THE CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, 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(s) or the transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

COSCO Pacific Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 1199)

MAJOR AND CONNECTED TRANSACTION
ACQUISITION OF 13.70% EFFECTIVE INTEREST IN SIGMA ENTERPRISES LIMITED

Financial Adviser

J.P.Morgan

J.P. Morgan Securities (Asia Pacific) Limited

Independent Financial Adviser
to the Independent Board Committee and the Independent Shareholders

亞洲資產管理
ASIA INVESTMENT MANAGEMENT

Asia Investment Management Limited

A letter from the board of directors of COSCO Pacific Limited is set out on pages 6 to 24 of this circular and a letter from the Independent Board Committee (as defined herein) is set out on pages 25 to 26 of this circular. A letter from the Independent Financial Adviser (as defined herein) containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 27 to 45 of this circular.

25th May 2010

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

"Acquisition"	the acquisition by Crestway of the Sigma Sale Shares and the Sigma Shareholder Loans from APMM and the Wattrus Sale Shares and the Wattrus Shareholder Loans from Orion pursuant to the terms and conditions of the Agreement
"Affiliate"	in relation to a body corporate, any subsidiary or holding company of any tier thereof and any subsidiary of any tier of any such holding company or any entity, which Controls, is Controlled by, or is under the common Control of any or all of the above entities; and in relation to an individual, any other individual, partnership, trust, company or other entity in relation to which that individual has Control, is Controlled by, or is under the common Control of any or all of the above and any spouse or child of such individual
"Agreement"	the sale and purchase agreement dated 29th April 2010 entered into between APMM, Orion, Crestway and the Company in relation to the Acquisition
"AIM" or "Independent Financial Adviser"	Asia Investment Management Limited, a licensed corporation under the SFO to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Agreement and the Acquisition
"Announcement"	the announcement of the Company dated 29th April 2010 relating to the Acquisition
"APMM"	A.P. Moller-Maersk A/S, a company incorporated in Denmark with limited liability
"APMT"	APM Terminals B.V., a private company with limited liability incorporated under the laws of the Netherlands, a wholly-owned subsidiary of APMM
"APMTI"	APM Terminals Investment B.V., a private company with limited liability incorporated under the laws of the Netherlands, a wholly-owned subsidiary of Maersk Holding B.V., which in its turn is a wholly-owned subsidiary of APMT
"associate(s)"	has the meaning ascribed thereto under the Listing Rules

"Board"	the board of Directors
"BVI"	the British Virgin Islands
"China COSCO"	China COSCO Holdings Company Limited (中國遠洋控股股份有限公司), a joint stock limited company incorporated in the PRC with limited liability, the H shares of which are listed on the Main Board of the Stock Exchange and the A shares of which are listed on the Shanghai Stock Exchange in the PRC, which indirectly held approximately 42.72% of the total issued share capital of the Company as at the Latest Practicable Date
"Company"	COSCO Pacific Limited, a company incorporated in Bermuda with limited liability whose shares are listed on the Main Board of the Stock Exchange
"Comparables"	those companies selected from among the listed companies globally with businesses similar to those of Sigma
"Completion"	the completion of the Agreement
"Completion Date"	the completion date provided in the Agreement as more particularly described in the paragraph headed "Completion" under the section headed "2. The Sale and Purchase Agreement" in the "Letter from the Board" as set out in this circular
"Conditions"	the conditions precedent to Completion provided in the Agreement, a summary thereof is set out in this circular
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Consideration"	the total consideration for the Acquisition in an aggregate amount of US$520,000,000 (equivalent to approximately HK$4,045,600,000)
"Control"	the holding of power to direct or cause the direction of management, policies and decisions of a company, corporation or other entity including, without limitation, through control by direct or indirect means more than fifty per cent. (50%) of the voting rights in such company, corporation or other entity and "Controlled" shall be construed accordingly
"Crestway"	Crestway International Limited, a company incorporated in the BVI, a wholly-owned subsidiary of the Company

"Directors"	the directors of the Company
"EBITDA"	earnings before interest, tax, depreciation and amortisation
"Group"	the Company and its subsidiaries
"HKFRS"	standards and interpretations issued by the Hong Kong Institute of Certified Public Accountants, comprising (i) Hong Kong Financial Reporting Standards, (ii) Hong Kong Accounting Standards, and (iii) Interpretations
"Hong Kong"	the Hong Kong Special Administrative Region of PRC
"HPYL"	Hutchison Ports Yantian Limited, a company incorporated in Hong Kong with limited liability, a wholly-owned subsidiary of Sigma
"Independent Board Committee"	an independent board committee of the Company comprising Dr. LI Kwok Po, David, Mr. CHOW Kwong Fai, Edward, Mr. Timothy George FRESHWATER and Dr. FAN HSU Lai Tai, Rita, all being independent non-executive Directors
"Independent Shareholders"	Shareholders other than those prohibited from voting under the Listing Rules
"Latest Practicable Date"	18th May 2010, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Orion"	Orion Limited, a company incorporated in Hong Kong with limited liability, a wholly-owned subsidiary of APMM
"PRC"	the People's Republic of China, which for the propose of this circular, excluding the regions of Hong Kong, the Macau Special Administrative Region and Taiwan
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shares"	shares in the capital of the Company
"Shareholders"	the shareholders of the Company
"Sigma"	Sigma Enterprises Limited, a company incorporated in the BVI

"Sigma Group"	Sigma and its subsidiaries
"Sigma Sale Shares"	1,005 ordinary shares of US$1.00 each in the share capital of Sigma owned by APMM, representing approximately 9.64% of the entire issued share capital of Sigma
"Sigma Shareholder Loans"	the aggregate of the loans advanced by APMM to Sigma or otherwise owing to APMM by Sigma and outstanding as at the Completion Date
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed thereto under the Listing Rules
"Target Group"	Wattrus, Sigma and their respective subsidiaries
"TEU"	twenty-foot equivalent unit, a measure used for capacity in container transportation
"Top-up Placing"	the placing of 449,000,000 existing Shares by COSCO Pacific Investment Holdings Limited and the subscription of 449,000,000 new Shares by COSCO Pacific Investment Holdings Limited, as announced by the Company in its announcement regarding the same dated 29th April 2010
"Wattrus"	Wattrus Limited, a company incorporated in the BVI
"Wattrus Group"	Wattrus and its subsidiaries
"Wattrus Sale Shares"	32 ordinary shares of US$1.00 each in the share capital of Wattrus owned by Orion, representing approximately 5.12% of the entire issued share capital of Wattrus
"Wattrus Shareholder Loans"	the aggregate of the loans advanced by Orion to Wattrus or otherwise owing to Orion by Wattrus and outstanding as at the Completion Date
"Written Approval"	the written approval of the Agreement and the transactions contemplated thereby by COSCO Pacific Investment Holdings Limited and COSCO Investments Limited dated 29th April 2010
"Yantian Terminals"	Yantian Terminal (Phase I and Phase II), Yantian Terminal (Phase III) and Yantian Terminal (West Port), all located in Yantian District, Shenzhen, Guangdong, the PRC
"Euro"	Euro, the common currency for the time being of the European Union

"HK$"	Hong Kong dollars, the lawful currency for the time being of Hong Kong
"RMB"	Renminbi, the lawful currency for the time being of the PRC
"S$"	Singapore dollars, the lawful currency for the time being of Singapore
"US$"	United States dollars, the lawful currency for the time being of the United States of the America
"%"	per cent.

In this circular, unless otherwise stated, all references to dates and times are to Hong Kong dates and times.

For the purposes of this circular, for illustration purpose, amounts in US$, RMB and Euro have been translated into Hong Kong dollars at the exchange rate of US$1 to HK$7.78, RMB1 to HK$1.1343 and Euro 1 to HK$10.3. Such translation does not constitute a representation that any amount has been, could have been or may be exchanged at such rates.

COSCO Pacific Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 1199)

Directors:
Mr. CHEN Hongsheng[2] *(Chairman)*
Mr. LI Jianhong[1]
Mr. XU Lirong[2]
Ms. SUN Yueying[1]
Mr. XU Minjie[1] *(Vice Chairman & Managing Director)*
Dr. SUN Jiakang[2]
Mr. HE Jiale[1]
Dr. WONG Tin Yau, Kelvin[1]
Mr. YIN Weiyu[1]
Dr. LI Kwok Po, David[3]
Mr. CHOW Kwong Fai, Edward[3]
Mr. Timothy George FRESHWATER[3]
Dr. FAN HSU Lai Tai, Rita[3]

General Counsel & Company Secretary:
Ms. HUNG Man, Michelle

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

Registered office:
Clarendon House
Church Street
Hamilton HM 11
Bermuda

Principal place of business:
49th Floor, COSCO Tower
183 Queen's Road Central
Hong Kong

25th May 2010

To the Shareholders,

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION ACQUISITION OF 13.70% EFFECTIVE INTEREST IN SIGMA ENTERPRISES LIMITED

1. INTRODUCTION

By the Announcement, the Company announced that the Company and Crestway (an indirect wholly-owned subsidiary of the Company) entered into the Agreement with APMM and Orion for the acquisition by Crestway of the Sigma Sale Shares and the Sigma Shareholder Loans from APMM and the Wattrus Sale Shares and the Wattrus Shareholder Loans from Orion, for a total cash consideration of US$520,000,000 (equivalent to approximately HK$4,045,600,000).

Taking into account of the approximately 6.85% interest in the entire issued share capital of Sigma currently held by Crestway, upon Completion, Crestway will directly and indirectly hold approximately 20.55% effective interest in Sigma, which in turn indirectly held, as at the Latest Practicable Date, among others, an approximately 73% equity interest in the joint venture company engaging in the management and operation of Yantian Terminal (Phase I and Phase II), an approximately 65% equity interest in the joint venture company engaging in the management and operation of Yantian Terminal (Phase III) and an approximately 65% equity interest in the joint venture company engaging in the management and operation of Yantian Terminal (West Port) and various related supporting facilities. Corporate structures of Sigma as at the Latest Practicable Date and immediately after Completion, respectively, are set out in the section headed "3. Information on Wattrus, Sigma and Yantian Terminals" in "Letter from the Board" in this circular.

Since not all of the relevant percentage ratios under Chapter 14 of the Listing Rules are less than 25% but all of them are less than 100%, the Acquisition constitutes a major transaction for the Company under the Listing Rules. As APM Terminals Invest Company Limited (an indirect wholly-owned subsidiary of APMM) is a substantial shareholder of COSCO Ports (Nansha) Limited, a subsidiary of the Company, APMM is therefore a connected person of both the Company and China COSCO. Accordingly, the Acquisition also constitutes a connected transaction of the Company and for China COSCO under Chapter 14A of the Listing Rules and is subject to the approval by the respective independent shareholders of the Company and China COSCO in accordance with the requirements of the Listing Rules.

The Company has obtained the Written Approval from COSCO Pacific Investment Holdings Limited and COSCO Investments Limited, the two wholly-owned subsidiaries of China COSCO, which together controlled approximately 51.20% in the total issued share capital of the Company as at 29th April 2010, being the date on which the Written Approval was given and the date of the Agreement, and approximately 42.72% in the total issued share capital of the Company as at the Latest Practicable Date as a result of the Top-up Placing. As no Shareholder has any material interest in the Agreement and the transactions contemplated thereby, no Shareholder is required to abstain from voting if a general meeting of the Company was convened to approve the Agreement and the transactions contemplated thereby. Accordingly, pursuant to Rules 14A.43 and 14A.53 of the Listing Rules, the Company has applied for, and the Stock Exchange has granted, a waiver of the requirement to hold a shareholders' meeting and the permission for the Independent Shareholders' approval be given in the form of the Written Approval. Accordingly, no general meeting of the Company will be held.

As informed by China COSCO, it has also obtained written approval approving the Agreement and the transactions contemplated thereby from China Ocean Shipping (Group) Company, which controlled approximately 52.80% in the total issued share capital of China COSCO as at the Latest Practicable Date. As no shareholder of China COSCO has any material interest in the Agreement and the transactions contemplated thereby, no shareholder of China COSCO is required to abstain from voting if a general meeting of China COSCO was convened to approve the Agreement and the transactions contemplated thereby. Accordingly, pursuant to Rules 14A.43 and 14A.53 of the Listing Rules, China COSCO has applied for, and the Stock Exchange has granted, a waiver of the requirement to hold a shareholders' meeting and the permission for the approval of independent shareholders of China COSCO to be given in the form of written approval.

Accordingly, the purposes of this circular are:

(i) to provide you with further details of the Agreement and the Acquisition; and

(ii) to provide you with the letter of recommendation from the Independent Board Committee and the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to terms of the Agreement,

for your information only.

2. THE SALE AND PURCHASE AGREEMENT

Date: 29th April 2010

Parties:

(1) APMM, as the vendor of the Sigma Sale Shares and the Sigma Shareholder Loans

(2) Orion, as the vendor of the Wattrus Sale Shares and the Wattrus Shareholder Loans

(3) Crestway, a wholly-owned subsidiary of the Company, as the purchaser; and

(4) the Company, as the guarantor.

As disclosed in the Announcement, APMM and Orion were permitted to effect internal transfers and assignments (as the case may be) of (i) the Sigma Sale Shares and the Sigma Shareholder Loans from APMM to APMT and (ii) the Wattrus Sale Shares and the Wattrus Shareholder Loans from Orion to APMTI prior to 11th May 2010. APMM and Orion have not given written notice and evidence of completion of such internal transfers and assignments to Crestway within the time limit permitted under the Agreement and the Company has been informed that APMM and Orion had decided not to proceed with such internal transfers and assignments. As such, APMM will remain as the vendor of the Sigma Sale Shares and the Sigma Shareholder Loans and Orion will remain as the vendor of the Wattrus Sale Shares and the Wattrus Shareholder Loans.

Assets to be acquired:

In respect of Sigma:

(1) the Sigma Sale Shares, representing approximately 9.64% of the issued share capital of Sigma; and

(2) the Sigma Shareholder Loans, the amount of which as at the date of the Agreement was HK$623,487,042.55.

In respect of Wattrus:

(1) the Wattrus Sale Shares, representing approximately 5.12% of the issued share capital of Wattrus; and

(2) the Wattrus Shareholder Loans, the amount of which as at the date of the Agreement was HK$113,348,694.45.

APMM and Orion agree that on the Completion Date:

(i) all the dividends, distributions and similar payments and other entitlements (whether in cash or otherwise) in respect of the Sigma Sale Shares (if any) and repayment of any part of the Sigma Shareholder Loans received by APMM at any time during the period from 1st January 2010 up to and including the Completion Date shall, if they are in the form of cash, be paid by APMM to Crestway in the manner provided in sub-paragraph (1) as set out under the paragraph headed "Completion" in this section or if they are otherwise than in the form of cash, be transferred or assigned (as the case may be) by APMM to Crestway; and

(ii) all the dividends, distributions and similar payments and other entitlements (whether in cash or otherwise) in respect of the Wattrus Sale Shares (if any) and repayment of any part of the Wattrus Shareholder Loans received by Orion at any time during the period from 1st January 2010 up to and including the Completion Date shall, if they are in the form of cash, be paid by Orion to Crestway in the manner provided in sub-paragraph (2) as set out under the paragraph headed "Completion" in this section or if they are otherwise than in the form of cash, be transferred or assigned (as the case may be) by Orion to Crestway.

Consideration:

The Consideration payable by Crestway on the Completion Date is US$520,000,000 (equivalent to approximately HK$4,045,600,000), comprising:

(1) a sum of US$299,255,882 (equivalent to approximately HK$2,328,210,765) payable to APMM for the Sigma Sale Shares;

(2) a sum of US$80,139,723 (equivalent to approximately HK$623,487,042.55) payable to APMM for the Sigma Shareholder Loans;

(3) a sum of US$126,035,154 (equivalent to approximately HK$980,553,498) payable to Orion for the Wattrus Sale Shares; and

(4) a sum of US$14,569,241 (equivalent to approximately HK$113,348,694.45) payable to Orion for the Wattrus Shareholder Loans.

The Consideration was determined after arm's length negotiation between APMM, Orion and Crestway. In such determination, the Company has made reference to various factors including, among others, (a) price-to-earnings (P/E) multiples of the Comparables as a primary benchmark, and to a lesser extent, enterprise value-to-EBITDA (EV/EBITDA) multiples and price-to-book (P/B) multiples of the Comparables as supplementary references. Considering (i) a 13.70% effective interest in Sigma is acquired through the Acquisition and after Completion, the Group will hold an approximately 20.55% effective interest in Sigma, results of which would be equity accounted for in the Group's financial statements after the Group has obtained significant influence over the respective boards of directors of Wattrus and Sigma; and (ii) Sigma has been primarily financed by shareholders' loans and such shareholders' loans are interest-free with no fixed terms of repayment, so Sigma's capital structure is significantly different from that of the Comparables and as such, the Board is of the view that P/E multiples are the most relevant valuation metric for assessment of the Consideration. The Comparables are operators of terminal and ports listed on major stock exchanges globally. Among those Comparables, those being listed on respective stock exchanges in the PRC and Hong Kong, given the similarity in nature of business and location of operations, are considered the primary comparables whereas those being listed elsewhere in the world are considered as secondary reference only. The Comparables have been selected after considering factors such as the market capitalization, business portfolio, historical financial and business prospect; (b) an analysis of Sigma from various aspects, which include, among others, its industry position, market position and historical financial results and the asset's geographical exposure. Based on the Consideration payable in respect of the Wattrus Sale Shares and the Sigma Sale Shares in the amount of US$425,291,036 (equivalent to approximately HK$3,308,764,263) for the effective interest in Sigma of approximately 13.70% and based on the 13.7% of the profit attributable to equity holders of Sigma for the year ended 31st December 2009 as disclosed in Appendix II to this circular, the implied P/E multiple of Sigma is 11.4 times. In addition, in light of the characteristic of Sigma's capital structure described above, that is, it has been primarily financed by interest-free shareholders' loans with no fixed term of repayment, such shareholders' loans are therefore considered as quasi equity. As such, based on the total Consideration of US$520,000,000 (equivalent to approximately HK$4,045,600,000), being the aggregate of (i) the consideration of the Wattrus Sale Shares and the Sigma Sale Shares of US$425,291,036 (equivalent to approximately HK$3,308,764,263); and (ii) the consideration of the Wattrus Shareholder Loans and the Sigma Shareholder Loans of US$94,708,964 (equivalent to approximately HK$736,835,737) and based on the 13.7% of the profit attributable to the equity holders of Sigma for the year ended 31st December 2009 as disclosed in Appendix II to this circular, the implied P/E multiple of Sigma is approximately 13.9 times.

The executive Directors and the non-executive Directors considered the Consideration to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Consideration will be financed internally by the Group's cash. As of 31st March 2010, the Group had cash and bank balances of US$700,612,000 (equivalent to approximately HK$5,450,761,000). Apart from that, as of 12th May 2010, the Group received the net proceeds from the issuance of new Shares of approximately HK$4,536,000,000 (equivalent to approximately US$583,000,000) pursuant to the Top-up Placing.

Conditions to Completion:

Completion is conditional upon each of the following Conditions being satisfied or waived on or before 11:00 a.m. on 31st July 2010 or such later time and date as may be agreed by Crestway, APMM, Orion and the Company in writing:

(1) the waiver by Birrong Limited, Wattrus, Hutchison Ports Yantian Investments Limited and any of the remaining parties to the shareholders' agreement in respect of Sigma of (i) any restrictions on transfer (including pre-emption rights) which may exist in relation to the Acquisition under the articles of association of Sigma, the articles of association of Wattrus, the shareholders' agreement in respect of Sigma and the shareholders' agreement in respect of Wattrus and (ii) any potential claims from those parties or their Affiliates, in a form which is acceptable to APMM and Orion provided that such acceptance cannot be unreasonably withheld or delayed by APMM and Orion;

(2) the approval of the Agreement and the Acquisition by the Independent Shareholders in accordance with the requirements of the Listing Rules;

(3) the approval of the Agreement and the Acquisition by the independent shareholders of China COSCO in accordance with the relevant requirements of the stock exchanges upon which its securities are listed;

(4) APMM not being required to (i) make further capital contribution to Sigma or its Affiliates (including, without limitation, by way of subscription of new shares in, or by way of shareholder loans to Sigma or its Affiliates) or (ii) provide any form of guarantee or security to Sigma or its Affiliates in connection with the funding requirement of Sigma or its Affiliates, at any time after the date of the Agreement and up to the Completion Date; and

(5) Orion not being required to (i) make further capital contribution to Wattrus or its Affiliates (including, without limitation, by way of subscription of new shares in, or by way of shareholder loans to Wattrus or its Affiliates) or (ii) provide any form of guarantee or security to Wattrus or its Affiliates in connection with the funding requirement of Wattrus or its Affiliates, at any time after the date of the Agreement and up to the Completion Date.

As at the Latest Practicable Date, the Conditions set out in sub-paragraphs (2) and (3) above, being the only two Conditions that Crestway is required to procure their satisfaction, had been satisfied.

If any of the Conditions (being the Conditions set out in sub-paragraphs (1), (4) and (5) above, in view of the satisfaction of the Conditions set out in sub-paragraphs (2) and (3) above) are not satisfied (or waived if so permitted) on or before 31st July 2010, the provisions of the Agreement (except certain terms which shall survive termination as provided under the Agreement) shall be deemed to have terminated automatically and the provisions of the Agreement (except those surviving terms) shall cease to have any force and effect and all rights and obligations of the parties thereto under this Agreement shall end (except for those surviving terms) save for all rights and liabilities of the parties thereto which have accrued before termination.

Crestway's right to terminate the Agreement:

Crestway may terminate the Agreement forthwith if, among other things:

(1) subsequent to signing the Agreement and prior to Completion, APMM or Orion shall give written notice to Crestway disclosing any matter or circumstance which results in certain warranties given at the date of the Agreement to be untrue, inaccurate or misleading as at the Completion Date; or

(2) prior to Completion, the Sigma Sale Shares represent less than 9.64% of the entire issued share capital of Sigma, or the Wattrus Sale Shares represent less than 5.12% of the entire issued share capital of Wattrus or the ordinary shares in Sigma held by Wattrus represent less than 79.4% of the entire issued share capital of Sigma or any of the warranties given by APMM and Orion are found to be untrue, misleading, inaccurate or incorrect in any material respect.

Guarantee:

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

Completion:

Completion shall take place on the Completion Date, being the later of (i) the tenth business day (or such earlier business day as Crestway may by five business days prior notice notify APMM and Orion) following the day (not being later than 31st July 2010) on which the last of the Conditions set out in sub-paragraphs (1), (2) and (3) under the paragraph headed "Conditions to Completion" in this section has been satisfied or waived; or (ii) such date (not being later than 30th September 2010) as extended by Crestway following the disclosure made by APMM or Orion of any matter arising after the date of the Agreement and before the Completion Date, which results in any warranties provided by APMM and Orion at the time of the Agreement becoming untrue, inaccurate or misleading; or (iii) such other date as may be agreed by APMM, Orion, Crestway and the Company in writing.

It was provided in the Agreement that, if Completion takes place after 30th June 2010 due solely to the failure to satisfy one or both of the Conditions set out in sub-paragraphs (2) and (3) as set out under the paragraph headed "Conditions to Completion" in this section, Crestway has to pay a compensation of (a) US$29,400 (equivalent to approximately HK$228,732) to APMM; and (b) US$12,600 (equivalent to approximately HK$98,028) to Orion for each day over the period from and including 30th June 2010 up to but excluding the Completion Date. However, since both of the Conditions set out in sub-paragraphs (2) and (3) under the paragraph headed "Conditions to Completion" in this section have been satisfied, Crestway will not be liable to pay the aforesaid compensation to APMM and Orion.

Upon Completion, Crestway shall pay the Consideration in cash in full subject to its right to deduct therefrom the following sum(s) (if any) by way of set-off:

(1) a sum equal to the total of (i) the aggregate amount of all cash dividends, distributions and similar payments in respect of the Sigma Sale Shares (excluding any such cash dividends, distributions and similar payments in respect of the Sigma Sale Shares which have been reflected by a corresponding increase in the Sigma Shareholder Loans); and (ii) the aggregate amount of all repayments made in respect of any part of the Sigma Shareholder Loans, received by APMM at any time during the period from 1st January 2010 up to and including the Completion Date (excluding any such sum which has already been deducted from such Consideration or any such repayments which have been reflected by a corresponding increase in the Sigma Shareholder Loans);

(2) a sum equal to the total of (i) the aggregate amount of all cash dividends, distribution and similar payments in respect of the Wattrus Sale Shares (excluding any such cash dividends, distributions and similar payments in respect of the Wattrus Sale Shares which have been reflected by a corresponding increase in the Wattrus Shareholder Loans); and (ii) the aggregate amount of all repayments made in respect of any part of the Wattrus Shareholder Loans, received by Orion at any time during the period from 1st January 2010 up to and including the Completion Date (excluding any such sum

which has already been deducted from such Consideration or any such repayments which have been reflected by a corresponding increase in the Wattrus Shareholder Loans);

(3) if the amount of Sigma Shareholder Loans shall be less than HK$623,487,042.55, a sum equal to such shortfall; and

(4) if the amount of Wattrus Shareholder Loans shall be less than HK$113,348,694.45, a sum equal to such shortfall.

3. INFORMATION ON WATTRUS, SIGMA AND YANTIAN TERMINALS

General

Wattrus is a company incorporated in the BVI and is currently owned by Orion as to approximately 5.12%. The principal activity of Wattrus is the holding of its investment in Sigma. As at the Latest Practicable Date, Wattrus holds approximately 79.4% equity interest in Sigma.

Sigma is a company incorporated in the BVI and its principal activity is the holding of the entire interest in HPYL. As at the Latest Practicable Date, APMM directly and indirectly holds an aggregate effective interest of approximately 13.70% in Sigma (being approximately 9.64% direct interest in Sigma, and an indirect effective interest of approximately 4.06% in Sigma through Orion's approximately 5.12% interest in Wattrus). Sigma's material asset is its interest in its wholly-owned subsidiary, HPYL. As at the Latest Practicable Date, Crestway held approximately 6.85% interest in the entire issued share capital of Sigma. Accordingly, upon Completion, Crestway will directly and indirectly hold an aggregate of approximately 20.55% effective interest in Sigma.

It is expected that the Group is able to obtain significant influence over the respective boards of directors of Wattrus and Sigma, and Wattrus and Sigma will be accounted for as associates of the Group after Completion and such significant influence has been obtained.

HPYL is a company incorporated in Hong Kong and as at the Latest Practicable Date its principal activities were the holding of an approximately 73% equity interest in the joint venture company engaging in the management and operation of Yantian Terminal (Phase I and Phase II), an approximately 65% equity interest in the joint venture company engaging in the management and operation of Yantian Terminal (Phase III) and an approximately 65% equity interest in the joint venture company engaging in the management and operation of Yantian Terminal (West Port) and various related supporting facilities.

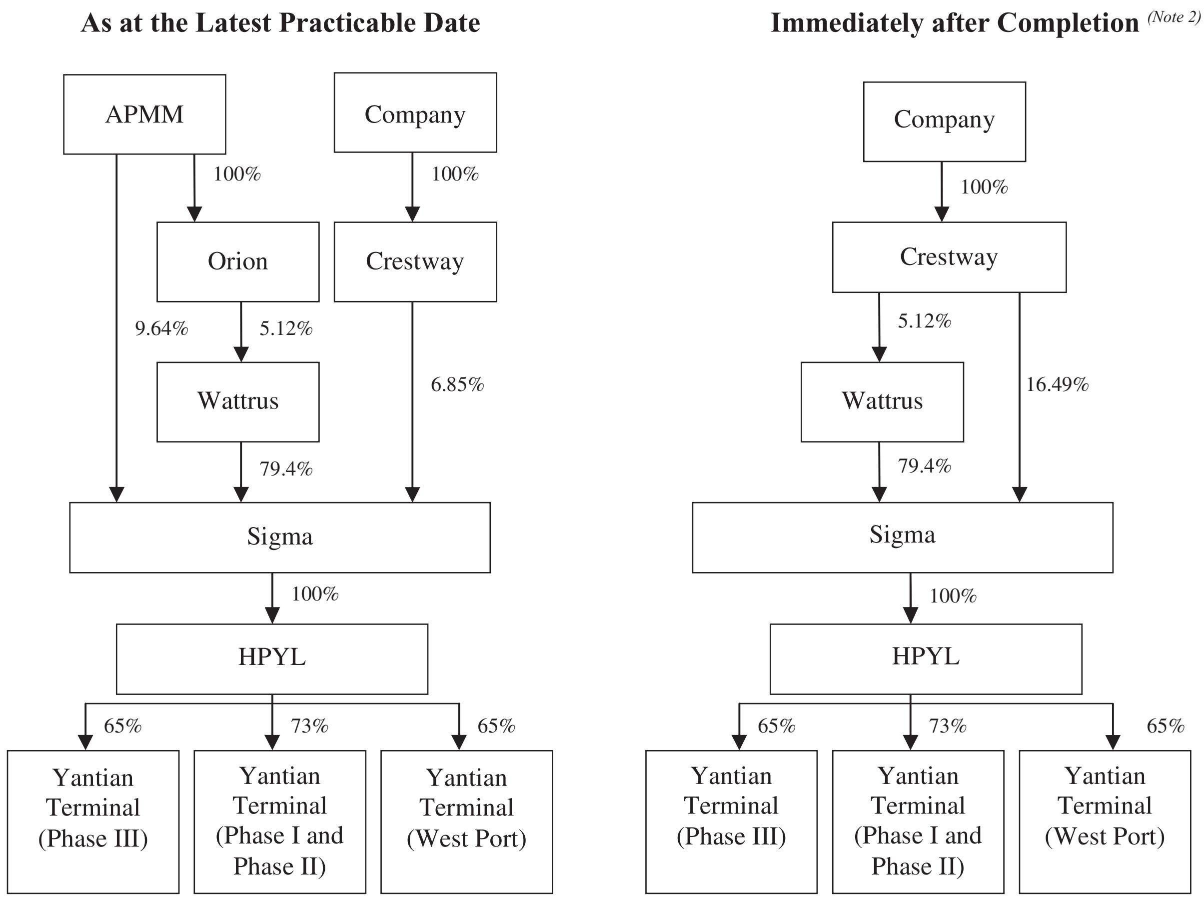
Yantian Terminals operated by HPYL are located in Yantian District, Shenzhen, Guangdong, the PRC and are the ports for mega-vessels in the South China region with a total area of approximately 315 hectares. Yantian Terminals commenced operations in mid-1994 and provide container operations and port-related logistical services to shipping lines and shippers. The total quayside length of Yantian Terminals is approximately 6,459 metres with water alongside of approximately 14-16 metres and more than 30 major shipping lines operate over 80 weekly services in Yantian Terminals[(Note 1)]. Yantian Terminals handled approximately 8,600,000 TEUs of containers in 2009, representing approximately 47% of the market share in the Shenzhen Port[(Note 2)].

Notes: (1) *According to the information released by Yantian Terminals on their website (http://www.yict.com.cn) as at the Latest Practicable Date. The total quayside length of Yantian Terminals disclosed here is different from that disclosed in the Announcement as the figure disclosed here is the updated figure.*

(2) *According to the information released by the Committee of Shenzhen Municipality (Port and Shipping Administration of Shenzhen Municipality) in its December 2009 Report on Transport and Logistics (2009年12月份交通物流運營動態分析) dated 15th January 2010.*

Corporate Structures

The diagrams below illustrate the corporate structures of Sigma*(Note 1)* showing its effective interest in Yantian Terminals as at the Latest Practicable Date and immediately after Completion respectively:



Notes:

(1) *Certain intermediate holding companies and companies not holding interests in Yantian Terminals are not shown.*

(2) *The diagram only takes into account the changes in the shareholdings in Wattrus and Sigma pursuant to the Agreement and not any other changes.*

4. REASONS FOR AND BENEFITS OF THE ACQUISITION

The Company believes that Yantian Terminals are important and scarce strategic assets. Yantian Terminals are located at the port of Shenzhen, ranking in terms of 2009 container throughput as the second busiest port in the PRC and the fourth busiest port in the world. Yantian

Terminals contribute to the export-led economic growth of South China by providing world class container terminal services to the shipping industry. These modern terminals enhance Shenzhen's attractiveness as a gateway to the South China manufacturing centre. The effective interest in Yantian Terminals represented by the Sigma Sale Shares and the Wattrus Sale Shares is a substantial stake in Yantian Terminals available for the Company to increase its exposure in Yantian Terminals. The Directors believe that it is a unique opportunity for the Company to acquire the additional stake of these world class container terminals. Since 1994, Yantian Terminals have developed to become among the most innovative and technologically advanced container terminals in the world and are among the world's most important container hub-port terminals. According to statistics released by the Ministry of Transport of the PRC, Shenzhen Port remained the second busiest port in the PRC in 2009. During 2009, Shenzhen Port handled approximately 18,300,000 TEUs of containers ranking it as the fourth largest container port around the world, with Yantian Terminals capturing approximately 47% of the market share in the Shenzhen Port. In light of the recovery of the economy, for the first quarter of 2010, Yantian Terminals' throughput was approximately 2,176,000 TEUs, an increase of approximately 18.4% year on year. As Southern China is one of the most dynamic regions in the global economy, and the port sector directly benefits from the recovery of the global economy from the financial crisis as well as the PRC's continuous economic growth, the Company believes that the business of Yantian Terminals will continue to grow in the coming years.

The Directors are of the view that the Acquisition will result in the following benefits to the Company:

(1) after Completion, the Group's effective interest in Sigma will increase from approximately 6.85% to approximately 20.55%, the Acquisition will strongly support the Company's long-term strategy of improving the quality and profitability of its terminal business given Yantian Terminals' leading market position and high operating efficiencies;

(2) the Acquisition will enhance the Company's market position in South China as Port of Yantian enjoy strategic advantages in the Pearl River Delta Area as a leading deep water container terminal and one of the fastest growth container terminals in terms of throughput. Port of Yantian is a preferred port of call in South China for mega container vessels. Yantian Terminals provide comprehensive terminal services for more than 30 major international shipping lines operating around 80 weekly services at the terminals, establishing an extensive shipping network that spans the globe. In Shenzhen, Yantian Terminals' market share has represented a significant portion of 45%, 46% and 47% for 2007, 2008 and 2009 respectively. Currently, Yantian Terminals have 15 operating deep water container berths and since the commencement of their operation, Yantian Terminals have experienced rapid throughput growth, becoming important container terminals in the Pearl River Delta region. Yantian Terminals' throughput for the years from 1998 to 2008 achieved a high compound annual growth rate of 25%;

(3) in addition, the broader the portfolio in important markets, the better it will be in terms of the information gathered by management to manage volumes and to develop solutions for its customers. As such and given the Company's familiarity with Yantian Terminals' operations and customers due to its existing ownership since 1997, the Company will be

able to benefit from improved performance of Yantian Terminals as a result of the potential synergies and the improved overall competitiveness created through better resource integration with the rest of the Group's PRC and international network; and

(4) the Company will be able to equity account for the future earnings contribution from Yantian Terminals in the Group's financial statements after the Group has obtained significant influence over the respective boards of directors of Wattrus and Sigma, therefore enhance the Group's overall profitability from port division from 2010 and onwards. In order to equity account for the future earnings contribution from Yantian Terminals as aforesaid, the Company has discussed with the respective majority shareholders of Wattrus (being Hutchison Ports Yantian Investment Limited ("**HPYIL**")) and Sigma (being Wattrus) regarding the right of Crestway to nominate such number of directors, being proportionate to Crestway's effective interest in Sigma, to the respective boards of directors of Sigma and Wattrus after Completion. HPYIL and Wattrus have confirmed to Crestway their agreement to Crestway's right of nomination of directors to the respective boards of directors of Wattrus and Sigma by Crestway after Completion as mentioned above. In view of the aforesaid agreement of HPYIL and Wattrus, the Company expects that Crestway should be able to nominate the aforesaid number of directors to (and thus obtaining significant influence over) the respective boards of directors of Sigma and Wattrus within about three months after Completion and considers that the possibility of Crestway being unable to obtain such significant influence after Completion is very low.

The executive Directors and the non-executive Directors believe that the terms of the Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. As set out in the letter from the Independent Board Committee on pages 25 to 26 of this circular, the independent non-executive Directors also consider that the Agreement and the Acquisition are on normal and commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

5. MANAGEMENT DISCUSSION AND ANALYSIS OF WATTRUS GROUP AND SIGMA GROUP FOR THE THREE YEARS ENDED 31ST DECEMBER 2009

The principal activity of Wattrus is the holding of its investment in Sigma. As at the Latest Practicable Date, Wattrus held approximately 79.4% equity interests in Sigma. The principal activity of Sigma is the holding of the entire interest in HPYL.

HPYL is a company incorporated in Hong Kong and as at the Latest Practicable Date its principal activities were the holding of an approximately 73% equity interest in the joint venture company engaging in the management and operation of Yantian Terminal (Phase I and Phase II), an approximately 65% equity interest in the joint venture company engaging in the management and operation of Yantian Terminal (Phase III) and an approximately 65% equity interest in the joint venture company engaging in the management and operation of Yantian Terminal (West Port) and various related supporting facilities.

(i) Financial performance and position

Wattrus Group

	Year ended 31st December		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Financial performance			
Revenue and other income	6,551,756	6,221,605	5,154,468
Profit before tax	4,121,402	3,908,810	3,299,339
Profit for the year	3,897,060	3,675,626	3,088,680
Profit attributable to equity holders of Wattrus	2,086,270	1,954,624	1,665,036

	As at 31st December		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Financial position			
Total assets	28,882,211	31,548,489	26,386,843
Capital and reserves attributable to equity holders of Wattrus	4,026,789	4,337,525	4,326,648

Sigma Group

	Year ended 31st December		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Financial performance			
Revenue and other income	6,551,756	6,221,605	5,154,468
Profit before tax	4,149,631	3,937,043	3,327,563
Profit for the year	4,022,394	3,696,810	3,109,855
Profit attributable to equity holders of Sigma	2,785,270	2,488,310	2,123,594

	As at 31st December		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Financial position			
Total assets	27,868,756	30,563,256	25,429,839
Capital and reserves attributable to equity holders of Sigma	4,114,151	4,532,122	4,545,044

(ii) Segment information

The principal activity of Wattrus is the holding of an approximately 79.4% equity interest in Sigma. The principal activities of Sigma is the holding of the entire interest in HPYL. As at the Latest Practicable Date, HPYL's principal activities were the holding of an approximately 73% equity interest in the joint venture company engaging in the management and operation of Yantian Terminal (Phase I and Phase II), an approximately 65% equity interest in the joint venture company engaging in the management and operation of Yantian Terminal (Phase III) and an approximately 65% equity interest in the joint venture company engaging in the management and operation of Yantian Terminal (West Port) and various related supporting facilities. As such, revenue of Wattrus Group and Sigma Group are principally generated from container terminal business segment operated by HPYL which is located at PRC.

(iii) Liquidity and financial resources

Wattrus Group's and Sigma Group's primary cash requirements are to finance its own operations. Wattrus Group and Sigma Group fund their operations primarily by shareholders' loans, bank loans and shareholders' equity.

(iv) Borrowings

Wattrus Group

	As at 31st December		
	2007	**2008**	**2009**
Bank loans			
Total bank loans *(HK$'000)*	7,913,940	7,920,170	5,770,000
Effective interest rate	4.73% p.a.	0.82% p.a.	0.69% p.a.
Bank loans are denominated in the following currencies:			
Hong Kong dollar	99%	99%	100%
Renminbi	1%	1%	–
	100%	100%	100%

The bank loans as at 31st December 2007, 2008 and 2009 are repayable from May 2009 to November 2011, from May 2009 to November 2011, and from November 2011 to May 2014 respectively.

	As at 31st December		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Loans from shareholders/minority shareholders			
Loans from shareholders	5,661,417	7,344,737	5,137,281
Loans from minority shareholders	1,680,523	1,984,267	1,412,387

The loans from shareholders are unsecured, interest free and have no fixed terms of repayment. The carrying amounts of the loans from shareholders are denominated in Hong Kong dollar.

The loans from minority shareholders are unsecured, interest free and have no fixed terms of repayment. The carrying amounts of these loans from minority shareholders are denominated in Hong Kong dollar, except for the loan as at 31st December 2007, 2008 and 2009 of HK$212,000,000, HK$79,100,000 and HK$79,800,000 respectively, which are denominated in Renminbi.

The ratio of total bank loans to capital and reserves attributable to equity holders of Wattrus and loans from shareholders/minority shareholders of Wattrus Group were approximately 0.70 times, 0.58 times and 0.53 times as at 31st December 2007, 2008 and 2009, respectively.

Sigma Group

	As at 31st December		
	2007	**2008**	**2009**
Bank loans			
Total bank loans *(HK$'000)*	7,913,940	7,920,170	5,770,000
Effective interest rate	4.73% p.a.	0.82% p.a.	0.69% p.a.
Bank loans are denominated in the following currencies:			
Hong Kong dollar	99%	99%	100%
Renminbi	1%	1%	–
	100%	100%	100%

The bank loans as at 31st December 2007, 2008 and 2009 are repayable from May 2009 to November 2011, from May 2009 to November 2011, and from November 2011 to May 2014 respectively.

	As at 31st December		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Loans from shareholders/a minority shareholder			
Loans from shareholders	7,129,995	9,249,995	6,469,995
Loan from a minority shareholder	212,000	79,100	79,800

The loans from shareholders are unsecured, interest free and have no fixed terms of repayment. The carrying amounts of the loans from shareholders are denominated in Hong Kong dollar.

The loan from a minority shareholder is unsecured, interest free and has no fixed terms of repayment. The carrying amount of the loan from the minority shareholder is denominated in Renminbi.

The ratio of total bank loans to capital and reserves attributable to equity holders of Sigma and loans from shareholders/a minority shareholder of Sigma Group were approximately 0.69 times, 0.57 times and 0.52 times as at 31st December 2007, 2008 and 2009, respectively.

(v) Significant investments

The principal activity of Wattrus is the holding of an approximately 79.4% equity interest in Sigma. The principal activity of Sigma is the holding of the entire interest in HPYL. As at the Latest Practicable Date, HPYL's principal activities were the holding of an approximately 73% equity interest in the joint venture company engaging in the management and operation of Yantian Terminal (Phase I and Phase II), an approximately 65% equity interest in the joint venture company engaging in the management and operation of Yantian Terminal (Phase III) and an approximately 65% equity interest in the joint venture company engaging in the management and operation of Yantian Terminal (West Port) and various related supporting facilities.

Yantian Terminals operated by HPYL are located in Yantian District, Shenzhen, Guangdong, the PRC and is the port for mega-vessels in the South China region with a total yard area of approximately 315 hectares. The total quayside length of Yantian Terminals is approximately 6,459 metres with water alongside of approximately 14-16 metres and more than 30 major shipping lines operate over 80 weekly services in Yantian Terminals*(Note 1)*. Yantian Terminals handled approximately 8,600,000 TEUs of containers in 2009, representing approximately 47% of the market share in the Shenzhen Port*(Note 2)*.

Notes: *(1)* *According to the information released by Yantian Terminals on their website (http://www.yict.com.cn) as at the Latest Practicable Date. The quayside length of Yantian Terminals disclosed here is different from that disclosed in the Announcement as the figure here is the updated figure.*

(2) *According to the information released by the Committee of Shenzhen Municipality (Port and Shipping Administration of Shenzhen Municipality) in its December 2009 Report on Transport and Logistics (2009年12月份交通物流運營動態分析) dated 15th January 2010.*

(vi) Future plans for material investments or capital assets

As at 31st December 2007, 2008 and 2009, there were no concrete plans in place for the foreseeable future with regard to material investments or capital assets of Wattrus Group and Sigma Group. Wattrus Group and Sigma Group will continue to hold their effective interest in HPYL.

(vii) Material acquisition or disposal of subsidiaries and affiliated companies

There were no material acquisition or disposal of subsidiaries and affiliated companies for the three years ended 31st December 2009 for Wattrus Group and Sigma Group.

(viii) Employees

As at 31st December 2007, 2008 and 2009, Wattrus Group and Sigma Group had more than 2,000 employees.

All employees are remunerated according to the nature of their jobs, their individual performances, overall performance of Wattrus Group and Sigma Group, and the prevailing marketing conditions.

(ix) Charges on Wattrus Group's and Sigma Group's assets

As at 31st December 2007, 2008 and 2009, there were no charges on the assets of Wattrus Group and Sigma Group.

(x) Foreign currency risk

Management considers Wattrus Group and Sigma Group are not exposed to significant foreign currency risks as majority of its operations and businesses are transacted and denominated in Hong Kong dollar.

(xi) Contingent liabilities

Wattrus Group and Sigma Group had no significant contingent liabilities as at 31st December 2007, 2008 and 2009.

(xii) Capital commitments

Capital commitments of Wattrus Group and Sigma Group for fixed assets, leasehold land and projects under development were as follows:

Wattrus Group and Sigma Group

	As at 31st December		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Contracted but not provided for	2,421,979	1,175,927	215,764
Authorised but not contracted for	4,080,575	–	314,209
	6,502,554	1,175,927	529,973

6. FINANCIAL AND TRADING PROSPECTS

On the back of accommodative monetary policy, the world economy has shown encouraging signs that it is turning the corner and is set to grow in 2010. According to the Ministry of Commerce of the PRC, the PRC trade is picking up, with exports and imports raised by 28.7% and 64.6% respectively in the first quarter of 2010. According to the Ministry of Transport of the PRC, the PRC container throughput in the first quarter of 2010 increased by 22.1% year-on-year.

The Group is the world's fifth largest operator of container terminals. For the first quarter of 2010, total throughput increased by 19.1% year-on-year to approximately 10,650,000 TEUs. Given that about 90% of total throughput was generated by the terminals in the PRC, the Group expected to continue to benefit from the PRC trade recovery. The Acquisition is expected to improve the quality and profitability of the Group's terminal business, as well as its market share in the South China.

The Group is also the world's second largest container leasing company. As at 31st March 2010, the Group operated and managed a container fleet of approximately 1,570,000 TEUs. For the first quarter of 2010, the overall average utilization rate increased to approximately 93.5%, representing an approximately 2.2% rise from last year. As a result of the Group's well established lease mix, about 92% of its leasing revenue is generated by long-term leases. It has provided stable revenue for the Group's container leasing division, and hence lowered its investment risk. The on-going slow steaming operations of shipping lines and the strong upturn in cargo volume are likely to translate into stronger container leasing demand, and hence higher utilization and profitability of the Group.

7. FINANCIAL EFFECTS OF THE ACQUISITION ON THE GROUP

The Group's existing 6.85% equity interest in Sigma has been recorded as an available-for-sale financial asset in the consolidated balance sheet of the Group and the results of Sigma are not recorded in the consolidated income statement of the Group except under circumstances including, amongst others, (i) Sigma declares dividend; (ii) the Group divests its equity of Sigma, (iii) there is any changes in the percentage of shareholding in Sigma; or (iv) the Group recognises any impairment loss on its available-for-sale financial assets. Upon Completion, the Group's effective interest in Sigma would increase from approximately 6.85% to approximately 20.55%. After the Completion and after the Group has obtained significant influence over the respective boards of directors of Wattrus and Sigma, Wattrus and Sigma would become associates of the Company and their future results would be equity accounted for in the Group's financial statements.

The financial impact of the Acquisition (including assets and liabilities) to the Group's assets and liabilities is illustrated by way of the Unaudited Pro Forma Financial Information of the Group set forth in Appendix III to this circular. Assuming that the Group's interest in Wattrus had been approximately 5.12% and the Group's interest in Sigma had been approximately 16.49% (instead of approximately 6.85%) as at 31st December 2009 and based on (i) the Group's financial results and figures disclosed in the consolidated financial statements of the Group for the year ended 31st December 2009; and (ii) the Consideration, there would have been the following effects on the net asset value and net debts to total equity of the Group as at 31st December 2009:

(1) The Group's consolidated net asset value (after taking into account the equity account for the existing 6.85% share of Sigma's net assets as at 31st December 2009) would have decreased by approximately 6.9%, mainly due to reclassification of the existing 6.85% equity interest in

Sigma from an available-for-sale financial asset to an associate which is accounted for using equity accounting and the additional share of approximately 9.64% equity interest in Sigma's net assets and 5.12% equity interest in Wattrus' net assets, the Sigma Shareholder Loans and the Wattrus Shareholder Loans acquired, and the Consideration payable. Based on the 2,262,525,573 Shares in issue as at 31st December 2009, the consolidated net asset value per share of the Company would have decreased by approximately 6.9% to US$1.18.

(2) The consolidated net gearing ratio of the Group (being total borrowings less cash and cash equivalents and restricted bank deposits and then divided by total equity as at 31st December 2009) would have increased from 41.9% to 45.0%. However, it should be noted that, subsequent to the financial year ended 31st December 2009, the Group completed the disposal of COSCO Logistics Co., Ltd. and received the consideration of RMB2,000,000,000 (equivalent to approximately US$293,000,000) on 30th March 2010. On 12th May 2010, the Group also received the net proceeds from the issuance of new Shares of approximately HK$4,536,000,000 (equivalent to approximately US$583,000,000) pursuant to the Top-up Placing. In total, the Group has received approximately US$876,000,000 subsequent to the financial year ended 31st December 2009, with a corresponding effect on its net gearing ratio.

8. LISTING RULES IMPLICATIONS

Since not all of the relevant percentage ratios under Chapter 14 of the Listing Rules are less than 25% but all of them are less than 100%, the Acquisition constitutes a major transaction for the Company under the Listing Rules. As APM Terminals Invest Company Limited (an indirect wholly-owned subsidiary of APMM) is a substantial shareholder of COSCO Ports (Nansha) Limited, a subsidiary of the Company, APMM is therefore a connected person of both the Company and China COSCO. Accordingly, the Acquisition also constitutes a connected transaction of the Company and for China COSCO under Chapter 14A of the Listing Rules and is subject to the approval by the respective independent shareholders of the Company and China COSCO in accordance with the requirements of the Listing Rules.

9. WRITTEN APPROVAL

The Company has obtained the Written Approval from COSCO Pacific Investment Holdings Limited and COSCO Investments Limited, the two wholly-owned subsidiaries of China COSCO, which together controlled 51.20% in the total issued share capital of the Company as at 29th April 2010, being the date on which the Written Approval was given and the date of the Agreement, and approximately 42.72% in the total issued share capital of the Company as at the Latest Practicable Date as a result of the Top-up Placing. As no Shareholder has any material interest in the Agreement and the transactions contemplated thereby, no Shareholder is required to abstain from voting if a general meeting of the Company was convened to approve the Agreement and the transactions contemplated thereby. Accordingly, pursuant to Rules 14A.43 and 14A.53 of the Listing Rules, the Company has applied for, and the Stock Exchange has granted, a waiver of the requirement to hold a shareholders' meeting and the permission for the Independent Shareholders' approval be given in the form of the Written Approval.

As informed by China COSCO, it has also obtained written approval approving the Agreement and the transactions contemplated thereby from China Ocean Shipping (Group) Company, which controlled approximately 52.80% in the total issued share capital of China COSCO as at the Latest Practicable Date. As no shareholder of China COSCO has any material interest in the Agreement and the transactions contemplated thereby, no shareholder of China

COSCO is required to abstain from voting if a general meeting of China COSCO was convened to approve the Agreement and the transactions contemplated thereby. Accordingly, pursuant to Rules 14A.43 and 14A.53 of the Listing Rules, China COSCO has applied for, and the Stock Exchange has granted, a waiver of the requirement to hold a shareholders' meeting and the permission for the approval of China COSCO's independent shareholders to be given in the form of written approval.

10. INDEPENDENT BOARD COMMITTEE

An Independent Board Committee comprising all four independent non-executive Directors has been formed to advise the Independent Shareholders as to whether the terms of the Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole, taking into account the recommendations of the Independent Financial Adviser. AIM has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

11. PRINCIPAL ACTIVITIES OF THE PARTIES

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

A.P. Moller-Maersk group is principally engaged in the business of managing and operating container shipping, container terminals, tankers, offshore and other shipping activities, oil and gas production and exploration, retail business, managing and operating shipyards and other industrial activities.

Orion is an investment holding company principally engaged in holding of its investment in Wattrus.

12. ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 25 to 26 of this circular, the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 27 to 45 of this circular and the additional information set out in the appendices to this circular.

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

COSCO Pacific Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 1199)

25th May 2010

To the Independent Shareholders

Dear Sir and Madam,

MAJOR AND CONNECTED TRANSACTION ACQUISITION OF 13.70% EFFECTIVE INTEREST IN SIGMA ENTERPRISES LIMITED

We refer to the circular of the Company dated 25th May 2010 (the "**Circular**") to the Shareholders, of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless specified otherwise.

We have been appointed by the Board as the Independent Board Committee to advise you in respect of the Acquisition, details of which are set out in the Circular. AIM has been appointed as the Independent Financial Adviser to advise us and the Independent Shareholders in this regard. Details of its advice, together with the principal factors taken into consideration in arriving at such, are set out in its letter on pages 27 to 45 of the Circular. Your attention is also drawn to the Letter from the Board in the Circular and the additional information set out in the appendices thereto.

Having considered the terms of the Agreement and taking into account the advice of AIM, we consider that the Agreement and the Acquisition are on normal and commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Stock Exchange has granted a waiver to the Company from complying with the requirement to hold a general meeting and the permission for the Independent Shareholders' approval in respect of the Agreement and the transactions contemplated thereby to be given in the form of the Written Approval. As such, no general meeting of the Company will be held to approve the Agreement and the transactions contemplated thereby. However, had the Agreement and the transactions contemplated thereby been required to be put forward for consideration and approval at a general meeting of the Company, we would recommend the Independent Shareholders to approve them.

Yours faithfully,
Independent Board Committee of
COSCO Pacific Limited

LI Kwok Po, David *Independent non-executive Director*	**CHOW Kwong Fai, Edward** *Independent non-executive Director*
Timothy George FRESHWATER *Independent non-executive Director*	**FAN HSU Lai Tai, Rita** *Independent non-executive Director*

Set out below is the full text of a letter received from the Independent Financial Adviser setting out its advice to the Independent Board Committee and the Independent Shareholders in relation to the Agreement and the Acquisition, which has been prepared for inclusion in this circular.

亞洲資產管理
ASIA INVESTMENT MANAGEMENT

Asia Investment Management Limited
Room 1203, 12th Floor, Tower 2
Lippo Centre, Admiralty, Hong Kong

25th May 2010

To the Independent Board Committee and
the Independent Shareholders of
COSCO Pacific Limited

Dear Sirs,

MAJOR AND CONNECTED TRANSACTION
ACQUISITION OF 13.70% EFFECTIVE INTEREST IN
SIGMA ENTERPRISES LIMITED

INTRODUCTION

We refer to our engagement as the independent financial adviser to the independent board committee (the "**Independent Board Committee**") and the independent shareholders of the Company (the "**Independent Shareholders**") in relation to the proposed acquisition of approximately 13.70% effective interest in Sigma (the "**Acquisition**") contemplated under the conditional sale and purchase agreement dated 29th April 2010 (the "**Agreement**"), details of which are contained in an announcement of the Company dated 29th April 2010 (the "**Announcement**") and in the letter from the board (the "**Letter from the Board**"), as set out on pages 6 to 24 of the circular of the Company dated 25th May 2010 (the "**Circular**") to the Shareholders of which this letter forms part. Asia Investment Management Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to whether or not the terms of the Acquisition are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Capitalised terms used in this letter have the same meanings as defined in the Circular of which this letter forms part unless the content otherwise requires.

On 29th April 2010, the Company and its wholly-owned subsidiary, Crestway, entered into the Agreement with APMM and Orion, pursuant to which (i) APMM conditionally agreed to sell and assign, and Crestway conditionally agreed to purchase the Sigma Sale Shares and take an assignment of the Sigma Shareholder Loans; and (ii) Orion conditionally agreed to sell and assign and Crestway conditionally agreed to purchase the Wattrus Sale Shares and take an assignment of the Wattrus Shareholder Loans for a total cash consideration of US$520.0 million (equivalent to approximately HK$4,045.6 million). Taking into account of the approximately 6.85% interest in the issued share capital of Sigma currently held by Crestway, upon Completion, Crestway will directly and indirectly hold an approximately 20.55% interest in Sigma, which in turn currently indirectly held as at the Latest Practicable Date, among others, an approximately 73% equity interest in the joint venture company engaging in the management and operation of Yantian Terminal (Phases I and II), an approximately 65% equity interest in the joint venture company engaging in the management and operation of Yantian Terminal (Phase III) and an approximately 65% equity interest in the joint venture company engaging in the management and operation of Yantian Terminal (West Port) and various related supporting facilities. In consideration of APMM and Orion agreeing to enter into the Agreement, the Company agreed to unconditionally guarantee the payment and performance of obligations of Crestway under the Agreement.

As not all of the relevant percentage ratios under Chapter 14 of the Listing Rules are less than 25% but all of them are less than 100%, the Acquisition constitutes a major transaction of the Company under Chapter 14 of the Listing Rules. As APM Terminals Invest Company Limited, which is an indirect wholly-owned subsidiary of APMM, is a substantial shareholder of COSCO Ports (Nansha) Limited, a subsidiary of the Company, APMM is therefore a connected person of both the Company and China COSCO. Accordingly, the Acquisition therefore also constitutes a connected transaction of the Company and for China COSCO under Chapter 14A of the Listing Rules and is subject to the approval by their respective independent shareholders in accordance with the requirement of the Listing Rules.

The Company has obtained the Written Approval for the Agreement and the transactions contemplated thereby from COSCO Pacific Investment Holdings Limited ("**CPIHL**") and COSCO Investments Limited, both being subsidiaries of COSCO, which together controlled approximately 51.20% of the total issued share capital of the Company as at 29th April 2010, being the date on which the Written Approval was given, and approximately 42.72% of the total issued share capital of the Company as at the Latest Practicable Date as a result of the Top-up Placing. As none of the Shareholders has any material interest in the Agreement and the transactions contemplated thereunder, no Shareholder is required to abstain from voting if a general meeting of the Company was convened to approve them. Accordingly, pursuant to Rule 14A.43 and R14A.53 of the Listing Rules, the Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver of the requirement to hold a shareholders' meeting and the permission for the independent shareholders' approval to be given in the form of the Written Approval.

The Acquisition also constitutes a connected transaction of China COSCO, the intermediate controlling Shareholder which was interested in 42.72% interest in the Company as at the Latest Practicable Date, under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules. The Company has been informed by China COSCO that it has also obtained a written approval approving the Agreement and the transactions contemplated thereby from China Ocean Shipping (Group) Company, which controlled approximately 52.80% of the total issued share capital of China COSCO as at the Latest Practicable Date. As no shareholder of China COSCO has any material interest in the Agreement and the transactions contemplated thereby, no shareholder of China COSCO is required to abstain from voting if a general meeting of China COSCO is convened to approve the Agreement and the transactions contemplated thereby. Accordingly, pursuant to Rules 14A.43 and 14A.53 of the Listing Rules, China COSCO has applied for, and the Stock Exchange has granted, a waiver to hold a general meeting and the permission for the approval of China COSCO's independent shareholders to be given in the form of written approval.

An Independent Board Committee, comprising Mr. CHOW Kwong Fai, Edward, as the Chairman of the Independent Board Committee, Dr. LI Kwok Po, David, Mr. Timothy George FRESHWATER and Dr. FAN HSU Lai Tai, Rita, being the independent non-executive Directors, has been formed to advise the Independent Shareholders in relation to the Acquisition.

BASIS OF OUR OPINION

In formulating our opinion and recommendations, we have reviewed, inter alia, the Announcement and the Agreement. We have also reviewed certain information and facts provided by the management of the Company relating to the operations, financial condition and prospects of the Group. We have also (i) considered such other information, analyses and market data as we deemed relevant; and (ii) conducted discussions with the management of the Company regarding the terms of the Agreement, the businesses and the future outlook of the Group. We have assumed that all information, opinions, statements, and representations made to us or as contained in the Circular, are true, accurate and complete in all material respects as at the date hereof and we have relied upon them in formulating our opinion. We have also assumed that all information, representations and opinions contained or referred to in the Circular are fair and reasonable and have relied on them.

We consider that we have been provided with, and we have reviewed, all currently available information and documents which are available under present circumstances to enable us to reach an informed view regarding the terms of, and reasons for, the Acquisition and to justify reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis of our opinion. We have no reason to suspect that any material information has been withheld by the Directors or management of the Company, or is misleading, untrue or inaccurate. We have not, however, for the purpose of this exercise, conducted any independent detailed investigation or audit into the businesses or affairs or future prospects of the Group. Our opinion is necessarily based on financial, economic, market and other conditions in effect, and the information made available to us, at the date of the Circular and we will not be held accountable for the completion or non-completion of the Acquisition and the outcome and consequences (if any) of the completion of the Acquisition, if at all.

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Acquisition, and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS CONSIDERED

In arriving at our opinion in respect of the terms of the Agreement, we have considered the following principal factors and reasons:

1. The background to the Acquisition

The Group is one of the world's leading container terminal operators.

With a view to strengthening its port portfolio in the Southern China region and improving the quality and profitability of its terminal business, the Group proposed to acquire further interest in Sigma. As advised by the Company, the existing 6.85% equity interest of the Group in Sigma was acquired in 1997.

Sigma is a company incorporated in the BVI and as at the Latest Practicable Date, its principal activity was the holding of the entire interest in HPYL, which in turn indirectly held, among others, an approximately 73% interest in the joint venture company engaging in the management and operation of Yantian Terminal (Phases I and II), an approximately 65% equity interest in the joint venture company engaging in the management and operation of Yantian Terminal (Phase III) and an approximately 65% equity interest in the joint venture company engaging in the management and operation of Yantian Terminal (West Port) and various related supporting facilities. We have enquired of the Company and were informed that Orion has no interest in investments or operations other than the investment in Wattrus and various related supporting facilities and Wattrus has no interest in investments or operation other than the investment in Sigma and various related supporting facilities.

As at the Latest Practicable Date, Sigma was held as to approximately 79.4% by Wattrus, approximately 9.6% by APMM (excluding APMM's indirect interest held through Wattrus), approximately 6.9% by the Group, approximately 2.7% by Mitsui & Co. (H.K.) Limited and approximately 1.4% by Birrong Limited. Set out below is a table summarizing the shareholding structure in Sigma before and after the Acquisition:–

	% of interest in Sigma before the Acquisition	**% of interest in Sigma after the Acquisition**
Wattrus	79.4	79.4
APMM *(Note 1)*	9.6	–
Crestway *(Note 2)*	6.9	16.5
Mitsui & Co., (H.K.) Limited	2.7	2.7
Birrong Limited	1.4	1.4
	100.0	100.0

Notes:

1. *As at the Latest Practicable Date, APMM, through its wholly-owned subsidiary, Orion, was interested in an approximately 5.12% interest in Wattrus, which is interested in an approximately 79.4% equity interest of Sigma. Accordingly, the effective interest of APMM in Sigma was approximately 13.70% as at the Latest Practicable Date.*

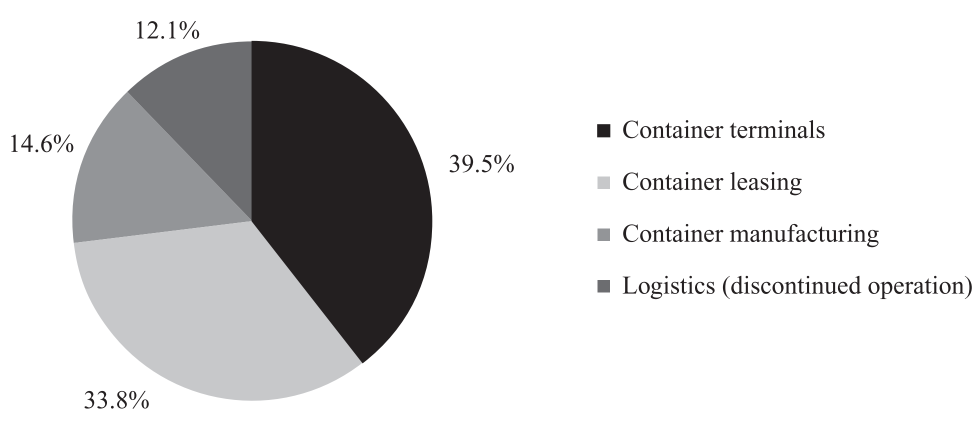
2. *Subsequent to Completion, Crestway would be interested in a 5.12% interest in Wattrus which was previously held by Orion. Accordingly, the effective interest of Crestway in Sigma would be approximately 20.55% upon Completion.*

2. Information on the Group

The principal businesses of the Group are managing and operating container terminals, container leasing, management and sale, container manufacturing and other related businesses. Businesses of the Group are also discussed in the Letter from the Board on pages 6 to 24 of the Circular in which this letter forms part. Shareholders are recommended to read the rest of the Circular in conjunction with this letter.

Financial year ended 31st December 2009

For the year ended 31st December 2009, the Group recorded revenue of approximately US$349.4 million, representing a year-on-year growth of approximately 3.4%. Profit attributable to the equity holders of the Company for the financial year ended 31st December 2009 was approximately US$172.5 million, representing a decrease of approximately 37.2% from approximately US$274.7 million as recorded for the year ended 31st December 2008. Such significant decrease was mainly due to the impact of the financial crisis on the global economy further extended in 2009 and that the Group's terminal and container leasing, the main businesses of the Group, were adversely affected. The Group's four core businesses, namely container terminal, container leasing, container manufacturing and logistics (discontinued operation), respectively contributed approximately US$83.6 million, approximately US$71.4 million, approximately US$30.9 million and approximately US$25.6 million to the results of the Group for the year ended 31st December 2009, representing approximately 39.5%, approximately 33.8%, approximately 14.6% and approximately 12.1% of the profit of the Group's core businesses (excluding net corporate interest expenses and corporate expenses), respectively. The contribution to the Group's profit by business segments is shown as follows:



Source: The 2009 annual report of the Company

The shrinking global trade resulted in the slowdown of the global ports and shipping industry, which put the container terminal business under pressure in 2009. In addition, the certification and commencement of new terminals' berths led to an increase in depreciation and finance costs, affecting the profitability of the container terminal business. The Group's total container terminal throughput in 2009 was approximately 43.5 million TEUs (2008: approximately 45.9 million TEUs), representing a decrease of approximately 5.1%. The total container fleet of the leasing business as at 31st December 2009 was approximately 1.58 million TEUs (31st December 2008: approximately 1.62 million TEUs), representing a decline of approximately 2.4%. According to the Container Forecaster, December, 4th quarter, 2009 dated 23rd December 2009 issued by Drewry Shipping Consultants Limited, the Company maintained its ranking as the fifth largest container terminal operator and the second largest container leasing company in the world in 2009. Drewry Shipping Consultants Limited is the world's foremost independent global maritime consulting and publishing company with principal businesses of data, information and advice provision to the global maritime industry.

During 2009, the Group expanded a total of 3.7 million TEUs of handling capacity in seven berths at four locations, including one berth of 0.6 million TEUs at Ningbo Yuan Dong Terminal, one berth of 0.6 million TEUs at Quan Zhou Pacific Terminal, one berth of 0.9 million TEUs at Yantian Terminals and four berths at Piraeus Terminal of 1.6 million TEUs. For the year ended 31st December 2009, the Group's total capital expenditure amounted to approximately US$465.5 million, of which approximately US$374.2 million was utilised in the container terminal business, approximately US$63.3 million in the container leasing business and approximately US$28.0 million in corporate and other businesses.

As at 31st December 2009, the audited consolidated net assets attributable to equity holders and the total liabilities of the Group amounted to approximately US$2,742.3 million and approximately US$1,777.0 million, respectively.

For the three months ended 31st March 2010

The global shipping, container terminal and container-related businesses have showed a remarkable recovery in the first quarter of 2010. On 28th April 2010, the Company announced the financial and operational highlights of the Group for the three months ended 31st March 2010. For the three months ended 31st March 2010, the Group recorded unaudited revenue (continuing operations) of approximately US$108.4 million, representing an increase of approximately 43.7% from approximately US$75.4 million as recorded in the corresponding period of 2009. The unaudited profit attributable to the equity holders of the Company for the three months ended 31st March 2010 was approximately US$133.2 million, representing a year-on-year growth of approximately 207.0% from approximately US$43.4 million as recorded in the corresponding period of 2009. Excluding the profit on disposal of the Group's 49% equity interest in COSCO Logistics Co., Ltd. (net of tax and direct expenses) of approximately US$84.7 million, the profit attributable to equity holders of the Company was approximately US$48.5 million, representing an increase of approximately 11.8%. Unaudited profit for the period from continuing operations of the Group was approximately US$49.3 million (corresponding period of 2009: approximately US$35.9 million), representing an increase of approximately 37.3%.

As at 31st March 2010, the unaudited consolidated net assets attributable to equity holders of the Company and the total liabilities of the Group amounted to approximately US$2,814.1 million and approximately US$1,773.1 million, respectively.

As noted from the announcement of the Company dated 28th April 2010 in relation to the financial and operational highlights of the Group for the three months ended 31st March 2010, throughput of most of the Group's operating terminals recorded increments for the first quarter of 2010 as compared to that of the first quarter of 2009. The Company believed further improvement of its terminal division performance for the full year in 2010 is achievable as long as the improvement in global containerized trade volumes is sustained.

We have discussed with the management of the Company the Group's performance in 2010. In the first quarter of 2010, the total container throughput handled by the Group's terminals was approximately 10.6 million TEUs, representing an increase of approximately 19.1% as compared with the same period of last year. The container fleet size as at 31st March 2010 had decreased slightly by approximately 3.1% to approximately 1.6 million TEUs from the same date last year. The overall average utilization rate for the three months ended 31st March 2010 was approximately 93.5% (three months ended 31st March 2009: approximately 91.3%). However, the profit contribution from the container manufacturing business to the Group during the period declined by approximately 41.1% to approximately US$10.4 million.

We have analysed the terminal portfolio of the Group as at 31st December 2009. The Group has invested in 27 terminal companies that are located along the coastal regions in the PRC and overseas. As advised by the management of the Company, the top three terminals contributed approximately 78.4% of its segment profit from the terminal business in 2009.

It is mentioned in the 2009 annual report of the Company that under the current international trading environment, it is generally believed that the worst of the contraction is over and that imports and exports trade may return to sustainable growth. We have discussed with the Directors that notwithstanding the persistently high unemployment rate and weak consumer confidence around the globe, two critical factors that are likely to restrain the growth of international trade, the Group's container terminal and container leasing businesses are well positioned to take advantage of the positive trends. We consider that the Directors have reasonable grounds to believe that the global trading environment would improve as a result of the alleviating effects of the financial turmoil.

On 30th March 2010, the Company announced that all the conditions precedent to the disposal of the 49% equity interest in COSCO Logistics Co., Ltd. were fulfilled on 30th March 2010 and the transaction was completed. As advised by the management of the Company, the Company received the proceeds of approximately RMB2,000.0 million (equivalent to approximately HK$2,268.6 million) on 30th March 2010.

On 29th April 2010, the Company announced that, among others, CPIHL entered into a subscription agreement (the "**Subscription Agreement**") with the Company pursuant to which CPIHL has conditionally agreed to subscribe for 449 million new Shares at a price of HK$10.40 per Share. The net proceeds from the issuance of new Shares (after deduction of commission and expenses of the placing and the subscription agreed to be borne by the Company) are estimated to be approximately HK$4,536 million and are intended to be utilized to fund acquisitions and investments such as the Acquisition, capital expenditure, general corporate purposes, as well as to further strengthen the balance sheet and liquidity position of the Company. As advised by the management of the Company, the subscription was completed on 12th May 2010 and the net proceeds of the issuance of new Shares were duly received on the same day.

As at 31st March 2010, the Group had outstanding indebtedness of approximately US$1,609.9 million.

3. Information on Wattrus, Sigma and HPYL

As stated in the Letter from the Board, Wattrus is a company incorporated in the BVI and its principal activity is the holding of its investment in Sigma. We have enquired of the Company and were informed that Sigma has no interest in investments or operation other than the investment in HPYL and various related supporting facilities.

As at the Latest Practicable Date, Wattrus held an approximately 79.4% equity interest in Sigma. Based on the audited consolidated financial statements of Wattrus for the two years ended 31st December 2009 prepared in accordance with HKFRS, its net profits before and after taxation and minority interests for the financial year ended 31st December 2009 were approximately HK$3,299.3 million and approximately HK$1,665.0 million, respectively, and for the financial year ended 31st December 2008 were approximately HK$3,908.8 million and approximately HK$1,954.6 million, respectively. The audited net assets (including minority interests) and the audited total asset value of Wattrus as at 31st December 2009 amounted to approximately HK$10,031.2 million and approximately HK$26,386.8 million, respectively.

As stated in the Letter from the Board, Sigma is a company incorporated in the BVI and as at the Latest Practicable Date, its principal activity was the holding of the entire interest in HPYL. Based on the audited consolidated financial statements of Sigma for the two years ended 31st December 2009 prepared in accordance with HKFRS, its net profits before and after taxation and minority interests for the financial year ended 31st December 2009 were approximately HK$3,327.6 million and approximately HK$2,123.6 million, respectively and for the financial year ended 31st December 2008 were approximately HK$3,937.0 million and approximately HK$2,488.3 million, respectively. The audited net assets (including minority interests) and the audited total asset value of Sigma as at 31st December 2009 amounted to approximately HK$9,313.4 million and approximately HK$25,429.8 million, respectively.

As stated in the Letter from the Board, HPYL is a company incorporated in Hong Kong and as at the Latest Practicable Date its principal activities were the holding of an approximately 73% equity interest in the joint venture company engaging in the management and operation of Yantian Terminal (Phases I and II), an approximately 65% equity interest in the joint venture company engaging in the management and operation of Yantian Terminal

(Phase III) and an approximately 65% equity interest in the joint venture company engaging in the management and operation of Yantian Terminal (West Port) and various related supporting facilities.

4. The reasons for, and the benefits of, the Acquisition

Implementation of the Group's development strategy

We understand from the management of the Company that the Group invested in Yantian Terminals in 1997 as a long-term investment. As stated in the 2009 annual report of the Company, it has been the long-term strategy of the Group to further strengthen its terminal portfolio to provide comprehensive terminal services to its customers and transform its business model to be a leading global terminal operator with terminal businesses as a principal driver for earnings and growth.

The contraction of container traffic in 2009 had put pressure on the Group's operational and financial performance during the economic downturn. The Group had deferred investments in new terminals in response to such adverse market changes. Notwithstanding that, the Group continuously reviews its terminal investment plans and terminal portfolio to ensure that it can seize good investment opportunities at the right timing that can enhance the value of its terminal assets, and hence create enterprise value for the Group. Based on the 2009 annual report and the financial and operational highlights announcement of the Company dated 28th April 2010, the terminal business has remained as the major profit contributor to the Group and accounted for (i) approximately 39.5% of the profit of the Group's core businesses (excluding net corporate interest expenses and corporate expenses) for the year ended 31st December 2009; and (ii) approximately 31.5% of the unaudited profit of the Group's core businesses (excluding the gain on disposal of COSCO Logistics Co., Ltd., net corporate interest expenses and corporate expenses) for the three months ended 31st March 2010.

According to an article dated 26th March 2010 published by the World Trade Organisation, world trade is expected to rebound in 2010 by a growth rate of 9.5%. Exports from developed economies are expected to increase by approximately 7.5% in volume terms over the course of the year while shipments from the rest of the world (including developing economies and the Commonwealth of Independent States) is estimated to rise by around 11.0% as the world emerges from recession. This strong expansion will help recover some, but by no means all, of the ground lost in 2009 when the global economic crisis sparked an approximate 12.2% contraction in the volume of the global trade. Should trade continue to expand at its current pace, it is expected that it would take another year for trade volumes to surpass the peak level of 2008. We concur with the general market consensus that the world trade activities are expected to increase as a result of the global economy recovery.

With the encouraging signs of recovery of the global economy, it is expected that the international trading environment and the demand for the Group's services will grow in 2010. Leveraged on its leading market position as the fifth largest leading container terminal operator, the Acquisition will increase the equity interest of the Group in

Yantian Terminals and is in line with the long-term expansion strategy for improving the quality and profitability of its terminal business given Yantian Terminals' leading market position and high operating efficiencies.

Prominent position of the Yantian Terminals

As stated in the Letter from the Board, the Company believes that Yantian Terminals are important and scarce strategic assets. We agree that the effective interest in Yantian Terminal represented by the Sigma Sale Shares and the Wattrus Sale Shares is a substantial stake in Yantian Terminals available for the Company to increase its exposure in Yantian Terminals.

Yantian Terminals operated by HPYL are located at the port of Shenzhen ranking as the second busiest port in the PRC in terms of 2009 container throughput and the fourth busiest port in the world. The terminals contribute the export-led economic growth of South China by providing world class container terminal services to the shipping industry. These modern terminals enhance Shenzhen's attractiveness as a gateway to the South China manufacturing centre. They are the ports for mega-vessels in the Southern China region with a total area of approximately 315 hectares. Since 1994, Yantian Terminals have been developed to become among the most innovative and technologically advanced container terminals in the world and are among the world's most important container hub-port terminals. They provide container operations and port-related logistical services to shipping lines and shippers. The total quay length of Yantian Terminals is approximately 6,459 metres with water alongside of approximately 14 to 16 metres.

According to statistics released by the Ministry of Transport of the PRC, Shenzhen Port remained the second busiest port in the PRC in 2009. During 2009, Shenzhen Port handled approximately 18.3 million TEUs of containers ranking it as the fourth largest container port around the world, with Yantian Terminals contributing approximately 47.0% of the market share in the Shenzhen Port, being approximately 8.6 million TEUs of containers. For the year ended 31st December 2009 and the three months ended 31st March 2010, the throughput of Yantian Terminals accounted for approximately 19.7% and approximately 20.4% of the total container throughput of the Group respectively and Yantian Terminals ranked second in terms of throughput among the Group's operating terminals. As Southern China is one of the most dynamic regions in the global economy, the port sector benefits directly from the recovery of the global economy from the financial crisis and the continuous economic growth in the PRC. The Company believes that the business of Yantian Terminals will continue to grow in the coming years and considers that the Acquisition will enhance the Company's market position in Southern China as Yantian Terminals enjoy strategic advantages in the Pearl River Delta Area as a leading deep water container terminal and one of the fastest growing container terminals in terms of throughput.

Financial, management and operational benefits to be arisen as a result of the Acquisition

We understand from the Directors that the other existing shareholder of Wattrus or its affiliates (as the case may be) has or have, and the existing shareholders of Sigma (other than APMM) or their respective affiliates (as the case may be) have, pre-emption rights to acquire the transferred shares and shareholder loans if any one of the shareholders proposes to dispose of its shares in and shareholder loans to Wattrus or Sigma (as the case may be) and/or potential claims under the relevant shareholders' agreement. It is stated as one of the conditions to Completion that APMM and Orion are required to obtain the waiver by the other existing shareholder or shareholders of Wattrus or Sigma and the other remaining parties to the shareholders' agreement in respect of Sigma, of, among others, any restrictions on transfer (including pre-emption rights) which may exist in relation to the Acquisition under the articles of association of Sigma, the articles of association of Wattrus, the shareholders' agreement in respect of Sigma and the shareholders' agreement in respect of Wattrus. We have examined the articles of association in Sigma, the article of association of Wattrus, the shareholders' agreement in respect of Sigma and the shareholders' agreement in respect of Wattrus and noted that there are pre-emption rights to existing shareholders.

It is expected that the Group is able to obtain significant influence over the respective boards of directors of Wattrus and Sigma, and Wattrus and Sigma will be accounted for as associates of the Group after Completion and the significant influence has been obtained.

The equity interest of the Group in Sigma has been recorded as an an available-for-sale financial asset in the books of the Group and the results of Sigma would not be recorded in the income statement of the Group except under circumstances including, amongst others, (i) Sigma declares a dividend; or (ii) the Group divests its equity of Sigma; (iii) there is any change in the percentage shareholding in Sigma; or (iv) the Group recognizes any impairment loss on its available-for-sale financial assets. Upon completion of the Acquisition, the Group's effective interest in Sigma would increase from approximately 6.85% to approximately 20.55%. As a result, the Group would be able to obtain significant influence over the respective boards of directors of Wattrus and Sigma and Wattrus and Sigma would become associated companies of the Company and their results could be equity accounted for in the Group's future financial statements. The Directors expect that the additional profit contribution from Yantian Terminals to the Company would enhance the Group's overall profitability from port division from 2010 and onwards. Given the prominent position of Yantian Terminals in Southern China and its profitability potential, and the Group's familiarity with Yantian Terminals' operations and customers due to its existing ownership prior to the Acquisition, the Company will be able to benefit from improved performance of Yantian Terminals as a result of the potential synergies and the improved overall competitiveness created through better resource integration with the rest of the Group's PRC and international network.

Taking into account the reasons for, and the benefits of, the Acquisition as mentioned above, we concur with the Directors' view that the entering into of the Agreement is in line with the Group's business strategy; and we are of the view that the implementation of the Acquisition is in the interest of the Company and the Shareholders as a whole.

5. Principal terms of the Agreement

Assets being acquired

1. The Sigma Sale Shares, representing approximately 9.64% of the issued share capital of Sigma;

2. the Sigma Shareholder Loans, which amounted to approximately HK$623.5 million as at the date of the Agreement;

3. the Wattrus Sales Shares, representing approximately 5.12% of the issued share capital of Wattrus; and

4. the Wattrus Shareholder Loans, which amounted to approximately HK$113.3 million as at the date of the Agreement.

Consideration

The Consideration payable by Crestway on the Completion Date is US$520,000,000 (equivalent to approximately HK$4,045,600,000), comprising:-

(1) a sum of US$299,255,882 (equivalent to approximately HK$2,328,210,765) payable to APMM for the Sigma Sale Shares;

(2) a sum of US$80,139,723 (equivalent to approximately HK$623,487,042.55) payable to APMM for the Sigma Shareholder Loans;

(3) a sum of US$126,035,154 (equivalent to approximately HK$980,553,498) payable to Orion for the Wattrus Sale Shares; and

(4) a sum of US$14,569,241 (equivalent to approximately HK$113,348,694.45) payable to Orion for the Wattrus Shareholder Loans.

Pursuant to the Agreement, Crestway conditionally agreed to acquire (i) the Sigma Sale Shares and the Sigma Shareholder Loans from APMM; and (ii) the Wattrus Sale Shares and the Wattrus Shareholder Loans from Orion, for an aggregate Consideration of US$520.0 million (equivalent to approximately HK$4,045.6 million). The consideration allocated for the Sigma Shareholder Loans (i.e. approximately US$80.1 million, equivalent to approximately HK$623.5 million) and the Wattrus Shareholder Loans (i.e. approximately US$14.6 million, equivalent to approximately HK$113.3 million) will be the face value of the said loans appearing in the respective books of

Sigma and Wattrus as at the date of the Agreement on a dollar-for-dollar basis and the balance of the Consideration will be allocated for the Sigma Sale Shares and the Wattrus Sale Shares.

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

Valuation of the Sigma Sale Shares and the Wattrus Sale Shares

As discussed in the Letter from the Board, in determining the Consideration, the Directors have considered a number of valuation methodologies for valuing the effective equity interest of approximately 13.70% in Sigma (comprising the approximate 9.64% equity interest in Sigma and the approximate 5.12% equity interest in Wattrus which has an approximate 79.4% interest in Sigma) including the price-to-earning multiple (the "**P/E multiple**") as primary benchmark, and to a lesser extent, enterprise value-to-EBITDA multiple (the "**EV/EBITDA multiple**") and price-to-book multiple (the "**P/B multiple**").

We have discussed the valuation methodologies adopted by the Board and have discussed the same with the financial advisers in connection with the Acquisition.

When evaluating the value of the 13.70% effective interest in Sigma, the Board has considered (i) the Acquisition is purely on the earnings perspective of Sigma; (ii) the approximate 13.70% minority interest of Sigma is acquired through the Acquisition and upon Completion, the Group will hold an approximate 20.55% effective interest in Sigma; and after the Group has obtained significant influence over the respective boards of directors of Sigma and Wattrus, the results of which would be equity-accounted for in the Group's financial statements; and (iii) Sigma has been primarily financed by shareholders' loan which are interest-free with no fixed terms of repayment and Sigma's capital structure is significantly different from that of the other companies with similar business operations. The Board is of the view that the P/E multiple is the most relevant valuation metric for the assessment of the Consideration.

Taking into account the various consideration and perspectives, we agree with the view of the Directors and it is our view as well that P/E multiple is the most appropriate means to evaluate the 13.70% effective interest in Sigma for the purpose of providing our opinion set out herein.

The consideration for the effective equity interest of approximately 13.70% in Sigma of US$425,291,036 (equivalent to approximately HK$3,308,764,263), being the aggregate of (i) the consideration of the Sigma Sale Shares of US$299,255,882 (equivalent to approximately HK$2,328,210,765); and (ii) the consideration of the Wattrus Sale Shares of US$126,035,154 (equivalent to approximately HK$980,553,498), to 13.70% of the audited net profit attributable to equity holders of Sigma (prepared in accordance with the requirements of HKFRS) for the year ended 31st December 2009 represents a historical P/E multiple of approximately 11.4 times. The Consideration of

US$520,000,000 (equivalent to approximately HK$4,045,600,000), being the aggregate of (i) the consideration of the Sigma Sale Shares of US$299,255,882 (equivalent to approximately HK$2,328,210,765); (ii) the consideration of the Wattrus Sale Shares of US$126,035,154 (equivalent to approximately HK$980,553,498); (iii) the consideration of the Sigma Shareholder Loans of US$80,139,723 (equivalent to approximately HK$623,487,042.55); and (iv) the consideration of the Wattrus Shareholder Loans of US$14,569,241 (equivalent to approximately HK$113,348,694.45), to 13.70% of the audited net profit attributable to equity holders of Sigma (prepared in accordance with the requirements of HKFRS) for the year ended 31st December 2009 represents a historical P/E multiple of approximately 13.9 times.

We attempted to select international and regional port-related business companies for illustrating the valuations of those players and that of the Acquisition. However, as the securities of those companies are listed on different overseas stock markets and the valuation levels among them may vary significantly given that they are under different political, economic and legal environments, we consider the inclusion of those international and regional port-related business companies in our analysis may not produce a fair comparison.

In our analysis of the Consideration, we have noted that a number of listed companies in Hong Kong on the main board of the Stock Exchange with certain parts of their operations being engaged in similar business as HPYL, which is the subsidiary of Sigma and Wattrus. However, most of the companies are basically conglomerates which also involved in other non-port related businesses and could not be treated as direct comparables to HPYL. In an attempt to formulate an independent view in relation to the basis in arriving at the Consideration for the approximate 13.70% effective equity interest in Sigma, we selected some best likely samples of listed companies for comparison purpose. We compared the P/E multiple of the Acquisition to three companies listed on the main board of the Stock Exchange principal businesses of which consisted of port management and operations (the "**Comparables**").

Although the companies we have selected as the Comparables have principal businesses similar to that of HPYL (i.e. port management and operations), we wish to remind the Shareholders that the Comparables are each unique in themselves in terms of market capitalisation, scale of operations, profitability, liquidity, port locations and level of borrowings. Since the businesses, operations and prospects of HPYL may be different from those of the Comparables, the statistics presented below only provide a basic reference for the performance of listed companies in Hong Kong which are engaged in similar lines of business as HPYL and the comparison of P/E multiple is solely for illustrative purpose. The relevant information is tabulated below:–

Stock code	Company	Principal business activities	Approximate market capitalization *(US$'million)*	Approximate P/E multiple *(times)*
2880	Dalian Port (PDA) Co., Ltd.	Provision of terminal and logistics services for oil products and liquefied chemicals, terminal logistics services for containers, and port value-added services including tugging, pilotage, tallying and IT services	10,504.3	15.4
3378	Xiamen International Port Co., Ltd.	Container loading and unloading and storage business; bulk/general cargo loading and unloading business; ancillary value-added port services; and manufacturing and selling of building materials	4,034.8	17.3
3382	Tianjin Port Development Holdings Limited	Operate container terminals in China	13,424.4	N/A (loss making)
			Maximum	17.3
			Minimum	15.4
			Mean	16.3
			Median	16.3
	The Acquisition			
	(Note 1)			**11.4**
	(Note 2)			**13.9**

Source: Data extracted from the website of the Stock Exchange (www.hkex.com.hk) and Bloomberg as at 29th April 2010, being the date of the Agreement

Notes:

1. *The implied P/E multiple of the Acquisition of 11.4 times was calculated based on the consideration for the effective equity interest of approximately 13.70% in Sigma of US$425,291,036 (equivalent to approximately HK$3,308,764,263) without taking into account the Wattrus Shareholder Loans and the Sigma Shareholder Loans of US$14,569,241 (equivalent to approximately HK$113,348,694.45) and US$80,139,723 (equivalent to approximately HK$623,487,042.55), respectively.*

2. *The implied P/E multiple of the Acquisition of 13.9 times was calculated based on the consideration for the effective equity interest of approximately 13.70% in Sigma of US$520,000,000 (equivalent to approximately HK$4,045,600,000) after taking into account the Wattrus Shareholder Loans and the Sigma Shareholder Loans of US$14,569,241 (equivalent to approximately HK$113,348,694.45) and US$80,139,723 (equivalent to approximately HK$623,487,042.55), respectively.*

As illustrated from the table above, the P/E multiples of the Comparables (excluding Tianjin Port Development Holdings Limited which incurred losses for the year ended 31st December 2009) range from 15.4 times to 17.3 times, with mean and median P/E multiples of approximately 16.3 times and 16.3 times, respectively. The implied P/E multiple of the consideration for the effective equity interest of approximately 13.70% in Sigma of approximately US$425.3 million (equivalent to approximately HK$3,308.8 million), being the aggregate of (i) the consideration of the Sigma Sale Shares of US$299,255,882 (equivalent to approximately HK$2,328,210,765); and (ii) the consideration of the Wattrus Sale Shares of US$126,035,154 (equivalent to approximately HK$980,553,498), of 11.4 times and the implied P/E multiple of the Consideration of US$520,000,000 (equivalent to approximately HK$4,045,600,000), being the aggregate of (i) the consideration of the Sigma Sale Shares of US$299,255,882 (equivalent to approximately HK$2,328,210,765); (ii) the consideration of the Wattrus Sale Shares of US$126,035,154 (equivalent to approximately HK$980,553,498); (iii) the consideration of the Sigma Shareholder Loans of US$80,139,723 (equivalent to approximately HK$623,487,042.55); and (iv) the consideration of the Wattrus Shareholder Loans of US$14,569,241 (equivalent to approximately HK$113,348,694.45), of 13.9 times are lower than the minimum of the P/E multiple range of the Comparables. It is believed that such lower P/E multiple of the Acquisition would partly be resulted from the discount for lack of marketability. On such basis, we consider that the Consideration is reasonable when compared to the Comparables.

Conditions precedent

The Agreement is conditional upon the satisfaction of the conditions precedent as contained in the Agreement and as set out in the Letter from the Board on or before 31st July 2010 (the "**Long Stop Date**"). In the event that any of the conditions has not been satisfied on or before the Long Stop Date, the provisions of this Agreement (except those surviving terms) shall be deemed to have terminated automatically and the provisions of this Agreement (except those surviving terms) shall cease to have any force and effect and all rights and obligations of the contracting parties under the Agreement shall end (except for those surviving terms) save for all rights and liabilities of the parties which have accrued before termination.

As at the Latest Practicable Date, the conditions set out in sub-paragraphs (2) and (3) under the paragraph headed "Conditions to Completion" in the Letter from the Board had been satisfied.

Completion

Completion shall take place on the Completion Date, being the later of (i) the tenth business day (or such earlier business day as Crestway may by five business days prior notice notify APMM and Orion) following the day (not being later than 31st July 2010) on which the last of the conditions set out in sub-paragraphs (1), (2) and (3) under the paragraph headed "Conditions to Completion" in the Letter from the Board has been satisfied or waived; or (ii) such date (not being later than 30th September 2010) as extended by Crestway following the disclosure made by APMM or Orion of any matter arising after date of the Agreement and before the Completion Date, which results in any warranties provided by APMM and Orion at the time of the Agreement becoming unture, inaccurate or misleading; or (iii) such other date as may be agreed by APMM, Orion, Crestway and the Company in writing.

If Completion takes place after 30th June 2010 due solely to the failure to satisfy one or both of the Conditions set out in sub-paragraphs (2) and (3) under the paragraph headed "Conditions to Completion" in the Letter from the Board, Crestway has to pay a compensation of (a) US$29,400 (equivalent to approximately HK$228,732) to APMM; and (b) US$12,600 (equivalent to approximately HK$98,028) to Orion for each day over the period from and including 30th June 2010 up to but excluding the Completion Date.

Since both of the Conditions set out in sub-paragraphs (2) and (3) under the paragraph headed "Conditions to Completion" in the Letter from the Board have been satisfied, Crestway is not liable to pay the aforesaid compensation to APMM and Orion.

Conclusion

Having considered that (i) the Agreement has been entered into after arm's length negotiation and its terms are fair and reasonable; (ii) the valuation of the approximate 13.70% effective equity interest of Sigma is, in essence, justifiable after gauging the Consideration by using P/E analysis; and (iii) the other terms of the Agreement are basically normal commercial terms, we consider that the Agreement is on normal commercial terms and its terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

6. Expected financial impact on the Group as a result of the Acquisition

The Group's existing 6.85% equity interest in Sigma has been recorded as an available-for-sale financial assets in the consolidated balance sheet of the Group and the results of Sigma are not recorded in the consolidated income statement of the Group except under circumstances including, amongst others, (i) Sigma declares a dividend; (ii) the Group divests its equity of Sigma; (iii) there is any change in the percentage shareholding in Sigma; or (iv) the Group recognizes any impairment loss on its available-for-sale financial assets. Upon completion of the Acquisition, the Group's effective interest in Sigma would increase from approximately 6.85% to approximately 20.55%. As a result of the Acquisition and after the Group has obtained significant influence over the respective boards of directors of Wattrus and Sigma, Wattrus and Sigma would become associates of the Company and their future results would be equity accounted for in the Group's financial statements.

As advised by the management of the Company, they are not aware of any material tax exposure.

As noted from the Letter from the Board, assuming that the Group's interest in Wattrus had been approximately 5.12% and the Group's interest in Sigma had been approximately 16.49% (instead of approximately 6.85%) as at 31st December 2009 and based on (i) the Group's financial results and figures disclosed in the consolidated financial statements of the Group for the year ended 31st December 2009; and (ii) the Consideration, there would have been the following effects on the net asset value and net debts to total equity of the Group as at 31st December 2009:

Total assets, total liabilities and net assets

As mentioned in the Letter from the Board, upon the completion and after the Group has obtained significant influence over the respective boards of directors of Wattrus and Sigma, the Group's consolidated net assets would have decreased, mainly due to the reclassification of the existing 6.85% equity interest in Sigma from an available-for-sale financial asset to an associate which is accounted for using equity accounting and the additional share of approximately 9.64% equity interest in Sigma's net assets and 5.12% equity interest in Wattrus's net assets and the Sigma Shareholder Loans and the Wattrus Shareholder Loans acquired, and the Consideration payable.

On the basis of the assumptions set out in the unaudited pro forma financial information of the Group as set out in Appendix III to the Circular, it is noted that the unaudited pro forma adjusted consolidated total assets of the Group would be approximately US$4,958.3 million, the unaudited pro forma adjusted consolidated total liabilities of the Group would be approximately US$2,297.0 million. Accordingly, the unaudited pro forma adjusted consolidated net assets of the Group (including minority interest) will be approximately US$2,661.3 million as if the Acquisition had been taken place on 31st December 2009. Shareholders should refer to the "Unaudited pro forma financial information of the Group" as set out in Appendix III to the Circular.

Audited consolidated net assets of the Group as 31st December 2009 were US$2,858.4 million. Subsequently, the Group has completed the disposal of its 49% equity interest of the Company in COSCO Logistics Co., Ltd. and the Subscription. The proceeds of (i) the disposal of the 49% equity interest of the Company in COSCO Logistics Co., Ltd., which was completed on 30th March 2010; and (ii) the issuance of new Shares which was announced by the Company on 29th April 2010 and was subsequently completed on 12th May 2010, received by the Group, totaling approximately US$876 million, have significantly improved the total assets and net assets of the Group.

Gearing and working capital

We noted from the Group's financial statements that the Group had net debt to total equity ratio (calculated as the ratio of total borrowings net of cash and cash equivalents and restricted bank deposits to total equity as at 31st December 2009) of approximately 41.9% (2008: 37.6%) as at 31st December 2009. The Acquisition would be financed out of internal resources of the Group.

Taking into account the proceeds of (i) the disposal of the 49% equity interest of the Company in COSCO Logistics Co., Ltd. which was completed on 30th March 2010; and (ii) the issuance of new Shares pursuant to the Top-up Placing which was completed on 12th May 2010, the consolidated net gearing ratio of the Group (being total borrowings less cash and cash equivalents and restricted bank deposits and then divided by total equity) subsequent to the Acquisition would be improved as compared with 31st December 2009.

We understand from the management that the balance of the net proceeds of the said subscription will be retained as working capital of the Group, it is expected that there will be no significant impact on the liquidity position of the Group as a result of the Acquisition.

OPINION

In arriving at our opinion, we have considered the principal factors and reasons discussed above, in particular,

(i) the reasons for, and benefits of, the Acquisition;

(ii) the terms of the Agreement; and

(iii) the expected financial impact on the Group as a result of the Acquisition.

Having considered the above principal factors and based on the information provided and the representations made to us, we are of the opinion that the Agreement is on normal commercial terms and its terms are fair and reasonable, and that the Acquisition is in the interests of the Company and the Shareholders as a whole.

The Stock Exchange has granted a waiver to the Company from complying with the requirement to hold a shareholders' meeting and the permission for the independent shareholders' approval in respect of the Acquisition to be given in the form of the written approval. Accordingly, the Agreement and the transactions contemplated thereby are not required to be approved at general meeting of the Company. However, had the Agreement been required to be put forward for consideration and approval at a general meeting, we would also recommend the Independent Board Committee to advise the Independent Shareholders to approve them.

Yours faithfully,
For and on behalf of
Asia Investment Management Limited
Alice Kan
Managing Director

(A) THREE YEAR FINANCIAL SUMMARY

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 2009 as extracted from the Company's annual reports of the respective years, with certain comparative figures in relation to the share of profit of COSCO Logistics Co., Ltd. reclassified under profit for the year from discontinuing operation to conform with the presentation of the latest financial statements.

FINANCIAL POSITION

	As at 31st December		
	2007	**2008**	**2009**
	US$'000	*US$'000*	*US$'000*
ASSETS			
Non-current assets			
Property, plant and equipment	1,474,264	1,627,590	1,834,079
Investment properties	1,676	1,679	4,169
Leasehold land and land use rights	43,654	60,660	148,237
Intangible assets	3,506	4,688	5,719
Jointly controlled entities	591,687	642,149	431,132
Loans to jointly controlled entities	160,816	123,904	160,147
Associates	464,447	708,508	730,102
Loans to associates	15,704	23,835	32,440
Available-for-sale financial assets	503,000	323,000	320,000
Finance lease receivables	2,315	2,000	1,051
Deferred income tax assets	1,271	1,204	1,980
Derivative financial instruments	4,641	24,215	16,556
Other non-current assets	–	–	71,511
Restricted bank deposits	506	–	–
	3,267,487	3,543,432	3,757,123
Current assets			
Inventories	10,105	5,376	9,821
Trade and other receivables	193,496	232,265	182,315
Current income tax recoverable	–	975	1,355
Available-for-sale financial assets	13,620	2,119	20,581
Restricted bank deposits	–	77,435	14
Cash and cash equivalents	386,867	351,606	405,740
	604,088	669,776	619,826
Asset held for sale under discontinuing operation	–	–	258,363
	604,088	669,776	878,189
Total assets	3,871,575	4,213,208	4,635,312

	As at 31st December		
	2007	**2008**	**2009**
	US$'000	*US$'000*	*US$'000*
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	28,790	28,792	29,018
Reserves	2,543,971	2,492,047	2,686,147
Proposed final and special dividends	139,632	31,026	27,128
	2,712,393	2,551,865	2,742,293
Minority interests	62,266	94,438	116,058
Total equity	2,774,659	2,646,303	2,858,351
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	8,620	12,776	19,603
Long term borrowings	874,435	1,356,955	1,410,671
Other long term liabilities	5,189	2,922	744
	888,244	1,372,653	1,431,018
Current liabilities			
Trade and other payables	153,739	123,531	148,000
Current income tax liabilities	15,334	3,341	4,329
Current portion of long term borrowings	25,904	56,406	83,051
Short term bank loans	13,695	10,974	110,563
	208,672	194,252	345,943
Total liabilities	1,096,916	1,566,905	1,776,961
Total equity and liabilities	3,871,575	4,213,208	4,635,312
Net current assets	395,416	475,524	532,246
Total assets less current liabilities	3,662,903	4,018,956	4,289,369

RESULTS OF OPERATIONS

	Year ended 31st December		
	2007	2008	2009
	US$'000	*US$'000*	*US$'000*
Continuing operations:			
Revenue	298,948	337,973	349,424
Cost of sales	(152,513)	(165,454)	(200,174)
Gross profit	146,435	172,519	149,250
Investment income	21,874	22,493	22,339
Administrative expenses	(55,582)	(50,142)	(62,949)
Other operating income	53,909	26,743	10,009
Other operating expenses	(9,561)	(5,652)	(18,731)
Fair value gain on put options granted	55,181	–	–
Operating profit	212,256	165,961	99,918
Finance income	10,466	6,866	6,005
Finance costs	(49,878)	(52,738)	(39,805)
Operating profit after finance income and costs	172,844	120,089	66,118
Share of profits less losses of			
– jointly controlled entities	87,270	75,267	59,183
– associates	80,326	54,815	32,890
Profit on disposal of a jointly controlled entity	–	–	5,516
Profit on disposal of an associate	90,742	–	–
Profit before income tax from continuing operations	431,182	250,171	163,707
Income tax (expenses)/credit	(17,796)	4,585	(13,286)
Profit for the year from continuing operations	413,386	254,756	150,421
Discontinuing operation:			
Profit for the year from discontinuing operation			
– share of profit of a jointly controlled entity	19,663	25,006	25,627
Profit for the year	433,049	279,762	176,048
Profit attributable to:			
Equity holders of the Company	427,768	274,725	172,526
Minority interests	5,281	5,037	3,522
	433,049	279,762	176,048
Dividends	211,003	109,873	69,162

(B) AUDITED FINANCIAL STATEMENTS

The following are the audited financial statements of the Group for the year ended 31st December 2009 together with accompanying notes, extracted from the Company's annual report for financial the year ended 31st December 2009.

Consolidated Balance Sheet
As at 31st December 2009

	Note	2009 US$'000	2008 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	1,834,079	1,627,590
Investment properties	8	4,169	1,679
Leasehold land and land use rights	9	148,237	60,660
Intangible assets	10	5,719	4,688
Jointly controlled entities	12	431,132	642,149
Loans to jointly controlled entities	12	160,147	123,904
Associates	13	730,102	708,508
Loans to associates	13	32,440	23,835
Available-for-sale financial assets	14	320,000	323,000
Finance lease receivables	15	1,051	2,000
Deferred income tax assets	16	1,980	1,204
Derivative financial instruments	17	16,556	24,215
Other non-current assets	18	71,511	–
		3,757,123	3,543,432
Current assets			
Inventories	19	9,821	5,376
Trade and other receivables	20	182,315	232,265
Current income tax recoverable		1,355	975
Available-for-sale financial assets	14	20,581	2,119
Restricted bank deposits	42(c)	14	77,435
Cash and cash equivalents	42(c)	405,740	351,606
		619,826	669,776
Asset held for sale under discontinuing operation	21	258,363	–
		878,189	669,776
Total assets		4,635,312	4,213,208

	Note	2009 US$'000	2008 US$'000
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	22	29,018	28,792
Reserves		2,686,147	2,492,047
Proposed final dividend		27,128	31,026
		2,742,293	2,551,865
Minority interests		116,058	94,438
Total equity		2,858,351	2,646,303
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	16	19,603	12,776
Long term borrowings	25	1,410,671	1,356,955
Other long term liabilities	26	744	2,922
		1,431,018	1,372,653
Current liabilities			
Trade and other payables	27	148,000	123,531
Current income tax liabilities		4,329	3,341
Current portion of long term borrowings	25	83,051	56,406
Short term bank loans	25	110,563	10,974
		345,943	194,252
Total liabilities		1,776,961	1,566,905
Total equity and liabilities		4,635,312	4,213,208
Net current assets		532,246	475,524
Total assets less current liabilities		4,289,369	4,018,956

Balance Sheet
As at 31st December 2009

	Note	2009 US$'000	2008 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	195	21
Subsidiaries	11	2,087,060	1,934,267
		2,087,255	1,934,288
Current assets			
Other receivables	20	246	3,259
Amounts due from subsidiaries	11	252,216	280,300
Restricted bank deposits	42(c)	–	77,345
Cash and cash equivalents	42(c)	59,028	99,212
		311,490	460,116
Total assets		2,398,745	2,394,404
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	22	29,018	28,792
Reserves	24	1,599,916	1,543,482
Proposed final dividend	24	27,128	31,026
Total equity		1,656,062	1,603,300
LIABILITIES			
Non-current liability			
Loan due to a subsidiary	11	296,655	296,655
Current liabilities			
Other payables	27	5,195	2,373
Amounts due to subsidiaries	11	440,833	492,076
		446,028	494,449
Total liabilities		742,683	791,104
Total equity and liabilities		2,398,745	2,394,404

Consolidated Income Statement
For the year ended 31st December 2009

	Note	2009 US$'000	2008 US$'000
Continuing operations:			
Revenue	6	349,424	337,973
Cost of sales		(200,174)	(165,454)
Gross profit		149,250	172,519
Investment income		22,339	22,493
Administrative expenses		(62,949)	(50,142)
Other operating income	28	10,009	26,743
Other operating expenses		(18,731)	(5,652)
Operating profit	29	99,918	165,961
Finance income	30	6,005	6,866
Finance costs	30	(39,805)	(52,738)
Operating profit after finance income and costs		66,118	120,089
Share of profits less losses of			
– jointly controlled entities		59,183	75,267
– associates		32,890	54,815
Profit on disposal of a jointly controlled entity	31	5,516	–
Profit before income tax from continuing operations		163,707	250,171
Income tax (expenses)/credit	32	(13,286)	4,585
Profit for the year from continuing operations		150,421	254,756
Discontinuing operation:			
Profit for the year from discontinuing operation – share of profit of a jointly controlled entity	21	25,627	25,006
Profit for the year		176,048	279,762
Profit attributable to:			
Equity holders of the Company	33	172,526	274,725
Minority interests		3,522	5,037
		176,048	279,762
Dividends	34	69,162	109,873

	Note	2009 US$'000	2008 US$'000
Earnings per share for profit attributable to equity holders of the Company			
– basic	35		
– from continuing operations		US6.52 cents	US11.12 cents
– from discontinuing operation		US1.14 cents	US1.12 cents
		US7.66 cents	US12.24 cents
– diluted	35		
– from continuing operations		US6.52 cents	US11.12 cents
– from discontinuing operation		US1.14 cents	US1.11 cents
		US7.66 cents	US12.23 cents

Consolidated Statement of Comprehensive Income
For the year ended 31st December 2009

	2009	2008
	US$'000	*US$'000*
Profit for the year	176,048	279,762
Other comprehensive income		
Exchange differences arising on translation of financial statements of foreign subsidiaries, jointly controlled entities and associates	9,831	85,192
Net fair value gain/(loss) on available-for-sale financial assets	43,824	(205,701)
Release of reserve upon disposal of an available-for-sale financial asset	(85)	(2,044)
Fair value adjustment upon transfer from property, plant and equipment to investment properties	294	152
Share of reserves of jointly controlled entities and associates		
– revaluation reserve	6,554	(81,967)
– hedging reserve	(433)	(863)
– exchange reserve	4,937	(9,302)
– other reserves	6,644	2,392
Other comprehensive income/(loss) for the year	71,566	(212,141)
Total comprehensive income for the year	247,614	67,621
Total comprehensive income attributable to:		
Equity holders of the Company	243,935	57,743
Minority interests	3,679	9,878
	247,614	67,621

Consolidated Statement of Changes in Equity

For the year ended 31st December 2009

	Share capital	Share premium	Share option reserve	Capital reserve	Contributed surplus	Investment revaluation reserve	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 2009	28,792	699,162	10,732	4,708	115	208,002	866	145,680	42,326	1,411,482	2,523,073	94,438	2,646,303
Profit for the year	–	–	–	–	–	–	–	–	–	172,526	172,526	3,522	176,048
Exchange differences arising on translation of financial statements of foreign subsidiaries, jointly controlled entities and associates	–	–	–	–	–	–	–	9,674	–	–	9,674	157	9,831
Net fair value gain on available-for-sale financial assets	–	–	–	–	–	43,824	–	–	–	–	43,824	–	43,824
Release of reserve upon disposal of an available-for-sale financial asset	–	–	–	–	–	(85)	–	–	–	–	(85)	–	(85)
Fair value adjustment upon transfer from property, plant and equipment to investment properties	–	–	–	–	–	–	294	–	–	–	294	–	294
Share of reserves of jointly controlled entities and associates	–	–	–	–	–	6,554	–	4,937	6,211	–	17,702	–	17,702
Release of reserve upon disposal of a jointly controlled entity	–	–	–	(22)	–	–	–	–	(2,292)	2,314	–	–	–
Total comprehensive (loss)/income for the year	–	–	–	(22)	–	50,293	294	14,611	3,919	174,840	243,935	3,679	247,614
Issue of shares on exercise of share options	1	24	–	–	–	–	–	–	–	–	24	–	25
Issue of shares on settlement of scrip dividends	225	19,303	–	–	–	–	–	–	–	–	19,303	–	19,528
Transfer of reserve upon lapse of share option	–	–	(324)	–	–	–	–	–	–	324	–	–	–
Capital contributions from minority shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	22,944	22,944
Transfer of reserves	–	–	–	–	–	–	–	–	5,592	(5,592)	–	–	–
Dividends paid to minority shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(5,003)	(5,003)
Dividends paid to equity holders of the Company													
– 2008 final	–	–	–	–	–	–	–	–	–	(31,026)	(31,026)	–	(31,026)
– 2009 interim	–	–	–	–	–	–	–	–	–	(42,034)	(42,034)	–	(42,034)
	226	19,327	(324)	(22)	–	50,293	294	14,611	9,511	96,512	190,202	21,620	212,048
At 31st December 2009	29,018	718,489	10,408	4,686	115	258,295	1,160	160,291	51,837	1,507,994	2,713,275	116,058	2,858,351
Representing:													
Share capital	29,018	–	–	–	–	–	–	–	–	–	–		
Reserves	–	718,489	10,408	4,686	115	258,295	1,160	160,291	51,837	1,480,866	2,686,147		
2009 final dividend proposed	–	–	–	–	–	–	–	–	–	27,128	27,128		
	29,018	718,489	10,408	4,686	115	258,295	1,160	160,291	51,837	1,507,994	2,713,275		

For the year ended 31st December 2008

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

Consolidated Cash Flow Statement
For the year ended 31st December 2009

	Note	2009 US$'000	2008 US$'000
Cash flows from operating activities			
Cash generated from operations	42(a)	176,672	261,728
Interests received		1,140	5,033
Net cash received from interest rate swap contracts		3,610	1,570
Tax refunded		90	260
Tax paid		(6,616)	(2,197)
Net cash generated from operating activities		174,896	266,394
Cash flows from investing activities			
Dividends received from jointly controlled entities		73,154	93,359
Dividends received from associates		18,169	65,877
Dividends received from available-for-sale financial assets		22,254	22,443
Purchase of property, plant and equipment		(364,716)	(522,468)
Acquisition of a business	42(b)	(7,889)	(27,758)
Investments in jointly controlled entities		(13,560)	(15,626)
Investments in associates		–	(298,694)
Loans advanced to jointly controlled entities, associates and an investee company		(25,467)	(49,296)
Repayment of loans by jointly controlled entities, an associate and an investee company		43,281	27,862
Sale of available-for-sale financial assets		3,808	4,376
Sale of property, plant and equipment		1,504	273,355
Net proceeds on disposal of a jointly controlled entity		16,400	14,000
Compensation received for loss of containers		464	1,024
Increase in other non-current assets		(66,658)	–
Decrease/(increase) in restricted bank deposits		77,345	(77,345)
Net cash used in investing activities		(221,911)	(488,891)
Cash flows from financing activities			
Loans borrowed		285,783	590,544
Loans repaid		(100,749)	(144,738)
Issue of shares		25	211
Share issue expenses		–	(3)
Dividends paid to equity holders of the Company		(53,532)	(218,469)
Dividends paid to minority shareholders of subsidiaries		(5,003)	(6,075)
Interests paid		(48,978)	(49,520)
Other incidental borrowing costs paid		(322)	(3,330)
Capital contribution by minority shareholders of subsidiaries		22,944	18,389
Net cash generated from financing activities		100,168	187,009
Net increase/(decrease) in cash and cash equivalents		53,153	(35,488)
Cash and cash equivalents at 1st January		351,606	386,867
Exchange differences		981	227
Cash and cash equivalents at 31st December	42(c)	405,740	351,606

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, container manufacturing, logistics, and their related businesses. The Company is a limited liability company incorporated in Bermuda with its shares listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), and its registered office is Clarendon House, Church Street, Hamilton, HM 11, Bermuda.

The intermediate holding company of the Company is China COSCO Holdings Company Limited ("China COSCO"), a company established in the People's Republic of China (the "PRC") with its H-shares and A-shares listed on the Main Board of the Stock Exchange and the Shanghai Stock Exchange respectively. The parent company of China COSCO is China Ocean Shipping (Group) Company ("COSCO"), a state-owned enterprise established in the PRC.

These consolidated financial statements have been approved for issue by the Board of Directors on 30th March 2010.

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"). The consolidated financial statements have been prepared under the historical cost convention except that, available-for-sale financial assets, derivative financial instruments and investment properties are carried at fair value and certain buildings are carried at valuation as at 31st December 1994 less accumulated depreciation and impairment losses.

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

(a) Adoption of new HKFRSs

In 2009, the Group has adopted the following new and revised HKFRS standards, interpretations, amendments or improvements to existing standards (collectively the "new HKFRSs") issued by the HKICPA which are relevant to the Group's operations and mandatory for the financial year ended 31st December 2009:

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 and HKAS 1 Amendments	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 and HKAS 27 Amendments	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 Amendment	Share-based Payment Vesting Conditions and Cancellations
HKFRS 7 Amendment	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Embedded Derivatives
HK(IFRIC)-Int 13	Customer Loyalty Programmes
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC)-Int 18	Transfer of Assets from Customers

Improvements to existing standards

HKAS 1 Amendment	Presentation of Financial Statements
HKAS 16 Amendment	Property, Plant and Equipment
HKAS 19 Amendment	Employee Benefits
HKAS 20 Amendment	Accounting for Government Grants and Disclosure of Government Assistance
HKAS 23 Amendment	Borrowing Costs
HKAS 27 Amendment	Consolidated and Separate Financial Statements
HKAS 28 Amendment	Investments in Associates
HKAS 29 Amendment	Financial Reporting in Hyperinflationary Economies
HKAS 31 Amendment	Interests in Joint Ventures
HKAS 36 Amendment	Impairment of Assets
HKAS 38 Amendment	Intangible Assets
HKAS 39 Amendment	Financial Instruments: Recognition and Measurement
HKAS 40 Amendment	Investment Property
HKAS 41 Amendment	Agriculture

Except for certain changes in presentation and disclosures as described below, the adoption of the above new HKFRSs in the current year did not have any significant effect on the consolidated financial statements or result in any substantial changes in the Group's significant accounting policies.

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

- HKFRS 7 Amendment, "Improving Disclosures about Financial Instruments". The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. Additional disclosures have been made in the consolidated financial statements.

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

(b) Standards, interpretations, amendments and improvements to existing standards that are not yet effective for the year ended 31st December 2009 and have not been early adopted by the Group

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

		Effective for accounting periods beginning on or after
New or revised standards, interpretations and amendments		
HKAS 24 (Revised)	Related Party Disclosures	1st January 2011
HKAS 27 (Revised)	Consolidated and Separate Financial Statements	1st July 2009
HKAS 32 Amendment	Classification of Right Issues	1st February 2010
HKAS 39 Amendment	Financial Instruments: Recognition and Measurement – Eligible hedged items	1st July 2009
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards	1st July 2009
HKFRS 1 Amendment	Additional Exemptions for First-time Adopters	1st January 2010

		Effective for accounting periods beginning on or after
HKFRS 1 Amendment	Limited Exemption from comparative HKFRS 7 Disclosures for First-time Adopters	1st July 2010
HKFRS 2 Amendment	Group Cash-settled Share-based Payment Transactions	1st January 2010
HKFRS 3 (Revised)	Business Combinations	1st July 2009
HKFRS 9	Financial Instruments	1st January 2013
HK(IFRIC)-Int 14 Amendment	Prepayments of a Minimum Funding Requirement	1st January 2011
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners	1st July 2009
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments	1st July 2010
Improvements to existing standards		
HKAS 1 Amendment	Presentation of Financial Statements	1st January 2010
HKAS 7 Amendment	Statement of Cash Flows	1st January 2010
HKAS 17 Amendment	Leases	1st January 2010
HKAS 18 Amendment	Revenue	1st January 2010
HKAS 36 Amendment	Impairment of Assets	1st January 2010
HKAS 38 Amendment	Intangible Assets	1st July 2009
HKAS 39 Amendment	Financial Instruments: Recognition and Measurement	1st January 2010
HKFRS 2 Amendment	Share-based Payments	1st July 2009
HKFRS 5 Amendment	Non-current Assets Held for Sale and Discontinued Operations	1st July 2009 and 1st January 2010
HKFRS 8 Amendment	Operating Segments	1st January 2010
HK(IFRIC)-Int 9 Amendment	Reassessment of Embedded Derivatives	1st July 2009
HK(IFRIC)-Int 16 Amendment	Hedges of a Net Investment in a Foreign Operation	1st July 2009

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

3 Summary of significant accounting policies

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

3.1 Group accounting

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

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

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

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

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

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

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

(a) Subsidiaries

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

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

(b) Jointly controlled entities

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

(c) Associates

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

(d) Minority interests

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

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

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

3.2 Segment reporting

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

3.3 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 consolidated income statement as part of the gain or loss on sale.

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

3.4 Property, plant and equipment

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

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

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

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

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

Other property, plant and equipment includes plant and machinery, furniture, fixtures and equipment and motor vehicles.

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.

3.5 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.

3.6 Investment properties

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

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

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

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

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

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

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

3.7 Asset held for sale

Non-current assets are classified as held for sale when their carrying amount is to be recovered principally though a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

3.8 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 is 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.

3.9 Impairment of investments in subsidiaries, jointly controlled entities, associates, and non-financial assets

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

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

3.10 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 from the balance sheet date.

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

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

3.11 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.

3.12 Impairment of financial assets

(a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulties of the issuer or obligor, probability that the issuer or obligor will enter bankruptcy or other financial reorganisation;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  - (i) adverse changes in the payment status of borrowers in the portfolio;
  - (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

(b) Available-for-sale financial assets

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

3.13 Inventories

Inventories include resaleable containers. Inventories are stated at the lower of cost and net realisable value. Costs are calculated on weighted average basis for resaleable containers. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

3.14 Trade and other receivables

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

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

3.15 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).

3.16 Assets under leases

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

(a) Leases – where the Group is the lessee

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

(b) Leases – where the Group is the lessor

When the Group leases out assets under operating leases, the assets are included in the balance sheet according to their nature and where applicable, are depreciated in accordance with the Group's depreciation policies, as set out in note 3.4 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 3.24(b) and 3.24(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 3.24(b) below.

3.17 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.

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

3.18 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

3.19 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.

3.20 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.

3.21 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.

3.22 Current and deferred income tax

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group, its jointly controlled entities and its associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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

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

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.

3.23 Employee benefits

(a) Retirement benefit costs

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

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

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

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

(b) Employee leave entitlements

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

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

(c) Bonus entitlements

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

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

(d) Share-based compensation

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

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

3.24 Recognition of revenue and income

The Group recognises revenue and income on the following bases:

(a) Revenue from terminal operations

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

(b) 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.

(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.

(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.

3.25 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.

3.26 Deal management fee and upfront administration fee

Deal management fee and upfront administration fee regarding the containers management services were received from the purchasers of containers. The above fees are recognised as income in the consolidated income statement over the management periods pursuant to the deal management fee agreement and administrative services agreement accordingly.

3.27 Dividend distribution

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

3.28 Contingent liabilities and contingent assets

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

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

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

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

4 Financial risk management

4.1 Financial risk factors

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

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

(a) Market risk

(i) Foreign exchange risk

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

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

With all other variables held constant, if the currencies of Non-Functional Currency Items had weakened/strengthened by 5% against the US dollar, the Group's profit after income tax for the year would have been increased/decreased by approximately US$305,000 (2008: decreased/increased by approximately US$1,781,000) as a result of the translation of those Non-Functional Currency Items.

(ii) Price risk

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

(iii) Cash flow and fair value interest rate risk

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

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

With all other variables held constant, if the interest rate had increased/decreased by 50 basis-points, the corresponding increase/decrease in net finance costs (representing interest expenses on Interest Bearing Liabilities net of interest income on the Interest Bearing Assets) would have been approximately US$4,816,000 (2008: US$3,837,000).

(b) Credit risk

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

The majority of the Group's trade and finance lease receivables relate to container leasing rental income receivable from COSCO Container Lines Company Limited ("COSCON"), a fellow subsidiary of the Group and a subsidiary of China COSCO, and third party customers which are operating in the container shipping industry. COSCON accounted for approximately 38% of the Group's revenue and most of balance receivable from COSCON are aged within the credit period granted.

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

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

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

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

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

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

(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 and the Company'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*
Group				
At 31st December 2009				
Bank and other borrowings	234,640	179,657	1,188,708	172,362
Trade and other payables	148,000	–	–	–
Financial guarantee contracts	6,301	5,608	19,879	–
At 31st December 2008				
Bank and other borrowings	113,570	132,805	1,173,883	194,094
Trade and other payables	123,531	–	–	–
Financial guarantee contracts	6,024	6,151	24,882	–
Company				
At 31st December 2009				
Loan due to a subsidiary	–	–	296,655	–
Other payables	5,195	–	–	–
Amounts due to subsidiaries	440,833	–	–	–
Financial guarantee contracts	65,801	113,608	1,043,879	–
At 31st December 2008				
Loan due to a subsidiary	–	–	296,655	–
Other payables	2,373	–	–	–
Amounts due to subsidiaries	492,076	–	–	–
Financial guarantee contracts	42,024	65,651	1,156,882	–

4.2 Capital risk management

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

The Group monitors capital on the basis of the net debt (total borrowings less cash and cash equivalents and restricted bank deposits) to equity ratio. The Group aims to maintain a manageable net debt to equity ratio. As at 31st December 2009, the net debt to equity ratio is 41.9% (2008: 37.6%).

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 Group's financial instruments that are measured at fair value are disclosed by levels of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's financial instruments that are measured at fair value at 31st December 2009:

	2009
	Level 2
	US$'000
Available-for-sale financial assets	340,581
Derivative financial instruments	16,556
Borrowings under fair value hedge	215,554

The Group will determine the fair value of unlisted available-for-sale financial assets by reference to valuation report of an independent professional valuer which is determined using valuation technique (including price/earnings multiple method and direct market quote). The assumptions that are mainly based on market conditions existing at each balance sheet date. These available-for-sale financial assets are included in level 2.

The fair values of interest rate swap contracts and borrowings are calculated as the present values of the estimated future cash flows. These instruments are included in level 2.

The fair value of financial guarantee contracts is determined by reference to the fees charged 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.

5 Critical accounting estimates and judgements

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

5.1 Critical accounting estimates and assumptions

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

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

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

If the price/earnings ratio as used for the fair value estimation had been 10% lower than the management's estimates adopted, the Group's total equity and the carrying amount of available-for-sale financial assets would have been decreased by US$34,058,000.

(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 2009. The estimated residual values remained unchanged.

If the useful lives of containers differ by 10% from management's estimates as at 31st December 2009 with all other variables held constant, the estimated depreciation charge for the year would be US$14,896,000 higher or US$9,632,000 lower for the year ended 31st December 2009.

If the residual values of containers differ by 10% from management's estimates as at 31st December 2009 with all other variables held constant, the estimated depreciation charge for the year would be US$2,752,000 higher or US$2,752,000 lower for the year ended 31st December 2009.

(c) Impairment of containers

The Group tests whether containers have suffered any impairment in accordance with the accounting policy stated in note 3.9. 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$1,016,000.

If the estimated pre-tax discount rate applied to the value-in-use calculations had been 5% higher than management's estimates, the Group would have recognised additional impairment loss and a reduction of carrying amount of the property, plant and equipment of US$1,191,000.

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

5.2 Critical judgement in applying the Group's accounting policies

(a) Income taxes

Deferred tax liabilities have not been established for the withholding taxation that would be payable on the undistributed earnings of certain subsidiaries which were under certain jurisdictions as the directors consider that the timing of the reversal of related temporary differences can be controlled (note 16).

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

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

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

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

6 Revenue and segment information

Revenues recognised during the year are as follows:

	2009	**2008**
	US$'000	*US$'000*
Container terminal operation income	114,935	78,678
Operating lease rentals on		
– containers	198,069	202,437
– generator sets	2,213	2,039
Sale of inventories	22,844	39,352
Finance lease income on containers	235	327
Container management income	6,470	8,465
Container handling, transportation and storage income	4,658	6,675
	349,424	337,973

(a) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments. The operating segments were determined based on the reports reviewed by management. The following operating segments were identified in accordance with the Group's continuing operations:

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

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

(iii) container manufacturing and related businesses.

The performance of the operating segments were assessed based on their segment profit/(loss) attributable to equity holders of the Company and segment assets, which is measured in a manner consistent with that in the consolidated financial statements.

Additions to non-current assets comprise additions to property, plant and equipment, prepaid operating lease payments for leasehold land, land use rights and other assets, intangible assets and investments in jointly controlled entities and associates.

Segment assets

	Continuing operations							Discontinuing operation
	Container terminal and related businesses	Container leasing, management, sale and related businesses	Container manufacturing and related businesses	Segment total	Corporate	Elimination of inter-segment loans	Total	Logistics and related businesses
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
At 31st December 2009								
Segment assets	2,014,962	1,689,028	595,996	4,299,986	335,788	(258,825)	4,376,949	258,363
Segment assets include:								
Jointly controlled entities	431,132	–	–	431,132	–	–	431,132	–
Associates	134,106	–	595,996	730,102	–	–	730,102	–
Available-for-sale financial assets	340,581	–	–	340,581	–	–	340,581	–
Asset held for sale under discontinuing operation	–	–	–	–	–	–	–	258,363
At 31st December 2008								
Segment assets	1,610,103	1,474,658	585,928	3,670,689	391,794	(75,068)	3,987,415	225,793
Segment assets include:								
Jointly controlled entities	406,572	–	9,784	416,356	–	–	416,356	225,793
Associates	132,364	–	576,144	708,508	–	–	708,508	–
Available-for-sale financial assets	323,000	–	–	323,000	2,119	–	325,119	–

Segment revenue, results and other information

	Continuing operations							Discontinuing operation
	Container terminal and related businesses	**Container leasing, management, sale and related businesses**	**Container manufacturing and related businesses**	**Segment total**	**Corporate**	**Elimination of inter-segment (revenue) and finance (income)/ costs**	**Total**	**Logistics and related businesses**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Year ended 31st December 2009								
Revenue – external sales	119,599	229,831	–	349,430	–	(6)	349,424	–
Segment profit/(loss) attributable to equity holders of the Company	83,554	71,375	30,876	185,805	(38,906)	–	146,899	25,627
Segment profit/(loss) attributable to equity holders of the Company includes:								
Finance income	570	3,774	–	4,344	9,719	(8,058)	6,005	–
Finance costs	(14,265)	(14,271)	–	(28,536)	(19,327)	8,058	(39,805)	–
Share of profits less losses of								
– jointly controlled entities	59,183	–	–	59,183	–	–	59,183	25,627
– associates	7,530	–	25,360	32,890	–	–	32,890	–
Profit on disposal of a jointly controlled entity	–	–	5,516	5,516	–	–	5,516	–
Income tax credit/(expenses)	584	(644)	–	(60)	(13,226)	–	(13,286)	–
Depreciation and amortisation	(18,049)	(79,568)	–	(97,617)	(728)	–	(98,345)	–
Provision for impairment of property, plant and equipment	–	(3,607)	–	(3,607)	–	–	(3,607)	–
Provision for inventories	–	(7,028)	–	(7,028)	–	–	(7,028)	–
Other non-cash expenses	(505)	(4,331)	–	(4,836)	(369)	–	(5,205)	–
Additions to non-current assets	(420,750)	(63,286)	–	(484,036)	(28,038)	–	(512,074)	–

	Continuing operations							Discontinuing operation
	Container terminal and related businesses	Container leasing, management, sale and related businesses	Container manufacturing and related businesses	Segment total	Corporate	Elimination of inter-segment (revenue) and finance (income)/ costs	Total	Logistics and related businesses
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Year ended 31st December 2008								
Revenue – external sales	85,353	252,620	–	337,973	–	–	337,973	–
Segment profit/(loss) attributable to equity holders of the Company	120,557	114,975	39,316	274,848	(25,129)	–	249,719	25,006
Segment profit/(loss) attributable to equity holders of the Company includes:								
Finance income	454	1,610	–	2,064	8,015	(3,213)	6,866	–
Finance costs	(11,535)	(26,726)	–	(38,261)	(17,690)	3,213	(52,738)	–
Share of profits less losses of								
– jointly controlled entities	75,267	–	–	75,267	–	–	75,267	25,006
– associates	15,735	–	39,080	54,815	–	–	54,815	–
Income tax (expenses)/ credit	(469)	12,046	–	11,577	(6,992)	–	4,585	–
Depreciation and amortisation	(13,910)	(78,171)	–	(92,081)	(479)	–	(92,560)	–
Provision for impairment of property, plant and equipment	–	(45)	–	(45)	–	–	(45)	–
Other non-cash expenses	(34)	(388)	–	(422)	(370)	–	(792)	–
Additions to non-current assets	(79,863)	(351,580)	–	(431,443)	(1,058)	–	(432,501)	–

(b) Geographical information

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 geographical information on revenue of these related businesses.

The Group's non-current assets included containers and generator sets. These containers and generator sets are primarily utilised across geographical markets for shipment of cargoes throughout the world. Accordingly, it is also impractical to present the geographical information of these non-current assets.

Other than container leasing, management, sale and related businesses, the Group's activities are predominantly carried out in the following geographical areas:

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

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 2009	1,485,096	13,559	2,721	214,619	2,022	160,354	85,469	1,963,840
Exchange differences	1	–	–	236	10	195	168	610
Additions	61,871	15	–	28,807	80	33,387	209,471	333,631
Disposals	(3,256)	(10)	–	–	(174)	(466)	–	(3,906)
Transfer to inventories	(80,970)	–	–	–	–	–	–	(80,970)
Fair value adjustment upon transfer to investment properties	–	–	294	–	–	–	–	294
Transfer to investment properties	–	–	(478)	–	–	–	–	(478)
Transfer	–	–	–	38,230	–	475	(38,705)	–
At 31st December 2009	1,462,742	13,564	2,537	281,892	1,938	193,945	256,403	2,213,021
Accumulated depreciation and impairment losses								
At 1st January 2009	290,697	2,929	1,680	11,887	1,510	27,547	–	336,250
Exchange differences	–	–	–	14	10	45	–	69
Impairment loss for the year	3,607	–	–	–	–	–	–	3,607
Depreciation charge for the year	77,241	1,036	108	6,387	196	9,998	–	94,966
Disposals – accumulated depreciation and impairment losses	(1,887)	(2)	–	–	(152)	(444)	–	(2,485)
Transfer to inventories	(53,442)	–	–	–	–	–	–	(53,442)
Transfer to investment properties	–	–	(23)	–	–	–	–	(23)
At 31st December 2009	316,216	3,963	1,765	18,288	1,564	37,146	–	378,942
Net book value								
At 31st December 2009	1,146,526	9,601	772	263,604	374	156,799	256,403	1,834,079
The analysis of cost or valuation of the above assets as at 31st December 2009 is as follows:								
At cost	1,462,742	13,564	98	281,892	1,938	193,945	256,403	2,210,582
At 1994 professional valuation	–	–	2,439	–	–	–	–	2,439
	1,462,742	13,564	2,537	281,892	1,938	193,945	256,403	2,213,021

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

Company

	Other property, plant and equipment	
	2009	**2008**
	US$'000	*US$'000*
Cost		
At 1st January	527	527
Additions	209	–
At 31st December	736	527
Accumulated depreciation		
At 1st January	506	420
Depreciation charge for the year	35	86
At 31st December	541	506
Net book value		
At 31st December	195	21

Notes:

(a) Certain buildings in Hong Kong of the Group with carrying amount of US$693,000 (2008: US$792,000) 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 2009 would have been US$630,000 (2008: US$720,000) 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 2009 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$1,405,270,000 (2008: US$1,414,730,000), US$317,072,000 (2008: US$293,199,000) and US$3,107,000 (2008: US$427,000) respectively.

(c) The accumulated impairment losses of property, plant and equipment of the Group as at 31st December 2009 amounted to US$5,765,000 (2008: US$3,084,000).

(d) During the year, the Group transferred containers with an aggregate net book value of US$27,528,000 (2008: US$19,831,000) to inventories.

8 Investment properties

	Group 2009 US$'000	2008 US$'000
At 1st January	1,679	1,676
Transfer to property, plant and equipment and leasehold land and land use rights	–	(214)
Transfer from property, plant and equipment and leasehold land and land use rights	1,935	220
Revaluation surplus/(deficit) *(note a)*	555	(3)
At 31st December	4,169	1,679

Notes:

(a) The investment properties as at 31st December 2009 and 2008 were revalued on an open market value basis by DTZ Debenham Tie Leung Limited and Jones Lang Lasalle Sallmanns Limited, independent professional property valuers, respectively. Valuations were based on current prices in an active market for all properties. The revaluation surplus for the year ended 31st December 2009 of US$555,000 (2008: deficit of US$3,000) 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 2009 US$'000	2008 US$'000
At 1st January	60,660	43,654
Exchange differences	87	2,358
Additions	90,926	1,459
Acquisition of a business	–	14,040
Transfer from investment properties	–	150
Transfer to investment properties	(1,480)	(45)
Amortisation	(1,956)	(956)
At 31st December	148,237	60,660

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	
	2009	2008
	US$'000	*US$'000*
In Hong Kong, held on leases of over 50 years	14,691	16,223
Outside Hong Kong, held on:		
Leases of between 10 to 50 years	133,196	44,026
Leases of less than 10 years	350	411
	148,237	60,660

(b) As at 31st December 2009, certain land use rights of the Group with net book value of US$14,068,000 (2008: US$14,342,000) were in the process of obtaining ownership certificates.

10 Intangible assets

Group

	Computer software		Computer systems under development		Total	
	2009	2008	2009	2008	2009	2008
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Cost						
At 1st January	10,502	9,189	2,558	2,052	13,060	11,241
Exchange differences	7	18	18	–	25	18
Additions	449	759	1,483	1,058	1,932	1,817
Acquisition of a business	–	21	–	–	–	21
Write-off	(21)	(37)	–	–	(21)	(37)
Transfer	1,628	552	(1,628)	(552)	–	–
At 31st December	12,565	10,502	2,431	2,558	14,996	13,060
Accumulated amortisation						
At 1st January	8,372	7,735	–	–	8,372	7,735
Amortisation for the year	926	657	–	–	926	657
Write-off	(21)	(20)	–	–	(21)	(20)
At 31st December	9,277	8,372	–	–	9,277	8,372
Net book value						
At 31st December	3,288	2,130	2,431	2,558	5,719	4,688

11 Subsidiaries

	Company 2009	Company 2008
	US$'000	*US$'000*
Unlisted investments, at cost	198,506	170,972
Amounts due from subsidiaries *(note a)*	1,888,554	1,763,295
	2,087,060	1,934,267
Amounts due from subsidiaries (net of provision) *(note b)*	252,216	280,300
Loan due to a subsidiary *(note c)*	(296,655)	(296,655)
Amounts due to subsidiaries *(note b)*	(440,833)	(492,076)

Notes:

(a) These amounts due from subsidiaries are unsecured. Except for amounts due from subsidiaries mentioned below, the remaining balances are equity in nature, interest free and have no fixed terms of repayment:

(i) US$91,372,000 (2008: US$87,250,000) which bear interests of 0.6% (2008: 0.6%) per annum above the US dollar London Interbank Offered Rate ("LIBOR") and are wholly repayable on or before 30th June 2013 and not repayable within twelve months.

(ii) US$78,940,000 (2008: US$Nil) bear interests of 1.5% (2008: nil) per annum above the Euro Interbank Offered Rate and have no fixed terms of repayment.

(b) The amounts due from/(to) subsidiaries are unsecured, interest free and have no fixed terms of repayment. Movement on the provision for impairment of amounts due from subsidiaries is as follows:

	Company 2009	Company 2008
	US$'000	*US$'000*
At 1st January	(78,239)	(65,239)
Provision for impairment of amounts due from subsidiaries	(26,700)	(13,000)
At 31st December	(104,939)	(78,239)

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

(d) Details of the subsidiaries as at 31st December 2009 are set out in note 45 to the consolidated financial statements.

12 Jointly controlled entities

	Group 2009	2008
	US$'000	*US$'000*
Share of net assets	370,718	539,863
Goodwill on acquisitions *(note a)*	41,443	83,694
	412,161	623,557
Loan to a jointly controlled entity *(note b)*	18,971	18,592
	431,132	642,149
Loans to jointly controlled entities *(note c)*	160,147	123,904
Investments, at cost		
Unlisted investments	607,778	760,497

Notes:

(a) The carrying amount of goodwill on acquisitions of jointly controlled entities mainly represented the goodwill on acquisitions of equity interests in Shanghai Pudong International Container Terminals Limited, Qingdao Qianwan Container Terminal Co., Ltd. and Nanjing Port Longtan Containers Co., Ltd. of US$31,435,000 (2008: US$31,435,000), US$5,362,000 (2008: US$5,362,000) and US$4,533,000 (2008: US$4,533,000) respectively. Balance at 31st December 2008 also included goodwill for COSCO Logistics Co., Ltd. ("COSCO Logistics") of US$42,251,000.

(b) The loan to a jointly controlled entity is equity in nature, unsecured, interest free and has no fixed term of repayment.

(c) The loans to jointly controlled entities are unsecured. Except for the loan to a jointly controlled entity of US$91,372,000 (2008: US$87,250,000) which bears interest at 0.6% per annum above the US dollar LIBOR and is wholly repayable on or before 30th June 2013 and not repayable within twelve months, the remaining balances are interest free and have no fixed terms of repayment.

(d) The financial information below, including the financial information of COSCO Logistics which is classified as held for sale under discontinuing operation as at 31st December 2009 (note 21) and 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*
2009	1,485,513	609,373	(626,641)	(797,803)	872,687	(772,469)	84,810
2008	1,383,591	536,921	(657,427)	(643,174)	1,268,900	(1,152,891)	100,273

(e) The Company has no directly owned jointly controlled entity as at 31st December 2009 and 2008. Details of the principal jointly controlled entities as at 31st December 2009 are set out in note 46 to the consolidated financial statements.

13 Associates

	Group 2009 US$'000	2008 US$'000
Share of net assets		
Share listed outside Hong Kong *(note a)*	595,996	576,144
Unlisted shares	134,019	132,277
	730,015	708,421
Goodwill on acquisitions	87	87
	730,102	708,508
Loans to associates *(note b)*	32,440	23,835
Investments, at cost		
Shares listed outside Hong Kong *(note a)*	412,080	412,080
Unlisted shares	102,902	102,902
	514,982	514,982
Market value of listed shares *(note a)*	1,015,809	472,423

Notes:

(a) As at 31st December 2008, 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 then market value of these shares of CIMC of US$150,525,000 as included in the disclosure above has not taken into account these Trading Restrictions. The Trading Restrictions were released in year 2009.

(b) Loans to associates are unsecured. Balance of US$25,572,000 (2008: US$16,967,000) bears interest at 2% (2008: 2%) per annum above the 10-year Belgium prime rate and has no fixed terms of repayment. Balance of US$6,868,000 (2008: US$6,868,000) bears interest at 0.5% (2008: 0.5%) per annum above the Tokyo Interbank Offered Rate and is wholly repayable on or before 24th April 2011 and not repayable within twelve months.

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

	Total assets US$'000	Total liabilities US$'000	Revenue US$'000	Expenses US$'000	Profit less losses after income tax US$'000
2009	1,595,083	(812,477)	700,587	(652,660)	32,890
2008	1,505,077	(748,628)	1,536,632	(1,464,959)	54,815

(d) The Company has no directly owned associate as at 31st December 2009 and 2008. Details of the principal associates as at 31st December 2009 are set out in note 47 to the consolidated financial statements.

14 Available-for-sale financial assets

	Group	
	2009	**2008**
	US$'000	*US$'000*
At 1st January	325,119	516,620
Additions	18,727	18,661
Disposals	(3,808)	(4,461)
Repayment of loan to an investee company	(43,281)	–
Net fair value gain/(loss) recognised in equity	43,824	(205,701)
At 31st December	340,581	325,119
Less: current portion	(20,581)	(2,119)
Non-current portion	320,000	323,000

Notes:

(a) Available-for-sale financial assets as at 31st December 2009 and 2008 comprise investments in equity securities of the investee companies and the shareholders' loan advanced to an investee company with the nominal value of US$56,885,000 (2008: US$81,439,000). The loan advanced to an investee company is unsecured, interest free and has no fixed terms of repayment.

(b) As at 31st December 2008, listed investment of US$2,119,000 represented equity interest in an entity which is principally engaged in the operation and management of international and domestic container marine transportation.

(c) Unlisted investments of US$340,581,000 (2008: US$323,000,000) mainly comprise equity interests in entities which are involved in container terminal operations in Yantian, Tianjin and Dalian of Mainland China.

In June 2009, the Group entered into a share transfer agreement to dispose of its entire 8.13% interest in Dalian Port Container Co., Ltd. with carrying amount of US$20,581,000 at a consideration of RMB140,605,000 (approximately US$20,581,000). The estimated pre-tax gain on the disposal was approximately US$7,020,000. The disposal was completed in January 2010 and accordingly the available-for-sale financial asset was classified as a current asset as at 31st December 2009.

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

	Group	
	2009	**2008**
	US$'000	*US$'000*
Renminbi	340,581	323,000
Hong Kong dollar	–	2,119
	340,581	325,119

15 Finance lease receivables

Group

	2009			2008		
	Gross receivables	Unearned finance income	Present value of minimum lease payment receivable	Gross receivables	Unearned finance income	Present value of minimum lease payment receivable
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Amounts receivable under finance leases:						
Current portion *(note 20)*	1,081	(150)	931	1,183	(240)	943
Non-current portion						
– later than one year and not later than five years	985	(184)	801	1,988	(308)	1,680
– later than five years	287	(37)	250	384	(64)	320
	1,272	(221)	1,051	2,372	(372)	2,000
	2,353	(371)	1,982	3,555	(612)	2,943

As at 31st December 2009, the Group entered into 12 (2008: 14) finance lease contracts for leasing of certain containers. The average term of the finance lease contracts is 5 years (2008: 5 years).

The cost of assets acquired for the purpose of letting under finance leases amounted to US$6,343,000 (2008: US$6,805,000) as at 31st December 2009.

Unguaranteed residual values of assets leased under finance lease contracts are estimated at approximately US$6,000 (2008: US$7,000).

16 Deferred income tax

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

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

	Group	
	2009	2008
	US$'000	*US$'000*
At 1st January	11,572	7,349
Exchange difference	(58)	–
Charged to consolidated income statement *(note 32)*	6,109	4,223
At 31st December	17,623	11,572

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 2009, the Group and the Company have unrecognised tax losses of US$8,261,000 (2008: US$12,391,000) and US$2,563,000 (2008: US$2,563,000) respectively to carry forward. These tax losses have no expiry dates (2008: tax losses of US$4,858,000 of the Group will expire on various dates through year 2012).

As at 31st December 2009, deferred income tax liabilities of US$6,041,000 (2008: US$5,975,000) have not been established for the withholding taxation that would be payable on the undistributed earnings of certain subsidiaries in certain tax jurisdictions totalling US$34,121,000 (2008: US$34,189,000) 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.

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

Deferred income tax liabilities

	Group					
	Accelerated tax depreciation		**Undistributed profits**		**Total**	
	2009	**2008**	**2009**	**2008**	**2009**	**2008**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
At 1st January	4,078	3,757	10,854	6,517	14,932	10,274
Charged to consolidated income statement	343	321	6,257	4,337	6,600	4,658
At 31st December	4,421	4,078	17,111	10,854	21,532	14,932

Deferred income tax assets

	Group					
	Tax losses		**Others**		**Total**	
	2009	**2008**	**2009**	**2008**	**2009**	**2008**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
At 1st January	2,285	1,265	1,075	1,660	3,360	2,925
Exchange difference	37	–	21	–	58	–
(Charged)/credited to consolidated income statement	(344)	1,020	835	(585)	491	435
At 31st December	1,978	2,285	1,931	1,075	3,909	3,360

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

	Group	
	2009	**2008**
	US$'000	*US$'000*
Deferred income tax assets	1,980	1,204
Deferred income tax liabilities	19,603	12,776

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

	Group	
	2009	**2008**
	US$'000	*US$'000*
Deferred income tax assets to be recovered after more than 12 months	1,370	1,129
Deferred income tax liabilities to be settled after more than 12 months	2,463	1,906

As at 31st December 2009 and 2008, the Company did not have significant deferred income tax assets and liabilities.

17 Derivative financial instruments

	Group	
	2009	**2008**
	US$'000	*US$'000*
Interest rate swap contracts		
– fair value hedges *(note)*	16,556	24,215

Note:

The notional principal amount of the related interest rate swap contracts amounted to US$200,000,000 (2008: US$200,000,000) which were committed with interest rates ranging from 1.05% to 1.16% (2008: 1.05% to 1.16%) per annum above LIBOR. These interest rate swap contracts have been designated as a hedge of the fair value of the notes issued by the Group.

18 Other non-current assets

Other non-current assets of the Group represent prepaid operating lease payments, which included the unamortised upfront concession fee incurred in respect of the concession agreement with Piraeus Port Authority S.A. for the concession of Pier 2 and 3 of the Piraeus Port in Greece for a term of 35 years ("Concession"). The Concession commenced on 1st October 2009.

19 Inventories

Inventories of the Group mainly included containers held for sale transferred from property, plant and equipment at their carrying amount.

20 Trade and other receivables

	Group		Company	
	2009	**2008**	**2009**	**2008**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Trade receivables *(note a)*				
– third parties	32,179	32,719	–	–
– fellow subsidiaries *(notes b and c)*	60,056	26,367	–	–
– jointly controlled entities *(note b)*	517	450	–	–
– related companies *(note b)*	340	227	–	–
	93,092	59,763	–	–
Less: provision for impairment	(4,206)	(417)	–	–
	88,886	59,346	–	–
Other receivables, deposits and prepayments	56,337	78,414	246	3,259
Rent receivable collected on behalf of owners of managed containers *(note d)*	35,117	39,525	–	–
Current portion of finance lease receivables *(note 15)*	931	943	–	–
Amounts due from *(note b)*				
– fellow subsidiaries	51	165	–	–
– jointly controlled entities *(note e)*	980	53,544	–	–
– associates *(note e)*	12	323	–	–
– related companies	1	5	–	–
	182,315	232,265	246	3,259

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	
	2009	**2008**
	US$'000	*US$'000*
Within 30 days	22,262	24,762
31-60 days	19,595	23,412
61-90 days	16,755	6,832
Over 90 days	30,274	4,340
	88,886	59,346

As at 31st December 2009, trade receivables of US$31,979,000 (2008: US$35,445,000) were fully performing.

As at 31st December 2009, trade receivables of US$55,531,000 (2008: US$19,463,000) 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 but not impaired is as follows:

	Group	
	2009	**2008**
	US$'000	*US$'000*
Within 30 days	25,939	17,038
31-60 days	11,231	863
61-90 days	11,360	392
Over 90 days	7,001	1,170
	55,531	19,463

As at 31st December 2009, trade receivables of US$5,582,000 (2008: US$4,855,000) were impaired. The amount of the provision was US$4,206,000 (2008: US$417,000) as at 31st December 2009. The individually impaired receivables mainly relate to lessees, which are in unexpected difficult economic situations. It was assessed that a portion of the receivables is expected to be recovered. The ageing of these receivables is as follows:

	Group	
	2009	**2008**
	US$'000	*US$'000*
Within 30 days	1,373	2,821
31-60 days	810	1,119
61-90 days	897	369
Over 90 days	2,502	546
	5,582	4,855

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

	Group	
	2009	**2008**
	US$'000	*US$'000*
At 1st January	(417)	(3,713)
Provision for impairment of trade receivables *(note 29)*	(3,933)	(200)
Write back of provision for impairment of trade receivables *(note 29)*	142	1,672
Receivables written off during the year as uncollectible	2	1,824
At 31st December	(4,206)	(417)

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

(c) The balance mainly represented container leasing income receivable from fellow subsidiaries and included a receivable balance from COSCON of US$57,986,000 (2008: US$24,218,000). During the year ended 31st December 2009, the container leasing income from COSCON and the other fellow subsidiaries amounted to US$134,284,000 (2008: US$142,428,000) and US$7,000 (2008: US$50,000) respectively.

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

(e) The amounts receivable mainly represented dividend and interest receivable from jointly controlled entities and associates.

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

	Group		Company	
	2009	**2008**	**2009**	**2008**
	US$'000	*US$'000*	*US$'000*	*US$'000*
US dollar	109,914	85,869	–	1,325
Renminbi	45,495	140,885	11	–
Euro	24,348	1,958	–	1,379
Hong Kong dollar	2,050	3,289	235	555
Other currencies	508	264	–	–
	182,315	232,265	246	3,259

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

21 Asset held for sale under discontinuing operation

	Group	
	2009	**2008**
	US$'000	*US$'000*
A jointly controlled entity	258,363	–

On 27th August 2009, COSCO Pacific Logistics Company Limited ("CP Logistics"), a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with China COSCO, pursuant to which CP Logistics conditionally agreed to sell and China COSCO conditionally agreed to purchase CP Logistics' entire 49% equity interest in COSCO Logistics, a jointly controlled entity of the Group, at a cash consideration of RMB2,000,000,000 (equivalent to approximately US$292,900,000). Apart from the aforesaid cash consideration, CP Logistics is entitled to receive a special distribution of an additional cash amount equivalent to 273/365 (representing the first nine months of year 2009) of 49% of 90% of the audited consolidated net profit after tax and minority interest of COSCO Logistics for the year ended 31st December 2009 as shown in the audited consolidated financial statements of COSCO Logistics for the year ended 31st December 2009 prepared in accordance with the accounting standards generally accepted in the PRC. In October 2009, the disposal was approved by the independent shareholders of the Company. Accordingly, this investment was reclassified as an asset held for sale under discontinuing operation. The disposal of COSCO Logistics was completed in March 2010 (note 44).

The Group's shares of revenue and results of COSCO Logistics are as follows:

	2009	2008
	US$'000	*US$'000*
Revenue	637,768	1,008,439
Expenses	(599,739)	(970,543)
Profit before income tax	38,029	37,896
Income tax expenses	(7,460)	(8,263)
Profit for the year	30,569	29,633
Profit attributable to:		
Equity holders of COSCO Logistics	25,627	25,006
Minority interests	4,942	4,627
	30,569	29,633

The cash flows in relation to the Group's investment in COSCO Logistics reflected in the Group's consolidated financial statements are as follows:

	2009	2008
	US$'000	*US$'000*
Cash inflows from investing activities	18,049	19,313

22 Share capital

	2009	2008
	US$'000	*US$'000*
Authorised:		
3,000,000,000 ordinary shares of HK$0.10 each	38,462	38,462
Issued and fully paid:		
2,262,525,573 (2008: 2,245,029,298) ordinary shares of HK$0.10 each	29,018	28,792

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 2009	2,245,029,298	28,792
Issued on exercising of share options *(note 23)*	20,000	1
Issued on 2008 final scrip dividends	17,476,275	225
At 31st December 2009	2,262,525,573	29,018
At 1st January 2008	2,244,881,298	28,790
Issued on exercising of share options *(note 23)*	148,000	2
At 31st December 2008	2,245,029,298	28,792

During the year 17,476,275 new shares were issued by the Company at HK$8.66 per share for the settlement of 2008 final scrip dividends.

23 Share-based payment

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

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.

Movements of the share options are set out below:

			For the year ended 31st December 2009 Number of share options				
Category	*Note*	**Exercise price** *HK$*	**Outstanding at 1st January 2009**	**Exercised during the year**	**Transfer (to)/ from other categories during the year**	**Lapsed during the year**	**Outstanding at 31st December 2009**
Directors	*(i) (ii)*	9.54	800,000	–	–	–	800,000
	(i) (iii)	13.75	5,250,000	–	(550,000)	–	4,700,000
	(i) (iv)	19.30	2,300,000	–	(500,000)	–	1,800,000
Continuous contract employees	*(i) (ii)*	9.54	1,611,000	(20,000)	–	(72,000)	1,519,000
	(i) (iii)	13.75	14,072,000	–	(120,000)	(470,000)	13,482,000
	(i) (iv)	19.30	14,580,000	–	(160,000)	(510,000)	13,910,000
Others	*(i) (ii)*	9.54	50,000	–	–	–	50,000
	(i) (iii)	13.75	4,120,000	–	670,000	–	4,790,000
	(i) (iv)	19.30	–	–	660,000	–	660,000
			42,783,000	(20,000)	–	(1,052,000)	41,711,000

			For the year ended 31st December 2008 Number of share options				
Category	*Note*	**Exercise price** *HK$*	**Outstanding at 1st January 2008**	**Exercised during the year**	**Transfer (to)/ from other categories during the year**	**Lapsed during the year**	**Outstanding at 31st December 2008**
Directors	*(i) (ii)*	9.54	800,000	–	–	–	800,000
	(i) (iii)	13.75	6,450,000	–	(1,200,000)	–	5,250,000
	(i) (iv)	19.30	2,300,000	–	–	–	2,300,000
Continuous contract employees	*(i) (ii)*	9.54	1,725,000	(94,000)	–	(20,000)	1,611,000
	(i) (iii)	13.75	14,042,000	(50,000)	200,000	(120,000)	14,072,000
	(i) (iv)	19.30	14,770,000	–	–	(190,000)	14,580,000
Others	*(i) (ii)*	9.54	50,000	–	–	–	50,000
	(i) (iii)	13.75	3,124,000	(4,000)	1,000,000	–	4,120,000
			43,261,000	(148,000)	–	(330,000)	42,783,000

Notes:

(i) All the outstanding options were vested and exercisable as at 31st December 2009 and 2008. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

(ii) 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.

(iii) 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.

(iv) The share options were granted during the period from 17th April 2007 to 19th April 2007 under the 2003 Share Option Scheme at an exercise price of HK$19.30. The options are exercisable at any time within ten years from the date on which an offer is accepted or deemed to be accepted by the grantee under the 2003 Share Option Scheme from 17th April 2007 to 19th April 2007.

(v) The exercise of the 20,000 (2008: 148,000) share options during the year yielded the proceeds, net of transaction costs of US$3,000 in 2008 as follows:

	Company	
	2009	**2008**
	US$'000	*US$'000*
Ordinary share capital – at par	1	2
Share premium (net of issue expenses)	24	206
Proceeds (net of issue expenses)	25	208

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

Expiry date	**Exercise price** *HK$*	**Number of share options** **2009**	**2008**
28th October 2013 to 6th November 2013	9.54	2,369,000	2,461,000
25th November 2014 to 16th December 2014	13.75	22,972,000	23,442,000
17th April 2017 to 19th April 2017	19.30	16,370,000	16,880,000
		41,711,000	42,783,000

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

	2009		**2008**	
	Average exercise price per share *HK$*	**Number of share options**	**Average exercise price per share** *HK$*	**Number of share options**
At 1st January	15.70	42,783,000	15.69	43,261,000
Exercised	9.54	(20,000)	11.08	(148,000)
Lapsed	16.15	(1,052,000)	16.69	(330,000)
At 31st December	15.69	41,711,000	15.70	42,783,000

The weighted average closing market price of the Company's shares on the dates when the share options were exercised was HK$11.40 (2008: HK$17.59) per share.

24 Reserves

Company

	Share premium *US$'000*	**Contributed surplus** *(note)* *US$'000*	**Share option reserve** *US$'000*	**Retained profits** *US$'000*	**Total** *US$'000*
At 1st January 2009	699,162	414,214	10,732	450,400	1,574,508
Issue of shares on exercise of share options	24	–	–	–	24
Issue of shares on settlement of scrip dividends	19,303	–	–	–	19,303
Transfer of reserve upon lapse of share options	–	–	(324)	324	–
Profit for the year	–	–	–	106,269	106,269
Dividends					
– 2008 final	–	–	–	(31,026)	(31,026)
– 2009 interim	–	–	–	(42,034)	(42,034)
At 31st December 2009	718,489	414,214	10,408	483,933	1,627,044
Representing:					
Reserves	718,489	414,214	10,408	456,805	1,599,916
2009 final dividend proposed	–	–	–	27,128	27,128
At 31st December 2009	718,489	414,214	10,408	483,933	1,627,044
At 1st January 2008	698,956	414,214	10,853	412,499	1,536,522
Issue of shares on exercise of share options	209	–	–	–	209
Share issue expenses	(3)	–	–	–	(3)
Transfer of reserve upon lapse of share options	–	–	(121)	121	–
Profit for the year	–	–	–	256,259	256,259
Dividends					
– 2007 final and special	–	–	–	(139,686)	(139,686)
– 2008 interim	–	–	–	(78,793)	(78,793)
At 31st December 2008	699,162	414,214	10,732	450,400	1,574,508
Representing:					
Reserves	699,162	414,214	10,732	419,374	1,543,482
2008 final dividend proposed	–	–	–	31,026	31,026
At 31st December 2008	699,162	414,214	10,732	450,400	1,574,508

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.

25 Borrowings

	Group	
	2009	**2008**
	US$'000	*US$'000*
Long term borrowings – unsecured	1,493,722	1,413,361
Amounts due within one year included under current liabilities	(83,051)	(56,406)
	1,410,671	1,356,955
Short term bank loans – unsecured	110,563	10,974

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

	Group	
	2009	**2008**
	US$'000	*US$'000*
Wholly repayable within five years		
– Bank loans	988,014	588,258
– Notes *(note c)*	315,175	321,391
	1,303,189	909,649
Bank loans not wholly repayable within five years	190,533	503,712
	1,493,722	1,413,361

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

	Group	
	2009	**2008**
	US$'000	*US$'000*
Bank loans		
Within one year	83,051	56,406
Between one and two years	143,053	89,595
Between two and five years	808,530	760,354
Over five years	143,913	185,615
	1,178,547	1,091,970
Notes *(note c)*		
Between two and five years	315,175	321,391
	1,493,722	1,413,361

(c) Details of the notes as at 31st December 2009 are as follows:

	Group	
	2009	**2008**
	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	1,315	1,135
– notes issuance cost	1,246	1,076
	298,862	298,512
Effect of fair value hedge	16,313	22,879
	315,175	321,391

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

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

(d) The Group established a non-wholly owned subsidiary (the "Subsidiary") with a third party (the "Partner") in March 2008. For the establishment of the Subsidiary, the Partner injected certain assets and liabilities to the Subsidiary, including bank loans. As of 31st December 2008, the necessary procedures for transferring the legal obligor of the bank loans of US$34,969,000 to the Subsidiary had not yet been completed. As the Subsidiary undertook these bank loans with effect from the date of its establishment, the directors accounted for the related loans as the Group's bank loans as at 31st December 2008.

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

	Less than one year	**One to five years**	**Total**
	US$'000	*US$'000*	*US$'000*
At 31st December 2009			
Total borrowings	1,178,547	315,175	1,493,722
Effect of interest rate swaps qualified as hedges	–	(200,000)	(200,000)
	1,178,547	115,175	1,293,722
At 31st December 2008			
Total borrowings	1,091,970	321,391	1,413,361
Effect of interest rate swaps qualified as hedges	–	(200,000)	(200,000)
	1,091,970	121,391	1,213,361

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

	2009	2008
	US$'000	*US$'000*
US dollar	1,226,587	1,248,685
Renminbi	377,698	175,650
	1,604,285	1,424,335

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

	2009		2008	
	US$	RMB	US$	RMB
Bank loans	0.7%	5.3%	1.9%	5.8%
Notes	5.9%	N/A	6.0%	N/A

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

	Carrying amounts		Fair values	
	2009	2008	2009	2008
	US$'000	*US$'000*	*US$'000*	*US$'000*
Bank loans	1,095,496	1,035,564	1,095,519	1,032,194
Notes	315,175	321,391	338,279	333,919
	1,410,671	1,356,955	1,433,798	1,366,113

The fair values are determined based on cash flows discounted using a weighted average borrowing rate of 0.7% (2008: 1.9%) per annum.

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

(i) As at 31st December 2009 and 2008, the committed and undrawn borrowing facilities of the Group amounted to US$673,000,000 (2008: US$40,236,000).

26 Other long term liabilities

	Group	
	2009	2008
	US$'000	*US$'000*
Deferred deal management fee	691	1,470
Deferred upfront administration fee	2,231	3,719
	2,922	5,189
Less: current portion *(note 27)*	(2,178)	(2,267)
	744	2,922

27 Trade and other payables

	Group		Company	
	2009	**2008**	**2009**	**2008**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Trade payables *(note a)*				
– third parties	29,421	9,029	–	–
– fellow subsidiaries *(note b)*	337	140	–	–
– jointly controlled entities *(notes b and c)*	–	2	–	–
– a minority shareholder of a subsidiary *(note b)*	1,855	1,089	–	–
– subsidiaries of an associate *(notes b and c)*	14,695	60	–	–
– related companies *(note b)*	2	1	–	–
	46,310	10,321	–	–
Other payables and accruals	55,618	49,555	5,160	2,339
Payable to owners of managed containers *(note d)*	38,542	39,897	–	–
Current portion of other long term liabilities *(note 26)*	2,178	2,267	–	–
Dividend payable	35	34	35	34
Amounts due to *(note b)*				
– fellow subsidiaries	152	3	–	–
– jointly controlled entities	–	8	–	–
– minority shareholders of subsidiaries	5,103	21,446	–	–
– subsidiaries of an associate	55	–	–	–
– related companies	7	–	–	–
	148,000	123,531	5,195	2,373

Notes:

(a) The ageing analysis of the trade payables was as follows:

	Group	
	2009	**2008**
	US$'000	*US$'000*
Within 30 days	37,388	4,920
31-60 days	3,563	745
61-90 days	1,422	296
Over 90 days	3,937	4,360
	46,310	10,321

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

(c) The balances represented the amounts payable to jointly controlled entities and subsidiaries of an associate of the Group in respect of the purchases of containers (note 43(a)(x)).

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

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

	Group		**Company**	
	2009	**2008**	**2009**	**2008**
	US$'000	*US$'000*	*US$'000*	*US$'000*
US dollar	79,458	69,148	4,006	268
Renminbi	40,890	49,462	483	477
Euro	24,265	952	2	690
Hong Kong dollar	3,253	3,863	704	938
Other currencies	134	106	–	–
	148,000	123,531	5,195	2,373

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

28 Other operating income

	2009	**2008**
	US$'000	*US$'000*
Exchange gain, net	563	509
Profit on disposal of a jointly controlled entity	–	236
Management fee and other service income	4,093	4,909
Profit on disposal of available-for-sale financial assets	85	1,959
Profit on disposal of property, plant and equipment	545	5,313
Write back of provision for impairment of trade receivables	142	1,672
Container repair insurance income	345	4,915
Revaluation surplus of investment properties *(note 8)*	555	–
Others	3,681	7,230
	10,009	26,743

29 Operating profit

Operating profit is stated after crediting and charging the following:

	2009	2008
	US$'000	*US$'000*
Crediting		
Dividend income from listed and unlisted investments *(note a)*	22,254	22,440
Rental income from		
– investment properties *(note a)*	85	53
– buildings, leasehold land and land use rights	246	–
Exchange gain, net	563	509
Profit on disposal of available-for-sale financial assets	85	1,959
Profit on disposal of property, plant and equipment	545	5,313
Profit on disposal of a jointly controlled entity	–	236
Revaluation surplus of investment properties *(note 8)*	555	–
Write back of provision for inventories	–	21
Write back of provision for impairment of trade receivables *(note 20)*	142	1,672
Charging		
Amortisation of		
– leasehold land and land use rights	1,956	956
– intangible assets *(note b)*	926	657
– others	497	–
Depreciation of		
– owned property, plant and equipment leased out under operating leases	78,277	77,054
– other owned property, plant and equipment	16,689	13,893
Impairment loss of containers	3,607	45
Cost of inventories sold	19,734	31,344
Auditors' remuneration		
– current year	838	927
– overprovision in prior year	(102)	(92)
Outgoings in respect of investment properties	4	4
Provision for inventories	7,028	–
Provision for impairment of trade receivables *(note 20)*	3,933	200
Rental expense under operating leases of		
– buildings leased from third parties	3,366	1,388
– buildings leased from fellow subsidiaries	1,423	916
– buildings leased from a jointly controlled entity	33	33
– leasehold land and land use rights leased from minority shareholders of subsidiaries	1,942	1,944
– plant and machinery leased from third parties	1,355	337
– containers leased from third parties	11,185	8,747
– others	4,421	–
Revaluation deficit of investment properties *(note 8)*	–	3
Total staff costs (including directors' emoluments and retirement benefit costs) *(note c)*:		
Wages, salaries and other benefits	68,387	41,204
Less: Amounts capitalised in intangible assets	(520)	(946)
	67,867	40,258

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 23 to the consolidated financial statements.

30 Finance income and costs

	2009 *US$'000*	2008 *US$'000*
Finance income		
Interest income on		
– bank balances and deposits	1,058	4,165
– loans to jointly controlled entities and associates	4,947	2,701
	6,005	6,866
Finance costs		
Interest expenses on		
– bank loans	(27,586)	(38,642)
– notes	(14,015)	(16,117)
Fair value (loss)/gain on derivative financial instruments	(7,659)	19,574
Fair value adjustment of notes attributable to interest rate risk	6,566	(20,762)
	(1,093)	(1,188)
Amortised amount of		
– discount on issue of notes	(180)	(190)
– transaction costs on bank loans and notes	(1,074)	(398)
	(43,948)	(56,535)
Less: amount capitalised in construction in progress	4,479	3,827
	(39,469)	(52,708)
Other incidental borrowing costs and charges	(336)	(30)
	(39,805)	(52,738)
Net finance costs	(33,800)	(45,872)

31 Profit on disposal of a jointly controlled entity

A wholly owned subsidiary of the Group entered into a sale and purchase agreement to dispose of its entire 20% shareholding interest in Shanghai CIMC Reefer Containers Co., Ltd ("Shanghai CIMC Reefer"), a then jointly controlled entity, at a consideration of US$16,400,000 to CIMC, an associate. The transaction was completed in January 2009 and resulted in a profit of US$5,516,000.

32 Income tax (expenses)/credit

	2009 US$'000	2008 US$'000
Current income tax		
– Hong Kong profits tax	(49)	(176)
– China mainland taxation	(6,547)	(2,750)
– Overseas taxation	(581)	(878)
– Over provision in prior years	–	12,612
	(7,177)	8,808
Deferred income tax charge *(note 16)*	(6,109)	(4,223)
	(13,286)	4,585

The Group's shares of income tax expenses of jointly controlled entities and associates of US$15,194,000 (2008: US$14,685,000) and US$10,423,000 (2008: US$8,366,000) are included in the Group's shares of profits less losses of jointly controlled entities and associates respectively.

Hong Kong profits tax was provided at a rate of 16.5% (2008: 16.5%) 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.

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

	2009 US$'000	2008 US$'000
Profit before income tax from continuing operations	163,707	250,171
Less: Share of profits less losses of jointly controlled entities and associates from continuing operations	(92,073)	(130,082)
Profit on disposal of a jointly controlled entity	(5,516)	–
	66,118	120,089
Aggregate tax at domestic rates applicable to profits in respective territories concerned	1,506	1,189
Income not subject to income tax	(1,161)	(860)
Expenses not deductible for income tax purposes	868	476
Over provision in prior years	–	(12,612)
Utilisation of previously unrecognised tax losses	(1,219)	(55)
Tax losses not recognised	1,843	1,048
Effect of change in tax rate	–	64
Withholding income tax upon distribution of profits	11,317	6,542
Others	132	(377)
Income tax expenses/(credit)	13,286	(4,585)

Except for the Group's share of income tax expenses of jointly controlled entities and associates charged to other comprehensive income of US$1,284,000 and US$189,000 (2008: income tax credit of US$4,122,000 and US$18,979,000 respectively), there was no income tax relating to components of other comprehensive income for the year ended 31st December 2009 and 2008.

33 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$106,269,000 (2008: US$256,259,000).

34 Dividends

	2009	2008
	US$'000	*US$'000*
Interim dividend paid of US1.862 cents (2008: US3.514 cents) per ordinary share	41,802	78,890
Final dividend proposed of US1.199 cents (2008: US1.382 cents) per ordinary share	27,128	31,026
Exchange difference	–	(49)
Additional dividends paid on shares issued due to the exercise of share options and shares issued on scrip dividends before the closure of register of members:		
– 2008/2007 final	–	6
– 2009/2008 interim	232	–
	69,162	109,873

Note:

At a meeting held on 30th March 2010, the directors recommended the payment of a final cash dividend of HK9.3 cents (equivalent to US1.199 cents) per ordinary share. This proposed final cash dividend is not reflected as dividend payable in these consolidated financial statements until it has been approved at the annual general meeting, but will be reflected as an appropriation of retained profits for the year ending 31st December 2010.

35 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.

	2009	2008
Profit from continuing operations attributable to equity holders of the Company	US$146,899,000	US$249,719,000
Profit from discontinuing operation attributable to equity holders of the Company	US$25,627,000	US$25,006,000
	US$172,526,000	US$274,725,000
Weighted average number of ordinary shares in issue	2,252,933,291	2,245,007,063
Basic earnings per share		
– from continuing operations	US 6.52 cents	US 11.12 cents
– from discontinuing operation	US 1.14 cents	US 1.12 cents
	US 7.66 cents	US 12.24 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.

	2009	**2008**
Profit from continuing operations attributable to equity holders of the Company	US$146,899,000	US$249,719,000
Profit from discontinuing operation attributable to equity holders of the Company	US$25,627,000	US$25,006,000
	US$172,526,000	US$274,725,000
Weighted average number of ordinary shares in issue	2,252,933,291	2,245,007,063
Adjustments for assumed issuance of shares on exercise of share options	11,370	515,437
Weighted average number of ordinary shares for diluted earnings per share	2,252,944,661	2,245,522,500
Diluted earnings per share		
– from continuing operations	US 6.52 cents	US 11.12 cents
– from discontinuing operation	US 1.14 cents	US 1.11 cents
	US 7.66 cents	US 12.23 cents

36 Retirement benefit costs

The retirement benefit costs charged to the consolidated income statement represent contributions payable by the Group to the retirement benefit schemes and amounted to US$2,668,000 (2008: US$2,267,000). Contributions totaling US$133,000 (2008: US$58,000) were payable to the retirement benefit schemes as at 31st December 2009 and were included in trade and other payables. No forfeited contributions were available as at 31st December 2009 (2008: US$Nil) to reduce future contributions.

37 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:

	2009	**2008**
	US$'000	*US$'000*
Fees	258	204
Salaries, housing and other allowances	1,380	1,448
Benefits in kind	99	115
Bonuses	232	264
Contributions to retirement benefit schemes	2	2
	1,971	2,033

Directors' fees disclosed above include US$164,000 (2008: US$116,000) paid to independent non-executive directors.

The Company has not granted any share options during the year ended 31st December 2009 and 2008.

As at 31st December 2009, one (2008: one) director of the Company had 800,000 (2008: 800,000) share options which are exercisable at HK$9.54 per share granted by the Company under the 2003 Share Option Scheme.

As at 31st December 2009, five (2008: six) directors of the Company had 4,700,000 (2008: 5,250,000) 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 2009, three (2008: four) directors of the Company had 1,800,000 (2008: 2,300,000) share options which are exercisable at HK$19.30 per share granted by the Company under the 2003 Share Option Scheme.

For the year ended 31st December 2009 and 2008, there was no share option exercised by the directors.

Details and movement of share options granted and exercised during the year are set out in note 23 to the consolidated financial statements.

The directors' emoluments are analysed as follows:

		Year ended 31st December 2009					
Name of directors	*Note*	**Fees**	**Salaries, housing and other allowances**	**Benefits in kind**	**Bonuses**	**Contributions to retirement benefit schemes**	**Total**
		US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Mr. CHEN Hongsheng		19	–	–	–	–	19
Mr. LI Jianhong		15	–	–	–	–	15
Mr. XU Lirong		15	–	–	–	–	15
Ms. SUN Yueying		15	–	–	–	–	15
Mr. XU Minjie		–	650	76	90	–	816
Dr. SUN Jiakang		15	–	–	–	–	15
Mr. HE Jiale	*(v)*	15	–	–	–	–	15
Dr. WONG Tin Yau, Kelvin		–	318	–	77	2	397
Mr. WANG Zhi	*(vi)*	–	184	23	–	–	207
Mr. YIN Weiyu		–	228	–	65	–	293
Dr. LI Kwok Po, David		43	–	–	–	–	43
Mr. CHOW Kwong Fai, Edward		46	–	–	–	–	46
Mr. Timothy George FRESHWATER		32	–	–	–	–	32
Dr. FAN HSU Lai Tai, Rita	*(v)*	43	–	–	–	–	43
		258	1,380	99	232	2	1,971

		Year ended 31st December 2008					
Name of directors	*Note*	Fees	Salaries, housing and other allowances	Benefits in kind	Bonuses	Contributions to retirement benefit schemes	Total
		US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Dr. WEI Jiafu	*(i)*	11	–	–	–	–	11
Mr. CHEN Hongsheng		17	–	–	–	–	17
Mr. LI Jianhong		15	–	–	–	–	15
Mr. XU Lirong		15	–	–	–	–	15
Ms. SUN Yueying		15	–	–	–	–	15
Mr. XU Minjie		–	651	54	97	–	802
Dr. SUN Jiakang		15	–	–	–	–	15
Dr. WONG Tin Yau, Kelvin		–	320	–	90	2	412
Mr. WANG Zhi		–	246	61	–	–	307
Mr. YIN Weiyu	*(iv)*	–	231	–	77	–	308
Mr. QIN Fuyan	*(ii)*	–	–	–	–	–	–
Dr. LI Kwok Po, David		37	–	–	–	–	37
Mr. LIU Lit Man	*(iii)*	14	–	–	–	–	14
Mr. CHOW Kwong Fai, Edward		38	–	–	–	–	38
Mr. Timothy George FRESHWATER		27	–	–	–	–	27
		204	1,448	115	264	2	2,033

Notes:

(i) resigned on 22nd July 2008

(ii) resigned on 4th January 2008

(iii) retired on 15th May 2008

(iv) appointed on 4th January 2008

(v) appointed on 1st January 2009

(vi) resigned on 1st November 2009

The above analysis includes three (2008: three) directors whose emoluments were among the five highest in the Group.

(b) ***Management's emoluments***

Details of the aggregate emoluments paid to two (2008: two) individuals whose emoluments were the highest in the Group and have not been included in the directors' emoluments above are set out below:

	2009	**2008**
	US$'000	*US$'000*
Salaries and other allowances	525	529
Bonuses	130	154
Contributions to retirement benefit schemes	4	4
	659	687

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

	Number of individuals	
	2009	**2008**
Emolument bands		
US$258,021-US$322,527 (HK$2,000,001-HK$2,500,000)	1	–
US$322,527-US$387,032 (HK$2,500,001-HK$3,000,000)	1	2
	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.

38 Financial guarantee contracts

The financial guarantees issued by the Group and the Company as at 31st December 2009 is analysed as below:

	Group		**Company**	
	2009	**2008**	**2009**	**2008**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Guarantees for:				
– Notes issued by a subsidiary *(note 25(c))*	–	–	300,000	300,000
– Other loan facilities granted to subsidiaries	–	–	891,500	927,500
– Bank guarantees to an associate	31,788	37,057	31,788	37,057
	31,788	37,057	1,223,288	1,264,557

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.

39 Contingent liabilities

A statement of claim was issued on 19th October 2009 by Aronis-Drettas-Karlaftis Consultant Engineers S.A. as the plaintiff against the Company and Piraeus Container Terminal S.A. ("Piraeus Terminal"), a wholly owned subsidiary of the Company, in a civil claim at the Court of First Instance in Greece alleging non-payment of fees for design services and project management services. The plaintiff has claimed for approximately Euro 5,800,000 (equivalent to approximately US$7,900,000) in total.

The Directors and management of the Company, having taken legal advice, are of the view that the Company and Piraeus Terminal have good defences to all material claims. The Company would therefore contest the claims vigorously. However, at this stage, it is not possible to predict the outcome of this litigation with certainty. Hence, no provision has been made for the claims.

40 Capital commitments

The Group and the Company have the following significant capital commitments as at 31st December 2009:

	Group		Company	
	2009	**2008**	**2009**	**2008**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Authorised but not contracted for				
– Containers	130,005	89,545	–	–
– Computer system under development	807	749	–	–
– Investment *(note)*	–	–	–	59,063
– Other property, plant and equipment	57,449	464,142	–	–
	188,261	554,436	–	59,063
Contracted but not provided for				
– Containers	1,820	6,388	–	–
– Investments *(note)*	580,465	585,225	–	–
– Other property, plant and equipment	219,817	83,714	–	–
	802,102	675,327	–	–

The Group's share of capital commitments of the jointly controlled entities themselves not included in the above are as follows:

	Group	
	2009	**2008**
	US$'000	*US$'000*
Contracted but not provided for	5,662	8,108
Authorised but not contracted for	8,965	17,031
	14,627	25,139

Note:

The capital commitments in respect of investments of the Group and the Company as at 31st December 2009 are as follows:

	Group		Company	
	2009	**2008**	**2009**	**2008**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Authorised but not contracted for				
Investment in:				
– Piraeus Container Terminal S.A.	–	–	–	59,063
Contracted but not provided for				
Investments in:				
– Qingdao Qianwan Container Terminal Co., Ltd.	64,997	64,997	–	–
– Antwerp Gateway NV	69,466	75,490	–	–
– Dalian Port Container Terminal Co., Ltd.	42,764	42,724	–	–
– COSCO Ports (Nansha) Limited	178,021	177,854	–	–
– Tianjin Port Euroasia International Container Terminal Co., Ltd.	102,809	102,713	–	–
– Others	59,120	58,218	–	–
	517,177	521,996	–	–
Terminal projects in:				
– Shanghai Yangshan Port Phase II	58,581	58,526	–	–
– Others	4,707	4,703	–	–
	63,288	63,229	–	–
	580,465	585,225	–	–

41 Operating lease arrangements/commitments

(a) Operating lease arrangements – where the Group is the lessor

At 31st December 2009, the Group had future minimum lease receipts under non-cancellable operating leases as follows:

	Group	
	2009	**2008**
	US$'000	*US$'000*
Containers		
– not later than one year	176,221	184,013
– later than one year and not later than five years	536,914	580,394
– later than five years	195,744	281,304
	908,879	1,045,711
Generator sets		
– not later than one year	1,746	2,002
– later than one year and not later than five years	2,042	2,714
– later than five years	269	413
	4,057	5,129
Buildings, leasehold land and land use rights		
– not later than one year	405	–
– later than one year and not later than five years	80	–
	485	–
Investment properties		
– not later than one year	85	43
– later than one year and not later than five years	32	23
	117	66
	913,538	1,050,906

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 2009, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Group	
	2009	**2008**
	US$'000	*US$'000*
Buildings, leasehold land and land use rights		
– not later than one year	3,828	4,595
– later than one year and not later than five years	1,839	7,369
– later than five years	2	9,643
	5,669	21,607
Plant and machinery		
– not later than one year	1,321	242
– later than one year and not later than five years	1,033	63
	2,354	305
Containers *(note)*		
– not later than one year	9,606	12,551
– later than one year and not later than five years	25,378	44,458
	34,984	57,009
	43,007	78,921

Note:

After the disposal of certain containers in 2008, the Group entered into an operating lease agreement of which the Group agreed to lease back these containers from the purchaser with an initial lease term of five years. The lessor calculated the rent payable by the Group, which was determined on the terms agreed between both parties.

Pursuant to the operating lease agreement, the lessor has granted a lease extension option to the Group, which must be exercised by the Group at least six months but not more than eight months from the expiry date of the original term. If exercised, the lease term of all containers under the operating lease agreement will be extended for a further term of five years from the original expiry date.

Except for the operating lease commitment above, the Group had commitment in relations to the Concession (note 18) as follows:

	2009	**2008**
	US$'000	*US$'000*
Not later than one year	34,331	–
Later than one year and not later than five years	168,134	–
Later than five years	4,511,290	–
	4,713,755	–

(c) The Company did not have any lease commitments as at 31st December 2009 and 2008.

42 Notes to the consolidated cash flow statement

(a) Reconciliation of profit before income tax (including discontinuing operation) to cash generated from operations

	2009	2008
	US$'000	*US$'000*
Profit before income tax including discontinuing operation	189,334	275,177
Depreciation and amortisation	98,345	92,560
Interest expenses	38,215	52,120
Amortised amount of		
– discount on issue of notes	180	190
– transaction costs on bank loans and notes	1,074	398
Other incidental borrowing costs and charges	336	30
Impairment loss of containers	3,607	45
Provision for impairment of trade receivables	3,933	200
Provision/(write back of provision) for inventories	7,028	(21)
Profit on disposal of property, plant and equipment	(545)	(5,313)
Dividend income from		
– a listed investment	–	(132)
– unlisted investments	(22,254)	(22,308)
Profit on disposal of		
– a jointly controlled entity	(5,516)	(236)
– available-for-sale financial assets	(85)	(1,959)
Revaluation (surplus)/deficit of investment properties	(555)	3
Write back of provision for impairment of trade receivables	(142)	(1,672)
Interest income	(6,005)	(6,866)
Share of profits less losses of		
– jointly controlled entities	(84,810)	(100,273)
– associates	(32,890)	(54,815)
Operating profit before working capital changes	189,250	227,128
Decrease in net amount due from jointly controlled entities	104	217
Decrease in finance lease receivables	961	1,244
Decrease/(increase) in rent receivable collected on behalf of owners of managed containers	4,408	(282)
Decrease in inventories	16,055	24,585
(Increase)/decrease in trade and other receivables	(49,346)	10,859
Decrease in restricted bank deposits	76	416
Decrease/(increase) in amounts due from fellow subsidiaries	115	(165)
Decrease in amounts due from related companies	4	11
Decrease in amount due from an associate	376	101
Increase/(decrease) in trade and other payables	24,322	(2,708)
(Decrease)/increase in payables to owners of managed containers	(1,355)	282
Increase/(decrease) in amounts due to fellow subsidiaries	149	(102)
Increase/(decrease) in amounts due to related companies	7	(5)
(Decrease)/increase in amounts due to minority shareholders of subsidiaries	(8,454)	147
Cash generated from operations	176,672	261,728

(b) Acquisition of a business

	2008
	US$'000
Net assets acquired	
Property, plant and equipment	83,203
Leasehold land and land use rights	14,040
Intangible assets	21
Trade and other receivables	3,088
Cash and cash equivalents	81
Long term borrowings	(33,718)
Trade and other payables	(14,074)
Current portion of long term borrowings	(3,132)
Minority interests	(9,980)
	39,529
Satisfied by:	
Cash consideration	27,839
Amounts due to minority shareholders	11,690
	39,529
Analysis of net outflow of cash and cash equivalents in respect of acquisition of a business	
Cash consideration	(27,839)
Cash and cash equivalents in acquired business	81
Net cash outflow on acquisition	(27,758)

Cash outflow of US$7,889,000 in 2009 represented the settlement of amounts due to minority shareholders for the acquisition of a business in 2008.

(c) Analysis of the balances of cash and cash equivalents

	Group		Company	
	2009	**2008**	**2009**	**2008**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Total time deposits, bank balances and cash *(note i)*	405,754	429,041	59,028	176,557
Restricted bank deposits included in current assets	(14)	(77,435)	–	(77,345)
	405,740	351,606	59,028	99,212
Representing:				
Time deposits	100,361	161,684	48,097	98,464
Bank balances and cash	305,379	189,922	10,931	748
	405,740	351,606	59,028	99,212

Notes:

(i) As at 31st December 2009, cash and cash equivalents of US$46,015,000 (2008: US$68,331,000) of the Group denominated in Renminbi and US dollar were held by certain subsidiaries with bank accounts operating in the PRC where exchange controls apply.

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

	Group		Company	
	2009	**2008**	**2009**	**2008**
	US$'000	*US$'000*	*US$'000*	*US$'000*
US dollar	313,657	364,423	48,587	175,075
Renminbi	38,038	40,292	–	–
Euro	36,908	14,408	–	3
Hong Kong dollar	15,105	6,944	10,441	1,478
Other currencies	2,046	2,974	–	1
	405,754	429,041	59,028	176,557

43 Related party transactions

The Group is controlled by China COSCO which owns 51.20% of the Company's shares as at 31st December 2009. 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

	2009	2008
	US$'000	*US$'000*
Container rental income from fellow subsidiaries *(note i)*		
– long term leases	134,284	142,428
– short term leases	7	50
Container rental income from other state-owned enterprises *(note i)*	430	360
Compensation for loss of containers from a fellow subsidiary *(note ii)*	464	1,024
Handling, storage and transportation income from *(note iii)*		
– fellow subsidiaries	2,939	5,253
– a jointly controlled entity	1,259	1,248
Management fee and service fee income from *(note iv)*		
– jointly controlled entities	3,875	4,229
– associates	105	106
– an investee company	79	81
Container terminal handling and storage income received from fellow subsidiaries and an associate of the parent company *(note v)*	8,536	8,163
Container freight charges to *(note vi)*		
– a fellow subsidiary	–	(180)
– jointly controlled entities	–	(256)
– subsidiaries of CIMC	(158)	(2,907)
Logistics services fees to a minority shareholder of a subsidiary *(note vii)*	(4,370)	(3,544)
Electricity and fuel expenses to a minority shareholder of a subsidiary *(note viii)*	(1,320)	(1,629)
Approved continuous examination program fees to a fellow subsidiary *(note ix)*	(2,000)	–
Purchase of containers from *(note x)*		
– subsidiaries of CIMC	(34,501)	(125,686)
– jointly controlled entities	–	(18,402)
– a related company	–	(1,975)
Handling, storage and maintenance expenses paid to fellow subsidiaries *(note xi)*	(1,010)	(604)
Proceeds on disposal of a jointly controlled entity to CIMC *(note 31)*	16,400	–
Proceeds on disposal of a jointly controlled entity to a subsidiary of CIMC *(note xii)*	–	14,000

Notes:

(i) The Group has conducted long term container leasing business with COSCON. During the two years ended 31st December 2009, 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 two (2008: four) 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) During the year the Group had compensation received and receivable of US$464,000 (2008: US$1,024,000) from COSCON for the loss of containers under operating leases, resulting in a profit of US$71,000 (2008: US$168,000).

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

(iv) The Group provided advisory and management services to COSCO-HIT Terminals (Hong Kong) Limited, a jointly controlled entity of the Group, during the year. Management fee was charged and agreed at HK$20,000,000 (equivalent to US$2,580,000) (2008: HK$20,000,000 (equivalent to US$2,569,000)) per annum.

Other management fee and service fee income charged to jointly controlled entities, associates and an investee company were agreed between the Group and the respective parties in concern.

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

The container terminal handling and storage income received from fellow subsidiaries in relation to the cargoes shipped from/to Piraeus Ports were conducted by the Group with rates as mutually agreed.

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

(vii) The logistics service fees paid to a minority shareholder of a subsidiary were charged at rates as mutually agreed.

(viii) Electricity and fuel expenses paid to a minority shareholder of a subsidiary were charged at rates as mutually agreed.

(ix) Approved continuous examination program fees to COSCON of US$2,000,000 in connection with the containers leased to COSCON on a long term basis were agreed between the Group and COSCON for the year ended 31st December 2009 (2008: US$Nil).

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

(xi) Handling, storage and maintenance expenses paid to fellow subsidiaries were charged at rates as mutually agreed.

(xii) During 2008, the Group entered into an agreement with CIMC Holdings (B.V.I.) Ltd., a subsidiary of CIMC, to dispose of its entire 22.5% equity interest in Tianjin CIMC North Ocean Co., Ltd., a then jointly controlled entity of the Group, at a consideration of US$14,000,000. The disposal resulted in a gain of US$236,000.

(b) Balances with state-owned banks

	2009	2008
	US$'000	*US$'000*
Bank deposit balances		
– in China mainland	46,015	68,345
– outside China mainland	295,533	228,703
Long term bank loans		
– in China mainland	290,725	169,053
– outside China mainland	429,000	436,700
Short term bank loans		
– in China mainland	101,044	10,974
Committed and undrawn bank borrowings facilities		
– in China mainland	608,400	16,736
– outside China mainland	30,000	–

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

	2009	2008
	US$'000	*US$'000*
Other payables to a state-owned enterprise	6,090	5,760

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

(d) Key management compensation

	2009	2008
	US$'000	*US$'000*
Salaries, bonuses and other allowances	3,032	2,996
Contributions to retirement benefit schemes	7	8
	3,039	3,004

Key management includes directors of the Company and five (2008: four) senior management members of the Group.

44 Event after the balance sheet date

In March 2010, the disposal of COSCO Logistics (note 21) was completed and resulted in a gain (net of tax and direct expenses) of approximately US$85,000,000 for the year ending 31st December 2010.

45 Details of subsidiaries

Details of the subsidiaries as at 31st December 2009 are as follows:

	Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/paid-up capital	Group equity interest 2009	Group equity interest 2008
[2]	Allgood International Limited	British Virgin Islands	Hong Kong	Inactive	1 ordinary share of US$1	100.00%	100.00%
	Cheer Hero Development Limited	Hong Kong	Hong Kong	Container handling, storage and stevedoring	10,000 ordinary shares of HK$10 each	75.00%	75.00%
[1, 2]	COSCO Container Industries Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	100.00%	100.00%
	COSCO Container Services Limited	Hong Kong	Hong Kong	Investment holding depot handling, storage and container repairing	2 ordinary shares of HK$1 each	100.00%	100.00%
[1, 2, 3]	COSCO Pacific (China) Investments Co., Ltd.	PRC	PRC	Investment holding	US$37,496,000	100.00%	100.00%
[1]	COSCO Pacific Finance (2003) Company Limited	British Virgin Islands	Hong Kong	Financing	1 ordinary share of US$1	100.00%	100.00%
[1, 2]	COSCO Pacific Logistics Company Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	100.00%	100.00%
[1]	COSCO Pacific Management Company Limited	Hong Kong	Hong Kong	Investment holding and provision of management services	2 ordinary shares of HK$1 each	100.00%	100.00%
[1, 2]	COSCO Pacific Nominees Limited	British Virgin Islands	Hong Kong	Provision of nominee services	1 ordinary share of US$1	100.00%	100.00%
[2, 3]	COSCO Ports Services (Guangzhou) Limited	PRC	PRC	Depot handling, storage and container repairing	US$5,000,000	100.00%	100.00%
[2]	COSCO Ports (Antwerp) NV	Belgium	Belgium	Investment holding	EURO61,500 divided into 2 shares with no face value	100.00%	100.00%
	COSCO Ports (Belgium) Limited	Hong Kong	Hong Kong	Investment holding	1 ordinary share of HK$1	100.00%	100.00%
[2]	COSCO Ports (Dalian) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	100.00%	100.00%
[2]	COSCO Ports (Dalian RoRo) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	100.00%	100.00%
[2]	COSCO Ports (Europe) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	100.00%	100.00%
[2]	COSCO Ports (Fuzhou) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	100.00%	100.00%

	Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/paid-up capital	Group equity interest 2009	Group equity interest 2008
[1, 2]	COSCO Ports (Greece) S.à r.l.	Luxembourg	Luxembourg	Investment holding	EURO12,500	100.00%	100.00%
[2]	COSCO Ports (Guangzhou) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	100.00%	100.00%
[2]	COSCO Ports (Haikou) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	100.00%	100.00%
[1]	COSCO Ports (Holdings) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	100.00%	100.00%
[2]	COSCO Ports (Hong Kong) Limited	British Virgin Islands	Hong Kong	Inactive	1 ordinary share of US$1	100.00%	100.00%
[2]	COSCO Ports (Lian Yun Gang) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	100.00%	100.00%
[2]	COSCO Ports (Nanjing) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	100.00%	100.00%
[2]	COSCO Ports (Netherlands) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	100.00%	100.00%
[2]	COSCO Ports (Ningbo Beilun) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	100.00%	100.00%
[2]	COSCO Ports (Panama) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	100.00%	100.00%
[2]	COSCO Ports (Port Said) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	100.00%	100.00%
[2]	COSCO Ports (Pudong) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	100.00%	100.00%
[2]	COSCO Ports (Qianwan) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	100.00%	100.00%
[2]	COSCO Ports (Qingdao) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	100.00%	100.00%
[2]	COSCO Ports (Quanzhou) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	100.00%	100.00%
[2]	COSCO Ports (Quanzhou Jinjiang) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	100.00%	100.00%
[2, 4]	COSCO Ports (Rotterdam) Cooperatief U.A.	Netherlands	Netherlands	Investment holding	–	100.00%	100.00%
[2]	COSCO Ports (Services) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	100.00%	100.00%
[2]	COSCO Ports (Singapore) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	100.00%	100.00%
[2]	COSCO Ports (Tianjin) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	100.00%	100.00%
[2]	COSCO Ports (Tianjin North Basin) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	100.00%	100.00%

	Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/paid-up capital	Group equity interest 2009	Group equity interest 2008
2	COSCO Ports (Xiamen Haicang) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	100.00%	100.00%
2	COSCO Ports (Yangshan) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	100.00%	100.00%
2	COSCO Ports (Yangzhou) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	100.00%	100.00%
2	COSCO Ports (Yingkou) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	100.00%	100.00%
2	COSCO Ports (Zhenjiang) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	100.00%	100.00%
	COSCO Ports (Zhenjiang Terminal) Limited	Hong Kong	Hong Kong	Investment holding	1 ordinary share of HK$1	100.00%	100.00%
1	CPL Treasury Limited	British Virgin Islands	Hong Kong	Provision of treasury services	1 ordinary share of US$1	100.00%	100.00%
	Crestway International Limited	British Virgin Islands	Hong Kong	Investment holding	50,000 ordinary share of US$1 each	100.00%	100.00%
1, 2	Elegance Investment Limited	British Virgin Islands	Hong Kong	Inactive	1 ordinary share of US$1	100.00%	100.00%
	Fairbreeze Shipping Company Limited	Hong Kong	Hong Kong	Property investment	5,000 ordinary share of HK$100 each	100.00%	100.00%
2	Famous International Limited	British Virgin Islands	Worldwide	Investment holding	1 ordinary share of US$1	100.00%	100.00%
2, 3	Florens (China) Company Limited	PRC	PRC	Container leasing and resale of old containers	US$12,800,000	100.00%	100.00%
	Florens Container (Macao Commercial Offshore) Limited	Macau	Worldwide	Sale of containers and administration of marine shipping container activities	1 quota of MOP100,000	100.00%	100.00%
	Florens Container Corporation S.A.	Panama	Worldwide	Container leasing	100 ordinary shares of US$100 each	100.00%	100.00%
1	Florens Container Holdings Limited	British Virgin Islands	Hong Kong	Investment holding	22,014 ordinary shares of US$1 each	100.00%	100.00%
	Florens Container Inc.	United States of America	United States of America	Investment holding and container leasing	1 ordinary share of US$1	100.00%	100.00%
	Florens Container, Inc. (1998)	United States of America	United States of America	Leasing of generator sets	100 ordinary shares of US$1 each	100.00%	100.00%
	Florens Container Inc. (1999)	United States of America	United States of America	Leasing of generator sets	100 ordinary shares of US$1 each	100.00%	100.00%

	Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/paid-up capital	Group equity interest 2009	Group equity interest 2008
	Florens Container, Inc. (2000)	United States of America	United States of America	Information technology development and software maintenance	100 ordinary shares of US$1 each	100.00%	100.00%
	Florens Container, Inc. (2001)	United States of America	United States of America	Container leasing	1 ordinary share of US$1	100.00%	100.00%
	Florens Container, Inc. (2002)	United States of America	United States of America	Sale of old containers	1 ordinary share of US$1	100.00%	100.00%
	Florens Container, Inc. (2003)	United States of America	United States of America	Sale of old containers	1 ordinary share of US$1	100.00%	100.00%
	Florens Container Services Company Limited	Hong Kong	Worldwide	Provision of container management services	100 ordinary shares of HK$1 each	100.00%	100.00%
[2]	Florens Container Services (Australia) Pty Limited	Australia	Australia	Provision of container management services	100 ordinary shares of AUD1 each	100.00%	100.00%
[2]	Florens Container Services (Deutschland) GmbH.	Germany	Germany	Provision of container management services	2 shares of EURO12,782.30 each	100.00%	100.00%
[2]	Florens Container Services (Italy) S.R.L.	Italy	Italy	Provision of container management services	20,000 quotas of EURO0.52 each	100.00%	100.00%
[2]	Florens Container Services (Japan) Co. Ltd.	Japan	Japan	Provision of container management services	200 ordinary shares of JPY50,000 each	100.00%	100.00%
[2]	Florens Container Services (UK) Limited	United Kingdom	United Kingdom	Provision of container management services	183,610 ordinary shares of GBP1 each	100.00%	100.00%
	Florens Container Services (USA), Ltd.	United States of America	United States of America	Container manager and provision of container management services	1,000 ordinary shares of US$0.001 each	100.00%	100.00%
[1, 2]	Florens Industrial Holdings Limited	Bermuda	Hong Kong	Inactive	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%

	Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/paid-up capital	Group equity interest 2009	Group equity interest 2008
[2]	Fota Limited	British Virgin Islands	Hong Kong	Inactive	12,000 ordinary shares of US$1 each	100.00%	100.00%
[2]	Frosti International Limited	British Virgin Islands	Hong Kong	Investment holding	2 ordinary shares of US$1 each	100.00%	100.00%
	Greating Services Limited	Hong Kong	Hong Kong	Transportation of containers	250,000 ordinary shares of HK$1 each	100.00%	100.00%
[1]	Hang Shing Investment Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	100.00%	100.00%
[2, 3]	Jinjiang Pacific Ports Development Co., Ltd.	PRC	PRC	Operation of container terminal	US$49,900,000	80.00%	80.00%
[2]	Loson Investment Limited	British Virgin Islands	Hong Kong	Inactive	1 ordinary share of US$1	100.00%	100.00%
[2]	Plangreat Limited	British Virgin Islands	Hong Kong	Investment holding	100 ordinary shares of US$1 each	100.00%	100.00%
[1]	Piraeus Container Terminal S.A.	Greece	Greece	Investment holding	EURO22,500,000	100.00%	100.00%
[2, 3]	Quan Zhou Pacific Container Terminal Co., Ltd.	PRC	PRC	Operation of container terminal	US$49,900,000	71.43%	71.43%
[1, 2]	Topview Investment Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	100.00%	100.00%
	Win Hanverky Investments Limited	Hong Kong	Hong Kong	Investment holding	10,000 ordinary shares of HK$10 each	100.00%	100.00%
[2, 3]	Xiamen Ocean Gate Container Terminal Co., Ltd.	PRC	PRC	Operation of container terminal	RMB419,055,000	70.00%	70.00%
[2, 3]	Yangzhou Yuanyang International Ports Co., Ltd.	PRC	PRC	Operation of container terminal	US$61,500,000/ US$48,140,000	55.59%	55.59%
	Yeman Limited	British Virgin Islands	British Virgin Islands	Property holding	1 ordinary share of US$1	100.00%	100.00%
[2, 3]	Zhangjiagang Win Hanverky Container Terminal Co., Ltd.	PRC	PRC	Operation of container terminal	US$36,800,000	51.00%	51.00%

[1] Shares held directly by the Company.

[2] Subsidiaries not audited by PricewaterhouseCoopers.

[3] COSCO Pacific (China) Investments Co., Ltd, COSCO Ports Services (Guangzhou) Limited and Florens (China) Company Limited are wholly foreign-owned enterprises. Jinjiang Pacific Ports Development Co., Ltd., Quan Zhou Pacific Container Terminal Co., Ltd., Xiamen Ocean Gate Container Terminal Co., Ltd., Yangzhou Yuanyang International Ports Co., Ltd. and Zhangjiagang Win Hanverky Container Terminal Co., Ltd. are sino-foreign equity joint ventures established in the PRC.

[4] As at 31st December 2009, there is no issued share capital and paid up capital for this subsidiary.

46 Details of principal jointly controlled entities

Details of the principal jointly controlled entities as at 31st December 2009, which principally affect the results and/or net assets of the Group, are as follows:

Name	Place of establishment/ operation	Principal activities	Paid-up capital	Percentage of interest in ownership/voting power/profit sharing 2009	2008
COSCO Logistics Co., Ltd. *(note 21)*	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%
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	RMB937,470,000	20.00%/ 22.20%/ 20.00%	20.00%/ 22.20%/ 20.00%
Ningbo Yuan Dong Terminals Limited	PRC	Operation of container terminal	RMB390,000,000	20.00%	20.00%
Panama International Terminals, S.A.	Panama	Inactive	300 ordinary shares with no face value	50.00%	50.00%
Qingdao Cosport International Container Terminals Co., Ltd.	PRC	Operation of container terminal	RMB337,868,700	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. *(note 31)*	PRC	Container manufacturing	US$31,000,000	– – –	20.00%/ 21.40%/ 20.00%
Shanghai Pudong International Container Terminals Limited	PRC	Operation of container terminal	RMB1,900,000,000	30.00%	30.00%

Name	Place of establishment/ operation	Principal activities	Paid-up capital	Percentage of interest in ownership/voting power/profit sharing 2009	2008
Tianjin Port Euroasia International Container Terminal Co., Ltd.	PRC	Operation of container terminal	RMB1,260,000,000	30.00%/ 28.60%/ 30.00%	30.00%/ 28.60%/ 30.00%
Yingkou Container Terminals Company Limited	PRC	Operation of container terminal	RMB8,000,000	50.00%/ 57.14%/ 50.00%	50.00%/ 57.14%/ 50.00%

47 Details of principal associates

Details of the principal associates as at 31st December 2009, which principally affect the results and/or net assets of the Group, are as follows:

Name	Place of establishment/ operation	Principal activities	Issued share capital/ registered capital	Group equity interest 2009	2008
Antwerp Gateway NV	Belgium	Operation of container terminal	EURO17,900,000	20.00%	20.00%
China International Marine Containers (Group) Co., Ltd.	PRC	Container manufacturing	RMB2,662,396,051 (1,231,917,342 “A” shares and 1,430,478,709 “B” shares), all of RMB1 each	21.80%	21.80%
Dalian Automobile Terminal Co., Ltd.	PRC	Construction and operation of automobile terminals	RMB160,000,000	30.00%	30.00%
Dalian Port Container Terminal Co., Ltd.	PRC	Operation of container terminal	RMB240,000,000	20.00%	20.00%
Dawning Company Limited	British Virgin Islands/PRC	Investment holding	200 “A” shares of US$1 each and 800 “B” shares of US$1 each	20.00%	20.00%
Suez Canal Container Terminal S.A.E.	Egypt	Operation of container terminal	1,375,000 ordinary shares of US$100 each	20.00%	20.00%

(C) OTHER FINANCIAL INFORMATION OF THE GROUP

(a) Cash and bank balances

As of 31st March 2010, the Group had cash and bank balances of US$700,612,000 (equivalent to approximately HK$5,450,761,000). Apart from that, as of 12th May 2010, the Group received the net proceeds from the issuance of new Shares of approximately HK$4,536,000,000 (equivalent to approximately US$583,000,000) pursuant to the Top-up Placing.

(b) Indebtedness

As at the close of business on 31st March 2010, being the latest practicable date for the purpose of ascertaining certain information relating to this indebtedness statement, the Group had outstanding indebtedness of approximately US$1,609.9 million, comprising notes payable of approximately US$317.0 million, long-term bank loans of approximately US$1,167.9 million, short-term bank loans of approximately US$117.0 million and amounts due to minority shareholders of subsidiaries of approximately US$8.0 million.

The following table illustrates the Group's bank borrowings, notes and amounts due to minority shareholders of subsidiaries, which were all unsecured, as at 31st March 2010:

	US$' million
Current:	
Short-term bank loans	117.0
Current portion of long-term bank loans	73.2
Amount due to minority shareholders	8.0
Non-current:	
Long-term bank loans, net of current portion	1,094.7
Notes payables	317.0
	1,609.9

Bank loans were the largest source of financing. The Group also obtained financing from the issue of notes with a principal amount of US$300 million by a subsidiary of the Company on 3rd October 2003 which will mature on 3rd October 2013.

As at 31st March 2010, the Group's contingent liabilities mainly comprised a guarantee for an associate's utilised banking facilities of approximately US$29.7 million. In addition, the Group had a contingent liability in respect of a claim by Aronis-Drettas-Karlaftis Consultant Engineers S.A., the details of which are set out in the section headed "Litigation" in Appendix IV to this circular.

Save as aforesaid and apart from intra-group liabilities and normal trade payables in the ordinary course of business, as at the close of business on 31st March 2010, the Group did not have any debt securities issued and outstanding or authorised or otherwise created but unissued, or term loans, other borrowings or indebtedness in the nature of borrowings including bank overdrafts, liabilities under acceptance (other than normal trade bills), acceptance credits, hire purchase commitments, or mortgages, charges, guarantees or other material contingent liabilities.

(c) Working Capital

The Directors are of the opinion that, in the absence of unforeseen circumstances and after taking into account the expected completion of the Acquisition and the financial resources available to the Group, including the internally generated funds, the available banking facilities and the net proceeds of approximately HK$4,536,000,000 (equivalent to approximately US$583,000,000) from the issuance of new Shares pursuant to the Top-up Placing, the Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this circular.

(A) SUMMARY OF FINANCIAL INFORMATION OF WATTRUS GROUP

The following financial information is extracted from the audited consolidated financial statements of Wattrus as at and for each of the three years ended 31st December 2009.

(a) MAJOR ITEMS OF CONSOLIDATED INCOME STATEMENTS

	For the year ended 31st December		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Revenue and other income	6,551,756	6,221,605	5,154,468
Profit before tax	4,121,402	3,908,810	3,299,339
Profit for the year	3,897,060	3,675,626	3,088,680
Profit attributable to equity holders of Wattrus	2,086,270	1,954,624	1,665,036

(b) CONSOLIDATED ASSETS, LIABILITIES AND EQUITY

	Note	As at 31st December 2007 *HK$'000*	2008 *HK$'000*	2009 *HK$'000*
ASSETS				
Non-current assets				
Fixed assets	*1*	10,591,782	11,302,189	11,412,137
Projects under development	*2*	808,479	1,124,258	909,726
Leasehold land	*3*	8,545,792	8,597,769	8,453,162
Railway usage rights	*4*	16,077	16,628	16,260
Associated company	*5*	86,609	98,915	107,558
Jointly controlled entity	*6*	–	–	28,250
		20,048,739	21,139,759	20,927,093
Current assets				
Cash and cash equivalents	*7*	5,588,944	5,860,796	4,156,989
Available-for-sale investments	*8*	–	–	215,943
Trade and other receivables	*9*	3,169,381	4,470,851	1,020,702
Inventories		75,147	77,083	66,116
		8,833,472	10,408,730	5,459,750
Current liabilities				
Loans from shareholders	*10*	5,661,417	7,344,737	5,137,281
Loans from minority shareholders	*11*	1,680,523	1,984,267	1,412,387
Trade and other payables	*12*	4,933,665	3,894,535	3,569,155
Current portion of bank loans	*13*	–	5,049,600	–
Current tax liabilities		39,636	40,090	39,111
		12,315,241	18,313,229	10,157,934
Net current liabilities		(3,481,769)	(7,904,499)	(4,698,184)
Total assets less current liabilities		16,566,970	13,235,260	16,228,909
Non-current liabilities				
Bank loans	*13*	7,913,940	2,870,570	5,770,000
Deferred tax liabilities	*14*	326,637	428,611	427,703
		8,240,577	3,299,181	6,197,703
Net assets		8,326,393	9,936,079	10,031,206
CAPITAL AND RESERVES				
Share capital	*15*	5	5	5
Share premium		1,073,921	1,073,921	1,073,921
Reserves		2,952,863	3,263,599	3,252,722
		4,026,789	4,337,525	4,326,648
Minority interests		4,299,604	5,598,554	5,704,558
Total equity		8,326,393	9,936,079	10,031,206

(c) OTHER FINANCIAL INFORMATION OF WATTRUS GROUP

1 Fixed assets

	Properties	Container handling equipment	Furniture and equipment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1st January 2007				
Cost	5,842,687	3,777,715	517,389	10,137,791
Accumulated depreciation	(722,596)	(801,688)	(369,378)	(1,893,662)
Net book amount	5,120,091	2,976,027	148,011	8,244,129
Year ended 31st December 2007				
Opening net book amount	5,120,091	2,976,027	148,011	8,244,129
Additions	1,033	402	299	1,734
Relating to a subsidiary company acquired	391,097	178,334	7,658	577,089
Transfer from projects under development *(note 2)*	955,655	1,135,166	77,978	2,168,799
Disposals	(453)	(595)	(531)	(1,579)
Depreciation	(148,727)	(185,199)	(68,836)	(402,762)
Currency translation differences	3,351	1,014	7	4,372
Closing net book amount	6,322,047	4,105,149	164,586	10,591,782
At 31st December 2007				
Cost	7,193,658	5,084,368	587,992	12,866,018
Accumulated depreciation	(871,611)	(979,219)	(423,406)	(2,274,236)
Net book amount	6,322,047	4,105,149	164,586	10,591,782
Year ended 31st December 2008				
Opening net book amount	6,322,047	4,105,149	164,586	10,591,782
Additions	2,553	–	461	3,014
Transfer from projects under development *(note 2)*	1,171,096	148,853	126,593	1,446,542
Disposals	(692)	(77,091)	(2,022)	(79,805)
Value-added tax refund	–	(222,512)	–	(222,512)
Depreciation	(185,798)	(223,510)	(75,797)	(485,105)
Currency translation differences	35,745	11,759	769	48,273
Closing net book amount	7,344,951	3,742,648	214,590	11,302,189
At 31st December 2008				
Cost	8,406,272	4,925,781	703,468	14,035,521
Accumulated depreciation	(1,061,321)	(1,183,133)	(488,878)	(2,733,332)
Net book amount	7,344,951	3,742,648	214,590	11,302,189

	Properties	Container handling equipment	Furniture and equipment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31st December 2009				
Opening net book amount	7,344,951	3,742,648	214,590	11,302,189
Transfer from projects under development *(note 2)*	429,849	74,138	88,786	592,773
Disposals	–	(46,846)	(5,299)	(52,145)
Depreciation	(211,233)	(172,184)	(55,240)	(438,657)
Currency translation differences	5,799	2,036	142	7,977
Closing net book amount	7,569,366	3,599,792	242,979	11,412,137
At 31st December 2009				
Cost	8,842,890	4,851,054	756,199	14,450,143
Accumulated depreciation	(1,273,524)	(1,251,262)	(513,220)	(3,038,006)
Net book amount	7,569,366	3,599,792	242,979	11,412,137

2 Projects under development

	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*
At 1st January	578,265	808,479	1,124,258
Additions	2,278,136	1,738,942	373,538
Relating to a subsidiary company acquired	62,978	–	–
Transfer to fixed assets *(note 1)*	(2,168,799)	(1,446,542)	(592,773)
Currency translation differences	607	8,534	660
	751,187	1,109,413	905,683
Interest capitalised	57,292	14,845	4,043
At 31st December	808,479	1,124,258	909,726

Projects under development mainly represent the cost of construction of port facilities and railways in the PRC incurred by subsidiary companies of Wattrus Group.

3 Leasehold land

	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*
Net book value			
At 1st January	7,380,619	8,545,792	8,597,769
Additions	901,564	199,328	29,856
Disposals	(289)	(6,027)	–
Amortisation for the year	(141,411)	(161,519)	(177,239)
Relating to a subsidiary company acquired	403,250	–	–
Currency translation differences	2,059	20,195	2,776
At 31st December	8,545,792	8,597,769	8,453,162

Wattrus Group's leasehold land comprises:

	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*
Medium leasehold outside Hong Kong (less than 50 years but not less than 10 years)	8,545,792	8,597,769	8,453,162

Leasehold land represents interests in leasehold land held for own use under operating leases.

4 Railway usage rights

	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*
Net book value			
At 1st January	16,557	16,077	16,628
Amortisation for the year	(480)	(507)	(513)
Currency translation differences	–	1,058	145
At 31st December	16,077	16,628	16,260

5 Associated company

	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*
Unlisted investments at cost	47,436	47,436	47,436
Share of undistributed post acquisition reserves	39,173	51,479	60,122
	86,609	98,915	107,558

As at 31st December 2007, 2008 and 2009, investment cost included goodwill on acquisition of HK$28,308,000.

Details of the associated company of Wattrus Group at 31st December 2007, 2008 and 2009 are as follows:

Name	**Place of incorporation**	**Principal activity**	**Particulars of registered capital**	**Attributable interest held**
Shenzhen Yantian Tugboat Company Limited	People's Republic of China ("PRC")	Provision of tugboat services in the PRC	RMB30,000,000	23.82%

The revenue, results, assets and liabilities of Wattrus Group's associated company as follows:

	2007 *HK$'000*	**2008** *HK$'000*	**2009** *HK$'000*
Revenue	170,576	196,517	192,902
Profit for the year	47,907	50,247	49,013
Total assets	349,622	418,964	440,451
Total liabilities	155,285	131,843	115,782

Wattrus Group's share of the total revenues and results of the associated company are as follows:

	2007 *HK$'000*	**2008** *HK$'000*	**2009** *HK$'000*
Share of total revenues	51,173	58,955	57,871
Share of results	14,372	15,074	14,704

6 Jointly controlled entity

	2007 *HK$'000*	**2008** *HK$'000*	**2009** *HK$'000*
Unlisted investment at cost	–	–	28,250
Share of undistributed post acquisition reserves	–	–	–
	–	–	28,250

Details of the jointly controlled entity of Wattrus Group at 31st December 2009 are as follows:

Name	**Place of incorporation**	**Principal activity**	**Particulars of registered capital**	**Attributable interest held**
Yantian Port International Information Company Limited	PRC	Provision of electronic port community system	RMB50,000,000	28.98%

The revenue, result, asset and liability of Wattrus Group's jointly controlled entity as follows:

	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*
Revenue	–	–	–
Result for the year	–	–	–
Total asset	–	–	56,500
Total liability	–	–	–

Wattrus Group's share of the total revenue and result of the jointly controlled entity are as follows:

	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*
Share of total revenue	–	–	–
Share of results	–	–	–

7 Cash and cash equivalents

	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*
Cash at bank and in hand	84,457	106,902	83,690
Short-term bank deposits	5,504,487	5,753,894	4,073,299
	5,588,944	5,860,796	4,156,989

Cash and cash equivalents are denominated in the following currencies:

	2007	2008	2009
	Percentage	*Percentage*	*Percentage*
HK dollar	10%	30%	22%
Renminbi	88%	62%	65%
US dollar	2%	8%	13%
	100%	100%	100%

The carrying amounts of cash and cash equivalents approximate their fair values.

8 Available-for-sale investments

	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*
Listed debt securities	–	–	215,943

During the year ended 31st December 2009, Wattrus Group purchased listed debt securities issued by a fellow subsidiary. The listed debt securities are denominated in US dollar and carries interest at a fixed rate of 5.45%.

9 Trade and other receivables

	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*
Trade receivables	788,000	852,205	845,319
Less: Provision for impairment of receivables	(7,550)	(9,977)	(3,203)
	780,450	842,228	842,116
Deposits and other receivables	274,486	89,440	70,835
Amount due from immediate holding company	189	387	600
Amounts due from intermediate holding companies	4,032	21,486	46,732
Amounts due from fellow subsidiaries	2,109,012	3,516,098	58,425
Dividend receivable	1,212	1,212	1,994
	3,169,381	4,470,851	1,020,702

The balances are denominated in the following currencies:

	2007	2008	2009
	Percentage	*Percentage*	*Percentage*
HK dollar	99%	96%	59%
Renminbi	1%	2%	8%
US dollar	–	2%	33%
	100%	100%	100%

Notes:

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

(b) The amounts due from group companies are unsecured, have no fixed terms of repayment and interest free except that the amounts due from group companies of HK$2,101,321,000 and HK$3,478,878,000 in 2007 and 2008 respectively were interest bearing at 0.25% under Hong Kong Inter-Bank Offered Rate per annum.

(c) As of 31st December 2007, 2008 and 2009, trade receivables of HK$214,943,000, HK$276,231,000 and HK$321,853,000 respectively 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 is as follows:

	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Up to 2 months	178,440	214,549	210,344
2 to 3 months	23,906	36,532	88,333
Over 3 months	12,597	25,150	23,176
	214,943	276,231	321,853

As of 31st December 2007, 2008 and 2009, trade receivables of HK$7,550,000, HK$9,977,000 and HK$3,203,000 respectively were impaired and provided for. The individual impaired receivables related to those balances in dispute with customers, based on management assessment, that only a portion of the receivables is expected to be recovered. Wattrus Group does not hold any collateral over these balances.

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

	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
At 1st January	4,768	7,550	9,977
Provision for impairment	4,489	2,326	–
Relating to a subsidiary company acquired	114	–	–
Write back of provision for impairment	(1,821)	–	(6,787)
Currency translation differences	–	101	13
At 31st December	7,550	9,977	3,203

The creation and release of provision for impaired receivables have been included in profit or loss. Amounts charged to the provision for impairment are generally written off when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above.

10 Loans from shareholders

The loans from shareholders are unsecured, interest free and have no fixed terms of repayment.

The carrying amounts of the loans from shareholders are denominated in Hong Kong dollar and approximate their fair values.

11 Loans from minority shareholders

The loans from minority shareholders are unsecured, interest free and have no fixed terms of repayment.

The carrying amounts of these loans from minority shareholders are denominated in Hong Kong dollar, except for the loan as at 31st December 2007, 2008 and 2009 of HK$212,000,000, HK$79,100,000 and HK$79,800,000 respectively, which are denominated in Renminbi. The carrying amounts of these loans approximate their fair values.

12 Trade and other payables

	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*
Trade creditors	148,148	178,401	96,218
Other creditors and accruals	3,905,711	3,635,942	3,408,151
Amounts due to intermediate holding companies	35,785	44,773	49,526
Amount due to immediate holding company	–	–	6
Amounts due to fellow subsidiaries	14,619	35,419	15,254
Dividend payable to minority shareholders	829,402	–	–
	4,933,665	3,894,535	3,569,155

The balances are denominated in the following currencies:

	2007	2008	2009
	Percentage	*Percentage*	*Percentage*
HK dollar	35%	56%	38%
Renminbi	65%	44%	62%
	100%	100%	100%

The carrying amount of trade and other payables approximate their fair values.

The amounts due to group companies are unsecured, interest free and have no fixed terms of repayment.

13 Bank loans

	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*
Unsecured bank loans	7,913,940	7,920,170	5,770,000
Less: current portion	–	(5,049,600)	–
	7,913,940	2,870,570	5,770,000

The balances are denominated in the following currencies:

	2007	2008	2009
	Percentage	*Percentage*	*Percentage*
HK dollar	99%	99%	100%
Renminbi	1%	1%	–
	100%	100%	100%

The bank loans as at 31st December 2007, 2008 and 2009 are repriced within six months at the prevailing market interest rates and are repayable from May 2009 to November 2011, from May 2009 to November 2011, and from November 2011 to May 2014 respectively. The effective interest rate at 31st December 2007, 2008 and 2009 were 4.73%, 0.82% and 0.69% respectively.

The carrying amounts of bank loans approximate their fair values.

14 Deferred tax liabilities

In 2007, the National People's Congress approved the New Corporate Income Tax Law ("CIT") and its implementation regulations. With effect from 1st January 2008, all enterprises are subject to a standard income tax rate of 25%, except for certain particular provisions in respect of progressive tax rates in the coming five years.

Since the deferred tax assets and deferred tax liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realised or liability is settled, the change in the applicable tax rate will affect the determination of the carrying values of deferred tax liabilities of Wattrus Group.

Deferred tax liabilities is calculated in full on temporary differences under the liabilities method using a tax rate of 25% as at 31st December 2007, 2008 and 2009 for temporary differences from fair value adjustments arising from acquisition and withholding tax rate of 5% as at 31st December 2007, 2008 and 2009 for those arising from unremitted earnings.

The components of deferred income tax liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Fair value adjustment arising from acquisition			Withholding tax on unremitted earnings			Accelerated tax depreciation			Total		
	2007	**2008**	**2009**	**2007**	**2008**	**2009**	**2007**	**2008**	**2009**	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st January	–	48,101	53,738	–	25,185	128,571	156,246	253,351	246,302	156,246	326,637	428,611
Relating to a subsidiary company acquired	48,101	–	–	–	–	–	–	–	–	48,101	–	–
Charged/(credited) to consolidated income statement	–	5,637	(1,157)	25,185	103,386	7,298	97,105	(7,049)	(7,049)	122,290	101,974	(908)
At 31st December	48,101	53,738	52,581	25,185	128,571	135,869	253,351	246,302	239,253	326,637	428,611	427,703

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

The deferred tax liabilities shown in the consolidated statement of financial position are mainly expected to be settled after more than 12 months.

15 Share capital

	2007	**2008**	**2009**
	HK$	*HK$*	*HK$*
Authorised:			
2,560 "A" shares of US$1 each	19,968	19,968	19,968
47,440 "B" shares of US$1 each	370,032	370,032	370,032
	390,000	390,000	390,000
Issued and fully paid:			
32 "A" shares of US$1 each	250	250	250
593 "B" shares of US$1 each	4,625	4,625	4,625
	4,875	4,875	4,875

16 Commitments

Wattrus Group's capital commitments for fixed assets, leasehold land and projects under development are as follows:

	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Contracted but not provided for	2,421,979	1,175,927	215,764
Authorised but not contracted for *(note)*	4,080,575	–	314,209
	6,502,554	1,175,927	529,973

Note: The capital commitments were budgeted amounts estimated for Wattrus Group's future capital expenditures, as part of its annual budget process. These estimates are subject to a rigorous authorisation process before the expenditure is committed.

17 List of subsidiary companies

Details of the subsidiary companies of Wattrus as at 31st December 2007, 2008 and 2009 are as follows:

Name	**Place of incorporation/ establishment**	**Principal activities**	**Particulars of issued share/ registered capital**	**Attributable interest held**		
				2007	**2008**	**2009**
# Sigma Enterprises Limited	British Virgin Islands	Investment holding	2,005 "A" shares of US$1 each 8,424 "B" shares of US$1 each	79.40%	79.40%	79.40%
Hutchison Ports Yantian Limited	Hong Kong	Investment holding	2 ordinary shares of HK$1 each	79.40%	79.40%	79.40%
Yantian International Container Terminals Limited	PRC	Development and operation of a container terminal	HK$2,400,000,000	57.96%	57.96%	57.96%
Hutchison Yantian Railway Limited	British Virgin Islands	Investment holding	1 ordinary share of US$1	79.40%	79.40%	79.40%
Yantian International Container Terminals (Phase III) Limited	PRC	Development and operation of a container terminal	HK$6,056,960,000	51.61%	51.61%	51.61%

Name	Place of incorporation/ establishment	Principal activities	Particulars of issued share/ registered capital	Attributable interest held		
				2007	2008	2009
Shenzhen Pingyan Railway Company Limited	PRC	Provision of railway services	RMB150,000,000	51.61%	51.61%	51.61%
Fargreater Limited	British Virgin Islands	Investment holding	1 ordinary share of US$1	79.40%	79.40%	79.40%
Hutchison Yantian Railway (HK) Limited	Hong Kong	Investment holding	1 ordinary share of HK$1	79.40%	79.40%	79.40%
Shenzhen Yantian West Port Terminals Limited	PRC	Development and operation of a container terminal	RMB1,000,000,000	51.61%	51.61%	51.61%

Subsidiary company held directly by Wattrus.

(B) SUMMARY OF FINANCIAL INFORMATION OF SIGMA GROUP

The following financial information is extracted from the audited consolidated financial statements of Sigma as at and for each of the three years ended 31st December 2009.

(a) MAJOR ITEMS OF CONSOLIDATED INCOME STATEMENTS

	For the year ended 31st December		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Revenue and other income	6,551,756	6,221,605	5,154,468
Profit before tax	4,149,631	3,937,043	3,327,563
Profit for the year	4,022,394	3,696,810	3,109,855
Profit attributable to equity holders of Sigma	2,785,270	2,488,310	2,123,594

(b) CONSOLIDATED ASSETS, LIABILITIES AND EQUITY

	Note	As at 31st December 2007 HK$'000	2008 HK$'000	2009 HK$'000
ASSETS				
Non-current assets				
Fixed assets	1	10,591,782	11,302,189	11,412,137
Projects under development	2	808,479	1,124,258	909,726
Leasehold land	3	7,532,302	7,612,476	7,496,066
Railway usage rights	4	16,077	16,628	16,260
Associated company	5	86,609	98,915	107,558
Jointly controlled entity	6	–	–	28,250
		19,035,249	20,154,466	19,969,997
Current assets				
Cash and cash equivalents	7	5,588,944	5,860,796	4,156,989
Available-for-sale investments	8	–	–	215,943
Trade and other receivables	9	3,169,416	4,470,911	1,020,794
Inventories		75,147	77,083	66,116
		8,833,507	10,408,790	5,459,842
Current liabilities				
Loans from shareholders	10	7,129,995	9,249,995	6,469,995
Loan from a minority shareholder	11	212,000	79,100	79,800
Trade and other payables	12	4,933,645	3,894,504	3,569,130
Current portion of bank loans	13	–	5,049,600	–
Current tax liabilities		39,636	40,090	39,111
		12,315,276	18,313,289	10,158,036
Net current liabilities		(3,481,769)	(7,904,499)	(4,698,194)
Total assets less current liabilities		15,553,480	12,249,967	15,271,803
Non-current liabilities				
Bank loans	13	7,913,940	2,870,570	5,770,000
Deferred tax liabilities	14	73,286	182,309	188,450
		7,987,226	3,052,879	5,958,450
Net assets		7,566,254	9,197,088	9,313,353
CAPITAL AND RESERVES				
Share capital	15	81	81	81
Reserves		4,114,070	4,532,041	4,544,963
		4,114,151	4,532,122	4,545,044
Minority interests		3,452,103	4,664,966	4,768,309
Total equity		7,566,254	9,197,088	9,313,353

(c) OTHER FINANCIAL INFORMATION OF SIGMA GROUP

1 Fixed assets

	Properties	Container handling equipment	Furniture and equipment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1st January 2007				
Cost	5,842,687	3,777,715	517,389	10,137,791
Accumulated depreciation	(722,596)	(801,688)	(369,378)	(1,893,662)
Net book amount	5,120,091	2,976,027	148,011	8,244,129
Year ended 31st December 2007				
Opening net book amount	5,120,091	2,976,027	148,011	8,244,129
Additions	1,033	402	299	1,734
Relating to a subsidiary company acquired	391,097	178,334	7,658	577,089
Transfer from projects under development *(note 2)*	955,655	1,135,166	77,978	2,168,799
Disposals	(453)	(595)	(531)	(1,579)
Depreciation	(148,727)	(185,199)	(68,836)	(402,762)
Currency translation differences	3,351	1,014	7	4,372
Closing net book amount	6,322,047	4,105,149	164,586	10,591,782
At 31st December 2007				
Cost	7,193,658	5,084,368	587,992	12,866,018
Accumulated depreciation	(871,611)	(979,219)	(423,406)	(2,274,236)
Net book amount	6,322,047	4,105,149	164,586	10,591,782
Year ended 31st December 2008				
Opening net book amount	6,322,047	4,105,149	164,586	10,591,782
Additions	2,553	–	461	3,014
Transfer from projects under development *(note 2)*	1,171,096	148,853	126,593	1,446,542
Disposals	(692)	(77,091)	(2,022)	(79,805)
Value-added tax refund	–	(222,512)	–	(222,512)
Depreciation	(185,798)	(223,510)	(75,797)	(485,105)
Currency translation differences	35,745	11,759	769	48,273
Closing net book amount	7,344,951	3,742,648	214,590	11,302,189

	Properties	Container handling equipment	Furniture and equipment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 31st December 2008				
Cost	8,406,272	4,925,781	703,468	14,035,521
Accumulated depreciation	(1,061,321)	(1,183,133)	(488,878)	(2,733,332)
Net book amount	7,344,951	3,742,648	214,590	11,302,189
Year ended 31st December 2009				
Opening net book amount	7,344,951	3,742,648	214,590	11,302,189
Transfer from projects under development *(note 2)*	429,849	74,138	88,786	592,773
Disposals	–	(46,846)	(5,299)	(52,145)
Depreciation	(211,233)	(172,184)	(55,240)	(438,657)
Currency translation differences	5,799	2,036	142	7,977
Closing net book amount	7,569,366	3,599,792	242,979	11,412,137
At 31st December 2009				
Cost	8,842,890	4,851,054	756,199	14,450,143
Accumulated depreciation	(1,273,524)	(1,251,262)	(513,220)	(3,038,006)
Net book amount	7,569,366	3,599,792	242,979	11,412,137

2 Projects under development

	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*
At 1st January	578,265	808,479	1,124,258
Additions	2,278,136	1,738,942	373,538
Relating to a subsidiary company acquired	62,978	–	–
Transfer to fixed assets *(note 1)*	(2,168,799)	(1,446,542)	(592,773)
Currency translation differences	607	8,534	660
	751,187	1,109,413	905,683
Interest capitalised	57,292	14,845	4,043
At 31st December	808,479	1,124,258	909,726

Projects under development mainly represent the cost of construction of port facilities and railways in the PRC incurred by subsidiary companies of Sigma Group.

3 Leasehold land

	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*
Net book value			
At 1st January	6,338,931	7,532,302	7,612,476
Additions	901,564	199,328	29,856
Disposals	(289)	(6,027)	–
Amortisation for the year	(113,213)	(133,322)	(149,042)
Relating to a subsidiary company acquired	403,250	–	–
Currency translation differences	2,059	20,195	2,776
At 31st December	7,532,302	7,612,476	7,496,066

Sigma Group's leasehold land comprises:

	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*
Medium leasehold outside Hong Kong (less than 50 years but not less than 10 years)	7,532,302	7,612,476	7,496,066

Leasehold land represents interests in leasehold land held for own use under operating leases.

4 Railway usage rights

	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*
Net book value			
At 1st January	16,557	16,077	16,628
Amortisation for the year	(480)	(507)	(513)
Currency translation differences	–	1,058	145
At 31st December	16,077	16,628	16,260

5 Associated company

	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*
Unlisted investments at cost	47,436	47,436	47,436
Share of undistributed post acquisition reserves	39,173	51,479	60,122
	86,609	98,915	107,558

As at 31st December 2007, 2008 and 2009, investment cost included goodwill on acquisition of HK$28,308,000.

Details of the associated company of Sigma Group at 31st December 2007, 2008 and 2009 are as follows:

Name	Place of incorporation	Principal activity	Particulars of registered capital	Attributable interest held
Shenzhen Yantian Tugboat Company Limited	People's Republic of China ("PRC")	Provision of tugboat services in the PRC	RMB30,000,000	30%

The revenue, results, assets and liabilities of Sigma Group's associated company as follows:

	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*
Revenue	170,576	196,517	192,902
Profit for the year	47,907	50,247	49,013
Total assets	349,622	418,964	440,451
Total liabilities	155,285	131,843	115,782

Sigma Group's share of the total revenues and results of the associated company are as follows:

	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*
Share of total revenues	51,173	58,955	57,871
Share of results	14,372	15,074	14,704

6 Jointly controlled entity

	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*
Unlisted investment at cost	–	–	28,250
Share of undistributed post acquisition reserves	–	–	–
	–	–	28,250

Details of the jointly controlled entity of Sigma Group at 31st December 2009 are as follows:

Name	Place of incorporation	Principal activity	Particulars of registered capital	Attributable interest held
Yantian Port International Information Company Limited	PRC	Provision of electronic port community system	RMB50,000,000	36.50%

The revenue, result, asset and liability of Sigma Group's jointly controlled entity as follows:

	2007 *HK$'000*	2008 *HK$'000*	2009 *HK$'000*
Revenue	–	–	–
Result for the year	–	–	–
Total asset	–	–	56,500
Total liability	–	–	–

Sigma Group's share of the total revenue and result of the jointly controlled entity are as follows:

	2007 *HK$'000*	2008 *HK$'000*	2009 *HK$'000*
Share of total revenue	–	–	–
Share of results	–	–	–

7 Cash and cash equivalents

	2007 *HK$'000*	2008 *HK$'000*	2009 *HK$'000*
Cash at bank and in hand	84,457	106,902	83,690
Short-term bank deposits	5,504,487	5,753,894	4,073,299
	5,588,944	5,860,796	4,156,989

Cash and cash equivalents are denominated in the following currencies:

	2007 *Percentage*	2008 *Percentage*	2009 *Percentage*
HK dollar	10%	30%	22%
Renminbi	88%	62%	65%
US dollar	2%	8%	13%
	100%	100%	100%

The carrying amounts of cash and cash equivalents approximate their fair values.

8 Available-for-sale investments

	2007 *HK$'000*	2008 *HK$'000*	2009 *HK$'000*
Listed debt securities	–	–	215,943

During the year ended 31st December 2009, Sigma Group purchased listed debt securities issued by a fellow subsidiary. The listed debt securities are denominated in US dollar and carries interest at a fixed rate of 5.45%.

9 Trade and other receivables

	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*
Trade receivables	788,000	852,205	845,319
Less: Provision for impairment of receivables	(7,550)	(9,977)	(3,203)
	780,450	842,228	842,116
Deposits and other receivables	274,497	89,440	70,835
Amount due from immediate holding company	35	60	92
Amounts due from intermediate holding companies	4,210	21,873	47,332
Amounts due from fellow subsidiaries	2,109,012	3,516,098	58,425
Dividend receivable	1,212	1,212	1,994
	3,169,416	4,470,911	1,020,794

The balances are denominated in the following currencies:

	2007	2008	2009
	Percentage	*Percentage*	*Percentage*
HK dollar	99%	96%	59%
Renminbi	1%	2%	8%
US dollar	–	2%	33%
	100%	100%	100%

Notes:

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

(b) The amounts due from group companies are unsecured, have no fixed terms of repayment and interest free except that the amounts due from group companies of HK$2,101,321,0000 and HK$3,478,878,00 in 2007 and 2008 respectively were interest bearing at 0.25% under Hong Kong Inter-Bank Offered Rate per annum.

(c) As of 31st December 2007, 2008 and 2009, trade receivables of HK$214,943,000, HK$276,231,000 and HK$321,853,000 respectively 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 is as follows:

	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*
Up to 2 months	178,440	214,549	210,344
2 to 3 months	23,906	36,532	88,333
Over 3 months	12,597	25,150	23,176
	214,943	276,231	321,853

As of 31st December 2007, 2008 and 2009, trade receivables of HK$7,550,000, HK$9,977,000 and HK$3,203,000 respectively were impaired and provided for. The individual impaired receivables related to those balances in dispute with customers, based on management assessment, that only a portion of the receivables is expected to be recovered. Sigma Group does not hold any collateral over these balances.

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

	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*
At 1st January	4,768	7,550	9,977
Provision for impairment	4,489	2,326	–
Relating to a subsidiary company acquired	114	–	–
Write back of provision for impairment	(1,821)	–	(6,787)
Currency translation differences	–	101	13
At 31st December	7,550	9,977	3,203

The creation and release of provision for impaired receivables have been included in profit or loss. Amounts charged to the provision for impairment are generally written off when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above.

10 Loans from shareholders

The loans from shareholders are unsecured, interest free and have no fixed terms of repayment.

The carrying amounts of the loans from shareholders are denominated in Hong Kong dollar and approximate their fair values.

11 Loan from a minority shareholder

The loan from a minority shareholder is unsecured, interest free and has no fixed terms of repayment.

The carrying amount of this loan is denominated in Renminbi and approximates its fair value.

12 Trade and other payables

	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*
Trade creditors	148,148	178,401	96,218
Other creditors and accruals	3,905,691	3,635,911	3,408,126
Amounts due to intermediate holding companies	35,785	44,773	49,532
Amounts due to fellow subsidiaries	14,619	35,419	15,254
Dividend payable to minority shareholders	829,402	–	–
	4,933,645	3,894,504	3,569,130

The balances are denominated in the following currencies:

	2007	2008	2009
	Percentage	*Percentage*	*Percentage*
HK dollar	35%	56%	38%
Renminbi	65%	44%	62%
	100%	100%	100%

The carrying amount of trade and other payables approximate their fair values.

The amounts due to group companies are unsecured, interest free and have no fixed terms of repayment.

13 Bank loans

	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Unsecured bank loans	7,913,940	7,920,170	5,770,000
Less: current portion	–	(5,049,600)	–
	7,913,940	2,870,570	5,770,000

The balances are denominated in the following currencies:

	2007	**2008**	**2009**
	Percentage	*Percentage*	*Percentage*
HK dollar	99%	99%	100%
Renminbi	1%	1%	–
	100%	100%	100%

The bank loans as at 31st December 2007, 2008 and 2009 are repriced within six months at the prevailing market interest rates and are repayable from May 2009 to November 2011, from May 2009 to November 2011 and from November 2011 to May 2014 respectively. The effective interest rate at 31st December 2007, 2008 and 2009 were 4.73%, 0.82% and 0.69% respectively.

The carrying amounts of bank loans approximate their fair values.

14 Deferred tax liabilities

In 2007, the National People's Congress approved the New Corporate Income Tax Law ("CIT") and its implementation regulations. With effect from 1st January 2008, all enterprises are subject to a standard income tax rate of 25%, except for certain particular provisions in respect of progressive tax rates in the coming five years.

Since the deferred tax assets and deferred tax liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realised or liability is settled, the change in the applicable tax rate will affect the determination of the carrying values of deferred tax liabilities of Sigma Group.

Deferred tax liabilities is calculated in full on temporary differences under the liabilities method using a tax rate of 25% as at 31st December 2007, 2008 and 2009 for temporary differences from fair value adjustments arising from acquisition and withholding tax rate of 5% as at 31st December 2007, 2008 and 2009 for those arising from unremitted earnings.

The components of deferred income tax liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Fair value adjustment arising from acquisition			Withholding tax on unremitted earnings			Total		
	2007	2008	2009	2007	2008	2009	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st January	–	48,101	53,738	–	25,185	128,571	–	73,286	182,309
Relating to a subsidiary company acquired	48,101	–	–	–	–	–	48,101	–	–
Charged/(credited) to consolidated income statement	–	5,637	(1,157)	25,185	103,386	7,298	25,185	109,023	6,141
At 31st December	48,101	53,738	52,581	25,185	128,571	135,869	73,286	182,309	188,450

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

The deferred tax liabilities shown in the consolidated statement of financial position are mainly expected to be settled after more than 12 months.

15 Share capital

	2007	2008	2009
	HK$	*HK$*	*HK$*
Authorised:			
5,715 "A" shares of US$1 each	44,577	44,577	44,577
44,285 "B" shares of US$1 each	345,423	345,423	345,423
	390,000	390,000	390,000
Issued and fully paid:			
2,005 "A" shares of US$1 each	15,639	15,639	15,639
8,424 "B" shares of US$1 each	65,707	65,707	65,707
	81,346	81,346	81,346

16 Commitments

Sigma Group's capital commitments for fixed assets, leasehold land and projects under development are as follows:

	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*
Contracted but not provided for	2,421,979	1,175,927	215,764
Authorised but not contracted for *(note)*	4,080,575	–	314,209
	6,502,554	1,175,927	529,973

Note: The capital commitments were budgeted amounts estimated for the Sigma Group's future capital expenditures, as part of its annual budget process. These estimates are subject to a rigorous authorisation process before the expenditure is committed.

17 List of subsidiary companies

Details of the subsidiary companies of Sigma as at 31st December 2007, 2008 and 2009 are as follows:

Name	Place of incorporation/ establishment	Principal activities	Particulars of issued share/ registered capital	Attributable interest held		
				2007	2008	2009
# Hutchison Ports Yantian Limited	Hong Kong	Investment holding	2 ordinary shares of HK$1 each	100%	100%	100%
Yantian International Container Terminals Limited	PRC	Development and operation of a container terminal	HK$2,400,000,000	73%	73%	73%
Hutchison Yantian Railway Limited	British Virgin Islands	Investment holding	1 ordinary share of US$1	100%	100%	100%
Yantian International Container Terminals (Phase III) Limited	PRC	Development and operation of a container terminal	HK$6,056,960,000	65%	65%	65%
Shenzhen Pingyan Railway Company Limited	PRC	Provision of railway services	RMB150,000,000	65%	65%	65%
Fargreater Limited	British Virgin Islands	Investment holding	1 ordinary share of US$1	100%	100%	100%
Hutchison Yantian Railway (HK) Limited	Hong Kong	Investment holding	1 ordinary share of HK$1	100%	100%	100%
Shenzhen Yantian West Port Terminals Limited	PRC	Development and operation of a container terminal	RMB1,000,000,000	65%	65%	65%

Subsidiary company held directly by Sigma.

(A) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

The following is an illustrative and unaudited pro forma financial information of the Group (the "Unaudited Pro Forma Financial Information"), which has been prepared based on the audited consolidated assets and liabilities of the Group as at 31st December 2009, extracted from the Company's annual report for the financial year ended 31st December 2009, and adjusted on the basis set out in the notes below for the purpose of illustrating the effect of the Acquisition as if it had taken place on 31st December 2009.

This unaudited pro forma financial information has been prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Acquisition been completed as at 31st December 2009 or any future dates.

(a) Unaudited Pro Forma Financial Information:

	Audited consolidated assets and liabilities of the Group as at 31st December 2009	**Pro forma adjustment**	**Pro forma adjustment**	**Unaudited pro forma consolidated assets and liabilities of the Group as at 31st December 2009**
	US$'000	*US$'000*	*US$'000*	*US$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	
ASSETS				
Non-current assets				
Property, plant and equipment	1,834,079	–	–	1,834,079
Investment properties	4,169	–	–	4,169
Leasehold land and land use rights	148,237	–	–	148,237
Intangible assets	5,719	–	–	5,719
Jointly controlled entities	431,132	–	–	431,132
Loans to jointly controlled entities	160,147	–	–	160,147
Associates	730,102	97,035	520,000	1,347,137
Loans to associates	32,440	–	–	32,440
Available-for-sale financial assets	320,000	(294,000)	–	26,000
Finance lease receivables	1,051	–	–	1,051
Deferred income tax assets	1,980	–	–	1,980
Derivative financial instruments	16,556	–	–	16,556
Other non-current assets	71,511	–	–	71,511
	3,757,123	(196,965)	520,000	4,080,158

	Audited consolidated assets and liabilities of the Group as at 31st December 2009	Pro forma adjustment	Pro forma adjustment	Unaudited pro forma consolidated assets and liabilities of the Group as at 31st December 2009
	US$'000	*US$'000*	*US$'000*	*US$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	
Current assets				
Inventories	9,821	–	–	9,821
Trade and other receivables	182,315	–	–	182,315
Current income tax recoverable	1,355	–	–	1,355
Available-for-sale financial assets	20,581	–	–	20,581
Restricted bank deposits	14	–	–	14
Cash and cash equivalents	405,740	–	–	405,740
	619,826	–	–	619,826
Asset held for sale under discontinuing operation	258,363	–	–	258,363
	878,189	–	–	878,189
Total assets	4,635,312	(196,965)	520,000	4,958,347
LIABILITIES				
Non-current liabilities				
Deferred income tax liabilities	19,603	–	–	19,603
Long term borrowings	1,410,671	–	–	1,410,671
Other long term liabilities	744	–	–	744
	1,431,018	–	–	1,431,018
Current liabilities				
Trade and other payables	148,000	–	520,000	668,000
Current income tax liabilities	4,329	–	–	4,329
Current portion of long term borrowings	83,051	–	–	83,051
Short term bank loans	110,563	–	–	110,563
	345,943	–	520,000	865,943
Total liabilities	1,776,961	–	520,000	2,296,961
Net assets	2,858,351	(196,965)	–	2,661,386

(b) Notes to Unaudited Pro Forma Financial Information:

1. The balances are extracted from the audited consolidated balance sheet of the Group as at 31st December 2009 as set out in the Company's annual report for the financial year ended 31st December 2009.

2. The adjustment represents the consolidation adjustment of reclassifying the Group's existing 6.85% equity interest in Sigma from an available-for-sale financial asset to an associate which is accounted for using the equity method.

3. The adjustment represents the Consideration for the Acquisition. Upon Completion, the identifiable assets and liabilities of Wattrus Group and Sigma Group will be measured at fair value. The excess of the Consideration (excluding the Sigma Shareholder Loans and the Wattrus Shareholder Loans) over the share of fair values of the associates' identifiable net assets (after the effect of deferred tax) is recorded as goodwill which will be included in associates. The fair value of the identifiable assets and liabilities of Wattrus Group and Sigma Group may be substantially different from the estimated fair value used in the preparation of this Unaudited Pro Forma Financial Information. Accordingly, the actual amount of goodwill may be different from the amount as adopted in the Unaudited Pro Forma Financial Information.

4. Subsequent to the financial year ended 31st December 2009, the Group completed the disposal of COSCO Logistics Co., Ltd. and received the consideration of RMB2,000,000,000 (equivalent to approximately US$293,000,000) on 30th March 2010. On 12th May 2010, the Group also received the net proceeds from the issuance of new Shares of approximately HK$4,536,000,000 (equivalent to approximately US$583,000,000) pursuant to the Top-up Placing. In total, the Group received approximately US$876,000,000 subsequent to the financial year ended 31st December 2009. These receipts have not been included in the Unaudited Pro Forma Financial Information.

5. Apart from the Acquisition, no other adjustment has been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions entered into by the Group, Wattrus and Sigma subsequent to 31st December 2009, including the transactions as set out in note 4 above.

(B) REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is 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
22/F, Prince's Building
Central, Hong Kong

ACCOUNTANT'S REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION TO THE DIRECTORS OF COSCO PACIFIC LIMITED

We report on the unaudited pro forma financial information set out on pages 158 to 160 under the heading of "Unaudited Pro Forma Financial Information of the Group" (the "Unaudited Pro Forma Financial Information") in Appendix III of the circular dated 25th May 2010 (the "Circular") of COSCO Pacific Limited (the "Company"), in connection with the proposed acquisition of 13.70% effective interest in Sigma Enterprises Limited (the "Transaction") by a wholly-owned subsidiary of the Company. The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the Acquisition might have affected the relevant financial information of the Company and its subsidiaries (hereinafter collectively referred to as the "Group"). The basis of preparation of the Unaudited Pro Forma Financial Information is set out on pages 158 to 160 of the Circular.

Respective Responsibilities of Directors of the Company and the Reporting Accountant

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by rule 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the audited consolidated assets and liabilities of the Group as at 31st December 2009 with the audited consolidated financial statements of the Company for the year ended 31st December 2009, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to rule 4.29(1) of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 31st December 2009 or any future date.

Opinion

In our opinion:

a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

b) such basis is consistent with the accounting policies of the Group; and

c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to rule 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 25th May 2010

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. DISCLOSURE OF INTERESTS OF DIRECTORS

(a) As at the Latest Practicable Date, the interests of the Directors and the chief executive of the Company in the shares and underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were 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 which were required pursuant to Section 352 of the SFO to be entered in the register maintained by the Company referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") were as follows:

(i) Long positions in the Shares

Name of Director	Capacity	Nature of interest	Number of Shares held as at the Latest Practicable Date	Percentage of total issued share capital as at the Latest Practicable Date
Dr. WONG Tin Yau, Kelvin	Beneficial Owner	Personal	450,000	0.017%
Dr. LI Kwok Po, David	Beneficial Owner	Personal	1,000,000	0.037%
Mr. Timothy George FRESHWATER	Beneficial Owner	Personal	30,000	0.001%

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

Options granted under the share option scheme approved by the Shareholders on 23rd May 2003 (the "**2003 Share Option Scheme**"):

Name of Director	Exercise price	Number of share options outstanding as at the Latest Practicable Date	Percentage of total issued share capital as at the Latest Practicable Date	Exercisable period	Notes
	(HK$)				
Mr. CHEN Hongsheng	13.75	1,000,000	0.037%	3.12.2004 – 2.12.2014	(2), (4)
Mr. LI Jianhong	13.75	1,000,000	0.037%	2.12.2004 – 1.12.2014	(2), (4)
Ms. SUN Yueying	13.75	1,000,000	0.037%	3.12.2004 – 2.12.2014	(2), (4)
Mr. XU Minjie	19.30	800,000	0.030%	19.4.2007 – 18.4.2017	(3), (4)
Dr. SUN Jiakang	13.75	700,000	0.026%	1.12.2004 – 30.11.2014	(2), (4)
Dr. WONG Tin Yau, Kelvin	9.54	800,000	0.030%	28.10.2003 – 27.10.2013	(1), (4)
	13.75	1,000,000	0.037%	2.12.2004 – 1.12.2014	(2), (4)
	19.30	500,000	0.018%	18.4.2007 – 17.4.2017	(3), (4)
Mr. YIN Weiyu	19.30	500,000	0.018%	19.4.2007 – 18.4.2017	(3), (4)

Notes:

(1) The share options were granted on 28th October 2003 under 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 these options was 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 these options 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 these options 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 shares held as at the Latest Practicable Date	Percentage of total issued share capital of the associated corporation as at the Latest Practicable Date	Notes
China COSCO Holdings Company Limited ("**China COSCO**")	Dr. FAN HSU Lai Tai, Rita	Beneficial Owner	Personal	5,000	0.0002%	(1)
COSCO Corporation (Singapore) Limited ("**COSCO Singapore**")	Mr. LI Jianhong	Beneficial Owner	Personal	1,300,000	0.058%	(2)
	Ms. SUN Yueying	Beneficial Owner	Personal	1,400,000	0.063%	(2)
COSCO International Holdings Limited	Dr. WONG Tin Yau, Kelvin	Beneficial Owner	Personal	203,529	0.013%	

Notes:

(1) These are ordinary shares issued by China COSCO with a Renminbi denominated par value RMB1 each which are subscribed for or sold and traded in Hong Kong dollars, commonly referred to as "H Shares".

(2) Adjustments were made to the number of shares held by these Directors as a result of the approval of the sub-division of every 1 ordinary share of S$0.20 each divided into 2 ordinary shares of S$0.10 each by shareholders of COSCO Singapore, an associated corporation of the Company listed on the Main Board of the Singapore Exchange, 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 ("**COSCO International**")*

Name of Director	Capacity	Nature of interest	Exercise Price	Number of share options outstanding as at the Latest Practicable Date	Percentage of total issued share capital of the associated corporation as at the Latest Practicable Date
			(HK$)		
Mr. LI Jianhong	Beneficial Owner	Personal	1.37	1,200,000	0.079%
Dr. SUN Jiakang	Beneficial Owner	Personal	1.37	800,000	0.053%
Mr. HE Jiale	Beneficial Owner	Personal	1.37	1,200,000	0.079%
Dr. WONG Tin Yau, Kelvin	Beneficial Owner	Personal	1.37	500,000	0.033%

Note:

The share options were granted by COSCO International, an associated corporation of the Company listed on the Stock Exchange, on 2nd December 2004 pursuant to the share option scheme of COSCO International adopted on 17th May 2002 and amended by the shareholders of COSCO International at the special general meeting held on 5th May 2005. The share options are exercisable at an exercise price of HK$1.37 per share at any time between 29th December 2004 and 28th December 2014.

(B) COSCO Corporation (Singapore) Limited

Name of Director	Capacity	Nature of interest	Exercise price	Number of share options outstanding as at the Latest Practicable Date	Percentage of total issued share capital of the associated corporation as at the Latest Practicable Date
			(S$)		
Mr. LI Jianhong	Beneficial Owner	Personal	1.23	700,000	0.031%
Ms. SUN Yueying	Beneficial Owner	Personal	1.23	700,000	0.031%

Note:

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

(C) China COSCO Holdings Company Limited

Share appreciation rights

Name of Director	Capacity	Nature of interest	Exercise Price	Number of units of share appreciation rights outstanding as at the Latest Practicable Date	Percentage of total issued H share capital of the associated corporation as at the Latest Practicable Date	Notes
			(HK$)			
Mr. CHEN Hongsheng	Beneficial Owner	Personal	3.195	525,000	0.020%	(1)
			3.588	700,000	0.027%	(2)
			9.540	680,000	0.026%	(3)
Mr. LI Jianhong	Beneficial Owner	Personal	3.195	450,000	0.017%	(1)
			3.588	600,000	0.023%	(2)
			9.540	580,000	0.022%	(3)
Mr. XU Lirong	Beneficial Owner	Personal	3.195	375,000	0.015%	(1)
			3.588	500,000	0.019%	(2)
			9.540	580,000	0.022%	(3)
Ms. SUN Yueying	Beneficial Owner	Personal	3.195	450,000	0.017%	(1)
			3.588	600,000	0.023%	(2)
			9.540	580,000	0.022%	(3)
Mr. XU Minjie	Beneficial Owner	Personal	3.195	75,000	0.003%	(1)
			3.588	90,000	0.003%	(2)
Dr. SUN Jiakang	Beneficial Owner	Personal	3.195	375,000	0.015%	(1)
			3.588	500,000	0.019%	(2)
			9.540	480,000	0.019%	(3)
Mr. HE Jiale	Beneficial Owner	Personal	3.195	375,000	0.015%	(1)
			3.588	500,000	0.019%	(2)
			9.540	480,000	0.019%	(3)
Mr. YIN Weiyu	Beneficial Owner	Personal	3.195	100,000	0.004%	(1)
			3.588	65,000	0.003%	(2)

Notes:

(1) The share appreciation rights were granted by China COSCO, 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 are exerciseable at HK$3.195 per unit at any time between 16th December 2007 and 15th December 2015.

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

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

(b) The table below shows the posts held by the Directors in China Ocean Shipping (Group) Company ("**COSCO**"), China COSCO, COSCO Pacific Investment Holdings Limited ("**COSCO Pacific Investment**") and COSCO Investments Limited ("**COSCO Investments**") as at the Latest Practicable Date:

COSCO

Name of Director	Posts held in COSCO
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
Mr. LI Jianhong	Director
Mr. XU Lirong	Director
Ms. SUN Yueying	Director
Dr. SUN Jiakang	Executive Vice President
Mr. XU Minjie	Executive Vice President
Mr. HE Jiale	Financial Controller

COSCO Pacific Investment

Name of Director	Posts held in COSCO Pacific Investment
Mr. CHEN Hongsheng	Director
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	Chairman
Mr. XU Minjie	Director
Mr. HE Jiale	Director

(c) Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors, (i) none of the Directors or the chief executive 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 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 which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange; and (ii) none of the Directors or the proposed Directors (if any) was a director or employee of a company which had an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. DIRECTORS' INTERESTS IN SERVICE 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 has been automatically renewed for a successive term of three years pursuant to the terms of the service agreement. The service agreement is subject to termination by either party giving not less than three months' notice in writing to the other party.

(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. 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.

(d) As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter into a service contract or service agreement with any member of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

4. DIRECTOR'S INTERESTS IN CONTRACTS

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting and which is significant in relation to the business of the Group.

5. DIRECTORS' INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any asset which had been, since 31st December 2009, being the date to which the latest published audited consolidated financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

6. DIRECTORS' INTERESTS IN COMPETING BUSINESS

COSCO and its subsidiaries (excluding the Group) ("**COSCO Group**") have interests in container terminals (the "**Container Terminal Interests**").

As at the Latest Practicable Date, Mr. CHEN Hongsheng, Mr. LI Jianhong, Mr. XU Lirong, Ms. SUN Yueying, Mr. XU Minjie, Dr. SUN Jiakang and Mr. HE Jiale, all being Directors, held directorships and/or senior management posts in COSCO Group and/or other companies which have the Container Terminal Interests.

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

7. LITIGATION

As dislcosed under the section headed "Financial Review – Contingent liabilities" of the Company's annual report for the financial year ended 31st December 2009, a statement of claim was issued on 19th October 2009 by Aronis-Drettas-Karlaftis Consultant Engineers S.A. against the Company and Piraeus Container Terminal S.A. ("**Piraeus Terminal**"), a wholly-owned subsidiary of the Company, in a civil action at the Court of First Instance of Piraeus, Greece alleging non-payment of fees for design services and project management services. The plaintiff has claimed approximately Euro 5,800,000 (equivalent to approximately HK$59,700,000) in total. The Directors and management of the Company, after taking legal advice, are of the view that the Company and Piraeus Terminal have good defences to all material claims. The Company will therefore contest the claims vigorously. However, at this stage, it is not possible to predict the outcome of this litigation with certainty.

An administrative recourse (claim) was filed on 26th March 2010 by Piraeus Terminal before the Administrative Court of First Instance of Piraeus against Tax Office of Societes Anonymes of Piraeus ("**FAE Piraeus**") for the refusal to refund to Piraeus Terminal value added tax ("**VAT**") in the sum of Euro 9,500,000 (equivalent to approximately HK$97,850,000) that has been paid by Piraeus Terminal. The legal basis of this administrative claim is that FAE Piraeus has violated the Ratification Law of Greece by rejecting the VAT refund application of Piraeus Terminal. As at the Latest Practicable Date, the date for the hearing of such administrative claim by Piraeus Terminal had not been set yet. The Company has been advised by its Greek legal counsel that usually it takes a long time to set the hearing date for any administrative recourse.

Save as disclosed above, 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.

8. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were of the view that there was no material adverse change in the financial or trading position of the Group since 31st December 2009, being the date to which the latest published audited consolidated financial statements of the Company were made up.

9. EXPERTS AND CONSENT

(a) The following are the qualifications of the experts who have given opinion or advice which is contained in this circular:

Name	Qualification
Asia Investment Management Limited ("**AIM**")	a licensed corporation under the SFO to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
PricewaterhouseCoopers ("**PwC**")	Certified Public Accountants

(b) As at the Latest Practicable Date, each of AIM and PwC was not beneficially interested in the share capital of any member of the Group, nor had any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

(c) As at the Latest Practicable Date, each of AIM and PwC did not have any direct or indirect interest in any asset which had been, since 31st December 2009, being the date to which the latest published audited consolidated financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

(d) Each of AIM and PwC has given and has not withdrawn its written consent to the inclusion of the text of its letter in this circular and references to its name in the form and context in which they are included.

10. 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 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;

2. 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$16,400,000;

3. 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;

4. an agreement dated 25th November 2008 and entered into between Piraeus Port Authority S.A., Piraeus Terminal, and the Company, pursuant to which, among other things, Piraeus Terminal was granted the exclusive right to use and exploit certain piers at the container terminal of Piraeus Port;

5. an agreement dated 27th August 2009 and entered into between COSCO Pacific Logistics Company Limited ("**CP Logistics**"), a wholly-owned subsidiary of the Company, and China COSCO, pursuant to which CP Logistics agreed to sell and China COSCO agreed to purchase CP Logistics' entire 49% equity interest in 中國遠洋物流有限公司 (COSCO Logistics Co., Ltd.), at a cash consideration of RMB2,000,000,000 (the "**Disposal Agreement**");

6. an agreement dated 15th January 2010 and entered into between CP Logistics and China COSCO, pursuant to which CP Logistics and China COSCO agreed to extend the deadline for fulfillment of the conditions precedent to completion of the Disposal Agreement and the date of completion of the Disposal Agreement to 17th March 2010 and 31st March 2010 respectively; and

7. the Agreement.

11. 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 and Company Secretary of the Company is Ms. HUNG Man, Michelle, a practising solicitor in Hong Kong. She is also qualified to practise law in England and Wales.

(d) In the event of any inconsistency, the English language text of this circular shall prevail over the Chinese language text.

12. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the following documents will be available for inspection at the office of the Company at 49th Floor, COSCO Tower, 183 Queen's Road Central, Hong Kong during normal business hours from 25th May 2010 to 7th June 2010 (both days inclusive):

(a) the Memorandum of Association and Bye-laws of the Company;

(b) the Agreement and the other material contracts referred to in the paragraph headed "10. Material Contracts" in this Appendix;

(c) the service contracts referred to in the paragraph headed "3. Directors' Interests in Service Contracts" in this Appendix;

(d) the Company's annual reports for the two financial years ended 31st December 2009;

(e) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 25 to 26 of this circular;

(f) the report from PwC dated 25th May 2010 in respect of the unaudited pro forma financial information of the Group, the text of which is set out in Appendix III to this circular;

(g) the written consents from the experts referred to in the paragraph headed "9. Experts and Consent" in this Appendix;

(h) the letter from the Independent Financial Adviser dated 25th May 2010 setting out its advice to the Independent Board Committee and the Independent Shareholders in relation to the Agreement and the Acquisition, the text of which is set out in pages 27 to 45 of this circular; and

(i) this circular.