
Directors' Report

The Board has pleasure in presenting the report of the directors for the year 2006 together with the audited consolidated financial statements of the Group for the year ended 31 December 2006.

Principal Activities

The Group is engaged in providing integrated container shipping services, including container shipping business, container terminals business, container leasing business and logistics business. The Company is an investment holding company and details of the principal activities of the Company's principal subsidiaries as at 31 December 2006 are set out in note 41 to the consolidated financial statements.

Results of the Group

The Group's results for the year ended 31 December 2006 as prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRS") are set out on page 86 of this report.

Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years are set out in the section headed "Financial Summary" of this report.

Dividends and Other Distribution

The Board resolved to propose for the year ended 31 December 2006 a cash dividend of RMB0.09 per share including tax, together with an issue of bonus shares on the basis of 1.5 bonus shares for every 10 existing shares of par value RMB1.00 each of the Company to the shareholders whose names appear on the register of shareholders on 15 May 2007.

Use of Proceeds from the Company's Initial Public Offering

The net proceeds from the Company's issue of new shares at the time of its listing on the Stock Exchange in June 2005 amounted to approximately HK\$8,817,797,000. As of 31 December 2006, the net proceeds were used, as stated in the prospectus of the Company, for capital expenditures, enhancing the Group's "door-to-door" services systems, repayment of loans, and as working capital and general corporate purposes.

Major Suppliers and Customers

For the year ended 31 December 2006, the Group's purchases attributable to the Group's five largest suppliers were less than 30% of the Group's total purchases, and the aggregate sales attributable to the Group's five largest customers were less than 30% of the Group's total sales.

Reserves

Details of movements in the reserves of the Company and the Group during the year and details of the distributable reserves of the Company as at 31 December 2006 are set out in note 21 to the consolidated financial statements prepared in accordance with the HKFRS contained herein.

Statutory Reserve Funds

Details of the statutory reserve funds are set out in note 21 to the consolidated financial statements prepared in accordance with the HKFRS contained herein.

Property, Plant and Equipment and Investment Properties

During the year, the Group incurred approximately RMB6,347,085,000 in respect property, plant and equipment for expansion of its shipping capacity. Details of movements in property, plant and equipment and investment properties of the Group and the Company during the year are set out in notes 6 and 7 to the consolidated financial statements.

Employees' Retirement Plans

Details of the employees' retirement plans are set out in note 23(b) to the consolidated financial statements prepared in accordance with the HKFRS contained herein.

Directors and Supervisors

The directors of the Company during the year were as follows:

Name	Date of Appointment as Director	Date of Resignation as Director
<i>Executive director</i>		
WEI Jiafu (<i>Chairman and CEO</i>)	7 March 2005	N/A
CHEN Hongsheng (<i>President</i>)	7 March 2005	N/A
<i>Non-executive director</i>		
ZHANG Fusheng (<i>Vice Chairman</i>)	7 March 2005	N/A
WANG Futian	7 March 2005	22 January 2007
LI Jianhong	7 March 2005	N/A
MA Zehua	7 March 2005	22 January 2007
MA Guichuan	7 March 2005	22 January 2007
SUN Yueying	7 March 2005	N/A
LIU Guoyuan	7 March 2005	28 September 2006
XU Lirong	2007 Annual General Meeting	N/A
ZHANG Liang	2007 Annual General Meeting	N/A
<i>Independent non-executive director</i>		
LI Boxi	9 June 2005	N/A
TSAO Wen King, Frank	9 June 2005	N/A
HAMILTON Alexander Reid	9 June 2005	N/A
CHENG Mo Chi	9 June 2005	N/A

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The supervisors of the Company during the year were as follows:

Name	Position	Date of Appointment as Supervisor
LI Yunpeng	Chairman of Supervisory Committee	3 March 2005
WU Shuxiong	Supervisor	3 March 2005
LI Zonghao	Supervisor	3 March 2005
MA Jianhua	Supervisor	When the amended articles of the Company relating to its A share issuance comes into effect
YU Shicheng	Independent Supervisor	9 June 2005
KOU Wenfeng	Independent Supervisor	9 June 2005

Independence of the Independent Non-executive Directors

The Company has received the letter of annual confirmation issued by each of the independent non-executive directors of the Company as to his/her independence pursuant to Rule 3.13 of the Listing Rules. All of the four independent non-executive directors of the Company are considered by the Company as independent persons.

Biography of Directors, Supervisors and Members of the Senior Management

Biography of directors, supervisors and members of the senior management of the Company as at the date hereof are set out on pages 32 to 39 of this report.

Connected Transactions

Pursuant to Chapter 14A of the Listing Rules, details of the following connected transactions of the Group are required to be disclosed in the annual report of the Company:

- (a) On 30 May 2006, Qingdao COSCO International Freight Company Limited (“COSFRE Qingdao”), a wholly-owned subsidiary of the Company, and Qingdao Ocean Shipping Company (“COSCO Qingdao”), a wholly-owned subsidiary of COSCO, entered into an agreement pursuant to which COSFRE Qingdao has agreed to acquire from COSCO Qingdao certain properties located in the PRC under construction for a consideration of RMB43,400,000 (which was subject to adjustment).

Since COSCO is the substantial and controlling shareholder of the Company, COSCO Qingdao, being a wholly-owned subsidiary of COSCO, is therefore a connected person of the Company under the Listing Rules.

For further information relating to the above transaction, please refer to the Company’s announcement dated 1 June 2006.

- (b) On 27 June 2006, COSCON, a wholly-owned subsidiary of the Company, entered into the vessel sale and purchase agreements (“Vessel Sale and Purchase Agreements”) with Shanghai Ocean Shipping Company (“COSCO Shanghai”), a wholly-owned subsidiary of COSCO, pursuant to which COSCON sold to COSCO Shanghai two vessels (“Vessels”) for an aggregate consideration of RMB425,650,000. Simultaneously with the signing of the Vessel Sale and Purchase Agreements, Shanghai Pan Asia Shipping Company Limited (“Shanghai Pan-Asia”), an indirect wholly-owned subsidiary of the Company, entered into two time charterparties with COSCO Shanghai to charter the Vessels back into the Company’s chartered fleet at agreed charter rates for a period of 34 months to 36 months at the Shanghai Pan Asia’s option. Please refer to the relevant announcement of the Company dated 27 June 2006 for the annual caps in respect of each of the time charters for the four years ending 31 December 2009. The total charter expenses paid by Shanghai Pan-Asia under the two time charterparties for the year ended 31 December 2006 was RMB45,584,000.

Since COSCO is the substantial and controlling shareholder of the Company, COSCO Shanghai, being a wholly-owned subsidiary of COSCO, is therefore a connected person of the Company under the Listing Rules.

For further information relating to the above transactions, please refer to the Company’s announcement dated 27 June 2006.

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- (c) On 28 September 2006, the Company entered into an acquisition agreement with COSCO to acquire COSCO's 51% direct interest in COSCO Logistics Company, Limited ("COSCO Logistics") at a consideration of RMB1,679,635,632.

COSCO is the substantial and controlling shareholder of the Company and is therefore a connected person of the Company under the Listing Rules.

For further information relating to this transaction, please refer to the Company's announcement and shareholder's circular dated 29 September 2006 and 5 October 2006 respectively.

- (d) On 28 September 2006, COSCO and COSCO Logistics entered into a shipping agency master agreement (the "Shipping Agency Master Agreement") whereby COSCO agreed to engage COSCO Logistics and its subsidiaries to provide shipping agency services to COSCO and its associates. The Shipping Agency Master Agreement has an initial term expiring on 31 December 2008.

The service fees received by COSCO Logistics from COSCO pursuant to the execution agreements under the Shipping Agency Master Agreement for the year ended 31 December 2006 was RMB59,000.

For further information relating to the Shipping Agency Master Agreement, please refer to the Company's announcement and shareholder's circular dated 29 September 2006 and 5 October 2006 respectively.

- (e) On 28 September 2006, COSCO and COSCO Logistics entered into a freight forwarding master agreement (the "Freight Forwarding Master Agreement") whereby COSCO Logistics and its subsidiaries agreed to engage COSCO and its associates for freight forwarding services. The Freight Forwarding Master Agreement has an initial term expiring on 31 December 2008.

The service fees paid by COSCO Logistics and its subsidiaries to COSCO and its associates pursuant to the execution agreements under the Freight Forwarding Master Agreement for the year ended 31 December 2006 was RMB285,000.

For further information relating to the Freight Forwarding Master Agreement, please refer to the Company's announcement and shareholder's circular dated 29 September 2006 and 5 October 2006 respectively.

- (f) On 28 September 2006, COSCO Finance Company Limited, a non-wholly owned subsidiary of COSCO and a non-bank finance company established with the approval of the People's Bank of China which operates under the relevant guidelines and requirements issued by the China Banking Regulatory Commission, and the Company entered into a financial services master agreement (the "Financial Services Master Agreement") whereby COSCO Finance agreed to provide the Group (excluding COSCO Pacific and its subsidiaries) with a range of financial services, primarily including deposit services, loan and finance leasing services, foreign exchange deposits and lending services settlement services. The Financial Services Master Agreement has an initial term expiring on 31 December 2008. The former financial services master agreement of 9 June 2005 was terminated upon the Financial Services Master Agreement came into effect on 25 December 2006.

COSCO Finance is a non-wholly owned subsidiary of COSCO, which is the substantial and controlling shareholder of the Company. COSCO Finance is therefore a connected person of the Company under the Listing Rules.

The annual caps and the actual amounts in respect of the transactions under the Financial Services Master Agreement are set out in the table below.

For further information relating to the Finance Services Master Agreement, please refer to the Company's announcement and shareholder's circular dated 29 September 2006 and 5 October 2006 respectively.

- (g) On 28 September 2006, Zhangjiagang Port Group Co. Ltd. (the "Vendor"), Win Hanverky Investments Limited ("WH Investments", a non wholly-owned subsidiary of the Company) and Zhangjiagang Win Hanverky Container Terminal Co., Ltd. (the "Purchaser", a sino-foreign equity joint venture established in the PRC and owned by WH Investments and the Vendor as to 51% and 49%, respectively) entered into an agreement in relation to the capital increase in the Purchaser's registered capital and acquisition of certain assets in respect of berth no. 17 of the Zhangjiagang Port in the PRC (the "Berth Acquisition") by the Purchaser from the Vendor. The consideration for the Berth Acquisition comprised of (i) RMB171,081,966.69 minus US\$9,800,000, (ii) agreed costs of funds of the Vendor calculated with reference to the agreed interest rates, (iii) subsequent expenses in respect of the subject berth assets, and (iv) interest on such subsequent expenses.

The Vendor is a substantial shareholder of the Purchaser, an indirect non wholly-owned subsidiary of the Company, and accordingly, the Vendor is a connected person of the Company.

For further information relating to the above transaction, please refer to the Company's announcement dated 28 September 2006.

The Stock Exchange has granted a waiver (the "Waiver") to the Company for a period of three years ending 31 December 2007 (except special requirements) from strict compliance with the requirements of (i) disclosure by way of announcement (in respect of the continuing connected transactions as set out on pages 179 to 185 of the prospectus issued by the Company dated 20 June 2005 (the "Prospectus")); and (ii) disclosure by way of announcements, circular to shareholders and/or independent shareholders' approval (in respect of the continuing connected transactions as set out on pages 171 to 181 of the Prospectus) as stipulated in Chapter 14A of the Listing Rules in connection with those continuing connected transactions.

The following table set out the relevant annual caps granted by the Stock Exchange and the actual figures for the year ended 31 December 2006 in relation to those continuing connected transactions under the Waiver. Terms used in the following tables shall have the same meanings as defined in the Prospectus, unless the context requires otherwise.

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The annual caps and actual figures in respect of the non-exempted continuing connected transactions of the Company

Transaction	Annual Cap for the year ended 31 December 2006 (RMB '000)	Actual Figure for the year ended 31 December 2006 (RMB '000)
<i>Non-exempt continuing connected transactions for which a waiver from the independent shareholders' approval and disclosure requirements has been granted by the Stock Exchange</i>		
1. Sub-leasing of time charters from COSCO to COSCON	460,000	440,538
2. Sub-time charters from COSCO to COSCON	204,000	196,664
3. Transactions under the Financial Services Master Agreement: — Maximum daily outstanding balance of deposits (including accrued interest and handling fee) placed by the Group (excluding COSCO Pacific and its subsidiaries) with COSCO Finance (Note 2)	3,000,000	Maximum daily outstanding balance: 600,708
— Maximum daily outstanding balance of loans (including accrued interest and handling fee) granted by COSCO Finance to the Group (excluding COSCO Pacific and its subsidiaries) (Note 2)	3,000,000	Maximum daily outstanding balance: 776,800
4. Transactions under the Master Vessel Services Agreement (Note 1)	8,000,000	6,423,409
5. Transactions under the Master Overseas Agency Services Agreement	365,000	262,397
6. Transaction under the Master Container Services Agreement	603,000	348,580
7. Transactions under the Master Solicitation Activities Agreement	1,320,000	733,614
8. Transactions under the Master Port Services Agreement	1,760,000	1,084,945
9. Transactions under the Master Seamen Leasing Agreement	750,000	572,117
<i>Non-exempted continuing connected transactions for which a waiver from the disclosure requirement has been granted by the Stock Exchange</i>		
10. Transactions under the Master General Services Agreement	100,000	48,085
11. Transactions under the Master Vessel Management Agreement	90,000	74,957
12. Transactions under COSCO Pacific – Container Services Master Agreement (Note 3)	57,589	56,488
13. Transactions under COSCO Pacific – Shipping Services Master Agreement	31,828	22,684
14. Transactions under COSCO Pacific – Short-term Container Leasing Master Agreement	24,207	1,663

Note 1: The annual cap relating to the transactions under the Master Vessel Services Agreement for the year ended 31 December 2006 had been revised from RMB5,800,000,000, which was granted under the Waiver, to RMB8,000,000,000, which was approved by the Company's independent shareholders at the extraordinary shareholders' meeting of the Company held on 15 June 2006.

Note 2: The annual caps relating to the each of the maximum daily outstanding balance of deposits and loans under the Financial Services Master Agreement for the year ended 31 December 2006 had been revised from RMB400,000,000, which was granted under the Waiver, to RMB3,000,000,000, which was approved by the Company's independent shareholders at the extraordinary shareholders' meeting of the Company held on 20 November 2006.

Note 3: The annual cap relating to the transactions under the Container Services Master Agreement for the year ended 31 December 2006 had been revised from RMB51,865,000 (USD6,642,000), which was granted under the Waiver, to RMB 57,589,000 (or USD7,375,000). Please refer to the announcement of the Company dated 28 December 2006 for further details.

For further details regarding the above connected transaction, please refer to note 40 to the consolidated financial statement prepared in accordance with the HKFRS contained herein.

The independent non-executive directors of the Company, Ms. LI Boxi, Mr. TSAO Wen King, Frank, Mr. HAMILTON Alexander Reid and Mr. CHENG Mo Chi have reviewed the above continuing connected transactions (other than transactions under the master agreements set out as items 12 to 14 in the above table) and confirm that these transactions have been entered into:

- (1) in the ordinary and usual course of business of the Group;
- (2) on normal commercial terms or on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and
- (3) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The independent non-executive directors of COSCO Pacific have reviewed the continuing connected transactions set forth as items 12 to 14 in the above table and confirm that these transactions have been entered into: (1) in the ordinary and usual course of COSCO Pacific group's business; (2) on terms no less favourable to COSCO Pacific group's than terms available from/to independent third parties and (3) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

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For the purpose of Rule 14.38 of the Listing Rules, the board of directors of the Company engaged the auditors of the Company, PricewaterhouseCoopers, to perform certain agreed-upon procedures on the above continuing connected transactions (other than transactions under the master agreements set out as items 12 to 14 in the above table) as identified by the management for the year ended 31 December 2006 (the “Transactions”) in accordance with Hong Kong Standard on Related Services 4400 “Engagements to Perform Agreed-upon Procedures Regarding Financial Information” issued by the Hong Kong Institute of Certified Public Accountants. The auditors based on the agreed-upon procedures, reported that:

- (1) the Transactions received the approval of the Company’s board of directors;
- (2) in relation to those Transactions involving provisions of goods and services by the Group (for the samples selected), their pricing was in accordance with the pricing policies of the Group;
- (3) the pricing of the Transactions (for the samples selected) was in accordance with the terms of the relevant agreements or contracts governing the Transactions or the invoices issued if the agreements or contracts was not available; and
- (4) the accumulated amounts of the Transactions did not exceed the relevant annual caps.

For the purpose of Rule 14.38 of the Listing Rules, the board of directors of COSCO Pacific engaged the auditors of COSCO Pacific to perform certain agreed-upon procedures on the above continuing connected transactions set forth as items 12 to 14 in the above table and as identified by the management for the year ended 31 December 2006 in accordance with Hong Kong Standard on Related Services 4400 “Engagements to Perform Agreed-Upon Procedures Regarding Financial Information” issued by the Hong Kong Institute of Certified Public Accountants and the auditors of COSCO Pacific reported that these transactions: (1) had been approved by the board of directors of COSCO Pacific; (2) had been conducted in accordance with the pricing policies of COSCO Pacific group, if applicable (for the samples selected); (3) had been entered into in accordance with the terms of the relevant agreements governing the other continuing connected transactions (for the samples selected); and (4) had not exceeded the respective annual caps or the estimated service fee/transaction amounts as set out in COSCO Pacific’s announcement dated 3 June 2005, 27 March 2006, 28 December 2006 and 11 January 2007 or the estimated service fee/transaction amounts.

Contingent Liabilities

Except for the matters disclosed in the note 38 to the consolidated financial statements, the Group has no other contingent liabilities during the year.

Disclosure of Significant Events

Please refer to the section headed “Major Events” in this report and note 43 to the consolidated financial statement prepared in accordance with the HKFRS contained herein for any significant event of the Group after the balance sheet date.

Material Litigation and Arbitration

The Group did not engage in any material litigation or arbitration during the year.

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.

Share Capital

Details of the share capital of the Company are set out in the note 20 to the consolidated financial statements prepared in accordance with the HKFRS contained herein.

Substantial Interests in the Shares and Underlying Shares of the Company

So far as was known to any director of the Company, as at 31 December 2006, shareholders who had interests or short positions in the shares and underlying shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (the “SFO”), or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name	Capacity and nature of interest	Number of H shares/Percentage of total issued share capital of the Company's H shares						Note
		Long position	%	Short position	%	Lending Pool	%	
Temasek Holdings (Private) Limited	Interest of controlled corporation	306,741,500	13.67	—	—	—	—	(1)
Temasek Capital (Private) Limited	Interest of controlled corporation	306,741,500	13.67	—	—	—	—	(1)
Seletar Investments Pte Ltd	Interest of controlled corporation	306,741,500	13.67	—	—	—	—	(1)

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Number of H shares/Percentage of total issued share capital of the Company’s H shares

Name	Capacity and nature of interest	Long position		Short position		Lending Pool		Note
			%		%		%	
Singapex Investments Pte Ltd	Beneficial owner	272,536,000	12.15	—	—	—	—	(2)
Mr. Li Ka-Shing	Founder of discretionary trusts and interest of controlled corporations	275,294,000	12.27	—	—	—	—	(3)
Li Ka-Shing Unity Trustee Company Limited (“TUT1”)	Trustee	275,294,000	12.27	—	—	—	—	(3)
Li Ka-Shing Unity Corporation Company Limited (“TDT1”)	Trustee and beneficiary of a trust	275,294,000	12.27	—	—	—	—	(3)
Li Ka-Shing Unity Trustcorp Limited (“TDT2”)	Trustee and beneficiary of a trust	275,294,000	12.27	—	—	—	—	(3)
Cheung Kong (Holdings) Limited (“CKH”)	Interest of controlled corporation	275,294,000	12.27	—	—	—	—	(3)
Hutchison Whampao Limited (“HWL”)	Interest of controlled corporation	275,294,000	12.27	—	—	—	—	(3)
Hutchison International Limited (“HIL”)	Interest of controlled corporation	275,294,000	12.27	—	—	—	—	(3)
Hutchison Whampao Properties Limited (“HWPL”)	Interest of controlled corporation	275,294,000	12.27	—	—	—	—	(3)

**Number of H shares/Percentage of total issued
share capital of the Company's H shares**

Name	Capacity and nature of interest	Long position		Short position		Lending Pool		Note
			%		%		%	
Cactus Holdings Limited ("Cactus")	Interest of controlled corporation	275,294,000	12.27	—	—	—	—	(3)
Northpier Enterprises Limited ("Northpier")	Interest of controlled corporation	137,647,000	6.13	—	—	—	—	(3)
Vember Lord Limited ("Vember Lord")	Beneficial owner	137,647,000	6.13	—	—	—	—	(3)
Yanter Services Limited ("Yanter")	Interest of controlled corporation	137,647,000	6.13	—	—	—	—	(3)
Rhine Office Investments Limited ("Rhine Office")	Beneficial owner	137,647,000	6.13	—	—	—	—	(3)
UBS AG	Beneficial owner	135,511,640	6.04	4,465,500	0.20	—	—	(4)
AllianceBernstein L.P.	Beneficial owner	112,777,000	5.03	—	—	—	—	(5)

Notes:

- (1) The three references to 306,741,500 shares relate to the same block of shares in the Company comprising:
- (a) 272,536,000 shares held by Singapex Investments Pte Ltd, a wholly owned subsidiary of Temasek Holdings (Private) Limited, Temasek Capital (Private) Limited and Seletar Investments Pte Ltd; and
 - (b) 34,205,500 shares held by Aranda Investments Pte Ltd, a wholly owned subsidiary of Temasek Holdings (Private) Limited, Temasek Capital (Private) Limited and Seletar Investments Pte Ltd.

Each of Temasek Holdings (Private) Limited, Temasek Capital (Private) Limited and Seletar Investments Pte Ltd is taken to have a duty of disclosure in relation to the said shares of the Company by virtue of their deemed interests in the shares under the SFO.

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(2) This relates to 272,536,000 shares in the Company directly and beneficially held by Singapex Investments Pte Ltd as described in Note (1)(a) above.

(3) The nine references to 275,294,000 shares relate to the same block of shares in the Company comprising 137,647,000 shares directly held by each of Vember Lord and Rhine Office respectively.

Li Ka-Shing Unity Holdings Limited ("Unity Holdings"), of which each of Mr. Li Ka-Shing, Mr. Li Tzar Kuoi, Victor and Mr. Li Tzar Kai, Richard is interested in one-third of the entire issued share capital, owns the entire issued share capital of TUT1. TUT1 as trustee of The Li Ka-Shing Unity Trust ("UT1"), together with certain companies which TUT1 as trustee of UT1 is entitled to exercise or control the exercise of more than one-third of the voting power at their general meetings, hold more than one-third of the issued share capital of CKH. Certain subsidiaries of CKH are entitled to exercise or control the exercise of more than one-third of the voting power at the general meetings of HWL.

In addition, Unity Holdings also owns the entire issued share capital of TDT1 as trustee of the Li Ka-Shing Unity Discretionary Trust ("DT1") and TDT2 as trustee of another discretionary trust ("DT2"). Each of TDT1 and TDT2 holds units in UT1.

HWL holds the entire issued share capital of HIL, HIL holds the entire issued share capital of HWPL, which in turn holds the entire issued share capital of Cactus, which in turn holds the entire issued capital of Rhine Office and Vember Lord indirectly, through Yanter and Northpier respectively.

By virtue of the SFO, each of Mr. Li Ka-Shing (being the settlor and may be regarded as founder of DT1 and DT2 for the purpose of the SFO), TDT1, TDT2, TUT1, CKH, HWL, HIL, HWPL, Cactus, Yanter and Northpier is deemed to be interested in the share capital of the Company held by Rhine Office and Vember Lord as a substantial shareholder of the Company.

(4) The 135,511,640 shares relate to the shares in the Company comprising:

(a) 38,868,140 shares held by UBS AG;

(b) 13,339,500 shares of which UBS AG has a security interest; and

(c) 83,304,000 shares held by certain wholly-owned subsidiaries of UBS AG, including UBS Global Asset Management (UK) Ltd., UBS Fund Management (Switzerland) AG, UBS Fund Services (Luxembourg) SA, UBS Global Asset Management (Americas) Inc., UBS Global Asset Management (Hong Kong) Limited, UBS Global Asset Management (Singapore) Limited and UBS Global Asset Management (Japan) Ltd.

UBS Securities LLC is holding a short position in 4,465,500 shares of the Company.

(5) The 112,777,000 shares relate to the shares in the Company directly held by AllianceBernstein Investment Management Australia Limited and AllianceBernstein Limited, both being indirect wholly-owned subsidiaries of AllianceBernstein L.P..

As at 31 December 2006, so far as was known to the directors of the Company, the shareholder having interests in the domestic shares of the Company which fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name	Capacity and nature of interest	Number of shares/Percentage of total issued share capital of the Company					
		Long position	%	Short position	%	Lending Pool	%
China Ocean Shipping (Group) Company	Beneficial owner	3,960,756,337	63.83	—	—	—	—

Save as disclosed above, as at 31 December 2006, so far as was known to the directors of the Company, there was no person (other than a director, supervisor or chief executive of the Company) who had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Legal person shareholders with shareholding of 10% or more

As at 31 December 2006, COSCO held 3,960,756,337 state-owned legal person shares of the Company, representing 63.83% of the total share capital of the Company.

COSCO, a state-owned enterprise established in the People's Republic of China, is a controlling shareholder of the Company. Its legal representative is Mr. Wei Jiafu and its registered capital as at 31 December 2006 was RMB1,900,000,000. It is principally engaged in integrated shipping business.

Sufficiency of Public Float

As at the date of this report, the total share capital of the Company consisted of 6,204,756,337 shares, of which 2,244,000,000 shares were H shares, representing 36.17% of the Company's total share capital all of which were held by the public.

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Share Appreciation Rights Plan

A share appreciation rights plan (the “Share Appreciation Rights Plan”) was adopted by the Company, which was designed to align the interests of directors, supervisors and senior management of the Company with the Company’s operating results and the Company’s share value. The issuance of share appreciation rights does not involve any issuance of new shares.

On 16 December 2005, the Board granted share appreciation rights to certain directors, supervisors and senior management officers of the Company and its subsidiaries, and other personnel designated by the Board, including nine directors and three supervisors of the Company at an exercise price of HK\$3.195 each under the Share Appreciation Rights Plan. On 5 October 2006, the Board granted further share appreciation rights to certain directors, supervisors and senior management officers of the Company and its subsidiaries, and other personnel designated by the Board, including 8 directors and 3 supervisors of the Company at an exercise price of HK\$3.588 each under the Share Appreciation Rights Plan.

Movements of the share appreciation rights which were granted pursuant to the Share Appreciation Rights Plan during the year 2006 are set out below:

Name of director/ supervisor	Capacity	Nature of interest	Nature of Price	Number of units of share appreciation rights			Outstanding as at 31st December 2006	Approximate % of issued share capital of the Company’s H shares as at 31 December 2006	Note
				Outstanding as at 1st January 2006	Granted during the year	Exercised during the year			
WEI Jiafu	Beneficial owner	Personal	HK\$3.195	900,000	—	—	900,000	0.04%	(1)
			HK\$3.588	—	900,000	—	900,000	0.04%	(2)
ZHANG Fusheng	Beneficial owner	Personal	HK\$3.195	800,000	—	—	800,000	0.04%	(1)
			HK\$3.588	—	800,000	—	800,000	0.04%	(2)
CHEN Hongsheng	Beneficial owner	Personal	HK\$3.195	700,000	—	—	700,000	0.03%	(1)
			HK\$3.588	—	700,000	—	700,000	0.03%	(2)
LI Jianhong	Beneficial owner	Personal	HK\$3.195	600,000	—	—	600,000	0.03%	(1)
			HK\$3.588	—	600,000	—	600,000	0.03%	(2)
SUN Yueying	Beneficial owner	Personal	HK\$3.195	600,000	—	—	600,000	0.03%	(1)
			HK\$3.588	—	600,000	—	600,000	0.03%	(2)

Name of director/ supervisor	Capacity	Nature of interest	Nature of Price	Number of units of share appreciation rights			Outstanding as at 31st December 2006	Approximate % of issued share capital of the Company's H shares as at 31 December 2006	Note
				Outstanding as at 1st January 2006	Granted during the year	Exercised during the year			
WANG Futian ⁽⁴⁾	Beneficial owner	Personal	HK\$3.195	600,000	—	—	600,000	0.03%	(1)
			HK\$3.588	—	600,000	—	600,000	0.03%	(2)
MA Zehua ⁽⁴⁾	Beneficial owner	Personal	HK\$3.195	600,000	—	—	600,000	0.03%	(1)
			HK\$3.588	—	600,000	—	600,000	0.03%	(2)
MA Guichuan ⁽⁴⁾	Beneficial owner	Personal	HK\$3.195	600,000	—	—	600,000	0.03%	(1)
			HK\$3.588	—	600,000	—	600,000	0.03%	(2)
LIU Guoyuan ⁽⁴⁾	Beneficial owner	Personal	HK\$3.195	600,000	—	—	600,000	0.03%	(1)
			HK\$3.588	—	600,000	—	600,000	0.03%	(2)
LI Yunpeng	Beneficial owner	Personal	HK\$3.195	600,000	—	—	600,000	0.03%	(1)
			HK\$3.588	—	600,000	—	600,000	0.03%	(2)
WU Shuxiong	Beneficial owner	Personal	HK\$3.195	500,000	—	—	500,000	0.02%	(1)
			HK\$3.588	—	500,000	—	500,000	0.02%	(2)
LI Zonghao	Beneficial owner	Personal	HK\$3.195	300,000	—	—	300,000	0.01%	(1)
			HK\$3.588	—	300,000	—	300,000	0.01%	(2)

Notes:

- (1) The share appreciation rights were granted by the Company in units with each unit representing one H share of the Company pursuant to the Share Appreciation Rights Plan. At each of the last day of the third, fourth, fifth and sixth anniversary of the date of grant (i.e. 16 December 2005), the total number of the share appreciation rights exercisable shall not exceed 25%, 50%, 75% and 100%, respectively, of each of the total share appreciation rights granted. The share appreciation rights are exercisable at HK\$3.195 per unit according to its terms between 16 December 2007 and 15 December 2015.
- (2) The share appreciation rights were granted by the Company in units with each unit representing one H share of the Company pursuant to the Share Appreciation Rights Plan. At each of the last day of the third, fourth, fifth and sixth anniversary of the date of grant (i.e. 5 October 2006), the total number of the share appreciation rights exercisable shall not exceed 25%, 50%, 75% and 100%, respectively, of each of the total share appreciation rights granted. The share appreciation rights are exercisable at HK\$3.588 per unit according to its terms between 5 October 2008 and 4 October 2016.
- (3) During the year, no share appreciation rights mentioned above were lapsed or cancelled.
- (4) Wang Fu Tian, Ma Zehua, Ma Guichuan resigned as non-executive directors of the Company on 22 January 2007. Mr. LIU Guoyuan has resigned as a non-executive director of the Company, effective on 28 September 2006.

Directors’ Report

Share Options Scheme of COSCO Pacific

As at 31 December 2006, there are outstanding share options in relation to two share option schemes of COSCO Pacific, one of which was adopted by its shareholders on 30 November 1994 (the “1994 Share Option Scheme”) and the other was adopted on 23 May 2003 (the “2003 Share Option Scheme”). The 1994 Share Option Scheme was terminated on 23 May 2003.

- (i) Movements of the options, which have been granted under the 1994 Share Option Scheme, during the year are set out below:

Category	Exercise price HK\$	Number of share options			Percentage of total issued share capital	Note
		Outstanding at 1st January 2006	Exercised during the year	Outstanding at 31 December 2006		
A director of COSCO Pacific	8.80	900,000	(600,000)	300,000	0.013%	(1),(3)
Employees	8.80	254,000	(232,000)	22,000	0.001%	(1),(2),(3)
		<u>1,154,000</u>	<u>(832,000)</u>	<u>322,000</u>		

Notes:

- (1) The share options were granted on 20 May 1997 (the “Offer Date”) under the 1994 Share Option Scheme. The share options are exercisable at any time within ten years from the date of grant (i.e. on or before 19th May 2007), subject to the following conditions:
 - (a) For those grantees who have completed one year full-time service in the group companies of COSCO Pacific may exercise a maximum of 20% of share options granted in each of the first five anniversary years from the Offer Date.
 - (b) For those grantees who have not completed one year full-time service in the group companies of COSCO Pacific as at the Offer Date, a maximum of 20% of share options granted may be exercisable on each of the first five anniversary years of the Offer Date after completion of one year full-time service.
- (2) This category comprises continuous contract employees of the subsidiaries of COSCO Pacific.
- (3) The weighted average closing price of the shares of COSCO Pacific (“COSCO Pacific Shares”) immediately before the dates on which the share options were exercised was HK\$16.87.
- (4) During the year, no share options were lapsed or cancelled under the 1994 Share Option Scheme.

(ii) Movements of the share options, which have been granted under the 2003 Share Option Scheme, during the year are set out below:

Category	Exercise price HK\$	Number of share options					Outstanding as at 31 December 2006	Percentage of total issued share capital	Exercisable period	Note
		Outstanding as at 1 January 2006	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31 December 2006				
Directors										
WEI Jiafu	9.54	500,000	—	(100,000)	—	400,000	0.02%	30.10.2003 - 29.10.2013	(1),(3)	
	13.75	1,000,000	—	—	—	1,000,000	0.05%	03.12.2004 - 02.12.2014	(2),(3)	
ZHANG Fusheng	9.54	400,000	—	(100,000)	—	300,000	0.01%	29.10.2003 - 28.10.2013	(1),(3)	
	13.75	1,000,000	—	—	—	1,000,000	0.05%	03.12.2004 - 02.12.2014	(2),(3)	
CHEN Hongsheng	9.54	400,000	—	(100,000)	—	300,000	0.01%	28.10.2003 - 27.10.2013	(1),(3)	
	13.75	1,000,000	—	—	—	1,000,000	0.05%	03.12.2004 - 02.12.2014	(2),(3)	
LI Jianhong	9.54	400,000	—	(100,000)	—	300,000	0.01%	29.10.2003 - 28.10.2013	(1),(3)	
	13.75	1,000,000	—	—	—	1,000,000	0.05%	02.12.2004 - 01.12.2014	(2),(3)	
SUN Yueying	9.54	400,000	—	(100,000)	—	300,000	0.01%	29.10.2003 - 28.10.2013	(1),(3)	
	13.75	1,000,000	—	—	—	1,000,000	0.05%	03.12.2004 - 02.12.2014	(2),(3)	
Wang Futian ⁷⁾	9.54	400,000	—	(400,000)	—	—	N/A	29.10.2003- 28.10.2013	(1),(3)	
	13.75	1,000,000	—	(500,000)	—	500,000	0.02%	03.12.2004 - 02.12.2014	(2),(3)	

Directors' Report

(ii) Movements of the share options, which have been granted under the 2003 Share Option Scheme, during the year are set out below: (Continued)

Category	Exercise price HK\$	Number of share options					Outstanding as at 31 December 2006	Percentage of total issued share capital	Exercisable period	Note
		Outstanding as at 1 January 2006	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31 December 2006				
MA Zehua ⁽⁷⁾	9.54	400,000	—	(100,000)	—	300,000	0.01%	30.10.2003- 29.10.2013	(1),(3)	
	13.75	1,000,000	—	—	—	1,000,000	0.05%	03.12.2004 - 02.12.2014	(2),(3)	
MA Guichuan ⁽⁷⁾	9.54	400,000	—	(400,000)	—	—	N/A	29.10.2003- 28.10.2013	(1),(3)	
	13.75	1,000,000	—	(1,000,000)	—	—	N/A	03.12.2004 - 02.12.2014	(2),(3)	
LIU Guoyuan ⁽⁷⁾	13.75	1,000,000	—	(1,000,000)	—	—	N/A	03.12.2004 - 02.12.2014	(2),(3)	
Supervisor										
LI Yunpeng	9.54	400,000	—	(100,000)	—	300,000	0.01%	30.10.2003 - 29.10.2013	(1),(3)	
	13.75	1,000,000	—	—	—	1,000,000	0.05%	03.12.2004 - 02.12.2014	(2),(3)	
Others ⁽⁵⁾	9.54	8,898,000	—	(4,020,000)	—	4,878,000	0.20%	(refer to note 1)	(1),(3)	
	13.75	47,844,000	—	(20,866,000)	(20,000)	26,958,000	1.21%	(refer to note 2)	(2),(3)	
		<u>70,442,000</u>	<u>—</u>	<u>(28,886,000)</u>	<u>(20,000)</u>	<u>41,536,000</u>				

Notes:

- (1) The share options were granted during the period from 28 October 2003 to 6 November 2003 under the 2003 Share Option Scheme at an exercisable price of HK\$9.54. The options are exercisable at any time within ten years from the date on which an offer is accepted or deemed to be accepted by the grantee pursuant to the 2003 Share Option Scheme (the "Commencement Date"). The Commencement Date of the options of the grantees was from 28 October 2003 to 6 November 2003.
- (2) The share options were granted during the period from 25 November 2004 to 16 December 2004 under the 2003 Share Option Scheme at an exercisable price of HK\$13.75. The options are exercisable at any time within ten years from the Commencement Date. The Commencement Date of the options of the grantees was from 25 November 2004 to 16 December 2004.
- (3) These options represent personal interests held by the relevant director as beneficial owner.
- (4) The weighted average closing price of the COSCO Pacific Shares immediately before the dates on which the options were exercised was HK\$17.03.
- (5) This category comprises, inter alia, continuous contract employees of COSCO Pacific.
- (6) During the period, no share options were cancelled under the 2003 Share Option Scheme.
- (7) Mr. Wang Fu Tian, Mr. Ma Zehua and Mr. Ma Guichuan resigned as non-executive directors of the Company on 22 January 2007. Mr. Liu Guoyuan had resigned as a director of the Company effective on 28 September 2006.

Directors' Report

DIRECTORS' AND SUPERVISORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2006, the interests of the Company's directors and supervisors in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for the Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

(a) Long positions in the shares, underlying shares and debentures of the Company:

Name of Director	Capacity	Nature of interest	Number of H shares of the Company	Percentage of total issued H shares of the Company
Mr. Tsao Wen King, Frank	Beneficial owner	Family	50,000	0.002%

(b) Long positions in shares, underlying shares and debentures of associated corporations of the Company:

NAME OF ASSOCIATED CORPORATION	NAME OF DIRECTOR	CAPACITY	NATURE OF INTEREST	NUMBER OF ORDINARY SHARES	PERCENTAGE OF TOTAL ISSUED SHARE CAPITAL
COSCO Pacific	Tsao Wen King, Frank	Beneficial owner	Personal	50,000	0.002%
COSCO Corporation (Singapore) Limited	Wei Jiafu	Beneficial owner	Personal	1,900,000	0.086%
COSCO Corporation (Singapore) Limited	Li Jianhong	Beneficial owner	Personal	1,300,000	0.059%
COSCO Corporation (Singapore) Limited	Sun Yueying	Beneficial owner	Personal	1,400,000	0.063%

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

Movements of the share appreciation rights which were granted pursuant to the Share Appreciation Rights Plan of the Company during the year ended 31 December 2006 are set out in the paragraph headed "Share Appreciation Rights Plan" in this section.

(d) Long positions in underlying shares of equity derivatives of associated corporations of the Company:

Movement of the share options granted to the directors and supervisors of the Company by the associated corporations of the Company during the year ended 31 December 2006 are set out as below:

Name of associated corporation	Name of Director/ Supervisor	Capacity	Nature of interest	Exercise price	Number of share options					Percentage of total issued of associated corporation	Note
					Outstanding as at 1 January 2006	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31 December 2006		
COSCO Pacific	WEI Jiafu	Beneficial owner	Personal	HK\$9.54	500,000	—	(100,000)	—	400,000	0.02%	(1)
				HK\$13.75	1,000,000	—	—	—	1,000,000	0.05%	(2)
	ZHANG Fusheng	Beneficial owner	Personal	HK\$9.54	400,000	—	(100,000)	—	300,000	0.01%	(1)
				HK\$13.75	1,000,000	—	—	—	1,000,000	0.05%	(2)
	CHEN Hongsheng	Beneficial owner	Personal	HK\$9.54	400,000	—	(100,000)	—	300,000	0.01%	(1)
				HK\$13.75	1,000,000	—	—	—	1,000,000	0.05%	(2)
	LI Jianhong	Beneficial owner	Personal	HK\$9.54	400,000	—	(100,000)	—	300,000	0.01%	(1)
				HK\$13.75	1,000,000	—	—	—	1,000,000	0.05%	(2)
	SUN Yueying	Beneficial owner	Personal	HK\$9.54	400,000	—	(100,000)	—	300,000	0.01%	(1)
				HK\$13.75	1,000,000	—	—	—	1,000,000	0.05%	(2)
	LI Yunpeng	Beneficial owner	Personal	HK\$9.54	400,000	—	(100,000)	—	300,000	0.01%	(1)
				HK\$13.75	1,000,000	—	—	—	1,000,000	0.05%	(2)
	WANG Futian [®]	Beneficial owner	Personal	HK\$9.54	400,000	—	(400,000)	—	—	N/A	(1)
				HK\$13.75	1,000,000	—	(500,000)	—	500,000	0.02%	(2)
	MA Zehua [®]	Beneficial owner	Personal	HK\$9.54	400,000	—	(100,000)	—	300,000	0.01%	(1)
				HK\$13.75	1,000,000	—	—	—	1,000,000	0.05%	(2)
	MA Guichuan [®]	Beneficial owner	Personal	HK\$9.54	400,000	—	(400,000)	—	—	N/A	(1)
				HK\$13.75	1,000,000	—	(1,000,000)	—	—	N/A	(2)
	LIU Guoyuan [®]	Beneficial owner	Personal	HK\$13.75	1,000,000	—	(1,000,000)	—	—	N/A	(2)

Directors' Report

(d) Long positions in underlying shares of equity derivatives of associated corporations of the Company: (Continued)

Name of associated corporation	Name of Director/Supervisor	Capacity	Nature of interest	Exercise price	Number of share options				Outstanding as at 31 December 2006	Percentage of total issued of associated corporation	Note
					Outstanding as at 1 January 2006	Granted during the year	Exercised during the year	Lapsed during the year			
COSCO International Holdings Limited	WEI Jiafu	Beneficial owner	Personal	HK\$0.57	1,800,000	—	—	—	1,800,000	0.13%	(3), (4)
				HK\$1.37	1,200,000	—	—	—	1,200,000	0.08%	(3), (5)
	LI Jianhong	Beneficial owner	Personal	HK\$0.57	1,800,000	—	—	—	1,800,000	0.13%	(3), (4)
				HK\$1.37	1,200,000	—	—	—	1,200,000	0.08%	(3), (5)
	Liu Guoyuan	Beneficial owner	Personal	HK\$0.57	1,800,000	—	—	—	1,800,000	0.13%	(3), (4)
				HK\$1.37	1,200,000	—	—	—	1,200,000	0.08%	(3), (5)
COSCO Corporation (Singapore) Limited	WEI Jiafu	Beneficial owner	Personal	S\$0.807	900,000	—	(900,000)	—	—	—	(6)
				S\$1.23	—	1,100,000	—	—	1,100,000	0.05%	(7)
	LI Jianhong	Beneficial owner	Personal	S\$0.807	600,000	—	(600,000)	—	—	—	(6)
				S\$1.23	—	700,000	—	—	700,000	0.03%	(7)
	SUN Yueying	Beneficial owner	Personal	S\$0.807	600,000	—	(600,000)	—	—	—	(6)
				S\$1.23	—	700,000	—	—	700,000	0.03%	(7)

(d) Long positions in underlying shares of equity derivatives of associated corporations of the Company: (Continued)

Notes:

- (1) The share options were granted by COSCO Pacific, an associated corporation of the Company, during the period from 28 October 2003 to 6 November 2003 under the share option scheme of COSCO Pacific ("2003 Share Option Scheme") at an exercisable price of HK\$9.54. The options are exercisable at any time within ten years from the date on which an offer is accepted or deemed to be accepted by the grantee pursuant to the 2003 Share Option (the "Commencement Date"). The Commencement Date of the options of the grantees was from 28 October 2003 to 6 November 2003.
- (2) The share options were granted by COSCO Pacific during the period from 25 November 2004 to 16 December 2004 under the 2003 Share Option Scheme at an exercisable price of HK\$13.75. The options are exercisable at any time within ten years from the Commencement Date. The Commencement Date of the options of the grantees was from 25 November 2004 to 16 December 2004.
- (3) The share options were granted by COSCO International Holdings Limited ("COSCO International"), an associated corporation of the Company.
- (4) These share options were granted on 26 November 2003 pursuant to the share option scheme approved by shareholders of COSCO International on 17 May 2002 (the "Share Option Scheme of COSCO International") and can be exercised at HK\$0.57 per share at any time between 23 December 2003 and 22 December 2008.
- (5) These share options were granted on 2 December 2004 pursuant to the Share Option Scheme of COSCO International and can be exercised at HK\$1.37 per share at any time between 29 December 2004 and 28 December 2014.
- (6) The share options were granted by COSCO Corporation (Singapore) Limited ("COSCO (Singapore)"), an associated corporation of the Company and a company listed on the Singapore Exchange Securities Trading Limited, on 6 April 2005 and can be exercised at any time between 6 April 2006 and 5 April 2010. Adjustments were made to the exercise price and the number of share options held by the grantees as the sub-division of every 1 ordinary share of S\$0.20 each divided into 2 ordinary shares of S\$0.10 each was approved by the shareholders of COSCO (Singapore) on 17 January 2006. In this respect, the exercise price was adjusted from S\$1.614 to S\$0.807.
- (7) The share options were granted by COSCO Corporation (Singapore) Limited on 21 February 2006 and can be exercised at S\$1.23 per share at any time between 21 February 2007 and 20 February 2011.
- (8) Wang Fu Tian, Ma Zehua and Ma Guichuan resigned as non-executive directors of the Company on 22 January 2007. Mr. Liu Guoyuan has resigned as a non-executive director of the Company, effective on 28 September 2006.

Save as disclosed above, as at 31 December 2006, none of the directors, supervisors or chief executives of the Company had any interests or short positions in any shares or underlying shares or interests in debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Directors' Report

Disclosure under Rule 13.22 of Chapter 13 of the Listing Rules

In relation to the financial assistance granted by COSCO Pacific, a listed subsidiary of the Company, to certain affiliated companies, a proforma combined balance sheet of the affiliated companies as at 31 December 2006 required to be disclosed under Rule 13.22 of Chapter 13 of the Listing Rules is set out below:

	RMB'000
Non-current assets	5,031,692
Current assets	589,877
Current liabilities	1,568,167
Non-current liabilities	3,160,274
Net assets	893,128
Share capital	592,454
Reserves	300,674
Capital and reserves	893,128

As at 31 December 2006, the Group's attributable interests these affiliated companies amounted to RMB729,059,000.

Arrangements to purchase shares or debentures

At no time during the year was the Company, its subsidiaries, its fellow subsidiaries or its holding company a party to any arrangements to enable the directors, supervisors or senior management of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors', Supervisors' and Five Highest Paid Individuals' Remunerations

Details of the remuneration of the directors and the supervisors of the Company and the five highest paid individuals of the Group are set out in note 36 to the consolidated financial statements prepared in accordance with the HKFRS contained herein.

There were no arrangements under which a director or supervisor of the Company had waived or agreed to waive any remuneration in respect of the year ended 31 December 2006.

Service Contracts of Directors and Supervisors

Each of the directors and supervisors of the Company has entered into a service contract with the Company. No director or supervisor of the Company has entered into any service contract with the Company, which is not terminable by the Company within one year without payment of compensation (other than statutory compensation).

Interests of Directors and Supervisors in Contracts

None of the directors or supervisors of the Company had a material interest, whether directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year ended 31 December 2006.

Board Committees

The Company has established a strategic development committee, a risk management committee, an audit committee, a remuneration committee, a nomination committee and Executive committee. For details regarding the other board committees, please see the relevant section in the Corporate Governance Report on pages 72 to 81 of this report.

Corporate Governance

The Company is committed to fulfilling its responsibilities to shareholders by ensuring that the proper processes for oversight and management of its businesses are in place, in operation and are regularly reviewed. For details, please refer to the relevant section in the Corporate Governance Report on pages 72 to 81 of this report.

Employees and Remuneration Policies

The Group always considers that staff team is the key pillar for its continuous steady growth. Throughout history, the Group has consistently regarded the team spirit building activities as one of the most important long-term development plans. To fully cope with the business expansion of its container shipping, terminal, container leasing, freight forwarding, shipping agency and logistics business, the Group strives to provide professional training to the management and attract competent expertise. The Group endeavours to cultivate harmonious working atmosphere with the aims of promoting enthusiasm and achieving a co-operative, respectful and faithful relationship.

The Group has continued to improve the remuneration packages for its employees based on fair principles. The management reviews the remuneration policies on a regular basis to formulate more reasonable incentives and appraisal measures. As at 31 December 2006, there were 18,351 employees in the Group. Total staff cost for the Group for the year, including directors' remuneration, totalled approximately RMB3,074,200,000.

Repurchase, Sale or Redemption of the Company's Shares

During this reporting period, the Company did not redeem any of its shares. Neither the Company and its subsidiaries repurchased or sold any shares of the Company during the year.

Directors’ Report

Donations

Donations made by the Group during the year amounted to RMB5,334,000.

Corporate Culture

The Company sees a positive corporate culture important in laying a solid foundation for the continuous development of an enterprise. While actively expanding its business, the Group puts much emphasis on building its corporate culture, setting out the guiding principle of “achieving customer satisfaction and creating value to shareholders” for our employees with a view to “maximizing return for shareholders”. Having due regard to its employees, shareholders, customers, other stakeholders and the community as a whole and adhering to its corporate value of “integrity, creativity, growth, good communication, understanding, sound management, morality and dedicated services”, the Group takes a people-oriented approach and encourages life-long learning so as to create an environment featuring “integrity, progression, exploration and innovation”.

Auditors

The Company has appointed PricewaterhouseCoopers and BDO Reanda Certified Public Accountants Co., Ltd. as the international and PRC auditors of the Company for the year ended 31 December 2006. PricewaterhouseCoopers has conducted the audit of the Group’s financial statements which are prepared in accordance with HKFRS. Resolutions for re-appointments of PricewaterhouseCoopers and BDO Reanda Certified Public Accountants Co., Ltd. as the international and PRC auditors of the Company will be proposed at the forthcoming shareholders’ annual general meeting.

By order of the Board of Directors

Wei Jiafu

Chairman

Beijing, the PRC

28 March 2007