100
Mr. CHOW Kwong Fai, Edward[1 Note]	6/6	100
Mr. XU Minjie[2]	6/6	100
Mr. ZHANG Hanfeng	6/6	100
Ex-member		
Mr. LIU Lit Man[1] (resigned on 15th May 2008)	5/5	100

[1] Independent Non-executive Director

[2] Executive Director, Vice Chairman and Managing Director

Note: In compliance with Rule 13.51B(1) of the Listing Rules which took effect on 1st January 2009, it is disclosed that on 3rd January 2009, Dr. FAN HSU Lai Tai, Rita was appointed as Chairman of the Remuneration Committee in place of Mr. CHOW Kwong Fai, Edward. The director's fees, in aggregate, payable to Dr. FAN HSU Lai Tai, Rita and Mr. CHOW Kwong Fai, Edward for the year ending 31st December 2009 will be changed from HK$310,000 to HK$330,000 and from HK$380,000 to HK$360,000 respectively.

Remuneration policy

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

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

4. **Nomination Committee**

During the year ended 31st December 2008, Mr. LIU Lit Man resigned and Mr. CHOW Kwong Fai, Edward was appointed as a member of the committee. On 1st January 2009, Dr. FAN HSU Lai Tai, Rita was appointed as an additional member of the 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 2008, the work performed by the Nomination Committee includes the following:

- made recommendations to the Board on matters relating to the appointment, re-designation, re-election and retirement of directors
- made recommendations to the Board on matters relating to the appointment and change of senior management and committee members
- conducted an annual review of the independence of the independent non-executive directors
- reviewed the renewal of terms of appointment of non-executive directors

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

In early 2009, the Nomination Committee nominated and the Board recommended Mr. LI Jianhong, Ms. SUN Yueying, Mr. XU Minjie, Dr. WONG Tin Yau, Kelvin and Mr. CHOW Kwong Fai, Edward to retire by rotation and Mr. HE Jiale and Dr. FAN HSU Lai Tai, Rita, who were appointed as directors with effect from 1st January 2009, to retire at the forthcoming annual general meeting and stand for re-election by shareholders of the Company at such meeting.

Attendance of individual members at Nomination Committee meetings

Name of Members	No. of meetings attended/ held in the financial year 2008	Attendance rate (%)
Members		
Dr. LI Kwok Po, David[1] (Chairman)	8/8	100
Mr. CHOW Kwong Fai, Edward[1] (appointed on 23rd June 2008)	3/3	100
Dr. FAN HSU Lai Tai, Rita[1] (appointed on 1st January 2009)	N/A	N/A
Mr. XU Minjie[2]	8/8	100
Ex-member		
Mr. LIU Lit Man[1] (resigned on 15th May 2008)	5/5	100

[1] Independent Non-executive Director

[2] Executive Director, Vice Chairman and Managing Director

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

Attendance of individual members at Investment and Strategic Planning Committee meetings

Name of Members	No. of meetings attended/ held in the financial year 2008	Attendance rate (%)
Members		
Mr. XU Minjie[2] (Chairman)	4/4	100
Mr. WANG Zhi[1]	0/4	0
Mr. YIN Weiyu[1]	4/4	100
Mr. CHAN Hang, Ken	4/4	100
Ms. YANG Jianjian	4/4	100
Mr. DING Weiming	4/4	100
Mr. QIU Jinguang (appointed on 11th February 2008)	4/4	100
Mr. YING Haifeng	2/4	50
Mr. HUNG Chun, Johnny	4/4	100
Mr. FAN Chih Kang, Ken	4/4	100
Ex-member		
Mr. LI Wei (resigned on 11th February 2008)	N/A	N/A

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

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

Attendance of individual members at Corporate Governance Committee meetings

Name of Members	No. of meetings attended/ held in the financial year 2008	Attendance rate (%)
Members		
Dr. WONG Tin Yau, Kelvin[1] (Chairman)	4/4	100
Ms. HUNG Man, Michelle	4/4	100
Mr. DING Weiming (appointed on 15th December 2008)	N/A	N/A
Mr. ZHANG Jie (appointed on 15th December 2008)	N/A	N/A
Mr. FAN Chih Kang, Ken	4/4	100
Ms. LIU Mei Wan, May	3/4	75
Ex-members		
Mr. YING Haifeng (resigned on 15th December 2008)	2/4	50
Mr. LI Wei (resigned on 15th December 2008)	0/4	0

[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 2008	Attendance rate (%)
Members		
Mr. WANG Zhi[1] (Chairman)	4/4	100
Ms. HUNG Man, Michelle	4/4	100
Ms. YANG Jianjian	4/4	100
Mr. DING Weiming	3/4	75
Mr. QIU Jinguang (appointed on 15th December 2008)	1/1	100
Mr. SHI Jingmin	3/4	75
Mr. ZHANG Jie (appointed on 15th December 2008)	1/1	100
Mr. FAN Chih Kang, Ken	4/4	100
Ex-members		
Mr. YING Haifeng (resigned on 15th December 2008)	3/3	100
Mr. LI Wei (resigned on 15th December 2008)	0/3	0

[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 114 which acknowledges the reporting responsibilities of the Group's auditors.

Annual Report and Financial Statements

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

Accounting Policies

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

Accounting Records

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

Safeguarding Assets

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

Internal Control

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

Control Environment

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

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

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

The Board is ultimately responsible for the effectiveness of the internal control and risk management system. The Audit Committee assists the Board to review the effectiveness of the internal control and risk management system twice a year 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. During 2008, the directors have conducted reviews of the effectiveness of the system of internal control of the Group, covering all material controls, including financial, operational and compliance controls and risk management functions.

As the control environment is the foundation for all of the other components of the internal control system, the Group has defined a Group-wide structure of and has set up a procedure manual to regulate business processes and activities.

Risk Assessment

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

Major financial risk factors

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

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

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

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

Major operational risk factors

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

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

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

Major compliance risk factors

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

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

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

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

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

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

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

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

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

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

3. Systems and procedures, approved by the management, are set up to identify, measure, manage and control risks including but not limited to legal, credit, concentration, operational, environmental, 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 monitor business operations closely and enables the Board to formulate and, if necessary, revise strategic plan timely and prudently.

   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 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. Additional attention is paid to control activities which are considered being of higher risk, include, amongst others, income, expenditures and other areas of concern being highlighted by management. The Internal Auditor, as head of the internal audit function, has free access to the Audit Committee 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 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 that focuses on material internal controls, including financial, operational and compliance controls during the financial year ended 31st December 2008. Internal audits were carried out on all significant business units in the Group. 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 yearly internal audit plan, which is reviewed and approved by the Audit Committee, is based on the sizes and prevailing risks of all business units of the Group to establish audit scopes and frequencies. All internal audit works scheduled for the year of 2008 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.

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

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

7. In consideration of those identified major risk factors of financial risk, operational risk and compliance risk, the management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. The Group's overall risk management programme focuses on unpredictability arising from financial market, industry and regulatory bodies and imposed various internal control risk measures to minimize the adverse impact of the Group's financial performance.

Major Financial Risk Measures

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

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 to price fluctuation.
- The container value is reviewed and evaluated periodically with reference to the Group's accounting policy and impairment provision for containers will be accounted for if the carrying value of the containers exceeds the recoverable amount. The weekly departmental meetings among the management and departmental managers will help facilitate better understanding of the latest market trend and possible changes so as to review the impact on the Group brought by impairment losses. Such 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, management will monitor and report timely to the Board on it's 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 majority of its third party trade receivable balance to mitigate exposure to credit risk.
- For container leasing business, the credit committee of each operating units establishes the maximum credit limit for each customer based on their credit quality, taking into account the financial position, past settlement history and other factors. Utilisation of credit limits is regularly monitored, the system would suspend the provision of services to those customers whose transactions exceed the defined credit limits.
- To ensure the stability and reliability of computer systems, those in relation to container leasing and terminal businesses are operated by trained professional, frequently checked and upgraded when necessary. Backup of all data are prepared timely. For security purpose, disaster recovery plan is developed.

Major Compliance Risk Measures

- The General Counsel & Company Secretary formulates the overall strategies and mechanisms in relation to the Group's legal compliance. Upon becoming aware of any material development in the legal environment, the legal department will communicate such updated information to the Board and disseminate the information within the Group if and when appropriate. The General Counsel & Company Secretary coordinates the engagement of Hong Kong and foreign lawyers to provide professional advice on specialised and geographically diverged legal issues.
- A non-exhaustive list of connected persons is prepared and updated on a regular basis. In order to effectively identify any potential "connected transactions", all originating departments are required to obtain and report the shareholding structures 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 size of all connected transactions. A 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 authorised by appropriate levels of management to ensure adherence to the Group's pricing policies. Disclosures made to the public are continuously ensured to be in compliance with the 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. 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.

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

4. 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 after it is the subject of a decision;
    - conducts its affairs with close regard to the "Guide on Disclosure of Price-sensitive Information" issued by The Stock Exchange of Hong Kong Limited;
    - 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; and
    - has established and implemented procedures for responding to external enquiries about the Company's affairs. Only directors and delegated management of the Company can act as the Company's spokesperson and respond to enquiries in allocated areas of issues.

The Board considered that the system of internal controls in place during the year 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 2008, 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	2008 US$	2007 US$
Audit service	861,000	806,000
Audit related service	239,000	221,000
Non-audit services		
- Tax related services	593,000	512,000
- Circular related services	193,000	54,000
- Financial advisory services	470,000	-

INVESTOR RELATIONS

The Company continues to promote and enhance investor relations and communications with its investors. Our dedicated investor relations team supports designated executive director 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 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 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. The Chairmen of the audit, nomination and remuneration committees are normally available at AGMs to take any relevant questions. All shareholders will be given at least 20 business days' notice of the AGM and they are encouraged to attend the AGM and other shareholders' meetings. The Company supports the Corporate Governance Code's principle to encourage shareholders' participation. Questioning by the shareholders at such meetings are encouraged and welcomed.

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 of the Company to convene a special general meeting and state the purpose therefor at the Company's principal place of business in Hong Kong at 49th Floor, COSCO Tower, 183 Queen's Road Central, Hong Kong. To facilitate enforcement of shareholders' rights, substantially separate issues at general meetings are dealt with under separate resolutions.

SHAREHOLDINGS AND SHAREHOLDERS INFORMATION

Share capital (as at 31st December 2008)

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$224,502,929.80 comprising 2,245,029,298 shares of HK$0.1 each

Types of shareholders (as at 31st December 2008)

Type of shareholders	No. of shares held	% of the issued share capital
COSCO Pacific Investment Holdings Limited and its subsidiary	1,144,166,411	50.964
Other corporate shareholders	1,092,609,386	48.668
Individual shareholders	8,253,501	0.368
Total	**2,245,029,298**	**100.000**

Location of shareholders (as at 31st December 2008)

Location of shareholders[Note 1]	No. of shareholders	No. of shares held
Hong Kong	574	2,245,015,298 [Note 2]
Macau	1	2,000
United States	1	4,000
People's Republic of China	2	8,000
Total	**578**	**2,245,029,298**

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

Note 2: These shares include 1,291,040,165 shares registered in the name of HKSCC Nominees Limited which may hold these shares on behalf of its clients in or outside Hong Kong.

OTHER CORPORATE INFORMATION

Memorandum of Association and Bye-Laws

There was no change to the Memorandum of Association and Bye-laws of the Company during the year ended 31st December 2008.

Key Corporate Dates

The following are dates for certain key corporate events:

Event	Date
Payment of 2008 Interim Dividend	19th September 2008
2008 Final Results Announcement	8th April 2009
2009 First Quarter Results Announcement	29th April 2009
Closure of Register of Members	22nd May 2009 to 27th May 2009
Annual General Meeting	27th May 2009
Payment of 2008 Final Dividend	20th July 2009
2009 Interim Results Announcement	August 2009
2009 Third Quarter Results Announcement	October 2009

DIRECTORS AND SENIOR MANAGEMENT PROFILES

DIRECTORS

CHEN Hongsheng

Non-executive Director and Chairman of the Board

LI Jianhong

Executive Director

Mr. CHEN, aged 59, is the Chairman of the Board of the Company. He has been an Executive Director of the Company since September 2003 and was redesignated as Non-executive Director and Chairman of the Board in July 2008. He is also an Executive Vice President of China Ocean Shipping (Group) Company, a Director and the President of China COSCO Holdings Company Limited, the Chairman of COSCO Logistics Co., Ltd., COSCO Japan Co., Ltd. and Chinese-Polish Joint Stock Shipping Company, a Director of COSCO Container Lines Company Limited, COSCO Bulk Carrier Co., Ltd. and Qingdao Ocean Shipping Co., Ltd. Mr. CHEN graduated from Sichuan Foreign Language College, majoring in English and from Capital University of Economics and Business, in postgraduate studies in business administration. He had been the Deputy General Manager of Penavico Nantong Branch Company, General Manager of Shipping Department of Penavico, General Manager of COSCO Beijing International Freight Forwarding Company, Managing Director of COSCO International Freight Forwarding Co., Ltd. and Deputy General Manager of COSCO Container Lines Company Limited. He is currently a Vice Chairman of China Enterprise Confederation and China Enterprise Directors Association. Mr. CHEN is one of the experienced experts engaging in the container shipping and logistics business at its initial stage in the PRC. He has over 30 years of experience in shipping industry with extensive experience in enterprise operation and management.

Mr. LI, aged 52, has been a Director of the Company since October 1997. He is also an Executive Vice President of China Ocean Shipping (Group) Company, the Chairman of COSCO Corporation (Singapore) Limited, Sino-Ocean Land Holdings Limited, COSCO Shipyard Group Co., Ltd., COSCO International Ship Trading Co., Ltd. and Chinese-Tanzanian Join Shipping Company; Vice Chairman of China International Marine Containers (Group) Co., Ltd. and Suzhou Industrial Park Company Limited; Non-executive Director of China COSCO Holdings Company Limited and COSCO International Holdings Limited and Director of COSCO Logistics Co., Ltd. and Boao COSCO Co., Ltd. Mr. LI is also the Vice Chairman of Chinese Society of Naval Architecture & Marine Engineering and China Association of the National Shipbuilding Industry. Since 1986, Mr. LI had been the General Manager of Nantong Shipyard, Managing Director of COSCO Industry Co., Ltd., COSCO Property Ltd., and Assistant President and Chief Commercial Officer of China Ocean Shipping (Group) Company. Mr. LI possesses two Master Degrees in Business Administration from University of East London in the United Kingdom and Jilin University respectively. He is also a senior economist. Mr. LI possesses extensive experience in corporate management and capital operation.

XU Lirong

Non-executive Director

Mr. XU, aged 51, has been a Director of the Company since March 2000. Before his redesignation as a Non-executive Director in June 2005, he served as an Executive Director. He is now the Executive Vice President of China Ocean Shipping (Group) Company, a Non-executive Director of China COSCO Holdings Company Limited and the Chairman of a number of Companies including COSCO Shipping Co., Ltd., COSCO Europe GmbH, COSCO Americas Inc. and China Marine Bunker (PetroChina) Co., Ltd. Mr. XU obtained his Master of Business Administration degree from Shanghai Maritime University and the Maastricht School of Management in the Netherlands. Mr. XU had been the Executive Vice President of China COSCO Holdings Company Limited, the Managing Director of COSCO Container Lines Company Limited, the Marine Captain and Deputy Director of the first management department of Shanghai Ocean Shipping Company, the General Manager of Shanghai International Freight Forwarding Company, the Deputy Managing Director of Shanghai Ocean Shipping Company and the President of Shanghai Shipping Exchange. He has extensive experience in container shipping business management and corporate management.

SUN Yueying

Executive Director

Ms. SUN, aged 50, has been an Executive Director of the Company since March 2002. She is currently the Chief Financial Officer of China Ocean Shipping (Group) Company, a Non-executive Director of China COSCO Holdings Company Limited and China Merchants Bank Co., Ltd., a Director of a number of companies including COSCO (Hong Kong) Group Limited, COSCO Container Lines Company Limited and COSCO Corporation (Singapore) Limited. Ms. SUN graduated from Shanghai Maritime University majoring in shipping finance and accounting. She is a certified accountant and a senior accountant. She had been the Vice Director of the Finance Division of Tianjin Ocean Shipping Co., Director and Finance Manager of COSCO Japan Co., Ltd. and the General Manager of the Finance and Capital Division of and the Deputy Chief Financial Officer of China Ocean Shipping (Group) Company. She has extensive experience in the shipping industry and corporate financial management.

XU Minjie

Executive Director,
Vice Chairman of the Board
and Managing Director

Mr. XU, aged 50, is the Vice Chairman of the Board and the Managing Director of the Company. He is also the Chairman of the Investment and Strategic Planning Committee and a member of the Executive Committee, Nomination Committee and Remuneration Committee of the Company. He is also a director of China International Marine Containers (Group) Co., Ltd. Mr. XU graduated from the Marine Navigation Department of Qingdao Ocean Shipping Mariners College and obtained his Master of Business Administration degree from Shanghai Maritime University and also obtained a Master Degree in Management from Maastricht School of Management in the Netherlands (荷蘭馬斯特里赫特商學院). Mr. XU joined COSCO Group in 1980 and was appointed as Managing Director of COSCO Shanghai International Freight Company Limited in November 1998. He was the Vice Chairman of Shanghai City Freight Forwarders Association (上海市貨運代理協會) during the period from December 1998 to September 2003 and was appointed as the General Manager of the Transportation Division of China Ocean Shipping (Group) Company in September 2003. He had been a former marine captain on COSCO's ocean-going ships, General Manager of the Container Division, Operation Division, Export Division of Shanghai Ocean Shipping Company and Deputy Managing Director of Shanghai International Freight Forwarding Company. During the period from June 2005 to January 2007, Mr. XU was an Executive Committee member of China Communications and Transportation Association (中國交通運輸協會). Mr. XU has accumulated around 30 years of experience in the shipping industry and has demonstrated excellent enterprise operation and management skills. His outstanding vision and management power have been highly appreciated by the industry. He joined the Company in January 2007 as the Vice Chairman and Managing Director and leads the Company's overall management, strategic development, corporate governance and financial management.

SUN Jiakang

Non-executive Director

Dr. SUN, aged 49, has been a Director of the Company since September 2002. Before his redesignation as a Non-executive Director in January 2007, he served as the Vice Chairman and Managing Director. He is an Executive Vice President of China COSCO Holdings Company Limited, a fellow member of The Hong Kong Institute of Directors, a member of International WHO'S WHO of Professionals and a visiting professor at Dalian Maritime University. In January 2008, he was elected as a Member of the Thirteenth session of the Shanghai People's Congress and a Member of the Standing Committee of the Shanghai People's Congress. Dr. SUN graduated from the Faculty of Navigation of Dalian Maritime Transportation Institute with a bachelor degree in shipping management in 1982 and obtained a bachelor degree in economic management of industrial enterprises from the People's University of China in 1987, a master degree in management from Dalian Maritime University in 2001 and a doctor of philosophy (PhD) degree in management from Preston University, USA in 2005. After graduating from university in 1982, Dr. SUN joined COSCO Group and had been the Assistant to the President and Spokesman of China Ocean Shipping (Group) Company. For the past 26 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

WONG Tin Yau, Kelvin

Executive Director

Mr. HE, aged 54, 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 subsidiary companies. Mr. HE joined the COSCO group in 1974. He was the Chief Accountant of COSCO Container Lines Company Limited in 1998 and the Financial Controller of COSCO (Hong Kong) Group Limited in 2003. He was an Executive Director of the Company during 2003 to 2005. Mr. HE had been the Deputy Director of the Finance Division of Shanghai Ocean Shipping Company, the Deputy General Manager of Finance Department of the COSCO Container Lines, the Deputy General Manager of Finance and Capital Department of China Ocean Shipping (Group) Company and the Chief Accountant of COSCO Container Lines Company Limited. Mr. HE has over 30 years of experience in the shipping business and has extensive experience in corporate finance, finance management and capital operation. Mr. HE graduated from the postgraduate studies of management science and engineering from Shanghai University. He is a senior accountant.

Dr. WONG, aged 48, 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 a Deputy Chairman, Chairman of the Corporate Governance Committee and fellow member of The Hong Kong Institute of Directors, council advisor and immediate 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 Board of Review (Inland Revenue Ordinance) and board director of Business Environment Council. He was a member of the Auditing and Assurance Standards Committee of the Hong Kong Institute of Certified Public Accountants and a member of the China Trade Advisory Committee of the Hong Kong Trade Development Council. He obtained his Master of Business Administration degree from Andrews University in Michigan, the USA in 1992 and his Doctor of Business Administration from The Hong Kong Polytechnic University in 2007. He is an associate member of The Chartered Institute of Bankers, a member of the Hong Kong Securities Institute, a member of The Chartered Institute of Marketing and a member of the National Investor Relations Institute in the USA. He has more than 24 years of working experience in management, banking and securities industries. Dr. WONG is currently an Independent Non-executive Director and Chairman of the Audit Committee of China Metal International Holdings Inc., an Independent Non-executive Director of CIG Yangtze Ports PLC and an Independent Non-executive Director of I.T Limited and was an Independent Non-executive Director and Chairman of the Audit Committee 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.

WANG Zhi

Executive Director

Mr. WANG, aged 46, is a Deputy Managing Director of the Company. He is also the Chairman of the Risk Management Committee and a member of the Executive Committee and the Investment and Strategic Planning Committee of the Company and the President & CEO of Florens Container Services Company Limited, a wholly owned subsidiary of the Company. He joined the Company in April 2001 and was appointed as an Executive Director of the Company in July 2005. He graduated from Jimei Navigation College in 1980. He then further his studies in Shanghai Maritime University and obtained an International Executive Master of Business Administration degree from International School of Management in Paris in 2000. Prior to joining the Company, he worked in COSCO Guangzhou in 1980 and gained more than 13 years of working experience in shipping industries there. Since 1993, he had been the Deputy Chief Executive Officer of COSCO (UK) Limited, the Managing Director of Crystal Logistics Ltd. and the Managing Director of COSCO France S.A. He was a Non-executive Director of Chong Hing Bank Limited. Mr. WANG is responsible for corporate development, overall management and administration of Florens Container Services Company Limited and strategic development and investment of some of the container terminal business of the Company.

YIN Weiyu

Executive Director

Mr. YIN, aged 42, is a Deputy Managing Director of the Company. He is also a member of the Executive Committee and the 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

CHOW Kwong Fai, Edward

JP

Independent
Non-executive Director

Dr. LI, aged 70, 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.

Mr. CHOW, aged 56, has been an Independent Non-executive Director of the Company since June 2005. He is also the Chairman of the Audit Committee and a member of the Nomination Committee and the Remuneration Committee of the Company. Mr. CHOW is a fellow member of The Institute of Chartered Accountants in England and Wales and a past president of the Hong Kong Institute of Certified Public Accountants (HKICPA). Before elected president, he chaired the HKICPA's Corporate Governance Committee and Professional Accountants in Business (PAIB) Committee. He was a Deputy Chairman of The Hong Kong Institute of Directors from 2001 to 2008 and the Chairman of the PAIB Committee of the International Federation of Accountants (IFAC) from 2006 to 2008. Mr. CHOW is currently a core member of the OECD/World Bank Asian Corporate Governance Roundtable, a Deputy Chairman of the Business and Professionals Federation of Hong Kong, a member of The Chinese People's Political Consultative Conference – Zhejiang Province, a member of the Election Committee of Hong Kong Special Administrative Region and an expert advisor of the Accounting Standards Committee of the Ministry of Finance, the People's Republic of China. Mr. CHOW is currently Chairman of China Infrastructure Group and CIG Yangtze Ports PLC, listed in Hong Kong. He is also an independent director of China Merchants Bank Co., Ltd., which is listed on the stock exchanges of Hong Kong and Shanghai, and Melco China Resorts (Holding) Limited, listed in Toronto. Between 1988 and 1996, he was Managing Director of a conglomerate which had companies listed on the stock exchanges of Hong Kong and Thailand. Prior to entering the commercial sector, Mr. CHOW spent 11 years working for two major accounting firms, Deloitte Haskins & Sells and Price Waterhouse (as they were then known), respectively in London and Hong Kong. Mr. CHOW was appointed as a Justice of Peace by the Chief Executive of the Hong Kong Special Administrative Region in July 2008.

Timothy George FRESHWATER

Independent
Non-executive Director

FAN HSU Lai Tai, Rita

GBM, GBS, JP

Independent
Non-executive Director

Mr. FRESHWATER, aged 64, 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.

Dr. FAN, aged 63, has been appointed as an Independent Non-executive Director of the Company since January 2009. She is also the Chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee of the Company. Dr. FAN was appointed to the Legislative Council from 1983 to 1992 and was a Member of the Executive Council from 1989 to 1992. She became the President of the Provisional Legislative Council in 1997, and has since been re-elected as the President of the First, Second and Third Legislative Council. Dr. FAN has served as President of the legislature of the Hong Kong Special Administrative Region ("HKSAR") for 11 years. Dr. FAN was a member of the Preliminary Working Committee for the Preparatory Committee for the HKSAR from 1993 to 1995 and of the Preparatory Committee for the HKSAR from 1995 to 1997, and was Chairman of the Board of Education from 1986 to 1989 and Chairman of the Education Commission from 1990 to 1992. She was elected as a Hong Kong Deputy to both the Ninth and Tenth sessions of the National People's Congress ("NPC") between 1998 and 2007. Dr. FAN is currently a Member of the Standing Committee of the Eleventh session of the NPC, a steward of The Hong Kong Jockey Club, an Independent Non-executive Director of China Overseas Land & Investment Limited, an Honorary Advisor to Junior Chamber International Hong Kong and Patron of the Hong Kong Kidney Foundation, the Hong Kong Transplant Sports Association and the Whole Person Education Foundation. Dr. FAN was awarded the Gold Bauhinia Star and the Grand Bauhinia Medal in 1998 and 2007 respectively by the Government of the HKSAR.

SENIOR MANAGEMENT

CHAN Hang, Ken

Deputy Managing Director

LUI Sai Kit, Eddie

Financial Controller

Mr. CHAN, aged 51, 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.

Mr. LUI, aged 45, is the Financial Controller of the Company. He joined the Company in January 2008. He is a member of the Hong Kong Institution of Certified Public Accountants, a member of the American Institution of Certified Public Accountants, a member of the Chartered Institution of Management Accountants of United Kingdom and a member of the Certified Management Accountants of Canada. He also has a Master Degree in Business Administration from University of Ottawa and Bachelor Degree of Administration from York University in Canada. Prior to joining the Company, he had held Chief Financial Officer and General Management positions for companies listed on the Hong Kong Stock Exchange and US multinational companies such as New World TMT Limited, Wang On Group Limited and General Electric Company Limited Hong Kong Plastic Division.

HUNG Man, Michelle

General Counsel &
Company Secretary

Ms. HUNG, aged 39, has been appointed as the General Counsel of the Group and the Company Secretary of the Company since November 1996 and March 2001, respectively. She is a member of the Corporate Governance Committee and Risk Management Committee of the Company. She is responsible for all legal, corporate governance, compliance, company secretarial and related matters for the Group. She obtained a Bachelor of Laws degree (Hons) from The University of Hong Kong. She is also a practicing solicitor of the High Court of the Hong Kong Special Administrative Region and qualified in England and Wales. Moreover, she is a member of the Executive Committee of the Hong Kong Corporate Counsel Association. For three years in a row from 2006 to 2008, Ms. HUNG was named among the top 25 "in-house high flyers" and "the best in Asia" by Asian Legal Business Magazine.

DING Weiming

Deputy Financial Controller

Mr. DING, aged 50, 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 47, 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 of the Company. Before joining the Company in February 2008, Mr. QIU assumed various positions with COSCO Group, including Vice President of COSCO Americas Terminals Inc., General Manager of Strategy and Development Department of COSCO Americas Inc., Deputy Director and Director of Logistic Department of Transportation Division of COSCO Group. He also served as Deputy Manager of Foreign Affairs Department of Penavico Head Office. Graduated from Shanghai Maritime University with an International Shipping major, Mr. QIU then obtained his MBA degree at University of California Los Angeles in 1999. Mr. QIU is responsible for the work of the Strategy and Development Department and the Company's key marine terminal development projects in the mainland and overseas.

REPORT OF THE DIRECTORS & FINANCIAL STATEMENTS

REPORT OF THE DIRECTORS

The board of directors of the Company (the "Board") submit their report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31st December 2008.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in note 43 to the consolidated financial statements.

An analysis of the Group's performance for the year by business and geographical segments 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 2008 are set out in the consolidated income statement on page 118 of this annual report.

The directors declared an interim dividend of HK27.4 cents (equivalent to US3.514 cents) per share, totalling HK$615,138,000 (equivalent to US$78,890,000), which was paid on 19th September 2008.

The directors recommend the payment of a final dividend of HK10.7 cents (equivalent to US1.382 cents) per share, with a scrip dividend alternative, totalling HK$240,218,000 (equivalent to US$31,026,000), payable on or about 20th July 2009.

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 199 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 119 and 120 of this annual report.

Movements in the reserves of Company during the year are set out in note 21 to the consolidated financial statements.

DONATIONS

Charitable and other donations made by the Group during the year amounted to US$260,000.

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 set out in note 20 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

The distributable reserves of the Company as at 31st December 2008 calculated under the Companies Act of Bermuda amounted to US$864,614,000.

BORROWINGS

Details of the borrowings of the Group are set out in note 22 to the consolidated financial statements.

RETIREMENT BENEFIT SCHEMES

Details of retirement benefit schemes of the Group are set out in notes 3.20 and 34 to the consolidated financial statements.

DIRECTORS

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

Dr. WEI Jiafu[2]	(resigned as non-executive director and Chairman of the Board on 22nd July 2008)
Mr. CHEN Hongsheng[2] *(Chairman)*	(re-designated from executive director to non-executive director and appointed as Chairman of the Board on 22nd July 2008)
Mr. LI Jianhong[1]	
Mr. XU Lirong[2]	
Ms. SUN Yueying[1]	
Mr. XU Minjie[1] *(Vice Chairman and Managing Director)*	
Dr. SUN Jiakang[2]	
Mr. HE Jiale[1]	(appointed on 1st January 2009)
Dr. WONG Tin Yau, Kelvin[1]	
Mr. WANG Zhi[1]	
Mr. YIN Weiyu[1]	(appointed on 4th January 2008)
Mr. QIN Fuyan[1]	(resigned on 4th January 2008)
Dr. LI Kwok Po, David[3]	
Mr. LIU Lit Man[3]	(retired on 15th May 2008)
Mr. CHOW Kwong Fai, Edward[3]	
Mr. Timothy George FRESHWATER[3]	
Dr. FAN HSU Lai Tai, Rita[3]	(appointed on 1st January 2009)

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

In accordance with Clause 86(2) of the Company's Bye-laws, Mr. HE Jiale and Dr. FAN HSU Lai Tai, Rita, 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 Company's Bye-laws, Mr. LI Jianhong, Ms. SUN Yueying, Mr. XU Minjie, Dr. WONG Tin Yau, Kelvin and Mr. CHOW Kwong Fai, Edward, being directors in longest office, retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of directors and senior management as at the date of this report are set out on pages 82 to 91 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 is renewable automatically for successive terms of three years subject to termination by either party giving not less than three months' notice in writing to the other party pursuant to the terms of the service agreement.

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. WANG Zhi has an employment contract with COSCO Pacific Management commencing from 1st April 2001. Such contract is terminable by either party by 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.

Save as disclosed above, 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 (the "1994 Share Option Scheme").

All options granted under the 1994 Share Option Scheme had been expired on 19th May 2007. There was no outstanding option yet to be exercised under the 1994 Share Option Scheme as at 1st January 2008.

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

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

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

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

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

As at the date of this report, a total of 87,731,229 shares (representing approximately 3.91% 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 42,633,000 shares (representing approximately 1.90% of the existing issued share capital of the Company) may be issued upon exercise of all options which had been granted and yet to be exercised under the 2003 Share Option Scheme.

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

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

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

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

Notes:

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

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

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

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

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

Category	Exercise price HK$	Number of share options: Outstanding at 1st January 2008	Granted during the year	Exercised during the year	Transfer (to)/ from other categories during the year	Lapsed during the year	Outstanding at 31st December 2008	% of total issued share capital	Exercisable period	Note
Directors										
Mr. CHEN Hongsheng	13.75	1,000,000	–	–	–	–	1,000,000	0.045%	3.12.2004-2.12.2014	(2), (4)
Mr. LI Jianhong	13.75	1,000,000	–	–	–	–	1,000,000	0.045%	2.12.2004-1.12.2014	(2), (4)
Ms. SUN Yueying	13.75	1,000,000	–	–	–	–	1,000,000	0.045%	3.12.2004-2.12.2014	(2), (4)
Mr. XU Minjie	19.30	800,000	–	–	–	–	800,000	0.036%	19.4.2007-18.4.2017	(3), (4)
Dr. SUN Jiakang	13.75	700,000	–	–	–	–	700,000	0.031%	1.12.2004 -30.11.2014	(2), (4)
Dr. WONG Tin Yau, Kelvin	9.54	800,000	–	–	–	–	800,000	0.036%	28.10.2003-27.10.2013	(1), (4)
	13.75	1,000,000	–	–	–	–	1,000,000	0.045%	2.12.2004-1.12.2014	(2), (4)
	19.30	500,000	–	–	–	–	500,000	0.022%	18.4.2007-17.4.2017	(3), (4)
Mr. WANG Zhi	13.75	550,000	–	–	–	–	550,000	0.024%	29.11.2004-28.11.2014	(2), (4)
	19.30	500,000	–	–	–	–	500,000	0.022%	18.4.2007-17.4.2017	(3), (4)
Mr. YIN Weiyu*	19.30	–	–	–	500,000	–	500,000	0.022%	19.4.2007-18.4.2017	(3), (4), (5)
Ex-directors										
Dr. WEI Jiafu**	13.75	1,000,000	–	–	(1,000,000)	–	–	–	3.12.2004-2.12.2014	(2), (4), (5)
Mr. QIN Fuyan*	13.75	200,000	–	–	(200,000)	–	–	–	29.11.2004-28.11.2014	(2), (4), (5)
	19.30	500,000	–	–	(500,000)	–	–	–	19.4.2007-18.4.2017	(3), (4), (5)
		9,550,000	–	–	(1,200,000)	–	8,350,000			
Continuous contract employees	9.54	1,725,000	–	(94,000)	–	(20,000)	1,611,000	0.072%	(refer to note 1)	(1)
	13.75	14,042,000	–	(50,000)	200,000	(120,000)	14,072,000	0.627%	(refer to note 2)	(2), (5)
	19.30	14,770,000	–	–	–	(190,000)	14,580,000	0.649%	(refer to note 3)	(3), (5)
Others	9.54	50,000	–	–	–	–	50,000	0.002%	(refer to note 1)	(1)
	13.75	3,124,000	–	(4,000)	1,000,000	–	4,120,000	0.184%	(refer to note 2)	(2), (5)
		33,711,000	–	(148,000)	1,200,000	(330,000)	34,433,000			
		43,261,000	–	(148,000)	–	(330,000)	42,783,000			

* Mr. QIN Fuyan resigned and Mr. YIN Weiyu has been appointed as an executive director of the Company, both with effect from 4th January 2008.

** Dr. WEI Jiafu resigned as Chairman of the Board and a non-executive director of the Company on 22nd July 2008.

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. QIN Fuyan resigned and Mr. YIN Weiyu has been appointed as an executive director of the Company, both with effect from 4th January 2008. In this respect, the options granted to Mr. QIN Fuyan were re-classified from the category of "directors" to the category of "continuous contract employees" and the options granted to Mr. YIN Weiyu were re-classified from the category of "continuous contract employees" to the category of "directors". Dr. WEI Jiafu resigned as Chairman of the Board and a non-executive director of the Company on 22nd July 2008. In this respect, the options granted to Dr. WEI Jiafu were re-classified from the category of "directors" to the category of "others".

(6) The weighted average closing price of the shares immediately before the dates on which the options were exercised was HK$18.19.

(7) No share options were granted or cancelled under the 2003 Share Option Scheme during the year ended 31st December 2008.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31st December 2008, 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") were as follows:

(a) Long positions in the shares of the Company

Name of director	Capacity	Nature of interest	Number of ordinary shares held	% of total issued share capital of the Company
Dr. LI Kwok Po, David	Beneficial owner	Personal	258,000	0.011%
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	Number of A shares held	% of total issued A share capital of the relevant associated corporation
China COSCO Holdings Company Limited	Dr. WONG Tin Yau, Kelvin	Beneficial owner	Personal	573,875	0.022%	–	–
	Mr. YIN Weiyu	Beneficial owner	Personal	–	–	10,000	0.0001%
		Interest of spouse	Family	–	–	4,000	0.0001%

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	800,000	0.054%

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	Note
COSCO Corporation (Singapore) Limited	Mr. LI Jianhong	Beneficial owner	Personal	1,300,000	0.058%	(1)
	Ms. SUN Yueying	Beneficial owner	Personal	1,400,000	0.063%	(1)
	Ex-director					
	Dr. WEI Jiafu	Beneficial owner	Personal	1,900,000	0.085%	(1), (2)

Notes:

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

(2) Dr. WEI Jiafu resigned as a non-executive director of the Company and Chairman of the Board on 22nd July 2008. He held 1,900,000 shares of COSCO Singapore as at the aforesaid date.

(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 2008	Granted during the year	Exercised during the year	Lasped during the year	Outstanding at 31st December 2008	% of total issued share capital of the relevant associated corporation	Note
COSCO International Holdings Limited	Mr. LI Jianhong	Beneficial owner	Personal	0.57	1,800,000	–	–	(1,800,000)	–	–	(1), (4)
				1.37	1,200,000	–	–	–	1,200,000	0.081%	(2)
	Dr. SUN Jiakang	Beneficial owner	Personal	0.57	600,000	–	(600,000)	–	–	–	(1)
				1.37	800,000	–	–	–	800,000	0.054%	(2)
	Dr. WONG Tin Yau, Kelvin	Beneficial owner	Personal	0.57	800,000	–	(800,000)	–	–	–	(1)
				1.37	500,000	–	–	–	500,000	0.034%	(2)
	Ex-director										
	Dr. WEI Jiafu	Beneficial owner	Personal	0.57	1,800,000	–	–	(1,800,000)	–	–	(1), (3), (4)
				1.37	1,200,000	–	–	–	1,200,000	0.081%	(2), (3)

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 26th November 2003 pursuant to the share option scheme adopted by COSCO International on 17th May 2002 and amended by the shareholders of COSCO International at the special general meeting held on 5th May 2005 (the "Share Option Scheme of COSCO International"). The share options were exercisable at an exercise price of HK$0.57 per share at any time between 23rd December 2003 and 22nd December 2008.

(2) The share options were granted by COSCO International on 2nd December 2004 pursuant to the Share Option Scheme of COSCO International. 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.

(3) Dr. WEI Jiafu resigned as a non-executive director of the Company and Chairman of the Board on 22nd July 2008.

(4) Dr. WEI Jiafu and Mr. LI Jianhong voluntarily renounced their rights to exercise the share options at the exercise price of HK$0.57 within the exercisable period. The share options were lapsed on 23rd December 2008.

(5) 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 2008	Granted during the year	Exercised during the year	Lasped during the year	Outstanding at 31st December 2008	% of total issued share capital of the relevant associated corporation	Note
COSCO Corporation (Singapore) Limited	Mr. LI Jianhong	Beneficial owner	Personal	1.23	700,000	–	–	–	700,000	0.031%	(1)
	Ms. SUN Yueying	Beneficial owner	Personal	1.23	700,000	–	–	–	700,000	0.031%	(1)
	Ex-director										
	Dr. WEI Jiafu	Beneficial owner	Personal	1.23	1,100,000	–	–	(1,100,000)	–	–	(1), (2), (3)

Notes:

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

(2) Dr. WEI Jiafu resigned as a non-executive director of the Company and Chairman of the Board on 22nd July 2008.

(3) Dr. WEI Jiafu voluntarily renounced his rights to exercise the share options at the exercise price of S$1.23 within the exercisable period. The share options were lapsed on 15th October 2008.

(4) 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:

Name of associated corporation	Name of director	Capacity	Nature of interest	Exercise price HK$	Number of units of share appreciation rights: Outstanding at 1st January 2008	Granted during the year	Exercised during the year	Outstanding at 31st December 2008	% of total issued H share capital of the relevant associated corporation	Note
China COSCO Holdings Company Limited	Mr. CHEN Hongsheng	Beneficial owner	Personal	3.195	600,000	–	(75,000)	525,000	0.020%	(1)
				3.588	700,000	–	–	700,000	0.027%	(2)
				9.540	680,000	–	–	680,000	0.026%	(3)
	Mr. LI Jianhong	Beneficial owner	Personal	3.195	450,000	–	–	450,000	0.017%	(1)
				3.588	600,000	–	–	600,000	0.023%	(2)
				9.540	580,000	–	–	580,000	0.022%	(3)
	Mr. XU Lirong	Beneficial owner	Personal	3.195	375,000	–	–	375,000	0.015%	(1)
				3.588	500,000	–	–	500,000	0.019%	(2)
				9.540	580,000	–	–	580,000	0.022%	(3)
	Ms. SUN Yueying	Beneficial owner	Personal	3.195	500,000	–	(50,000)	450,000	0.017%	(1)
				3.588	600,000	–	–	600,000	0.023%	(2)
				9.540	580,000	–	–	580,000	0.022%	(3)
	Mr. XU Minjie	Beneficial owner	Personal	3.195	100,000	–	(25,000)	75,000	0.003%	(1)
				3.588	90,000	–	–	90,000	0.003%	(2)
	Dr. SUN Jiakang	Beneficial owner	Personal	3.195	500,000	–	(125,000)	375,000	0.015%	(1)
				3.588	500,000	–	–	500,000	0.019%	(2)
				9.540	480,000	–	–	480,000	0.019%	(3)
	Mr. YIN Weiyu	Beneficial owner	Personal	3.195	100,000	–	–	100,000	0.004%	(1)
				3.588	65,000	–	–	65,000	0.003%	(2)
	Ex-director									
	Dr. WEI Jiafu	Beneficial owner	Personal	3.195	680,000	–	–	680,000	0.026%	(1), (4)
				3.588	900,000	–	–	900,000	0.035%	(2), (4)
				9.540	880,000	–	–	880,000	0.034%	(3), (4)

Notes:

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

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

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

(4) Dr. WEI Jiafu resigned as a non-executive director of the Company and Chairman of the Board on 22nd July 2008.

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

Save as disclosed above, as at 31st December 2008, 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

China Ocean Shipping (Group) Company ("COSCO") and its subsidiaries (excluding the Group) (collectively 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 ("Logistics Businesses"), details of which are disclosed in the connected transactions circular 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"), its subsidiaries, jointly controlled entities and associates (collectively the "COSCO Logistics Group"). As at 31st December 2008, China COSCO, a subsidiary of COSCO and an intermediate holdings company of the Company, and the Group has 51% and 49% equity interest in COSCO Logistics respectively.

As at 31st December 2008, Mr. CHEN Hongsheng, Mr. LI Jianhong, Mr. XU Lirong, Ms. SUN Yueying, Mr. XU Minjie and Dr. SUN Jiakang, all being directors of the Company, held directorships and/or senior management posts in the COSCO Group (excluding the COSCO Logistics Group) and/or other companies which have interests in container terminals ("Container Terminal Interests").

The Board is of the view that the Group is capable of carrying on its businesses independently from the Logistics Businesses and/or the Container Terminal Interests. When making decisions on the logistics business 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 2008, the interests of shareholders in the shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

			Number of ordinary shares/Percentage of total issued share capital			
Name	**Capacity**	**Nature of interests**	**Long positions**	**%**	**Short positions**	**%**
COSCO Investments Limited	Beneficial owner	Beneficial interest	200,120,000	8.91	–	–
COSCO Pacific Investment Holdings Limited	Beneficial owner and interest of controlled corporation	Beneficial interest and corporate interest	1,144,166,411	50.96	–	–
China COSCO Holdings Company Limited	Interest of controlled corporation	Corporate interest	1,144,166,411	50.96	–	–
China Ocean Shipping (Group) Company	Interest of controlled corporation	Corporate interest	1,144,166,411	50.96	–	–
Mondrian Investment Partners Limited	Investment manager	Other interest	114,456,000	5.10	–	–

Note:

The 1,144,166,411 shares relate to the same batch of shares in the Company. COSCO Investments Limited ("COSCO Investments") is a wholly owned subsidiary of COSCO Pacific Investment Holdings Limited ("COSCO Pacific Investment"). Accordingly, the 200,120,000 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 holds 944,046,411 shares of the Company beneficially. Accordingly, COSCO Pacific Investment's interests in relation to the 1,144,166,411 shares of the Company are also recorded as China COSCO's interests in the Company. China Ocean Shipping (Group) Company ("COSCO") holds 54.55% interest of the issued share capital of China COSCO as at 31st December 2008, and accordingly, COSCO is deemed to have the interests of 1,144,166,411 shares of the Company held by COSCO Pacific Investment.

Save as disclosed above, as at 31st December 2008, 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 issued shares of the Company as required under the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws 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	8.85%
Percentage of container purchases attributable to the Group's five largest suppliers	37.51%
Percentage of leasing income attributable to the Group's largest lessee, which is a subsidiary of COSCO	70.36%
Percentage of leasing income attributable to the Group's five largest lessees	82.68%

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

Three of the Group largest suppliers attribute 24.25% of container purchases of the Group. During the year ended 31st December 2008, the Group and COSCO have equity interest in China International Marine Containers (Group) Co., Ltd., the holding company of the aforesaid three suppliers of the Group.

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

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance so as to ensure better transparency and protection of shareholders' interests. The Company has complied with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules for the year ended 31st December 2008, except for the following deviations:

Code provision B.1.1

The code provision B.1.1 of the Corporate Governance Code provides, inter alia, that a majority of the members of the remuneration committee should be independent non-executive directors. Mr. LIU Lit Man retired from office as an independent non-executive director at the annual general meeting of the Company held on 15th May 2008 and resigned as a member of the remuneration committee. Accordingly, there was a causal vacancy in the remuneration committee. During the period from 15th May 2008 to 31st December 2008, the remuneration committee comprises four members, half of whom are independent non-executive directors. This constituted a deviation from the code provision B.1.1 of the Corporate Governance Code.

On 1st January 2009, Dr. FAN HSU Lai Tai, Rita was appointed as an independent non-executive director and a member of the remuneration committee. The remuneration committee now comprises five members, a majority of whom are independent non-executive directors.

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, Dr. WEI Jiafu, the ex-Chairman of the Board who resides in Beijing, was unable to attend the annual general meeting of the Company held on 15th May 2008. 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 63 to 81 of this annual report.

CONNECTED TRANSACTIONS

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

(a) Connected transactions

Entering into the Capital Increase and Amendment Agreement with Qingdao Port (Group) Co., Ltd. and PTS Holdings Limited

On 26th August 2008, COSCO Ports (Qianwan) Limited ("COSCO Ports Qianwan"), a wholly-owned subsidiary of the Company, entered into a capital increase and amendment agreement (the "Capital Increase and Amendment Agreement") with Qingdao Port (Group) Co., Ltd. ("QPC") and PTS Holdings Limited ("PTS Holdings") in relation to the increase in each of the total amount of investment and registered capital of Qingdao Qianwan Container Terminal Co., Ltd. ("QQCT") by US$78,000,000 (i.e. from US$887,000,000 to US$965,000,000 and from US$230,000,000 to US$308,000,000 respectively), to be contributed by COSCO Ports Qianwan, QPC and PTS Holdings as to 20%, 31% and 49% respectively (i.e. in proportion to their respective then existing equity interests in QQCT) (the "Capital Increase"). The joint venture contract and articles of association in respect of QQCT were amended and restated in accordance with the provisions of the Capital Increase and Amendment Agreement.

The Capital Increase and Amendment Agreement took effect when it has been executed by each of the joint venture parties and approved by the approval authority of the People's Republic of China (the "PRC").

APM Terminals Invest Company Limited ("APMT"), which is a subsidiary of A.P. Møller-Mærsk A/S ("APM"), is a substantial shareholder of a subsidiary of the Company. APM held approximately 40.82% interest in PTS Holdings then, which had an equity interest of 49% in QQCT. Accordingly, QQCT is an associate of APM and is therefore a connected person of the Company. Hence, the contribution by COSCO Ports Qianwan under Capital Increase constituted a connected transaction of the Company under the Listing Rules.

The Capital Increase was made mainly for the purpose of raising the funds required to fulfill the obligation of QQCT to contribute registered capital to an equity joint venture in the PRC owned by QQCT as to 80%.

Entering into the loan agreement with, and capital injection to, Suez Canal Container Terminal S.A.E.

On 7th November 2008, COSCO Ports (Port Said) Limited ("CPPS"), a wholly-owned subsidiary of the Company, entered into a shareholder loan agreement (the "Loan Agreement") with Suez Canal Container Terminal S.A.E. ("SCCT") pursuant to which CPPS agreed to make available to SCCT a shareholder's loan of up to US$16,000,000 (the "Shareholder's Loan"), which would serve as a short term bridging loan to SCCT before it obtains permanent financing from third party commercial banks.

SCCT is owned as to 55% by Egyptian International Container Terminal S.A. ("EICT"), 20% by the Company and 25% by other shareholders who are independent third parties. SCCT would borrow a total short term loan of up to US$80,000,000 to satisfy its short term capital needs before permanent financing could be arranged, and the Shareholder's Loan was proportional to CPPS' 20% equity interest in SCCT.

EICT is an indirect wholly-owned subsidiary of APM, which in turn is a substantial shareholder of a subsidiary of the Company. As SCCT is an associate of APM, therefore it is a connected person of the Company. Accordingly, the transactions contemplated under the Loan Agreement and the provision of the Shareholder's Loan to SCCT would constitute connected transactions of the Company under the Listing Rules.

The management of SCCT later decided that this bridging loan was not required as certain payments in respect of the construction and equipment contracts were able to be postponed in favour of SCCT. The bridging loan arrangement was terminated and the same was disclosed in the announcement of the Company dated 11th December 2008.

On 28th April 2008, the Group took part in the capital contribution of SCCT pursuant to which the share capital of SCCT was increased from US$68,750,000 to US$137,500,000 by way of the shareholders of SCCT making pro rata contribution in accordance with their respective interests in SCCT (the "April Contribution"). CPPS subscribed for 137,501 shares of US$100 each in the issued share capital of SCCT (the "SCCT Share(s)"). The consideration of US$13,750,100 was satisfied by cash and was financed by internal resources of the Group.

On 11th December 2008, the Company announced that CPPS agreed to take part in a capital contribution of SCCT due on 13th December 2008. The share capital of SCCT was proposed to be increased from US$137,500,000 to US$185,625,000 by way of the shareholders of SCCT making pro rata contribution in accordance with their respective interests in SCCT (the "December Contribution"). CPPS subscribed for 96,251 SCCT Shares. The consideration of US$9,625,100 was satisfied by cash and was financed by internal resources of the Group.

The April Contribution and the December Contribution increased the share capital of SCCT to US$185,625,000 and were intended to support the Phase 2 expansion plan of the East Port Said Container Terminal which, upon completion, was expected to double the current capacity of the terminal to 5,100,000 TEUs per annum.

The April Contribution and the December Contribution constituted connected transactions of the Company under the Listing Rules.

(b) Continuing connected transactions

Rental of office premises

On 27th March 2006, COSCO Pacific Management Company Limited ("COSCO Pacific Management"), a wholly-owned subsidiary of the Company, as tenant entered into two tenancy agreements with Wing Thye Holdings Limited ("Wing Thye") as landlord in respect of the leasing of certain office premises situated at 49th Floor of COSCO Tower, 183 Queen's Road Central, Hong Kong ("COSCO Tower") (the "4901 and 4902A Tenancy Agreement" and the "4903 Tenancy Agreement", collectively the "2006 Tenancy Agreements").

Pursuant to the 4901 and 4902A Tenancy Agreement, COSCO Pacific Management agreed to rent from Wing Thye portions of the premises known as Unit 4901 and Unit 4902A situate at COSCO Tower ("Units 4901 and 4902A") for a term of three years commencing with retrospective effect from 29th November 2005 at a monthly rental of HK$420,000, exclusive of rates and management fees payable by COSCO Pacific Management. The monthly management fees payable to Wing Thye was HK$50,746.60. The maximum aggregate annual value of the rental and the management fees was HK$5,648,959.20.

Pursuant to the 4903 Tenancy Agreement, COSCO Pacific Management agreed to rent from Wing Thye a portion of the premises known as Unit 4903 situate at COSCO Tower ("Unit 4903") for a term of two years ten months and thirteen days commencing with retrospective effect from 16th January 2006 at a monthly rental of HK$150,000 (including rent-free period from 16th January 2006 to 15th March 2006 (both days inclusive)) exclusive of rates and management fees payable by COSCO Pacific Management. The monthly management fees payable to Wing Thye was HK$18,170. The maximum aggregate annual value of the rental and the management fees was HK$2,018,040.

On 28th November 2008, COSCO Pacific Management as tenant entered into a tenancy agreement with Wing Thye as landlord (the "2008 Tenancy Agreement") in respect of the leasing of Units 4901 and 4902A and Unit 4903 (the "Premises").

Pursuant to the 2008 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 2008 Tenancy Agreement, the maximum aggregate annual value of the rental and the management fees is HK$11,033,193.60. The 2008 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 respective rentals under the 2006 Tenancy Agreements and the 2008 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 agreed for the Premises as respectively provided in the 2006 Tenancy Agreements and the 2008 Tenancy Agreement were at market levels and were fair and reasonable.

Wing Thye is a wholly-owned subsidiary of COSCO (Hong Kong) Group Limited ("COSCO Hong Kong''). China Ocean Shipping (Group) Company ("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 2006 Tenancy Agreements and the 2008 Tenancy Agreement and the transactions contemplated thereunder constituted continuing connected transactions of the Company under the Listing Rules.

Container related services and shipping related services transactions

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

(1) The Shipping Services Master Agreement entered into between COSCO, COSCON and COSCO Ports (Holdings) Limited ("COSCO Ports", a wholly-owned subsidiary of the Company) on 23rd March 2007 in respect of provision of the shipping related services provided by COSCO Ports and its subsidiaries to COSCO and COSCON and their respective associates (excluding the Group but including COSCON) for a term of three years from 1st January 2007 to 31st December 2009 at rates no less favourable than that at which COSCO Ports and its subsidiaries charge independent third parties for the relevant services. The annual caps of the shipping related services transactions for the years ended/ending 31st December 2007, 2008 and 2009 are US$34,929,000, US$51,272,000 and US$52,629,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2008 was US$34,102,022.

(2) The Shipping Services Master Agreement entered into between COSCO Ports and the Line on 23rd March 2007, in respect of provision of the shipping related services provided by COSCO Ports and its subsidiaries to the Line for a term of three years from 1st January 2007 to 31st December 2009 on normal commercial terms. The annual caps of the shipping related services transactions for the years ended/ending 31st December 2007, 2008 and 2009 are US$15,000,000, US$34,000,000 and US$46,000,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2008 was US$9,281,255.

(3) The Container Services Master Agreement (as amended on 23rd March 2007) entered into between COSCO, COSCON and Plangreat Limited ("Plangreat", a wholly-owned subsidiary of the Company) commencing from 1st January 2005 and which was effectively renewed from 23rd March 2007 to expire on 31st December 2009, in respect of provision of the container related services by Plangreat and its subsidiaries to COSCO, COSCON and their respective associates (excluding the Group but including COSCON) at rates no less favourable to Plangreat and its subsidiaries than that at which Plangreat and its subsidiaries charge independent third parties for the relevant services. The annual cap of the container related services transactions for each of the years ended/ending 31st December 2007, 2008 and 2009 is US$7,501,000. The total amount of the aforesaid transactions for the year ended 31st December 2008 was US$5,252,563.

Logistics services provided by Yangzhou Ports Modern Logistics Centre

On 20th April 2007, Yangzhou Yuanyang International Ports Co. Ltd ("Yangzhou Yuanyang"), a subsidiary of the Company, entered into a new Ancillary Loading and Unloading Transportation Services Agreement with Yangzhou Ports Modern Logistics Centre ("Yangzhou Ports Modern Logistics"), a wholly-owned subsidiary of Yangzhou Port of Jiangsu Province Group Co., Ltd. (江蘇省揚州港務集團有限公司) which holds 40% equity interest in Yangzhou Yuanyang, in respect of the provision of logistics services by Yangzhou Ports Modern Logistics to Yangzhou Yuanyang for the period from 1st March 2007 to 31st December 2009. The services fees charged by Yangzhou Ports Modern Logistics were payable monthly by reference to the volume of work handled by Yangzhou Ports Modern Logistics. The annual caps of the aforesaid transactions for the years ended/ending 31st December 2007, 2008 and 2009 are US$3,735,000, US$4,109,000 and US$4,518,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2008 was US$3,544,322.

As Yangzhou Ports Modern Logistics is a connected person of the Company by virtue of its being a subsidiary of a substantial shareholder of Yangzhou Yuanyang, its provision of logistics services to Yangzhou Yuanyang constituted continuing connected transactions of the Company.

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

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

On 1st January 2008, Guangzhou South China Oceangate Container Terminal Company Limited ("GZ South China"), a subsidiary of the Company (as defined under the Listing Rules), entered into an agreement with China Marine Bunker Supply Guangzhou Company ("CM Supply") in respect of the purchase of diesel oil by GZ South China from CM Supply for the period from 1st January 2008 to 31st December 2008. The total amount of the aforesaid transactions for the year ended 31st December 2008 was approximately US$1,740,000.

As CM Supply is owned as to 50% by COSCO, CM Supply is a connected person of the Company. Accordingly, the purchase of diesel oil by GZ South China from CM Supply constituted continuing connected transactions of the Company.

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

On 1st January 2008, GZ South China entered into an agreement with Guangzhou Port Group Co., Ltd. Resources Branch Co (廣州港集團有限公司物資分公司)("GZ Port Resources") in respect of the purchase of diesel oil by GZ South China from GZ Port Resources for the period from 1st January 2008 to 31st December 2008. The total amount of the aforesaid transactions for the year ended 31st December 2008 was approximately US$2,450,000.

GZ Port Resources is a branch of Guangzhou Port Holding Company Limited (廣州港集團有限公司) ("GZ Port Holding"), which in turn is a substantial shareholder of GZ South China holding 41% equity interest in GZ South China. As GZ Port Resources is an associate of GZ Port Holding, therefore it is a connected person of the Company. Accordingly, the purchase of diesel oil by GZ South China from GZ Port Resources constituted continuing connected transactions of the Company.

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

On 15th June 2008, GZ South China entered into an agreement ("First GZ Port Related Services Agreement") with Guangzhou Port Nansha Port Affairs Company Limited (廣州港南沙港務有限公司) ("GZ Port Nansha Affairs"), a subsidiary of GZ Port Holding, in respect of the mutual provision of port related services by the parties to the other party at their respective terminals at the Nansha Port in the PRC for the period from 1st January 2007 to 30th June 2008. The service fees charged were determined according to the agreed fee scale applicable to the types of services provided and the types and number of containers handled.

In July 2008, GZ South China entered into another agreement ("Second GZ Port Related Services Agreement") with GZ Port Nansha Affairs and GZ Port Holding in respect of the mutual provision of port related services by GZ South China and GZ Port Nansha Affairs to the other at their respective terminals at the Nansha Port for the period from 1st July 2008 to 31st December 2008. The service fees charged were determined according to the agreed fee scale applicable to the types of services provided and the types and number of containers handled.

In April 2008, GZ South China entered into an agreement ("Third GZ Port Related Services Agreement") with Guangzhou Port Holding Logistics Company Limited (廣州港集團物流有限公司) ("GZ Port Logistics"), a subsidiary of GZ Port Holding, in respect of the provision of port related services by GZ South China to GZ Port Logistics (and its branch companies) at the terminal owned by GZ South China at the Nansha Port for the period from 1st January 2008 to 31st December 2008. The service fees charged by GZ South China to GZ Port Logistics were determined according to the agreed fee scales applicable to the types of services provided and the volume of work handled.

The total amount of fees received by GZ South China from GZ Port Nansha Affairs and GZ Port Logistics under the First GZ Port Related Services Agreement, the Second GZ Port Related Services Agreement and the Third GZ Port Related Services Agreement (collectively, "GZ Port Related Services Agreements") in respect of the year ended 31st December 2008 was approximately US$950,000. The total amount of fees paid by GZ South China to GZ Port Nansha Affairs under the First GZ Port Related Services Agreement and the Second GZ Port Related Services Agreement in respect of the year ended 31st December 2008 was approximately US$12,000.

As GZ Port Holding is a substantial shareholder of GZ South China, and GZ Port Nansha Affairs and GZ Port Logistics are subsidiaries of GZ Port Holding, they are connected persons of the Company. Accordingly, the transactions under the GZ Port Related Services Agreements constituted continuing connected transactions of the Company.

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

On 15th January 2008, GZ South China entered into an agreement ("GZ Port "Shuttle Bus" Services Cooperation Agreement") with GZ Port Holding and GZ Port Nansha Affairs in respect of the cooperation in the management and operation of "shuttle bus" services in connection with the transportation services provided at the Nansha Port terminals for the period from 1st January 2008 to 31st December 2008.

Pursuant to the GZ Port "Shuttle Bus" Services Cooperation Agreement, GZ South China and GZ Port Nansha Affairs should bear their own expenses incurred for cargo handling in respect of "shuttle buses" using services at their own terminal at Nansha Port. GZ South China and GZ Port Nansha Affairs should charge the relevant shipping companies using the "shuttle bus" services the loading and unloading fees incurred in respect of the use of such services at their respective terminals; and should not charge Guangzhou Port Holding Shipping Affairs Company Limited (廣州港集團船務有限公司)("GZ Port Shipping Affairs"), the shipping company of GZ Port Holding, any fee. GZ South China and GZ Port Nansha Affairs should pay GZ Port Shipping Affairs subsidies for the containers transported between the Pearl River Delta region and the Nansha Port terminals at the rate of RMB100 per container.

On 28th April 2008, GZ South China entered into another agreement ("HK Route "Shuttle Bus" Services Cooperation Agreement") with GZ Port Nansha Affairs and GZ Port Shipping Affairs in respect of the cooperation in the management and operation of Hong Kong route of the "shuttle bus" services in connection with the transportation services provided at the Nansha Port terminals for the period from 28th April 2008 to 31st December 2008.

Pursuant to the HK Route "Shuttle Bus" Services Cooperation Agreement, cargo handling expenses arising from the Hong Kong route "shuttle buses" using the terminals of GZ Port Holding and GZ South China at Nansha Port should be the responsibility of GZ Port Nansha Affairs and GZ South China respectively and if according to the mode of transportation, GZ Port Shipping Affairs was responsible for the loading and unloading fees incurred in respect of the use of the respective terminals of GZ Port Nansha Affairs and GZ South China in connection with the Hong Kong route of the "shuttle bus" services, GZ Port Shipping Affairs should pay such loading and unloading fees to GZ Port Nansha Affairs or GZ South China (as the case may be) at the agreed fee scales applicable to the types and number of the containers handled. GZ Port Nansha Affairs and GZ South China should not charge any berthing fees in relation to the Hong Kong route of the "shuttle bus" services.

The total amount of subsidies paid by GZ South China to GZ Port Shipping Affairs under the GZ Port "Shuttle Bus" Services Cooperation Agreement in respect of the year ended 31st December 2008 was approximately US$436,000. The total amount of loading and unloading fee received by GZ South China from GZ Port Shipping Affairs under the HK Route "Shuttle Bus" Services Cooperation Agreement in respect of the year ended 31st December 2008 was approximately US$79,000.

As GZ Port Holding is a substantial shareholder of GZ South China, and GZ Port Nansha Affairs and GZ Port Shipping Affairs are subsidiaries of GZ Port Holding, they are connected persons of the Company. Accordingly, the transactions under the GZ Port "Shuttle Bus" Services Cooperation Agreement and the HK Route "Shuttle Bus" Services Cooperation Agreement constituted continuing connected transactions of the Company.

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 2008 amounted to US$142,428,122. In the opinion of the directors of the Company, the aforesaid transactions were conducted in the ordinary course of business of the Group and using average market rates by reference to the average of the available leasing rates quoted from four of the top ten independent container leasing companies.

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

Pursuant to the conditions of the waiver in relation to long term container leasing transactions and Rule 14A.37 of the Listing Rules, 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 the average of the available leasing rates quoted from four of the top ten independent container leasing companies and were fair and reasonable so far as the shareholders of the Company were concerned; and

(ii) the rental of the office premises transactions, container related services transactions, shipping related services transactions, logistics services transactions and the transactions entered into by GZ South China were:

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

Report from the auditor on the continuing connected transactions

For the purposes of the conditions of the waiver in relation to long term container leasing transactions and Rule 14A.38 of the Listing Rules in relation to the other continuing connected transactions, the Board engaged the auditor of the Company to perform certain agreed-upon procedures on the above continuing connected transactions as identified by management for the year ended 31st December 2008 (the "Relevant Year") in accordance with Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants and the auditor reported that:

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

(ii) the rental of the office premises transactions, container related services transactions, shipping related services transactions, logistics services transactions and the transactions entered into by GZ South China for the Relevant Year:

- had been approved by the Executive Committee on behalf of the Board;
- had been conducted in accordance with the pricing policies of the Group, if applicable (for the samples selected);
- had been entered into in accordance with the terms of the relevant agreements governing the other continuing connected transactions (for the samples selected); and
- had not exceeded the respective annual caps (as revised where applicable) as set out in the Company's announcements published in that regard, other than the transactions entered into by GZ South China for which the Company disclosed only the actual amounts incurred and did not set any cap for the Relevant Year in the relevant announcement and accordingly no work has been performed on whether the transactions entered into by GZ South China exceeded the relevant cap.

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 2008 required to be disclosed under Rule 13.22 of Chapter 13 of the Listing Rules is set out below:

	US$'000
Non-current assets	2,199,951
Current assets	149,493
Current liabilities	(576,982)
Non-current liabilities	(1,164,732)
Net assets	607,730
Share capital	487,297
Reserves	32,513
Minority interest	87,920
Capital and reserves	607,730

As at 31st December 2008, the Group's attributable interests in these affiliated companies amounted to US$321,753,000.

AUDIT COMMITTEE

During the year ended 31st December 2008, Mr. LIU Lit Man resigned as a member of the audit committee. Dr. FAN HSU Lai Tai, Rita was appointed as a member of the audit committee on 1st January 2009. 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, 8th April 2009

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF COSCO PACIFIC LIMITED

(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of COSCO Pacific Limited (the "Company") and its subsidiaries (collectively the "Group") set out on pages 115 to 198, which comprise the consolidated and company balance sheets as at 31st December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st December 2008 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, 8th April 2009

CONSOLIDATED BALANCE SHEET

As at 31st December 2008

	Note	2008 US$'000	2007 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	**1,627,590**	1,474,264
Investment properties	8	**1,679**	1,676
Leasehold land and land use rights	9	**60,660**	43,654
Intangible assets	10	**4,688**	3,506
Jointly controlled entities	12	**766,053**	752,503
Associates	13	**732,343**	480,151
Available-for-sale financial assets	14	**323,000**	503,000
Finance lease receivables	15	**2,000**	2,315
Deferred income tax assets	16	**1,204**	1,271
Derivative financial instruments	17	**24,215**	4,641
Restricted bank deposits	39(c)	**–**	506
		3,543,432	3,267,487
Current assets			
Inventories	18	**5,376**	10,105
Trade and other receivables	19	**233,240**	193,496
Available-for-sale financial assets	14	**2,119**	13,620
Restricted bank deposits	39(c)	**77,435**	–
Cash and cash equivalents	39(c)	**351,606**	386,867
		669,776	604,088
Total assets		**4,213,208**	3,871,575

CONSOLIDATED BALANCE SHEET

As at 31st December 2008

	Note	2008 US$'000	2007 US$'000
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	20	**28,792**	28,790
Reserves		**2,492,047**	2,543,971
Proposed final and special dividends		**31,026**	139,632
		2,551,865	2,712,393
Minority interests		**94,438**	62,266
Total equity		**2,646,303**	2,774,659
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	16	**12,776**	8,620
Long term borrowings	22	**1,356,955**	874,435
Other long term liabilities	23	**2,922**	5,189
		1,372,653	888,244
Current liabilities			
Trade and other payables	24	**123,531**	153,739
Current income tax liabilities		**3,341**	15,334
Current portion of long term borrowings	22	**56,406**	25,904
Short term bank loans	22	**10,974**	13,695
		194,252	208,672
Total liabilities		**1,566,905**	1,096,916
Total equity and liabilities		**4,213,208**	3,871,575
Net current assets		**475,524**	395,416
Total assets less current liabilities		**4,018,956**	3,662,903

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 122 to 198 are an integral part of these consolidated financial statements.

BALANCE SHEET

As at 31st December 2008

	Note	2008 US$'000	2007 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	**21**	107
Subsidiaries	11	**1,934,267**	1,598,889
		1,934,288	1,598,996
Current assets			
Other receivables	19	**3,259**	352
Amounts due from subsidiaries	11	**280,300**	109,353
Restricted bank deposits	39(c)	**77,345**	–
Cash and cash equivalents	39(c)	**99,212**	217,636
		460,116	327,341
Total assets		**2,394,404**	1,926,337
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	20	**28,792**	28,790
Reserves	21	**1,543,482**	1,396,890
Proposed final and special dividends	21	**31,026**	139,632
Total equity		**1,603,300**	1,565,312
LIABILITIES			
Non-current liability			
Loan due to a subsidiary	11	**296,655**	296,655
Current liabilities			
Other payables	24	**2,373**	1,740
Amounts due to subsidiaries	11	**492,076**	62,630
		494,449	64,370
Total liabilities		**791,104**	361,025
Total equity and liabilities		**2,394,404**	1,926,337

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 122 to 198 are an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December 2008

	Note	2008 US$'000	2007 US$'000
Revenue	6	**337,973**	298,948
Cost of sales		**(165,454)**	(152,513)
Gross profit		**172,519**	146,435
Investment income		**22,493**	21,874
Administrative expenses		**(50,142)**	(55,582)
Other operating income	25	**26,743**	53,909
Other operating expenses		**(5,652)**	(9,561)
Fair value gain on put options granted	26	**–**	55,181
Operating profit	27	**165,961**	212,256
Finance income	28	**6,866**	10,466
Finance costs	28	**(52,738)**	(49,878)
Operating profit after finance income and costs		**120,089**	172,844
Share of profits less losses of			
– jointly controlled entities		**100,273**	106,933
– associates		**54,815**	80,326
Profit on disposal of an associate	29	**–**	90,742
Profit before income tax		**275,177**	450,845
Income tax credit/(expenses)	30	**4,585**	(17,796)
Profit for the year		**279,762**	433,049
Profit attributable to:			
Equity holders of the Company	31	**274,725**	427,768
Minority interests		**5,037**	5,281
		279,762	433,049
Dividends	32	**109,873**	211,003
Earnings per share for profit attributable to equity holders of the Company			
– basic	33	**US12.24 cents**	US19.09 cents
– diluted	33	**US12.23 cents**	US18.99 cents

The accompanying notes on pages 122 to 198 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December 2008

	Share capital US$'000	Share premium US$'000	Share option reserve US$'000	Capital reserve US$'000	Contributed surplus US$'000	Investment revaluation reserve US$'000	Properties revaluation reserve US$'000	Exchange reserve US$'000	Other reserves US$'000	Retained profits US$'000	Total reserves US$'000	Minority interests US$'000	Total US$'000
At 1st January 2008	28,790	698,956	10,853	4,708	115	497,714	714	74,640	33,320	1,362,583	2,683,603	62,266	2,774,659
Exchange differences arising on translation of financial statements of foreign subsidiaries, jointly controlled entities and associates	-	-	-	-	-	-	-	80,351	-	-	80,351	4,841	85,192
Fair value loss on available-for-sale financial assets	-	-	-	-	-	(205,701)	-	-	-	-	(205,701)	-	(205,701)
Release of reserves upon disposal of available-for-sale financial assets	-	-	-	-	-	(2,044)	-	-	-	-	(2,044)	-	(2,044)
Fair value adjustment upon transfer from property, plant and equipment to investment properties	-	-	-	-	-	-	152	-	-	-	152	-	152
Share of reserves of jointly controlled entities and associates	-	-	-	-	-	(81,967)	-	(9,302)	1,529	-	(89,740)	-	(89,740)
Release of reserves upon disposal of a jointly controlled entity	-	-	-	-	-	-	-	(9)	(83)	92	-	-	-
Net (loss)/gain recognised directly in equity	-	-	-	-	-	(289,712)	152	71,040	1,446	92	(216,982)	4,841	(212,141)
Profit for the year	-	-	-	-	-	-	-	-	-	274,725	274,725	5,037	279,762
Total recognised (loss)/profit for the year	-	-	-	-	-	(289,712)	152	71,040	1,446	274,817	57,743	9,878	67,621
Issue of shares on exercise of share options	2	209	-	-	-	-	-	-	-	-	209	-	211
Share issue expenses	-	(3)	-	-	-	-	-	-	-	-	(3)	-	(3)
Transfer of reserve upon lapse of share option	-	-	(121)	-	-	-	-	-	-	121	-	-	-
Acquisition of a business	-	-	-	-	-	-	-	-	-	-	-	9,980	9,980
Capital contribution from a minority shareholder of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	18,389	18,389
Transfer of reserves	-	-	-	-	-	-	-	-	7,560	(7,560)	-	-	-
Dividends paid to minority shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(6,075)	(6,075)
Dividends paid to equity holders of the Company													
– 2007 final and special dividends	-	-	-	-	-	-	-	-	-	(139,686)	(139,686)	-	(139,686)
– 2008 interim	-	-	-	-	-	-	-	-	-	(78,793)	(78,793)	-	(78,793)
	2	206	(121)	-	-	(289,712)	152	71,040	9,006	48,899	(160,530)	32,172	(128,356)
At 31st December 2008	28,792	699,162	10,732	4,708	115	208,002	866	145,680	42,326	1,411,482	2,523,073	94,438	2,646,303
Representing:													
Share capital	28,792	-	-	-	-	-	-	-	-	-	-		
Reserves	-	699,162	10,732	4,708	115	208,002	866	145,680	42,326	1,380,456	2,492,047		
2008 final dividend proposed	-	-	-	-	-	-	-	-	-	31,026	31,026		
	28,792	699,162	10,732	4,708	115	208,002	866	145,680	42,326	1,411,482	2,523,073		

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December 2008

	Share capital US$'000	Share premium US$'000	Share option reserve US$'000	Capital reserve US$'000	Contributed surplus US$'000	Investment revaluation reserve US$'000	Properties revaluation reserve US$'000	Exchange reserve US$'000	Other reserves US$'000	Retained profits US$'000	Total reserves US$'000	Minority interests US$'000	Total US$'000
At 1st January 2007	28,583	672,524	–	1,093	115	306,038	714	30,906	28,070	1,104,591	2,144,051	35,567	2,208,201
Exchange differences arising on translation of financial statements of foreign subsidiaries, jointly controlled entities and associates	–	–	–	–	–	–	–	53,150	–	–	53,150	2,781	55,931
Fair value gain on available-for-sale financial assets	–	–	–	–	–	143,992	–	–	–	–	143,992	–	143,992
Release of reserves upon disposal of available-for-sale financial assets	–	–	–	–	–	(7,508)	–	–	–	–	(7,508)	–	(7,508)
Share of reserves of jointly controlled entities and associates	–	–	–	3,615	–	59,805	–	(10,778)	(731)	–	51,911	–	51,911
Release of reserves upon disposal of an associate	–	–	–	–	–	(4,613)	–	1,362	–	–	(3,251)	–	(3,251)
Net gain/(loss) recognised directly in equity	–	–	–	3,615	–	191,676	–	43,734	(731)	–	238,294	2,781	241,075
Profit for the year	–	–	–	–	–	–	–	–	–	427,768	427,768	5,281	433,049
Total recognised profit/(loss) for the year	–	–	–	3,615	–	191,676	–	43,734	(731)	427,768	666,062	8,062	674,124
Recognition of share-based compensation	–	–	11,190	–	–	–	–	–	–	–	11,190	–	11,190
Issue of shares on exercise of share options	207	26,108	–	–	–	–	–	–	–	–	26,108	–	26,315
Share issue expenses	–	(13)	–	–	–	–	–	–	–	–	(13)	–	(13)
Transfer of reserve upon exercise of share option	–	337	(337)	–	–	–	–	–	–	–	–	–	–
Reclassification of a jointly controlled entity to a subsidiary	–	–	–	–	–	–	–	–	–	–	–	21,897	21,897
Transfer of reserves	–	–	–	–	–	–	–	–	5,981	(5,981)	–	–	–
Dividend paid to minority shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(3,260)	(3,260)
Dividends paid to equity holders of the Company													
– 2006 final	–	–	–	–	–	–	–	–	–	(92,209)	(92,209)	–	(92,209)
– 2007 interim	–	–	–	–	–	–	–	–	–	(71,586)	(71,586)	–	(71,586)
	207	26,432	10,853	3,615	–	191,676	–	43,734	5,250	257,992	539,552	26,699	566,458
At 31st December 2007	28,790	698,956	10,853	4,708	115	497,714	714	74,640	33,320	1,362,583	2,683,603	62,266	2,774,659
Representing:													
Share capital	28,790	–	–	–	–	–	–	–	–	–	–		
Reserves	–	698,956	10,853	4,708	115	497,714	714	74,640	33,320	1,222,951	2,543,971		
2007 final and special dividends proposed	–	–	–	–	–	–	–	–	–	139,632	139,632		
	28,790	698,956	10,853	4,708	115	497,714	714	74,640	33,320	1,362,583	2,683,603		

The accompanying notes on pages 122 to 198 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st December 2008

	Note	2008 US$'000	2007 US$'000
Cash flows from operating activities			
Cash generated from operations	39(a)	**261,728**	227,508
Interests received		**5,033**	9,593
Net cash received from/(paid for) interest rate swap contracts		**1,570**	(652)
Tax refunded		**260**	51
Tax paid		**(2,197)**	(5,035)
Net cash generated from operating activities		**266,394**	231,465
Cash flows from investing activities			
Dividends received from jointly controlled entities		**93,359**	99,998
Dividends received from associates		**65,877**	31,173
Dividends received from available-for-sale financial assets		**22,443**	11,919
Purchase of property, plant and equipment		**(522,468)**	(682,829)
Acquisition of a business	39(b)	**(27,758)**	–
Investments in jointly controlled entities		**(15,626)**	(66,217)
Investments in associates		**(298,694)**	(62,670)
Loans advanced to jointly controlled entities, associates and an investee company		**(49,296)**	(67,672)
Reclassification of a jointly controlled entity to a subsidiary		**–**	1,040
Repayment of loans by jointly controlled entities, an associate and an investee company		**27,862**	8,448
Sale of available-for-sale financial assets		**4,376**	14,355
Sale of property, plant and equipment		**273,355**	240,378
Net proceeds on disposal of a jointly controlled entity		**14,000**	–
Net proceeds on disposal of an associate		**–**	266,116
Compensation received for loss of containers		**1,024**	1,148
Increase in restricted bank deposits		**(77,345)**	–
Net cash used in investing activities		**(488,891)**	(204,813)
Cash flows from financing activities			
Loans borrowed		**590,544**	611,292
Loans repaid		**(144,738)**	(286,319)
Issue of shares		**211**	26,315
Share issue expenses		**(3)**	(13)
Dividends paid		**(218,469)**	(163,791)
Dividends paid to minority shareholders of subsidiaries		**(6,075)**	(3,100)
Interests paid		**(49,520)**	(47,358)
Other incidental borrowing costs paid		**(3,330)**	(2,056)
Capital contribution by a minority shareholder of a subsidiary		**18,389**	–
Net cash generated from financing activities		**187,009**	134,970
Net (decrease)/increase in cash and cash equivalents		**(35,488)**	161,622
Cash and cash equivalents at 1st January		**386,867**	224,510
Exchange differences		**227**	735
Cash and cash equivalents at 31st December	39(c)	**351,606**	386,867

The accompanying notes on pages 122 to 198 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

The intermediate holding company of the Company is China COSCO Holdings Company Limited ("China COSCO"), a company established in the People's Republic of China (the "PRC") with its H-shares and A-shares listed on the Main Board of The Stock Exchange of Hong Kong Limited 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 8th April 2009.

2 BASIS OF PREPARATION

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

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

(a) Adoption of new HKFRSs

In 2008, the Group has adopted the following new HKFRS interpretations and amendments 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 2008:

HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
HKAS 39 and HKFRS 7 Amendments	Reclassification of Financial Assets

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

2 BASIS OF PREPARATION (Continued)

(b) New or revised standards, interpretations and amendments that are not yet effective for the year ended 31st December 2008 and have not been adopted by the Group

The HKICPA has issued the following new or revised HKFRSs, interpretations, amendments or improvements to existing standards which are not yet effective for the year ended 31st December 2008 and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
New or revised standards, interpretations and amendments		
HKAS 1 (Revised)	"Presentation of Financial Statements"	1st January 2009
HKAS 23 (Revised)	"Borrowing Costs"	1st January 2009
HKAS 27 (Revised)	"Consolidated and Separate Financial Statements"	1st July 2009
HKAS 32 and HKAS 1 Amendments	"Puttable Financial Instruments and Obligations Arising on Liquidation"	1st January 2009
HKAS 39 Amendment	"Financial Instruments: Recognition and Measurement – Eligible hedged items"	1st July 2009
HKFRS 1 (Revised)	"First-time Adoption of Hong Kong Financial Reporting Standards"	1st July 2009
HKFRS 1 and HKAS 27 Amendments	"Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate"	1st January 2009
HKFRS 2 Amendment	"Share-based Payment Vesting Conditions and Cancellations"	1st January 2009
HKFRS 3 (Revised)	"Business Combinations"	1st July 2009
HKFRS 7 Amendment	"Improving Disclosures about Financial Instruments	1st January 2009
HKFRS 8	"Operating Segments"	1st January 2009
HK(IFRIC)-Int 13	"Customer Loyalty Programmes"	1st July 2008
HK(IFRIC)-Int 15	"Agreements for the Construction of Real Estate"	1st January 2009
HK(IFRIC)-Int 16	"Hedges of a Net Investment in a Foreign Operation"	1st October 2008
HK(IFRIC)-Int 17	"Distributions of Non-cash Assets to Owners"	1st July 2009
HK(IFRIC)-Int 18	"Transfer of Assets from Customers"	1st July 2009
Improvements to existing standards		
HKAS 1 Amendment	"Presentation of Financial Statements"	1st January 2009
HKAS 16 Amendment	"Property, Plant and Equipment"	1st January 2009
HKAS 19 Amendment	"Employee Benefits"	1st January 2009
HKAS 20 Amendment	"Accounting for Government Grants and Disclosure of Government Assistance"	1st January 2009
HKAS 23 Amendment	"Borrowing Costs"	1st January 2009
HKAS 27 Amendment	"Consolidated and Separate Financial Statements"	1st January 2009
HKAS 28 Amendment	"Investments in Associates"	1st January 2009
HKAS 29 Amendment	"Financial Reporting in Hyperinflationary Economies"	1st January 2009
HKAS 31 Amendment	"Interests in Joint Ventures"	1st January 2009
HKAS 36 Amendment	"Impairment of Assets"	1st January 2009
HKAS 38 Amendment	"Intangible Assets"	1st January 2009
HKAS 39 Amendment	"Financial Instruments: Recognition and Measurement"	1st January 2009
HKAS 40 Amendment	"Investment Property"	1st January 2009
HKAS 41 Amendment	"Agriculture"	1st January 2009
HKFRS 5 Amendment	"Non-Current Assets Held for Sale and Discontinued Operations"	1st July 2009

		Effective for accounting periods ending on or after
Amendment to existing standards		
HK(IFRIC)-Int 9 and HKAS 39 Amendments	"Embedded Derivatives"	30th June 2009

2 BASIS OF PREPARATION (Continued)

The Group will apply the above standards, interpretations and amendments as and when they become effective. The Group has already commenced an assessment of the related impact to the Group and 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 consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31st December.

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

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated income statement. Investment in a jointly controlled entity/an associate is accounted for using the equity method from the date on which it becomes a jointly controlled entity/an associate. The measurement of goodwill is the same as that of goodwill arising from the acquisition of subsidiaries. Goodwill relating to a jointly controlled entity/an associate is included in the carrying amount of the investment. When the Group increases its interest in an existing associate and continues to have significant influence without obtaining control, the cost of acquiring the additional interest is added to the carrying value of the associate. Goodwill arising on the purchase of the additional interest is calculated by comparing the cost and the fair value of net assets acquired at the date the additional interest is acquired. There is no step up of the previously held interest to fair value as there is no change in status of the investment. Appropriate adjustments to the Group's share of the profits or losses after acquisition are made to the consolidated financial statements based on the fair values of the assets and liabilities acquired at date of acquisition.

The consolidated income statement includes the Group's share of the results of jointly controlled entities and associates for the year, and the consolidated balance sheet includes the Group's share of the net assets of the jointly controlled entities and associates and goodwill (net of any accumulated impairment losses) on acquisition.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Group accounting (Continued)

(a) Subsidiaries

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

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

(b) Jointly controlled entities

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

(c) Associates

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

(d) Minority interests

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

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

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

3.2 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Foreign currency translation (Continued)

(b) Transactions and balances

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

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

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

(c) Group companies

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

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

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

(iii) all resulting exchange differences are recognised as a separate component of equity.

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

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Property, plant and equipment

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

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

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

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost or revalued amounts to the residual values of respective property, plant and equipment over their estimated useful lives, as follows:

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

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

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

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

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

3.4 Leasehold land and land use rights

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5 Investment properties

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

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

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

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

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

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

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

3.6 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 are 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)

3.6 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.

3.7 Impairment of assets

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

3.8 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 of the balance sheet date.

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.8 Available-for-sale financial assets (Continued)

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

3.9 Derivative financial instruments and hedging activities

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

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

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

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

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

3.10 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.11 Trade and other receivables

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. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement. When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited in the income statement.

3.12 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).

3.13 Assets under leases

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

(a) Leases – where the Group is the lessee

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

(b) Leases – where the Group is the lessor

When the Group leases out assets under operating leases, the assets are included in the balance sheet according to their nature and where applicable, are depreciated in accordance with the Group's depreciation policies, as set out in note 3.3 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 3.21(a) and 3.21(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 3.21(a) below.

3.14 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.15 Trade and other payables

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

3.16 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.

3.17 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.

3.18 Borrowings

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

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

3.19 Current and deferred income tax

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

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.19 Current and deferred income tax (Continued)

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.

3.20 Employee benefits

(a) Retirement benefit costs

The Group contributes to defined contribution retirement schemes which are available to all employees in Hong Kong, Macau and the United States of America (the "US"). The assets of the schemes are held separately from those of the Group in independently administered funds.

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

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

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

(b) Employee leave entitlements

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

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

(c) Bonus entitlements

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.20 Employee benefits (Continued)

(d) Share-based compensation

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

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

3.21 Recognition of revenue and income

The Group recognises revenue and income on the following bases:

(a) 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.

(b) Revenue from terminal operations

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

(c) Revenue from container handling, transportation and storage

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

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

(d) Revenue from container management

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

(e) Operating lease rental income from investment properties

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.21 Recognition of revenue and income (Continued)

(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.

3.22 Borrowing costs

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

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

3.23 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.

3.24 Dividend distribution

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

3.25 Contingent liabilities and contingent assets

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

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

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

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

4 FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

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

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

(a) Market risk

(i) Foreign exchange risk

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

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

With all other variables held constant, if the currencies of Non-Functional Currency Items had weakened/strengthened by 5% against the US dollar, the Group's profit after income tax for the year would have been decreased/increased by approximately US$1,781,000 (2007: US$2,331,000) as a result of the translation of those Non-Functional Currency Items.

(ii) Price risk

Management monitors the market conditions and securities price fluctuations and response so as to minimise adverse effects on the Group's financial performance.

(iii) Cash flow and fair value interest rate risk

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

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

With all other variables held constant, if the interest rate had increased/decreased by 50 basis-points, the corresponding increase/ decrease in net finance costs (representing interest expenses on Interest Bearing Liabilities net of interest income on the Interest Bearing Assets) would have been approximately US$3,837,000 (2007: US$1,845,000).

4 FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(b) Credit risk

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

The majority of the Group's trade and finance lease receivables relate to container leasing rental income receivable from COSCO Container Lines Company Limited ("COSCON"), a fellow subsidiary of the Group and a subsidiary of China COSCO, and third party customers which are operating in the container shipping industry. COSCON accounted for approximately 42% of the Group's revenue and most of balance receivable from COSCON are aged less than 90 days.

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

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

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

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

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

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

The maximum exposure to credit risk at the reporting date is the carrying value of total unimpaired trade and other receivables in the consolidated balance sheet.

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 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 2008				
Bank and other borrowings	**113,570**	**132,805**	**1,173,883**	**194,094**
Trade and other payables	**123,531**	**–**	**–**	**–**
At 31st December 2007				
Bank and other borrowings	91,184	92,100	481,665	484,900
Trade and other payables	153,739	–	–	–
Company				
At 31st December 2008				
Loan due to a subsidiary	**–**	**–**	**296,655**	**–**
Other payables	**2,373**	**–**	**–**	**–**
Amounts due to subsidiaries	**492,076**	**–**	**–**	**–**
At 31st December 2007				
Loan due to a subsidiary	–	–	–	296,655
Other payables	1,740	–	–	–
Amounts due to subsidiaries	62,630	–	–	–

4.2 Capital risk management

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

The Group monitors capital on the basis of the net debt (total borrowings less cash and cash equivalents and restricted bank deposits) to equity ratio. The Group aims to maintain a manageable net debt to equity ratio. As at 31st December 2008, the net debt to equity ratio is 37.6% (2007: 19.0%).

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 fair values of the Group's available-for-sale financial assets are determined by reference to the methods below:

- the quoted market price when the related investment is traded in an active market;
- valuation techniques (including pricing models or discounted cash flow models); and the price for similar recent transactions, with adjustment for the difference in market conditions and circumstances.

For unlisted investments, the Group will determine the fair value of 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.

The fair value of interest rate swap contracts is calculated as the present value of the estimated future cash flows.

The fair value of financial guarantee contracts is determined by reference to the fees charged in an arm's length transaction 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. The fair value of Group's available-for-sale financial assets traded in active markets are quoted at market price on balance sheet date.

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

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

If the price/earnings ratio as used for the fair value estimation had been 10% lower than the management's estimates adopted, the Group's total equity and the carrying amount of available-for-sale financial assets would have been decreased by US$32,300,000.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

5.1 Critical accounting estimates and assumptions (Continued)

(b) Useful lives and residual values of containers

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

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

Management reviewed the residual values and useful lives of property, plant and equipment as at 1st January 2008. The depreciation charge of containers for the year ended 31st December 2008 was calculated based on the revised estimated residual values. This represents a change in an accounting estimate and has been accounted for prospectively. The overall effect of this change is to decrease the depreciation charge by approximately US$5,976,000 and increase the deferred income tax charge by approximately US$64,000 for the year ended 31st December 2008.

If the useful lives of containers differ by 10% from management's estimates as at 31st December 2008 with all other variables held constant, the estimated depreciation charge for the year would be US$13,404,000 higher or US$9,018,000 lower for the year ended 31st December 2008.

If the residual values of containers differ by 10% from management's estimates as at 31st December 2008 with all other variables held constant, the estimated depreciation charge for the year would be US$2,617,000 higher or US$2,617,000 lower for the year ended 31st December 2008.

(c) Impairment of containers

The Group tests whether containers have suffered any impairment in accordance with the accounting policy stated in note 3.7. The recoverable amounts of containers have been determined based on value-in-use calculations. These calculations require the use of estimates on the projections of cash inflows from the continual use of containers (including the amount to be received for the disposal of containers) and discount rate.

If the estimated future income stream from the use and subsequent resale of the containers had been 5% lower than the management's estimates as adopted in the value-in-use calculations, the Group would have recognised an additional impairment loss and a reduction of carrying amount of the property, plant and equipment of US$767,000.

If the estimated pre-tax discount rate applied to the value-in-use calculations had been 5% higher than management's estimates, the Group would have recognised additional impairment loss and a reduction of carrying amount of the property, plant and equipment of US$1,473,000.

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

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

5.1 Critical accounting estimates and assumptions (Continued)

(d) Acquisition of a business and additional interest in an associate

The initial accounting on the acquisition of a business and additional interest in an associate 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, leasehold land and 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, and management's ability to measure reliably the contingent liabilities of the acquired entity or business will impact the carrying amount of these assets and liabilities.

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 in the US as the directors consider that the timing of the reversal of related temporary differences can be controlled (note 16).

If 10% of those undistributed earnings of the US subsidiaries had been repatriated out of the US, the Group would have recognised deferred income tax charge and deferred income tax liability of US$313,000.

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

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

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

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

6 REVENUE AND SEGMENT INFORMATION

Revenues recognised during the year are as follows:

	2008 US$'000	2007 US$'000
Operating lease rentals on		
– containers	**202,437**	181,334
– generator sets	**2,039**	1,775
Sale of inventories	**39,352**	57,038
Finance lease income on containers	**327**	379
Container management income	**8,465**	7,327
Container terminal operation income	**78,678**	43,384
Container handling, transportation and storage income	**6,675**	7,711
	337,973	298,948

(a) Primary reporting format – business segments

In accordance with the Group's internal financial reporting, the Group has determined that the following business segments are presented as the primary reporting format.

(i) container terminal and related businesses including terminal operation, container handling, transportation and storage;
(ii) container leasing, management, sale and related businesses;
(iii) logistics and related businesses;
(iv) container manufacturing and related businesses; and
(v) corporate and other businesses.

Unallocated costs represent finance costs less interest income.

Segment assets consist primarily of property, plant and equipment, investment properties, leasehold land and land use rights, intangible assets, inventories and receivables, and mainly exclude current and deferred income tax assets, jointly controlled entities, associates, available-for-sale financial assets, derivative financial instruments, restricted bank deposits, cash and cash equivalents and corporate assets.

Segment liabilities comprise operating liabilities and primarily exclude items such as current and deferred income tax liabilities, borrowings and corporate liabilities.

Capital expenditure comprises additions to property, plant and equipment, investment properties, leasehold land and land use rights and intangible assets. Capital expenditure also includes additions resulting from business combinations.

6 REVENUE AND SEGMENT INFORMATION (Continued)

(a) Primary reporting format – business segments (Continued)

Segment assets and liabilities

	Container terminal and related businesses US$'000	Container leasing, management, sale and related businesses US$'000	Logistics and related businesses US$'000	Container manufacturing and related businesses US$'000	Corporate and other businesses US$'000	Total US$'000
At 31st December 2008						
Segment assets	**563,275**	**1,319,392**	**18,063**	**3**	**–**	**1,900,733**
Jointly controlled entities	**530,476**	**–**	**225,793**	**9,784**	**–**	**766,053**
Associates	**156,199**	**–**	**–**	**576,144**	**–**	**732,343**
Available-for-sale financial assets	**323,000**	**–**	**–**	**–**	**2,119**	**325,119**
Unallocated assets						**488,960**
						4,213,208
Segment liabilities	**49,532**	**67,805**	**–**	**–**	**–**	**117,337**
Unallocated liabilities						**1,449,568**
						1,566,905
At 31st December 2007						
Segment assets	335,136	1,362,505	14,115	4,782	–	1,716,538
Jointly controlled entities	513,234	–	220,429	18,840	–	752,503
Associates	111,758	–	–	368,393	–	480,151
Available-for-sale financial assets	503,000	–	–	–	13,620	516,620
Unallocated assets						405,763
						3,871,575
Segment liabilities	18,816	131,335	–	–	–	150,151
Unallocated liabilities						946,765
						1,096,916

6 REVENUE AND SEGMENT INFORMATION (Continued)

(a) Primary reporting format – business segments (Continued)

Segment revenue, results and other information

	Year ended 31st December 2008					
	Container terminal and related businesses US$'000	Container leasing, management, sale and related businesses US$'000	Logistics and related businesses US$'000	Container manufacturing and related businesses US$'000	Corporate and other businesses US$'000	Total US$'000
Revenue						
External sales	85,353	252,620	–	–	–	337,973
Segment results	22,593	129,009	–	236	(8,317)	143,521
Dividend income from						
– a listed investment	–	–	–	–	132	132
– unlisted investments	22,308	–	–	–	–	22,308
Unallocated costs						
– finance income						6,866
– finance costs						(52,738)
Operating profit after finance income and costs						120,089
Share of profits less losses of						
– jointly controlled entities	75,267	–	25,006	–	–	100,273
– associates	15,735	–	–	39,080	–	54,815
Profit before income tax						275,177
Income tax credit						4,585
Profit for the year						279,762
Capital expenditure	177,127	351,580	–	–	1,058	529,765
Depreciation and amortisation	13,910	78,171	–	–	479	92,560
Other non-cash expenses	34	447	–	–	385	866

6 REVENUE AND SEGMENT INFORMATION (Continued)

(a) Primary reporting format – business segments (Continued)

Segment revenue, results and other information (Continued)

	Year ended 31st December 2007					
	Container terminal and related businesses US$'000	Container leasing, management, sale and related businesses US$'000	Logistics and related businesses US$'000	Container manufacturing and related businesses US$'000	Corporate and other businesses US$'000	Total US$'000
Revenue						
External sales	51,095	247,853	–	–	–	298,948
Segment results	21,754	126,686	(427)	–	(12,761)	135,252
Dividend income from						
– a listed investment	–	–	–	–	639	639
– unlisted investments	21,184	–	–	–	–	21,184
Fair value gain on put options granted (note 26)	–	–	–	55,181	–	55,181
Unallocated costs						
– finance income						10,466
– finance costs						(49,878)
Operating profit after finance income and costs						172,844
Share of profits less losses of						
– jointly controlled entities	86,082	–	19,663	1,188	–	106,933
– associates	5,530	–	–	67,168	7,628	80,326
Profit on disposal of an associate (note 29)	–	–	–	–	90,742	90,742
Profit before income tax						450,845
Income tax expenses						(17,796)
Profit for the year						433,049
Capital expenditure	49,621	590,932	–	–	79	640,632
Depreciation and amortisation	6,921	76,670	–	–	435	84,026
Share-based compensation	–	–	–	–	11,190	11,190
Other non-cash expenses	–	1,019	–	–	421	1,440

6 REVENUE AND SEGMENT INFORMATION (Continued)

(b) Secondary reporting format – geographical segments

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 segment revenue and results by geographical areas for the related businesses.

The Group's segment assets are primarily dominated by its containers and generator sets. The directors consider that the nature of the Group's business precludes a meaningful allocation of containers and generator sets and their related capital expenditure to specific geographical segments as defined under HKAS 14 "Segment Reporting" issued by the HKICPA. These containers and generator sets are primarily utilised across geographical markets for shipment of cargoes throughout the world. Accordingly, it is impractical to present segment assets and capital expenditure by geographical areas.

The activities of the container terminal and related businesses as conducted by certain subsidiaries of the Group are predominantly carried out in Mainland China and Hong Kong.

The activities of the Group's jointly controlled entities and associates are predominantly carried out in the following geographical areas:

Business segments	**Geographical areas**
Container terminal and related businesses	Mainland China, Hong Kong, Singapore, Belgium, the Netherlands and Egypt
Logistics and related businesses	Mainland China, Hong Kong, Dubai and New York
Container manufacturing and related businesses	Mainland China

7 PROPERTY, PLANT AND EQUIPMENT

Group

	Containers US$'000	Generator sets US$'000	Buildings in Hong Kong US$'000	Buildings outside Hong Kong US$'000	Leasehold improvements US$'000	Other property, plant and equipment US$'000	Construction in progress US$'000	Total US$'000
Cost or valuation								
At 1st January 2008	1,480,223	11,376	2,687	132,583	1,876	121,905	22,231	1,772,881
Exchange differences	–	–	–	11,287	(13)	8,661	2,995	22,930
Additions	348,008	2,192	–	1,977	159	7,394	69,495	429,225
Disposals	(285,751)	(9)	–	(27)	–	(1,262)	–	(287,049)
Transfer to inventories	(57,384)	–	–	–	–	–	–	(57,384)
Acquisition of a business (note 41)	–	–	–	50,020	–	12,106	21,077	83,203
Fair value adjustment upon transfer to investment properties	–	–	152	–	–	–	–	152
Transfer to investment properties	–	–	(182)	–	–	–	–	(182)
Transfer from investment properties	–	–	64	–	–	–	–	64
Transfer	–	–	–	18,781	–	11,548	(30,329)	–
At 31st December 2008	1,485,096	13,559	2,721	214,621	2,022	160,352	85,469	1,963,840
Accumulated depreciation and impairment losses								
At 1st January 2008	268,268	1,940	1,575	6,776	1,288	18,770	–	298,617
Exchange differences	–	–	–	510	(22)	1,010	–	1,498
Impairment loss for the year	45	–	–	–	–	–	–	45
Depreciation charge for the year	76,063	991	112	4,614	244	8,923	–	90,947
Disposals – accumulated depreciation and impairment losses	(16,126)	(2)	–	(13)	–	(1,156)	–	(17,297)
Transfer to inventories	(37,553)	–	–	–	–	–	–	(37,553)
Transfer to investment properties	–	–	(7)	–	–	–	–	(7)
At 31st December 2008	290,697	2,929	1,680	11,887	1,510	27,547	–	336,250
Net book value								
At 31st December 2008	1,194,399	10,630	1,041	202,734	512	132,805	85,469	1,627,590
The analysis of cost or valuation of the above assets as at 31st December 2008 is as follows:								
At cost	1,485,096	13,559	282	214,621	2,022	160,352	85,469	1,961,401
At 1994 professional valuation	–	–	2,439	–	–	–	–	2,439
	1,485,096	13,559	2,721	214,621	2,022	160,352	85,469	1,963,840

7 PROPERTY, PLANT AND EQUIPMENT (Continued)

Group (Continued)

	Containers US$'000	Generator sets US$'000	Buildings in Hong Kong US$'000	Buildings outside Hong Kong US$'000	Leasehold improvements US$'000	Other property, plant and equipment US$'000	Construction in progress US$'000	Total US$'000
Cost or valuation								
At 1st January 2007	1,278,463	8,308	2,687	59,571	1,525	82,653	12,332	1,445,539
Exchange differences	–	–	–	5,853	9	6,140	1,092	13,094
Additions	586,323	3,132	–	20,632	334	12,333	15,226	637,980
Disposals	(230,318)	(64)	–	(445)	(4)	(238)	–	(231,069)
Transfer to inventories	(154,245)	–	–	–	–	–	–	(154,245)
Reclassification of a jointly controlled entity to a subsidiary	–	–	–	36,715	12	20,525	4,330	61,582
Transfer	–	–	–	10,257	–	492	(10,749)	–
At 31st December 2007	1,480,223	11,376	2,687	132,583	1,876	121,905	22,231	1,772,881
Accumulated depreciation and impairment losses								
At 1st January 2007	315,393	1,167	1,465	4,470	1,120	13,072	–	336,687
Exchange differences	–	–	–	411	4	829	–	1,244
Impairment loss for the year	400	–	–	–	–	–	–	400
Depreciation charge for the year	74,667	785	110	1,996	167	5,056	–	82,781
Disposals – accumulated depreciation and impairment losses	(15,748)	(12)	–	(101)	(3)	(187)	–	(16,051)
Transfer to inventories	(106,444)	–	–	–	–	–	–	(106,444)
At 31st December 2007	268,268	1,940	1,575	6,776	1,288	18,770	–	298,617
Net book value								
At 31st December 2007	1,211,955	9,436	1,112	125,807	588	103,135	22,231	1,474,264
The analysis of cost or valuation of the above assets as at 31st December 2007 is as follows:								
At cost	1,480,223	11,376	248	132,583	1,876	121,905	22,231	1,770,442
At 1994 professional valuation	–	–	2,439	–	–	–	–	2,439
	1,480,223	11,376	2,687	132,583	1,876	121,905	22,231	1,772,881

7 PROPERTY, PLANT AND EQUIPMENT (Continued)

Company

	Other property, plant and equipment 2008 US$'000	2007 US$'000
Cost		
At 1st January and 31st December	**527**	527
Accumulated depreciation		
At 1st January	**420**	314
Depreciation charge for the year	**86**	106
At 31st December	**506**	420
Net book value		
At 31st December	**21**	107

Notes:

(a) Certain buildings in Hong Kong with carrying amount of US$792,000 (2007: US$891,000) of the Group were revalued in 1994 on an open market value basis by C.Y. Leung & Company Limited (now known as DTZ Debenham Tie Leung Limited), an independent professional property valuer.

The carrying amount of these buildings as at 31st December 2008 would have been US$720,000 (2007: US$864,000) 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 2008 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$1,414,730,000 (2007: US$1,289,378,000), US$293,199,000 (2007: US$269,709,000) and US$427,000 (2007: US$499,000) respectively.

(c) The accumulated impairment losses of property, plant and equipment of the Group as at 31st December 2008 amounted to US$3,084,000 (2007: US$3,156,000).

(d) During the year, the Group transferred containers with an aggregate net book value of US$19,831,000 (2007: US$47,801,000) to inventories.

8 INVESTMENT PROPERTIES

	Group	
	2008	2007
	US$'000	US$'000
At 1st January	**1,676**	1,540
Transfer to property, plant and equipment and leasehold land and land use rights	**(214)**	–
Transfer from property, plant and equipment and leasehold land and land use rights	**220**	–
Revaluation (deficit)/surplus (note a)	**(3)**	136
At 31st December	**1,679**	1,676

Notes:

(a) The investment properties as at 31st December 2008 and 2007 were revalued on an open market value basis by Jones Lang Lasalle Sallmanns Limited and Sallmanns (Far East) Limited, independent professional property valuers, respectively. Valuations were based on current prices in an active market for all properties. The revaluation deficit for the year ended 31st December 2008 of US$3,000 (2007: surplus of US$136,000) was accounted for in the consolidated income statement (note 27).

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

9 LEASEHOLD LAND AND LAND USE RIGHTS

	Group	
	2008	2007
	US$'000	US$'000
At 1st January	**43,654**	34,401
Exchange differences	**2,358**	1,398
Additions	**1,459**	2,298
Acquisition of a business (note 41)	**14,040**	–
Reclassification of a jointly controlled entity to a subsidiary	**–**	6,089
Transfer from investment properties	**150**	–
Transfer to investment properties	**(45)**	–
Amortisation	**(956)**	(532)
At 31st December	**60,660**	43,654

9 LEASEHOLD LAND AND LAND USE RIGHTS (Continued)

Notes:

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

	Group	
	2008 **US$'000**	2007 US$'000
In Hong Kong, held on leases of over 50 years	**16,223**	16,184
Outside Hong Kong, held on:		
Leases of between 10 to 50 years	**44,026**	27,470
Leases of less than 10 years	**411**	–
	60,660	43,654

(b) As at 31st December 2008, certain land use rights of the Group with net book value of US$14,342,000 (2007: US$Nil) were in the process of obtaining ownership certificates.

10 INTANGIBLE ASSETS

Group

	Computer software		Computer systems under development		Total	
	2008 **US$'000**	2007 US$'000	**2008** **US$'000**	2007 US$'000	**2008** **US$'000**	2007 US$'000
Cost						
At 1st January	**9,189**	8,718	**2,052**	2,143	**11,241**	10,861
Exchange differences	**18**	–	**–**	–	**18**	–
Additions	**759**	43	**1,058**	311	**1,817**	354
Acquisition of a business (note 41)	**21**	–	**–**	–	**21**	–
Write-off	**(37)**	–	**–**	–	**(37)**	–
Reclassification of a jointly controlled entity to a subsidiary	**–**	26	**–**	–	**–**	26
Transfer	**552**	402	**(552)**	(402)	**–**	–
At 31st December	**10,502**	9,189	**2,558**	2,052	**13,060**	11,241
Accumulated amortisation						
At 1st January	**7,735**	7,022	**–**	–	**7,735**	7,022
Amortisation for the year	**657**	713	**–**	–	**657**	713
Write-off	**(20)**	–	**–**	–	**(20)**	–
At 31st December	**8,372**	7,735	**–**	–	**8,372**	7,735
Net book value						
At 31st December	**2,130**	1,454	**2,558**	2,052	**4,688**	3,506

11 SUBSIDIARIES

	Company	
	2008	2007
	US$'000	US$'000
Unlisted investments, at cost	**170,972**	167,150
Amounts due from subsidiaries (note a)	**1,763,295**	1,431,739
	1,934,267	1,598,889
Amounts due from subsidiaries (net of provision) (note b)	**280,300**	109,353
Loan due to a subsidiary (note c)	**(296,655)**	(296,655)
Amounts due to subsidiaries (note b)	**(492,076)**	(62,630)

Notes:

(a) These amounts due from subsidiaries are equity in nature and unsecured. Except for amounts due from subsidiaries of US$87,250,000 (2007: US$51,255,000) which bear interests of 0.6% per annum above the US dollar London Interbank Offered Rate ("LIBOR") (2007: ranging from 1.41% to 7.25% per annum) and are wholly repayable on or before 30th June 2013, the remaining balances are interest free and have no fixed terms of repayment.

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

	Company	
	2008	2007
	US$'000	US$'000
At 1st January	**(65,239)**	(101,260)
Provision for impairment of amounts due from subsidiaries	**(13,000)**	(20,647)
Write back of provision for impairment of amounts due from subsidiaries	**–**	56,668
At 31st December	**(78,239)**	(65,239)

(c) The loan due to a subsidiary is unsecured, interest free and wholly repayable on or before 3rd October 2013. The carrying amount of the loan due to a subsidiary is not materially different from its fair value.

(d) Details of the subsidiaries as at 31st December 2008 are set out in note 43 to the consolidated financial statements.

12 JOINTLY CONTROLLED ENTITIES

	Group	
	2008	2007
	US$'000	US$'000
Share of net assets	**539,863**	507,993
Goodwill on acquisitions (note a)	**83,694**	83,694
	623,557	591,687
Loans to jointly controlled entities (note b)	**142,496**	160,816
	766,053	752,503
Investments, at cost		
Unlisted investments	**760,497**	742,631

Notes:

(a) The carrying amount of goodwill on acquisitions of jointly controlled entities mainly represented the goodwill on acquisitions of equity interests in COSCO Logistics Co., Ltd., Shanghai Pudong International Container Terminals Limited, Qingdao Qianwan Container Terminal Co., Ltd. and Nanjing Port Longtan Containers Co., Ltd. of US$42,251,000 (2007: US$42,251,000), US$31,435,000 (2007: US$31,435,000), US$5,362,000 (2007: US$5,362,000) and US$4,533,000 (2007: US$4,533,000) respectively.

(b) The loans to jointly controlled entities are equity in nature and unsecured. Except for the loan to a jointly controlled entity of US$87,250,000 (2007: US$Nil) which bears interest at 0.6% per annum above the US dollar LIBOR and is wholly repayable on or before 30th June 2013, the remaining balances are interest free and have no fixed terms of repayment.

(c) The financial information below, after making necessary adjustments to conform to the Group's significant accounting policies, represents the Group's interests in respective 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
2008	**1,383,591**	**536,921**	**(657,427)**	**(643,174)**	**1,268,900**	**(1,152,891)**	**100,273**
2007	1,130,101	588,018	(487,503)	(660,998)	1,124,205	(1,004,763)	106,933

(d) The Company has no directly owned jointly controlled entity as at 31st December 2008 and 2007. Details of the principal jointly controlled entities as at 31st December 2008 are set out in note 44 to the consolidated financial statements.

13 ASSOCIATES

	Group 2008 US$'000	Group 2007 US$'000
Share of net assets	**708,421**	464,360
Goodwill on acquisitions	**87**	87
	708,508	464,447
Loans to associates (note a)	**23,835**	15,704
	732,343	480,151
Investments, at cost		
Shares listed outside Hong Kong (note b)	**412,080**	152,720
Unlisted shares	**102,902**	63,568
	514,982	216,288
Market value of listed shares (note b)	**472,423**	1,546,654

Notes:

(a) Loans to associates are equity in nature and unsecured. Balance of US$16,967,000 (2007: US$15,704,000) bears interest at 2% (2007: 2%) per annum above the 10-year Belgium prime rate and has no fixed terms of repayment. Balance of US$6,868,000 (2007: US$Nil) bears interest at Tokyo Interbank Offered Rate ("TIBOR") plus 0.5% per annum and is wholly repayable on or before 24th April 2011.

(b) Part of the shares of China International Marine Containers (Group) Co., Ltd ("CIMC") held by the Group cannot be freely placed or traded until the expiry of certain trading restrictions from the implementation date of the share reform of CIMC (the "Trading Restrictions"). The market value of these shares of CIMC of US$150,525,000 (2007: US$1,059,533,000) as included in the disclosure above has not taken into account these Trading Restrictions.

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

	Total assets US$'000	Total liabilities US$'000	Revenue US$'000	Expenses US$'000	Profits less losses after income tax US$'000
2008	**1,505,077**	**(748,628)**	**1,536,632**	**(1,464,959)**	**54,815**
2007	1,096,039	(595,494)	1,106,442	(1,016,486)	80,326

(d) The Company has no directly owned associate as at 31st December 2008 and 2007. Details of the principal associates as at 31st December 2008 are set out in note 45 to the consolidated financial statements.

14 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2008	2007
	US$'000	US$'000
At 1st January	**516,620**	376,589
Exchange differences	**–**	(50)
Additions	**18,661**	10,536
Disposals	**(4,461)**	(14,447)
Fair value (loss)/gain recognised in equity	**(205,701)**	143,992
At 31st December	**325,119**	516,620
Less: current portion	**(2,119)**	(13,620)
Non-current portion	**323,000**	503,000

Notes:

(a) Available-for-sale financial assets as at 31st December 2008 and 2007 comprise investments in equity securities of the investee companies and the shareholders' loans advanced to an investee company with the nominal value of US$81,439,000 (2007: US$62,779,000). The loan advanced to an investee company is unsecured, interest free and has no fixed terms of repayment.

(b) Listed investment of US$2,119,000 (2007: US$13,620,000) represents equity interest in an entity which is principally engaged in the operation and management of international and domestic container marine transportation.

(c) Unlisted investments of US$323,000,000 (2007: US$503,000,000) mainly comprise equity interests in entities which are involved in container terminal operations in Yantian, Tianjin and Dalian of Mainland China.

(d) Available-for-sale financial assets are denominated in the following currencies:

	Group	
	2008	2007
	US$'000	US$'000
Renminbi	**323,000**	503,000
Hong Kong dollar	**2,119**	13,620
	325,119	516,620

15 FINANCE LEASE RECEIVABLES

Group

	2008			2007			
	Gross receivables US$'000	**Unearned finance income US$'000**	**Present value of minimum lease payment receivable US$'000**	Gross receivables US$'000	Unearned finance income US$'000	Provision US$'000	Present value of minimum lease payment receivable US$'000
Amounts receivable under finance leases:							
Current portion (note 19)	**1,183**	**(240)**	**943**	1,451	(276)	(3)	1,172
Non-current portion							
– later than one year and not later than five years	**1,988**	**(308)**	**1,680**	2,390	(353)	–	2,037
– later than five years	**384**	**(64)**	**320**	348	(70)	–	278
	2,372	**(372)**	**2,000**	2,738	(423)	–	2,315
	3,555	**(612)**	**2,943**	4,189	(699)	(3)	3,487

As at 31st December 2008, the Group entered into 14 (2007: 20) finance lease contracts for leasing of certain containers. The average term of the finance lease contracts is 5 years (2007: 4 years).

The cost of assets acquired for the purpose of letting under finance leases amounted to US$6,805,000 (2007: US$8,143,000) as at 31st December 2008.

Unguaranteed residual values of assets leased under finance lease contracts are estimated at approximately US$7,000 (2007: US$7,000).

16 DEFERRED INCOME TAX

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

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

	Group	
	2008 US$'000	2007 US$'000
At 1st January	**7,349**	2,040
Charged to consolidated income statement (note 30)	**4,223**	5,309
At 31st December	**11,572**	7,349

16 DEFERRED INCOME TAX (Continued)

Deferred income tax assets are recognised for tax losses carry forwards to the extent that realisation of the related tax benefit through the future taxable profits is probable. As at 31st December 2008, the Group and the Company have unrecognised tax losses of US$12,391,000 (2007: US$7,172,000) and US$2,563,000 (2007: US$2,547,000) respectively to carry forward. These tax losses have no expiry dates except for the tax losses of US$4,858,000 (2007: US$2,756,000) of the Group will expire on various dates through year 2012 (2007: year 2011).

As at 31st December 2008, deferred income tax liabilities of US$3,132,000 (2007: US$1,994,000) have not been established for the withholding taxation that would be payable on the undistributed earnings of certain subsidiaries totalling US$10,440,000 (2007: US$6,645,000) 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.

On 16th March 2007, the National People's Congress approved the Corporate Income Tax Law of the PRC (the "New CIT Law"), pursuant to which the corporate income tax rates for domestic and foreign enterprises are unified at 25% effective from 1st January 2008. Accordingly, the relevant corporate income tax from 1st January 2008 and the deferred taxation for the financial year ended 31st December 2008 have been accounted for by applying the relevant rates pursuant to the New CIT Law.

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

(a) Deferred income tax liabilities

	Group					
	Accelerated tax depreciation		Undistributed profits		Total	
	2008 US$'000	2007 US$'000	**2008 US$'000**	2007 US$'000	**2008 US$'000**	2007 US$'000
At 1st January	**3,757**	4,240	**6,517**	–	**10,274**	4,240
Charged/(credited) to consolidated income statement	**321**	(483)	**4,337**	6,517	**4,658**	6,034
At 31st December	**4,078**	3,757	**10,854**	6,517	**14,932**	10,274

(b) Deferred income tax assets

	Group					
	Tax losses		Others		Total	
	2008 US$'000	2007 US$'000	**2008 US$'000**	2007 US$'000	**2008 US$'000**	2007 US$'000
At 1st January	**1,265**	188	**1,660**	2,012	**2,925**	2,200
Credited/(charged) to consolidated income statement	**1,020**	1,077	**(585)**	(352)	**435**	725
At 31st December	**2,285**	1,265	**1,075**	1,660	**3,360**	2,925

16 DEFERRED INCOME TAX (Continued)

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

	Group	
	2008	2007
	US$'000	US$'000
Deferred income tax assets	**1,204**	1,271
Deferred income tax liabilities	**12,776**	8,620

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

	Group	
	2008	2007
	US$'000	US$'000
Deferred income tax assets to be recovered after more than 12 months	**1,129**	1,271
Deferred income tax liabilities to be settled after more than 12 months	**1,906**	2,079

As at 31st December 2008 and 2007, the Company did not have significant deferred income tax assets and liabilities.

17 DERIVATIVE FINANCIAL INSTRUMENTS

	Group	
	2008	2007
	Assets	Assets
	US$'000	US$'000
Interest rate swap contracts		
– fair value hedges (note)	**24,215**	4,641

Note:

The notional principal amount of the related interest rate swap contracts amounted to US$200,000,000 (2007: US$200,000,000) which were committed with interest rates ranging from 1.05% to 1.16% (2007: 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 INVENTORIES

Inventories of the Group represent containers held for sale including containers ceased to be rented. Containers ceased to be rented are transferred from property, plant and equipment at their carrying amount.

19 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2008 US$'000	2007 US$'000	**2008 US$'000**	2007 US$'000
Trade receivables (note a)				
– third parties	**32,719**	28,118	**–**	–
– fellow subsidiaries (notes b and c)	**26,367**	25,328	**–**	–
– jointly controlled entities (note b)	**450**	299	**–**	–
– related companies (note b)	**227**	168	**–**	–
	59,763	53,913	**–**	–
Less: provision for impairment	**(417)**	(3,713)	**–**	–
	59,346	50,200	**–**	–
Other receivables, deposits and prepayments	**78,414**	63,909	**3,259**	352
Rent receivable collected on behalf of owners of managed containers (note d)	**39,525**	39,243	**–**	–
Current portion of finance lease receivables (note 15)	**943**	1,172	**–**	–
Current income tax recoverable	**975**	–	**–**	–
Amounts due from (note b)				
– fellow subsidiaries	**165**	–	**–**	–
– jointly controlled entities (note e)	**53,544**	20,776	**–**	–
– associates (note e)	**323**	3,101	**–**	–
– related companies	**5**	16	**–**	–
Loans receivable from (note f)				
– a jointly controlled entity	**–**	8,508	**–**	–
– an associate	**–**	6,571	**–**	–
	233,240	193,496	**3,259**	352

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	
	2008 US$'000	2007 US$'000
Within 30 days	**24,762**	20,405
31 – 60 days	**23,412**	20,228
61 – 90 days	**6,832**	6,128
Over 90 days	**4,340**	3,439
	59,346	50,200

As at 31st December 2008, trade receivables of US$35,445,000 (2007: US$24,463,000) were fully performing.

19 TRADE AND OTHER RECEIVABLES (Continued)

As at 31st December 2008, trade receivables of US$19,463,000 (2007: US$19,844,000) 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 is as follows:

	Group	
	2008	2007
	US$'000	US$'000
Within 30 days	**17,038**	15,749
31 – 60 days	**863**	1,862
61 – 90 days	**392**	564
Over 90 days	**1,170**	1,669
	19,463	19,844

As at 31st December 2008, trade receivables of US$4,855,000 (2007: US$9,606,000) were impaired. The amount of the provision was US$417,000 (2007: US$3,713,000) as at 31st December 2008. 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	
	2008	2007
	US$'000	US$'000
Within 30 days	**2,821**	3,108
31 – 60 days	**1,119**	1,914
61 – 90 days	**369**	624
Over 90 days	**546**	3,960
	4,855	9,606

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

	Group	
	2008	2007
	US$'000	US$'000
At 1st January	**(3,713)**	(4,477)
Provision for impairment of trade receivables (note 27)	**(200)**	(394)
Write back of provision for impairment of trade receivables (note 27)	**1,672**	966
Receivables written off during the year as uncollectible	**1,824**	192
At 31st December	**(417)**	(3,713)

19 TRADE AND OTHER RECEIVABLES (Continued)

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

(c) The balance mainly represented container leasing income receivable from fellow subsidiaries and included a receivable balance from COSCON of US$24,218,000 (2007: US$23,083,000). During the year ended 31st December 2008, the container leasing income from COSCON and the other fellow subsidiaries amounted to US$142,428,000 (2007: US$140,099,000) and US$50,000 (2007: US$33,000) 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) Balance of US$8,508,000 in 2007 represented an unsecured loan to a jointly controlled entity, COSCO-PSA Terminal Private Limited, which bore interest at 1.6% per annum above the applicable swap offer rate as determined by the Association of Banks in Singapore and was repaid in January 2008.

Balance of US$6,571,000 in 2007 represented an unsecured loan to an associate, Dalian Automobile Terminal Co., Ltd, which bore interest at TIBOR plus 0.5% per annum and was repaid in April 2008.

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

	Group		Company	
	2008 US$'000	2007 US$'000	**2008 US$'000**	2007 US$'000
US dollar	**86,749**	105,314	**1,325**	56
Renminbi	**140,885**	67,147	**–**	–
Hong Kong dollar	**3,384**	9,921	**555**	296
Euro	**1,958**	1,793	**1,379**	–
Other currencies	**264**	9,321	**–**	–
	233,240	193,496	**3,259**	352

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

20 SHARE CAPITAL

	2008 US$'000	2007 US$'000
Authorised:		
3,000,000,000 ordinary shares of HK$0.10 each	**38,462**	38,462
Issued and fully paid:		
2,245,029,298 (2007: 2,244,881,298) ordinary shares of HK$0.10 each	**28,792**	28,790

(a) 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 2008	**2,244,881,298**	**28,790**
Issued on exercising of share options (note b)	**148,000**	**2**
At 31st December 2008	**2,245,029,298**	**28,792**
At 1st January 2007	2,228,684,298	28,583
Issued on exercising of share options (note b)	16,197,000	207
At 31st December 2007	2,244,881,298	28,790

(b) Share options

Under share option scheme approved by the shareholders of the Company on 30th November 1994 (the "1994 Share Option Scheme"), the directors of the Company might, at their discretion, grant to any directors, executives and/or employees who are in full time employment with any company in the Group, share options to subscribe for the Company's shares, subject to the terms and conditions stipulated therein.

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 1994 Share Option Scheme. No further options shall be granted under the 1994 Share Option Scheme after 23rd May 2003 but the outstanding share options which had been granted shall continue to be valid and exercisable in accordance with their terms and provisions under the 1994 Share Option Scheme.

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.

20 SHARE CAPITAL (Continued)

(b) Share options (Continued)

Movements of the share options are set out below:

Category	Note	Exercise price HK$	For the year ended 31st December 2008 Number of share options: Outstanding at 1st January 2008	Granted during the year	Exercised during the year	Transfer (to)/from other categories during the year	Lapsed during the year	Outstanding at 31st December 2008
Directors	(i)(iii)	**9.54**	**800,000**	**–**	**–**	**–**	**–**	**800,000**
	(i)(iv)	**13.75**	**6,450,000**	**–**	**–**	**(1,200,000)**	**–**	**5,250,000**
	(i)(v)	**19.30**	**2,300,000**	**–**	**–**	**–**	**–**	**2,300,000**
Continuous contract employees	(i)(iii)	**9.54**	**1,725,000**	**–**	**(94,000)**	**–**	**(20,000)**	**1,611,000**
	(i)(iv)	**13.75**	**14,042,000**	**–**	**(50,000)**	**200,000**	**(120,000)**	**14,072,000**
	(i)(v)	**19.30**	**14,770,000**	**–**	**–**	**–**	**(190,000)**	**14,580,000**
Others	(i)(iii)	**9.54**	**50,000**	**–**	**–**	**–**	**–**	**50,000**
	(i)(iv)	**13.75**	**3,124,000**	**–**	**(4,000)**	**1,000,000**	**–**	**4,120,000**
			43,261,000	**–**	**(148,000)**	**–**	**(330,000)**	**42,783,000**

Category	Note	Exercise price HK$	For the year ended 31st December 2007 Number of share options: Outstanding at 1st January 2007	Granted during the year	Exercised during the year	Transfer (to)/from other categories during the year	Lapsed during the year	Outstanding at 31st December 2007
Directors	(i)(ii)	8.80	300,000	–	(300,000)	–	–	–
	(i)(iii)	9.54	2,100,000	–	(1,300,000)	–	–	800,000
	(i)(iv)	13.75	6,900,000	–	(450,000)	–	–	6,450,000
	(i)(v)	19.30	–	2,300,000	–	–	–	2,300,000
Continuous contract employees	(i)(ii)	8.80	22,000	–	(22,000)	–	–	–
	(i)(iii)	9.54	3,978,000	–	(2,253,000)	–	–	1,725,000
	(i)(iv)	13.75	20,198,000	–	(6,156,000)	–	–	14,042,000
	(i)(v)	19.30	–	15,300,000	(530,000)	–	–	14,770,000
Others	(i)(iii)	9.54	1,000,000	–	(950,000)	–	–	50,000
	(i)(iv)	13.75	7,360,000	–	(4,236,000)	–	–	3,124,000
			41,858,000	17,600,000	(16,197,000)	–	–	43,261,000

20 SHARE CAPITAL (Continued)

(b) Share options (Continued)

Notes:

(i) All the outstanding options were vested and exercisable as at 31st December 2008 and 2007. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

(ii) The share options were granted on 20th May 1997 (the "Offer Date") under the 1994 Share Option Scheme and are exercisable on or before 19th May 2007. The grantees may exercise a maximum of 20% of share options granted in each of the first five anniversary years from the Offer Date and all grantees may reserve their rights to exercise and accumulate their share options exercisable during their employment within the Group. The exercisable period expired on 19th May 2007.

(iii) 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.

(iv) 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.

(v) 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.

(vi) The exercise of the 148,000 (2007: 16,197,000) share options during the year yielded the proceeds, net of transaction costs of US$3,000 (2007: US$13,000), as follows:

	Company	
	2008	2007
	US$'000	US$'000
Ordinary share capital – at par	**2**	207
Share premium (net of issue expenses)	**206**	26,095
Proceeds (net of issue expenses)	**208**	26,302

20 SHARE CAPITAL (Continued)

(b) Share options (Continued)

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

Expiry date	Exercise price	Number of share options	
	HK$	**2008**	2007
28th October 2013 to 6th November 2013	9.54	**2,461,000**	2,575,000
25th November 2014 to 16th December 2014	13.75	**23,442,000**	23,616,000
17th April 2017 to 19th April 2017	19.30	**16,880,000**	17,070,000
		42,783,000	43,261,000

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

	2008		2007	
	Average exercise price per share HK$	**Number of share options**	Average exercise price per share HK$	Number of share options
At 1st January	**15.69**	**43,261,000**	13.00	41,858,000
Granted	**N/A**	**–**	19.30	17,600,000
Exercised	**11.08**	**(148,000)**	12.66	(16,197,000)
Lapsed	**16.69**	**(330,000)**	N/A	–
At 31st December	**15.70**	**42,783,000**	15.69	43,261,000

The weighted average closing market price of the Company's shares on the dates when the share options were exercised was HK$17.59 (2007: HK$20.91) per share.

21 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 2008	**698,956**	**414,214**	**10,853**	**412,499**	**1,536,522**
Issue of shares on exercise of share options	**209**	**–**	**–**	**–**	**209**
Share issue expenses	**(3)**	**–**	**–**	**–**	**(3)**
Transfer of reserve upon lapse of share options	**–**	**–**	**(121)**	**121**	**–**
Profit for the year	**–**	**–**	**–**	**256,259**	**256,259**
Dividends					
– 2007 final and special dividends	**–**	**–**	**–**	**(139,686)**	**(139,686)**
– 2008 interim	**–**	**–**	**–**	**(78,793)**	**(78,793)**
At 31st December 2008	**699,162**	**414,214**	**10,732**	**450,400**	**1,574,508**
Representing:					
Reserves	**699,162**	**414,214**	**10,732**	**419,374**	**1,543,482**
2008 final dividend proposed	**–**	**–**	**–**	**31,026**	**31,026**
At 31st December 2008	**699,162**	**414,214**	**10,732**	**450,400**	**1,574,508**
At 1st January 2007	672,524	414,214	–	136,505	1,223,243
Issue of shares on exercise of share options	26,108	–	–	–	26,108
Recognition of share-based compensation	–	–	11,190	–	11,190
Share issue expenses	(13)	–	–	–	(13)
Transfer of reserve upon exercise of share options	337	–	(337)	–	–
Profit for the year	–	–	–	439,789	439,789
Dividends					
– 2006 final	–	–	–	(92,209)	(92,209)
– 2007 interim	–	–	–	(71,586)	(71,586)
At 31st December 2007	698,956	414,214	10,853	412,499	1,536,522
Representing:					
Reserves	698,956	414,214	10,853	272,867	1,396,890
2007 final and special dividends proposed	–	–	–	139,632	139,632
At 31st December 2007	698,956	414,214	10,853	412,499	1,536,522

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.

22 BORROWINGS

	Group	
	2008	2007
	US$'000	US$'000
Long term borrowings – unsecured	**1,413,361**	900,339
Amounts due within one year included under current liabilities	**(56,406)**	(25,904)
	1,356,955	874,435
Short term bank loans – unsecured	**10,974**	13,695

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

	Group	
	2008	2007
	US$'000	US$'000
Wholly repayable within five years		
– Bank loans	**588,258**	430,550
– Notes (note c)	**321,391**	–
	909,649	430,550
Not wholly repayable within five years		
– Bank loans	**503,712**	169,530
– Notes (note c)	**–**	300,259
	503,712	469,789
	1,413,361	900,339

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

	Group	
	2008	2007
	US$'000	US$'000
Bank loans		
Within one year	**56,406**	25,904
Between one and two years	**89,595**	43,054
Between two and five years	**760,354**	361,592
Over five years	**185,615**	169,530
	1,091,970	600,080
Notes (note c)		
Between two and five years	**321,391**	–
Over five years	**–**	300,259
	321,391	300,259
	1,413,361	900,339

22 BORROWINGS (Continued)

(c) Details of the notes as at 31st December 2008 are as follows:

	Group	
	2008 US$'000	2007 US$'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	**1,135**	945
– notes issuance cost	**1,076**	896
	298,512	298,142
Effect of fair value hedge	**22,879**	2,117
	321,391	300,259

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

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

(d) The Group has established a non-wholly owned subsidiary (the "Subsidiary") with a third party (the "Partner") in March 2008. For the establishment of the Subsidiary, the Partner has injected certain assets and liabilities to the Subsidiary, including bank loans. As of 31st December 2008, the necessary procedures for transferring the legal obligor of the bank loans of US$34,969,000 to the Subsidiary have not yet been completed. As the Subsidiary undertakes these bank loans with effect from the date of its establishment, the directors have accounted for the related loans as the Group's bank loans as at the balance sheet date.

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

	Less than one year US$'000	**One to five years US$'000**	**Over five years US$'000**	**Total US$'000**
At 31st December 2008				
Total borrowings	**1,091,970**	**321,391**	**–**	**1,413,361**
Effect of interest rate swaps qualified as hedges	**–**	**(200,000)**	**–**	**(200,000)**
	1,091,970	**121,391**	**–**	**1,213,361**
At 31st December 2007				
Total borrowings	512,121	68,382	319,836	900,339
Effect of interest rate swaps qualified as hedges	–	–	(200,000)	(200,000)
	512,121	68,382	119,836	700,339

22 BORROWINGS (Continued)

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

	2008 US$'000	2007 US$'000
US dollar	**1,248,685**	800,134
Renminbi	**175,650**	113,900
	1,424,335	914,034

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

	2008		2007	
	US$	**RMB**	US$	RMB
Bank loans	**1.9%**	**5.8%**	4.9%	7.1%
Notes	**6.0%**	**N/A**	6.0%	N/A

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

	Carrying amounts		Fair values	
	2008 US$'000	2007 US$'000	**2008 US$'000**	2007 US$'000
Bank loans	**1,035,564**	574,176	**1,032,194**	591,401
Notes	**321,391**	300,259	**333,919**	315,486
	1,356,955	874,435	**1,366,113**	906,887

The fair values are determined based on cash flows discounted using a weighted average borrowing rate of 1.9% (2007: 5.0%) per annum.

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

(i) As at 31st December 2008 and 2007, the committed and undrawn borrowing facilities of the Group amounted to US$40,236,000 (2007: US$Nil).

23 OTHER LONG TERM LIABILITIES

	Group	
	2008 US$'000	2007 US$'000
Deferred deal management fee	**1,470**	2,249
Deferred upfront administration fee	**3,719**	5,207
	5,189	7,456
Less: current portion (note 24)	**(2,267)**	(2,267)
	2,922	5,189

24 TRADE AND OTHER PAYABLES

	Group		Company	
	2008 US$'000	2007 US$'000	**2008 US$'000**	2007 US$'000
Trade payables (note a)				
– third parties	**9,029**	16,875	**–**	–
– fellow subsidiaries (note b)	**140**	–	**–**	–
– jointly controlled entities (notes b and c)	**2**	3,288	**–**	–
– a minority shareholder of a subsidiary (note b)	**1,089**	387	**–**	–
– subsidiaries of an associate (notes b and c)	**60**	25,785	**–**	–
– related companies (note b)	**1**	–	**–**	–
	10,321	46,335	**–**	–
Other payables and accruals	**49,555**	65,103	**2,339**	1,716
Payable to owners of managed containers (note d)	**39,897**	39,614	**–**	–
Current portion of other long term liabilities (note 23)	**2,267**	2,267	**–**	–
Dividend payable	**34**	24	**34**	24
Amounts due to (note b)				
– fellow subsidiaries	**3**	105	**–**	–
– jointly controlled entities	**8**	–	**–**	–
– related companies	**–**	5	**–**	–
– minority shareholders of subsidiaries	**21,446**	286	**–**	–
	123,531	153,739	**2,373**	1,740

Notes:

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

	Group	
	2008 US$'000	2007 US$'000
Within 30 days	**4,920**	28,089
31 – 60 days	**745**	10,070
61 – 90 days	**296**	7,728
Over 90 days	**4,360**	448
	10,321	46,335

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

(c) The balances represented the amounts payable to jointly controlled entities and subsidiaries of an associate of the Group in respect of the purchases of containers (note 40(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) As at 31st December 2007, other payables and accruals of the Group included an amount of US$26,813,000 accrued for the purchase of containers which were delivered to the Group prior to the year end. The amount has not been included in the ageing analysis above.

24 TRADE AND OTHER PAYABLES (Continued)

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

	Group		Company	
	2008 **US$'000**	2007 US$'000	**2008** **US$'000**	2007 US$'000
US dollar	**69,148**	131,077	**268**	181
Renminbi	**49,462**	17,981	**477**	436
Hong Kong dollar	**3,863**	4,445	**938**	1,123
Other currencies	**1,058**	236	**690**	–
	123,531	153,739	**2,373**	1,740

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

25 OTHER OPERATING INCOME

	2008 **US$'000**	2007 US$'000
Exchange gain, net	**509**	7,992
Profit on disposal of a jointly controlled entity	**236**	–
Management fee and other service income	**4,909**	4,459
Profit on disposal of available-for-sale financial assets	**1,959**	7,418
Profit on disposal of property, plant and equipment	**5,313**	27,012
Write back of provision for impairment of trade receivables	**1,672**	966
Container repair insurance income	**4,915**	–
Others	**7,230**	6,062
	26,743	53,909

26 SHARE REFORM

On 25th May 2006, the Company issued 424,106,507 put options (the "Put Options") to holders of the A-shares not having trading restrictions (the "CIMC Tradeable A-Shares") of CIMC, an associate of the Group listed on the Shenzhen Stock Exchange, as consideration for the former's approval of the removal of the trading restrictions on the CIMC shares held by the Group. The Put Options were listed on the Shenzhen Stock Exchange. The holders of the Put Options were entitled to require the Company to buy from them 1.370 CIMC Tradeable A-Shares at an exercise price of RMB7.302 per share during the 5 trading days immediately prior to and including 23rd November 2007.

The Put Options were derivative financial instruments as defined under HKAS 39 "Financial Instruments: Recognition and Measurement" ("HKAS 39") issued by the HKICPA and were carried in the balance sheet at their fair value in accordance with HKAS 39. The Put Options expired on 23rd November 2007 and none of the Put Options was exercised. The change in fair value of US$55,181,000 was credited to the consolidated income statement for the year ended 31st December 2007.

27 OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	2008 US$'000	2007 US$'000
Crediting		
Dividend income from listed and unlisted investments (note a)	**22,440**	21,823
Rental income from investment properties (note a)	**53**	51
Exchange gain, net	**509**	7,992
Fair value gain on interest rate swap contracts not qualified as hedges	**–**	73
Profit on disposal of available-for-sale financial assets	**1,959**	7,418
Profit on disposal of property, plant and equipment	**5,313**	27,012
Profit on disposal of a jointly controlled entity	**236**	–
Revaluation surplus of investment properties (note 8)	**–**	136
Write back of provision for inventories	**21**	–
Write back of provision for impairment of trade receivables	**1,672**	966
Charging		
Amortisation of		
– leasehold land and land use rights	**956**	532
– intangible assets (note b)	**657**	713
Depreciation of		
– owned property, plant and equipment leased out under operating leases	**77,054**	75,452
– other owned property, plant and equipment	**13,893**	7,329
Impairment loss of containers	**45**	400
Cost of inventories sold	**31,344**	49,049
Auditors' remuneration		
– current year	**927**	864
– (over)/under provision in prior year	**(92)**	176
Outgoings in respect of investment properties	**4**	2
Provision for impairment of trade receivables	**200**	394
Provision for inventories	**–**	28
Rental expense under operating leases of		
– buildings leased from third parties	**1,388**	1,384
– buildings leased from fellow subsidiaries	**916**	877
– buildings leased from a jointly controlled entity	**33**	33
– leasehold land and land use rights leased from minority shareholders of subsidiaries	**1,944**	1,822
– plant and machinery leased from third parties	**337**	255
– plant and machinery leased from a minority shareholder of a subsidiary	**–**	160
– containers leased from third parties	**8,747**	–
Revaluation deficit of investment properties (note 8)	**3**	–
Total staff costs (including directors' emoluments and retirement benefit costs) (note c):		
Wages, salaries and other benefits	**41,204**	31,003
Share-based compensation	**–**	11,190
Less: Amounts capitalised in intangible assets	**(946)**	(104)
	40,258	42,089

27 OPERATING PROFIT (Continued)

Notes:

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

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

(c) Total staff costs do not include the amounts of benefits in kind provided to the Company's directors and the Group's employees in respect of the Company's share options granted prior to 2005 and staff quarters. Details of the Company's share options are set out in note 20 to the consolidated financial statements.

28 FINANCE INCOME AND COSTS

	2008 US$'000	2007 US$'000
Finance income		
Interest income on		
– bank balances and deposits	**4,165**	8,742
– loans to jointly controlled entities and associates	**2,701**	1,724
	6,866	10,466
Finance costs		
Interest expenses on		
– bank loans	**(38,642)**	(27,814)
– notes wholly repayable within five years	**(16,117)**	–
– notes not wholly repayable within five years	**–**	(19,005)
Fair value gain on derivative financial instruments	**19,574**	9,003
Fair value adjustment of notes attributable to interest rate risk	**(20,762)**	(10,152)
	(1,188)	(1,149)
Amortised amount of		
– discount on issue of notes	**(190)**	(202)
– transaction costs on bank loans and notes	**(398)**	(783)
	(56,535)	(48,953)
Less: amount capitalised in construction in progress	**3,827**	293
	(52,708)	(48,660)
Other incidental borrowing costs and charges	**(30)**	(1,218)
	(52,738)	(49,878)
Net finance costs	**(45,872)**	(39,412)

29 PROFIT ON DISPOSAL OF AN ASSOCIATE

On 24th August 2007, the Group entered into a Sale and Purchase Agreement to dispose of its entire 20% shareholding interest in Chong Hing Bank Limited, a then associate listed in Hong Kong, at cash consideration of HK$2,088,000,000 (equivalent to approximately US$268,474,000) to COSCO (Hong Kong) Group Limited, a fellow subsidiary. The sale was completed on 26th November 2007 and resulted in a profit of US$90,742,000 for the year ended 31st December 2007.

30 INCOME TAX CREDIT/(EXPENSES)

	2008 US$'000	2007 US$'000
Current income tax		
– Hong Kong profits tax	**(176)**	(2,771)
– China mainland taxation	**(2,750)**	(574)
– Overseas taxation	**(878)**	(9,171)
– Over provision in prior years	**12,612**	29
	8,808	(12,487)
Deferred income tax charge (note 16)	**(4,223)**	(5,309)
	4,585	(17,796)

The Group's shares of income tax expenses of jointly controlled entities and associates of US$14,685,000 (2007: US$13,050,000) and US$8,366,000 (2007: US$6,210,000) 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% (2007: 17.5%) on the estimated assessable profit for the year. In 2008, the Hong Kong government enacted a change in profits tax rate from 17.5% to 16.5% for fiscal year of 2008/2009.

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.

In prior years, the Group had made certain tax provisions in connection with the disposal of containers. As such provision was not probable to be utilised, a write back of the related tax provision was made in the consolidated income statement during the year.

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

	2008 US$'000	2007 US$'000
Profit before income tax	**275,177**	450,845
Less: share of profits less losses of jointly controlled entities and associates	**(155,088)**	(187,259)
Profit on disposal of an associate	**–**	(90,742)
	120,089	172,844
Aggregate tax at domestic rates applicable to profits in respective territories concerned	**3,394**	19,747
Income not subject to income tax	**(860)**	(11,014)
Expenses not deductible for income tax purposes	**476**	1,525
Over provision in prior years	**(12,612)**	(29)
Utilisation of previously unrecognised tax losses	**(55)**	(26)
Tax losses not recognised	**1,048**	908
Effect of change in tax rate	**64**	–
Others	**3,960**	6,685
Income tax (credit)/expenses	**(4,585)**	17,796

31 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$256,259,000 (2007: US$439,789,000).

32 DIVIDENDS

	2008 US$'000	2007 US$'000
Interim dividend paid of US3.514 cents (2007: US3.186 cents) per ordinary share	**78,890**	71,388
Final dividend proposed of US1.382 cents (2007: US3.924 cents) per ordinary share	**31,026**	88,089
2007 special final dividend paid of US2.296 cents per ordinary share	**–**	51,543
Exchange difference	**(49)**	(657)
Additional dividends paid on shares issued due to the exercise of share options before the closure of register of members:		
– 2007/2006 final	**6**	442
– 2008/2007 interim	**–**	198
	109,873	211,003

Note:

At a meeting held on 8th April 2009, the directors recommended the payment of a final dividend of HK10.7 cents (equivalent to US1.382 cents) per ordinary share. The dividend will be payable in cash with a scrip dividend alternative. This proposed final dividend is not reflected as dividend payable in these consolidated financial statements until it has been approved at the annual general meeting, but will be reflected as an appropriation of retained profits for the year ending 31st December 2009.

33 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.

	2008	2007
Profit attributable to equity holders of the Company	**US$274,725,000**	US$427,768,000
Weighted average number of ordinary shares in issue	**2,245,007,063**	2,240,304,150
Basic earnings per share	**US12.24 cents**	US19.09 cents

(b) Diluted

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

	2008	2007
Profit attributable to equity holders of the Company	**US$274,725,000**	US$427,768,000
Weighted average number of ordinary shares in issue	**2,245,007,063**	2,240,304,150
Adjustments for assumed issuance of shares on exercise of share options	**515,437**	11,776,391
Weighted average number of ordinary shares for diluted earnings per share	**2,245,522,500**	2,252,080,541
Diluted earnings per share	**US12.23 cents**	US18.99 cents

34 RETIREMENT BENEFIT COSTS

The retirement benefit costs charged to the consolidated income statement represent contributions payable by the Group to the retirement benefit schemes and amounted to US$2,267,000 (2007: US$1,633,000). Contributions totaling US$58,000 (2007: US$63,000) were payable to the retirement benefit schemes as at 31st December 2008 and were included in trade and other payables. No forfeited contributions were available as at 31st December 2008 (2007: nil) to reduce future contributions.

35 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:

	2008 **US$'000**	2007 US$'000
Fees	**204**	229
Salaries, housing and other allowances	**1,448**	1,339
Benefits in kind	**115**	87
Share options	**–**	1,467
Bonuses	**264**	154
Contributions to retirement benefit schemes	**2**	2
	2,033	3,278

Directors' fees disclosed above include US$116,000 (2007: US$135,000) paid to independent non-executive directors.

Share options for the year ended 31st December 2007 represented the aggregate fair value of the share options granted to the directors under the Company's 2003 Share Option Scheme (note 20(b)). The Company has not granted any share options during the year ended 31st December 2008.

As at 31st December 2008, one director (2007: one director) of the Company had 800,000 (2007: 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 2008, six (2007: eight) directors of the Company had 5,250,000 (2007: 6,450,000) 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 2008, four (2007: four) directors of the Company had 2,300,000 (2007: 2,300,000) share options which are exercisable at HK$19.30 per share granted by the Company under the 2003 Share Option Scheme.

For the year ended 31st December 2008, there was no share option exercised by the directors (2007: 2,050,000). The directors' emoluments as disclosed above do not include the difference between the aggregate amount of the market price of the Company's shares issued at the date of exercise of these share options and the amount paid by the directors in exercising these share options (2007: US$2,527,000).

Details and movement of share options granted and exercised during the year are set out in note 20(b) to the consolidated financial statements.

35 DIRECTORS' AND MANAGEMENT'S EMOLUMENTS (Continued)

(a) Directors' emoluments (Continued)

The directors' emoluments are analysed as follows:

		Year ended 31st December 2008						
Name of directors	**Note**	**Fees US$'000**	**Salaries, housing and other allowances US$'000**	**Benefits in kind US$'000**	**Share options US$'000**	**Bonuses US$'000**	**Contributions to retirement benefit schemes US$'000**	**Total US$'000**
Dr. WEI Jiafu	(i)	**11**	**–**	**–**	**–**	**–**	**–**	**11**
Mr. CHEN Hongsheng		**17**	**–**	**–**	**–**	**–**	**–**	**17**
Mr. LI Jianhong		**15**	**–**	**–**	**–**	**–**	**–**	**15**
Mr. XU Lirong		**15**	**–**	**–**	**–**	**–**	**–**	**15**
Ms. SUN Yueying		**15**	**–**	**–**	**–**	**–**	**–**	**15**
Mr. XU Minjie		**–**	**651**	**54**	**–**	**97**	**–**	**802**
Dr. SUN Jiakang		**15**	**–**	**–**	**–**	**–**	**–**	**15**
Dr. WONG Tin Yau, Kelvin		**–**	**320**	**–**	**–**	**90**	**2**	**412**
Mr. WANG Zhi		**–**	**246**	**61**	**–**	**–**	**–**	**307**
Mr. YIN Weiyu	(iv)	**–**	**231**	**–**	**–**	**77**	**–**	**308**
Mr. QIN Fuyan	(ii)	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Dr. LI Kwok Po, David		**37**	**–**	**–**	**–**	**–**	**–**	**37**
Mr. LIU Lit Man	(iii)	**14**	**–**	**–**	**–**	**–**	**–**	**14**
Mr. CHOW Kwong Fai, Edward		**38**	**–**	**–**	**–**	**–**	**–**	**38**
Mr. Timothy George FRESHWATER		**27**	**–**	**–**	**–**	**–**	**–**	**27**
		204	**1,448**	**115**	**–**	**264**	**2**	**2,033**

		Year ended 31st December 2007						
Name of directors	Note	Fees US$'000	Salaries, housing and other allowances US$'000	Benefits in kind US$'000	Share options US$'000	Bonuses US$'000	Contributions to retirement benefit schemes US$'000	Total US$'000
Dr. WEI Jiafu	(i)	19	–	–	–	–	–	19
Mr. CHEN Hongsheng		15	–	–	–	–	–	15
Mr. LI Jianhong		15	–	–	–	–	–	15
Mr. XU Lirong		15	–	–	–	–	–	15
Ms. SUN Yueying		15	–	–	–	–	–	15
Mr. XU Minjie		–	596	31	510	–	–	1,137
Dr. SUN Jiakang		15	55	–	–	5	–	75
Dr. WONG Tin Yau, Kelvin		–	276	–	319	64	2	661
Mr. WANG Zhi		–	243	56	319	48	–	666
Mr. QIN Fuyan	(ii)	–	169	–	319	37	–	525
Dr. LI Kwok Po, David		37	–	–	–	–	–	37
Mr. LIU Lit Man	(iii)	35	–	–	–	–	–	35
Mr. CHOW Kwong Fai, Edward		36	–	–	–	–	–	36
Mr. Timothy George FRESHWATER		27	–	–	–	–	–	27
		229	1,339	87	1,467	154	2	3,278

35 DIRECTORS' AND MANAGEMENT'S EMOLUMENTS (Continued)

(a) Directors' emoluments (Continued)

Notes:

(i) resigned on 22nd July 2008

(ii) resigned on 4th January 2008

(iii) retired on 15th May 2008

(iv) appointed on 4th January 2008

The above analysis includes three (2007: three) directors whose emoluments were among the five highest in the Group.

(b) Management's emoluments

Details of the aggregate emoluments paid to two (2007: two) individuals whose emoluments were the highest in the Group and have not been included in the directors' emoluments above are set out below:

	2008 US$'000	2007 US$'000
Salaries and other allowances	**529**	432
Bonuses	**154**	117
Share options	**–**	638
Contributions to retirement benefit schemes	**4**	4
	687	1,191

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

	Number of individuals	
	2008	2007
Emolument bands		
US$321,168 – US$385,401 (HK$2,500,001 – HK$3,000,000)	**2**	–
US$513,868 – US$578,102 (HK$4,000,001 – HK$4,500,000)	**–**	1
US$578,102 – US$642,335 (HK$4,500,001 – HK$5,000,000)	**–**	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.

36 FINANCIAL GUARANTEE CONTRACTS

The financial guarantees issued by the Group and the Company as at 31st December 2008 is analysed as below:

	Group		Company	
	2008	2007	**2008**	2007
	US$'000	US$'000	**US$'000**	US$'000
Guarantees for:				
– Notes issued by a subsidiary (note 22(c))	**–**	–	**300,000**	300,000
– Other loan facilities granted to subsidiaries	**–**	–	**927,500**	500,000
– Bank guarantees to an associate	**37,057**	25,747	**37,057**	25,747
	37,057	25,747	**1,264,557**	825,747

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.

37 CAPITAL COMMITMENTS

Except as disclosed elsewhere in the financial statements, the Group and the Company have the following significant capital commitments as at 31st December 2008:

	Group		Company	
	2008	2007	**2008**	2007
	US$'000	US$'000	**US$'000**	US$'000
Authorised but not contracted for				
– Containers	**89,545**	258,588	**–**	–
– Generator sets	**–**	3,006	**–**	–
– Computer system under development	**749**	709	**–**	–
– Investment (note)	**–**	–	**59,063**	–
– Other property, plant and equipment	**464,142**	65,564	**–**	–
	554,436	327,867	**59,063**	–
Contracted but not provided for				
– Containers	**6,388**	154,935	**–**	–
– Investments (note)	**585,225**	1,069,003	**–**	–
– Other property, plant and equipment	**83,714**	43,069	**–**	–
	675,327	1,267,007	**–**	–

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

	Group	
	2008	2007
	US$'000	US$'000
Contracted but not provided for	**8,108**	84,810
Authorised but not contracted for	**17,031**	26,114
	25,139	110,924

37 CAPITAL COMMITMENTS (Continued)

Note:

The capital commitments in respect of investments of the Group and the Company as at 31st December 2008 are as follows:

	Group		Company	
	2008 US$'000	2007 US$'000	**2008 US$'000**	2007 US$'000
Authorised but not contracted for				
Investment in:				
– Piraeus Container Terminal S.A.	**–**	–	**59,063**	–
Contracted but not provided for				
Investments in:				
– Qingdao Qianwan Container Terminal Co., Ltd.	**64,997**	64,997	**–**	–
– Antwerp Gateway NV	**75,490**	92,036	**–**	–
– Dalian Port Container Terminal Co., Ltd.	**42,724**	97,473	**–**	–
– COSCO Ports (Nansha) Limited	**177,854**	139,130	**–**	–
– Tianjin Port Euroasia International Container Terminal Co., Ltd.	**102,713**	96,131	**–**	–
– Xiamen Ocean Gate Container Terminal Co., Ltd.	**–**	382,458	**–**	–
– Others	**58,218**	57,777	**–**	–
	521,996	930,002	**–**	–
Terminal projects in:				
– Jinjiang Ports	**–**	79,840	**–**	–
– Shanghai Yangshan Port Phase II	**58,526**	54,760	**–**	–
– Others	**4,703**	4,401	**–**	–
	63,229	139,001	**–**	–
	585,225	1,069,003	**–**	–

38 OPERATING LEASE ARRANGEMENTS/COMMITMENTS

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

At 31st December 2008, the Group had future minimum lease receipts under non-cancellable operating leases as follows:

	Group	
	2008 US$'000	2007 US$'000
Containers		
– not later than one year	**184,013**	185,809
– later than one year and not later than five years	**580,394**	566,472
– later than five years	**281,304**	312,516
	1,045,711	1,064,797
Generator sets		
– not later than one year	**2,002**	1,989
– later than one year and not later than five years	**2,714**	3,588
– later than five years	**413**	–
	5,129	5,577
Investment properties		
– not later than one year	**43**	44
– later than one year and not later than five years	**23**	24
	66	68
	1,050,906	1,070,442

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.

38 OPERATING LEASE ARRANGEMENTS/COMMITMENTS (Continued)

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

At 31st December 2008, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Group	
	2008	2007
	US$'000	US$'000
Buildings, leasehold land and land use rights		
– not later than one year	**4,595**	3,419
– later than one year and not later than five years	**7,369**	3,017
– later than five years	**9,643**	4,231
	21,607	10,667
Plant and machinery		
– not later than one year	**242**	355
– later than one year and not later than five years	**63**	263
	305	618
Containers (note)		
– not later than one year	**12,551**	–
– later than one year and not later than five years	**44,458**	–
	57,009	–
	78,921	11,285

Note:

After the disposal of certain containers during the year, the Group entered 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.

Pursuant to the operating lease agreement, the lessor has granted a lease extension option to the Group, and the option 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 2008 and 2007.

39 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2008 US$'000	2007 US$'000
Profit before income tax	**275,177**	450,845
Depreciation and amortisation	**92,560**	84,026
Interest expenses	**52,120**	47,675
Fair value gain on interest rate swap contracts not qualified as hedges	**–**	(73)
Fair value gain on put options granted	**–**	(55,181)
Amortised amount of		
– discount on issue of notes	**190**	202
– transaction costs on bank loans and notes	**398**	783
Other incidental borrowing costs and charges	**30**	1,218
Impairment loss of containers	**45**	400
Provision for impairment of trade receivables	**200**	394
Provision for inventories	**–**	28
Profit on disposal of property, plant and equipment, net	**(5,313)**	(27,012)
Shared-based compensation	**–**	11,190
Dividend income from		
– a listed investment	**(132)**	(639)
– unlisted investments	**(22,308)**	(21,184)
Profit on disposal of		
– a jointly controlled entity	**(236)**	–
– an associate	**–**	(90,742)
– available-for-sale financial assets	**(1,959)**	(7,418)
Revaluation deficit/(surplus) of investment properties	**3**	(136)
Write back of provision for impairment of trade receivables	**(1,672)**	(966)
Write back of provision for inventories	**(21)**	–
Interest income	**(6,866)**	(10,466)
Share of profits less losses of		
– jointly controlled entities	**(100,273)**	(106,933)
– associates	**(54,815)**	(80,326)
Operating profit before working capital changes	**227,128**	195,685
Decrease/(increase) in net amount due from jointly controlled entities	**217**	(17)
Decrease in finance lease receivables	**1,244**	1,449
Increase in rent receivable collected on behalf of owners of managed containers	**(282)**	(2,784)
Decrease in inventories	**24,585**	41,220
Decrease/(increase) in trade and other receivables	**10,859**	(26,411)
Decrease/(increase) in restricted bank deposits	**416**	(348)
Increase in amounts due from fellow subsidiaries	**(165)**	–
Decrease/(increase) in amounts due from related companies	**11**	(16)
Decrease in amount due from an associate	**101**	437
(Decrease)/increase in trade and other payables	**(2,708)**	14,797
Increase in payables to owners of managed containers	**282**	4,705
Decrease in amounts due to fellow subsidiaries	**(102)**	(165)
(Decrease)/increase in amounts due to related companies	**(5)**	5
Increase/(decrease) in amounts due to minority shareholders of subsidiaries	**147**	(1,049)
Cash generated from operations	**261,728**	227,508

39 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Acquisition of a business

	2008 US$'000	2007 US$'000
Net assets acquired		
Property, plant and equipment	**83,203**	–
Leasehold land and land use rights	**14,040**	–
Intangible assets	**21**	–
Trade and other receivables	**3,088**	–
Cash and cash equivalents	**81**	–
Long term borrowings	**(33,718)**	–
Trade and other payables	**(14,074)**	–
Current portion of long term borrowings	**(3,132)**	–
Minority interests	**(9,980)**	–
	39,529	–
Satisfied by:		
Cash consideration	**27,839**	–
Amounts due to minority shareholders	**11,690**	–
	39,529	–
Analysis of net outflow of cash and cash equivalents in respect of acquisition of a business		
Cash consideration	**(27,839)**	–
Cash and cash equivalents in acquired business	**81**	–
Net cash outflow on acquisition	**(27,758)**	–

39 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

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

	Group		Company	
	2008 US$'000	2007 US$'000	**2008 US$'000**	2007 US$'000
Total time deposits, bank balances and cash (note i)	**429,041**	387,373	**176,557**	217,636
Restricted bank deposits included in				
– non-current assets	**–**	(506)	**–**	–
– current assets	**(77,435)**	–	**(77,345)**	–
	351,606	386,867	**99,212**	217,636
Representing:				
Time deposits	**161,684**	277,917	**98,464**	216,033
Bank balances and cash	**189,922**	108,950	**748**	1,603
	351,606	386,867	**99,212**	217,636

Notes:

(i) As at 31st December 2008, cash and cash equivalents of US$68,331,000 (2007: US$25,821,000) 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	
	2008 US$'000	2007 US$'000	**2008 US$'000**	2007 US$'000
US dollar	**364,423**	326,503	**175,075**	203,833
Renminbi	**40,292**	21,526	**–**	–
Hong Kong dollar	**6,944**	27,608	**1,478**	13,649
Other currencies	**17,382**	11,736	**4**	154
	429,041	387,373	**176,557**	217,636

40 RELATED PARTY TRANSACTIONS

The Group is controlled by China COSCO which owns 50.96% of the Company's shares as at 31st December 2008. The parent company of China COSCO is COSCO.

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

For the purpose of related party transaction disclosures, the Group has identified, to the extent practicable, its customers and suppliers as to whether they are state-owned enterprises. Nevertheless, the directors believe that meaningful information in respect of related party transactions has been adequately disclosed.

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

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

	2008 US$'000	2007 US$'000
Container rental income from fellow subsidiaries (note i)		
– long term leases	**142,428**	140,099
– short term leases	**50**	33
Container rental income from other state-owned enterprises (note i)	**360**	122
Compensation for loss of containers from a fellow subsidiary (note ii)	**1,024**	1,148
Handling, storage and transportation income from (note iii)		
– fellow subsidiaries	**5,253**	6,625
– a jointly controlled entity	**1,248**	887
Management fee and service fee income from (note iv)		
– jointly controlled entities	**4,229**	3,886
– associates	**106**	510
– an investee company	**81**	62
Container terminal handling and storage income received from fellow subsidiaries and an associate of the parent company (note v)	**8,163**	6,536
Container freight charges to (note vi)		
– a fellow subsidiary	**(180)**	–
– jointly controlled entities	**(256)**	(278)
– subsidiaries of CIMC	**(2,907)**	(1,889)
Logistics services fees to a minority shareholder of a subsidiary (note vii)	**(3,544)**	(2,474)
Electricity and fuel expenses to a minority shareholder of a subsidiary (note viii)	**(1,629)**	(1,292)
Approved continuous examination program fees to a fellow subsidiary (note ix)	**–**	(1,100)
Purchase of containers from (note x)		
– subsidiaries of CIMC	**(125,686)**	(224,208)
– jointly controlled entities	**(18,402)**	(46,706)
– a related company	**(1,975)**	–
Proceeds on disposal of an associate to a fellow subsidiary (note xi)	**–**	268,474
Proceeds on disposal of a jointly controlled entity to a subsidiary of CIMC (note xii)	**14,000**	–

40 RELATED PARTY TRANSACTIONS (Continued)

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

Notes:

(i) The Group has conducted long term container leasing business with COSCON. During the two years ended 31st December 2008, the Group entered into new long term container leasing contracts/arrangements with COSCON. The Group's long term container leasing transactions with COSCON during the year have been conducted by reference to, if applicable, the average of the available leasing rates quoted from four (2007: four) of the top ten independent container leasing companies.

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

(ii) During the year the Group had compensation received and receivable of US$1,024,000 (2007: US$1,148,000) from COSCON for the loss of containers under operating leases, resulting in a profit of US$168,000 (2007: US$191,000).

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

(iv) The Group provided advisory and management services to COSCO-HIT Terminals (Hong Kong) Limited, a jointly controlled entity of the Group, during the year. Management fee was charged and agreed at HK$20,000,000 (equivalent to US$2,569,000) (2007: HK$20,000,000 (equivalent to US$2,564,000)) 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 ports were conducted by the Group by reference to rates as set out by the Ministry of Communications of the PRC.

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

(vii) The logistics service fees paid to a minority shareholder of a subsidiary were charged at rates as mutually agreed.

(viii) Electricity and fuel expenses paid to a minority shareholder of a subsidiary were charged at rates as mutually agreed.

(ix) Approved continuous examination program fees to COSCON of US$1,100,000 in connection with the containers leased to COSCON on a long term basis were agreed between the Group and COSCON for the year ended 31st December 2007.

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

(xi) On 24th August 2007, the Group entered into an agreement with a fellow subsidiary to dispose of its entire 20% equity interest in Chong Hing Bank, a then associate of the Group, at a consideration of US$268,474,000. The disposal resulted in a gain of US$90,742,000.

(xii) During 2008, the Group entered into an agreement with CIMC Holdings (B.V.I.) Ltd., a subsidiary of CIMC, to dispose of its entire 22.5% equity interest in Tianjin CIMC North Ocean Co., Ltd., a then jointly controlled entity of the Group, at a consideration of US$14,000,000. The disposal resulted in a gain of US$236,000.

40 RELATED PARTY TRANSACTIONS (Continued)

(b) Balances with state-owned banks

	2008 US$'000	2007 US$'000
Bank deposit balances		
– in China mainland	**68,345**	25,821
– outside China mainland	**228,703**	267,564
Long term bank loans		
– in China mainland	**169,053**	101,580
– outside China mainland	**436,700**	–
Short term bank loans		
– in China mainland	**10,974**	13,695

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

(c) Balances with other state-owned enterprise

	2008 US$'000	2007 US$'000
Other payables to a state-owned enterprise	**5,760**	5,497

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

	2008 US$'000	2007 US$'000
Salaries, bonuses and other allowances	**2,996**	2,648
Share options	**–**	2,104
Contributions to retirement benefit schemes	**8**	6
	3,004	4,758

Key management includes directors of the Company and four (2007: four) senior management members of the Group.

41 BUSINESS COMBINATION

On 15th March 2008, the Group established a subsidiary with 80% shareholding interest owned. The subsidiary acquired a business in Jinjiang, Quanzhou, the PRC, for a consideration of US$39,529,000. Details of net assets acquired are as follows:

	US$'000
Purchase consideration	
– Cash paid	27,839
– Amounts due to minority shareholders	11,690
	39,529
Fair value of net assets acquired shown as below	(39,529)
	–

The assets and liabilities of the acquired business as at the date of acquisition are as follows:

	Fair value US$'000	Acquiree's carrying amount US$'000
Property, plant and equipment	83,203	67,513
Leasehold land and land use rights	14,040	151
Intangible assets	21	418
Trade and other receivables	3,088	3,088
Cash and cash equivalents	81	81
Long term borrowings	(33,718)	(33,718)
Trade and other payables	(14,074)	(14,074)
Current portion of long term borrowings	(3,132)	(3,132)
	49,509	20,327
Minority interests	(9,980)	
Net assets acquired	39,529	

Purchase consideration settled in cash	(27,839)
Cash and cash equivalents acquired	81
Net cash outflow on acquisition	(27,758)

The acquired business contributed US$9,529,000 revenue and contributed a profit of US$308,000 for the period since the date of acquisition. If the acquisition had occurred on 1st January 2008, the Group's revenue for the year ended 31st December 2008 would have been increased by US$2,100,000; however, the Group's profit would have no significant impact.

42 EVENT AFTER THE BALANCE SHEET DATE

The Company and its wholly owned subsidiary, Piraeus Container Terminal S.A., signed a concession agreement with Piraeus Port Authority S.A. ("PPA") in November 2008 for the concession of Pier 2 and 3 of the Piraeus Port in Greece ("Concession"). The concession agreement was ratified by the Parliament of Greece on 5th March 2009. The ratification law of the Concession Agreement was published in the Greek Government Gazette dated 30th March 2009. The Group would pay the initial consideration of Euro 50,000,000 within 15 days upon notification in writing from PPA regarding enactment of the law of ratification and the publication of the same in the Government Gazette. The total consideration payable to PPA over the 35-year term of the Concession was estimated to be approximately Euro 831,000,000 in present value terms and the capital expenditure amounted to approximately Euro 236,000,000 in present value terms.

43 DETAILS OF SUBSIDIARIES

Details of the subsidiaries as at 31st December 2008 are as follows:

	Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/paid-up capital	Group equity interest 2008	Group equity interest 2007
[2]	Allgood International Limited	British Virgin Islands	Hong Kong	Dormant	1 ordinary share of US$1	**100.00%**	100.00%
	Cheer Hero Development Limited	Hong Kong	Hong Kong	Container handling, storage and stevedoring	10,000 ordinary shares of HK$10 each	**75.00%**	75.00%
[1, 2]	COSCO Container Industries Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
	COSCO Container Services Limited	Hong Kong	Hong Kong	Investment holding depot handling, storage and container repairing	2 ordinary shares of HK$1 each	**100.00%**	100.00%
[1, 2, 3]	COSCO Pacific (China) Investments Co., Ltd.	PRC	PRC	Investment holding	US$37,496,000	**100.00%**	100.00%
[1]	COSCO Pacific Finance (2003) Company Limited	British Virgin Islands	Hong Kong	Financing	1 ordinary share of US$1	**100.00%**	100.00%
[1, 2]	COSCO Pacific Logistics Company Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
[1]	COSCO Pacific Management Company Limited	Hong Kong	Hong Kong	Investment holding and provision of management services	2 ordinary shares of HK$1 each	**100.00%**	100.00%
[1, 2]	COSCO Pacific Nominees Limited	British Virgin Islands	Hong Kong	Provision of nominee services	1 ordinary share of US$1	**100.00%**	100.00%
[2, 3]	COSCO Ports Services (Guangzhou) Limited	PRC	PRC	Depot handling, storage and container repairing	US$5,000,000	**100.00%**	100.00%
[2]	COSCO Ports (Antwerp) NV	Belgium	Belgium	Investment holding	EURO61,500 divided into 2 shares with no face value	**100.00%**	100.00%
	COSCO Ports (Belgium) Limited	Hong Kong	Hong Kong	Investment holding	1 ordinary share of HK$1	**100.00%**	100.00%
[2]	COSCO Ports (Dalian) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%

43 DETAILS OF SUBSIDIARIES (Continued)

	Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/paid-up capital	Group equity interest 2008	2007
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.á r.l	Luxembourg	Luxembourg	Investment holding	EURO12,500	**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	Dormant	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%**	–
2	COSCO Ports (Port Said) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
2	COSCO Ports (Pudong) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
2	COSCO Ports (Qianwan) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
2	COSCO Ports (Qingdao) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%

43 DETAILS OF SUBSIDIARIES (Continued)

	Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/paid-up capital	Group equity interest 2008	2007
[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, 6]	COSCO Ports (Rotterdam) Coöperatief U.A.	Netherlands	Netherlands	Investment holding	–	**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%
[1, 2]	Elegance Investment Limited	British Virgin Islands	Hong Kong	Dormant	1 ordinary share of US$1	**100.00%**	100.00%

43 DETAILS OF SUBSIDIARIES (Continued)

	Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/paid-up capital	Group equity interest 2008	2007
	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%
5	Fentalic Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**–**	100.00%
2, 3	Florens (China) Company Limited	PRC	PRC	Container leasing and resale of old containers	US$12,800,000	**100.00%**	100.00%
	Florens Container (Macao Commercial Offshore) Limited	Macau	Worldwide	Sale of containers and administration of marine shipping container activities	1 quota of MOP100,000	**100.00%**	100.00%
	Florens Container Corporation S.A.	Panama	Worldwide	Container leasing	100 ordinary shares of US$100 each	**100.00%**	100.00%
1	Florens Container Holdings Limited	British Virgin Islands	Hong Kong	Investment holding	22,014 ordinary shares of US$1 each	**100.00%**	100.00%
	Florens Container Inc.	United States of America	United States of America	Investment holding and container leasing	1 ordinary share of US$1	**100.00%**	100.00%
	Florens Container, Inc. (1998)	United States of America	United States of America	Leasing of generator sets	100 ordinary shares of US$1 each	**100.00%**	100.00%
	Florens Container Inc. (1999)	United States of America	United States of America	Leasing of generator sets	100 ordinary shares of US$1 each	**100.00%**	100.00%
	Florens Container, Inc. (2000)	United States of America	United States of America	Information technology development and software maintenance	100 ordinary shares of US$1 each	**100.00%**	100.00%
	Florens Container, Inc. (2001)	United States of America	United States of America	Container leasing	1 ordinary share of US$1	**100.00%**	100.00%
	Florens Container, Inc. (2002)	United States of America	United States of America	Sale of old containers	1 ordinary share of US$1	**100.00%**	100.00%
	Florens Container, Inc. (2003)	United States of America	United States of America	Sale of old containers	1 ordinary share of US$1	**100.00%**	100.00%

43 DETAILS OF SUBSIDIARIES (Continued)

	Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/paid-up capital	Group equity interest 2008	2007
	Florens Container Services Company Limited	Hong Kong	Worldwide	Provision of container management services	100 ordinary shares of HK$1 each	**100.00%**	100.00%
2	Florens Container Services (Australia) Pty Limited	Australia	Australia	Provision of container management services	100 ordinary shares of AUD1 each	**100.00%**	100.00%
2	Florens Container Services (Deutschland) GmbH.	Germany	Germany	Provision of container management services	2 shares of EURO12,782.30 each	**100.00%**	100.00%
2	Florens Container Services (Italy) S.R.L.	Italy	Italy	Provision of container management services	20,000 quotas of EURO0.52 each	**100.00%**	100.00%
2	Florens Container Services (Japan) Co. Ltd.	Japan	Japan	Provision of container management services	200 ordinary shares of JPY50,000 each	**100.00%**	100.00%
2	Florens Container Services (UK) Limited	United Kingdom	United Kingdom	Provision of container management services	183,610 ordinary shares of GBP1 each	**100.00%**	100.00%
	Florens Container Services (USA), Ltd.	United States of America	United States of America	Container manager and provision of container management services	1,000 ordinary shares of US$0.001 each	**100.00%**	100.00%
1, 2	Florens Industrial Holdings Limited	Bermuda	Hong Kong	Dormant	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%

43 DETAILS OF SUBSIDIARIES (Continued)

	Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/paid-up capital	Group equity interest 2008	Group equity interest 2007
2	Fota Limited	British Virgin Islands	Hong Kong	Dormant	12,000 ordinary shares of US$1 each	**100.00%**	100.00%
2	Frosti International Limited	British Virgin Islands	Hong Kong	Investment holding	2 ordinary shares of US$1 each	**100.00%**	100.00%
	Greating Services Limited	Hong Kong	Hong Kong	Transportation of containers	250,000 ordinary shares of HK$1 each	**100.00%**	100.00%
1	Hang Shing Investment Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
2, 3	Jinjiang Pacific Ports Development Co., Ltd.	PRC	PRC	Operation of container terminal	US$49,900,000	**80.00%**	–
2	Loson Investment Limited	British Virgin Islands	Hong Kong	Dormant	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, 2	Piraeus Container Terminal S.A.	Greece	Greece	Investment holding	EURO3,000,000	**100.00%**	–
2, 3	Quan Zhou Pacific Container Terminal Co., Ltd.	PRC	PRC	Operation of container terminal	US$49,900,000	**71.43%**	71.43%
1, 2	Topview Investment Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
	Win Hanverky Investments Limited	Hong Kong	Hong Kong	Investment holding	10,000 ordinary shares of HK$10 each	**100.00%**	100.00%
2,3	Xiamen Ocean Gate Container Terminal Co., Ltd.	PRC	PRC	Operation of container terminal	RMB419,055,000	**70.00%**	–
2,3,4	Yangzhou Yuanyang International Ports Co., Ltd.	PRC	PRC	Operation of container terminal	US$44,800,000	**55.59%**	55.59%

43 DETAILS OF SUBSIDIARIES (Continued)

	Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/paid-up capital	Group equity interest 2008	2007
2	Yeman Limited	British Virgin Islands	British Virgin Islands	Property holding	1 ordinary share of US$1	**100.00%**	100.00%
2, 3	Zhangjiagang Win Hanverky Container Terminal Co., Ltd.	PRC	PRC	Operation of container terminal	US$36,800,000	**51.00%**	51.00%

1 Shares held directly by the Company.

2 Subsidiaries not audited by PricewaterhouseCoopers.

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

4 On 13th November 2007, the Memorandum and Articles of Association of Yangzhou Yuanyang International Ports Co. Ltd. ("Yangzhou Yuanyang") was amended and the Group has the power to govern its financial and operating policies from then onwards. Yangzhou Yuanyang was previously a jointly controlled entity and since then, the Group has accounted for Yangzhou Yuanyang as a subsidiary.

5 This subsidiary was disposed of to a subsidiary of an associate during the year.

6 As at 31st December 2008, there is no issued share capital and paid up capital for this subsidiary.

44 DETAILS OF PRINCIPAL JOINTLY CONTROLLED ENTITIES

Details of the principal jointly controlled entities as at 31st December 2008, 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 2008	2007
COSCO Logistics Co., Ltd.	PRC	Shipping agency, freight forwarding, third party logistics and supporting services	RMB1,582,029,851	**49.00%/ 44.40%/ 49.00%**	49.00%/ 44.40%/ 49.00%
COSCO Ports (Nansha) Limited	British Virgin Islands/PRC	Investment in a container terminal	US$10,000	**66.10%/ 66.67%/ 66.10%**	66.10%/ 66.67%/ 66.10%
COSCO-HIT Terminals (Hong Kong) Limited	Hong Kong	Operation of container terminal	2 "A" ordinary shares of HK$10 each, 2 "B" ordinary shares of HK$10 each and 4 non-voting 5% deferred shares of HK$10 each	**50.00%/ 50.00%/ 50.00%**	50.00%/ 50.00%/ 50.00%
COSCO-PSA Terminal Private Limited	Singapore	Operation of container terminal	SGD48,900,000	**49.00%/ 50.00%/ 49.00%**	49.00%/ 50.00%/ 49.00%
Guangzhou South China Oceangate Container Terminal Company Limited	PRC	Operation of container terminal	RMB1,403,171,000	**39.00%/ 40.00%/ 39.00%**	39.00%/ 40.00%/ 39.00%
Nanjing Port Longtan Container Co., Ltd.	PRC	Operation of container terminal	RMB474,000,000	**20.00%/ 22.20%/ 20.00%**	20.00%/ 22.20%/ 20.00%
Ningbo Yuan Dong Terminals Limited	PRC	Operation of container terminal	RMB390,000,000	**20.00%/ 20.00%/ 20.00%**	20.00%/ 20.00%/ 20.00%
Panama International Terminals, S.A. (note a)	Panama	Operation of container terminal	300 ordinary shares with no face value	**50.00%/ 50.00%/ 50.00%**	–/ –/ –
Qingdao Cosport International Container Terminals Co., Ltd.	PRC	Operation of container terminal	RMB337,868,700	**50.00%/ 50.00%/ 50.00%**	50.00%/ 50.00%/ 50.00%
Qingdao Qianwan Container Terminal Co., Ltd.	PRC	Operation of container terminal	US$230,000,000	**20.00%/ 18.18%/ 20.00%**	20.00%/ 18.18%/ 20.00%

44 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 2008	2007
Shanghai CIMC Reefer Containers Co., Ltd. (note b)	PRC	Container manufacturing	US$31,000,000	**20.00%/ 21.40%/ 20.00%**	20.00%/ 21.40%/ 20.00%
Shanghai Pudong International Container Terminals Limited	PRC	Operation of container terminal	RMB1,900,000,000	**30.00%/ 30.00%/ 30.00%**	30.00%/ 30.00%/ 30.00%
Tianjin CIMC North Ocean Container Co., Ltd.	PRC	Container manufacturing	US$16,682,000	**– – –**	22.50% 20.00% 22.50%
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%

Notes:

(a) This jointly controlled entity has not commenced operation as at 31st December 2008.

(b) In January 2009, the Group disposed of its entire 20% equity interest in Shanghai CIMC Reefer Containers Co., Ltd. to CIMC, an associate of the Group, at a consideration of US$16,400,000. The disposal resulted in a gain of approximately US$5,500,000.

45 DETAILS OF PRINCIPAL ASSOCIATES

Details of the principal associates as at 31st December 2008, 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 2008	2007
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 (165,932,239 non-publicly tradeable shares, 1,065,985,103 "A" shares and 1,430,478,709 "B" shares), all of RMB1 each	**21.80%**	16.54%
Dalian Automobile Terminal Co., Ltd.	PRC	Construction and operation of automobile terminals	RMB160,000,000	**30.00%**	30.00%
Dalian Port Container Terminal Co., Ltd.	PRC	Operation of container terminal	RMB240,000,000	**20.00%**	20.00%
Dawning Company Limited	British Virgin Islands/PRC	Investment holding	200 "A" shares of US$1 each and 800 "B" shares of US$1 each	**20.00%**	20.00%
Suez Canal Container Terminal S.A.E.	Egypt	Operation of container terminal	1,375,000 ordinary shares of US$100 each	**20.00%**	20.00%

FIVE-YEAR FINANCIAL SUMMARY

	For the year ended 31st December				
	2008	2007	2006	2005	2004
	US$'000	US$'000	US$'000	US$'000	US$'000
Revenue	**337,973**	298,948	297,473	318,266	300,096
Operating profit after finance income and costs	**120,089**	172,844	169,542	205,092	133,421
Share of profits less losses of					
– jointly controlled entities	**100,273**	106,933	85,070	72,969	66,366
– associates	**54,815**	80,326	89,042	82,320	27,324
Profit on disposal of an associate	**–**	90,742	–	–	–
Profit before income tax	**275,177**	450,845	343,654	360,381	227,111
Income tax credit/(expenses)	**4,585**	(17,796)	(49,196)	(22,426)	(18,021)
Profit for the year	**279,762**	433,049	294,458	337,955	209,090
Profit attributable to:					
Equity holders of the Company	**274,725**	427,768	291,082	334,937	206,646
Minority interests	**5,037**	5,281	3,376	3,018	2,444
	279,762	433,049	294,458	337,955	209,090
Dividends	**109,873**	211,003	197,370	190,333	117,662
Basic earnings per share (US cents)	**12.24**	19.09	13.14	15.28	9.57
Dividend per share (US cents)	**4.90**	9.41	8.85	8.65	5.40

	As at 31st December				
	2008	2007	2006	2005	2004
	US$'000	US$'000	US$'000	US$'000	US$'000
Total assets	**4,213,208**	3,871,575	2,987,155	2,855,150	2,243,072
Total liabilities	**(1,566,905)**	(1,096,916)	(778,954)	(964,807)	(757,444)
Net assets	**2,646,303**	2,774,659	2,208,201	1,890,343	1,485,628

Notes:

1 The consolidated results of the Group for the two years ended 31st December 2008 and the assets and liabilities of the Group as at 31st December 2008 have been extracted from the audited consolidated financial statements of the Group as set out on pages 115 to 121 of the annual report.

2 The Company was incorporated in Bermuda under the Companies Act 1981 of Bermuda (as amended) on 26th July 1994.

HISTORICAL STATISTICS SUMMARY

Financial statistics		1999	2000	2001
Consolidated income statement	US$M			
Revenue				
Container terminal		4.6	5.3	5.7
Container leasing, management, sale and related businesses		229.1	219.5	216.2
Container handling, transportation and storage		10.9	10.5	9.6
Total		244.6	235.3	231.5
EBITDA		237.3	245.6	258.8
Depreciation & amortisation		(70.6)	(74.8)	(81.0)
EBIT		166.7	170.8	177.8
Interest expenses		(37.1)	(38.1)	(24.0)
Interest income		5.1	12.2	5.2
Profit before income tax		134.7	144.9	159.0
Operating profit after finance income and costs		83.7	81.8	99.0
Profit attributable to equity holders of the Company		128.8	140.0	154.5
Breakdown of profit attributable to equity holders of the Company				
Container terminal and related businesses		40.1	47.0	44.1
Container leasing, management, sale and related businesses		115.0	110.6	108.3
Logistics and related businesses		–	–	–
Container manufacturing and related businesses		1.7	2.7	5.0
Other operations		9.7	13.5	24.3
Net corporate finance income/(costs)		(34.8)	(31.0)	(24.1)
Net corporate expenses		(2.9)	(2.8)	(3.1)
Total		128.8	140.0	154.5
Consolidated balance sheet	US$M			
Consolidated total assets		1,631.3	1,558.9	1,731.9
Consolidated total liabilities		631.6	470.9	544.3
Consolidated net assets		999.7	1,088.0	1,187.6
Consolidated total debts		560.8	423.6	509.5
Consolidated cash balances		252.3	145.6	254.1
Consolidated net debts		308.5	278.0	255.4
Per share data				
Capital and reserves attributable to the equity holders of the Company per share	US$	0.46	0.50	0.55
Basic earnings per share	US cents	6.11	6.55	7.21
Dividend per share	US cents	2.34	2.46	3.01
Net asset value per share	HK$	3.645	3.967	4.324
Share price (as at 31st December)	US$	0.827	0.776	0.516
	HK$	6.450	6.050	4.025
Ratios				
P/E (as at 31st December)	Times	13.5	11.9	7.2
Dividend payout ratio	%	38.3	37.6	41.7
Return on total assets	%	8.1	8.8	9.4
Return on net assets	%	13.8	13.4	13.6
Return on equity holders of the Company	%	13.9	13.5	13.7
Net debt-to-equity ratio	%	30.9	25.6	21.5
Interest coverage	Times	4.6	4.8	7.6
Other information				
Total number of shares issued (as at 31st December)	M	2,139.2	2,139.2	2,142.5
Weighted average number of ordinary shares issued	M	2,109.5	2,139.2	2,141.2
Market capitalisation (as at 31st December)	US$M	1,769.0	1,659.3	1,105.6

Notes:

1 The amount in 2007 and 2006 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 2007 and 2006.

2002	2003	2004	2005	2006	2007	2008
7.8	9.0	11.1	12.5	20.9	43.3	78.7
232.1	250.5	281.8	299.0	269.0	247.9	252.6
8.8	8.8	7.2	6.8	7.6	7.7	6.7
248.7	268.3	300.1	318.3	297.5	298.9	338.0
254.6	274.1	351.1	499.3	462.6	574.2	413.6
(87.7)	(95.5)	(102.5)	(107.7)	(88.1)	(84.0)	(92.6)
166.9	178.6	248.6	391.6	374.5	490.2	321.0
(15.5)	(11.9)	(24.8)	(35.6)	(43.4)	(49.9)	(52.7)
3.8	2.3	3.3	4.4	12.6	10.5	6.9
155.2	169.0	227.1	360.4	343.7	450.8	275.2
91.9	109.3	133.4	205.1	169.5	172.8	120.0
142.5	154.7	206.6	334.9	291.1	427.8	274.7
55.7	68.3	98.5	155.7	100.6	128.3	128.2
90.8	92.2	114.1	134.1	184.3	118.0	141.1
–	–	11.2	16.4	18.2	19.2	25.0
5.2	5.6	3.0	59.2	17.0 Note 1	123.6 Note 1	39.3
7.0	7.8	9.8	10.7	13.3	99.0	0.1
(12.8)	(13.6)	(23.9)	(32.0)	(31.6)	(39.4)	(45.9)
(3.4)	(5.6)	(6.1)	(9.2)	(10.7)	(20.9)	(13.1)
142.5	154.7	206.6	334.9	291.1	427.8	274.7
1,746.4	1,903.3	2,243.0	2,855.1	2,987.2	3,871.6	4,213.2
482.4	570.5	757.4	964.8	779.0	1,096.9	1,566.9
1,264.0	1,332.8	1,485.6	1,890.3	2,208.2	2,774.7	2,646.3
420.7	478.3	653.3	835.6	531.6	914.0	1,424.3
236.1	283.8	100.6	179.3	224.7	387.4	429.0
184.6	194.5	552.7	656.3	306.9	526.6	995.3
0.58	0.61	0.67	0.85	0.97	1.21	1.14
6.64	7.20	9.57	15.28	13.14	19.09	12.24
3.72	4.08	5.40	8.65	8.85	9.41	4.90
4.592	4.839	5.307	6.666	7.704	9.637	9.135
0.821	1.327	2.064	1.830	2.349	2.668	1.021
6.400	10.350	16.100	14.200	18.260	20.800	7.91
12.4	18.4	21.7	11.9	17.9	14.0	8.3
56.0	56.6	56.4	56.6	56.6 Note 2	56.6 Note 2	40.0
8.2	8.5	10.0	13.1	10.0	12.5	6.8
11.6	11.9	14.7	19.8	14.2	17.2	10.1
11.8	12.1	14.7	20.0	14.4	17.5	10.4
14.6	14.6	37.2	34.7	13.9	19.0	37.6
11.0	15.2	10.1	11.1	8.8	10.0	6.2
2,147.0	2,148.5	2,183.6	2,199.0	2,228.7	2,244.9	2,245.0
2,146.2	2,147.3	2,160.0	2,192.1	2,214.7	2,240.3	2,245.0
1,761.7	2,851.0	4,507.2	4,024.2	5,234.1	5,988.4	2,291.3

HISTORICAL STATISTICS SUMMARY

Operating statistics		1999	2000	2001
Container leasing, management and sale				
Revenue (Note 1)	US$M	229.1	219.5	216.2
Breakdown of rental income				
– COSCON		142.6	136.8	136.0
– International customers (long term lease)		32.0	35.7	40.4
– International customers (master lease)		27.2	27.9	31.9
Fleet capacity	TEUs	500,899	527,982	610,019
Breakdown of fleet capacity by customers				
– COSCON (included owned, sale-and-leaseback containers)	TEUs	311,047	303,978	327,370
– International customers				
Owned containers	TEUs	189,852	224,004	282,649
Managed containers	TEUs	–	–	–
– COSCON (included owned, sale-and-leaseback containers)	%	62.1	57.6	53.7
– International customers				
Owned containers	%	37.9	42.4	46.3
Managed containers	%	–	–	–
Breakdown of fleet capacity				
– Dry	TEUs	456,490	482,516	561,419
– Reefer	TEUs	30,757	31,880	35,078
– Special	TEUs	13,652	13,586	13,522
– Dry	%	91.2	91.4	92.0
– Reefer	%	6.1	6.0	5.8
– Special	%	2.7	2.6	2.2
Capital expenditure on containers	US$M	57.7	116.3	165.0
Purchase of new containers	TEUs	40,094	69,060	96,953
Disposal of returned containers (Note 2)	TEUs	40,319	34,087	12,151
Fleet age	Year	4.1	4.2	4.3
Utilisation rate				
COSCO Pacific (Florens)	%	96.5	95.1	91.4
Industry average	%	80.0	83.0	75.0
Number of customers		175	155	155
Container terminals throughput	TEUs			
COSCO-HIT Terminal		1,220,002	1,412,854	1,301,966
Yantian Terminal		1,588,089	2,147,476	2,751,885
Shanghai Terminal		2,593,995	2,950,500	2,609,800
Zhangjiagang Win Hanverky Terminal		113,114	136,778	161,208
Qingdao Cosport Terminal		401,029	502,119	600,329
Dalian Port Container Co., Ltd.		–	–	–
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		–	–	–
Total		5,916,229	7,149,727	7,425,188

Notes:

1 Revenues from 1998 to 2006 have been restated to include the sales of resaleable containers.

2 Included COSCON and the buy-in of returned containers upon the expiry of lease.

2002	2003	2004	2005	2006	2007	2008
232.1	250.5	281.8	299.0	269.0	247.9	252.6
136.1	130.6	120.8	126.4	136.9	140.1	142.4
49.1	64.9	88.0	104.3	60.9	32.7	44.3
39.2	43.6	47.1	43.8	21.8	8.5	15.7
707,890	808,825	919,128	1,042,852	1,250,609	1,519,671	1,621,222
329,028	310,444	327,845	377,324	456,877	517,311	551,219
373,644	481,701	567,644	630,925	163,851	239,742	314,077
5,218	16,680	23,639	34,603	629,881	762,618	755,926
46.5	38.4	35.7	36.2	36.5	34.0	34.0
52.8	59.5	61.7	60.5	13.1	15.8	19.4
0.7	2.1	2.6	3.3	50.4	50.2	46.6
657,466	758,783	870,789	993,988	1,198,770	1,470,832	1,570,462
36,962	37,400	36,639	38,020	41,456	38,745	41,183
13,462	12,642	11,700	10,844	10,383	10,094	9,577
92.9	93.8	94.7	95.3	95.9	96.8	96.9
5.2	4.6	4.0	3.6	3.3	2.5	2.5
1.9	1.6	1.3	1.1	0.8	0.7	0.6
153.7	195.6	270.9	333.6	480.6	586.3	348.0
119,466	142,218	155,526	168,592	268,236	326,715	152,752
15,822	23,714	39,517	27,288	48,071	56,759	34,043
4.4	4.3	4.3	4.3	4.0	3.8	4.2
93.4	95.2	97.0	95.5	96.2	94.5	94.6
83.0	89.0	92.0	90.9	91.8	93.0	94.0
176	202	218	256	270	280	300
1,526,074	1,513,559	1,697,212	1,841,193	1,688,697	1,846,559	1,752,251
4,181,478	5,258,106	6,259,515	7,355,459	8,470,919	9,368,696	9,683,493
3,049,080	3,400,963	3,650,319	3,646,732	3,703,460	3,446,135	3,681,785
202,348	247,306	328,199	377,121	455,946	601,801	710,831
454,528	244,159	385,856	605,791	744,276	1,005,439	1,099,937
1,326,463	1,644,409	2,172,252	2,334,481	2,464,208	2,873,474	2,742,503
–	1,765,586	2,339,479	2,471,840	2,650,007	2,723,722	2,779,109
–	1,332,746	4,532,769	5,443,086	6,770,003	8,237,501	8,715,098
–	95,830	571,863	611,013	627,894	833,892	1,247,283
–	–	118,079	157,123	222,912	253,772	267,970
–	–	393,097	633,573	837,574	1,125,557	950,801
–	–	–	178,686	700,098	950,289	1,160,261
–	–	–	132,984	421,068	850,359	1,656,968
–	–	–	87,462	1,773,141	1,988,456	1,938,580
–	–	–	70,084	599,170	792,459	1,091,657
–	–	–	–	241,272	856,784	910,058
–	–	–	–	–	577,196	2,000,130
–	–	–	–	–	331,361	903,865
–	–	–	–	–	319,153	2,392,516
–	–	–	–	–	–	193,779
10,739,971	15,502,664	22,448,640	25,946,628	32,370,645	38,982,605	45,878,875

ABBREVIATION

Company name	Abbreviation
COSCO Pacific Limited	COSCO Pacific or the Company
COSCO Pacific Limited and its subsidiaries	the Group
China COSCO Holdings Company Limited	China COSCO
China Ocean Shipping (Group) Company	COSCO
COSCO Container Lines Company Limited	COSCON
Terminal company	
Antwerp Gateway NV	Antwerp Terminal
COSCO-HIT Terminals (Hong Kong) Limited	COSCO-HIT Terminal
COSCO-PSA Terminal Private Limited	COSCO-PSA Terminal
Dalian Automobile Terminal Co., Ltd.	Dalian Automobile Terminal
Dalian Port Container Terminal Co., Ltd.	Dalian Port Terminal
Guangzhou South China Oceangate Container Terminal Company Limited	Guangzhou South China Oceangate Terminal
Jinjiang Pacific Ports Development Co., Ltd.	Jinjiang Pacific Terminal
Nanjing Port Longtan Container Co., Ltd.	Nanjing Longtan Terminal
Ningbo Yuan Dong Terminals Limited	Ningbo Yuan Dong Terminal
Plangreat Limited	Plangreat
Piraeus Container Terminal S.A.	Piraeus Terminal
Qingdao Cosport International Container Terminals Co., Ltd.	Qingdao Cosport Terminal
Qingdao New Qianwan Container Terminal Co., Ltd.	Qingdao New Qianwan Terminal
Qingdao Qianwan Container Terminal Co., Ltd.	Qingdao Qianwan Terminal
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
Container manufacturing company	
China International Marine Containers (Group) Co., Ltd.	CIMC
Shanghai CIMC Reefer Containers Co., Ltd.	Shanghai CIMC Reefer
Tianjian CIMC North Ocean Container Co., Ltd.	Tianjin CIMC North Ocean
Others	
Chong Hing Bank Limited	Chong Hing Bank

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. CHEN Hongsheng[2] *(Chairman)*
Mr. LI Jianhong[1]
Mr. XU Lirong[2]
Ms. SUN Yueying[1]
Mr. XU Minjie[1] *(Vice Chairman and Managing Director)*
Dr. SUN Jiakang[2]
Mr. HE Jiale[1]
Dr. WONG Tin Yau, Kelvin[1]
Mr. WANG Zhi[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

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Hamilton HM 11
Bermuda

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AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
22nd Floor
Prince's Building
Hong Kong

SOLICITORS

Coudert Brothers
Holman, Fenwick & Willan
Linklaters
Woo, Kwan, Lee & Lo

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
ING Bank N.V.
Rabobank
The Hongkong and Shanghai Banking Corporation Limited
The Royal Bank of Scotland

PRINCIPAL REGISTRAR AND TRANSFER OFFICE IN BERMUDA

The Bank of Bermuda Limited
6 Front Street
Hamilton HM 11
Bermuda

BRANCH REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Secretaries Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Hong Kong

LISTING INFORMATION/COMPANY STOCK CODE

The Stock Exchange of Hong Kong Limited: 1199
Bloomberg: 1199 HK
Reuters: 1199. HK

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