



# Report of the Directors and Financial Statements

102	Report of the Directors
126	Independent Auditor's Report
127	Consolidated Balance Sheet
129	Balance Sheet
130	Consolidated Income Statement
131	Consolidated Statement of Comprehensive Income
132	Consolidated Statement of Changes in Equity
134	Consolidated Cash Flow Statement
135	Notes to the Consolidated Financial Statements
207	Five-Year Financial Summary



# Report of the Directors

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

## Principal activities and segmental analysis of operations

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

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

## Results and appropriations

The results of the Group for the year ended 31st December 2010 are set out in the consolidated income statement on page 130 of this annual report.

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

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

## Five-year financial summary

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 207 of this annual report.

## Reserves

Movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on pages 132 and 133 of this annual report.

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

## Donations

Charitable and other donations made by the Group during the year amounted to US\$1,479,000.

## Property, plant and equipment

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

## Share capital

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

## Distributable reserves

The distributable reserves of the Company as at 31st December 2010 calculated under the Companies Act of Bermuda amounted to US\$1,040,396,000.

## Borrowings

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

## Retirement benefit schemes

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

## Directors

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

Mr. CHEN Hongsheng <sup>2</sup>	(resigned as a non-executive director and Chairman of the Board on 12th October 2010)
Mr. LI Jianhong <sup>1</sup>	(resigned on 12th October 2010)
Mr. XU Lirong <sup>2</sup> ( <i>Chairman</i> )	(appointed as Chairman of the Board on 12th October 2010)
Ms. SUN Yueying <sup>1</sup>	(resigned on 12th October 2010)
Mr. XU Minjie <sup>1</sup> ( <i>Vice Chairman and Managing Director</i> )	
Dr. SUN Jiakang <sup>2</sup>	
Mr. HE Jiale <sup>1</sup>	
Mr. WANG Zenghua <sup>1</sup>	(appointed on 12th October 2010)
Mr. FENG Jinhua <sup>1</sup>	(appointed on 12th October 2010)
Mr. WANG Haimin <sup>2</sup>	(appointed on 12th October 2010)
Mr. GAO Ping <sup>2</sup>	(appointed on 12th October 2010)
Dr. WONG Tin Yau, Kelvin <sup>1</sup>	
Mr. YIN Weiyu <sup>1</sup>	
Dr. LI Kwok Po, David <sup>3</sup>	
Mr. CHOW Kwong Fai, Edward <sup>3</sup>	
Mr. Timothy George FRESHWATER <sup>3</sup>	
Dr. FAN HSU Lai Tai, Rita <sup>3</sup>	

<sup>1</sup> Executive Director

<sup>2</sup> Non-executive Director

<sup>3</sup> Independent Non-executive Director

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

In accordance with Clauses 87(1) and (2) of the Bye-laws of the Company, Mr. XU Minjie, Mr. HE Jiale, Dr. WONG Tin Yau, Kelvin, Mr. CHOW Kwong Fai, Edward and Dr. FAN HSU Lai Tai, Rita, being directors longest in office since their last re-election, retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

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

## Biographical details of directors and senior management

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

### Directors' service contracts

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

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

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

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

## Directors' interests in contracts

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

## Share options

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

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

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

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

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

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

As at the date of this report, a total of 91,803,229 shares (representing approximately 3.39% of the existing issued share capital of the Company) may be issued upon exercise of all options which may be granted under the 2003 Share Option Scheme and a total of 38,283,000 shares (representing approximately 1.41% of the existing issued share capital of the Company) may be issued upon exercise of all options which had been granted and yet to be exercised under the 2003 Share Option Scheme.

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

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

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

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

Notes:

- (1) As defined in the 2003 Share Option Scheme (as amended), "Participants" include:
- (i) any employee of the Group (including any executive director of the Group);
  - (ii) any management of China COSCO, or China Ocean Shipping (Group) Company ("COSCO"), the Company's parent company; and
  - (iii) any person seconded or nominated by the Group to represent the Group's interest in any of the Group's associated companies or jointly controlled entities (as defined in note 2 below), or any other company or organisation.

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

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

# Report of the Directors

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

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

Notes:

- (1) The share options were granted during the period from 28th October 2003 to 6th November 2003 under the 2003 Share Option Scheme at an exercise price of HK\$9.54. The options are exercisable at any time within ten years from the commencement date which is the date on which an offer is accepted or deemed to be accepted by the grantee pursuant to the 2003 Share Option Scheme (the "Commencement Date"). The Commencement Date of the options was from 28th October 2003 to 6th November 2003.
- (2) The share options were granted during the period from 25th November 2004 to 16th December 2004 under the 2003 Share Option Scheme at an exercise price of HK\$13.75. The options are exercisable at any time within ten years from the Commencement Date. The Commencement Date of the options was from 25th November 2004 to 16th December 2004.
- (3) The share options were granted during the period from 17th April 2007 to 19th April 2007 under the 2003 Share Option Scheme at an exercise price of HK\$19.30. The options are exercisable at any time within ten years from the Commencement Date. The Commencement Date of the options was from 17th April 2007 to 19th April 2007.
- (4) These options represent personal interests held by the relevant directors as beneficial owners.
- (5) Mr. CHEN Hongsheng resigned as Chairman of the Board and a non-executive director of the Company, and Mr. LI Jianhong and Ms. SUN Yueying resigned as executive directors of the Company on 12th October 2010. In this respect, the options granted to Mr. CHEN Hongsheng, Mr. LI Jianhong and Ms. SUN Yueying were re-classified from the category of "directors" to the category of "others".
- (6) No share options were granted, exercised or cancelled under the 2003 Share Option Scheme during the year ended 31st December 2010.

## Directors' interests in shares, underlying shares and debentures

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

### (a) Long positions in the shares of the Company

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

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

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

### (c) Long positions in the shares of associated corporations

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

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



## Report of the Directors

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

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

Name of associated corporation	Name of director	Capacity	Nature of interest	Exercise price HK\$	Number of share options				Outstanding at 31st December 2010	% of total issued share capital of the relevant associated corporation	Note
					Outstanding at 1st January 2010	Granted during the year	Exercised during the year	Lapsed during the year			
COSCO International Holdings Limited	Dr. SUN Jiakang	Beneficial owner	Personal	1.37	800,000	—	—	—	800,000	0.053%	(1)
	Mr. HE Jiale	Beneficial owner	Personal	1.37	1,200,000	—	—	—	1,200,000	0.079%	(1)
	Dr. WONG Tin Yau, Kelvin	Beneficial owner	Personal	1.37	500,000	—	—	—	500,000	0.033%	(1)
	<b>Ex-director</b> Mr. LI Jianhong	Beneficial owner	Personal	1.37	1,200,000	—	—	—	N/A	N/A	(1), (2)

Notes:

- (1) The share options were granted by COSCO International Holdings Limited ("COSCO International"), an associated corporation of the Company listed on the Stock Exchange, on 2nd December 2004 pursuant to the share option scheme of COSCO International adopted on 17th May 2002 and amended by the shareholders of COSCO International at the special general meeting held on 5th May 2005. The share options are exercisable at an exercise price of HK\$1.37 per share at any time between 29th December 2004 and 28th December 2014.
- (2) Mr. LI Jianhong resigned as an executive director of the Company on 12th October 2010.
- (3) During the year, no share options mentioned above were cancelled.

Name of associated corporation	Name of director	Capacity	Nature of interest	Exercise price S\$	Number of share options				Outstanding at 31st December 2010	% of total issued share capital of the relevant associated corporation	Note
					Outstanding at 1st January 2010	Granted during the year	Exercised during the year	Lapsed during the year			
COSCO Corporation (Singapore) Limited	Mr. FENG Jinhua	Beneficial owner	Personal	2.48	N/A	—	—	—	300,000	0.013%	(1), (3)
	<b>Ex-directors</b>										
	Mr. LI Jianhong	Beneficial owner	Personal	1.23	700,000	—	—	—	N/A	N/A	(2), (4)
	Ms. SUN Yueying	Beneficial owner	Personal	1.23	700,000	—	—	—	N/A	N/A	(2), (4)

Notes:

- (1) The share options were granted by COSCO Corporation (Singapore) Limited ("COSCO Singapore"), an associated corporation of the Company listed on the Main Board of the Singapore Exchange, on 5th February 2007 and are exercisable at any time between 5th February 2008 and 27th September 2011.
- (2) The share options were granted by COSCO Singapore on 21st February 2006 and are exercisable at any time between 21st February 2007 and 20th February 2011.
- (3) Mr. FENG Jinhua was appointed as an executive director of the Company on 12th October 2010.
- (4) Mr. LI Jianhong and Ms. SUN Yueying resigned as executive directors of the Company on 12th October 2010.
- (5) During the year, no share options mentioned above were cancelled.

## Report of the Directors

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

Name of associated corporation	Name of director	Capacity	Nature of interest	Exercise price HK\$	Number of units of share appreciation rights			Outstanding at 31st December 2010	% of total issued H share capital of the relevant associated corporation	Note
					Outstanding at 1st January 2010	Granted during the year	Exercised during the year			
China COSCO Holdings Company Limited	Mr. XU Lirong	Beneficial owner	Personal	3.195	375,000	—	—	375,000	0.015%	(1)
				3.588	500,000	—	—	500,000	0.019%	(2)
				9.540	580,000	—	—	580,000	0.022%	(3)
	Mr. XU Minjie	Beneficial owner	Personal	3.195	75,000	—	—	75,000	0.003%	(1)
				3.588	90,000	—	—	90,000	0.003%	(2)
	Dr. SUN Jiakang	Beneficial owner	Personal	3.195	375,000	—	—	375,000	0.015%	(1)
				3.588	500,000	—	—	500,000	0.019%	(2)
				9.540	480,000	—	—	480,000	0.019%	(3)
	Mr. HE Jiale	Beneficial owner	Personal	3.195	375,000	—	—	375,000	0.015%	(1)
				3.588	500,000	—	—	500,000	0.019%	(2)
				9.540	480,000	—	—	480,000	0.019%	(3)
	Mr. WANG Zenghua	Beneficial owner	Personal	3.195	N/A	—	—	100,000	0.004%	(1), (4)
				3.588	N/A	—	—	90,000	0.003%	(2), (4)
				9.540	N/A	—	—	85,000	0.003%	(3), (4)
	Mr. FENG Jinhua	Beneficial owner	Personal	3.195	N/A	—	—	100,000	0.004%	(1), (4)
				3.588	N/A	—	—	90,000	0.003%	(2), (4)
				9.540	N/A	—	—	85,000	0.003%	(3), (4)
	Mr. WANG Haimin	Beneficial owner	Personal	3.195	N/A	—	—	57,000	0.002%	(1), (4)
				3.588	N/A	—	—	90,000	0.003%	(2), (4)
				9.540	N/A	—	—	75,000	0.003%	(3), (4)
	Mr. GAO Ping	Beneficial owner	Personal	3.195	N/A	—	—	100,000	0.004%	(1), (4)
				3.588	N/A	—	—	90,000	0.003%	(2), (4)
				9.540	N/A	—	—	85,000	0.003%	(3), (4)
	Mr. YIN Weiyu	Beneficial owner	Personal	3.195	100,000	—	—	100,000	0.004%	(1)
3.588				65,000	—	—	65,000	0.003%	(2)	
<b>Ex-directors</b>										
Mr. CHEN Hongsheng	Beneficial owner	Personal	3.195	525,000	—	—	N/A	N/A	(1), (5)	
			3.588	700,000	—	—	N/A	N/A	(2), (5)	
			9.540	680,000	—	—	N/A	N/A	(3), (5)	
Mr. LI Jianhong	Beneficial owner	Personal	3.195	450,000	—	—	N/A	N/A	(1), (5)	
			3.588	600,000	—	—	N/A	N/A	(2), (5)	
			9.540	580,000	—	—	N/A	N/A	(3), (5)	
Ms. SUN Yueying	Beneficial owner	Personal	3.195	450,000	—	—	N/A	N/A	(1), (5)	
			3.588	600,000	—	—	N/A	N/A	(2), (5)	
			9.540	580,000	—	—	N/A	N/A	(3), (5)	

Notes:

- (1) The share appreciation rights were granted by China COSCO, an associated corporation of the Company and a company listed on the Stock Exchange and the Shanghai Stock Exchange, in units with each unit representing one H share of China COSCO, on 16th December 2005 pursuant to the share appreciation rights plan adopted by China COSCO (the “Plan”). Under the Plan, no shares of China COSCO will be issued. The share appreciation rights are exercisable at HK\$3.195 per unit at any time between 16th December 2007 and 15th December 2015.
- (2) The share appreciation rights were granted by China COSCO in units with each unit representing one H share of China COSCO on 5th October 2006 pursuant to the Plan. Under the Plan, no shares of China COSCO will be issued. The share appreciation rights are exercisable at HK\$3.588 per unit at any time between 5th October 2008 and 4th October 2016.
- (3) The share appreciation rights were granted by China COSCO in units with each unit representing one H share of China COSCO on 4th June 2007 pursuant to the Plan. Under the Plan, no shares of China COSCO will be issued. The share appreciation rights are exercisable at HK\$9.540 per unit at any time between 4th June 2009 and 3rd June 2017.
- (4) Mr. WANG Zenghua and Mr. FENG Jinhua were appointed as executive directors of the Company and Mr. WANG Haimin and Mr. GAO Ping were appointed as non-executive directors of the Company on 12th October 2010.
- (5) Mr. CHEN Hongsheng resigned as Chairman of the Board and a non-executive director of the Company, and Mr. LI Jianhong and Ms. SUN Yueying resigned as executive directors of the Company on 12th October 2010.
- (6) During the year, no share appreciation rights mentioned above were lapsed or cancelled.

Save as disclosed above, as at 31st December 2010, none of the directors or chief executive of the Company had any interests or short positions in any shares or underlying shares or interests in debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

### Directors' interests in competing business

The COSCO Group (excluding the COSCO Logistics Group (as defined below)) carry on, among others, the businesses of shipping agency, freight forwarding and/or third party logistics and supporting services relating to the aforesaid services (the “Logistics Businesses”), details of which are disclosed in the circular on connected transactions issued by the Company dated 13th October 2003. The core of such businesses is unlikely to be in competition with the businesses carried on by COSCO Logistics Co., Ltd. (“COSCO Logistics”) and its subsidiaries, jointly controlled entities and associates (collectively the “COSCO Logistics Group”). The relevant member of the Group as vendor and China COSCO as purchaser entered into an agreement for the sale and purchase of 49% equity interest in COSCO Logistics (the “Transfer”), details of which are disclosed in the announcement and circular issued by the Company on 27th August 2009 and 17th September 2009 respectively. The Transfer was completed on 30th March 2010. Before completion of the Transfer, China COSCO and the Group had 51% and 49% equity interests in COSCO Logistics respectively.

As at 31st December 2010, Mr. XU Lirong, Mr. XU Minjie, Dr. SUN Jiakang, Mr. HE Jiale, Mr. WANG Zenghua, Mr. FENG Jinhua, Mr. WANG Haimin and Mr. GAO Ping, all being directors, held directorships and/or senior management posts in the COSCO Group and/or other companies which have interests in container terminals (the “Container Terminal Interests”).

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

# Report of the Directors

## Substantial interests in the share capital of the Company

As at 31st December 2010, the interests of shareholders in the shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name	Capacity	Nature of interests	Number of ordinary shares/Percentage of total issued share capital						
			Long positions	%	Short positions	%	Lending pool	% Note	
COSCO Investments Limited	Beneficial owner	Beneficial interest	202,592,613	7.47	—	—	—	—	(1)
COSCO Pacific Investment Holdings Limited	Beneficial owner and interest of controlled corporation	Beneficial interest and corporate interest	1,158,303,338	42.72	—	—	—	—	(1)
China COSCO Holdings Company Limited	Interest of controlled corporation	Corporate interest	1,158,303,338	42.72	—	—	—	—	(1)
China Ocean Shipping (Group) Company	Interest of controlled corporation	Corporate interest	1,158,303,338	42.72	—	—	—	—	(1)
JPMorgan Chase & Co.	Beneficial owner, investment manager and custodian corporation/approved lending agent	Beneficial interest and corporate interest	243,693,539	8.99	—	—	68,351,338	2.52	(2)

Notes:

- (1) The 1,158,303,338 shares relate to the same batch of shares of the Company. COSCO Investments Limited (“COSCO Investments”) is a wholly owned subsidiary of COSCO Pacific Investment Holdings Limited (“COSCO Pacific Investment”). Accordingly, the 202,592,613 shares of the Company held by COSCO Investments are also included as part of COSCO Pacific Investment’s interests in the Company. COSCO Pacific Investment is a wholly owned subsidiary of China COSCO and it itself held 955,710,725 shares of the Company beneficially. Accordingly, COSCO Pacific Investment’s interests in relation to the 1,158,303,338 shares of the Company are also recorded as China COSCO’s interests in the Company. COSCO held 52.80% interest of the issued share capital of China COSCO as at 31st December 2010, and accordingly, COSCO is deemed to have the interests of 1,158,303,338 shares of the Company held by COSCO Pacific Investment.
- (2) The corporate interest of JPMorgan Chase & Co. was attributable on account through a number of its wholly owned subsidiaries and a non-wholly owned subsidiary, J.P. Morgan Securities Ltd. (98.95% control).

Save as disclosed above, as at 31st December 2010, the Company has not been notified of any other interests or short positions in the shares and underlying shares of the Company which had been recorded in the register required to be kept under Section 336 of the SFO.

## Public float

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

## Purchase, sale or redemption of shares

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

## Pre-emptive rights

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

## Management contracts

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

## Major suppliers and lessees

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

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

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

During the year ended 31st December 2010, the Group and COSCO have equity interest in China International Marine Containers (Group) Co., Ltd., the holding company of the aforesaid five suppliers of the Group. In 2010, these five suppliers attributed 48.23% of container purchases of the Group.

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

## Corporate governance

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

### Code Provision E.1.2

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

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

## Connected transactions

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

### (I) Connected transaction

#### Acquisition of 13.70% effective interest in Sigma Enterprises Limited

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

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

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

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

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

### **(II) Continuing connected transactions**

#### **Rental of office premises**

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

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

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

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

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

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

On 3rd September 2009, Zhangjiagang Win Hanverky Container Terminal Co., Ltd. ("Zhangjiagang Win Hanverky"), a subsidiary of the Company, entered into an agreement with Zhangjiagang Port Group Co., Ltd. (張家港港務集團有限公司) ("Zhangjiagang Port Holding") in respect of supply of electricity at designated areas of the terminal owned and operated by Zhangjiagang Win Hanverky at the Zhangjiagang Port, Jiangsu province, the PRC (the "Zhangjiagang Port Terminal") by Zhangjiagang Port Holding to Zhangjiagang Win Hanverky for a term of three years from 1st January 2009 to 31st December 2011 at a unit price to be determined by Zhangjiagang Port Holding in accordance with the relevant documents issued by Jiangsu Price Bureau and the actual situation of Zhangjiagang Port Holding. The total amount of the abovementioned transactions for the year ended 31st December 2010 was RMB2,788,870. The annual caps of such transactions for the years ended/ending 31st December 2009, 2010 and 2011 were RMB3,200,000, RMB3,900,000 and RMB4,500,000 respectively. The aforesaid annual caps for the year ended 31st December 2010 and the year ending 31st December 2011 ceased to be applicable as the transaction amounts under the abovementioned agreement for these two financial years became included in the corresponding annual caps under the Zhangjiagang Container Terminal Services Master Agreement as referred to below.

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

On 3rd September 2009, Zhangjiagang Win Hanverky entered into an agreement with Zhangjiagang Port Group Co., Ltd. Gangkou Industrial Branch (張家港港務集團有限公司港口實業分公司) (“Zhangjiagang Port Industrial Branch”), a branch of Zhangjiagang Port Holding, in respect of supply of diesel oil and gasoline by Zhangjiagang Port Industrial Branch to vehicles of Zhangjiagang Win Hanverky at the gas stations operated by Zhangjiagang Port Industrial Branch at Zhangjiagang Port Terminal for a term of three years from 1st January 2009 to 31st December 2011 at adjustable prices. The total amount of the abovementioned transactions for the year ended 31st December 2010 was RMB9,022,638. The annual caps of such transactions for the years ended/ending 31st December 2009, 2010 and 2011 were RMB9,000,000, RMB10,800,000 and RMB14,000,000 respectively. The aforesaid annual caps for the year ended 31st December 2010 and the year ending 31st December 2011 ceased to be applicable as the transaction amounts under the abovementioned agreement for these two financial years became included in the corresponding annual caps under the Zhangjiagang Container Terminal Services Master Agreement as referred to below.

**(3) Repairing services provided by Zhangjiagang Port Industrial Branch**

On 3rd September 2009, Zhangjiagang Win Hanverky entered into an agreement with Zhangjiagang Port Industrial Branch in respect of provision of repairing services by Zhangjiagang Port Industrial Branch to Zhangjiagang Win Hanverky for the Zhangjiagang Port Terminal for a term of three years from 1st January 2009 to 31st December 2011 at fee rates not higher than those at which Zhangjiagang Port Industrial Branch charges independent third parties and those at which independent third parties charge Zhangjiagang Win Hanverky for the provision of the same or similar repairing services. The total amount of the abovementioned transactions for the year ended 31st December 2010 was RMB1,532,223. The annual cap of such transactions for each of the years ended/ending 31st December 2009, 2010 and 2011 was RMB1,000,000. The aforesaid annual caps for the year ended 31st December 2010 and the year ending 31st December 2011 ceased to be applicable as the transaction amounts under the abovementioned agreement for these two financial years became included in the corresponding annual caps under the Zhangjiagang Container Terminal Services Master Agreement as referred to below.

**(4) Manpower services provided by Zhangjiagang Port Holding**

On 3rd September 2009, Zhangjiagang Win Hanverky entered into an agreement with Zhangjiagang Port Holding in respect of provision of manpower services by Zhangjiagang Port Holding to Zhangjiagang Win Hanverky by appointing management officials to Zhangjiagang Win Hanverky for a term of three years from 1st January 2009 to 31st December 2011 at an annual services fee of RMB1,470,000. The management officials appointed to Zhangjiagang Win Hanverky under such agreement would remain as employees of the Zhangjiagang Port Holding and would not be employees of Zhangjiagang Win Hanverky. The total amount of the abovementioned transactions for the year ended 31st December 2010 was approximately RMB1,470,000. The annual cap of such transactions for each of the three years ended/ending 31st December 2009, 2010 and 2011 was RMB1,470,000. The aforesaid annual caps for the year ended 31st December 2010 and the year ending 31st December 2011 ceased to be applicable as the transaction amounts under the abovementioned agreement for these two financial years became included in the corresponding annual caps under the Zhangjiagang Container Terminal Services Master Agreement as referred to below.

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

On 3rd September 2009, Zhangjiagang Win Hanverky entered into an agreement with Zhangjiagang Port Group Co., Ltd. Port Property Branch (張家港港務集團有限公司港房分公司) (“Zhangjiagang Port Property Branch”), a branch of Zhangjiagang Port Holding, in respect of provision of cleaning services at the office building of Zhangjiagang Win Hanverky at the Zhangjiagang Port Terminal by Zhangjiagang Port Property Branch to Zhangjiagang Win Hanverky for a term of three years from 1st January 2009 to 31st December 2011 at an annual service fee of RMB186,700. The total amount of the abovementioned transactions for the year ended 31st December 2010 was RMB198,964. The annual cap of such transactions for each of the three years ended/ending 31st December 2009, 2010 and 2011 was RMB186,700. The aforesaid annual caps for the year ended 31st December 2010 and the year ending 31st December 2011 ceased to be applicable as the transaction amounts under the abovementioned agreement for these two financial years became included in the corresponding annual caps under the Zhangjiagang Container Terminal Services Master Agreement as referred to below.



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

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

As Zhangjiagang Port Holding holds a 49% equity interest in Zhangjiagang Win Hanverky, Zhangjiagang Port Holding and its subsidiaries, branches (which include Zhangjiagang Port Industrial Branch and Zhangjiagang Port Property Branch) and associates are connected persons of the Company. Accordingly, the transactions under sub-paragraphs (1) to (6) above constituted continuing connected transactions of the Company under the Listing Rules.

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

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

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

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

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

The fees for the aforesaid depot services are determined in accordance with the current market rates. The total amount of the abovementioned transactions for the year ended 31st December 2010 was US\$695,706. The annual caps of the aforesaid depot services transactions for the three years ended/ending 31st December 2009, 2010 and 2011 were US\$1,310,000, US\$1,507,000 and US\$1,732,000 respectively. The aforesaid annual caps for the year ended 31st December 2010 and the year ending 31st December 2011 ceased to be applicable as the transaction amounts under the Depot Services Agreements for these two financial years became included in the corresponding annual caps under the Florens-COSCON Container Related Services and Purchase of Materials Master Agreement as referred to below.

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

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

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

On 4th November 2009, Guangzhou South China Oceangate Container Terminal Company Limited (廣州南沙海港集裝箱碼頭有限公司) (“GZ South China”) entered into an agreement with Guangzhou Navigation Route Engineering Co. (廣州航道工程公司) (“GZ Engineering”), a subsidiary of Guangzhou Port Holding Company Limited (廣州港集團有限公司) (“GZ Port Holding”), in respect of the provision of surveying services by GZ Engineering to GZ South China at the designated areas of the Nansha Port Terminal Phase 2 for the period from 1st February 2009 to 31st January 2010 at fees determined according to the agreed fee scale and actual area surveyed. For the year ended 31st December 2010, GZ South China did not pay any fees to GZ Engineering pursuant to such agreement. The annual caps of such transactions for the years ended 31st December 2009 and 31st December 2010 were RMB460,000 and RMB1,000,000 respectively. The aforesaid annual cap for the year ended 31st December 2010 ceased to be applicable as the transaction amounts under the abovementioned agreement for such financial year became included in the corresponding annual cap under the Nansha Container Terminal Services Master Agreement as referred to below.

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

On 4th November 2009, GZ South China entered into an agreement with Guangzhou Port Holding Shipping Affairs Company Limited (廣州港集團船務有限公司) (“GZ Port Shipping Affairs”) and Guangzhou Port Nansha Port Affairs Company Limited (廣州港南沙港務有限公司) (“GZ Port Nansha Affairs”), subsidiaries of GZ Port Holding, in respect of the leasing of a pontoon by GZ Port Shipping Affairs to GZ Port Nansha Affairs and GZ South China for a term of one year from 1st October 2008, which has been extended for the period from 1st October 2009 to 30th September 2010. The pontoon was leased at a monthly rental of RMB10,000 borne by GZ Port Nansha Affairs and GZ South China in equal shares. The total amount of the abovementioned transactions for the year ended 31st December 2010 was approximately RMB83,000. The annual cap for such transactions for each of the years ended 31st December 2009 and 31st December 2010 was RMB60,000. The aforesaid annual cap for the year ended 31st December 2010 ceased to be applicable as the transaction amounts under the abovementioned agreement for such financial year became included in the corresponding annual cap under the Nansha Container Terminal Services Master Agreement as referred to below.

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

On 4th November 2009, GZ South China entered into an agreement with Guangzhou Port Haiyin Property Management Co., Ltd. (廣州港海印物業管理有限公司) (“GZ Port Property Management”), a subsidiary of GZ Port Holding, in respect of the provision of day-to-day cleaning services in certain buildings, apartments, hostels and other areas located at the Nansha Port Terminal Phase 2 for a term from 1st October 2009 to 30th September 2012 at the monthly service fee of RMB104,600. The total amount of the abovementioned transactions for the year ended 31st December 2010 was RMB1,015,932. The annual caps for the amount payable by GZ South China to GZ Port Property Management for such transactions for the years ended/ending 31st December 2010, 31st December 2011 and 31st December 2012 were RMB1,500,000, RMB1,600,000 and RMB1,700,000 respectively. The aforesaid annual caps for the year ended 31st December 2010 and the year ending 31st December 2011 and 31st December 2012 ceased to be applicable as the transaction amounts under the abovementioned agreement for such financial years became included in the corresponding annual caps under the Nansha Container Terminal Services Master Agreement as referred to below.

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

On 4th November 2009, GZ South China entered into an agreement with Guangzhou Ocean Shipping Tally Company (廣州外輪理貨有限公司) (“GZ Tally”), a subsidiary of GZ Port Holding, in respect of the provision of cargo handling services at the Nansha Port Terminal Phase 2 by GZ Tally to GZ South China for a term of one year from 1st January 2009 to 31st December 2009, which has been extended for the year ended 31st December 2010. The service fees charged by GZ Tally under such agreement were determined according to the agreed fee scale applicable to the types of vessels and the number of cargoes handled. The total amount of the abovementioned transactions for the year ended 31st December 2010 was RMB6,223,131. The annual caps for such transactions for the years ended 31st December 2009 and 31st December 2010 were RMB4,800,000 and RMB9,000,000 respectively. The aforesaid annual caps for the year ended 31st December 2010 ceased to be applicable as the transaction amounts under the abovementioned agreement for such financial year became included in the corresponding annual cap under the Nansha Container Terminal Services Master Agreement as referred to below.

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

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

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

On 4th November 2009, GZ South China entered into an agreement with Guangzhou Port Nansha Vehicle Terminal Company Limited (廣州港南沙汽車碼頭有限公司) (“GZ Port Vehicle”), an associate of GZ Port Holding, in respect of the provision of berths and the leasing of the relevant terminal areas at the Nansha Port Terminal Phase 2 by GZ South China to GZ Port Vehicle for the operation of GZ Port Vehicle’s stevedoring business in respect of commercial vehicles for a term from 12th September 2009 to 31st March 2010. The fees were determined according to the agreed monthly rental. The total amount of the abovementioned transactions for the year ended 31st December 2010 was RMB793,872. The annual caps for such transactions for the year ended 31st December 2009 and 31st December 2010 were RMB600,000 and RMB800,000 respectively. The aforesaid annual cap for the year ended 31st December 2010 ceased to be applicable as the transaction amounts under the abovementioned agreement for such financial year became included in the corresponding annual cap under the Nansha Container Terminal Services Master Agreement as referred to below.

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

On 31st March 2008, GZ South China entered into an agreement with Guangzhou Port Container Comprehensive Development Co., Ltd. (廣州港集裝箱綜合發展有限公司) (“GZ Port Development”), a subsidiary of GZ Port Holding, in respect of the provision of manpower services by GZ Port Development to GZ South China by appointing management officials to GZ South China (such management officials remain as employees of GZ Port Development and will not be employees of GZ South China) for a term expiring on 31st December 2010 at an annual service fee of RMB2,050,000. The total amount of the abovementioned transactions for the year ended 31st December 2010 was RMB2,050,000. The annual cap for such transactions for each of the year ended 31st December 2009 and 31st December 2010 was RMB2,050,000. The aforesaid annual cap for the year ended 31st December 2010 ceased to be applicable as the transaction amounts under the abovementioned agreement for such financial year became included in the corresponding annual cap under the Nansha Container Terminal Services Master Agreement as referred to below.

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

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

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

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

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

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

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

- (3) Florens-COSCON Container Related Services and Purchase of Materials Master Agreement entered into between Florens Container Holdings Limited (“Florens”, a wholly owned subsidiary of the Company), COSCO and COSCON in respect of the following transactions:
- (a) Purchase of container related materials by Florens and its subsidiaries (“Florens Group”) from members of COSCO Group. The annual caps of the aggregate amount payable by Florens Group to COSCO Group for such purchases for the years ended/ending 31st December 2010, 2011 and 2012 are US\$300,000, US\$400,000 and US\$500,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2010 was US\$115,251.
- (b) Provision of container related services by members of COSCO Group (including COSCON) to members of Florens Group. The annual caps of the aggregate amount payable by Florens Group to COSCO Group for such services for the years ended/ending 31st December 2010, 2011 and 2012 are US\$6,307,000, US\$8,032,000 and US\$8,912,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2010 was US\$782,842.

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

- (4) Florens-APMM Container Purchasing and Related Services Master Agreement entered into between Florens and the Line in respect of the following transactions:
- (a) Purchase of containers and container related materials by members of Florens Group from the Line. The annual cap of the aggregate amount payable by Florens Group to the Line for such purchases for each of the years ended/ending 31st December 2010, 2011 and 2012 is US\$15,000,000.
- (b) Provision of container related services by the Line to members of Florens Group. The annual cap of the aggregate amount payable by Florens Group to the Line for such services for each of the years ended/ending 31st December 2010, 2011 and 2012 is US\$100,000.

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

- (5) Nansha Container Terminal Services Master Agreement entered into between COSCO Ports, GZ South China and GZ Port Holding in respect of the following transactions:
- (a) Provision of container terminal related services by GZ South China to GZ Port Holding and its subsidiaries, branches and associates (“GZ Port Group”). The annual caps of aggregate amount receivable by GZ South China from GZ Port Group for such services for the years ended/ending 31st December 2010, 2011 and 2012 are RMB14,900,000, RMB20,500,000 and RMB26,400,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2010 was RMB4,420,480.
- (b) Provision of container terminal related services by members of GZ Port Group to GZ South China. The annual caps of the aggregate amount payable by GZ South China to GZ Port Group for such services for the years ended/ending 31st December 2010, 2011 and 2012 are RMB73,050,000, RMB87,120,000 and RMB104,970,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2010 was RMB29,918,014.

- (c) The appointment of GZ South China by GZ Port Holding to charge on behalf of GZ Port Holding the port construction fee (港口建設費) in respect of cargoes entering and departing from the phase 2 terminal at the Nansha Port in accordance with the applicable laws and regulations and/or as required by the relevant government or supervisory authorities from time to time. The relevant annual caps are as follows:
- (i) The annual caps of the aggregate amount of the port construction fee payable by GZ South China to GZ Port Holding for the years ended/ending 31st December 2010, 2011 and 2012 are RMB30,000,000, RMB36,500,000 and RMB40,500,000 respectively. The total amount of the aforesaid fee paid by GZ South China to GZ Port Holding for the year ended 31st December 2010 was RMB26,459,140.
  - (ii) The annual caps of the aggregate amount of the handling fee receivable by GZ South China from GZ Port Holding in respect of the charging of the port construction fee for the years ended/ending 31st December 2010, 2011 and 2012 are RMB100,000, RMB150,000 and RMB180,000 respectively. The total amount of the handling fee received by GZ South China from GZ Port Holding for the year ended 31st December 2010 was RMB98,175.
  - (iii) The annual caps of the aggregate amount of the refunded fee receivable by GZ South China from GZ Port Holding in respect of the charging of the port construction fee for the years ended/ending 31st December 2010, 2011 and 2012 are RMB7,700,000, RMB11,850,000 and RMB14,420,000 respectively. The total amount of the refunded fee received by GZ South China from GZ Port Holding for the year ended 31st December 2010 was RMB5,485,204.
- (d) The appointment of GZ South China by GZ Port Holding to charge on behalf of GZ Port Holding the vessels which use the high-frequency wireless communication services (甚高頻無線電通訊服務) at the Guangzhou port, or the agents of such vessels, the high-frequency communication fee (甚高頻通訊費) at a rate as prescribed by GZ Port Holding from time to time. The relevant annual caps are as follows:
- (i) The annual caps of the aggregate amount of the high-frequency communication fee payable by GZ South China to GZ Port Holding for the years ended/ending 31st December 2010, 2011 and 2012 are RMB1,000,000, RMB2,200,000 and RMB3,000,000 respectively. The total amount of the aforesaid fee paid by GZ South China to GZ Port Holding for the year ended 31st December 2010 was RMB353,650.
  - (ii) The annual caps of the aggregate amount of the handling fee receivable by GZ South China in respect of the charging of the high-frequency communication fee for the years ended/ending 31st December 2010, 2011 and 2012 are RMB30,000, RMB70,000 and RMB90,000 respectively. The total amount of the handling fee received by GZ South China for the year ended 31st December 2010 was RMB6,302.

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

- (6) Yangzhou Terminal Services Master Agreement entered into between COSCO Ports, Yangzhou Yuanyang International Ports Co. Ltd. (“Yangzhou Yuanyang”, a subsidiary of the Company), and Jiangsu Province Yangzhou Port Group Co., Ltd. (江蘇省揚州港務集團有限公司) (“Yangzhou Port Holding”) in respect of the following transactions:
- (a) Provision of terminal related services by Yangzhou Port Holding and its subsidiaries, branches and associates (“Yangzhou Port Group”) to Yangzhou Yuanyang. The annual caps of the aggregate amount payable by Yangzhou Yuanyang to Yangzhou Port Group for such services for the years ended/ending 31st December 2010, 2011 and 2012 are RMB68,985,000, RMB92,080,000 and RMB136,188,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2010 was RMB52,863,094.
  - (b) The appointment of Yangzhou Yuanyang by Yangzhou Port Holding to charge on behalf of Yangzhou Port Holding the port construction fee in respect of cargoes entering and departing from the terminals of Yangzhou Yuanyang in accordance with the applicable laws and regulations and/or as required by the relevant government or supervisory authorities from time to time. The relevant annual caps are as follows:

- (i) The annual caps of the aggregate amount of the port construction fee payable by Yangzhou Yuanyang to Yangzhou Port Holding for the years ended/ending 31st December 2010, 2011 and 2012 are RMB1,700,000, RMB2,035,000 and RMB2,442,000 respectively. The total amount of port construction fee paid by Yangzhou Yuanyang to Yangzhou Port Holding for the year ended 31st December 2010 was RMB855,248.
- (ii) The annual caps of the aggregate amount of the refunded fee receivable by Yangzhou Yuanyang from Yangzhou Port Holding in respect of the charging of the port construction fee for the years ended/ending 31st December 2010, 2011 and 2012 are RMB424,000, RMB509,000 and RMB611,000 respectively. For the year ended 31st December 2010, Yangzhou Yuanyang did not receive any refunded fees from Yangzhou Port Holding pursuant to such agreement.
- (c) The appointment of Yangzhou Yuanyang by Yangzhou Port Holding to receive on behalf of the relevant members of Yangzhou Port Group the service fees which are payable by independent third party terminal users to such members of Yangzhou Port Group in accordance with tripartite agreements between the relevant member of Yangzhou Port Group, Yangzhou Yuanyang and such independent third party terminal users and are paid by such independent third party terminal users to Yangzhou Yuanyang.

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

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

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

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

- (8) Florens-COSCON Container Leasing, Sales and Related Services Master Agreement entered into between Florens, COSCO and COSCON in respect of the following transactions:
  - (a) Grant of leases of containers (being containers which have been used for at least 10 years) for a term of not more than 3 years by members of Florens Group to members of COSCO Group. The annual caps of the aggregate amount receivable by Florens Group from COSCO Group for such transactions for the years ended/ending 31st December 2010, 2011 and 2012 are US\$468,000, US\$985,000 and US\$1,358,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2010 was US\$14,345.
  - (b) Sales of old containers by members of Florens Group to members of COSCO Group (including COSCON). The annual caps of the aggregate amount receivable by Florens Group from COSCO Group for such transactions for the years ended/ending 31st December 2010, 2011 and 2012 are US\$2,500,000, US\$3,000,000 and US\$3,300,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2010 was US\$87,500.
  - (c) Provision of container related services by members of Florens Group to members of COSCO Group (including COSCON). The annual caps of the aggregate amount receivable by Florens Group from COSCO Group for such services for the years ended/ending 31st December 2010, 2011 and 2012 are US\$1,000,000, US\$1,500,000 and US\$1,800,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2010 was US\$5,109.

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

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

- (a) Grant of leases of containers for a term of not more than 3 years by members of Florens Group to the Line. The annual caps of the aggregate amount receivable by Florens Group from the Line for such transactions for the years ended/ending 31st December 2010, 2011 and 2012 are US\$55,000, US\$65,000 and US\$80,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2010 was US\$16,337.
- (b) Sales of old containers by members of Florens Group to the Line. The annual caps of the aggregate amount receivable by Florens Group from the Line for the aforesaid transactions for the years ended/ending 31st December 2010, 2011 and 2012 are US\$300,000, US\$350,000 and US\$400,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2010 was US\$61,540.
- (c) Provision of container related services by members of Florens Group to the Line. The annual caps of the aggregate amount receivable by Florens Group from the Line for the aforesaid services for each of the years ended/ending 31st December 2010, 2011 and 2012 is US\$20,000. The total amount of the aforesaid transactions for the year ended 31st December 2010 was US\$19,875.

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

(10) Diesel Oil Purchase Master Agreement entered into between COSCO Ports, GZ South China and China Marine Bunker Supply Guangzhou Company (中國船舶燃料供應廣州公司) (“CM Supply”) in respect of the purchase of diesel oil by GZ South China from CM Supply. The terms for the supply of diesel oil by CM Supply shall be no less favourable to GZ South China than terms available to independent third parties from CM Supply for the relevant transactions.

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

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

- (a) Provision of container terminal related services by Zhangjiagang Win Hanverky to Zhangjiagang Port Holding and its subsidiaries, branches and associates (“Zhangjiagang Port Group”). The annual caps of the aggregate amount receivable by Zhangjiagang Win Hanverky from Zhangjiagang Port Group for such services for the years ended/ending 31st December 2010, 2011 and 2012 are RMB8,450,000, RMB9,970,000 and RMB12,490,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2010 was RMB125,037.
- (b) Provision of container terminal related services by members of Zhangjiagang Port Group to Zhangjiagang Win Hanverky. The annual caps of the aggregate amount payable by Zhangjiagang Win Hanverky to Zhangjiagang Port Group for the abovementioned services for the years ended/ending 31st December 2010, 2011 and 2012 are RMB18,990,000, RMB23,980,000 and RMB29,390,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2010 was RMB15,115,105.
- (c) The appointment of Zhangjiagang Win Hanverky by Zhangjiagang Port Holding to charge on behalf of Zhangjiagang Port Holding the port construction fee in respect of cargoes entering and departing from the terminal of Zhangjiagang Win Hanverky in accordance with the applicable laws and regulations and/or as required by the relevant government or supervisory authorities from time to time. The relevant annual caps are as follows:

- (i) The annual caps of the aggregate amount of the port construction fee payable by Zhangjiagang Win Hanverky to Zhangjiagang Port Holding for the years ended/ending 31st December 2010, 2011 and 2012 are RMB18,260,000, RMB21,910,000 and RMB26,290,000 respectively. The total amount of the aforesaid fee paid by Zhangjiagang Win Hanverky to Zhangjiagang Port Holding for the year ended 31st December 2010 was RMB17,366,069.
- (ii) The annual caps of the aggregate amount of the handling fee receivable by Zhangjiagang Win Hanverky from Zhangjiagang Port Holding in respect of the charging of the port construction fee for the years ended/ending 31st December 2010, 2011 and 2012 are RMB92,000, RMB110,000 and RMB132,000 respectively. The total amount of the handling fee received by Zhangjiagang Win Hanverky from Zhangjiagang Port Holding for the year ended 31st December 2010 was RMB76,990.

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

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

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

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

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

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

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

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



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

During the year, long term container leasing transactions were entered into between COSCO Group and the Group in respect of the provision of long term container leases by the Group to COSCO Group to which the Stock Exchange had, subject to certain conditions, granted waiver dated 14th December 1994 to the Company from strict compliance with the requirements stipulated in the then Chapter 14 of the Listing Rules to disclose details of such connected transactions by press notice and/or circular and/or to obtain prior independent shareholders' approval. The total consideration of the aforesaid transactions for the year ended 31st December 2010 amounted to US\$123,308,877. In the opinion of the directors of the Company, the aforesaid transactions were conducted in the ordinary and normal course of business of the Group and using average leasing rates by reference to, if applicable, the average of the available leasing rates quoted from three independent container leasing companies.

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

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

- (i) the long term container leasing transactions had been conducted in the ordinary course of business of the Group and using average market rates by reference to, if applicable, the average of the available leasing rates quoted from three independent container leasing companies and were fair and reasonable so far as the shareholders of the Company were concerned; and
- (ii) the rental of the office premises transactions, the transactions entered into by Zhangjiagang Win Hanverky, the rental of premises at Houzhu Operation Zone by QZ Pacific, the depot services transactions entered into by Florens Container Services Company Limited, the transactions entered into by GZ South China and the transactions entered into by COSCO Ports, PCT, Florens, GZ South China, Yangzhou Yuanyang, Plangreat, Zhangjiagang Win Hanverky and Xiamen Ocean Gate under the master agreements were:
  - entered into in the ordinary and usual course of the Group's businesses;
  - entered into on terms no less favourable to the Group than terms available from/to independent third parties; and
  - entered into in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

## **Report from the auditor on the continuing connected transactions**

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

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

## Disclosure under Rule 13.22 of Chapter 13 of the Listing Rules

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

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

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

### Audit committee

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

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

### Auditor

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

On behalf of the Board

### **XU Minjie**

*Vice Chairman and Managing Director*

Hong Kong, 23rd March 2011