THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **COSCO Pacific Limited**, you should at once hand this circular to the purchaser or the transferee or the bank, stockbroker or other agent through whom the sale or the transfer was effected, for transmission to the purchaser or the transferee.

COSCO Pacific Limited

(Incorporated in Bermuda with limited liability)

(Stock Code : 1199)

POSSIBLE MAJOR TRANSACTION

PROPOSED CONCESSION AGREEMENT IN RELATION TO PIERS 2 AND 3 OF THE PIRAEUS PORT

19th November 2008

CONTENTS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

"Announcement"	the announcement of the Company dated 29th October 2008
"Bid"	the Company's bid for the Concession submitted in May 2008
"Board"	the board of directors of the Company
"China COSCO"	China COSCO Holdings Company Limited, a limited liability company incorporated in the People's Republic of China, the H shares of which are listed on the main board of Stock Exchange and the A shares of which are listed on the Shanghai Stock Exchange
"Committed Investment"	a sum of not less than €45 million (equivalent to approximately HK$450 million) to be provided by the Company to PCT either in the form of share capital or shareholder's loan to fund the upgrading of Pier 2 and construction of Pier 3
"Company"	COSCO Pacific Limited, a limited liability company incorporated in Bermuda, the shares of which are listed on the main board of Stock Exchange
"Concession"	the concession of the exclusive right to use and exploit the New Container Terminal pursuant to the Concession Agreement
"Concession Agreement"	the concession agreement intended to be executed among PPA, PCT and the Company in November 2008
"COSCO Investments"	COSCO Investments Limited, a company incorporated under the laws of the British Virgin Islands, which is holding a 8.91% interests in the Company and is a wholly-owned subsidiary of COSCO Pacific Investment
"COSCO Pacific Investment"	COSCO Pacific Investment Holdings Limited, a company incorporated under the laws of Hong Kong, which is directly holding a 42.05% interests in the Company and controls another 8.91% interests in the Company through COSCO Investments. COSCO Pacific Investment is a wholly-owned subsidiary of China COSCO
"CPI"	the Overall Consumer Price (Inflation) Index, as recorded on 31st December of each fiscal year, and published in the National Bureau of Statistics of Greece
"Director(s)"	the director(s) of the Company

"Euro" or "€"	Euro, the common currency of the European Union
"Government Gazette"	the Government Gazette of the Government of Greece
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Latest Practicable Date"	13th November 2008, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining information contained therein
"Law of Ratification"	a legislation to ratify the Concession Agreement following its execution, to be passed by the Parliament of Greece
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"New Container Terminal"	the container terminal, comprising Pier 2 and the eastern part of Pier 3 (to be constructed by PCT), together with the adjacent sea area of the Piraeus Port Container Terminal which allows the mooring and servicing of ships, being the subject of the Concession
"PCT"	Piraeus Container Terminal S.A., a company incorporated in Greece and a wholly-owned subsidiary of the Company which will take up the Concession pursuant to the terms of the Concession Agreement. Mr. XU Minjie, Mr. LI Ke Qiang, Mr. CHAN Hang, Mr. LUI Sai Kit Eddie and Mr. MEI Dumi are the directors of PCT
"Pier 2"	Pier 2 of the Piraeus Port Container Terminal, to be upgraded pursuant to the Concession Agreement
"Pier 3"	a new pier to be built by PCT on the existing site of the oil pier of the Piraeus Port Container Terminal pursuant to the Concession Agreement
"Piraeus Port Container Terminal"	the container terminal of the Piraeus Port, currently consisting of Pier 1 and Pier 2 only, and operated by PPA
"PPA"	Piraeus Port Authority S.A., a company incorporated in Greece, the grantor of the Concession
"S$"	Singapore dollars, the lawful currency of Singapore
"SFO"	the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong)

"Shareholder(s)"	the shareholder(s) of the Company
"sq. m."	square metre(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"TEU"	Twenty-foot containers subscribing to the standards adopted by the International Organisation for Standisation
"US$"	United States dollars, the lawful currency of the United States of America
"%"	per cent.

In this circular, unless otherwise stated, certain amounts denominated in Euro have been translated into HK$ at an exchange rate of €1 = HK$10.00, for illustration purpose only.

COSCO Pacific Limited

(Incorporated in Bermuda with limited liability)

(Stock Code : 1199)

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Mr. LI Jianhong[1]
Mr. XU Lirong[2]
Ms. SUN Yueying[1]
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Mr. CHOW Kwong Fai, Edward[3]
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19th November 2008

To the Shareholders

Dear Sir or Madam,

POSSIBLE MAJOR TRANSACTION

PROPOSED CONCESSION AGREEMENT IN RELATION TO PIERS 2 AND 3 OF THE PIRAEUS PORT

INTRODUCTION

References are made to the Company's announcements dated 4th June 2008, 10th June 2008 and 13th June 2008 and the Announcement.

In February 2008, PPA published an open international call for tender for the Concession, namely a concession for (i) the development, operation and commercial utilisation of the existing Pier 2; and (ii) the construction, operation and commercial utilisation of the eastern part of Pier 3 of the Piraeus Port Container Terminal. In response to such invitation for tender, the Company submitted the Bid in May 2008.

As disclosed in the announcement dated 13th June 2008, the Company was confirmed as the provisional highest bidder for the Concession by PPA in June 2008. Since then, the Company has been in negotiations with PPA over the terms of the formal Concession Agreement. The Board is pleased to announce that, following completion of negotiations with PPA over the terms of the Concession Agreement and finalisation of the same in early October 2008, the terms of the Concession Agreement have been approved in principle by the respective boards of directors of PPA and the Company.

As of the Latest Practicable Date, the Concession Agreement has not yet been signed, and it is intended that execution of the Concession Agreement among the Company, PCT, a wholly-owned subsidiary of the Company and PPA may take place in November 2008.

Upon its entry into force, the Concession Agreement would constitute a major transaction of the Company relating to an infrastructure project for the purposes of the Listing Rules. Since COSCO Investments and COSCO Pacific Investment, which in aggregate hold 1,144,166,411 shares of the Company (representing an approximately 50.96% interest in the Company), have given their written approvals of the Concession Agreement, no physical general meeting will be held to approve the Concession Agreement pursuant to Rule 14.44 of the Listing Rules.

This circular provides you with, among other things, (i) further information regarding the Concession; (ii) a business valuation report of the Concession; and (iii) a report from PricewaterhouseCoopers, the reporting accountant of the Company, in relation to the calculations of the discounted future estimated cash flows on which the business valuation of the Concession is based.

The material terms of the draft Concession Agreement are set out below.

THE CONCESSION AGREEMENT

1. Date

As of the Latest Practicable Date, the Concession Agreement has not yet been signed, and it is intended that execution of the Concession Agreement among the Company, PCT, a wholly-owned subsidiary of the Company and PPA may take place in November 2008. The Company will make an announcement (i) in the event that any of the material terms of the draft Concession Agreement are changed prior to execution; (ii) upon the execution of the Concession Agreement; and (iii) in the event of amendment of any material terms of the Concession Agreement after execution.

2. **Parties**

(i) PPA as the grantor of the Concession

(ii) PCT as the concessionaire of the Concession

(iii) the Company as the sole shareholder of PCT

3. **Subject Matter**

Pursuant to the Concession Agreement, PCT will take up the Concession to use exclusively and utilise commercially:

(i) the existing areas and facilities of Pier 2, an existing pier in operation which handled a throughput of 1.37 million TEUs in 2007, with a surface area of 373,365 sq. m.; and

(ii) the area allocated for construction of the eastern section of the new Pier 3 which will have a surface area of 152,672 sq. m.,

together with related infrastructure, superstructure, existing building installations and facilities including electricity distribution substations, vehicle entrance and exit points, network installations, empty container storage yards, refrigerated container installations, dangerous or fragile cargo installations, and all existing mechanical equipment and related information systems, including wireless communication network facilities.

4. **Term of the Concession**

The Concession will be for an initial term of 30 years, commencing on the date PCT undertakes the operations of the New Container Terminal, which is currently scheduled to take place on 1st October 2009, with a mandatory extension for a term of 5 years subject to PCT's fulfillment of its obligations to construct the eastern section of the new Pier 3 as provided under the Concession Agreement. The term may also be extended for a corresponding period in the event of interruption of operation of the New Container Terminal not caused by PCT as specified in the Concession Agreement.

PPA will also have the right to unilaterally extend the term for a further period of 5 years by giving prior written notice of not later than 24 months prior to the expiry of the initial term. Nevertheless, in any event, the term of the Concession Agreement may not be extended beyond 42 years, being the duration of the concession of the Piraeus Port area obtained by PPA from the Republic of Greece pursuant to a concession contract entered into between the Republic of Greece and PPA dated 13th February 2002 (as amended), under which PPA acquired the exclusive right to use and commercially exploit the Piraeus Port area with power to undertake all measures required for the development thereof.

5. **Consideration**

The total consideration payable to PPA over the 35-year term of the Concession is estimated to amount to €831.2 million (equivalent to approximately HK$8,312 million) in present value terms, comprising:

(i) an one-off initial payment of €50 million (equivalent to approximately HK$500 million) to be made within 15 days upon written notification by PPA to PCT of the enactment of the Law of Ratification and publication of the same in the Government Gazette;

(ii) a 5 year installment payment of a total of €0.5 million (equivalent to approximately HK$5 million) in present value terms, which is translated from the future nominal value of €0.7 million (equivalent to approximately HK$7 million) to be payable by 5 equal yearly installments commencing from 1st January 2010;

(iii) the aggregate of the concession fees payable to PPA over the entire term of the Concession, calculated by reference to the future actual revenue of PCT and a variable concession rate ranging from 21.0% (for the first to eighth year of the Concession) to 24.5% (from the ninth year of the Concession and onwards) thereof, subject to a guaranteed minimum annual payment to PPA, to be paid on a monthly basis throughout the term of the Concession Agreement, with any difference between the actual concession fees and the guaranteed minimum annual payment (if any) payable by one annual payment after release and approval of the financial statements of PCT and within 4 months of the financial year end of PCT. Based on the forecast aggregate revenue of PCT over the entire term of the Concession of up to €2,829.6 million (in present value) (equivalent to approximately HK$28,296 million) as projected by the Company by reference to, among other things, the projected traffic volume of the Piraeus Port Container Terminal as contained in the traffic studies report produced by an independent shipping consultant, market intelligence on the operating environment of the container terminal business globally, in the Mediterranean region and in Greece, and the industry experience of the management team of the Company, it is estimated that the present value of the aggregate concession fees payable will amount to approximately €664.0 million (equivalent to approximately HK$6,640 million); and

(iv) the aggregate of the annual fees payable for the use of certain land, berthing docks and piers required for the operation of the Concession, calculated by reference to the existing and projected length (after completion of the construction of Pier 3) of berths made available for docking of container ships, and the existing and projected surface area (after completion of the construction of Pier 3) of the New Container Terminal, payable every 6 months during the term of the Concession Agreement, such rate to be adjusted annually by reference to CPI plus 2%, but in any event not less than 2%, which is projected to an amount up to €116.7 million (equivalent to approximately HK$1,167 million) in present value terms.

Notes:

(a) All future nominal values of the considerations payable under the Concession Agreement were discounted to present value adopting a 9% discount rate as specified by the call for tender for the Concession.

(b) The projected Concession fees referred in paragraph (iii) above payable are calculated under the following assumptions:

(1) Taking into account the findings of the traffic studies report of the Piraeus Port Container Terminal produced by an independent shipping consultant, the Company projects that both Pier 2 (as upgraded) and Pier 3 (upon completion of construction) will reach maximum utilisation rate by 2026 and will be operating at full capacity thereafter until the end of the term of the Concession.

(2) The customers of the Piraeus Port Container Terminal are broadly divided into 2 categories, namely gateway customers (who generally pay a higher fee) and transshipment customers (who generally pay a lower fee). According to the website of PPA, in 2007, the container traffic of the Piraeus Port Container Terminal for gateway and empty boxes accounted for approximately 66.5% whereas that of transshipment only accounted for 33.5%. Taking into account the findings of the traffic studies report of the Piraeus Port Container Terminal produced by an independent shipping consultant, it is estimated that during the term of the Concession, the customer mix of gateway traffic:transshipment traffic would range from 57:43 as at the first year of the Concession to 85:15 as at the last year of the Concession.

(3) It is projected that the gateway tariff of the New Container Terminal will increase annually by 2.5% as specified in the call for tender and based on the existing tariff of the Piraeus Port Container Terminal. It is projected that the cumulative average growth rate for the transshipment tariff is approximately 2.4% during the term of the Concession.

The Company will finance the capital requirements of PCT under the Concession Agreement by a combination of internal resources and external bank borrowings.

The consideration for the Concession was arrived at by reference to, among other things, the historical container traffic volume, gateway and transshipment customer mix of the Piraeus Port Container Terminal, the projected container throughput, gateway and transshipment customer mix of the New Container Terminal (including after completion of construction of Pier 3) as estimated by the professional shipping consultants engaged by the Company, the projected revenue, expenditure and capital commitment of the New Container Terminal and the growth potential of the New Container Terminal and Greece generally.

According to DTZ Debenham Tie Leung Limited, an independent valuer, the value of the Concession, prepared on a discounted cash flow basis, amounts to €886 million (equivalent to approximately HK$8,860 million. Details of the assumptions which DTZ Debenham Tie Leung Limited has adopted in preparing its valuation are set out in Appendix II to this Circular.

PricewaterhouseCoopers, the reporting accountant of the Company, has reviewed the calculations of the discounted future estimated cash flows on which the valuation prepared by DTZ Debenham Tie Leung Limited is based. The Directors also confirmed that such estimate was made after making due and careful enquiry. The full text of the valuation report of DTZ Debenham Tie Leung Limited and the report from PricewaterhouseCoopers on the calculations of the discounted future estimated cash flows are set out in Appendices II and III to this Circular.

As, historically, PPA has not prepared its accounts on a segment basis, no segment financial information solely on Pier 2 and Pier 3 (which is not yet in existence and is to be built by PCT), being the subject matter of the Concession, is available. For information purposes only, according to the annual report of PPA for the year ended 31st December 2007, the profits of PPA (which include profits from the operations of Pier 2 as well as other business activities of PPA not related to the Concession) for the two financial years ended 31st December 2007, prepared in accordance with International Financial Reporting Standards, were as follows:

For the financial year ended 31st December 2006:

Profit before taxation	Profit after taxation
€17,453,000	€12,217,000

For the financial year ended 31st December 2007:

Profit before taxation	Profit after taxation
€33,451,000	€24,838,000

According to PPA's audited financial statements, the net asset value of PPA as at 31st December 2007 was €181,331,000 (equivalent to approximately HK$1,813,310,000).

6. **Entry into Force**

It is anticipated that, after execution, the Concession Agreement will enter into force upon the fulfillment of the last of the following conditions precedent. For illustration purposes, it is assumed that the Concession Agreement will be signed on 25th November 2008 and the deadlines of the various conditions precedent are projected accordingly.

(i) Within 15 days of execution of the Concession Agreement, PCT shall provide a letter of guarantee for an amount of €50 million (equivalent to approximately HK$500 million) to secure the initial payment for the Concession of €50 million (equivalent to approximately HK$500 million) by PCT. For illustration purposes, it is projected that the deadline for the provision of this letter of guarantee will fall on 10th December 2008.

(ii) The executed Concession Agreement will then be ratified by the Parliament of Greece and the Law of Ratification shall be published in the Government Gazette within 8 months from execution. For illustration purposes, it is projected that the Law of Ratification will be notified by 25th July 2009.

If the executed Concession Agreement is not ratified within the said period, and subject to any extension of time agreed to between the parties, each of PCT and PPA is entitled to give written notice to the other to terminate the Concession Agreement without liability to any party to the same and PPA shall forthwith return the letter of guarantee for €50 million (equivalent to approximately HK$500 million) as mentioned in (i) above.

(iii) Within 15 days upon notification in writing by PPA to PCT regarding the enactment of the Law of Ratification and the publication of the same in the Government Gazette, PCT shall pay the initial consideration of €50 million (equivalent to approximately HK$500 million) to PPA. Upon payment, the letter of guarantee mentioned in (i) above shall be duly returned to PCT. Assuming the written notice from PPA to PCT will be given on 25th July 2009, the initial consideration should be paid by 9th August 2009.

(iv) Within 40 days of notification in writing by PPA to PCT regarding the enactment of the Law of Ratification and the publication of the same in the Government Gazette (assuming the written notice from PPA to PCT will be given by 25th July 2009, the 40 days deadline shall fall on 3rd September 2009), but in any event not earlier than 14th August 2009, PCT shall

(a) provide the following letters of guarantee to PPA:

(1) a revolving standing letter of guarantee for an amount of €61.4 million (equivalent to approximately HK$614 million), as general guarantee of performance of the obligations by PCT to operate both Pier 2 and Pier 3 in accordance with the Concession Agreement, to be renewed on an annual basis, which shall remain to be effective during the term of the Concession;

(2) a standing letter of guarantee for a sum of €21 million (equivalent to approximately HK$210 million), as guarantee for the performance of PCT's obligations in respect of the upgrading of Pier 2, to be effective from 1st April 2010 or the date of commencement of the upgrading works, whichever is the earlier. The guaranteed amount will be reduced by 50% to €10.5 million (equivalent to approximately HK$105 million) upon completion of the upgrading work of Pier 2 and certification of the same and such letter of guarantee will expire and will be returned to PCT 12 months after completion of the upgrading of Pier 2 or certification, whichever is the later; and

(3) a standing letter of guarantee for a sum of €42 million (equivalent to approximately HK$420 million), as guarantee of performance of the obligations by PCT in respect of the construction of Pier 3, to be effective from the date of delivery of the site for construction of Pier 3 to PCT, but in any event not earlier than 1st April 2011. The guaranteed amount will be reduced by 50% to €21 million (equivalent to approximately HK$210 million) upon completion of the construction of Pier 3 and certification of the same and such letter of guarantee will expire and will be returned to PCT 12 months after completion of the construction of Pier 3 or certification, whichever is the later.

(b) notify PPA that the documents relating to project financing of PCT (where applicable) have been duly executed and will enter into force in accordance with their respective terms. If the relevant project financing documents are signed earlier than 14th August 2009, PCT has the right to submit the same at the time together with the letters of guarantee mentioned in paragraph (a) above earlier than 14th August 2009.

(v) The Concession Agreement will become effective on the date upon the last of the conditions precedent having been fulfilled.

In the event of failure on the part of PCT to perform its obligations within 15 days (subject to any further extension as may be agreed among the parties) of any of the deadlines as set out in paragraph (iv) above, PPA will be entitled to give notice to PCT to terminate the Concession Agreement and in such event, PCT shall pay a sum of €50 million (equivalent to approximately HK$500 million) as liquidated damages to PPA.

Following the entry into force of the Concession Agreement, PPA shall deliver to PCT the premises of the New Container Terminal, including the installations and equipment comprised thereby, and such delivery must be completed by 30th September 2009. In the case of delay of delivery beyond 31st October 2009, PPA shall pay to PCT a sum of €30,000 (equivalent to approximately HK$300,000) per day for each calendar day of delay after 31st October 2009, up to a period of 30 days (i.e. up to 30th November 2009), after which delivery by PPA to PCT shall be deemed to be effective.

For an initial period of 6 to 8 months after PCT takes over the operation of the New Container Terminal, PCT will be required to use personnel provided by PPA as detailed in the sub-paragraph (ii) under the paragraph headed "8. Other Material Terms — B. Undertakings by PPA" to operate the New Container Terminal, and PCT will be free to use its own labour force to operate the New Container Terminal after such period.

7. **Termination**

A. ***Termination by PPA***

PPA is entitled to give notice to terminate the Concession Agreement by reason of, among other things:

(i) breach of PCT of its obligations under the Concession Agreement which affects materially the performance of the Concession Agreement or the operation of the New Container Terminal to the extent that further implementation of the Concession Agreement will be onerous for PPA and against bona fide and transactional ethics;

(ii) insolvency of PCT or PCT is in the state of receivership;

(iii) delay in payment of the consideration and interest accruing thereon in excess of 3 months;

(iv) failure of PCT in achieving the projected minimum annual throughput stipulated in the Concession Agreement, cumulatively and for 3 consecutive years, unless the shortfall is offset by the excess annual throughput (i.e. by annual throughput in excess of the minimum stipulated in the Concession Agreement) achieved by PCT during the three year period immediately before. This ground for termination does not apply for the initial three years of the life of the Concession Agreement, ending on 31st December 2012;

(v) failure of PCT to adhere to the timetable for upgrading of Pier 2 without cause;

(vi) failure of PCT to adhere to the timetable for construction of Pier 3 without cause, in such case PPA may, at its option, either terminate the Concession Agreement or require PCT to pay a damage of €111.4 million (equivalent to approximately HK$1,114 million) within a period of not less than 100 days. Once paid, such amount will relieve PCT of any further obligation to construct Pier 3 and the site will be repossessed by PPA for exploitation of the same but excluding establishment of a container terminal. Failure of PCT to make such payment will entitle PPA to present the letters of guarantee as referred to in the paragraph headed "6. Entry into Force" above for payment, demand PCT to submit new letter(s) of guarantee in substitution to those presented for payment and reclaim possession of the site planned for the construction of Pier 3; or

(vii) transfer of interests in PCT by the Company in violation of the restrictions as contained in the Concession Agreement.

B. ***Termination by PCT***

PCT is entitled to give written notice to terminate the Concession Agreement by reason of:

(i) breach of PPA of its obligations under the Concession Agreement which affects materially the performance of the Concession Agreement or the operation of the New Container Terminal to the extent that further implementation of the Concession Agreement is onerous for PCT and against bona fide and transactional ethics; or

(ii) transfer of all or a substantial part of PPA's business and its rights over the Piraeus Port area given under the law, to a third party other than succession between two previously separate entities.

8. **Other Material Terms**

A. ***Obligations of PCT***

(i) *Upgrading of Pier 2*

PCT shall upgrade the facilities of the existing Pier 2 by performing certain work, including demolition of certain existing concrete structures, improvement to certain infrastructure such as reinforcement of concrete pavement and renovation of certain existing buildings, construction of certain infrastructure such as building of new power substations with corresponding electromechanical works. The upgrading work of Pier 2 set out above will be carried out in two phases and is scheduled to complete by 31st May 2011 and 31st May 2012, respectively. In addition, as part of the upgrading work, certain equipment will be installed on Pier 2 gradually and not later than 30th April 2014.

(ii) *Construction of Pier 3*

PCT shall construct the eastern section of the new Pier 3 by performing certain work, including infrastructure construction involving caisson construction, riprap foundation, underwater and above water land reclamation, improvement to certain infrastructure such as reinforcement of concrete superstructure and pavement, construction of certain infrastructure such as building of new power substations with corresponding electromechanical works and installation of equipment. The construction work of Pier 3 set out above is scheduled to commence not later than 24 months after PCT undertakes the operations of the New Container Terminal and delivery of the site for construction to Pier 3 to PCT, which shall not be earlier than 1st April 2011. Construction of Pier 3 is scheduled to be completed by 31st October 2015.

It is expected that the aggregate capital expenditure required to complete the upgrading of Pier 2 and the construction of Pier 3 will amount to €235.5 million (equivalent to approximately HK$2,355 million) (in present value terms). The said capital expenditure will be incurred as the upgrading of Pier 2 and construction of Pier 3 progresses and will be paid to various parties such as suppliers of construction materials and equipment. Such capital expenditure will not constitute part of the payment to be paid to PPA. It is expected that the Group will finance this capital expenditure by a combination of internal resources and external project financing and bank borrowing.

(iii) *Sharing of Excess Profits*

In the event that the internal rate of return of the Committed Investment is greater than 16%, any excess profits available for distribution shall be shared equally between PCT and PPA.

(iv) *Financial Reporting*

PCT shall prepare and submit its audited financial statements to PPA within 3 months of expiry of each fiscal year and shall prepare and submit unaudited interim accounts for the first 6 months of the fiscal year not later than 30th August of each year. Within 15 days of the expiry of each quarter, PCT shall also prepare and submit to PPA a report regarding the total throughput of each of Pier 2 and Pier 3, expressed in TEUs, together with revenue collected for each type of activity.

(v) *Other Undertakings by PCT*

Pursuant to the Concession Agreement, PCT shall:

(a) on the premises of the New Container Terminal, provide a total spectrum of harbour services and facilities expected of a modern port complex engaged in international commercial activities, and of a comparable position of strategic importance;

(b) ensure the financial viability and continuation of operation of the New Container Terminal;

(c) implement and enforce all measures contributory to safety of navigation, safety of harbour installation users and safety and health of its employees;

(d) conform to all environmental protection requirements, as well as to conform to all relevant licenses and permits; and

(e) cooperate with the authorities involved with respect to issues related to national security and to the maintenance of public order.

B. ***Undertakings by PPA***

Pursuant to the Concession Agreement, PPA shall, among other things:

(i) relocate, at its own costs, the installations and networks of the oil pier currently located on site required for construction of the new Pier 3 and, subsequent to such relocation, deliver vacant possession of the said site to PCT;

(ii) undertake to make available to PCT the personnel required for the operation of the New Container Terminal over a period of 6 months, and to be extended, at the option of PPA, by a further 2 months commencing on the date when PCT takes over the operation of the New Container Terminal, which is scheduled to take place on 1st October 2009, against payment of a fee equal to PPA's payroll expenditure for the relevant personnel, plus a 15% mark-up and applicable value added tax due. The specific terms and conditions for such arrangement will be contained in a separate agreement to that effect to be entered into between PPA and PCT. During the above-mentioned period, PCT will be required to use the personnel provided by PPA. Upon expiry of such period, PCT will be free to use its own labour force to operate the New Container Terminal.

Under the sub-contracting arrangement between PPA and PCT as set out above, each of the existing employees of PPA can decide whether he/she wishes to be involved in the sub-contracting arrangement to work for PCT and the deadline to make such a decision falls on June 2009. Accordingly, at this point, the Company cannot predict with accuracy how many employees will be sub-contracted to work for PCT and accordingly the exact fees to be paid by PCT to PPA under such arrangement. On the assumption that all existing employees of PPA working on Pier 2 will be sub-contracted, based on the currently available financial information, the sub-contracting arrangement will be a discloseable transaction of the Company under the Listing Rules. The Company will make a separate announcement in accordance with the requirements of the Listing Rules once the exact number of employees to be sub-contracted to work for PCT and the fees to be paid to PPA can be reasonably ascertained; and

(iii) unless otherwise agreed in writing, during the term of the Concession Agreement, refrain from taking any actions with a view to establishing elsewhere, within the Piraeus Port area, a separate container terminal and not to allow the loading of containers in any other place of the Piraeus Port area, including the western part of Pier 3 (if constructed in future), but excluding Pier 1 (which is currently operated and will continue to be operated by the PPA after the Concession Agreement entering into force) as well as the general cargo ship service areas.

C. ***Undertakings by the Company***

Pursuant to the Concession Agreement, the Company as the sole shareholder of PCT will, among other things:

(i) not effect amendment to the articles of association of PCT without the prior written consent of PPA, such consent shall not be unreasonably withheld;

(ii) contribute, as share capital of and/or shareholder's loan to PCT, not less than €45 million (equivalent to approximately HK$450 million), of which not less than €22.5 million (equivalent to approximately HK$225 million) shall be contributed by way of share capital. In addition, the ratio of (a) Committed Investment to (b) Committed Investment already committed plus loans due should at all times be not less than 20%;

(iii) not alter the shareholding structure of PCT until the construction of Pier 3 has been completed, and a 2 year period subsequent to such date has lapsed, during such time the Company can only transfer its shareholding in PCT to affiliated companies and on the condition that the administrative powers of PCT shall be retained by a shareholder with previous relevant experience related to harbour administration and management upon the prior written consent of PPA, such consent shall not be unreasonably withheld. Transfer of interests in PCT to any transferee after the said period would also be subject to prior written consent of PPA, and on the condition that the administrative powers of PCT shall be retained by a shareholder with previous relevant experience related to harbour administration and management;

(iv) not liquidate PCT, merge PCT with another corporate entity or relocate the headquarters of PCT to outside Greece; and

(v) retain the right to seek a listing of the shares of PCT on the Athens Stock Exchange, subject to fulfillment of the applicable securities regulations and the prior consent of PPA, which shall not be unreasonably withheld. In such event, the listing of PCT may be achieved by issuing new shares in PCT, by the Company disposing existing shares in PCT, or a combination of both.

REASONS FOR AND BENEFITS OF THE CONCESSION AGREEMENT

In terms of throughput, the Piraeus Port Container Terminal is the largest container terminal in Greece. In 2007, Pier 2 handled a throughput of 1.37 million TEUs. It is expected that, upon completion of the upgrading of Pier 2 by 2014 and construction of Pier 3 by 2015, the capacity of the New Container Terminal will reach 3.7 million TEUs.

In view of the commercial and strategic importance of the Piraeus Port, and the growth potential of the Piraeus Port Container Terminal, the Board considers that the Concession Agreement represents a good opportunity for the Company to invest in a major container terminal outside China. Despite the recent financial market turbulence, the management of the Company believes the Concession Agreement remains economically viable, bears long term strategic value to the Company and is in line with the Company's strategy to become a leading global port operator.

As required under the terms of the Concession Agreement, the Company will improve the terminal facilities and enhance the operating efficiency of the New Container Terminal, which will benefit the development of the Piraeus Port and will strengthen its leading position as an important shipping hub in Greece, the Balkans, the Black Sea, the Mediterranean region and the world.

FINANCIAL EFFECTS OF THE CONCESSION AGREEMENT

On the assumption that PCT will take over the operations of the New Container Terminal in October 2009 as scheduled, the financial effects of the Concession Agreement on the earnings, assets and liabilities of the Group are:

Earnings

After PCT takes over the operations of the New Container Terminal, the revenue and earnings generated by PCT will be consolidated in the financial statements of the Company.

Assets and liabilities

The Group's capital contribution is intended to be funded by the Group's internal resources and/or from external financing. The Company will contribute approximately €77 million (equivalent to approximately HK$770 million) in cash to PCT, among which, as to €50 million (equivalent to approximately HK$500 million) in the form of share capital contribution, and the remaining balance of approximately €27 million (equivalent to approximately HK$270 million) in the form of share capital contribution and/or shareholder's loan. PCT will use the same to settle the upfront Concession fee of €50 million (equivalent to approximately HK$500 million) with the balance to be used as general working capital of PCT. As a result, cash and cash equivalents of the Group will decrease while non-current assets will increase with the same amount. Since PCT is a wholly owned subsidiary of the Company, the net cash after the payment of the upfront concession fee will be consolidated in the financial statements of the Company.

FINANCIAL AND TRADING PROSPECTS

Looking ahead, container transportation is expected to progress in line with the stable growth in China's economy and trading activities. In light of the Chinese authorities' prompt stimulus measures announced on 9th November 2008 to boost domestic consumption, it is expected that the deployment of stimulating domestic demand will help bolster its economy.

The Group is now the world's fifth largest port operator and its terminal business has grown to be its largest profit contributor. In order to solidify its position as a global industry leader and to cultivate long-term sustainable growth for its terminal business, the Group aims to extend its controlling rights in terminals and expedite its expansion in overseas terminals. Enjoying a high degree of synergy with the Group's parent company, China COSCO, and strategic relationships with major international shipping lines, the Group is well positioned to grow its terminal business.

Currently, the Group operates and manages the world's second largest container leasing company and will continue to develop its container leasing, management and sales businesses through an asset light model. The container leasing business will continue to provide steady income and profit to the Group.

The management of the Group will keep themselves abreast of the latest global economic changes and will adjust the Group's asset and capital structure in response to the fast-changing climate so as to maintain the most prudent capital structure and financial health.

IMPLICATIONS UNDER THE LISTING RULES

Upon its entry into force, the Concession Agreement would constitute a major transaction of the Company relating to an infrastructure project under the Listing Rules. Since COSCO Investments and COSCO Pacific Investment, which in aggregate hold 1,144,166,411 shares of the Company (representing an approximately 50.96% interest in the Company), have given their written approvals of the Concession Agreement, no physical general meeting will be held to approve the Concession Agreement pursuant to Rule 14.44 of the Listing Rules.

Following execution, a series of procedures will follow before the Concession Agreement will enter into force, including, among others, the passage of the Law of Ratification by the Parliament of Greece and publication of the same in the Government Gazette, in each case within a specific time limit. **As the Concession Agreement may or may not enter into force, Shareholders and potential investors of the Company are advised to exercise caution in dealing with the Shares.**

WAIVER FROM STRICT COMPLIANCE OF THE LISTING RULES

In view of the fact that written shareholders' approvals were already secured prior to the execution of the Concession Agreement, and that the Company proposes to publish the Announcement and this circular for Shareholders' information prior to entering into the Concession Agreement, the Company has applied for and the Stock Exchange has granted a waiver from strict compliance from Rule 14.34 of the Listing Rules.

INFORMATION ON PPA

The major activities of PPA are the operation of the Piraeus Port, including passenger cruise ship, passenger ferry and car ferry terminals, general cargo and container terminals and an oil pier and related operations. It is also responsible for the maintenance of port facilities and the supply of port services (water, electric current, telephone connection etc supply). PPA is listed on the Athens Stock Exchange. To the best knowledge of the Company, PPA is owned as to approximately 74% by the Government of Greece. PPA and its beneficial owners are third parties independent of the Company and its connected persons.

INFORMATION ON THE PIRAEUS PORT

Piraeus Port is the hub for the connection of continental Greece with the islands, an international cruise center and a commercial hub for the Mediterranean. It is located in the commercially and strategically important shipping lane servicing, among other areas, Europe, North Africa and the Mediterranean.

INFORMATION ON THE GROUP

The Group is principally engaged in the business of managing and operating container terminals, container leasing, management and sale, logistics, container manufacturing and related business and other investments.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices of this Circular.

Yours faithfully,
For and on behalf of
COSCO Pacific Limited
XU Minjie
Vice Chairman & Managing Director

The following is the text of a report, prepared for the purpose of inclusion in this Circular, received from Drewry Shipping Consultants Limited, an independent shipping consultant in connection with the traffic studies of the Concession.

Drewry

Drewry Shipping Consultants Limited
Drewry House,
213, Marsh Wall,
London, E14 9FJ
United Kingdom

19th November 2008

The Directors, COSCO Pacific Limited

Traffic Studies Report for the Port of Piraeus

Drewry Shipping Consultants Limited (Drewry) was commissioned by COSCO Pacific Limited (CPL) in February, 2008, to prepare independent container traffic forecasts for the Port of Piraeus from 2009 to 2043. This study was undertaken to provide traffic projections to assist CPL in its bid for the operating concession of the container handing facilities on Piers 2 and 3 in Piraeus port. The study took place in the period from February to May 2008.

Drewry is an international shipping consulting company and has undertaken a number of similar traffic forecasts for a wide variety of clients, including financial institutions, shipping companies and port operators throughout the world.

The core of the method used in the projections is the strong correlation that is observed between GDP and container traffic volumes of a particular country. In the method, the historical correlation is determined and is then applied to various GDP growth scenarios, generating traffic projections for each. Assessments of the competitive position of the ports competing for the container traffic of a particular country or countries are made and their likely forward market share determined. This allows the projection of volumes for a particular port. A further judgement of the likely shares of different terminals within the port under study may be necessary, as in this case. Factors affecting a port's or terminal's market share may include its capacity, its operational efficiency and reliability, its tariff and its connections to its hinterland.

The forecasts cover two classes of traffic: gateway traffic which passes through Piraeus to and from locations in the ports hinterland; and transhipment traffic; containers being transferred between mainline and feeder container vessels and between mainline container vessels as part of shipping lines network operations. It should be noted that the latter traffic depends not on the local market but on the strategy of the shipping lines. Strong long term relationships between the terminal operator and the line are therefore of particular importance in this type of traffic.

Drewry has used all reasonable professional skill and care in preparing the forecasts, and has analysed a range of data and information relating to the port of Piraeus, historical trends in the container shipping market in Greece and the Eastern Mediterranean region, likely economic growth in the country and region, and held interviews with local shipping experts in Greece.

The summary of the forecast finding below discusses container shipping services in the region and the economic assumptions behind the forecasts before setting out the detailed logic of the forecast and the findings.

1. INTRODUCTION

The Greek government is presently engaged in a process of port privatisation. This process will allow private sector companies to operate cargo handling facilities in Greek ports. In early 2008, the Greek government requested proposals from container terminal operators who wished to take on the operation of container terminals for a 35 year period to 2043 in Piraeus and Thessaloniki. As part of its bid preparation, CPL requested Drewry to prepare a traffic study, the results of which were fed into CPL's financial models of the container terminal and the proposed concession.

The traffic study examined gateway traffic (traffic that moves to local markets in Greece and neighbouring countries via Piraeus) and transhipment traffic.

2. CONTAINER LINER SHIPPING SERVICES IN GREECE

Greece is well served by deep-sea and short-sea container services. Overall there are about 50 services operated by deep sea, short sea and feeder operators calling at Greece's main container ports, Piraeus and Thessaloniki. Intra Mediterranean and Mediterranean - North Europe services comprise the majority of these services and there are just seven direct services linking Greece with Asia, four of which were started in 2007 by Maersk, COSCO Container Lines and Evergreen.

The number of direct services between Asia and Mediterranean, the key growth trade route, has increased from 18 in 2006 to 28 in 2007. At the same time, ships deployed on the route have become larger by an average of 5.6%. As a result, the Asia- East Mediterranean trade has seen a 50% increase in capacity over the last year.

Seven services on the Asia-Mediterranean trade route call at Piraeus. These services are operated by Maersk Line, MSC, CMA-CGM, CKYH and Evergreen.

3. GREECE AND EASTERN MEDITERRANEAN: OUTLOOK FOR ECONOMIC GROWTH AND CONTAINER TRADE

Globalisation and associated trade are judged to be the key drivers of economic growth worldwide and GDP is considered the universal measurement of economic growth. Therefore to forecast the trading prospects of a country it is necessary to analyse historical GDP growth to provide an indication of possible long term trends.

GDP growth in Greece fluctuated in the 1980s and the mid 1990s, with a number of recessionary shocks in the late 1980s early 1990s. Since 1997 GDP growth has been stable, between 3-5% per annum.

Over the last 10 years GDP in Greece has average 4.1% growth per annum. We have assumed in the Base Case that this growth rate will continue in the forecast period 2009-2019 after which the rate of growth declines by 0.3% every 10 years. The High and Low Case scenario growth rates vary by plus and minus half a percent respectively.

Table 1 Greece GDP (at constant 1979 prices)(US$ Billion)

	1997	**2007**	**CAGR (%)**
US$Billion	51.2	76.6	4.1%

Source: Drewry

In previous port consultancy studies Drewry has established a meaningful statistical relationship between regional/national economic activity (as measured by GDP) and the level of general and containerised cargo flows. The R-squared correlation between historic container traffic and GDP in Greece between 1992 and 2007 is quite strong, measuring 0.94. However the correlation up until 2004 was stronger measuring 0.97. It has been assumed that in the short term the correlation is weakened slightly by the erratic volumes seen over the last couple of years, which were caused by the strike in 2006. Due to this irregularity the correlation is not used to forecast short term volumes between 2009 and 2011 (but is used to estimate 2008 volumes, which is expected to see a decline due to a strike).

Drewry has based the annual container volume growth rates between 2009 and 2011 on those provided by APM Terminals (APMT), which are higher than those indicated by the regression analysis. APMT's forecast for the Greek gateway market is based on a conservative evaluation of the short term growth forecast for the Mediterranean region by Maersk Line, APMT's sister company and the world's leading container shipping line. Table 2 below provides the volume growth rates used, which over-ride the correlation growth rates, between 2009 and 2011 — Base, High and Low case. In order to remain cautious Drewry's Base Case assumes growth at 1% below that of APMT's forecast.

Table 2 Greece gateway container forecast growth rates (% p.a.)

	Base	High	Low	APMT
2009	9.0%	10.0%	8.00%	10.0%
2010	7.0%	8.0%	6.00%	8.0%
2011	7.0%	8.0%	6.00%	8.0%

Source: Drewry

These short-term high growth rates are also backed by COSCO Container Line's (COSCON) own forecast for traffic from and to China and the Far East. Between 2008 and 2009 COSCON forecasts an increase of between 30%-40% at Piraeus and between 2010 and 2012, forecasts an increase of up to 25% a year.

From 2012 onwards the growth rates used in the forecast are based on the original correlation for each scenario and are used with a high degree of confidence for forecasting gateway container traffic in Greece.

4. GREECE CONTAINER TRAFFIC: HISTORY AND FORECAST

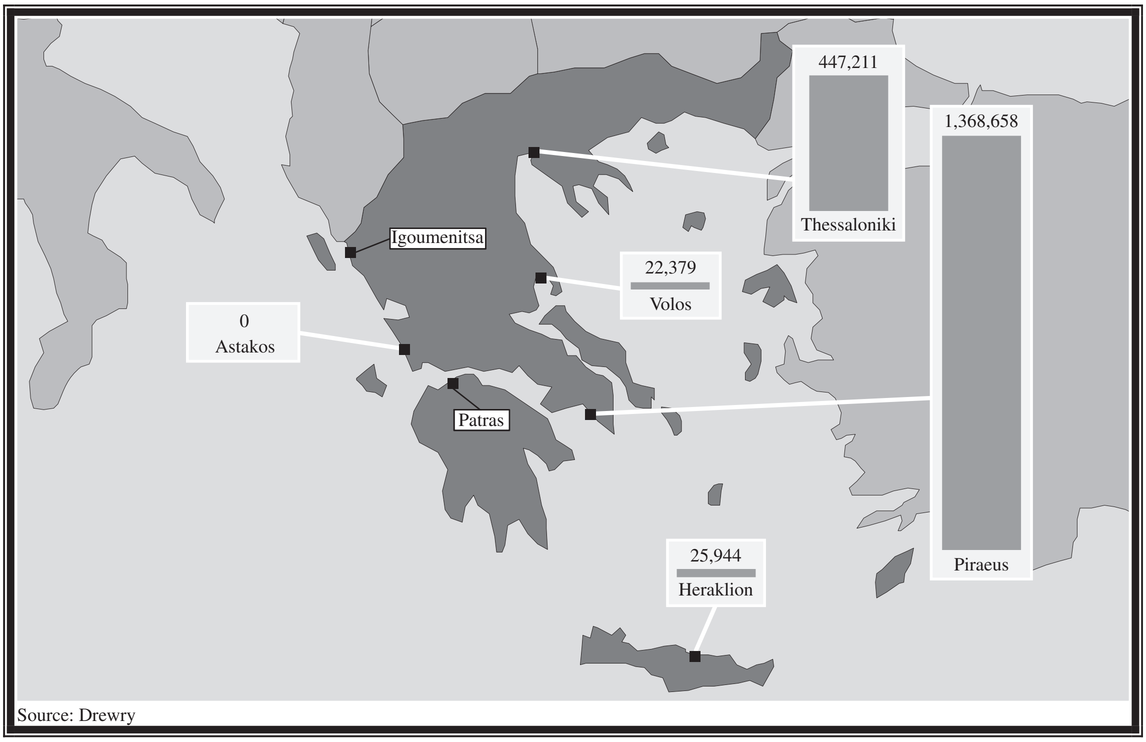
4.1 Overview of Greece's container ports

The figure below illustrates the five container ports of Piraeus, Thessaloniki, Volos, Heraklion (Crete) and the newly developed port of Astakos. It also highlights the two RoRo ports of Igoumenitsa and Patras, reportedly used as alternative entry points for containers during the 2006/2007 strikes at Piraeus. During this time, containers were reported to have been discharged at Gioia Tauro in Italy and then sent by RoRo vessel to Patras and Igoumenitsa before being trucked inland to final destination.

Piraeus is the dominant container port, and handled 73.4% of all of the container traffic in Greece in 2007. 37% of Piraeus' container traffic is transhipment, which is unrelated to the Greek market.

The Greek government plans to privatise 12 ports in Greece including Piraeus and Thessaloniki, which are part of the first phase currently in process. The second phase includes 10 additional ports: Heraklion, Volos, Elefsina, Lavrion, Rafina, Alexandroupolis, Corfu, Igoumenitsa, Patras and Kavala. Of these, there are only 2 other container ports, namely Volos and Heraklion. It is likely these ports will be developed as multi-user terminals as opposed to dedicated single shipping line terminals.

Figure 1 Location of container ports in Greece (container volumes in TEU)



The labour union in Piraeus has objected to the privatisation since the plans were first announced by the Greek Government in 2005. Between the end of 2006 and early 2007 the port of Piraeus lost 55 days to strikes and disruption has continued this year. Maintaining good labour relations will be essential to the successful operation of the port in future.

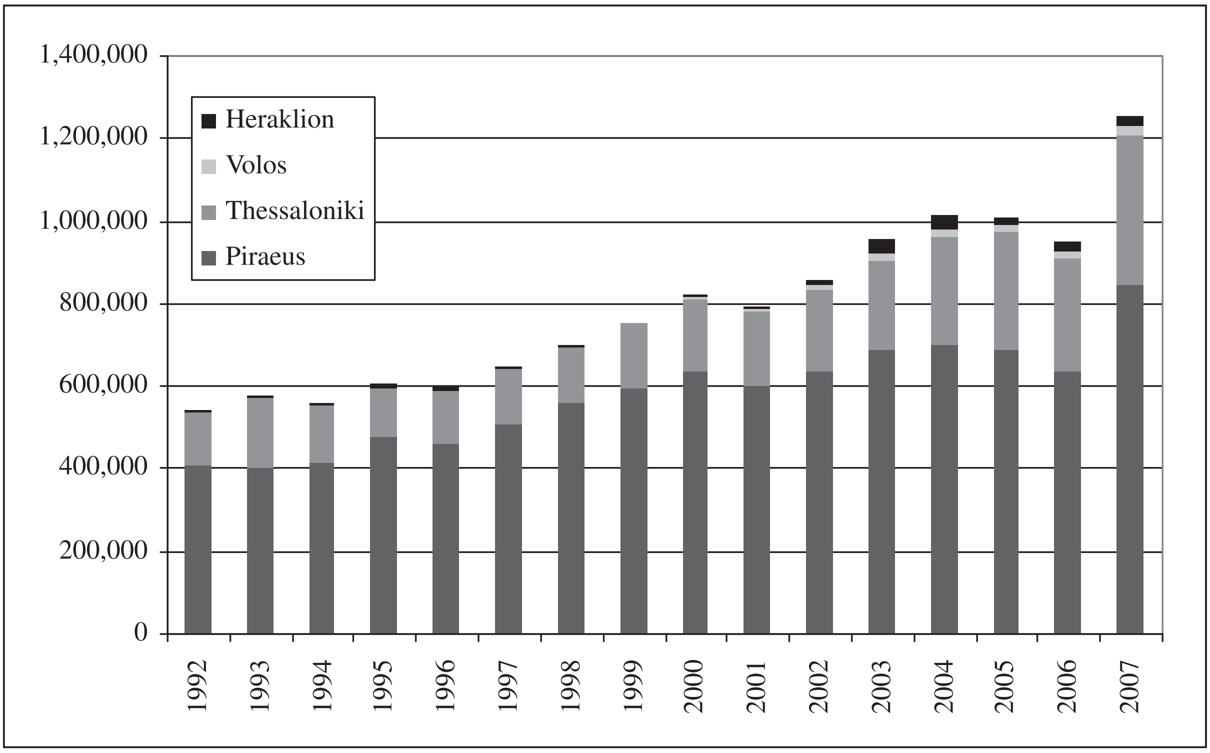
4.2 Greece container traffic

Greece's container traffic over the last 15 years had increased from 0.65m TEU (twenty foot equivalent units) in 1992 to 1.86m TEU in 2007, indicating an annual growth rate of 7.3% a year. About 1.26m TEU of this traffic was destined for the Greek consumer market in 2007, representing a 67% share. Transhipment traffic (i.e. containers handled in Greek ports en route to/from other ports in the region) accounted for just 28% of total container traffic handled through Greek ports in 2007. This indicates a considerable decline in share compared to the peak level of 2003, when transhipment accounted for 48% of all volume in Greece. Of the 0.52m TEU transhipment containers handled through Greek ports, about 98% are handled through the port of Piraeus. According to industry experts interviewed during a site visit, about 90% of the transhipment traffic handled through Piraeus is controlled by Mediterranean Shipping Company (MSC) which is a key customer of the port. During the 1990s Piraeus' transhipment traffic grew considerably gaining share over gateway traffic. However in recent years this trend has not been sustained - in 2006 transhipment volumes fell significantly when MSC diverted a large share of its transhipment traffic to Gioia Tauro, Beirut, Limassol and other competing transhipment hubs in the Mediterranean. The recent loss of transhipment traffic that has occurred over the last two years is the direct result of strikes at Piraeus and consequent port inefficiencies. The strike lasted 55 days from 11th November 2006 to 5th January 2007; during this time no overtime hours were worked and on certain days the port closed entirely. This led to vessels suffering long delays and the high operating costs.

4.3 **Greece gateway traffic: historical**

Gateway container traffic handled through Greek ports destined to the local market (as opposed to transit traffic to neighbouring countries) has increased from 0.5m TEU in 1992 to 1.26m TEU 2007, averaging an annual growth rate of 5.6%.

Figure 2 Greece: local gateway container traffic 1992-2007 (TEU)



Source: Drewry

Figure 2 provides the split of Greek gateway container traffic by port. Piraeus has the majority share with 67.6% handling, 0.85m TEU in 2007, followed by Thessaloniki with 28.5% share handling 0.36m TEU.

Year on year growth in Greek gateway container traffic was relatively steady from 2001-2005. In 2005 the Government announced that the port was to be privatised, and although there were no official strikes, Greek gateway volumes declined slightly, possibly related to lower labour productivity as a result of the privatisation announcement.

In 2006 Greek gateway volumes declined again, and this was the direct result of the strike. During the strike vessels were unable to berth at Piraeus and many of the containers destined for Greece had to be stored at neighbouring ports in the Mediterranean region. In addition, some Greek gateway cargo was reportedly unloaded at Gioia Tauro and sent to Greece in RoRo vessels (therefore not counted as container volume). In 2007 Greek gateway volumes are higher than expected owing to the arrival of containers that had been stored at other Mediterranean ports until port strike ended in Jan 2007.

4.4 **Greece Gateway traffic: forecast**

The forecast for Greece gateway container traffic uses two growth rate projection methodologies, these are:

- APMT's short term growth rate forecast between 2009 and 2011 with downward adjustment for the Base Case (-1%) and Low Case (-2%).

- From 2012 onwards, the annual growth rates, generated by the correlation between GDP and container throughput over the last 15 years, are used.

The main Base Case assumptions made for GDP growth are:

- GDP growth is estimated to be 3.6% in 2008 as per International Monetary Fund (IMF) forecasts

- GDP growth is forecasted to average 4.1% from 2009 to 2019 (average of last 10 years)

- GDP growth is forecasted to average 3.8% from 2020 to 2029

- GDP growth is forecasted to average 3.5% from 2030 to 2043

The Low Case assumes:

- GDP growth is estimated to be 3.6% in 2008 as per IMF forecasts

- GDP growth is forecasted to average 0.5% less than the Base Case

The High Case assumes:

- GDP growth is estimated to be 3.6% in 2008 as per IMF forecasts

- GDP growth is forecasted to average 0.5% more than the Base Case

The fall in GDP growth over the 35 year period is consistent with that seen in a maturing economy.

In all scenarios, Greece gateway traffic is forecasted to decrease from 1.26m TEU in 2007 to 1.21m TEU in 2008 (artificially high volumes in 2007 due to the after effects of strike in 2006).

In the Base Case, annual gateway throughput through Greek ports is projected to increase to 1.31m TEU in 2009 and reaching 5.7m TEU by 2043.

2009 Greek gateway volumes in the High Case are forecasted at 1.33m TEU, rising to 6.92m TEU in 2043.

In the Low Case, 2009 Greek gateway volumes are projected at 1.30m TEU, rising to 4.74m TEU in 2043.

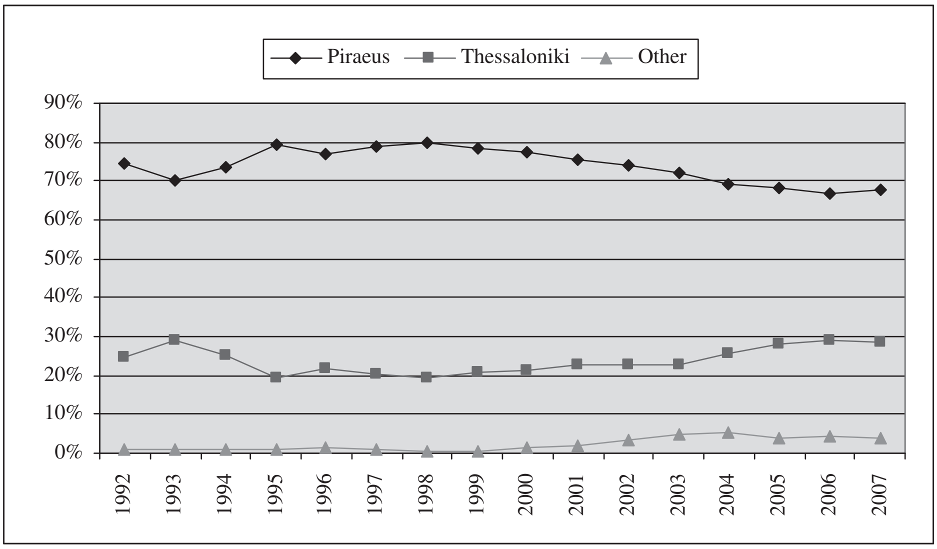
5. PIRAEUS GATEWAY FORECAST

Having determined the gateway volume for combined Greek ports, it is necessary to determine the volume that will move through the port of Piraeus.

5.1 Port overview

The port of Piraeus has maintained the lion's hare of Greek gateway container traffic for the last 15 years, but has lost some share to Thessaloniki and other ports - particularly in the last few years. This evolution is shown in the figure below.

Figure 3 Share of Greek gateway container traffic 1992-2007



Transit traffic, mainly for destinations in Romania and Hungary, is estimated to account for 1% of Piraeus' total gateway traffic. Piraeus handles approximately 10% of the transit traffic handled through Greek ports in 2007 (Thessaloniki handles the remaining 90%).

Table 3 Piraeus container traffic split (2007)(TEU/%)

	Volume (TEU)	%
Transhipment	511,391	37%
Transit (estimated)	8,573	1%
Greek gateway	848,694	62%
Total	1,368,658	100%

Source: Drewry

5.2 Hinterland and port competition

The port of Piraeus mainly serves the region of Attica including the capital city of Athens, which holds 45% of Greece's population and is the wealthiest region in Greece. It is estimated that 80% of the country's imports are destined for Attica, though there is no data available to confirm this. In addition to Attica, Piraeus port serves the surrounding Islands.

The port of Piraeus has virtually a captive market, as there is very limited port competition in relation to Greek gateway cargo. Volos is much smaller than Piraeus and not well equipped to handle containers, not to mention higher trucking rates to the main inland consumption areas. Astakos is a new development with a capacity of 850,000 TEU, but it is more suited to compete for transhipment traffic as trucking costs to Attica and other inland destinations are far higher than they are from Piraeus.

Thessaloniki is not considered a significant threat to Piraeus, assuming Piraeus is running efficiently. However, in recent years Thessaloniki has managed to benefit from the congestion and poor productivity at Piraeus. After privatisation and assumed improvements in efficiency, Piraeus is expected to win back some of the market share it has lost to Thessaloniki. Piraeus offers a greater variety and frequency of liner services, which shippers regard as a key advantage compared to Thessaloniki.

5.3 Gateway traffic forecast

Piraeus' gateway traffic forecast is based on maintaining a share of approximately 70% of the Greek gateway traffic, slightly higher than recent performance but less than the historical average. Under a Base Case scenario, gateway container traffic through the port of Piraeus is projected to increase from 0.85m TEU in 2007 to just under 4m TEU in 2043 representing a compound annual growth of 4.5% over the 34 year period (2009-2043).

The forecast assumes Piraeus regains 3% share of the container market by 2012 (rising from the present share of approximately 68%) from Thessaloniki and 'Other' ports. After 2012 Piraeus is forecasted to lose a small share of traffic to Astakos, Volos and Heraklion as they regain share of traffic to their current level, with Piraeus' share of gateway stabilising at 69.5%.

A comparison of the Base, High and Low Case forecast scenarios for the port of Piraeus is presented in the table below.

Table 4 Piraeus Gateway forecast (Base, High & Low case)(TEU)

	Base	**High**	**Low**
2009	895,261	903,475	887,048
2010	979,026	997,242	960,979
2011	1,055,083	1,084,757	1,025,954
2012	1,117,123	1,155,141	1,080,000
2013	1,172,217	1,218,948	1,126,817
2014	1,229,475	1,285,580	1,175,240
2015	1,288,983	1,355,165	1,225,323
2016	1,350,831	1,427,833	1,277,123
2017	1,415,109	1,503,721	1,330,701
2018	1,481,915	1,582,973	1,386,117
2019	1,551,349	1,665,739	1,443,435
2029	2,359,488	2,663,202	2,086,447
2039	3,438,220	4,071,987	2,895,261
2043	3,985,245	4,809,975	3,292,173
CAGR (%) 2009-2043	4.5%	5.0%	3.9%

Source: Drewry

The Piraeus traffic will be shared between the different operators in the port of Piraeus, Piraeus Port Authority S.A.'s (PPA) Pier 1 and the (to be) privatised Piers 2 & 3. PPA aims to increase capacity at Pier 1 to 1.1m TEU by 2010 and Pier 2 & 3 will have a maximum capacity of 3.7m TEU.

In order to provide a reasonable basis for the split of gateway traffic between the terminals, it has been necessary to consider each Pier's potential customer base in conjunction with its share of capacity. Piers 2 & 3 are expected to win traffic from MSC (as the amount of traffic will be too large for Pier 1), COSCON and Maersk. Together these shipping lines are estimated to control 70% of container traffic in and out of Piraeus.

The long term capacity share split between Pier 1 and Piers 2 & 3 is 23% and 77% respectively as shown below:

Table 5 Piraeus piers' container handling capacity

Piraeus	**Capacity (TEU p.a.)**	**Share**
Pier 1	1,100,000	23%
Pier 2 & 3	3,700,000	77%
Total	4,800,000	100%

We expect an extra 8% of the capacity share, of traffic from 'other' lines will be won by Pier 2 & 3 giving a total share of 78% of traffic to Piers 2 & 3. These shares are assumed to remain the same throughout the forecast period.

The Base Case forecast for Pier 1 and Piers 2 & 3 is presented in Table 6 below. It is assumed that Pier 1 does not meet its maximum share of 22% until 2011. This is because building to full capacity at Pier 1 is not expected to be completed until 2010 and therefore it will take a little longer to persuade lines to switch from Pier 2 & 3. The Base Case gateway traffic forecast for Piers 2 & 3 projects 761,000 TEU will be handled in 2009 increasing to 3.1m TEU in 2043 — assuming unconstrained capacity.

Table 6 Piraeus gateway container forecast split by Pier 1 & Piers 2&3 (Base Case) (TEU)

	Piraeus	**Pier 1**	**% Share**	**Pier 2 & 3**	**% Share**
2007	848,694			848,694	100%
FORECAST 2008	815,311			815,311	100%
PRIVATISATION 2009	895,261	134,289	15%	760,972	85%
2010	979,026	166,434	17%	812,592	83%
2011	1,055,083	211,017	20%	844,066	80%
2012	1,117,123	245,767	22%	871,356	78%
2013	1,172,217	257,888	22%	914,329	78%
2014	1,229,475	270,485	22%	958,991	78%
2015	1,288,983	283,576	22%	1,005,407	78%
2016	1,350,831	297,183	22%	1,053,648	78%
2017	1,415,109	311,324	22%	1,103,785	78%
2018	1,481,915	326,021	22%	1,155,894	78%
2019	1,551,349	341,297	22%	1,210,052	78%
2029	2,359,488	519,087	22%	1,840,401	78%
2039	3,438,220	756,408	22%	2,681,811	78%
2043	3,985,245	876,754	22%	3,108,491	78%
CAGR (%) 2009-2043	4.5%	5.7%		4.2%	

Source: Drewry

Under a Base Case scenario, Piers 2 & 3 are forecasted to handle 0.77m TEU of total gateway traffic in 2009, increasing to 3.1m TEU in 2043 representing a growth rate of 4.2% p.a. Table 7 provides the total gateway forecast including transit traffic.

Table 7 Piraeus Piers 2&3: Gateway & Transit forecast (Base Case) (TEU)

	Gateway	**Transit**	**Total Gateway**
2009	760,972	7,610	768,582
2010	812,592	8,126	820,718
2011	844,066	8,441	852,507
2012	871,356	8,714	880,070
2013	914,329	9,143	923,472
2014	958,991	9,590	968,580
2015	1,005,407	10,054	1,015,461
2016	1,053,648	10,536	1,064,184
2017	1,103,785	11,038	1,114,823
2018	1,155,894	11,559	1,167,453
2019	1,210,052	12,101	1,222,152
2029	1,840,401	18,404	1,858,805
2039	2,681,811	26,818	2,708,629
2043	3,108,491	31,085	3,139,576
CAGR (%) 2009-2043	4.2%	4.2%	4.2%

Source: Drewry

The total gateway forecast in the three cases is shown in the table below.

Table 8 Piraeus Piers 2&3: Total Gateway forecast (Base, High & Low Case)(TEU)

	Base	**High**	**Low**
2009	768,582	775,633	761,531
2010	820,718	835,988	805,588
2011	852,507	876,484	828,971
2012	880,070	910,020	850,824
2013	923,472	960,287	887,707
2014	968,580	1,012,780	925,854
2015	1,015,461	1,067,599	965,309
2016	1,064,184	1,124,847	1,006,118
2017	1,114,823	1,184,631	1,048,326
2018	1,167,453	1,247,066	1,091,983
2019	1,222,152	1,312,269	1,137,138
2029	1,858,805	2,098,071	1,643,703
2039	2,708,629	3,207,911	2,280,887
2043	3,139,576	3,789,298	2,593,574
CAGR (%) 2009-2043	4.2%	4.8%	3.7%

Source: Drewry

6. PIRAEUS TRANSHIPMENT FORECAST

The estimated development of transhipment activity at Piraeus over the last ten years, and its market share position within the Eastern Mediterranean and total regional markets is detailed in the table below.

Table 9 Estimated development of transhipment activity at Piraeus

	Piraeus Transhipment Handling ('000 TEU)	Share of Eastern Mediterranean Transhipment	Share of Total Market Transhipment
1996	110,449	8.6%	4.7%
1997	169,624	13.4%	5.5%
1998	366,147	54.1%	10.5%
1999	366,663	34.9%	9.3%
2000	519,011	36.0%	11.1%
2001	560,748	36.8%	11.4%
2002	762,882	41.1%	12.9%
2003	908,506	40.1%	13.1%
2004	828,507	31.3%	10.3%
2005	685,603	18.7%	7.5%
2006	745,615	17.9%	7.4%
2007	511,391	10.8%	4.1%

Source: Drewry

At its high point in 1998 Piraeus claimed a 54% share of East Mediterranean transhipment, as its volume rise in that year coincided with one of several downturns which have been experienced at Damietta over the last decade or so and also the loss of volume transhipment business at Cypriot ports. The port reportedly reduced its transhipment tariffs in 1997 and was rewarded by the capture of new calls/business from MSC and Norasia from Malta, only to lose Norasia again in 1998, due to partnership changes. In 1999 it secured a five-year deal with MSC for transhipment business said to be worth at least 300,000 moves a year, making it the port's largest customer by some way. Zim Line is also believed to have a transhipment presence in the port, and Cosco has also undertaken some transhipment there.

Our forecast of transhipment volume is based on the assumption that MSC remains as the sole transhipment customer of Piraeus. The forecast is shown in Table 10.

Table 10 Forecast development of Piraeus transhipment traffic to 2043 — Base Case - single volume customer (MSC) with transfer of additional traffic from 2010 ('000 TEU)

	Base Volume (MSC + others)	**MSC Transferrable Volume**	**Total**	**Growth**
2006	746		746	8.8%
2007	511	(150)	511	-31.4%
2008	554	(163)	554	8.4%
2009	601	(176)	601	8.5%
2010	653	191	844	40.3%
2015	955	280	1,236	7.6%
2020	1,380	405	1,785	7.4%
2025	1,798	527	2,325	5.3%
2030	2,313	679	2,992	5.1%
2035	2,966	870	3,836	5.1%
2040	3,795	1,113	4,908	5.0%
2043	4,395	1,289	5,684	5.0%
CAGR 2006-43	4.9%	n/a	5.6%	

Source: Drewry

7. TOTAL TRAFFIC

The total traffic forecast is obtained by combining the gateway and transhipment volumes. The share of throughput for the competing terminals at Piraeus has been allocated based on the expected customer base and shipping line share of traffic. It is assumed the Privatised Terminal will operate more efficiently as it will be managed by an international terminal operator and therefore its share of total throughput is as expected to be higher than its share of total capacity.

Table 11 Total traffic — Base Case (capacity constrained) (Unit: '000 TEU)

	Volume		
	Gateway	**Transhipment**	**Total**
2009	769	591	1,360
2010	821	817	1,638
2011	853	892	1,744
2012	880	964	1,844
2013	923	1,040	1,963
2014	969	1,118	2,087
2015	1,015	1,204	2,219
2020	1,275	1,739	3,014
2025	1,572	2,128	3,700
2030	1,931	1,769	3,700
2035	2,333	1,367	3,700
2040	2,811	889	3,700
2043	3,140	560	3,700
CAGR (%)	4.2%	-0.2%	3.0%

Table 11 provides the capacity constrained traffic forecast for Piraeus Piers 2 & 3 under a Base Case scenario. This projection assumes that CPL takes over the facilities in early 2009. In 2025 Piers 2 & 3 are expected to be fully utilised, therefore it is at this point transhipment volumes are expected to start declining. This is both because the port will aim to maximise profits, and transhipment generates less revenue than gateway traffic, but also because gateway volumes must come into Greece, whilst transhipment volume can move elsewhere.

8. TARIFF: GATEWAY TRAFFIC

In 2008 Piraeus' container tariff structure was altered by PPA thereby providing a simplified version of the tariff, with one rate for both 20ft and 40ft containers — as shown in Table 12.

Table 12 Piraeus container tariff 2007 vs 2008

	2008		**2007**	
	20 ft	**40 ft**	**20 ft**	**40 ft**
DISCHARGING	€108.00	€108.00	€82.41	€126.78
LOADING	€ 83.00	€ 83.00	€62.22	€ 92.33

Source: PPA tariff

There were several alterations, leading to average rate increases (decreases) as shown in Table 13. In most cases the average rate has increased by 4-6%.

Table 13 Piraeus container handling average rate (2007 vs 2008)

Activity	**2008 Avg Rate**	**2007 Avg Rate**	**% Change**
Export/import Full	95.50	90.94	5%
Export/import empty	62.50	60.22	4%
Export/imports Full in and out	191.00	136.41	40%
Lift on/Off	30.00	31.70	-5%
Storage	23.40	22.05	6%
Full 20 ft	6.60	6.40	3%
Full 40 ft	13.20	12.80	3%
MT 20 ft	1.20	0.95	26%
MT 40 ft	2.40	1.90	26%

NB. Calculation assumes 1.5 TEU/box ratio,
Source: Drewry/PPA tariff

It is assumed that the 2008 rate will apply in 2009 when Piers 2 & 3 are privatised; the base starting rate has therefore been calculated using the tariff above. Tariffs are projected to increase at a rate between 70% of inflation and 100% of inflation over the forecast period depending on the business environment.

9. TARIFF: TRANSHIPMENT TRAFFIC

Table 14 below shows average Transhipment rates at Piraeus in 2008. The Piraeus gateway tariff has increased by around 7% in 2008 (in broad terms) after a number of years when rates reportedly did not increase at all, but transhipment rates are only being increased by between 2 and 4%, with an average of around 3.5%. This would indicate that in 2007 the tariff range for transhipment would have been around €42.5/TEU at the low end of the volume scale and €34.80/TEU at the 75,000 TEU level. The actual reported revenue per TEU for the PPA was €34.25. This is likely to arise because of volume discounts to the major transhipment operator.

Table 14 Estimated average tariff charge for transhipment traffic at Piraeus for various volume bands, 2008 (Euros per move)

	Average Charge per TEU*	**Average Charge per Container**
5,000 TEU	44	66
10,000 TEU	43	64
15,000 TEU	41	62
20,000 TEU	40	60
25,000 TEU	39	59
30,000 TEU	39	59
40,000 TEU	38	57
50,000 TEU	37	56
75,000 TEU	36	53

* Assuming 1.5 TEU per container

Source: Drewry, PPA tariff

Tariff evolution has been projected on three cases depending on whether additional transhipment customers are acquired or whether the activity is dominated by a single large customer. In most cases, tariffs are expected to increase in line with inflation.

Yours faithfully,
For and on behalf of
Drewry Shipping Consultants Limited
T. J. Power
Director, Head of Consulting

The following is the text of a letter and valuation certificate received from DTZ Debenham Tie Leung Limited in connection with its opinion of market value in existing state of the Concession (35 years) Piers 2 and 3 of Piraeus Port Container Terminal as at 1st October 2008 prepared for the purpose of incorporation in this Circular.

DTZ 戴德梁行

16th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

19th November 2008

The Directors
COSCO Pacific Limited
49th Floor, COSCO Tower
183 Queen's Road Central
Hong Kong

Dear Sirs,

Re: The Concession (35 years) of Piers 2 and 3, Piraeus Port Container Terminal, Greece

INSTRUCTIONS, PURPOSE AND DATE OF VALUATION

In accordance with your instructions for us to value the market value in existing state of the Concession (35 years) of Piers 2 & 3, Piraeus Port Container Terminal ("the Concession") in Greece, we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing COSCO Pacific Limited (referred to as the "Company") with our opinion of the value of the Concession as at 1st October 2008 (the "Date of Valuation").

BASIS OF VALUATION

The valuation of the Concession is on a market value basis in accordance with the international valuation standard issued by the International Valuation Standard Committee, which is defined as "the estimated amount for which an asset would exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

SCOPE OF WORK AND LIMITATIONS

In performing the valuation, we have relied to a considerable extent on the information provided by the Company and the Traffic Studies Report for the Port of Piraeus prepared by Drewry Shipping Consultants Limited, an independent shipping consultant. We have accepted advice given to us by the Company on such matters as planning approvals or statutory notices, easements, tenure, profit forecast, projection of total traffic, revenue from port operation, administrative expenses, estimated costs on the civil works and plant and machinery, operation costs, maintenance expenses, site areas and other pertinent data concerning Piers 2 and 3. We have not independent verified any of the information that has been provided to us. In analysing that information, we have held discussions with management of the Company. We have no reason to doubt the truth and accuracy of the information provided to us that is material to the valuation. We were also advised that no material facts have been omitted from the information supplied.

We have inspected the exterior and, where possible, the interior of Piers 2 and 3. At the time of inspection, Pier 2 was in operation and was found to be in reasonable condition and capable of performing efficiently the purpose for which it was designed and built. However, we would like to draw your attention to the fact that we have not undertaken any structural or detailed civil engineering surveys and are not therefore able to confirm that Pier 2 is free from structural or other defects. In respect of Pier 3, we have not carried out investigations on site to determine the suitability of the soil conditions and the services etc. for any development. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period. Unless otherwise stated, we have not been able to carry out detailed on-site measurements to verify the site areas of Piers 2 and 3 and we have assumed that the areas shown on the documents handed to us are correct.

The valuation of an interest in a business (herein referred to as the Concession), requires consideration of all pertinent factors affecting the operation of the business and its ability to generate future investment returns. The factors considered in the appraisal included, but were not limited to, the following:

- The nature of the business and the history of Pier 2
- The economic outlook in general and the specific economic environment for the business
- Past and projected operating results
- Market-derived investment returns of similar lines of business
- The financial and business risk of Piers 2 and 3 including the continuity of income and the projected future results

In valuing the interest, we have not ascertained the titles or the ownership of the interest but we have relied on the advice given by the Company on the law regarding the interest in the Concession. In the course of our valuation, we have assumed that the Concession is free of any encumbrances and debt liability.

ASSUMPTIONS

Key assumptions adopted in arriving at our valuation are as follows:

- The conditions in which the business of the Concession are being operated and which are material to revenue and costs of businesses will remain unchanged
- No hidden or unexpected conditions of the business might adversely affect the market value
- The current financial, economic, legal and political conditions which prevail in Greece and in the neighbouring cities/countries and which are material to the revenues generated by the Concession will remain unchanged
- The current taxation and legislation will remain unchanged
- Inflation, exchange rates and interest rates remain unchanged from the rates prevailing at the date of valuation
- The entire term of the Concession is 35 years
- Competent management, key personnel and technical staff will be maintained to support the ongoing operation
- There will be no major business disruptions through international crisis, industrial disputes, industrial accidents or severe weather conditions will affect the existing business
- The Concession will be free from claims and litigation
- Any statutory notice, requirements and operation of the Concession given or which will be given will not affect the Concession
- The Concession is not subject to unusual or onerous restrictions or encumbrance
- Piraeus Container Terminal S.A. ("PCT", a company established in Greece and a wholly-owned subsidiary of the Company) which will operate Piers 2 and 3 will be able to secure funds to repay its debts when they fall due
- PCT can keep abreast of the latest technological and regulatory development of the industry such that their competitiveness and profitability can be sustained

SOURCE OF INFORMATION

We have relied to a very considerable extent on the information given by the Company and have accepted advice given to us on such matters and all other relevant matters. We have no reason to doubt the truth and accuracy of the information provided to us by the Company, which is material to the content of the report. We were also advised that no material facts have been omitted from the information supplied.

In addition, we have also considered, reviewed and relied upon the following key information provided by the Company and the public:

- Bloomberg Database and other reliable sources of market data
- Traffic Studies Report for the Port of Piraeus prepared by Drewry Shipping Consultants Limited
- Financial reports of the Piraeus Port Authority S.A.
- The document of "Call for Tender for an International Public Tender Based on the Higher Bid for Concession Piers 2 & 3 of the Piraeus Port Authority S.A. Container Terminal"
- The financial model/data output provided by the Company

In arriving at our opinion, we have assumed and relied upon the accuracy and completeness of the information provided by the Company. In addition, we have relied upon the statements, information, opinion and representations provided to us by the Company.

APPROACH TO VALUATION

Income Approach — Discounted Cash Flows ("DCF")

We have adopted the DCF approach to assess the market value of the Concession. The DCF approach involves discounting future net cash flows of the Concession to its present worth based on the financial model provided by the Company and the Traffic Studies Report for the Port of Piraeus prepared by Drewry Shipping Consultants Limited dated 19th November 2008, other relevant documents and information provided by the Company.

The discount rate is determined by the following formula:

Discount rate = Cost of Equity $E(R_i)$ + Project Risk Premium P_{rp}

where $E(R_i) = R_f + \beta * [E(R_m) — R_f]$

In determining the appropriate discount rate for the valuation, we have adopted the following parameters:

(a) Risk Free Rate R_f

The risk free rate of 30-year yields to maturity of respective Euro Currency Bond Yield is 4.53%. The risk free rate for this valuation is determined at 4.53%.

(b) Beta β

According to the Beta of similar listed companies in Greece, the average levered beta is determined at 0.8443.

(c) Expected Return on Market $E(R_m)$

The expected return on market of the annualized market return of the DAX Index for the past 35 years is 7.68%. The expected return on market for this valuation is determined at 7.68%.

(d) Cost of Equity $E(R_i)$

Cost of Equity is determined by the Capital Asset Pricing Model (CAPM). The $E(R_i)$ is given by:

$$E(R_i) = R_f + \beta * [E(R_m) - R_f]$$

(e) Project Risk Premium P_{rp}

Having regard to the assumptions in the cashflow projection made by the Company, which include, inter alia, rate of revenue increasing, operation and management condition, profit margin of operation, the project risk premium is adopted as 1.80%.

The discount rate is thus determined as 9% as per the above-said formula.

We have based on the Company's projection to prepare our valuation. We have not taken into account the fee payable to Piraeus Port Authority S.A., a company established in Greece, the grantor of the Concession ("PPA") under the Concession as our valuation of the Concession is prepared on the assumption that all fee payable under the Concession has been fully settled.

In the course of our valuation, we have taken into account the capital expenditure required to complete the upgrading of Pier 2 and the construction of Pier 3, since such capital expenditure will not constitute part of the payment to be paid to PPA.

CONCLUSION

In our opinion, on the basis of the information made available to us, the market value in existing state of the Concession of Piers 2 and 3 in existing state is reasonably stated at the amount of €886,000,000 (Euro DOLLARS EIGHT HUNDRED AND EIGHTY SIX MILLION) as the valuation certificate attached.

This conclusion of value bases on generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. While we have exercised our professional judgement in arriving at the appraisal, you are urged to consider carefully the nature of such assumptions that are disclosed in this report and should exercise caution when interpreting this report.

Unless otherwise stated, all monetary amounts stated in our valuation are in Euro.

We attach herewith our valuation certificate.

Yours faithfully,
for and on behalf of
DTZ Debenham Tie Leung Limited
Philip C. Y. Tsang
Registered Business Valuer registered with the Hong Kong Business Valuation Forum
MSc MHKIS MRICS
Director

Note:

(1) Mr Philip C. Y. Tsang is a Registered Business Valuer registered with the Hong Kong Business Valuation Forum and has over 10 years of experience in valuation of infrastructure projects.

(2) In respect of the Piers situated in Greece, DTZ Greece also has provided its professional experience and support to Mr Philip C. Y. Tsang for the valuation done. It is a common professional practice for DTZ to carry out valuation by DTZ's global network.

(3) Mr Philip C. Y. Tsang takes charge of the whole valuation and signs the valuation certificate on behalf of DTZ.

VALUATION CERTIFICATE

Location of business	Description of business	Particulars of occupancy	Market value in existing state of the Concession (35 years) Piers 2 and 3 as at 1st October 2008
The Concession (35 years) Piers 2 and 3 of the Piraeus Port Container Terminal, Greece	The Concession is for a period of 35 years operation of Piers 2 and 3 of Piraeus Port Container Terminal in Greece. Piraeus Container Terminal S.A. ("PCT", a company established in Greece and a wholly-owned subsidiary of the Company), will take up the Concession to exclusively use and commercially utilize: (i) the existing areas and facilities of Pier 2, an existing pier in operation which handled a throughput of TEUs of 1.37 million in 2007, with a surface area of 373,365 sq. m.; and (ii) the area allocated for construction of the eastern section of the new Pier 3 which will have a surface area of 152,672 sq. m., together with related infrastructure, superstructure, existing building installations and facilities including electricity distribution substations, vehicle entrance and exist points, network installations, empty container storage yards, refrigerated container installations, dangerous or fragile cargo installations, and all existing mechanical equipment and related information systems, including wireless communication network facilities.	Pier 2 is being operated as a container terminal whilst Pier 3 is yet to be constructed.	€886,000,000

Location of business	Description of business	Particulars of occupancy	Market value in existing state of the Concession (35 years) Piers 2 and 3 as at 1st October 2008
	The Concession will be an initial term of 30 years, commencing on the date of PCT undertakes the operations of the New Container Terminal, which is currently scheduled to take place on 1st October 2009, with a mandatory extension for a term of 5 years subject to PCT's fulfillment of its obligations to construct the eastern section of the new Pier 3. Pier 2 is trapeze-shaped and is located to the east of Pier 3. The length of its wharfs reaches 2,011 m, of which 790 m is on the eastern sides, 520 m on the southern front and 701 m on the western side. The maximum depth by the eastern and frontal wharfs is 14 m, while it reaches 16 m by the western wharf. The yard storage area covers 416,000 sq. m. The Company, which has won the bidding will be expected to upgrade Pier 2's installations and equipment and increase its capacity to 2.6 million TEUs per annum. The upgrading work of Pier 2 will be carried out in two phases and is scheduled to complete by 31st May 2011 and 31st May 2012, respectively. In addition, certain equipment will be installed on Pier 2 gradually and not later than 30th April 2014. The Company is also expected to construct and fully equip a new pier, Pier 3, with a projected capacity of 1.1 million TEUs per annum. Construction of Pier 3 is scheduled to be completed by 31st October 2015.		

Notes:

(1) According to "Call for Tender for an International Public Tender based on the Higher Bid for concession Piers 2 & 3 of the Piraeus Port Authority S.A. Container Terminal", the salient points are as follows:

(a) By virtue of the Concession Agreement executed on 13th February 2002 between Piraeus Port Authority S.A. and the Greek State, Piraeus Port Authority S.A. has the exclusive right to use and manage the Piraeus Port Zone.

(b) Piraeus Port Authority S.A. has the right to, and intends to assign for a specific period, the use of the port infrastructure of Pier 2 and the construction and use of Pier 3 of Piraeus Container Terminal.

(c) Object of the Tender comprises:

i) The concession of the existing Pier 2, to improve the electromechanical equipment and to guarantee the minimum required capacity of 2.6 million TEUs per year;

ii) To construct Pier 3, to deliver full mechanical equipment and to guarantee the minimum capacity of 1.1 million TEUs per year;

iii) The concession of use for a 30-year period, which is mandatory extended to 35 years, if the Pier 3 is constructed within the agreed timetable by year 2015;

iv) To ensure a minimum guaranteed capacity of 3.7 million TEUs per year from year 2015 onwards;

v) The minimum guaranteed capacity of the terminal is not less than 700,000 TEUs per year during any phase of the project; and

vi) To operate Piers 2 & 3 at a minimum container throughput equal to 65% per pier of the guaranteed capacity of the terminal.

(d) Concession Fee

The fee for the concession consists of the following elements:

i) Initial Payment : one-off payment of €50,000,000;

ii) Concession Return : the percentage per year of consolidated revenues;

iii) Annual Lease I : the yearly lease paid relating to the length of the berthing dock; the amount per metre per year is set to €1,800;

iv) Annual Lease 2 : the yearly lease concerning the surface of quays; the amount per square metre of terminal station surface is set to €4.00 per year; and

v) Annual Leases I and 2 shall be adapted each year by a 2% increase on top of the consumer price index of Greece (2%+CPI); in case of a negative CPI, the percentage will be 2%.

(2) According to the announcement of the Company dated 13th June 2008, the Company has received formal notification from Piraeus Port Authority S.A. dated 12th June 2008 stating that the Company has been appointed as the provisional highest bidder in respect of its bid for the Concession.

(3) According to Traffic Studies Report for the Port of Piraeus prepared by Drewry Shipping Consultants Limited, Total traffic — Base Case (capacity constrained):

	Total ('000 TEU)
2009	1,360
2010	1,638
2011	1,744
2012	1,844
2013	1,963
2014	2,087
2015	2,219
2020	3,014
2025	3,700
2030	3,700
2035	3,700
2040	3,700
2043	3,700

(4) We have based on the Company's projection to prepare our valuation. We have not taken into account the fee payable to PPA under the Concession as our valuation of the Concession is prepared on the assumption that all fee payable under the Concession has been fully settled.

In the Company's projection, it is expected that the aggregate capital expenditure required to complete the upgrading of Pier 2 and the construction of Pier 3 will amount to €235.5 million (in present value terms). Such capital expenditure will not constitute part of the payment to be paid to PPA. In the course of our valuation, we have taken into account the said capital expenditure.

A. OVERVIEW

For the purpose of this circular, our directors have engaged DTZ Debenham Tie Leung Limited to prepare a business valuation report in respect of the Concession. The business valuation has been prepared based on discounted future estimated cash flows of the Concession. The bases and assumptions used in the preparation of the discounted future estimated cash flows are set out below.

B. BASES AND ASSUMPTIONS

- The conditions in which the business of the Concession are being operated and which are material to revenue and casts of businesses will remain unchanged.
- No hidden or unexpected conditions of the business might adversely affect the market value.
- The current financial, economic, legal and political conditions which prevail in Greece and in the neighbouring cities/countries and which are material to the revenues generated by the Concession will remain unchanged.
- The current taxation and legislation will remain unchanged.
- Inflation, exchange rates and interest rates remain unchanged from the rates prevailing at the date of valuation.
- The entire term of the Concession is 35 years.
- Competent management, key personnel and technical staff will be maintained to support the ongoing operation.
- There will be no major business disruptions through international crisis, industrial disputes, industrial accidents or severe weather conditions will affect the existing business.
- The Concession will be free from claims and litigation.
- Any statutory notice, requirements and operation of the Concession given or which will be given will not affect the Concession.
- The Concession is not subject to unusual or onerous restrictions or encumbrance.
- PCT, which will operate Piers 2 and 3, will be able to secure funds to repay its debts when they fall due.
- PCT can keep abreast of the latest technological and regulatory development of the industry such that their competitiveness and profitability can be sustained.
- The discount rate used in the discounted future estimated cash flows is 9%.

C. REPORT FROM REPORTING ACCOUNTANT ON DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE BUSINESS VALUATION

The following in the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this Circular.

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor, Prince's Building
Central, Hong Kong

REPORT FROM REPORTING ACCOUNTANT ON DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE BUSINESS VALUATION OF THE CONCESSION

To the Directors of
COSCO Pacific Limited

We have been engaged to report on the calculations of the discounted future estimated cash flows on which the business valuation (the "Valuation") dated 19th November 2008, prepared by DTZ Debenham Tie Leung Limited in respect of the appraisal of the market value of the concession of the exclusive right to use and exploit Pier 2 and 3, Piraeus Port Container Terminal, Greece (the "Concession"), is based. The Valuation is set out in Appendix II of the circular of COSCO Pacific Limited (the "Company") dated 19th November 2008 (the "Circular") in connection with the acquisition of the Concession by the Company. The Valuation which is determined based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Directors' Responsibility for the Discounted Future Estimated Cash Flows

The directors of the Company are responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the directors and as set out on page III-1 of the Circular. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation of the discounted future estimated cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Reporting Accountant's Responsibility

It is our responsibility to report, as required by Rule 14.62(2) of the Listing Rules, on the calculations of the discounted future estimated cash flows on which the Valuation is based. We are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future estimated cash flows are based and our work does not constitute any valuation of the Concession.

We conducted our work in accordance with the Hong Kong Standard on Assurance Engagements 3000 “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information”. This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain reasonable assurance on whether the discounted future estimated cash flows, so far as the calculations are concerned, has been properly compiled in accordance with the bases and assumptions as set out on page III-1 of the Circular. We reviewed the arithmetical calculation and the compilation of the discounted future estimated cash flows with the bases and assumptions.

The discounted future estimated cash flows do not involve the adoption of accounting policies. The discounted future estimated cash flows depend on future events and on a number of assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.62(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

Opinion

Based on the foregoing, in our opinion, the discounted future estimated cash flows, so far as the calculations are concerned, has been properly compiled in all material respects in accordance with the bases and assumptions made by the directors of the Company as set out on page III-1 of the Circular.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 19th November 2008

(A) SUMMARY OF FINANCIAL INFORMATION

The following is a summary of the assets and liabilities and results of the Group as at and for each of the three years ended 31st December 2007 as extracted from the annual reports of the Company and assets and liabilities of the Group as at 30th June 2008 and the Group's results for each of six months ended 30th June 2008 and 30th June 2007 as extracted from the interim reports of the Company, with certain comparative figures reclassified to conform the presentation of the latest financial statements.

	Audited			**Unaudited**
	As at 31st December			**As at 30th June**
	2005	**2006**	**2007**	**2008**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Assets				
Non-current assets				
Property, plant and equipment	1,400,120	1,108,852	1,474,264	1,832,759
Investment properties	1,383	1,540	1,676	1,676
Leasehold land and land use rights	16,597	34,401	43,654	59,478
Intangible assets	3,803	3,839	3,506	3,630
Jointly controlled entities	403,486	476,764	752,503	821,189
Associates	483,514	619,590	480,151	738,350
Available-for-sale financial assets	275,595	376,589	503,000	478,000
Finance lease receivables	3,747	2,989	2,315	2,470
Deferred income tax assets	246	162	1,271	1,267
Derivative financial instruments	—	—	4,641	4,815
Restricted bank deposits	21,978	158	506	150
	2,610,469	2,624,884	3,267,487	3,943,784
Current assets				
Inventories	2,336	3,553	10,105	5,905
Trade and other receivables	84,283	133,629	193,496	261,024
Available-for-sale financial assets	—	—	13,620	5,489
Derivative financial instruments	725	579	—	—
Cash and cash equivalents	157,337	224,510	386,867	190,893
	244,681	362,271	604,088	463,311
Total assets	2,855,150	2,987,155	3,871,575	4,407,095

	Audited			Unaudited
				As at
	As at 31st December			30th June
	2005	**2006**	**2007**	**2008**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Equity				
Capital and reserves attributable to the equity holders of the Company				
Share capital	28,200	28,583	28,790	28,792
Reserves	1,772,959	2,051,627	2,543,971	2,623,826
Interim dividend declared	—	—	—	78,890
Proposed final and special dividends	78,789	92,424	139,632	—
	1,879,948	2,172,634	2,712,393	2,731,508
Minority interests	10,395	35,567	62,266	75,986
Total equity	1,890,343	2,208,201	2,774,659	2,807,494
Liabilities				
Non-current liabilities				
Derivative financial instruments	2,007	4,362	—	—
Deferred income tax liabilities	72,699	2,202	8,620	14,658
Long term borrowings	748,617	518,932	874,435	1,243,565
Other long term liabilities	—	5,207	5,189	4,056
	823,323	530,703	888,244	1,262,279
Current liabilities				
Trade and other payables	53,628	172,728	153,739	218,443
Derivative financial instruments	—	55,181	—	—
Current income tax liabilities	820	7,676	15,334	14,216
Current portion of long term borrowings	84,558	2,421	25,904	46,790
Short term bank loans	2,478	10,245	13,695	57,873
	141,484	248,251	208,672	337,322
Total liabilities	964,807	778,954	1,096,916	1,599,601
Total equity and liabilities	2,855,150	2,987,155	3,871,575	4,407,095
Net current assets	103,197	114,020	395,416	125,989
Total assets less current liabilities	2,713,666	2,738,904	3,662,903	4,069,773

	Audited Year ended 31st December			Unaudited Six months ended 30th June	
	2005	**2006**	**2007**	**2007**	**2008**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Revenue	318,266	297,473	298,948	147,331	162,065
Cost of sales	(131,387)	(133,651)	(152,513)	(80,256)	(77,676)
Gross profit	186,879	163,822	146,435	67,075	84,389
Investment income	16,593	19,747	21,874	10,920	13,081
Administrative expenses	(31,424)	(33,806)	(55,582)	(30,714)	(24,970)
Other operating income	12,726	35,304	27,934	14,664	17,454
Other operating expenses	(9,556)	(13,216)	(9,561)	(3,169)	(2,709)
Profit on disposal of containers	—	84,454	25,975	6,034	302
Profit on disposal of an available-for-sale financial asset	61,875	—	—	—	—
Initial recognition of put options granted in connection with share reform of an associate	—	(140,064)	—	—	—
Fair value gain on put options granted	—	84,883	55,181	10,629	—
Operating profit	237,093	201,124	212,256	75,439	87,547
Finance income	4,361	12,621	10,466	4,501	2,280
Finance costs	(36,362)	(44,203)	(49,878)	(18,976)	(24,778)
Operating profit after finance income and costs	205,092	169,542	172,844	60,964	65,049
Share of profits less losses of					
— jointly controlled entities	72,969	85,070	106,933	55,758	59,723
— associates	82,320	89,042	80,326	37,036	37,822
Profit on disposal of an asociate	—	—	90,742	—	—
Profit before income tax	360,381	343,654	450,845	153,758	162,594
Income tax expenses	(22,426)	(49,196)	(17,796)	(2,410)	(5,983)
Profit for the year/period	337,955	294,458	433,049	151,348	156,611

	Audited Year ended 31st December			Unaudited Six months ended 30th June	
	2005	**2006**	**2007**	**2007**	**2008**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Profit attributable to:					
Equity holders of the Company	334,937	291,082	427,768	148,517	153,152
Minority interests	3,018	3,376	5,281	2,831	3,459
	337,955	294,458	433,049	151,348	156,611
Dividends	190,333	197,370	211,003	71,388	78,890
Earnings per share for profit attributable to equity holders of the Company					
— basic	US15.28 cents	US13.14 cents	US19.09 cents	US6.64 cents	US6.82 cents
— diluted	US15.19 cents	US13.07 cents	US18.99 cents	US6.60 cents	US6.81 cents

(B) AUDITED FINANCIAL STATEMENTS

The following is an extract of the audited financial statements of the Group from the annual report of the Company for the year ended 31st December 2007 (with comparative figures for the year ended 31st December 2006 where appropriate).

CONSOLIDATED BALANCE SHEET

As at 31st December

	Note	**2007** *US$'000*	**2006** *US$'000*
ASSETS			
Non-current assets			
Property, plant and equipment	7	1,474,264	1,108,852
Investment properties	8	1,676	1,540
Leasehold land and land use rights	9	43,654	34,401
Intangible assets	10	3,506	3,839
Jointly controlled entities	12	752,503	476,764
Associates	13	480,151	619,590
Available-for-sale financial assets	14	503,000	376,589
Finance lease receivables	15	2,315	2,989
Deferred income tax assets	23	1,271	162
Derivative financial instruments	18	4,641	—
Restricted bank deposits	40(b)	506	158
		3,267,487	2,624,884
Current assets			
Inventories	16	10,105	3,553
Trade and other receivables	17	193,496	133,629
Available-for-sale financial assets	14	13,620	—
Derivative financial instruments	18	—	579
Cash and cash equivalents	40(b)	386,867	224,510
		604,088	362,271
Total assets		3,871,575	2,987,155

	Note	2007 US$'000	2006 US$'000
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	20	28,790	28,583
Reserves		2,543,971	2,051,627
Proposed final and special dividends		139,632	92,424
		2,712,393	2,172,634
Minority interests		62,266	35,567
Total equity		2,774,659	2,208,201
LIABILITIES			
Non-current liabilities			
Derivative financial instruments	18	—	4,362
Deferred income tax liabilities	23	8,620	2,202
Long term borrowings	22	874,435	518,932
Other long term liabilities	24	5,189	5,207
		888,244	530,703
Current liabilities			
Trade and other payables	19	153,739	172,728
Derivative financial instruments	18	—	55,181
Current income tax liabilities		15,334	7,676
Current portion of long term borrowings	22	25,904	2,421
Short term bank loans	22	13,695	10,245
		208,672	248,251
Total liabilities		1,096,916	778,954
Total equity and liabilities		3,871,575	2,987,155
Net current assets		395,416	114,020
Total assets less current liabilities		3,662,903	2,738,904

The accompanying notes on pages IV-13 to IV-90 are an integral part of these consolidated financial statements.

BALANCE SHEET
As at 31st December

	Note	**2007** *US$'000*	**2006** *US$'000*
ASSETS			
Non-current assets			
Property, plant and equipment	7	107	213
Subsidiaries	11	1,598,889	1,328,294
		1,598,996	1,328,507
Current assets			
Other receivables	17	109,705	191,416
Cash and cash equivalents	40(b)	217,636	126,743
		327,341	318,159
Total assets		1,926,337	1,646,666
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	20	28,790	28,583
Reserves	21	1,396,890	1,130,819
Proposed final and special dividends	21	139,632	92,424
Total equity		1,565,312	1,251,826
LIABILITIES			
Non-current liability			
Loan due to a subsidiary	11	296,655	296,655
Current liabilities			
Other payables	19	64,370	43,004
Derivative financial instruments	18	—	55,181
		64,370	98,185
Total liabilities		361,025	394,840
Total equity and liabilities		1,926,337	1,646,666

The accompanying notes on pages IV-13 to IV-90 are an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December

	Note	2007 US$'000	2006 US$'000
Revenue	6	298,948	297,473
Cost of sales		(152,513)	(133,651)
Gross profit		146,435	163,822
Investment income		21,874	19,747
Administrative expenses		(55,582)	(33,806)
Other operating income	25	27,934	35,304
Other operating expenses		(9,561)	(13,216)
Profit on disposal of containers	26	25,975	84,454
Initial recognition of put options granted in connection with share reform of an associate	28	—	(140,064)
Fair value gain on put options granted	28	55,181	84,883
		55,181	(55,181)
Operating profit	29	212,256	201,124
Finance income	30	10,466	12,621
Finance costs	30	(49,878)	(44,203)
Operating profit after finance income and costs		172,844	169,542
Share of profits less losses of			
— jointly controlled entities		106,933	85,070
— associates		80,326	89,042
Profit on disposal of an associate	27	90,742	—
Profit before income tax		450,845	343,654
Income tax expenses	31	(17,796)	(49,196)
Profit for the year		433,049	294,458
Profit attributable to:			
Equity holders of the Company	32	427,768	291,082
Minority interests		5,281	3,376
		433,049	294,458
Dividends	33	211,003	197,370
Earnings per share for profit attributable to equity holders of the Company			
— basic	34	US19.09 cents	US13.14 cents
— diluted	34	US18.99 cents	US13.07 cents

The accompanying notes on pages IV-13 to IV-90 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December 2007

	Share capital	Share premium	Share option reserve	Capital reserve	Contributed surplus	Investment revaluation reserves	Other properties revaluation reserve	Exchange reserve	Other reserves	Retained profits	Total reserves	Minority interests	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
At 1st January 2007	28,583	672,524	—	1,093	115	306,038	714	30,906	28,070	1,104,591	2,144,051	35,567	2,208,201
Exchange differences arising on translation of financial statements of foreign subsidiaries, jointly controlled entities and associates	—	—	—	—	—	—	—	53,150	—	—	53,150	2,781	55,931
Fair value gain on available-for-sale financial assets	—	—	—	—	—	143,992	—	—	—	—	143,992	—	143,992
Release of reserves upon disposal of available-for-sale financial assets	—	—	—	—	—	(7,508)	—	—	—	—	(7,508)	—	(7,508)
Share of reserves of jointly controlled entities and associates	—	—	—	3,615	—	59,805	—	(10,778)	(731)	—	51,911	—	51,911
Release of reserves upon disposal of an associate	—	—	—	—	—	(4,613)	—	1,362	—	—	(3,251)	—	(3,251)
Net gain/(loss) recognised directly in equity	—	—	—	3,615	—	191,676	—	43,734	(731)	—	238,294	2,781	241,075
Profit for the year	—	—	—	—	—	—	—	—	—	427,768	427,768	5,281	433,049
Total recognised profit/(loss) for 2007	—	—	—	3,615	—	191,676	—	43,734	(731)	427,768	666,062	8,062	674,124
Recognition of share-based compensation	—	—	11,190	—	—	—	—	—	—	—	11,190	—	11,190
Issue of shares on exercise of share options	207	26,108	—	—	—	—	—	—	—	—	26,108	—	26,315
Share issue expenses	—	(13)	—	—	—	—	—	—	—	—	(13)	—	(13)
Transfer of reserve upon exercise of share option	—	337	(337)	—	—	—	—	—	—	—	—	—	—
Reclassification of a jointly controlled entity to a subsidiary (note 42)	—	—	—	—	—	—	—	—	—	—	—	21,897	21,897
Transfer of reserves	—	—	—	—	—	—	—	—	5,981	(5,981)	—	—	—
Dividend paid to minority shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	(3,260)	(3,260)
Dividends paid to equity holders of the Company													
— 2006 final	—	—	—	—	—	—	—	—	—	(92,209)	(92,209)	—	(92,209)
— 2007 interim	—	—	—	—	—	—	—	—	—	(71,586)	(71,586)	—	(71,586)
	207	26,432	10,853	3,615	—	191,676	—	43,734	5,250	257,992	539,552	26,699	566,458
At 31st December 2007	28,790	698,956	10,853	4,708	115	497,714	714	74,640	33,320	1,362,583	2,683,603	62,266	2,774,659
Representing:													
Share capital	28,790	—	—	—	—	—	—	—	—	—	—		
Reserves	—	698,956	10,853	4,708	115	497,714	714	74,640	33,320	1,222,951	2,543,971		
2007 final and special dividends proposed	—	—	—	—	—	—	—	—	—	139,632	139,632		
	28,790	698,956	10,853	4,708	115	497,714	714	74,640	33,320	1,362,583	2,683,603		

	Share capital	Share premium	Capital reserve	Contributed surplus	Investment revaluation reserve	Other properties revaluation reserve	Exchange reserve	Other reserves	Retained profits	Total reserves	Minority interests	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
At 1st January 2006	28,200	623,822	1,121	115	192,051	714	9,595	22,857	1,001,473	1,851,748	10,395	1,890,343
Exchange differences arising on translation of financial statements of foreign subsidiaries, jointly controlled entities and associates	—	—	—	—	—	—	26,159	—	—	26,159	514	26,673
Fair value gain on available-for-sale financial assets	—	—	—	—	88,952	—	—	—	—	88,952	—	88,952
Share of reserves of jointly controlled entities and associates	—	—	79	—	25,035	—	(4,839)	984	—	21,259	—	21,259
Release of reserves upon disposal of a jointly controlled entity	—	—	(107)	—	—	—	(9)	(217)	217	(116)	—	(116)
Net gain/(loss) recognised directly in equity	—	—	(28)	—	113,987	—	21,311	767	217	136,254	514	136,768
Profit for the year	—	—	—	—	—	—	—	—	291,082	291,082	3,376	294,458
Total recognised profit/(loss) for 2006	—	—	(28)	—	113,987	—	21,311	767	291,299	427,336	3,890	431,226
Issue of shares on exercise of share options	383	48,715	—	—	—	—	—	—	—	48,715	—	49,098
Share issue expenses	—	(13)	—	—	—	—	—	—	—	(13)	—	(13)
Asset injection to a non-wholly owned subsidiary by a minority shareholder of the subsidiary	—	—	—	—	—	—	—	—	—	—	9,800	9,800
Establishment of a non-wholly owned subsidiary	—	—	—	—	—	—	—	—	—	—	14,256	14,256
Transfer of reserves	—	—	—	—	—	—	—	4,446	(4,446)	—	—	—
Dividend paid to minority shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	—	(2,774)	(2,774)
Dividends paid to equity holders of the Company												
— 2005 final	—	—	—	—	—	—	—	—	(79,457)	(79,457)	—	(79,457)
— 2006 interim	—	—	—	—	—	—	—	—	(78,230)	(78,230)	—	(78,230)
— 2006 special interim	—	—	—	—	—	—	—	—	(26,048)	(26,048)	—	(26,048)
	383	48,702	(28)	—	113,987	—	21,311	5,213	103,118	292,303	25,172	317,858
At 31st December 2006	28,583	672,524	1,093	115	306,038	714	30,906	28,070	1,104,591	2,144,051	35,567	2,208,201
Representing:												
Share capital	28,583	—	—	—	—	—	—	—	—	—		
Reserves	—	672,524	1,093	115	306,038	714	30,906	28,070	1,012,167	2,051,627		
2006 final dividend proposed	—	—	—	—	—	—	—	—	92,424	92,424		
	28,583	672,524	1,093	115	306,038	714	30,906	28,070	1,104,591	2,144,051		

The accompanying notes on pages IV-13 to IV-90 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st December

	Note	**2007** *US$'000*	**2006** *US$'000*
Cash flows from operating activities			
Cash generated from operations	40(a)	227,508	310,637
Interests received		9,593	11,683
Net cash (paid)/received from interest rate swap contracts		(652)	751
Tax refunded		51	58
Tax paid		(5,035)	(112,811)
Net cash generated from operating activities		231,465	210,318
Cash flows from investing activities			
Dividends received from jointly controlled entities		99,998	43,986
Dividends received from associates		31,173	40,979
Dividends received from available-for-sale financial assets		11,919	10,633
Purchase of property, plant and equipment		(682,829)	(438,923)
Investments in jointly controlled entities		(66,217)	(15,842)
Investments in associates		(62,670)	(58,903)
Investments in available-for-sale financial assets		—	(9,195)
Loans advanced to jointly controlled entities, associates and investee companies		(67,672)	(59,951)
Reclassification of jointly controlled entity to a subsidiary		1,040	—
Repayment of loans by jointly controlled entities and an investee company		8,448	34,704
Sale of available-for-sale financial assets		14,355	—
Sale of property, plant and equipment		240,378	855,021
Net proceeds on disposal of an associate		266,116	—
Compensation received for loss of containers		1,148	809
Net cash (used in)/generated from investing activities		(204,813)	403,318

	Note	**2007** *US$'000*	**2006** *US$'000*
Cash flows from financing activities			
Loans borrowed		611,292	517,103
Loans repaid		(286,319)	(889,986)
Issue of shares		26,315	49,098
Share issue expenses		(13)	(13)
Dividends paid		(163,791)	(183,735)
Dividends paid to minority shareholders of subsidiaries		(3,100)	(2,774)
Interests paid		(47,358)	(36,095)
Other incidental borrowing costs paid		(2,056)	(783)
Net cash generated from/(used in) financing activities		134,970	(547,185)
Net increase in cash and cash equivalents		161,622	66,451
Cash and cash equivalents at 1st January		224,510	157,337
Exchange differences		735	722
Cash and cash equivalents at 31st December	40(b)	386,867	224,510

The accompanying notes on pages IV-13 to IV-90 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

The intermediate holding company of the Company is China COSCO Holdings Company Limited ("China COSCO"), a company established in the People's Republic of China (the "PRC") and listed in Hong Kong. The parent company of China COSCO is China Ocean Shipping (Group) Company ("COSCO"), a state-owned enterprise established in the PRC.

These consolidated financial statements have been approved for issue by the Board of Directors on 7th April 2008.

2 BASIS OF PREPARATION

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

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

(a) Standards, interpretations and amendments which are effective in 2007 and adopted by the Group

In 2007, the Group adopted HKAS 1 (Amendment) "Capital Disclosures" and HKFRS 7 "Financial Instruments: Disclosures" which are relevant to its operations. HKAS 1 (Amendment) and HKFRS 7 introduce new disclosures relating to capital management and financial instruments respectively. These standards do not have any impact on the classification and valuation of the financial instruments.

The HKICPA has issued other certain new and revised HKFRSs which are mandatory for the Group's accounting periods on or after 1st January 2007. The adoption of these HKFRSs in the current year did not result in any significant changes to the Group's accounting policies and had no material effect on the consolidated financial statements.

(b) **Standards, interpretations and amendments to published standards that are not yet effective for the year ended 31st December 2007 and have not been early adopted by the Group**

The HKICPA has issued the following new or revised HKFRSs which are not yet effective for the year ended 31st December 2007 and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
HK(IFRIC)-Int 11	HKFRS 2 − Group and Treasury Share Transactions	1st March 2007
HK(IFRIC)-Int 12	Service Concession Arrangement	1st January 2008
HK(IFRIC)-Int 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction	1st January 2008
HK(IFRIC)-Int 13	Customer Loyalty Programmes	1st July 2008
HKFRS 8	Operating Segments	1st January 2009
HKAS 1 (Revised)	Presentation of Financial Statements	1st January 2009
HKAS 23 (Revised)	Borrowing Costs	1st January 2009
HKFRS 2 Amendment	Share-based Payment − Vesting Conditions and Cancellations	1st January 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements	1st July 2009
HKFRS 3 (Revised)	Business Combination	1st July 2009

(i) HK(IFRIC)-Int 11 clarifies that certain types of transactions are accounted for as equity-settled or cash-settled transactions under HKFRS 2. It also addresses the accounting for share-based payment transactions involving two or more entities within one group.

(ii) HK(IFRIC)-Int 12 applies to companies that participate in service concession arrangements and provides guidance on the accounting by operations in public-to-private service concession arrangements.

(iii) HK(IFRIC)-Int 14 provides guidance on assessing the limit in HKAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The Group will apply HK(IFRIC)-Int 14 from 1st January 2008, but it is not expected to have any impact on the Group's account.

(iv) HK(IFRIC)-Int 13 applies to companies that operate or otherwise participate in customer loyalty programmes for their customers. It addresses sales transactions in which the entities grant their customers award credits that, subject to meeting any further qualifying conditions, the customers can redeem in future for free or discounted goods or services.

(v) Under HKFRS 8, segments are components of an entity regularly reviewed by an entity's chief operating decision-maker. Items are reported based on the internal reporting.

(vi) HKAS 1 (Revised) requires all owner changes in equity to be presented in a statement of changes in equity. All comprehensive income is presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). It requires presenting a statement of financial position as at the beginning of the earliest comparative period in a complete set of financial statements when there are retrospective adjustments or reclassification adjustments. However, it does not change the recognition, measurement or disclosure of specific transactions and other events required by other HKFRSs.

(vii) HKAS 23 (Revised) applies to qualifying assets measured at cost. It addresses that management no longer has an option to expense borrowing costs on qualifying assets. Companies that expense borrowing costs under their current accounting policy must identify their qualifying assets.

(viii) HKFRS 2 Amendment clarifies the definition of "vesting conditions" and specifies the accounting treatment of "cancellations" by the counterparty to a share-based payment arrangement. Vesting conditions are service conditions (which require a counterparty to complete a specified period of service) and performance conditions (which require a specified period of service and specified performance targets to be met) only. All "non-vesting conditions" and vesting conditions that are market conditions shall be taken into account when estimating the fair value of the equity instruments granted. All cancellations are accounted for as an acceleration of vesting and the amount that would otherwise have been recognised over the remainder of the vesting period is recognised immediately.

(ix) HKAS 27 (Revised) requires non-controlling interests (i.e. minority interests) to be presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent. Total comprehensive income must be attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity. When control of a subsidiary is lost, the assets and liabilities and related equity components of the former subsidiary are derecognised. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at its fair value at the date when control is lost.

(x) HKFRS 3 (Revised) may bring more transactions into acquisition accounting as combinations by contract alone and combinations of mutual entities are brought into the scope of the standard and the definition of a business has been amended slightly. It now states that the elements are 'capable of being conducted' rather than 'are conducted and managed'. It requires considerations (including contingent consideration), each identifiable asset and liability to be measured at its acquisition-date fair value, except for leases and insurance contracts, reacquired right, indemnification assets as well as some assets and liabilities required to be measured in accordance with other HKFRSs. They are income taxes, employee benefits, share-based payment and non-current assets held for sale and discontinued operations. Any non-controlling interest in an acquiree is measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The Group will apply the above standards and interpretations from 1st January 2008 or later periods. The Group has already commenced an assessment of the related impact to the Group. The Group is not yet in a position to state whether any substantial changes to the Group's significant accounting policies and presentation of the consolidated financial statements will be resulted.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 **Group accounting**

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31st December.

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

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated income statement. Investment in a jointly controlled entity/an associate is accounted for using the equity method from the date on which it becomes a jointly controlled entity/an associate. The measurement of goodwill is the same as that of goodwill arising from the acquisition of subsidiaries. Goodwill relating to a jointly controlled entity/an associate is included in the carrying amount of the investment. Appropriate adjustments to the Group's share of the profits or losses after acquisition are made to the consolidated financial statements based on the fair values of the assets and liabilities acquired at date of acquisition.

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

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

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

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

(a) ***Subsidiaries***

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

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

(b) ***Jointly controlled entities***

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

(c) ***Associates***

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

(d) ***Minority interests***

Minority interests represent the interest of outside shareholders in the operating results and net assets of subsidiaries.

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

3.2 **Foreign currency translation**

(a) ***Functional and presentation currency***

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

(b) ***Transactions and balances***

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

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

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

(c) ***Group companies***

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

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

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

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

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

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

3.3 **Property, plant and equipment**

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

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

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

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

Containers	15 years
Generator sets	12 years
Buildings	25 to 50 years
Leasehold improvements	5 years or the remaining period of the lease, whichever is shorter
Other property, plant and equipment	5 to 20 years

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

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

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

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

3.4 **Leasehold land and land use rights**

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

3.5 **Investment properties**

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

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

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

Investment property is measured initially at its cost, including related transaction costs.

After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are reviewed annually by external valuers.

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

Changes in fair values are recognised in the income statement.

3.6 **Intangible assets**

(a) ***Goodwill***

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/jointly controlled entity/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of jointly controlled entities and associates is included in investments in jointly controlled entities and associates respectively. Separately recognised goodwill is tested for impairment annually and where there is indication for impairment, and is carried at cost less accumulated impairment losses. Impairment loss on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash generating units for the purpose of impairment testing.

(b) ***Computer software***

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over the estimated useful lives of 5 years on a straight-line basis.

Costs associated with developing or maintaining computer software programmes which do not generate economic benefits exceeding costs beyond one year are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Computer systems under development are transferred to computer software upon the completion of the respective development and amortisation will then be commenced accordingly over the estimated useful lives of 5 years on a straight-line basis.

3.7 Impairment of assets

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

3.8 Available-for-sale financial assets

The Group classifies its investments as available-for-sale financial assets. Management determines the classification of its investments at initial recognition.

Available-for-sale financial assets are non-derivatives and they are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

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

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

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

3.9 Derivative financial instruments and hedging activities

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

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

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

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

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

3.10 **Inventories**

Inventories include resaleable containers. Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

3.11 **Trade and other receivables**

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

3.12 **Cash and cash equivalents**

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

3.13 **Assets under leases**

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

(a) ***Leases − where the Group is the lessee***

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

(b) ***Leases — where the Group is the lessor***

When the Group leases out assets under operating leases, the assets are included in the balance sheet according to their nature and where applicable, are depreciated in accordance with the Group's depreciation policies, as set out in note 3.3 above. Revenue arising from assets leased out under operating leases is recognised in accordance with the Group's revenue recognition policies, as set out in notes 3.21(a) and 3.21(e) below.

When assets are leased out under a finance lease, the present value of the minimum lease payments is recognised as a receivable. Revenue on containers leased out under finance leases is recognised in accordance with the Group's revenue recognition policies, as set out in note 3.21(a) below.

3.14 **Provisions**

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

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

3.15 **Trade payables**

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

3.16 **Financial guarantee contracts**

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

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

3.17 **Share capital**

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

3.18 **Borrowings**

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

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

3.19 **Deferred income tax**

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or a liability in a transaction (other than a business combination) that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

3.20 **Employee benefits**

(a) ***Retirement benefit costs***

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

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

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

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

(b) ***Employee leave entitlements***

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

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

(c) ***Bonus entitlements***

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

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

(d) ***Share-based compensation***

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

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

3.21 **Recognition of revenue and income**

The Group recognises revenue and income on the following bases:

(a) ***Revenue from leasing of containers and generator sets***

Rental income from leasing of containers and generator sets under operating leases are recognised on a straight-line basis over the period of each lease.

Revenue on containers leased out under finance leases is allocated to accounting period to give a constant periodic rate of return on the net investments in the lease in each period.

(b) ***Revenue from terminal operations***

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

(c) ***Revenue from container handling, transportation and storage***

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

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

(d) ***Revenue from container management***

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

(e) ***Operating lease rental income from investment properties***

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

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

Revenue from sale of resaleable containers is recognised on the transfer of risks and rewards on ownership, which generally coincides with the time when the containers are delivered to customers and title has passed. The proceeds from the sale of resaleable containers are included in revenue as the sale is in the course of the Group's ordinary activities.

In prior years, the proceeds from the sale of resaleable containers were included in other operating income and the cost of these resaleable containers sold was included in other operating expenses. During the year, the Group included the proceeds from the sale of resaleable containers as revenue and the related costs are included in the cost of sales as the sale of resaleable containers arises in the course of the Group's principal activities and recurs routinely. As a result, the proceeds from sale of resaleable containers of US$43,513,000 and the cost of these resaleable containers sold of US$32,965,000 for the year ended 31st December 2006 were reclassified to revenue and cost of sales respectively to conform with current year's presentation.

(g) ***Interest income***

Interest income is recognised on a time proportion basis using the effective interest method.

(h) ***Dividend income***

Dividend income is recognised when the right to receive payment is established and is recognised in the consolidated income statement within investment income.

(i) ***Income on sale of investments***

Income on sale of investments is recognised when the risks and rewards associated with ownership of the related investment have been transferred to the purchaser.

3.22 **Borrowing costs**

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

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

3.23 **Dividend distribution**

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

3.24 **Contingent liabilities and contingent assets**

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

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

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

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

4 FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

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

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

(a) ***Market risk***

(i) *Foreign exchange risk*

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

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

With all other variables held constant, if Non-Functional Currency Items had weakened/strengthened by 5% against the US dollar, the Group's profit after income tax for the year would have been decreased/increased by approximately US$2,331,000 (2006: US$2,327,000) as a result of the translation of those Non-Functional Currency Items.

(ii) *Price risk*

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

(iii) *Cash flow and fair value interest rate risk*

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

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

With all other variable held constant if the interest rate had increased/decreased by 50 basis-point, the corresponding increase/decrease in net finance costs (representing interest expenses on Interest Bearing Liabilities net of interest income on the Interest Bearing Assets) would have been approximately US$1,845,000 (2006: US$457,000).

(b) ***Credit risk***

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

The majority of the Group's trade and finance lease receivables relate to container leasing rental income receivable from COSCO Container Lines Company Limited ("COSCON"), a fellow subsidiary, and third party customers which are operating in the container shipping industry. COSCON accounted for approximately 47% of the Group's revenue and most of balance receivable from COSCON are aged less than 60 days (which is within the credit period granted by the Group of 90 days).

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

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

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

Customers are assessed and rated based on their credit quality, taking into account its financial position, past experience and other factors. Individual risk limits are set by management of the respective operating units.

Utilisation of credit limits is regularly monitored.

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

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

(c) ***Liquidity risk***

The Group's cash management policy is to regularly monitor its current and expected liquidity positions to ensure adequate funds are available for its short term and long term requirements.

The table below analyses the Group's financial liabilities which will be settled into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	US$'000	*US$'000*	*US$'000*	*US$'000*
At 31st December 2007				
Bank and other borrowings	91,184	92,100	481,665	484,900
Trade and other payables	153,739	—	—	—
At 31st December 2006				
Bank and other borrowings	44,338	212,178	88,522	325,814
Derivatives financial instruments	55,181	—	—	4,362
Trade and other payables	172,728	—	—	—

4.2 **Capital risk management**

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

The Group monitors capital on the basis of the net debt (total borrowings less cash and cash equivalents) to equity (capital and reserves attributable to equity holders of the Company) ratio. The Group aims to maintain a manageable net debt to equity ratio. As at 31st December 2007, the net debt to equity ratio is 19.0% (2006: 13.9%).

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

4.3 **Fair value estimation**

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

— the quoted market price when the related investment is traded in an active market;

— valuation techniques (including pricing models or discounted cash flow models); and the price for similar recent transactions, with adjustment for the difference in market conditions and circumstances.

For unlisted investments, the Group will determine the fair value of available-for-sale financial assets by reference to valuation report of an independent professional valuer.

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

The fair value of financial guarantee contracts is determined by reference to the fees charged in an arm's length transaction for similar services or the interest rate differentials charged by lenders on the related borrowings with and without the guarantees granted by the Group.

The carrying amounts of receivables and payables are assumed to approximate their fair values. The fair values of financial liabilities for disclosure purposes are estimated by discounting the future contractual cash flows at the current market interest rates that are available to the Group for similar financial instruments. The fair value of Group's available-for-sale financial assets traded in active markets are quoted at market price on balance sheet date.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

5.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) ***Fair value estimation of available-for-sale financial assets***

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

If the price/earnings ratio as used for the fair value estimation had been 10% lower than the management's estimates adopted, the Group's total equity and the carrying amount of available-for-sale financial assets would have been decreased by US$50,300,000.

(b) ***Useful lives and residual values of containers***

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

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

Management reviewed the residual values and useful lives of property, plant and equipment as at 1st January 2007. The depreciation charge of containers for the year ended 31st December 2007 was calculated based on the revised estimated residual values. This represents a change in an accounting estimate and has been accounted for prospectively. The overall effect of this change is to decrease the depreciation charge by approximately US$1,006,000 and increase the deferred income tax charge by approximately US$13,000 for the year ended 31st December 2007.

If the estimated useful lives of containers had been 10% shorter than the management's estimates adopted, the Group would have recognised an additional depreciation charge for the year of US$13,973,000, a reduction of the carrying amount of property, plant and equipment of US$13,302,000 and an increase in profit on disposal of containers of US$671,000.

If the estimated useful lives of containers had been 10% longer than the management's estimates adopted, the Group would have recognised a reduction of depreciation charge for the year of US$9,262,000, a decrease in profit on disposal of containers of US$421,000 and an increase of the carrying amount of property, plant and equipment of US$8,841,000.

If the estimated residual values of containers had been 10% lower than the management's estimates adopted, the Group would have recognised an additional depreciation charge for the year of US$1,922,000, a reduction of the carrying amount of the property, plant and equipment of US$1,841,000 and an increase in profit on disposal of containers of US$81,000.

If the estimated residual values of containers had been 10% higher than the management's estimates adopted, the Group would have recognised a reduction of depreciation charge for the year of US$1,922,000, a decrease in profit on disposal of containers of US$119,000 and an increase in of the carrying amount of property, plant and equipment of US$1,803,000.

(c) ***Impairment of containers***

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

If the estimated future income stream from the use and subsequent resale of the containers had been 5% lower than the management's estimates as adopted in the value-in-use calculations, the Group would have recognised an additional impairment loss and a reduction of carrying amount of the property, plant and equipment of US$1,255,000.

If the estimated pre-tax discount rate applied to the value-in-use calculations had been 5% higher than management's estimates, the Group would have recognised additional impairment loss and a reduction of carrying amount of the property, plant and equipment of US$3,129,000.

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

(d) ***Share-based payments***

The fair value of options granted is estimated based on valuations by management. The valuations are based on various assumptions on share prices, volatility, life of options, dividend paid out rate and annual risk-free interest rate, excluding the impact of any non- market vesting conditions, which generally represent the best estimate of the fair value of the share options at the date of grant.

5.2 Critical judgement in applying the Group's accounting policies

Income taxes

Deferred tax liabilities have not been established for the withholding taxation that would be payable on the undistributed earnings of certain subsidiaries in the United States of America (the "US") as the directors consider that the timing of the reversal of related temporary differences can be controlled (note 23).

If 10% of those undistributed earnings of the US subsidiaries had been repatriated out of the US, the Group would have recognised deferred income tax charge and deferred income tax liability of US$199,000.

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

6 REVENUE AND SEGMENT INFORMATION

Revenues recognised during the year are as follows:

	2007	2006
	US$'000	*US$'000*
Operating lease rentals on		
— containers	181,334	219,566
— generator sets	1,775	1,368
Sale of inventories	57,038	43,513
Finance lease income on containers	379	492
Container management income	7,327	4,061
Container terminal operation income	43,384	20,915
Container handling, transportation and storage income	7,711	7,558
	298,948	297,473

(a) Primary reporting format — business segments

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

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

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

(iii) logistics and related businesses;

(iv) container manufacturing and related businesses; and

(v) corporate and other businesses.

Unallocated costs represent corporate 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 deferred income tax assets, jointly controlled entities, associates, available-for-sale financial assets, derivative financial instruments, restricted bank deposits and cash and cash equivalents.

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

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 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
At 31st December 2006						
Segment assets	203,256	1,074,953	—	3	—	1,278,212
Jointly controlled entities	250,743	—	202,186	23,835	—	476,764
Associates	188,918	—	—	255,729	174,943	619,590
Available-for-sale financial assets	368,000	—	—	—	8,589	376,589
Unallocated assets						236,000
						2,987,155
Segment liabilities	9,948	160,451	7	55,181	—	225,587
Unallocated liabilities						553,367
						778,954

Segment revenue, results and other information

	Year ended 31st December 2007					
	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*
Revenue						
External sales	51,095	247,853	—	—	—	298,948
Segment results	21,754	100,711	(427)	—	(12,761)	109,277
Dividend income from						
— a listed investment	—	—	—	—	639	639
— unlisted investments	21,184	—	—	—	—	21,184
Profit on disposal of containers *(note 26)*	—	25,975	—	—	—	25,975
Fair value gain on put options granted *(note 28)*	—	—	—	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 27)*	—	—	—	—	90,742	90,742
Profit before income tax						450,845
Income tax expenses						(17,796)
Profit for the year						433,049
Capital expenditure	49,621	590,932	—	—	79	640,632
Depreciation and amortisation	6,921	76,670	—	—	435	84,026
Share-based compensation	—	—	—	—	11,190	11,190
Other non-cash expenses	—	1,019	—	—	421	1,440

	Year ended 31st December 2006					
	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*
Revenue						
— total revenue	28,474	269,000	—	—	—	297,474
— inter-segment sales	(1)	—	—	—	—	(1)
External sales	28,473	269,000	—	—	—	297,473
Segment results	12,257	147,236	(200)	5,624	(12,769)	152,148
Dividend income from						
— a listed investment	—	—	—	—	476	476
— unlisted investments	19,227	—	—	—	—	19,227
Profit on disposal of containers included under property, plant and equipment *(note 26)*	—	84,454	—	—	—	84,454
Initial recognition of put options granted in connection with share reform of an associate *(note 28)*	—	—	—	(140,064)	—	(140,064)
Fair value gain on put options granted *(note 28)*	—	—	—	84,883	—	84,883
Unallocated costs						
— finance income						12,621
— finance costs						(44,203)
Operating profit after finance income and costs						169,542
Share of profits less losses of						
— jointly controlled entities	57,837	—	18,351	8,882	—	85,070
— associates	18,537	—	—	57,727	12,778	89,042
Profit before income tax						343,654
Income tax expenses						(49,196)
Profit for the year						294,458
Capital expenditure	131,350	484,200	—	—	2,312	617,862
Depreciation and amortisation	2,880	84,832	—	—	407	88,119
Other non-cash expenses	16	8,013	—	—	1,016	9,045

Note:

Included under the business segment of container leasing, management, sale and related business are revenue, segment results and segment assets of US$57,038,000 (2006: US$43,513,000), US$6,583,000 (2006: US$8,794,000) and US$10,105,000 (2006: US$3,553,000) respectively in respect of the sale of resaleable container business.

(b) **Secondary reporting format — geographical segments**

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

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

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

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

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

7 PROPERTY, PLANT AND EQUIPMENT

Group

	Containers	Generator sets	Buildings in Hong Kong	Buildings outside Hong Kong	Leasehold improvements	Other property, plant and equipment	Construction in progress	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Cost or valuation								
At 1st January 2007	1,278,463	8,308	2,687	59,571	1,525	82,653	12,332	1,445,539
Exchange differences	—	—	—	5,853	9	6,140	1,092	13,094
Additions	586,323	3,132	—	20,632	334	12,333	15,226	637,980
Disposals	(230,318)	(64)	—	(445)	(4)	(238)	—	(231,069)
Transfer to inventories	(154,245)	—	—	—	—	—	—	(154,245)
Reclassification of a jointly controlled entity to a subsidiary *(note 42)*	—	—	—	36,715	12	20,525	4,330	61,582
Transfer	—	—	—	10,257	—	492	(10,749)	—
At 31st December 2007	1,480,223	11,376	2,687	132,583	1,876	121,905	22,231	1,772,881
Accumulated depreciation and impairment losses								
At 1st January 2007	315,393	1,167	1,465	4,470	1,120	13,072	—	336,687
Exchange differences	—	—	—	411	4	829	—	1,244
Impairment loss for the year	400	—	—	—	—	—	—	400
Depreciation charge for the year	74,667	785	110	1,996	167	5,056	—	82,781
Disposals — accumulated depreciation and impairment losses	(15,748)	(12)	—	(101)	(3)	(187)	—	(16,051)
Transfer to inventories	(106,444)	—	—	—	—	—	—	(106,444)
At 31st December 2007	268,268	1,940	1,575	6,776	1,288	18,770	—	298,617
Net book value								
At 31st December 2007	1,211,955	9,436	1,112	125,807	588	103,135	22,231	1,474,264
The analysis of cost or valuation of the above assets as at 31st December 2007 is as follows:								
At cost	1,480,223	11,376	248	132,583	1,876	121,905	22,231	1,770,442
At 1994 professional valuation	—	—	2,439	—	—	—	—	2,439
	1,480,223	11,376	2,687	132,583	1,876	121,905	22,231	1,772,881

	Containers	Generator sets	Buildings in Hong Kong	Buildings outside Hong Kong	Leasehold improvements	Other property, plant and equipment	Construction in progress	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Cost or valuation								
At 1st January 2006	1,990,700	6,403	2,503	12,122	1,104	25,012	—	2,037,844
Exchange differences	—	—	—	1,332	11	1,687	432	3,462
Additions	481,275	1,962	184	45,321	410	49,234	21,076	599,462
Disposals	(1,064,736)	(57)	—	(128)	—	(1,532)	—	(1,066,453)
Transfer to inventories	(128,776)	—	—	—	—	—	—	(128,776)
Transfer	—	—	—	924	—	8,252	(9,176)	—
At 31st December 2006	1,278,463	8,308	2,687	59,571	1,525	82,653	12,332	1,445,539
Accumulated depreciation and impairment losses								
At 1st January 2006	619,828	591	1,356	3,631	1,024	11,294	—	637,724
Exchange differences	—	—	—	133	10	293	—	436
Impairment loss for the year	2,533	—	—	—	—	—	—	2,533
Depreciation charge for the year	83,059	583	109	738	86	2,596	—	87,171
Disposals — accumulated depreciation and impairment losses	(293,565)	(7)	—	(32)	—	(1,111)	—	(294,715)
Transfer to inventories	(96,462)	—	—	—	—	—	—	(96,462)
At 31st December 2006	315,393	1,167	1,465	4,470	1,120	13,072	—	336,687
Net book value								
At 31st December 2006	963,070	7,141	1,222	55,101	405	69,581	12,332	1,108,852
The analysis of cost or valuation of the above assets as at 31st December 2006 is as follows:								
At cost	1,278,463	8,308	248	59,571	1,525	82,653	12,332	1,443,100
At 1994 professional valuation	—	—	2,439	—	—	—	—	2,439
	1,278,463	8,308	2,687	59,571	1,525	82,653	12,332	1,445,539

Company

	Other property, plant and equipment	
	2007	**2006**
	US$'000	*US$'000*
Cost		
At 1st January and at 31st December	527	527
Accumulated depreciation		
At 1st January	314	209
Depreciation charge for the year	106	105
At 31st December	420	314
Net book value		
At 31st December	107	213

Notes:

(a) Certain buildings in Hong Kong with carrying amount of US$891,000 (2006: US$990,000) of the Group were revalued in 1994 on an open market value basis by C.Y. Leung & Company Limited (now known as DTZ Debenham Tie Leung Limited), an independent professional property valuer.

The carrying amount of these buildings as at 31st December 2007 would have been US$864,000 (2006: US$900,000) had the buildings been carried at cost less accumulated depreciation and impairment losses in the consolidated financial statements.

(b) The aggregate cost, accumulated depreciation and accumulated impairment losses as at 31st December 2007 of the leased assets of the Group (where the Group is a lessor) which comprised containers and generator sets and were leased to fellow subsidiaries and third parties under operating leases amounted to US$1,289,378,000 (2006: US$1,161,481,000), US$269,709,000 (2006: US$313,595,000) and US$499,000 (2006: US$2,965,000) respectively.

(c) The accumulated impairment losses of property, plant and equipment of the Group as at 31st December 2007 amounted to US$3,156,000 (2006: US$5,622,000).

(d) During the year, the Group transferred containers with an aggregate net book value of US$47,801,000 (2006: US$32,314,000) to inventories.

8 INVESTMENT PROPERTIES

	Group	
	2007	**2006**
	US$'000	*US$'000*
At 1st January	1,540	1,383
Revaluation surplus *(note a)*	136	157
At 31st December	1,676	1,540

Notes:

(a) The investment properties as at 31st December 2007 and 2006 were revalued on an open market value basis by Sallmanns (Far East) Limited, an independent professional property valuer. Valuations were based on current prices in an active market for all properties. The revaluation surplus for the year ended 31st December 2007 of US$136,000 (2006: US$157,000) was accounted for in the consolidated income statement (note 29).

(b) The Group's interests in investment properties are situated in Hong Kong and are held on leases of over 50 years.

9 LEASEHOLD LAND AND LAND USE RIGHTS

	Group	
	2007	**2006**
	US$'000	*US$'000*
At 1st January	34,401	16,597
Exchange differences	1,398	388
Additions	2,298	17,583
Reclassification of a jointly controlled entity to a subsidiary *(note 42)*	6,089	—
Amortisation	(532)	(167)
At 31st December	43,654	34,401

Notes:

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

	Group	
	2007	**2006**
	US$'000	*US$'000*
In Hong Kong, held on leases of over 50 years	16,184	16,251
Outside Hong Kong, held on leases of between 10 to 50 years	27,470	18,150
	43,654	34,401

(b) As at 31st December 2006, land use rights outside Hong Kong with net book value of US$1,645,000 were pledged as security for loan facility granted by a bank.

10 INTANGIBLE ASSETS

Group

	Computer software		Computer systems under development		Total	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Cost						
At 1st January	8,718	8,034	2,143	2,010	10,861	10,044
Additions	43	53	311	764	354	817
Reclassification of a jointly controlled entity to a subsidiary *(note 42)*	26	—	—	—	26	—
Transfer	402	631	(402)	(631)	—	—
At 31st December	9,189	8,718	2,052	2,143	11,241	10,861
Accumulated amortisation						
At 1st January	7,022	6,241	—	—	7,022	6,241
Amortisation for the year	713	781	—	—	713	781
At 31st December	7,735	7,022	—	—	7,735	7,022
Net book value						
At 31st December	1,454	1,696	2,052	2,143	3,506	3,839

11 SUBSIDIARIES

	Company 2007	Company 2006
	US$'000	*US$'000*
Unlisted investments, at cost	167,150	167,150
Amounts due from subsidiaries *(note a)*	1,431,739	1,217,786
Provision *(note c)*	—	(56,642)
	1,598,889	1,328,294
Loan due to a subsidiary *(note b)*	296,655	296,655

Notes:

(a) The amounts due from subsidiaries are unsecured and have no fixed terms of repayment. Except for amounts due from subsidiaries of US$51,255,000 (2006: US$45,579,000) which bear interests ranging from 1.41% to 7.25% (2006: 0.61% to 6.7%) per annum, the remaining balances are interest free.

(b) The loan due to a subsidiary is unsecured, interest free and wholly repayable on or before 3rd October 2013. The carrying amount of the loan due to a subsidiary is not materially different from its fair value.

(c) The provision was written back upon repayment of the loans.

(d) Details of the subsidiaries as at 31st December 2007 are set out in note 44 to the consolidated financial statements.

12 JOINTLY CONTROLLED ENTITIES

	Group	
	2007	**2006**
	US$'000	*US$'000*
Share of net assets	507,993	382,211
Goodwill on acquisitions *(note a)*	83,694	52,259
	591,687	434,470
Loans to jointly controlled entities *(note b)*	160,816	42,294
	752,503	476,764
Investments, at cost		
Unlisted investments	742,631	599,452

Notes:

(a) The carrying amount of goodwill on acquisitions of jointly controlled entities mainly represented the goodwill on acquisitions of equity interests in COSCO Logistics Co., Ltd., Shanghai Pudong International Container Terminals Limited, Qingdao Qianwan Container Terminal Co., Ltd. and Nanjing Port Longtan Containers Co., Ltd. of US$42,251,000 (2006: US$42,251,000), US$31,435,000 (2006: N/A), US$5,362,000 (2006: US$5,362,000) and US$4,533,000 (2006: US$4,533,000) respectively.

(b) The loans to jointly controlled entities are unsecured, interest free and have no fixed terms of repayment. In 2006, an amount of US$7,965,000 was interest bearing at 1.60% per annum above the applicable swap offer rate as determined by the Association of Banks in Singapore wholly repayable on or before October 2013.

(c) Yangzhou Yuanyang International Ports Co. Ltd. ("Yangzhou Yuanyang"), former jointly controlled entity, was reclassified as a subsidiary during the year. Details are set out in note 42.

(d) The Company has no directly owned jointly controlled entity as at 31st December 2007 and 2006. Details of the jointly controlled entities as at 31st December 2007 are set out in note 45 to the consolidated financial statements.

The financial information below, after making necessary adjustments to conform to the Group's significant accounting policies, represents the Group's interests in respective jointly controlled entities:

	Non-current assets	**Current assets**	**Non-current liabilities**	**Current liabilities**	**Revenue**	**Expenses**	**Profits less losses after income tax**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
2007	1,130,101	588,018	(487,503)	(660,998)	1,124,205	(1,004,763)	106,933
2006	769,936	424,415	(187,096)	(592,415)	885,967	(787,519)	85,070

13 ASSOCIATES

	Group 2007 US$'000	Group 2006 US$'000
Share of net assets	464,360	569,386
Goodwill on acquisitions *(note a)*	87	31,522
	464,447	600,908
Loans to associates *(note b)*	15,704	18,682
	480,151	619,590
Investments, at cost		
Shares listed		
— in Hong Kong	—	219,189
— outside Hong Kong *(note c)*	152,720	137,601
Unlisted shares	63,568	119,761
	216,288	476,551
Market value of listed shares *(note c)*	1,546,654	1,062,718

Notes:

(a) In 2007, the Group reclassified an associate, Shanghai Pudong International Container Terminals Limited ("Shanghai Pudong") as a jointly controlled entity. The Memorandum and Articles of Association of Shanghai Pudong was amended and the Group could have joint control over the financial and operating policies of Shanghai Pudong.

(b) Loans to associates are unsecured and have no fixed terms of repayment. Balance of US$15,704,000 (2006: US$12,535,000) bears interest at 2% (2006: 2%) per annum above the 10-year Belgium prime rate. The remaining balance in 2006 was interest free.

(c) Part of the shares of China International Marine Containers (Group) Co., Ltd ("CIMC") held by the Group cannot be freely placed or traded until the expiry of certain trading restrictions from the implementation date of the share reform of CIMC (the "Trading Restrictions"). The market value of these shares of CIMC of US$1,059,533,000 (2006: US$868,915,000) as included in the disclosure above has not taken into account these Trading Restrictions.

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

	Total assets	Total liabilities	Revenue	Expenses	Profits less losses after income tax
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
2007	1,096,039	(595,494)	1,106,442	(1,016,486)	80,326
2006	2,327,192	(1,739,790)	788,439	(690,960)	89,042

(e) During the year, Chong Hing Bank Limited was disposed of to a fellow subsidiary and details of the disposal are set out in note 27.

(f) The Company has no directly owned associate as at 31st December 2007 and 2006. Details of the associates as at 31st December 2007 are set out in note 46 to the consolidated financial statements.

14 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2007	**2006**
	US$'000	*US$'000*
At 1st January	376,589	275,595
Exchange differences	(50)	80
Additions	10,536	11,962
Disposals	(14,447)	—
Net fair value gain recognised in equity	143,992	88,952
At 31st December	516,620	376,589
Less: Current portion	(13,620)	—
Non-current portion	503,000	376,589

Notes:

(a) Available-for-sale financial assets as at 31st December 2007 and 2006 comprise investments in equity securities of the investee companies and the shareholders' loans advanced to an investee company with the nominal value of US$62,779,000 (2006: US$52,617,000). The loan advanced to an investee company is unsecured, interest free and has no fixed terms of repayment.

(b) Listed investment represents equity interest in an entity which is principally engaged in the operation and management of international and domestic container marine transportation.

(c) Unlisted investments mainly comprise equity interests in entities which are involved in container terminal operations in Yantian, Tianjin and Dalian of Mainland China.

(d) Available-for-sale financial assets are denominated in the following currencies:

	2007	2006
	US$'000	*US$'000*
Renminbi	503,000	368,000
Hong Kong dollar	13,620	8,589
	516,620	376,589

(e) At 31st December 2007, the carrying amount of interest in the following company exceeds 10% of total assets of the Group:

Name	Place of incorporation	Principal activities	Particulars of issued shares held	Interest held
Sigma Enterprises Limited	British Virgin Islands	Investment holding of terminal operations	2,005 "A" shares of US$1 each and 8,424 "B" shares of US$1 each	6.85%

15 FINANCE LEASE RECEIVABLES

Group

	2007				2006			
	Gross receivables	**Unearned finance income**	**Provision**	**Present value of minimum lease payment receivable**	**Gross receivables**	**Unearned finance income**	**Provision**	**Present value of minimum lease payment receivable**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Amounts receivable under finance leases:								
Current portion *(note 17)*	1,451	(276)	(3)	1,172	1,866	(364)	(60)	1,442
Non-current portion								
— later than one year and not later than five years	2,390	(353)	—	2,037	3,453	(453)	(11)	2,989
— later than five years	348	(70)	—	278	—	—	—	—
	2,738	(423)	—	2,315	3,453	(453)	(11)	2,989
	4,189	(699)	(3)	3,487	5,319	(817)	(71)	4,431

As at 31st December 2007, the Group entered into 20 (2006: 19) finance lease contracts for leasing of certain containers. The average term of the finance lease contracts is 4 years (2006: 3 years).

The cost of assets acquired for the purpose of letting under finance leases amounted to US$8,143,000 (2006: US$8,097,000) as at 31st December 2007.

Unguaranteed residual values of assets leased under finance lease contracts are estimated at approximately US$7,000 (2006: US$7,000).

16 INVENTORIES

Inventories of the Group represent containers held for sales including containers ceased to be rented. Containers ceased to be rented are transferred from property, plant and equipment at their carrying amount.

17 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2007	**2006**	**2007**	**2006**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Trade receivables *(note a)*				
— third parties	28,118	19,927	—	—
— fellow subsidiaries *(notes b and c)*	25,328	24,375	—	—
— jointly controlled entities *(note b)*	299	—	—	—
— related companies *(note b)*	168	185	—	—
	53,913	44,487	—	—
Less: provision for impairment	(3,713)	(4,477)	—	—
	50,200	40,010	—	—
Other receivables, deposits and prepayments	63,909	15,731	352	396
Rent receivable collected on behalf of owners of managed containers *(note d)*	39,243	36,459	—	—
Current portion of finance lease receivables *(note 15)*	1,172	1,442	—	—
Amounts due from *(note b)*				
— subsidiaries (net of provision)	—	—	109,353	191,020
— jointly controlled entities	20,776	30,072	—	—
— associates	3,101	845	—	—
— an investee company *(note e)*	—	9,070	—	—
— related companies	16	—	—	—
Loans receivable from *(note f)*				
— a jointly controlled entity	8,508	—	—	—
— an associate	6,571	—	—	—
	193,496	133,629	109,705	191,416

Notes:

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

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

	Group	
	2007	**2006**
	US$'000	*US$'000*
Within 30 days	20,405	18,573
31 - 60 days	20,228	15,764
61 - 90 days	6,128	3,825
Over 90 days	3,439	1,848
	50,200	40,010

As at 31st December 2007, trade receivables of US$25,019,000 (2006: US$21,562,000) were fully performing.

As at 31st December 2007, trade receivables of US$19,288,000 (2006: US$15,071,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables which were past due is as follows:

	2007	**2006**
	US$'000	*US$'000*
Within 30 days	1,065	531
31 - 60 days	13,499	11,631
61 - 90 days	3,715	1,440
Over 90 days	1,009	1,469
	19,288	15,071

As at 31st December 2007, trade receivables of US$9,606,000 (2006: US$7,854,000) were impaired. The amount of the provision was US$3,713,000 as at 31st December 2007 (2006: US$4,477,000). The individually impaired receivables mainly relate to lessees, which are in unexpected difficult economic situations. It was assessed that a portion of the receivables is expected to be recovered. The ageing of these receivables is as follows:

	2007	**2006**
	US$'000	*US$'000*
Within 30 days	3,108	1,288
31 - 60 days	1,914	1,376
61 - 90 days	624	760
Over 90 days	3,960	4,430
	9,606	7,854

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

	2007	2006
	US$'000	*US$'000*
At 1st January	(4,477)	(3,056)
Provision for trade receivables impairment	(394)	(2,990)
Reversal of provision for impairment of trade receivables	966	1,515
Receivables written off during the year as uncollectible	192	54
At 31st December	(3,713)	(4,477)

(b) The amounts due from subsidiaries, fellow subsidiaries, jointly controlled entities, associates, an investee company and related companies are unsecured and interest free. Trading balances have credit periods ranging from 30 to 90 days while other balances have no fixed terms of repayment.

(c) The balance mainly represented container leasing income receivable from fellow subsidiaries and included a receivable balance from COSCON of US$23,083,000 (all are aged less than 60 days) (2006: US$21,779,000 (all are aged less than 60 days)). During the year ended 31st December 2007, the container leasing income from COSCON and the other fellow subsidiaries amounted to US$140,099,000 (2006: US$136,889,000) and US$33,000 (2006: US$213,000) respectively.

(d) The balance represented the unsettled billings to be collected by the Group in respect of the leases of those containers managed on behalf of third parties.

(e) The amount due from an investee company represented dividend income receivable from the investee company.

(f) Balance of US$8,508,000 represented an unsecured loan to a jointly controlled entity, COSCO-PSA Terminal Private Limited, which bore interest at 1.6% per annum above the applicable swap offer rate as determined by the Association of Banks in Singapore and was repaid on 2nd January 2008.

Balance of US$6,571,000 represented an unsecured loan to an associate, Dalian Automobile Terminal Co., Ltd, which bears interest at Tokyo Interbank Offered Rate ("TIBOR") plus 0.5% per annum and is wholly repayable on 24th April 2008.

(g) The carrying amounts of trade and other receivables are denominated in the following currencies:

	Group		Company	
	2007	2006	2007	2006
	US$'000	*US$'000*	*US$'000*	*US$'000*
US dollar	105,314	82,352	109,174	181,482
Renminbi	67,147	38,227	—	—
Hong Kong dollar	9,921	11,902	302	9,331
Euro	1,793	429	229	219
Other currencies	9,321	719	—	384
	193,496	133,629	109,705	191,416

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

18 DERIVATIVE FINANCIAL INSTRUMENTS

	Group			
	2007		**2006**	
	Assets	**Liabilities**	**Assets**	**Liabilities**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Interest rate swap contracts				
— cash flow hedges *(note a)*	—	—	579	—
— fair value hedges *(note b)*	4,641	—	—	4,362
Put Options *(note 28)*	—	—	—	55,181
Total	4,641	—	579	59,543
Less: non-current portion interest rate swap contracts — fair value hedges	(4,641)	—	—	(4,362)
	—	—	579	55,181

	Company			
	2007		**2006**	
	Assets	**Liabilities**	**Assets**	**Liabilities**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Put Options	—	—	—	55,181

Notes:

(a) These interest rate swap contracts were expired during 2007.

(b) The notional principal amount of the related interest rate swap contracts amounted to US$200,000,000 (2006: US$200,000,000) which were committed with interest rates ranging from 1.05% to 1.16% (2006: 1.05% to 1.16%) per annum above the London Interbank Offered Rate ("LIBOR"). These interest rate swap contracts have been designated as a hedge of the fair value of the notes issued by the Group.

19 TRADE AND OTHER PAYABLES

	Group		Company	
	2007	**2006**	**2007**	**2006**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Trade payables				
— third parties	16,875	39,774	—	—
— jointly controlled entities *(notes a and b)*	3,288	2,935	—	—
— a minority shareholder of a subsidiary *(note a)*	387	36	—	—
— subsidiaries of an associate *(notes a and b)*	25,785	30,024	—	—
— related companies *(note a)*	—	14	—	—
	46,335	72,783	—	—
Other payables and accruals	65,103	62,083	1,716	1,072
Payable to owners of managed containers *(note c)*	39,614	34,909	—	—
Current portion of other long term liabilities *(note 24)*	2,267	1,488	—	—
Dividend payable	24	20	24	20
Amounts due to *(note a)*				
— subsidiaries	—	—	62,630	41,912
— fellow subsidiaries	105	270	—	—
— related companies	5	—	—	—
— minority shareholders of subsidiaries	286	1,175	—	—
	153,739	172,728	64,370	43,004

Notes:

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

(b) The balances represented the amounts payable to jointly controlled entities and subsidiaries of an associate of the Group in respect of the purchases of containers (note 41(a)(vii)).

(c) The balance represented the rental income of the managed containers collected, net of the direct operating expenses of the managed containers paid by the Group on behalf of third parties and the management fee income entitled by the Group.

(d) The ageing analysis of the trade balances due to third parties, jointly controlled entities, a minority shareholder of a subsidiary, subsidiaries of an associate and related companies was as follows:

	Group	
	2007	**2006**
	US$'000	*US$'000*
Within 30 days	28,089	1,192
31 - 60 days	10,070	15,347
61 - 90 days	7,728	45,155
Over 90 days	448	11,089
	46,335	72,783

(e) Other payables and accruals include an amount of US$26,813,000 (2006: US$36,049,000) 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.

(f) The carrying amounts of trade and other payables are denominated in the following currencies:

	Group		Company	
	2007	**2006**	**2007**	**2006**
	US$'000	*US$'000*	*US$'000*	*US$'000*
US dollar	131,077	159,593	44,850	19,647
Renminbi	17,981	9,003	8,053	19,807
Hong Kong dollar	4,445	3,956	8,602	3,550
Other currencies	236	176	2,865	—
	153,739	172,728	64,370	43,004

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

20 SHARE CAPITAL

	2007	**2006**
	US$'000	*US$'000*
Authorised:		
3,000,000,000 ordinary shares of HK$0.10 each	38,462	38,462
Issued and fully paid:		
2,244,881,298 (2006: 2,228,684,298) ordinary shares of HK$0.10 each	28,790	28,583

(a) The movements of the issued share capital of the Company are summarised as follows:

	Number of ordinary shares	Nominal value *US$'000*
At 1st January 2007	2,228,684,298	28,583
Issued on exercising of share options *(note b)*	16,197,000	207
At 31st December 2007	2,244,881,298	28,790
At 1st January 2006	2,198,966,298	28,200
Issued on exercising of share options *(note b)*	29,718,000	383
At 31st December 2006	2,228,684,298	28,583

(b) **Share options**

Under the 1994 Share Option Scheme, the directors of the Company may, at their discretion, grant to any directors, executives and/ or employees who are in full time employment with any company in the Group, share options to subscribe for the Company's shares, subject to the terms and conditions stipulated therein.

On 23rd May 2003, the shareholders of the Company approved the adoption of the 2003 Share Option Scheme and the termination of the 1994 Share Option Scheme. No further options shall be granted under the 1994 Share Option Scheme after 23rd May 2003 but the outstanding share options which had been granted shall continue to be valid and exercisable in accordance with their terms and provisions under the 1994 Share Option Scheme.

On 5th December 2005, amendments to certain terms of the 2003 Share Option Scheme were approved by the shareholders of the Company (the "Amended 2003 Share Option Scheme"). Under the Amended 2003 Share Option Scheme, the directors of the Company may, at their discretion, invite any participants, as defined under the Amended 2003 Share Option Scheme, to take up share options for subscribing the Company's shares, subject to the terms and conditions stipulated therein.

The consideration on acceptance of an offer of the grant of an option is HK$1.00.

During the current year, 17,600,000 share options were granted under the 2003 Share Option Scheme at an exercise price of HK$19.30, which represents the average closing prices of the shares of the Company as dated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date on which an option is offered. The closing prices of the shares of the Company immediately before the dates on which the options were granted were in the range of HK$19.44 to HK$19.92. The options are exercisable at any time within ten years from the respective dates of granting the options in the period from 17th April 2007 to 19th April 2007.

The Company adopted Black-Scholes Options Pricing Model (a common valuation methodology for option) to calculate the value of share options. The fair value of the options was approximately HK$4.97 at the dates of grant with assumptions as follows:

(i) Interest rate of 10-year Exchange Fund Notes of 4.08% per annum as the risk-free interest rate;

(ii) Expected life of 6 years (by reference to the pattern of the options exercised by the grantees in prior years);

(iii) Expected dividend yield of 3.84% (being the average dividend yield of the Company for the previous five years); and

(iv) Expected volatility of 33.59% (being the historical volatility of the closing price of the Company's shares from 22nd March 2006 to 23rd March 2007).

The value of the share options is subject to a number of assumptions and with regard to the limitation of the model. Therefore the value may be subjective and difficult to determine.

Movements of the share options are set out below:

For the year ended 31st December 2007
Number of share options

Category	Note	Exercise price HK$	Outstanding at 1st January 2007	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31st December 2007
Directors	(i)(ii)	8.80	300,000	—	(300,000)	—	—
	(i)(iii)	9.54	2,100,000	—	(1,300,000)	—	800,000
	(i)(iv)	13.75	6,900,000	—	(450,000)	—	6,450,000
	(i)(v)	19.30	—	2,300,000	—	—	2,300,000
Continuous contract employees	(i)(ii)	8.80	22,000	—	(22,000)	—	—
	(i)(iii)	9.54	3,978,000	—	(2,253,000)	—	1,725,000
	(i)(iv)	13.75	20,198,000	—	(6,156,000)	—	14,042,000
	(i)(v)	19.30	—	15,300,000	(530,000)	—	14,770,000
Others	(i)(iii)	9.54	1,000,000	—	(950,000)	—	50,000
	(i)(iv)	13.75	7,360,000	—	(4,236,000)	—	3,124,000
			41,858,000	17,600,000	(16,197,000)	—	43,261,000

For the year ended 31st December 2006
Number of share options

Category	Note	Exercise price HK$	Outstanding at 1st January 2006	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31st December 2006
Directors	(i)(ii)	8.80	900,000	—	(600,000)	—	300,000
	(i)(iii)	9.54	2,700,000	—	(600,000)	—	2,100,000
	(i)(iv)	13.75	8,800,000	—	(1,900,000)	—	6,900,000
Continuous contract employees	(i)(ii)	8.80	254,000	—	(232,000)	—	22,000
	(i)(iii)	9.54	6,794,000	—	(2,816,000)	—	3,978,000
	(i)(iv)	13.75	31,044,000	—	(10,826,000)	(20,000)	20,198,000
Others	(i)(iii)	9.54	3,104,000	—	(2,104,000)	—	1,000,000
	(i)(iv)	13.75	18,000,000	—	(10,640,000)	—	7,360,000
			71,596,000	—	(29,718,000)	(20,000)	41,858,000

Notes:

(i) All the outstanding options were vested and exercisable as at 31st December 2007 and 2006. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

(ii) The share options were granted on 20th May 1997 (the "Offer Date") under the 1994 Share Option Scheme and are exercisable on or before 19th May 2007. The grantees may exercise a maximum of 20% of share options granted in each of the first five anniversary years from the Offer Date and all grantees may reserve their rights to exercise and accumulate their share options exercisable during their employment within the Group. The exercisable period expired on 19th May 2007.

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

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

(v) The share options granted on 23rd March 2007 under the share option scheme as adopted by the Company on 23rd May 2004 are exercisable at any time within ten years from the date on which an offer is accepted or deemed to be accepted by the grantee from 17th April 2007 to 19th April 2007. The fair value of these options granted during the period, determined by using Black-Scholes valuation model, was approiximately HK$4.97 per option (2006: N/A). By reference to the fair value of these options, an aggregate share-based compensation expense of US$11,190,000 (2006: N/A) was charged to the consolidated income statement for the current year.

(vi) During the current year, no share options were lapsed or cancelled under the 1994 and 2003 Share Option Scheme.

(vii) The exercise of the 16,197,000 (2006: 29,718,000) share options during the year yielded the proceeds, net of transaction costs of US$13,000 (2006: US$13,000), as follows:

	Company	
	2007	**2006**
	US$'000	*US$'000*
Ordinary share capital — at par	207	383
Share premium (net of issue expenses)	26,095	48,702
Proceeds (net of issue expenses)	26,302	49,085

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

Expiry date	**Exercise price**	**Number of share options**	
	HK$	**2007**	**2006**
20th May 2007	8.80	—	322,000
28th October 2013 to 6th November 2013	9.54	2,575,000	7,078,000
25th November 2014 to 16th December 2014	13.75	23,616,000	34,458,000
17th April 2017 to 19th April 2017	19.30	17,070,000	—
		43,261,000	41,858,000

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

	2007		**2006**	
	Average exercise price per share	**Number of share options**	**Average exercise price per share**	**Number of share options**
	HK$		*HK$*	
At 1st January	13.00	41,858,000	12.93	71,596,000
Granted	19.30	17,600,000	N/A	—
Exercised	12.66	(16,197,000)	12.97	(29,718,000)
Lapsed	N/A	—	13.75	(20,000)
At 31st December	15.69	43,261,000	13.00	41,858,000

The weighted average closing market price of the Company's shares on the dates when the share options were exercised was HK$20.91 (2006: HK$17.31) per share.

21 RESERVES

Company

	Share premium	Contributed surplus (note)	Share option reserve	Retained profits	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
At 1st January 2007	672,524	414,214	—	136,505	1,223,243
Issue of shares on exercise of share options	26,108	—	—	—	26,108
Equity share options issued	—	—	11,190	—	11,190
Share issue expenses	(13)	—	—	—	(13)
Transfer of reserve upon exercise of share options	337	—	(337)	—	—
Profit for the year	—	—	—	439,789	439,789
Dividends					
— 2006 final	—	—	—	(92,209)	(92,209)
— 2007 interim	—	—	—	(71,586)	(71,586)
At 31st December 2007	698,956	414,214	10,853	412,499	1,536,522
Representing:					
Reserves	698,956	414,214	10,853	272,867	1,396,890
2007 final and special dividends proposed	—	—	—	139,632	139,632
At 31st December 2007	698,956	414,214	10,853	412,499	1,536,522
At 1st January 2006	623,822	414,214	—	166,999	1,205,035
Issue of shares on exercise of share options	48,715	—	—	—	48,715
Share issue expenses	(13)	—	—	—	(13)
Profit for the year	—	—	—	153,241	153,241
Dividends					
— 2005 final	—	—	—	(79,457)	(79,457)
— 2006 interim	—	—	—	(78,230)	(78,230)
— 2006 special interim	—	—	—	(26,048)	(26,048)
At 31st December 2006	672,524	414,214	—	136,505	1,223,243
Representing:					
Reserves	672,524	414,214	—	44,081	1,130,819
2006 final dividend proposed	—	—	—	92,424	92,424
At 31st December 2006	672,524	414,214	—	136,505	1,223,243

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

22 BORROWINGS

	Group	
	2007	**2006**
	US$'000	*US$'000*
Long term borrowings		
— Secured	—	500
— Unsecured	900,339	520,853
	900,339	521,353
Amounts due within one year included under current liabilities	(25,904)	(2,421)
	874,435	518,932
Short term bank loans — unsecured	13,695	10,245

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

	Group	
	2007	**2006**
	US$'000	*US$'000*
Wholly repayable within five years		
— Bank loans	430,550	221,395
Not wholly repayable within five years		
— Bank loans	169,530	10,245
— Notes *(note c)*	300,259	289,713
	469,789	299,958
	900,339	521,353

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

	Group	
	2007	2006
	US$'000	*US$'000*
Bank loans		
Within one year	25,904	2,421
Between one and two years	43,054	189,840
Between two and five years	361,592	30,927
Over five years	169,530	8,452
	600,080	231,640
Notes		
Over five years *(note c)*	300,259	289,713
	900,339	521,353

(c) Details of the notes as at 31st December 2007 are as follows:

	Group	
	2007	2006
	US$'000	*US$'000*
Principal amount	300,000	300,000
Discount on issue	(1,899)	(1,899)
Notes issuance cost	(1,800)	(1,800)
Net proceeds received	296,301	296,301
Accumulated amortised amounts of		
— discount on issue	945	743
— notes issuance cost	896	704
	298,142	297,748
Effect of fair value hedge	2,117	(8,035)
	300,259	289,713

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

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

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

	Less than one year *US$'000*	One to five years *US$'000*	Over five years *US$'000*	Total *US$'000*
At 31st December 2007				
Total borrowings	512,121	68,382	319,836	900,339
Effect of interest rate swaps qualified as hedges	—	—	(200,000)	(200,000)
	512,121	68,382	119,836	700,339
At 31st December 2006				
Total borrowings	176,829	46,359	298,165	521,353
Effect of interest rate swaps qualified as hedges	—	—	(200,000)	(200,000)
	176,829	46,359	98,165	321,353

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

	2007 *US$'000*	2006 *US$'000*
US dollar	800,134	464,622
Renminbi	113,900	66,976
	914,034	531,598

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

	2007		2006	
	US$	*RMB*	*US$*	*RMB*
Bank loans	4.9%	7.1%	6.2%	5.8%
Notes	6.0%	N/A	6.0%	N/A

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

	Carrying amounts		Fair values	
	2007	**2006**	**2007**	**2006**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Bank loans	574,176	229,219	591,401	231,719
Notes	300,259	289,713	315,486	307,662
	874,435	518,932	906,887	539,381

The fair values are determined based on cash flows discounted using a weighted average borrowing rate of 5.0% (2006: 5.4%) per annum.

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

(h) As at 31st December 2007, the Group has the following committed and undrawn borrowing facilities:

	2007	**2006**
	US$'000	*US$'000*
Facilities at floating rates		
— expiring within one year	—	40,000

23 DEFERRED INCOME TAX

Deferred income tax is calculated in full on temporary differences under the liability method using tax rates substantively enacted by the balance sheet date.

The movement on the net deferred income tax liabilities during the year is as follows:

	Group	
	2007	**2006**
	US$'000	*US$'000*
At 1st January	2,040	72,453
Charged/(credited) to consolidated income statement *(note 31)*	5,309	(70,413)
At 31st December	7,349	2,040

Deferred income tax assets are recognised for tax losses carry forwards to the extent that realisation of the related tax benefit through the future taxable profits is probable. As at 31st December 2007, the Group and the Company have unrecognised tax losses of US$4,416,000 (2006: US$4,286,000) and US$2,547,000 (2006: US$2,555,000) respectively, which have no expiry date, to carry forward.

As at 31st December 2007, deferred income tax liabilities of US$1,994,000 (2006: US$58,750,000) have not been established for the withholding taxation that would be payable on the undistributed earnings of certain subsidiaries totalling US$6,645,000 (2006: US$195,833,000) as the directors considered that the timing of the reversal of the related temporary differences can be controlled and accordingly the temporary difference will not be reversed in the foreseeable future.

On 16th March 2007, the National People's Congress approved the Corporate Income Tax Law of the PRC (the "New CIT Law"). The New CIT Law reduces (increases) the corporate income tax rate for domestic enterprises (foreign invested enterprises) from 33% (15% or 24%) to 25% with effect from 1st January 2008. The new CIT Law also provides for preferential tax rates, tax incentives for prescribed industries and activities, grandfathering provisions as well as determination of taxation profit. On 6th December 2007, the State Council approved the Detailed Implementation Regulations ("DIR") for the implementation of the CIT Law. The Group will continue to evaluate the impact as more detailed regulations or interpretations on these areas are approved.

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

(a) **Deferred income tax liabilities**

	Group					
	Accelerated tax depreciation		**Others**		**Total**	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
At 1st January	4,240	125,263	—	—	4,240	125,263
Charged/(credited) to consolidated income statement	(483)	(121,023)	6,517	—	6,034	(121,023)
At 31st December	3,757	4,240	6,517	—	10,274	4,240

(b) **Deferred income tax assets**

	Group					
	Tax losses		**Others**		**Total**	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
At 1st January	188	48,064	2,012	4,746	2,200	52,810
Credited/(charged) to consolidated income statement	1,077	(47,876)	(352)	(2,734)	725	(50,610)
At 31st December	1,265	188	1,660	2,012	2,925	2,200

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet:

	2007	**2006**
	US$'000	*US$'000*
Deferred income tax assets	1,271	162
Deferred income tax liabilities	8,620	2,202

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

	2007	**2006**
	US$'000	*US$'000*
Deferred income tax assets to be recovered after more than 12 months	1,271	115
Deferred income tax liabilities to be settled after more than 12 months	2,079	2,188

As at 31st December 2007 and 2006, the Company did not have significant deferred income tax assets and liabilities.

24 OTHER LONG TERM LIABILITIES

	Group	
	2007	**2006**
	US$'000	*US$'000*
Deferred deal management fee	2,249	—
Deferred upfront administration fee	5,207	6,695
	7,456	6,695
Less: current portion *(note 19)*	(2,267)	(1,488)
	5,189	5,207

25 OTHER OPERATING INCOME

	2007	2006
	US$'000	*US$'000*
Exchange gain, net	7,992	567
Finder fee *(note 26)*	—	15,240
Profit on disposal of a jointly controlled entity	—	5,470
Management fee and other service income	4,459	6,300
Profit on disposal of available-for-sale financial assets	7,418	—
Others	8,065	7,727
	27,934	35,304

26 PROFIT ON DISPOSAL OF CONTAINERS

In the current year, the Group disposed of containers included under property, plant and equipment with an aggregate net book value of approximately US$212,827,000 (2006: US$762,070,000) together with the related lease contracts to a third party for cash considerations of approximately US$238,802,000 (2006 : US$846,524,000). The gain on the disposal before income taxes amounted to approximately US$25,975,000 (2006: US$84,454,000).

For the disposal of containers in June 2006, the Group also received a finder fee income of approximately US$15,240,000 in respect of its services rendered prior to the completion of the entire disposal transaction. The finder fee income was recognised and included as other operating income in the consolidated income statement for the prior year.

27 PROFIT ON DISPOSAL OF AN ASSOCIATE

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

28 SHARE REFORM

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

The Put Options were derivative financial instruments as defined under HKAS 39 "Financial Instruments: Recognition and Measurement" ("HKAS 39") issued by the HKICPA and were carried in the balance sheet at their fair value in accordance with HKAS 39.

Upon expiry of exercisable period, none of the Put Options was exercised and in accordance with HKAS 39, a fair value gain of US$55,181,000 was recognised in the consolidated income statement in the current year.

29 OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	2007	2006
	US$'000	*US$'000*
Crediting		
Dividend income from listed and unlisted investments *(note a)*	21,823	19,703
Rental income from investment properties *(note a)*	51	44
Exchange gain, net	7,992	567
Fair value gain on interest rate swap contracts not qualified as hedges	73	605
Profit on disposal of property, plant and equipment (excluding the sold containers *(note 26)*)	1,037	632
Profit on disposal of a jointly controlled entity	—	5,470
Revaluation surplus of investment properties *(note 8)*	136	157
Reversal of provision for impairment of trade receivables	966	1,515
Charging		
Amortisation of		
— leasehold land and land use rights	532	167
— intangible assets *(note b)*	713	781
Depreciation of		
— owned property, plant and equipment leased out under operating leases	75,452	83,642
— other owned property, plant and equipment	7,329	3,529
Impairment loss of containers	400	2,533
Cost of inventories sold	49,049	32,965
Auditors' remuneration		
— current year	864	550
— under/(over) provision in prior year	176	(178)
Outgoings in respect of investment properties	2	6
Provision for impairment of trade and finance lease receivables	394	3,061
Provision for inventories	28	143
Rental expense under operating leases of		
— buildings leased from third parties	1,384	1,695
— buildings leased from fellow subsidiaries	877	833
— buildings leased from a jointly controlled entity	33	33
— leasehold land and land use rights leased from minority shareholders of subsidiaries	1,822	1,068
— plant and machinery leased from third parties	255	373
— plant and machinery leased from a minority shareholder of a subsidiary	160	25
Total staff costs (including directors' emoluments and retirement benefit costs) *(note c)*:		
Wages, salaries and other benefits	31,003	22,599
Share-based compensation	11,190	—
Less: Amounts capitalised in intangible assets	(104)	(74)
	42,089	22,525

Notes:

(a) Dividend income and rental income from investment properties are included in investment income in the consolidated income statement.

(b) Amortisation of intangible assets is included in administrative expenses in the consolidated income statement.

(c) Total staff costs do not include the amounts of benefits in kind provided to the Company's directors and the Group's employees in respect of the Company's share options granted prior to 2005 and staff quarters. Details of the Company's share options are set out in note 20 to the consolidated financial statements.

30 FINANCE INCOME AND COSTS

	2007	**2006**
	US$'000	*US$'000*
Finance income		
Interest income on		
— bank balances and deposits	8,742	11,480
— loans to jointly controlled entities and associates	1,724	1,141
	10,466	12,621
Finance costs		
Interest expenses on		
— bank loans	(27,814)	(20,795)
— other loans wholly repayable within five years	—	(8)
— notes not wholly repayable within five years	(20,154)	(18,547)
— amount due to a minority shareholder of a subsidiary	—	(658)
Amortised amount of		
— discount on issue of notes	(202)	(214)
— transaction costs on bank loans and notes	(783)	(3,944)
	(48,953)	(44,166)
Less: amount capitalised in construction in progress	293	789
	(48,660)	(43,377)
Other incidental borrowing costs and charges	(1,218)	(826)
	(49,878)	(44,203)

31 INCOME TAX EXPENSES

	2007	2006
	US$'000	*US$'000*
Current income tax		
— Hong Kong profits tax	2,771	230
— China mainland taxation	574	1,332
— Overseas taxation	9,171	117,912
— (Over)/under provision in prior years	(29)	135
	12,487	119,609
Deferred income tax charge/(credit) *(note 23)*	5,309	(70,413)
	17,796	49,196

The Group's shares of income tax expenses of jointly controlled entities and associates of US$13,050,000 (2006: US$12,243,000) and US$6,210,000 (2006: US$4,717,000) are included in the Group's shares of profits less losses of jointly controlled entities and associates respectively.

Hong Kong profits tax has been provided at a rate of 17.5% (2006: 17.5%) on the estimated assessable profit for the year.

Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates. The overseas taxation charged in 2006 included the estimated capital gain tax provision in connection with the disposal of containers in 2006 as set out in note 26.

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

	2007	2006
	US$'000	*US$'000*
Profit before income tax	450,845	343,654
Less: share of profits less losses of jointly controlled entities and associates	(187,259)	(174,112)
Profit on disposal of an associate	(90,742)	—
	172,844	169,542
Aggregate tax at domestic rates applicable to profits in respective territories concerned	19,747	47,236
Income not subject to income tax	(11,014)	(6,328)
Expenses not deductible for income tax purposes	1,525	342
(Over)/under provision in prior years	(29)	135
Utilisation of previously unrecognised tax losses	(26)	(1,377)
Tax losses not recognised	908	623
Others	6,685	8,565
Income tax expenses	17,796	49,196

32 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of US$439,789,000 (2006: US$153,241,000).

33 DIVIDENDS

	2007	2006
	US$'000	*US$'000*
Interim dividend paid of US3.186 cents (2006: US3.526 cents) per ordinary share	71,388	78,213
2006 special interim dividend paid of US1.174 cents per ordinary share	—	26,042
Final dividend proposed of US3.924 cents (2006: US4.147 cents) per ordinary share	88,089	92,424
Special final dividend proposed of US2.296 cents (2006: Nil) per ordinary share	51,543	—
Exchange difference	(657)	—
Additional dividends paid on shares issued due to the exercise of share options before the closure of register of members:		
— 2006/2005 final	442	668
— 2007/2006 interim	198	17
— 2006 special interim	—	6
	211,003	197,370

Note:

At a meeting held on 7th April 2008, the directors recommended the payment of a final cash dividend of HK30.6 cents (equivalent to US3.924 cents) and a special final cash dividend of HK17.9 cents (equivalent to US2.296 cents) per ordinary share. These proposed final cash dividend and special final cash dividend are not reflected as dividend payable in these consolidated financial statements until they have been approved at the annual general meeting, but will be reflected as an appropriation of retained profits for the year ending 31st December 2008.

34 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.

	2007	**2006**
Profit attributable to equity holders of the Company	US$427,768,000	US$291,082,000
Weighted average number of ordinary shares in issue	2,240,304,150	2,214,684,013
Basic earnings per share	US19.09 cents	US13.14 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.

	2007	**2006**
Profit attributable to equity holders of the Company	US$427,768,000	US$291,082,000
Weighted average number of ordinary shares in issue	2,240,304,150	2,214,684,013
Adjustments for assumed issuance of shares on exercise of share options	11,776,391	11,604,078
Weighted average number of ordinary shares for diluted earnings per share	2,252,080,541	2,226,288,091
Diluted earnings per share	US18.99 cents	US13.07 cents

35 RETIREMENT BENEFIT COSTS

The retirement benefit costs charged to the consolidated income statement represent contributions payable by the Group to the retirement benefit schemes and amounted to US$1,633,000 (2006: US$1,125,000). Contributions totaling US$63,000 (2006: US$63,000) were payable to the retirement benefit schemes as at 31st December 2007 and were included in trade and other payables. No forfeited contributions were available as at 31st December 2007 (2006: nil) to reduce future contributions.

36 DIRECTORS' AND MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

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

	2007	**2006**
	US$'000	*US$'000*
Fees	229	229
Salaries, housing and other allowances	1,339	1,388
Benefits in kind	87	33
Share options	1,467	—
Bonuses	154	141
Contributions to retirement benefit schemes	2	2
	3,278	1,793

Directors' fees disclosed above include US$135,000 (2006: US$135,000) paid to independent non-executive directors.

Share options for the year ended 31st December 2007 represented the aggregate fair value of the share options granted to the directors under the Company's 2003 Share Option Scheme (note 20(b)). The Company did not grant any share options during the year ended 31st December 2006.

As at 31st December 2007, one director (2006: five directors) of the Company had 800,000 (2006: 2,100,000) share options which are exercisable at HK$9.54 per share granted by the Company under the share option scheme approved by the shareholders of the Company on 23rd May 2003 (the "2003 Share Option Scheme").

As at 31st December 2007, eight (2006: eight) directors of the Company had 6,450,000 (2006: 6,900,000) share options which are exercisable at HK$13.75 per share granted by the Company under the 2003 Share Option Scheme.

As at 31st December 2007, four (2006: N/A) directors of the Company had 2,300,000 (2006: N/A) share options which are exercisable at HK$19.30 per share granted by the Company under the 2003 Share Option Scheme.

For the year ended 31st December 2007, 2,050,000 (2006: 3,100,000) share options were exercised by the directors. The directors' emoluments as disclosed above do not include the difference between the aggregate amount of the market price of the Company's shares issued at the date of exercise of these share options and the amount paid by the directors in exercising these share options of US$2,527,000 (2006: US$2,111,000).

Details and movement of share options granted and exercised during the year are set out in note 20(b) to the consolidated financial statements.

The directors' emoluments are analysed as follows:

Year ended 31st December 2007

Name of directors	Note	Fees	Salaries, housing and other allowances	Benefits in kind	Share options	Bonuses	Contributions to retirement benefit schemes	Total
		US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Dr. WEI Jiafu		19	—	—	—	—	—	19
Mr. CHEN Hongsheng		15	—	—	—	—	—	15
Mr. LI Jianhong		15	—	—	—	—	—	15
Ms. SUN Yueying		15	—	—	—	—	—	15
Dr. SUN Jiakang	(i)	15	55	—	—	5	—	75
Mr. XU Minjie	(ii)	—	596	31	510	—	—	1,137
Mr. XU Lirong		15	—	—	—	—	—	15
Dr. WONG Tin Yau, Kelvin		—	276	—	319	64	2	661
Mr. WANG Zhi		—	243	56	319	48	—	666
Mr. QIN Fuyan		—	169	—	319	37	—	525
Dr. LI Kwok Po, David		37	—	—	—	—	—	37
Mr. LIU Lit Man		35	—	—	—	—	—	35
Mr. CHOW Kwong Fai, Edward		36	—	—	—	—	—	36
Mr. Timothy George FRESHWATER		27	—	—	—	—	—	27
		229	1,339	87	1,467	154	2	3,278

Year ended 31st December 2006

Name of directors	Note	Fees	Salaries, housing and other allowances	Benefits in kind	Share options	Bonuses	Contributions to retirement benefit schemes	Total
		US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Dr. WEI Jiafu		19	—	—	—	—	—	19
Mr. CHEN Hongsheng		15	—	—	—	—	—	15
Mr. LI Jianhong		15	—	—	—	—	—	15
Ms. SUN Yueying		15	—	—	—	—	—	15
Dr. SUN Jiakang	(i)	—	707	30	—	51	—	788
Mr. XU Lirong		15	—	—	—	—	—	15
Dr. WONG Tin Yau, Kelvin		—	278	—	—	39	2	319
Mr. WANG Zhi		—	267	3	—	51	—	321
Mr. QIN Fuyan		15	136	—	—	—	—	151
Dr. LI Kwok Po, David		37	—	—	—	—	—	37
Mr. LIU Lit Man		35	—	—	—	—	—	35
Mr. CHOW Kwong Fai, Edward		36	—	—	—	—	—	36
Mr. Timothy George FRESHWATER		27	—	—	—	—	—	27
		229	1,388	33	—	141	2	1,793

Notes:

(i) resigned as Vice Chairman and Managing Director and appointed as a non-executive director on 24th January 2007.

(ii) appointed on 24th January 2007.

The above analysis includes three (2006: three) directors whose emoluments were among the five highest in the Group.

(b) **Management's emoluments**

Details of the aggregate emoluments paid to two (2006: two) individuals whose emoluments were the highest in the Group and have not been included in the directors' emoluments above are set out below:

	2007	**2006**
	US$'000	*US$'000*
Salaries and other allowances	432	394
Bonuses	117	130
Share options	638	—
Contributions to retirement benefit schemes	4	3
	1,191	527

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

	Number of individuals	
	2007	**2006**
Emolument bands		
US$192,352 - US$256,470 (HK$1,500,001 - HK$2,000,000)	—	1
US$256,470 - US$320,587 (HK$2,000,001 - HK$2,500,000)	—	1
US$512,939 - US$577,056 (HK$4,000,001 - HK$4,500,000)	1	—
US$577,056 - US$641,173 (HK$4,500,001 - HK$5,000,000)	1	—
	2	2

(c) During the year, no emolument had been paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office. No directors waived or agreed to waive any emoluments during the year.

37 FINANCIAL GUARANTEE CONTRACTS

The face value of the financial guarantees issued by the Group and the Company as at 31st December 2007 is analysed as below:

	Group		Company	
	2007	**2006**	**2007**	**2006**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Guarantees for:				
— Notes issued by a subsidiary *(note 22(c))*	—	—	300,000	300,000
— Other loan facilities granted to subsidiaries	—	—	500,000	175,000
— Bank guarantees to an associate	25,747	25,304	—	—
	25,747	25,304	800,000	475,000

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

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

38 CAPITAL COMMITMENTS

Except as disclosed elsewhere in the financial statements, the Group has the following significant capital commitments as at 31st December 2007:

	Group	
	2007	**2006**
	US$'000	*US$'000*
Authorised but not contracted for		
— Containers	258,588	474,592
— Generator sets	3,006	2,448
— Computer system under development	709	946
— Other property, plant and equipment	65,564	1,264
	327,867	479,250
Contracted but not provided for		
— Containers	154,935	39,346
— Investments *(note)*	1,069,003	727,118
— Other property, plant and equipment	43,069	27,729
	1,267,007	794,193
The Group's share of capital commitments of the jointly controlled entities themselves not included in the above are as follows:		
Contracted but not provided for	84,810	20,320
Authorised but not contracted for	26,114	32,221
	110,924	52,541

Note:

The Group's investments contracted but not provided for as at 31st December 2007 are as follows:

	Group	
	2007	**2006**
	US$'000	*US$'000*
Investments in:		
— Qingdao Qianwan Container Terminal Co., Ltd	64,997	77,817
— Antwerp Gateway NV	92,036	86,294
— Dalian Port Container Terminals Co., Ltd	97,473	91,546
— COSCO Ports (Nansha) Limited	139,130	165,902
— Tianjin Port Euroasia International Terminal Co., Ltd	96,131	138,307
— Xiamen Ocean Gate Container Terminal Co, Ltd	382,458	—
— Others	57,777	64,410
	930,002	624,276
Terminal projects in:		
— Jinjiang Ports	79,840	—
— Shanghai Yangshan Port Phase II	54,760	51,225
— Suez Canal Terminal at Port Said, Egypt	—	47,500
— Others	4,401	4,117
	139,001	102,842
	1,069,003	727,118

39 OPERATING LEASE ARRANGEMENTS/COMMITMENTS

(a) Operating lease arrangement — where the Group is the lessor

At 31st December 2007, the Group had future minimum lease receipts under non-cancellable operating leases as follows:

	Group	
	2007	**2006**
	US$'000	*US$'000*
Containers		
— not later than one year	185,809	156,681
— later than one year and not later than five years	566,472	462,665
— later than five years	312,516	280,864
	1,064,797	900,210
Generator sets		
— not later than one year	1,989	1,468
— later than one year and not later than five years	3,588	3,130
	5,577	4,598
Investment properties		
— not later than one year	44	34
— later than one year and not later than five years	24	22
	68	56
	1,070,442	904,864

The future lease receipts above do not include those lease contracts with the amount of future lease receipts depends on the timing of pick up and drop off of containers by lessees during the lease period of the contracts.

(b) **Operating lease commitments — where the Group is the lessee**

At 31st December 2007, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Group	
	2007	**2006**
	US$'000	*US$'000*
Buildings, leasehold land and land use rights		
— not later than one year	3,419	3,021
— later than one year and not later than five years	3,017	3,839
— later than five years	4,231	4,269
	10,667	11,129
Plant and machinery		
— not later than one year	355	322
— later than one year and not later than five years	263	97
	618	419
	11,285	11,548

(c) The Company did not have any lease commitments as at 31st December 2007 and 2006.

40 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) **Reconciliation of profit before income tax to cash generated from operations**

	2007	**2006**
	US$'000	*US$'000*
Profit before income tax	450,845	343,654
Depreciation and amortisation	84,026	88,119
Interest expenses	47,675	39,219
Fair value gain on interest rate swap contracts not qualified as hedges	(73)	(605)
Initial recognition of put options granted in connection with share reform of an associate	—	140,064
Fair value gain on put options granted	(55,181)	(84,883)
Amortised amount of		
— discount on issue of notes	202	214
— transaction costs on bank loans and notes	783	3,944
Other incidental borrowing costs and charges	1,218	826
Impairment loss of containers	400	2,533
Provision for impairment of trade and finance lease receivables	394	3,061
Provision of inventories	28	143
Profit on disposal of property, plant and equipment, net	(27,012)	(85,086)
Shared-based compensation	11,190	—
Dividend income from		
— a listed investment	(639)	(476)
— unlisted investments	(21,184)	(19,227)
Profit on disposal of		
— a jointly controlled entity	—	(5,470)
— an associate	(90,742)	—
— available-for-sale financial assets	(7,418)	—
Revaluation surplus of investment properties	(136)	(157)
Reversal of provision for impairment of trade receivables	(966)	(1,515)
Interest income	(10,466)	(12,621)
Share of profits less losses of		
— jointly controlled entities	(106,933)	(85,070)
— associates	(80,326)	(89,042)

	2007	2006
	US$'000	*US$'000*
Operating profit before working capital changes	195,685	237,625
Increase in net amount due from jointly controlled entities	(17)	(784)
Decrease in finance lease receivables	1,449	1,521
Increase in rent receivable collected on behalf of owners of managed containers	(2,784)	(36,459)
Decrease in inventories	41,220	30,954
(Increase)/decrease in trade and other receivables, deposits and prepayments	(26,411)	21,910
(Increase)/decrease in restricted bank deposits	(348)	21,820
Decrease in amounts due from fellow subsidiaries	—	849
(Increase)/decrease in amounts due from related companies	(16)	83
Decrease/(increase) in amount due from an associate	437	(775)
Increase/(decrease) in trade and other payables and accruals	14,797	(1,724)
Increase in payable to owners of managed containers	4,705	34,909
Decrease in amounts due to fellow subsidiaries	(165)	(80)
Increase in amounts due to related companies	5	14
(Decrease)/increase in amounts due to minority shareholders of subsidiaries	(1,049)	774
Cash generated from operations	227,508	310,637

(b) **Analysis of the balances of cash and cash equivalents**

	Group	
	2007	**2006**
	US$'000	*US$'000*
Total time deposits, bank balances and cash *(note i)*	387,373	224,668
Restricted bank deposits included in non-current assets	(506)	(158)
	386,867	224,510
Representing:		
Time deposits	277,917	160,561
Bank balances and cash	108,950	63,949
	386,867	224,510

Notes:

(i) As at 31st December 2007, cash and cash equivalents of US$25,821,000 (2006: US$15,834,000) were denominated in Renminbi and US dollar which are held by certain subsidiaries with bank accounts operating in the PRC where exchange controls apply.

(ii) The carrying amounts of time deposits, bank balances and cash are denominated in the following currencies:

	Group		Company	
	2007	**2006**	**2007**	**2006**
	US$'000	*US$'000*	*US$'000*	*US$'000*
US dollar	326,503	163,929	203,833	96,053
Renminbi	21,526	15,378	—	—
Hong Kong dollar	27,608	31,630	13,649	27,270
Other currencies	11,736	13,731	154	3,420
	387,373	224,668	217,636	126,743

(iii) The effective interest rate on time deposits was 4.10% (2006: 4.64%) per annum. These deposits have an average maturity of 6 days (2006: 9 days). The bank balances earn interests at floating rates based on daily bank deposits rates.

41 RELATED PARTY TRANSACTIONS

The Group is controlled by China COSCO which owns 50.97% of the Company's shares as at 31st December 2007. The parent company of China COSCO is COSCO.

COSCO itself is a state-owned enterprise and is controlled by the PRC government, which also owns a significant portion of the productive assets in the PRC. In accordance with HKAS 24 "Related Party Disclosures" issued by the HKICPA, other state-owned enterprises and their subsidiaries (other than COSCO group companies), directly or indirectly controlled by the PRC government, are also defined as related parties of the Group. On that basis, related parties include COSCO and its subsidiaries, other state-owned enterprises and their subsidiaries directly or indirectly controlled by the PRC government, other entities and corporations in which the Company is able to control or exercise significant influence and key management personnel of the Company and COSCO as well as their close family members.

For the purpose of related party transaction disclosures, the Group has identified, to the extent practicable, its customers and suppliers as to whether they are state-owned enterprises. Nevertheless, the directors believe that meaningful information in respect of related party transactions has been adequately disclosed.

In addition to those disclosed elsewhere in the consolidated financial statements, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties during the year.

(a) **Sales/purchases of goods, services and investments**

	2007	2006
	US$'000	*US$'000*
Container rental income from fellow subsidiaries *(note i)*		
— long term leases	140,099	136,889
— short term leases	33	213
Container rental income from other state-owned enterprises *(note i)*	122	1,041
Handling, storage and transportation income from *(note ii)*		
— fellow subsidiaries	6,625	7,234
— a jointly controlled entity	887	—
Management fee and service fee income from *(note iii)*		
— jointly controlled entities	3,886	3,441
— associates	510	859
— a joint venture partner of a jointly controlled entity	—	2,000
— an investee company	62	37
Container terminal handling and storage income received from fellow subsidiaries and an associate of the parent company *(note iv)*	6,536	3,980
Container freight charges to *(note v)*		
— jointly controlled entities	(278)	(507)
— subsidiaries of CIMC	(1,889)	(1,620)
Approved continuous examination program fees to a fellow subsidiary *(note vi)*	(1,100)	(1,100)
Purchase of containers from *(note vii)*		
— subsidiaries of CIMC	(224,208)	(156,299)
— jointly controlled entities of the Group	(46,706)	(40,375)
Proceeds on disposal of an associate to a fellow subsidiary *(note viii)*	268,474	—

Notes:

(i) The Group has conducted long term container leasing business with COSCON. During the two years ended 31st December 2007, the Group entered into new long term container leasing contracts/arrangements with COSCON. The Group's long term container leasing transactions with COSCON during the year have been conducted by reference to, if applicable, the average of the available leasing rates quoted from four (2006: four) of the top ten independent container leasing companies and in the ordinary and normal course of the business of the Group.

The other container leasing businesses with COSCON, other subsidiaries of COSCO and other state-owned enterprises were conducted at terms as agreed between the Group and respective parties in concern.

(ii) The handling, storage and transportation income received from fellow subsidiaries and a jointly controlled entity of the Company were conducted at terms as set out in the agreements entered into between the Group and these fellow subsidiaries.

(iii) The Group provided advisory and management services to COSCO-HIT Terminals (Hong Kong) Limited ("COSCO HIT"), a jointly controlled entity of the Group, during the year. Management fee was charged and agreed at HK$20,000,000 (equivalent to US$2,564,000) (2006: HK$20,000,000 (equivalent to US$2,575,000)) per annum.

Other management fee and service fee income charged to jointly controlled entities, associates, the joint venture partner of a jointly controlled entity and an investee company was agreed between the Group and the respective parties in concern.

(iv) The container terminal handling and storage income received from fellow subsidiaries and an associate of COSCO in relation to the cargoes shipped from/to Zhangjiagang and Quanzhou ports were conducted by the Group by reference to rates as set out by the Ministry of Communications of the PRC.

(v) The container freight charges paid to jointly controlled entities and subsidiaries of CIMC for container repositioning services rendered to the Group were charged at rates as mutually agreed.

(vi) Approved continuous examination program fees of US$1,100,000 to COSCON in connection with the containers leased to COSCON on a long term basis were agreed between the Group and COSCON for the year ended 31st December 2007 (2006: US$1,100,000).

(vii) The purchases of containers from subsidiaries of CIMC and jointly controlled entities of the Group were conducted at terms as set out in the agreements entered into between the Group and the respective parties in concern.

(viii) On 24th August 2007, the Group entered into an agreement with a fellow subsidiary to dispose of its entire 20% equity interest in Chong Hing Bank, a then associate of the Group, at a consideration of US$268,474,000. The disposal resulted in a gain of US$90,742,000.

(b) **Balances with state-owned banks**

	2007	**2006**
	US$'000	*US$'000*
Bank deposit balances		
— in China mainland	25,821	15,384
— outside China mainland	267,564	96,084
Long term bank loans		
— in China mainland	101,580	57,232
— outside China mainland	—	174,409
Short term bank loans		
— in China mainland	13,695	10,245

The deposits and loans with state-owned banks were in accordance with the terms as set out in the respective agreements or as mutually agreed between the parties in concern.

(c) **Balances with other state-owned enterprise**

	2007	**2006**
	US$'000	*US$'000*
Other payables to a state-owned enterprise	5,497	5,682

The balance represented the port construction levies collected by subsidiaries of the Group on behalf of the port authority in Zhangjiagang and Quanzhou pursuant to a notice issued by the Ministry of Communications of the PRC. The balances are unsecured, interest free and have no fixed terms of repayment.

(d) **Key management compensation**

	2007	**2006**
	US$'000	*US$'000*
Salaries, bonuses and other allowances	2,648	2,641
Share options	2,104	—
Contributions to retirement benefit schemes	6	6
	4,758	2,647

Key management includes directors of the Company and four senior management members of the Group.

42 RECLASSIFICATION OF A JOINTLY CONTROLLED ENTITY TO A SUBSIDIARY

On 13th November 2007, the Memorandum and Articles of Association of Yangzhou Yuanyang International Ports Co. Ltd. ("Yangzhou Yuanyang") were amended and the Group has the power to govern its financial and operating policies from then onwards. Yangzhou Yuanyang was previously a jointly controlled entity and since then, the Group has accounted for Yangzhou Yuanyang as a subsidiary.

The assets and liabilities arising from the reclassification are as follows:

	Carrying amount and fair value
	US$'000
Property, plant and equipment	61,582
Leasehold land and land use rights	6,089
Intangible assets	26
Trade and other receivables	27,749
Bank balances and cash	1,040
Other assets	(111)
Trade and other payables	(4,149)
Short term bank loans	(6,757)
Long term borrowings	(32,434)
	53,035
Minority interests	(21,897)
Reclassification of interest originally held by the Group as a jointly controlled entity	31,138

Yangzhou Yuanyang contributed revenue of US$1,595,000 and net profit of US$251,000 during the year. If the reclassification had occurred on 1st January 2007, the Group's revenue would have been increased by US$13,881,000 and profit for the year would have been increased by US$3,479,000.

43 EVENT AFTER THE BALANCE SHEET DATE

During the period from 10th December 2007 to 24th March 2008, COSCO Container Industries Limited, a wholly owned subsidiary of the Company, acquired a total of 148,320,037 B shares of CIMC (representing approximately 5.57% of the issued share capital of CIMC) on the Shenzhen Stock Exchange in the PRC at an aggregate cash consideration of approximately HK$2,139,058,000 (equivalent to US$274,238,000). Together with the 432,171,843 A shares of CIMC (representing approximately 16.23% of the issued share capital of CIMC) held by the Group, the Group's interest in CIMC has increased to approximately 21.80%. As at 31st December 2007, the Group held 432,171,843 A shares and 8,342,010 B shares of CIMC, representing approximately 16.54% of the issued share capital of CIMC.

44 DETAILS OF SUBSIDIARIES

Details of the subsidiaries as at 31st December 2007 are as follows:

Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/ paid-up capital	Group equity interest 2007	Group equity interest 2006
Allgood International Limited [2]	British Virgin Islands	Hong Kong	Dormant	1 ordinary share of US$1	100.00%	100.00%
Bauhinia 97 Ltd. [1, 2, 6]	Cayman Islands	Hong Kong	Investment holding	2 ordinary shares of US$1 each	—	100.00%
Cheer Hero Development Limited	Hong Kong	Hong Kong	Container handling, storage and stevedoring	10,000 ordinary shares of HK$10 each	75.00%	75.00%
COSCO Container Industries Limited [1, 2]	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	100.00%	100.00%
COSCO Container Services Limited	Hong Kong	Hong Kong	Investment holding, depot handling, storage and container repairing	2 ordinary shares of HK$1 each	100.00%	100.00%
COSCO Pacific (China) Investments Co., Ltd. [1, 2, 3]	PRC	PRC	Investment holding	US$37,496,000	100.00%	100.00%
COSCO Pacific Finance (2003) Company Limited [1]	British Virgin Islands	Hong Kong	Financing	1 ordinary share of US$1	100.00%	100.00%
COSCO Pacific Logistics Company Limited [1, 2]	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	100.00%	100.00%
COSCO Pacific Management Company Limited [1]	Hong Kong	Hong Kong	Investment holding and provision of management services	2 ordinary shares of HK$1 each	100.00%	100.00%
COSCO Pacific Nominees Limited [1, 2]	British Virgin Islands	Hong Kong	Provision of nominee services	1 ordinary share of US$1	100.00%	100.00%
COSCO Ports Services (Guangzhou) Limited [2]	PRC	PRC	Depot handling, storage and container repairing	US$5,000,000	100.00%	—
COSCO Ports (Antwerp) NV [2]	Belgium	Belgium	Investment holding	EURO61,500 divided into 2 shares with no face value	100.00%	100.00%
COSCO Ports (Belgium) Limited	Hong Kong	Hong Kong	Investment holding	1 ordinary share of HK$1	100.00%	100.00%
COSCO Ports (Dalian) Limited [2]	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	100.00%	100.00%

Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/ paid-up capital	Group equity interest 2007	Group equity interest 2006
COSCO Ports (Dalian RoRo) Limited [2]	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	100.00%	100.00%
COSCO Ports (Europe) Limited [2]	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	100.00%	—
COSCO Ports (Fuzhou) Limited [2]	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	100.00%	—
COSCO Ports (Guangzhou) Limited [2]	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	100.00%	100.00%
COSCO Ports (Haikou) Limited [2]	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	100.00%	—
COSCO Ports (Holdings) Limited [1]	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	100.00%	100.00%
COSCO Ports (Hong Kong) Limited [2]	British Virgin Islands	Hong Kong	Dormant	1 ordinary share of US$1	100.00%	100.00%
COSCO Ports (Lian Yun Gang) Limited [2]	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	100.00%	—
COSCO Ports (Nanjing) Limited [2]	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	100.00%	100.00%
COSCO Ports (Netherlands) Limited [2]	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	100.00%	—
COSCO Ports (Ningbo Beilun) Limited [2]	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	100.00%	100.00%
COSCO Ports (Port Said) Limited [2]	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	100.00%	100.00%
COSCO Ports (Pudong) Limited [2]	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	100.00%	100.00%
COSCO Ports (Qianwan) Limited [2]	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	100.00%	100.00%
COSCO Ports (Qingdao) Limited [2]	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	100.00%	100.00%
COSCO Ports (Quanzhou) Limited [2]	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	100.00%	100.00%
COSCO Ports (Quanzhou Jinjiang) Limited [2]	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	100.00%	100.00%
COSCO Ports (Services) Limited [2]	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	100.00%	100.00%
COSCO Ports (Singapore) Limited [2]	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	100.00%	100.00%
COSCO Ports (Tianjin) Limited [2]	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	100.00%	100.00%
COSCO Ports (Tianjin North Basin) Limited [2]	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	100.00%	100.00%
COSCO Ports (Xiamen Haicang) Limited [2]	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	100.00%	—

Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/ paid-up capital	Group equity interest 2007	2006
COSCO Ports (Yangshan) Limited [2]	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	100.00%	100.00%
COSCO Ports (Yangzhou) Limited [2]	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	100.00%	100.00%
COSCO Ports (Yingkou) Limited [2]	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	100.00%	100.00%
COSCO Ports (Zhenjiang) Limited [2]	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	100.00%	100.00%
COSCO Ports (Zhenjiang Terminal) Limited [2]	Hong Kong	Hong Kong	Investment holding	1 ordinary share of HK$1	100.00%	—
CPL Treasury Limited [1]	British Virgin Islands	Hong Kong	Provision of treasury services	1 ordinary share of US$1	100.00%	100.00%
Crestway International Limited	British Virgin Islands	Hong Kong	Investment holding	50,000 ordinary shares of US$1 each	100.00%	100.00%
Elegance Investment Limited [1, 2]	British Virgin Islands	Hong Kong	Dormant	1 ordinary share of US$1	100.00%	100.00%
Fairbreeze Shipping Company Limited	Hong Kong	Hong Kong	Property investment	5,000 ordinary shares of HK$100 each	100.00%	100.00%
Famous International Limited [2]	British Virgin Islands	Worldwide	Investment holding	1 ordinary share of US$1	100.00%	100.00%
Fentalic Limited [2]	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	100.00%	100.00%
Florens (China) Company Limited [2, 3, 5]	PRC	PRC	Container leasing and resale of old containers	US$12,800,000	100.00%	100.00%
Florens Container (Macao Commercial Offshore) Limited	Macau	Worldwide	Sale of containers and administration of marine shipping container activities	1 quota of MOP100,000	100.00%	100.00%
Florens Container Corporation S.A.	Panama	Worldwide	Container leasing	100 ordinary shares of US$100 each	100.00%	100.00%
Florens Container Holdings Limited [1]	British Virgin Islands	Hong Kong	Investment holding	22,014 ordinary shares of US$1 each	100.00%	100.00%
Florens Container Inc.	United States of America	United States of America	Investment holding and container leasing	1 ordinary share of US$1	100.00%	100.00%
Florens Container, Inc. (1998)	United States of America	United States of America	Leasing of generator sets	100 ordinary shares of US$1 each	100.00%	100.00%
Florens Container Inc. (1999)	United States of America	United States of America	Leasing of generator sets	100 ordinary shares of US$1 each	100.00%	100.00%
Florens Container, Inc. (2000)	United States of America	United States of America	Information technology development and software maintenance	100 ordinary shares of US$1 each	100.00%	100.00%
Florens Container, Inc. (2001)	United States of America	United States of America	Container leasing	1 ordinary share of US$1	100.00%	100.00%

Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/ paid-up capital	Group equity interest 2007	2006
Florens Container, Inc. (2002)	United States of America	United States of America	Sale of old containers	1 ordinary share of US$1	100.00%	100.00%
Florens Container, Inc. (2003)	United States of America	United States of America	Sale of old containers	1 ordinary share of US$1	100.00%	100.00%
Florens Container, Inc. (2004) [2, 7]	United States of America	United States of America	Dissolved	1 ordinary share of US$1	—	100.00%
Florens Container, Inc. (2005) [2, 7]	United States of America	United States of America	Dissolved	1 ordinary share of US$1	—	100.00%
Florens Container Services Company Limited	Hong Kong	Worldwide	Provision of container management services	100 ordinary shares of HK$1 each	100.00%	100.00%
Florens Container Services (Australia) Pty Limited [2]	Australia	Australia	Provision of container management services	100 ordinary shares of AUD1 each	100.00%	100.00%
Florens Container Services (Deutschland) GmbH. [2]	Germany	Germany	Provision of container management services	2 shares of EURO12,782.30 each	100.00%	100.00%
Florens Container Services (Italy) S.R.L. [2]	Italy	Italy	Provision of container management services	20,000 quotas of EURO0.52 each	100.00%	100.00%
Florens Container Services (Japan) Co. Ltd. [2]	Japan	Japan	Provision of container management services	200 ordinary shares of JPY50,000 each	100.00%	100.00%
Florens Container Services (UK) Limited [2]	United Kingdom	United Kingdom	Provision of container management services	183,610 ordinary shares of GBP1 each	100.00%	100.00%
Florens Container Services (USA), Ltd.	United States of America	United States of America	Container manager and provision of container management services	1,000 ordinary shares of US$0.001 each	100.00%	100.00%
Florens Industrial Holdings Limited [1, 2]	Bermuda	Hong Kong	Dormant	12,000 ordinary shares of US$1 each	100.00%	100.00%
Florens Management Services (Macao Commercial Offshore) Limited	Macau	Macau	Provision of container management services	1 quota of MOP100,000	100.00%	100.00%
Florens Maritime Limited	Bermuda	Worldwide	Container leasing	12,000 ordinary shares of US$1 each	100.00%	100.00%
Florens Shipping Corporation Limited	Bermuda	Worldwide	Container leasing	12,000 ordinary shares of US$1 each	100.00%	100.00%
Florens U.S. Holdings, Inc. [2, 7]	United States of America	United States of America	Dissolved	1 ordinary share of US$1	—	100.00%
Fota Limited [2]	British Virgin Islands	Hong Kong	Dormant	12,000 ordinary shares of US$1 each	100.00%	100.00%
Frosti International Limited [2]	British Virgin Islands	Hong Kong	Investment holding	2 ordinary shares of US$1 each	100.00%	100.00%

Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/ paid-up capital	Group equity interest 2007	Group equity interest 2006
Greating Services Limited	Hong Kong	Hong Kong	Transportation of containers	250,000 ordinary shares of HK$1 each	100.00%	100.00%
Hang Shing Investment Limited [1]	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	100.00%	100.00%
Loson Investment Limited [2]	British Virgin Islands	Hong Kong	Dormant	1 ordinary share of US$1	100.00%	100.00%
Plangreat Limited [2]	British Virgin Islands	Hong Kong	Investment holding	100 ordinary shares of US$1 each	100.00%	100.00%
Quan Zhou Pacific Container Terminal Co., Ltd. [2, 3]	PRC	PRC	Operation of container terminal	RMB49,900,000	71.43%	71.43%
Topview Investment Limited [1, 2]	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	100.00%	100.00%
Win Hanverky Investments Limited	Hong Kong	Hong Kong	Investment holding	10,000 ordinary shares of HK$10 each	100.00%	100.00%
Yangzhou Yuanyang International Ports Co. Ltd. [2, 4]	PRC	PRC	Operation of container terminal	US$44,800,000	55.59%	N/A
Yeman Limited [2]	British Virgin Islands	British Virgin Islands	Property holding	1 ordinary share of US$1	100.00%	100.00%
Zhangjiagang Win Hanverky Container Terminal Co., Ltd. [2, 3]	PRC	PRC	Operation of container terminal	US$36,800,000	51.00%	51.00%

1 Shares held directly by the Company.

2 Subsidiaries not audited by PricewaterhouseCoopers.

3 COSCO Pacific (China) Investments Co., Ltd and Florens (China) Company Limited are wholly foreign-owned enterprises. Quan Zhou Pacific Container Terminal Co., Ltd. and Zhangjiagang Win Hanverky Container Terminal Co., Ltd are sino-foreign equity joint ventures established in the PRC.

4 On 13th November 2007, the Memorandum and Articles of Association of Yangzhou Yuanyang International Ports Co. Ltd. (“Yangzhou Yuanyang”) was amended and the Group has the power to govern its financial and operating policies from then onwards. Yangzhou Yuanyang was previously a jointly controlled entity and since then, the Group has accounted for Yangzhou Yuanyang as a subsidiary.

5 The capital of this subsidiary was paid up to US$3,840,000 as at 31st December 2007.

6 This subsidiary was disposed to a fellow subsidiary during the year.

7 These subsidiaries were dissolved during the year.

45 DETAILS OF JOINTLY CONTROLLED ENTITIES

Details of the jointly controlled entities as at 31st December 2007 are as follows:

Name	Place of establishment/ operation	Principal activities	Paid-up capital	Percentage of interest in ownership/ voting power/ profit sharing 2007	2006
COSCO Logistics Co., Ltd.	PRC	Shipping agency, freight forwarding, third party logistics and supporting services	RMB1,582,029,851	49.00%/ 44.40%/ 49.00%	49.00%/ 44.40%/ 49.00%
COSCO Ports (Nansha) Limited	British Virgin Islands/PRC	Investment in a container terminal	US$10,000	66.10%/ 66.67%/ 66.10%	66.10%/ 66.67%/ 66.10%
COSCO-HIT Terminals (Hong Kong) Limited	Hong Kong	Operation of container terminal	2 "A" ordinary shares of HK$10 each, 2 "B" ordinary shares of HK$10 each and 4 non-voting 5% deferred shares of HK$10 each	50.00%/ 50.00%/ 50.00%	50.00%/ 50.00%/ 50.00%
COSCO-PSA Terminal Private Limited	Singapore	Operation of container terminal	SGD48,900,000	49.00%/ 50.00%/ 49.00%	49.00%/ 50.00%/ 49.00%
Guangzhou South China Oceangate Container Terminal Company Limited	PRC	Operation of container terminal	RMB1,403,171,000	39.00%/ 40.00%/ 39.00%	39.00%/ 40.00%/ 39.00%
Nanjing Port Longtan Container Co., Ltd.	PRC	Operation of container terminal	RMB474,000,000	20.00%/ 22.20%/ 20.00%	20.00%/ 22.20%/ 20.00%
Ningbo Yuan Dong Terminals Ltd.	PRC	Operation of container terminal	RMB390,000,000	20.00%/ 20.00%/ 20.00%	20.00%/ 20.00%/ 20.00%
Qingdao Cosport International Container Terminals Co. Ltd.	PRC	Operation of container terminal	RMB337,868,700	50.00%/ 50.00%/ 50.00%	50.00%/ 50.00%/ 50.00%
Qingdao Qianwan Container Terminal Co., Ltd.	PRC	Operation of container terminal	US$230,000,000	20.00%/ 18.18%/ 20.00%	20.00%/ 18.18%/ 20.00%
Shanghai CIMC Reefer Containers Co., Ltd.	PRC	Container manufacturing	US$31,000,000	20.00%/ 21.40%/ 20.00%	20.00%/ 21.40%/ 20.00%
Shanghai Pudong International Container Terminals Limited (note)	PRC	Operation of container terminal	RMB1,900,000,000	30.00%/ 30.00%/ 30.00%	N/A/ N/A/ N/A

Name	Place of establishment/ operation	Principal activities	Paid-up capital	Percentage of interest in ownership/ voting power/ profit sharing 2007	2006
Tianjin CIMC North Ocean Container Co., Ltd.	PRC	Container manufacturing	US$16,682,000	22.50%/ 20.00%/ 22.50%	22.50%/ 20.00%/ 22.50%
Tianjin Port Euroasia International Container Terminal Co., Ltd.	PRC	Operation of container terminal	RMB1,260,000,000	30.00%/ 28.60%/ 30.00%	—/ —/ —
Yangzhou Yuanyang International Ports Co. Ltd.	PRC	Operation of container terminal	US$44,800,000	N/A/ N/A/ N/A	55.59%/ 50.00%/ 55.59%
Yingkou Container Terminals Company Limited	PRC	Operation of container terminal	RMB8,000,000	50.00%/ 57.14%/ 50.00%	50.00%/ 57.14%/ 50.00%

Note:

Following the completion of amendments of Memorandum and Article of Association of Shanghai Pudong, the Group has the power to jointly govern its financing and operating policy. Accordingly, Shanghai Pudong has been reclassified as a jointly controlled entity in 2007.

46 DETAILS OF ASSOCIATES

Details of the associates as at 31st December 2007 are as follows:

Name	Place of establishment/ operation	Principal activities	Issued share capital/ registered capital	Group equity interests 2007	2006
Antwerp Gateway NV	Belgium	Operation of container terminal	EURO17,900,000	20.00%	20.00%
China International Marine Containers (Group) Co., Ltd. *(note)*	PRC	Container manufacturing	RMB2,662,396,051 (299,052,041 non-publicly tradeable shares, 932,865,301 "A" shares and 1,430,478,709 "B" shares), all of RMB1 each	16.54%	16.23%
Chong Hing Bank Limited	Hong Kong	Banking and related financial services	435,000,000 ordinary shares of HK$0.5 each	—	20.00%

Name	Place of establishment/ operation	Principal activities	Issued share capital/ registered capital	Group equity interests 2007	Group equity interests 2006
Dalian Automobile Terminal Co., Ltd.	PRC	Construction and operation of automobile terminals	RMB160,000,000	30.00%	30.00%
Dalian Port Container Terminal Co., Ltd.	PRC	Operation of container terminal	RMB240,000,000	20.00%	20.00%
Dawning Company Limited	British Virgin Islands/PRC	Investment holding	200 "A" shares of US$1 each and 800 "B" shares of US$1 each	20.00%	20.00%
Shanghai Pudong International Container Terminals Limited	PRC	Operation of container terminal	RMB1,900,000,000	N/A	30.00%
Suez Canal Container Terminal S.A.E.	Egypt	Operation of container terminal	687,500 ordinary shares of US$100 each	20.00%	—

Note:

The directors of the Company considered that the Group has significant influence over CIMC through its representatives on the board of directors of CIMC.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. INDEBTEDNESS OF THE GROUP

As at the close of business on 30th September 2008, being the latest practicable date for the purpose of ascertaining certain information relating to this indebtedness statement, the Group had outstanding unsecured indebtedness of approximately US$1,324.3 million, comprising notes payable of approximately US$302.2 million, long-term bank loans of approximately US$998.8 million, short-term bank loans of approximately US$10.9 million and amounts due to minority shareholders of approximately US$12.4 million.

Borrowings

The following table illustrates the Group's bank borrowing, notes and amounts due to minority shareholders of subsidiaries as at 30th September 2008:

	US$ million
Current:	
Short-term bank loans	10.9
Current portion of long-term bank loans	47.3
Amounts due to minority shareholders	12.4
Non-current:	
Long-term bank loans, net of current portion	951.5
Notes payable	302.2
	1,324.3

Loans from banks were the largest source of financing. The Group also obtained financing from the issue of the notes with principal amount of US$300 million. The notes were issued by a subsidiary of the Group to investors on 3rd October 2003 and the notes will mature on 3rd October 2013.

Contingent liabilities

As at 30th September 2008, the Group's contingent liabilities mainly comprised a guarantee for an associate's utilised banking facilities of approximately US$37.2 million.

Save as aforesaid and apart from intra-group liabilities and trade payables in the ordinary course of business, as at the close of business on 30th September 2008, the Group did not have any outstanding debt securities issued and outstanding or authorised or otherwise created but unissued, term loans, other borrowings or indebtedness in the nature of borrowings including bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchase commitments, mortgages, charges, guarantees or other material contingent liabilities.

3. WORKING CAPITAL

The Directors are of the opinion that, taking into account the schedule of entry into force of the Concession Agreement and the financial resources available to the Group, including internally generated funds and available banking facilities, the Group has sufficient working capital for its present requirements, that is for at least the next 12 months commencing from the date of this circular.

4. DISCLOSURE OF INTERESTS

(a) As at the Latest Practicable Date, the interests and short positions of the 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 SFO) which were required to be (a) 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 are taken or deemed to have under such provisions of the SFO); or (b) entered in the register required to be kept by the Company pursuant to Section 352 of the SFO; or (c) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules, were as follows:

(i) **Long position in the Shares**

Name of Director	Capacity	Nature of interests	Number of Shares held	Percentage of total issued share capital
Dr. LI Kwok Po, David	Beneficial Owner	Personal	258,000	0.011%
Mr. Timothy George FRESHWATER	Beneficial Owner	Personal	30,000	0.001%

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

Options granted under the 2003 Share Option Scheme

Name of Director	Exercise price	Number of share options outstanding	Percentage of total issued share capital	Exercisable period	*Note*
	(HK$)				
Mr. CHEN Hongsheng	13.75	1,000,000	0.045%	3.12.2004-2.12.2014	(2), (4)
Mr. LI Jianhong	13.75	1,000,000	0.045%	2.12.2004-1.12.2014	(2), (4)
Ms. SUN Yueying	13.75	1,000,000	0.045%	3.12.2004-2.12.2014	(2), (4)
Mr. XU Minjie	19.30	800,000	0.036%	19.4.2007-18.4.2017	(3), (4)
Dr. SUN Jiakang	13.75	700,000	0.031%	1.12.2004-30.11.2014	(2), (4)
Dr. WONG Tin Yau, Kelvin	9.54	800,000	0.036%	28.10.2003-27.10.2013	(1), (4)
	13.75	1,000,000	0.045%	2.12.2004-1.12.2014	(2), (4)
	19.30	500,000	0.022%	18.4.2007-17.4.2017	(3), (4)
Mr. WANG Zhi	13.75	550,000	0.024%	29.11.2004-28.11.2014	(2), (4)
	19.30	500,000	0.022%	18.4.2007-17.4.2017	(3), (4)
Mr. YIN Weiyu	19.30	500,000	0.022%	19.4.2007-18.4.2017	(3), (4)

Notes :

(1) The share options were granted to the Director on 28th October 2003 under the share option scheme adopted by the shareholders of the Company on 23rd May 2003 (the "2003 Share Option Scheme") at an exercise price of HK$9.54 per Share. 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 of the Director was on 28th October 2003.

(2) The share options were granted during the period from 29th November 2004 to 3rd December 2004 under the 2003 Share Option Scheme at an exercise price of HK$13.75 per Share. The options are exercisable at any time within ten years from the Commencement Date. The Commencement Date of the options of the Directors was from 29th November 2004 to 3rd December 2004.

(3) The share options were granted during the period from 18th April 2007 to 19th April 2007 under the 2003 Share Option Scheme at an exercise price of HK$19.30 per Share. The options are exercisable at any time within ten years from the Commencement Date. The Commencement Date of the options of the Directors was from 18th April 2007 to 19th April 2007.

(4) These share options represent personal interest held by the relevant Director as beneficial owner.

(iii) **Long positions in the shares of associated corporations**

Name of associated corporation	Name of Director	Capacity	Nature of interest	Number of H shares held	Percentage of total issued H share capital of the associated corporation	Number of A shares held	Percentage of total issued A share capital of the associated corporation
China COSCO Holdings Company Limited	Dr. WONG Tin Yau, Kelvin	Beneficial owner	Personal	1,273,875	0.049%	—	—
	Mr. YIN Weiyu	Beneficial owner	Personal	60,000	0.002%	13,100	0.0002%
		Interest of spouse	Family	—	—	4,000	0.0001%

Name of associated corporation	Name of Director	Capacity	Nature of interest	Number of shares held as	Percentage of total issued share capital of the associated corporation	*Note*
COSCO Corporation (Singapore) Limited	Mr. LI Jianhong	Beneficial owner	Personal	1,300,000	0.058%	(1)
	Ms. SUN Yueying	Beneficial owner	Personal	1,400,000	0.063%	(1)
COSCO International Holdings Limited	Dr. WONG Tin Yau, Kelvin	Beneficial owner	Personal	800,000	0.054%	—

Note:

(1) Adjustment was made as a result of the approval of the sub-division of every 1 ordinary share of S$0.20 each divided into 2 ordinary shares of S$0.10 each by shareholders of COSCO Corporation (Singapore) Limited at the extraordinary general meeting held on 17th January 2006.

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

(A) *COSCO International Holdings Limited*

Name of associated corporation	Name of Director	Exercise price	Number of share options outstanding	Percentage of total issued share capital of the associated corporation	*Note*
		(HK$)			
COSCO International Holdings Limited	Mr. LI Jianhong	0.57	1,800,000	0.122%	(1), (3)
		1.37	1,200,000	0.081%	(2), (3)
	Dr. SUN Jiakang	0.57	600,000	0.041%	(1), (3)
		1.37	800,000	0.054%	(2), (3)
	Dr. WONG Tin Yau, Kelvin	1.37	500,000	0.034%	(2), (3)

Notes:

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

(2) The share options were granted by COSCO International on 2nd December 2004 pursuant to the Share Option Scheme of COSCO International. The share options are exercisable at an exercise price of HK$1.37 per share at any time between 29th December 2004 and 28th December 2014.

(3) These options represent personal interest held by the relevant Director as beneficial owner.

(B) *COSCO Corporation (Singapore) Limited*

Name of associated corporation	Name of Director	Exercise price	Number of share options outstanding	Percentage of total issued share capital of the associated corporation
		(S$)		
COSCO Corporation (Singapore) Limited	Mr. LI Jianhong	1.23	700,000	0.031%
	Ms. SUN Yueying	1.23	700,000	0.031%

Notes:

(1) The share options were granted by COSCO Corporation (Singapore) Limited, an associated corporation of the Company and a company listed on the Singapore Exchange Securities Trading Limited, on 21st February 2006 and are exercisable at any time between 21st February 2007 and 20th February 2011.

(2) These options represent personal interest held by the relevant Director as beneficial owner.

(C) *China COSCO Holdings Company Limited*

Share appreciation rights

Name of associated corporation	Name of Director	Exercise price	Number of units of share appreciation rights outstanding	Percentage of total issued H share capital of the associated corporation	*Note*
		(HK$)			
China COSCO Holdings Company Limited	Mr. CHEN Hongsheng	3.195	525,000	0.020%	(1), (4)
		3.588	700,000	0.027%	(2), (4)
		9.540	680,000	0.026%	(3), (4)
	Mr. LI Jianhong	3.195	450,000	0.017%	(1), (4)
		3.588	600,000	0.023%	(2), (4)
		9.540	580,000	0.022%	(3), (4)
	Mr. XU Lirong	3.195	375,000	0.015%	(1), (4)
		3.588	500,000	0.019%	(2), (4)
		9.540	580,000	0.022%	(3), (4)
	Ms. SUN Yueying	3.195	450,000	0.017%	(1), (4)
		3.588	600,000	0.023%	(2), (4)
		9.540	580,000	0.022%	(3), (4)
	Mr. XU Minjie	3.195	75,000	0.003%	(1), (4)
		3.588	90,000	0.003%	(2), (4)
	Dr. SUN Jiakang	3.195	375,000	0.015%	(1), (4)
		3.588	500,000	0.019%	(2), (4)
		9.540	480,000	0.019%	(3), (4)
	Mr. YIN Weiyu	3.195	100,000	0.004%	(1), (4)
		3.588	65,000	0.003%	(2), (4)

Notes:

(1) The share appreciation rights were granted by China COSCO Holdings Company Limited ("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 will be issued. The share appreciation rights can be exercised at HK$3.195 per unit according to its terms at any time between 16th December 2007 and 15th December 2015.

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

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

(4) These share appreciation rights represent personal interest held by the relevant Director as beneficial owner.

(b) As at the Latest Practicable Date, so far as was known to the Directors, the persons (other than the Directors) having interests in the Shares and underlying shares of the Company which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO were as follows:

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

Notes:

(1) The 1,144,166,411 Shares relate to the same batch of shares in the Company. COSCO Investments Limited ("COSCO Investments") is a wholly-owned subsidiary of COSCO Pacific Investment Holdings Limited ("COSCO Pacific Investment"). Accordingly, the 200,120,000 Shares 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 Holdings Company Limited ("China COSCO") and it itself holds 944,046,411 Shares beneficially. Accordingly, COSCO Pacific Investment's interests in relation to the 1,144,166,411 Shares are also recorded as China COSCO's interests in the Company. China Ocean Shipping (Group) Company ("COSCO") holds 54.53% interest of the issued share capital of China COSCO (including A Shares and H Shares) as at the Latest Practicable Date, and accordingly, COSCO is deemed to have the interests of 1,144,166,411 Shares held by COSCO Pacific Investment.

(2) The table below shows the posts held by the Directors in COSCO, China COSCO, COSCO Pacific Investment and COSCO Investments respectively as at the Latest Practicable Date:

COSCO

Name of Director	**Posts held in COSCO**
Mr. CHEN Hongsheng	Executive Vice President
Mr. LI Jianhong	Executive Vice President
Mr. XU Lirong	Executive Vice President
Ms. SUN Yueying	Chief Financial Officer

China COSCO

Name of Director	**Posts held in China COSCO**
Mr. CHEN Hongsheng	Director and President
Mr. LI Jianhong	Director
Mr. XU Lirong	Director
Ms. SUN Yueying	Director
Dr. SUN Jiakang	Executive Vice President
Mr. XU Minjie	Executive Vice President

COSCO Pacific Investment

Name of Director	**Posts held in COSCO Pacific Investment**
Mr. CHEN Hongsheng	Chairman
Mr. LI Jianhong	Director
Ms. SUN Yueying	Director
Mr. XU Minjie	Director

COSCO Investments

Name of Director	**Posts held in COSCO Investments**
Mr. CHEN Hongsheng	Director
Mr. XU Minjie	Director

(c) So far as was known to the Directors, as at the Latest Practicable Date, the following persons (other than members of the Group) were directly or indirectly interested in 10% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of the following members of the Group (other than the Company) and the amount of each of such person's interest in such securities was as follows:-

Name of member of the Group	Name of substantial shareholder	Interest in share capital/equity interest of the company concerned	Percentage of shareholding as at the Latest Practicable Date
Cheer Hero Development Limited *(a company incorporated in Hong Kong)*	China Railway (Hong Kong) Holdings Limited	2,300 ordinary shares	23%
Zhangjiagang Win Hanverky Container Terminal Co., Ltd. *(a Sino-foreign equity joint venture established in the PRC)*	張家港港務集團有限公司 (Zhangjiagang Port Group Co. Ltd.)	Registered capital in the amount of US$18,032,000	49%
Guangzhou South China Oceangate Container Terminal Company Limited *(a Sino-foreign equity joint venture established in the PRC)*	廣州港集裝箱綜合發展有限公司 (Guangzhou Port Container Comprehensive Development Co., Ltd.)	Registered capital in the amount of RMB688,100,294	41%
COSCO Ports (Nansha) Limited (a company incorporated in the British Virgin Islands)	APM Terminals Invest Company Limited	3,390 ordinary shares	33.9%
Quan Zhou Pacific Container Terminal Co., Ltd. *(a Sino-foreign equity joint venture established in the PRC)*	泉州港務集裝箱股份有限公司 (Quanzhou Port Container Co., Ltd.)	Registered capital in the amount of US$14,256,430	28.57%
Yangzhou Yuanyang International Ports Co. Ltd. *(a Sino-foreign equity joint venture established in the PRC)*	揚州港務集團有限公司 (Yangzhou Port of Jiangsu Province Group Co., Ltd.)	Registered capital in the amount of US$17,920,000	40%
Jinjiang Pacific Ports Development Co., Ltd. *(a Sino-foreign equity joint venture established in the PRC)*	晉江市港口投資發展有限公司 (Jinjiang Port Investment & Development Co., Ltd.) and its subsidiaries	Registered capital in the amount of US$9,980,000	20%

(d) Save as disclosed above, as at the Latest Practicable Date:

(i) so far as was known to the Directors, none of the Directors or chief executives of the Company had any interest or short positions in any Shares or underlying shares or interest 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 (a) 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 are taken or deemed to have under such provisions of the SFO); or (b) entered in the register required to be kept by the Company pursuant to Section 352 of the SFO; or (c) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules; and

(ii) so far as was known to the Directors, there was no other person who had an interest or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

5. DIRECTORS' INTERESTS IN CONTRACTS

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

(b) 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.

(c) Mr. WANG Zhi has an employment contract with COSCO Pacific Management commencing from 1st April 2001. Such contract is terminable by either party giving to the other party not less than one month's prior notice in writing.

(d) 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.

(e) Save as disclosed herein, as at the Latest Practicable Date, none of the Directors had entered, or proposed to enter into a service agreement or employment contract with any member of the Group which is not terminable by the Group within one year without payment of compensation, other than statutory compensation.

6. DIRECTORS' INTEREST IN ASSETS

None of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of or leased to any member of the Company or proposed to be so acquired, disposed of or leased since 31st December 2007, being the date to which the latest published audited accounts of the Company were made up, and up to the Latest Practicable Date.

7. DIRECTORS' INTEREST IN COMPETING BUSINESS

COSCO and its subsidiaries (excluding the Group and the COSCO Logistics Group (as defined below)) (collectively the "COSCO Group") carry on, among others, the businesses of shipping agency, freight forwarding and/or third party logistics and supporting services relating to the aforesaid services ("Logistics Businesses"), details of which are disclosed in the connected transactions circular issued by the Company dated 13th October 2003. The core of such businesses is unlikely to be in competition with the businesses carried on by COSCO Logistics Co., Ltd. ("COSCO Logistics"), its subsidiaries, jointly controlled entities and associates (collectively the "COSCO Logistics Group"). As at the Latest Practicable Date, China COSCO, a subsidiary of COSCO, and the Group has 51% and 49% equity interests in COSCO Logistics, respectively.

As at the Latest Practicable Date, Mr. CHEN Hongsheng, Mr. LI Jianhong, Mr. XU Lirong, Ms. SUN Yueying, Mr. XU Minjie and Dr. SUN Jiakang, all being Directors, held directorships and/or senior management posts in the COSCO Group and/or other companies which have interests in container terminals ("Container Terminal Interests").

The Board is of the view that the Group is capable of carrying on its businesses independently 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 interest of the Group.

8. PROCEDURES FOR DEMANDING A POLL

Pursuant the Bye-law 66 of the Bye-laws of the Company, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless voting by way of a poll is required by the rules of the Stock Exchange or (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded:-

(a) by the chairman of such meeting; or

(b) by at least three members of the Company present in person or in the case of a member of the Company being a corporation by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or

(c) by any member or members of the Company present in person or in the case of a member of the Company being a corporation by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all members of the Company having the right to vote at the meeting; or

(d) by any member or members of the Company present in person or in the case of a member of the Company being a corporation by its duly authorised corporate representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right; or

(e) if required by the rules of the Stock Exchange, by any Director or Directors who, individually or collectively, hold proxies in respect of shares representing five per cent. (5%) or more of the total voting rights at such meeting.

A demand by a person as proxy for a member of the Company or in the case of a member of the Company being a corporation by its duly authorised representative shall be deemed to be the same as a demand by a member of the Company.

9. LITIGATION

So far as the Directors are aware, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or arbitration of material importance was pending or threatened against the Company or any of its subsidiaries as at the Latest Practicable Date.

10. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading positions of the Group since 31st December 2007, being the date to which the latest published audited financial statements of the Group were made up.

11. EXPERTS

The following is the qualifications of the experts or professional advisers who have given opinion or advice contained in this circular:

Name	Qualification
Drewry Shipping Consultants Limited	Independent shipping consultants
DTZ Debenham Tie Leung Limited	Professional valuer
PricewaterhouseCoopers	Certified public accountants

Each of Drewry Shipping Consultants Limited, DTZ Debenham Tie Leung Limited and PricewaterhouseCoopers has given and has not withdrawn their written consent to the issue of this circular with the inclusion of their respective letters and references to their names in the form and context in which they appear.

Each of Drewry Shipping Consultants Limited, DTZ Debenham Tie Leung Limited and PricewaterhouseCoopers does not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Each of Drewry Shipping Consultants Limited, DTZ Debenham Tie Leung Limited and PricewaterhouseCoopers does not have any direct or indirect interest in any assets which have been, since 31st December 2007 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of any or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group.

12. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by the members of the Group within the two years immediately preceding the Latest Practicable Date:

1. an agreement dated 24th August 2007 and a deed of assignment dated 30th November 2007 and entered into between the Company and COSCO (Hong Kong) Group Limited, pursuant to which the Company transferred the entire issued share capital of Bauhinia 97 Ltd. for a consideration of HK$2,088,000,000;

2. an agreement dated 8th November 2007 and entered into between 廈門海滄投資總公司 (Xiamen Haicang Investment General Co.) and COSCO Ports (Xiamen Haicang) Limited, a wholly-owned subsidiary of the Company, pursuant to which the parties agreed to jointly establish Xiamen Yuanhai Container Terminal Co., Ltd. with a registered capital of RMB1,331,000,000, with COSCO Ports (Xiamen Haicang) Limited contributing RMB931,700,000;

3. two agreements both dated 20th November 2007 and entered into between, among others, SLI Dritte Verwaltungsgesellschaft mbH & Co. KG and Florens Maritime Limited, a wholly-owned subsidiary of the Company, pursuant to which Florens Maritime Limited agreed to sell certain marine shipping containers to SLI Dritte Verwaltungsgesellschaft mbH & Co. KG for an aggregate consideration of US$194,722,333.20;

4. an agreement dated 10th June 2008 and entered into between Topview Investment Limited, a wholly-owned subsidiary of the Company, and CIMC Holdings (B.V.I.) Ltd. pursuant to which Topview Investment Limited transferred to CIMC Holdings (B.V.I.) Ltd. the entire issued share capital of Fentalic Limited and certain shareholder's loan to Fentalic Limited for a total consideration of US$14,000,000;

5. an agreement dated 10th June 2008 and entered into between COSCO Pacific (China) Investment Co., Ltd., a wholly-owned subsidiary of the Company, and China International Marine Containers (Group) Co., Ltd. pursuant to which COSCO Pacific (China) Investment Co., Ltd. transferred to China International Marine Containers (Group) Co., Ltd. 20% equity interest in Shanghai CIMC Reefer Containers Co., Ltd. for a total consideration of US$16,000,000; and

6. a series of agreements dated 2nd July 2008 and entered into between Florens Container Corporation S.A., a wholly-owned subsidiary of the Company, and CBA USD Investments Pty Limited, pursuant to which, among other things, Florens Container Corporation S.A. agreed to transfer the equitable and legal ownership of and title to certain marine containers to CBA USD Investments Pty Limited for a total consideration of approximately US$250,000,000 and lease back the same from CBA USD Investments Pty Limited.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the principal place of business of the Company at 49th Floor, COSCO Tower, 183 Queen's Road Central, Hong Kong during normal business hours on any weekday other than public holidays, up to and including 14 days after the publication of this circular:

(a) the Memorandum of Association and Bye-laws of the Company;

(b) the material contracts referred to in the paragraph headed "12. Material Contracts" to this Appendix;

(c) the service contract referred to in the paragraph headed "5. Directors' Interests in Contracts" in this Appendix;

(d) the annual reports of the Group for the three financial years ended 31st December 2007;

(e) a copy of each of the circulars issued by the Company pursuant to the requirements set out in Chapter 14 and/or 14A of the Listing Rules since 31st December 2007 (being the date to which the latest published audited consolidated financial statement of the Group was made up);

(f) the traffic studies report prepared by Drewry Shipping Consultants Limited, the text of which is set out in Appendix I to this Circular;

(g) the business valuation report prepared by DTZ Debenham Tie Leung Limited, the text of which is set out in Appendix II to this Circular;

(h) the report from PricewaterhouseCoopers on discounted future estimated cash flows in connection with the business valuation, the text of which is set out in Appendix III to this Circular;

(i) the written consents from the experts referred to in the paragraph headed "11. Experts" in this Appendix; and

(j) this Circular.

14. GENERAL

(a) The registered office of the Company is at Clarendon House, Church Street, Hamilton HM 11, Bermuda.

(b) The Hong Kong branch share registrar and transfer office of the Company is Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong.

(c) The General Counsel & Company Secretary of the Company is Ms. HUNG Man, Michelle, a practising solicitor in Hong Kong. She is also qualified in England and Wales.

(d) The qualified accountant of the Company is Ms. SIU Kim Shan, Margaret who is a fellow member of the Association of Chartered Accountants and a member of the Hong Kong Institute of Certified Public Accountants.

(e) In the event of any inconsistency, the English language text of this circular shall prevail over the Chinese language text.