中 國 遠 洋 控 股 股 份 有 限 公 司

China COSCO Holdings Company Limited*

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

(Stock Code: 1919)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2009

FINANCIAL HIGHLIGHTS:

- Revenues of the Group for 2009 were RMB68,462,514,000, representing a decrease of RMB63,376,402,000 (or 48.07%) as compared to 2008.
- Loss attributable to equity holders of the Company for 2009 was RMB7,467,812,000 as compared to profit attributable to equity holders of the Company amounted to RMB11,606,134,000 of 2008.
- Both the basic and diluted loss per share for the year of 2009 amounted to RMB0.7310.

The board of directors (the "Board") of China COSCO Holdings Company Limited ("China COSCO" or the "Company") is pleased to announce the results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2009, together with the comparative figures for the year ended 31 December 2008, which have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") as below.

FINANCIAL INFORMATION

A. **Financial information extracted from the Consolidated Financial Statements of the Group for the year ended 31 December 2009 prepared in accordance with HKFRSs:**

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	**2009**	**2008**
		RMB'000	*RMB'000*
			(Restated)
Revenues	3	68,462,514	131,838,916
Cost of services and inventories sold	5	(72,397,839)	(109,749,306)
Gross (loss)/profit		(3,935,325)	22,089,610
Other income/(expenses), net	4	2,197,383	(2,929,640)
Selling, administrative and general expenses	5	(4,670,421)	(4,723,727)
Operating (loss)/profit	6	(6,408,363)	14,436,243
Finance income	7	511,600	893,167
Finance costs	7	(1,243,210)	(1,019,931)
		(7,139,973)	14,309,479
Share of profits less losses of			
- jointly controlled entities		567,136	766,487
- associates		359,337	594,586
(Loss)/profit before income tax		(6,213,500)	15,670,552
Income tax expenses	8	(450,586)	(2,973,856)
(Loss)/profit for the year		(6,664,086)	12,696,696
(Loss)/profit attributable to:			
Equity holders of the Company		(7,467,812)	11,606,134
Non-controlling interests		803,726	1,090,562
		(6,664,086)	12,696,696
		RMB	*RMB*
			(Restated)
(Loss)/earnings per share for (loss)/profit attributable to the equity holders of the Company			
- basic and diluted	10	(0.7310)	1.1360
		RMB'000	*RMB'000*
Distributions	9(a)	233,549	9,940
Dividends	9(b)	—	2,962,720

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2009

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

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2009

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

	Note	2009	2008
		RMB'000	*RMB'000*
			(Restated)
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital		10,216,274	10,216,274
Reserves		31,776,069	38,964,590
Proposed final dividends	9(b)	—	2,962,720
		41,992,343	52,143,584
Non-controlling interests		10,592,472	9,762,815
Total equity		52,584,815	61,906,399
LIABILITIES			
Non-current liabilities			
Long-term borrowings		53,117,454	23,296,411
Provisions and other liabilities		1,498,338	1,650,258
Derivative financial liabilities		55,192	274,630
Deferred income tax liabilities		3,057,369	3,537,129
		57,728,353	28,758,428
Current liabilities			
Trade and other payables	12	17,691,586	15,411,644
Derivative financial liabilities		86,890	3,691,032
Short-term borrowings		3,703,366	1,354,423
Current portion of long-term borrowings		3,529,595	2,295,552
Current portion of provisions and other liabilities		1,523,134	5,408,221
Tax payable		893,564	1,184,503
		27,428,135	29,345,375
Total liabilities		85,156,488	58,103,803
Total equity and liabilities		137,741,303	120,010,202
Net current assets		27,669,123	15,742,633
Total assets less current liabilities		110,313,168	90,664,827

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

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

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

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

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

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

The parent company of COSCO Shanghai group and Shipping Agency Qinzhou (hereinafter collectively referred to as "Acquired Subsidiaries") is COSCO and the aforesaid transactions are regarded as business combinations under common control.

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

2 **Summary of significant accounting policies**

(a) **Basis of preparation**

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

The Consolidated Financial Statements have been prepared under the historical cost convention except for available-for-sale financial assets, financial assets at fair value through profit or loss and derivative financial instruments are stated at fair value.

The preparation of the Consolidated Financial Statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

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

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

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

HKAS 1 (Revised) and (Amendment)	"Presentation of Financial Statements"
HKAS 16 (Amendment)	"Property, Plant and Equipment"
HKAS 18 (Amendment)	"Revenue"
HKAS 19 (Amendment)	"Employee Benefits"
HKAS 20 (Amendment)	"Accounting for Government Grants and Disclosure of Government Assistance"
HKAS 23 (Revised) and (Amendment)	"Borrowing Costs"
HKAS 27 (Amendment)	"Consolidated and Separate Financial Statements"
HKAS 28 (Amendment)	"Investments in Associates"
HKAS 31 (Amendment)	"Interests in Joint Ventures"
HKAS 36 (Amendment)	"Impairment of Assets"
HKAS 38 (Amendment)	"Intangible Assets"
HKAS 39 (Amendment)	"Financial Instruments: Recognition and Measurement"

HKAS 40 (Amendment)	“Investment Property”
HKFRS 1 and HKAS 27 (Amendments)	“Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate”
HKFRS 2 (Amendment)	“Share-based Payment - Vesting Conditions and Cancellations”
HKFRS 7 (Amendment)	“Improving Disclosures about Financial Instruments”
HKFRS 8	“Operating Segments”
HK(IFRIC)-Int 16	“Hedges of a Net Investment in a Foreign Operation”
HK(IFRIC)-Int 9 and HKAS 39 (Amendments)	“Embedded Derivatives”

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

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

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

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

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

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

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

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

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

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

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

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

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

The Group will apply the above standards, amendments to standards, interpretations and improvements to HKFRS from 1 January 2010 or later period. The Group has already commenced an assessment of the related impact to the Group. The Group is not yet in a position to state whether any substantial changes to the Group's significant accounting policies and presentation of the financial information will be resulted.

3 Revenues and segment information

Turnover represents gross revenues from operations of container shipping, dry bulk shipping, logistics, container terminal operations and container leasing, net of discounts allowed, where applicable. Revenues recognised during the year are as follows:

	2009	**2008**
	RMB'000	*RMB'000*
		(Restated)
Container shipping (note a)	26,689,028	43,817,043
Dry bulk shipping (note b)	26,582,559	70,888,679
Logistics	12,127,039	14,176,584
Container terminal operations	774,590	524,193
Container leasing (note c)	666,411	766,323
Turnover	66,839,627	130,172,822
Manning service income	288,859	294,920
Others	1,334,028	1,371,174
Total revenues	68,462,514	131,838,916

Notes:

(a) Turnover from container shipping includes charterhire income under operating leases of RMB496,175,000 for the year ended 31 December 2009 (2008 restated: RMB345,821,000).

(b) Turnover from dry bulk shipping includes charterhire income under operating leases of RMB14,550,470,000 for the year ended 31 December 2009 (2008: RMB45,360,068,000).

(c) Turnover from container leasing is analysed below:

	2009	**2008**
	RMB'000	*RMB'000*
Operating lease rentals	508,743	490,376
Finance lease income	1,605	2,274
Proceeds from sale of resaleable containers	156,063	273,673
	666,411	766,323

Operating segments

The chief operating decision-maker has been identified as the Board of Directors. The Board of Directors reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports and analysed from a business perspective:

— Container shipping and related business

— Dry bulk shipping and related business

— Logistics

— Container terminal operations and related business

— Container leasing, management, sale and related business

— Corporate and other operations that primarily comprise container manufacturing, investment holding, management services and financing

Segment assets consist primarily of property, plant and equipment, investment properties, leasehold land and land use rights, intangible assets, derivative financial assets, restricted bank deposits, other non-current assets, inventories, receivables, financial assets at fair value through profit or loss, bank deposits and cash and cash equivalents. Segment liabilities consist primarily of long-term borrowings, short-term borrowings, provisions and other liabilities, derivative financial liabilities and payables. Addition to non-current assets comprises additions to property, plant and equipment, investment properties, leasehold land and land use rights, intangible assets, investment in jointly controlled entities and associates and other non-current assets (excluding finance lease receivables), including additions resulting from acquisitions through business combinations.

Unallocated assets consist tax recoverable and deferred income tax assets. Unallocated liabilities consist current and deferred income tax liabilities.

	Year ended 31 December 2009							
	Container shipping and related business	Dry bulk shipping and related business	Logistics	Container terminal and related business	Container leasing, management, sale and related business	Corporate and other operations	Inter-segment elimination	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Income statement								
Total revenues	27,530,553	27,379,178	12,217,545	837,673	1,570,136	17,249	(1,089,820)	68,462,514
Inter-segment revenues	(20,574)	(11,932)	(90,506)	(63,083)	(903,725)	—	1,089,820	—
Revenues (from external customers)	27,509,979	27,367,246	12,127,039	774,590	666,411	17,249	—	68,462,514
Segment (loss)/profit	**(7,813,147)**	**473,737**	**494,381**	**227,672**	**579,640**	**(370,646)**	**—**	**(6,408,363)**
Finance income								511,600
Finance costs								(1,243,210)
Share of profits less losses of								
- jointly controlled entities	10,679	80,037	72,100	404,320	—	—	—	567,136
- associates	24,076	4,716	67,594	51,442	—	211,509	—	359,337
Loss before income tax								(6,213,500)
Income tax expenses								(450,586)
Loss for the year								(6,664,086)
Depreciation and amortisation	1,214,523	1,365,708	157,849	123,305	543,584	10,516	—	3,415,485
(Reversal of provision)/provision for impairment of trade and other receivables, net	(1,727)	(96,196)	(17,783)	(41)	25,975	—	—	(89,772)
Amortised amount of transaction costs on long-term borrowings	16,570	10,512	—	—	6,180	6,973	—	40,235
Unrealised fair value loss on freight forward agreements ("FFA"), net	—	141,071	—	—	—	—	—	141,071
Provision for onerous contracts, net	—	349,224	—	—	—	—	—	349,224
Addition to non-current assets	3,175,435	6,022,634	361,509	2,874,438	432,351	191,814	—	13,058,181

	Year ended 31 December 2008 (Restated)							
	Container shipping and related business	**Dry bulk shipping and related business**	**Logistics**	**Container terminal and related business**	**Container leasing, management, sale and related business**	**Corporate and other operations**	**Inter-segment elimination**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Income statement								
Total revenues	44,766,571	71,611,006	14,316,567	611,801	1,756,843	—	(1,223,872)	131,838,916
Inter-segment revenues	(3,721)	(2,040)	(139,983)	(87,608)	(990,520)	—	1,223,872	—
Revenues (from external customers)	44,762,850	71,608,966	14,176,584	524,193	766,323	—	—	131,838,916
Segment profit	217,697	12,220,307	334,279	315,757	897,984	450,219	—	14,436,243
Finance income								893,167
Finance costs								(1,019,931)
Share of profits less losses of								
- jointly controlled entities	17,361	168,815	56,863	523,448	—	—	—	766,487
- associates	10,358	34,284	86,909	109,429	—	353,606	—	594,586
Profit before income tax								15,670,552
Income tax expenses								(2,973,856)
Profit for the year								12,696,696
Depreciation and amortisation	1,123,750	1,798,291	153,157	96,737	543,640	20,664	—	3,736,239
Provision/(reversal of provision) for impairment of trade and other receivables, net	18,322	241,325	44,596	236	(10,473)	—	—	294,006
Amortised amount of transaction costs on long-term borrowings	5,877	—	—	2,768	—	3,081	—	11,726
Unrealised fair value loss on FFA, net	—	3,687,613	—	—	—	—	—	3,687,613
Provision for onerous contracts	—	5,249,667	—	—	—	—	—	5,249,667
Addition to non-current assets	8,221,710	5,813,252	504,652	555,407	2,445,063	42,923	—	17,583,007

	As at 31 December 2009							
	Container shipping and related business	Dry bulk shipping and related business	Logistics	Container terminal and related business	Container leasing, management, sale and related business	Corporate and other operations	Inter-segment elimination	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance sheet								
Segment assets	42,319,893	49,968,655	7,638,141	6,244,917	11,550,756	22,261,085	(19,456,550)	120,526,897
Jointly controlled entities	324,637	724,947	405,225	2,943,846	—	—	—	4,398,655
Associates	37,526	101,635	495,533	915,706	—	4,608,479	—	6,158,879
Loans to jointly controlled entities and associates	—	20,951	—	1,315,021	—	—	—	1,335,972
Available-for-sale financial assets	113,479	151,016	285,259	2,325,552	—	—	—	2,875,306
Unallocated assets								2,445,594
Total assets								137,741,303
Segment liabilities	35,735,638	27,333,061	5,352,662	4,071,499	6,549,753	21,619,492	(19,456,550)	81,205,555
Unallocated liabilities								3,950,933
Total liabilities								85,156,488

	As at 31 December 2008 (Restated)							
	Container shipping and related business	Dry bulk shipping and related business	Logistics	Container terminal and related business	Container leasing, management, sale and related business	Corporate and other operations	Inter-segment elimination	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance sheet								
Segment assets	31,799,653	36,743,108	7,339,541	4,103,685	10,079,482	27,084,845	(14,647,529)	102,502,785
Jointly controlled entities	339,100	859,827	394,713	2,778,757	—	66,869	—	4,439,266
Associates	45,752	118,199	438,206	904,655	—	4,461,423	—	5,968,235
Loans to jointly controlled entities and associates	—	—	—	1,009,737	—	—	—	1,009,737
Available-for-sale financial assets	82,901	461,844	145,202	2,207,576	—	14,481	—	2,912,004
Unallocated assets								3,178,175
Total assets								120,010,202
Segment liabilities	26,077,103	19,510,745	6,658,431	2,072,346	5,227,621	8,483,454	(14,647,529)	53,382,171
Unallocated liabilities								4,721,632
Total liabilities								58,103,803

Geographical information

(a) Revenues

The Group's businesses are managed on a worldwide basis. The revenues generated from the world's major trade lanes for container shipping business mainly include Trans-Pacific, Asia-Europe, Intra-Asia, PRC coastal, Trans-Atlantic and others which are reported as follows:

Geographical	**Trade lanes**
America	Trans-Pacific
Europe	Asia-Europe(including Mediterranean)
Asia Pacific	Intra-Asia (including Australia)
China domestic	PRC coastal
Other international market	Trans-Atlantic and others

The revenues generated from provision of dry bulk shipping business services are classified into international shipping and PRC coastal shipping only.

For the geographical information, freight revenues from container shipping and dry bulk shipping are analysed based on the outbound cargoes or goods transport to each geographical territory.

In respect of logistics, container terminals operations, manning services, corporate and other operations, revenues are based on the geographical locations in which the business operations are located.

In respect of container leasing, the movements of containers under operating leases or finance leases are known through reports from the lessees but the Group is not able to control the movements of containers except to the degree that the movements are restricted by the terms of the leases or where safety of the containers is concerned. It is therefore impracticable to present financial information by geographical area and thus the revenues of which are presented as unallocated revenues.

	2009	2008
	RMB'000	*RMB'000*
		(Restated)
Container shipping and related business		
- America	7,292,801	12,822,607
- Europe	6,524,495	13,828,267
- Asia Pacific	4,604,025	6,119,258
- China domestic	8,213,291	9,854,340
- Other international market	875,367	2,138,378
Dry bulk shipping and related business		
- International shipping	25,846,827	67,839,105
- PRC coastal shipping	1,520,419	3,769,861
Logistics, container terminal and related business, corporate and other operations		
- Europe	259,517	148,142
- Asia Pacific	34,879	—
- China domestic	12,624,482	14,552,635
Unallocated	666,411	766,323
Total	68,462,514	131,838,916

(b) Non-current assets

The Group's non-current assets, other than financial instruments and deferred income tax assets ("Geographical Non-Current Assets"), consist of its property, plant and equipment, investment properties, leasehold land and land use rights, intangible assets, jointly controlled entities and associates and other non-current assets (exclude finance lease receivables).

The container vessels, dry bulk vessels and containers (included in property, plant and equipment) are primarily utilised across geographical markets for shipment of cargoes throughout the world. Accordingly, it is impractical to present the locations of the container vessels, dry bulk vessels and containers by geographical areas and thus the container vessels, dry bulk vessels and containers are presented as unallocated non-current assets.

In respect of the remaining Geographical Non-Current Assets, they are presented based on the geographical locations in which the business operations/assets are located.

	As at 31 December 2009 *RMB'000*	As at 31 December 2008 *RMB'000* *(Restated)*
China domestic	22,903,566	16,388,079
Non-China domestic	2,375,007	1,712,819
Unallocated	50,970,042	49,819,159
Total	76,248,615	67,920,057

4 **Other income/(expenses), net**

	2009	2008
	RMB'000	*RMB'000*
		(Restated)
Dividend income from listed and unlisted investments	160,361	214,774
Subsidy income	530,530	86,412
Gain on disposal of property, plant and equipment, net		
- container vessels	21,474	195,515
- dry bulk vessels	173,451	392,350
- containers	3,761	36,852
- others	35,676	26,161
Loss on deemed partial disposal of a subsidiary	—	(190)
Gain on disposal of a subsidiary	436	261
Gain on disposal of available-for-sale financial assets	123,345	13,689
Gain on disposal of a jointly controlled entity and associates	41,291	2,093
Net gain/(loss) on derivatives at fair value through profit or loss		
- FFA	989,206	(4,120,762)
- interest rate swap contracts	—	1,175
- bunker forward contracts	—	121,489
Reversal of provision for impairment of trade and other receivables	180,667	16,584
Net exchange gain	97,258	235,843
Rental outgoings	(20,355)	(19,584)
Provision for impairment of trade and other receivables	(90,895)	(310,590)
Donations	(627)	(34,899)
Net gain on acquisition of a subsidiary	1,176	—
Others	(49,372)	213,187
Total	2,197,383	(2,929,640)

5 **Expenses by nature**

	2009	2008
	RMB'000	*RMB'000*
		(Restated)
Cost of services and inventories sold		
Container shipping and dry bulk shipping costs		
- Equipment and cargo transportation costs	11,965,969	14,693,414
- Voyage costs	13,716,305	20,634,634
- Vessel costs	25,254,555	46,227,336
- Provision for onerous contracts	1,419,125	5,249,667
- Others	2,279,064	1,736,538
Freight forwarding and shipping agency costs	15,770,228	19,039,801
Terminal operating and other direct costs	574,922	342,361
Cost of inventories sold	234,608	288,282
Container depreciation and other direct costs	660,170	608,496
Business tax	522,893	928,777
Total	72,397,839	109,749,306
Selling, administrative and general expenses		
Administrative staff costs	2,950,211	2,936,350
Depreciation and amortisation	298,444	284,182
Rental expense	162,990	160,361
Office expense	175,011	235,850
Transportation and travelling expense	197,496	225,017
Entertainment expense	152,238	181,833
Legal and professional fees	188,437	165,110
Telecommunication and utilities	97,158	95,462
Repair and maintenance expense	59,800	63,171
Others	388,636	376,391
Total	4,670,421	4,723,727

6 Operating (loss)/profit

Operating (loss)/profit is stated after charging the following:

	2009	**2008**
	RMB'000	*RMB'000*
		(Restated)
Amortisation		
- leasehold land and land use rights	32,732	38,392
- intangible assets	56,821	47,521
Cost of bunkers consumed	9,724,520	15,150,693
Cost of inventories sold		
- resaleable containers	134,817	223,807
- marine suppliers and others	99,791	64,475
Depreciation		
- container vessels	996,159	916,259
- dry bulk vessels	1,280,623	1,715,898
- containers	539,770	536,357
- other property, plant and equipment	471,980	450,882
- investment properties	37,400	30,930
Operating lease rentals		
- container vessels	3,376,862	3,198,328
- dry bulk vessels	19,891,694	33,459,838
- containers	427,126	754,948
- land and buildings	206,315	173,316
- other property, plant and equipment	60,334	63,296

7 **Finance income and costs**

	2009	2008
	RMB'000	*RMB'000*
		(Restated)
Finance income		
Interest income from:		
- deposits with COSCO Finance Co., Ltd ("COSCO Finance")	(107,632)	(176,421)
- loans to jointly controlled entities	(24,574)	(10,807)
- loans to associates	(9,223)	(7,977)
- banks	(370,171)	(697,962)
	(511,600)	(893,167)
Finance costs		
Interest expenses on:		
- bank loans	789,241	803,244
- other loans wholly repayable within five years	4,697	7,535
- loans with COSCO Finance	63,563	31,807
- finance lease obligations	11,833	12,685
- amounts due to a fellow subsidiary	—	19,979
- amounts due to COSCO Group	—	4,237
- notes	358,098	112,094
Fair value loss/(gain) on derivative financial instruments	52,321	(136,127)
Fair value adjustment of notes attributable to interest rate risk	(44,857)	144,389
	7,464	8,262
	1,234,896	999,843
Amortised amount of transaction costs on long-term borrowings	40,235	11,726
Amortised amount of discount on issue of notes	1,230	1,321
Other incidental borrowing costs and charges	46,798	41,459
Less: amount capitalised in construction in progress	(79,949)	(34,418)
	1,243,210	1,019,931
Net finance costs	731,610	126,764

8 **Income tax expenses**

	2009	2008
	RMB'000	*RMB'000*
		(Restated)
Current income tax		
- PRC enterprise income tax (note a)	263,541	3,487,245
- Hong Kong profits tax (note b)	2,159	1,787
- Overseas taxation (note c)	63,683	102,034
Over provision in prior years	(23,055)	(95,276)
	306,328	3,495,790
Deferred income tax		
- Origination/(reversal) of temporary differences	144,258	(521,934)
	450,586	2,973,856

The Group's share of income tax expenses of jointly controlled entities and associates for the year totalling RMB100,151,000 (2008: RMB162,558,000) and RMB78,423,000 (2008: RMB90,545,000) are included in the consolidated income statement as share of profits of jointly controlled entities and associates respectively.

Notes:

(a) PRC enterprise income tax ("EIT")

The provision for EIT is based on the statutory rate of 25% on the assessable income of each of the PRC companies of the Group as determined in accordance with the relevant PRC income tax rules and regulations for the year, except for certain PRC companies, which are taxed at reduced rates ranging from 10% to 20% (2008: 12.5% to 20%) based on different local preferential policies on income tax and approval by relevant tax authorities.

(b) Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profits derived from or arising in Hong Kong for the year.

(c) Overseas taxation

Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates. These rates range from 15% to 46% during the year (2008: 15% to 46%).

9 Distributions and dividends

(a) Distributions

	2009	2008
	RMB'000	*RMB'000*
Consideration in connection with the purchase of		
- COSCON overseas companies	—	9,940
- COSCO Shanghai group	232,699	—
- Shipping Agency Qinzhou	850	—
	233,549	9,940

These represented consideration paid by the Group for acquisition of equity interests in subsidiaries from COSCO Group. These acquisitions were regarded as business combinations under common control.

(b) Dividends

	2009	2008
	RMB'000	*RMB'000*
Final, proposed, of RMB Nil (2008: RMB 0.29) per share	—	2,962,720

Note:

At the meeting held on 22 April 2010, no dividend was proposed for the year ended 31 December 2009.

The aggregate amounts of the dividends paid and proposed for 2009 and 2008 have been disclosed in the consolidated income statement in accordance with the Hong Kong Companies Ordinance.

10 **(Loss)/earnings per share**

The calculation of the basic and diluted (loss)/earnings per share is calculated based on the (loss)/profit attributable to equity holders of the Company divided by the number of shares in issue during the year:

	2009	**2008**
		(Restated)
(Loss)/profit attributable to equity holders of the Company (RMB)	(7,467,812,000)	11,606,134,000
Number of ordinary shares in issue	10,216,274,357	10,216,274,357
Basic and diluted (loss)/earnings per share (RMB)	(0.7310)	1.1360

There is an anti-dilutive effect on the (loss)/profit attributable to equity holders of the Company if all the outstanding share options granted by COSCO Pacific, a subsidiary, had been exercised. Accordingly, there is no adjustment on the (loss)/profit attributable to equity holders of the Company used for calculating the diluted (loss)/earnings per share.

11 **Trade and other receivables**

	2009	2008
	RMB'000	*RMB'000*
		(Restated)
Trade receivables (note a)		
- third parties	4,494,047	5,139,016
- subsidiaries of COSCO	160,163	287,534
- jointly controlled entities	38,400	9,611
- associates	3,355	8,237
- other related companies	135,583	136,561
	4,831,548	5,580,959
Bills receivables (note a)	97,339	114,160
	4,928,887	5,695,119
Prepayments, deposits and other receivables		
- third parties	3,122,005	3,320,299
- COSCO (note b)	—	552,978
- subsidiaries of COSCO (note b)	367,421	297,690
- jointly controlled entities (note b)	61,791	343,121
- associates (note b)	42,823	34,505
- other related companies (note b)	198,293	292,383
	3,792,333	4,840,976
Current portion of financial lease receivables	6,361	6,447
	8,727,581	10,542,542

Notes:

(a) The normal credit period granted to the trade receivables of the Group is generally within 90 days. Trade receivables primarily consisted of voyage-related and logistics receivables. As at 31 December 2009, the ageing analysis of trade and bills receivables is as follows:

	2009	**2008**
	RMB'000	*RMB'000*
		(Restated)
1-3 months	4,644,036	5,329,843
4-6 months	227,413	326,743
7-12 months	93,302	106,754
1-2 years	81,228	105,763
2-3 years	24,159	20,316
Over 3 years	97,850	133,393
Trade and bills receivables, gross	5,167,988	6,022,812
Less: impairment of		
1-3 months	(36,078)	(99,950)
4-6 months	(12,611)	(17,415)
7-12 months	(16,956)	(24,052)
1-2 years	(58,150)	(39,607)
2-3 years	(18,065)	(14,807)
Over 3 years	(97,241)	(131,862)
Provision for impairment	(239,101)	(327,693)
	4,928,887	5,695,119

(b) The amounts due from related parties are unsecured, interest free and have no fixed term of repayment.

12 **Trade and other payables**

	2009	2008
	RMB'000	*RMB'000*
		(Restated)
Trade payables (note a)		
- third parties	5,382,995	5,229,791
- subsidiaries of COSCO	1,199,286	547,190
- jointly controlled entities	196,762	42,231
- associates	104,237	12,935
- other related companies	45,746	101,275
	6,929,026	5,933,422
Bills payables (note a)	208,075	19,416
	7,137,101	5,952,838
Advances from customers	2,483,550	1,422,615
Other payables and accruals	7,615,940	7,443,101
Consideration payable to COSCO	92,699	—
Due to related parties (note b)		
- COSCO	163	178,800
- subsidiaries of COSCO	217,760	131,532
- jointly controlled entities	29,650	51,056
- associates	14,087	6,866
- other related companies	100,636	224,836
	362,296	593,090
Total	17,691,586	15,411,644

Notes:

(a) As at 31 December 2009, the ageing analysis of trade and bills payables is as follows:

	2009	**2008**
	RMB'000	*RMB'000*
		(Restated)
1-6 months	6,761,981	5,612,807
7-12 months	169,162	166,230
1-2 years	160,932	81,152
2-3 years	20,791	40,302
Above 3 years	24,235	52,347
	7,137,101	5,952,838

Trade balances with related parties are unsecured, interest free and have similar terms of repayment as those of third party suppliers.

(b) The amounts due to related companies are unsecured and interest free and have no fixed term of repayment.

13 **Significant subsequent event**

On 30 March 2010, the Company completed the acquisition of 49% equity interest in COSCO Logistics Co., Ltd. ("COSCO Logistics") from COSCO Pacific Logistics Company Limited, a wholly owned subsidiary of COSCO Pacific Limited, at a cash consideration of RMB2,000,000,000. COSCO Logistics became a wholly owned subsidiary of the Company subsequent to the year ended 31 December 2009.

On 22 April 2010, the Board of Directors of the Company has approved the issue of medium term notes with principal amount of not more than RMB10,000,000,000. The maturity period of the medium term notes will not be less than 5 years from the issue date. The transaction is subject to the Company's equity holders' approval.

14 **Comparatives**

The Group has applied merger accounting to account for the purchase of the equity interests in the Acquired Subsidiaries during the year, as if the business combinations had been occurred from the beginning of the earliest financial years presented. The adoption of merger accounting has resulted in changes to the presentation of certain items and comparative figures have been restated, accordingly. In addition, certain comparative figures have been reclassified to conform to the current year's presentation.

The financial figures above in respect of the announcement of the Group's annual results for the year ended 31 December 2009 (the "Announcement") have been agreed by the Company's international auditor, PricewaterhouseCoopers, to the amounts set out in the Group's consolidated financial statements for the year ended 31 December 2009. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by PricewaterhouseCoopers on the Announcement.

B. **Differences between financial information reported under A- and H-shares**

The Group's significant accounting policies, which conform to the HKFRSs, differ in certain respect from China Accounting Standards ("CAS") issued by the Ministry of Finance of the PRC. Differences between HKFRSs and CAS which have significant effects on the consolidated net (loss)/profit and consolidated equity attributable to equity holders of the Company are summarised as follows. The table below is extracted from the annual financial statements prepared under the CAS and audited by Zhongruiyuehua Certified Public Accountants Co., Ltd., the Company's PRC auditor.

Consolidated net (loss)/profit and consolidated equity attributable to equity holders of the Company

		Consolidated net (loss)/profit attributable to equity holders of the Company For the year ended 31 December		**Consolidated equity attributable to equity holders of the Company As at 31 December**	
		2009	**2008**	**2009**	**2008**
			(Restated)		*(Restated)*
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As prepared under CAS		(7,541,294)	10,795,490	42,822,055	52,138,834
1	Difference in recognition of cost basis of assets	(14,371)	(74,974)	248,574	259,214
2	Difference in valuation of available-for-sale financial assets	—	—	—	924,912
3	Difference in recognition and treatment on functional currency	52,081	859,772	(1,078,286)	(1,143,589)
4	Difference in recognition of goodwill for transactions not under common control	(3,959)	—	—	3,944
5	Difference in treatment on employee retirement and medical benefit obligation of an overseas subsidiary	39,731	—	—	(39,731)
6	Others	—	25,846	—	—
Total differences		73,482	810,644	(829,712)	4,750
As prepared under HKFRSs		(7,467,812)	11,606,134	41,992,343	52,143,584

Notes:

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Review of overall performance

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

Business Review

Container Shipping and Related Business

Market review

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

Results performance

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

Shipping volume by routes

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

Revenues by routes

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

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

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

Orderbook of container vessels (as at 31 December 2009)

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

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

Operation strategies

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

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

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

Capitalising on market recovery, the Group took the initiative to re-adjust its freight rates so as to restore market order. More efforts were put into the development of key accounts, direct customers and FOB customers with a particular focus on the European and the American routes, thereby optimizing its customer base. The Group strived to improve the structure of sources of goods by identifying highly-profitable sources of goods to maintain its market share. In respect of domestic shipping, the Group grasped the opportunities arising from the economic stimulus polices of the PRC government and implemented the "Yangtze Strategy" (長江戰略) to develop the

Yangtze River market and expand into new markets. Value-added service offers were further extended. The Group introduced more innovative services, such as expediting the application of services like the 4-in-1 carload shipping rack so as to to differentiate itself from other competitors and maintain its competitive edge.

Cost control

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

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

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

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

Market outlook

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

Operation plans

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

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

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

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

Dry Bulk Shipping Business

Market review

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

Results performance

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

Operation strategy

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

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

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

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

Capacity of the fleet (as at 31 December 2009)

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

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

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

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

The status of the Company's FFA

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

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

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

Market Outlook

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

Operation plans

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

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

Logistics Business

Results performance

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

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

	2009	**2008**	**Growth Rate %**
Third party logistics			
Product logistics			
Home appliance logistics ('000 pcs)	51,106	58,582	-13
Chemical logistics (RMB '000)	81,370	59,790	36
Project logistics (RMB million)	1,012	1,150	-12
Shipping agency business (vessels)	144,985	136,041	7
Freight forwarding business			
Marine shipping			
Bulk cargoes ('000 tons)	166,648	141,630	18
Containers (TEUs)	1,923,702	2,212,978	-13
Air-freight (tons)	93,782	121,340	-23

Third party logistics

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

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

Shipping agency

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

Freight forwarding

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

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

Air freight forwarding

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

Market outlook

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

Operation plans

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

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

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

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

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

Terminal and Related Business

Market review

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

Business performance

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

Container throughputs	2009 *(TEUs)*	2008 *(TEUs)*	Year-on-Year Change %
Bohai Rim	17,487,346	17,103,887	2.2
Qingdao Qianwan Container Terminal Co., Ltd.	8,961,785	8,715,098	2.8
Qingdao Cosport International Container Terminals Co., Ltd.	1,145,352	1,099,937	4.1
Dalian Port Container Co., Ltd.	2,906,768	2,742,503	6.0
Dalian Port Container Terminal Co., Ltd.	1,509,401	1,656,968	-8.9
Tianjin Five Continents International Container Terminals Co., Ltd.	1,940,933	1,938,580	0.1
Yingkou Container Terminals Co., Ltd.	1,023,107	950,801	7.6
Yangtze River Delta	8,383,257	9,503,821	-11.8
Shanghai Container Terminals Co., Ltd.	2,979,849	3,681,785	-19.1
Shanghai Pudong International Container Terminals Co., Ltd.	2,291,281	2,779,109	-17.6
Zhangjiagang Win Hanverky Container Terminal Co., Ltd.	715,413	710,831	0.6
Yangzhou Yuanyang International Terminals Co., Ltd.	221,046	267,970	-17.5
Nanjing Port Longtan Container Co., Ltd.	1,058,499	1,160,261	-8.8

Container throughputs	2009 (TEUs)	2008 (TEUs)	Year-on-Year Change %
Ningbo Yuan Dong Terminals Operation Co., Ltd.	1,117,169	903,865	23.6
Pearl River Delta and Southeast Coastal regions	13,308,775	14,539,711	-8.5
COSCO-HIT Terminals (Hong Kong) Ltd.	1,360,945	1,752,251	-22.3
Yantian International Container Terminals Ltd.	8,579,013	9,683,493	-11.4
Guangzhou South China Oceangate Container Terminal Co., Ltd.	2,158,291	2,000,130	7.9
Quanzhou Pacific Container Terminal Co., Ltd.	936,136	910,058	2.9
Jinjiang Pacific Ports Development Co., Ltd.	274,390	193,779	41.6
Overseas	4,370,432	4,731,456	-7.6
COSCO-PSA Terminal Private Ltd.	904,829	1,247,283	-27.5
Antwerp Gateway NV	639,957	1,091,657	-41.4
Suez Canal Container Terminal S.A.E.	2,659,584	2,392,516	11.2
Piraeus Container Terminal S.A.	166,062	—	NA
Total container terminal throughputs in China Mainland	39,179,378	41,147,419	-4.8
Total container throughputs	43,549,810	45,878,875	-5.1

Outlook

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

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

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

Container Leasing, Management and Sales Business

Results performance

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

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

Size of container fleet (unit: TEUs)

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

Market Outlook

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

Container Manufacturing

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

Production Safety

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

Incidents occurred in 2009 were as follows:

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

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

3. No pollution incidents.

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

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

6. Four pirate attacks and one pirate hijack.

Energy Saving and Environmental Protection

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

Technology Innovation

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

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

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

Financial review

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

Operating revenues

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

- Revenue from container shipping and related business decreased by 38.5% to RMB27,509,979,000. Container shipping volume of the Group amounted to 5,234,292 TEUs, representing a drop of 9.6% as compared to 2008. Average container freight rate amounted to RMB4,060/TEU, representing a decrease of

36.9% as compared to 2008. All routes recorded a greater rate of decline in revenue as a result of the decreasing shipping volume and average freight rate, among which the revenue from Trans-Pacific and Asia-Europe routes recorded significant decreases of 43.1% and 54.6% respectively.

- Revenue from the dry bulk shipping and related business decreased by 61.8% to RMB27,367,246,000, of which, revenue from time chartering decreased by RMB30,809,598,000 or 67.9% and revenue from voyage chartering decreased by RMB13,496,522,000 or 52.9%. In 2009, the average level of the BDI was 2,617 points, representing a year-on-year decrease of 59% as compared to the average of 6,390 points in 2008. The sharp decline in international trade volume and the average charter hire rates were the primary reasons for the decrease in the revenue from the dry bulk shipping and related business.

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

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

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

Operating cost analysis

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

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

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

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

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

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

Other income/(expenses), net

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

Sales, administrative and general expenses

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

Finance income

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

Finance costs

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

Share of profits less losses of jointly controlled entities and associates

Net profit contribution from jointly controlled entities to the Group amounted to RMB567,136,000 in 2009, representing a decrease of 26.0% as compared to RMB766,487,000 for the same period in 2008. Net profit contribution from associates amounted to RMB359,337,000, representing a decrease of 39.6% as compared to RMB594,586,000 for the same period in 2008. Due to the slowing down in the growth of the global trade, and the recession in the international shipping market, net profit contributions from jointly controlled entities and associates in 2009 decreased.

Income tax expenses

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

Financial position analysis

Cash flow

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

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

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

Cash and cash equivalents

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

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

Assets and liabilities

As at 31 December 2009, total assets of the Group amounted to RMB137,741,303,000, representing an increase of RMB17,731,101,000 as compared to RMB120,010,202,000 at the beginning of the year. Total liabilities of the Group amounted to RMB85,156,488,000, representing an increase of RMB27,052,685,000 as compared to RMB58,103,803,000 at the beginning of the year. The equity interest attributable to the equity holders of the Group amounted to RMB41,992,343,000, representing a decrease of RMB10,151,241,000 as compared to RMB52,143,584,000 at the beginning of the year.

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

Debt analysis

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

Breakdown of borrowings by category:

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

Breakdown of borrowings by currency:

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

Financial guarantee and contingent liabilities

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

Foreign exchange and interest rate risk management

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

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

OTHER INFORMATION

Closure of Register of Members

The register of members of the Company will be closed from Tuesday, 18 May 2010 to Friday, 18 June 2010, both days inclusive, during which period no transfer of shares will be effected. Holders of H shares of the Company whose names appear on the register of members of the Company on Monday, 17 May 2010 at 4:30 p.m. are entitled to attend the annual general meeting to be held on Friday, 18 June 2010.

Corporate Governance

The Company is committed to maintaining a high standard of corporate governance for the Group, and the Board is of the view that effective corporate governance makes an important contribution to corporate operational success and to enhancing shareholders' value.

The Company adopted its own code on corporate governance practices, which incorporates all the code provisions (other than the following deviation) and a majority of the recommended best practices in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules").

The Code as set out in Appendix 14 to the listing companies of the Code requires separation of the roles of Chairman and Chief Executive Officer of a listed issuer. Mr. Wei Jiafu currently assumes the roles of both Chairman and CEO of the Company.

The Board considered that an abrupt segregation of the roles of the Chairman and CEO would involve a sharing of power and authority of the existing structure, which might affect the daily operations of the Company. Notwithstanding the above, the Board will review the current structure from time to time and shall make necessary arrangements when the Board considers appropriate.

Appendix 14 of the Code stipulates that every director should be subject to retirement by rotation at least once every three years.

The Company believes that to re-elect the directors of the Company (the "Directors") at annual general meetings is favourable to the sustainability of its operational strategies and systems. As such, the system of retirement by rotation for Directors has not been specified in the Articles of Association of the Company.

Save for the above deviation, none of the Directors is aware of any information that would reasonably indicate that the Company is not, or for any part of the period for the year ended 31 December 2009 has not been, in compliance with the Code.

Model Code for Securities Transactions by Directors

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

Board Committees

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

Audit Committee

The audit committee of the Company (the “Audit Committee”), established in April 2005, comprises two independent non-executive Directors and one non-executive Director. It is chaired by Mr. Alexander Reid Hamilton and the other two members are Ms. Sun Yueying and Mr. Cheng Mo Chi. All members of the committee are competent and experienced in understanding, analysing and reviewing the financial reports of listed companies.

The annual results of the Company have been reviewed by the Audit Committee.

Purchase, Sale or Repurchase of Shares of the Company

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

Service Contracts

Each of the Directors and supervisors of the Company has entered into a service contract with the Company.

Pre-emptive rights

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

Auditors

The Company has appointed PricewaterhouseCoopers and Zhongruiyuehua Certified Public Accountants Co., Ltd. as the international and PRC auditors of the Company respectively for the year ended 31 December 2009. PricewaterhouseCoopers has conducted the audit of the Group’s financial statements which are prepared in accordance with HKFRS. Resolutions for the re-appointment of PricewaterhouseCoopers and Zhongruiyuehua Certified Public Accountants Co., Ltd. as the international and PRC auditors of the Company respectively will be proposed at the forthcoming shareholders’ annual general meeting to be held on Friday, 18 June 2010.

PUBLICATION OF ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (http://www.hkex.com.hk) and the Company (http://www.chinacosco.com). An annual report for the year ended 31 December 2009 containing all the information required by Appendix 16 to the Listing Rules will be despatched to shareholders of the Company and will be available for review on the same websites in due course.

By Order of the Board
China COSCO Holdings Company Limited
ZHANG Yongjian
Company Secretary

Beijing, the People's Republic of China
22 April 2010

As at the date of this announcement, the executive Directors of the Company are Mr. WEI Jiafu (Chairman and CEO) and Mr. ZHANG Liang (General Manager); the non-executive Directors of the Company are Mr. ZHANG Fusheng (Vice-Chairman), Mr. LI Jianhong, Mr. XU Lirong, Ms. SUN Yueying and Mr. CHEN Hongsheng; and the independent non-executive directors of the Company are Ms. LI Boxi, Mr. Alexander Reid HAMILTON, Mr. CHENG Mo Chi and Mr. TEO Siong Seng.

* *The Company is registered as a non-Hong Kong company under Part XI of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) under its Chinese name "中國遠洋控股股份有限公司" and its English name "China COSCO Holdings Company Limited".*