COSCO Pacific Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 1199)

2008 FINAL RESULTS ANNOUNCEMENT

RESULTS HIGHLIGHTS

- Turnover rose by 13.1% to US$337,973,000
- Profit attributable to equity holders of the Company decreased by 35.8% to US$274,725,000 (2007: US$427,768,000)
- Excluding the non-recurring gains of the financial gain of the put options of China International Marine Containers (Group) Co., Ltd. ("CIMC") and the gain on disposal of interest in Chong Hing Bank Limited in 2007, profit attributable to equity holders of the Company should have decreased slightly by 2.5% to US$274,725,000 (2007: US$281,845,000)
- Propose a final dividend of US1.382 cents (2007: a final dividend of US3.924 cents and a special final dividend of US2.296 cents). The dividend will be payable in cash and with a scrip dividend alternative. Full-year dividend was US4.896 cents (2007: US9.406 cents) with payout ratio of 40.0% (2007: 56.6%) [note]
- With a further strengthened leading position in the industries, the Group was ranked as the fifth largest container terminal operator in the world and the second largest container leasing company in the world
- Container throughput rose by 17.7% to 45,878,875 TEUs
- The Group successfully bid for a concession to operate and develop Piers 2 and 3 of the Piraeus Port in Greece
- Container fleet size increased by 6.7% to 1,621,222 TEUs
- For the second consecutive year, the Company won "Corporate Governance Asia Recognition Award" by Corporate Governance Asia magazine and was named one of the best companies in China in the "Corporate Governance Award" by The Asset magazine
- For 2005, 2007 and 2008, the Company was awarded "Shipping In-House Team of the Year" by Asian Legal Business (ALB), a well recognised professional magazine

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

FINAL RESULTS

The board of directors (the “Board”) of COSCO Pacific Limited (the “Company” or “COSCO Pacific”) is pleased to announce the consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31st December 2008. The following financial information, including comparative figures, has been prepared in accordance with Hong Kong Financial Reporting Standards.

CONSOLIDATED BALANCE SHEET
AS AT 31ST DECEMBER 2008

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

CONSOLIDATED BALANCE SHEET (Continued)
AS AT 31ST DECEMBER 2008

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

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2008

	Note	**2008**	2007
		US$'000	*US$'000*
Revenue	2	**337,973**	298,948
Cost of sales		**(165,454)**	(152,513)
Gross profit		**172,519**	146,435
Investment income		**22,493**	21,874
Administrative expenses		**(50,142)**	(55,582)
Other operating income	5	**26,743**	53,909
Other operating expenses		**(5,652)**	(9,561)
Fair value gain on put options granted	6	**-**	55,181
Operating profit	7	**165,961**	212,256
Finance income	8	**6,866**	10,466
Finance costs	8	**(52,738)**	(49,878)
Operating profit after finance income and costs		**120,089**	172,844
Share of profits less losses of			
- jointly controlled entities		**100,273**	106,933
- associates		**54,815**	80,326
Profit on disposal of an associate	9	**-**	90,742
Profit before income tax		**275,177**	450,845
Income tax credit/(expenses)	10	**4,585**	(17,796)
Profit for the year		**279,762**	433,049
Profit attributable to:			
Equity holders of the Company		**274,725**	427,768
Minority interests		**5,037**	5,281
		279,762	433,049
Dividends	11	**109,873**	211,003
Earnings per share for profit attributable to equity holders of the Company			
- basic	12	**US12.24 cents**	US19.09 cents
- diluted	12	**US12.23 cents**	US18.99 cents

NOTES

1. BASIS OF PREPARATION

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

In 2008, the Group has adopted the following new HKFRS interpretations and amendments to existing standards (collectively the "new HKFRSs") issued by the HKICPA which are relevant to the Group's operations and mandatory for the financial year ended 31st December 2008:

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

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

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

New or revised standards, interpretations and amendments		**Effective for accounting periods beginning on or after**
HKAS 1 (Revised)	"Presentation of Financial Statements"	1st January 2009
HKAS 23 (Revised)	"Borrowing Costs"	1st January 2009
HKAS 27 (Revised)	"Consolidated and Separate Financial Statements"	1st July 2009
HKAS 32 and HKAS 1 Amendments	"Puttable Financial Instruments and Obligations Arising on Liquidation"	1st January 2009
HKAS 39 Amendment	"Financial Instruments: Recognition and Measurement – Eligible hedged items"	1st July 2009
HKFRS 1 (Revised)	"First-time Adoption of Hong Kong Financial Reporting Standards"	1st July 2009
HKFRS 1 and HKAS 27 Amendments	"Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate"	1st January 2009
HKFRS 2 Amendment	"Share-based Payment Vesting Conditions and Cancellations"	1st January 2009
HKFRS 3 (Revised)	"Business Combinations"	1st July 2009
HKFRS 7 Amendment	"Improving Disclosures about Financial Instruments"	1st January 2009
HKFRS 8	"Operating Segments"	1st January 2009

1. BASIS OF PREPARATION (Continued)

		Effective for accounting periods beginning on or after
HK(IFRIC)-Int 13	"Customer Loyalty Programmes"	1st July 2008
HK(IFRIC)-Int 15	"Agreements for the Construction of Real Estate"	1st January 2009
HK(IFRIC)-Int 16	"Hedges of a Net Investment in a Foreign Operation"	1st October 2008
HK(IFRIC)-Int 17	"Distributions of Non-cash Assets to Owners"	1st July 2009
HK(IFRIC)-Int 18	"Transfer of Assets from Customers"	1st July 2009
Improvements to existing standards		
HKAS 1 Amendment	"Presentation of Financial Statements"	1st January 2009
HKAS 16 Amendment	"Property, Plant and Equipment"	1st January 2009
HKAS 19 Amendment	"Employee Benefits"	1st January 2009
HKAS 20 Amendment	"Accounting for Government Grants and Disclosure of Government Assistance"	1st January 2009
HKAS 23 Amendment	"Borrowing Costs"	1st January 2009
HKAS 27 Amendment	"Consolidated and Separate Financial Statements"	1st January 2009
HKAS 28 Amendment	"Investments in Associates"	1st January 2009
HKAS 29 Amendment	"Financial Reporting in Hyperinflationary Economies"	1st January 2009
HKAS 31 Amendment	"Interests in Joint Ventures"	1st January 2009
HKAS 36 Amendment	"Impairment of Assets"	1st January 2009
HKAS 38 Amendment	"Intangible Assets"	1st January 2009
HKAS 39 Amendment	"Financial Instruments: Recognition and Measurement"	1st January 2009
HKAS 40 Amendment	"Investment Property"	1st January 2009
HKAS 41 Amendment	"Agriculture"	1st January 2009
HKFRS 5 Amendment	"Non-Current Assets Held for Sale and Discontinued Operations"	1st July 2009

		Effective for accounting periods ending on or after
New or revised standards, interpretations and amendments		
HK(IFRIC)-Int 9 and HKAS 39 Amendments	"Embedded Derivatives"	30th June 2009

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

2. SEGMENT INFORMATION

(a) Primary reporting format - business segments

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

Unallocated costs represent finance costs less interest income. Segment assets consist primarily of property, plant and equipment, investment properties, leasehold land and land use rights, intangible assets, inventories and receivables, and mainly exclude current and deferred income tax assets, jointly controlled entities, associates, available-for-sale financial assets, derivative financial instruments, restricted bank deposits, cash and cash equivalents and corporate assets. Segment liabilities comprise operating liabilities and primarily exclude items such as current and deferred income tax liabilities, borrowings and corporate liabilities.

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

Segment assets and liabilities

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

2. SEGMENT INFORMATION (Continued)

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

Segment revenue, results and other information

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

2. SEGMENT INFORMATION (Continued)

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

Segment revenue, results and other information (Continued)

	Year ended 31st December 2007					
	Container terminal and related businesses *US$'000*	Container leasing, management, sale and related businesses *US$'000*	Logistics and related businesses *US$'000*	Container manufacturing and related businesses *US$'000*	Corporate and other businesses *US$'000*	Total *US$'000*
Revenue						
External sales	51,095	247,853	—	—	—	298,948
Segment results	21,754	126,686	(427)	—	(12,761)	135,252
Dividend income from						
- a listed investment	—	—	—	—	639	639
- unlisted investments	21,184	—	—	—	—	21,184
Fair value gain on put options granted (note 6)	—	—	—	55,181	—	55,181
Unallocated costs						
- finance income						10,466
- finance costs						(49,878)
Operating profit after finance income and costs						172,844
Share of profits less losses of						
- jointly controlled entities	86,082	—	19,663	1,188	—	106,933
- associates	5,530	—	—	67,168	7,628	80,326
Profit on disposal of an associate (note 9)	—	—	—	—	90,742	90,742
Profit before income tax						450,845
Income tax expenses						(17,796)
Profit for the year						433,049
Capital expenditure	49,621	590,932	—	—	79	640,632
Depreciation and amortisation	6,921	76,670	—	—	435	84,026
Share-based compensations	—	—	—	—	11,190	11,190
Other non-cash expenses	—	1,019	—	—	421	1,440

2. SEGMENT INFORMATION (Continued)

(b) Secondary reporting format - geographical segments

In respect of container leasing, management, sale and related businesses, the movements of containers and generator sets of the Group and those managed on behalf of third parties under operating leases or finance leases are known through report from the lessees but the Group is not able to control the movements of containers and generator sets except to the degree that the movements are restricted by the terms of the leases or where safety of the containers and generator sets is concerned. It is therefore impracticable to present segment revenue and results by geographical areas for the related businesses.

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

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

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

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

3. TRADE AND OTHER RECEIVABLES

	2008	2007
	US$'000	*US$'000*
Trade receivables		
- third parties	**32,719**	28,118
- fellow subsidiaries	**26,367**	25,328
- jointly controlled entities	**450**	299
- related companies	**227**	168
	59,763	53,913
Less: provision for impairment	**(417)**	(3,713)
	59,346	50,200
Other receivables, deposits and prepayments	**78,414**	63,909
Rent receivable collected on behalf of owners of managed containers	**39,525**	39,243
Current portion of finance lease receivables	**943**	1,172
Current income tax recoverable	**975**	-
Amounts due from		
- fellow subsidiaries	**165**	-
- jointly controlled entities	**53,544**	20,776
- associates	**323**	3,101
- related companies	**5**	16
Loans receivable from		
- a jointly controlled entity	**-**	8,508
- an associate	**-**	6,571
	233,240	193,496

The ageing analysis of the trade receivables (net of provision) was as follows:

	2008	2007
	US$'000	*US$'000*
Within 30 days	**24,762**	20,405
31 - 60 days	**23,412**	20,228
61 - 90 days	**6,832**	6,128
Over 90 days	**4,340**	3,439
	59,346	50,200

The Group grants credit periods of 30 to 90 days to its customers.

4. TRADE AND OTHER PAYABLES

	2008	2007
	US$'000	*US$'000*
Trade payables		
- third parties	**9,029**	16,875
- fellow subsidiaries	**140**	-
- jointly controlled entities	**2**	3,288
- a minority shareholder of a subsidiary	**1,089**	387
- subsidiaries of an associate	**60**	25,785
- related companies	**1**	-
	10,321	46,335
Other payables and accruals	**49,555**	65,103
Payable to owners of managed containers	**39,897**	39,614
Current portion of other long term liabilities	**2,267**	2,267
Dividend payable	**34**	24
Amounts due to		
- fellow subsidiaries	**3**	105
- jointly controlled entities	**8**	-
- related companies	**-**	5
- minority shareholders of subsidiaries	**21,446**	286
	123,531	153,739

The ageing analysis of the trade payables was as follows:

	2008	2007
	US$'000	*US$'000*
Within 30 days	**4,920**	28,089
31 - 60 days	**745**	10,070
61 - 90 days	**296**	7,728
Over 90 days	**4,360**	448
	10,321	46,335

As at 31st December 2007, other payables and accruals included an amount of US$26,813,000 accrued for the purchase of containers which were delivered to the Group prior to the year end. The amount has not been included in the ageing analysis above.

5. OTHER OPERATING INCOME

	2008 *US$'000*	2007 *US$'000*
Exchange gain, net	**509**	7,992
Profit on disposal of a jointly controlled entity	**236**	-
Management fee and other service income	**4,909**	4,459
Profit on disposal of available-for-sale financial assets	**1,959**	7,418
Profit on disposal of property, plant and equipment	**5,313**	27,012
Write back of provision for impairment of trade receivables	**1,672**	966
Container repair insurance income	**4,915**	-
Others	**7,230**	6,062
	26,743	53,909

6. SHARE REFORM

On 25th May 2006, the Company issued 424,106,507 put options (the "Put Options") to holders of the A-shares not having trading restrictions (the "CIMC Tradeable A-Shares") of China International Marine Containers (Group) Co., Ltd. ("CIMC"), an associate of the Group listed on the Shenzhen Stock Exchange, as consideration for the former's approval of the removal of the trading restrictions on the CIMC shares held by the Group. The Put Options were listed on the Shenzhen Stock Exchange. The holders of the Put Options were entitled to require the Company to buy from them 1.370 CIMC Tradeable A-Shares at an exercise price of RMB7.302 per share during the 5 trading days immediately prior to and including 23rd November 2007.

The Put Options were derivative financial instruments as defined under HKAS 39 "Financial Instruments: Recognition and Measurement" ("HKAS 39") issued by the HKICPA and were carried in the balance sheet at their fair value in accordance with HKAS 39. The Put Options expired on 23rd November 2007 and none of the Put Options was exercised. The change in fair value of US$55,181,000 was credited to the consolidated income statement for the year ended 31st December 2007.

7. OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	2008	2007
	US$'000	*US$'000*
Crediting		
Dividend income from listed and unlisted investments	**22,440**	21,823
Rental income from investment properties	**53**	51
Exchange gain, net	**509**	7,992
Fair value gain on interest rate swap contracts not qualified as hedges	**-**	73
Profit on disposal of available-for-sale financial assets	**1,959**	7,418
Profit on disposal of property, plant and equipment	**5,313**	27,012
Profit on disposal of a jointly controlled entity	**236**	-
Revaluation surplus of investment properties	**-**	136
Write back of provision for inventories	**21**	-
Write back of provision for impairment of trade receivables	**1,672**	966
Charging		
Amortisation of		
- leasehold land and land use rights	**956**	532
- intangible assets	**657**	713
Depreciation of		
- owned property, plant and equipment leased out under operating leases	**77,054**	75,452
- other owned property, plant and equipment	**13,893**	7,329
Impairment loss of containers	**45**	400
Cost of inventories sold	**31,344**	49,049
Outgoings in respect of investment properties	**4**	2
Provision for impairment of trade receivables	**200**	394
Provision for inventories	**-**	28
Rental expense under operating leases of		
- buildings leased from third parties	**1,388**	1,384
- buildings leased from fellow subsidiaries	**916**	877
- buildings leased from a jointly controlled entity	**33**	33
- leasehold land and land use rights leased from minority shareholders of subsidiaries	**1,944**	1,822
- plant and machinery leased from third parties	**337**	255
- plant and machinery leased from a minority shareholder of a subsidiary	**-**	160
- containers leased from third parties	**8,747**	-
Revaluation deficit of investment properties	**3**	-
Total staff costs (including directors' emoluments and retirement benefit costs)		
Wages, salaries and other benefits	**41,204**	31,003
Share-based compensation	**-**	11,190
Less: Amounts capitalised in intangible assets	**(946)**	(104)
	40,258	42,089

8. FINANCE INCOME AND COSTS

	2008	2007
	US$'000	*US$'000*
Finance income		
Interest income on		
- bank balances and deposits	**4,165**	8,742
- loans to jointly controlled entities and associates	**2,701**	1,724
	6,866	10,466
Finance costs		
Interest expenses on		
- bank loans	**(38,642)**	(27,814)
- notes wholly repayable within five years	**(16,117)**	-
- notes not wholly repayable within five years	**-**	(19,005)
Fair value gain on derivatives financial instruments	**19,574**	9,003
Fair value adjustment of notes attributable to interest rate risk	**(20,762)**	(10,152)
	(1,188)	(1,149)
Amortised amount of		
- discount on issue of notes	**(190)**	(202)
- transaction costs on bank loans and notes	**(398)**	(783)
	(56,535)	(48,953)
Less: amount capitalised in construction in progress	**3,827**	293
	(52,708)	(48,660)
Other incidental borrowing costs and charges	**(30)**	(1,218)
	(52,738)	(49,878)
Net finance costs	**(45,872)**	(39,412)

9. PROFIT ON DISPOSAL OF AN ASSOCIATE

On 24th August 2007, the Group entered into a Sale and Purchase Agreement to dispose of its entire 20% shareholding interest in Chong Hing Bank Limited ("Chong Hing Bank"), a then associate listed in Hong Kong, at cash consideration of HK$2,088,000,000 (equivalent to approximately US$268,474,000) to COSCO (Hong Kong) Group Limited, a fellow subsidiary. The sale was completed on 26th November 2007 and resulted in a profit of US$90,742,000 for the year ended 31st December 2007.

10. INCOME TAX CREDIT/(EXPENSES)

	2008	2007
	US$'000	*US$'000*
Current income tax		
- Hong Kong profits tax	**(176)**	(2,771)
- China mainland taxation	**(2,750)**	(574)
- Overseas taxation	**(878)**	(9,171)
- Over provision in prior years	**12,612**	29
	8,808	(12,487)
Deferred income tax charge	**(4,223)**	(5,309)
	4,585	(17,796)

The Group's shares of income tax expenses of jointly controlled entities and associates of US$14,685,000 (2007: US$13,050,000) and US$8,366,000 (2007: US$6,210,000) are included in the Group's shares of profits less losses of jointly controlled entities and associates respectively.

Hong Kong profits tax was provided at a rate of 16.5% (2007: 17.5%) on the estimated assessable profit for the year. In 2008, the Hong Kong government enacted a change in profits tax rate from 17.5% to 16.5% for fiscal year of 2008/2009.

Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

In prior years, the Group had made certain tax provisions in connection with the disposal of containers. As such provision was not probable to be utilised, a write back of the related tax provision was made in the consolidated income statement during the year.

11. DIVIDENDS

	2008	2007
	US$'000	*US$'000*
Interim dividend paid of US3.514 cents (2007: US3.186 cents) per ordinary share	**78,890**	71,388
Final dividend proposed of US1.382 cents (2007: US3.924 cents) per ordinary share	**31,026**	88,089
2007 special final dividend paid of US2.296 cents per ordinary share	**-**	51,543
Exchange difference	**(49)**	(657)
Additional dividends paid on shares issued due to the exercise of share options before the closure of register of members:		
- 2007/2006 final	**6**	442
- 2008/2007 interim	**-**	198
	109,873	211,003

11. DIVIDENDS (Continued)

Note:

At a meeting held on 8th April 2009, the directors recommended the payment of a final dividend of HK10.7 cents (equivalent to US1.382 cents) per ordinary share. The dividend will be payable in cash and with a scrip dividend alternative. This proposed final dividend is not reflected as dividend payable in these consolidated financial statements until it has been approved at the annual general meeting, but will be reflected as an appropriation of retained profits for the year ending 31st December 2009.

12. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2008	2007
Profit attributable to equity holders of the Company	**US$274,725,000**	US$427,768,000
Weighted average number of ordinary shares in issue	**2,245,007,063**	2,240,304,150
Basic earnings per share	**US12.24 cents**	US19.09 cents

(b) Diluted

Diluted earnings per share is calculated based on the profit attributable to equity holders of the Company and the weighted average number of ordinary shares in issue during the year, after adjusting for the number of dilutive potential ordinary shares deemed to be issued at no considerations as if all outstanding share options granted by the Company had been exercised.

	2008	2007
Profit attributable to equity holders of the Company	**US$274,725,000**	US$427,768,000
Weighted average number of ordinary shares in issue	**2,245,007,063**	2,240,304,150
Adjustments for assumed issuance of shares on exercise of share options	**515,437**	11,776,391
Weighted average number of ordinary shares for diluted earnings per share	**2,245,522,500**	2,252,080,541
Diluted earnings per share	**US12.23 cents**	US18.99 cents

13. **EVENT AFTER THE BALANCE SHEET DATE**

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

The figures in respect of the preliminary announcement of the Group's results for the year ended 31st December 2008 have been agreed by the Company's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year ended 31st December 2008. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

FINAL DIVIDEND

The directors recommended the payment of a final dividend of HK10.7 cents (2007: final dividend HK30.6 cents and a special final dividend HK17.9 cents) per share for the year ended 31st December 2008, with an option to receive new fully paid shares in lieu of cash ("Scrip Dividend Scheme").

The proposed final dividend will be payable to shareholders whose names appear on the register of members of the Company on 27th May 2009.

The Scrip Dividend Scheme is conditional upon the passing of the relevant resolution at the Annual General Meeting of the Company to be held on 27th May 2009 and the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of and permission to deal in the new shares to be issued under the Scrip Dividend Scheme. Dividend warrants and share certificates for new shares to be issued under the Scrip Dividend Scheme will be despatched by ordinary mail on or about Monday, 20th July 2009.

Details of the Scrip Dividend Scheme and the election form will be sent to shareholders on or about Monday, 22nd June 2009.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 22nd May 2009 to Wednesday, 27th May 2009, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfer documents, accompanied by relevant share certificates, must be lodged with the Company's Hong Kong Registrar and Transfer Office, Tricor Secretaries Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 21st May 2009.

MANAGEMENT DISCUSSION AND ANALYSIS

Overall analysis of results

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

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

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

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

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

Financial analysis

Revenue

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

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

Cost of sales

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

Investment income

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

Administrative expenses

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

Net other operating income

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

Initial recognition and subsequent fair value gain on put options

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

Finance costs

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

Share of profits less losses of jointly controlled entities and associates

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

2008, profit contribution rose slightly by 2.7% to US$25,793,000 (2007: US$25,125,000). Driven by the growth momentum, Nanjing Port Longtan Container Co., Ltd. ("Nanjing Longtan Terminal") also recorded a throughput of 1,160,261 TEUs (2007: 950,289 TEUs) and achieved a 50.3% growth in profit contribution for the year.

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

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

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

During the year, share of net profits from associates amounted to US$54,815,000 (2007: US$80,326,000), a decrease of 31.8% over last year. The decrease resulted from a drop in profit contribution from CIMC. Notwithstanding this, the container terminal business has continuously sustained a steady growth in profit. Suez Canal Container Terminal S.A.E. ("Suez Canal Terminal"), which was acquired by the end of 2007, recorded a profit contribution of US$7,430,000 and achieved a throughput of 2,392,516 TEUs in 2008. Antwerp Gateway NV ("Antwerp Terminal") also grew rapidly. With its throughput increasing by 37.8% to 1,091,657 TEUs in 2008 (2007: 792,459 TEUs), Antwerp Terminal made a turnaround and achieved a profit of US$745,000 (2007: a loss of US$922,000). Dalian Port Container Terminal Co., Ltd. ("Dalian Port Container Terminal") acquired Berths No. 13 and 14 in June 2008. In 2008, its throughput increased by 94.9% and reached 1,656,968 TEUs (2007: 850,359 TEUs), while its profit contribution substantially increased by nearly 4.0 times to US$1,960,000 from US$395,000 of last year. The throughput and profit contribution of Shanghai Container Terminals Limited ("Shanghai Terminal") in 2008 were 3,681,785 TEUs (2007: 3,446,135 TEUs) and US$6,469,000 (2007: US$6,392,000) respectively. On the other hand, the equity interest in CIMC held by the Group increased from 16.54% in late 2007 to 21.8% in 2008. However, due to a significant margin erosion led by the price rise of raw materials amid the global financial tsunami, as well as a provision for impairment of inventory due to the suspension in production in certain dry cargo containers plants of CIMC during the fourth quarter, the profit contribution during the year decreased significantly by 41.8% to US$39,080,000 (2007: US$67,168,000).

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

Profit on disposal of an associate

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

Income tax credit/expenses

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

Financial position

Cash flow

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

Financing and credit facilities

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

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

Assets and liabilities

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

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

Debt analysis

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

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

Contingent liabilities

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

Treasury policy

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

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

The Group continued to exercise stringent control over the use of financial derivatives to hedge against its interest rates exposure. As at 31st December 2008, outstanding interest rates swap contracts comprised notional principals of contracts amounting to US$200,000,000 (31st December 2007: US$200,000,000) in total whereby the Group agreed to pay the banks interest at floating rates ranging from 105 basis points to 116 basis points (2007: 105 basis points to 116 basis points) above 6-month LIBOR in return for receiving interests from the banks at a fixed interest rate of 5.875% per annum (2007: 5.875%).

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

Events after the balance sheet date

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

BUSINESS REVIEW

Terminals

Stable Throughput Growth in 2008

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

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

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

Canal Terminal. In December 2007, two break-bulk cargo berths of Yangzhou Yuanyang Terminal commenced operation, increasing the break-bulk cargo throughput of the Group to 13,655,223 tons (2007: 7,989,609 tons), an increase of 70.9%.

Bohai Rim

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

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

Yangtze River Delta

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

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

Pearl River Delta & Southeast Coast

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

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

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

Overseas

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

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

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

2008 Container Throughput

Terminal companies	2008 (TEUs)	2007 (TEUs)	y-o-y change
Bohai Rim	**17,103,887**	**16,080,786**	**+6.4%**
Qingdao Qianwan Container Terminal Co., Ltd.	8,715,098	8,237,501	+5.8%
Qingdao Cosport International Container Terminals Co., Ltd.	1,099,937	1,005,439	+9.4%
Dalian Port Container Co., Ltd.	2,742,503	2,873,474	-4.6%
Dalian Port Container Terminal Co., Ltd.	1,656,968	850,359	+94.9%
Tianjin Five Continents International Container Terminal Co., Ltd.	1,938,580	1,988,456	-2.5%
Yingkou Container Terminals Company Limited	950,801	1,125,557	-15.5%
Yangtze River Delta	**9,503,821**	**8,307,080**	**+14.4%**
Shanghai Pudong International Container Terminals Limited	2,779,109	2,723,722	+2.0%
Shanghai Container Terminals Limited	3,681,785	3,446,135	+6.8%
Ningbo Yuan Dong Terminals Limited	903,865	331,361	+172.8%
Zhangjiagang Win Hanverky Container Terminal Co., Ltd.	710,831	601,801	+18.1%
Yangzhou Yuanyang International Ports Co. Ltd.	267,970	253,772	+5.6%
Nanjing Port Longtan Container Co., Ltd.	1,160,261	950,289	+22.1%
Pearl River Delta and Southeast Coastal Areas	**14,539,711**	**12,649,235**	**+14.9%**
COSCO-HIT Terminals (Hong Kong) Limited	1,752,251	1,846,559	-5.1%
Yantian International Container Terminals Co., Ltd.	9,683,493	9,368,696	+3.4%
Guangzhou South China Oceangate Container Terminal Company Limited	2,000,130	577,196	+246.5%
Quan Zhou Pacific Container Terminal Co., Ltd.	910,058	856,784	+6.2%
Jinjiang Pacific Ports Development Co., Ltd.	193,779	-	N/A
Overseas	**4,731,456**	**1,945,504**	**+143.2%**
COSCO-PSA Terminal Private Limited	1,247,283	833,892	+49.6%
Antwerp Gateway NV	1,091,657	792,459	+37.8%
Suez Canal Container Terminal S.A.E.	2,392,516	319,153	+649.6%
Total container throughput in China	**41,147,419**	**37,037,101**	**+11.1%**
Total container throughput	**45,878,875**	**38,982,605**	**+17.7%**
Total throughput of break-bulk cargo (Tons)	**13,655,223**	**7,989,609**	**+70.9%**

Expansion Strategy

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

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

Container leasing, management and sale

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

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

Whilst expanding its business in the sale-and-manage-back model, the Group kept abreast of the market developments and continued to develop its owned container fleet. In 2008, the Group purchased 152,752 TEUs (2007: 326,715 TEUs) of new containers, of which 64,802 TEUs (2007: 112,754 TEUs) were ordered for COSCON, accounting for 42.4% (2007: 34.5%) of the Group's total new purchase of the year. The remaining 57.6% (2007: 65.5%) or 87,950 TEUs (2007: 213,961 TEUs), were for international customers.

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

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

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

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

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

Logistics

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

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

Container Manufacturing

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

In 2008, the Group signed a deal to sell its interest in Tianjin CIMC North Ocean Container Co., Ltd. and Shanghai CIMC Reefer Containers Co., Ltd. to CIMC, to simplify its shareholding structure of its container manufacturing business.

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

CORPORATE GOVERNANCE

The Company continues to achieve high standards of corporate governance so as to promote transparency and ensure better protection of shareholders' interest as a whole. 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31st December 2008, except for the following deviations:

Code provision B.1.1

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

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

Code provision E.1.2

The code provision E.1.2 of the Corporate Governance Code provides that the chairman of the board shall attend the annual general meeting of the company. Due to business commitment, Dr. WEI Jiafu, the ex-Chairman of the Board who resides in Beijing, was unable to attend the annual general meeting of the Company held on 15th May 2008. This constituted a deviation from the code provision E.1.2 of the Corporate Governance Code.

BOARD COMMITTEES

Audit Committee

The Audit Committee of the Company comprises four independent non-executive directors of the Company. The Audit Committee has reviewed, in the presence of the internal and external auditors, the Group's principal accounting policies and the consolidated financial statements for the year ended 31st December 2008.

Remuneration Committee

As mentioned under the paragraph titled "Corporate Governance", the Remuneration Committee of the Company comprises five members, a majority of whom are independent non-executive directors. The Committee formulates the Group's remuneration policy of directors and senior management, reviews and determines their remuneration packages and makes recommendations to the Board regarding the remuneration of directors.

Other Board Committees

In addition to the above committees, the Board has also established various committees which include Executive Committee, Nomination Committee, Investment and Strategic Planning Committee, Corporate Governance Committee and Risk Management Committee. Each committee has its defined scope of duties and terms of reference. The terms of reference of the above committees have been posted on the Company's website at www.coscopac.com.hk.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as the Company's code of conduct and rules governing dealings by all directors in the securities of the Company. Having made specific enquiry of all directors of the Company, they all confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31st December 2008.

PURCHASE, SALE OR REDEMPTION OF LISTED 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 listed shares during the year.

OVERALL MANAGEMENT AND AWARDS

COSCO Pacific won wide acclaim from the market in 2008. In terms of corporate governance, the Company received the Corporate Governance Asia Recognition Award 2008 from the Corporate Governance Asia magazine and was named one of the best companies in China in the Corporate Governance Award 2008 by The Asset magazine. The Company was given the Hong Kong Outstanding Enterprise by the Economic Digest (Hong Kong) magazine. In terms of investor relations, the Company was awarded Most Progress in Investor Relations by IR magazine. The Company's legal team received the Shipping In-House Team of the Year award by Asian Legal Business (ALB), a well recognized law profession magazine. In addition, COSCO Pacific's corporate website won two bronze prizes in the categories of Stakeholder Communications and Website Redesign by iNOVA Awards.

COSCO Pacific attaches great importance in enhancing shareholder returns. In November 2008, the Company became a constituent of the Dow Jones Global Select Dividend Index, Dow Jones EPAC Select Dividend Index and Dow Jones Asia/Pacific Select Dividend 30 Index.

INVESTOR RELATIONS

COSCO Pacific firmly believes that investor relations play a key role in enhancing its enterprise value. Top management of the Company is committed to the improvement of its transparency and corporate governance. During the year, the Company received various awards on corporate governance and investor relations and is deeply honoured by the wide acclaim and broad recognition on its continual efforts in this regard. The Company will continue to be dedicated to the enhancement of its work in investor relations and corporate governance, thus safeguarding the interests of its shareholders and stakeholders.

CORPORATE CULTURE

Employee Relations

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

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

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

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

Social Responsibility

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

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

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

PROSPECTS

Looking ahead, 2009 is expected to be shrouded with unprecedented challenges. The global recession will inevitably result in a further decline in container shipping volume. China is also facing a very challenging external trade situation. During the first two months this year, China's trade volume and port throughput have declined by 27.2% and 15.0% respectively in comparison with the same period of 2008, resulting in a substantial impact on the Group's core businesses. The terminal and container leasing industries are in difficult situation which is highly likely to last for the full year.

To meet challenges ahead, COSCO Pacific continues to adopt prudent financial policy while risk management is being the key control measure in this economic downturn. Moreover, with the strong support from China Ocean Shipping (Group) Company, China COSCO Holdings Company Limited and COSCO Pacific will fully leverage its synergy so as to strengthen our core competence in managing our business in volatile markets. The Company will also further strengthen its cooperation with terminal business partners so as to overcome difficulties ahead and to make solid progress towards its long-term development targets. COSCO Pacific is confident that its long range planning will allow the Company to chart a safety course amid the current financial storm which should bring fruit to its long term stability and profitability for its shareholders.

MEMBERS OF THE BOARD

As at the date of this announcement, the Board comprises Mr. CHEN Hongsheng[2] (Chairman), Mr. LI Jianhong[1], Mr. XU Lirong[2], Ms. SUN Yueying[1], Mr. XU Minjie[1] (Vice Chairman & Managing Director), Dr. SUN Jiakang[2], Mr. HE Jiale[1], Dr. WONG Tin Yau, Kelvin[1], Mr. WANG Zhi[1], Mr. YIN Weiyu[1], Dr. LI Kwok Po, David[3], Mr. CHOW Kwong Fai, Edward[3], Mr. Timothy George FRESHWATER[3] and Dr. FAN HSU Lai Tai, Rita[3].

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

By Order of the Board
COSCO Pacific Limited
XU Minjie
Vice Chairman & Managing Director

Hong Kong, 8th April 2009