中國遠洋控股股份有限公司

China COSCO Holdings Company Limited

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 1919)

2009

ANNUAL REPORT

Important Notice

1. The Board of Directors, the Supervisory Committee, the Directors, Supervisors and Senior Management of the Company declare that there are no false information, misleading statements or material omissions in this report, and collectively and individually accept full responsibility for the truthfulness, accuracy and completeness of the information contained herein.

2. The 17th meeting of the 2nd session of the Board of Directors of the Company held on 22 April 2010 has considered and passed 2009 Annual Report and its summary. All directors of the Company attended the meeting.

3. Zhongruiyuehua Certified Public Accountants Co., Ltd. and PricewaterhouseCoopers have audited the financial results in 2009 Annual Report prepared under the China Corporate Accounting Standards and the Hong Kong Financial Reporting Standards respectively, and issued unqualified auditors' reports thereon.

4. Mr. Wei Jiafu (Chairman), Mr. Zhang Liang (President), Mr. He Jiale (Chief Financial Officer of the Finance Department) and Mr. Feng Jinhua (Head of the Financial Department) declare that they confirm the truthfulness and completeness of the financial reports in this report.

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS

This report may contain certain forward-looking information and/or information that is not based on historical data and uses forward-looking terminology such as "anticipate", "believe", "intend", "could", "except", "estimate", "may", "ought to", "should" or "will". Readers are cautioned that reliance on any forward-looking statements involves risks and uncertainties and that, although the Group believes that assumptions on which the forward-looking statements are based are reasonable, any or all of those assumptions could prove to be incorrect and as a result, the inclusion of forward-looking statements in this report should not be regarded as representations by the Group concerning future performance of the Group and readers should not place undue reliance on such forward-looking statements. In addition, the Group undertakes no obligation to publicly update or revise any forward-looking statements contained in this report as a result of new information, future events or otherwise.

Contents

Company's Basic Information

1) Company Profile

China COSCO Holdings Company Limited ("China COSCO" or the "Company", together with its subsidiaries, the "Group") was established in the People's Republic of China (the "PRC") on 3 March 2005, and is the fund-raising platform of China Ocean Shipping (Group) Company ("COSCO", together with its subsidiaries, the "COSCO Group"). The Company provides a wide range of container shipping, dry bulk shipping, logistics, terminals and container leasing services covering the whole shipping value chain for both international and domestic customers through its various subsidiaries.

The Group operates its container shipping and related businesses through COSCO Container Lines Company Limited ("COSCON"), its wholly-owned subsidiary. As at 31 December 2009, COSCON operates a fleet of 146 vessels in aggregate, totalling 561,038 TEUs, which calls at over 145 ports in over 50 countries and regions across the world, and operates on 67 international routes, 11 international feeder service routes, 21 PRC coastal service routes and 61 Pearl River Delta and Yangtze River feeder service routes. COSCON has an extensive sales and services network across the world. As at 31 December 2009, COSCON owned over 400 sales and service points in the PRC and overseas. These global route networks and sales and service networks have enabled the Group to provide quality door-to-door services to its customers.

The Group operates its dry bulk cargo shipping business through COSCO Bulk Carrier Co., Ltd. ("COSCO Bulk"), Qingdao Ocean Shipping Company ("COSCO Qingdao"), COSCO (Hong Kong) Shipping Co., Ltd. ("COSCO HK Shipping") and Shenzhen Ocean Shipping Co., Ltd. ("COSCO Shenzhen"). As at 31 December 2009, the Group operates 439 dry bulk cargo vessels, among which 222 were owned by the Company and 217 were charted-in, with a total shipping capacity of 36,572,031 DWT, being the world's largest dry bulk cargo fleet.

The Group provides integrated logistics services (including third party logistics shipping agency and freight forwarding) through its controlling subsidiary, COSCO Logistics Co., Ltd. ("COSCO Logistics", whose equity interests are held as to 51% by the Company directly, and 49% by the Company indirectly through COSCO Pacific Limited (("COSCO Pacific") (Stock Code: 1199), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange"), in which the Company owns approximately 51% equity interests)). COSCO Logistics has established over 400 business branches in 29 provinces, municipalities and autonomous regions in the PRC, Hong Kong and overseas.

The Group operates its terminal business through COSCO Pacific. As at 31 December 2009, COSCO Pacific had invested in 28 terminal projects globally, with a total of 142 berths, ranking fifth in the world.

The Group operates its container leasing business through Florens Container Holdings Limited ("Florens"), a subsidiary of COSCO Pacific. As at 31 December 2009, Florens owned and managed a container fleet of 1,582,614 TEUs. The container leasing business accounted for approximately 14.3% of the global market share, ranking second in the world.

In addition, the Company is also engaged in the container manufacturing business through COSCO Pacific's associate China International Marine Containers (Group) Co., Ltd. ("CIMC"), in which COSCO Pacific holds 21.8% equity interest as at 31 December 2009. CIMC is currently the world's largest container manufacturer, accounting for approximately 50% of the market share.

Being the only capital platform of COSCO and leveraging its extensive market experience and global advantages, the Group, which is based in the PRC and has global market coverage, continues to enhance its integrated shipping capabilities and expand its logistics services coverage so as to become the leading shipping and logistics supplier in the world.

Company's Basic Information

2) Company's Basic Information

1.	Legal Chinese name	中國遠洋控股股份有限公司
	Legal Chinese name abbreviation	中國遠洋
	Legal English name	China COSCO Holdings Company Limited
	Legal English name abbreviation	China COSCO
	Legal representative	WEI Jiafu
2.	Secretary to Board of Directors	
	Name	ZHANG Yongjian
	Contact address	3rd Floor, No.1 Tongda Square, Tianjin Port Free Trade Zone, Tianjin, the PRC
	Telephone	(022) 66270898
	Facsimile	(022) 66270899
	E-mail	investor@chinacosco.com
3.	Representative of securities affairs	
	Name	LIANG Hong, MING Dong
	Contact address	3rd Floor, No.1 Tongda Square, Tianjin Port Free Trade Zone, Tianjin, the PRC
	Telephone	(022) 66270898
	Fascimile	(022) 66270899
	E-mail	lianghong@chinacosco.com; mingdong@chinacosco.com
4.	Company's registered office	3rd Floor, No.1 Tongda Square, Tianjin Port Free Trade Zone, Tianjin, the PRC
	Place of business	3rd Floor, No.1 Tongda Square, Tianjin Port Free Trade Zone, Tianjin, the PRC
	Postal code	300461
	Company website	www.chinacosco.com
	Company E-mail	investor@chinacosco.com
	Designated newspapers for disclosure of Company's information	Shanghai Securities Daily, China Securities Daily, Securities Times
5.	Website designated by the China Securities Regulatory Commission for publishing the annual report	www.sse.com.cn (Website for publishing the H share Annual Report: www.hkex.com.hk)
	Place of collection of annual report	3rd Floor, No.1 Tongda Square, Tianjin Port Free Trade Zone, Tianjin, the PRC

6. Shares in the Company

Type of share	Place of listing	Share abbreviation	Stock code
A share	Shanghai Stock Exchange	China COSCO	601919
H share	Hong Kong Stock Exchange	China COSCO	1919

7. Other information

Initial date of registration	3 March 2005
Initial place of registration	12th Floor, COSCO Building, 158 Fuxingmennei Avenue, Beijing, the PRC

Company's Basic Information

2) Company's Basic Information

	Date of registration for subsequent change	5 January 2007
	Place of registration for subsequent change	3rd Floor, No.1 Tongda Square, Tianjin Port Free Trade Zone, Tianjin, the PRC
	Business registration number	Qi Gu Guo Fu Zi No.001179
	Taxation registration number	Jin Di Shui Zi No.120116710933243
	Entity number	710933243
8.	Auditors engaged by the Company	
	PRC auditor	Zhongruiyuehua Certified Public Accountants Co., Ltd
	Address	8th-9th Floor, Block A, Corporation Building, 35 Finance Street, Xicheng District, Beijing
	International auditor	PricewaterhouseCoopers
	Address	22nd Floor, Prince's Building Hong Kong, Central, Hong Kong
9.	Other information	Place of business in Hong Kong 49/F COSCO Tower, 183 Queen's Road Central, Hong Kong
		Major bankers Bank of China Industrial and Commercial Bank of China China Merchants Bank
		Legal advisers
		As to Hong Kong law Paul, Hastings, Janofsky & Walker 22/F Bank of China Tower, 1 Garden Road, Hong Kong
		As to PRC law Commerce and Finance Law Offices 6th Floor, NCI Tower, A12 Jianguomenwai Avenue, Chaoyang District, Beijing
		Domestic A share registrar and transfer office China Securities Depository and Clearing Corporation Limited, Shanghai Branch 36th Floor, China Insurance Building, 166 Luijiazui Road East, Pudong New District, Shanghai
		Hong Kong H share registrar and transfer office Computershare Hong Kong Investor Services Limited Rooms 1806-1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

Company's Basic Information
3) Major Events

2009

February The first extraordinary general meeting of China COSCO in 2009 was convened at the Convention Centre of Ocean Plaza, Beijing.

"COSCO Taicang", a 10,000-TEU container vessel, was delivered to COSCON.

April China COSCO was awarded "The Best Board of Directors Award"（最佳董事會獎）under the fifth "Gold Prize of Round Table"（金圓桌獎）of the Board of Listed Companies in China in 2008.

China COSCO announced its annual results for 2008.

China COSCO announced its first quarterly results for 2009.

COSCON was named "The Best Shipping Line Transpacific"（太平洋航線最佳班輪公司）by the Asian Freight & Supply Chain Awards in 2009.

May China COSCO was named "The Most Promising PRC-Invested Listed Company in the World in 2009"（二零零九年全球最具成長性華商上市公司）.

As in 2008, China COSCO was again selected as one of the "Top 100 Listed Companies of China in Market Value Management". Wei Jiafu, the chairman, was awarded the "2009 Best Leader of the Chinese Capital Market Award"（二零零九年中國資本市場最佳創富領袖獎）, and Zhang Yongjian, secretary to the Board, was awarded the "2009 Achievement in Investor Relations in the Chinese Capital Market Award"（二零零九年中國資本市場最佳創富 IR 獎）.

China COSCO was ranked 337th in the FT Global 500 of Financial Times of the UK, with a market value of US$14,855.4 million.

COSCON was named "The Best Carrier for Fast East/East Canada Service" for the eighth consecutive year.

Company's Basic Information

3) Major Events

June	China COSCO received the "Renowned Enterprise Award"（信譽企業集團大獎）of 2009.
	Shareholders' general meeting for the year 2008 of China COSCO was held simultaneously in Beijing and Hong Kong through video conferencing.
	In the "2008 Chinese Listed Company Value Appraisal and the First Chinese Investors' Favorite Listed Company Website"（二零零八年度中國上市公司價值評選暨首屆中國最受投資者歡迎上市公司網站）selection campaign hosted by Securities Times, China COSCO was named one of the "Top 100 Most Highly Valued Listed Companies"（上市公司價值百強）and was presented with the "Management Excellence Award for Listed Companies"（上市公司優秀管理團隊）, was named one of "The 100 Best Listed Companies Company Secretaries"（上市公司百佳董秘）and received the award for "Chinese Investors' Favorite Listed Company Website Award"（最受投資者歡迎上市公司網站大獎）.
	In the "Golden Ox of Listed Companies in China Forum 2008 and Golden Ox of Listed Companies 2008"（二零零八年金牛上市公司論壇暨二零零八年上市公司金牛獎）selection campaign organized by the China Securities Journal, China COSCO was awarded "Golden Ox of Top 100 Listed Companies in China 2008"（二零零八年度上市公司百強金牛獎）and Mr. Zhang Yongjian, secretary to the Board of Directors of the Company, was presented with "The Best Listed Companies Company Secretary Award"（上市公司最佳董秘獎）.
July	In "The Top 100 Enterprises in Tianjin 2008"（二零零八年天津企業 100 強）selection campaign jointly organized by the Tianjin Enterprise Association and the Tianjin Entrepreneur Association, China COSCO ranked second for its outstanding operating results in 2008. Besides, COSCO Bulk, a wholly-owned subsidiary of China COSCO, ranked 13th in this event.
August	China COSCO announced its interim results for 2009.
September	Mr. Cheng Hongsheng, general manager of China COSCO, was named one of the "2009 Top 10 Entrepreneurs in China"（二零零九中國十大傑出企業家）by the China Enterprise News Association and China Association of Enterprises.
	China COSCO participated in the Investors' Online Forum（投資者網上交流會）held by the Tianjin Securities Regulatory Bureau and the Listed Companies Association of Tianjin.
	In "The Best Board of Directors of Chinese Listed Companies Selection 2009"（二零零九中國上市公司最佳董事會評選活動）, China COSCO received the "2009 Best Corporate Governance for a Listed Company"（二零零九中國上市公司最佳治理董事會）and the "Best Listed Companies Company Secretary 2009"（二零零九中國上市公司最佳董秘）.

Company's Basic Information

3) Major Events

October The annual report for the year 2008 and monthly investor relations' newsletter (IR Newsletter) was awarded silver award and bronze award respectively by the League of American Communications Professionals, a well-known award body in the world.

China COSOC announced its third quarterly results for 2009.

COSCON was awarded with a "Clean Oil Certificate"（淨油證書）and "Green Channel Flag"（綠色通道旗）by the Port of Seattle.

COSCO Pacific took over Pier 2 of Piraeus Container Terminal S.A. in Greece.

COSCO Logistics named the best among the Top 100 Logistics Companies in China（中國物流百強企業榜首）for the fifth consecutive year.

November The fourth berth of container in Quanzhou Pacific Terminal commenced operations.

December In the "2009 Chinese Listed Companies Competitiveness Report"（二零零九年度中國上市公司競爭力報告）jointly prepared by the Institute of Industrial Economics of CASS and the China Business Media Corporation, China COSCO was among the top ten Hong Kong listed companies and was recognised as "The Most Competitive H-share Company"（最具競爭力港股上市公司）of 2009.

China COSCO issued a profit warning announcement regarding 2009 annual results.

In the "Corporate Governance of Listed Companies Award"（上市公司治理專項獎）selection campaign organized by the Shanghai Stock Exchange, China COSCO was nominated as one of the "2009 Top 10 Boards of Directors"（二零零九年度董事會提名獎十強）.

Chairman's Statement

Chairman **WEI JIAFU**

Chairman's Statement

Dear Shareholders,

First of all, I would like to take this opportunity to express my heart-felt gratitude to all shareholders for your care and support to the Group. I also wish to extend my sincere gratitude to all directors, supervisors, members of the senior management and diligent staff of our Group for their dedicated efforts during the past year.

In 2009, the global shipping industry slumped due to the global financial crisis. Our container shipping and dry bulk shipping businesses were seriously affected. The Group weathered the difficulties and challenges by actively developing new markets and strictly controlling costs to minimize our loss.

In face of the unusually challenging environment, the Group strictly managed its investment scale, successfully issued medium-term notes and adopted effective measures to secure the cash flow and capital of the Group. In addition, the Group's continuous efforts in the improvement of its corporate governance received wide recognition. The Group was presented with 23 awards, including "the Best Board of Directors Award（最佳董事會）", "Management Excellence Award for Listed Companies（最佳優秀管理團隊）" the "Reliable Enterprise Award（信譽企業集團大獎）" and "Top 100 Listed Companies with Excellent Market Value（上市公司價值百強）".

During the period under review, the Group's revenue was RMB68,462,514,000, representing a 48.1% decrease from last year, and the loss attributable to equity holders of the Group amounted to RMB7,467,812,000, as compared to the profit attributable to equity holders of the Group amounted to RMB11,606,134,000 of last year. Due to the loss, the Board does not recommend the payment of final dividend.

During the period under review, the completed shipping volume of the Group's container shipping and related business was 5,234,292 TEUs, representing a decrease of approximately 9.6% compared to the same period last year. Revenue from container shipping operations was RMB27,509,979,000, representing a decrease of 38.5% from the same period last year.

In 2009, the Group promptly responded to the precarious conditions of the container shipping market by controlling fuel oil costs, container management costs and other management costs. The Group also restructured and reallocated the capacity of its container vessels in response to the market situation. The Group further expanded and strengthened its portfolio of key customers and direct customers and actively secured containers with high profit margin so as to maintain its market share. The Group capitalized on the market opportunities and implemented schemes to revive shipment costs and keep pace with the reviving market. Capitalising on the booming domestic demands driven by the economic stimulus policy, the Group captured domestic trade opportunities. In proactively implementing the measures of increasing number of vessels and reducing speed, the Group was able to absorb shipment capacity and control the consumption of fuel. The Group further strengthened its cooperation with CKYH through centralized shipping arrangement, coordination of port services and cooperation with feeders and land transporters.

Chairman's Statement

During the period under review, five new container vessels were delivered for operation with an aggregate capacity of 29,793 TEUs. After excluding the chartered-in capacity, self-operated capacity decreased by 1.7% year-on-year. No new vessel orders were placed in 2009. As at the end of 2009, the Group had 54 container vessel orders, representing a total of 414,926 TEUs.

During the period under review, shipping volume of the Group's dry bulk shipping business amounted to 271.54 million tons, representing a decrease of 7.36% over the same period last year. Dry bulk shipment turnover was 1.4 trillion ton-nautical miles, representing a decrease of 6.67% over the same period last year. Of the total dry bulk shipment turnover, coal shipping volume amounted to 85.13 million tons, representing a year-on-year decrease of 4.72%; metal ore shipping volume amounted to 122.43 million tons, representing a year-on-year decrease of 0.73%, and shipping volume of other cargoes amounted to 63.98 million tons, representing a year-on-year decrease of 20.44%. The Group generated revenue of RMB27,367,246,000, representing a decrease of 61.8% as compared with the same period of last year.

The Group adopted a conservative approach in light of the enormous changes in the international dry bulk shipping market by capturing market opportunities and optimising the structure of our dry bulk fleet. The Group also concentrated on soliciting quality customers and securing cargo resources, in line with its plan to develop key accounts. Management processes were streamlined to reduce key operating costs. In addition, risk management measures were reinforced to closely monitor customers' credit risks.

As at 31 December 2009, the Group operated 439 dry bulk vessels (36,572,031 DWT), and remains a global leader in terms of dry bulk fleet size.

During the period under review, revenue from the logistics business of the Group amounted to RMB12,127,039,000, representing a decrease of 14.5% as compared with the same period in 2008. Project logistics of the Group achieved significant progress through the establishment of a land transportation platform for bulky containers, fleets of self-operated barges and an international chartering centre for project logistics. Regarding product logistics, the Group focused its efforts on exploring new markets while extending its scope of business, optimising its service models and accelerating the efforts to cultivate the ability to offer high-end services, all with a view to further consolidate its leading position in the specialised logistics segment and build up its reputation in the domestic and international markets. Regarding the shipping agency business, the Group leveraged on its well-rounded marketing framework and formulated proposals that are catered to core customers. Through interaction with clients and sharing of information, the Group strengthened its cooperative relationship. For the freight forwarding business, the Group utilised information systems to enhance the quality of services and to develop its integrated freight forwarding operations, providing its customers with comprehensive and high-tech freight forwarding services.

During the period under review, the terminal business of the Group remained stable overall, and adjusted the operating strategies and measures, implemented strict cost controls and prudently explored the terminal market for its terminal business in a timely manner in response to market changes. The Group had successfully taken over Pier 2 and Pier 3 of the container terminal of Piraeus Port in Greece in October 2009.

Chairman's Statement

As at the end of 2009, the Group held equity interests in 28 terminal joint-ventures, which amounted to 142 berths, and the number of terminals controlled by the Group increased to 6. Container terminal throughputs in which the Company held interests were 43.55 million TEUs, representing a decrease of 5% over the same period last year, which was above the average in the container terminal industry. Currently, the market share of container terminal business of COSCO Pacific in global terminal market is around 6.1%, with its ranking as the fifth largest global terminal operator maintained.

As for container leasing, Florens, a subsidiary of COSCO Pacific, continued its after-sales entrustment management model, controlling its number of containers size effectively to maintain its leading position and continued to be ranked as the second largest container leasing company in the world, accounting for approximately 14.3% of market share of global container leasing business. This represented an increase of 0.7% as compared with 2008. The average container leasing rate thorough 2009 remained higher than that of its peers.

Looking forward to 2010, according to the forecast by International Monetary Fund ("IMF") in early April, the growth rate of the global economy is expected to be 4.1%. Following the gradual recovery of the global economy, the Group expects the shipping industry to be in the recovery stage in 2010, while the market will continue to fluctuate. With the development in the global economy and the rise of emerging markets, the centre of the shipping sector is expected to shift to the developing countries. The Asian regions, particularly the PRC, are expected to have stronger presence in the shipping sector in the post economic crisis era.

Market demand for the container shipping market is likely to pick up again. However, as more time is required for the demand-supply structure to adjust itself, there will still be great pressure in respect of the operating conditions. In respect of dry bulk shipping, demand for raw materials such as iron ore and coal is likely to rebound. PRC-related factors will bolster the development of dry bulk shipping. As for the logistics business, as the PRC economy continues to grow, in particular, with the gradual implementation of stimulus plans in the PRC, the structure of the logistics industry in the PRC will soon be improved to capture new opportunities for growth. The future of the container port industry is full of challenges. Yet, the PRC's leading position in the recovery will give an impetus to the Group's terminal business.

Dear shareholders, your continuous trust and support are our most valuable assets. Under the current difficult situation, China COSCO will actively embrace new challenges by adopting innovative ideas and effective measures and strive for positive results by seizing market opportunities. In order to establish a capital platform for COSCO, the Company will continue to actively facilitate the implementation of overall strategy in accordance with the principle of "overall planning and implementing in phases".

Wei Jiafu
Chairman

22 April 2010

Summary of Accounting Data

Results for the year ended 31 December 2009 prepared under the Hong Kong Financial Reporting Standards ("HKFRSs")

	Year ended 31 December 2009 (RMB'000)	Year ended 31 December 2008 (RMB'000) (Restated)	**Changes**
Revenues	**68,462,514**	131,838,916	-48.1%
Operating (loss)/profit	**(6,408,363)**	14,436,243	-144.4%
(Loss)/profit before income tax expenses	**(6,213,500)**	15,670,552	-139.7%
(Loss)/profit attributable to equity holders of the Company	**(7,467,812)**	11,606,134	-164.3%
Basic (loss)/earnings per share (RMB)	**(0.7310)**	1.1360	
Final dividend per share (RMB)	**—**	0.29	
Final dividend payout ratio	**—**	25.5%	
Total assets	**137,741,303**	120,010,202	14.8%
Total liabilities	**85,156,488**	58,103,803	46.6%
Non-controlling interests	**10,592,472**	9,762,815	8.5%
Equity attributable to the equity holders of the Company	**41,992,343**	52,143,584	-19.5%
Net debt to equity ratio	**30.9%**	-7.9%	
Gross profit margin	**-5.7%**	16.8%	

Summary of Accounting Data

Significant differences between financial information reported under HKFRSs and the China Accounting Standards ("CAS") issued by the Ministry of Finance of the PRC

		Consolidated net loss attributable to equity holders of the Company for the year ended 31 December 2009 RMB'000	Consolidated equity attributable to equity holders of the Company as at 31 December 2009 RMB'000
As prepared under CAS		**(7,541,294)**	**42,822,055**
1	Difference in recognition of cost basis of assets	**(14,371)**	**248,574**
2	Difference in valuation of available-for-sale financial assets	—	—
3	Difference in recognition and treatment on functional currency	**52,081**	**(1,078,286)**
4	Difference in recognition of goodwill for transactions not under common control	**(3,959)**	**—**
5	Difference in treatment on employee retirement and medical benefit obligation of an overseas subsidiary	**39,731**	**—**
Total differences		**73,482**	**(829,712)**
As prepared under HKFRSs		**(7,467,812)**	**41,992,343**

Notes:

1. In the HKFRS financial statements, assets are stated at historical costs less amortisation while under CAS financial statements assets are carried at revalued amount less amortisation.

2. In the HKFRS financial statements, available-for-sale financial assets are carried in the balance sheet at their fair values in accordance with HKASs 32 and 39. In the CAS financial statements, such investments were classified as long-term equity investments, and were carried at cost in 2008 and previous years. In 2009, such investments were transferred from long-term equity investments to available-for-sale financial assets, and are carried at their fair values. As a result, the difference has been eliminated in 2009.

3. In the 2008 HKFRS financial statements, US Dollar was determined as the functional currency of China COSCO, and RMB is the presentation currency for presentation of financial statements, whereas RMB is the functional currency and the financial statement presentation currency in the CAS financial statements. In 2009, the functional currency of China COSCO has been changed from US Dollar to RMB in the HKFRS financial statements. As a result, part of the differences has been eliminated in 2009.

4. The difference in the point of time for ceasing the amortisation on goodwill (the difference between purchase consideration and fair value of net assets acquired) and performing impairment testing between HKFRS and CAS financial statements has been eliminated in 2009.

5. The difference in recognising the employee retirement and medical benefit obligation of an overseas subsidiary between HKFRS and CAS financial statements has been eliminated in 2009.

Changes in Equity and Shareholders Information

(I) Changes in Equity

1. Table of changes in shares

There were no changes in the Company's share numbers or share structure during the reporting period.

Approval of changes in shares

Not applicable.

Transfer regarding changes in shares

Not applicable.

Effects of changes in shares on financial data of the current year and current period, such as earning per share and net asset per share

Not applicable.

Other information which the Company considers necessary or required to be disclosed by any securities regulatory authorities

Not applicable.

2. Changes in shares subject to selling restrictions

There were no changes in the number of shares of the Company that are subject to selling restrictions during the reporting period.

(II) Issue and listing of securities

1. Issue of securities in the last three years

Unit: share
Currency: RMB

Type of shares and respective security derivatives	Date of issue	Issue price ($)	Number of shares issued	Date of listing	Number of tradable shares approved	End of trading date
H share issue [1]	29 June 2005	HK$4.25	2,244,000,000	30 June 2005	2,580,600,000 Shares	N/A
Bonus share issue	29 May 2007	N/A	930,713,450	29 May 2007	336,600,000 Shares	N/A
A share issue [2]	25 June 2007	RMB8.48	1,783,867,446	26 June 2007	1,783,867,446 shares	N/A

Changes in Equity and Shareholders Information

Type of shares and respective security derivatives	Date of issue	Issue price ($)	Number of shares issued	Date of listing	Number of tradable shares approved	End of trading date
Additional issue to COSCO	19 December 2007	RMB18.49	864,270,817	To be listed on 19 December 2010	864,270,817 shares	N/A
Additional issue to strategic investors, including COSCO[3]	28 December 2007	RMB30	432,666,307	29 December 2008	432,666,307 shares	N/A

Notes:

(1) The issue price of H shares was HK$4.25.

(2) The specific number of A shares approved for listing and trading is as follows: 891,933,000 shares of this issue were listed on 26 June 2007, 356,934,446 shares were listed on 26 September 2007, and 535,000,000 shares were listed on 26 June 2008.

(3) The specific number of the additional shares issued to strategic investors, including COSCO, and approved for listing and trading is as follows: 379,000,000 shares were listed on 29 December 2008. Shares issued to COSCO will be listed on 29 December 2010.

2. Changes in total number and structure of shares of the Company

During the reporting period, there were no bonus share issuance or placings. Hence, there was no change in total number and structure of shares of the Company.

3. Existing internal employee shares

The Company did not have any internal employee shares during the reporting period.

Changes in Equity and Shareholders Information

(III) Shareholder and effective controller

1. Number of shareholders and their shareholding

Unit: share

Total number of shareholders at the end of the reporting period 461,971

Shareholdings of the top 10 shareholders

Name of shareholder	Nature of shareholders	Percentage of shareholding (%)	Total number of shares held	Increase/ decrease during the reporting period	Number of shares subject to selling restrictions	Number of shares pledged or frozen
China Ocean Shipping (Group) Company	State-owned	52.80	5,313,082,844	-178,386,745	5,313,082,844	Nil
HKSCC Nominee Limited	Other (H share)	24.91	2,545,192,146	15,679,295	0	Unknown
National Council for Social Security Fund (Subsidiary Shareholder)	State-owned	1.75	178,386,745	178,386,745	178,386,745	Nil
China National Nuclear (Group) Corporation	Domestic non-state owned legal person	0.70	72,000,000	0	0	Nil
Aerospace Science & Technology Finance Co., Ltd.	Domestic non-state owned legal person	0.39	40,000,000	0	0	Nil
Sinochem Corporation	Domestic non-state owned legal person	0.39	40,000,000	-10,000,000	0	Nil
Minmetals Investment & Development Co. Ltd.	Domestic non-state owned legal person	0.30	31,000,000	0	0	Nil

Changes in Equity and Shareholders Information

Shareholdings of the top 10 shareholders

Name of shareholder	Nature of shareholders	Percentage of shareholding (%)	Total number of shares held	Increase/decrease during the reporting period	Numberof shares subject to selling restrictions	Number of shares pledged or frozen
Agricultural Bank of China - Zhongyou Core Growth Equity Securities Investment Fund	Domestic non-state owned legal person	0.30	30,171,471	-2,294,114	0	Nil
China Energy Conservation Investment Corporation	Domestic non-state owned legal person	0.23	23,500,000	0	0	Nil
China Construction Bank - Great Wall Brand Prime Equity Securities	Domestic non-state owned legal person	0.21	21,676,835	21,676,835	0	Nil
Industrial and Commercial Bank of China - Shanghai Stock Exchange 50Exchange Traded Fund	Domestic non-state owned legal person	0.21	21,528,760	4,778,303	0	Nil

Changes in Equity and Shareholders Information

Shareholdings of the top 10 shareholders not subject to selling restrictions

Name of shareholder	Number of shares not subject to selling restrictions	Type and number of shares
HKSCC Nominee Limited	2,545,192,146	Overseas listed foreign shares
China National Nuclear (Group) Corporation	72,000,000	RMB ordinary shares
Aerospace Science & Technology Finance Co., Ltd.	40,000,000	RMB ordinary shares
Sinochem Corporation	40,000,000	RMB ordinary shares
Minmetals Investment & Development Co. Ltd.	31,000,000	RMB ordinary shares
Agricultural Bank of China - Zhongyou Core Growth Equity Securities Investment Fund	30,171,471	RMB ordinary shares
China Energy Conservation Investment Corporation	23,500,000	RMB ordinary shares
China Construction Bank - Great Wall Brand Prime Equity Securities	21,676,835	RMB ordinary shares
Industrial and Commercial Bank of China -Shanghai Stock Exchange 50 Exchange Traded Fund	21,528,760	RMB ordinary shares
Agricultural Bank of China - China Post Fund	21,352,904	RMB ordinary shares

Note: As at 31 December 2009, China Ocean Shipping (Group) Company holds 81,179,500 H shares, representing 3.15% of total H shares in issue. It is included in the shares held by HKSCC Nominee Limited.

The number of shares held by the top ten shareholders holding shares subject to selling restrictions and the respective selling restrictions

Unit: share

Name of holders of shares subject to selling restrictions	Number of shares subject to selling restrictions	Trading date	Number of additional tradable shares	Selling restrictions
China Ocean Shipping (Group) Company	5,313,082,844	19 December 2010	5,240,753,859	Restriction upon issue
		29 December 2010	53,666,307	Restriction upon issue

Note: The additional 18,662,678 shares of A shares acquired by China Ocean Shipping (Group) Company, the controlling shareholder of the Company, in the secondary market will be strictly subject to selling restrictions under the regulatory supervision.

Strategic investors or ordinary legal persons becoming top ten shareholders as a result of participating in the placing of new shares

Not applicable.

2. Controlling shareholder and effective controller

(1) Specific description of controlling shareholder and effective controller

The controlling shareholder of the Company is China Ocean Shipping (Group) Company and the effective controller of the Company is the State-owned Assets Supervision and Administration Commission of the State Council.

(2) Controlling shareholder

Unit: Yuan
Currency: RMB

Name	**China Ocean Shipping (Group) Company**
Person in charge or legal representative	Wei Jiafu
Date of incorporation	27 April 1961
Registered capital	4,103,367,000
Principal business operations or management activities	China Ocean Shipping (Group) Company is one of the mega-size state-owned enterprises under the State-owned Assets Supervision and Administration Commission of the State Council. Apart from the business operated by our Group, the main business currently operated by COSCO Group also includes operations of oil tankers and other liquefied bulk cargo shipping, general cargo and special vessel shipping, ship repair and retrofit, ship building, provision of vessel fuels, financial services, ship trading service and the provision of seaman and ship management services, etc.

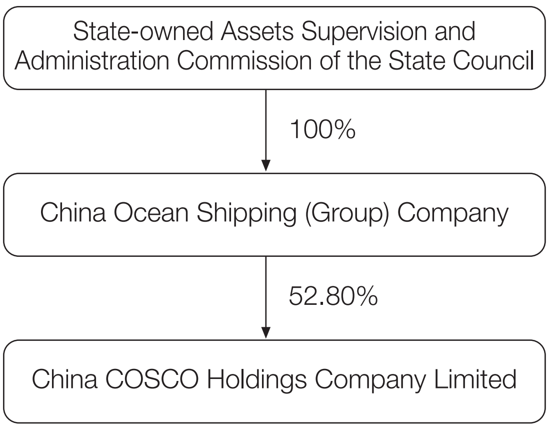
(3) Effective controller

State-owned Assets Supervision and Administration Commission of the State Council.

(4) Changes in controlling shareholder and effective controller

During the reporting period, there was no change in the Company's controlling shareholder and the effective controller.

Diagram showing equities and controlling relationship between the Company and effective controller



3. Other corporate shareholders holding 10% or above shares

Not applicable.

Directors, Supervisors, Senior Management

Major working experiences of directors, supervisors and senior management of the Company in the recent five years are as follows:

WEI Jiafu （魏家福）

Mr. WEI, aged 60, is currently an executive director, the chairman and CEO of the Company. Mr. Wei has been the president of COSCO since 1998 and is the chairman of the board of COSCO Boao and COSCO HK and the vice chairman of the board of China Merchants Bank. Mr. Wei was the general manager of Sino-Tanzania Joint Shipping Company, COSCO Holding (Singapore) Pte Ltd, COSCO Tianjin and COSCO Bulk, the chairman of the board of COSCO Pacific, COSCO Investment (Singapore) and COSCO International. Mr. Wei was a marine captain and has over 40 years of experience in navigation and international shipping business. He has excellent business decision-making abilities and substantial capital markets experience. Both COSCO Pacific and COSCO Investment (Singapore), with which Mr. Wei worked, have become overseas blue chip listed companies. Mr. Wei is currently the leader of several society organizations, including China Shipowners' Association, China Shipowner's mutual Assurance Association, The China Association of Trade in Services and China Federation of Industrial Economics. Mr. Wei obtained his doctorate degree from Tianjin University and his master's degree from Dalian Maritime University. He is also a senior engineer. In 1999, he was awarded the honour of special contribution to the State. He was awarded as "Top 30 Influential People in Economy in 30 Years of Chinese Reform and Opening", "60 People in Chinese Shipping History", "Top 60 Influential People in China Economy in 60 Years" of Top 100 People in China Economy and "Business Leaders in China Economy in Recent Decade" of CCTV. Mr. Wei is also a committee member of the 16th and 17th CPC Central Disciplinary Committee.

Directors, Supervisors, Senior Management

ZHANG Fusheng（張富生）

Mr. ZHANG, aged 60, is currently a non-executive director and the vice-chairman of the Company. Mr. Zhang has been the secretary of the CPC sub-committee and an executive vice-president of COSCO since 2002 and is the chairman of board of COSCO International and the director of China Bohai Bank. Mr. Zhang was a deputy director of the No. 1 division of Tianjin Port Authority, deputy director of personnel and labour department of MOC, director of institutional reform and regulatory department of MOC (spokesman of MOC), the vice-president of the Beijing branch of Bank of Communications, the secretary of the CPC sub-committee of COSCON and COSCO Shanghai, and the executive director of COSCO Pacific. Mr. Zhang has over 40 years of experience in the administration and management of shipping companies, and financial management. Mr. Zhang is an expert in management; his extensive experience has enabled him to demonstrate outstanding leadership qualities throughout the course of development of the COSCO Group. He was awarded "Top 10 Human Resources Management in China". Mr. Zhang obtained a master's degree in transportation management and engineering from Wuhan University of Communications Science and is a senior engineer. Mr. Zhang was elected a member of the 10th and 11th National People's Congress of the PRC, and is a member of the Foreign Affairs Committee of the 11th National People's Congress.

ZHANG Liang（張良）

Mr. ZHANG, aged 56, is currently an executive director and general manager of the Company. Mr. Zhang has been an executive vice president of COSCO Group since 2006 and is the chairman of the board of COSCO Bulk Carrier Co. Ltd., COSCO Qingdao, COSCO Shenzhen and COSCO HK Shipping. He was the managing director of the Personnel Department, assistant to the general manager, as well as deputy general manager (safety control manager) of Tianjin Ocean Shipping Company, deputy general manager of COSCO Bulk Carrier Co. Ltd., general manager of Tianjin Ocean Shipping Company, general manager of COSCO Bulk Carrier Co. Ltd. and chief legal consultant of COSCO Group. Mr. Zhang was a marine captain. He has over 30 years of experience in the shipping industry and has extensive experience in corporate operations and management. Mr. Zhang is currently the vice chairman of China Navigation Society, China Association of Port-of-entry and China Maritime Law Association. He graduated from Dalian Maritime University, majoring in navigation and had obtained his master's degree in transportation planning and management from Shanghai Maritime University as well as his doctorate degree in corporate management from Nan Kai University. He is a senior engineer.

Directors, Supervisors, Senior Management

LI Jianhong（李建紅）

Mr. LI, aged 53, is currently a non-executive director of the Company. Mr. Li has been the executive vice-president of COSCO since 2000, and is the Chief Risk Officer and Chief Information Officer of COSCO, vice chairman of CIMC and chairman of the board of COSCO Investment (Singapore). Mr. Li was the general manager of Nantong Shipyard and general manager of COSCO Industry Co., Ltd. and COSCO Property Ltd., assistant to president and chief commercial officer of COSCO. Mr. Li has over 30 years of experience in corporate management. He has extensive experience in asset management and capital operation. Mr. Li graduated from the University of East London in the United Kingdom with a master's degree in Business Administration and holds a master's degree in Business Administration from Jilin University. He is a senior economist.

XU Lirong（許立榮）

Mr. XU, aged 52, is currently a non-executive director of the Company. Mr. Xu has been the executive vice-president of COSCO Group and chairman of its labour union since 2006 and is the non-executive director of COSCO Pacific, the chairman of COSCO Shipping Co., Ltd, COSCON, China Marine Bunker (Petro China) Co., Ltd., COSCO Americas, Inc. and COSCO Europe GmbH. He was the marine captain of Shanghai Ocean Shipping Company ("COSCO Shanghai"), the general manager of Shanghai International Freight Forwarding Company, the deputy general manager of COSCO Shanghai, the president of Shanghai Shipping Exchange, managing director of COSCON and executive vice president of the Company. Mr. Xu has over 30 years of experience in the shipping industry and has extensive experience in corporate management. Mr. Xu obtained his Master of Business Administration degree from Shanghai Maritime University and the Maastricht School of Management in Netherlands. He is a senior engineer.

Directors, Supervisors, Senior Management

SUN Yueying（孫月英）

Ms. SUN, aged 51, is currently a non-executive director of the Company. Ms. Sun has been the chief accountant of COSCO since 2000 and is the chairman of COSCO Finance Co., Ltd., the executive director of COSCO Pacific, and the director of COSCON, COSCO HK, COSCO Investment (Singapore), China Merchants Bank and China Merchants Securities. Ms. Sun was the vice director of the finance department of Tianjin Ocean Shipping Co., the finance manager of COSCO Japan Co., Ltd, the general manager of the finance and capital division of and the deputy chief accountant of COSCO. Ms. Sun has over 20 years of experience in the shipping industry and extensive experience in corporate financial management. Ms. Sun graduated from Shanghai Maritime University majoring in shipping finance and accounting, and holds an Executive MBA degree from University of International Business and Economics. She is a certified accountant and a senior accountant.

CHEN Hongsheng（陳洪生）

Mr. CHEN, aged 60, is currently a non-executive director of the Company. Mr. Chen has been the vice president of COSCO HK since 2009 and is the non-executive director and chairman of the board of COSCO Pacific, the chairman of COSCO Logistics and COSCO Japan. Mr. Chen was the deputy general manager of Penavico Nantong Branch Company, general manager of shipping department of Penavico, general manager of COSCO Beijing International Freight Forwarding Company, deputy general manager of COSCO International Freight Forwarding Company, deputy general manager of COSCO Container Lines, general manager of COSCO International Freight Forwarding Company, deputy general manager of COSCON, vice president of COSCO, executive director and general manager of the Company. He has over 30 years of experience in the shipping industry with extensive experience in enterprise operation and management. Mr. Chen graduated from Sichuan Foreign Language College with major in English and Capital University of Economics and Business in postgraduate studies in business administration. He is a senior economist. He has been awarded the honour of special contribution to the State in 1995.

Directors, Supervisors, Senior Management

LI Boxi（李泊溪）

Ms. LI, aged 74, is currently an independent non-executive director of the Company. Ms. Li was an executive member and head of the development forecast division of the Development Research Center of the State Council of the PRC. She is currently a researcher of the Development Research Centre of the State Council of the PRC, specializing in technical economics, quantitative economics, development strategy and policy. Ms Li had long been involved in the research on country development strategy and corporate development strategy. Her research results are innovative, which have significant influence inside and outside of the PRC. Ms. Li was elected as a member of the 7th and 8th National People's Congress of the PRC. She is currently a part-time professor of Nan Kai University and the chief strategic development consultant of the Real Estate Association of All-China Federation of Industry & Commerce. She is among the first group of experts who have been recognized for their special contribution to the State.

Alexander Reid HAMILTON（韓武敦）

Mr. HAMILTON, aged 68, is currently an independent non-executive director of the Company. Mr. Hamilton is currently an independent non-executive director of a number of Hong Kong listed companies (which include CITIC Pacific Limited, Esprit Holdings Limited and Shangri-La Asia Limited) and a director of a number of Hong Kong private companies. He was an independent non-executive director of COSCO Pacific from 1994 to 2005 and was the independent non-executive director of COSCO International from 1997 to 2004. He was also the chairman of the audit committee of COSCO Pacific. He had been a partner of PricewaterhouseCoopers, with whom he practised for 16 years.

CHENG Mo Chi（鄭慕智）

Mr. CHENG, aged 60, is currently an independent non-executive director of the Company. Mr. Cheng is an independent non-executive director of various listed companies in Hong Kong, such as Hong Kong Exchanges and Clearing Limited and China Mobile (Hong Kong) Limited). He is a non-executive director of a number of Hong Kong listed companies (which include City Telecom (H.K.) Limited and Guangdong Investment Limited). Mr. Cheng is a practicing solicitor, and is a senior partner of P.C. Woo & Co. He was also a founding chairman of The Hong Kong Institute of Directors and is currently its honourable president and chairman emeritus. Mr. Cheng was a member of the Legislative Council and the chairman of the Main Board Listing Committee and of the Growth Enterprise Market Listing Committee of the Hong Kong Stock Exchange.

TEO Siong Seng（張松聲）

Mr. TEO, aged 55, is currently an independent non-executive director of the Company. Mr. Teo is managing director of Pacific International Lines Pte Ltd., president and chief executive officer of Singamas Container Holdings Limited (00716), vice chairman of CSIC Pacific Private Ltd (a joint venture of China Shipbuilding Industry Corporation and Pacific International Lines Pte Ltd.), a President of the Singapore Chinese Chamber of Commerce & Industry, and a nominated member of parliament of the Singapore Government. Mr Teo also sits on the board of Business China (Singapore), (an organisation founded by the Singapore Chinese Chamber of Commerce & Industry and sponsored by senior minister Mr. Lee Kuan Yew), Maritime and Port Authority of Singapore (MPA) and Through Transport Mutual Insurance Association Limited, the President of Singapore Shipping Association and Chairman of Singapore Maritime Foundation (SMF), Lloyd's Register Asia Shipowners, The Standard Steamship Owners' Protection and Indemnity Association (Asia) Ltd and Class NK Singapore, as well as a member of the management board centre for Maritime Studies of Singapore.

Directors, Supervisors, Senior Management

LI Yunpeng（李雲鵬）

Mr. LI, aged 51, is currently a supervisor and the chairman of the supervisory committee of the Company. Mr. Li has been the Supervisor of the CPC Subcommittee of COSCO Group since 2004, and is the spokesman of COSCO Group, the chairman of the supervisory committee of COSCO Bulk and Qingdao COSCO. Mr. Li had been the deputy head, head and supervisor of Department of Appointment and Removal of COSCO Tianjin, the deputy general manager of the executive division, general manager of the supervision division, general manager of the human resources management division and assistant to president of COSCO. Mr. Li has 30 years of experience in the shipping industry and extensive experience in corporate management, internal control and human resources. Mr. Li obtained a Master's degree in ship and marine engineering from Tianjin University. He is a senior engineer.

WU Shuxiong（吳樹雄）

Mr. WU, aged 55, is currently a supervisor of the Company. He has been the secretary to the committee of the CPC and deputy general manager of COSCON since 2002. He had been a marine chief engineer, deputy director of the fourth ship management department of COSCO Shanghai, general manager of Shanghai Far East Container Manufacturing Co. Ltd., deputy general manager director of COSCO Shanghai and deputy general manager (safety and quality control manager) of COSCON. Mr. Wu has over 30 years of experience in the shipping industry and extensive experience in corporate management and vessel management. Mr. Wu graduated from Shanghai Jiao Tong University, majoring in transportation management. He is a senior engineer.

MA Jianhua（馬建華）

Mr. MA, aged 47, is currently a supervisor of the Company. Mr. Ma had been the secretary to the committee of CPC, and deputy managing director of COSCO Logistics since 2006. He had been the deputy section chief of the human resources management and labour department and bureau surveyor of MOC, vice-secretary and the supervisor of the CPC sub-committee of Shenzhen Maritime Safety Administration, deputy director of the office of Chongqing municipality of PRC, and deputy secretary of Chongqing municipality of PRC. Mr. Ma has extensive experience in administrative management, traffic management, human resources management, modern logistics strategy and management. Mr. Ma graduated from Central Party School of CPC majoring in economics and is a senior engineer.

LI Zonghao（李宗豪）

Mr. LI, aged 52, had been a supervisor of the Company until 9 June 2009. Mr. Li is currently the vice general manager of COSCO HK Shipping. He had been the vice general manager of the supervisory division, vice director of supervisory office, deputy head of the discipline inspection department, general manager of the supervisory division, director of supervisory office and head of the discipline inspection department of COSCO. Mr. Li has over 30 years of experience in shipping industry and extensive experience in internal control. Mr. Li graduated from the Marine Navigation Department of Qingdao Ocean Shipping Mariners College and participated in and obtained a graduation certificate from self-study examination in legal profession university. He was a graduate from Capital University of Economics and Business in postgraduate studies in business administration.

Directors, Supervisors, Senior Management

LUO Jiulian（駱九連）

Mr. LUO, aged 55, is currently a supervisor of the Company. Mr. Lou is currently the secretary of CPC sub-committee and deputy general manager of Dalian Ocean Shipping Company. He was the deputy director of CPC sub-committee office of COSCO, the deputy secretary of discipline committee and chairman of labour union of COSCO International Freight Forwarding Company, and the vice chairman of discipline inspection committee of CPC sub-committee, director of supervisory office, general manager of supervisory department of COSCO. Mr. Luo has almost 20 years of experience in the shipping industry with extensive experience in corporate management and internal control functions. Mr. Luo graduated from Central Party School of CPC majoring in economics and is a postgraduate student.

YU Shicheng（於世成）

Mr. YU, aged 55, is currently an independent supervisor of the Company. Mr. Yu is currently the principal of Shanghai Maritime University, vice chairman of China Institute of Navigation, vice chairman of China Maritime Law Association and an arbitrator of China Maritime Arbitration Commission. He is a professor and a lawyer and has been engaging in teaching and research on the topics of maritime laws and international maritime policies. Mr. Yu has been granted a special allowance by the State Council since 1994.

KOU Wenfeng（寇文峰）

Mr. KOU, aged 44, had been an independent supervisor of the Company until 9 June 2009. Mr. Kou had been working in government departments including the MOF for more than ten years, mainly responsible for works relating to reforms, conversion into stock companies, reorganisation of assets, and the issue and listing of shares of state-owned enterprises. He graduated from Dongbei University of Finance and Economics, majoring in finance. He is a registered asset appraiser in the PRC.

MENG Yan（孟焰）

Mr. MENG, aged 54, is currently an independent supervisor of the Company. Mr. Meng has been working for Central University of Finance and Economics since 1982. He was the deputy director and director of accountancy department and is currently the dean, professor and tutor of doctorate students of Faculty of Accountancy, executive committee of Accounting Society of China, executive committee of China Society for Finance and Accounting, committee member of Professional Education Supervisory Committee for Business Administration Subjects of Higher Education of Ministry of Education and committee member of National Master of Accountancy Education Supervisory Committee. Mr. Meng graduated from the Research Institute for Fiscal Science of Ministry of Finance and obtained a doctorate degree in economics (accountancy). He has been entitled to the government's special allowance from the State Council since 1997.

Directors, Supervisors, Senior Management

SUN Jiakang（孫家康）

Mr. SUN, aged 50, is currently an executive vice president of the Company. Mr. Sun is the managing director of COSCON and the non-executive director of COSCO Pacific. Mr. Sun had been the manager of the third division and second division of the COSCO Container Lines, the general manager of transportation division and assistant to president of COSCO, vice chairman of the board, executive director and general manager of COSCO Pacific and vice-president of COSCO HK Shipping. Mr. Sun has over 20 years of experience in the shipping industry, and has extensive experience in the corporate operation management. Mr. Sun holds a Doctorate degree from Preston University, U.S. and a Master's degree from Dalian Maritime University. He is a senior engineer.

XU Zunwu（許遵武）

Mr. Xu, aged 52, is currently an executive vice president of the Company and the managing director of COSCO Bulk. He previously held positions as the deputy general manager of COSCO Guangzhou, the deputy general manager of COSCO Bulk, deputy general manager and managing director of COSCO HK Shipping, vice-president of COSCO HK Shipping, managing director of Hong Kong Shipping Co., Ltd and the general manager of COSCO Shenzhen. Mr. Xu has over 20 years' work experience in maritime industry and therefore has extensive experience in corporate operation management. Mr. Xu graduated from Shanghai Maritime University with major in ocean shipping. He also holds the professional qualification of senior economist.

YE Weilong（葉偉龍）

Mr. YE, aged 47, is currently an executive vice president of the Company. Mr. Ye is also the managing director of COSCO Logistics. He had been the assistant to general manager, deputy general manager and general manager of Shanghai Ocean International Freight Company, general manager of COSCO Shanghai International Freight Co., Ltd, deputy general manager of COSCON and the general manager of COSFRE. Mr. Ye has extensive experience in corporate operation management, international cargo transportation as well as the operation and management of modern logistics strategy. He obtained a Master degree in Business Administration at Shanghai Maritime University and Maastricht School of Netherlands and is a senior economist.

XU Minjia（徐敏傑）

Mr. XU, aged 51, is currently an executive vice president of the Company. Mr. Xu is also the vice chairman, executive director and general manager of COSCO Pacific as well as director of COSCO Logistics. He had been a former marine captain, manager of department of container division, operation division and export division of COSCO Shanghai. He had also been deputy general manager of Shanghai Ocean International Freight Company, general manager of COSFRE Shanghai and manager of transportation department of COSCO head office. Mr. Xu has nearly 30 years of experience in shipping and has extensive experience in corporate operation and management. Mr. Xu graduated from the Marine Navigation Department of Qingdao Ocean Shipping Mariners College and obtained his master degrees in Business Administration from Shanghai Maritime University and Maastricht School of Management in the Netherlands and is a senior economist.

Directors, Supervisors, Senior Management

HE Jiale（何家樂）

Mr. HE, aged 55, is currently the chief financial officer of the Company. Mr. He is also the executive director of COSCO Pacific. 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 COSCO and the chief accountant of COSCON and the financial controller of COSCO HK Shipping. 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.

ZHANG Yongjian（張永堅）

Mr. ZHANG, aged 58, is currently the secretary of the board of the Company. Mr. Zhang had been the head of the shipping department and the deputy general manager of COSCO Dalian and assistant president and the general manager of the strategic planning and development division of COSCO HK Shipping and the general manager of the Planning Department of COSCO. Mr. Zhang has 30 years of experience in the shipping business, as well as in legal work. Mr. Zhang graduated from the Shanghai Maritime University and the Dalian Maritime University. He has a Master degree in Law. He is a senior economist.

1. Appointment of directors and changes

On 30 November 2009, the Company convened the 15th meeting of the second Board of Directors, whereby the re-designation of Mr. Chen Hongsheng as non-executive director from executive director and the re-designation of Mr. Zhang Liang as executive director from non-executive director were approved.

On 22 April 2010, the Company convened the 17th meeting of the second Board of Directors, whereby the resignation of Mr. Chen Hongsheng as a committee member of the Strategic Development Committee and the appointment of Mr. Zhang Liang as a committee member of the Strategic Development Committee were approved. Mr. Chen Hongsheng will no longer be on the Strategic Development Committee.

2. Appointment of supervisors and changes

On 9 June 2009, the Company convened the 2008 annual general meeting, whereby the election of Mr. Luo Jiulian as a supervisor of the second Supervisory Committee of the Company; the election of Mr. Meng Yan as an independent supervisor of the second Supervisory Committee of the Company; the resignation of Mr. Li Zonghao as a supervisor of the second Supervisory Committee of the Company; and the resignation of Mr. Kou Wenfeng as an independent supervisor of the second Supervisory Committee of the Company were approved.

3. Appointment of senior management and changes

On 30 November 2009, the Company convened the 15th meeting of the second Board of Directors, whereby the resignation of Mr. Chen Hongsheng as the general manager of the Company; and the appointment of Mr. Zhang Liang as the general manager of the Company were approved.

Management Discussion and Analysis

Review of overall performance

In 2009, the Group recorded revenues of RMB68,462,514,000, representing a decrease of 48.1% as compared to 2008. Loss before income tax was RMB6,213,500,000, as compared to profit before income tax of RMB15,670,552,000 of 2008. Loss attributable to equity holders of the Company amounted to RMB7,467,812,000, as compared to profit attributable to equity holders of the Company amounted to RMB11,606,134,000 of 2008.

Business Review

Container Shipping and Related Business

Market review

In the face of the very difficult global economic environment in 2009, demand in the container shipping market shrunk sharply. However, the global capacity of container vessels continued to grow and aggravated the oversupply situation. Under these challenging circumstances, freight rates dropped significantly in the first half of the year and the container shipping industry was hit seriously and the whole industry, in general, recorded losses . However, market conditions improved due to the economic stimulus measures implemented by various governments. At the same time, various capacity reduction measures were taken by the container liners to regulate the supply and demand, including making vessels idle, early termination of leases, retirement of vessels and slowing down of vessel speed. As a result, freight rates continued to increase in the second half of the year and reached record heights since the end of 2008 towards the end of the year. Overall fuel consumption, which remains the major component of cost, decreased due to fleet expansion and the slowing down of vessels. The reduction in fuel cost helped ease the cost pressure to a certain extent.

Management Discussion and Analysis

Results performance

In 2009, shipping volume of the Group's container shipping and related business amounted to 5,234,292 TEUs, representing a decrease of approximately 9.6% as compared to last year. Revenue amounted to RMB27,509,979,000, representing a decrease of 38.5% over last year.

Shipping volume by routes

	Year ended 31 December		
	2009 (TEUs)	**2008** (TEUs)	**Change** (%)
Trans-Pacific	**1,155,489**	1,286,272	-10.2
Asia-Europe (including Mediterranean)	**1,193,422**	1,527,980	-21.9
Intra-Asia (including Australia)	**1,386,378**	1,438,134	-3.6
Other international (including Trans-Atlantic)	**184,774**	243,001	-24.0
PRC	**1,314,229**	1,297,206	1.3
Total	**5,234,292**	5,792,593	-9.6

Revenues by routes

	Year ended 31 December		
	2009 (RMB'000)	**2008** (RMB'000) (restated)	**Change** (%)
Trans-Pacific	**7,289,171**	12,819,471	-43.1
Asia-Europe (including Mediterranean)	**6,114,390**	13,456,153	-54.6
Intra-Asia (including Australia)	**4,446,924**	5,803,158	-23.4
Other international (including Trans-Atlantic)	**869,359**	2,129,092	-59.2
PRC	**2,528,817**	3,063,475	-17.5
Sub-total	**21,248,661**	37,271,349	-43.0
Chartering	**496,175**	345,821	43.5
Related business	**5,765,143**	7,145,680	-19.3
Total	**27,509,979**	44,762,850	-38.5

In 2009, in response to the market trends and with a view to adjusting the structure of the container shipping capability, the Group took delivery of 5 new container vessels, with a total capacity of 29,793 TEUs, during the year. As at 31 December 2009, the Group had 146 container vessels with a total capacity of 561,038 TEUs in operation, representing an increase of 13% as compared to the end of 2008. However, excluding the chartered-out capacity, capacity of self-operating fleets decreased by 1.7% as compared to last year.

In 2009, the Group did not place new orders of vessels. As at the end of 2009, the Group had an orderbook of 54 container vessels with a total capacity of 414,926 TEUs.

Orderbook of container vessels (as at 31 December 2009)

Year	Owned		Chartered-in		Total	
	Number	TEUs	Number	TEUs	Number	TEUs
2010	9	45,924	6	46,981	15	92,905
2011	7	29,750	7	77,853	14	107,603
2012	16	95,300	4	52,368	20	147,668
2013	5	66,750	—	—	5	66,750
Total	37	237,724	17	177,202	54	414,926

In 2010, the Group is expected to deliver 15 new vessels with a total capacity of 92,905 TEUs, including 9 self-owned vessels of 45,924 TEUs and 6 chartered-in vessels of 46,981 TEUs.

Operation strategies

The Group promptly adjusted its shipping capacity in response to the ever-changing shipping market. The Group reduced its shipping capacity in a timely manner during the rapid market downturn in the fourth quarter of 2008. The Group controlled its risks and secured its market share by flexibly expanding the capacity of its routes that had sufficient demand after the market bottomed out in 2009.

Moreover, the Group enlarged its fleet and slowed down the speed of vessels in respect of a number of routes: the Far East route and the Eastern America route both increased from 8 vessels to 9 vessels, the North China-South-West America route increased from 5 vessels to 6 vessels and the Europe routes increased from 8 vessels to 9 vessels. All these helped reduce fuel consumption and utilise excess shipping capacity, thereby improve the balance of demand and supply for shipping routes.

The Group further strengthened its cooperation with CKYH, and the coverage of its shipping service was enlarged through centralized shipping arrangement, coordination of port services and cooperation with feeders and land transporters. Operation efficiency was enhanced effectively by reducing freight space of some of its routes, for instance, freight space of Europe routes were reduced by 25%. Through alliance arrangements, the Group chartered-out 4 vessels of 10,000 TEUs each to its partners in exchange for 4 vessels of 5,500 TEUs each and jointly operated new Far South-East Asia-Europe routes with such partners. Through such arrangement, the Group utilized some of its excessive capacity and realized some gains due to differences in charter expenses. Cost of freight space was also reduced by using larger vessels. In addition, through cross leasing of vessels with alliance partners, the Group operated the Persian Gulf route with such partners, which indirectly eased the demand pressure on freight space of North China-South-West America route by reducing freight space by 28.6%. The operation costs of arranging schedules for these two routes reduced significantly.

Capitalising on market recovery, the Group took the initiative to re-adjust its freight rates so as to restore market order. More efforts were put into the development of key accounts, direct customers and FOB customers with a particular focus on the European and the American routes, thereby optimizing its customer base. The Group strived to improve the structure of sources of goods by identifying highly-profitable sources of goods to maintain its market share. In respect of domestic shipping, the Group grasped the opportunities arising from the economic stimulus polices of the PRC government and implemented the “Yangtze Strategy” (長江戰略) to develop the Yangtze River market and expand into new markets. Value-added service offers were further extended. The Group introduced more innovative services, such as expediting the application of services like the 4-in-1 carload shipping rack so as to to differentiate itself from other competitors and maintain its competitive edge.

Cost control

The Group continued to proactively implement cost control strategies by reinforcing the accountability system and improving the cost control procedures to effectively in order to control the operating costs and enhance operational efficiency.

The Group initiated negotiations with global suppliers for favourable rates from suppliers of ports and terminals, depots and container maintenance services, feeder service and land transportation in a timely manner. The Group also utilized the shipping volume alliance with CKYH to secure additional favorable offers from the relevant ports.

The Group took the lead to enlarge vessel fleets and slow down vessel speed. The Group promoted the concepts of ultra-slow speed and “zero ballast” (零壓載水) of vessels and announced the Qingdao Declaration together with other alliance partners of CKYH, which emphasized the importance of reasonable expansion, cost control and commitment to social responsibility. The Group strived to reduce fuel consumption by rearranging routes and designation of responsibility to captains. All vessels were installed with fuel consumption monitoring system and fuel saving devices. The Group also imposed fuel surcharges, bulk purchases and secured spot prices to offset the changes in fuel costs. With all these measures, the Group recorded a decrease of 12.3% in fuel costs as compared to last year.

Maintenance cost of containers decreased as compared to 2008 due to better allocation and management of containers and further reduction of the size of the container fleet by 5.6%. Total maintenance costs of containers decreased by 3% as compared to last year through measures such as the reinforcement of the tracking and monitoring of turnover rate and the further reduction of the container leasing rates.

Market outlook

The global economy is expected to further improve in 2010. It is expected that annual average freight rates will increase significantly and liners will achieve better results of operation. However, as more time is required for the demand-supply structure to adjust itself, the pressure on the container liner shipping market will continue.

Operation plans

In light of such unfavourable market conditions, the Group will adjust its operation strategies in response to the business environment. The Group will continue to absorb and arrange for additional shipping capacity by rescheduling delivery of vessels, early termination of leases, leasing out vessels, disposing of old vessels and implementing sales and leaseback arrangements. The Group will strengthen the cooperation with alliance partners and other industry players through the further promotion of the policy whereby there are more vessels operating at a slower speed, and leasing and exchanging of vessels among alliances so as to utilize excessive capacity. The Group will further expand into new markets by seizing the opportunities brought about by the development of China-ASEAN Free Trade Area. The Group will further improve and optimize its route network by capitalizing on the growing demand in the PRC.

The Group will put more efforts into accounts analysis and accelerate the restructuring of the customer base and cargo mix. While focusing on the development of key accounts, the Group will also selectively explore small-to-medium direct customers to further secure freight forwarding customers. Under the export freight rate filing system implemented by the Ministry of Transport of the PRC, the Group will actively liaise with the relevant authorities with a view to raising freight rates and imposing surcharges.

In respect of cost control, the Group will continue to develop long-term strategic partnership with suppliers by taking advantage of the support of its alliance. Non-exclusive suppliers will be selected through a tendering process to achieve the most favourable prices. Fuel cost effectiveness will be further enhanced by further implementing the measures of addition of vessels and reduction of speed, and installing energy saving devices. Fuel cost will also be managed through hedging the bunker and spot prices of fuel. Transhipment costs will be reduced by exploring and developing low-cost transhipment routes and providing customized transhipment services. Without sacrificing the operation efficiency, the number of containers will be kept to the minimum and the containers will be properly allocated to improve the utilization rate and reduce the costs of maintaining of containers.

It is expected that the shipping volume of the Group's container shipping will reach 5,670,000 TEUs in 2010.

Dry Bulk Shipping Business

Market review

In 2009, the general global demand for dry bulk shipping remained similar to that of 2008. The global dry bulk shipping market remained low in the first half of the year before it turned around in the second half. Boosted by the economic stimulus policies of China and other major economies, the demand for iron ore and the import of coal in China were increasing. The import of iron ore to the PRC amounted to 628 million tons in 2009, representing an increase of 42% as compared to last year. In 2009, the PRC became a net importer of coal. The annual import of coal amounted to 126 million tons , representing an increase of 212% as compared with last year. Driven by the "PRC factor", BDI rose from 773 points at the beginning of the year to 4,661 points on 19 November 2009. BDI then turned around and closed at 3,005. Average BDI for the year 2009 was 2,617 points, falling by 59% as compared with 2008.

Results performance

In 2009, the shipping volume was 271,540,000 tons, representing a decrease of 7.36% as compared with last year. Dry bulk shipment turnover was 1.4 trillion ton miles, representing a decrease of 6.67% as compared with last year, of which coal shipping volume amounted to 85,130,000 tons, representing a decrease of 4.72% as compared with last year. Metal ore shipping volume amounted to 122,430,000 tons, representing a decrease of 0.73% as compared with last year. Shipping volume of other cargoes amounted to 63,980,000 tons, representing a decrease of 20.44% as compared with last year. Revenue was RMB27,367,246,000, representing a decrease of 61.8% as compared with last year.

Operation strategy

The Group worked to capture market opportunities and optimise its fleet structure. The Group endeavoured to minimise cost and strengthen low-cost strategies to optimise its fleet structure and enhance its competitiveness. The Group was committed to growing in phases. While the Company focused on the operation of cargo shipment based on current contracts, it seized opportunities to enter into long term contracts to charter out most of its future capacity when improvement in the general market or regional market was considered to be short term. This would ensure future profits and minimize operation risks.

It was the strategy of the Group to maintain good and stable relationship with its major customers. The Group realised its mission of "weathering difficult situations through cooperation". The Company also sought to maintain its existing customer base and expand its customer base by leveraging its strong brand name.

The Group exerted effort in streamlining its operation in order to effectively reduce costs in its entire operation. The Group strived to explore the potential for cost reduction in fuel, mechanical and technological management and administrative expenses in 2009. In addition, the Group focused on the key factors in cost control by putting effort in controlling operating costs such as fuel costs, shipment and insurance expenses in order to effectively reduce costs in key procedures.

As at 31 December 2009, the Group owned, operated and controlled 439 dry bulk vessels, with a total of 36,572,031 DWT. 222 vessels were owned vessels totaling 16,544,640 DWT with an average age of 13.6 years per vessel. 217 vessels were chartered-in vessels totaling 20,027,391 DWT.

Management Discussion and Analysis

Capacity of the fleet (as at 31 December 2009)

	Owned			Chartered-in		Total	
Vessel type	Number	DWT	Average vessel age (years)	Number	DWT	Number	DWT
Capesize	32	6,203,297	7.0	56	9,765,049	88	15,968,346
Panamax	72	5,109,824	13.6	92	6,935,453	164	12,045,277
Handymax	81	3,936,258	12.6	49	2,548,774	130	6,485,032
Handysize	37	1,295,261	21.4	20	778,115	57	2,073,376
Total	222	16,544,640	13.6	217	20,027,391	439	36,572,031

As at 31 December 2009, the Group has an orderbook of 30 dry bulk vessels, with a total capacity of 4,377,000 DWT. This comprises 4 VLOC with a total capacity of 1,190,000 DWT, 8 Capesize vessels with a total capacity of 1,640,000 DWT, 11 Panamax vessels with a total capacity of 1,148,000 DWT and 7 Handymax vessels with a total capacity of 399,000 DWT.

Orderbook of dry bulk vessels (as at 31 December 2009)

	2010		2011		2012		2013		Total	
Vessel type	Number	DWT	Number	DWT	Number	DWT	Number	DWT	Number	DWT
VLOC	4	1,190,000	–	–	–	–	–	–	4	1,190,000
Capesize	1	205,000	5	1,025,000	–	–	2	410,000	8	1,640,000
Panamax	3	228,000	–	–	5	575,000	3	345,000	11	1,148,000
Handymax	5	285,000	–	–	–	–	2	114,000	7	399,000
Total	13	1,908,000	5	1,025,000	5	575,000	7	869,000	30	4,377,000

The status of the Company's FFA

Forward Freight Agreements ("FFA") is a type of forward contract. In an FFA, terms such as voyage routes, prices, quantities, value dates, calculation methods of settlement prices are provided, and both parties will also agree to receive or pay the difference in freight or charter hire between the official Baltic Freight Index and the agreed contract price at a certain future date and time. The Group operates the business of chartered-in vessels and hedges against the risks related to chartered-in vessels through FFA, in accordance with the overall operation of dry bulk vessels. As such, FFA plays an important role in hedging against such risks.

In developing the FFA operations, the Group regarded risk control to be its number one priority. The Group formulated and strictly implemented the regulations on FFA operations and the FFA Risk Management Policies. The management of FFA operation was strengthened in various aspects such as organisational structure, segregation of duties and having clear operating procedures. In respect of operating procedures, the procedures for authorization are strictly in line with the execution procedures for cargoes and vessels transportation so as to ensure that risks from decision making are under control. The credit quality of counterparties is also strictly reviewed to ensure such control.

As at 31 December 2009, the total fair value of FFAs derivative assets held by the Company amounted to RMB1,011,000 while the fair value of total FFA derivative liabilities amounted to RMB142,082,000, which were accounted as "derivative financial assets" and "derivative financial liabilities" in the balance sheet respectively.

Market Outlook

With the global economic recovery in 2010, the demand for raw materials such as iron ore and coal will increase. According to the projection of Marsoft, a consultancy in shipping industry, the shipment for dry bulk cargo will increase by 10.5% in 2010. The "PRC factor" will remain an important focal point. In addition, the potential of import potential of India is significant. The growth of the demand from the Middle East is expected to pick up whereas demand from countries such as Europe, US, Japan and Korea will remain stable. It was also projected that the overall situation of the dry bulk market in 2010 will be better than that of 2009. However, the market will be under the pressure of additional capacity supply. According to the forecast of Marsoft, the growth of capacity of global dry bulk fleet will increase by 12.5% in 2010. The rate of roll out of new vessels will reach a record high. Moreover, the market may become volatile due to various uncertainties such as negotiation of iron ore price, seasonal factors, variation of monthly iron ore import to the PRC, FFA trade volume, scrapped tonnages and climatic factors.

Operation plans

In 2010, the Group will further optmise its fleet structure and operating costs based on its strategic development plan. Various initiatives will be adopted to strive for a balanced development model. The Group will place emphasis on market research, improve quality of market forecast and fine-tune market analysis so as to formulate advanced market deployment. Customer structure will be improved, the core marketing strategy of retaining major customers will be implemented. Based on the principle of "long term and stable development", the Group will endeavour to enter into more long term contracts. It will further reinforce its service philosophy by enhancing communication, trust, customer loyalty and brand name. The Group will coordinate and control different resources and control operating risks strictly. The Group will seek to increase its shipping capacity as well as cargo volume. The Group will operate and coordinate its business flexibly according to market conditions so as to increase efficiency and enhance risk prevention. Management will be fortified and streamlined for better management efficiency. Cost control will be strictly applied while new sources of income will be identified and expenses will be reduced.

It is expected that the turnover of dry bulk cargoes completed by the Group will reach 955 billion ton miles in 2010.

Logistics Business

Results performance

In 2009, the revenue of logistic business amounted to RMB12,127,039,000, representing a decrease of 14.5% as compared to the same period of 2008.

The business volumes of major segments of the Group in 2009 are set out in the table below:

	2009	2008	Growth Rate %
Third party logistics			
Product logistics			
Home appliance logistics ('000 pcs)	**51,106**	58,582	-13
Chemical logistics (RMB '000)	**8,137**	59,790	36
Project logistics (RMB million)	**1,012**	1,150	-12
Shipping agency business (vessels)	**144,985**	136,041	7
Freight forwarding business			
Marine shipping			
Bulk cargoes ('000 tons)	**166,648**	141,630	18
Containers (TEUs)	**1,923,702**	2,212,978	-13
Air-freight (tons)	**93,782**	121,340	-23

Third party logistics

With respect to project logistics, the turnover of which for 2009 recorded a slight decrease. It was primarily due to the end of a number of large projects in project logistics. In addition, most newly initiated nuclear electricity projects are only in preparation. However, as there is continuous expansion of project logistics in new markets, such trend will undergo substantial changes.

With respect to product logistics, in 2009, the net revenue of chemical logistics increased by 36%, while that of home appliance logistics decreased by 13% as compared to 2008.

Shipping agency

In 2009, COSCO Logistics continued to operate its shipping agency business under its brand "PENAVICO". It established long-term strategic partnerships with leading international shipping companies and provided agency services for 148 additional routes, representing a market share of 65% among new routes. COSCO Logistics promoted its shipping agency online business and ship line-up information service as well as container cargo business, which emphasized value-added service and technology advancement. These promotions helped COSCO Logistics to strengthen its competitive edge in the shipping agency market.

Freight forwarding

COSCO Logistics, a subsidiary of the Group, handled bulk cargoes of 166,650,000 tons, representing an increase of 18% as compared to 2008, and handled container cargoes of 1,923,702 TEUs, representing a decrease of 13% as compared to 2008.

With respect to sea freight forwarding operations, the Group made remarkable progress in various areas such as developing the freight space booking system and metal pool, establishing a marketing mechanism, focusing on direct customers, exploring integrated freight forwarding projects and promoting the FOCUS system.

Air freight forwarding

The global air freight forwarding industry was hard hit in 2009. While the air freight volume was decreasing, the capacity of air freight company did not decrease. As such, the capacity surplus resulted in price competition in air freight and continued shrinkage in overall revenue for the air freight forwarding industry. The air freight forwarding business of COSCO Logistics decreased by 23% as compared with 2008.

Management Discussion and Analysis

Market outlook

In 2010, the development of the logistics industry in the PRC will follow the sustainable economic growth in the PRC, benefitting substantially from the RMB4 trillion infrastructure investment plan of the PRC government. The existing Restructuring and Revitalisation Plan for Logistics Industry and the Rules for the Revitalisation Plan for Logistics Industry to be implemented by the State Council will create a favourable environment for robust development of the logistics market in the PRC. Opportunities for the development of the logistics industry will be positive in various areas such as construction, raw material, energy, cement, steel and bulk commodities trading.

Operation plans

In 2010, the focus of the Group's logistics business is to improve its business structure enhance the development of new businesses, seek new profit growth drivers, consolidate its leadership in the country, and pursue overseas expansion. The Group will also place emphasis on strategic cooperation, business model optimisation, operations profitability, cooperative capability enhancement and improvement in management model and risk control. Moreover, the Group will also pay attention to the strategic coherence, improvement in the risk prevention system and enhancement in monitoring capability.

The focus of product logistics will shift from home appliances to electronic appliances. More effort will be put into the development of financing logistics business and the establishment of a chemical logistics platform.

With respect to project logistics, the Group will make great efforts further expand into key sectors such as nuclear power, petrochemicals and aviation and will also maintain its focus on the international market.

With respect to shipping agency, the Group will further consolidate its brand in shipping agency and focus on the implementation of on-site loading of containers and "double field personnel system". With respect to freight forwarding, based on the principle of "integration, focus and enhancement", the Group will transform the traditional freight forwarding into integrated freight forwarding and develop high-end products freight forwarding business.

With respect to air freight forwarding, the Group will strengthen its marketing of high-end markets, take initiative in the marketing of air freight business and target direct customers in international, national and regional markets. The dedicated marketing team will be responsible for project marketing, auction and maintenance.

Terminal and Related Business

Market review

2009 was full of challenges for the global container terminal industry. According to the report of Clarkson in January 2010, global container throughput in 2009 decreased by 9.7%, which would be the lowest in the past 50 years. The container throughput of major ports suffered from a two-digit drop and the port industry of emerging economies was also hard hit. From the regional perspective, the container throughput in Asia was better than that in America and Europe. The container throughput in major ports in America and Europe decreased by 15% to 20%, while that of Asia decreased by 10% to 15%. The container throughput in the PRC decreased by 6%. The main characteristics of the terminal market in the PRC in 2009 were that the business of bulk cargoes was relatively stable, while the container market suffered a great blow. According to the statistics of the Ministry of Transport of the PRC, the growth of cargo throughput of ports in the PRC in 2009 slowed down to 8.2%, as compared with 9.6% in 2008. The container throughtput decreased by 6% in 2009, compared to an increase of 12% in 2008. There was an average decrease of approximately 10% for the container throughout in the ports of Yangtze River Delta and Pearl River Delta.

Business perfermance

In 2009, COSCO Pacific formulated and effectively implemented its operating strategies and measures according to market changes. COSCO Pacific significantly cut down its investment in port businesses and strengthened its cost control measures. Although the overall business revenue of the Company decreased substantially due to the global economic crisis, its core businesses remained stable. The terminal and container leasing businesses of the Group ranked fifth and second respectively in the world. The terminal business of the Group remained stable. The number of terminal joint venture companies in which the Group had equity interests totaled 28 with 142 berths, among which 120 berths were in the PRC (including Hong Kong) and 22 were overseas, which was the same as last year. The throughputs of the container terminals in which the Group had equity interests amounted to 43,550,000 TEUs, representing a decrease of 5% as compared to last year, which was better than the average of the container terminal industry. According to the latest statistics of Drewry, the global market share of the container terminal business of COSCO Pacific, a subsidiary of the Group, rose from 5.5% to approximately 6.1%, maintaining its ranking as the world's fifth largest terminal operator.

Management Discussion and Analysis

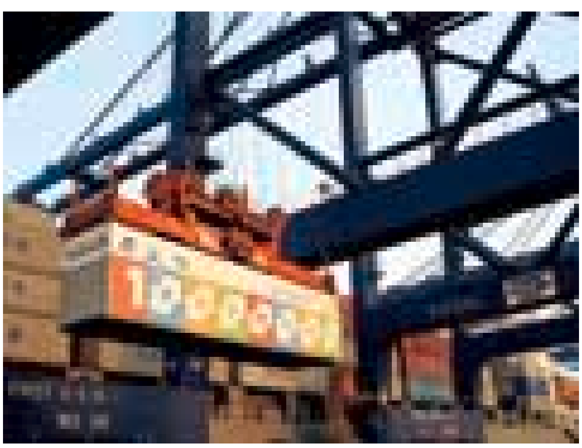
Container throughputs	2009 (TEUs)	2008 (TEUs)	Year-on-Year Change %
Bohai Rim	**17,487,346**	17,103,887	2.2
Qingdao Qianwan Container Terminal Co., Ltd.	**8,961,785**	8,715,098	2.8
Qingdao Cosport International Container Terminals Co., Ltd.	**1,145,352**	1,099,937	4.1
Dalian Port Container Co., Ltd.	**2,906,768**	2,742,503	6.0
Dalian Port Container Terminal Co., Ltd.	**1,509,401**	1,656,968	-8.9
Tianjin Five Continents International Container Terminals Co., Ltd.	**1,940,933**	1,938,580	0.1
Yingkou Container Terminals Co., Ltd.	**1,023,107**	950,801	7.6
Yangtze River Delta	**8,383,257**	9,503,821	-11.8
Shanghai Container Terminals Co., Ltd.	**2,979,849**	3,681,785	-19.1
Shanghai Pudong International Container Terminals Co., Ltd.	**2,291,281**	2,779,109	-17.6
Zhangjiagang Win Hanverky Container Terminal Co., Ltd.	**715,413**	710,831	0.6
Yangzhou Yuanyang International Terminals Co., Ltd.	**221,046**	267,970	-17.5
Nanjing Port Longtan Container Co., Ltd.	**1,058,499**	1,160,261	-8.8
Ningbo Yuan Dong Terminals Operation Co., Ltd.	**1,117,169**	903,865	23.6
Pearl River Delta and Southeast Coastal regions	**13,308,775**	14,539,711	-8.5
COSCO-HIT Terminals (Hong Kong) Ltd.	**1,360,945**	1,752,251	-22.3
Yantian International Container Terminals Ltd.	**8,579,013**	9,683,493	-11.4
Guangzhou South China Oceangate Container Terminal Co., Ltd.	**2,158,291**	2,000,130	7.9
Quanzhou Pacific Container Terminal Co., Ltd.	**936,136**	910,058	2.9
Jinjiang Pacific Ports Development Co., Ltd.	**274,390**	193,779	41.6
Overseas	**4,370,432**	4,731,456	-7.6
COSCO-PSA Terminal Private Ltd.	**904,829**	1,247,283	-27.5
Antwerp Gateway NV	**639,957**	1,091,657	-41.4
Suez Canal Container Terminal S.A.E.	**2,659,584**	2,392,516	11.2
Piraeus Container Terminal S.A.	**166,062**	—	NA
Total container terminal throughputs in China Mainland	**39,179,378**	41,147,419	-4.8
Total container throughputs	**43,549,810**	45,878,875	-5.1

Outlook

Terminal industry will still face tremendous pressure in 2010 and will also face many challenges. However, the worst time of the global economy is likely to be over. With the implementation of stimulus measures by various economies, it is believed that the terminal industry will bottom out and rebound along with the global economy. It is expected that the bulk and general cargo business will continue to be the new source of growth and profit for the terminal business. Container business is likely to rebound. However, the development of different regions may vary significantly.

Meanwhile, the economic recovery of the PRC will be earlier and faster than that of other countries. Currently, the terminal business of COSCO Pacific is mainly located in the PRC, of which the throughputs account for 90% of its total throughputs. As a result, the early recovery of the PRC economy will have a positive effect on the rebound of the terminal business of COSCO Pacific.

In 2010, while closely monitoring the economic changes in the world and the PRC, COSCO Pacific will adjust its investment and operating strategies in due course to capture opportunities arising from the economic recovery. With these measures, COSCO Pacific will be well prepared for further growth in the future.



Container Leasing, Management and Sales Business

Results performance

Florens Container Holdings Limited ("Florens") is a subsidiary of the Group. Florens and its subsidiary continued to adopt an after-sale entrustment business model with the combination of owned containers, managed containers and sale and leaseback containers, which effectively controls the size of the container fleet. According to the August 2009 report of Containerization International, Florens remains the second largest container leasing company in the world in terms of container fleet size, accounting for approximately 14.3% of the container leasing market in the world, representing an increase of 0.7% as compared with 2008. The average 2009 total annual utilisation rate was 90.6%, representing a year-on-year decrease of 4% as compared to 94.6% in last year, but was still higher than the average utilisation rate of the industry of approximately 88%.

As at 31 December 2009, the container fleet of Florens reached 1,582,614 TEUs, representing a year-on-year decrease of 2.4%. A total of 527,891 TEUs (including sale and leaseback TEUs) were leased to COSCON, a subsidiary of the Group, representing a year-on-year decrease of 4.2% and accounting for 33.4% of the total container fleet. 332,591 TEUs were not leased to COSCO, representing a year-on-year increase of 5.9% and accounting for 21.0% of the total container fleet. As for managed containers, it amounted to 722,132 TEUs, representing a year-on-year decrease of 4.5% and accounting for 45.6% of the total container fleet.

Size of container fleet (unit: TEUs)

	2009	2008	Year-on-year change %
Owned containers	**742,388**	747,202	-0.64
Managed containers	**722,132**	755,926	-4.47
Sale and leaseback containers	**118,094**	118,094	0
Total size of container fleet	**1,582,614**	1,621,222	-2.38

Market Outlook

It is anticipated that the container leasing business will bottom out and rebound with the recovery of global economy, thereby driving the growth of the shipping industry.

Container Manufacturing

The container manufacturing business of CIMC was suspended from the fourth quarter of 2008 and resumed gradually since the second half of 2009. In 2009, the annual production of dry goods containers was approximately 60,000 TEUs (the annual production is 2,000,000 TEUs under normal circumstances). The production of reefer containers accounted for 50% of that of 2008, while other business sectors with less contribution increased. It is expected that the demand of containers from the market will rebound slowly in 2010.

Production Safety

In 2009, the Company strictly complied with the production safety guidelines and policies promulgated by the State Council of the PRC. The Company overcame unfavourable factors such as the global economic crisis and strengthened its scientific development model. To enhance the production services centre, the Company focused on its production safety measures and strengthened management. The Company has strived to execute its "Three Measures" in the promotion and education regarding overall production safety, supervision and inspection of production safety, as well as implementation of production safety. It also carried out the "Three Developments" in production safety legal system, production safety competence scheme and safety supervision team. The Company identified and resolved major problems and inadequate processes in production safety. The Company also investigated the hidden dangers imperiling the safety of its production. In 2009, the Group had no material or substantial safety accidents, ensuring the continuous stability of the safety of its production system.

Incidents occurred in 2009 were as follows:

1. Two general maritime incidents, representing a decrease of two incidents as compared to last year.

2. One engine incident, the same as last year.

3. No pollution incidents.

4. Loading port inspections of 798 voyages, with no-defect confirmations issued for 557 voyages, representing a passing rate of 69.80%, and three heldup vessels, accounting for 0.37% of the total number of vessels and representing an increase of two cases as compared to last year.

5. Three deaths and serious injuries were reported, representing an increase of three reports as compared to last year.

6. Four pirate attacks and one pirate hijack.

Energy Saving and Environmental Protection

The Company was devoted to environmental protection and energy saving in 2009. With a focus on shipping companies with relatively higher fuel consumption and emission, the Group strengthened its fuel consumption management for container vessels and improved its system for reducing fuel consumption and pollutant discharge. It also proactively conducted research on new and clean energy sources, and established energy-saving and emission reduction standards. Through various measures such as applying technological findings, introducing technological inventions as well as increasing the use of advanced technology, China COSCO successfully reduced energy consumption and contributed to environmental protection. According to the energy consumption index issued by the Ministry of Transport of the PRC, the fuel consumption of China COSCO was 4.39 kg/thousand ton nautical miles in 2009, representing a decrease of 5.59% as compared with 2008.

Technology Innovation

The Group actively participated in establishing innovative trial enterprises facilities. Through technological advancement, it accelerated the automation and intelligence conversion of transportation technology. It had been participating in the “Ship and Cargo Online Monitoring System” and in the research and development of “Demonstration and Development of Supply Chain Application Systems based on Intelligent Container Public Service System”, a national key technology research and development project. As such, the Group outperformed other competitors in terms of technological advancement and sustainable development.

With respect to vessel management, the Group actively introduced new technologies, eliminated obsolete technological skills, equipment and fixtures which were harmful to the environment and safety in order to improve the operating conditions of the main engines on vessels. By applying new energy-saving technologies, the Group has improved the overall effectiveness in the use of resources such as fuels and lubricant oil, and reduced energy consumption and pollution. It also shifted from the traditional inefficient operation system to a low cost, low consumption, low emission and high efficiency operational system.

Management Discussion and Analysis

In respect of informationization development, the Group has strived to enhance its management standards and core competitiveness through the construction of information systems. As such, the informationization of the Group has been enhanced. In the "Top 500 Enterprises in Leading IT Application in China" organized by the National Informatization Evaluation Center in 2009, COSCON under the Group ranked 19th and COSCO Bulk ranked 41st. In 2009, the Group undertook pilot informationization projects of the PRC government. The "Ship and Cargo Online Monitoring System" has been examined and accepted by the Ministry of Science and Technology of the PRC, and obtained the copyright to the computer software. This is an achievement of the Company in researching and developing its own intellectual property, representing a major step in innovation and development of the Group's own technology.

Financial review

In 2009, the operational revenue of the Group amounted to RMB68,462,514,000, representing a decrease of RMB63,376,402,000 or 48.1% as compared to RMB131,838,916,000 of 2008. The loss attributable to the equity holders of the Company was RMB7,467,812,000, as compared to profit attributable to the equity holders of the Company of RMB11,606,134,000 of 2008. In 2009, affected by the global economic recession and the decrease in demand for trade, the shipping volume of all routes of the Group´s container shipping operations recorded a decrease of 9.6% as compared to last year in spite of improvement since the second quarter of 2009. Average frieght rates of container shipping dropped at a greater rate than last year and remained at low levels as at the end of the year. As a result, the container shipping operations of the Group recorded relatively high losses. The revenue and profits from dry bulk shipping business also dropped significantly due to the sharp decline in international trade volume and average charter hire rates. The losses recorded by the Group in 2009 was mainly attributable to the loss in container shipping business and decrease in profit from dry bulk shipping business.

Operating revenue

In 2009, the Group's operating revenue amounted to RMB68,462,514,000, representing a decrease of RMB63,376,402,000 or 48.1% as compared to RMB131,838,916,000 of 2008, among which:

- Revenue from container shipping and related business decreased by 38.5% to RMB27,509,979,000. Container shipping volume of the Group amounted to 5,234,292 TEUs, representing a drop of 9.6% as compared to 2008. Average container freight rate amounted to RMB4,060/TEU, representing a decrease of 36.9% as compared to 2008. All routes recorded a greater rate of decline in revenue as a result of the decreasing shipping volume and average freight rate, among which the revenue from Trans-Pacific and Asia-Europe routes recorded significant decreases of 43.1% and 54.6% respectively.

- Revenue from the dry bulk shipping and related business decreased by 61.8% to RMB27,367,246,000, of which, revenue from time chartering decreased by

RMB30,809,598,000 or 67.9% and revenue from voyage chartering decreased by RMB13,496,522,000 or 52.9%. In 2009, the average level of the BDI was 2,617 points, representing a year-on-year decrease of 59% as compared to the average of 6,390 points in 2008. The sharp decline in international trade volume and the average charter hire rates were the primary reasons for the decrease in revenue from the dry bulk shipping and related business.

- As compared with the revenue in 2008, revenue from logistics business decreased by 14.5% to RMB12,127,039,000. Due to the decline in the growth of the global trade in 2009, logistics business of the Group experienced a decline in its shipping agency and air freight forwarding volume, which led to a decrease in revenue.

- Revenue derived from the terminal and related business of COSCO Pacific recorded an increase of 47.8% to RMB774,590,000 as compared to RMB524,193,000 of 2008, mainly attributable to the revenue increases from the Piraeus Port, Quanzhou Pacific Container Terminal Co., Ltd. and Jinjiang Pacific Ports Development Co., Ltd.. Throughputs handled by the Piraeus Port, which was taken over by the Group on 1 October 2009, was 166,062 TEUs and contributed a revenue of RMB158,215,000 in 2009.

- Revenue derived from the container leasing business operated and managed by COSCO Pacific decreased by 13% to RMB666,411,000, which was mainly due to the decrease in revenue as a result of the decreases in the container fleets of owned containers and sale and leaseback containers as well as the number of returned containers sold upon expiry.

Operating cost analysis

In 2009, the operating cost of the Group amounted to RMB72,397,839,000, representing a decrease of 34.0% as compared to RMB109,749,306,000 of 2008, of which:

- The operating cost of container shipping and related business amounted to RMB32,250,841,000, representing a decline of RMB8,672,767,000 or 21.2% as compared to 2008. During the period, major costs, including cargo and transhipment and port charges, decreased significantly along with the decline in containers shipping volume. During the period, bunker cost decreased by RMB4,166,044,000 or 40.3% to RMB6,161,386,000, which was due to the decreases in oil consumption and average oil price by 12.3% and 26.5% respectively. In 2009, bunker cost accounted for 19.1% of the operating cost of container shipping and related business.

- Total operating cost of dry bulk shipping and related business amounted to RMB27,490,987,000, representing a year-on-year decrease of RMB26,359,562,000 or 48.9%. Of which, vessel chartering expenses for the current period amounted to RMB19,891,694,000, representing a decrease of RMB13,568,144,000 or 40.6%, as compared with 2008. The decrease was mainly attributable to the drop in the cost of chartered-in vessels, resulting in a fall of the total vessel chartering expenses. In addition, income and cost were recognized based on the settlement of chartered-in/out contracts and the provision for onerous contracts of RMB5,235,490,000 in respect of the previous year was realized or reversed during the period. In respect of the fuel, bunker cost decreased by RMB1,260,129,000 or 26.1%, to RMB3,563,134,000 as a result of the fall of the international fuel prices. In 2009, bunker cost accounted for 13.0% of the operating cost of the dry bulk shipping business.

- The operating cost of the logistics business amounted to RMB10,795,275,000, representing a year-on-year decrease of 16.2%. The decline of the operating cost during the period was mainly due to the decrease in containers shipping and air-freight forwarding volume.

- The operating cost of terminal and related business amounted to RMB574,922,000, representing an increase of 67.9%, as compared to last year. It was mainly due to the increase in the total operating cost of container terminal business after the Group took over the Piraeus Port on 1 October 2009 and the operations of Jinjiang Pacific Ports were consolidated into the Group in April 2008.

- The operating cost of container leasing business amounted to RMB794,987,000, as compared to RMB832,303,000 for the same period of last year.

Other income/(expenses), net

The net amount of other income and other expenses of the Group in 2009 amounted to RMB2,197,383,000, representing an increase of RMB5,127,023,000 as compared to 2008, which was mainly attributable to the gains of RMB989,206,000 arising from FFAs held by the dry bulk shipping companies of the Group in 2009, as compared with the losses of RMB4,120,762,000 in 2008.

Sales, administrative and general expenses

In 2009, the administrative expenses of the Group amounted to RMB4,670,421,000, representing a year-on-year decrease of 1.1%, which was mainly attributable to decreases in items such as office expenses and travelling expenses.

Finance income

Finance income of the Group was mainly interest income from bank deposits. Finance income in 2009 amounted to RMB511,600,000, representing a decrease of 42.7% as compared to 2008.

Finance costs

In 2009, the finance cost of the Group amounted to RMB1,243,210,000, representing a year-on-year increase of RMB223,279,000 or 21.9%. During the period, interest expenses increased due to the issue of five-year medium-term notes of RMB10 billion by the Company and the increase in working capital and other funds through bank borrowings by our subsidiaries.

Share of profits less losses of jointly controlled entities and associates

Net profit contribution from jointly controlled entities to the Group amounted to RMB567,136,000 in 2009, representing a decrease of 26.0% as compared to RMB766,487,000 for the same period in 2008. Net profit contribution from associates amounted to

RMB359,337,000, representing a decrease of 39.6% as compared to RMB594,586,000 for the same period in 2008. Due to the slowing down in the growth of the global trade, and the recession in the international shipping market, net profit contributions from jointly controlled entities and associates in 2009 decreased.

Income tax expenses

In 2009, the income tax expenses of the Group were RMB450,586,000, representing a decrease of RMB2,523,270,000 as compared to RMB2,973,856,000 in the same period last year. The year-on-year decrease was mainly due to the substantial drop in profit.

Financial position analysis

Cash flow

The net cash outflow generated from operating activities amounted to RMB8,436,097,000 in 2009, representing a decrease of RMB33,824,753,000 as compared to the net cash inflow amounted RMB25,388,656,000 for the same period in 2008.

The net cash outflow generated from investing activities amounted to RMB8,595,436,000 in 2009, of which RMB10,729,283,000 was used in the acquisition of plant and equipment (including containers, vessels, computers and office equipment), and investment properties and intangible assets. In addition, the Group received RMB424,841,000 from the sales of property, plant and equipment items such as container vessels and containers. Total dividend income from joint controlled entities, associates and available-for-sale financial assets amounted to RMB1,010,882,000.

In 2009, the net cash generated from financing activities amounted to RMB29,218,725,000, which was mainly attributable to the increase of cash flow from financing activities as a result of the issue of five-year medium-term notes of RMB10 billion by the Company during the period, the increase in working capital and other funds through bank borrowings of its subsidiaries.

Cash and cash equivalents

As at 31 December 2009, the cash and cash equivalents of the Group increased by RMB12,271,110,000 or 38.6%, to RMB44,098,028,000 as compared to 31 December 2008. The increase in the balance of cash and cash equivalents at the end of the period was primarily due to the issue of five-year medium-term notes of RMB10 billion by the Company during the period, the increase in working capital and other funds through bank borrowings of its subsidiaries.

The working capital and capital resources of the Group have always been, and will continue to be, generated from cash flows of operating activities, proceeds from new share issue and loan facilities from banks. The cash of the Group has been, and is expected to be, used for such matters as payment of operational cost, purchases of container vessels, dry bulk vessels and containers, investment in terminals, logistics project and repayment of loans.

Assets and liabilities

As at 31 December 2009, total assets of the Group amounted to RMB137,741,303,000, representing an increase of RMB17,731,101,000 as compared to RMB120,010,202,000 at the beginning of the year.

Total liabilities of the Group amounted to RMB85,156,488,000, representing an increase of RMB27,052,685,000 as compared to RMB58,103,803,000 at the beginning of the year. The equity interest attributable to the equity holders of the Group amounted to RMB41,992,343,000, representing a decrease of RMB10,151,241,000 as compared to RMB52,143,584,000 at the beginning of the year.

As at 31 December 2009, total outstanding borrowings of the Group increased by RMB33,404,029,000 to RMB60,350,415,000 as compared to RMB26,946,386,000 at the beginning of the year. Net current assets amounted to RMB27,669,123,000 as at 31 December 2009, representing an increase of RMB11,926,490,000 as compared to RMB15,742,633,000 at the beginning of the year. Net debt of the Group amounted to RMB16,252,387,000 as at 31 December 2009, representing an increase of RMB21,132,919,000 as compared with RMB-4,880,532,000 at the beginning of the year. As at 31 December 2009, net debt to equity ratio was 30.9% as compared to -7.9% at the beginning of the year. Interest coverage of the Group in 2009 was -4.03 times, as compared to 16.67 times in 2008. The Group has pledged certain property, plant and equipment with net book value of RMB17,734,420,000 (31 December 2008: RMB12,835,585,000) to banks and financial institutions as collaterals for borrowings of total RMB12,198,363,000 (31 December 2008: RMB9,259,662,000), representing 28.4% (31 December 2008: 23.0%) of the total value of property, plant and equipment.

Debt analysis

By category	**As at 31 December 2009 RMB'000**	As at 31 December 2008 RMB'000 (Restated)
Short-term borrowings	**3,703,366**	1,354,423
Long-term borrowings		
Within one year	**3,529,595**	2,295,552
In the second year	**5,583,538**	3,282,878
In the third to fifth years	**40,927,328**	14,590,641
After the fifth year	**6,606,588**	5,422,892
Subtotal	**56,647,049**	25,591,963
Total	**60,350,415**	26,946,386

Breakdown of borrowings by category:

The secured borrowings of the Group amounted to RMB12,198,363,000, while unsecured borrowings amounted to RMB48,152,052,000, representing 20.2% and 79.8% of the total borrowings, respectively.

Breakdown of borrowings by currency:

The Group had borrowings denominated in U.S. dollars equivalent to RMB43,683,074,000 and borrowings denominated in RMB amounting to RMB16,664,906,000, representing 72.4% and 27.6% of the total borrowings, respectively.

Financial guarantee and contingent liabilities

As at 31 December 2009, the Group had provided a guarantee on a bank borrowing granted to an associate in the amount of RMB217,166,000, where such guarantee was RMB253,270,000 as at 31 December 2008. Other than the information disclosed in Note 41 to the consolidated financial statements, the Group had no other significant contingent liabilities.

Foreign exchange and interest rate risk management

In 2009, as the Group exercised strict control over the use of financial derivatives and maintained the existing loans at floating rates, the interest cost remained at a lower level under the current record-low interest rate, and the borrowing costs were fixed by issuing medium-term notes and other measures.

With respect to the exchange rate, the Group continued to control its foreign exchange risks by monitoring and studying the trends of various currencies, by making structural adjustments to the income and costs expenditure and the asset and liabilities of the currency portfolio, and by hedging of different currencies. In addition, with its actual production and operational needs satisfied, the Group also controlled its foreign exchange risk through proper use of financial derivatives.

Corporate Governance Structure

I. Corporate Governance

Corporate governance issues rectified during the year

1. The Board of Directors of the Company considers the effectiveness of the special committees to be of great importance. The special committees, are crucial support units for the Board of Directors in their decision-making process, and they help to prevent and control operating risks and compliance risks. The Risk Management Committee has successfully promoted the establishment of risk management system, evaluated the risk assessment of material investment projects, and prevented and quelled the potential operating risks for the Company. The audit committee oversees internal audit and internal control of the Company, conducts on-site inspection of the management of continuing connected transactions, and considers reports from the management regarding the execution of continuing connected transactions and implementation of management proposals. It has effectively supervised and guided the Company to operate in compliance with the relevant laws and regulations, which further enhanced the corporate governance of the Company.

2. The Board of Directors approved a series of critical management systems to strengthen the prevention and control of operational and decision-making risks. It has amended the Guidelines for the Work of the Executive Committee（執行委員會工作細則）, which broke down into the further detail the rules of Board meeting and reporting system of the Board of Directors, and increased the decision-making power of the Executive Committee over investment transactions in the normal course of business of the Company. It has also formulated the Forward Freight Agreement ("FFA") Management Measures, which established a clear and uniform principle for risk control, and further ensured the healthy operation of FFAs. In addition, the Measures for Connected Transactions Management（關連交易管理辦法）were amended to establish a clearer management system for connected transactions by breaking down the procedures for identification, report, approval, supervision, conclusion and improvement of connected transactions. The Measures for Information Disclosure Management were also amended to include regulations regarding confidentiality obligations for insiders and fair disclosure. The amendments clarified the disclosure obligations of information regarding the daily operations and the material decisions of the Company, and reinforced the responsibility of the directors, supervisors, senior management as well as all relevant parties.

3. The Company aimed to strengthen the compliance awareness of the management and to facilitate the implementation and execution of critical management systems through seminars, meetings and trainings. The Company held a training seminar on connected transactions and one on information disclosure and investor relations to promote the amended the Measures for Connected Transaction Management (關連交易管理辦法) and Measures for Information Disclosure Management (資訊披露管理辦法), respectively.

4. The Company completed the basic framework for comprehensive risk management, and formulated layout and implementation plan of internal control and comprehensive risk management. Keeping in mind quality, environment and occupational safety management system, placing a strong emphasis on the role of risk management in the sustainable development, the Company by revitalized its operation procedures and introduced innovation in management. In order to enhance the capacity of the Company in preventing and dealing with risks, the Company strengthened the internal control of material decisions, events and procedures. When making decisions in respect business operations, the Company scientifically assessed its risks, and formulated risk strategies that provide comprehensive prevention against strategic risks, financial risks, market risks, operating risks and legal risks.

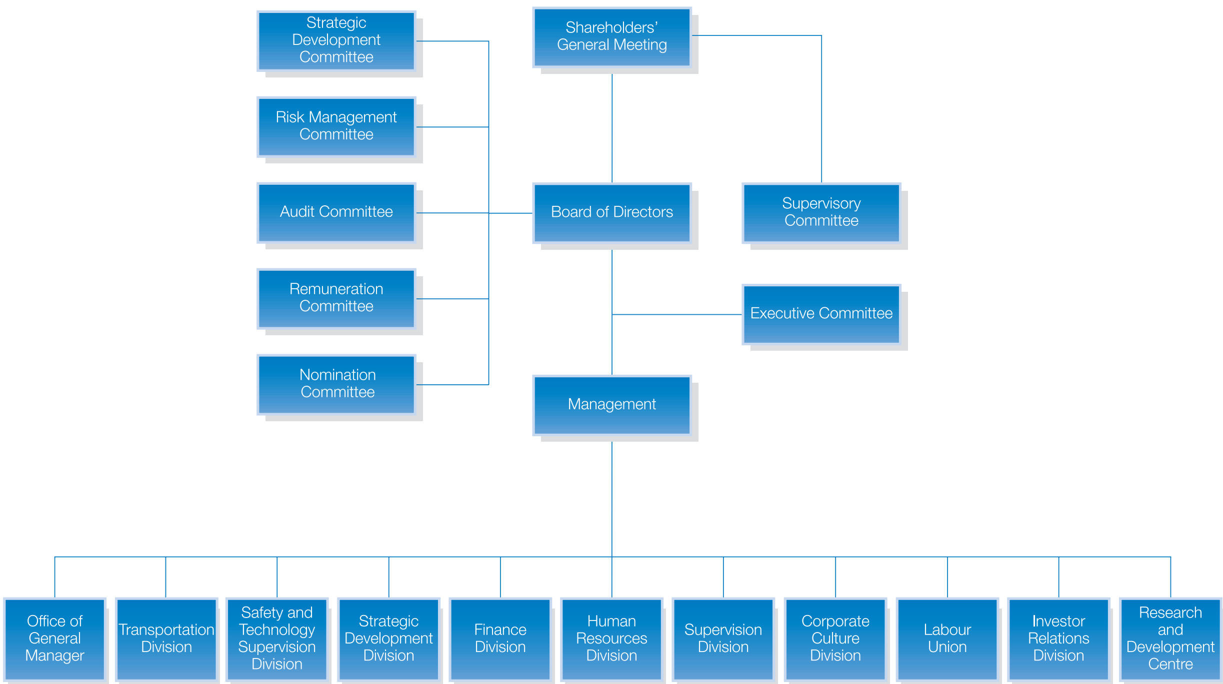
5. In face of the pressure and challenges presented by the global financial crisis and the fluctuating capital market, the Company informed domestic and foreign investors of changes in the shipping industry and the Company's counter-measures by communicating directly with over thousands of domestic and overseas institutional investors, strategic investors and analysts through participating in the investor conferences and worldwide road shows. Comments from the capital market have always been important to the Company, and these are conveyed to the senior management in a timely manner to serve as important references for the decision-making of the Company.

II. Model Code for Securities Transactions by Directors

Since the listing of the Company on the Main Board of the Hong Kong Stock Exchange in 2005, the Board of Directors has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as the code for the dealings in securities transactions by the directors of the Company. Having made specific enquiries with all Directors and supervisors of the Company, they have confirmed that they complied with the required standard set out in the Model Code throughout the year ended 31 December 2009.

Corporate Governance Structure

III. Corporate Governance Structure



1. Shareholders' general meetings

The shareholders' general meeting of the Company is conducted in strict compliance with the procedures as stipulated under the Company Law, the Articles of Association of the Company, and the "Rules of Procedures for Shareholders' General Meetings" of the Company, and each of the resolutions is adopted scientifically and democratically to protect the lawful interests of the Company and the shareholders. In order to allow domestic and overseas shareholders the same right to attend general meetings, the Company's general meetings were held through video conference. Two venues were arranged in Beijing and Hong Kong respectively for the convenience of domestic and overseas shareholders. The Company adopted an accumulative voting system for the resolutions regarding the election of members of the Supervisory Committee in shareholders' general meeting for the year 2008 to allow minority and medium shareholders to have more voting power.

2. Board of Directors

The Board of Directors is the decision making organ of the Company. Election and appointment of Directors shall comply with the provisions under the Articles of Association of the Company, and the number and composition of the Board of Directors shall comply with the relevant laws and regulations. Currently, the Board of Directors is made up of eleven members, comprising two executive Directors, five non-executive Directors and four independent non-executive Directors. All the members of the Board of Directors possess the professional knowledge required to discharge their duties, and have extensive experience in operation management, and discharge their duties loyally, honestly and diligently.

3. Supervisory Committee

The Supervisory Committee is the supervision body of the Company. The number and composition of the Supervisory Committee shall comply with the provisions and requirements of the relevant laws, regulations and the Articles of Association of the Company. Currently, the Supervisory Committee is made up of six members, comprising two staff representative Supervisors democratically elected, and two independent Supervisors. The Supervisors of the Company shall seriously discharge their duties, and shall protect the interests of the shareholders and the Company through inspecting the Company's financial situation, implementation of resolutions of the general meetings, and discharge of duties by the senior management.

4. Management

The election and appointment of the management of the Company shall be in strict compliance with the Articles of Association of the Company. The managers of the Company shall discharge their duties and power limits as strictly required, seriously implement the resolutions of the Board, and implement effective management and control on the operation management of the Company, and continue to enhance the Company's management level and operation results.

IV. Report on the Company's compliance of the "Code on Corporate Governance Practices"

The Board of Directors reviews the Company's daily governance in accordance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules (the "Code"), and considers that the Company has complied with the provisions under the Code during the reporting period, and complied with the requirements under the provisions of the Code, and has made its best efforts to comply with the proposed best practices.

A. Directors

A1. Board of directors

Principle of the Code
• The board should assume responsibility for leadership and control of the issuer and be responsible for directing and supervising the issuer's affairs. Its decisions should be in the interests of the issuer.
The current best situation in the governance of China COSCO
• The Board of the Company fully represents the shareholders' interests, and has set up development strategies of the Company within the scope of powers as provided under the Articles of Association of the Company, and monitors and finalizes the implementation of the Company's operation management and financial performance, so as to realize a steady return of long term results.

Corporate Governance Structure

Compliance procedures of the Code of Corporate Governance Practices - Code provisions and the proposed best practices

Code provisions	Compliance	Procedures of Corporate Governance
• To convene at least four regular meetings of the board, about once in each quarter. Regular board meetings do not include meetings by way of written resolutions for the approval of the Board	No	• In 2009, the Company convened eight Board meetings, including three regular meetings and five extraordinary meetings. Each of the Board meetings was attended by the majority of eligible directors in person. Attendance of Board members in 2009 was 100% and is listed as follows:

	Number of attendance/ Number of meetings to be attended	Attendance
Executive directors		
WEI Jiafu	8/8	100%
ZHANG Liang	8/8	100%
Non-executive directors		
ZHANG Fusheng	8/8	100%
LI Jianhong	8/8	100%
XU Lirong	8/8	100%
SUN Yueying	8/8	100%
CHEN Hongsheng	8/8	100%
Independent non-executive directors		
LI Boxi	8/8	100%
Alexander Reid HAMILTON	8/8	100%
CHENG Mo Chi	8/8	100%
TEO Siong Seng	8/8	100%

Code provisions	Compliance	Procedures of Corporate Governance
• All directors have opportunities to include matters in the agenda for regular board meetings	Yes	• All directors have opportunities for the inclusion of their proposals in the agenda of regular Board meetings.
• Notices of regular board meetings should be sent at least 14 days before the convening of the meetings	Yes	• Notices of regular Board meetings have been given at least 14 days before the convening of the meetings, and notices and agenda of extraordinary Board meetings were given within reasonable time in accordance with the Articles of Association.
• All directors should have access to the advice and services of the board secretary	Yes	• The Board secretary has kept close contact with all directors, and provided the latest information of the Company to the directors in a timely manner. Prior to the convening of Board meetings, the Board secretary and the relevant departments have communicated with the directors of the Company in respect of important motions to attend to the opinions of the directors.
• Minutes of meetings should be kept by the board secretary, and are available for inspection by directors at any reasonable time	Yes	• The Board secretary has been responsible for organizing and keeping the minutes of Board meetings. The minutes of Board meetings and the records and related information of the special committees have been properly and perpetually kept in the Company's domicile as important files of the Company, and available for the inspection by directors at any time.
• The minutes of the meetings should record in sufficient detail the matters considered by the board and the decisions reached	Yes	• Minutes of Board meetings have made objective and detailed records on the matters considered, voting and opinions issued by directors in the meetings, and confirmed by the directors.

Corporate Governance Structure

Code provisions	Compliance	Procedures of Corporate Governance
• Directors are entitled to seek independent advice in accordance with the agreed procedures at the company's expense	Yes	• In respect of matters requiring opinions from professional institutions, the Company has taken the initiative to appoint professional institutions to provide independent opinions at the expense of the Company.
• In the event that substantial shareholders or directors have conflict of interests in a material matter, the related directors shall abstain from voting	Yes	• The Company has made provisions in respect of abstaining from voting of related directors in the Articles of Association and the Rules of Procedures of the Board of Directors. • When considering matters such as acquisition of 49% equity interests of COSCO Logistics and continuing connected transactions, the relevant related directors abstained from voting in the Board meetings.
Recommended Best Practices		
• To arrange appropriate insurance cover in respect of legal actions against directors	Yes	• The Company has maintained liability insurance for directors, supervisors and senior management.
• Board committees should adopt so far as practicable, basically consistent principles and procedures in general	Yes	• The Board committees have adopted principles and procedures which are basically consistent with the above.

Corporate Governance Structure

A2. Chairman and the Chief Executive Officer ("CEO")

Principle of the Code
• Clear division of responsibilities between the chairman of the board and the CEO, to ensure the balance of power and authority
The current best situation in the governance of China COSCO • The Company has clearly specified the duties of the Chairman and the CEO, and separated the functions of the Board and the management, and made detailed descriptions in the Articles of Association, Rules of Procedures of the Board of Directors, Guidelines for the Works of the General Manager, so as to ensure that the balance of power and authority, and ensure the independence of Board decisions, thereby ensuring the independence of the daily operation activities of the management.

Compliance procedures of the Code of Corporate Governance Practices - Code provisions and the recommended best practices

Code provisions	Compliance	Procedures of Corporate Governance
• The roles of the chairman and the CEO should be separate, and should be clearly established and set out in writing	No	• The Board considers that abrupt separation of the roles of the Chairman and CEO will involve a realignment of power and authority under the existing corporate structure, and might affect the ordinary business activities of the Company. The Board will review the current structure from time to time, and will make necessary arrangements as appropriate as considered by the Board.
• The chairman should ensure that all directors are properly briefed on issues arising at board meeting	Yes	• In respect of matters to be considered by the Board, adequate information has been provided to the directors before the meeting, and detailed explanations would be made in the meeting by the Chairman or the management on the motions.
• The chairman should ensure that the directors receive adequate information in a timely manner	Yes	• The Chairman has arranged the Board secretary to provide information regarding the progress of the various matters of the Company to all the directors each month, so that the directors may obtain timely and adequate information.

Corporate Governance Structure

Code provisions	Compliance	Procedures of Corporate Governance
Recommended Best Practices		
• The roles of the chairman include: drawing up and approving the agenda of board meetings	Yes	• Agenda of Board meetings are negotiated by the Chairman with the executive directors and the Board secretary, and are decided after taking into consideration of all the matters proposed by the non-executive directors.
• The chairman should be responsible for ensuring that good corporate governance practices and procedures are established	Yes	• The Chairman assumes an important role in the promotion of the development of the Company's corporate governance, and delegates the Board secretary to set up a good corporate governance system and procedure, and supervises the management to loyally implement the various systems, and ensures the regularized operation of the Company.
• The chairman should encourage all directors to make full and active contribution to the board's affairs, the chairman shall at least hold one meeting each year with the non-executive directors without the attendance of executive directors	Yes	• The Chairman has encouraged all directors to be involved in the affairs of the Board, and caused directors to make effective contribution to the Board, and requested the Board to exercise the best interests for the Company by making himself as model.
• The chairman should ensure appropriate measures to maintain effective communication with shareholders	Yes	• The Chairman has placed great emphasis on the effective communication between the Company and the shareholders, and continued to promote and improve investor relations, and dedicated in realizing maximum returns to shareholders.

Code provisions	Compliance	Procedures of Corporate Governance
• The chairman should facilitate the effective contribution of directors to the board, and ensure the executive directors and non-executive directors maintain constructive relations with each other	Yes	• The Chairman has placed great emphasis on the contributions of directors to the Board, and made efforts to ensure the executive directors and non-executive directors maintain constructive relations with each other.

A3. Board Composition

Principle of the Code • The board shall have a balance of skills and experience appropriate for the requirements of the business of the issuer. The board should include a balanced composition of executive and non-executive directors (including independent non-executive directors) so that there is a strong independent element on the board, which can effectively exercise independent judgment. Non-executive directors should be of sufficient calibre and number for their views to carry weight.
The current best situation in the governance of China COSCO • The Board of the Company is made up of eleven members, comprising two executive directors, five non-executive directors and four independent non-executive directors, with independent directors representing more than one third of the members of the Board. • The independent non-executive directors of the Company have expertise and experience in areas such as corporate management, finance, laws and navigation, and are able to make independent judgments, making decisions of the Board to be more cautious and comprehensive. • There is no relationship (including financial, business, family or other material relationship) between the members of the Board.

Corporate Governance Structure

Compliance procedures of the Code of Corporate Governance Practices - Code provisions and the recommended best practices

Code provisions	Compliance	Procedures of Corporate Governance
• The independent non-executive directors should be expressly identified as such in all corporate communications	Yes	• The Company has disclosed the composition of the Board members according to the category of the directors in all corporate communications.
Recommended Best Practices		
• Independent non-executive directors should represent at least one third of the number of board members	Yes	• The Board has four independent non-executive directors, namely Ms. LI Boxi, Mr. HAMILTON Alexander Reid, Mr. CHENG Mo Chi and Mr. TEO Siong Seng, representing more than one third of the Board members.
• Maintain on the website an updated list of its directors, identifying their role, function and independency	Yes	• The Company has posted the list and the biographies of Board members on its website, setting out their role, function and independency.

A4. Appointments, re-election and removal

Principle of the Code
• The board shall set up formal, considered and transparent procedures for the appointment of new directors. There should be plans in place for orderly succession for appointments to the board. All directors shall be subject to re-election at regular intervals. The issuer must explain the reasons for the resignation or removal of any director.
The current best situation in the governance of China COSCO
• The Company has set up a Nomination Committee under the Board. The Nomination Committee shall make proposals on the appointment, re-election, removal and discharge procedures of the candidates of directors, present the proposals for the Board's consideration, which will finally be determined by the shareholders' meeting.

Compliance procedures of the Code of Corporate Governance Practices - Code provisions and the recommended best practices

Code provisions	Compliance	Procedures of Corporate Governance
• The appointment of non-executive directors shall have specific terms of office, and shall be subject to re-election	Yes	• As provided in the Articles of Association, directors (including non-executive directors) are elected at the shareholders' general meeting for a term of three years, and are eligible for re-election.
• Directors appointed to fill a casual vacancy should be subject to election by shareholders at the first shareholders' general meeting after their appointment	Yes	• The directors appointed to fill in temporary vacancies are, after accepting the appointment, subject to election by shareholders in the first shareholders' general meeting thereafter.

Corporate Governance Structure

Code provisions	Compliance	Procedures of Corporate Governance
• Each director shall retire by rotation at least once in every three years	Yes	• The Company considers that re-election of directors by the shareholders' general meeting is beneficial for maintaining the Company's operation strategies and the continuation of the various systems. Therefore, the system of retirement by rotation of directors has not been specified in the Articles of Association.
Recommended Best Practices		
• The issuer should set up a nomination committee, a majority of the members should be independent non-executive directors	Yes	• The Board of the Company has set up a Nomination Committee, chaired by independent non-executive director Mr. TEO Siong Seng. Other members include non-executive director Mr. ZHANG Liang, and independent non-executive director Mr. CHENG Mo Chi. The number of independent non-executive directors represents two-thirds of the total.
• The issuer should set out written terms of reference of the nomination committee • The nomination committee should make available its terms of reference, and explain its roles and powers granted by the board	Yes	• The Company has set out the Guidelines for the Works of the Nomination Committee, specifying the powers and duties of the Nomination Committee, and published its terms of reference on the Company's website.
• The nomination committee should be provided with sufficient resources to discharge its duties	Yes	• The Company's human resources department and general office have actively assisted the Nomination Committee in performing their work, so as to ensure they are adequately resourced to discharge their duties.

A5. Responsibilities of directors

Principle of the Code
• Each director is required to keep abreast of his responsibilities as a director of an issuer and of the conduct, business activities and development of that issuer.
The current best situation in the governance of China COSCO
• The Company has set up the Rules of Procedures of the Board of Directors, Guidelines of the Works of Independent Directors and guidelines of the works of various special committees, clearly specifying the duties of each of the directors, so as to ensure that all directors fully understand their roles and responsibilities. • The Board secretary is responsible to ensure that all directors receive the Company's latest business development and renewed statutory information.

Compliance procedures of the Code of Corporate Governance Practices - Code provisions and the recommended best practices

Code provisions	Compliance	Procedures of Corporate Governance
• Each newly appointed director should receive induction on the first occasion of his appointment, to ensure that he has a proper understanding of the business and operations of the issuer and that he is fully aware of his responsibilities under applicable legal requirements and regulatory policies	Yes	• Upon the appointment of a new director, the Company has provided related information to the new director in a timely manner and arrange training for the director, including introduction of the Company's business, responsibilities of directors, the Company's rules and regulations and domestic and overseas statutory requirements.

Corporate Governance Structure

Code provisions	Compliance	Procedures of Corporate Governance
• Functions of non-executive directors	Yes	• The Company's non-executive directors have actively attended Board meetings, and acted as members of various special committees, inspected the achievements of the Company's business objectives, and provided independent opinion on the decisions of the Board.
• The director should ensure that he can give sufficient time and attention to the affairs of the issuer	Yes	• All directors of the Company have diligently discharged the duties of directors. The attendance of directors in the meetings of the Board and various special committees in 2009 was 83%, showing that the directors have spent sufficient time on the Company's business.
• The directors must comply with the Model Code set out in Appendix 10	Yes	• Having made specific inquiries to all directors, all directors of the Company confirmed in writing that they had continuously complied with the standards as required in the Model Code for the year ended 31 December 2009.
Recommended Best Practices		
• All directors should participate in a programme of continuous professional development	Yes	• All directors have the opportunities to receive professional training programmes arranged by the Company during their terms of appointment.
• The directors should upon their appointments (and thereafter) disclose their positions and other major commitments in other entities	Yes	• Each of the directors has upon the acceptance of appointment provided the Company with its positions and there are no other major commitments in other companies.

Code provisions	Compliance	Procedures of Corporate Governance
• The directors should ensure their regular attendance and active participation in Board meetings, the meetings of the subordinate committees and shareholders' general meetings	Yes	• The directors have actively attended Board meetings and meetings of the special committees, and majority of the directors have attended shareholders' general meetings.

A6. Supply of and access to information

Principle of the Code • Directors should be provided in a timely manner with appropriate information in such form and of such quality as will enable them make informed decisions and to discharge their duties and obligations.
The current best situation in the governance of China COSCO • The Board secretary is responsible for the provision of all information to the directors, including documents for the meetings of the Board and the special committees, regular provision of the reports of the Company's business progress, financial targets, development plans and strategic plans, as well as latest information on other statutory requirements relating to the Listing Rules, and for the continued enhancements of the quality and timely release of information.

Corporate Governance Structure

Compliance procedures of the Code of Corporate Governance Practices - Code provisions and the recommended best practices

Code provisions	Compliance	Procedures of Corporate Governance
• The documents of the meetings of the board/ committees should be sent to the directors at least three days before the date of the meetings	Yes	• All documents of the past meetings of the Board and special committees were sent to each of the directors three days before the meetings.
• The management is responsible for the provision of adequate information in a timely manner to the board and its subordinate committees, so as to enable the board to make informed decisions. Each director should have separate and independent access to the senior management of the company for further inquiries	Yes	• The management of the Company has been able to provide sufficient information to the Board and its subordinate committees in a timely manner. The directors have been able to communicate with the management of the Company by themselves to obtain further information required.
• All directors are entitled to access to the board papers and related materials, where queries are raised by directors, steps must be taken to respond as promptly and fully as possible	Yes	• The documents of the Board and the special committees are being kept by the Board secretary, and are available for the inspection by all directors at any time. The Company shall arrange related personnel to give timely response in respect of the questions raised by directors.

B. Remuneration of Directors and senior management

B1. The level and make-up of remuneration and disclosure

Principle of the Code
• The Company should set up formal and transparent procedures for setting policy on executive directors' remuneration for fixing the remuneration packages for all directors. No director should be involved in deciding his own remuneration.
The current best situation in the governance of China COSCO
• The Company has set up a Remuneration Committee. The terms of reference of the Remuneration Committee includes determination, review of the remuneration policies and plans of the directors and managers of the Company. • In 2009, the Remuneration Committee held one meeting, carried out appraisals for senior management and approved the annual remuneration of senior management for 2008.

Compliance procedures of the Code of Corporate Governance Practices - Code provisions and the recommended best practices

Code provisions	Compliance	Procedures of Corporate Governance
• The issuer should set up a remuneration committee, a majority of the members should be independent non-executive directors	Yes	• The Company established a Remuneration Committee, chaired by independent non-executive director Mr. CHENG Mo Chi. The other two members are Mr. XU Lirong (non-executive director) and Mr. Alexander Reid HAMILTON (independent non-executive director), with independent non-executive directors representing more than two-thirds of the members. The terms of reference of the Remuneration Committee have been published on the Company's website.

Corporate Governance Structure

Code provisions	Compliance	Procedures of Corporate Governance
• The remuneration committee should consult the chairman or the CEO in respect of the remuneration of other executive directors	Yes	• The Remuneration Committee has fully communicated with the Chairman and the General Manager in respect of the remuneration of the directors, supervisors and senior management.
• Functions of the remuneration committee	Yes	• The Company has set up the "Guidelines for the Works of the Remuneration Committee of China COSCO Holdings Company Limited" and clearly set out the duties of the committee.
• The remuneration committee should make available its terms of reference, and shall be adequately resourced to discharge its duties	Yes	• The terms of reference of the Remuneration Committee have been published on the Company's website. The Company's Human Resources Department and the general office have actively cooperated with the Remuneration Committee to perform their works in the discharge of their duties.
Recommended Best Practices		
• A significant portion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance	Yes	• The remuneration of the executive directors and senior management are in general linked with the performance of the Company and their individual performance.
• The issuer should disclose details of any remuneration payable to members of senior management, on an individual and named basis, in its annual reports and accounts	Yes	• The Company has disclosed the remuneration and names of the directors, in the annual reports and accounts.

C. Accountability and Audit

C1. Financial reporting

Principle of the Code
Principle of the Code • The Board should present a clear and comprehensive assessment of the company's performance, position and prospects.
The current best situation in the governance of China COSCO • In all regular financial reports issued to shareholders, the Board has put efforts to make the contents comprehensive, and has complied with the regulatory requirements of both the stock exchanges in Hong Kong and Shanghai, and continued to improve the management discussion and analysis, and made comprehensive disclosures on the Company's production operation, financial position and project developments. At the same time, proactively increasing the amount of information, including information on the Company's operation environment, development strategies, corporate culture, strengthening corporate governance reports, making comprehensive, objective, fair and clear descriptions on the operation management and prospects of the Group.

Compliance procedures of the Code of Corporate Governance Practices - Code provisions and the recommended best practices

Code provisions	Compliance	Procedures of Corporate Governance
• Management should provide such explanation and information for the board to make an informed assessment on the relevant matters	Yes	• The management of the Company has provided the Board with information on the Company's business progress, development plans and financial targets from time to time as the grounds for the Board to make appraisals.
• The directors should acknowledge their responsibilities for preparing the accounts and auditors should make statement about their reporting responsibilities in the report	Yes	• The directors have repeated their declarations of responsibilities in preparing financial statements which truly and fairly reflect the Company's situation in the financial year. • The auditors' reports have specified the reporting responsibilities of the auditors.

Corporate Governance Structure

Code provisions	Compliance	Procedures of Corporate Governance
• The board should make a balanced, clear and understandable assessment on the company's performance in its regular reports, announcements involving price sensitive information and other discloseable financial information	Yes	• In its regular reports and external announcements, the Board has made objective, fair and clear descriptions on the situation and prospects of the Company and its subsidiaries.
Recommended Best Practices		
• The issuer should announce and publish its quarterly financial results within 45 days after the end of the relevant quarter • Once the issuer decides to announce and publish its quarterly financial results, it should continue to adopt quarterly reporting	Yes	• In addition to the reports on annual and interim results, the Company has also prepared and issued first quarterly and third quarterly results reports. The Company announced and issued quarterly financial results within 30 days after the end of the first and third quarter, and the information disclosed are sufficient for the shareholders to assess the Company's performance, financial position and prospects.

C2. Internal controls

Principle of the Code
• The board should ensure that the issuer maintains sound and effective internal controls to safeguard the shareholder's investment and the issuer's assets.
The current best situation in the governance of China COSCO
• The Board has authorized the management to establish and promote its internal control system, to review the relevant financial, operational and regulatory control procedures from time to time, so as to protect the Company's assets and the shareholders' interests. Currently the system is being further established and improved.
• In its organization structure, the Company has set up an internal audit department to conduct regular inspections, supervisions and appraisals on the Company's financial position, operation and internal control activities according to different business and process flows, and has appointed external audit firms to make regular audits on the Company's financial reports based on the China and Hong Kong accounting standards, and provided independent and objective appraisals and proposals by way of audit reports.

Self-assessment Report on Internal Control of the Company

In 2009, China COSCO Holdings Co., Ltd. (the "Company") conducted a mandatory review and assessment on the internal control of the Company and its subsidiaries in accordance with the "Internal Accounting Control Standards – Basic Standards (Provisional)" promulgated by the Ministry of Finance, the "Internal Control Guidelines for Listed Companies" issued by the Shanghai Stock Exchange, and with reference to the "Basic Standards for Corporate Internal Control" jointly issued by five ministries led by the Ministry of Finance. The findings of the review are as follows:

Corporate Governance Structure

I. Objectives of internal control of the Company

Since its establishment, the Company has strived to establish and strengthen its internal control system. By adopting the principles of comprehensive risk management and sustainable development, the Company formulated a set of internal controls based on risk and compliance with the United Nations Global Compact (the "Global Compact"). The objectives of the Company with regards to its internal control are as follows:

1. Based on the mid- and long-term strategies of the Company, the characteristics of the Company and the industry in which the Company operates, the objectives of the Company's internal control system are to facilitate the implementation of the Company's strategies by establishing a risk management system, strengthening the management of variable factors and raising the employees' awareness of risk control.

2. To enhance the operational effectiveness and efficiency of the Company and achieve the annual operation targets through risk management, optimization of the work-flow process and management of variable factors.

3. To promptly identify any possible risk, such as fraud and corruption, and prevent the loss of assets and ensure their safety through continuous risk management and review of internal control.

4. To secure and maintain the reputation of the Company through establishing comprehensive internal financial and accounting controls and strengthening internal control in respect to the truthfulness, accuracy and completeness of the information disclosed.

5. To safeguard the Company from legal risks, ensure strict compliance with laws and regulations in respect of production and operation activities and capital investments, set up Global Compact benchmarks and realise sustainable development through internal control and comprehensive risk management.

II. Principles of internal control

The Company has established and is now implementing its internal control system in accordance with the following principles:

1. Comprehensive principle

   The internal control of the Company covers the areas of strategic decision-making and implementation as well as internal and external supervision and control of every business unit of the Company and its subsidiaries, including container freight, dry bulk shipping, logistics, terminal and container leasing and other financing and investment activities in relation to its core business.

2. Priority principle

   The internal control system of the Company is a part of its risk management system. Risks are identified, assessed and classified into different categories. Higher risks or those relating to major business are to be handled with priority.

3. Principle of checks and balances

   The internal control system of the Company maintains a balance between the governance structure, organization structure, responsibilities delineation and business practice and operational efficiency.

4. Principle of adaptability

   Fully integrated with the "comprehensive risk management" system and the "sustainable development" system, the internal control system of the Company is formulated taking into consideration the corporate social responsibility, scale of operations, scope of business and competitive environment of the Company and can be promptly adjusted to adapt to the changing environment.

5. Cost-efficiency principle

   The internal control system of the Company is formulated based on its risk appetite and risk tolerance and aims at balancing the cost of taking the risk, and the expected return from taking the risk, and is implemented in real time so as to limit the risk to an acceptable level.

III. Key elements of the Company's internal control

The internal control system of the Company is based on a COSO document "Enterprise Risk Management – Integral Framework" with reference to the "Basic Standards for Corporate Internal Control" jointly issued by five PRC ministries including the Ministry of Finance, the "Guidelines for Listed Companies Internal Control" issued by the Shanghai Stock Exchange and the "Comprehensive Risk Management Guidances for State-owned Enterprises" issued by the State-owned Assets Supervision and Administration Commission, and is in compliance with the "Framework of Internal Control and Risk Management" issued by The Stock Exchange of Hong Kong Limited. The internal control system of the Company comprises eight elements, namely target setting, internal environment, risk identification, risk assessment, selection of risk management strategies, control measures, communication and inspection and supervision. The Company devised an internal control handbook to serve as guidelines for business management. The Company has established its internal control system and procedures on the basis of the above eight elements as a centralized internal control system and management system of the Company. The internal control system is an integral part of the comprehensive risk management system of the Company which is now being established. The internal control system exemplifies the concept of comprehensive risk management. As such, the internal control system reasonably ensures the fulfillment of its objectives.

Corporate Governance Structure

(I) Target setting

Target setting is an important element of the Company's internal control, and determines the strategic targets in accordance with the Company's mission, risk appetite and risk tolerance defined by the Board. The Company's mission is to consolidate its leading position in the shipping and logistics industry, maintain good relationship with its customers, employees and partners, and maximise contribution to its shareholders, the community and the environment. This mission is the fundemental and ultimate target of the Company's internal control system. The implementation of the internal control of the Company and its subsidiaries aim to fulfill this mission. The Company is committed to providing high quality and efficient services to global customers on a safe, healthy and environmental-friendly basis. The Company aims to incorporate this mission into its Global Compact so as to achieve harmony among human, society and nature. To reinforce its internal risk control ability is seen as one of the means to strengthen the Company's core competitiveness, to ensure the preservation and increase of the value of its assets and to achieve its sustainable development.

In light of the overall strategic objectives, the Company implements effective control measures (such as total quality management (TQM), 6-Sigma, lean management, enterprise risk management (ERM) and digital management etc.) by means of modern management tools. It breaks down the overall strategic objectives into four aspects, namely economic performance, social performance, corporate governance and labor and human right performance. In the process of strategic target setting, overall risk identification and assessment is conducted together with sub-objectives formulated based on the Company's risk appetite and risk tolerance to ensure that risks that have potential negative impact on the Company's strategic objectives are restricted to an acceptable level.

(II) Internal environment

1. Corporate governance structure

The Company has established a sound corporate governance structure which consists of the shareholders' general meetings, the Board, the Supervisory Board, the management and the functional organs. The Board comprises 11 members including the Chairman and directors; the Supervisory Board comprises 6 members including the Chairman and supervisors; the management comprises 7 members including managers, CFO, and the Secretary of the Board.

The Board, as authorised by the shareholders at general meetings, is responsible for the Company's determination of the strategic objectives, establishment of the internal environment, overall risk management, development of internal control, planning of internal control activities, information communication, and assessment of the effectiveness of internal control. The Supervisory Board is responsible for supervising the performance of the directors, general managers, deputy general managers and other senior managers of their respective corporate duties, and recommending the dismissal of directors, general managers, deputy general managers and other senior managers if they breach any laws, administrative regulations, the Company's Articles of Association or any shareholders' resolutions, as well as requesting all necessary remedial activities for any behavior damaging the Company's interests by directors, general managers, deputy general managers and other senior managers. Under the Board, there are several sub-committees, such as the Strategic Development Committee, the Risk Control Committee, the Audit Committee and the Remuneration Committee. The Risk Control Committee was established in April 2005, and is the approval authority for establishing the Company's internal control system and its overall risk management system. It provides independent support to the Board to assist the Board to identify, monitor and manage business risks, set directions for determining the Company's risk management strategies, and strengthen the Company's risk management function. The Audit Committee was established in April 2005, and is the monitoring and supervising authority regarding the effectiveness of the Company's internal control. It monitors, on behalf of the Board, the effectiveness of the Company's internal control by various means, including monitoring and performing evaluations on the Company's internal control framework and key business processes on a regular basis. It identifies potential risks and material deficiencies and develops relevant improvement plans.

The establishment of the Company's corporate governance structure is in strict compliance with requirements of the Company Law of the PRC and the regulations of regulatory authorities including the Chinese Securities Regulatory Comission and the Hong Kong Securities and Futures Commission. The Company is committed to the continuous improvement of its governance structure, rules of procedure and procedures for making decisions by its shareholders, the Board, the Supervisory Board and the management. The management duly performs its duty pursuant to the Company Law of the PRC and the articles of association of the Company. The Company has a sound and reasonable governance structure, the relationship between controlling shareholders and the Company is consistent with the regulations, and the scope of authority of the management is clear. During the process of planning, coordinating and implementing the internal control system, functions that are incompatible with each other are clearly segregated to ensure that there are checks and balances. The internal management responsibility and scope of authority of organisations supervising the operations of the subsidiaries is properly defined. The Company's management, when managing 'three important and one major businesses', strictly follows decisions made by the General Manager within the powers that are authorised by the Board. The Company's governance structure and its capability adjusts itself to the scale of business development.

2. Delegation of authorities and responsibilities

   The Company has set up standards for every department and position to clearly define their respective authorities and duties, as well as their responsibilities in respect of risk management. The risk-associated activities of staff will be monitored and assessed against relevant management indicators and KPI of the year. Pursuant to authorisation by the Board, the General Manager allocates responsibilities and authority to other members of the General Manager's Office based on their roles and positions in the internal control system, which defines the duties and authority of each executive member in a standardized way. There is a working standard for each position at the level of department manager in the head office or below, and the duties and authority of such position are also clearly defined.

3. Integrity and moral standards of the Company

   As a global shipping enterprise, the Company has always valued its integrity and moral standards. The Company seeks to maximise its operational efficiency, values and shareholders' returns. The Company emphasises pragmatism and coordination. Pragmatism refers to: truthfulness, adhering to principles, practicality, high standards, strict requirements, high efficiency, seriousness, fairness and honesty, strict compliance of laws, regulations and conventions as well as the Company's rules and regulations, no false statements and no bribes. Coordination refers to making efforts to achieve harmony among interested and related parties. Coordination is a concert of efforts of the companies of the China COSCO Group, employees, shareholders, customers and external stakeholders including strategic partners as well as the community to arrive at a balanced growth and all-win situation, and thereby realise the strategic targets of China COSCO. Through efforts of the human resources department, the Company has formulated rules regarding employee behaviour and moral standards, and strictly complied with the "Guidelines of Public Morals" to ensure that the professional ethical standards are upheld. 'Patriotic and law-abiding; courteous and honest; unified and friendly; diligent and self-improving; professionally dedicated' is the code of conduct of the Company's staff. The Company has clearly stated the punishments and violation reporting mechanism in its "Punishment for Violations of Regulations" for acts in breach of integrity and moral standards. Furthermore, the Company has proactively implemented "The Guidelines on Corporate Social Responsibility Compliance" issued by the State-owned Assets Supervision and Administration Commission of the State Council and has performed its corporate social responsibility so as to actively promote the Global Compact and sustainable development.

4. Management philosophy and operation style

The management of the Company possesses extensive industry experience, wide international perspective and excellent adaptilibility. Facing the severe impact of the global financial crisis, the management rose to the challenges composedly, brought the operation in tune with the current situation, adjusted management philosophy, formulated winning strategies, adapted its marketing strategies, optimized its business structure, strengthened its efforts with lean management, focused on cost reduction and efficiency improvement and led the sustainable development of China COSCO in a prudent yet progressive manner. The management of the Company strives to create a low profile, pragmatic, cautious and effective working environment. Thorough feasibility studies, market analyses and investment return analyses will be conducted before any major investment decisions are made. The Risk Management Committee and the Strategic Development Department will jointly analyse and assess all major investment projects/plans. The management is keen to consolidate risk control mechanism and general counsel system, in order to uphold and strictly follow the principles of truthfulness and fairness in respect of the quality of financial information. The Company uses standardised accounting policies, accounting methods and accounting application. The Company has strengthened the financial supervision function, standardized information disclosure procedures and strictly followed the information disclosure procedures for listed enterprises. The senior management and managers of the Company maintain close communication and contact to oversee the operational activities of the Company, to ensure that the operation styles of the whole company are, to a certain extent, in conformity.

5. Competence of staff

The Company has set up working standards for each department, office and position and specified their respective responsibilities, basic duties, support duties, management standards, risk responsibilities and risk authority. The Company's human resources department conducts an annual review of the working standards and makes amendments to those standards as necessary. All departments have their personnel replacement system. All staff in the headquarters of the Company have over 10 years professional experience and competencies necessary for their respective positions. The Company offers competitive remuneration packages to retain a stable workforce and attract talent. Directors, supervisors and key management staff are appointed by the Company by way of standardised examination and assessment in conformity with relevant procedures, in order to ensure the competence of the staff. Competence of staff across the Company is guaranteed by means of the above-mentioned measures.

6. Human resources policy

The Company has established comprehensive personnel management rules and regulations in respect of recruitment, performance appraisal, remuneration, labour insurance and staff training. Also, the Company has proactively utilised various advanced technologies to optimize its remuneration management, allowing the Company to promptly identify remuneration-related risks and improve working procedures and related systems. The current performance appraisal mainly focuses on operational performance. The remuneration of the senior management is related to the Company's annual operational performance and stock performance. Performance appraisal of the senior management of subsidiaries consists of an annual operational performance appraisal and a personal comprehensive abilities appraisal. The remuneration and promotion of the senior management of subsidiaries are closely related to the operational performance. In 2009, the human resources department of the Company enhanced the quality of the human resources management staff by providing various training sessions. Every year, the department implements rotation training, elite training and staff re-training in accordance with the Training Management Procedures (培訓管理程序). The department also conducts in-depth analysis of training needs, formulates training courses and implements training assessments.

7. Cultivation of corporate culture

The Company has a rich corporate culture and has formulated the "Twelfth Five-Year Corporate Culture Cultivation Plan", which presents in detail the plans for corporate culture cultivation during the course of the 12th five-year. Also, the Company has developed its "Corporate Culture Cultivation Guideline" and "Staff Handbook". The Company has built up sound corporate culture and behavior identification system, which clearly illustrates the standards of the Company's corporate image and the employees' code of conduct. The Company embeds risk awareness and risk culture to employees' behaviors through implementation of risk management system, providing risk management training and case studies to encourage all employees to strive to create a good profile of and a promising future for the Company with a sense of honor and responsibility, adequate risk management awareness and compliance of code of conduct.

(III) Risk identification

1. Principles and methods of risk identification

   The Company has a comprehensive risk management system and standard risk identification procedures and methods to enable its employees to identify risks. The Company's risk identification system assesses the probability of the impact caused by risks on the Company's objectives based on historical events. In addition to threats and risks, the Company also seeks to explore potential opportunities to maximise value for its shareholders. Risks are classified at four levels. Risk identification is carried out by all employees under the leadership of the Board. Sponsored by the Strategic Development Department, a series of risk identification activities involving all staff are arranged once every year and a centralised dynamic high-risk incident database is maintained. A regular risk identification system is also established to ensure that risks at each position and work process can be promptly identified and administered. Risk identification work is also carried out by all subsidiaries effectively under the overall guidance of the head office and on the basis of their operational status and particular features; risks identified are reported to the head office of the Company.

2. Scope of risk identification

   The risk identification of the Company involves every functional department, position, business process, unit, external related parties and external environment of the headquarters of the Company. Risks are classified into six categories, namely strategic, financial, market, legal, operational and social responsibility.

(IV) Risk assessment

1. Risk assessment principles

The Company's risk assessment is scientific and objective. Subjective risk assessment is avoided. All risks identified are centrally administrated and standard assessment procedures are set up.

2. Major risks identified

During the risk assessment in 2009, the Company took into account the material negative impact of the financial crisis on the Group's annual objectives and thoroughly analyses changes in both the internal and the external environments, and conducted risk assessments on nearly 1,000 high-risk incidents and 62 second-level risks. A total of around 10 major risks were identified by means of risk assessment model, and appropriate risk management strategies and countermeasures were developed accordingly. These major risks include risks associated with strategic decision-making, investment assessment, hedging (including fuel oil futures and Forward Freight Agreement), health and safety, environmental pollution, financing, interest rate and exchange rate, market fluctuation, credit management and transformation management. Although the probability of these risks is low, their possible impacts may be material.

(V) Selection of risk management strategies

The risk management strategies of the Company consists of risk appetite, risk tolerance and risk management strategies. The directors of the Company determine the overall risk appetite and risk tolerance of the Company. The Company's risk management department has set up risk monitoring indicators and corresponding risk tolerance levels as well as specific countermeasures in respect of major risks and conducts real-time monitoring. With respect to major risks at corporate level, the Company has determined corresponding solutions and risk control indicators, and conducts quality and quantity analysis of risk control indicators on a regular basis, which allows them to determine specific risk management measures such as risk acceptance, transfer, mitigation, avoidance and utilisation. As for procedural risks and faults, specific control targets and rectification measures have been established and will be conducted by the relevant departments and officers.

(VI) Control measures

The Company has established a comprehensive internal control process handbook covering all 67 procedures of the managerial functions of the Company. The handbook is subject to annual review and update. Electronic process management is being implemented by means of the digital information system of the Company. The internal control process handbook specifies work processes, control points, major risks, controlling measures and relevant inspection and examination methods. The Company has also set up and strictly followed a comprehensive control system in respect of transaction authorisation, delineation of duties, vouchers and records control, access to assets and use of records, independent audit and electronic information system control.

1. Transaction authorisation

   In accordance with the Company's articles of association, the Company has set up a series of policies with regard to rules of procedure for its governance and management, and established detailed regulations on authorisation procedures of different transactions based on the amounts and nature of the transactions. Any investment, purchase or sale of material assets, related party transaction and venture investment projects require approval by the Board. Decision-making beyond the approval authority of the Board is subject to approval by shareholders at general meetings. The Company has established an authorisation system specifically for general transactions, related party transactions, venture investment projects and financial derivatives transactions. Subsidiaries wholly-owned or otherwise controlled by the Company can make decisions on their own investment projects as long as the projects are within the scope of their principal business and will be financed by the subsidiaries' own resources, on the premise that the decisions fall within the authorisation granted by the Board and that relevant investment procedures are followed.

2. Delineation of duties

   The articles of association of the Company explicitly delineates the duties of the shareholders' general meetings, the Board and the Supervisory Board, and formulates effective rules of procedure, which enable the above organisations of the Company to effectively perform their respective duties, to be independent of each other and to supervise and encourage each other. The Board has six sub-committees, including the Strategic Development Committee, the Risk Management Committee, the Audit Committee, the Remuneration Committee, the Nomination Committee and the Executive Committee, each with specific terms of reference. Each committee has been granted with a specific authorisation and has specific work rules in place to regulate such authorisation, work processes and rules of procedure to ensure performance of duties. Continuous improvement and enhancement is achieved through the internal control self-assessment mechanism. The completeness and effectiveness of the system and mechanism facilitates and guarantees the proper operation of, and the provision of decision-making support by, each professional committee.

3. Vouchers and records control

The Company uses the SAP-based COSCO Financial Information System, which has the full functions of recording, reviewing and tracking historical transaction records, so that such records are well archived and stored in accordance with the policy of financial filings. The Company has formulated sound procedures to control vouchers and records. Computerised issue of invoices has been implemented for all sales invoices, which minimise fraud and mistakes by the use of technology. Bank bills such as checks and drafts are managed by designated staff and are strictly administrated in accordance with the PRC Law of Bills and the relevant administrative regulations of banks. With the rollout of the internal control information system, important documents and work records are handled electronically, creating a system that features safe recording, checking and use of documents and filing functions.

4. Access to assets and use of records

The SAP-based COSCO Financial Information System, through its functions of fixed assets life cycle management and inventory management, is able to administer and ensure that the Company's assets are intact. The Vessel Movement Monitoring System is used to track movement of vessels in a timely manner which facilitates digital detailed management. Information on the movement of containers can also be tracked and monitored with computer system. The storage dockyard has direct EDI capability. Inventory information is transmitted through e-mail or the website of Florens. The Company's computer system can automatically check and identify errors and causes. With regards to fuel stock management, COSCON has developed COSCON Fuel Monitoring System 2006 for the real time monitoring of fuel. Arrangements are made for vessels and ports in accordance with their schedules. Dedicated staff in charge of the vessels are responsible for taking stock of remaining bunker fuel.

5. Independent audit

An internal independent audit position is set up specifically for formal, scientific and independent audit of financial information and data pertaining to business and transactions. Quality of information and financial reports in terms of reliability, completeness and validity is improved effectively through measures such as voucher checking, review of accounts, stock taking, account checking, information/data checking and information safety checking. Furthermore, responsible divisions will conduct audit and review on their subordinated entities (including income/cost audit, implementation of internal control system, stock management, credit/debt management, project management and fund management) and will provide advice for reasonable management and request for improvement.

6. Electronic information system control

The Company and most of its subsidiaries have implemented SAP-based financial information system to support centralised management and control. This allows for well regulated financial standards and processes that are closely connected with business systems. As a result, the quality of financial data is ensured, efficiently providing reliable and updated information for senior level decision making. As for the Company's global liner service information system, the worldwide network infrastructure is in place. This management information system architecture uses IRIS2 as its core of business system; a SAP financial system and MIS business management system has been set up, and an e-commerce platform integrating COSCO features has also been established. The Company's Bulk Management System (BMS) integrates ship chartering, dispatching and freight/charge and other activities into one platform and forms a set of dry bulk carrier operation process. The system has interfaces with peripheral systems and achieves integration. The implementation of the Logistics Management Information System (LMIS), the Depot Management System (DMS) and the Vendor Management Information System (VMI) significantly improves operational efficiency. Through the proprietary container fleet management system developed by Florens, a subsidiary of COSCO Pacific, customers are able to interact with Florens. The Company is also keen to construct a disaster recovery system, develop and upgrade the information systems, and work to optimise the disaster recovery systems based on environmental changes in a timely manner to ensure its completeness. Furthermore, the Company organises global exercises on disaster recovery system each year to ensure the sustained recoverability of the system.

(VII) Communication

1. Internal communication

   Members of the Board are able to obtain information on major events and the financial position of the Company by attending board meetings. Members of the Supervisory Board are able to obtain information on major events of the Company, including its financial position, by attending meetings of the Supervisory Board and being present at board meetings. Members of the Board and the Supervisory Board are kept informed of the latest situation of the Company's production and operations, including financial position, each month through the Monthly Report for Directors and Supervisors. The management is updated as to the financial position of the Company at the monthly operation meetings and economic activities analysis meetings, and are assisted in their decision-making by the Financial Information System. In addition, the Financial Data Management System provides statistics on operation, transport capacity, fuel consumption, load factor etc. Employees can obtain news related to the Company and operational information via the intranet and communicate with the senior management directly via the shortcut of 'GM/Party Committee Secretary email' on the intranet. Daily document transfer and expense claim approval can be processed by the OA system. Confidential documents are circulated encrypted. Application forms are used for approval of requisitions, and contact sheets are used for communications between divisions. Feedback forms are submitted afterwards to enable tracking.

2. External communication

   The Company has maintained constant external communication channels and mechanisms. Through its fulfillment of social responsibilities and participation in public activities, the Company maintains good relationships with all related external parties. In addition, the Company makes announcements through its portal website (www. chinacosco.com) and holds press conferences for the announcement of financial results. It keeps in contact with institutional investors, individual investors, potential investors and creditors, and releases information of the Company and its business electronically through its website. It welcomes enquiries from shareholders, investors and media at the general meetings, press conferences of financial results and investors meetings, and members of the Board and senior management also attend such events frequently to have direct communication with various parties. The Company also actively seeks and considers external comments and advice during its decision making process. By establishing an anti-malpractice mechanism, allowing visits to the headquarters and most of the subsidiaries, and setting up an informant hotline, employees and external parties can report breach of integrity and immorality in a timely manner.

(VIII) Inspection and supervision

The Company's inspection and supervision pertaining to internal control consists of general supervision and specific supervision. The Company has established internal control evaluation procedures and general risk management procedures to ensure the exposure to risk and weakness of work flow are under daily supervision and well control in a closed-loop (covering identification, evaluation, solution and monitoring). Special approval and reporting systems are set up particularly for major risk exposures in investment, guarantee and related party transactions.

The Board is responsible for the overall internal supervision and the Audit Committee under the Board takes up the inspection and supervisory role. Internal audit has started since 2007 and risk-oriented internal control is considered the core of the audit. System-wide audit plan has been developed and broken down into sub-plans for all subsidiaries in conformity with the principle of centralised coordination and hierarchical responsibility. Through the implementation of internal control audit, audit divisions at all levels have provided comments and advice on how to improve the weakness of internal control so as to optimise the system.

The Company also makes efforts to solve problems identified in the management proposal issued by the Company's accountants each year as a major element of internal control work, and appoints special staff to follow up the improvement. In 2010, the Company will continue to undertake risk-oriented internal control audit and conduct supervision, particularly on key operation management processes. Meanwhile, the Company will continue to make improvements as per the management proposal.

IV. Evaluation on achievement of the Company's 2009 internal control supervision work plan

In 2009, the focus of internal control work of the Company remained closely tied to the external economic conditions and internal management requirements, and conscientiously performed its audit and supervision function. Attention is drawn to internal control and risk management during the financial crisis. Weaknesses were identified and improvements were made. Audit effectiveness was enhanced. All these efforts help to ensure the healthy and sustainable development of the Company. The Supervision Department focused on the audit of construction and implementation of the internal control system by the headquarters and subsidiaries, conducting audits on financial derivatives and FFA business, income from ship chartering and transportation, investing and financing cycles and fund management and contract management. Subsidiaries audited include: 1) COSCO Container Lines Co., Ltd.; 2) COSCO Bulk Carrier Co. Ltd; 3) Qingdao Ocean Shipping Co., Ltd; 4) COSCO (Hong Kong) Shipping Co., Ltd; 5) COSCO Pacific Ltd; and 6) COSCO Logistics Co., Ltd. The internal control audit of this year mainly focused on effectiveness of system construction and implementation. Inspection, supervision and evaluation have been conducted on the system of checks and balances of each subsidiary (including its decision-making, implementation and supervision), and the completeness of its internal control system and the effectiveness of implementation of such system. Problems identified and any advice is reported to the Audit Committee for review.

V. Self-evaluation on effectiveness of internal control

The Board has conducted self-evaluation on all aspects of internal control in 2009 and no significant deficiencies in the design or the execution of the internal control system was found. The Board believes that by 31 December 2009, the Company has implemented effective internal control in conformity with the "Internal Accounting Control Criteria - Basic Criteria (Provisional)" and relevant regulations, the "Guidances for Listed Companies Internal Control" issued by the Shanghai Stock Exchange, and particularly the "Basic Standards for Corporate Internal Control" jointly issued by five ministries and regulations for corporate internal control issued by The Stock Exchange of Hong Kong Limited in all major aspects.

This report was examined and approved at the 17th meeting of the second session of the Board on 22 April 2010. The Board and all of its members assume joint and several liabilities for the truthfulness, accuracy and completeness of this report.

China COSCO Holdings Company Limited
Board of Directors

22 April 2010

Corporate Governance Structure

Compliance procedures of the Code on Corporate Governance Practices - Code provisions and the recommended best practices

Code provisions	Compliance	Procedures of Corporate Governance
• The Directors should at least annually conduct a review of effectiveness of its internal control systems (Including the financial control, operational control and compliance control and risk management functions)	Yes	• The Company's has placed strong emphasis on its internal control, and has established an internal control system, and set up an internal audit department in its organization structure to perform supervision and control on the Company's finance, business, compliance and risk management. The Company's financial controller has reported to the Audit Committee and the Board on the internal control each year for the appraisals by all directors.
Recommended Best Practices		
• The issuer should ensure their disclosures provide meaningful information	Yes	• In all the announcements issued to shareholders, the Company has ensured that the information disclosed was meaningful, and has warranted that there were no false records, misleading statements or material omissions in the information, and assumed individual and related responsibilities on the truthfulness, accuracy and completeness of the contents.

C3. Audit Committee

Principle of the Code
• The audit committee should have clear terms of reference, including arrangements as to how it will apply the financial reporting and internal control principles, and shall maintain an appropriate relationship with the company's auditors.
The current best situation in the governance of China COSCO • The Board of the Company has set up an Audit Committee, chaired by Mr. Alexander Reid HAMILTON, an independent non-executive director. Other members include Ms. SUN Yueying (a non-executive director) and Mr. CHENG Mo Chi (an independent non-executive director) who have professional skills and experience on financial management. All the members are non-executive directors, of which two are independent non-executive directors, and one independent director has been appointed with professional qualification and professional experience in financial management. • The Audit Committee is mainly responsible for the supervision of the internal design system of the Company and its subsidiaries and its implementation; audit on the financial information and disclosures of the Company and its subsidiaries; review on the internal control system (including financial control and risk management) of the Company and its subsidiaries; making designs on material connected transactions and communications; supervisions and verifications on the Company's internal and external audits. • In 2009, the Audit Committee has convened four meetings, wherein the management and the financial controller reported the Company's financial situation and material issues relating to internal control.

Compliance procedures of the Code on Corporate Governance Practices - Code provisions and the recommended best practices

Code provisions	Compliance	Procedures of Corporate Governance
• Full minutes of the audit committee shall be kept by a duly appointed secretary, and confirmed by all the members of the committee	Yes	• The minutes and related information of meetings of the Audit Committee are properly kept by the Board secretary. The minutes of meetings of the Audit Committee have detailed records on the matters considered in the meetings, and are confirmed by all the members present in the meetings.
• The former partner of the existing auditors shall not be a member of the audit committee	Yes	• Mr. Alexander Reid HAMILTON, the chairman of the Audit Committee was a partner of PricewaterhouseCoopers. He resigned from his office at PricewaterhouseCoopers about 20 years ago, and is no longer enjoying the financial benefits of the company. • Audit Committee members Mr. CHENG Mo Chi and Ms. SUN Yueying are not former partners of the external auditors.
• The terms of reference of the audit committee shall be made public in a timely manner	Yes	• The Company has set up a written terms of reference of the Audit Committee, specifying the terms of reference and rules of procedures of the committee. The related contents have been set out on the Company's website.
• The board shall obtain recommendation from the audit committee on the appointment or removal of external auditors	Yes	• The Audit Committee has made proposals to the Board in respect of the election or removal of external auditors, which after consideration by the Board, are subject to approval by the general meeting.

Code provisions	Compliance	Procedures of Corporate Governance
• The audit committee shall be adequately resourced to discharge its duties	Yes	• The Company's supervision department and general office actively assisted the Audit Committee to perform its works. The members are entitled to consult independent professional opinions based on agreed procedures, at the expense of the Company.
Recommended Best Practices		
• To monitor the relationship of the issuer and external auditors	Yes	• There are members of the Audit Committee acting as major representatives between the Company and the external auditors, and responsible for the monitoring and coordinating of their relationship.

D. Delegation by the Board

D1. Management Functions

Principle of the Code • The issuer should have a formal schedule of matters specifically reserved to the board for its decisions and which may be delegated to the management, and give directions to the management on matters that must be approved by the board.
The current best situation in the governance of China COSCO • The main power of the Board includes to convene shareholders' general meetings; to decide the Company's operation plans and investment plans and the allocation of the Company's internal management bodies; to prepare the Company's annual financial budgets, final accounts and profit distribution plans; to propose plans for the Company's merger, division and dissolution and material acquisition or disposal plans; and implement resolutions of the general meetings. • The Board may delegate part of its power to the special committees and the management, and specify matters that must be approved by the Board.

Corporate Governance Structure

Compliance procedures of the Code on Corporate Governance Practices - Code provisions and the recommended best practices

Code provisions	Compliance	Procedures of Corporate Governance
• When the board delegates aspects of its management and functions to management, it shall at the same time give clear directions as to the power of management	Yes	• The management is accountable to the Board. Its main duties include leading the Company's operation and management, organizing the implementation of Board resolutions, conducting and implementing economic activities such as investment and asset disposals relating to the Board resolutions, and making reports to the Board. The management may not surpass the scope of its power and the Board resolutions in the exercise of its power.
• The issuer should formalize the functions reserved to the board and those delegated to the management, and shall review on a periodic basis	Yes	• In the Rules of Procedures of the Board of Directors and Guidelines for the Works of the General Manager, the Company has specified matters requiring resolutions of the Board and functions to be delegated to the management.
Recommended Best Practices		
• The issuer shall disclose the division of responsibilities between the board and the management	Yes	• In the Articles of Association, Rules of Procedures of the Board of Directors and Guidelines for the Works of the General Manager, the Company has specifically set out the division of responsibilities between the Board and the management, and has made announcements to the public.
• The issuer shall have formal letters of appointment for directors, setting out the terms and conditions relative to their appointment	Yes	• Each of the new directors has received a formal appointment letter, specifying the principle terms and conditions relative to such appointment.

Corporate Governance Structure

D2. Subordinate Committees of the Board

Principle of the Code
• The establishment of the subordinate committees of the board shall have written terms of reference, which clearly specify the rights and duties of the committees.
The current best situation in corporate governance
• The Board of the Company has six subordinate special committees, including the Strategic Development Committee, the Risk Management Committee, the Audit Committee, the Remuneration Committee, the Nomination Committee and the Executive Committee. The Board shall fully consider the professional skills and experience of the directors when selecting them as the members of the special committees, thereby enabling the work of the committees be performed with high efficiency. Among these, the majority of the members of the Strategic Development Committee, the Risk Management Committee, the Audit Committee, the Remuneration Committee and the Nomination Committee are independent non-executive directors.
• Each of the committees has specific working guidelines, setting out the rights and obligations and the rules of procedures of the committees.

Corporate Governance Structure

The table below sets out the attendance in the meetings of the various special committees (number of attendance in person/number of meetings to be attended)

Name	Position	Strategic Development Committee	Risk Management Committee	Audit Committee	Remuneration Committee	Nomination Committee	Execution Committee
WEI Jiafu	Chairman, Executive Director	–	–	–	–	–	5/5
ZHANG Fusheng	Vice Chairman, Non-executive Director	–	–	–	–	–	4/5
ZHANG Liang	Executive Director, General Manager	–	–	–	–	–	4/5
LI Jianhong	Non-executive Director	–	–	–	–	–	5/5
XU Lirong	Non-executive Director	0/1	–	–	0/1	–	5/5
SUN Yueying	Non-executive Director	–	–	4/4	–	–	2/5
CHEN Hongsheng	Non-executive Director	1/1	–	–	–	–	3/5
LI Boxi	Independent Non-executive Director	1/1	–	–	–	–	–
Alexander Reid HAMILTON	Independent Non-executive Director	–	–	4/4	1/1	–	–
CHENG Mo Chi	Independent Non-executive Director	–	–	4/4	1/1	–	–
TEO Siong Seng	Independent Non-executive Director	–	–	–	–	–	–

Corporate Governance Structure

Compliance procedures of the Code of Corporate Governance Practices - Code provisions and the recommended best practices

Code provisions	Compliance	Procedures of Corporate Governance
• The board should prescribe sufficiently clear terms of reference of the committees, to enable such committees to discharge their functions properly	Yes	• The Board of the Company has six subordinate special committees, including the Strategic Development Committee, the Risk Management Committee, the Audit Committee, the Remuneration Committee, the Nomination Committee and the Execution Committee. Each of the committees has specific working guidelines, setting out the rights and obligations of the committees.
• The terms of reference of the committees should require them to report back to the board on their decisions and recommendations	Yes	• The committees have reported to the Board their decisions and proposals after each meeting, and submitted to the Board for consideration matters which require its decision.

E. Communication with Shareholders

E1. Effective communication

Principle of the Code • The board should endeavour to maintain an on-going dialogue with shareholders, and in particular, use annual general meetings or other general meetings to communicate with shareholders and encourage their participation.
The current best situation in the governance of China COSCO • The Board has endeavour to maintain communication with shareholders, and has taken annual general meetings as the major opportunities to have contact with individual shareholders, where all shareholders holding shares in the Company are entitled to attend the meetings. • Notices and circulars of general meetings shall be dispatched at least 45 days before the meetings, setting out details of business to be considered in the meetings and the voting procedures.

Compliance procedures of the Code of Corporate Governance Practices - Code provisions and the recommended best practices

Code provisions	Compliance	Procedures of Corporate Governance
• In the general meetings, a separate resolution should be proposed by the chairman of the meeting in respect of each substantially separate issue	Yes	• Each actual independent matter submitted for consideration by the general meeting has been raised as individual resolution.
• The chairman of the board shall attend the annual general meetings, and arrange the chairman or members of the committees to be available to answer questions of shareholders at the meetings	Yes	• The chairman of the Board has attended the annual general meetings, extraordinary general meetings in person and presided over the meetings, and has arranged the members of the committees and the management to reply to the inquiries of shareholders in the meetings.

E2. Voting by poll

Principle of the Code • The issuer shall regularly inform shareholders of the procedures of voting by poll, and ensure compliance with the requirements under the Listing Rules and the Articles of Association.
The current best situation in the governance of China COSCO • The Company has laid down the Rules of Procedures of Shareholders' General Meetings, specifically setting out the ways of voting and voting procedures in general meetings, and ensuring the procedures comply with the requirements under the Listing Rules and the Articles of Association. • The Company has confirmed the validity of all shareholders present and voted in the meetings, appointed the Company's supervisors, share registrar, legal advisors and representatives of shareholders as the scrutinizers, and appointed lawyers to issue legal opinions on the final results of voting. Results of voting were announced on designated newspapers and the website.

Compliance procedures of the Code of Corporate Governance Practices - Code provisions and the recommended best practices

Code provisions	**Compliance**	**Procedures of Corporate Governance**
• The voting procedures for and the rights of shareholders to demand a poll should be disclosed in the circulars of general meetings. The chairman of the general meeting and/or directors who, individually or collectively, hold voting rights by proxies shall disclose in the meeting the number of votes represented by proxies held by directors	Yes	• The notice to shareholders' meetings and the circulars of general meetings clearly stated that each of the items to be considered at the shareholders' meeting and voting requirements, and at the same time explained the related procedures at the meetings. The Chairman of the meeting has disclosed the voting results of votes by proxy at shareholders' meeting.

Code provisions	Compliance	Procedures of Corporate Governance
• The votes cast shall be ensured to be properly counted and recorded	Yes	• The Company has appointed the Company's supervisors, share registrar, legal advisors and representatives of shareholders as the scrutinizers, to count all the valid votes and make records. The Company has also appointed lawyers to issue legal opinions on the voting results.
• The chairman of the general meeting should explain the procedures of voting and raising questions by shareholders at the commencement of the meeting	Yes	• Prior to the commencement of the general meeting, the chairman of the meeting shall make explanation on the procedures of the meeting, so as to ensure that all shareholders vote after understanding the voting procedures. In the past general meetings, there were arrangements in the procedures for raising questions by shareholders.

V. Social responsibilities report

As a member of the Global Compact of the United Nations, the Company takes initiative to perform its social responsibility by formulating plans of corporate social responsibility. The Company bears its responsibility to stakeholders with clear plans and objectives, and works towards the goals of achieving harmony between the society and the enterprise, as well as achieving sustainable development. The Company has formulated strategies for sustainable development, aiming to transform from a company with cross-border operations, to a multinational company and a global company, and finally becoming the resource allocator of the global shipping and logistics industry, providing customers with one-stop global shipping and logistics services while pursuing optimal efficiency, developing its corporate values and furthering the interests of its shareholders, so as to maximize rewards to its shareholders, the society and the environment and to maintain sustainable development.

As a global shipping group, the Company used its sustainable development values to face the global financial crisis. It also made good the promises made under the United Nations' Declaration on Climate Change（聯合國關注氣候變化宣言）, leading the industry in its energy savings and emissions reduction by increasing the number of vessels that reduces their speed on voyages. On 13 November 2009, the CKYH Alliance formed by COSCON, Kawasaki Kisen Kaisha, Yang Ming Marine Transport and Hanjin Shipping made the "Qingdao Declaration" at the World Shipping (China) Summit 2009, which advocated the correct response in the face of economic recovery, promoted the use of a positive attitude to deal with the financial crisis and maintain market stability in support of the recovery of the shipping industry. The declaration also pointed out the industry should protect the Earth and the environment by exercising cost control, making reasonable expansion, being proactive in implementing social responsibility, and reducing energy consumption and the emission of carbon dioxide.

Corporate Governance Structure

As disclosed in the COSCO Group's 2009 sustainability report, the Company was awarded the highest grade of A+ by GRI for its achievements in fulfillment of its social responsibility and achieving sustainable development according to the Sustainability Reporting Guidelines. It was also ranked first in Asia in the Pacific Sustainability Index.

For the purposes of this annual report, the Company issued a separate sustainability report in 2009 to reflect on its fulfillment of social responsibilities. According to the Sustainability Reporting Guidelines of GRI, the report should contain vertical reports on strategic plans for social responsibilities, target evaluations, corporate governance, management systems, resource allocation and operation performance and disclosures of economic issues, environmental issues, labours, human rights, social matters and products so as to meet all requirements of related parties and regulatory authorities. The Company's 2009 sustainability report was prepared according to the Sustainability Guidelines of GRI and was published on the website of the Company. The report showed the results of the Company's efforts to be socially responsible through the establishment and operation of the risk management system and the sustainable management system under the scrutiny of the society.

To ensure the reliability and disclosure quality of the report, the Company formulated an 18-step review procedure and established an expert committee of related parties for supervision. The Company submitted the report to United Nations Global Compact Office and Det Norske Veritas ("DNV") for auditing based on AA1000 sustainable management auditing criteria.

In 2009, DNV audited the sustainability management system and reporting data of the Company and COSCON. The specific schedule was as follows:

Company Name	**Auditing Time**
China COSCO Holdings Company Limited	28 June 2009
COSCO Container Lines Company Limited	3 to 5 May 2009

The Board of Directors of the Company passed the resolution regarding its 2009 sustainable development report of on 22 April 2010. The Company will disclose the sustainable development report on its website at www.chinacosco.com.

VI. Auditors' Remuneration

The Company has appointed PricewaterhouseCoopers as the international auditor of the Company and Zhongruiyuehua Certified Public Accountants Co., Ltd. as the PRC auditor of the Company for 2009.

Fees in respect of audit services, audit related services and non-audit services provided by the above auditors to the Company during the year amounted to RMB44,360,000, RMB11,654,000 and RMB20,023,000 respectively.

In the 17th meeting of the 2nd session of the Board of Directors, it has been considered and approved to continue to appoint Zhongruiyuehua Certified Public Accountants Co., Ltd. as the PRC auditor of the Company for 2010, and to continue to appoint PricewaterhouseCoopers as the international auditor of the Company for 2010, and to submit to the annual general meeting to authorise any director to handle such appointments.

Nature of Service	**2009 (RMB'000)**	2008 (RMB'000)
Audit service	**44,360**	47,343
Audit related service	**11,654**	13,268
Non-audit services		
– Tax related services	**2,906**	7,716
– Circular related service	**1,274**	3,678
– Financial advisory services	**15,843**	6,853

Description of General Meetings

(I) Annual General Meeting

Session	Date of Meeting
Annual General Meeting of 2008	9 June 2009

(II) Extraordinary General Meeting

Session	Date of Meeting
1st Extraordinary General Meeting of 2009	6 February 2009

Directors' Report

The Board is pleased to present the Directors' Report of the year 2009 together with the audited financial statements of the Group for the year ended 31 December 2009.

Principal Activities

The Group is engaged in providing container shipping, dry bulk shipping, logistics, managing and operating container terminals and container leasing businesses. The Company is an investment holding company and details of the principal activities of the Company's principal subsidiaries as at 31 December 2009 are set out in note 45 to the consolidated financial statements.

Results of the Group

The Group's results for the year ended 31 December 2009 are set out on page 153 of this report.

Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years are set out in the section headed "Five Year Financial Summary" of this report.

Major Suppliers and Customers

For the year ended 31 December 2009, the Group's purchases attributable to the Group's five largest suppliers were less than 30% of the Group's total purchases, and the aggregate sales attributable to the Group's five largest customers were less than 30% of the Group's total sales.

Reserves

Details of movements in the reserves of the Company and the Group during the year and details of the distributable reserves of the Company as at 31 December 2009 are set out in note 24 to the consolidated financial statements.

Statutory Reserve Funds

Details of the statutory reserve funds are set out in note 24 to the consolidated financial statements.

Property, Plant and Equipment and Investment Properties

Details of movements in property, plant and equipment and investment properties of the Group and the Company during the year are set out in notes 6 and 7 to the consolidated financial statements.

Employees' Retirement Plans

Details of the employees' retirement plans are set out in note 26(b) to the consolidated financial statements.

Pre-emptive Rights

The Articles of Association of the Company and the laws of the PRC contain no provision for any pre-emptive rights, requiring the Company to offer new shares to shareholders on a pro-rata basis to their shareholdings.

Share Capital

Details of the share capital of the Company are set out in note 23 to the consolidated financial statements.

Directors and Supervisors

The directors of the Company during the year were as follows:

Name	Date of appointment as Directors	Date of resignation as Directors
Executive director		
WEI Jiafu (Chairman and CEO)	6 June 2008	N/A
ZHANG Liang (President)	6 June 2008	N/A
Non-executive director		
ZHANG Fusheng (Vice Chairman)	6 June 2008	N/A
LI Jianhong	6 June 2008	N/A
XU Lirong	6 June 2008	N/A
SUN Yueying	6 June 2008	N/A
CHEN Hongsheng	6 June 2008	N/A
Independent non-executive director		
LI Boxi	6 June 2008	N/A
Alexander Reid HAMILTON	6 June 2008	N/A
CHENG Mo Chi	6 June 2008	N/A
TEO Siong Seng	6 June 2008	N/A

The supervisors of the Company during the year were as follows:

Name	Positions	Date of appointment as Supervisors
LI Yunpeng	Chairman of Supervisory Committee	6 June 2008
WU Shuxiong	Supervisor	3 March 2005
MA Jianhua	Supervisor	26 June 2007
LUO Jiulian	Supervisor	9 June 2009
LI Zonghao	Supervisor	6 June 2008 (resigned)
MENG Yan	Independent Supervisor	9 June 2009
YU Shicheng	Independent Supervisor	6 June 2008
KOU Wenfeng	Independent Supervisor	6 June 2008 (resigned)

Independence of the Independent Non-executive Directors

The Company has received the letter of annual confirmation issued by each of the independent non-executive Directors as to his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company confirms that all of the four independent non-executive directors of the Company are considered as independent persons.

Biography of Directors, Supervisors and Members of the Senior Management

Biography of directors, supervisors and members of the senior management of the Company as at the date hereof are set out on pages 21 to 29 of this report.

Connected Transactions

Pursuant to Chapter 14A of the Listing Rules, details of the Company's connected transactions, including the related party transactions as disclosed in note 43 to the consolidated financial statements, to the extent that they also constitute connected transactions, are disclosed in the annual report of the Company as follows:

(a) On 22 April 2009, the Company and COSCO Oceania Chartering Services Pty. Ltd. ("COSCO Bulk Oceania") entered into a supplemental time charter master agreement (the "Supplemental COSCO Bulk Oceania Time Charter Master Agreement"), for the extension of the provision of time charter between the Group and COSCO Bulk Oceania. The Supplemental COSCO Bulk Oceania Time Charter Master Agreement has a term from 22 April 2009 up to 31 December 2010.

The annual cap and the actual amounts in respect of the transaction are set out in the table below.

As COSCO is the controlling shareholder of the Company and the substantial shareholder of COSCO Bulk Oceania, accordingly, COSCO Bulk Oceania is a connected person of the Company under the Listing Rules.

For further information relating to the above transaction, please refer to the Company's announcement dated 22 April 2009.

(b) On 22 April 2009, the Company and COSCO Europe Bulk Carrier Company Limited ("COSCO Bulk Europe") entered into a supplemental time charter master agreement (the "Supplemental COSCO Bulk Europe Time Charter Master Agreement"), for the extension of the provision of time charter between the Group and COSCO Bulk Europe. The Supplemental COSCO Bulk Europe Time Charter Master Agreement has a term from 22 April 2009 up to 31 December 2010.

The annual cap and the actual amounts in respect of the transaction are set out in the table below.

As COSCO is the controlling shareholder of the Company and the substantial shareholder of COSCO Bulk Europe, accordingly, COSCO Bulk Europe is a connected person of the Company under the Listing Rules.

For further information relating to the above transaction, please refer to the Company's announcement dated 22 April 2009.

(c) On 22 April 2009, the Company and COSCO Bulk Carrier Americas Company Limited ("COSCO Bulk Americas") entered into a supplemental time charter master agreement (the "Supplemental COSCO Bulk Americas Time Charter Master Agreement"), for the extension of the provision of time charter between the Group and COSCO Bulk Americas. The Supplemental COSCO Bulk Americas Time Charter Master Agreement has a term from 22 April 2009 up to 31 December 2010.

The annual cap and the actual amounts in respect of the transaction are set out in the table below.

As COSCO is the controlling shareholder of the Company and the substantial shareholder of COSCO Bulk Americas, accordingly, COSCO Bulk Americas is a connected person of the Company under the Listing Rules.

For further information relating to the above transaction, please refer to the Company's announcement dated 22 April 2009.

(d) On 22 April 2009, the Company and COSCO (Singapore) Pte Ltd. ("COSCO Singapore") entered into a time charter master agreement (the "COSCO Singapore Voyage Charter Master Agreement"), for the provision of time charter between the Group and COSCO Singapore. The COSCO Singapore Time Charter Master Agreement has a term from 22 April 2009 up to 31 December 2010.

The annual cap and the actual amounts in respect of the transaction are set out in the table below.

As COSCO is the controlling shareholder of the Company and the controlling shareholder of COSCO Singapore, accordingly, COSCO Singapore is a connected person of the Company under the Listing Rules.

For further information relating to the above transaction, please refer to the Company's announcement dated 22 April 2009.

(e) On 22 April 2009, the Company and COSCO Bulk Oceania entered into a voyage charter master agreement (the "COSCO Bulk Oceania Voyage Charter Master Agreement"), for the provision of voyage charter between the Group and COSCO Bulk Oceania. The COSCO Bulk Oceania Voyage Charter Master Agreement has a term from 22 April 2009 up to 31 December 2010.

As COSCO is the controlling shareholder of the Company and the substantial shareholder of COSCO Bulk Oceania, accordingly, COSCO Bulk Oceania is a connected person of the Company under the Listing Rules.

For further information relating to the above transaction, please refer to the Company's announcement dated 22 April 2009.

(f) On 22 April 2009, the Company and COSCO Bulk Europe entered into a voyage charter master agreement (the "COSCO Bulk Europe Voyage Charter Master Agreement"), for the provision of voyage charter between the Group and COSCO Bulk Europe. The COSCO Bulk Europe Voyage Charter Master Agreement has a term from 22 April 2009 up to 31 December 2010.

As COSCO is the controlling shareholder of the Company and the substantial shareholder of COSCO Bulk Europe, accordingly, COSCO Bulk Europe is a connected person of the Company under the Listing Rules.

For further information relating to the above transaction, please refer to the Company's announcement dated 22 April 2009.

(g) On 22 April 2009, the Company and COSCO Bulk Americas entered into a voyage charter master agreement (the "COSCO Bulk Americas Voyage Charter Master Agreement"), for the provision of voyage charter between the Group and COSCO Bulk Americas. The COSCO Bulk Americas Voyage Charter Master Agreement has a term from 22 April 2009 up to 31 December 2010.

As COSCO is the controlling shareholder of the Company and the substantial shareholder of COSCO Bulk Americas, accordingly, COSCO Bulk Americas is a connected person of the Company under the Listing Rules.

For further information relating to the above transaction, please refer to the Company's announcement dated 22 April 2009.

(h) On 22 April 2009, the Company and COSCO Singapore entered into a voyage charter master agreement (the "COSCO Singapore Voyage Charter Master Agreement"), for the provision of voyage charter between the Group and COSCO Singapore. The COSCO Singapore Voyage Charter Master Agreement has a term from 22 April 2009 up to 31 December 2010.

As COSCO is the controlling shareholder of the Company and the controlling shareholder of COSCO Singapore, accordingly, COSCO Singapore is a connected person of the Company under the Listing Rules.

For further information relating to the above transaction, please refer to the Company's announcement dated 22 April 2009.

(i) Three construction of vessel agreements dated 6 December 2006 (the "Extended Zhoushan Vessel Agreements") were entered into between COSCO (Zhoushan) Shipyard Co., Ltd. ("COSCO Zhoushan") as builder and three indirect wholly-owned subsidiaries of the Company, one of which is directly wholly-owned by COSCO HK Shipping and two of which are managed by COSCO Qingdao, in respect of the construction of three 57,000 DWT bulk vessels. On 15 July 2009, the parties entered into three extension agreements for the extension of the date of delivery of the vessels under each of the Extended Zhoushan Vessel Agreements.

As COSCO is the controlling shareholder of the Company and the controlling shareholder of COSCO Zhoushan, accordingly, COSCO Zhoushan is a connected person of the Company under the Listing Rules.

For further information relating to the above transaction, please refer to the Company's announcement dated 15 July 2009.

(j) Two construction of vessel agreements dated 6 December 2006 (the "Cancelled Zhoushan Vessel Agreements") were entered into between COSCO Zhoushan as builder and two wholly-owned subsidiaries of COSCO HK Shipping in respect of the construction of two 57,000 DWT bulk vessels. On 15 July 2009, the parties entered into two cancellation agreements, pursuant to which the Cancelled Zhoushan Vessel Agreements were cancelled.

As COSCO is the controlling shareholder of the Company and the controlling shareholder of COSCO Zhoushan, accordingly, COSCO Zhoushan is a connected person of the Company under the Listing Rules.

For further information relating to the above transaction, please refer to the Company's announcement dated 15 July 2009.

(k) Six novation agreements dated 28 April 2008 (the "COSCO Shipyard Group Novation Agreements") were entered into between, amongst others, COSCO HK Shipping and/or its subsidiaries as transferees and COSCO Shipyard Group Co., Ltd. ("COSCO Shipyard Group") as builder, pursuant to which the rights and obligations under six construction of vessel agreements dated 6 December 2006 for six 57,000 DWT bulk vessels were transferred to COSCO HK Shipping.

On 15 July 2009, COSCO HK Shipping, an indirect wholly-owned subsidiary of the Company, entered into four cancellation agreements with COSCO Shipyard Group, pursuant to which four of the COSCO Shipyard Group Novation Agreements were cancelled.

On 15 July 2009, Bright Sea Management Limited, an indirect wholly-owned subsidiary of the Company managed by COSCO Qingdao, entered into two cancellation agreements with COSCO Shipyard Group, pursuant to which two of the COSCO Shipyard Group Novation Agreements were cancelled.

As COSCO is the controlling shareholder of the Company and the substantial shareholder of COSCO Shipyard Group, accordingly, COSCO Shipyard Group is a connected person of the Company under the Listing Rules.

For further information relating to the above transaction, please refer to the Company's announcement dated 15 July 2009.

(l) On 27 August 2009, COSCO as vendor and COSCON (a wholly-owned subsidiary of the Company) as purchaser entered into an equity transfer agreement in relation to the sale and purchase of 100% equity interest held by COSCO in Shanghai Ocean Shipping Company Limited ("COSCO Shanghai").

As COSCO is the controlling shareholder of the Company, accordingly, COSCO is a connected person of the Company under the Listing Rules.

For further information relating to the above transaction, please refer to the Company's announcement dated 27 August 2009.

(m) On 30 November 2009, COSCO Ports (Holdings) Limited ("COSCO Ports") (a subsidiary of COSCO Pacific Limited), Piraeus Container Terminal S.A. ("PCT") (a subsidiary of COSCO Pacific) and the group of entities trading under the names of Maersk Line, Safmarine, MCC or any other future names (the "Line") with majority ownership by A.P. Moller-Maersk A/S ("APM") entered into an agreement in relation to the provision of shipping-related services for a term from 1 January 2010 to 31 December 2012 ("the APM Shipping Services Master Agreement"). The APM Shipping Services Master Agreement is conditional upon the approval of the independent shareholders of COSCO Pacific, and this condition was satisfied on 22 December 2009.

The annual caps and the actual amounts in respect of the APM Shipping Services Master Agreement are set out in the table below.

APM Terminals Invest Company Limited ("APM Terminals"), a subsidiary of APM, is a substantial shareholder of a subsidiary of COSCO Pacific, which in turn is a subsidiary of the Company. As the majority equity interest in the Line is held by APM, the Line are connected persons of the Company under the Listing Rules.

For further information relating to APM Shipping Services Master Agreement, please refer to the Company's announcements dated 30 November 2009 and 22 December 2009.

(n) On 30 November 2009, Florens (a subsidiary of COSCO Pacific) and the Line entered into an agreement in relation to the provision of container-purchasing and related materials and the provision of container related services for a term from 1 January 2010 to 31 December 2012 ("the Florens-APM Container Purchasing and Related Services Master Agreement"). The Florens-APM Container Purchasing and Related Services Master Agreement is conditional upon the approval of the independent shareholders of COSCO Pacific, and this condition was satisfied on 22 December 2009.

APM Terminals, a subsidiary of APM, is a substantial shareholder of a subsidiary of COSCO Pacific, which in turn is a subsidiary of the Company. As the majority equity interest in the Line is held by APM, the Line are connected persons of the Company under the Listing Rules.

For further information relating to Florens-APM Container Purchasing and Related Services Master Agreement, please refer to the Company's announcements dated 30 November 2009 and 22 December 2009.

(o) On 30 November 2009, COSCO Ports, Guangzhou South China Oceangate Container Terminal Company Limited ("GZ South China") (a subsidiary of COSCO Pacific) and Guangzhou Port Holding Company Limited ("GZ Port Holding") entered into an agreement in relation to the provision of container terminal related services for a term from 1 January 2010 to 31 December 2012 ("the Nansha Container Terminal Services Master Agreement"). The Nansha Container Terminal Services Master Agreement is conditional upon the approval of the independent shareholders of COSCO Pacific, and this condition was satisfied on 22 December 2009.

GZ Port Holding indirectly holds a 41% equity interest in GZ South China, which is a subsidiary of COSCO Pacific, which in turn is a subsidiary of the Company. Accordingly, GZ Port Holding and its subsidiaries are connected persons of the Company under the Listing Rules.

For further information relating to Nansha Container Terminal Services Master Agreement, please refer to the Company's announcements dated 30 November 2009 and 22 December 2009.

(p) On 30 November 2009, COSCO Ports, Yangzhou Yuanyang International Ports Co. Ltd. ("Yangzhou Yuanyang") (a subsidiary of COSCO Pacific) and Jiangsu Province Yangzhou Port Group Co., Ltd. ("Yangzhou Port Holding") entered into an agreement in relation to the provision of terminal related services for a term from 1 January 2010 to 31 December 2012 ("the Yangzhou Terminal Services Master Agreement"). The Yangzhou Terminal Services Master Agreement is conditional upon the approval of the independent shareholders of COSCO Pacific, and this condition was satisfied on 22 December 2009.

Yangzhou Port Holding indirectly holds a 40% equity interest in Yangzhou Yuanyang, which is a subsidiary of COSCO Pacific, which in turn is a subsidiary of the Company. Accordingly, Yangzhou Port Holding and its subsidiaries are connected persons of the Company under the Listing Rules.

For further information relating to Yangzhou Terminal Services Master Agreement, please refer to the Company's announcements dated 30 November 2009 and 22 December 2009.

The following table set out the relevant annual caps and the actual figures for the year ended 31 December 2009 in relation to the continuing connected transactions of the Company.

The annual caps and actual figures in respect of the non-exempted continuing connected transactions of the Company

	Transaction	Annual Cap for the year ended 31 December 2009 ('000)	Actual Figure for the year ended 31 December 2009 ('000)
1	Sub-lease of time charters from COSCO to COSCON	RMB460,000	RMB375,294
2	Sub-time charters from COSCO to COSCON	RMB204,000	RMB168,321
3	Transactions under the Financial Services Master Agreement		
(a)	Maximum daily outstanding balance of deposits (including accrued interest and handling fee) placed by the Group (excluding COSCO Pacific and its subsidiaries) with COSCO Finance	RMB7,000,000	RMB6,984,141
(b)	Maximum daily outstanding balance of loans (including accrued interest and handling fee) granted by COSCO Finance to the Group (excluding COSCO Pacific and its subsidiaries)	RMB7,000,000	RMB5,772,330
4	Sub-time charters from COSCO Shanghai to COSCON		
	Puhe time charter	RMB22,053	RMB22,025
	Minhe time charter	RMB22,053	RMB20,648
5	Transactions under the Master General Services Agreement	RMB100,000	RMB84,860
6	Transactions under the Master Vessel Services Agreement	RMB15,000,000	RMB8,512,004
7	Transactions under the Master Overseas Agency Services Agreement	RMB350,000	RMB181,753
8	Transactions under the Master Container Services Agreement	RMB450,000	RMB155,060
9	Transactions under the Master Solicitation Activities Agreement	RMB500,000	RMB171,319
10	Transactions under the Master Port Services Agreement	RMB1,250,000	RMB547,332
11	Transactions under the Master Vessel Management Agreement	RMB95,000	RMB81,240
12	Transactions under the Master Seamen Leasing Agreement	RMB1,000,000	RMB640,913
13	Transactions under COSCO Bulk Oceania Time Charter Master Agreement	RMB250,000	RMB112,461

Transaction	Annual Cap for the year ended 31 December 2009 ('000)	Actual Figure for the year ended 31 December 2009 ('000)
14 Transactions under COSCO Bulk Europe Time Charter Master Agreement	RMB548,000	RMB227,877
15 Transactions under COSCO Bulk Americas Time Charter Master Agreement	RMB351,000	RMB129,695
16 Transactions under COSCO Singapore Time Charter Master Agreement	RMB300,000	RMB82,909
17 Transactions under COSCO Pacific – COSCON Container Services Master Agreement	USD7,501	USD2,940
18 Transactions under COSCO Pacific – COSCON Shipping Services Master Agreement	USD52,629	USD34,373
19 Transactions under COSCO Pacific – APM Shipping Services Master Agreement	USD46,000	USD9,743

Review of Continuing Connected Transactions for the year 2009

The independent non-executive directors of the Company, Ms. Li Boxi, Mr. Alexander Reid Hamilton, Mr. Cheng Mo Chi and Mr. Teo Siong Seng have reviewed the above continuing connected transactions (other than transactions under the master agreements set out as items 17 to 19 in the above table) and confirm that these transactions have been entered into:

(1) in the ordinary and usual course of business of the Group;

(2) on normal commercial terms or on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and

(3) in accordance with the relevant agreement governing such transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The independent non-executive directors of COSCO Pacific have reviewed the continuing connected transactions set forth as items 17 to 19 in the above table and confirm that these transactions have been entered into:

(1) in the ordinary and usual course of COSCO Pacific group's business;

(2) on terms no less favourable to COSCO Pacific group's than terms available from/to independent third parties; and

(3) in accordance with the relevant agreements governing such transactions on terms that are fair and reasonable and in the interests of the shareholders of COSCO Pacific as a whole.

For the purpose of Rule 14.38 of the Listing Rules, the board of directors of the Company engaged the auditor of the Company, PricewaterhouseCoopers, to perform certain agreed-upon procedures on the above continuing connected transactions (other than transactions under the master agreements set out as items 17 to 19 in the above table) as identified by the management for the year ended 31 December 2009 (the "Transactions") 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. The auditor based on the agreed-upon procedures, reported that:

(1) the Transactions had received the approval of the Company's board of directors;

(2) in relation to those Transactions involving provisions of goods and services by the Group (for the samples selected), their pricing was in accordance with the pricing policies of the Group;

(3) the pricing of the Transactions (for the samples selected) was in accordance with the terms of the relevant agreements or contracts governing the Transactions or the invoices issued if the agreements or contracts was not available; and

(4) the accumulated amounts of the Transactions did not exceed the relevant annual caps.

For the purpose of Rule 14.38 of the Listing Rules, the board of directors of COSCO Pacific engaged the auditor of COSCO Pacific to perform certain agreed-upon procedures on the above continuing connected transactions set forth as items 17 to 19 in the above table and as identified by the management for the year ended 31 December 2009 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. The auditor of COSCO Pacific reported that these transactions: (1) had been approved by the board of directors of COSCO Pacific; (2) had been conducted in accordance with the pricing policies of COSCO Pacific group, if applicable (for the samples selected); (3) had been entered into in accordance with the terms of the relevant agreements governing the other continuing connected transactions (for the samples selected); and (4) had not exceeded the respective annual caps.

IV. Daily Routine of the Board

1 Meetings and resolutions of the Board

Session	Date of meeting	Details of resolutions	Publication of disclosure of resolutions	Date of disclosure of resolutions
9th meeting of the second session of Board of Directors	22 April 2009	1. Amendment of Articles of Association of China COSCO 2. Annual appraisal for directors and supervisors of China COSCO for 2008 3. Annual appraisal for senior management of China COSCO for 2008 4. Revision of Rules for the Executive Committee of China COSCO Holdings Company Limited	Securities Times, China Securities Journal, Shanghai Securities News	23 April 2009
10th meeting of the second session of Board of Directors	29 April 2009	1. 2009 first quarterly report of China COSCO	Securities Times, China Securities Journal, Shanghai Securities News	30 April 2009
11th meeting of the second session of Board of Directors	15 July 2009	1. Plan for order of nine and two 57,000 DWT bulk vessels for COSCO HK Shipping and COSCO Qingdao respectively	Securities Times, China Securities Journal, Shanghai Securities News	16 July 2009
12th meeting of the second session of Board of Directors	28 July 2009	1. To issue warning for the results of first half of 2009 2. Adjustment of depreciation term for dry bulk vessels of Ocean Transportation		

Session	Date of meeting	Details of resolutions	Publication of disclosure of resolutions	Date of disclosure of resolutions
13th meeting of the second session of Board of Directors	27 August 2009	1. Revision of Measures for Information Disclosure Management of China COSCO Holdings Company Limited 2. Measures for Connected Transaction Management of China COSCO Holdings Company Limited	Securities Times, China Securities Journal, Shanghai Securities News	28 August 2009
14th meeting of the second session of Board of Directors	29 October 2009	1. 2009 third quarterly report of China COSCO	Securities Times, China Securities Journal, Shanghai Securities News	30 October 2009
15th meeting of the second session of Board of Directors	30 November 2009	1. Agreement on connected transactions such as Master Port Services Agreement entered into between China COSCO's subsidiaries and connected parties 2. Adjustment of China COSCO's directors and general managers	Securities Times, China Securities Journal, Shanghai Securities News	1 December 2009
16th meeting of the second session of Board of Directors	11 December 2009	1. Plan for 2010 Meeting of Board of Directors 2. To issue warning of results for 2009		

2 The implementation of the resolutions of the general meeting by the Board

(1) In accordance with the Resolution Concerning the Issue of Medium-Term Notes passed at the 1st extraordinary general meeting in 2009, China COSCO successfully issued the RMB10 billion medium-term notes with a term of 5 years and an interest rate of 3.77% on 22 April 2009.

(2) In accordance with the 2008 Profit Appropriation Plan passed at the 2008 annual general meeting, China COSCO issued the bonus and dividend distribution announcement on 23 June 2009. On 8 July 2009, the distribution of cash dividend was completed.

(3) In accordance with the Plan on Re-appointment of Zhongruiyuehua Certified Public Accountants Co., Ltd. as the PRC auditor of the Company for 2009 and PricewaterhouseCoopers as the international auditor of China COSCO for 2009 passed at the 2008 annual general meeting, China COSCO has re-appointed Zhongruiyuehua Certified Public Accountants Co., Ltd. as the PRC auditor of China COSCO for 2009 and PricewaterhouseCoopers as the international auditor of China COSCO for 2009.

(4) In accordance with the Nomination Plan of Supervisors and Independent Supervisors of the Second Session of the Supervisory Committee of China COSCO passed at the 2008 annual general meeting, Mr. Luo Jiulian was appointed as supervisor and Mr. Meng Yan was appointed as independent supervisor for the second session of the Supervisory Committee of China COSCO. The Company has entered into service contracts with Mr. Luo Jiulian and Mr. Meng Yan.

(5) In accordance with the Revision Plan of Articles of Association of China COSCO passed at the 2008 annual general meeting, China COSCO has amended the relevant articles and submitted the amendments for approval by the State-owned Assets Supervision and Administration Commission of the State Council and Ministry of Commerce and for filing with the State Administration for Industry and Commerce.

3 Report on the conditions and details of the establishment of relevant systems and performance of the audit committee under the Board of Directors

The Company has formulated the Terms of Reference of the Audit Committee, which defines duties and responsibilities of the audit committee, including the relationship with external accounting firm, the reviewing of the financial information of the Company, the overseeing of the financial reporting system and internal control procedures of the Company, the reviewing of whether the investigations regarding the financial report, and the internal control or other matters that are not in the ordinary course of business of the Company were conducted independently and fairly, and whether appropriate actions or remedial actions have been taken.

The chairman of the audit committee of the Board of Directors is Mr. Alexander Reid HAMILTON (independent non-executive director), while other members are Ms. Sun Yueying (non-executive director) and Mr. Cheng Mo Chi (independent non-executive director). During the reporting period, the audit committee held four meetings to review the Company's annual report, interim report, establishment of internal control system, status of internal audit, internal audit plan and the re-appointment of auditors. The particulars were as follows:

(1) The 3rd meeting of the second session of the audit committee of China COSCO was held on 15 April 2009. The business conducted at the meeting included: to confirm the minutes of the 2nd meeting of the second session of the audit committee held on 18 November 2008; to follow up on the relevant matters in the minutes of the 2nd meeting of the audit committee; to consider and listen to the reports of the chief financial officer on the 2008 financial status, the directors' report, the results announcements, the management discussion and analysis; to review the 2008 auditors' reports and audit findings by the international and PRC auditors; to review the report on the connected transactions and the audit status in 2008 by the PRC and international auditors, to review the report on internal audit and implementation of internal audit opinion in 2008; to approve the internal audit plan for 2009; to review the 2008 internal control self-evaluation report and internal control examination reports by the PRC auditor; to discuss re-appointment of the international and PRC auditors; and to discuss operating risk of FFA transactions and risk of fraud. It also discussed matters in relation to onerous contracts, estimation procedures on operating costs of vessels, provision for impairment, concession agreement and income tax of leasing income generated by overseas companies.

(2) The 4th meeting of the second session of the audit committee of the Company was held on 8 June 2009. The business conducted at the meeting included: to confirm the minutes of the 3rd meeting of the second session of audit committee held on 15 April 2009; to follow up on the relevant matters in the minutes of the 3rd meeting of the audit committee; to consider the 2008 recommendations on internal control issued by the international auditors and discuss the implementation status; to review the 2008 recommendations on internal control issued by the PRC auditors; to review the internal audit work and implementation status report; to review the internal control report for the first half of 2009, and discuss the internal control system development; to review the 2009 audit strategy memorandum of the international auditor; and to review report on follow-up measures of research report regarding the FFA conducted by the PRC auditor.

(3) The 5th meeting of the second session of the audit committee of China COSCO was held on 24 August 2009. The business conducted at the meeting included: to confirm the minutes of the 4th meeting of the second session of the audit committee held on 8 June 2009; to follow up on the relevant matters in the minutes of the 4th meeting of the audit committee; to listen to the reports of the chief financial officer on interim results for the first half of 2009; to review the auditor's reports on interim financial statements of the international and PRC auditors; to consider the report on communication between the PRC auditor and Tianjin Securities Regulatory Bureau; to review progress of internal control for 2009; and to discuss matters in relation to onerous contracts, provision for impairment, transaction risk, accrual of shipping costs, liquidity and taxation.

(4) The 6th meeting of the second session of the audit committee of China COSCO was held on 9 November 2009. The business conducted at the meeting included: to confirm the minutes of the 5th meeting of the second session of the audit committee held on 24 August 2009; to follow up on the relevant matters in the minutes of the 5th meeting of the audit committee; to review the 2009 report on implementation status of recommendations on internal control issued by the international auditor; to review recommendations on enhancing management of the PRC auditor which include the special report on bulk chartering business and discussion about the bulk chartering business; to review the 2009 audit strategies of the international and PRC auditors; and to review progress of internal control system and report on internal audit.

In the above meetings of the audit committee, the attendants included members of the audit committee, the Company's management and the PRC and international auditors. Minutes or resolutions were recorded in every meeting. Apart from the above formal meetings convened by the audit committee, Mr. Alexander Reid HAMILTON, the chairman of the audit committee, also went to Shanghai and Tianjin on 9 to 10 March 2009 to conduct onsite review in respect of the management of the continuing connected transactions by COSCON and COSCO Bulk, the subsidiaries of China COSCO, and to consider the reports of the management on the execution of the continuing connected transactions and the reports of the international auditor on the continuing connected transactions.

During the reporting period, the audit committee reviewed the Company's annual financial report and the interim financial report. During the period of annual audit, the audit committee focused on and supervised various tasks conducted by the PRC and international auditors to determine whether the audit plan arrangements have been strictly complied with. In order to fully understand the status of the audit for the auditing and confirmation of the results of the annual financial reports, Mr. Alexander Reid HAMILTON, the chairman of the audit committee, and Ms. Sun Yueying, a member of the audit committee, attended the meetings with the international auditor and the PRC auditor in Hong Kong and Beijing, respectively, to consider their reports on auditing and held discussions about specific audit issues.

4 The performance of the remuneration committee under the Board of Directors

The chairman of the remuneration committee of the Board of the Company is an independent non-executive director, Mr. Cheng Mo Chi. Other members include non-executive director, Mr. Xu Lirong and independent non-executive director, Mr. Alexander Reid Hamilton. In 2009, the remuneration committee convened one meeting to consider and approve the annual performance appraisal on share appreciation rights grantees for the year 2008, the income from the exercise of share appreciation rights and the management appraisal and remuneration for senior management for 2008. The committee also considered achievement appraisals for senior management and made recommendations to the board accordingly.

Substantial Interests in the Shares and Underlying Shares of the Company

So far as was known to any director of the Company, as at 31 December 2009, shareholders who had interests or short positions in the shares and underlying shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (the "SFO"), or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

		Number of H shares/Percentage of total issued share capital of the Company's H shares						
Name	Capacity and nature of interest	Long position	(approx) %	Short position	(approx) %	Lending Pool	(approx) %	Note
UBS AG	Beneficial owner	171,849,303	6.66	28,687,004	1.11	–	–	–
	Security interest	–	–	1,526,500	0.06	–	–	–
	Interest of controlled corporation	8,097,281	0.31	7,496,856	0.29	–	–	(1)
Blackrock, Inc.	Beneficial owner	226,806,349	8.79	2,322,500	0.09	–	–	(2)

Notes:

(1) The 179,946,311 shares relate to the shares directly held by the following related entities of UBS AG: UBS Securities LLC, UBS Global Asset Management (Hong Kong) Limited, UBS Global Asset Management (Japan) Ltd. and UBS Securities Australia Ltd. The short position of 37,710,360 shares relates to the shares directly held by the following related entities of UBS AG: UBS Securities LLC and UBS Global Asset Management (Americas) Inc.

(2) The 226,806,349 shares relate to the shares held by the following related entities of Blackrock, Inc.: Trident Merger, LLC, BlackRock Investment Management, LLC., BlackRock Holdco 2, Inc., BlackRock Financial Management, Inc., BlackRock Holdco 4 LLC, BlackRock Holdco 6 LLC, BlackRock Delaware Holdings, Inc., BlackRock Institutional Trust Company N.A., Merrill Lynch Holdings Limited, ML UK Capital Holdings, Merrill Lynch International, NB Holdings Corporation, Banc of America Securities Holding Corporation and Banc of America Securities LLC. The short position of 2,322,500 shares relates to the shares held by the following related entities of Blackrock, Inc.: Trident Merger, LLC, BlackRock Investment Management, LLC., BlackRock Holdco 2, Inc., BlackRock Financial Management, Inc., BlackRock Holdco 4 LLC, BlackRock Holdco 6 LLC, BlackRock Delaware Holdings, Inc. and BlackRock Institutional Trust Company N.A.

As at 31 December 2009, so far as was known to the directors of the Company, the shareholder having interests in the A shares and H shares of the Company which fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO was as follow:

		Number of shares/Percentage of total issued share capital of the Company					
Name	Capacity and nature of interest	Long position	%	Short position	%	Lending Pool	%
COSCO	Beneficial owner	A Shares: 5,313,082,844 H Shares: 81,179,500 Total: 5,394,262,344	52.80	–	–	–	–

Save as disclosed above, as at 31 December 2009, so far as was known to the directors of the Company, there was no person (other than a director, supervisor or chief executive of the Company) who had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Sufficiency of Public Float

As at the date of this report, the public float of the Company satisfied the requirement of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Share Appreciation Rights Plan

A share appreciation rights plan (the "Share Appreciation Rights Plan") was adopted by the Company, which was designed to align the interests of directors, supervisors and senior management of the Company with the Company's operating results and the Company's share value. The issuance of share appreciation rights does not involve any issuance of new shares, nor does it have any dilutive effect on the Company's shareholders.

On 16 December 2005, the Board granted share appreciation rights to certain directors, supervisors and senior management of the Company and its subsidiaries, and other personnel designated by the Board, including nine directors and three supervisors of the Company at an exercise price of HK$3.195 each under the Share Appreciation Rights Plan. On 5 October 2006, the Board granted share appreciation rights to certain directors, supervisors and senior management of the Company and its subsidiaries, and other personnel designated by the Board, including eight directors and three supervisors of the Company at an exercise price of HK$3.588 each under the Share Appreciation Rights Plan. On 4 June 2007, the Company granted further share appreciation rights to certain directors, supervisors and senior management of the Company and its subsidiaries, and other personnel designated by the Board, including seven directors and four supervisors of the Company at an exercise price of HK$9.540 each under the Share Appreciation Rights Plan. As at 31 December 2009, the Company did not grant any share appreciation rights for the year 2009.

Movements of the share appreciation rights which were granted pursuant to the Share Appreciation Rights Plan during 2009 are set out below:

				Number of units of share appreciation rights						
Name of director/ supervisor	Capacity	Nature of interest	Exercise price	Outstanding as at 1 January 2009	Transfer (to)/from other category during the year	Granted during the year	Exercised during the year	Outstanding as at 31 December 2009	Approximate % of issued share capital of the Company's H shares as at 31 December 2009	Note
WEI Jiafu	Beneficial owner	Personal	HK$3.195	680,000	–	–	–	680,000	0.03%	(1)
			HK$3.588	900,000	–	–	–	900,000	0.03%	(2)
			HK$9.540	880,000	–	–	–	880,000	0.03%	(3)
ZHANG Fusheng	Beneficial owner	Personal	HK$3.195	600,000	–	–	–	600,000	0.02%	(1)
			HK$3.588	800,000	–	–	–	800,000	0.03%	(2)
			HK$9.540	780,000	–	–	–	780,000	0.03%	(3)
ZHANG Liang	Beneficial owner	Personal	HK$9.540	580,000	–	–	–	580,000	0.02%	(3)
LI Jianhong	Beneficial owner	Personal	HK$3.195	450,000	–	–	–	450,000	0.02%	(1)
			HK$3.588	600,000	–	–	–	600,000	0.02%	(2)
			HK$9.540	580,000	–	–	–	580,000	0.02%	(3)
XU Lirong	Beneficial owner	Personal	HK$3.195	375,000	–	–	–	375,000	0.01%	(1)
			HK$3.588	500,000	–	–	–	500,000	0.02%	(2)
			HK$9.540	580,000	–	–	–	580,000	0.02%	(3)

					Number of units of share appreciation rights					
Name of director/ supervisor	Capacity	Nature of interest	Exercise price	Outstanding as at 1 January 2009	Transfer (to)/ from other category during the year	Granted during the year	Exercised during the year	Outstanding as at 31 December 2009	Approximate % of issued share capital of the Company's H shares as at 31 December 2009	Note
SUN Yueying	Beneficial owner	Personal	HK$3.195	450,000	–	–	–	450,000	0.02%	(1)
			HK$3.588	600,000	–	–	–	600,000	0.02%	(2)
			HK$9.540	580,000	–	–	–	580,000	0.02%	(3)
CHEN Hongsheng	Beneficial owner	Personal	HK$3.195	525,000	–	–	–	525,000	0.02%	(1)
			HK$3.588	700,000	–	–	–	700,000	0.03%	(2)
			HK$9.540	680,000	–	–	–	680,000	0.03%	(3)
LI Yunpeng	Beneficial owner	Personal	HK$3.195	450,000	–	–	–	450,000	0.02%	(1)
			HK$3.588	600,000	–	–	–	600,000	0.02%	(2)
			HK$9.540	580,000	–	–	–	580,000	0.02%	(3)
Wu Shuxiong	Beneficial owner	Personal	HK$3.195	375,000	–	–	–	375,000	0.01%	(1)
			HK$3.588	500,000	–	–	–	500,000	0.02%	(2)
			HK$9.540	480,000	–	–	–	480,000	0.02%	(3)
Ma Jianhua	Beneficial owner	Personal	HK$9.540	480,000	–	–	–	480,000	0.02%	(3)
LI Zonghao	Beneficial owner	Personal	HK$3.195	225,000	(225,000)	–	–	–	0.01%	(1), (5)
			HK$3.588	300,000	(300,000)	–	–	–	0.01%	(2), (5)
			HK$9.540	280,000	(280,000)	–	–	–	0.01%	(3), (5)

Notes:

1. The share appreciation rights were granted by the Company in units with each unit representing one H share of the Company pursuant to the Share Appreciation Rights Plan. At each of the last day of the third, fourth, fifth and sixth anniversary of the date of grant (i.e. 16 December 2005), the total number of the share appreciation rights exercisable shall not exceed 25%, 50%, 75% and 100%, respectively, of each of the total share appreciation rights granted. The share appreciation rights are exercisable at HK$3.195 per unit according to its terms between 16 December 2007 and 15 December 2015.

2. The share appreciation rights were granted by the Company in units with each unit representing one H share of the Company pursuant to the Share Appreciation Rights Plan. At each of the last day of the third, fourth, fifth and sixth anniversary of the date of grant (i.e. 5 October 2006), the total number of the share appreciation rights exercisable shall not exceed 25%, 50%, 75% and 100%, respectively, of each of the total share appreciation rights granted. The share appreciation rights are exercisable at HK$3.588 per unit according to its terms between 5 October 2008 and 4 October 2016.

3. The share appreciation rights were granted by the Company in units with each unit representing one H share of the Company pursuant to the Share Appreciation Rights Plan. At each of the last day of the third, fourth, fifth and sixth anniversary of the date of grant (i.e. 4 June 2007), the total number of the share appreciation rights exercisable shall not exceed 25%, 50%, 75% and 100%, respectively, of each of the total share appreciation rights granted. The share appreciation rights are exercisable at HK$9.540 per unit according to its terms between 4 June 2009 and 3 June 2017.

4. During the period, no share appreciation rights mentioned above were lapsed or cancelled.

5. In 2009, Mr. Li Zonghao resigned as supervisor, and was redesignated as an employee of subsidiary. His SARs were transferred from the category of "Supervisor" to the category of "other continuous contract employees", representing 0.01% of the total issued share capital.

Share Options Scheme of COSCO Pacific

As at 31 December 2009, there were outstanding share options in relation to a share option scheme of COSCO Pacific, which was adopted on 23 May 2003 (the "2003 Share Option Scheme").

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

Category	Exercise price HK$	Number of share option: Outstanding as at 1 January 2008	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 31 December 2008	Percentage of total issued share captial as at 31 December 2008	Exercisable period	Note
Directors									
WEI Jiafu	13.75	1,000,000	–	–	–	1,000,000	0.04%	03.12.2004-02.12.2014	(2),(4)
ZHANG Fusheng	13,75	1,000,000	–	–	–	1,000,000	0.04%	03.12.2004-02.12.2014	(2),(4)
CHEN Hongsheng	13.75	1,000,000	–	–	–	1,000,000	0.04%	03.12.2004-02.12.2014	(2),(4)
LI Jianhong	13.75	1,000,000	–	–	–	1,000,000	0.04%	02.12.2004-01.12.2014	(2),(4)
SUN Yueying	13.75	1,000,000	–	–	–	1,000,000	0.04%	03.12.2004-02.12.2014	(2),(4)
Supervisor									
LI Yunpeng	13.75	1,000,000	–	–	–	1,000,000	0.04%	03.12.2004-02.12.2014	(2), (4)
Others[6]	9.54	2,461,000	–	(20,000)	(72,000)	2,369,000	0.10%	(refer to note 1)	
	13.75	17,442,000	–	–	(470,000)	16,972,000	0.75%	(refer to note 2)	
	19.30	16,880,000	–	–	(510,000)	16,370,000	0.72%	(refer to note 3)	
		42,783,000	–	(20,000)	(1,052,000)	41,711,000			

Notes:

(1) The share options were granted during the period from 28 October 2003 to 6 November 2003 under the 2003 Share Option Scheme at an exercise price of HK$9.54. The options are exercisable at any time within ten years from the 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 28 October 2003 to 6 November 2003.

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

(3) The share options were granted during the period from 17 April 2007 to 19 April 2007 under the 2003 Share Option Scheme at an exercisable price of HK$19.30, which was determined by the average of the closing prices of the shares of COSCO Pacific as quoted on the Stock Exchange for the five business days immediately preceding the grant of the options. The closing price of the shares COSCO Pacific on the date immediately preceding the grant of the options ranged between HK$19.44 and HK$19.92. The options are exercisable at any time within ten years from the Commencement Date. The Commencement Date of the options of the grantees was from 17 April 2007 to 19 April 2007.

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

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

(6) This category comprises, inter alia,, continuous employees of COSCO Pacific.

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

DIRECTORS' AND SUPERVISORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

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

(1) Long positions in the shares, underlying shares and debentures of the Company:

Name of Supervisor	Capacity	Nature of interest	Number of H shares of the Company	Percentage of total issued H shares of the Company
Mr. LI Yunpeng	Beneficial owner	Family	3,000	0.00004%
Mr. LUO Jiulian	Beneficial owner	Family	1,000	0.00001%

(2) Long positions in shares, underlying shares and debentures of associated corporations of the Company:

Name of associated corporation	Name of Director/ Supervisor	Capacity	Nature of interest	Number of ordinary shares	Percentage of total issued share capital
COSCO Corporation (Singapore) Limited	Wei Jiafu	Beneficial owner	Personal	1,900,000	0.08%
COSCO Corporation (Singapore) Limited	Li Jianhong	Beneficial owner	Personal	1,300,000	0.06%
COSCO Corporation (Singapore) Limited	Sun Yueying	Beneficial owner	Personal	1,400,000	0.06%

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

Movements of the share appreciation rights which were granted pursuant to the Share Appreciation Rights Plan of the Company during the year ended 31 December 2009 are set out in the paragraph headed "Share Appreciation Rights Plan" in this section.

(4) Long positions in underlying shares of equity derivatives of associated corporations of the Company:

Movements of the share options granted to the directors and supervisors of the Company by the associated corporations of the Company during the year ended 31 December 2009 are set out as below:

Name of associated corporation	Name of director/ supervisor	Capacity	Nature of interest	Exercise price	Number of share options: Outstanding as at 1 January 2009	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 31 December 2009	Percentage of total issued share capital of associated corporation as at 31 December 2009	Note
COSCO Pacific	WEI Jiafu	Beneficial owner	Personal	HK$13.75	1,000,000	–	–	–	1,000,000	0.04%	(1)
	ZHANG Fusheng	Beneficial owner	Personal	HK$13.75	1,000,000	–	–	–	1,000,000	0.04%	(1)
	CHEN Hongsheng	Beneficial owner	Personal	HK$13.75	1,000,000	–	–	–	1,000,000	0.04%	(1)
	LI Jianhong	Beneficial owner	Personal	HK$13.75	1,000,000	–	–	–	1,000,000	0.04%	(1)
	SUN Yueying	Beneficial owner	Personal	HK$13.75	1,000,000	–	–	–	1,000,000	0.04%	(1)
	LI Yunpeng	Beneficial owner	Personal	HK$13.75	1,000,000	–	–	–	1,000,000	0.04%	(1)
COSCO International	WEI Jiafu	Beneficial owner	Personal	HK$1.37	1,200,000	–	–	–	1,200,000	0.08%	(2), (3)
	LI Jianhong	Beneficial owner	Personal	HK$1.37	1,200,000	–	–	–	1,200,000	0.08%	(2), (3)
COSCO Corporation (Singapore) Limited	LI Jianhong	Beneficial owner	Personal	S$1.23	700,000	–	–	–	700,000	0.03%	(4)
	SUN Yueying	Beneficial owner	Personal	S$1.23	700,000	–	–	–	700,000	0.03%	(4)

Notes:

1. The share options were granted by COSCO Pacific during the period from 25 November 2004 to 16 December 2004 under the 2003 Share Option Scheme at an exercisable 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 of the grantees was from 25 November 2004 to 16 December 2004.

2. The share options were granted by COSCO International, an associated corporation of the Company.

3. These share options were granted on 2 December 2004 pursuant to the share option scheme of COSCO International and can be exercised at HK$1.37 per share at any time between 29 December 2004 and 28 December 2014.

4. The share options were granted by COSCO Corporation (Singapore) Limited on 21 February 2006 and can be exercised at S$1.23 per share at any time between 21 February 2007 and 20 February 2011.

Save as disclosed above, as at 31 December 2009, none of the directors, supervisors or chief executives 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.

DISCLOSURE UNDER RULE 13.22 OF CHAPTER 13 OF THE LISTING RULES

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

	RMB'000
Non-current assets	16,634,806
Current assets	2,852,658
Current liabilities	(8,268,369)
Non-current liabilities	(6,309,455)
Net assets	4,909,640
Share capital	3,345,627
Reserves	798,613
Non-controlling interests	765,400
Capital and reserves	4,909,640

As at 31 December 2009, the Group's share of net assets of these affiliated companies amounted to RMB2,392,267,000.

Arrangements to purchase shares or debentures

At no time during the year was the Company, its subsidiaries, its fellow subsidiaries or its holding company a party to any arrangements to enable the directors, supervisors or senior management of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors', Supervisors' and Five Highest Paid Individuals' Remunerations

Details of the remuneration of the directors and the supervisors of the Company and the five highest paid individuals of the Group are set out in note 38 to the consolidated financial statements.

There were no arrangements under which a director or supervisor of the Company had waived or agreed to waive any remuneration in respect of the year ended 31 December 2009.

Service Contracts of Directors and Supervisors

Each of the directors and supervisors of the Company has entered into a service contract with the Company. No director or supervisor of the Company has entered into any service contract with the Company, which is not terminable by the Company within one year without payment of compensation (other than statutory compensation).

Interests of Directors and Supervisors in Contracts

None of the directors or supervisors of the Company had any material interest, whether directly or indirectly, in any contracts of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year ended 31 December 2009.

Board Committees

The Company has established a strategic development committee, a risk management committee, an audit committee, a remuneration committee, a nomination committee and an executive committee.

Audit Committee

The Company has established an audit committee in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review the financial reporting process and the systems of internal controls of the Group, the completeness and accuracy of its accounts and to liaise on behalf of the directors of the Company with external auditors. The audit committee consists of two independent non-executive directors, Mr. Alexander Reid Hamilton (chairman of the audit committee) and Mr. Cheng Mo Chi, and one non-executive director, Ms. Sun Yueying, who meet regularly with management of the Company and the Company's external auditors, review audit reports, if applicable, and the interim and annual financial statements, as the case may be, of the Group. It has reviewed the consolidated financial statements for the year ended 31 December 2009, and recommended their approval by the Board.

Corporate Governance

The Company is committed to maintaining high standards of corporate governance by the Group and the Board is of the view that effective corporate governance makes an important contribution to the corporate success and to the enhancement of shareholder value. Please refer to pages 52 to 101 of this annual report for details.

Employees and Remuneration Policies

As at 31 December 2009, there were approximately 39,226 employees in the Group. Total staff cost for the Group for the year, including directors' remuneration, totaled approximately RMB6,652,258,000.

To enhance the quality and capability of our human resources as well as their team spirit and to fully cope with the business expansion of its container shipping, dry bulk shipping, logistics, container terminal, container leasing, freight forwarding and shipping agency business, the Group has organised many professional and comprehensive training programs during the period. The remuneration policies of the Group are reviewed on a regular basis, taking into account the Group's results and market conditions, in order to formulate better incentives and appraisal measures.

Repurchase, Sale or Redemption of the Company's Shares

During the reporting period, the Company did not redeem any of its shares. Neither the Company nor any of its subsidiaries purchased or sold any of the Company's listed shares during the year.

Donations

Donations made by the Group during the year amounted to RMB627,000.

Investor Relations

The Company has always viewed investor relations with great importance, and considers it to be part of our long term strategic management.

In 2009, the Company communicated with the investors in the capital market extensively through organizing domestic and overseas roadshows and reverse roadshows, holding corporate performance seminars, participating in domestic and foreign investor conferences, hosting visitors, and conducting phone conferences. The Company participated in a total of 16 (medium and large scaled) meetings and 404 one-on-one meetings. It was also engaged in direct communication with 2,261 domestic and foreign corporate investors, strategic investors and analysts, responded to phone enquiries from over thousands of individual investors, and promptly sent to investor when it comes across the Company's published announcements, circulars, public information on shipping market and analysts' reports via email. All these initiatives were well received by the investors.

The Company made use of its website to publish and update, in a timely manner, its announcements, regular reports, news, results announcements, and recordings of analysts' meetings and contact information of our investor relations personnel. The Company has also strived to make it easy for the press to conduct its reports, and provide access to public information from domestic and international financial medium, subject to relevant laws and regulations.

In addition to its external communication, the Company also valued opinion from the capital markets. Its investor relations department actively collected relevant opinion and suggestions for the management to assist with decision-making.

The senior management and relevant personnel who were involved in investor relations have carried out the above tasks in strict compliance with the domestic and overseas regulatory requirements and have proactively performed their duties in accordance with the relevant laws and regulations.

Corporate Culture

The Company has always placed great emphasis on corporate culture, and considers the cultivation of corporate culture to be the key element to reinforcing the core competitiveness of the Company. Firstly, in order to reinforce the promotion of corporate culture, which considers patriotism to be its core value, the Group continuously appointed specialists to each department to offer training to its employees. Secondly, the Group developed and formulated new advanced models such as the seagoing vessel model in accordance with the advanced model of development of the Company. Thirdly, the Group cooperated with Department of Transportation of the PRC in order to further revise research monographs regarding navigation culture, which were published by the China Communication Press. Fourthly, the Group carried out pre-construction and designs for the COSCO historical and cultural showroom on the 15th Floor of COSCO Building, and initial plans for decoration and design were prepared. It is expected that the showroom will be completed and put into operation in 2010. Fifthly, the Group strived to complete the preparation of the corporate culture database. Sixthly, the Group revised and improved the song of the employees, "大海作證", and prepared a music video of the song. The song's release ceremony was held on the date of the 48th anniversary of the establishment of the Company. The song was submitted to the "COSCO Corporate Culture Cultivation Video Contest"（中遠企業企業文化建設優秀影視作品大賽）and was awarded as the "Excellent Award" and "the Best Background Music Award". In addition, the song was included as one of the 60 patriotic songs of national transportation industry for national broadcast.

By order of the Board of Directors
Wei Jiafu
Chairman

Beijing, the PRC
22 April 2010

Report of Supervisory Committee

(I) Meetings of supervisory committee

Number of meetings	**4**
Meetings of supervisory committee	**Resolutions of the meetings of supervisory committee**
21 April 2009 7th meeting of the second session of supervisory committee	1. Consider the report on the progress of the implementation of decisions made at the 2008 general meeting, the board of directors and the supervisory committee 2. Review the "2008 Annual Report of China COSCO" (A Shares/ H Shares), "Summary of 2008 Annual Report of China COSCO" (A Shares) and "2008 Annual Results Announcement of China COSCO" (H Shares) 3. Consider the report on the financial position of the Company for the year 2008 4. Review the 2008 annual financial report and audit report of the Company, prepared according to China accounting standards and Hong Kong Accounting Standards respectively 5. Review changes of accounting estimates for the year 2008 6. Review the reports of funds utilization by controlling shareholders and other related parties in 2008 7. Review the profit appropriation plan of China COSCO for the year 2008 8. Review the self evaluation report of internal control and review opinion issued by the auditing firm for the year 2008 9. Consider the principles of the 8th meeting of the second session of the board of directors on the resolutions, the formulation of management procedures of Forward Freight Agreements ("FFA") and the reinforcement of the risk prevention mechanism of FFA 10. Review the report of supervisory committee of China COSCO for the year 2008 11. Review the work plans of the supervisory committee of the Company for the year 2009 12. Review nominations of the second session of the supervisory committee of the Company (representing the shareholders)

Meetings of supervisory committee	Resolutions of the meetings of supervisory committee
	13. Consider the independent supervisors nominations of the second session of the supervisory committee of China COSCO
29 April 2009 8th meeting of the second session of supervisory committee	1. Review the 2009 first quarterly report of China COSCO
26 August 2009 9th meeting of the second session of supervisory meeting	1. Consider the financial report for the first half of 2009
	2. Review the "Report of China COSCO for the First Half of 2009" (A Shares/H Shares), "Summary of the Report of China COSCO for the First Half of 2009" (A Shares) and "Results Announcement of China COSCO for the First Half of 2009" prepared according to China accounting standards and Hong Kong Accounting Standards respectively
	3. Consider the follow-up work report on the opinion of the transportation department of China COSCO given at the 7th meeting of the second session of the supervisory committee
	4. Consider the follow-up work report on the opinion of the human resources department of China COSCO given at the 7th meeting of the second session of the supervisory committee
	5. Review the report on the inspection of COSCO Logistics Co., Ltd..
	6. Review the resolutions on the acquisition of CP Logistics 49% equity interest in COSCO Logistics by China COSCO
	7. Review the equity transfer agreement pursuant to which CP Logistics' 49% equity interest in COSCO Logistics is transferred to China COSCO
	8. Review the acquisition of COSCO Group's 100% equity interest in COSCO Shanghai by COSCON and the additional continued connected transactions

Report of supervisory committee

Meetings of supervisory committee	Resolutions of the meetings of supervisory committee
29 October 2009 10th meeting of the second session of supervisory committee	1. Review the 2009 third quarterly report of the Company 2. Review the 2009 report on the supervision of the supervisory committee of the Company

(II) The supervisory committee's independent opinions on whether the Company's operation is in compliance with the laws

The supervisory committee considers that the Company has optimised its internal control system by strengthening its system framework. The Board and the senior management of the Company have operated in a diligent, responsible and regulated manner in strict compliance with the Articles of Association and applicable laws of the jurisdiction where the Company is listed. The supervisory committee is not aware of any breach of applicable laws, Articles of Association and any harm to the interests of the Company by the Directors and senior management of the Company.

(III) The supervisory committee's independent opinion on the Company's financial position

The supervisory committee has reviewed the Company's financial report for the year 2009, annual profit appropriation plan and the auditor's reports with no qualified opinion issued by the Company's domestic and international auditors. In the opinion of the supervisory committee, the standard auditor's reports with no qualified opinion issued by PricewaterhouseCoopers and Zhongruiyuehua Certified Public Accountants Co. Ltd. objectively, fairly and truly reflect the Company's financial position and operation results with its profit appropriation plan matching existing operating conditions.

(IV) The supervisory committee's independent opinions on the Company's use of proceeds from the recent financing activity

After considering the report on the use of proceeds from the Company's management, the actual use of proceeds raised recently was consistent with the intended use and there was no change to the intended uses.

(V) The supervisory committee's independent opinion on the Company's acquisition and disposal of assets

During the reporting period, the supervisory committee has reviewed the acquisition 49% equity interest of COSCO Pacific Logistics Company Limited in COSCO Logistics by the Company, the equity transfer agreement of 49% equity interest in COSCO Logistics and the acquisition of COSCO's 100% equity interest in Shanghai Ocean Shipping Co., Ltd through COSCO Container Lines Company Limited and the new continuing connected transactions, and considers that the agreements were entered into on normal commercial terms that were fair and reasonable and in the interests of the shareholders. To the best knowledge of the supervisory committee, there was no insider transaction and the transactions did not cause any detriment to the interests of the shareholders or the assets of the Company.

(VI) The supervisory committee's independent opinion on the Company's connected transactions

The supervisory committee reviewed the Company's connected transactions during the reporting period. Each of the connected transactions was conducted at fair market price. To the best knowledge of the supervisory committee, the transactions did not cause any detriment to the interests of the shareholders or the Company.

(VII) The supervisory committee's independent opinion on the qualified opinion of accountants

Not applicable.

(VIII) The supervisory committee's independent opinion on the material discrepancy between the Company's actual profit and profit forecast

Has the Company disclosed any profit forecast or operational plans: Yes

The Company's supervisory committee conscientiously performs its duties and conducts its work diligently in accordance with the laws and regulations of the location where the Company's shares were listed, the Articles of Association, The Rules of Procedures of the Supervisory Committee and other legal regulations. During the reporting period, the Company convened four committee meetings, one supervisory committee seminar and two onsite inspections. Mr. Luo Jiulian and Mr. Meng Yan have been (respectively) the supervisor and independent supervisor of the second session of the supervisory committee of the Company since 9 June 2009. Mr. Li Zonghao and Mr. Kou Wenfeng have ceased to be a supervisor and an independent supervisor of the second session of the supervisory committee of the Company respectively.

Members of the supervisory committee were present at all meetings of the board of directors and general meetings, and have listened-in on and considered the work-progress reports, financial reports and audit reports of the Company, carried out on-site investigations, and considered the reports on the Company's audit by external and internal auditors. By doing so, the supervisory committee performed its checks and balances on the procedural aspects and the resolutions of the board meetings and general meetings, the implementation of resolutions made at general meetings, the conduct of duties by the directors and the senior management and the Company's internal control, so as to safeguard the interests of the shareholders and the Company.

The supervisory committee is of the opinion that the Company has improved its internal control system by increasing its efforts of system establishment. The board of directors and the senior management of the Company have strictly complied with the Articles of Association and the relevant requirements of the applicable laws of the place of listing of the Company, and have to dutifully and diligently conduct the Company's operations within the relevant regulatory framework. To the best knowledge of the supervisory committee, the directors and senior management of the Company did not breach any applicable laws or the Articles of Association or behave in a manner that would harm the interests of the Company.

The supervisory committee has carefully reviewed the 2009 financial report, the annual profit appropriation plan of the Company and the unqualified auditor's reports issued by the Company's internal and external auditors. The supervisory committee is of the opinion that the standard unqualified auditor's reports, issued by PricewaterhouseCoopers and Zhongruiyuehua Certified Public Accountants Co., Ltd. provide an objective, fair and truthful view of the financial position and operating results of the Company, and the profit appropriation plan conforms to the Company's current operational status.

The supervisory committee has considered the report regarding the use of proceeds given by the management of the Company, and found that the actual use of proceeds raised recently was consistent with the intended use and there has been no change in the use of proceeds.

Report of Supervisory Committee

During the reporting period, the supervisory committee has reviewed the acquisition 49% equity interest of COSCO Pacific Logistics Company Limited in COSCO Logistics by the Company, the equity transfer agreement of 49% equity interest in COSCO Logistics, the acquisition of COSCO's 100% equity interest in Shanghai Ocean Shipping Co., Ltd through COSCO Container Lines Company Limited and the additional continuing connected transactions and considers that the agreements were entered into on normal commercial terms that were fair and reasonable and in the interests of the shareholders. To the best knowledge of the supervisory committee, there was no insider transaction and the transactions did not cause any detriment to the interests of the shareholders or the assets of the Company.

The supervisory committee has examined the connected transactions occurred during the reporting period and found that all transactions were conducted at fair market value without causing any detriment the interests the Company or its shareholders.

In 2010, the supervisory committee will continue to strictly adhere to the Articles of Association and the relevant requirements, and to increase its supervision efforts to effectively safeguard and protect the legal interests of the Company and its shareholders.

Supervisory Committee of China COSCO Holdings Company Limited
22 April 2010

Significant Events

(I) Material litigations and arbitrations

Unit: Dollar Currency: US dollar

Plaintiff	Defendant	Party subject to joint responsibilities	Nature of litigations and arbitrations	Basic status of litigations (arbitrations)	Amount involved in litigations (arbitrations)	Status of litigations (arbitrations)	Judgment of litigations (arbitrations) and effects	Execution of judgment of litigations (arbitrations)
ARMADA (SINGAPORE) PTE LTD	COSCO Bulk Carrier Co., Ltd	Nil	Early return of vessel	Bankruptcy of ARMADA as lessee gave rise to the lease dispute	US$12million	Proceedings in progress	Not applicable	Not applicable
GG SPORTSWEAR MFGT CORP	COSCON and Filipino agent of COSCON	Nil	Cargo delivery without bills of lading	Note	US$2.169million	Proceedings in progress	Not applicable	Not applicable
TRENGGANU FOREST PRODUCTS SDN BHD	COSCON and (中僑公司)	Nil	Bills of lading dispute	Note	US$1.44million	Proceedings in progress	Not applicable	Not applicable
SHANGHAI REEFERCO CONTAINER CO., LTD	COSCON and vessel owner	Nil	Damage of containers	Note	US$1.71million	Proceedings in progress	Not applicable	Not applicable
Victims in the personal injury case	COSCON and/ or COSCO North America	Nil	Traffic accident and personal injury	Note	As at 31 December 2008, specific amount of medical and funeral expenses claimed were approximately US$0.65 million. Future claim amount cannot be estimated at present.	Proceedings in progress	Not applicable	Not applicable

Plaintiff	Defendant	Party subject to joint responsibilities	Nature of litigations and arbitrations	Basic status of litigations (arbitrations)	Amount involved in litigations (arbitrations)	Status of litigations (arbitrations)	Judgment of litigations (arbitrations) and effects	Execution of judgment of litigations (arbitrations)
Aronis-Drettas-Karlaftis Consultant Engineers S.A.	COSCO Pacific and its wholly -owned subsidiary, Piraeus Container Terminal S.A.	Nil	Service fee dispute	Note	EUR5.77million	Pending	Not applicable	Not applicable
COSCO Bulk	Korea Line Corporation	Nil	Lease dispute	Dispute over early return of vessel	US$33million	Entered into settlement agreement	Not applicable	Not applicable

Note: 1 Figures are the approximate amounts of claims for and proceedings (arbitrations) in relation to personal injuries and deaths (including medical and funeral expenses) as at 31 December 2008. Subsequent changes cannot be confirmed.

2. The amount US$8.31 million in relation to the litigation proceedings initiated by Aronis-Drettas-Karlaftis Consultant is a conversion of the original value of €5.77 million at an exchange rate of US$1 to €0.6942 (quoted on 31 December 2009).

Significant Events

(II) Matters related to bankruptcy and reorganisation

The Company did not have any matters related to bankruptcy and reorganisation during the year.

(III) Other material contracts

(1) COSCO Bulk and COSCO HK Shipping constructed nine 57,000 DWT bulk vessels. COSCON constructed eight 13,350 TEUs container vessels. The details are disclosed in the Company's announcement dated 23 April 2008. However, the above vessel construction contract was partly amended in 2009, the details of which are disclosed in the Company's announcement dated 16 July 2009.

(2) COSCO Bulk and COSCO HK Shipping constructed eight 205,000 DWT bulk vessels, details of which are disclosed in the Company's announcement dated 23 April 2008.

(3) COSCON constructed four 4,250 TEUs container vessels, details of which are disclosed in the Company's announcement dated 13 May 2008.

(4) The concession agreement of Piraeus Container Terminal S.A., Greece, entered into between PPA, PCT and COSCO Pacific on 25 November 2008 for the concession of Pier 2 and Pier 3 of the container terminal of Piraeus Port, and the Company has taken content over Pier 2 and Pier 3 of the container terminal of Piraeus Port in October 2009, details of which are disclosed in the Company's announcement date 30 October 2008 and 26 November 2008.

(5) In July 2008, Florens, the subsidiary of COSCO Pacific, entered into a leaseback agreement with CBA USD Investments Pty Limited, a wholly-owned company of the Commonwealth Bank of Australia, pursuant to which, Florens leased back the containers of 118,094 TEUs for a term of 5 years from CBA USD Investments Pty Limited after transferring the legal ownership and weighted ownership rights to such company at a consideration of USD250 million , and the Group was granted an option to extend the lease for another 5 years. The lease payments payable by the Group were determined by CBA USD Investments Pty Limited after arm length's negotiation.

(6) COSCO Pacific entered into an interest rate swap contract with HSBC regarding the 200 million bonds among the bonds of 300 millions issued in 2003. The interest rate of which changed from a fixed rate of 5.875% to a floating rate ranging from LIBOR+1.05% to LIBOR+1.16%, subject to the terms of contracts.

(IV) Performance of undertakings

1. Undertakings of the Company or shareholders holding 5% interests or more existed or in effect during the reporting period

Undertakings given in acquisition reports or reports on change of interests	1. Dry bulk cargo business On 3 September 2007, COSCO issued a "Non-competition Undertaking" to the Company, making the following undertakings to the Company: So far as COSCO remains as the controlling shareholder China COSCO, other than the above mentioned dry bulk cargo fleet, COSCO and its subsidiaries shall not adopt any actions and measures to conduct any business which compete or may compete with China COSCO and its subsidiaries, and shall not infringe the lawful interests China COSCO and its subsidiaries, including but not limited to the establishment of other subsidiaries or joint ventures, or associates in future to be engaged in marine dry bulk shipping business, or through other methods directly or indirectly involved in marine dry bulk shipping. Upon the completion of the non-public offering, there shall be no new competitions between COSCO and its subsidiaries with China COSCO and its subsidiaries. At the same time, COSCO has undertaken to give China COSCO the right of first refusal to acquire the assets and/or equity rights relating to dry bulk shipping business to be disposed of by China COSCO or its subsidiaries.	1. Dry bulk shipping business COSCO adopted such measures before the end of June 2008 and such overseas companies no longer constitute competition with China COSCO. 2. Profit undertaking Pursuant to the 2007 to 2009 financial statements of the target acquirees, as audited by the auditors appointed by the Company, each target acquiree's net consolidated profit attributable to owners of the parent amounted to RMB296,466,092,500, with a completion rate of profit forecast of 127.02%. The Company submitted the "Explanatory Documents Regarding the Realization of Profit Forecast" (關於盈利預測執行情況的說明).

Significant Events

Undertakings	Subject	Status
	In respect of the chartering of vessels from COSCO Bulk and/or its subsidiaries to, and the operation of international marine dry bulk shipping business of these overseas companies, in which COSCO Bulk is interested, COSCO has undertaken to adopt effective measures to solve the above problem before the end of June 2008, including but not limited to adoption of the following measures: adjustment to the merger structure of such overseas companies or reorganise business operations, strengthen corporate governance, so as to ensure such overseas companies shall not constitute counterparty competition with the Company. 2. Profit undertaking In respect of the transaction in which the dry bulk shipping assets of the parent company COSCO were acquired in 2007, COSCO, for itself and on behalf of the vendors of other assets in this transaction, made the following profit undertaking to China COSCO: If the total net profit after tax of the target companies in this acquisition for the three years from 2007 to 2009 as audited by the auditors appointed by China COSCO is lower than the corresponding estimated total net profit after tax as set out in the asset valuation report, i.e. RMB23,197,767,300, COSCO shall be responsible for the difference in cash in full.	Zhongruiyuehua has prepared the "Special Audit Report Regarding the Realization of Profit Forecast of China COSCO Holdings Company Limited"(關於中國遠洋控股股份有限公司盈利預測執行情況的專項審核報告) (Zhongruiyuehua Zhuan Shen Zi [2010] No. 0826) after reviewing the explanatory document. The auditor is of the view that the explanatory document was prepared in accordance with the Rules on Significant Reorganization of Assets by Listed Companies (China Securities Regulatory Commission Order No.53), and reflected the differences between the estimated profit amount of the profit forecast and the actual profit amount in all significant aspects. The Board is of the view that the profit guarantee undertaking to other asset vendors of the COSCO Group and representatives of COSCO Group has been achieved.

Undertakings	Subject	Status
Undertakings given on issuance	1. Container shipping business On 9 June 2005, COSCO entered into "Non-competition Undertakings" with the Company, and undertook to the Company that: (1) the Group will be the sole entity to be engaged in marine container comprehensive shipping business ("Restricted Container Shipping Business") both in the PRC and overseas with self-owned or chartered container vessels among the subsidiaries of COSCO; and (2) it will procure its members (excluding members of the Group) not to be directly or indirectly engaged in the Restricted Container Shipping Business (whether as shareholder, partner, lender or other capacities, and whether for profits, payments or other benefits). Such undertakings will cease to be effective upon the occurrence of the following: (1) expiry of the twelve months period commencing from the date that COSCO (directly or indirectly) ceased to be the controlling shareholder of the Company through the companies, enterprises or entities under its control; (2) the Company's securities were delisted subsequent to its listing on the Stock Exchange or other stock exchanges and automatic transaction systems agreed by both parties.	The Company is not aware of any violation to the undertakings given by COSCO, the controlling shareholder of the Company, during the reporting period.

Significant Events

Undertakings	Subject	Status
	2. Container leasing business In respect of container leasing business, COSCO had undertaken to COSCO Pacific during the initial listing of COSCO Pacific on the Stock Exchange in 1994 that COSCO and its subsidiaries shall: (1) not be engaged in any business in any place in the world that may compete with the container leasing business of COSCO Pacific and its subsidiaries; (2) under any circumstances, when COSCO needs containers, it will first consider to lease from the container leasing companies, and under such circumstances, COSCO will grant COSCO Pacific and its subsidiaries the priority to negotiate container leasing business with COSCO, and may consider purchase of containers for own use only when COSCO fails to lease containers from the container leasing companies; (3) commence with the negotiation with COSCO Pacific and its subsidiaries as mentioned in the preceding paragraph at average market lease values, and to agree at annual rental adjustments in the existing and future contracts, and will enter into all contracts and rental adjustments based on the average rental values of four of the top ten independent container leasing companies; and (4) renew any existing contracts entered with COSCO Pacific and its subsidiaries for further ten years, and will enter into new contracts for a term of ten years.	

Undertakings	Subject	Status
	3. Freight forwarding, shipping agency and logistics business When COSCO Pacific Logistics acquired a 49% interests in COSCO Logistics at the end of 2003, with COSCO retaining a 51% interests in COSCO Logistics, COSCO entered into a "Non-competition deed" with COSCO Logistics and COSCO Pacific Logistics on 22 September 2003 in respect of the businesses conducted by the group of companies under COSCO Logistics. COSCO had made the following undertakings: (1) COSCO undertook that when engaged in shipping agency, freight forwarding, third party logistics and supporting services ("Prohibited Businesses") relating to the above services which compete with the business of COSCO Logistics and its subsidiaries through COSFRE, COSFRE will only provide shipping agency services to COSCON, while the freight forwarding services engaged by COSFRE are mainly solicitation of cargoes for COSCON; (2) Save as the above arrangements relating to COSFRE, COSCO shall not (other than through COSCO Logistics and China Road Transport) develop or operate Prohibited Businesses; (3) COSCO shall procure that other than COSFRE, all Prohibited Businesses in competition with the core businesses of COSCO Logistics, its subsidiaries, including but not limited to those of China Road Transport, if not already disposed of by the COSCO to a third party or acquired by COSCO Logistics and its subsidiaries, will be terminated or wound up within three years from the date of the non-competition deed;	

Undertakings	Subject	Status
	(4) COSCO gave COSCO Logistics a five year option (subject to any right of first refusal of third parties in accordance with applicable legal requirements) to purchase from COSCO, at fair market price and on normal commercial terms that were fair and reasonable, the entire or partial interests in any businesses or corporations that may compete with or may be similar in nature to the core businesses of COSCO Logistics and its subsidiaries; and	
	(5) COSCO Logistics shall, subject to any right of first refusal of third parties in accordance with applicable legal requirements, have a right of first refusal in respect of the sale by COSCO of any company or business that may be in competition with any business of COSCO Logistics and its subsidiaries.	

Undertakings	Subject	Status

2. The Company's explanation on whether certain assets or projects met the original profit forecasts and the reasons behind, regarding the Company's assets or projects with profit forecasts and that the reporting period was within the term of such project forecasts:

   Not applicable.

Punishment and remedial actions of listed company and its directors, supervisors, senior management, company shareholders and effective controller

Other than circumstances that have already been disclosed by the Company, during the reporting period (as at 31 December 2009), none of the Company or its directors, supervisors, senior management and effective controllers of the Company was subject to any investigations of relevant authorities, coercive measures of judiciary and discpline inspection departments, transfer to justice authorities or criminal liabilities, investigation, administrative punishement from the China Securities Regulatory Commission, banning the entry to securities markets, identification as inappropriate candidate, punishment by other administrative departments and was the subject of a public reprimand from any stock exchange.

Independent Auditor's Report

TO THE SHAREHOLDERS OF CHINA COSCO HOLDINGS COMPANY LIMITED
(Incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of China COSCO Holdings Company Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 150 to 319, which comprise the consolidated and company balance sheets as at 31 December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, 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 judgment, 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 31 December 2009 and of the Group's loss 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, 22 April 2010

Consolidated Balance Sheet

As at 31 December 2009

	Note	2009 RMB'000	2008 RMB'000 (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment	6	62,464,329	55,849,064
Investment properties	7	465,517	356,884
Leasehold land and land use rights	8	2,058,623	1,120,581
Intangible assets	9	214,321	186,027
Jointly controlled entities	11	4,398,655	4,439,266
Associates	12	6,158,879	5,968,235
Available-for-sale financial assets	15	2,734,777	2,912,004
Derivative financial assets	21	113,051	184,461
Deferred income tax assets	16	2,129,159	2,808,164
Loans to jointly controlled entities and associates	13	1,335,972	1,009,737
Restricted bank deposits	18	75,293	74,101
Other non-current assets	17	495,469	13,670
		82,644,045	74,922,194
Current assets			
Inventories	19	1,782,590	1,539,381
Trade and other receivables	20	8,727,581	10,542,542
Available-for-sale financial assets	15	140,529	—
Derivative financial assets	21	2,829	278,049
Tax recoverable		316,435	370,011
Financial assets at fair value through profit or loss	22	4,670	1,870
Restricted bank deposits	18	24,596	529,237
Bank deposits and cash and cash equivalents	18	44,098,028	31,826,918
		55,097,258	45,088,008
Total assets		137,741,303	120,010,202

The notes on pages 161 to 319 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 31 December 2009

	Note	2009 RMB'000	2008 RMB'000 (Restated)
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital	23	**10,216,274**	10,216,274
Reserves	24	**31,776,069**	38,964,590
Proposed final dividends	24	**—**	2,962,720
		41,992,343	52,143,584
Non-controlling interests		**10,592,472**	9,762,815
Total equity		**52,584,815**	61,906,399
LIABILITIES			
Non-current liabilities			
Long-term borrowings	25	**53,117,454**	23,296,411
Provisions and other liabilities	26	**1,498,338**	1,650,258
Derivative financial liabilities	21	**55,192**	274,630
Deferred income tax liabilities	16	**3,057,369**	3,537,129
		57,728,353	28,758,428
Current liabilities			
Trade and other payables	27	**17,691,586**	15,411,644
Derivative financial liabilities	21	**86,890**	3,691,032
Short-term borrowings	28	**3,703,366**	1,354,423
Current portion of long-term borrowings	25	**3,529,595**	2,295,552
Current portion of provisions and other liabilities	26	**1,523,134**	5,408,221
Tax payable		**893,564**	1,184,503
		27,428,135	29,345,375
Total liabilities		**85,156,488**	58,103,803
Total equity and liabilities		**137,741,303**	120,010,202
Net current assets		**27,669,123**	15,742,633
Total assets less current liabilities		**110,313,168**	90,664,827

The consolidated financial statements on pages 150 to 319 were approved by the Board of Directors on 22 April 2010 and were signed on its behalf.

Mr. Wei Jiafu
Director

Mr. Zhang Liang
Director

The notes on pages 161 to 319 are an integral part of these consolidated financial statements.

Balance Sheet

As at 31 December 2009

	Note	2009 RMB'000	2008 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**5,028**	6,476
Intangible assets	9	**1,621**	1,480
Subsidiaries	10	**56,661,131**	33,999,222
Deferred income tax assets	16	**38,342**	19,377
		56,706,122	34,026,555
Current assets			
Prepayments, deposits and other receivables	20	**30,871**	47,758
Loans to and receivables from subsidiaries	10	**2,322,088**	11,603,228
Bank deposits and cash and cash equivalents	18	**5,580,693**	7,880,067
		7,933,652	19,531,053
Total assets		**64,639,774**	53,557,608
EQUITY			
Share capital	23	**10,216,274**	10,216,274
Reserves	24	**38,485,387**	38,615,208
Proposed final dividends	24	**—**	2,962,720
Total equity		**48,701,661**	51,794,202
LIABILITIES			
Non-current liabilities			
Long-term borrowings	25	**9,870,000**	—
Current liabilities			
Trade and other payables	27	**485,720**	131,611
Amounts due to subsidiaries	10	**5,000,000**	733,897
Current portion of provisions and other liabilities	26	**—**	4,009
Tax payable		**582,393**	893,889
		6,068,113	1,763,406
Total liabilities		**15,938,113**	1,763,406
Total equity and liabilities		**64,639,774**	53,557,608
Net current assets		**1,865,539**	17,767,647
Total assets less current liabilities		**58,571,661**	51,794,202

The consolidated financial statements on pages 150 to 319 were approved by the Board of Directors on 22 April 2010 and were signed on its behalf.

Mr. Wei Jiafu
Director

Mr. Zhang Liang
Director

The notes on pages 161 to 319 are an integral part of these consolidated financial statements.

Consolidated Income Statement

For the year ended 31 December 2009

	Note	2009 RMB'000	2008 RMB'000 (Restated)
Revenues	5	**68,462,514**	131,838,916
Cost of services and inventories sold	30	**(72,397,839)**	(109,749,306)
Gross (loss)/profit		**(3,935,325)**	22,089,610
Other income/(expenses), net	29	**2,197,383**	(2,929,640)
Selling, administrative and general expenses	30	**(4,670,421)**	(4,723,727)
Operating (loss)/profit	31	**(6,408,363)**	14,436,243
Finance income	32	**511,600**	893,167
Finance costs	32	**(1,243,210)**	(1,019,931)
		(7,139,973)	14,309,479
Share of profits less losses of			
– jointly controlled entities	11	**567,136**	766,487
– associates	12	**359,337**	594,586
(Loss)/profit before income tax		**(6,213,500)**	15,670,552
Income tax expenses	33	**(450,586)**	(2,973,856)
(Loss)/profit for the year		**(6,664,086)**	12,696,696
(Loss)/profit attributable to:			
Equity holders of the Company	34	**(7,467,812)**	11,606,134
Non-controlling interests		**803,726**	1,090,562
		(6,664,086)	12,696,696
		RMB	RMB (Restated)
(Loss)/earnings per share for (loss)/profit attributable to the equity holders of the Company - basic and diluted	36	**(0.7310)**	1.1360

The notes on pages 161 to 319 are an integral part of these consolidated financial statements.

	Note	2009 RMB'000	2008 RMB'000
Distributions	35(a)	**233,549**	9,940
Dividends	35(b)	**—**	2,962,720

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

	2009 RMB'000	2008 RMB'000 (Restated)
(Loss)/profit for the year	**(6,664,086)**	12,696,696
Other comprehensive income		
Available-for-sale financial assets		
– fair value gains/(losses), net of tax	**258,848**	(1,945,974)
– transferred to consolidated income statement upon sale	**(61,238)**	(14,491)
Cash flow hedges		
– fair value gains/(losses), net of tax	**18,199**	(16,974)
– transferred to consolidated income statement	**–**	(241,224)
Share of reserves of jointly controlled entities and associates	**127,957**	(219,004)
Release of reserves upon		
– disposal of a jointly controlled entity	**–**	(1,602)
– deemed disposals	**–**	819
Currency translation differences	**84,982**	(2,828,171)
Other movement	**152,313**	–
Other comprehensive income for the year, net of tax	**581,061**	(5,266,621)
Total comprehensive income for the year	**(6,083,025)**	7,430,075
Total comprehensive income attributable to:		
– Equity holders of the Company	**(7,162,374)**	7,626,188
– Non-controlling interests	**1,079,349**	(196,113)
Total comprehensive income for the year	**(6,083,025)**	7,430,075

The notes on pages 161 to 319 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009

	Attributable to equity holders of the Company				
	Share capital RMB'000	Reserves RMB'000 (Note 24)	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
As at 1 January 2009, as previously reported	10,216,274	42,275,382	52,491,656	9,755,106	62,246,762
Adoption of merger accounting (notes 2(a) and 24(h))	–	(348,072)	(348,072)	7,709	(340,363)
As at 1 January 2009, as restated	10,216,274	41,927,310	52,143,584	9,762,815	61,906,399
Comprehensive income					
Loss for the year	–	(7,467,812)	(7,467,812)	803,726	(6,664,086)
Other comprehensive income					
Available-for-sale financial assets					
– fair value gains, net of tax	–	87,698	87,698	171,150	258,848
– transferred to consolidated income statement upon sale	–	(60,951)	(60,951)	(287)	(61,238)
Cash flow hedges					
– fair value gains, net of tax	–	18,199	18,199	–	18,199
Share of reserves of jointly controlled entities and associates	–	60,447	60,447	67,510	127,957
Currency translation differences	–	47,732	47,732	37,250	84,982
Other movement	–	152,313	152,313	–	152,313
Total other comprehensive income	–	305,438	305,438	275,623	581,061
Total comprehensive income for the year ended 31 December 2009	–	(7,162,374)	(7,162,374)	1,079,349	(6,083,025)

The notes on pages 161 to 319 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009

	Attributable to equity holders of the Company				
	Share capital RMB'000	Reserves RMB'000 (Note 24)	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
Transactions with owners					
Contribution from non-controlling shareholders of subsidiaries	–	–	–	157,348	157,348
Dividends paid to non-controlling shareholders of subsidiaries	–	–	–	(420,509)	(420,509)
Distributions (note 35(a))	–	(233,549)	(233,549)	–	(233,549)
2008 final dividends (note 35(b))	–	(2,962,720)	(2,962,720)	–	(2,962,720)
Acquisition of subsidiaries (note 39(d))	–	–	–	7,735	7,735
Establishment of new subsidiaries	–	–	–	13,950	13,950
Disposal of subsidiaries (note 39(e))	–	–	–	(7,718)	(7,718)
Acquisition of additional interests in subsidiaries	–	8,432	8,432	3,773	12,205
Acquisition from non-controlling shareholders	–	(1,030)	(1,030)	(4,271)	(5,301)
Contribution from then shareholder of a subsidiary (note 24(f))	–	200,000	200,000	–	200,000
Total transactions with owners	–	(2,988,867)	(2,988,867)	(249,692)	(3,238,559)
As at 31 December 2009	10,216,274	31,776,069	41,992,343	10,592,472	52,584,815
Representing:					
Capital and reserves	10,216,274	31,776,069	41,992,343	10,592,472	52,584,815
2009 final dividends proposed	–	–	–	–	–
As at 31 December 2009	10,216,274	31,776,069	41,992,343	10,592,472	52,584,815

The notes on pages 161 to 319 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009

	Attributable to equity holders of the Company				
	Share capital RMB'000	Reserves RMB'000 (Note 24)	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
As at 1 January 2008, as previously reported	10,216,274	36,384,205	46,600,479	10,556,006	57,156,485
Adoption of merger accounting (note 2(a))	—	(587,743)	(587,743)	9,744	(577,999)
As at 1 January 2008, as restated	10,216,274	35,796,462	46,012,736	10,565,750	56,578,486
Comprehensive income					
Profit for the year	—	11,606,134	11,606,134	1,090,562	12,696,696
Other comprehensive income					
Available-for-sale financial assets					
- fair value losses, net of tax	—	(1,241,364)	(1,241,364)	(704,610)	(1,945,974)
- transferred to consolidated income statement upon sale	—	(7,244)	(7,244)	(7,247)	(14,491)
Cash flow hedges					
- fair value loss, net of tax	—	(16,974)	(16,974)	—	(16,974)
- transferred to consolidated income statement	—	(241,224)	(241,224)	—	(241,224)
Share of reserves of jointly controlled entities and associates	—	(62,997)	(62,997)	(156,007)	(219,004)
Release of reserves upon					
- disposal of a jointly controlled entity	—	(816)	(816)	(786)	(1,602)
- deemed disposals	—	(2,324)	(2,324)	3,143	819
Currency translation differences	—	(2,407,003)	(2,407,003)	(421,168)	(2,828,171)
Total other comprehensive income	—	(3,979,946)	(3,979,946)	(1,286,675)	(5,266,621)
Total comprehensive income for the year ended 31 December 2008	—	7,626,188	7,626,188	(196,113)	7,430,075

The notes on pages 161 to 319 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009

	Attributable to equity holders of the Company				
	Share capital RMB'000	Reserves RMB'000 (Note 24)	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
Transactions with owners					
Contribution from non-controlling shareholders of subsidiaries	—	—	—	131,552	131,552
Dividends paid to non-controlling shareholders of subsidiaries	—	—	—	(888,641)	(888,641)
Distributions (note 35(a))	—	(22,837)	(22,837)	12,897	(9,940)
2007 final dividends	—	(1,804,358)	(1,804,358)	—	(1,804,358)
Reclassification of jointly controlled entities to subsidiaries (note 40)	—	—	—	85,453	85,453
Acquisition of a subsidiary (note 39(d))	—	—	—	70,740	70,740
Disposal of a subsidiary (note 39(e))	—	—	—	(5,517)	(5,517)
Acquisition from non-controlling shareholders	—	(223)	(223)	(13,306)	(13,529)
Capital restructuring of a subsidiary prior to acquisition by the Group (note 24(g))	—	332,078	332,078	—	332,078
Total transactions with owners	—	(1,495,340)	(1,495,340)	(606,822)	(2,102,162)
As at 31 December 2008 as restated	10,216,274	41,927,310	52,143,584	9,762,815	61,906,399
Representing:					
Capital and reserves	10,216,274	38,964,590	49,180,864	9,762,815	58,943,679
2008 final dividends proposed	—	2,962,720	2,962,720	—	2,962,720
As at 31 December 2008 as restated	10,216,274	41,927,310	52,143,584	9,762,815	61,906,399

The notes on pages 161 to 319 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2009

	Note	2009 RMB'000	2008 RMB'000 (Restated)
Cash flows from operating activities			
Cash (used in)/generated from operations	39(a)	**(8,418,385)**	29,308,038
Interest received		**482,857**	934,518
Income tax paid		**(500,569)**	(4,853,900)
Net cash (used in)/generated from operating activities		**(8,436,097)**	25,388,656
Cash flows from investing activities			
Purchase of property, plant and equipment, investment properties, leasehold land, land use rights and intangible assets		**(10,729,283)**	(18,040,020)
Acquisition of subsidiaries, net of cash acquired	39(d)	**(167,596)**	(196,754)
Investments in jointly controlled entities and associates		**(113,318)**	(2,143,019)
Purchase of available-for-sale financial assets		**(1,386)**	(13,233)
Proceeds from disposal of property, plant and equipment, investment properties, land use right, and intangible assets		**424,841**	2,622,742
Refund received from cancellation of vessel construction contracts		**732,044**	—
Cash received from disposal of jointly controlled entities and an associate		**133,109**	102,384
Cash received from disposal of available-for-sale financial assets		**155,552**	40,778
Loans granted to jointly controlled entities and associates		**(178,983)**	(213,044)
Repayments of loans granted to jointly controlled entities, associates and an available-for-sale financial asset		**310,253**	199,120
Cash paid for purchase of subsidiaries from COSCO Group		**(140,850)**	(5,913,956)
Dividends received from jointly controlled entities		**557,162**	587,030
Dividends received from associates		**279,869**	721,325
Dividends received from available-for-sale financial assets		**173,851**	70,686
Disposal of subsidiaries, net of cash disposed of	39(e)	**(6,206)**	(2,090)
Decrease/(increase) in restricted bank deposits		**503,449**	(499,739)
Prepaid operating lease payments for concession		**(455,387)**	—
Acquisition of remaining equity interests from non-controlling interests		**(72,557)**	—
Decrease in deposits with original maturities over three months		**—**	736
Reclassification of jointly controlled entities to subsidiaries	40	**—**	106,032
Reclassification of a subsidiary to a jointly controlled entity		**—**	(12)
Net cash used in investing activities		**(8,595,436)**	(22,571,034)

The notes on pages 161 to 319 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2009

	Note	2009 RMB'000	2008 RMB'000 (Restated)
Cash flows from financing activities	39(c)		
Proceeds from borrowings		**51,073,229**	15,395,963
Repayments of borrowings		**(17,609,147)**	(7,421,129)
Proceeds from exercise of share options of a subsidiary by grantees		**171**	1,467
Dividends		**(2,962,720)**	(1,804,358)
Distributions to then shareholders of subsidiaries		**—**	(11,257,000)
Dividends paid to non-controlling interests		**(397,480)**	(864,834)
Contributions from non-controlling shareholders of subsidiaries		**172,098**	131,552
Interest paid		**(1,012,523)**	(1,002,648)
Other incidental borrowing costs and charges paid		**(66,103)**	(41,459)
Repayment of amount due to a fellow subsidiary		**—**	(511,932)
Repayment of amount due to COSCO		**(178,800)**	—
Payments for interest element of finance lease obligations		**—**	(12,685)
Principal repayments of finance lease obligations		**—**	(9,652)
Share issue expenses		**—**	(120,259)
Contribution from then shareholder of a subsidiary		**200,000**	—
Net cash generated from/(used in) financing activities		**29,218,725**	(7,516,974)
Net increase/(decrease) in cash and cash equivalents		**12,187,192**	(4,699,352)
Cash and cash equivalents as at 1 January		**31,826,918**	37,884,254
Exchange gains/(losses)		**83,918**	(1,357,984)
Cash and cash equivalents as at 31 December	18	**44,098,028**	31,826,918

The notes on pages 161 to 319 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1 General information

China COSCO Holdings Company Limited (the "Company") was incorporated in the People's Republic of China (the "PRC") on 3 March 2005 as a joint stock company with limited liability under the Company Law of the PRC. The address of its registered office is 3rd Floor, No.1 Tongda Square, Tianjin Port Free Trade Zone, Tianjin, the PRC. The H-Shares and A-Shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited since 30 June 2005 and The Shanghai Stock Exchange since 26 June 2007 respectively.

The businesses of the Company and its subsidiaries (the "Group") include the provisions of a range of container shipping, dry bulk shipping, managing and operating container terminals, container leasing and logistics services all over the world.

The directors of the Company (the "Directors") regard China Ocean Shipping (Group) Company ("COSCO"), a state-owned enterprise established in the PRC, as being the Company's parent company (note 43). COSCO and its subsidiaries (other than the Group) are collectively referred to as "COSCO Group".

On 1 January 2009, the Group acquired from COSCO Group a 51% equity interest in China Ocean Shipping Agency Qinzhou Company Limited ("Shipping Agency Qinzhou") for a cash consideration of RMB850,000.

On 31 December 2009, the Group completed the acquisition from COSCO the entire equity interest in Shanghai Ocean Shipping Company Limited ("COSCO Shanghai") and its subsidiaries ("COSCO Shanghai group") for a total consideration of RMB232,699,000, of which an amount of RMB140,000,000 was paid as at 31 December 2009.

The parent company of COSCO Shanghai group and Shipping Agency Qinzhou (hereinafter collectively referred to as "Acquired Subsidiaries") is COSCO and the aforesaid transactions are regarded as business combinations under common control (note 2(b) (i)). Details of the relevant statements of adjustments for the common control combinations on the Group's financial position as at 31 December 2009 and 2008 and the Group's results for the years then ended are set out in note 24(h).

The Consolidated Financial Statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

These Consolidated Financial Statements have been approved for issue by the Board of Directors on 22 April 2010.

2 Summary of significant accounting policies

(a) Basis of preparation

The Consolidated Financial Statements for the year ended 31 December 2009 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") and the principles of merger accounting as prescribed in Hong Kong Accounting Guideline 5 "Merger Accounting for the Common Control Combinations" issued by Hong Kong Institute of Certified Public Accountants (the "HKICPA"). These accounting policies have been consistently applied to all the years presented unless otherwise mentioned.

The 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, financial assets at fair value through profit or loss and derivative financial instruments are stated at fair value.

The preparation of the 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 4.

(i) New and revised standards, amendments to standards and interpretations which are effective in 2009 and adopted by the Group

HKICPA has issued the following new and revised standards, amendments to standards and interpretations which are mandatory for the Group's accounting periods on or after 1 January 2009:

HKAS 1 (Revised) and (Amendment)	"Presentation of Financial Statements"
HKAS 16 (Amendment)	"Property, Plant and Equipment"
HKAS 18 (Amendment)	"Revenue"
HKAS 19 (Amendment)	"Employee Benefits"
HKAS 20 (Amendment)	"Accounting for Government Grants and Disclosure of Government Assistance"
HKAS 23 (Revised) and (Amendment)	"Borrowing Costs"
HKAS 27 (Amendment)	"Consolidated and Separate Financial Statements"
HKAS 28 (Amendment)	"Investments in Associates"
HKAS 31 (Amendment)	"Interests in Joint Ventures"
HKAS 36 (Amendment)	"Impairment of Assets"
HKAS 38 (Amendment)	"Intangible Assets"
HKAS 39 (Amendment)	"Financial Instruments: Recognition and Measurement"
HKAS 40 (Amendment)	"Investment Property"
HKFRS 1 and HKAS 27 (Amendments)	"Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate"
HKFRS 2 (Amendment)	"Share-based Payment - Vesting Conditions and Cancellations"
HKFRS 7 (Amendment)	"Improving Disclosures about Financial Instruments"
HKFRS 8	"Operating Segments"
HK(IFRIC)-Int 16	"Hedges of a Net Investment in a Foreign Operation"
HK(IFRIC)-Int 9 and HKAS 39 (Amendments)	"Embedded Derivatives"

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

(i) New and revised standard, amendments to standards and interpretations which are effective in 2009 and adopted by the Group (Continued)

Except for certain changes in presentation and disclosures of financial information as described below, the adoption of the above new and revised standards, amendments to standards and interpretations in the current year did not have any significant effect on the Consolidated Financial Statements or result in any significant changes in the Group's significant accounting policies.

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

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

(ii) Revised standards that are relevant to the Group which are not yet effective for the year ended 31 December 2009 but have been early adopted by the Group

The HKICPA has issued certain revised standards which are not yet effective for the year ended 31 December 2009 but have been early adopted by the Group.

- The Group has early adopted HKFRS 3 (Revised), "Business Combinations", in 2009. The revised standard continues to apply the acquisition method to non-common control business combinations but with some significant changes compared with HKFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed.

  As the Group has early adopted HKFRS 3 (Revised) in 2009, it is required to early adopt HKAS 27 (Revised), "Consolidated and Separate Financial Statements", at the same time. HKAS 27 (Revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. There has been no significant impact to the Group as a result of adoption of the revised standard for the current year.

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

(ii) Revised standards that are relevant to the Group which are not yet effective for the year ended 31 December 2009 but have been early adopted by the Group (Continued)

- The Group has also early adopted HKAS 24 (Revised), "Related Party Disclosures". The amendment introduces an exemption from all of the disclosure requirements of HKAS 24 for transactions among government-related entities and the government. Those disclosures are replaced with a requirement to disclose the name of the government and the nature of their relationship, the nature and amount of any individually-significant transactions, and the extent of any collectively-significant transactions qualitatively or quantitatively. It also clarifies and simplifies the definition of a related party.

(iii) New standards, amendments to standards and interpretations that are relevant to the Group but not yet effective for the year ended 31 December 2009 and have not been early adopted by the Group

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

		Effective for accounting periods beginning on or after
HKAS 38 (Amendment)	"Intangible Assets"	1 July 2009
HKAS 39 (Amendment)	"Eligible Hedge Items"	1 July 2009
HKAS 1 (Amendment)	"Presentation of Financial Statements"	1 January 2010
HKAS 32 (Amendment)	"Classification of Right Issues"	1 January 2010
HKFRS 2 (Amendment)	"Group Cash-settled Share-based Payment Transactions"	1 January 2010
HKFRS 9	"Financial Instruments"	1 January 2013

The Group will apply the above standards, amendments to standards and interpretations from 1 January 2010 or later period. The Group has already commenced an assessment of the related impact to the Group. The Group 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.

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

(iii) New standards, amendments to standards and interpretations that are relevant to the Group but not yet effective for the year ended 31 December 2009 and have not been early adopted by the Group (Continued)

(i) HKAS 38 Amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives.

(ii) HKAS 39 Amendment prohibits designating inflation as a hedgeable component of a fixed rate debt. Inflation is not separately identifiable and reliably measurable as a risk or a portion of a financial instrument, unless it is a contractually specified portion of the cash flows of a recognised inflation-linked bond whose other cash flows are unaffected by the inflation portion. It also prohibits including time value in a one-sided hedged risk when designating options as hedges. An entity may only designate the change in the intrinsic value of an option as the hedging instrument of a one-sided risk arising from a forecast transaction in a hedging relationship. A one-sided risk is that changes in cash flows or fair value of a hedged item are above or below a specified price or other variable.

(iii) HKAS 1 Amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time.

(iv) HKAS 32 Amendment will no longer classify rights issues, for which the exercise price is denominated in a foreign currency, as derivative liabilities with fair value changes being recorded in profit or loss. Rather, entities will be able to classify these rights in equity with no re-measurement. The scope of the amendment is narrow and does not extend to foreign-currency-denominated convertible bonds. For these instruments, the embedded option to acquire the issuer's equity will continue to be accounted for as a derivative liability with fair value changes recorded in profit or loss.

(v) HKFRS 2 Amendments, "Group Cash-settled Share-based Payment Transactions". In addition to incorporating HK (IFRIC)-Int 8, 'Scope of HKFRS 2', and HK (IFRIC)-Int 11, 'HKFRS 2 – group and treasury share transactions', the amendments expands on the guidance in HK (IFRIC)–Int 11 to address the classification of group arrangements that were not covered by the interpretation.

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

(iii) New standards, amendments to standards and interpretations that are relevant to the Group but not yet effective for the year ended 31 December 2009 and have not been early adopted by the Group (Continued)

(vi) HKFRS 9 established the principles for financial reporting of financial assets.

(i) Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

(ii) An instrument is subsequently measured at amortised cost only if it is a debt instrument and both the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and the asset's contractual cash flows represent only payments of principal and interest (that is, it has only "basic loan features"). All other debt instruments are to be measured at fair value through profit or loss.

(iii) All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.

HKICPA has issued the following improvements to HKFRS which are published in May 2009 by the HKICPA:

		Effective for accounting periods beginning on or after
HK(IFRIC)- Int 9	"Reassessment of Embedded Derivatives"	1 July 2009
HK(IFRIC)- Int 16	"Hedges of a Net Investment in a Foreign Operation"	1 July 2009
HKFRS 2 (Amendment)	"Share-based Payment"	1 July 2009
HKFRS 5 (Amendment)	"Measurement of Non-current Assets"	1 January 2010
HKFRS 8 (Amendment)	"Operating Segments"	1 January 2010
HKAS 1 (Amendment)	"Presentation of Financial Statements"	1 January 2010
HKAS 7 (Amendment)	"Statement of Cash Flows"	1 January 2010
HKAS 17 (Amendment)	"Leases"	1 January 2010
HKAS 36 (Amendment)	"Impairment of Assets"	1 January 2010
HKAS 38 (Amendment)	"Intangible Assets"	1 January 2010
HKAS 39 (Amendment)	"Financial Instruments: Recognition and Measurement"	1 January 2010

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

(iii) New standards, amendments to standards and interpretations that are relevant to the Group but not yet effective for the year ended 31 December 2009 and have not been early adopted by the Group (Continued)

The Group will apply the above improvements to HKFRS from 1 January 2010 or later period. The Group has already commenced an assessment of the related impact to the Group. The Group 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.

(i) HK (IFRIC) - Int 9 clarifies that it does not apply to possible reassessment, at the date of acquisition, to embedded derivatives in contracts acquired in a combination between entities or businesses under common control or the formation of a joint venture.

(ii) HK(IFRIC)- Int 16 states that, in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within the group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of HKAS 39 that relate to a net investment hedge are satisfied.

(iii) HKFRS 2 Amendment confirms that, in addition to business combinations as defined by HKFRS 3 (revised) 'Business combinations', contributions of a business on formation of a joint venture and common control transactions are excluded from the scope of HKFRS 2, 'Share-based Payment'.

(iv) HKFRS 5 Amendment specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. Also clarifies that the general requirements of HKAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of HKAS 1.

(v) HKFRS 8 Amendment introduce minor textual amendment to the standard, and amendment to the basis for conclusions, to clarify that an entity is required to disclose a measure of segment assets only if that measure is regularly reported to the chief operating decision-maker.

(vi) Regarding the liability component of convertible instruments, HKAS 1 Amendment clarifies that the holder's option which will result in the settlement by the issuance of equity instruments, is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time.

(vii) HKAS 7 Amendment requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities.

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

(iii) New standards, amendments to standards and interpretations that are relevant to the Group but not yet effective for the year ended 31 December 2009 and have not been early adopted by the Group (Continued)

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

(ix) HKAS 36 Amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment as defined by paragraph 5 of HKFRS 8, "Operating Segments" (that is, before the aggregation of segments with similar economic characteristics permitted by paragraph 12 of HKFRS 8).

(x) HKAS 38 Amendment clarifies the description of the valuation techniques commonly used to measure intangible assets acquired in a business combination when they are not traded in an active market. In addition, an intangible asset acquired in a business combination might be separable but only together with a related contract, identifiable asset or liability. In such cases, the intangible asset is recognised separately from goodwill but together with the related item.

(xi) HKAS 39 Amendment introduce the scope exemption in paragraph 2(g) of HKAS 39 to clarify that: (a) it only applies to binding (forward) contracts between an acquirer and a vendor in a business combination to buy an acquiree at a future date; (b) the term of the forward contract should not exceed a reasonable period normally necessary to obtain any required approvals and to complete the transaction; and (c) the exemption should not be applied to option contracts (whether or not currently exercisable) that on exercise will result in control of an entity, nor by analogy to investments in associates and similar transactions.

HKAS 39 Amendment clarify when to recognise gains or losses on hedging instruments as a reclassification adjustment in a cash flow hedge of a forecast transaction that results subsequently in the recognition of a financial instrument. The amendment clarifies that gains or losses should be reclassified from equity to profit or loss in the period in which the hedged forecast cash flow affects profit or loss.

HKAS 39 Amendment clarify that pre-payment options, the exercise price of which compensates the lender for loss of interest by reducing the economic loss from reinvestment risk should be considered closely related to the host debt contract.

2 Summary of significant accounting policies (Continued)

(b) Group accounting

The Consolidated Financial Statements include the financial statements of the Company and all its subsidiaries made up to 31 December.

(i) Merger accounting for common control combinations

The Consolidated Financial Statements incorporate the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised in consideration for goodwill or excess of acquirers' interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated income statement includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where there is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the Consolidated Financial Statements are presented as if the entities or businesses had been combined at the previous balance sheet date or when they first came under common control, whichever is shorter.

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting is recognised as an expense in the year in which it is incurred.

(ii) Purchase method of accounting for non-common control combinations

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group, other than the common control combinations (note 2(b) (i)). The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

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

2 Summary of significant accounting policies (Continued)

(b) Group accounting (Continued)

(iii) Subsidiaries

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

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

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses (note 2(h)). For common control combination, the cost of investment is being either the cash consideration amount (for cash-settled transaction) or the amount of the net asset value of the subsidiary acquired at date of completion (for share-settled transaction). For non-common control combination, the cost of investment is being the amount of the fair value of the consideration for the subsidiary acquired at date of completion.

The results of subsidiaries are accounted by the Company on the basis of dividend income.

(iv) Transaction with non-controlling interests

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

(v) Jointly controlled entities/associates

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

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

Investments in jointly controlled entities/associates are accounted for using the equity method of accounting and are initially recognised at cost.

The Group's share of its jointly controlled entities'/associates' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a jointly controlled entity/an associate equals or exceeds its interest in the jointly controlled entity/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 jointly controlled entity/associate.

2 Summary of significant accounting policies (Continued)

(b) Group accounting (Continued)

(v) Jointly controlled entities/associates (Continued)

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

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

In the Company's balance sheet the investments in the jointly controlled entities/associates are stated at cost less provision for impairment losses (note 2(h)). The results of jointly controlled entities/associates are accounted for by the Company on the basis of dividend received and receivable.

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

Intercompany 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 are eliminated to the extent of the Group's interest. Unrealised losses are also eliminated but unless the transaction provides evidence of an impairment of the asset transferred.

(c) Foreign currency translation

(i) 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").

In prior years, the Company was purely an investment holding company and its functional currency was US dollar.

On 22 April 2009, the Company completed the reorganisation and fine-tuning of corporate structure, including the establishment of various departments within the Company. In particular, the Company commenced operations as a management services supplier to certain of its fellow subsidiaries of COSCO, as well as undertaking a greater role in the management of its own operating subsidiaries, and therefore ceased to be a pure investment holding vehicle on that date. As a result of these changes, management believes that the functional currency of the Company changed from US dollar to Renminbi on 22 April 2009. The effect of change in the Company's functional currency has been accounted for prospectively in the financial statements.

The consolidated financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

2 Summary of significant accounting policies (Continued)

(c) Foreign currency translation (Continued)

(ii) 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 consolidated income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

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

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in equity.

(iii) 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:

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

(2) 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

(3) 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 operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to equity. When a foreign operation is sold, currency translation differences that were recorded in equity 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.

2 Summary of significant accounting policies (Continued)

(d) Property, plant and equipment

(i) Assets under construction

Assets under construction represent primarily vessels and buildings under construction, and plant and equipment pending installation and are stated at cost less accumulated impairment losses. Cost includes all direct costs relating to the construction of the assets and acquisition.

No depreciation is provided for assets under construction until such time as the relevant assets are completed and ready for intended use. Assets under construction are transferred to relevant categories of property, plant and equipment upon the completion of their respective construction.

(ii) Container vessels, dry bulk vessels and containers

Container vessels, dry bulk vessels and containers are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Container vessels, dry bulk vessels and containers are depreciated on a straight-line basis over their anticipated useful lives, after taking into account the estimated residual values.

Container vessels	25 years
Dry bulk vessels for	
– Ocean transportation	20 years
– Coastal transportation	30 - 33 years (from the date of first registration)
Containers	12 - 15 years

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

With effect from 1 July 2009, the useful life of dry bulk vessels for ocean transportation was revised from 15-year to 20-year, details of which are set out in note 4(i). The net book value of property, plant and equipment as at 31 December 2009 has been increased and the loss before income tax for the year ended 31 December 2009 has been decreased by the same amount of approximately RMB283,044,000 by way of a decrease in depreciation charge for the year as a result of such change.

Upon acquisition of a vessel, the components of the vessel which are required to be replaced at the next dry-docking are identified and their costs are depreciated over the period to the next estimated dry-docking date. Costs incurred on subsequent dry-docking of vessels are capitalised and depreciated over the period to the next estimated dry-docking date. When significant dry-docking costs incurred prior to the expiry of the depreciation period, the remaining costs of the previous dry-docking are written off immediately.

2 Summary of significant accounting policies (Continued)

(d) Property, plant and equipment (Continued)

(iii) Other property, plant and equipment

Other property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Other property, plant and equipment are depreciated at rates sufficient to write off their costs less accumulated impairment losses over their estimated useful lives to their respective residual values estimated by the directors or management on a straight-line basis. The estimated useful lives of these assets are summarised as follows:

Buildings	25 to 50 years
Trucks, chassis and motor vehicles	5 to 10 years
Computer and office equipment	3 to 5 years

Historical 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 period in which they are incurred.

The residual values of the property, plant and equipment and their 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 (note 2(h)).

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

(e) Investment properties

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

Investment properties are stated at cost less accumulated depreciation and impairment losses. The cost less accumulated impairment and residual values of investment properties are depreciated on a straight-line basis over their estimated useful lives of 25 to 50 years.

2 Summary of significant accounting policies (Continued)

(f) 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.

(g) Intangible assets

(i) Goodwill

Goodwill represents the excess of purchase consideration over the fair value of the Group's share of the net identifiable assets of subsidiaries, jointly controlled entities and associates acquired (other than common control combinations) 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.

Goodwill is tested annually or when an indication of impairment exists for impairment and carried at cost less accumulated impairment losses. Impairment losses 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.

(ii) 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 their estimated useful lives of 5 years on a straight-line basis.

Costs associated with maintaining computer software programmes 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.

2 Summary of significant accounting policies (Continued)

(h) Impairment of investments in subsidiaries, jointly controlled entities, associates and non-financial assets

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

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

(i) 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.

(i) Where the Group is the lessee

(1) Operating leases

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

(2) Finance leases

Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Each lease payment is allocated between the capital and finance charges so as to achieve a constant rate on the capital balances outstanding. The corresponding rental obligations, net of finance charges, are included in current and non-current liabilities. The finance charges are charged to the income statement over the lease periods.

Assets held under finance leases are depreciated over the shorter of their estimated useful lives or the lease periods.

2 Summary of significant accounting policies (Continued)

(i) Assets under leases (Continued)

(ii) Where the Group is the lessor

(1) Operating leases

When assets are leased out 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 notes 2(d)(ii) and 2(d)(iii) 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 note 2(x) (iv) below.

(2) Finance leases

When assets are leased out under finance leases, the present value of the minimum lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Revenue on containers leased out under finance leases is recognised in accordance with the Group's revenue recognition policies, as set out in note 2(x) (iv) below.

(j) Financial assets

(i) Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivable and available-for-sale. The classification depends on the purpose for which the assets were acquired. Management determines the classification of these assets at initial recognition.

(1) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(2) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as trade and other receivables in the balance sheet (note 2(m)).

(3) Available-for-sale financial assets

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.

2 Summary of significant accounting policies (Continued)

(j) Financial assets (Continued)

(ii) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date - the date on which the Group commits to purchase or sell the assets. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within other income/expenses, in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Group's right to receive payments is established.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale financial assets 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 related to changes in the amortised cost are recognised in the income statement and other changes in carrying amount are recognised in equity.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated income statement as other income/expenses.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the consolidated income statement as part of other income. Dividends on available-for-sale equity instruments are recognised in the consolidated income statement as part of other income when the Group's right to receive payments is established.

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 inputs and relying as little as possible on entity-specific inputs.

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 securities below its cost is considered as an indicator that in determining whether 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. Impairment testing of trade receivables is described in note 2(m).

2 Summary of significant accounting policies (Continued)

(k) 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 either:

(i) Hedges of the fair value of recognised liabilities (fair value hedge); and

(ii) Hedges of a particular risk associated with a recognised liability or a highly probable forecast transaction (cash flow hedge)

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, 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 or cash flows of the hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in note 21. Movements on the hedging reserve in shareholders' equity are shown in the Consolidated Statement of Changes in Equity. The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining hedge 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. Non-hedge derivatives are classified as a current asset or liability.

(i) Fair value hedges

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 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 hedge item for which the effective interest method is used is amortised to profit or loss over the period to maturity.

2 Summary of significant accounting policies (Continued)

(k) Derivative financial instruments and hedging activities (Continued)

(ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within other income/expenses.

Amounts accumulated in equity are reclassified to profit or loss in the income statement in the periods when the hedged item affects profit or loss.

The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement within finance costs.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within other income/expenses.

(iii) Derivatives at fair value through profit or loss and accounted for at fair value through profit or loss

Certain derivative instruments which do not qualify for hedge accounting are accounted for at fair value through profit or loss. Changes in the fair value of these derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement within other income/expenses.

(l) Inventories

Inventories mainly represent bunkers which are stated at the lower of cost and net realisable value. Costs are calculated on a weighted average basis. Net realisable value of bunkers is the expected amount to be realised from use as estimated by the directors/management. Net realisable value of other inventories such as resaleable container, properties held for sale and marine supplies is determined on the basis of anticipated sales proceeds less estimated selling expenses.

2 Summary of significant accounting policies (Continued)

(m) Trade and other receivables

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

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. 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 consolidated income statement within other expenses. When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

(n) Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown in short-term borrowings on the balance sheet.

(o) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are not recognised for future operating losses. Provision for an onerous contract is recognised when the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling the contract and any compensation or penalties arising from failure to fulfil the contract.

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

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

2 Summary of significant accounting policies (Continued)

(p) Share capital

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

(q) 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.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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.

(r) Government subsidy

Subsidy from the government are recognised at their fair value when there is a reasonable assurance that the Group will comply with the conditions attaching with them and that the grants will be received.

Government subsidy relating to income are deferred and recognised in the income statement over the period necessary to match them with the costs they are intended to compensate, otherwise subsidy with no future related costs are recognised as income in the period in which they become receivable.

2 Summary of significant accounting policies (Continued)

(s) Employee benefits

(i) 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.

(ii) 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.

(iii) Post-retirement and early retirement benefit costs

The Group has both defined benefit and defined contribution plans throughout the world. The assets of defined benefit and contribution plans are generally held in separate trustee-administered funds. The plans are generally funded by payments from employees and the relevant companies in the Group.

Contributions under the defined contribution plans are charged to the income statement as expense when incurred.

The liability recognised in the balance sheet in respect of defined benefit retirement plans is the present value of the defined benefit obligation at the balance sheet date. The defined benefit obligation is calculated annually by independent actuaries/management using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related retirement benefit liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the equity directly.

Past-service costs are recognised immediately in the income statement, unless the changes to the retirement benefit plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

Employee early retirement benefits have been paid to those employees who accept voluntary retirement before the normal retirement date as approved by the management. The related benefit payments are made from the date of early retirement through the normal retirement date.

2 Summary of significant accounting policies (Continued)

(s) Employee benefits (Continued)

(iv) Housing funds

All full-time employees of the Group are entitled to participate in various government-sponsored housing funds. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees. The Group's liability in respect of these funds is limited to the contributions payable in each period.

(v) Housing subsidies

The Group has provided one-off cash housing subsidies based on PRC regulations to those eligible employees who have not been allocated with staff quarters at all or who have not been allocated with quarters up to the prescribed standards before 31 December 1998 when the staff quarter allocation schemes were terminated. The subsidies are determined based on a staff member's years of service, position and other criteria. In addition, monthly cash housing allowances should be made to other employees following the withdrawal of allocation of staff quarters regulations, which are recognised as incurred.

The liability recognised in the balance sheet is the present value of the obligation of the one-off housing subsidies at the balance sheet date and the past-service costs are recognised immediately in the income statement.

(vi) Share-based payments

The Group regularly entered into equity-settled or cash-settled share-based payment transactions with employees.

(i) Employee services settled in cash

Employee services received in exchange for cash-settled share-based payments, are recognised at the fair value of the liability incurred and are expensed over the vesting period, when consumed or capitalised as assets, which are depreciated or amortised. The liability is remeasured at each balance sheet date to its fair value, with all changes recognised immediately in the income statement.

(ii) Employee services settled in equity instruments

One of the Group's subsidiaries operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the share options of the subsidiary 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 exercisable. At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the consolidated income statement, and 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.

2 Summary of significant accounting policies (Continued)

(t) Current and deferred income tax

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

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 Company and its subsidiaries, jointly controlled entities and 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, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

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

2 Summary of significant accounting policies (Continued)

(u) 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.

A contingent liability is 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.

(v) Vessels financing, sale and lease back transactions

A series of financing, sale and leasing back of vessels transactions with bank and financial institutions, which are closely interrelated, negotiated as a single transaction, and takes place concurrently or in a continuous sequence, is considered linked and accounted for as one transaction when the overall economic effect cannot be understood without reference to the series of transactions as a whole.

These vessels financing and leasing arrangements are designed to achieve a tax result for the third parties in return for a cash benefit or reduction in the effective loan interest rate offered to the Group and not to convey the right to use the vessels. Such cash benefit is deferred and accounted for as a reduction in the effective interest rate for the borrowings from the bank and financial institutions by amortising the cash benefit over the period from the date of commencement of the vessels financing arrangements to eventual settlement dates.

Under these vessels financing and leasing arrangements, non-current liabilities have been deceased by the loan receivables, those liabilities and loan receivables (and income and charges arising therefrom) are netted off, in order to reflect the overall commercial effect of the arrangements when viewed as a whole. Such netting off has been effected where a right is held to insist on net settlement of the liability and receivable at any time and where no significant risk is borne in respect of the gross amounts.

2 Summary of significant accounting policies (Continued)

(w) Trade payables

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

(x) Recognition of revenues and income

Revenues comprise the fair value of the consideration received or receivable for the sale of services in the ordinary course of the Group's activities. Revenues are shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenues when the amount of revenues can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenues is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

The Group recognises revenues and income on the following basis:

(i) Revenues from container shipping

Freight revenues from the operation of international and domestic containerised transportation business are recognised on a percentage-of-completion basis, which is determined on the time proportion method of each individual vessel voyage.

(ii) Revenues from dry bulk shipping

Revenues from time charter of dry bulk shipping, which are of operating lease in nature, is recognised on a straight-line basis over the period of each charter.

Revenues from voyage charter of dry bulk shipping are recognised on a percentage-of-completion basis, which is determined on the time proportion method of each individual voyage.

(iii) Revenues from container terminal operations

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

(iv) Revenues from lease rental income

Rental income arising from assets leased out under operating leases is recognised on a straight-line basis over the period of each lease.

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

2 Summary of significant accounting policies (Continued)

(x) Recognition of revenues and income (Continued)

(v) Revenues from freight forwarding and shipping agency

Revenues are recognised when the services are rendered.

For freight forwarding business, it generally coincides with the date of departure for outward freights and the time of transfer of goods to the customers at the designated location for inward freight. For shipping agency services, it generally coincides with the date of departure of the relevant vessels from the port.

Where the Group effectively acts as a principal in arranging transportation of goods for customers, revenue recognised generally includes the carrier's charges to the Group. Where the Group effectively acts as an agent for the customers, revenue recognised comprises fees for services provided by the Group.

(vi) Revenues from sale of containers

Revenues from sale of containers are recognised on the transfer of risks and rewards of ownership, which generally coincides with the times when the containers are delivered to customers and title has passed. Direct costs relating to the lifting and storage of containers for sale are expensed as incurred.

(vii) Revenues from sales of properties

Revenues from sales of properties are recognised when the risks and rewards of the property are transferred to the purchasers, which occur when the construction of relevant properties has been completed and the properties have been delivered to the purchasers pursuant to the sale agreements. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the balance sheet under current liabilities and collectability of the related receivables is reasonably assured.

(viii) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(ix) Dividend income

Dividend income is recognised when the right to receive payment is established.

(x) Other service income

Other service income is recognised when the services are rendered.

2 Summary of significant accounting policies (Continued)

(y) Dividend distribution

Dividend distribution to the Company's equity holders is recognised as a liability in the financial statements in the period in which the dividends are approved by the Company's equity holders or directors, where appropriate.

(z) 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.

(aa) 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 incurs because a specified debtor fails 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.

(ab) Segment reporting

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

3 Financial risk management

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including market freight rate risk, foreign exchange risk, interest rate risk, equity securities price risk and bunker price risk), credit and counterparty 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 mitigate certain risk exposures.

The Group's Risk Management Committee identifies the financial risks associated with the Group. The Risk Management Committee works closely with the Audit Committee and the Board of Directors to review the controls and procedures for managing the risks identified. While the risk management controls and procedures are carried out by respective operating units under the risk management policies as approved by the Board of Directors.

(i) Market risk

(1) Market freight rate risk

The freight rates of the Group's shipping businesses are very sensitive to economic fluctuations. The revenues and cost of services of the Group will increase/decrease if there is an increase/a decrease in the freight rates.

The Group uses FFA transacted with shipping companies through shipping agents and/or brokers, fixed terms Contracts of Affreightment and timecharters to supplement future physical positions of its dry bulk shipping business and to manage its business performance. The Group is exposed to freight rate risk arising from the outstanding FFA at the year end.

As at 31 December 2009, the Group had derivative financial assets and liabilities in respect of FFA of RMB1,011,000 (2008: RMB278,049,000) and RMB142,082,000 (2008: RMB3,965,662,000) respectively (note 21) which are all subject to market freight rate risk.

As at 31 December 2009, with all other variables held constant, if the forward freight rates on FFA contracts held by the Group at the balance sheet date were 10% higher, the net derivative financial liabilities in respect of FFA would have decreased by approximately RMB31,815,000 (2008: net derivative financial liabilities decreased by RMB116,221,000) and accordingly, the Group's post-tax loss for the year would have decreased by approximately RMB23,861,000 (2008: post-tax profit for the year would have increased by RMB87,420,000) and the equity as at 31 December 2009 would have increased by approximately RMB23,861,000 (2008: increased by RMB87,420,000).

As at 31 December 2009, with all other variables held constant, if the forward freight rates on FFA contracts held by the Group at the balance sheet date were 10% lower, the net derivative financial liabilities in respect of FFA would have increased by approximately RMB31,815,000 (2008: net derivative financial liabilities increased by RMB115,958,000) and accordingly, the Group's post-tax loss for the year would have increased by approximately RMB23,861,000 (2008: post-tax profit for the year would have decreased by RMB87,223,000) and the equity as at 31 December 2009 would have decreased by approximately RMB23,861,000 (2008: decreased by RMB87,223,000).

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(i) Market risk (Continued)

(2) Foreign exchange risk

The functional currency of most of the operating companies within the Group is US dollar. The Group operates internationally and is exposed to foreign exchange risk arising from various non-functional currencies, primarily with respect to Renminbi and Euro dollars ("Euro"). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities.

The actual foreign exchange risk faced by the Group therefore primarily with respect to non-functional currency bank balances, receivable and payable balances and bank borrowings (collectively "Non-Functional Currency Items").

Management monitors foreign exchange exposure and will consider hedging certain foreign currency exposure by using foreign exchange forward contracts when the need arises. As at 31 December 2009, the Group has entered into two forward foreign exchange contracts to mitigate the currency exposure in respect of the purchase of one vessel (note 21(b)).

As at 31 December 2009, with all other variables held constant, if non-functional currencies had strengthened/weakened by 10%, the Group's post-tax loss for the year would have decreased/increased by approximately RMB1,115,400,000 (2008: post-tax profit for the year would have increased/decreased by RMB758,856,000) and the equity as at 31 December 2009 would have increased/decreased by approximately RMB1,115,400,000 (2008: RMB758,856,000) respectively as a result of the translation of those Non-Functional Currency Items.

(3) Cash flow and fair value interest rate risk

Other than the deposits placed with bank balances and deposits, and loans to associates and jointly controlled entities (collectively the "Interest Bearing Assets"), the Group has no other significant interest bearing assets.

The Group's interest rate risk also arises from borrowings, certain balances payable to related parties and finance lease obligations (collectively the "Interest Bearing Liabilities"). Interest Bearing Assets and Interest Bearing Liabilities are primarily issued at variable rates which therefore expose the Group to cash flow interest rate risk.

As at 31 December 2009, with all other variables held constant, if the interest rate had increased/decreased by 50 base point, the corresponding increase/decrease in net finance cost (2008: net finance income) would have resulted in an increase/a decrease in the Group's post-tax loss for the year by approximately RMB18,455,000 (2008: post-tax profit for the year would have increased/decreased by RMB58,699,000) and the equity as at 31 December 2009 would have decreased/increased by RMB18,455,000 (2008: increased/decreased by RMB58,699,000).

Management monitors the capital market conditions and where appropriate, interest rate swap contracts with financial institutions will be used to achieve optimum ratio between fixed and floating rates borrowings.

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(i) Market risk (Continued)

(4) Equity securities price risk

The Group is exposed to equity securities price risk because certain of the Group's investments are classified as available-for-sale financial assets and financial assets through profit and loss which are required to be stated at their fair values (see fair value estimation below). To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio in accordance with the limits set by the Group.

The carrying amount of available-for-sale financial assets would be an estimated RMB287,531,000 lower or RMB287,531,000 higher were the market price, discounted rate used in the discounted cash flow analysis or the price/earnings multiple or price/book multiple to differ by 10% from management's estimates.

(5) Bunker price risk

The Group is also exposed to fluctuations in bunker prices. Bunker cost is part of the voyage expenses and is a significant cost item to the Group. Management monitors the market conditions and bunker price fluctuations and where appropriate, bunker forward contracts are used to lock up the price of part of the Group's bunker requirements.

As at 31 December 2009, the Group had no bunker forward contracts (2008: Nil).

(ii) Credit and counterparty risk

The credit and counterparty risk mainly arises from deposits and cash and cash equivalents with banks and financial institutions; derivative financial instruments transacted with banks, financial institutions and shipping companies through shipping agents or brokers, trade and other receivables and downpayment to shipyards.

The Group has limited its credit exposure by restricting their selection of financial institutions on those state-owned and PRC banks, overseas banks with good credit rating, and the fellow subsidiary.

The trade customers (including related parties) and shipping companies are assessed and rated based on their credit quality, taking into account their financial position, past experience and other factors. Individual risk limits are set by management of the respective operating units.

The Group reviews the creditworthy of the shipyards and considers obtaining refund guarantees from the shipyards if necessary. In addition, the Group monitors the construction progress and the financial positions of the shipyards on a regular basis.

Management does not expect any significant losses from non-performance by these relevant parties.

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iii) Liquidity risk

The Group's cash management policy is to regularly monitor its current and expected liquidity positions to ensure it has sufficient cash to meet its operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all time so that the Group can meet its short-term and long-term funding requirements and does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities.

Management monitors rolling forecasts of the Group's liquidity reserve and cash and cash equivalents on the basis of expected cash flows. In addition, the Group's liquidity management policy involves projecting cashflows in major currencies and considering the level of liquid assets necessary to meet these; monitoring balance sheet liquidity ratios against internal and external regulatory requirements; and maintaining debt financing plans.

The table below analyses the Group's financial liabilities that 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. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Group	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
As at 31 December 2009				
Bank and other borrowings	**8,360,158**	**6,604,910**	**43,147,093**	**7,167,801**
Derivative financial liabilities (note 21)	**86,890**	**55,192**	**—**	**—**
Trade and other payables (excluding advance from customers (note 27))	**15,208,036**	**—**	**—**	**—**
As at 31 December 2008 (Restated)				
Bank and other borrowings	4,570,562	3,977,776	16,121,869	5,981,572
Derivative financial liabilities (note 21)	3,691,032	202,501	72,129	—
Trade and other payables (excluding advance from customers (note 27)	13,989,029	—	—	—

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iii) Liquidity risk (Continued)

Company	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
As at 31 December 2009				
Bank and other borrowings	**377,000**	**377,000**	**11,131,000**	**—**
Trade and other payables (note 27)	**485,720**	**—**	**—**	**—**
Amounts due to subsidiaries (note 10)	**5,000,000**	**—**	**—**	**—**
As at 31 December 2008				
Trade and other payables (note 27)	131,611	—	—	—
Amounts due to subsidiaries (note 10)	733,897	—	—	—

(b) 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 shareholders/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 to total equity (capital and reserves attributable to equity holders of the Company and non-controlling interests) ratio and the compliance of covenants of its borrowings. Net debt is calculated as total borrowings less cash and cash equivalents. The Group aims to maintain a manageable net debt to equity ratio. As at 31 December 2009, the net debt to equity ratio is summarised as follows:

	2009 RMB'000	2008 RMB'000 (Restated)
Long-term borrowings (note 25)	**56,647,049**	25,591,963
Short-term borrowings (note 28)	**3,703,366**	1,354,423
Total borrowings	**60,350,415**	26,946,386
Less:Cash and cash equivalents (note 18)	**(44,098,028)**	(31,826,918)
Net debt/(cash)	**16,252,387**	(4,880,532)
Total equity	**52,584,815**	61,906,399
Net debt to equity ratio	**30.9%**	Not applicable

3 Financial risk management (Continued)

(b) Capital risk management (Continued)

The increase in net debt to equity ratio during 2009 resulted primarily from new borrowings raised to finance the working capital requirements of container shipping and dry-bulk shipping businesses.

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

(c) Fair value estimation

Effective from 1 January 2009, the Group adopted the amendment to HKFRS 7 for financial instruments that are measured in the balance sheet at fair value; this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

— Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

— Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

— Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities that are measured at fair value as at 31 December 2009.

	Level 1	Level 2	Level 3	Total
Assets				
Derivative financial assets (note 21)	—	115,880	—	115,880
Financial assets at fair value through profit or loss (note 22)	4,670	—	—	4,670
Available-for-sale financial assets (note 15)	425,314	2,417,931	32,061	2,875,306
Total assets	429,984	2,533,811	32,061	2,995,856
Liabilities				
Derivative financial liabilities (note 21)	—	142,082	—	142,082
Borrowings under fair value hedge	—	1,471,846	—	1,471,846
Total liabilities	—	1,613,928	—	1,613,928

3 Financial risk management (Continued)

(c) Fair value estimation (Continued)

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily equity investments classified as trading securities or available for sale.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

— Quoted market prices or dealer quotes for similar instruments.

— The fair value of interest rate swaps is based on the market price quoted by dealers as at the balance sheet date.

— The fair value of foreign exchange forward contracts is determined using forward exchange rates at the balance sheet date.

— The fair value of FFA is determined using quoted forward freight market rates as at the balance sheet date.

— 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.

— Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

4 Critical accounting estimates and judgements

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

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

(i) Estimated useful lives and residual values of container vessels, dry bulk vessels and containers

The Group's major operating assets represent container vessels, dry bulk vessels and containers. Management determines the estimated useful lives, residual values and related depreciation expenses for its container vessels, dry bulk vessels and containers. Management estimates useful lives of the container vessels, dry bulk vessels and containers by reference to the Group's business model, its assets management policy, the industry practice, expected usage of the vessels, expected repair and maintenance, and technical or commercial obsolescence arising from changes or improvements in the vessel market.

Management determines the estimated residual values for its container vessels, dry bulk vessels and containers. This estimate is based on all relevant factors (including the use of the current scrap values of steels in an active market as a reference value) at each measurement date. The depreciation expense will change where the useful lives or residual values of container vessels, dry bulk vessels and containers are different from the previous estimate.

During the year ended 31 December 2009, the management re-assessed the useful lives of dry bulk vessels. The Directors concluded that the useful life of dry bulk vessels for ocean transportation should be revised to 20-year as it reflects more fairly the estimated useful life of these assets.

With effect from 1 July 2009, depreciation of the dry bulk vessels for ocean transportation has been calculated to write off their costs over their revised useful life as estimated by the management on a straight-line basis. This represents a change in accounting estimates and has been accounted for prospectively (note 2(d)).

Were the useful lives to differ by 10% from management's estimates as at 31 December 2009 with all other variables held constant, the estimated depreciation expenses of container vessels, dry bulk vessels and containers for the year would be RMB445,969,000 lower or RMB545,788,000 higher for the year ended 31 December 2009.

Were the residual values to differ by 10% from management's estimates as at 31 December 2009 with all other variables held constant, the estimated depreciation expenses of container vessels, dry bulk vessels and containers for the year would be RMB77,053,000 lower or RMB86,940,000 higher for the year ended 31 December 2009.

4 Critical accounting estimates and judgements (Continued)

(ii) Estimated impairment of container vessels, dry bulk vessels and containers

The Group's major operating assets represent container vessels, dry bulk vessels and containers. Management performs review for impairment of the container vessels, dry bulk vessels and containers whenever events or changes in circumstances indicate that the carrying amounts of the container vessels, dry bulk vessels and containers may not be recoverable.

The recoverable amounts of container vessels, dry bulk vessels and containers have been determined either based on value-in-use or fair value less costs to sell method. The fair values of the assets were determined by independent valuers based on market transactions at the balance sheet date. While the value-in-use calculations require the use of estimates on the projections of cash inflows from the continue use of container vessels, dry bulk vessels and containers (including the amount to be received for the disposal of container vessels, dry bulk vessels and containers) and discount rates. All these items have been historically volatile and may impact the results of the impairment assessment.

Based on management's best estimates, there was no impairment loss for container vessels, dry bulk vessels and containers recognised during the year.

(iii) Classification of leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership to the lessee. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership to the lessee. The Group classifies its lease into either finance leases or operating leases using the general principles of HKAS 17 "Leases".

Management assesses the classification of leases by taking into account the market conditions at the inception of the lease, the period of the lease and the probability of exercising purchase options, if any, attached to the lease.

(iv) Fair value 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 techniques (including discounted cash flow model or price/earnings multiple model). The Group uses assumptions that are mainly based on market conditions existing at each balance sheet date.

The carrying amount of available-for-sale financial assets would be an estimated RMB244,999,000 lower or RMB244,999,000 higher were the discount rate used in the discounted cash flow analysis or the price/earnings multiple or price/book multiple to differ by 10% from management's estimates.

4 Critical accounting estimates and judgements (Continued)

(v) Acquisition of subsidiaries

The initial accounting on the acquisition of subsidiaries involves identifying and determining the fair values to be assigned to the identifiable assets, liabilities and contingent liabilities of the acquired entities. 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 will impact the carrying amount of these assets and liabilities.

(vi) Provision for onerous contracts

Management estimates the provision for onerous contracts being the present obligation of the unavoidable costs less the economic benefits expected to be received under those non-cancellable chartered-in dry bulk vessel contracts. The expected economic benefits are estimated based on contracted freight rates of associated chartered-out dry bulk vessel contracts, and estimated future freight rates by reference to market statistics and information while unavoidable costs are estimated based on charterhire payments that the Group is obligated to make under the non-cancellable chartered-in dry bulk vessel contracts.

Management had conducted an assessment of the non-cancellable chartered-in dry bulk vessel contracts and recognised a provision of RMB1,419,030,000 (31 December 2008: RMB5,235,690,000) for onerous contracts (note 26). Those contracts under assessment relate to leases (i) with lease term expiring within 12 months from the balance sheet date; and (ii) with lease term expiring over 12 months from the balance sheet date in respect of the period being covered by the chartered-out dry bulk vessel contracts.

The dry bulk market is currently highly volatile and freight rates longer than 12 months are difficult to predict with a reasonable certainty. Management considers that it cannot reasonably assess as to whether the chartered-in dry bulk vessel contracts with lease terms expiring over 12 months after the balance sheet date, and with period not being covered by chartered-out dry bulk vessel contracts are onerous as the economic benefits expected to be received from those contracts cannot be reliably measured.

Were the estimated freight rates for the onerous contracts as at 31 December 2009, with all other variables held constant, to increase or decrease by 10% from management's estimates, the provision for onerous contracts would have been decreased by RMB86,546,000 or increased by RMB87,024,000.

(vii) Voyages in progress

The Group recognises a percentage of estimated total revenues and expenses for any voyage remain incomplete at end of a reporting period. The percentage is calculated based on the number of days completed to the estimated voyage period. If the actual voyage period was different from the estimate, the estimated revenue and voyage expenses would be affected in the following reporting period (see also (viii) below).

Were the actual time proportion to differ by 10% from management's estimates as at 31 December 2009, the gross loss would be RMB80,827,000 higher or RMB75,260,000 lower if it were shorter or longer.

4 Critical accounting estimates and judgements (Continued)

(viii) Provision of voyage expenses

Invoices for voyage expenses are normally received several months after the transaction. For voyages completed or in progress as at end of reporting period (see also (vii) above), voyage expenses are estimated based on the latest quotation and voyage statistics obtained from vendors. If the actual voyage expenses were different from the estimate, this would have an impact on the estimated voyage expenses in the following reporting period.

Were the actual expenses of a voyage to differ from management's estimates as at 31 December 2009 by 10%, the voyage expenses would have been RMB258,669,000 lower or RMB258,669,000 higher in the future periods.

(ix) Income taxes and withholding taxes

The Group is subject to income taxes and withholding taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes and withholding taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. 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 tax provisions in the period in which such determination is made.

Deferred tax liabilities have not been established for income tax and withholding tax that would be payable on certain profits of overseas subsidiaries to be repatriated and distributed by way of dividends as the Directors consider that the timing of the reversal of the related temporary differences can be controlled and such temporary differences will not be reversed in the foreseeable future (note 16).

If those undistributed earnings of the overseas subsidiaries are considered to be repatriated and distributed by way of dividends, the deferred income tax charge and deferred income tax liability would have been increased by the same amount of RMB1,220,800,000.

Recognition of deferred tax assets, which principally relate to temporary differences, depend on the management's expectation of the timing of reversal and the taxable profit that will be available against which tax losses can be utilised. The outcome of their actual utilisation or reversal may be different (note 16).

5 Revenues and segment information

Turnover represents gross revenues from operations of container shipping, dry bulk shipping, logistics, container terminal operations and container leasing, net of discounts allowed, where applicable. Revenues recognised during the year are as follows:

	2009 RMB'000	2008 RMB'000 (Restated)
Container shipping (note a)	**26,689,028**	43,817,043
Dry bulk shipping (note b)	**26,582,559**	70,888,679
Logistics	**12,127,039**	14,176,584
Container terminal operations	**774,590**	524,193
Container leasing (note c)	**666,411**	766,323
Turnover	**66,839,627**	130,172,822
Manning service income	**288,859**	294,920
Others	**1,334,028**	1,371,174
Total revenues	**68,462,514**	131,838,916

Notes:

(a) Turnover from container shipping includes charterhire income under operating leases of RMB496,175,000 for the year ended 31 December 2009 (2008 restated: RMB345,821,000).

(b) Turnover from dry bulk shipping includes charterhire income under operating leases of RMB14,550,470,000 for the year ended 31 December 2009 (2008: RMB45,360,068,000)

(c) Turnover from container leasing is analysed below:

	2009 RMB'000	2008 RMB'000
Operating lease rentals	**508,743**	490,376
Finance lease income	**1,605**	2,274
Proceeds from sale of resaleable containers	**156,063**	273,673
	666,411	766,323

5 Revenues and segment information (Continued)

Operating segments

The chief operating decision-maker has been identified as the Board of Directors. The Board of Directors reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports and analysed from a business perspective:

— Container shipping and related business

— Dry bulk shipping and related business

— Logistics

— Container terminal operations and related business

— Container leasing, management, sale and related business

— Corporate and other operations that primarily comprise container manufacturing, investment holding, management services and financing.

Segment assets consist primarily of property, plant and equipment, investment properties, leasehold land and land use rights, intangible assets, derivative financial assets, restricted bank deposits, other non-current assets, inventories, receivables, financial assets at fair value through profit or loss, bank deposits and cash and cash equivalents. Segment liabilities consist primarily of long-term borrowings, short-term borrowings, provisions and other liabilities, derivative financial liabilities and payables. Addition to non-current assets comprises additions to property, plant and equipment, investment properties, leasehold land and land use rights, intangible assets, investment in jointly controlled entities and associates and other non-current assets (excluding finance lease receivables), including additions resulting from acquisitions through business combinations.

Unallocated assets consist tax recoverable and deferred income tax assets. Unallocated liabilities consist current and deferred income tax liabilities.

5 Revenues and segment information (Continued)

Operating segments (Continued)

	Year ended 31 December 2009							
	Container shipping and related business RMB'000	Dry bulk shipping and related business RMB'000	Logistics RMB'000	Container terminal and related business RMB'000	Container leasing, management, sale and related business RMB'000	Corporate and other operations RMB'000	Inter-segment elimination RMB'000	Total RMB'000
Income statement								
Total revenues	27,530,553	27,379,178	12,217,545	837,673	1,570,136	17,249	(1,089,820)	68,462,514
Inter-segment revenues	(20,574)	(11,932)	(90,506)	(63,083)	(903,725)	–	1,089,820	–
Revenues (from external customers)	27,509,979	27,367,246	12,127,039	774,590	666,411	17,249	–	68,462,514
Segment (loss)/profit	(7,813,147)	473,737	494,381	227,672	579,640	(370,646)	–	(6,408,363)
Finance income								511,600
Finance costs								(1,243,210)
Share of profits less losses of								
– jointly controlled entities	10,679	80,037	72,100	404,320	–	–	–	567,136
– associates	24,076	4,716	67,594	51,442	–	211,509	–	359,337
Loss before income tax								(6,213,500)
Income tax expenses								(450,586)
Loss for the year								(6,664,086)
Depreciation and amortisation	1,214,523	1,365,708	157,849	123,305	543,584	10,516	–	3,415,485
(Reversal of provision)/ provision for impairment of trade and other receivables, net	(1,727)	(96,196)	(17,783)	(41)	25,975	–	–	(89,772)
Amortised amount of transaction costs on long-term borrowings	16,570	10,512	–	–	6,180	6,973	–	40,235
Unrealised fair value loss on FFA, net	–	141,071	–	–	–	–	–	141,071
Provision for onerous contracts, net	–	349,224	–	–	–	–	–	349,224
Addition to non-current assets	3,175,435	6,022,634	361,509	2,874,438	432,351	191,814	–	13,058,181

Notes to the Consolidated Financial Statements

5 Revenues and segment information (Continued)

Operating segments (Continued)

	Year ended 31 December 2008 (Restated)							
	Container shipping and related business RMB'000	Dry bulk shipping and related business RMB'000	Logistics RMB'000	Container terminal and related business RMB'000	Container leasing, management, sale and related business RMB'000	Corporate and other operations RMB'000	Inter-segment elimination RMB'000	Total RMB'000
Income statement								
Total revenues	44,766,571	71,611,006	14,316,567	611,801	1,756,843	–	(1,223,872)	131,838,916
Inter-segment revenues	(3,721)	(2,040)	(139,983)	(87,608)	(990,520)	–	1,223,872	–
Revenues (from external customers)	44,762,850	71,608,966	14,176,584	524,193	766,323	–	–	131,838,916
Segment profit	217,697	12,220,307	334,279	315,757	897,984	450,219	–	14,436,243
Finance income								893,167
Finance costs								(1,019,931)
Share of profits less losses of								
– jointly controlled entities	17,361	168,815	56,863	523,448	–	–	–	766,487
– associates	10,358	34,284	86,909	109,429	–	353,606	–	594,586
Profit before income tax								15,670,552
Income tax expenses								(2,973,856)
Profit for the year								12,696,696
Depreciation and amortisation	1,123,750	1,798,291	153,157	96,737	543,640	20,664	–	3,736,239
Provision/(reversal of provision) for impairment of trade and other receivables, net	18,322	241,325	44,596	236	(10,473)	–	–	294,006
Amortised amount of transaction costs on long-term borrowings	5,877	–	–	2,768	–	3,081	–	11,726
Unrealised fair value loss on FFA, net	–	3,687,613	–	–	–	–	–	3,687,613
Provision for onerous contracts	–	5,249,667	–	–	–	–	–	5,249,667
Addition to non-current assets	8,221,710	5,813,252	504,652	555,407	2,445,063	42,923	–	17,583,007

5 Revenues and segment information (Continued)

Operating segments (Continued)

	As at 31 December 2009							
	Container shipping and related business RMB'000	Dry bulk shipping and related business RMB'000	Logistics RMB'000	Container terminal and related business RMB'000	Container leasing, management, sale and related business RMB'000	Corporate and other operations RMB'000	Inter-segment elimination RMB'000	Total RMB'000
Balance sheet								
Segment assets	42,319,893	49,968,655	7,638,141	6,244,917	11,550,756	22,261,085	(19,456,550)	120,526,897
Jointly controlled entities	324,637	724,947	405,225	2,943,846	–	–	–	4,398,655
Associates	37,526	101,635	495,533	915,706	–	4,608,479	–	6,158,879
Loans to jointly controlled entities and associates	–	20,951	–	1,315,021	–	–	–	1,335,972
Available-for-sale financial assets	113,479	151,016	285,259	2,325,552	–	–	–	2,875,306
Unallocated assets								2,445,594
Total assets								137,741,303
Segment liabilities	35,735,638	27,333,061	5,352,662	4,071,499	6,549,753	21,619,492	(19,456,550)	81,205,555
Unallocated liabilities								3,950,933
Total liabilities								85,156,488

Notes to the Consolidated Financial Statements

5 Revenues and segment information (Continued)

Operating segments (Continued)

	As at 31 December 2008 (Restated)							
	Container shipping and related business RMB'000	Dry bulk shipping and related business RMB'000	Logistics RMB'000	Container terminal and related business RMB'000	Container leasing, management, sale and related business RMB'000	Corporate and other operations RMB'000	Inter-segment elimination RMB'000	Total RMB'000
Balance sheet								
Segment assets	31,799,653	36,743,108	7,339,541	4,103,685	10,079,482	27,084,845	(14,647,529)	102,502,785
Jointly controlled entities	339,100	859,827	394,713	2,778,757	–	66,869	–	4,439,266
Associates	45,752	118,199	438,206	904,655	–	4,461,423	–	5,968,235
Loans to jointly controlled entities and associates	–	–	–	1,009,737	–	–	–	1,009,737
Available-for-sale financial assets	82,901	461,844	145,202	2,207,576	–	14,481	–	2,912,004
Unallocated assets								3,178,175
Total assets								120,010,202
Segment liabilities	26,077,103	19,510,745	6,658,431	2,072,346	5,227,621	8,483,454	(14,647,529)	53,382,171
Unallocated liabilities								4,721,632
Total liabilities								58,103,803

5 Revenues and segment information (Continued)

Geographical information

(a) Revenues

The Group's businesses are managed on a worldwide basis. The revenues generated from the world's major trade lanes for container shipping business mainly include Trans-Pacific, Asia-Europe, Intra-Asia, PRC coastal, Trans-Atlantic and others which are reported as follows:

Geographical	Trade lanes
America	Trans-Pacific
Europe	Asia-Europe (including Mediterranean)
Asia Pacific	Intra-Asia (including Australia)
China domestic	PRC coastal
Other international market	Trans-Atlantic and others

The revenues generated from provision of dry bulk shipping business services are classified into international shipping and PRC coastal shipping only.

For the geographical information, freight revenues from container shipping and dry bulk shipping are analysed based on the outbound cargoes or goods transport to each geographical territory.

In respect of logistics, container terminals operations, manning services, corporate and other operations, revenues are based on the geographical locations in which the business operations are located.

In respect of container leasing, the movements of containers under operating leases or finance leases are known through reports from the lessees but the Group is not able to control the movements of containers except to the degree that the movements are restricted by the terms of the leases or where safety of the containers is concerned. It is therefore impracticable to present financial information by geographical area and thus the revenues of which are presented as unallocated revenues.

5 Revenues and segment information (Continued)

Geographical information (Continued)

(a) Revenues (Continued)

	2009 RMB'000	2008 RMB'000 (Restated)
Container shipping and related business		
– America	7,292,801	12,822,607
– Europe	6,524,495	13,828,267
– Asia Pacific	4,604,025	6,119,258
– China domestic	8,213,291	9,854,340
– Other international market	875,367	2,138,378
Dry bulk shipping and related business		
– International shipping	25,846,827	67,839,105
– PRC coastal shipping	1,520,419	3,769,861
Logistics, container terminal and related business, corporate and other operations		
– Europe	259,517	148,142
– Asia Pacific	34,879	—
– China domestic	12,624,482	14,552,635
Unallocated	666,411	766,323
Total	68,462,514	131,838,916

5 Revenues and segment information (Continued)

Geographical information (Continued)

(b) Non-current assets

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

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

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

	As at 31 December 2009 RMB'000	As at 31 December 2008 RMB'000 (Restated)
China domestic	**22,903,566**	16,388,079
Non-China domestic	**2,375,007**	1,712,819
Unallocated	**50,970,042**	49,819,159
Total	**76,248,615**	67,920,057

6 Property, plant and equipment

Group

	Buildings RMB'000	Container vessels RMB'000	Dry bulk vessels RMB'000	Containers RMB'000	Trucks, chassis and motor vehicles RMB'000	Computer and office equipment RMB'000	Assets under construction RMB'000	Total RMB'000
Cost								
As at 1 January 2009	4,276,830	27,799,335	35,274,935	10,232,340	1,418,361	2,359,293	13,326,312	94,687,406
Currency translation differences	6,683	(23,582)	(17,630)	(9,511)	1,349	5,008	(7,922)	(45,605)
Reclassification between categories and transferred to investment properties and intangible assets	853,041	2,298,155	6,439,294	78	91,721	19,891	(9,865,394)	(163,214)
Additions	221,304	–	239,822	422,787	90,399	278,550	9,959,226	11,212,088
Acquisition of subsidiaries (note 39(d))	505	–	–	–	967	929	175,280	177,681
Cancellation of contracts (note 43(o))	–	–	–	–	–	–	(838,892)	(838,892)
Disposals/write-off	(120,140)	(235,158)	(1,296,485)	(23,011)	(82,344)	(169,559)	(5,069)	(1,931,766)
Disposal of subsidiaries (note 39(e))	(17,655)	–	–	–	(17,407)	(1,272)	–	(36,334)
Transferred to inventories (note 6(d))	–	–	–	(553,163)	–	–	–	(553,163)
As at 31 December 2009	5,220,568	29,838,750	40,639,936	10,069,520	1,503,046	2,492,840	12,743,541	102,508,201
Accumulated depreciation and impairment								
As at 1 January 2009	745,706	12,087,414	22,152,044	1,995,465	754,753	1,102,960	–	38,838,342
Currency translation differences	1,071	(46,275)	(15,731)	(1,976)	893	3,274	–	(58,744)
Depreciation charge for the year	129,787	996,159	1,280,623	539,770	146,842	195,351	–	3,288,532
Disposals/write-off	(10,930)	(187,917)	(1,201,428)	(13,594)	(56,723)	(158,185)	–	(1,628,777)
Disposal of subsidiaries (note 39(e))	(16,727)	–	–	–	(12,538)	(1,116)	–	(30,381)
Transferred to inventories (note 6(d))	–	–	–	(365,100)	–	–	–	(365,100)
As at 31 December 2009	848,907	12,849,381	22,215,508	2,154,565	833,227	1,142,284	–	40,043,872
Net book value								
As at 31 December 2009	4,371,661	16,989,369	18,424,428	7,914,955	669,819	1,350,556	12,743,541	62,464,329

6 Property, plant and equipment (Continued)

Group (Continued)

(Restated)

	Buildings RMB'000	Container vessels RMB'000	Dry bulk vessels RMB'000	Containers RMB'000	Trucks, chassis and motor vehicles RMB'000	Computer and office equipment RMB'000	Assets under construction RMB'000	Total RMB'000
Cost								
As at 1 January 2008	3,220,000	24,514,719	33,841,729	10,821,751	1,392,288	2,070,586	8,985,759	84,846,832
Currency translation differences	(4,886)	(1,703,002)	(2,003,640)	(700,969)	(14,675)	(10,679)	(370,040)	(4,807,891)
Reclassification between categories and transferred from investment properties and leasehold land and land use rights	618,594	5,220,961	3,591,894	65,294	–	83,102	(9,547,005)	32,840
Additions	55,255	6,556	382,744	2,435,507	87,176	180,694	14,163,175	17,311,107
Acquisition of a subsidiary (note 39(d))	354,552	–	–	–	–	85,817	149,391	589,760
Reclassification of jointly controlled entities to subsidiaries (note 40)	55,821	–	–	–	82,498	30,806	–	169,125
Reclassification of a subsidiary to a jointly controlled entity	–	–	–	–	–	–	(54,968)	(54,968)
Disposals/write-off	(22,506)	(239,899)	(537,792)	(1,990,166)	(127,970)	(80,733)	–	(2,999,066)
Disposal of a subsidiary (note 39(e))	–	–	–	–	(956)	(300)	–	(1,256)
Transferred to inventories (note 6(d))	–	–	–	(399,077)	–	–	–	(399,077)
As at 31 December 2008	4,276,830	27,799,335	35,274,935	10,232,340	1,418,361	2,359,293	13,326,312	94,687,406
Accumulated depreciation and impairment								
As at 1 January 2008	621,325	12,259,907	21,802,690	1,966,851	714,623	950,348	–	38,315,744
Currency translation differences	4,837	(896,862)	(1,140,728)	(132,941)	(3,442)	(2,637)	–	(2,171,773)
Depreciation charge for the year	121,446	916,259	1,715,898	536,357	135,690	193,746	–	3,619,396
Reclassification of jointly controlled entities to subsidiaries (note 40)	11,248	–	–	–	22,074	19,108	–	52,430
Disposals/write-off	(13,150)	(191,890)	(225,816)	(113,640)	(113,263)	(57,382)	–	(715,141)
Disposal of a subsidiary (note 39(e))	–	–	–	–	(929)	(223)	–	(1,152)
Transferred to inventories (note 6(d))	–	–	–	(261,162)	–	–	–	(261,162)
As at 31 December 2008	745,706	12,087,414	22,152,044	1,995,465	754,753	1,102,960	–	38,838,342
Net book value								
As at 31 December 2008	3,531,124	15,711,921	13,122,891	8,236,875	663,608	1,256,333	13,326,312	55,849,064

6 Property, plant and equipment (Continued)

Company

	Motor vehicles RMB'000	Computer and office equipment RMB'000	Total RMB'000
Cost			
As at 1 January 2009	**4,707**	**8,233**	**12,940**
Additions	**—**	**795**	**795**
As at 31 December 2009	**4,707**	**9,028**	**13,735**
Accumulated depreciation			
As at 1 January 2009	**1,460**	**5,004**	**6,464**
Depreciation charge for the year	**991**	**1,252**	**2,243**
As at 31 December 2009	**2,451**	**6,256**	**8,707**
Net book value			
As at 31 December 2009	**2,256**	**2,772**	**5,028**
Cost			
As at 1 January 2008	2,236	5,597	7,833
Additions	2,471	2,636	5,107
As at 31 December 2008	4,707	8,233	12,940
Accumulated depreciation			
As at 1 January 2008	807	3,362	4,169
Depreciation charge for the year	653	1,642	2,295
As at 31 December 2008	1,460	5,004	6,464
Net book value			
As at 31 December 2008	3,247	3,229	6,476

6 Property, plant and equipment (Continued)

Notes:

(a) The aggregate cost, accumulated depreciation and impairment of the leased assets, where the Group is the lessor under the operating lease arrangements, are set out below:

	Containers RMB'000	Container vessels RMB'000	Dry bulk vessels RMB'000	Total RMB'000
As at 31 December 2009				
Cost	**4,525,642**	**4,423,497**	**26,483,747**	**35,432,886**
Accumulated depreciation and impairment	**(1,108,668)**	**(682,300)**	**(14,980,215)**	**(16,771,183)**
	3,416,974	**3,741,197**	**11,503,532**	**18,661,703**
As at 31 December 2008				
Cost	4,170,092	1,863,198	23,452,973	29,486,263
Accumulated depreciation and impairment	(939,572)	(139,078)	(14,210,623)	(15,289,273)
	3,230,520	1,724,120	9,242,350	14,196,990

(b) As at 31 December 2009, certain container vessels, dry bulk vessels and vessels under construction with aggregate net book values of RMB13,072,969,000, RMB3,626,524,000 and RMB975,281,000 (2008: RMB12,295,138,000, RMB481,593,000 and Nil) respectively were pledged as securities for loan facilities (including the lease arrangement as mentioned in note 6(f)) granted by banks, third parties and an associate (note 25(h)).

(c) As at 31 December 2009, certain buildings with net book value of RMB59,646,000 (2008: RMB58,854,000) were pledged as securities for long-term bank borrowings (note 25(h)).

(d) During the year, the Group transferred containers with aggregate net book values of RMB188,063,000 (2008: RMB137,915,000) to inventories.

(e) The net book value of a vessel held under finance lease as at 31 December 2009 amounted to RMB54,475,000 (2008: RMB77,915,000).

(f) In 2006, the Group entered into agreements with certain bank and financial institution pursuant to which the Group participated in a series of linked transactions including financing, sales and leasing back of two vessels (the "Vessel Financing Lease Arrangements"). These two vessels with net book values of RMB814,434,000 (equivalent to US$119,275,075) as at 31 December 2009 (2008: RMB849,381,000 (equivalent to US$124,276,689)) are accounted for as property, plant and equipment as the Group retains all the risks and rewards incident to the ownership of the underlying assets and enjoys substantially the same rights to its use before or after the Vessel Financing Lease Arrangements.

As at 31 December 2009, the balance of RMB456,655,000 (equivalent to US$66,877,824) (2008: RMB495,418,000 (equivalent to US$72,486,794)) in respect of the arrangements was included in long-term bank borrowings.

(g) The depreciation of the dry-docking costs for the year ended 31 December 2009 and the net book value of the dry-docking costs as at 31 December 2009 were RMB112,711,000 (2008: RMB127,205,000) and RMB121,488,000 (2008: RMB233,129,000) respectively.

(h) During the year, interest expenses of RMB79,949,000 (2008: RMB34,418,000) were capitalised in vessel costs during the vessel construction period (note 32).

(i) As at 31 December 2009, deposits paid by the Group in relation to construction work of vessels not yet commenced, amounting to RMB3,762,386,000 (2008: RMB4,223,224,000) were included in assets under construction.

(j) The accumulated impairment losses of property, plant and equipment at 31 December 2009 amounted to RMB971,583,000 (2008: RMB989,274,000).

7 Investment properties

	Group	
	2009	2008
	RMB'000	RMB'000
		(Restated)
Cost	**483,085**	485,712
Accumulated depreciation	**(126,201)**	(121,177)
Net book value as at 1 January	**356,884**	364,535
Currency translation differences	**(17)**	(883)
Additions	**4,651**	75,105
Reclassification from/(to) property, plant and equipment	**132,807**	(32,105)
Reclassification from leasehold land and land use rights	**9,157**	3,144
Disposals	**(565)**	(21,982)
Depreciation	**(37,400)**	(30,930)
Net book value as at 31 December	**465,517**	356,884
Cost	**597,543**	483,085
Accumulated depreciation	**(132,026)**	(126,201)
Net book value as at 31 December	**465,517**	356,884

The fair value of the investment properties as at 31 December 2009 was RMB1,392,797,000 (2008: RMB756,992,000). The fair value is estimated by the management with reference to recent market transactions.

8 Leasehold land and land use rights

	Group	
	2009	2008
	RMB'000	RMB'000
		(Restated)
Cost	1,245,855	1,167,086
Accumulated amortisation	(125,274)	(88,138)
Net book value as at 1 January	1,120,581	1,078,948
Currency translation differences	307	(14,784)
Additions	630,573	66,512
Acquisition of a subsidiary (note 39(d))	372,627	99,518
Reclassification of jointly controlled entities to subsidiaries (note 40)	—	16,081
Reclassification of a subsidiary to a jointly controlled entity	—	(83,423)
Reclassification to property, plant and equipment	—	(735)
Reclassification to investment properties	(9,157)	(3,144)
Disposals	(23,576)	—
Amortisation	(32,732)	(38,392)
Net book value as at 31 December	2,058,623	1,120,581
Cost	2,216,165	1,245,855
Accumulated amortisation	(157,542)	(125,274)
Net book value as at 31 December	2,058,623	1,120,581

Note:

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

	Group	
	2009	2008
	RMB'000	RMB'000
		(Restated)
In Hong Kong, held on:		
Leases of over 50 years	108,997	119,736
Leases of between 10 to 50 years	1,252	1,350
	110,249	121,086
Outside Hong Kong, held on:		
Leases of over 50 years	26,218	26,252
Leases of between 10 to 50 years	1,922,156	973,243
	1,948,374	999,495
Total	2,058,623	1,120,581

9 Intangible assets

	Group Computer software RMB '000	Company Computer software RMB '000
At 1 January 2008 (Restated)		
Cost	617,534	454
Accumulated amortisation	(435,680)	(98)
Net book value	181,854	356
Year ended 31 December 2008 (Restated)		
Opening net book value	181,854	356
Currency translation differences	(3,212)	—
Reclassification of jointly controlled entities to subsidiaries (note 40)	434	—
Additions	55,204	1,303
Acquisition of a subsidiary (note 39(d))	149	—
Amortisation	(47,521)	(179)
Disposal/Write-off	(881)	—
Closing net book value	186,027	1,480
At 31 December 2008 (Restated)		
Cost	659,799	1,757
Accumulated amortisation	(473,772)	(277)
Net book value	186,027	1,480

9 Intangible assets (Continued)

	Group			Company
		Computer		Computer
	Goodwill	software	Total	software
	RMB '000	RMB '000	RMB '000	RMB '000
Year ended 31 December 2009				
Opening net book value	—	186,027	186,027	1,480
Currency translation differences	—	147	147	—
Additions	—	28,112	28,112	614
Acquisition of a subsidiary (note 39(d))	26,471	—	26,471	—
Amortisation	—	(56,821)	(56,821)	(473)
Disposal/Write-off	—	(22)	(22)	—
Reclassification from property, plant and equipment	—	30,407	30,407	—
Closing net book value	26,471	187,850	214,321	1,621
At 31 December 2009				
Cost	26,471	716,233	742,704	2,371
Accumulated amortisation	—	(528,383)	(528,383)	(750)
Net book value	26,471	187,850	214,321	1,621

Goodwill is allocated to the Group's cash-generated units ("CGU") identified according to the acquired subsidiary. The goodwill arose from the Group's acquisition of additional equity interest in Qingdao Ocean Hotel Co., Ltd. ("Qingdao Ocean Hotel") in 2009. The recoverable amount of the CGU containing goodwill has been determined based on the fair value of the underlying business project of Qingdao Ocean Hotel. Management has performed an impairment review of the carrying amount of goodwill as at 31 December 2009 and the recoverable amount is higher than the carrying amount of goodwill. No impairment loss of goodwill was recognised for the year.

Amortisation of intangible assets of RMB3,887,000 (2008: RMB2,559,000) and RMB52,934,000 (2008: RMB44,962,000) are included in the "Cost of services" and "Selling, administrative and general expenses" respectively in the income statement.

Notes to the Consolidated Financial Statements

10 Subsidiaries

	Company 2009 RMB'000	2008 RMB'000
Non-current assets		
Unlisted investments, at cost	**32,911,603**	17,491,823
Equity loans to subsidiaries (note a)	**13,879,528**	16,507,399
Loans to subsidiaries (note c)	**9,870,000**	—
	56,661,131	33,999,222
Current assets		
Amounts due from subsidiaries (note a)	**1,492,088**	3,415,262
Loans to subsidiaries (note b)	**830,000**	3,983,000
Dividend receivable from subsidiaries	**—**	4,204,966
	2,322,088	11,603,228
Current liabilities		
Amounts due to subsidiaries (note a)	**(5,000,000)**	(733,897)

Notes:

(a) The equity loans to subsidiaries and amounts due from/(to) subsidiaries are unsecured, interest free and have no fixed terms of repayment.

(b) The loans to subsidiaries are unsecured, bear interest at 1% per annum and wholly repayable within one year. These loans were funded from the Company's A-share proceed used for special purposes. They are arranged and entrusted through PRC banks to its subsidiaries.

(c) The loans to subsidiaries were funded by the proceed from the issue of notes by the Company on 21 April 2009. The terms of repayment and interest rates charged for the loans to the subsidiaries were identical with the terms of notes issued by the Company (note 25(c)(i)).

(d) As at 31 December 2009, the Company provided guarantees to banks for credit facilities granted to its subsidiaries of RMB285,965,000 (2008: RMB1,017,399,000).

(e) Details of the principal subsidiaries at 31 December 2009 are shown in note 45(a).

11 Jointly controlled entities

	Group	
	2009	2008
	RMB'000	RMB'000
		(Restated)
Share of net assets	**3,986,146**	4,028,951
Goodwill on acquisitions (note a)	**282,981**	283,246
Equity Loan (note b)	**129,528**	127,069
	4,398,655	4,439,266

Notes:

(a) The carrying amount of goodwill on acquisitions of jointly controlled entities mainly represented the goodwill on acquisitions of equity interests in Shanghai Pudong International Container Terminals Limited, Qingdao Qianwan Container Terminal Co., Ltd. and Nanjing Port Longtan Containers Co., Ltd. of RMB214,644,000 (2008: RMB214,846,000), RMB36,613,000 (2008: RMB36,647,000) and RMB30,952,000 (2008: RMB30,981,000) respectively. The movement during the year is mainly caused by currency translation differences.

(b) The equity loan to a jointly controlled entity is unsecured, interest free and has no fixed terms of repayment.

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

	Non-current assets RMB'000	Current assets RMB'000	Non-current Liabilities RMB'000	Current liabilities RMB'000	Revenues RMB'000	Profits less losses after income tax RMB'000
2009	**9,617,161**	**2,801,629**	**(4,547,871)**	**(3,229,047)**	**(4,535,797)**	**(567,136)**
2008 (Restated)	8,798,023	2,516,939	(4,478,338)	(2,409,735)	(3,209,149)	(766,487)

(d) The Company has no directly owned jointly controlled entity as at 31 December 2009 and 2008. Details of the principal jointly controlled entities as at 31 December 2009 are shown in note 46(b).

As at 31 December 2009, there were no contingent liabilities relating to the Group's interests in jointly controlled entities. In addition, none of the jointly controlled entities had any contingent liabilities.

12 Associates

	Group 2009 RMB'000	2008 RMB'000 (Restated)
Share of net assets		
Listed Shares (note a)	**4,069,580**	3,937,714
Unlisted Shares	**2,088,705**	2,029,926
	6,158,285	5,967,640
Goodwill on acquisitions	**594**	595
	6,158,879	5,968,235
Market value of listed shares (note a)	**6,936,147**	3,228,822

Notes:

(a) As at 31 December 2008, part of the shares of China International Marine Containers (Group) Co., Ltd ("CIMC") held by the Group could not 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 as at 31 December 2008 of CIMC of RMB1,028,778,000 as included in the disclosure above did not take into account these Trading Restrictions. The Trading Restrictions were released in 2009.

(b) 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 RMB'000	Total liabilities RMB'000	Revenues RMB'000	Profits less losses after income tax RMB'000
2009	**20,100,591**	**(13,560,070)**	**(5,512,905)**	**(359,337)**
2008 (Restated)	19,036,991	(12,706,920)	(11,764,091)	(594,586)

(c) The Company had no directly owned associate as at 31 December 2009 and 2008. Details of the principal associates as at 31 December 2009 are set out in note 46(c).

13 Loans to jointly controlled entities and associates

	2009 RMB'000	2008 RMB'000
Loans to jointly controlled entities (note a)	**1,114,466**	846,834
Loans to associates (note b)	**221,506**	162,903
	1,335,972	1,009,737

Notes:

(a) Loans to jointly controlled entities

As at 31 December 2009, an unsecured loan of RMB623,906,000 (2008: RMB596,319,000) to a jointly controlled entity bears interest at 0.6% per annum above the US dollar LIBOR and is wholly repayable on or before 30 June 2013 and not repayable within twelve months.

As at 31 December 2009, an unsecured loan of RMB20,591,000 (2008: Nil) to a jointly controlled entity bears interest at rate of 4.45% per annum and is repayable within five years.

The remaining loan to a jointly controlled entity is unsecured, interest free and has no fixed terms of repayment.

(b) Loans to associates

Loans to associates are unsecured. Balance of RMB174,610,000 (2008: RMB115,963,000) to an associate bears interest at 2% (2008: 2%) per annum above the 10-year Belgium prime rate and has no fixed term of repayment.

Balance of RMB46,896,000 (2008: RMB46,940,000) bears interest at 0.5% (2008: 0.5%) per annum above the Tokyo Interbank Offered Rate and is wholly repayable on or before 24 April 2011 and not repayable within twelve months.

Notes to the Consolidated Financial Statements

14 Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

Group

	Loans and receivables RMB'000	Assets at fair value through profit and loss RMB'000	Derivatives used for hedging RMB'000	Available-for-sale RMB'000	Total RMB'000
Assets as per consolidated balance sheet					
As at 31 December 2009					
Available-for-sale financial assets (note 15)	**388,422**	**–**	**–**	**2,486,884**	**2,875,306**
Derivative financial assets (note 21)	**–**	**1,011**	**114,869**	**–**	**115,880**
Financial assets at fair value through profit or loss (note 22)	**–**	**4,670**	**–**	**–**	**4,670**
Trade and other receivables (excluding prepayments) (note 20)	**7,175,186**	**–**	**–**	**–**	**7,175,186**
Loans to jointly controlled entities and associates (notes 11,13)	**1,465,500**	**–**	**–**	**–**	**1,465,500**
Total deposits and cash and cash equivalents (note 18)	**44,197,917**	**–**	**–**	**–**	**44,197,917**
Finance lease receivable (note 17)	**13,539**	**–**	**–**	**–**	**13,539**
Total	**53,240,564**	**5,681**	**114,869**	**2,486,884**	**55,847,998**
Assets as per consolidated balance sheet					
As at 31 December 2008 (Restated)					
Available-for-sale financial assets (note 15)	556,603	–	–	2,355,401	2,912,004
Derivative financial assets (note 21)	–	278,049	184,461	–	462,510
Financial assets at fair value through profit or loss (note 22)	–	1,870	–	–	1,870
Trade and other receivables (excluding prepayments) (note 20)	8,880,885	–	–	–	8,880,885
Loans to jointly controlled entities and associates (notes 11,13)	1,136,806	–	–	–	1,136,806
Total deposits and cash and cash equivalents (note 18)	32,430,256	–	–	–	32,430,256
Finance lease receivable (note 17)	20,117	–	–	–	20,117
Total	43,024,667	279,919	184,461	2,355,401	45,844,448

14 Financial instruments by category (Continued)

Group (Continued)

	Liabilities at fair value through profit and loss RMB'000	Derivatives used for hedging RMB'000	Other financial liabilities RMB'000	Total RMB'000
Liabilities as per consolidated balance sheet				
As at 31 December 2009				
Trade and other payables (excluding advance from customers) (note 27)	**—**	**—**	**15,208,036**	**15,208,036**
Borrowings (notes 25, 28)	**—**	**—**	**60,350,415**	**60,350,415**
Derivative financial liabilities (note 21)	**142,082**	**—**	**—**	**142,082**
Total	**142,082**	**—**	**75,558,451**	**75,700,533**
Liabilities as per consolidated balance sheet (Restated)				
As at 31 December 2008				
Trade and other payables (excluding advance from customers) (note 27)	—	—	13,989,029	13,989,029
Borrowings (notes 25, 28)	—	—	26,946,386	26,946,386
Derivative financial liabilities (note 21)	3,918,545	47,117	—	3,965,662
Total	3,918,545	47,117	40,935,415	44,901,077

14 Financial instruments by category (Continued)

Company

	Loans and receivables RMB'000
Assets as per balance sheet	
As at 31 December 2009	
Other receivables (note 20)	**30,871**
Loans to and receivables from subsidiaries (note 10)	**26,071,616**
Bank deposits and cash and cash equivalents (note 18)	**5,580,693**
Total	**31,683,180**
As at 31 December 2008	
Other receivables (note 20)	47,758
Loans to and receivables from subsidiaries (note 10)	28,110,627
Bank deposits and cash and cash equivalents (note 18)	7,880,067
Total	36,038,452

	Other financial liabilities RMB'000
Liabilities as per balance sheet	
As at 31 December 2009	
Other payables and accruals (note 27)	**485,720**
Payables to a subsidiary (note 10)	**5,000,000**
Borrowings (note 25)	**9,870,000**
Total	**15,355,720**
As at 31 December 2008	
Other payables and accruals (note 27)	131,611
Payables to subsidiaries (note 10)	733,897
Total	865,508

15 Available-for-sale financial assets

	Group	
	2009	2008
	RMB'000	RMB'000
As at 1 January	2,912,004	4,854,605
Additions	136,577	142,247
Disposals	(104,114)	(49,169)
Repayment of equity loan	(295,683)	—
Net fair value gain/(loss) recognised in equity	226,522	(2,035,679)
As at 31 December	2,875,306	2,912,004
Less: current portion (note b)	(140,529)	—
Non-current Portion	2,734,777	2,912,004
Available-for-sale financial assets represent the following:		
Listed investments in Hong Kong (note c)	—	14,483
Listed investments in the PRC (note c)	425,314	299,095
Unlisted investments (note d)	2,449,992	2,598,426
	2,875,306	2,912,004

Notes:

(a) Available-for-sale financial assets as at 31 December 2009 and 2008 include investments in equity securities of the investee companies and the shareholders' loan advanced to an investee company with the nominal value of RMB388,422,000 (2008: RMB556,603,000). The loan advanced to an investee company is unsecured, interest free and has no fixed terms of repayment.

(b) In June 2009, the Group entered into a share transfer agreement to dispose of its entire 8.13% interest in Dalian Port Container Co., Ltd with carrying amount of RMB140,529,000 at a consideration of RMB140,529,000 (equivalent to US$20,581,000). The estimated pre-tax gain on the disposal was approximately RMB47,934,000 (equivalent to US$7,020,000). The disposal was completed in January 2010 and accordingly the available-for-sale financial asset was included in current asset as at 31 December 2009.

(c) Listed investments represent equity interests in entities which are principally engaged in the terminal operations and management of international and domestic transportation.

(d) Unlisted investments of RMB2,449,992,000 (2008: RMB2,598,426,000) mainly comprise equity interests in entities which are involved in container terminal operations in Yantian , Tianjin and Dalian of China mainland.

15 Available-for-sale financial assets (Continued)

Notes: (Continued)

(e) Available-for-sale financial assets are denominated in the following currencies:

	2009 RMB'000	2008 RMB'000
RMB	**2,875,141**	2,897,337
Hong Kong dollar	**—**	14,483
Korean WON	**165**	184
	2,875,306	2,912,004

(f) None of the available-for-sale financial assets is either past due or impaired.

(g) The maximum exposure to credit risk at the reporting date is the carrying value of the loan advanced to an investee company classified as available-for-sale financial assets.

16 Deferred income tax

Deferred income tax is calculated in full on temporary differences under the liability method using taxation rates ranging from 10% to 46% for the year (2008:12.5% to 46%)

The movement on the net deferred tax assets/(liabilities) is as follows:

	Group		Company	
	2009 RMB'000	2008 RMB'000 (Restated)	2009 RMB'000	2008 RMB'000
As at 1 January	**(728,965)**	(1,377,545)	**19,377**	91,119
Currency translation differences	**8**	25,161	**—**	—
(Charged)/credited to consolidated income statement (note 33)	**(144,258)**	521,934	**18,965**	(71,742)
(Charged)/credited to other comprehensive income (note 33(e))	**(54,995)**	101,485	**—**	—
As at 31 December	**(928,210)**	(728,965)	**38,342**	19,377

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 31 December 2009, the Group had tax losses, which were not recognised for deferred tax assets, to carry forward, among which will expire as follows:

	2009 RMB'000	2008 RMB'000 (Restated)
Year		
2009	–	386,379
2010	213,862	220,389
2011	91,800	107,607
2012	227,649	249,402
2013	1,230,326	1,275,452
2014	9,006,883	—
	10,770,520	2,239,229
Tax losses with no expiry date	154,577	60,303
	10,925,097	2,299,532

As at 31 December 2009, the Company had tax losses of RMB162,123,000 (2008: RMB101,088,000), which were not recognised for deferred tax assets, to carry forward, among which will expire from 2012 to 2014.

As at 31 December 2009, the unrecognised deferred income tax liabilities were RMB1,220,800,000 (2008: RMB1,256,681,000), relating to income tax and withholding tax that would be payable for undistributed profits of certain overseas subsidiaries, as the Directors consider that the timing for the reversal of the related temporary differences can be controlled and such temporary differences will not be reversed in the foreseeable future. The total undistributed profits of these overseas subsidiaries as at 31 December 2009 amounted to RMB5,248,375,000 (2008: RMB5,321,468,000).

16 Deferred income tax (Continued)

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

Group

Deferred income tax liabilities

	Undistributed profits of subsidiaries, associates and jointly controlled entities RMB'000	Accelerated tax depreciation RMB'000	Fair value gain RMB'000	Others RMB'000	Total RMB'000
(Restated)					
As at 1 January 2008	(1,149,619)	(147,625)	(805,593)	(55,711)	(2,158,548)
Currency translation differences	61,574	(12,520)	—	(20,727)	28,327
(Charged)/credited to consolidated income statement	(2,081,267)	(38,545)	517,702	64,587	(1,537,523)
Credited to other comprehensive income	—	—	89,705	—	89,705
As at 31 December 2008 and 1 January 2009	**(3,169,312)**	**(198,690)**	**(198,186)**	**(11,851)**	**(3,578,039)**
Currency translation differences	**91**	**107**	**4**	**14**	**216**
Credited/(charged) to consolidated income statement	**539,217**	**(82,466)**	**69,257**	**(1,683)**	**524,325**
Credited/(charged) to other comprehensive income	**—**	**—**	**32,326**	**(75,541)**	**(43,215)**
As at 31 December 2009	**(2,630,004)**	**(281,049)**	**(96,599)**	**(89,061)**	**(3,096,713)**

16 Deferred income tax (Continued)

Group (Continued)

Deferred income tax assets

	Staff benefit RMB'000	Tax loss RMB'000	Fair value loss RMB'000	Accelerated accounting depreciation RMB'000	Onerous contracts RMB'000	Others RMB'000	Total RMB'000
(Restated)							
As at 1 January 2008	385,970	9,976	133,381	141,795	–	109,881	781,003
Currency translation differences	(255)	(756)	–	230	–	(2,385)	(3,166)
(Charged)/credited to consolidated income statement	(32,628)	10,020	811,642	(2,071)	1,194,029	78,465	2,059,457
Credited to other comprehensive income	–	–	11,780	–	–	–	11,780
As at 31 December 2008 and 1 January 2009	353,087	19,240	956,803	139,954	1,194,029	185,961	2,849,074
Currency translation differences	(676)	–	–	–	–	468	(208)
(Charged)/credited to consolidated income statement	(77,584)	1,179,965	(909,503)	(19,331)	(897,524)	55,394	(668,583)
Charged to other comprehensive income	–	–	(11,780)	–	–	–	(11,780)
As at 31 December 2009	274,827	1,199,205	35,520	120,623	296,505	241,823	2,168,503

Company

Deferred income tax assets

	Staff benefit RMB'000
As at 1 January 2008	91,119
Charged to income statement	(71,742)
As at 31 December 2008 and 1 January 2009	19,377
Credited to income statement	18,965
As at 31 December 2009	38,342

16 Deferred income tax (Continued)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income tax levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balance and a net basis. The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet:

	Group	
	2009 RMB'000	2008 RMB'000 (Restated)
Deferred income tax assets		
Deferred income tax assets to be recovered after more than 12 months	1,565,586	1,552,614
Deferred income tax assets to be recovered within 12 months	563,573	1,255,550
	2,129,159	2,808,164
Deferred income tax liabilities		
Deferred income tax liabilities to be settled after more than 12 months	(2,952,465)	(2,900,779)
Deferred income tax liabilities to be settled within 12 months	(104,904)	(636,350)
	(3,057,369)	(3,537,129)
Deferred income tax liabilities (net)	(928,210)	(728,965)

17 Other non-current assets

Group	2009 RMB'000	2008 RMB'000
Prepaid operating lease payments (note a)	488,291	—
Financial lease receivables (note b)	13,539	20,117
	501,830	20,117
Less: current portion of financial lease receivables (note b)	(6,361)	(6,447)
	495,469	13,670

Notes:

(a) Prepaid operating lease payments

The amount represents the unamortised upfront concession fee payments in respect of the concession agreement with Piraeus Port Authority S.A. ("PPA") for the concession of Pier 2 and 3 of the Piraeus Port in Greece for a term of 35 years ("Concession"). The Concession commenced on 1 October 2009.

17 Other non-current assets (Continued)

Notes: (Continued)

(b) Finance lease receivables

Group	Gross receivables RMB'000	Unearned finance income RMB'000	Present value of minimum lease payment receivable RMB'000
As at 31 December 2009			
Not later than one year	**7,385**	**(1,024)**	**6,361**
Later than one year and not later than five years	**6,727**	**(1,256)**	**5,471**
Later than five years	**1,960**	**(253)**	**1,707**
	16,072	**(2,533)**	**13,539**
Less: Amount included under current assets (note 20)	**(7,385)**	**1,024**	**(6,361)**
	8,687	**(1,509)**	**7,178**
As at 31 December 2008			
Not later than one year	8,087	(1,640)	6,447
Later than one year and not later than five years	13,588	(2,105)	11,483
Later than five years	2,624	(437)	2,187
	24,299	(4,182)	20,117
Less: Amount included under current assets (note 20)	(8,087)	1,640	(6,447)
	16,212	(2,542)	13,670

As at 31 December 2009, the Group entered into 12 (2008: 14) finance leases contracts for leasing of certain containers. The average term of the finance lease contracts is 5 years (2008: 5 years).

The cost of assets acquired for the purpose of letting under finance leases amounted to RMB43,311,000 (2008: RMB46,509,000) as at 31 December 2009.

Unguaranteed residual values of assets leased under finance lease contracts are estimated at approximately RMB41,000 (2008: RMB48,000).

18 Bank deposits and cash and cash equivalents

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000 (Restated)	**RMB'000**	RMB'000
Non-current portion				
Restricted bank deposits (note a)	**75,293**	74,101	**–**	–
Current portion				
Money market fund investments (note b)	**–**	54,677	**–**	–
Restricted bank deposits (note a)	**24,596**	529,237	**–**	–
Balances placed with COSCO Finance Co., Ltd ("COSCO Finance") (note c)	**5,645,203**	5,602,474	**24,500**	721,104
Bank balances and cash - unpledged	**38,452,825**	26,169,767	**5,556,193**	7,158,963
	44,122,624	32,356,155	**5,580,693**	7,880,067
Total bank deposits and cash and cash equivalents (note f)	**44,197,917**	32,430,256	**5,580,693**	7,880,067

Cash and cash equivalents include the following for the purpose of the consolidated cash flow statements:

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000 (Restated)	**RMB'000**	RMB'000
Total deposit, bank balances and cash	**44,197,917**	32,430,256	**5,580,693**	7,880,067
Less: restricted bank deposits	**(99,889)**	(603,338)	**–**	–
Cash and cash equivalents	**44,098,028**	31,826,918	**5,586,693**	7,880,067

Notes:

(a) Restricted bank deposits mainly held as securities for issue of bank guarantees and facilities.

(b) Money market fund investments were highly liquid investments with original maturities within three months, which were disposed of during 2009.

(c) Balances placed with COSCO Finance bear interest at prevailing market rates.

(d) Time deposits placed with PRC banks with original maturities over three months amounting to RMB13,349,567,000 (2008: RMB2,937,102,000) were treated as cash and cash equivalents as Directors consider those deposits are subject to an insignificant risk of changes in value and are kept for cash management purpose.

(e) As at 31 December 2009, exchange controls apply to certain bank balances and cash, which are held by the Group and the Company with bank accounts operating in the PRC, amounted to RMB29,604,185,000 and RMB5,580,693,000 (2008: RMB17,473,218,000 and RMB7,880,067,000) respectively.

18 Bank deposits and cash and cash equivalents (Continued)

Notes: (Continued)

(f) The carrying amounts of bank deposits and cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2009	2008	2009	2008
	RMB'000	RMB'000 (Restated)	RMB'000	RMB'000
US dollar	14,227,018	15,189,077	15,160	15,163
RMB	27,844,711	15,505,655	5,269,371	7,547,255
EURO	450,727	349,111	—	—
HK dollar	1,232,194	980,558	296,162	317,649
Other currencies	443,267	405,855	—	—
	44,197,917	32,430,256	5,580,693	7,880,067

(g) The effective interest rates on time deposits as at 31 December 2009 were in the range of 0.02% to 4.11% per annum (2008: 0.01% to 6.40% per annum); these deposits have a maturity day in the range of 2 days to 730 days. The deposits earn interests at floating rates based on daily bank deposit rates.

19 Inventories

	Group	
	2009	2008
	RMB'000	RMB'000 (Restated)
Bunker	1,568,382	1,360,770
Resaleable containers	67,058	36,776
Spare parts and consumable stores	135,092	123,927
Marine supplies and others	12,058	17,908
	1,782,590	1,539,381

20 Trade and other receivables

	Group		Company	
	2009	2008	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000
		(Restated)		
Trade receivables (note a)				
– third parties	4,494,047	5,139,016	—	—
– subsidiaries of COSCO	160,163	287,534	—	—
– jointly controlled entities	38,400	9,611	—	—
– associates	3,355	8,237	—	—
– other related companies	135,583	136,561	—	—
	4,831,548	5,580,959	—	—
Bills receivables (note a)	97,339	114,160	—	—
	4,928,887	5,695,119	—	—
Prepayments, deposits and other receivables				
– third parties(note b)	3,122,005	3,320,299	30,871	47,289
– COSCO (note c)	—	552,978	—	—
– subsidiaries of COSCO (note c)	367,421	297,690	—	—
– jointly controlled entities (note c)	61,791	343,121	—	—
– associates (note c)	42,823	34,505	—	469
– other related companies (note c)	198,293	292,383	—	—
	3,792,333	4,840,976	30,871	47,758
Current portion of financial lease receivables (note 17)	6,361	6,447	—	—
	8,727,581	10,542,542	30,871	47,758

20 Trade and other receivables (Continued)

Notes:

(a) The normal credit period granted to the trade receivables of the Group is generally within 90 days. Trade receivables primarily consisted of voyage-related and logistics receivables. As at 31 December 2009, the ageing analysis of trade and bills receivables is as follows:

	2009 RMB'000	2008 RMB'000 (Restated)
1-3 months	4,644,036	5,329,843
4-6 months	227,413	326,743
7-12 months	93,302	106,754
1-2 years	81,228	105,763
2-3 years	24,159	20,316
Over 3 years	97,850	133,393
Trade and bills receivables, gross	5,167,988	6,022,812
Less: impairment of		
1-3 months	(36,078)	(99,950)
4-6 months	(12,611)	(17,415)
7-12 months	(16,956)	(24,052)
1-2 years	(58,150)	(39,607)
2-3 years	(18,065)	(14,807)
Over 3 years	(97,241)	(131,862)
Provision for impairment	(239,101)	(327,693)
	4,928,887	5,695,119

As at 31 December 2009, the Group's trade and bills receivables of RMB3,664,706,000 (2008: RMB4,281,296,000) were considered fully collectible by management. Trade and bills receivables that were fully collectible mainly represent those due from customers with good credit history and low default rate.

20 Trade and other receivables (Continued)

Notes: (Continued)

As at 31 December 2009, trade receivables of RMB1,081,165,000 (2008: RMB1,044,174,000) were past due but were considered not impaired by management. These relate to a number of customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2009 RMB'000	2008 RMB'000 (Restated)
1-3 months	**943,252**	948,597
4-6 months	**93,352**	65,658
7-12 months	**37,744**	21,237
1-2 years	**3,975**	8,252
2-3 years	**2,738**	309
Over 3 years	**104**	121
	1,081,165	1,044,174

As at 31 December 2009, trade receivables of RMB422,117,000 (2008: RMB697,342,000) were considered as impaired by management, of which amounts of RMB239,101,000 (2008: RMB327,693,000) were provided for.

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

	2009 RMB'000	2008 RMB'000 (Restated)
As at 1 January	**327,693**	232,223
Provision for receivable impairment	**59,262**	162,988
Receivables written off during the year as uncollectible	**(65,476)**	(48,422)
Reversal of provision	**(86,405)**	(16,584)
Currency translation differences	**4,027**	(2,512)
As at 31 December	**239,101**	327,693

The creation and release of provision for impaired receivables have been included in "other income/(expenses), net" in the consolidated income statement (note 29). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

Management considered that there is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers, internationally dispersed.

20 Trade and other receivables (Continued)

Notes: (Continued)

(b) Prepayments, deposits and other receivables due from third parties

	Group		Company	
	2009 RMB'000	2008 RMB'000 (Restated)	2009 RMB'000	2008 RMB'000
Prepayments and deposits	1,552,395	1,661,657	—	—
Claims receivables	119,554	92,040	—	—
Other receivables less provision (note d)	1,450,056	1,566,602	30,871	47,289
	3,122,005	3,320,299	30,871	47,289

(c) The amounts due from related parties are unsecured, interest free and have no fixed term of repayment.

(d) As at 31 December 2009, the Group's net other receivable of RMB1,450,056,000 (2008: RMB1,566,602,000) were considered fully collectible by management. As at 31 December 2009, the Group's other receivable of RMB163,422,000 (2008: RMB232,772,000) were impaired and full provision was made by management.

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

	2009 RMB'000	2008 RMB'000 (Restated)
As at 1 January	232,772	124,434
Provision for receivable impairment	31,633	147,602
Receivables written off during the year as uncollectible	(6,698)	(39,378)
Currency translation differences	(23)	114
Reversal of provision	(94,262)	—
As at 31 December	163,422	232,772

(e) The carrying amount of trade and other receivables (excluding prepayments) are denominated in the following currencies:

	Group		Company	
	2009 RMB'000	2008 RMB'000 (Restated)	2009 RMB'000	2008 RMB'000
US dollar	2,622,564	4,054,997	—	—
RMB	3,637,305	3,721,551	30,856	47,401
EURO	511,978	583,968	—	—
HK dollar	50,629	49,824	15	357
Other currencies	352,710	470,545	—	—
	7,175,186	8,880,885	30,871	47,758

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

(g) Management considered the maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Group does not hold any collateral as security.

21 Derivative financial assets/liabilities

	Group			
	2009		2008	
	Assets	Liabilities	Assets	Liabilities
	RMB'000	RMB'000	RMB'000	RMB'000
FFA (note a)				
– cash flow hedges	–	–	–	47,117
– derivatives at fair value through profit or loss	1,011	142,082	278,049	3,918,545
Forward foreign exchange contracts				
– cash flow hedges (note b)	1,818	–	18,961	–
Interest rate swaps				
– fair value hedges (note c)	113,051	–	165,500	–
Total	115,880	142,082	462,510	3,965,662
Less: non-current portion				
FFA (note a)				
– cash flow hedges	–	–	–	(47,117)
– derivatives at fair value through profit or loss	–	(55,192)	–	(227,513)
Forward foreign exchange contracts				
– cash flow hedges (note b)	–	–	(18,961)	–
Interest rate swaps				
– fair value hedges (note c)	(113,051)	–	(165,500)	–
Total non-current portion	(113,051)	(55,192)	(184,461)	(274,630)
Current portion	2,829	86,890	278,049	3,691,032

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

The maximum exposure to credit risk at the reporting date is the fair value of the derivative financial assets in the consolidated balance sheet.

21 Derivative financial assets/liabilities (Continued)

Notes:

(a) FFA

As at 31 December 2009, the Group had outstanding forward freight agreements to buy approximately 2,190 (2008: 16,315) days of the various Baltic Index at various prices which expire through December 2011 (2008: December 2011).

As at 31 December 2009, the Group had outstanding forward freight agreements to sell approximately 45 (2008: 913) days of the various Baltic Index at various prices which expire through March 2010 (2008: December 2009).

(b) Forward foreign exchange contracts

As at 31 December 2009, the Group had two (2008: two) outstanding forward foreign exchange contracts with a bank to buy Japanese Yen of approximately 6,880,000,000 (2008: Japanese Yen 7,740,000,000) by United States dollar (at rates subject to different market scenarios on settlement dates) for settlements of the acquisition of one vessel (2008: one vessel) which is denominated in Japanese Yen. These contracts will expire in September 2010 (2008: September 2010). Gains and losses in equity on forward foreign exchange contracts at 31 December 2009 will be released to the consolidated income statement in 2010 (2008: 2010).

(c) Interest rate swap contracts

The notional principal amount of the related interest rate swap contracts amounted to US$200,000,000 (equivalent to approximately RMB1,365,640,000) (2008: US$200,000,000 (equivalent to approximately RMB1,366,920,000)) which were committed with interest rates ranging from 1.05% to 1.16% (2008:1.05% to 1.16%) per annum above LIBOR. These interest rate swap contracts have been designated as a hedge of the fair value of the notes issued by the Group (note 25(c)(ii)).

22 Financial assets at fair value through profit or loss

	2009 RMB'000	2008 RMB'000
Listed securities, at market value		
– Equity securities - Hong Kong	4,670	1,870

Financial assets at fair value through profit or loss are presented within "operating activities" as part of changes in working capital in the cash flow statement (note 39(a)).

Changes in fair values of financial assets at fair value through profit or loss are recorded in other income/(expenses), net in the income statement.

The fair value of all equity securities is based on their current bid prices in an active market.

23 Share capital and equity linked benefits

(a) Share capital

	2009		2008	
	Number of shares (thousands)	**Nominal value RMB'000**	Number of shares (thousands)	Nominal value RMB'000
Registered, issued and fully paid				
H-Shares of RMB1.00 each	**2,580,600**	**2,580,600**	2,580,600	2,580,600
A-Shares of RMB1.00 each	**7,635,674**	**7,635,674**	7,635,674	7,635,674
As at 31 December	**10,216,274**	**10,216,274**	10,216,274	10,216,274

Notes:

The A-Shares rank pari passu, in all material respects, with H-Shares. Nonetheless, certain A-Shares are subject to certain restrictions as disclosed below:

(i) On 26 June 2007, the Company issued 6,338,737,233 new A-Shares ("A-Shares Issue"), of which 4,554,869,787 A-Shares issue in exchange of the Domestic shares held by COSCO and 1,783,867,446 new A-Shares through public offering at RMB8.48 each on the Shanghai Stock Exchange.

Pursuant to the relevant existing PRC laws and regulations and the relevant requirements of the China Securities Regulatory Commission and the Shanghai Stock Exchange, after approval by the relevant authorities, all Domestic Shares issued before the A-Shares Issue, i.e., the 4,554,869,787 Domestic Shares held by COSCO, have been registered with China Securities Depository and Clearing Corporation Limited as circulative 4,554,869,787 A-Shares with restrictive trading period following the A-Shares Issue. COSCO has undertaken that for a period of 36 months commencing on the date on which the A-Shares are listed on the Shanghai Stock Exchange, it will not transfer or put on trust the A-Shares which it holds (directly or indirectly) in the capital of the Company or allow such shares to be repurchased by the Company.

(ii) On 19 December 2007, the Company issued 864,270,817 new A-Shares to COSCO to settle the purchase consideration for acquisition of the entire interest in COSCO Bulk Carrier Co., Ltd ("COSCO Bulk") and Qingdao Ocean Shipping Company and 41.52% equity interest in Shenzhen Ocean Shipping CO., Ltd. These 864,270,817 A-Shares held by COSCO are subject to a lock-up period of 36 months from the date of 19 December 2007.

(iii) On 28 December 2007, the Company also issued 432,666,307 new A-Shares at RMB30 per A-share through private placement to institutional investors (including COSCO) for cash of approximately RMB12,979,989,000. 53,666,307 A-Shares held by COSCO and 379,000,000 held by other institutional investors. The 53,666,307 A-shares held by COSCO are subject to a lock-up period of 36 months, from the date of 28 December 2007.

23 Share capital and equity linked benefits (Continued)

(b) Share appreciation rights

The Group has adopted a cash-settled, share-based payment scheme (the "Plan") which was approved on 9 June 2005. The Plan provides for the grant of share appreciation rights ("SARs") to eligible participants as approved by the Company's board of Directors (collectively "the Grantees"). The Plan will remain in force unless otherwise cancelled or amended.

Under the Plan, the holders of SARs are entitled the rights to receive an amount in respect of the appreciation in market value of the Company's H-Shares from the date of grant of SARs and the date of exercise. No shares will be issued under the Plan and therefore the Company's equity interests will not be diluted as a result of the issuance of SARs. The initial grant of SARs was limited to 10% of the Company's H-Shares in issue at the date of grant. The maximum number of unexercised SARs permitted to be granted under the Plan is, upon their exercise, limited to 10% of the Company's H-Shares in issue at any time during each year. The maximum number of SARs granted to any eligible participant (including share appreciation rights granted prior to this Plan) is limited to 25% of the total number of SARs in issue at any time. Any further grant of SARs in excess of the above limits is subject to the approval of the Company's board of Directors.

The exercise period of all SARs commences after a vesting period and ends on a date which is not later than 10 years from the date of grant of the SARs. As of each of the last day of the third, fourth, fifth and sixth anniversary of the date of grant, the total number of SARs exercisable will not exceed 25%, 50%, 75% and 100%, respectively, of the total SARs granted to the respective eligible participants in 2005, 2006 and 2007, with an exercise price of HK$3.195, HK$3.588 and HK$9.540 respectively. The vesting periods of the SARs represented the periods from the date of grant to the date when the related SARs become exercisable. No SARs were granted for the year ended 31 December 2009 and 2008.

23 Share capital and equity linked benefits (Continued)

(b) Share appreciation rights (Continued)

Movements in the number of SARs granted by the Company during the year ended 31 December 2009 are set out below.

Category	Note	Exercise price	For the year ended 31 December 2009 Number of units of SARs: Outstanding as at 1 January 2009	Transfer (to)/ from other category during the year (note v)	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31 December 2009
Directors	(i)	HK$3.195	3,080,000	–	–	–	–	3,080,000
	(ii)	HK$3.588	4,100,000	–	–	–	–	4,100,000
	(iii)	HK$9.540	4,660,000	–	–	–	–	4,660,000
Supervisors	(i)	HK$3.195	1,050,000	(225,000)	–	–	–	825,000
	(ii)	HK$3.588	1,400,000	(300,000)	–	–	–	1,100,000
	(iii)	HK$9.540	1,820,000	(280,000)	–	–	–	1,540,000
Other continuous	(i)	HK$3.195	9,255,750	1,956,250	–	–	(100,000)	11,112,000
contract employees	(ii)	HK$3.588	11,830,000	2,000,000	–	–	(130,000)	13,700,000
	(iii)	HK$9.540	16,025,000	1,695,000	–	–	(35,000)	17,685,000
Others	(i),(iv)	HK$3.195	1,981,250	(1,731,250)	–	–	–	250,000
	(ii),(iv)	HK$3.588	2,030,000	(1,700,000)	–	–	–	330,000
	(iii),(iv)	HK$9.540	2,015,000	(1,415,00)	–	–	–	600,000
			59,247,000	–	–	–	(265,000)	58,982,000

23 Share capital and equity linked benefits (Continued)

(b) Share appreciation rights (Continued)

Movements in the number of SARs granted by the Company during the year ended 31 December 2008 are set out below.

			For the year ended 31 December 2008 Number of units of SARs				
Category	Note	Exercise price	Outstanding as at 1 January 2008	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31 December 2008
Directors	(i)	HK$3.195	3,305,000	—	(225,000)	—	3,080,000
	(ii)	HK$3.588	4,100,000	—	—	—	4,100,000
	(iii)	HK$9.540	4,660,000	—	—	—	4,660,000
Supervisors	(i)	HK$3.195	1,265,000	—	(215,000)	—	1,050,000
	(ii)	HK$3.588	1,400,000	—	—	—	1,400,000
	(iii)	HK$9.540	1,820,000	—	—	—	1,820,000
Other continuous	(i)	HK$3.195	10,230,750	—	(825,000)	(150,000)	9,255,750
contract employees	(ii)	HK$3.588	12,210,000	—	(155,000)	(225,000)	11,830,000
	(iii)	HK$9.540	16,170,000	—	—	(145,000)	16,025,000
Others	(i),(iv)	HK$3.195	2,075,000	—	(93,750)	—	1,981,250
	(ii),(iv)	HK$3.588	3,015,000	—	(985,000)	—	2,030,000
	(iii),(iv)	HK$9.540	2,015,000	—	—	—	2,015,000
			62,265,750	—	(2,498,750)	(520,000)	59,247,000

23 Share capital and equity linked benefits (Continued)

(b) Share appreciation rights (Continued)

Notes:

(i) The SARs were granted by the Company on 16 December 2005 and are exercisable at any time between 16 December 2007 to 15 December 2015 ("2005 SARs").

(ii) The SARs were granted by the Company on 5 October 2006 and are exercisable at any time between 5 October 2008 to 4 October 2016 ("2006 SARs").

(iii) The SARs were granted by the Company on 4 June 2007 and are exercisable at any time between 4 June 2009 and 3 June 2017 ("2007 SARs").

(iv) The SARs were granted to certain senior management of COSCO by the Company and are classified in the category of "Others".

(v) In 2009, one supervisor was redesignated as an employee of a subsidiary. His SARs were transferred from the category of "Supervisors" to the category of "Other continuous contract employees."

In 2009, 24 senior management of COSCO became the continuous contract employees of the Company, their SARs were transferred from the category of "Others" to the category of "Other continuous contract employees".

In 2009, the SARs granted to 4 senior management of the Group were reclassified from the category of "Other continuous contract employees" to the category of "Others" along with the employment and position change.

The fair values of 2005 SARs, 2006 SARs and 2007 SARs as at 31 December 2009 as determined using the binomial valuation model ranged from HK$5.77 per unit to HK$7.18 per unit. The significant inputs into the model were spot price of HK$9.55 as at 31 December 2009, vesting period, volatility of the underlying stock, risk-free interest rate, forfeiture rate, dividend yield and sub-optional exercise factor. The expected volatility of 73.97% is estimated based on past H-Shares share prices of the Company at year end.

The amount, that was recognised in the consolidated income statement and included in staff costs for the year in relation to the above SARs transactions, was a debit of RMB180,899,000 (2008: a credit of RMB165,360,000).

As at 31 December 2009, the total carrying amount of the liabilities arising from SARs transactions included in other payables in the consolidated balance sheet amounted to RMB311,693,000 (2008: RMB151,791,000) and the total intrinsic value of the exercisable SARs was RMB109,726,000 (2008: RMB18,928,000).

23 Share capital and equity linked benefits (Continued)

(c) Share options of a subsidiary

The Group's subsidiary, COSCO Pacific Limited ("COSCO Pacific"), operates share option schemes whereby options are granted to eligible employees and directors or any participants (as defined in the relevant share option schemes) of the Group, to subscribe for its shares.

Movements of the share options granted by COSCO Pacific during the year ended 31 December 2009 and 2008 are set out below:

			For the year ended 31 December 2009 Number of share options					
Category	Note	Exercise price HK$	Outstanding as at 1 January 2009	Transfer (to)/from other categories during the year	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31 December 2009
Directors	(i),(ii)	9.54	–	–	–	–	–	–
	(i),(iii)	13.75	5,000,000	–	–	–	–	5,000,000
Supervisors	(i),(ii)	9.54	–	–	–	–	–	–
	(i),(iii)	13.75	1,000,000	–	–	–	–	1,000,000
Other continuous	(i),(ii)	9.54	2,411,000	–	–	(20,000)	(72,000)	2,319,000
contract employees	(i),(iii)	13.75	16,322,000	(670,000)	–	–	(470,000)	15,182,000
	(i),(iv)	19.30	16,880,000	(660,000)	–	–	(510,000)	15,710,000
Others	(i),(ii)	9.54	50,000	–	–	–	–	50,000
	(i),(iii)	13.75	1,120,000	670,000	–	–	–	1,790,000
	(i),(iv)	19.30	–	660,000	–	–	–	660,000
			42,783,000	–	–	(20,000)	(1,052,000)	41,711,000

23 Share capital and equity linked benefits (Continued)

(c) Share options of a subsidiary (Continued)

			For the year ended 31 December 2008				
			Number of share options				
Category	Note	Exercise price HK$	Outstanding as at 1 January 2008	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31 December 2008
Directors	(i),(ii)	9.54	—	—	—	—	—
	(i),(iii)	13.75	5,000,000	—	—	—	5,000,000
Supervisors	(i),(ii)	9.54	—	—	—	—	—
	(i),(iii)	13.75	1,000,000	—	—	—	1,000,000
Other continuous	(i),(ii)	9.54	2,525,000	—	(94,000)	(20,000)	2,411,000
contract employees	(i),(iii)	13.75	16,492,000	—	(50,000)	(120,000)	16,322,000
	(i),(iv)	19.30	17,070,000	—	—	(190,000)	16,880,000
Others	(i),(ii)	9.54	50,000	—	—	—	50,000
	(i),(iii)	13.75	1,124,000	—	(4,000)	—	1,120,000
			43,261,000	—	(148,000)	(330,000)	42,783,000

Notes:

(i) All the outstanding options were vested and exercisable as at 31 December 2009 and 2008. COSCO Pacific has no legal or constructive obligation to repurchase or settle the options in cash.

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

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

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

23 Share capital and equity linked benefits (Continued)

(c) Share options of a subsidiary (Continued)

Notes: (Continued)

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

Expiry date	Exercise price HK$	Number of share options 2009	2008
28 October 2013 to 6 November 2013	9.54	2,369,000	2,461,000
25 November 2014 to 16 December 2014	13.75	22,972,000	23,442,000
17 April 2017 to 19 April 2017	19.30	16,370,000	16,880,000
		41,711,000	42,783,000

(vi) The exercise of the 20,000 (2008:148,000) share options during the year yielded the proceeds, net of transaction costs, of RMB190,800 (2008:RMB1,447,000).

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

	2009		2008	
	Average exercise price per share HK$	Number of share options	Average exercise price per share HK$	Number of share options
As at 1 January	15.70	42,783,000	15.69	43,261,000
Exercised	9.54	(20,000)	11.08	(148,000)
Lapsed	16.15	(1,052,000)	16.69	(330,000)
As at 31 December	15.69	41,711,000	15.70	42,783,000

The weighted average closing price of the COSCO Pacific's shares on the dates when the share options were exercised was HK$11.40 (2008: HK$17.59) per share.

24 Reserves

Group

	Capital reserve RMB'000	Hedging reserve RMB'000	Other reserves RMB'000	Statutory reserve funds RMB'000	Investment revaluation reserves RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Total RMB'000
As at 1 January 2009, as previously reported	38,005,614	(10,234)	5,460	567,656	1,069,061	(5,670,051)	8,307,876	42,275,382
Adoption of merger accounting (note 2(a) and note h)	(133,980)	–	–	–	(73,443)	31,113	(171,762)	(348,072)
As at 1 January 2009, as restated	37,871,634	(10,234)	5,460	567,656	995,618	(5,638,938)	8,136,114	41,927,310
Comprehensive income								
Loss for the year	–	–	–	–	–	–	(7,467,812)	(7,467,812)
Other comprehensive income								
Available-for-sale financial assets								
– fair value gains, net of tax	–	–	–	–	87,698	–	–	87,698
– transferred to consolidated income statement upon sale	–	–	–	–	(60,951)	–	–	(60,951)
Cash flow hedges								
– fair value gains, net of tax	–	18,199	–	–	–	–	–	18,199
Share of reserves of jointly controlled entities and associates	–	(1,326)	23,899	–	21,450	17,243	(819)	60,447
Currency translation differences	–	–	–	–	–	47,732	–	47,732
Other movement	–	–	–	–	–	–	152,313	152,313
Total other comprehensive income	–	16,873	23,899	–	48,197	64,975	151,494	305,438
Total comprehensive income for the year ended 31 December 2009	–	16,873	23,899	–	48,197	64,975	(7,316,318)	(7,162,374)

24 Reserves (Continued)

Group (Continued)

	Capital reserve RMB'000	Hedging reserve RMB'000	Other reserves RMB'000	Statutory reserve funds RMB'000	Investment revaluation reserves RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Total RMB'000
Transactions with owners								
Distributions (note 35(a))	–	–	–	–	–	–	(233,549)	(233,549)
2008 final dividends (note 35(b))	–	–	–	–	–	–	(2,962,720)	(2,962,720)
Acquisition of additional interests in subsidiaries	12,605	(10)	888	2	3,923	2,573	(11,549)	8,432
Acquisition from non-controlling shareholders	–	–	–	–	–	–	(1,030)	(1,030)
Contribution from then shareholder of a subsidiary (note f)	–	–	–	–	–	–	200,000	200,000
Total transactions with owners	12,605	(10)	888	2	3,923	2,573	(3,008,848)	(2,988,867)
As at 31 December 2009	37,884,239	6,629	30,247	567,658	1,047,738	(5,571,390)	(2,189,052)	31,776,069
Representing:								
Capital and reserves	37,884,239	6,629	30,247	567,658	1,047,738	(5,571,390)	(2,189,052)	31,776,069
2009 final dividends proposed	–	–	–	–	–	–	–	–
As at 31 December 2009	37,884,239	6,629	30,247	567,658	1,047,738	(5,571,390)	(2,189,052)	31,776,069

24 Reserves (Continued)

Group (Continued)

	Capital reserve RMB'000	Hedging reserve RMB'000	Other reserves RMB'000	Statutory reserve funds RMB'000	Investment revaluation reserves RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Total RMB'000
As at 1 January 2008, as previously reported	38,006,246	247,963	117,286	196,967	2,197,096	(3,270,780)	(1,110,573)	36,384,205
Adoption of merger accounting (note 2 (a))	671,616	–	–	–	–	38,976	(1,298,335)	(587,743)
As at 1 January 2008, as restated	**38,677,862**	**247,963**	**117,286**	**196,967**	**2,197,096**	**(3,231,804)**	**(2,408,908)**	**35,796,462**
Comprehensive income								
Profit for the year	–	–	–	–	–	–	11,606,134	11,606,134
Other comprehensive income								
Available-for-sale financial assets								
– fair value losses, net of tax	–	–	–	–	(1,241,364)	–	–	(1,241,364)
– transferred to consolidated income statement upon sale	–	–	–	–	(7,244)	–	–	(7,244)
Cash flow hedges								
– fair value loss, net of tax	–	(16,974)	–	–	–	–	–	(16,974)
– transferred to consolidated income statement	–	(241,224)	–	–	–	–	–	(241,224)
Share of reserves of jointly controlled entities and associates	–	–	(110,968)	–	47,509	–	462	(62,997)
Release of reserves upon								
– disposal of a jointly controlled entity	–	–	(816)	–	–	–	–	(816)
– deemed disposals	(632)	1	(42)	–	(379)	(131)	(1,141)	(2,324)
Currency translation differences	–	–	–	–	–	(2,407,003)	–	(2,407,003)
Total other comprehensive income	**(632)**	**(258,197)**	**(111,826)**	**–**	**(1,201,478)**	**(2,407,134)**	**(679)**	**(3,979,946)**
Total comprehensive income for the year ended 31 December 2008	**(632)**	**(258,197)**	**(111,826)**	**–**	**(1,201,478)**	**(2,407,134)**	**11,605,455**	**7,626,188**

24 Reserves (Continued)

Group (Continued)

	Capital reserve RMB'000	Hedging reserve RMB'000	Other reserves RMB'000	Statutory reserve funds RMB'000	Investment revaluation reserves RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Total RMB'000
Transactions with owners								
Distributions (note 35(a))	–	–	–	–	–`	–	(22,837)	(22,837)
2007 final dividends	–	–	–	–	–	–	(1,804,358)	(1,804,358)
Transfer to statutory reserve funds (note a)	–	–	–	370,689	–	–	(370,689)	–
Acquisition from non-controlling shareholders	–	–	–	–	–	–	(223)	(223)
Capital restructuring of a subsidiary prior to acquisition by the Group (note g)	(805,596)	–	–	–	–	–	1,137,674	332,078
Total transactions with owners	**(805,596)**	**–**	**–**	**370,689**	**–**	**–**	**(1,060,433)**	**(1,495,340)**
As at 31 December 2008 as restated	**37,871,634**	**(10,234)**	**5,460**	**567,656**	**995,618**	**(5,638,938)**	**8,136,114**	**41,927,310**
Representing:								
Capital and reserves	37,871,634	(10,234)	5,460	567,656	995,618	(5,638,938)	5,173,394	38,964,590
2008 final dividends proposed	–	–	–	–	–	–	2,962,720	2,962,720
As at 31 December 2008 as restated	**37,871,634**	**(10,234)**	**5,460**	**567,656**	**995,618**	**(5,638,938)**	**8,136,114**	**41,927,310**

Notes to the Consolidated Financial Statements

24 Reserves (Continued)

Company

	Capital reserve RMB'000	Statutory reserve funds RMB'000	Retained profits RMB'000	Exchange reserve RMB'000	Total RMB'000
As at 1 January 2009	39,134,574	567,656	5,218,490	(3,342,792)	41,577,928
Loss for the year	—	—	(129,821)	—	(129,821)
2008 final dividends	—	—	(2,962,720)	—	(2,962,720)
As at 31 December 2009	39,134,574	567,656	2,125,949	(3,342,792)	38,485,387
Representing:					
Capital and reserves	39,134,574	567,656	2,125,949	(3,342,792)	38,485,387
2009 final dividends proposed	—	—	—	—	—
As at 31 December 2009	39,134,574	567,656	2,125,949	(3,342,792)	38,485,387

	Capital reserve RMB'000	Statutory reserve funds RMB'000	Retained profits RMB'000	Exchange reserve RMB'000	Total RMB'000
As at 1 January 2008	39,134,574	196,967	1,619,318	(1,275,466)	39,675,393
Profit for the year	—	—	5,774,219	—	5,774,219
Transfer to statutory reserve funds (note a)	—	370,689	(370,689)	—	—
Currency translation differences (note e)	—	—	—	(2,067,326)	(2,067,326)
2007 final dividends	—	—	(1,804,358)	—	(1,804,358)
As at 31 December 2008	39,134,574	567,656	5,218,490	(3,342,792)	41,577,928
Representing:					
Capital and reserves	39,134,574	567,656	2,255,770	(3,342,792)	38,615,208
2008 final dividends proposed	—	—	2,962,720	—	2,962,720
As at 31 December 2008	39,134,574	567,656	5,218,490	(3,342,792)	41,577,928

24 Reserves (Continued)

(a) Statutory reserve funds

In accordance with the PRC Company Law and the Company's articles of association, the Company is required to allocate 10% of its profit attributable to equity holders of the Company ("Net Profit"), as determined in accordance with the China Accounting Standards ("CAS"), to the statutory surplus reserve until such reserve reaches 50% of the registered capital of the Company. The appropriation to the reserve must be made before any distribution of dividends to equity holders. The statutory surplus reserve can be used to offset previous year's losses, if any, and part of the statutory surplus reserve can be capitalised as the Company's share capital provided that the amount of such reserve remaining after the capitalisation shall not be less than 25% of the share capital of the Company.

For the year ended 31 December 2008, the Company appropriated RMB370,689,000, being 10% of its Net Profit to the statutory surplus reserve fund.

(b) In accordance with the articles of association of the Company, the profit available for appropriation by the Company for the purpose of dividend payments is based on the lesser of (i) the net profit of the Group determined in accordance with the CAS; and (ii) the net profit determined in accordance with HKFRSs.

The amount of profits available for appropriation for the year ended 31 December 2008 was RMB10,726,123,000, being the amount as disclosed in the financial statements prepared under the CAS.

(c) Other reserves of the Group as at 31 December 2009 represented capital reserve and other reserves of jointly controlled entities and associates.

(d) Capital reserve mainly represents the capitalisation of the reserves of the acquired subsidiaries from the parent company upon the incorporation of the Company on 3 March 2005 and the share premium (net with share issue expenses) arising upon issuance of the Company's H-shares and A-shares in 2005 and 2007.

(e) For 2008, the Company's functional currency was US dollar which was different from its presentation currency. Assets and liabilities were translated at closing rate and income and expenses were translated using the exchange rates prevailing at the dates of the transactions, any differences were dealt with in the exchange reserve of the Company.

On 22 April 2009, the functional currency of the Company changed from US dollar to Renminbi, which is same as the Company's presentation currency.

(f) During the year ended 31 December 2009, COSCO Shanghai's capital was increased by RMB200,000,000 which was contributed by COSCO, its then shareholder.

(g) During the year ended 31 December 2008, COSCO Shanghai underwent a capital restructuring prior to transforming into a limited liability company under the Company Law of the PRC.

24 Reserves (Continued)

(h) Business combinations under common control

Statements of adjustments for common control combinations of the Acquired Subsidiaries on the consolidated balance sheets as at 31 December 2009 and 2008 and the Group's result for the years then ended are as follows:

	As previously reported RMB'000	Acquired Subsidiaries RMB'000		Adjustments RMB'000	As restated RMB'000
Year ended 31 December 2008					
Revenues	130,871,857	1,707,713	(i)	(740,654)	131,838,916
Profit before income tax	15,670,041	511		—	15,670,552
Income tax expenses	(2,962,770)	(11,086)		—	(2,973,856)
Profit for the year	12,707,271	(10,575)		—	12,696,696

	As previously reported RMB'000	Acquired Subsidiaries RMB'000		Adjustments RMB'000	As restated RMB'000
As at 31 December 2008					
ASSETS					
Non-current assets	74,256,925	665,269		—	74,922,194
Current assets	44,156,228	998,705	(iii)	(66,925)	45,088,008
Total assets	**118,413,153**	**1,663,974**		**(66,925)**	**120,010,202**
EQUITY					
Capital and reserves					
Share capital	10,216,274	194,308	(ii)	(194,308)	10,216,274
Reserves	39,312,662	(541,263)	(ii)	193,191	38,964,590
Proposed final dividends	2,962,720	—		—	2,962,720
	52,491,656	(346,955)		(1,117)	52,143,584
Non-controlling interests	**9,755,106**	**6,592**	**(ii)**	**1,117**	**9,762,815**
Total equity	**62,246,762**	**(340,363)**		**—**	**61,906,399**
LIABILITIES					
Non-current liabilities	27,601,760	1,156,668		—	28,758,428
Current liabilities	28,564,631	847,669	(iii)	(66,925)	29,345,375
Total liabilities	**56,166,391**	**2,004,337**		**(66,925)**	**58,103,803**
Total equity and liabilities	**118,413,153**	**1,663,974**		**(66,925)**	**120,010,202**

24 Reserves (Continued)

(h) Business combinations under common control (Continued)

	The Group before Acquired Subsidiaries RMB'000	Acquired Subsidiaries RMB'000		Adjustments RMB'000	Year ended as at 31 December 2009 RMB'000
Year ended 31 December 2009					
Revenues	67,639,110	1,550,972	(i)	(727,568)	68,462,514
Loss before income tax	(6,212,514)	(986)		—	(6,213,500)
Income tax expenses	(435,394)	(15,192)		—	(450,586)
Loss for the year	(6,647,908)	(16,178)		—	(6,664,086)

	The Group before Acquired Subsidiaries RMB'000	Acquired Subsidiaries RMB'000		Adjustments RMB'000	As at 31 December 2009 RMB'000
As at 31 December 2009					
ASSETS					
Non-current assets	81,257,522	1,616,291	(ii)	(229,768)	82,644,045
Current assets	54,737,313	538,975	(iii)	(179,030)	55,097,258
Total assets	135,994,835	2,155,266		(408,798)	137,741,303
EQUITY					
Capital and reserves					
Share capital	10,216,274	321,500	(ii)	(321,500)	10,216,274
Reserves	32,130,593	(445,269)	(ii)	90,745	31,776,069
Proposed final dividends	—	—		—	—
	42,346,867	(123,769)		(230,755)	41,992,343
Non-controlling interests	10,575,693	15,792	(ii)	987	10,592,472
Total equity	52,922,560	(107,977)		(229,768)	52,584,815
LIABILITIES					
Non-current liabilities	56,126,618	1,601,735		—	57,728,353
Current liabilities	26,945,657	661,508	(iii)	(179,030)	27,428,135
Total liabilities	83,072,275	2,263,243		(179,030)	85,156,488
Total equity and liabilities	135,994,835	2,155,266		(408,798)	137,741,303

24 Reserves (Continued)

(h) Business combinations under common control (Continued)

Notes:

(i) Adjustments to eliminate the inter-group transactions for the year ended 31 December 2009 and 2008.

(ii) Adjustments to eliminate the investment costs, share capitals of the Acquired Subsidiaries against reserves and non-controlling interests.

(iii) Adjustments to eliminate the inter-group balances as at 31 December 2009 and 2008.

No other significant adjustments were made to the net assets and net profit of any entities or businesses as a result of the common control combinations to achieve consistency of accounting policies.

25 Long-term borrowings

	Group		Company	
	2009	2008	2009	2008
	RMB'000	RMB'000 (Restated)	RMB'000	RMB'000
Bank loans				
– secured (note h)	12,044,567	8,580,760	—	—
– unsecured	31,695,047	13,460,556	—	—
Loans from COSCO Finance				
– secured (note h)	34,084	532,429	—	—
– unsecured	600,000	532,483	—	—
Other loans				
– secured (note h)	119,712	146,473	—	—
– unsecured	1,567	2,287	—	—
Finance lease obligations (note i)	129,995	140,396	—	—
Notes (note c)	12,022,077	2,196,579	9,870,000	—
Total long-term borrowings	56,647,049	25,591,963	9,870,000	—
Current portion of long-term borrowings	(3,529,595)	(2,295,552)	—	—
	53,117,454	23,296,411	9,870,000	—

25 Long-term borrowings (Continued)

Notes:

(a) The long-term borrowings are analysed as follows:

	Group		Company	
	2009	2008	2009	2008
	RMB'000	RMB'000 (Restated)	RMB'000	RMB'000
Wholly repayable within five years				
– Bank loans	32,797,402	8,817,731	—	—
– Loans from COSCO Finance	634,084	1,064,912	—	—
– Other loans	121,279	148,760	—	—
– Notes	12,022,077	2,196,579	9,870,000	—
	45,574,842	12,227,982	9,870,000	—
Not wholly repayable within five years				
– Bank loans	10,942,212	13,223,585	—	—
– Finance lease obligations (note i)	129,995	140,396	—	—
	11,072,207	13,363,981	—	—
	56,647,049	25,591,963	9,870,000	—

25 Long-term borrowings (Continued)

Notes: (Continued)

(b) As at 31 December 2009, the long-term borrowings were repayable as follows:

	Group		Company	
	2009	2008	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000
		(Restated)		
Bank loans				
– within one year	3,482,051	2,130,795	–	–
– in the second year	5,056,893	3,135,323	–	–
– in the third to fifth years	28,658,434	11,432,038	–	–
– after the fifth year	6,542,236	5,343,160	–	–
	43,739,614	22,041,316	–	–
Loans from COSCO Finance				
– within one year	8,528	127,837	–	–
– in the second year	422,680	106,477	–	–
– in the third to fifth years	202,876	830,598	–	–
	634,084	1,064,912	–	–
Other loans				
– within one year	27,900	26,648	–	–
– in the second year	91,921	29,944	–	–
– in the third to fifth years	1,458	92,168	–	–
	121,279	148,760	–	–
Finance lease obligations				
– within one year	11,116	10,272	–	–
– in the second year	12,044	11,134	–	–
– in the third to fifth years	42,483	39,258	–	–
– after the fifth year	64,352	79,732	–	–
	129,995	140,396	–	–
Notes				
– in the third to fifth years	12,022,077	2,196,579	9,870,000	–
	56,647,049	25,591,963	9,870,000	–

25 Long-term borrowings (Continued)

Notes: (Continued)

(c) Details of the notes as at 31 December 2009 are as follows:

	Group		Company	
	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
Principal amount	12,483,100	2,483,100	10,000,000	—
Discount on issue	(15,718)	(15,718)	—	—
Notes issuance cost	(164,899)	(14,899)	(150,000)	—
Proceeds received	12,302,483	2,452,483	9,850,000	—
Currency translation differences	(429,282)	(427,384)	—	—
Accumulated amortised amounts of				
– discount on issue	8,979	7,757	—	—
– notes issuance cost	28,508	7,354	20,000	—
Effect of fair value hedge	111,389	156,369	—	—
	12,022,077	2,196,579	9,870,000	—

(i) Notes issued by the Company

Notes with principal amount of RMB10,000,000,000 were issued by the Company to investors on 21 April 2009. The notes carried a fixed interest yield of 3.77% per annum and were issued at a price equal to the principal amount. The notes bear interest from 22 April 2009, payable annually in arrear on 22 April of each year (in case of statutory holiday or day off, payment will be postponed till the first working day after it), commencing on 22 April 2010.

The notes will mature on 22 April 2014 at their principal amount.

(ii) Notes issued by COSCO Pacific

Notes with principal amount of US$300,000,000 (equivalent to approximately RMB2,048,460,000) were issued by a subsidiary of COSCO Pacific to investors on 3 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 3 October 2003, payable semi-annually in arrear on 3 April and 3 October of each year, commencing on 3 April 2004. The notes are guaranteed unconditionally and irrevocably by COSCO Pacific and listed on Singapore Exchange Securities Trading Limited.

Unless previously redeemed or repurchased by COSCO Pacific, the notes will mature on 3 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 COSCO Pacific at any time in the event of certain changes affecting the taxes of certain jurisdictions.

25 Long-term borrowings (Continued)

Notes: (Continued)

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

	Less than one year RMB'000	2 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
As at 31 December 2009				
Total borrowings	41,968,659	14,614,041	64,349	56,647,049
Effect of interest rate swaps	—	(1,365,640)	—	(1,365,640)
	41,968,659	13,248,401	64,349	55,281,409
As at 31 December 2008 (restated)				
Total borrowings	22,191,718	3,400,245	—	25,591,963
Effect of interest rate swaps	—	(1,366,920)	—	(1,366,920)
	22,191,718	2,033,325	—	24,225,043

(e) The effective interest rates of long-term borrowings as at 31 December 2009 were as follows:

	2009			
	US$	RMB	EURO	SGD
Bank loans	0.7% to 2.5%	4.9% to 6.1%	—	2.3%
Loans from COSCO Finance	—	5.2% to 5.4%	—	—
Other loans	3.0%	—	1.5%	2.5% to 4.3%
Finance lease obligations	8.3%	—	—	—
Notes	6.0%	3.8%	—	—

	2008 (restated)		
	US$	RMB	EURO
Bank loans	1.8% to 2.9%	5.5% to 7.9%	—
Loans from COSCO Finance	—	5.2% to 5.4%	—
Other loans	6.5%	—	1.5%
Finance lease obligations	8.3%	—	—
Notes	6.0%	—	—

25 Long-term borrowings (Continued)

Notes: (Continued)

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

	Carrying amounts		Fair values	
	2009 RMB'000	2008 RMB'000 (Restated)	2009 RMB'000	2008 RMB'000 (Restated)
Bank loans	43,739,614	22,041,316	43,761,566	22,045,909
Loans from COSCO Finance	634,084	1,064,912	634,084	1,064,912
Other loans	121,279	148,760	121,279	148,760
Finance lease obligations	129,995	140,396	129,995	140,396
Notes	12,022,077	2,196,579	12,179,837	2,282,203
	56,647,049	25,591,963	56,826,761	25,682,180

The fair values are based on cash flows discounted by respective rates as set out in note 25(e) above.

(g) The carrying amounts of the long-term borrowings are denominated in the following currencies:

	2009 RMB'000	2008 RMB'000 (Restated)
US dollar	41,430,045	23,399,264
RMB	15,215,406	2,190,412
EURO	1,457	2,287
Singapore dollar	141	—
	56,647,049	25,591,963

(h) The secured bank loans, other loans and loans from COSCO Finance as at 31 December 2009, including loans of RMB456,655,000 (2008: RMB495,418,000) under Vessels Financing Lease Arrangements (note 6(f)), are secured, inter alia, by one or more of the following:

(i) First legal mortgage over certain property, plant and equipment of RMB17,734,420,000 (2008: RMB12,835,585,000) (notes 6(b) and 6(c));

(ii) Assignments of the charter, rental income and earnings and rights, requisition compensation, insurance relating to certain container vessels, dry bulk vessels and vessels under construction;

(iii) Shares of certain subsidiaries;

(iv) Bank accounts of certain subsidiaries.

25 Long-term borrowings (Continued)

Notes: (Continued)

(i) The Group entered into a finance lease arrangement pursuant to which the Group has an option to purchase the vessel at a consideration of US$7,200,000 (equivalent to approximately RMB49,163,000) prior to the expiry of the lease.

The finance lease payable is repayable in various instalments up to 2016. Interest is charged on the outstanding balance at 8.3% per annum.

As at 31 December 2009, the Group's finance lease payable was repayable as follows:

	2009 RMB'000	2008 RMB'000
Finance lease payable - minimum lease payments:		
– within one year	21,932	21,952
– in the second to fifth years	87,729	87,811
– after the fifth year	73,676	95,705
	183,337	205,468
Future finance charges on finance lease	(53,342)	(65,072)
Present value of finance lease payable	129,995	140,396

The present value of the finance lease payable is as follows:

	2009 RMB'000	2008 RMB'000
– within one year	11,116	10,272
– in the second to fifth years	54,527	50,392
– after the fifth year	64,352	79,732
	129,995	140,396

26 Provisions and other liabilities

	Group					Company
	Provision for one-off housing subsidies RMB'000 (note a)	Retirement benefit obligations RMB'000 (note b)	Provision for onerous contracts RMB'000 (note c,4(vi))	Deferred income and others RMB'000	Total RMB'000	Provision for one-off housing subsidies RMB'000
For the year ended 31 December 2009						
As at 1 January 2009	323,420	1,435,572	5,235,690	63,797	7,058,479	4,009
Utilised during the year	(37,767)	(171,385)	(4,165,589)	(43,849)	(4,418,590)	(4,009)
Unused amounts reversed	(20,324)	(43,230)	(1,069,901)	—	(1,133,455)	—
Provisions for the year	865	83,631	1,419,125	11,730	1,515,351	—
Currency translation differences	—	(18)	(295)	—	(313)	—
As at 31 December 2009	266,194	1,304,570	1,419,030	31,678	3,021,472	—
Less: current portion of provisions and other liabilities	(3,255)	(88,025)	(1,416,989)	(14,865)	(1,523,134)	—
Non-current portion of provisions and other liabilities	262,939	1,216,545	2,041	16,813	1,498,338	—
For the year ended 31 December 2008 (restated)						
As at 1 January 2008	253,592	1,439,419	—	54,463	1,747,474	—
Reclassification from other payables	40,538	—	—	—	40,538	—
Utilised during the year	(8,281)	(199,163)	—	—	(207,444)	—
Unused amounts reversed	—	(23,387)	—	—	(23,387)	—
Provisions for the year	37,571	224,137	5,249,667	9,334	5,520,709	4,009
Currency translation differences	—	(5,434)	(13,977)	—	(19,411)	—
As at 31 December 2008	323,420	1,435,572	5,235,690	63,797	7,058,479	4,009
Less: current portion of provisions and other liabilities	(72,236)	(84,801)	(5,235,690)	(15,494)	(5,408,221)	(4,009)
Non-current portion of provisions and other liabilities	251,184	1,350,771	—	48,303	1,650,258	—

26 Provisions and other liabilities (Continued)

Notes:

(a) The Group has provided one-off cash housing subsidies based on PRC regulations to those eligible employees who have not been allocated with staff quarters at all or who have not been allocated with quarters up to the prescribed standards before 31 December 1998 when the staff quarter allocation schemes were terminated. The subsidies are determined based on a staff member's years of service, position and other criteria. In addition, monthly cash housing allowances should be made to other employees following the withdrawal of allocation of staff quarters. The specific timetable and procedures of implementation of these policies are to be determined by the Group and approved by individual provincial or municipal governments based on the particular situation of the province or municipality.

(b) Retirement benefit obligations

	Group	
	2009	2008
	RMB'000	RMB'000
		(Restated)
Balance sheet obligations for:		
Multi-employer defined benefits plans for US employees (note (i))	**34,474**	56,117
Post-retirement benefits for PRC employees (note (ii))	**591,048**	611,382
Early-retirement benefits for PRC employees (note (ii))	**679,048**	768,073
	1,304,570	1,435,572
Expensed in income statement for (note 37):		
Multi-employer defined benefits plans for US employees (note (i))	**(21,625)**	13,611
Post-retirement benefits for PRC employees (note (ii))	**14,379**	80,036
Early-retirement benefits for PRC employees (note (ii))	**47,647**	107,103
	40,401	200,750

26 Provisions and other liabilities (Continued)

Notes: (Continued)

(b) Retirement benefit obligations (Continued)

(i) Multi-employer defined benefit plan

As the actuary is unable to provide sufficient information to the Group's proportional share of the defined benefit obligation and the assets and expenses associated with the multi-employer plan and there is no agreement on the future allocation of surplus/shortfall from the plan, the multi-employer defined benefit plan has been accounted for as a defined contribution plan.

(ii) Retirement benefits for PRC employees

The Group recognises a liability for the present value of the unfunded obligations relating to retirement benefits payable to certain normal retired or early retired employees in the consolidated balance sheet. The liability related to the benefit obligations for eligible retired employees existing at year end is calculated by the management of the Group, using the projected unit credit method. The actuarial liabilities of early retirement and post retirement as at 31 December 2009 totalled are RMB1,270,096,000 (2008 restated: RMB1,379,455,000).

Movements of the net liabilities recognised in the consolidated balance sheets are as follows:

	2009			2008 (Restated)		
	Early retirement RMB'000	Post retirement RMB'000	Total RMB'000	Early retirement RMB'000	Post retirement RMB'000	Total RMB'000
As at 1 January	768,073	611,382	1,379,455	772,792	605,754	1,378,546
Amounts charged to the consolidated income statement	69,224	14,407	83,631	123,427	87,099	210,526
Reversal of over provision	(21,577)	(28)	(21,605)	(16,324)	(7,063)	(23,387)
Benefits paid	(136,672)	(34,713)	(171,385)	(111,822)	(74,408)	(186,230)
As at 31 December	679,048	591,048	1,270,096	768,073	611,382	1,379,455

The amounts of retirement benefit costs recognised in the consolidated income statement comprise:

	2009			2008(Restated)		
	Early retirement RMB'000	Post retirement RMB'000	Total RMB'000	Early retirement RMB'000	Post retirement RMB'000	Total RMB'000
Interest cost	22,899	25,778	48,677	28,779	21,517	50,296
Past service costs	46,325	(11,371)	34,954	94,648	65,582	160,230
	69,224	14,407	83,631	123,427	87,099	210,526

26 Provisions and other liabilities (Continued)

Notes: (Continued)

(b) Retirement benefit obligations (Continued)

(ii) Retirement benefits for PRC employees (Continued)

The principal actuarial assumptions used were as follows:

	2009		2008 (Restated)	
	Early retirement	**Post retirement**	Early retirement	Post retirement
Discount rate	**3.0% - 4.3%**	**3.5% - 4.3%**	2.5% - 3.8%	3.5% - 3.8%
Pension benefits inflation rates	**0% - 10%**	**0% - 4.8%**	0% - 10%	0%-4.8%
Mortality rates	**note**	**note**	note	note

Note: Mortality rates for male and female were made reference to the China Life Insurance Mortality Table (2000-2003) published by the China Insurance Regulatory Commission in 2005.

(c) Provision for onerous contracts

As at 31 December 2009, the Group recognised a provision of RMB1,419,030,000 (2008: RMB5,235,690,000) for onerous contracts relating to the chartered-out dry bulk vessel contracts based on management's estimation basis as mentioned in note 4(vi).

As at 31 December 2009, the committed charterhire expenses of those non-cancellable chartered-in dry bulk vessel contracts with lease term expiring over 12 months from the balance sheet date of which management cannot reliably assess their onerous amounted to approximately RMB45,949,946,000 (2008: RMB59,585,487,000).

27 Trade and other payables

	Group		Company	
	2009	2008	2009	2008
	RMB'000	RMB'000 (Restated)	RMB'000	RMB'000
Trade payables (note a)				
– third parties	**5,382,995**	5,229,791	**—**	—
– subsidiaries of COSCO	**1,199,286**	547,190	**—**	—
– jointly controlled entities	**196,762**	42,231	**—**	—
– associates	**104,237**	12,935	**—**	—
– other related companies	**45,746**	101,275	**—**	—
	6,929,026	5,933,422	**—**	—
Bills payables (note a)	**208,075**	19,416	**—**	—
	7,137,101	5,952,838	**—**	—
Advances from customers	**2,483,550**	1,422,615	**—**	—
Other payables and accruals (note b)	**7,615,940**	7,443,101	**485,720**	131,611
Consideration payable to COSCO	**92,699**	—	**—**	—
Due to related parties (note d)				
– COSCO	**163**	178,800	**—**	—
– subsidiaries of COSCO	**217,760**	131,532	**—**	—
– jointly controlled entities	**29,650**	51,056	**—**	—
– associates	**14,087**	6,866	**—**	—
– other related companies	**100,636**	224,836	**—**	—
	362,296	593,090	**—**	—
Total	**17,691,586**	15,411,644	**485,720**	131,611

27 Trade and other payables (Continued)

Notes:

(a) As at 31 December 2009, the ageing analysis of trade and bills payables is as follows:

	2009 RMB'000	2008 RMB'000 (Restated)
1-6 months	6,761,981	5,612,807
7-12 months	169,162	166,230
1-2 years	160,932	81,152
2-3 years	20,791	40,302
Above 3 years	24,235	52,347
	7,137,101	5,952,838

Trade balances with related parties are unsecured, interest free and have similar terms of repayment as those of third party suppliers.

(b) Other payables and accruals

	Group		Company	
	2009 RMB'000	2008 RMB'000 (Restated)	2009 RMB'000	2008 RMB'000
Salary and welfare payables	1,799,719	1,781,768	199,586	114,622
Accruals for voyages costs	1,326,951	1,336,369	—	—
Accruals for vessel costs	2,215,552	1,032,584	—	—
Others	2,273,718	3,292,380	286,134	16,989
	7,615,940	7,443,101	485,720	131,611

(c) The carrying amounts of trade and other payables (excluding advances from customers) are denominated in the following currencies:

	2009 RMB'000	2008 RMB'000 (Restated)
US dollar	3,785,231	3,600,943
RMB	10,498,982	9,414,276
EURO	393,270	431,788
HK dollar	144,632	189,765
Other currencies	385,921	352,257
Total	15,208,036	13,989,029

(d) The amounts due to related companies are unsecured and interest free and have no fixed term of repayment.

(e) The carrying amounts of trade and other payables (excluding advances from customers) approximate their fair values.

28 Short-term borrowings

	2009 RMB'000	2008 RMB'000
Bank loans - unsecured (note a)	**3,702,529**	1,101,226
Loans from COSCO Finance- unsecured	**—**	251,921
Other loan- unsecured	**837**	1,276
	3,703,366	1,354,423

Notes:

(a) The effective interest rates of short-term borrowings as at 31 December 2009 were in the range of 1.26% to 5.31% (2008:1.71% to 6.33%) per annum.

(b) The carrying amounts of short-term borrowings approximate their fair values. The carrying amounts of the short-term borrowings are denominated in the following currencies:

	2009 RMB'000	2008 RMB'000
US dollar	**2,253,029**	1,064,397
RMB	**1,449,500**	288,750
EURO	**837**	1,276
	3,703,366	1,354,423

29 Other income/(expenses), net

	2009 RMB'000	2008 RMB'000 (Restated)
Dividend income from listed and unlisted investments	160,361	214,774
Subsidy income	530,530	86,412
Gain on disposal of property, plant and equipment, net		
– container vessels (note a)	21,474	195,515
– dry bulk vessels (note b)	173,451	392,350
– containers	3,761	36,852
– others	35,676	26,161
Loss on deemed partial disposal of a subsidiary	—	(190)
Gain on disposal of a subsidiary	436	261
Gain on disposal of available-for-sale financial assets	123,345	13,689
Gain on disposal of a jointly controlled entity and associates (note c)	41,291	2,093
Net gain/(loss) on derivatives at fair value through profit or loss		
– FFA	989,206	(4,120,762)
– interest rate swap contracts	—	1,175
– bunker forward contracts	—	121,489
Reversal of provision for impairment of trade and other receivables	180,667	16,584
Net exchange gain	97,258	235,843
Rental outgoings	(20,355)	(19,584)
Provision for impairment of trade and other receivables	(90,895)	(310,590)
Donations	(627)	(34,899)
Net gain on acquisition of a subsidiary	1,176	—
Others	(49,372)	213,187
Total	2,197,383	(2,929,640)

Notes:

(a) In 2009, the Group disposed of five container vessels to third parties for a net consideration of RMB68,715,000, resulting in a total gain of RMB21,474,000.

In 2008, the Group disposed of five container vessels to third parties for a net consideration of RMB243,524,000, resulting in a total gain of RMB195,515,000.

(b) In 2009, the Group disposed of eleven dry bulk vessels to third parties and one dry bulk vessel to a jointly controlled entity for a net consideration of RMB268,498,000, resulting in a total gain of RMB173,451,000.

In 2008, the Group disposed of three dry bulk vessels to third parties for a net consideration of RMB399,723,000, resulting in a total gain of RMB392,350,000.

(c) In 2009, COSCO Pacific, a subsidiary of the Group, entered into a sale and purchase agreement to dispose of its entire 20% shareholding interest in Shanghai CIMC Reefer Containers Co. Ltd ("Shanghai CIMC Reefer"), a then jointly controlled entity, at a consideration of US$16,400,000 (approximately RMB112,040,000) to CIMC, an associate. The transaction was completed in January 2009 and resulted in a profit of US$5,516,000 (approximately RMB37,684,000).

30 Expenses by nature

	2009 RMB'000	2008 RMB'000 (Restated)
Cost of services and inventories sold		
Container shipping and dry bulk shipping costs		
– Equipment and cargo transportation costs	11,965,969	14,693,414
– Voyage costs (note a)	13,716,305	20,634,634
– Vessel costs (note b)	25,254,555	46,227,336
– Provision for onerous contracts	1,419,125	5,249,667
– Others	2,279,064	1,736,538
Freight forwarding and shipping agency costs	15,770,228	19,039,801
Terminal operating and other direct costs	574,922	342,361
Cost of inventories sold	234,608	288,282
Container depreciation and other direct costs	660,170	608,496
Business tax	522,893	928,777
Total	72,397,839	109,749,306
Selling, administrative and general expenses		
Administrative staff costs	2,950,211	2,936,350
Depreciation and amortisation	298,444	284,182
Rental expense	162,990	160,361
Office expense	175,011	235,850
Transportation and travelling expense	197,496	225,017
Entertainment expense	152,238	181,833
Legal and professional fees	188,437	165,110
Telecommunication and utilities	97,158	95,462
Repair and maintenance expense	59,800	63,171
Others	388,636	376,391
Total	4,670,421	4,723,727

Notes:

(a) Voyage costs mainly comprised of bunkers, port charges and commission expenses.

(b) Vessel costs mainly comprised of operating lease rentals and depreciation of vessels.

31 Operating (loss)/profit

Operating (loss)/profit stated after charging the following:

	2009 RMB'000	2008 RMB'000 (Restated)
Auditors' remuneration	**56,014**	60,611
Amortisation		
– leasehold land and land use rights	**32,732**	38,392
– intangible assets	**56,821**	47,521
Cost of bunkers consumed	**9,724,520**	15,150,693
Cost of inventories sold		
– resaleable containers	**134,817**	223,807
– marine suppliers and others	**99,791**	64,475
Depreciation		
– container vessels	**996,159**	916,259
– dry bulk vessels	**1,280,623**	1,715,898
– containers	**539,770**	536,357
– other property, plant and equipment	**471,980**	450,882
– investment properties	**37,400**	30,930
Operating lease rentals		
– container vessels	**3,376,862**	3,198,328
– dry bulk vessels	**19,891,694**	33,459,838
– containers	**427,126**	754,948
– land and buildings	**206,315**	173,316
– other property, plant and equipment	**60,334**	63,296

32 Finance income and costs

	2009 RMB'000	2008 RMB'000 (Restated)
Finance income		
Interest income from:		
– deposits with COSCO Finance (note 18(c))	**(107,632)**	(176,421)
– loans to jointly controlled entities (note 13(a))	**(24,574)**	(10,807)
– loans to associates (note 13(b))	**(9,223)**	(7,977)
– banks	**(370,171)**	(697,962)
	(511,600)	(893,167)
Finance costs		
Interest expenses on:		
– bank loans	**789,241**	803,244
– other loans wholly repayable within five years	**4,697**	7,535
– loans with COSCO Finance (notes 25 and 28)	**63,563**	31,807
– finance lease obligations (note 25(i))	**11,833**	12,685
– amounts due to a fellow subsidiary	**—**	19,979
– amounts due to COSCO Group	**—**	4,237
– notes (note 25(c))	**358,098**	112,094
Fair value loss/(gain) on derivative financial instruments	**52,321**	(136,127)
Fair value adjustment of notes attributable to interest rate risk	**(44,857)**	144,389
	7,464	8,262
	1,234,896	999,843
Amortised amount of transaction costs on long-term borrowings	**40,235**	11,726
Amortised amount of discount on issue of notes	**1,230**	1,321
Other incidental borrowing costs and charges	**46,798**	41,459
Less: amount capitalised in construction in progress (note 6(h))	**(79,949)**	(34,418)
	1,243,210	1,019,931
Net finance costs	**731,610**	126,764

33 Income tax expenses

	2009 RMB'000	2008 RMB'000 (Restated)
Current income tax		
– PRC enterprise income tax (note a)	**263,541**	3,487,245
– Hong Kong profits tax (note b)	**2,159**	1,787
– Overseas taxation (note c)	**63,683**	102,034
Over provision in prior years	**(23,055)**	(95,276)
	306,328	3,495,790
Deferred income tax (note 16)		
– Origination/(reversal) of temporary differences	**144,258**	(521,934)
	450,586	2,973,856

The Group's share of income tax expenses of jointly controlled entities and associates for the year totalling RMB100,151,000 (2008:RMB162,558,000) and RMB78,423,000 (2008:RMB90,545,000) are included in the consolidated income statement as share of profits of jointly controlled entities and associates respectively.

Notes:

(a) PRC enterprise income tax ("EIT")

The provision for EIT is based on the statutory rate of 25% on the assessable income of each of the PRC companies of the Group as determined in accordance with the relevant PRC income tax rules and regulations for the year, except for certain PRC companies, which are taxed at reduced rates ranging from 10% to 20% (2008: 12.5% to 20%) based on different local preferential policies on income tax and approval by relevant tax authorities.

(b) Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profits derived from or arising in Hong Kong for the year.

(c) Overseas taxation

Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates. These rates range from 15% to 46% (2008: 15% to 46%) during the year.

33 Income tax expenses (Continued)

Notes: (Continued)

(d) The taxation on the Group's (loss)/profit before income tax differs from the theoretical amount that would arise using the tax rate of the home country of the Company as follows:

	2009 RMB'000	2008 RMB'000 (Restated)
(Loss)/profit before income tax	(6,213,500)	15,670,552
Less: Share of profits less losses of jointly controlled entities and associates	(926,473)	(1,361,073)
	(7,139,973)	14,309,479
Calculated at a tax rate of 25% (2008: 25%)	(1,784,993)	3,577,370
Effect of differential tax rates of domestic and overseas entities	(176,053)	(677,923)
Income not subject to income tax	(631,927)	(514,736)
Expenses not deductible for taxation purposes	730,397	532,928
Utilisation of previously unrecognised tax losses	(12,597)	(26,545)
Tax losses not recognised	2,260,050	325,804
Derecognition of previously recognised tax losses	12,591	—
Recognition of previously unrecognised tax losses	—	(2,783)
Effect of exchange losses directly recognised in equity	(23,237)	(227,729)
Over provision in prior years	(23,055)	(95,276)
Other temporary differences not recognised	99,410	82,746
Income tax expenses	450,586	2,973,856

33 Income tax expenses (Continued)

Notes: (Continued)

(e) The tax (charge)/credit relating to components of other comprehensive income are as follows:

	2009 Before tax RMB'000	2009 Tax (charge)/ credit RMB'000	2009 After tax RMB'000	2008 Before tax RMB'000	2008 Tax (charge)/ credit RMB'000	2008 After tax RMB'000
Available-for-sale financial assets						
– fair value gains/(losses)	226,522	32,326	258,848	(2,035,679)	89,705	(1,945,974)
– transferred to consolidated income statement upon sale	(81,651)	20,413	(61,238)	(19,321)	4,830	(14,491)
Cash flow hedges						
– fair value gains/(losses)	29,979	(11,780)	18,199	(28,754)	11,780	(16,974)
– transferred to consolidated income statement	–	–	–	(321,632)	80,408	(241,224)
Share of reserves of jointly controlled entities and associates	127,957	–	127,957	(219,004)	–	(219,004)
Release of reserves upon						
– disposal of a jointly controlled entity	–	–	–	(1,602)	–	(1,602)
– deemed disposals	–	–	–	819	–	819
Currency translation differences	84,982	–	84,982	(2,828,171)	–	(2,828,171)
Other movement	227,854	(75,541)	152,313	–	–	–
Other comprehensive income for the year	615,643	(34,582)	581,061	(5,453,344)	186,723	(5,266,621)
Current tax		20,413			85,238	
Deferred tax (note 16)		(54,995)			101,485	
Total		(34,582)			186,723	

(f) Business tax

Pursuant to various PRC business tax rules and regulations, the Group is required to pay business tax to relevant local tax bureaus as below.

Revenues derived from container shipping and bulk business for inbound shipment and freight forwarding and shipping agencies, and terminal operations provided by the Group in the PRC are subject to business tax at rates ranging from 3% to 5% during the year. The related business tax is included in the cost of services.

34 (Loss)/profit attributable to equity holders of the Company

The loss attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of RMB129,821,000 (2008: profit of RMB5,774,219,000).

35 Distributions and dividends

(a) Distributions

	2009 RMB'000	2008 RMB'000
Consideration in connection with the purchase of		
– COSCON overseas companies (note 43(f))	–	9,940
– COSCO Shanghai group (note 43(d))	232,699	–
– Shipping Agency Qinzhou	850	–
	233,549	9,940

These represented consideration paid by the Group for acquisition of equity interests in subsidiaries from COSCO Group. These acquisitions were regarded as business combinations under common control.

(b) Dividends

	2009 RMB'000	2008 RMB'000
Final, proposed, of RMB Nil (2008: RMB0.29) per share	–	2,962,720

Note:

At the meeting held on 22 April 2010, no dividend was proposed for the year ended 31 December 2009.

The aggregate amounts of the dividends paid and proposed for 2009 and 2008 have been disclosed in the consolidated income statement in accordance with the Hong Kong Companies Ordinance.

36 (Loss)/earnings per share

The calculation of the basic and diluted (loss)/earnings per share is calculated based on the (loss)/profit attributable to equity holders of the Company divided by the number of shares in issue during the year:

	2009	2008 (Restated)
(Loss)/profit attributable to equity holders of the Company (RMB)	(7,467,812,000)	11,606,134,000
Number of ordinary shares in issue	10,216,274,357	10,216,274,357
Basic and diluted (loss)/earnings per share (RMB)	(0.7310)	1.1360

There is an anti-dilutive effect on the (loss)/profit attributable to equity holders of the Company if all the outstanding share options granted by COSCO Pacific, a subsidiary, had been exercised. Accordingly, there is no adjustment on the (loss)/profit attributable to equity holders of the Company used for calculating the diluted (loss)/earnings per share.

37 Staff costs

An analysis of staff costs, including Directors', supervisors' and key management's emoluments, is set out below:

	2009 RMB'000	2008 RMB'000 (Restated)
Wages, salaries and crew expenses (including bonus and share-based payments)	**4,495,166**	4,513,713
Housing benefits (note a)	**299,842**	247,318
Retirement benefits costs		
– defined benefit plans (including multi-employer defined benefit plans) (note 26(b))	**40,401**	200,750
– defined contribution plans (note b)	**658,380**	554,324
Welfare and other expenses	**1,158,469**	915,191
	6,652,258	6,431,296

Notes:

(a) These include contributions to PRC government sponsored housing funds (at rates ranging from 5% to 22% of the employees' basic salaries) for full time employees in the PRC during the year.

(b) The employees of the subsidiaries in the PRC participate in various retirement contribution plans organised by the relevant municipal and provincial governments in the PRC under which the Group was required to make monthly contributions to these plans at rates ranging from 5% to 22%, dependent on the applicable local regulations, of the employees' basic salaries for the year.

In addition, the Group participates in various defined contribution retirement schemes for its qualified employees in certain countries outside the PRC. Employees' and employers' contributions are calculated based on various percentages of employees' gross salaries or fixed sums and length of service. The assets of the schemes are held separately from those of the administered funds independently.

No forfeited contributions were available as at 31 December 2009 and 2008 to reduce future contributions.

Contributions totalling RMB172,754,000 (2008: RMB433,694,000) payable to various retirement benefit plans as at 31 December 2009 are included in trade and other payable.

(c) The staff costs disclosed above do not include staff quarters provided to the Directors, supervisors and the Group's key managements during the year. Further details of the Directors, supervisors and key management's emoluments are disclosed in note 38 of the Consolidated Financial Statements.

38 Emoluments of Directors, supervisors and senior management

(a) Directors', supervisors' and senior management's emoluments

Details of the emoluments paid and payable to the Directors, supervisors and senior management of the Company by the Group in respect of their services rendered for managing the business of the Group during the year are as follows:

	2009 RMB'000	2008 RMB'000
Independent non-executive directors		
– fees	1,273	1,173
Executive and other non-executive directors		
– fees	1,358	1,363
– salaries and allowances	1,980	5,949
– benefits in kind	36,461	(37,302)
	39,799	(29,990)
Supervisors		
– salaries and allowances	2,317	2,510
– benefits in kind	10,650	(10,571)
– retirement benefit contributions	52	47
– others	137	—
	13,156	(8,014)
Senior management		
– salaries and allowances	7,696	12,616
– benefits in kind	14,708	(8,524)
– discretionary bonuses	616	663
– retirement benefit contributions	131	118
– others	277	—
	23,428	4,873
	77,656	(31,958)

Benefits in kind for the year ended 31 December 2009 disclosed above mainly included amortised cost and change in fair value with a net debit of RMB 60,973,000 (2008: a net credit of RMB71,518,000) on outstanding SARs not yet exercised by Directors, supervisors and senior management. The benefits in kind for the year ended 31 December 2008 also included cash receivable from exercising SARs of RMB14,426,000 by Directors, supervisors and senior management.

Details of SAR scheme refer to notes 23(b).

38 Emoluments of Directors, supervisors and senior management (Continued)

(b) Directors' emoluments

Details of the remuneration of each of the Directors are set out below:

	Year ended 31 December 2009			
Name of Directors	Fees RMB'000	Salaries and allowances RMB'000	Benefits in kind RMB'000	Total RMB'000
Mr. Wei Jiafu	—	720	7,631	8,351
Mr. Zhang Fusheng	—	660	6,762	7,422
Mr. Zhang Liang	191	50	1,566	1,807
Mr. Li Jianhong	368	—	5,058	5,426
Mr. Xu Lirong	314	—	4,476	4,790
Ms. Sun Yueying	329	—	5,058	5,387
Mr. Chen Hongsheng	156	550	5,910	6,616
Ms. Li Boxi	315	—	—	315
Mr. Hamilton Alexander Reid	327	—	—	327
Mr. Cheng Mo Chi	327	—	—	327
Mr. Teo Siong Seng	304	—	—	304
	2,631	1,980	36,461	41,072

38 Emoluments of Directors, supervisors and senior management (Continued)

(b) Directors' emoluments (Continued)

	Year ended 31 December 2008			
Name of Directors	Fees	Salaries and allowances	Benefits in kind	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Wei Jiafu	77	2,163	(9,149)	(6,909)
Mr. Zhang Fusheng	—	2,009	(6,059)	(4,050)
Mr. Chen Hongsheng	119	1,777	(5,555)	(3,659)
Mr. Li Jianhong	348	—	(6,072)	(5,724)
Mr. Xu Lirong	307	—	(5,110)	(4,803)
Mr. Zhang Liang	198	—	(305)	(107)
Ms. Sun Yueying	314	—	(5,052)	(4,738)
Ms. Li Boxi	278	—	—	278
Mr. Tsao Wenking (note (ii))	105	—	—	105
Mr. Hamilton Alexander Reid	302	—	—	302
Mr. Cheng Mo Chi	302	—	—	302
Mr. Teo Siong Seng (note (iii))	186	—	—	186
	2,536	5,949	(37,302)	(28,817)

Notes:

(i) During the year, no emoluments were paid by the Group to any of the Directors as an inducement to join or upon joining the Group or as compensation for loss of office. No Directors of the Company waived or agreed to waive any emoluments during the year.

(ii) The Director resigned in 2008.

(iii) The Director was appointed in June 2008.

38 Emoluments of Directors, supervisors and senior management (Continued)

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group during the year are as follows:

	Number of individuals	
	2009	2008
Directors	4	—
Employees	1	5
	5	5

The details of emoluments paid to the five highest paid individuals, have included four (2008: nil) Directors of the Company as disclosed in note 38(b) above. Details of emoluments paid to the remaining one (2008: five) highest paid non-director individuals for the year ended 31 December 2009 are as follows:

	2009	2008
	RMB'000	RMB'000
– Salaries and allowances	4,432	11,901
– Benefits in kind	1,067	(123)
– Discretionary bonuses	616	2,867
– Retirement benefit contributions	—	33
– Others	146	—
	6,261	14,678

The emoluments of the above non-director individuals fell within the following bands:

	Number of individuals	
	2009	2008
HK$2,000,001 to HK$2,500,000 (equivalent to approximately RMB1,760,000 to RMB 2,200,000)	—	1
HK$2,500,001 to HK$3,000,000 (equivalent to approximately RMB2,200,000 to RMB 2,640,000)	—	2
HK$3,000,001 to HK$3,500,000 (equivalent to approximately RMB2,640,000 to RMB 3,080,000)	—	1
HK$3,500,001 to HK$6,000,000 (equivalent to approximately RMB4,840,000 to RMB5,280,000)	—	1
HK$6,000,001 to HK$7,500,000 (equivalent to approximately RMB5,280,000 to RMB6,650,000)	1	—
	1	5

Notes to the Consolidated Financial Statements

39 Notes to the consolidated cash flow statement

(a) Reconciliation of (loss)/profit before income tax to cash (used in)/generated from operations:

	2009 RMB'000	2008 RMB'000 (Restated)
(Loss)/profit before income tax	**(6,213,500)**	15,670,552
Depreciation		
– property, plant and equipment	**3,288,532**	3,619,396
– investment properties	**37,400**	30,930
Amortisation		
– intangible assets	**56,821**	47,521
– leasehold land and land use rights	**32,732**	38,392
Amortised amount of transaction costs on long-term borrowings and discount on issue of notes	**41,465**	13,047
Dividend income from listed and unlisted investments	**(160,361)**	(214,774)
Share of profits less losses of		
– jointly controlled entities	**(567,136)**	(766,487)
– associates	**(359,337)**	(594,586)
Gain on disposal of available-for-sale financial assets	**(123,345)**	(13,689)
Interest expenses	**1,154,947**	965,425
Interest income	**(511,600)**	(893,167)
Loss on deemed disposal of a subsidiary	**—**	190
Net gain on disposal of property, plant and equipment	**(234,362)**	(650,878)
Net gain on disposal of jointly controlled entities and associates	**(41,291)**	(2,093)
Net gain of disposal of a subsidiary	**(436)**	(261)
Net gain of acquisition a subsidiary	**(1,176)**	—
Other incidental borrowing costs and charges	**46,798**	41,459
Provision for onerous contracts	**1,419,125**	5,249,667
Net exchange gain	**(97,258)**	(235,843)
Operating (loss)/profit before working capital changes	**(2,231,982)**	22,304,801
(Increase)/decrease in inventories	**(34,761)**	207,238
Decrease in trade and other receivables	**768,191**	3,885,990
Increase/(decrease) in trade and other payables	**2,074,628**	(2,315,675)
Decrease in other tax payable	**(42,653)**	(59,951)
Decrease in finance lease receivables	**6,492**	5,354
(Decrease)/increase in provisions and other liabilities	**(5,456,132)**	61,338
Changes on financial instruments at fair value through profit or loss	**(3,499,368)**	5,217,149
Changes on other financial assets at fair value through profit or loss	**(2,800)**	1,794
Cash (used in)/generated from operations	**(8,418,385)**	29,308,038

39 Notes to the consolidated cash flow statement (Continued)

(b) Major non-cash transactions

Dividend receivable from a jointly controlled entity of RMB219,434,000 (2008: RMB108,490,000) were reclassified as additional investment of a jointly controlled entity and loan to a jointly controlled entity, respectively.

(c) Analysis of changes in financing during the year

	Share capital (including capital reserve) RMB'000	Borrowings RMB'000	Non-controlling interests RMB'000
As at 1 January 2009, as restated	48,087,908	26,946,386	9,762,815
Currency translation differences	—	(60,661)	37,250
Amortised amount of transaction costs on long-term borrowings and discount on issue of notes	—	41,465	—
Drawdown of borrowings	—	51,073,229	—
Repayment of borrowings	—	(17,609,147)	—
Effect of fair value hedge	—	(44,857)	—
Establishment of new subsidiaries	—	—	13,950
Acquisition of subsidiaries	—	4,000	7,735
Acquisition of additional interests in subsidiaries	12,605	—	3,773
Available-for-sale of financial assets			
– fair value gain	—	—	178,086
– tax on fair value gain	—	—	(6,936)
– transfer to consolidated income statement upon sale	—	—	(287)
Share of reserves of jointly controlled entities and associates	—	—	67,510
Disposal of subsidiaries	—	—	(7,718)
Non-controlling interests' share of profit	—	—	803,726
Dividends paid to non-controlling shareholders of subsidiaries	—	—	(420,509)
Contributions from non-controlling shareholders of subsidiaries	—	—	157,348
Acquisition from non-controlling shareholders	—	—	(4,271)
As at 31 December 2009	48,100,513	60,350,415	10,592,472

39 Notes to the consolidated cash flow statement (Continued)

(c) Analysis of changes in financing during the year (Continued)

	Share capital (including capital reserve) RMB'000	Borrowings RMB'000	Amounts due to a fellow subsidiary RMB'000	Non-controlling interests RMB'000
As at 1 January 2008, as restated	48,894,136	20,127,690	536,779	10,565,750
Currency translation differences	—	(1,249,909)	(24,847)	(421,168)
Amortised amount of transaction costs on long-term borrowings and discount on issue of notes	—	13,047	—	—
Drawdown of borrowings	—	15,395,963	—	—
Repayment of borrowings	—	(7,421,129)	—	—
Effect of fair value hedge	—	144,389	—	—
Principal repayment of finance lease obligations	—	(9,652)	—	—
Reclassification of jointly controlled entities to subsidiaries	—	—	—	85,453
Acquisition of a subsidiary	—	261,200	—	70,740
Repayment of amount due to a fellow subsidiary	—	—	(511,932)	—
Release of reserve upon				
– disposal of a jointly controlled entity	—	—	—	(786)
– deemed disposals	(632)	—	—	3,143
Available-for-sale of financial assets				
– fair value loss	—	—	—	(705,634)
– tax on fair value loss	—	—	—	1,024
– transfer to consolidated income statement upon sale	—	—	—	(7,247)
Share of reserves of jointly controlled entities and associates	—	—	—	(156,007)
Disposal of a subsidiary	—	—	—	(5,517)
Non-controlling interests' share of profit	—	—	—	1,090,562
Dividends paid to non-controlling shareholders of a subsidiary	—	—	—	(888,641)
Contributions from non-controlling shareholders of subsidiaries	—	—	—	131,552
Acquisition of shares in non-controlling shareholders	—	—	—	(13,306)
Distributions	—	—	—	12,897
Capital restructuring of a subsidiary prior to acquisition by the Group	(805,596)	(315,213)	—	—
As at 31 December 2008	48,087,908	26,946,386	—	9,762,815

39 Notes to the consolidated cash flow statement (Continued)

(d) Acquisition of subsidiaries

On 15 March 2008, a subsidiary of the Group acquired a terminal operation in Jinjiang, Quanzhou, the PRC, for a consideration of RMB280,189,000.

On 28 February 2009, the Group increased its equity interests in Shanghai Ocean Radio Co., Ltd by 40% and the entity became a 75% owned subsidiary of the Group. The consideration for the acquisition was RMB9,653,000.

On 1 June 2009, the Group increased its equity interests in Tianjin Ocean FPD Savills Property Management Company Limited by 45% and the entity became a 100% owned subsidiary of the Group. The consideration for the acquisition was RMB606,000.

On 31 August 2009, the Group increased its equity interests in Qingdao Ocean Hotel Co., Ltd. by 33% and the entity became a 100% owned subsidiary of the Group. The consideration for the acquisition was RMB165,537,000.

The assets and liabilities as at the date of acquisition are as follows:

	2009	2008
	Fair value	Fair value
	RMB'000	RMB'000
Property, plant and equipment	**177,681**	589,760
Leasehold land and land use rights	**372,627**	99,518
Intangible assets	**—**	149
Inventories	**20,431**	—
Trade and other receivables	**36,095**	21,888
Bank deposits and cash and cash equivalents	**8,200**	574
Short-term borrowings	**(4,000)**	—
Trade and other payables	**(78,941)**	(99,760)
Long-term borrowings	**—**	(239,000)
Current portion of long-term borrowings	**—**	(22,200)
Tax payable	**(154)**	—
Deferred income tax liabilities	**(75,541)**	—
	456,398	350,929
Non-controlling interests	**(7,735)**	(70,740)
Fair value of net assets	**448,663**	280,189
Less:		
Share of net assets held by the Group before acquisition	**(145,849)**	—
Gain on previously held interests by the Group	**(153,489)**	—
Goodwill (note 9)	**26,471**	—
Total purchase consideration	**175,796**	280,189

39 Notes to the consolidated cash flow statement (Continued)

(d) Acquisition of subsidiaries (Continued)

Purchase consideration	2009 RMB'000	2008 RMB'000
Cash	175,796	197,328
Amounts due to non-controlling shareholders	—	82,861
	175,796	280,189

Analysis on net cash outflow on cash equivalent on acquisition of subsidiaries:

	RMB'000	RMB'000
Purchase consideration settled in cash during the year	(175,796)	(197,328)
Cash and cash equivalents in acquired subsidiaries	8,200	574
Net cash outflow on acquisition	(167,596)	(196,754)

The acquired business contributed revenues of RMB57,355,000 and a profit of RMB11,373,000 to the Group for the year since the date of acquisition. If the acquisition had occurred on 1 January 2009, the Group's revenues for the year ended 31 December 2009 would have been increased by RMB16,544,000; however, the Group's profit would have no significant impact.

39 Notes to the consolidated cash flow statement (Continued)

(e) Disposal of subsidiaries

On 26 December 2008, the Group disposed of its entire 51% equity interest in Qingdao Yatao International Freight Co., Ltd. for a consideration of RMB6,004,000.

On 31 August 2009, the Group disposed of its 60% equity interest in Shanghai Yuanjiang Container Shipping Co., Ltd. for a consideration of RMB6,835,000.

On 31 December 2009, the Group liquidated Dalian Goldenrock Container Cargo Transportation Service Co., Ltd., a wholly owned subsidiary.

On 31 December 2009, the Group disposed of its 65% equity interest in COSCO Beijing United Auto-logistics Co., Ltd for a consideration of RMB6,422,000.

Net cash outflow in respect of disposal of subsidiaries is analysed as follows:

	2009 RMB'000	2008 RMB'000
Property, plant and equipment	5,953	104
Inventory	46	—
Trade and other receivables	2,262	7,133
Deferred income tax assets	53	—
Bank deposits and cash and cash equivalents	19,463	8,094
Trade and other payables	(2,116)	(4,115)
Tax payable	(51)	44
Net assets disposed of	25,610	11,260
Less: Non-controlling interests disposed of	(7,718)	(5,517)
	17,892	5,743
Cash consideration	13,257	6,004
Less: Cash and cash equivalents disposed of	(19,463)	(8,094)
Net cash outflow on disposal of subsidiaries	(6,206)	(2,090)

40 Reclassification of jointly controlled entities to subsidiaries

In 2008, assets and liabilities arising from the reclassification from jointly controlled entities as subsidiaries are as follows:

Fair value at date of business combination	As at 1 January 2008 Note RMB '000
Property, plant and equipment	116,695
Leasehold land and land use rights	16,081
Intangible assets	434
Trade and other receivables	177,046
Bank deposits and cash and cash equivalents	106,032
Other assets	19,509
Trade and other payables	(250,936)
Tax payable	(4,134)
	180,727
Non-controlling interests	(85,453)
Reclassification of interest originally held by the Group as jointly controlled entities	95,274

Note: On 1 January 2008, the Memorandum and Articles of Association of Qingdao Daya Logistics ("Qingdao Daya") and Ningbo Golden Sanli Reefer Co., Ltd ("Ningbo Golden") were revised to reflect the Group's power to govern their financial and operating policies. Qingdao Daya and Ningbo Golden were previously jointly controlled entities and since then, the Group has accounted for Qingdao Daya and Ningbo Golden as subsidiaries.

The two jointly controlled entities above were reclassified to subsidiaries on 1 January 2008 and contributed revenues of RMB252,020,000 and profit of RMB84,320,000 for the year.

41 Contingent liabilities

	2009 RMB'000	2008 RMB'000
Pending lawsuits (note c)	**14,375**	31,944

Notes:

(a) In 2003, the Group was involved in a personal injury case in which a truck was involved in a traffic accident in Illinois, the US, resulting in death and injury of a number of individuals. Upon advice of US legal counsel, the Directors consider that the exposure liable to the Group, if any, is fully covered by the Group's insurance policies.

(b) On 19 October 2009, a statement of claim approximately EURO5.8 million (equivalent to approximately RMB56,823,000) in total was issued by Aronis-Drettas-Karlaftis Consultant Engineers S.A. as the plaintiff against COSCO Pacific and Piraeus Container Terminal S.A. ("Piraeus Terminal"), a wholly owned subsidiary of COSCO Pacific, in a civil claim at the Court of First Instance in Greece alleging non-payment of fees for design services and project management services (the "Claims"). Having taken the legal advice, the Directors are of the view that the COSCO Pacific and Piraeus Terminal have good defences on all material claims. However, at this stage, it is not possible to predict the outcome of this litigation with certainty and thus no provision has been made for the Claims.

(c) The Group is subject to other claims in respect of a number of litigations currently under way. The litigations are, including but not limited to, claims arising from damage to vessels during transportation, loss of goods, delay in delivery, collusion of vessels and early termination of vessel chartering contracts.

As at 31 December 2009, other than the amounts disclosed above, the Group is unable to ascertain the likelihood and amounts of the other claims. However, based on advice of legal counsel and/or information available to the Group, the Directors are of the opinion that, while the claims have not been provided for in the Consolidated Financial Statements or included in the contingent liabilities as disclosed above, either the Group's insurance coverage is adequate to cover any final claims to be settled or the final claims amounts will be insignificant to the Group.

42 Commitments

(a) Capital commitments

Group

	2009 RMB'000	2008 RMB'000
Authorised but not contracted for		
Containers	887,700	612,004
Other property, plant and equipment	1,974,305	3,361,403
Intangible assets	8,660	5,539
	2,870,665	3,978,946
Contracted but not provided for		
Containers	12,427	43,659
Containers vessels and dry bulk vessels	24,793,490	32,030,504
Other property, plant and equipment	1,852,259	932,324
Investments (note i)	3,963,531	4,403,451
Intangible assets	25,893	69,567
	30,647,600	37,479,505

Company

As at 31 December 2009, the Company has contracted capital commitments not provided for in relation to the acquisition of COSCO Logistics from COSCO Pacific Logistics Company Limited ("COSCO Pacific Logistics"), a wholly owned subsidiary of COSCO Pacific, amounted to RMB2,000,000,000 (note 44).

42 Commitments (Continued)

(a) Capital commitments (Continued)

Notes:

(i) The Group's contracted investments as at 31 December 2009 are as follows:

	2009 RMB'000	2008 RMB'000
Investments in:		
– Qingdao Qianwan Container Terminal Co., Ltd.	443,813	444,228
– Antwerp Gateway NV	474,328	515,944
– Dalian Port Container Terminals Co., Ltd	292,001	292,001
– COSCO Ports (Nansha) Limited	1,215,563	1,215,561
– Tianjin Port Euroasia International Container Terminal Co., Ltd.	702,000	702,002
– Piraeus container Terminal S.A.	—	403,672
– Others	403,683	397,897
	3,531,388	3,971,305
Terminal projects in:		
– Shanghai Yangshan Port Phase II	400,003	400,000
– Others	32,140	32,146
	432,143	432,146
	3,963,531	4,403,451

(ii) Amounts of capital commitments relating to the Group's interest in the jointly controlled entities not included in the above are as follows:

	2009 RMB'000	2008 RMB'000
Authorised but not contracted for	61,215	60,630
Contracted but not provided for	38,661	71,320
	99,876	131,950

42 Commitments (Continued)

(b) Operating lease arrangement - where the Group is the lessor

As at 31 December 2009, the Group had future minimum lease receipts under non-cancellable operating leases as follows:

	2009 RMB'000	2008 RMB'000 (Restated)
Containers vessels and dry bulk vessels		
– not later than one year	5,916,954	6,220,072
– later than one year and no later than five years	1,371,516	3,330,924
– later than five years	483,078	950,029
	7,771,548	10,501,025
Containers (note)		
– not later than one year	357,122	325,764
– later than one year and no later than five years	732,038	847,197
– later than five years	171,627	117,911
	1,260,787	1,290,872
Investment properties and other properties, land and building		
– not later than one year	17,010	36,645
– later than one year and no later than five years	6,557	19,773
– later than five years	453	2,488
	24,020	58,906
Other property, plant and equipment		
– not later than one year	4,826	844
– later than one year and no later than five years	6,470	24
– later than five years	1,253	—
	12,549	868
	9,068,904	11,851,671

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

42 Commitments (Continued)

(c) Operating lease commitments - where the Group is the lessee

As at 31 December 2009, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Group		Company	
	2009	2008	2009	2008
	RMB'000	RMB'000 (Restated)	RMB'000	RMB'000
Containers vessels and dry bulk vessels				
– not later than one year	17,869,468	21,967,038	–	–
– later than one year and no later than five years	43,633,366	50,408,691	–	–
– later than five years	27,926,804	36,632,236	–	–
	89,429,638	109,007,965	–	–
Concession (note 17(a))				
– not later than one year	234,419	–	–	–
– later than one year and no later than five years	1,148,053	–	–	–
– later than five years	30,803,990	–	–	–
	32,186,462	–	–	–
Containers (note)				
– not later than one year	323,282	440,383	–	–
– later than one year and no later than five years	467,567	663,511	–	–
	790,849	1,103,894	–	–

42 Commitments (Continued)

(c) Operating lease commitments - where the Group is the lessee (Continued)

	Group		Company	
	2009 RMB'000	2008 RMB'000 (Restated)	2009 RMB'000	2008 RMB'000
Land and buildings				
– not later than one year	118,566	189,369	38,239	4,715
– later than one year and no later than five years	187,549	254,532	–	–
– later than five years	181,017	110,822	–	–
	487,132	554,723	38,239	4,715
Other property, plant and equipment				
– not later than one year	90,807	14,139	–	–
– later than one year and no later than five years	138,586	21,904	–	–
– later than five years	6,005	–	–	–
	235,398	36,043	–	–
	123,129,479	110,702,625	38,239	4,715

Note: After the disposal of certain containers in 2008, 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. The lessor calculated the rent payable by the Group, which was determined on the terms agreed with both parties on an arm's length basis.

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

43 Significant related party transactions

The Company is controlled by COSCO, the parent company and a state-owned enterprise established in the PRC.

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

For the purpose of the related party transaction disclosures, the Directors believes that it is meaningful to disclose the related party transactions with COSCO group companies for the interests of financial statements users, although those transactions are exempted from disclosure upon the early adoption of HKAS 24 (Revised). The Directors believe that the information of related party transactions has been adequately disclosed in the Consolidated Financial Statements.

In addition to the related party information and transactions disclosed elsewhere in the Consolidated Financial Statements, the following is a summary of significant related party transactions entered into the ordinary course of business between the Group and its related parties during the year.

43 Significant related party transactions (Continued)

	2009 RMB'000	2008 RMB'000 (Restated)
Transactions with COSCO		
Revenues		
Management fee income (note a)	17,249	—
Expenses		
Sub-charter expenses (note b)	130,916	133,811
Rental expenses (note c)	26,306	9,431
Others		
Purchase of equity interests in COSCO Shanghai (note d)	232,699	—
Transactions with subsidiaries of COSCO and its related entities (including jointly controlled entities and associates)		
Revenues		
Container shipping income (note c)	171,319	253,363
Freight forwarding and shipping agency income (note c)	7,892	11,798
Charterhire income (note c)	54,558	57,665
Vessel services income (note c)	33,596	12,922
Manning income (note c)	75,361	70,981
Vessel management income (note c)	5,428	6,013
Expenses		
Vessel costs		
Sub-charter expenses (note b)	412,699	438,643
Charterhire expenses (note c)	92,457	240,133
Vessel services expenses (note c)	424,626	976,408
Crew expenses (note c)	42,045	47,795
Voyage costs		
Bunker costs (note c)	8,045,003	11,987,391
Port charges (note c)	539,673	727,888
Equipment and cargo transportation costs		
Commission and rebates (note c)	186,496	304,430
Cargo and transhipment and equipment and repositioning expenses (note c)	147,911	177,588
Freight forwarding expenses (note c)	7,213	4,527
Logistics related expenses (note c)	4,593	36,856
General service expenses (note c)	38,412	33,007
Management fee expenses (note c)	15,398	26,892
Rental expenses (note c)	56,334	53,721

43 Significant related party transactions (Continued)

	2009 RMB'000	2008 RMB'000 (Restated)
Transactions with subsidiaries of COSCO and its related entities (including jointly controlled entities and associates) (Continued)		
Others		
Installments paid for ship building contracts (note e)	3,792,250	6,280,767
Purchase of equity interests in Shipping Agency Qinzhou (note d)	850	—
Purchase of equity interests in certain overseas companies (note f)	—	9,940
Transactions with jointly controlled entities of the Group		
Revenues		
Freight forwarding and shipping agency income (note c)	2,373	14,376
Charterhire income (note c)	359,139	417,174
Management fee and service fee income (note c)	26,473	30,187
Handling, storage and transportation income (note c)	8,601	8,679
Vessel services income (note c)	—	905
Manning income (note c)	19,381	20,465
Expenses		
Vessel costs		
Charterhire expenses (note c)	—	53,795
Vessel service expenses (note c)	101	86
Voyage costs		
Port charges (note c)	640,473	1,022,911
Equipment and cargo transportation costs		
Commission and rebates (note c)	372	174
Freight forwarding expenses (note c)	3,204	5,482
Logistics related expenses (note c)	—	2,615
General service expenses (note c)	6,958	11,706
Rental expenses (note c)	3,147	2,156
Others		
Bank guarantee to a jointly controlled entity (note i)	—	80,000
Installments paid for ship building contracts (note e)	8,532	11,214
Proceeds from disposal of a vessel (note g)	7,037	—
Purchase of containers (note h)	—	139,090

43 Significant related party transactions (Continued)

	2009 RMB'000	2008 RMB'000 (Restated)
Transactions with associates of the Group		
Revenues		
Manning income (note c)	12,494	12,809
Management fee and service fee income (note c)	7,043	737
Expenses		
Vessel costs		
Crew expenses (note c)	156	—
Container freight charges (note c)	1,082	20,217
Equipment and cargo transportation costs		
Commission and rebate (note c)	183	96
General service expenses (note c)	750	891
Others		
Bank guarantee to an associate at face value (note i)	217,166	253,270
Purchase of containers (note h)	235,699	988,485
Proceeds on disposal of a jointly controlled entity to CIMC (note j)	112,040	—
Proceeds on disposal of a jointly controlled entity to an associate (subsidiary of CIMC) (note k)	—	97,363
Transactions with non-controlling shareholders of subsidiaries		
Revenues		
Logistics related income (note c)	246,821	235,590

Notes:

(a) On 22 April 2009, following the reorganisation and fine-tuning of corporate structure of the Company, the Company entered into a three-year Master Entrust Management Services Agreement with COSCO to manage its non-listing wholly owned and direct holding companies. Management fee income is charged based on the management cost incurred plus appropriate profits.

(b) COSCO and its subsidiaries leased thirteen vessels to COSCON and Shanghai Pan Asia Shipping Company Limited by way of sub-time charter arrangement. In 2008, the sub-time charter agreements of seven vessels were renewed and extended for a term till 30 November 2010. The periods of the remaining sub-time charters are of six to twelve years from the contract date. The daily charterhire rate for each vessel was agreed on a mutual basis.

(c) These transactions of revenues and expenses in nature were conducted either (i) based on terms as governed by the eight master agreements and subsisting agreements entered into between the Group and COSCO Group, or (ii) based on terms as set out in the underlying agreements, based on statutory rates or market prices or actual cost incurred, or as mutually agreed between the Group and the parties in concern.

43 Significant related party transactions (Continued)

Notes: (Continued)

(d) On 1 January 2009, the Group acquired from COSCO Group a 51% equity interest in Shipping Agency Qinzhou for a cash consideration of RMB850,000.

On 27 August 2009, the Company entered into agreements with COSCO Group to acquire the entire equity interests in COSCO Shanghai. Total consideration was RMB232,699,000. The transaction was completed on 31 December 2009.

(e) In 2006, the Group entered into ship building contracts with Nantong COSCO KHI Ship Engineering Co., Ltd ("NACKS") and COSCO (Zhoushan) Shipyard Co., Ltd ("COSCO Zhoushan"), related companies, pursuant to which NACKS and COSCO Zhoushan will construct certain bulk carriers for the Group. Installments are paid in accordance with the payment schedules with reference to the construction progress.

(f) In February and May 2008, the Group acquired from COSCO Group the entire equity interests in certain overseas companies for a total consideration of RMB9,940,000.

(g) On 16 July 2009, a subsidiary of COSCO Bulk entered into agreement with PT. COSBULK Indonesia Global Shipping to dispose of a dry bulk vessel at a consideration of US$5,830,000 (equivalent to approximately RMB39,829,000) of which would be settled in first down payment of US$1,030,000 (equivalent to approximately RMB7,037,000) and remaining portion of US$4,800,000 (equivalent to approximately RMB32,792,000) would be settled in 20 instalments. As at 31 December 2009, total proceeds received by the Group amounted to US$1,030,000 (equivalent to approximately RMB7,037,000).

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

(i) As at 31 December 2008, Shanghai Ocean Hotel Company Limited, a jointly controlled entity of the Group, had a loan from COSCO Finance of RMB80,000,000, of which was guaranteed by the Group. The guarantee was released upon the full repayment of loan in 2009.

A subsidiary of COSCO Pacific provided corporate guarantee to an associate in respect of banking facilities of the associate. The Directors consider that it is not probable for a claim to be made against the Group and the fair value of the guarantee contract is not significant to the Group, and has not recognised at the balance sheet date.

(j) In 2009, COSCO Pacific, a subsidiary of the Group entered into a sale and purchase agreement to dispose of its entire 20% shareholding interest in Shanghai CIMC Reefer Containers Co., Ltd ("Shanghai CIMC Reefer"), a then jointly controlled entity, at a consideration of US$16,400,000 (equivalent to approximately RMB112,040,000) to CIMC, an associate. The transaction was completed in January 2009 and resulted in a profit of US$5,516,000 (equivalent to approximately RMB37,684,000).

(k) 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 RMB97,363,000 (equivalent of US$14,000,000).

(l) The Group entered into bunker forward agreements through Chimbusco (Singapore) Pte Ltd ("Chimbusco"), a subsidiary of COSCO. No service fee was charged by Chimbusco for the arrangements of bunker forward agreements.

As at 31 December 2009 and 2008, there was no bunker forward agreement entered into by the Group.

(m) On 26 March 2007, the Group entered into four time charter agreements with a subsidiary of COSCO to charter in four vessels for a period of 119 months to 121 months at a daily charter rate of US$26,900. The charters will commence upon delivery of the four vessels to the subsidiary of COSCO, two of which are anticipated to take place in April 2010 and two of which in June 2010.

43 Significant related party transactions (Continued)

Notes: (Continued)

(n) On 22 April 2007, COSCO Bulk entered into shipbuilding contracts with COSCO Zhoushan for the construction of five dry bulk vessels with capacity of 57,000 DWT each. The contracted amount of the vessels totalled US$168,080,000 (equivalent to RMB1,339,394,000), and down payments and progress payments would be paid at stipulated rates according to the stages of construction.

On 20 October 2009, COSCO Bulk entered into the addendum of shipbuilding contracts with COSCO Zhoushan to revise the terms and clauses of aforementioned contracts. Constructions of two vessels are postponed and down payments of 5% of contracted amount are kept as the effective payment of the contract. The balance payment prepaid for that two vessels was applied to settle the unpaid instalments of the other three vessels under construction.

(o) On 28 April 2008, COSCO Bulk, COSCO (Hong Kong) Shipping Co., Ltd ("COSCO HK Shipping"), Bright Sea Management Limited ("Bright Sea") and their subsidiaries (as transferees) entered into vessel novation agreements with COSCO International Ship Trading Co., Ltd. (as transferor) and COSCO Shipyard Group Co., Ltd ("COSCO Shipyard Group") (as seller) respectively, pursuant to which the rights and obligations of the transferor under the vessel agreements in relation to the construction of nine dry bulk vessels for an aggregate consideration of US$348,900,000 (equivalent to approximately RMB2,441,602,000) were transferred to the transferees under the vessel novation agreements. The transferor and seller are subsidiaries of COSCO.

On 15 July 2009, COSCO HK Shipping and Bright Sea entered into the cancellation agreements of construction of six aforementioned vessels with COSCO Shipyard Group, together with another two cancellation agreements between COSCO HK Shipping and COSCO (Zhoushan) Shipyard Group. As at 31 December 2009, total deposits paid by the Group for the construction of eight dry bulk vessels amounted to US$122,794,000 (equivalent to approximately RMB838,892,000), of which US$107,154,000 (equivalent to approximately RMB732,044,000) was refunded and US$15,640,000 (equivalent to approximately RMB106,848,000) was applied to settle the progress payments of other vessels under construction.

(p) On 8 May 2008, COSCO Bulk, COSCO HK Shipping and their subsidiaries (as transferees) entered into vessel novation agreements with Ching Tung (H.K.) Shipping Co., Ltd. and PMSL Shipping Services Limited (as transferors) and NACKS (as seller), a jointly controlled entity of COSCO, pursuant to which the rights and obligations of the transferors under the vessel agreements in relation to the construction of eight dry bulk vessels for an aggregate consideration of US$612,800,000 (equivalent to approximately RMB4,290,213,000) were transferred to the transferees under the vessel novation agreements.

(q) On 9 May 2008, COSCON and/or its subsidiaries (as buyer) and NACKS (as builder) entered into eight construction of vessels agreements for the construction of eight container vessels at an aggregate consideration of US$1,336,000,000 (equivalent to approximately RMB9,352,000,000).

(r) The transactions of revenues (mainly including container shipping income and charterhire income) and expenses (mainly including port charges) in nature conducted with government-related entities were based on terms as set out in the underlying agreements, based on statutory rates or market prices or actual cost incurred, or as mutually agreed.

43 Significant related party transactions (Continued)

Balances with related parties

Other than those disclosed elsewhere in the Consolidated Financial Statements, the outstanding balance with related entities at year end are as follows:

	2009 RMB'000	2008 RMB'000 (Restated)
Bank deposits		
– state-owned banks (note)	**23,142,320**	17,285,044
Loans		
– state-owned banks (note)	**30,316,804**	11,872,268

Note: The deposits and loans were in accordance with the terms as set out in the respective agreements or as mutually agreed between the parties in concern. The interest rates were set at prevailing market rates. Interest income from deposits with state-owned banks is RMB247,609,000 (2008 restated: RMB251,530,000), interest expenses on loans from state-owned banks is RMB452,808,000 (2008 restated: RMB310,029,000).

44 Significant subsequent events

On 30 March 2010, the Company completed the acquisition of 49% equity interest in COSCO Logistics from COSCO Pacific Logistics, at a cash consideration of RMB2,000,000,000. COSCO Logistics became a wholly owned subsidiary of the Company subsequent to the year ended 31 December 2009.

On 22 April 2010, the Board of Directors of the Company has approved the issue of medium term notes with principal amount of not more than RMB10,000,000,000. The maturity period of the medium term notes will not be less than 5 years from the issue date. The transaction is subject to the Company's equity holders' approval.

45 Particulars of principal subsidiaries, jointly controlled entities and associates

At 31 December 2009, the Group had the following principal subsidiaries, associates and jointly controlled entities which, in the opinion of the directors, materially affect the results and/or assets of the Group.

(a) Subsidiaries

As at 31 December 2009, the Group had direct and indirect interests in the following principal subsidiaries:

Name	Place of incorporation/ establishment and operations	Principal activities	Type of legal entity	Issued/registered and fully paid up share capital	Attributable equity interest to the equity holders of the Company
Capital held directly					
COSCO Container Lines Company Limited #	PRC	Container transportation	Limited liability company	RMB6,088,763,082	100%
COSCO Pacific Investment Holdings Limited #	Hong Kong	Investment holding	Limited liability company	500 ordinary shares of HK$1,000 each	100%
COSCO Logistics Co., Ltd	PRC	Freight forwarding, warehousing, deport and cargo terminal service	Limited liability company	RMB1,582,029,851	76.09%
COSCO Bulk Carrier Co.,Ltd. #	PRC/Worldwide	Bulk cargo transportation	Limited liability company	RMB6,290,000,000	100%
Qingdao Ocean Shipping Co.,Ltd.	PRC/Worldwide	Provision of passenger and cargo transportation services	Limited liability company	RMB2,214,000,000	100%
Shenzhen Ocean Shipping Co., Ltd.	PRC	Vessel owning and investment holding	Limited liability company	US$53,236,369	100%
Capital held indirectly					
COSCO International Freight Co., Ltd.	PRC	Freight forwarding and transportation	Limited liability company	RMB200,000,000	100%
COSCO Pacific Limited #	Bermuda	Investment holding	Limited liability company	2,262,525,573 of HK$ 0.1 each	51.2%
COSCO Investments Limited #	British Virgin Islands/ Hong Kong	Investment holding	Limited liability company	1 ordinary share of US$1	100%
COSCO Container Shipping Agency Company Limited	PRC	Shipping agency	Limited liability company	RMB80,000,000	100%
COSCO Southern China International Freight Co., Ltd.	PRC	Freight forwarding	Limited liability company	RMB50,000,000	100%
Tianjin Binhai COSCO Container Logistics Co., Ltd. #	PRC	Container Stack, Cargo Storage, Cargo Transportation	Limited liability company	RMB190,000,000	56.10%
COSCO Container Line Agencies Limited	Hong Kong	Shipping agency	Limited liability company	1,000,000 shares of HK$1 each	100%
North Star Shipholding Ltd. S.A.	Panama/Japan	Vessel owning and chartering	Limited liability company	1,000 shares of US$1 each	100%

Notes to the Consolidated Financial Statements

45 Particulars of principal subsidiaries, jointly controlled entities and associates (Continued)

(a) Subsidiaries (Continued)

Name	Place of incorporation/ establishment and operations	Principal activities	Type of legal entity	Issued/registered and fully paid up share capital	Attributable equity interest to the equity holders of the Company
Capital held indirectly (Continued)					
Wonseong Shipping Co., Ltd.	Korea	Shipping agency	Limited liability company	50,000 shares of KRW5,000 each	100%
Freightworld Pte Ltd.	Singapore	Shipping agency and freight forwarding	Limited liability company	200,000 shares of SGD1 each	100%
COSCO International Air Freight Co., Ltd	PRC	Air freight forwarding	Limited liability company	RMB48,417,396	76.09%
China Ocean Shipping Agency Company Limited	PRC	Shipping Agency and freight forwarding	Limited liability company	RMB113,372,000	76.09%
COSCO Logistics (Hong Kong) Company Limited	PRC	Logistics	Limited liability company	HK$38,789,500	76.09%
COSCO (Cayman) Mercury Co., Ltd. #	Cayman Islands/ Hong Kong	Investment holding	Limited liability company	50,000 ordinary shares of US$1 each	100%
Pretty River Shipping Inc. #	Panama/Worldwide	Inactive	Limited liability company	2 ordinary share of US$100 each	100%
Dainty River Shipping Inc. #	Panama/Worldwide	Inactive	Limited liability company	2 ordinary share of US$100 each	100%
Golden Cascade Corporation #	Liberia/Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Golden Shore Corporation #	Liberia/Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Buyihe Shipping Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Chaoshanhe Maritime Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Chuanhe Shipping Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	10,000 ordinary shares of US$1 each	100%
Caiyunhe Maritime Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	1,000 ordinary shares of US$10 each	100%
COSCO Line New Jersey Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	500 ordinary shares of US$20 each	100%
COSCO Line New York Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	500 ordinary shares of US$20 each	100%
Daqinghe Shipping Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Hanihe Shipping Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%

Notes to the Consolidated Financial Statements

45 Particulars of principal subsidiaries, jointly controlled entities and associates (Continued)

(a) Subsidiaries (Continued)

Name	Place of incorporation/ establishment and operations	Principal activities	Type of legal entity	Issued/registered and fully paid up share capital	Attributable equity interest to the equity holders of the Company
Capital held indirectly (Continued)					
Hutuohe Shipping Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Jingpohe Shipping Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Jinyunhe Maritime Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	1,000 ordinary shares of US$10 each	100%
Luhe Shipping Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	10,000 ordinary shares of US$1 each	100%
Lubahe Shipping Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Miyunhe Maritime Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	1,000 ordinary shares of US$10 each	100%
Naxihe Shipping Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Ninghe Shipping Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	10,000 ordinary shares of US$1 each	100%
Qiyunhe Maritime Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	1,000 ordinary shares of US$10 each	100%
Wanhe Shipping Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	10,000 ordinary shares of US$1 each	100%
Xibohe Shipping Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Xinhuihe Maritime Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Yangjianghe Maritime Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Yongdinghe Shipping Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Yuehe Shipping Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	10,000 ordinary shares of US$1 each	100%
Yuguhe Shipping Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Yunhe Shipping Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	10,000 ordinary shares of US$1 each	100%
Zhaoqinghe Maritime Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Ziyahe Shipping Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%

Notes to the Consolidated Financial Statements

45 Particulars of principal subsidiaries, jointly controlled entities and associates (Continued)

(a) Subsidiaries (Continued)

Name	Place of incorporation/ establishment and operations	Principal activities	Type of legal entity	Issued/registered and fully paid up share capital	Attributable equity interest to the equity holders of the Company
Capital held indirectly (Continued)					
Fenghou Maritime Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	1,000 ordinary shares of US$10 each	100%
Haihou Maritime Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	1,000 ordinary shares of US$10 each	100%
Longhou Maritime Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	1,000 ordinary shares of US$10 each	100%
Tianhou Maritime Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	1,000 ordinary shares of US$10 each	100%
COSCO New York Maritime Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	1,000 ordinary shares of US$10 each	100%
COSCO Boston Maritime Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	1,000 ordinary shares of US$10 each	100%
COSCO Asia Maritime Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	1,000 ordinary shares of US$10 each	100%
COSCO Africa Maritime Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	1,000 ordinary shares of US$10 each	100%
COSCO Europe Maritime Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	1,000 ordinary shares of US$10 each	100%
COSCO America Maritime Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	1,000 ordinary shares of US$10 each	100%
COSCO Oceania Shipping Limited. #	Hong Kong/ Worldwide	Vessel owning and chartering	Limited liability company	1 ordinary share of HK$1 each	100%
COSCO Pacific Shipping Limited. #	Hong Kong/ Worldwide	Vessel owning and chartering	Limited liability company	1 ordinary share of HK$1 each	100%
COSCO Indian Ocean Shipping Limited #	Hong Kong/ Worldwide	Vessel owning and chartering	Limited liability company	1 ordinary share of HK$1 each	100%
COSCO Atlantic Shipping Limited. #	Hong Kong/ Worldwide	Vessel owning and chartering	Limited liability company	1 ordinary share of HK$1 each	100%
COSCO Container Lines (Hong Kong) Co., Limited.	Hong Kong	Marine services	Limited liability company	1,000,000 shares of HK$1 each	100%
COSCO Container Lines Europe GmbH	German/Europe	Shipping agency	Limited liability company	EURO1,500,000	100%
COSCO Container Lines Japan Co., Ltd.	Japan	Marine services	Limited liability company	JPY40,000,000	100%
COSCO Container Lines Americas, Inc.	United States of America	Shipping agency	Limited liability company	1,000 ordinary shares of US$0.01 each	100%

45 Particulars of principal subsidiaries, jointly controlled entities and associates (Continued)

(a) Subsidiaries (Continued)

Name	Place of incorporation/ establishment and operations	Principal activities	Type of legal entity	Issued/registered and fully paid up share capital	Attributable equity interest to the equity holders of the Company
Capital held indirectly (Continued)					
Shanghai COSCON Document Services Co., Ltd. #	PRC	To provide documentation services for cargo transportation business or to provide document services as well as other technical supporting services applying to Internet and Multi-media for cargo transportation agency.	Limited liability company	RMB1,000,000	100%
Cosco Aden Maritime Limited #	Hong Kong/ Worldwide	Vessel owning	Limited liability company	1 ordinary share of HK$1 each	100%
Cosco Auckland Maritime Limited #	Hong Kong/ Worldwide	Vessel owning and chartering	Limited liability company	1 ordinary share of HK$1 each	100%
Cosco Cape Town Maritime Limited #	Hong Kong/ Worldwide	Vessel owning	Limited liability company	1 ordinary share of HK$1 each	100%
Cosco Colombo Maritime Limited #	Hong Kong/ Worldwide	Vessel owning	Limited liability company	1 ordinary share of HK$1 each	100%
Cosco Durban Maritime Limited #	Hong Kong/ Worldwide	Vessel owning	Limited liability company	1 ordinary share of HK$1 each	100%
Cosco Fos Maritime Limited #	Hong Kong/ Worldwide	Vessel owning	Limited liability company	1 ordinary share of HK$1 each	100%
Cosco Genoa Maritime Limited #	Hong Kong/ Worldwide	Vessel owning	Limited liability company	1 ordinary share of HK$1 each	100%
Cosco Haifa Maritime Limited #	Hong Kong/ Worldwide	Vessel owning	Limited liability company	1 ordinary share of HK$1 each	100%
Cosco Istanbul Maritime Limited #	Hong Kong / Worldwide	Vessel owning	Limited liability company	1 ordinary share of HK$1 each	100%
Cosco Jeddah Maritime Limited #	Hong Kong/ Worldwide	Vessel owning	Limited liability company	1 ordinary share of HK$1 each	100%
Cosco Piraeus Maritime Limited #	Hong Kong/ Worldwide	Vessel owning	Limited liability company	1 ordinary share of HK$1 each	100%
Cosco Santos Maritime Limited #	Hong Kong/ Worldwide	Vessel owning	Limited liability company	1 ordinary share of HK$1 each	100%
Cosco Sao Paulo Maritime Limited #	Hong Kong/ Worldwide	Vessel owning	Limited liability company	1 ordinary share of HK$1 each	100%
Cosco Valencia Maritime Limited #	Hong Kong/ Worldwide	Vessel owning	Limited liability company	1 ordinary share of HK$1 each	100%

Notes to the Consolidated Financial Statements

45 Particulars of principal subsidiaries, jointly controlled entities and associates (Continued)

(a) Subsidiaries (Continued)

Name	Place of incorporation/ establishment and operations	Principal activities	Type of legal entity	Issued/registered and fully paid up share capital	Attributable equity interest to the equity holders of the Company
Capital held indirectly (Continued)					
Cosco Venice Maritime Limited #	Hong Kong/ Worldwide	Vessel owning	Limited liability company	1 ordinary share of HK$1 each	100%
Cosco Wellington Maritime Limited #	Hong Kong/ Worldwide	Vessel owning	Limited liability company	1 ordinary share of HK$1 each	100%
Addrich Shipping Limited #	Hong Kong/ Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Alacritas Shipping Corporation #	Liberia/ Worldwide	Vessel owning and chartering	Limited liability company	500 ordinary shares of US$20 each	100%
Allied Best Shipping Limited #	Hong Kong	Vessel owning and chartering	Limited liability company	1 ordinary share of HK$1	100%
Anson Maritime Inc. #	Panama/ Worldwide	Inactive	Limited liability company	100 ordinary shares of US$100 each	100%
Aptmariner Shipping Limited #	Hong Kong/ Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Arsun Shipping Inc. #	Panama/ Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Art Link Shipping Limited #	Hong Kong/ Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Beatanavis Shipping Limited #	Hong Kong	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Best Time Shipping Limited #	Hong Kong/ Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Bonusnauta Shipping Corporation #	Liberia/ Worldwide	Vessel owning and chartering	Limited liability company	500 ordinary shares of US$20 each	100%
Bowling Maritime Inc. #	Panama/ Worldwide	Inactive	Limited liability company	2 ordinary shares of US$100 each	100%
Celeritas Maritime Corporation #	Liberia/ Worldwide	Vessel owning and chartering	Limited liability company	500 ordinary shares of US$20 each	100%
Chiao Mao Enterprises Limited #	Hong Kong/ Worldwide	Vessel owning and chartering	Limited liability company	30,000 ordinary shares of HK$100 each	100%
Concord Bright Shipping Limited #	Hong Kong/ Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Cycle Wide Shipping Inc. #	Panama/ Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Dapenghai Shipping Limited #	Hong Kong/ Worldwide	Vessel owning and chartering	Limited liability company	1 ordinary share of HK$1	100%

45 Particulars of principal subsidiaries, jointly controlled entities and associates (Continued)

(a) Subsidiaries (Continued)

Name	Place of incorporation/ establishment and operations	Principal activities	Type of legal entity	Issued/registered and fully paid up share capital	Attributable equity interest to the equity holders of the Company
Capital held indirectly (Continued)					
Dayahai Shipping Limited #	Hong Kong/ Worldwide	Vessel owning and chartering	Limited liability company	1 ordinary share of HK$1	100%
Eastar Shipping Limited #	Hong Kong/ Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Easy Way Shipping Limited #	Hong Kong	Vessel owning	Limited liability company	1 ordinary share of HK$1	100%
Ever View Shipping Limited #	Hong Kong/ Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Everbright Shipping Limited #	Hong Kong/ Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Evergold Transportation Limited #	Hong Kong/ Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Everwin Shipping Limited #	Hong Kong/ Worldwide	Vessel owning and chartering	Limited liability company	1 ordinary share of HK$1 each	100%
Fast Line Enterprise Limited #	Hong Kong/ Worldwide	Vessel owning and chartering	Limited liability company	10,000 ordinary shares of HK$1 each	100%
Festivity Shipping Corporation, S.A. #	Panama/ Worldwide	Inactive	Limited liability company	2 ordinary shares of US$100 each	100%
Fidelitas Maritime Corporation #	Liberia/ Worldwide	Vessel owning and chartering	Limited liability company	500 ordinary shares of US$20 each	100%
First Link Shipping Limited #	Hong Kong/ Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Forthcome Shipping Inc. #	Panama/ Worldwide	Inactive	Limited liability company	2 ordinary shares of US$100 each	100%
Fox Shipping Navigation Inc. #	Panama	Vessel owning and chartering	Limited liability company	2 ordinary shares of US$100 each	100%
Fruition Carriers Corporation, S.A. #	Panama	Vessel owning	Limited liability company	2 ordinary shares of US$100 each	100%
Full Comfort Shipping Limited #	Hong Kong/ Worldwide	Vessel owning and chartering	Limited liability company	10,000 ordinary shares of HK$1 each	100%
Full Strong Shipping Limited #	Hong Kong/ Worldwide	Vessel owning and chartering	Limited liability company	10,000 ordinary shares of HK$1 each	100%
Fullbest Shipping Limited #	Hong Kong/ Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Gainlink Shipping Limited #	Hong Kong/ Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%

45 Particulars of principal subsidiaries, jointly controlled entities and associates (Continued)

(a) Subsidiaries (Continued)

Name	Place of incorporation/ establishment and operations	Principal activities	Type of legal entity	Issued/registered and fully paid up share capital	Attributable equity interest to the equity holders of the Company
Capital held indirectly (Continued)					
Gallantry Shipping Corporation S.A. #	Panama	Vessel owning	Limited liability company	100 ordinary shares of US$100 each	100%
Gateway Shipping Limited #	Hong Kong	Vessel owning and chartering	Limited liability company	1 ordinary share of HK$1 each	100%
Gatwick Shipping Limited #	Hong Kong/ Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Glory Land Shipping Limited #	Hong Kong	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Gracely Shipping Inc. #	Panama/ Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Golden Union Shipping Limited #	Hong Kong/ Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Handymariner Shipping Limited #	Hong Kong/ Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Heyday Shipping Limited #	Hong Kong/ Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Hipway Shipping Limited #	Hong Kong/ Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Hong Fat Shipping Inc. #	Panama/ Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of US$100 each	100%
Honour Team Shipping Limited #	Hong Kong/ Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Jeswick Shipping Limited #	Hong Kong/ Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Jetway Shipping Corp., S.A. #	Panama/ Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of US$1 each	100%
Joviality Shipping Corporation, S.A. #	Panama/ Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of US$100 each	100%
Joyous Society Shipping Limited #	Hong Kong/ Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Joyous World Shipping Limited #	Hong Kong/ Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Kingston Shipping Limited #	Hong Kong	Vessel owning and chartering	Limited liability company	1 ordinary share of HK$1 each	100%
Kingswill Shipping Limited #	Hong Kong/ Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%

45 Particulars of principal subsidiaries, jointly controlled entities and associates (Continued)

(a) Subsidiaries (Continued)

Name	Place of incorporation/ establishment and operations	Principal activities	Type of legal entity	Issued/registered and fully paid up share capital	Attributable equity interest to the equity holders of the Company
Capital held indirectly (Continued)					
Li Lin Shipping Limited #	Hong Kong/ Worldwide	Vessel owning and chartering	Limited liability company	10,000 ordinary shares of HK$1 each	100%
Longood Maritime Inc. #	Panama/ Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of US$1 each	100%
Loyal Shipping Inc. #	Panama/ Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Luckyfield Shipping Corporation, S.A. #	Panama/ Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of US$100 each	100%
Marienvoy Shipping Limited #	Hong Kong	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Master Way Shipping Limited #	Hong Kong/ Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Mild Wind Shipping Limited #	Hong Kong/ Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Million Ocean Shipping Limited #	Hong Kong/ Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Montario Shipping Corporation, S.A. #	Panama/ Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Ocean Priti Shipping S.A. #	Panama/ Worldwide	Inactive	Limited liability company	100 ordinary shares of US$100 each	100%
Oceanplan Shipping Limited #	Hong Kong/ Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
On Hing Shipping Limited #	Hong Kong	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Onford Shipping Limited #	Hong Kong/ Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Pacific Well Shipping Limited #	Hong Kong	Inactive	Limited liability company	1 ordinary share of HK$1	100%
Pacific Wide Shipping Limited #	Hong Kong/ Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Power Way Shipping Limited #	Hong Kong/ Worldwide	Vessel owning and chartering	Limited liability company	1 ordinary share of HK$1	100%
Refined Success Limited #	British Virgin Islands/ Worldwide	Vessel owning and chartering	Limited liability company	1 ordinary share of US$1	100%
Richmax Shipping Limited #	Hong Kong/ Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Richson Shipping Limited #	Hong Kong/ Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%

45 Particulars of principal subsidiaries, jointly controlled entities and associates (Continued)

(a) Subsidiaries (Continued)

Name	Place of incorporation/ establishment and operations	Principal activities	Type of legal entity	Issued/registered and fully paid up share capital	Attributable equity interest to the equity holders of the Company
Capital held indirectly (Continued)					
Seaborne Merchants Corporation, S.A. #	Panama/ Worldwide	Inactive	Limited liability company	2 ordinary shares of US$100 each	100%
Silvercord Shipping Limited #	Hong Kong/ Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Sinobright Shipping Limited #	Hong Kong	Vessel owning and chartering	Limited liability company	1 ordinary share of HK$1	100%
Skylink Transportation Limited #	Hong Kong/ Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Smart Transportation Limited #	Hong Kong/ Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Smart Wise Shipping Limited #	Hong Kong/ Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Starworld Shipping Limited #	Hong Kong/ Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Strongfull Shipping Inc. #	Panama/ Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Sunyuan Shipping Company Limited #	Hong Kong/ Worldwide	Vessel owning and chartering	Limited liability company	3 ordinary shares of HK$100 each	100%
Tactwell Shipping Inc. #	Panama/ Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
The Roc Maritime Inc. #	Panama/ Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of US$100 each	100%
Top Giant Shipping Limited #	Hong Kong/ Worldwide	Inactive	Limited liability company	1 ordinary share of HK$1	100%
Top Harvest Shipping Limited #	Hong Kong	Vessel owning	Limited liability company	1 ordinary share of HK$1	100%
Top Sea Shipping Limited #	Hong Kong	Vessel owning	Limited liability company	1 ordinary share of HK$1	100%
Top Smart Shipping Limited #	Hong Kong/ Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Top Team Shipping Limited #	Hong Kong	Vessel owning and chartering	Limited liability company	1 ordinary share of HK$1	100%
Unique Shipping Limited #	Hong Kong	Vessel owning and chartering	Limited liability company	1 ordinary share of HK$1	100%
Victor Shipping Limited #	Hong Kong/ Worldwide	Vessel owning and chartering	Limited liability company	1 ordinary share of HK$1 each	100%
Victory Castle Shipping Limited #	Hong Kong/ Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Vorwarts Shipping Inc. #	Panama/ Worldwide	Inactive	Limited liability company	2 ordinary shares of US$100 each	100%
Wealth Group Shipping Limited #	Hong Kong	Inactive	Limited liability company	2 ordinary shares of HK$1 each	100%

Notes to the Consolidated Financial Statements

45 Particulars of principal subsidiaries, jointly controlled entities and associates (Continued)

(a) Subsidiaries (Continued)

Name	Place of incorporation/ establishment and operations	Principal activities	Type of legal entity	Issued/registered and fully paid up share capital	Attributable equity interest to the equity holders of the Company
Capital held indirectly (Continued)					
Well Crown Shipping Limited #	Hong Kong/ Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Well Harvest Shipping Limited #	Hong Kong/ Worldwide	Vessel owning and chartering	Limited liability company	1 ordinary share of HK$1 each	100%
Wellrich Transportation Limited #	Hong Kong/ Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Whole World Shipping Limited #	Hong Kong/ Worldwide	Vessel owning and chartering	Limited liability company	1 ordinary share of HK$1 each	100%
Winston Shipping Limited #	Hong Kong/ Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Winview Shipping Limited #	Hong Kong/ Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Worldbond Shipping Inc. #	Panama/ Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Yick Hua Maritime Inc. #	Panama/ Worldwide	Inactive	Limited liability company	2 ordinary shares of US$100 each	100%
Yick Jia Maritime Inc. #	Panama	Vessel owning	Limited liability company	2 ordinary shares of US$100 each	100%
You Mei Maritime Inc. #	Panama/ Worldwide	Inactive	Limited liability company	2 ordinary shares of US$100 each	100%
Tianjin Huihai Shipping Enterprises Co. Ltd.	PRC/Worldwide	Inactive	Limited liability company	RMB19,865,112	100%
Zhonghai Shipping Inc. #	Panama/ Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Yuehai Shipping Inc. #	Panama/ Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Yichanghai Shipping Inc. #	Panama/ Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Xuchanghai Shipping Inc. #	Panama/ Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Tonghai Maritime, Inc. #	Panama/ Worldwide	Inactive	Limited liability company	100 ordinary shares of US$100 each	100%
Qinhai Shipping Inc.#	Panama/ Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Pinghai Shipping Inc. #	Panama/ Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Nanhai Shipping Inc. #	Panama/ Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%

45 Particulars of principal subsidiaries, jointly controlled entities and associates (Continued)

(a) Subsidiaries (Continued)

Name	Place of incorporation/ establishment and operations	Principal activities	Type of legal entity	Issued/registered and fully paid up share capital	Attributable equity interest to the equity holders of the Company
Capital held indirectly (Continued)					
Minghai Shipping Inc. #	Panama/ Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Dongchanghai Shipping Inc. #	Panama/ Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Fenghai Maritime, Inc.#	Panama/ Worldwide	Inactive	Limited liability company	100 ordinary shares of US$100 each	100%
Jinpuhai Shipping Inc. #	Panama/ Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Luhai Maritime, Inc. #	Panama/ Worldwide	Inactive	Limited liability company	100 ordinary shares of US$100 each	100%
Lihai Maritime, Inc. #	Panama/ Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Beihai Shipping Inc. #	Panama/ Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
COSCO Bulk Carrier Holdings (Cayman) Limited #	Cayman Islands/ Singapore	Investment holding	Limited liability company	US$ 50,000	100%
Coheung Marine Shipping Company Limited	Hong Kong/Korea	Investment holding	Limited liability company	2,980,000 shares of US$1 each	100%
COSCO (Cayman) Golden Company Limited #	Cayman Islands/ Worldwide	Treasury	Limited liability company	1,000 shares of US$1 each	100%
Yuan Shun Hai Maritime S.A. #	Panama	Vessel owning	Limited liability company	2 ordinary shares of US$100 each	100%
Yuan An Hai Maritimes S.A. #	Panama	Vessel owning	Limited liability company	2 ordinary shares of US$100 each	100%
Golden View Investment Limited #	British Virgin Islands/ Hong Kong	Investment holding	Limited liability company	2 ordinary shares of US$1 each	100%
Bright Sea Management Limited #	British Virgin Islands/ Hong Kong	Investment holding	Limited liability company	50,000 ordinary shares of US$1 each	100%
Sea Lansa S.A. #	Panama/ Worldwide	Vessel owning and chartering	Limited liability company	10,000 ordinary shares of US$1 each	100%
Sea Baisi Maritime Inc. #	Panama/ Worldwide	Vessel owning and chartering	Limited liability company	500 ordinary shares of US$20 each	100%
Houly Sea S.A. #	Panama/ Worldwide	Vessel owning and chartering	Limited liability company	10,000 ordinary shares of US$1 each	100%
Tianshenhai Maritime Inc. #	Panama/ Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Tianyanghai Maritime Inc. #	Panama/ Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%

Notes to the Consolidated Financial Statements

45 Particulars of principal subsidiaries, jointly controlled entities and associates (Continued)

(a) Subsidiaries (Continued)

Name	Place of incorporation/ establishment and operations	Principal activities	Type of legal entity	Issued/registered and fully paid up share capital	Attributable equity interest to the equity holders of the Company
Capital held indirectly (Continued)					
Pheny Sea S.A. #	Panama/ Worldwide	Vessel owning and chartering	Limited liability company	10,000 ordinary shares of US$1 each	100%
Sea Landa S.A. #	Panama/ Worldwide	Vessel owning and chartering	Limited liability company	10,000 ordinary shares of US$1 each	100%
Sea Grace Shipping Inc. #	Panama/ Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Sea Glory Maritime Inc. #	Panama/ Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Qingping Maritime Inc. #	Panama/ Worldwide	Vessel owning and chartering	Limited liability company	1,000 ordinary shares of US$10 each	100%
Sea Crown Shipping, Inc. #	Panama/ Worldwide	Inactive	Limited liability company	2 ordinary shares of US$100 each	100%
Xin Zhu Hai Shipping Co. Ltd. #	Hong Kong/ Worldwide	Vessel owning and chartering	Limited liability company	1 ordinary shares of HK$ 1 each	100%
Xin Zhen Hai Shipping Co. Ltd. #	Hong Kong/ Worldwide	Vessel owning and chartering	Limited liability company	1 ordinary shares of HK$ 1 each	100%
COSCO Europe Bulk Shipping GMBH #	Hamburg, Germany/ Worldwide	Vessel chartering	Sino-foreign equity joint venture	EUR 500,000	50%
COSCO Bulk Carrier Americas Inc. #	Delaware, America/ Worldwide	Vessel chartering	Sino-foreign equity joint venture	US$ 500,000	51%
COSCO Oceania Chartering PTY Ltd #	New South Wales, Australia/ Worldwide	Vessel chartering	Sino-foreign equity joint venture	AUD 20,002	51%
Qingdao Ocean & Great Asia Logistics Co.,Ltd.	PRC	Logistics	Limited liability company	RMB82,867,650	38.81%
Ningbo Golden Sanli Reefer Co., Ltd.	PRC	Container maintenance	Limited liability company	RMB3,000,000	39.91%
COSCO Logistics (Europe) GmbH	Germany	Logistics	Limited liability company	Euro100,000	41.85%
Xiamen Ocean Gate Container Terminal Co., Ltd.	PRC	Operation of container terminal	Limited liability company	RMB419,055,000	35.84%
Jinjiang Pacific Ports Development Co., Ltd.	PRC	Operation of container terminal	Limited liability company	US$49,900,000	40.96%
COSCO Brasil S.A.	Brazil	Shipping agency	Limited liability company	520,538 ordinary shares of Real$1 each	100.00%
COSCO Panama Maritime S.A.	Panama	Shipping agency	Limited liability company	100 shares of US$100 each	100.00%
COSCO (Hong Kong) Shipping Co., Ltd. #	Hong Kong	Provision of agency and management services	Limited liability company	3 ordinary shares of HK$1 each	100.00%
Shanghai Ocean Shipping Co., Ltd.	PRC	Vessel management and manning service	Limited liability company	RMB320,000,000	100.00%

Subsidiaries audited by PricewaterhouseCoopers

Notes to the Consolidated Financial Statements

45 Particulars of principal subsidiaries, jointly controlled entities and associates (Continued)

(b) Jointly controlled entities

As at 31 December 2009, the Company had indirect interests in the following principal jointly controlled entities:

Name	Place of incorporation/ establishment and operations	Principal activities	Type of legal entity	Issued/registered and fully paid up share capital	Attributable equity interest held
COSCON Italy S.R.L.	Italy	Ocean transportation	Limited liability company	100,000 shares of EURO 1 each	50%
COSCO-HIT Terminals (Hong Kong) Limited	Hong Kong	Operation of container terminal	Limited liability company	2 "A" ordinary shares of HK$10 each and 2 "B" ordinary shares of HK$10 each	25.60%
				4 non-voting 5% deferred shares of HK$10 each	
Qingdao Cosport International Container Terminals Co., Ltd.	PRC	Operation of container terminal	Sino-foreign joint venture	RMB337,868,700	25.60%
COSCO Ports (Nansha) Limited	British Virgin Islands/ PRC	Investment in a container terminal	Limited liability company	US$10,000	33.84%
Ningbo Yuan Dong Terminals Ltd.	PRC	Operation of container terminal	Sino-foreign joint venture	RMB390,000,000	10.24%
Tianjin Port Euroasia International Container Terminal Co.,Ltd.	PRC	Operation of container terminal	Sino-foreign joint venture	RMB1,260,000,000	15.36%
Qingdao Qianwan Container Terminal Co., Ltd.	PRC	Operation of container terminal	Sino-foreign joint venture	US$230,000,000	10.24%
Yingkou Container Terminals Company Limited	PRC	Operation of container terminal	Sino-foreign joint venture	RMB8,000,000	25.60%
COSCO-PSA Terminal Private Limited	Singapore	Operation of container terminal	Limited liability company	SGD48,900,000	25.09%
Nanjing Port Longtan Container Co., Ltd.	PRC	Operation of container terminal	Limited liability company	RMB937,470,000	10.24%
COSCO Container Lines (Netherlands) B.V.	Netherlands	Shipping agency	Limited liability company	EURO18,000	50%
COSCONET e-Logistics Co., Ltd	PRC	Software development on shipping and logistic industries	Limited liability company	RMB30,000,000	37.28%
Nantong Xinlun International Storage and Transportation Co., Ltd.	PRC	Transportation	Limited liability company	RMB29,803,145	40.33%
Dalian Jinmen Logistics Company Limited	PRC	Logistics	Limited liability company	RMB38,080,000	41.85%
Qingdao QWG Port Logistics, Co., Ltd	PRC	Freight forwarding	Limited liability company	RMB60,000,000	40%
COSCO Logistics America Co, Ltd	PRC	Logistics	Limited liability company	RMB54,500,000	38.05%
COSCO Logistics Western-Asia Co, Ltd	PRC	Logistics	Limited liability company	RMB7,600,000	37.28%
Zhenjiang Yuangang Logistic Co.,Ltd	PRC	Logistics	Limited liability company	US$6,870,700	49.46%
Qingdao Shenzhouxing Freight Forwarding Company Limited	PRC	Freight forwarding agent	Limited liability company	RMB5,000,000	50%
Shanghai Pudong International Container Terminals Limited	PRC	Operation of container terminal	Sino-foreign joint venture	RMB1,900,000,000	15.36%

45 Particulars of principal subsidiaries, jointly controlled entities and associates (Continued)

(b) Jointly controlled entities (Continued)

Name	Place of incorporation/ establishment and operations	Principal activities	Type of legal entity	Issued/registered and fully paid up share capital	Attributable equity interest held
C & I Shipholding S.A.	Panama/worldwide	Vessel owning and chartering	Limited liability company	US$15,600,000	60%
COSCO-Development Shipping Co. Ltd.	PRC	Vessel owning and chartering	Limited liability company	RMB200,000,000	50%
Cosco-Datang Shipping Co.,Ltd.	PRC	Vessel owning and chartering	Limited liability company	RMB100,000,000	55%
Tianjin YuanHua Shipping Co., Ltd	PRC	Cargo transportation and vessel chartering	Limited liability company	RMB 360,000,000	56.17%
Cosbulk International Trading Co.,Ltd	PRC	Vessel and equipment trade consultant	Limited liability company	RMB1,500,000	51%
Shanghai Xin Hai Tian Shipping Co.,Ltd.	PRC	Goods transportation	Limited liability company	RMB48,064,965	41.83%
Cosco Tianjin International Forwarding Agency Co.,Ltd	PRC	Freight forwarding agent	Limited liability company	RMB10,520,000	51%
Tianjin Jinshen Ferry Co., Ltd.	PRC	Vessel owning and chartering	Sino-foreign joint venture	US$ 12,000,000 (RMB 55,730,000)	50%
Shenzhen COSCO-Yantian Port Logistics Co., Ltd.	PRC	Logistics	Limited liability company	RMB100,000,000	38.05%
Guangzhou South China Oceangate Container Terminal Company Limited	PRC	Operation of container terminal	Sino-foreign joint venture	RMB1,403,171,000	19.97%
Foshan Shunde United Shipping Agency Co.,Ltd	PRC	Shipping Agency	Limited liability company	RMB3,000,000	38.05%
Guangzhou Huangpu Ganglian Trading Co.,Ltd	PRC	Trading	Limited liability company	RMB1,500,000	38.05%
Huizhou United International Shipping Agency Co.,Ltd	PRC	Shipping Agency	Limited liability company	RMB3,000,000	38.05%
Panama International Terminals, S.A.	Panama	Inactive	Limited liability company	300 ordinary shares with no face value	25.60%

Notes to the Consolidated Financial Statements

45 Particulars of principal subsidiaries, jointly controlled entities and associates (Continued)

(c) Associates

As at 31 December 2009, the Company had indirect equity interests in the following principal associates:

Name	Place of incorporation/ establishment and operations	Principal activities	Type of legal entity	Issued/registered and fully paid up share capital	Attributable equity interest held
COSCO Finance Co., Ltd.	PRC	Banking and related financial services	Limited liability company	RMB800,000,000	36.82%
Antwerp Gateway NV	Belgium	Operation of container terminal	Limited liability company	EURO17,900,000	10.24%
China International Marine Containers (Group) Co., Ltd. ("CIMC")	PRC	Container manufacturing	Limited liability company	RMB2,662,396,051 (1,231,917,342 "A" shares and 1,430,478,709 "B" shares), all of RMB1 each	11.16%
Dalian Automobile Terminal Co., Ltd.	PRC	Construction and operation of automobile terminals	Limited liability company	RMB160,000,000	15.36%
Dalian Port Container Terminal Co., Ltd.	PRC	Operation of container terminal	Limited liability company	RMB240,000,000	10.24%
Shanghai Jihai Shipping Company Limited	PRC	Shipping Agency	Limited liability company	RMB250,000,000	15.22%
China Ocean Shipping Agency Tianjin Company	PRC	Shipping Agency	Limited liability company	RMB101,220,000	30.44%
China United Tally Company Limited	PRC	Tally	Limited liability company	RMB46,000,000	24.35%
Suez Canal Container Terminal S.A.E.	Egypt	Operation of container terminal	Limited liability company	1,375,000 ordinary shares of US$ 100 each	10.24%
Copious Resources Development Limited	Hong Kong/PRC	Land development	Limited liability company	10,000,000 ordinary shares of HK$ 1 each	45%
COSCO Net Shipping Technology Limited	PRC	Provision for maintenance services in relation to computer hardware and software	Sino-foreign joint venture	RMB50,000,000	49%
Guangzhou Pan - Ocean Shipping Co., Ltd	PRC	Goods transportation	Limited liability company	US$ 14,500,000	27%
Tianjin Yuanchang Reefer Container Service Co., Ltd	PRC	Debugging services for marine cold-storage container	Sino-foreign joint venture	RMB18,480,000	43%
Dawning Company Limited	British Virgin Islands/ PRC	Investment holding	Limited liability company	200 "A" shares of US $1 each and 800 "B" shares of US $1 each	10.24%

45 Particulars of principal subsidiaries, jointly controlled entities and associates (Continued)

Notes:

(i) The English names of certain subsidiaries, jointly controlled entities and associates referred to in the Consolidated Financial Statements represent management's best efforts at translating the Chinese names of these companies as no English names have been registered.

(ii) Although the Group held less than 50% or 20% effective equity interests in some subsidiaries and associates as disclosed above, respectively, the Group ownes indirectly, through its non-wholly owned subsidiaries, more than 50% of the voting power of those subsidiaries and more than or equal to 20% of the voting power of those associates.

(iii) Although the Group's equity interests in some jointly controlled entities as disclosed above are more than 50%, the Group does not have unilateral control over these jointly controlled entities.

46 Comparatives

The Group has applied merger accounting to account for the purchase of the equity interests in the Acquired Subsidiaries during the year, as if the business combinations had been occurred from the beginning of the earliest financial years presented. The adoption of merger accounting has resulted in changes to the presentation of certain items and comparative figures have been restated, accordingly. In addition, certain comparative figures have been reclassified to conform to the current year's presentation.

Five Year Financial Summary

For the year ended 31 December 2009

	For the year ended 31 December				
	2009	2008	2007	2006	2005
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(Restated)			
Revenue	**68,462,154**	131,838,916	112,232,794	78,856,254	47,966,347
(Loss)/profit before income tax	**(6,213,500)**	15,670,552	26,112,562	11,483,130	7,679,136
Income tax expenses	**(450,586)**	(2,973,856)	(4,825,751)	(2,008,565)	(733,101)
(Loss)/profit for the year	**(6,664,086)**	12,696,696	21,286,811	9,474,565	6,946,035
(Loss)/profit attributable to:					
- Equity holders of the Company	**(7,467,812)**	11,606,134	19,481,867	8,292,447	5,582,059
- Non-controlling interests	**803,726**	1,090,562	1,804,944	1,182,118	1,363,976
	(6,664,086)	12,696,696	21,286,811	9,474,565	6,946,035

	As at 31 December				
	2009	2008	2007	2006	2005
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(Restated)			
Total assets	**137,741,303**	120,010,202	117,359,805	81,709,155	56,013,489
Total liabilities	**(85,156,488)**	(58,103,803)	(60,203,320)	(38,302,526)	(29,088,401)
Total equity	**52,584,815**	61,906,399	57,156,485	43,406,629	26,925,088

Notes:

(a) The financial figures for the year 2008 and 2009 were extracted from the Consolidated Financial Statements.

(b) The financial figures for the year 2005 to 2007 were extracted from the 2008 annual report. No retrospective adjustments for the common control combinations during the year were made on the financial figures for the year 2005 to 2007.

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