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# Report of the Supervisory Committee

To: All Shareholders

For the year ended 31 December, 2006, all members of the Supervisory Committee of the Company have adhered to the principles of diligence and integrity to perform their supervisory duties and safeguard the interests of the Company and shareholders pursuant to the “Company Law of the People’s Republic of China”, “Rules governing the Listing of Securities on the Stock Exchange of Hong Kong Limited”, “Articles of Association of China COSCO Holdings Company Limited” and other relevant laws and regulations and are committed to enhance the standardisation level of operation.

During the reporting period, the Supervisory Committee had held two meetings and launched the following work:

## **1. Review the legal compliance of the Company**

In its ordinary course of work, the Supervisory Committee has reviewed and supervised the legality and compliance of the Company’s operation and management with laws and regulations and has supervised the performance of duty of the Directors and senior management. The Supervisory Committee considers that the Company operates in a normal and disciplined manner and has complied with all the laws, rules and regulations and constitutions. The Supervisory Committee considers that the Board and senior management of the Company have seriously performed their duties, have conducted business in accordance to the laws and regulated the operations and completed the tasks delegated by shareholders satisfactorily with the objectives of maximizing returns for shareholders, corporate value and operating profit.

## **2. Review the daily operation of the Company**

The Supervisory Committee has supervised effectively the operation of the Company. During July and September 2006, all members of the Supervisory Committee has initiated investigation and study on Beijing Headquarter of China COSCO and representative office of China COSCO in Hong Kong respectively and raised recommendations and advices as to the business operation and development of the Company. In September 2006, all members of the Supervisory Committee convened a meeting to supervise and review the proposal of acquiring 51% equity interest in COSCO Logistics as well as the proposal on the issue of A shares in the PRC.

The Supervisory Committee considers that the Company has established a comprehensive internal control system and has made remarkable progress in the formulation and implementation of internal business procedure standardization, contributing to the effective control over the operating risks of the enterprise. The Company’s operations have been undertaken in compliance with the laws and regulations of the PRC, the Articles of Association and the business procedure of the Company.

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### 3. Review on the Financial Position of the Company

The Supervisory Committee has carefully reviewed the Independent Auditor's report issued by PricewaterhouseCoopers which expressed an unqualified opinion to the consolidated financial statements of the Group prepared in accordance with Hong Kong Financial Reporting Standards. The Supervisory Committee considers that the consolidated financial statements reflect a true and fair view of the Group's operational results and financial position and the comments it made on the relevant matters are objective and fair. The profit appropriation plan conforms with the Company's current operational status which is beneficial to the long term development of the Company.

### 4. Review on the Execution of Resolutions of General Meeting

Members of the Supervisory Committee have attended Board meetings of the Company, reviewed the minutes and resolutions of the Board meetings and had no disagreement as to the reports and proposals submitted by the Board at general meetings for approval. They have also supervised the implementation of resolutions of general meetings by the Board, the Directors and the senior management. The Supervisory Committee considers that the Directors and management of the Company have conscientiously fulfilled their duties in accordance with the resolutions of general meetings.

In 2007, in order to protect and safeguard the interest of the shareholders and the Company, the Supervisory Committee will continue to perform its duties by adhering to the principle of good faith and further increasing its efforts on supervision.

**Li Yunpeng**

*Chairman of the Supervisory Committee*

Beijing, the PRC

28 March, 2007