

FINANCIAL REVIEW – FINANCIAL POSITION

CASH FLOW

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

FINANCING AND CREDIT FACILITIES

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

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

ASSETS AND LIABILITIES

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

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

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CONTINGENT LIABILITIES

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

TREASURY POLICY

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

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

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

Debt analysis

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

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

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

EVENTS AFTER THE BALANCE SHEET DATE

The Company and its wholly-owned subsidiary, Piraeus Container Terminal S.A., signed a concession agreement with PPA in November 2008 for the

concession of Pier 2 and 3 of the Piraeus Port in Greece ("Concession"). The concession agreement was ratified by the Parliament of Greece on 5th March 2009. The ratification law of the concession agreement was published in the Government Gazette dated 30th March 2009. The Group would pay the initial consideration of Euro 50,000,000 within 15 days upon notification in writing from PPA regarding enactment of the law of ratification and the publication of the same in the Government Gazette. The total consideration payable to PPA over the 35-year term of the Concession was estimated to be approximately Euro 831,000,000 in present value terms and the capital expenditures amounted to approximately Euro 236,000,000 in present value terms.