BEYOND THE BOX

COSCO Pacific Limited Annual Report 2007

In recent years, we have shifted our focus in terminals and container leasing, from an historic emphasis on building 'asset values' to building 'enterprise values'. Starting from 2007, we have focused on building 'strategic value' through a re-design of our business models. In the terminal division, we now focus on increasing our equity stake in future projects, which will enhance our ability to improve operating cash flow.

In the container leasing business, we used to serve our clients through leasing our owned boxes. However this consumed significant financial resources and constrained our pace of growth. We have therefore transformed our operations into an asset light business model, where our 'sale and managed back' strategy allows management to grow the business while focusing on strengthening its core competence – providing excellent service to our customers.

Contents

COSCO Pacific at a Glance in 2007

Net Profit Breakdown

TOTAL US$ 427.7

Terminal and related businesses

US$128.27M

We are the world's fifth largest container terminal operator with a portfolio of terminal assets in China and overseas. This is our fastest growing and largest business where an increasing number of berths in operation led to a throughput increase of 21.5% to 39,832,964 TEUs.

Container manufacturing business

US$68.36M

We hold 16.54% of CIMC, the world's leading container manufacturer.

Other business

US$93.90M

Key Events (as at 31st December 2007)

JAN

- On 24th January, Mr. XU Minjie was appointed as Vice Chairman and Managing Director of COSCO Pacific.

MAR

- Two container berths of Guangzhou Nansha Port Phase II commenced operation.
- One additional container berth of Yantian Terminal Phase III expansion project commenced operation.
- Container Berth No. 7 of Ningbo Yuan Dong Terminals located at Beilun port area Phase IV commenced operation.

APR

- COSCO Pacific was elected as a "Forbes Global 2000" by Forbes magazine for the third consecutive year.
- A letter of intent was signed with the Fujian Provincial Communication Transportation (Shareholding) Co., Ltd. to acquire 29% equity interest in Fuzhou Port Group Co., Ltd.

MAY

- Signed a US$500,000,000 loan agreement.

JUN

- Disposal of 31,352 TEUs of marine containers while maintaining the management role of those sold containers.

AUG

- Announcement of the disposal of 20% equity interest in Chong Hing Bank.
- A ceremony of the maiden voyage of "COSCO Asia" was held at the COSCO-HIT Terminal in Hong Kong. COSCO Asia is a 10,000 TEUs container ship being operated by COSCON.

SEP

- The final four of six container berths of Guangzhou Nansha Port Phase II commenced operation.

7M

Container leasing, management and sale businesses

US$118.00M

The second largest container leasing company in the world with 13.2% market share. We are asset light but still aggressively keen on growth and our container fleet increased by 21.5% to 1,519,671 TEUs.

Logistics business

US$19.24M

We have 49% interest in COSCO Logistics which is the leading shipping agency in China with 50% market share.

- Tianjin Port Euroasia Terminal started the construction of two container berths in Phase B of Tianjin North Port which are expected to be operational in 2008.
- One additional container berth at Yantian Terminal Phase III expansion project commenced operation.

OCT

- Acquisition of Berths No. 1 and No. 2 at Jiangdu port area in Yangzhou.
- COSCO Pacific released 2007 Q3 results so as to further increase its transparency and standard of corporate governance.
- A JV agreement was signed with Jinjiang Port Investment & Development Co., Ltd. to establish Jinjiang Pacific Terminal. The JV company would operate and manage two container berths and three break-bulk cargo berths. COSCO Pacific holds 80% interest of the JV company.
- COSCO Pacific completed the share transfer of its 20% equity interest in Suez Canal Terminal with investment in eight container berths at Port Said in Egypt.

NOV

- Qingdao Qianwan Terminal, in which the company owns 20% equity interest, reached an agreement with Pan Asia International Shipping Ltd. to set up a JV company – Qingdao New Qianwan Terminal and to jointly build and operate ten container berths on the south bay of the Qianwan port area.
- A JV agreement was signed with Xiamen Haicang Investment General Co. to jointly set up Xiamen Yuanhai Terminal. COSCO Pacific owns 70% equity interest in the JV company.
- Signed agreement to dispose totally 104,604 TEUs of marine containers in November and December while maintaining the management role of those sold containers.

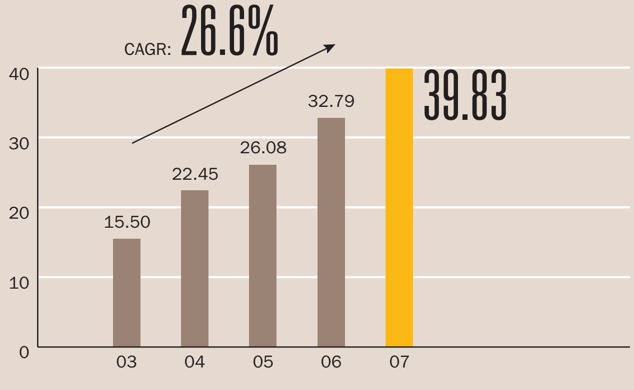
DEC

- A celebration ceremony was held in Quanzhou for handling the 1,000,000th TEU.

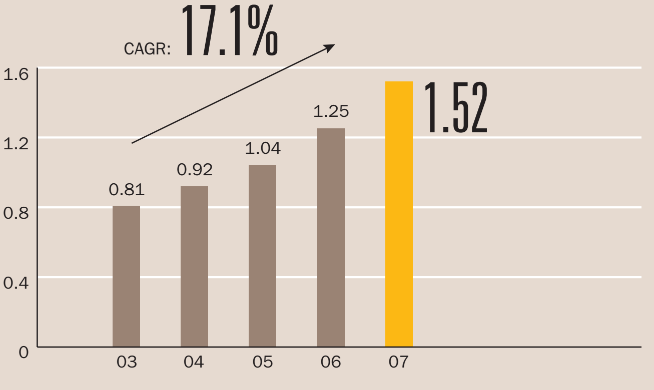
Focusing on ports and terminals as the principal earnings driver and the largest profit center of COSCO Pacific, we are dedicated to strengthening our terminal portfolio so as to build a stronger and a larger platform for the business. Enjoying a high degree of synergy with our parent company, COSCO Pacific is gaining footholds as it establishes a global terminal network strategically located in China and overseas. In turn we are able to provide superior services to our customers around the world. We aim to maintain our leading position as a global port operator through further investment; taking majority stakes and thereby maximising enterprise value and profitability through controlling interests.

In parallel, we continue to strengthen our container leasing business and expand our container management services with an asset light business model. The objectives of COSCO Pacific are fourfold: to grow a stronger portfolio of business operations, to maintain our position as a market leader, to further enhance our profitability and to maximise our shareholder returns. We believe our future success, in a competitive and changing environment, will be a direct result of our focus on these objectives. To achieve our goals for shareholders we are going to keep thinking beyond the BOX.

Container Throughput (million TEUs)



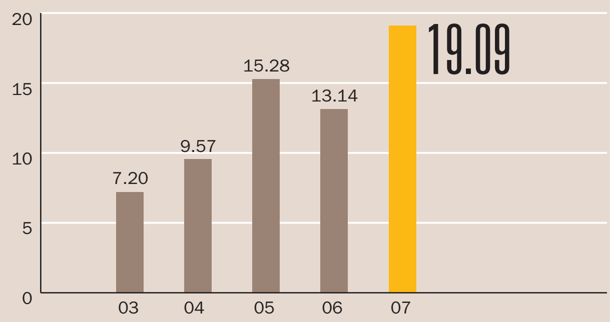
Container Leasing and Management Fleet Capacity (million TEUs)



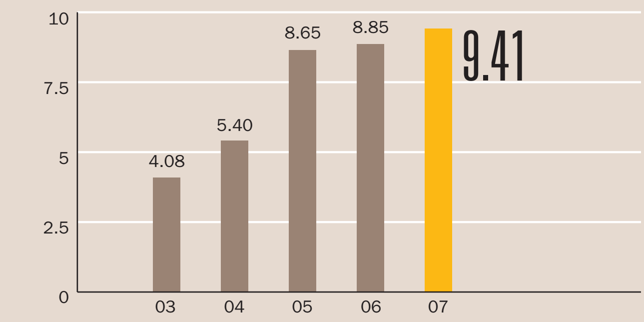
Results Highlights

- Profit attributable to equity holders increased by 47.0% to US$427,768,000.
- Propose a final cash dividend of US3.924 cents (2006: US4.147 cents) and a special final cash dividend of US2.296 cents (2006: Nil). Full-year dividend was US9.406 cents (2006: US8.847 cents) with payout ratio of 56.6%[Note] (2006: 56.6%)
- Total container terminal throughput rose by 21.5% to 39,832,964 TEUs
- Total container leasing and management fleet capacity increased by 21.5% to 1,519,671 TEUs
- Business structure realigned with the disposal of 20% interest in Chong Hing Bank to concentrate our resources on the development of our core businesses

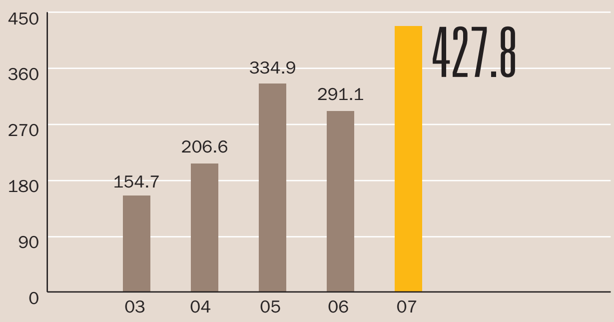
Basic Earnings per Share (US cents)



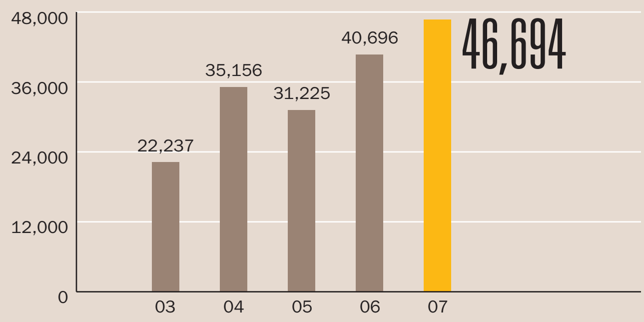
Dividend per Share (US cents)



Profit Attributable to Equity Holders (US$m)



Market Capitalisation (HK$m)



As at 31st December

Note: The financial effect of CIMC Put Options associated with the CIMC Share Reform of US$55,181,000 was excluded in the calculation of dividend payout ratio.

	2007	2006	y–o–y
Revenue [Note]	US$298,948,000	US$297,473,000	+0.5%
Operating profit before finance income and finance costs	US$212,256,000	US$201,124,000	+5.5%
Share of profits less losses of jointly controlled entities and associates	US$278,001,000	US$174,112,000	+59.7%
Profit attributable to equity holders of the Company after CIMC Put Options financial effect	US$427,768,000	US$291,082,000	+47.0%
Profit attributable to equity holders of the Company before CIMC Put Options financial effect	US$372,587,000	US$346,263,000	+7.6%
Basic earnings per share after CIMC Put Options financial effect	US19.09 cents	US13.14 cents	+45.3%
Basic earnings per share before CIMC Put Options financial effect	US16.63 cents	US15.63 cents	+6.4%
Dividend per share	US9.406 cents	US8.847 cents	+6.3%
– interim dividend	US3.186 cents	US3.526 cents	-9.6%
– interim special dividend	–	US1.174 cents	n/a
– final dividend	US3.924 cents	US4.147 cents	-5.4%
– final special dividend	US2.296 cents	–	n/a
Dividend payout ratio before CIMC Put Options financial effect	56.6%	56.6%	–
Total equity	US$2,774,659,000	US$2,208,201,000	+25.7%
Capital and reserves attributable to the equity holders of the Company	US$2,712,393,000	US$2,172,634,000	+24.8%
Consolidated total assets	US$3,871,575,000	US$2,987,155,000	+29.6%
Consolidated total liabilities	US$1,096,916,000	US$778,954,000	+40.8%
Consolidated net assets	US$2,774,659,000	US$2,208,201,000	+25.7%
Consolidated net debts	US$526,661,000	US$306,930,000	+71.6%
Return on equity holders of the Company	17.5%	14.4%	+3.1pp
Return on net assets	17.2%	14.2%	+3.0pp
Net debt-to-equity ratio	19.0%	13.9%	+5.1pp
Interest coverage	10.0x	8.8x	+1.2x

Note: The Group's revenue was generated from Florens Container Holdings Limited and its subsidiaries, Zhangjiagang Win Hanverky Terminal, Quan Zhou Pacific Terminal, Yangzhou Yuanyang Terminal, Plangreat and its subsidiaries and COSCO Ports Services (Guangzhou) Co., Limited.

Chairman's Statement

The robust Chinese economy and strong international trade in 2007 drove growth of global containerised shipping and provided a favourable environment for COSCO Pacific to grow our terminal, container leasing, management and sale, logistics and container manufacturing businesses. Particularly the terminal business has already become our key earnings growth driver.

I am pleased to report to our shareholders that COSCO Pacific delivered a satisfactory performance in 2007. Profit attributable to equity holders of the Company was US$427,768,000, representing an increase of 47.0% compared to the previous year. Net profit from the terminal business was US$128,267,000, representing an increase of 27.5% compared to the previous year and accounting for 45.5% of the profit attributable to equity holders [Note] compared with 29.0% for 2006. Against this background, we further expanded our terminal business in three main ways; strengthening our presence in the global network through increased investment in new terminal operations, increasing controlling rights in our terminal investments and diversifying our investment in break bulk cargo terminals.

China factor

The US economy has been slowing down since the third quarter of 2007 in the aftermath of concerns over subprime mortgages. This does of course have some impact on global economy. However, I firmly believe that the China factor will play an increasingly positive role in the global economy and that China will further evolve from the 'world's factory' into one of its key consumer markets. This will ensure strong trade flows both in and out, which will help drive our business. We therefore end the year in a strong position; but we are restless to become stronger still.

Note: The profit attributable to equity holders of the Company excluded the CIMC Put Options financial effect of US$55,181,000 and net profit from disposal of 20% equity interest in Chong Hing Bank of US$90,742,000.

Excellent growth in China's port industry

In China, 2007 GDP growth reached 11.5% with import and export trade value totalling US$2,174 billion, up 23.5% year on year. The impact of this on global containerised cargo volume was to drive growth of around 10% in 2007. Meanwhile, the throughput of ports in mainland China grew substantially with a total of 112.7 million TEUs of containers handled in 2007, increasing by 21.2% and accounting for approximately 23.0% of the total containers handled worldwide, up 1.8 percentage points compared to 2006.

We expect that the efficiency of port infrastructure, enhancement of port facilities, increase in cargo flow, and improving quality of port management and information technology will be developed rapidly in the coming years. However competition is also expected to intensify. Opportunities and challenges always co-exist, so we will seize every opportunity for quality investment. Ports are valuable and scarce assets and their value will continue to rise due to the restricted quay length along the coastal line of China which has limited capacity for extension.

Global surge in investments in port assets

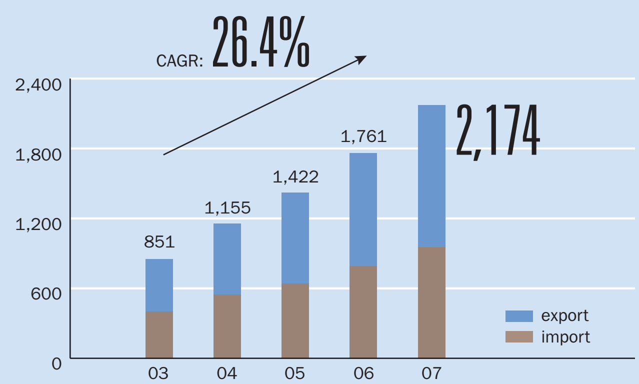
Container terminal operators are seeking greater expansion in various ways. Apart from increasing the scale of investments in China, they are also investing worldwide by way of mergers and acquisitions. Even private equity funds and investment banks join in the competition for port acquisitions. With the new surge of investments flowing in the port industry, the value of the port assets keeps rising. The strong support of large shipping fleet of our parent company provides COSCO Pacific with competitive advantages to expand our terminal portfolio and strengthen our ability to grow the business.

A global port operator with strategy for growth

COSCO Pacific is the fifth largest terminal operator in the world and had approximately 5% of the global market share in 2007 (2006: 3.7%). As at 31st December 2007, COSCO Pacific had various equity interests in 27 terminal operations which invested in, operated and managed a total of 140 berths at 18 ports in China and overseas. Of these, 87 container berths are operational and capable of handling 47,450,000 TEUs per annum. In 2007, a total of 39,832,964 TEUs were handled by the operating berths, up 21.5% compared to 2006.

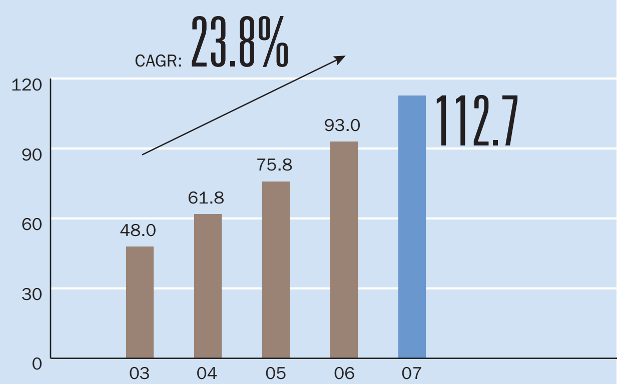
In addition to our organic investment, strengthening port management, we also endeavour to enhance marketing performance and profitability of new terminals. Moreover, we have been dedicating our efforts to seeking opportunities to invest further in new ports and terminals.

China's Import and Export Trade (US$ billion)



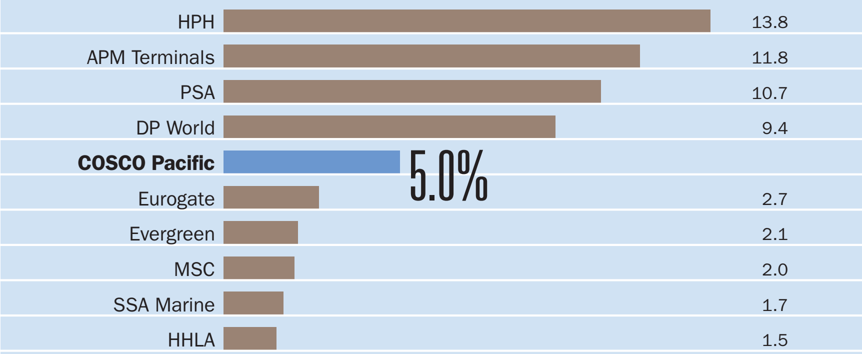
Source: Ministry of Commerce of The People's Republic of China

China Throughput (million TEUs)



Source: Ministry of Communications of The People's Republic of China

Market Share of Top 10 Global Container Terminal Operators in 2007 (%)



Source: Drewry Shipping Consultants Ltd (September 2007)

The world's 5th largest container terminal operator with approximately 5% of the global market share in 2007 (2006: 3.7%).

Terminal Portfolio

18 ports

27 terminal operations

140 total no. of berths

87 operating container berths

47,450,000 TEUs annual handling capacity

39,832,964 TEUs total throughput in 2007

In 2007, we established our four strategies for transforming our terminal portfolio:

CONTROL	To move from an investment-based model to a controlling rights model
GLOBALISE	To move from a China focus to be a global player with a primary focus on China
DIVERSIFY	To move from a container terminals business to a diversified terminals portfolio
REVALUE	To move from a focus on maximising profit to maximising enterprise value

Expanded terminal portfolio in 2007

In 2007, COSCO Pacific invested in Qingdao New Qianwan Terminal, Xiamen Yuanhai Terminal, Jinjiang Pacific Terminal and a terminal at Jiangdu port area of Yangzhou in China. A total of 16 container berths and 5 break-bulk cargo berths were added to our portfolio with an increase of annual handling capacity of 9,600,000 TEUs and 6,050,000 tons.

As for overseas terminals, a concession agreement was signed between Suez Canal Terminal and the Egyptian government for the development of terminal phase II located at Port Said in Egypt. This phase II will manage and operate four container berths with an annual handling capacity of 2,550,000 TEUs.

The above terminal developments added a total of 20 container berths and five break bulk cargo berths to our terminal portfolio with an increase of annual capacity by 12,150,000 TEUs and 6,050,000 tons respectively.

CONTROL: Strengthening controlling rights

By acquiring a 70% equity interest in Xiamen Yuanhai Terminal and an 80% equity interest in Jinjiang Pacific Terminal, COSCO Pacific took substantial interests in terminals in the Southeast Coast, which will be developed as the fourth largest economic development zone in China.

GLOBALISE: Expanding the global network with a primary focus on China

Qingdao Qianwan Terminal, entered into a joint venture with Pan Asia International Shipping Ltd. to establish the Qingdao New Qianwan Terminal, in which Qingdao Qianwan Terminal owns an 80% equity interest. Qingdao New Qianwan Terminal will build, operate and manage ten berths in Phase IV of Qianwan. The annual handling capacity is 6,000,000 TEUs. Together with Phases II and III operated by Qingdao Qianwan Terminal, the total annual capacity of three phases will be 12,500,000 TEUs with a total of 21 berths. The investment in this international hub port at Qingdao Qianwan further enhanced the momentum of our earnings growth in future.

In addition to four berths at Phase I of the Port Said of Suez Canal Terminal in Egypt, in which COSCO Pacific has a 20% equity interest, the new investment in Phase II will bring the total number of berths to eight, with the total annual handling capacity of 5,100,000 TEUs. Situated at one of the most prominent ports in the eastern Mediterranean, this terminal is located as a pivot of Asian, European and Mediterranean key routes of container liners shipping through the Suez Canal.

DIVERSIFY: Diversifying the portfolio

We diversified our terminal portfolio by acquiring a total of five break bulk cargo berths in 2007. Yangzhou Yuanyang Terminal, in which COSCO Pacific holds a 55.59% equity interest, acquired two break bulk cargo berths at the port of Jiangdu in Yangzhou, which is the second largest port for handling imports of lumbers in China. In addition to three break bulk cargo berths at the port of Jinjiang in Quanzhou, COSCO Pacific acquired five break bulk cargo berths, thus increasing our annual handling capacity of bulk cargo to 6,050,000 tons.

REVALUE: Building on our strong track record of value creation

COSCO Pacific had a market capitalisation of HK$46.7 billion as of 31st December 2007. Profit attributable to equity holders of the Company have increased 28.7% annually over the past five years.

Our senior management strongly believe that the strategic initiatives we have put in place will position COSCO Pacific well for highly profitable, long-term growth, enabling us to continue to build enterprise value for our shareholders. We have set our goals to increase the total number of our berths to be more than 200 in the coming three years, to acquire more terminal investments with controlling stakes and to expand our presence in overseas terminal operations. The terminal business is expected to contribute over 50% of total profit and to make up over 50% of the total assets by 2010.

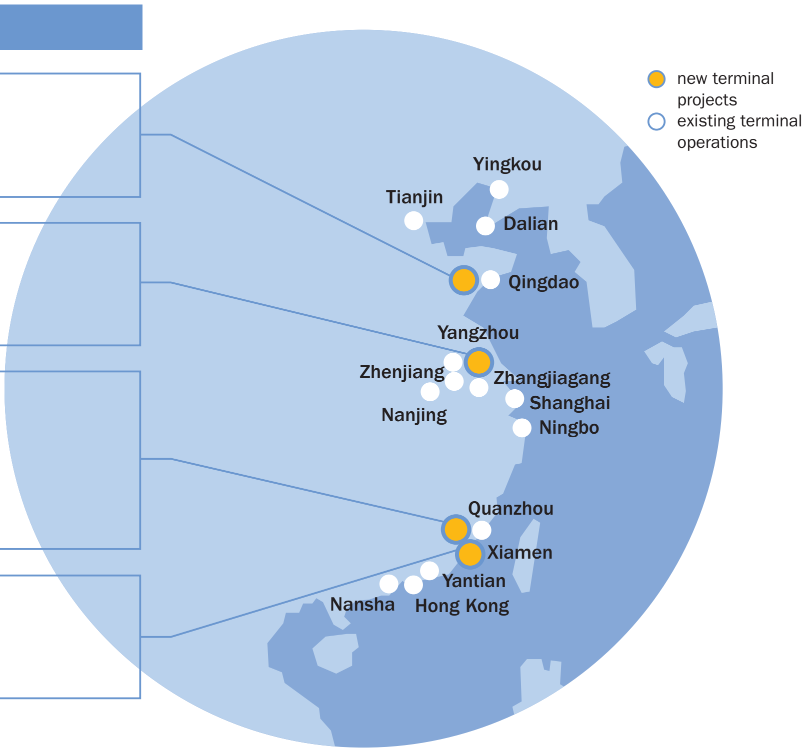
Terminal Investments in China in 2007

Qingdao New Qianwan Terminal	
Shareholding	16%
No. of berths	10
Annual handling capacity	6,000,000 TEUs

Yangzhou Yuanyang Terminal	
Shareholding	55.59%
No. of break-bulk cargo berths	2
Annual handling capacity	1,850,000 Tons

Jinjiang Pacific Terminal	
Shareholding	80%
No. of berths	2
Annual handling capacity	800,000 TEUs
No. of break-bulk cargo berths	3
Annual handling capacity	4,200,000 Tons

Xiamen Yuanhai Terminal	
Shareholding	70%
No. of berths	4
Annaul handling capacity	2,800,000 TEUs



Ensuring trust

Sound corporate governance is the key for optimised business management and COSCO Pacific is dedicated to maintaining an effective corporate governance structure to assure transparency and safeguard shareholders' interests. We believe in having a mechanism in place to balance all shareholders' interests, and help maximise shareholder returns. The management team attaches great importance to assessing risks, including operational, financial and legal, in connection with the Company's business. The Corporate Governance Committee and the Risk Control Committee jointly formulated criteria for internal control and risk assessment as a step towards more efficient and better governance.

In 2007, COSCO Pacific engaged in many activities aimed at encouraging better corporate governance standards in the market. We were the lead sponsor of the Directors of the Year Awards 2007 organized by Hong Kong Institute of Directors. Our efforts to improve corporate governance were acknowledged by the industry and the capital markets. We were received several recognitions including "Forbes Global 2000" for the 3rd consecutive year and awarded "Hong Kong Outstanding Enterprises" by Economic Digest for three consecutive year; the Company also won "Best Corporate Award" by The Asset magazine and "Corporate Governance Asia Recognition Awards" by Corporate Governance Asia magazine. The Company was awarded "Hong Kong In-House Team of the Year" and "Shipping In-House Team of the Year" by Asian Legal Business (ALB), a well recognized professional magazine. We also won the "Best Investor Relations Award" from IR magazine.

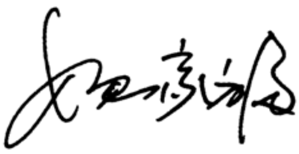
As environmental protection and climate change have become significant global issues, COSCO Pacific is committed to a responsible approach to environmental protection. In 2007, we became a Council Member of the Hong Kong Business Environment Council. Apart from attending the council's various meetings and conferences, we dedicated our efforts to promotion of environmental protection awareness among our employees. At the same time, we also joined the Hong Kong Business Coalition on the Environment, which is tasked to improve the air quality in Pearl River Delta region, promoting the "Business for Clean Air" charter and campaign.

Outlook

The year 2008 will be a year full of challenges and opportunities. Global economic growth will be further slowed by the deteriorating US economy. However, the Chinese economy will still be stimulated by strong growth in domestic consumption and China's import trade is expected to maintain a solid upward trend. As a result, we expect domestic cargo volume to increase and containerised shipping is likely to increase amid such favourable conditions. Meanwhile, Chinese economic growth will remain healthy under proper control by the government's macro-economic tightening policies. All told, the China factor will definitely provide excellent opportunities for the further development of COSCO Pacific.

While intensifying our effort to accelerate the growth of port and terminal business, we continue to strengthen our container leasing business and expand our container management services with our asset light approach, tying up less capital while continuing to develop as a market leader. Our fundamental objective is to maximize shareholder value over the long term through improving efficiency and maximizing enterprise value.

Tough times and high standards nurture great companies. I am confident for the future. I would like to take this opportunity to express my heartfelt thanks to all shareholders, business partners and the business community for your great support to our company. Also I would like to thank to all of our employees for their efforts and contributions to the company.



WEI Jiafu
Chairman
7th April 2008

Vice Chairman's Report

COSCO Pacific delivered a satisfactory performance in 2007. Our profit attributable to equity holders of the Company was US$427,768,000, a 47.0% increase as compared to US$291,082,000 recorded in 2006. If the financial effect of the CIMC Put Options associated with the CIMC Share Reform[Note 1] is excluded, the Group's profit attributable to equity holders of the Company would be US$372,587,000, a 7.6% increase as compared to US$346,263,000 recorded in 2006.

COSCO Pacific has always dedicated its effort to enhancing shareholders return. Maintaining a stable dividend payout ratio is an important policy to deliver the shareholder value created by the Company. The board of directors proposes a final cash dividend this year of US3.924 cents per share (2006: US4.147 cents). A special final cash dividend of US2.296 cents per share (2006: Nil) will also be proposed for the net profit of US$90,742,000 from the disposal of 20% equity interest of Chong Hing Bank. Together with the interim cash dividend of US3.186 cents (2006: interim dividend of US3.526 cents and special interim dividend of US1.174 cents) paid on 21st September, 2007, this represents a full-year cash dividend of US9.406 cents (2006: US8.847 cents). In 2007, the dividend payout ratio was 56.6%[Note 2] (2006: 56.6%).

Terminal business – the largest profit contributor

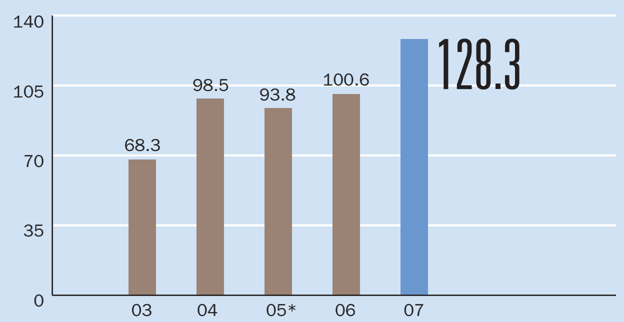
Net profit generated from the terminal division was US$128,267,000 in 2007, up by 27.5% compared to the US$100,581,000 in 2006. The terminal business this year became our largest profit contributor and the most significant business of the Company.

As of 31st December 2007, the Company invested in, operated and managed 140 berths, among which 87 container berths were operational with an annual handling capacity amounting to 47,450,000 TEUs. During the year, our total throughput reached 39,832,964 TEUs, up by 21.5% compared to 2006.

Note 1: COSCO Pacific granted 424,106,507 CIMC Put Options to shareholders of the CIMC Tradeable A-Shares in 2006. As none of the CIMC Put Options were exercised upon their expiry on 23rd November, 2007, previously made provisions of US$55,181,000 in 2006 had been fully written back in this year.

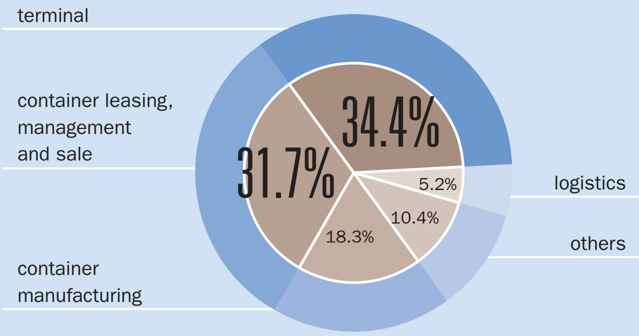
Note 2: The financial effect of CIMC Put Options associated with the CIMC Share Reform of US$55,181,000 was excluded in the calculation of dividend payout ratio.

Terminal Profit Growth (US$m)



* Excluding disposal gain of US$61.9 million for the 17.5% stake of Shekou Terminal.

2007 Net Profit Breakdown**



** Excluding the financial effect of US$55,181,000 of the CIMC Put Options.

In 2007, a total of 15 berths of our existing terminal portfolio commenced operation. Six berths of Guangzhou South China Oceangate Terminal became operational with two berths in March and four berths in September. One berth at Ningbo Yuan Dong Terminals commenced operation in March. Two berths in Yantian Terminal Phase III commenced operation in March and September respectively. The share transfer of the Suez Canal Terminal was completed in October. The four operating berths of this terminal started throughput contribution since November 2007. The No. 1 and No. 2 berths at the Yangzhou Jiangdu also commenced operation in December. With the full year operation in 2008, these 15 newly operational berths will contribute as an organic throughput growth engine of our terminal division in 2008.

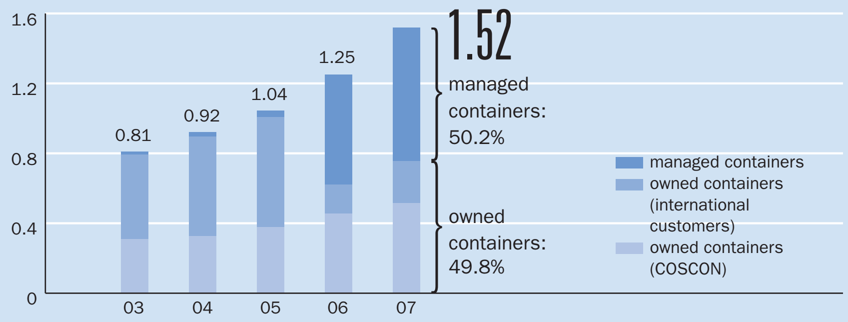
During the year, we added a total of 25 berths, including twenty container berths and five break-bulk cargo berths, to our terminal portfolio by new acquisition and expansion of existing terminal operations. Starting from next year, together with the commencement of construction of Tianjin Port Euroasia Terminal on 20th September 2007, these new berths will gradually commence operation.

Container leasing business with an asset light model

Our container leasing, management and sale businesses are being operated and managed by our wholly-owned subsidiary, Florens Container Holdings Limited and its subsidiaries ("Florens"). During the year, against a background of continued excess liquidity in the capital markets, the container leasing industry encountered fierce competition. Florens continued to adopt the asset light strategy to transform part of our container leasing fleet from an "ownership" model to a "management" model with the provision of after sale management services to the buyers. By the adoption of this strategy, disposal gain can be derived from the sold containers. Meanwhile, with the minimal investment risk on the managed containers, risk management on investment can be strengthened and expansion of market share can be continued.

While expanding the container management business, Florens continues to grow its owned container fleet by purchasing new containers which will be leased to COSCON and international customers. When the owned containers for international customers grow to a sizeable fleet, Florens will dispose those containers together with the container leasing agreements by sale and managed back while retaining the ownership of those containers leased to COSCON. As at 31st December 2007, about half of our total fleet were owned containers and the remaining half were managed containers. In future, we intend to maintain this ownership mix.

Container Leasing and Management Fleet Capacity (million TEUs)



The world's 2nd largest container leasing company with a 13.2% of global market share (2006: 11.9%).

Florens became the world's second largest container leasing company with a 13.2% of global market share (2006: 11.9%). As at 31st December 2007, Florens owned and managed a container fleet of 1,519,671 TEUs, increased by 21.5% over 2006. The fleet size of managed containers increased to 762,618 TEUs (2006: 629,881 TEUs) representing 50.2% (2006: 50.4%) of the total fleet. The fleet size of owned containers amounted to 757,053 TEUs (2006: 620,728 TEUs) representing 49.8% (2006: 49.6%) of the total fleet.

Net profit generated from container leasing, management and sale division decreased to US$117,994,000, down 36.0% compared with 2006. The decline of profit was mainly due to fleet size of containers disposed in 2007, amounting to 135,956 TEUs (as amended) being smaller than those in 2006 amounting to 600,082 TEUs. As a result of this, disposal gain in 2007 were much lower than those in 2006.

Stable sources of income from logistics and container manufacturing divisions

Due to volatility of the cost of raw material and consequent decline of profit margins, net profit from the container manufacturing division decreased by 5.4% to US$68,356,000. Net profit from logistics grew modestly and contributed US$19,236,000, up 6.0% compared to 2006.

Disposal of non-core business

COSCO Pacific sold its 20% equity interest in Chong Hing Bank in 2007 and made a net profit of US$90,742,000. Cash consideration received, amounting to approximately US$268,474,000 was mainly used to invest in our core businesses and to pay a special final dividend.

Growth of our core assets

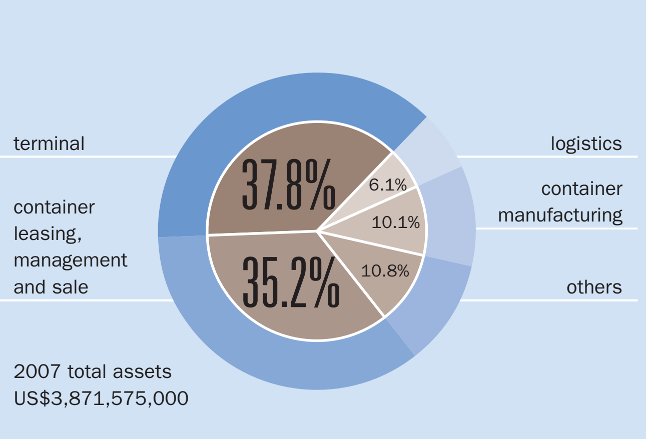
Following the continuous growth of our terminals and container leasing, management and sale businesses, the total assets value of these two core businesses amounted to US$2.83 billion as of 31st December 2007, accounting for 73.0% of COSCO Pacific's total assets. Terminals were the Company's largest assets accounting for 37.8% of its total assets.

In 2007, our net assets value continued to increase due to the rising valuation of terminal assets and solid profit growth. Net assets value per share were HK$9.6, up 24.7% compared to 2006.

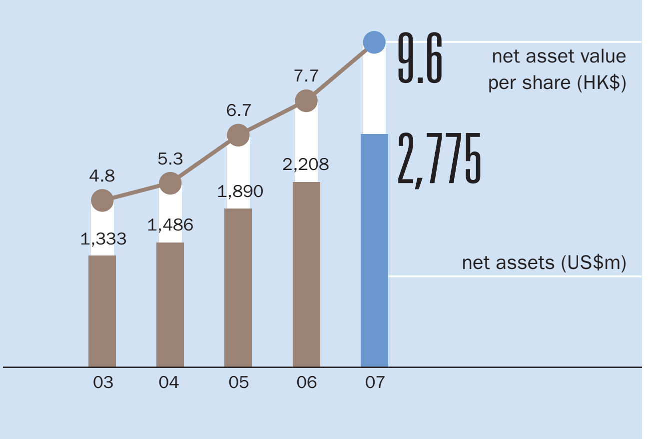
Maintaining a healthy financial position

In order to ensure the Company's business development is supported by a healthy financial position, COSCO Pacific adopts a prudent financial policy by closely monitoring the Company's gearing, interest coverage, debt structure, financial risks, dividend policy and corporate financing structure.

2007 Total Assets



Net Asset Value per Share



As at 31st December 2007, COSCO Pacific's consolidated total assets and liabilities amounted to US$3,871,575,000 and US$1,096,916,000 respectively. The consolidated net assets were US$2,774,659,000, marking an increase of US$566,458,000 compared to US$2,208,201,000 at the end of 2006.

As at 31st December 2007, total loans outstanding amounted to US$914,034,000, 10.9% of it with fixed interest rates. During the year, a US$500,000,000 unsecured club loan was arranged at a cost of LIBOR plus 38 basis points.

Total cash of US$ 509,613,000 was received from the disposal of our interests in Chong Hing Bank for US$268,474,000 and the strategic disposal of containers for US$241,139,000. The proceeds were mainly used for capital expenditure and paying special dividends. As at 31st December 2007, cash and bank balances of the Company amounted to US$387,373,000. Our financial position was solid and healthy.

Our gearing ratio has been maintained at a low level, with a net debt-to-equity ratio of 19.0% and an interest coverage ratio of 10.0 times. This enables us to build a solid foundation for funding future business growth. The company will also evaluate our debt structure and closely monitor the latest capital market issues so that we are able to manage our financial risk arising from interest rate changes and to maintain our debt at a proper level.

A professional working team

To support the continued expansion of the Company's business, COSCO Pacific has already built a global team working together in the pursuit of professional excellence. In 2007, the Company further strengthened our professional working team, enhanced the quality of management, recruited outside talent and improved the management skills and professionalism of the port management team through training and communications programs. At the same time, in order to support the Company's increasing need for management staff as a result of the increasing number of terminal projects in mainland China, the Company decided to strengthen the role of COSCO Pacific (China) Investment Co., Ltd. In 2008, the Company will hold the second "Container port operational management training program" to nurture the senior port management staff, supporting the future development of the terminal business.

Prospects

Looking forward to 2008, there will be another year of China economic growth. China's imports are expected to maintain relatively higher growth rates. The major port congestion in Europe and the US has accumulated a stronger demand of container terminal services. Shipping companies will continue to expand their fleet so as to cope with market demand. The new capacity of shipping fleets added in 2008 amounts to about 1,450,000 TEUs representing a 15% year on year growth. This new capacity will need to be equipped with new containers. Therefore the demand of container leasing will remain strong.

With concerns about the impact of the US subprime mortgage loan crisis on the global economy, the management team of the Company has established a working team to monitor the market for any adverse changes. The team will also evaluate possible impacts on the operating performance of our core businesses and obstacles to finance planning.

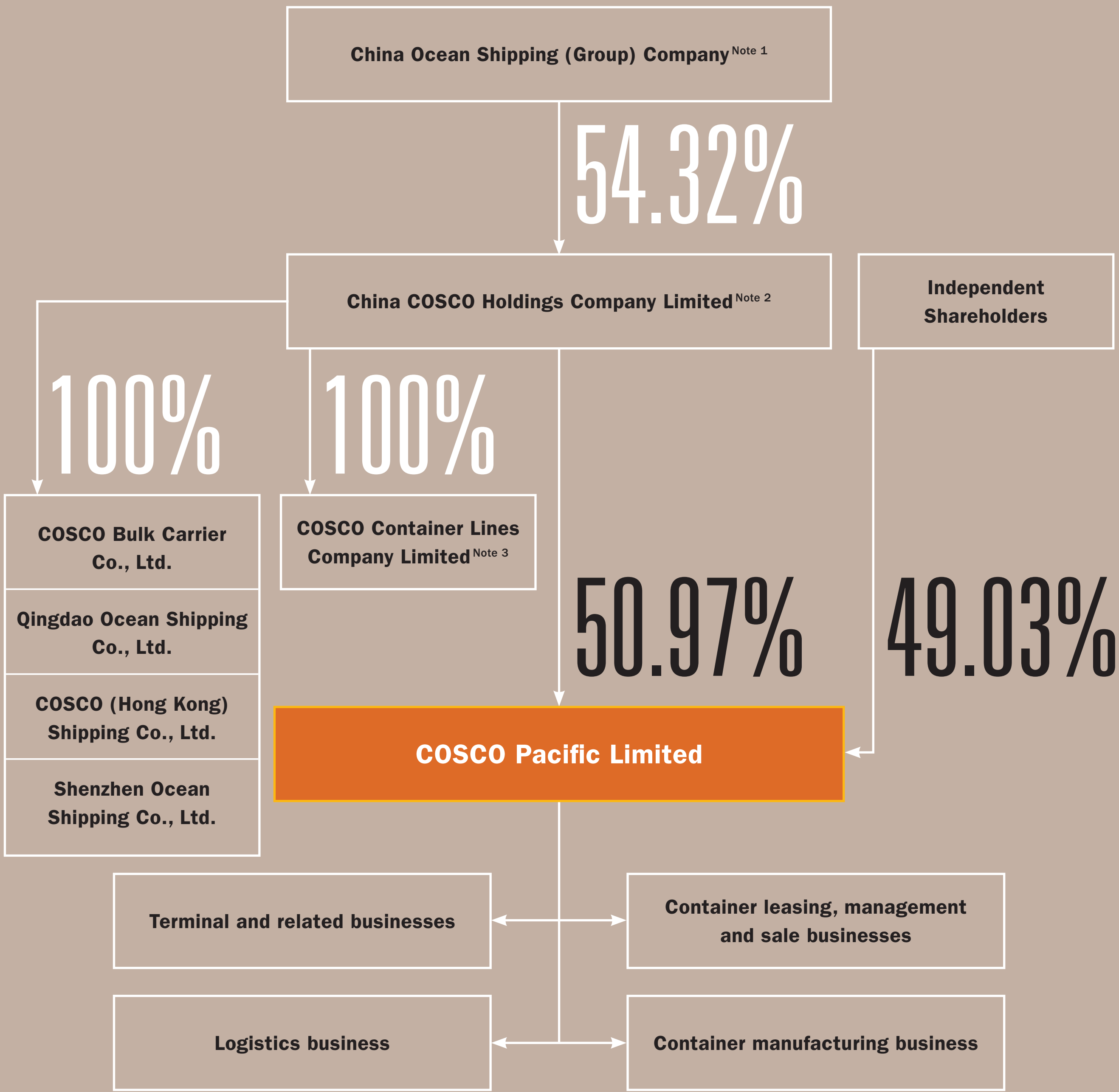
Focusing on ports and terminals as the principal earnings driver and the largest profit center of COSCO Pacific, we are dedicated to strengthening our terminal portfolio so as to build a stronger and a larger platform for the business. Enjoying a high degree of synergy with our parent company, COSCO Pacific is gaining footholds as it establishes a global terminal network strategically located in China and overseas. In turn we are able to provide superior services to our customers around the world. We aim to maintain our leading position as a global port operator through further investment; taking majority stakes and thereby maximizing enterprise value and profitability through controlling interests.

In parallel, we continue to strengthen our container leasing business and expand our container management services with an asset light business model. The objectives of COSCO Pacific are fourfold: to grow a stronger portfolio of business operations, to maintain our position as a market leader, to further enhance our profitability and to maximize our shareholder returns. We believe our future success, in a competitive and changing environment, will be a direct result of our focus on these objectives. To achieve our goals for shareholders we are going to keep thinking beyond the BOX.

I would like to thank all of our stakeholders for their support and to express my special thanks to my colleagues for their commitment and effort during this significant year.

XU Minjie
Vice Chairman and Managing Director
7th April 2008

Corporate Structure



Note 1: China Ocean Shipping (Group) Company ("COSCO") is the ultimate holding company of COSCO Pacific Limited. It is China's largest shipping company and one of the world's leading international shipping entities. Currently, COSCO owns and operates a fleet of 800 vessels with an aggregate capacity of 47,000,000 dead weight tonnage.

Note 2: China COSCO Holdings Company Limited ("China COSCO") is a subsidiary of COSCO. It held 1,144,166,411 shares of COSCO Pacific representing approximately 50.97% of the total issued share capital of the Company as at 31st December 2007.

Note 3: COSCO Container Lines Company Limited ("COSCON") is a subsidiary of China COSCO. As at 31st December 2007, COSCON is the largest container liner operator in China and the sixth largest in the world. COSCON owns and operates a fleet of 144 container vessels with a carrying capacity of approximately 435,000 TEUs. COSCON is a major customer of COSCO Pacific's container leasing and terminal operations

As at 31st December 2007

COSCO Pacific Limited

Terminal and related businesses

Operating container berths: 87

Operational container annual handling capacity: 47,450,000 TEUs

Location of ports:

Bohai Rim Qingdao • Dalian • Tianjin • Yingkou

Yangtze River Delta Shanghai • Ningbo • Zhangjiagang • Yangzhou • Nanjing • Zhenjiang

Pearl River Delta Hong Kong • Shenzhen • Guangzhou

Southeast Coastal Region Quanzhou • Xiamen

Oveaseas Singapore • Antwerp, Belgium • Port Said, Egypt

Container leasing, management and sale businesses

Florens Container Holdings Limited (100%)

Florens Container Services Company Limited (100%)

Branches:

Asia-Pacific Hong Kong • Shanghai • Tianjin • Macau • Singapore • Sydney • Tokyo

Americas San Francisco • New York • Sao Paulo

Europe London • Hamburg • Genoa

Logistics business

COSCO Logistics Co., Ltd. (49%)

Regional headquarters:
Beijing (Headquarter) • Dalian • Qingdao • Shanghai • Ningbo • Xiamen • Guangzhou • Wuhan • Hong Kong • Dubai • New York

Representative offices:
Hong Kong • Seoul • Tokyo • Athens • Singapore

Container manufacturing business

China International Marine Containers (Group) Co., Ltd. (16.54%)

Location of container manufacturing plants:
Dalian • Tianjin • Qingdao • Nantong • Yangzhou • Shanghai • Ningbo • Shenzhen • Xinhui • Zhangzhou • Taicang

Shanghai CIMC Reefer Containers Co., Ltd. (20%)

Tianjin CIMC North Ocean Container Co., Ltd. (22.5%)

Worldwide Business Network

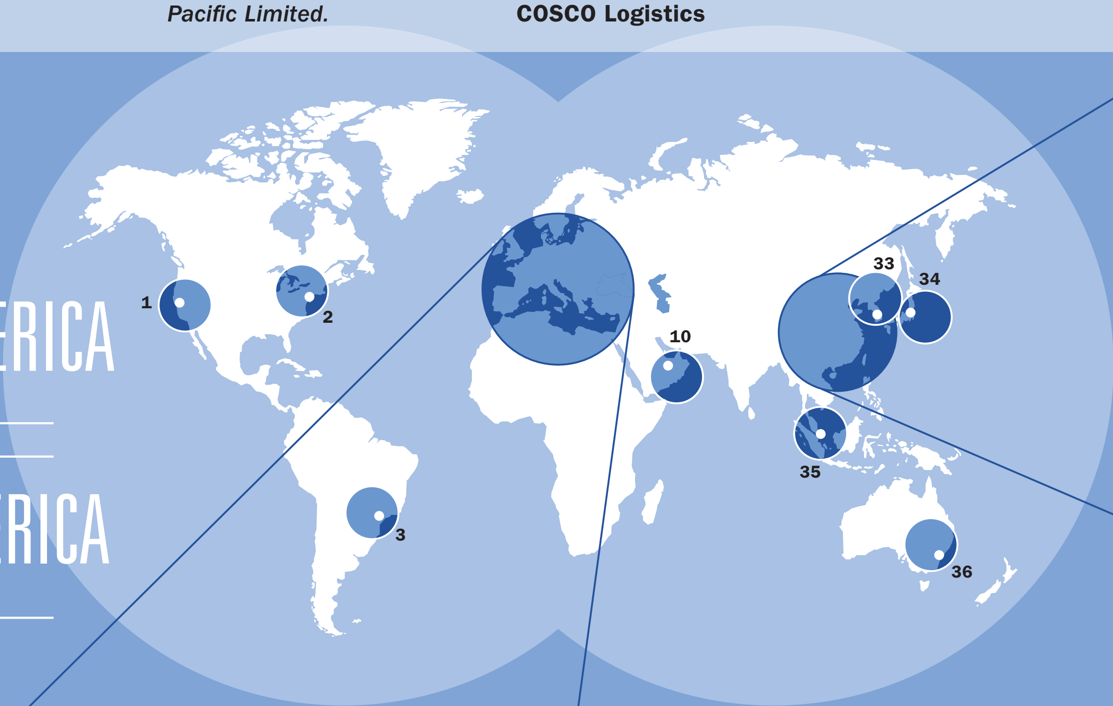
COSCO Pacific

Terminals

Florens* and its branches
* *Florens is a wholly owned subsidiary of COSCO Pacific Limited.*

Companies under regional headquarters and overseas representative offices of COSCO Logistics

Container manufacturing plants



NORTH AMERICA

1 San Francisco
2 New York

SOUTH AMERICA

3 Sao Paulo

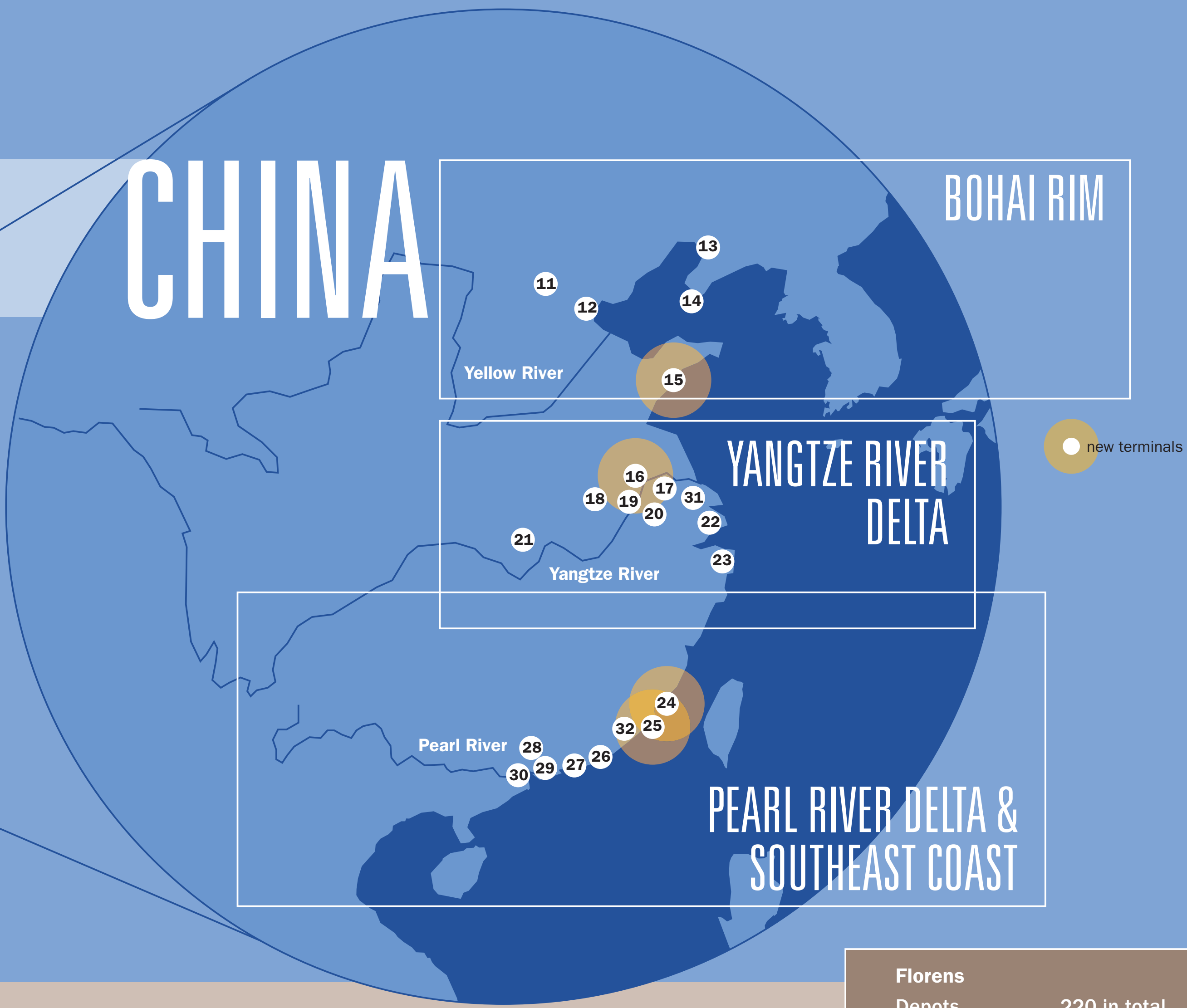
EUROPE & MEDITERRANEAN

4 London
5 Hamburg
6 Antwerp
7 Genoa
8 Athens
9 Port Said

MIDDLE EAST

10 Dubai

CHINA



ASIA PACIFIC

11 Beijing				●	
12 Tianjin		●	●		●
13 Yingkou		●			
14 Dalian		●		●	●
15 Qingdao		●		●	●
16 Yangzhou		●			●
17 Nantong					●
18 Nanjing		●			
19 Zhenjiang		●			
20 Zhangjiagang		●			
21 Wuhan				●	
22 Shanghai	●	●	●	●	●
23 Ningbo		●		●	●

24 Quanzhou		●			
25 Xiamen		●		●	
26 Shenzhen		●			●
27 Hong Kong	●	●	●	●	
28 Guangzhou		●		●	
29 Macau			●		
30 Xinhui					●
31 Taicang					●
32 Zhangzhou					●
33 Seoul				●	
34 Tokyo			●	●	
35 Singapore		●	●	●	
36 Sydney			●		

Florens

Depots	220 in total
Americas	51
Europe	82
Asia Pacific	87

COSCO Logistics

Companies under regional headquarters	198
Regional headquarters	
Headquarters	26
Beijing	13
Dalian	18
Qingdao	25
Shanghai	61
Ningbo	17
Xiamen	8
Guangzhou	23
Wuhan	7
Overseas branches and representative offices	7


CMA CGM

Operational Review – Terminals

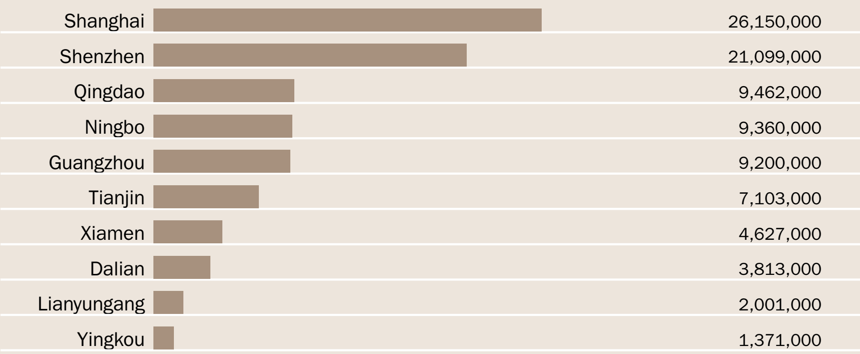
Market review

Rapid economic growth in China, combined with the continuing improvements in cargo transportation and increasing cargo containerization rates, have driven ports to achieve strong container throughput growth. Following this growth, China's total throughput was 112.7 million TEUs in 2007, representing a year-on-year growth of 20.4%. Meanwhile, major port congestion in Europe and America leads to a stronger demand for terminal services.

Business review

According to Drewry Shipping Consultant Ltd's report, "Annual Review of Global Container Terminal Operators 2007" published in September 2007, COSCO Pacific ranked as the fifth largest operator in the world with a 5% global market share, representing a year-on-year increase of 1.3 percentage points. As of 31st December 2007, the Company held various interests in 27 terminal operations located at 18 ports in China and overseas. The Company operated, managed and invested in 140 berths, among which 87 container berths were operational with an annual handling capacity amounting to 47,450,000 TEUs.

Top 10 China Ports Throughput in 2007 (TEUs)



Source: www.portcontainer.cn

In 2007, total container throughput of COSCO Pacific was 39,832,964 TEUs, a 21.5% increase over 2006; among which, the throughput of those 16 terminal joint ventures in mainland China reached 36,040,901 TEUs, a 20.6% increase over 2006. The profit generated from terminal division rose by 27.5% to US$128,267,000.

The ports of Hong Kong, Shenzhen, Shanghai, Ningbo, Qingdao, Dalian and Tianjin, which are among the major hub ports in coastal China, continued to see solid terminal performance in 2007. The throughput growth of feeder ports performed satisfactorily. Throughput of the three major economic zones in China, Bohai Rim, Yangtze River Delta, and Pearl River Delta, continued to rise while the throughput of Southeast Coast was growing strongly.

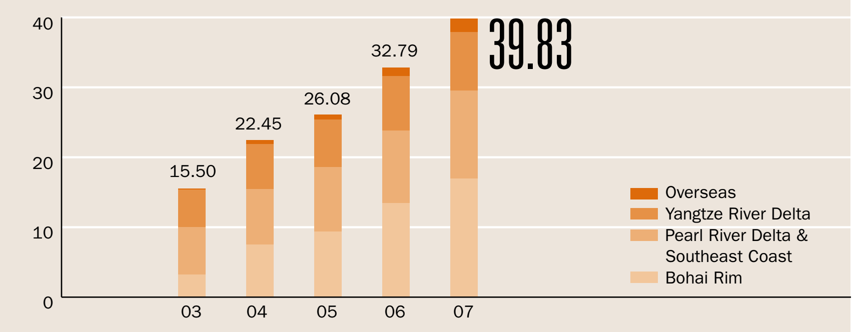
Terminal Portfolio

	Shareholding (%)	Berths (no.)	Depth (meter)	Quay length (meter)	Annual handling capacity (TEUs)
Bohai Rim		**48**			**24,600,000**
Qingdao Qianwan Terminal	20	11	17.5	3,400	6,500,000
Qingdao New Qianwan Terminal	16	10	15-20	3,408	6,000,000
Qingdao Cosport Terminal	50	1	13.5	349	600,000
Dalian Port Container Co., Ltd.	8.13	9	8.9-14.0	2,335	3,000,000
Dalian Port Container Terminal	20	6	13.5-17.8	2,096	4,200,000
Dalian Automoblie Terminal	30	2	11	550	600,000 (vehicles)
Tianjin Five Continents Terminal	14	4	15.7	1,202	1,500,000
Tianjin Euroasia Terminal	30	3	15.5	1,100	1,800,000
Yingkou Terminal	50	2	14	576	1,000,000
Yangtze River Delta		**38**			**14,200,000**
Shanghai Terminal	10	10	9.4-10.5	2,281	3,700,000
Shanghai Pudong Terminal	30	3	12	940	2,300,000
Shanghai Yangshan Port Phase II	10	4	15	1,400	3,200,000
Ningbo Yuan Dong Terminals	20	5	15	1,610	2,100,000
Zhangjiagang Win Hanverky Terminal	51	3	10	722	1,000,000
Yangzhou Yuanyang Terminal	55.59	2	12	600	700,000
		5	8-12	1,102	6,550,000 (tons of break-bulk cargo)
Nanjing Longtan Terminal	20	5	12	910	1,000,000
Zhenjiang Jinyuan Terminal	25	1	13	233	200,000
Pearl River Delta and Southeast Coast		**38**			**25,100,000**
COSCO-HIT Terminal	50	2	15.5	1,088	1,800,000
Yantian Terminal Phases I & II	5	5	14.0-15.5	1,650	4,500,000
Yantian Terminal Phase III	4.45	10	16	3,297	9,000,000
Guangzhou South China Oceangate Terminal	39	6	14.5	2,100	4,200,000
Quan Zhou Pacific Terminal	71.43	4	7.0-15.1	1,361	2,000,000
		2	5.1-9.6	315	1,000,000 (tons of break-bulk cargo)
Jinjiang Pacific Terminal	80	2	10.2-14.0	688	800,000
		3	7.9-9.8	850	4,200,000 (tons of break-bulk cargo)
Xiamen Yuanhai Terminal	70	4	17	1,508	2,800,000
Overseas		**16**			**9,600,000**
COSCO-PSA Terminal	49	2	15	720	1,000,000
Antwerp Terminal	20	6	17	2,450	3,500,000
Suez Canal Terminal	20	8	16	2,400	5,100,000
Total no. of berths		**140**			
Total no. of container berths		**128**			**73,500,000**
Total no. of automobile berths		**2**			**600,000 vehicles**
Total no. of break bulk cargo berths		**10**			**11,750,000 tons**
Total no. of operating container berths		**87**			**47,450,000**

The Bohai Rim recorded the most outstanding performance, and has been the focus of our terminal business development in recent years. Container throughput handled by our six terminal joint ventures in Bohai Rim totaled 16,931,145 TEUs, a 26.1% increase over 2006. The throughput of Yangtze River Delta increased by 7.4% to 8,307,080 TEUs. The aggregate throughput of Pearl River Delta and Southeast Coast increased by 21.6% to 12,649,235 TEUs.

The terminals we have controlling stakes performed well during the year. The container throughput of Zhangjiagang Win Hanverky Terminal increased by 32.0% to 601,801 TEUs. The container throughput of Yangzhou Yuanyang Terminal reached 253,772 TEUs, a 13.8% increase over 2006 and its throughput of break-bulk cargo increased by 9.0% to 7,196,428 tons. Commencing operation since September 2006, Quan Zhou Pacific Terminal has been achieving outstanding performance with its throughput increased by 255.1% to 856,784 TEUs in 2007.

Terminal Throughput by Regions (million TEUs)



	2007 (TEUs)	2006 (TEUs)	y-o-y (%)
Bohai Rim	16,931,145	13,431,338	+26.1
Yangtze River Delta	8,307,080	7,732,423	+7.4
Pearl River Delta & Southeast Coast	12,649,235	10,400,888	+21.6
Overseas	1,945,504	1,227,064	+58.5
Total throughput of Mainland China	**36,040,901**	**29,875,952**	**+20.6**
Total throughput	**39,832,964**	**32,791,713**	**+21.5**

The performance of the overseas terminals were satisfactory. COSCO-PSA Terminal in Singapore handled 833,892 TEUs, a 32.8% surge over 2006. The throughput of the Antwerp Terminal in Belgium reached 792,459 TEUs, a 32.3% over 2006. The Suez Canal Terminal in Egypt, in which COSCO Pacific completed the shares transfer in October 2007, handled 319,153 TEUs for the two months from November to December 2007.

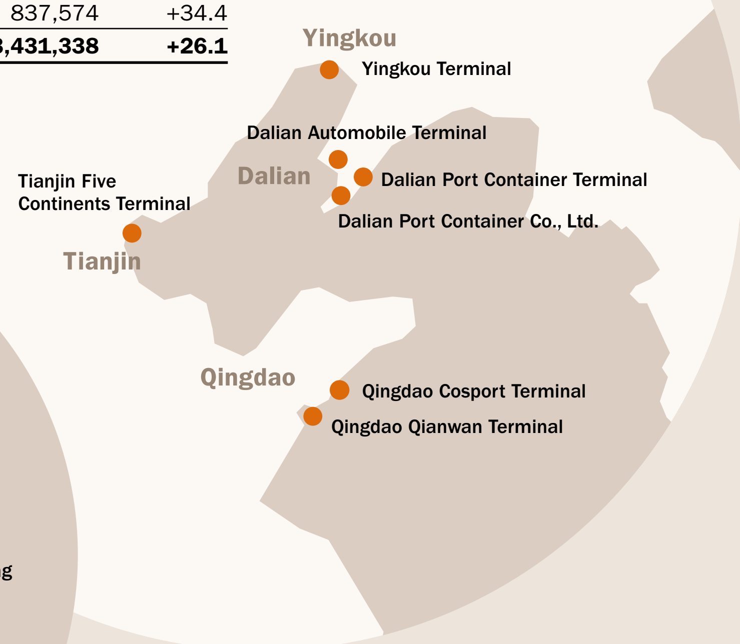
Container Throughput

BOHAI RIM +26.1%

16,931,145 TEUs

Bohai Rim

	2007 (TEUs)	2006 (TEUs)	y-o-y (%)
Qingdao Qianwan Terminal	8,237,501	6,770,003	+21.7
Qingdao Cosport Terminal	1,005,439	744,276	+35.1
Dalian Port Container Co. Ltd.	3,723,833	2,885,276	+29.1
Dalian Port Container Terminal	850,359	421,068	+102.0
Tianjin Five Continents Terminal	1,988,456	1,773,141	+12.1
Yingkou Terminal	1,125,557	837,574	+34.4
Total	**16,931,145**	**13,431,338**	**+26.1**



YANGTZE RIVER DELTA +7.4%

8,307,080 TEUs

Yangtze River Delta

	2007 (TEUs)	2006 (TEUs)	y-o-y (%)
Shanghai Terminal	3,446,135	3,703,460	-6.9
Shanghai Pudong Terminal	2,723,722	2,650,007	+2.8
Zhangjiagang Win Hanverky Terminal	601,801	455,946	+32.0
Yangzhou Yuanyang Terminal	253,772	222,912	+13.8
Nanjing Longtan Terminal	950,289	700,098	+35.7
Ningbo Yuan Dong Terminals	331,361	–	n/a
Total	**8,307,080**	**7,732,423**	**+7.4%**

+21.6%

PEARL RIVER DELTA & SOUTHEAST COAST

12,649,235 TEUs

Pearl River Delta & Southeast Coast

	2007 (TEUs)	2006 (TEUs)	y-o-y (%)
COSCO-HIT Terminal	1,846,559	1,688,697	+9.3
Yantian Terminal (Phase I, II, III)	9,368,696	8,470,919	+10.6
Guangzhou South China Oceangate Terminal	577,196	–	n/a
Quan Zhou Pacific Terminal	856,784	241,272	+255.1
Total	**12,649,235**	**10,400,888**	**+21.6**

OVERSEAS

+58.5%

1,945,504 TEUs

Overseas

	2007 (TEUs)	2006 (TEUs)	y-o-y (%)
COSCO-PSA Terminal	833,892	627,894	+32.8
Antwerp Terminal	792,459	599,170	+32.3
Suez Canal Terminal	319,153	–	n/a
Total	**1,945,504**	**1,227,064**	**+58.5**

Expanded terminal portfolio in 2007

In 2007, COSCO Pacific successfully expanded its terminal business by increasing our investments in Qianwan port area of Qingdao and Jiangdu port area of Yangzhou. By acquiring a 70% equity interest in Xiamen Yuanhai Terminal and an 80% equity interest in Jinjiang Pacific Terminal, COSCO Pacific acquired substantial interests in container terminals in the Southeast Coast, which will be developed as the fourth largest economic development zone in China. Moreover, a concession agreement was signed between Suez Canal Terminal and Egyptian government for the terminal development of phase II located at East Port Said in Egypt. COSCO-PSA Terminal in Singapore increased one additional operational berth according to the related terms of the joint venture agreement.

During the year, we added a total of 25 berths, including 20 container berths and five break-bulk cargo berths, in our terminal portfolio by new acquisition and expansion of operational terminal JV companies. Starting from next year, together with the commencement of construction of Tianjin Euroasia Terminal on 20th September 2007, the above new berths will gradually commence operation. Furthermore, a letter of intent was also signed for acquiring interests in Fuzhou Port Group. Further cooperation is being discussed.

In 2007, a total of 15 berths of our existing terminal portfolio commenced operation. Six container berths of Guangzhou South China Oceangate Terminal became operational with two berths in March and four berths in September. One berth of Ningbo Yuan Dong Terminals commenced operation in March. Two berths of Yantian Terminal Phase III commenced operation in March and September respectively. Four container berths of Suez Canal Terminal are in operation of which the transfer of the share was completed in October. The No. 1 and No. 2 berths at the Jiangdu port area of Yangzhou commenced operation in December. These 15 newly operational berths will contribute to organic throughput growth of our terminal division in 2008. Moreover, one additional berth of COSCO-PSA Terminal in Singapore commenced operation in January 2008.

Terminal Investments in 2007

		Container terminal		Break-bulk cargo terminal	
	Shareholding (%)	Berths (no.)	Annual handling capacity (TEUs)	Berths (no.)	Annual handling capacity (Tons)
Qingdao New Qianwan Terminal	16	10	6,000,000	–	–
Xiamen Yuanhai Terminal	70	4	2,800,000	–	–
Jinjiang Pacific Terminal	80	2	800,000	3	4,200,000
Yangzhou Yuanyang Terminal	55.59	–	–	2	1,850,000
Suez Canal Terminal	20	4	2,550,000	–	–
Total		**20**	**12,150,000**	**5**	**6,050,000**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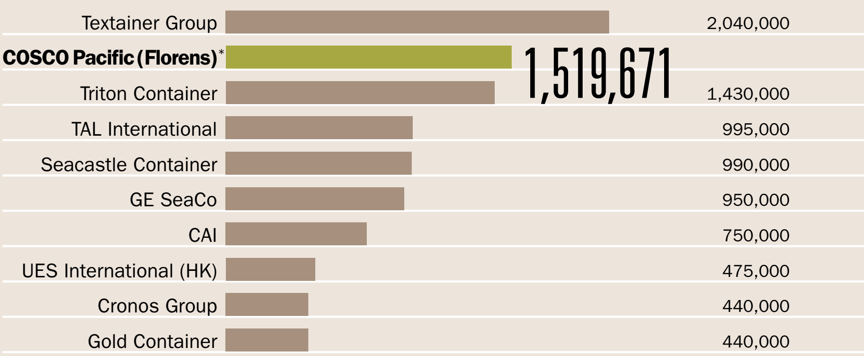
814

Operational Review – Container Leasing, Management and Sale

Market review

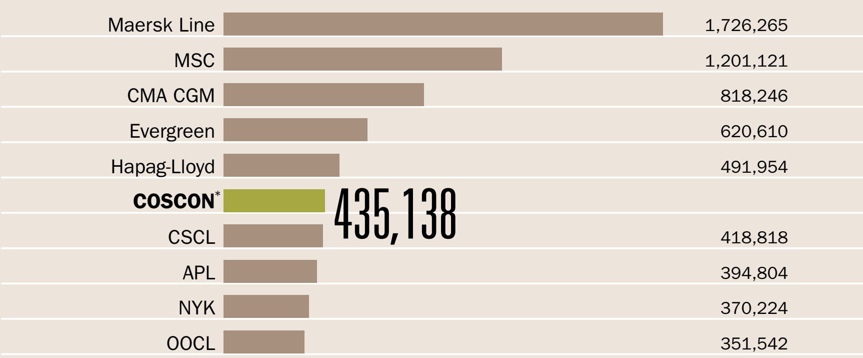
In 2007, the container leasing industry encountered increasing competition. Against a background of excess liquidity in the capital markets, the shipping companies increased their purchases of new containers, which caused the market share of the global container fleet capacity of the container leasing companies dropped. As at the end of 2007, the global container fleet capacity amounted to approximately 25,370,000 TEUs of which approximately 10,440,000 TEUs representing 41.2% were from container leasing companies and approximately 14,930,000 TEUs representing 58.8% were owned by the shipping companies.

Top 10 Global Container Leasing Companies in 2007 (TEUs)



Source: World Cargo News (February 2008)
* The fleet capacity of Florens as at 31st December 2007

Top 10 Global Container Liners in 2007 (TEUs)



Source: CI Online (January 2008)
* The fleet capacity of COSCON as at 31st December 2007

Business review

COSCO Pacific's container leasing, management and sale businesses are operated and managed by Florens Container Holdings Limited, a wholly owned subsidiary of the Company, and its subsidiaries ("Florens"). In order to meet challenges arising from the fierce competition in the market, Florens continued to expand its container leasing business and container management services so as to maintain its leading position in the industry, ranking as the world's second largest container leasing company.

As of 31st December 2007, the Group owned and managed a container fleet of 1,519,671 TEUs. This grew by 21.5% over 2006, which was an approximate 13.2% of the market share of the global container leasing companies (2006: 11.9%). The average age of the container fleet was 3.75 years (2006: 4 years). The average utilisation rate over the year was 94.5% (2006: 96.2%), which was above the industry average of approximately 93.0% (2006: 91.8%). The slight decrease in the utilisation rate was mainly due to the strategically advanced purchase of approximately 58,000 TEUs of containers during the fourth quarter of 2007. This was in response to the upward trend of container prices and the demand for containers from our customers in the first quarter of 2008.

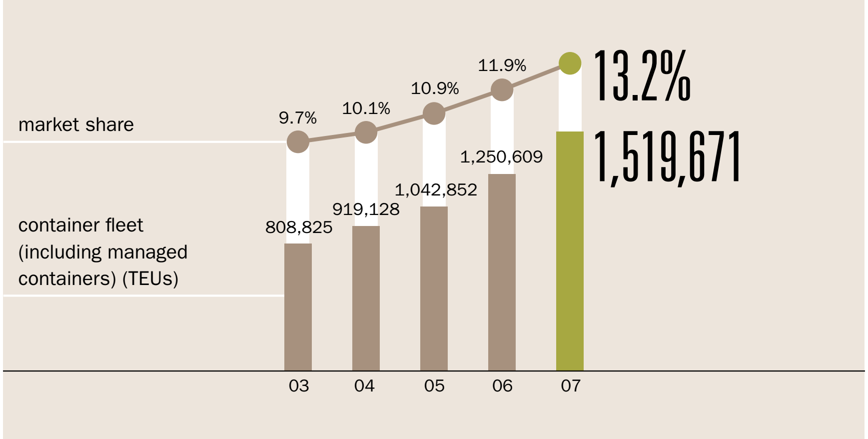
Net profit generated from container leasing, management and sale division decreased to US$117,994,000, dropped by 36.0% over 2006. The profit included the sale and managed back containers of 135,956 TEUs (as amended) which generated a profit before tax of US$25,975,000. The decline of profit was mainly due to the smaller size of fleet disposed of in 2007 which amounted to 135,956 TEUs when compared to 600,082 TEUs in 2006. As a result, the amount of disposal gain in 2007 was much lower than that of 2006.

Expand container management business

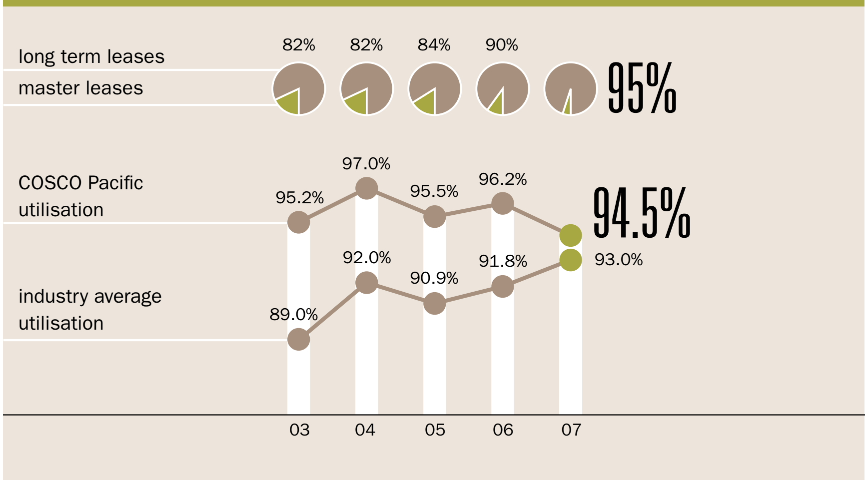
In order to further optimise and enhance the operation model and minimise the operational risks of the container leasing business, sale and managed back model had gradually been developed. In 2007, the sale and managed back containers were 135,956 TEUs (as amended) with a cash consideration of US$241,139,000 (including the receipt of US$2,337,000 deal management fee).

As at 31st December 2007, the fleet size of managed containers increased to 762,618 TEUs (2006: 629,881 TEUs) representing 50.2% (2006: 50.4%) of the total fleet. The fleet size of owned containers amounted to 757,053 TEUs (2006: 620,728 TEUs) representing 49.8% (2006: 49.6%) of the total fleet. Among the owned containers, total number of containers leased to COSCON was 517,311 TEUs (2006: 456,877 TEUs) while total number of containers available to international customers was 239,742 TEUs (2006: 163,851 TEUs).

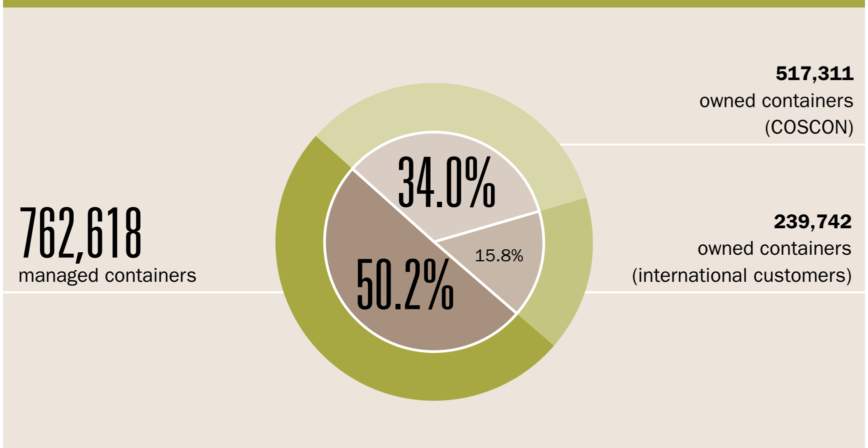
Expanding Market Share and Container Fleet Size



Focus on Long Term Leases



2007 Owned and Managed Containers Mix (TEUs)



Fleet Age Analysis (By TEUs)

Year	<1	1	2	3	4	5	6	7	8	9	10	>10
Dry	333,212	261,032	166,474	145,906	147,043	114,209	91,559	64,201	34,924	38,712	44,541	29,019
Reefer	2,800	7,068	1,896	1,529	1,837	1,906	3,202	2,289	432	2,152	10,371	3,263
Others	600	200	–	–	–	10	–	–	1,070	2,235	5,329	650
Total	**336,612**	**268,300**	**168,370**	**147,435**	**148,880**	**116,125**	**94,761**	**66,490**	**36,426**	**43,099**	**60,241**	**32,932**

While expanding the sale and managed back business, Florens continued to expand the size of the owned container fleet. Newly purchased containers in the year amounted to 326,715 TEUs, a 21.8% increase as compared with last year, in which newly acquired containers for COSCON and international customers were 112,754 TEUs and 213,961 TEUs respectively, representing 34.5% and 65.5% of the total purchase of the year respectively. As at 31st December 2007, the number of customers rose to 280 (2006: 270).

Disposal of returned containers

During the year, COSCON returned 51,464 TEUs (2006: 43,981 TEUs) of containers upon expiry of the 10-year leases. Florens disposed of a total amount of 56,759 TEUs (2006: 48,071 TEUs) of containers for the year of which 51,365 TEUs (2006: 47,624 TEUs) of containers were returned from COSCON upon the expiry of 10-year leases in or before 2007. The net profit on disposal of old containers was US$6,583,000 (2006: US$8,794,000).

Fleet Capacity Movement

	2007 (TEUs)	2006 (TEUs)	y-o-y (%)
Fleet capacity as of 1st January	1,250,609	1,042,852	+19.9
New containers purchased	326,715	268,236	+21.8
Managed containers deposited by a third party	10,778	–	n/a
Containers returned from COSCON upon expiry of leases			
– Total	(51,464)	(43,981)	+17.0
– Re-leased	502	648	-22.5
– Disposed of and pending for disposal	(50,962)	(43,333)	+17.6
Ownership transferred to customers upon expiry of finance leases	(469)	(172)	+172.7
Defective containers written off	–	(11)	-100.0
Total loss of containers declared and compensated by customers	(17,000)	(16,963)	+0.2
Fleet capacity as of 31st December	**1,519,671**	**1,250,609**	**+21.5**

Fleet Capacity Breakdown by Type of Containers

31st December 2007		Total	COSCON	International customers	Managed containers
Dry	%	96.8	94.8	98.7	97.5
Reefer	%	2.5	4.9	0.9	1.5
Special	%	0.7	0.3	0.4	1.0
Total number of containers	**%**	**100.0**	**34.0**	**15.8**	**50.2**
	TEUs	**1,519,671**	**517,311**	**239,742**	**762,618**
31st December 2006					
Dry	%	95.9	93.2	99.3	96.9
Reefer	%	3.3	6.5	0.1	1.9
Special	%	0.8	0.3	0.6	1.2
Total number of containers	%	100.0	36.5	13.1	50.4
	TEUs	1,250,609	456,877	163,851	629,881

Logistics

Business review
The profit contribution from COSCO Logistics which is 49% owned by COSCO Pacific, for the year amounted to US$19,236,000, a 6.0% increase as compared with last year. Major businesses of COSCO Logistics such as shipping agency, freight forwarding, product logistics and project logistics performed well during the year. By providing quality services to the customers, the Company's 50% market share in China in respect of shipping agency was further enhanced, accelerating the development of the freight forwarding business and obtaining contracts for the construction of several major logistics projects.

COSCO Logistics Business Performance

	2007	2006	y-o-y (%)
Third party logistics			
Product logistics			
– Home appliance (pieces in thousand)	43,182	30,720	+40.6
– Automobile (vehicles)	290,517	562,484	-48.4
– Chemical (tons)	2,802,658	1,439,793	+94.7
Project logistics (RMB in million)	832	766	+8.6
Shipping agency (voyage)	138,843	135,087	+2.8
Freight forwarding			
Sea freight forwarding			
– Bulk cargo (tons in thousand)	140,884	129,280	+9.0
– Container cargo (TEUs)	2,153,882	1,915,987	+12.4
Air freight forwarding (tons)	111,007	103,046	+7.7

Container Manufacturing

Business review
In 2007, as a result of the volatile pricing of raw materials, net profit from Shanghai CIMC Reefer and Tianjin CIMC North Ocean provided to the Group decreased to US$1,188,000 (2006: US$8,882,000). As of 31st December 2007, COSCO Pacific had approximately 16.54% shareholding interest in CIMC. As a result of increasing investment income, net profit from CIMC rose by 16.4% to US$67,168,000.

COSCO Pacific granted 424,106,507 put options to shareholders of the CIMC Tradeable A-Shares in 2006. As none of the put options had been exercised upon their expiry on 23rd November, 2007, previously provisions related to the fair value of put options of US$55,181,000 made in 2006 was fully reversed.

During the period from 10th December 2007 to 24th March 2008, COSCO Container Industries Limited, a wholly-owned subsidiary of the Company, acquired a total of 148,320,037 B shares of CIMC (representing approximately 5.57% of the issued share capital of CIMC) on the Shenzhen Stock Exchange in the PRC at an aggregate cash consideration of approximately HK$2,139,058,000 (equivalent to approximately US$274,238,000). Together with the 432,171,843 A shares (representing approximately 16.23% of the issued share capital of CIMC) held by the Group, the Group's interest in CIMC has increased to approximately 21.80%. As at 31st December 2007, the group held 432,171,843 A shares and 8,342,010 B shares of CIMC, representing approximately 16.54% of the issued share capital of CIMC.

The Company considers that the B shares of CIMC acquired at the level of pricing at which the acquisition was made is a good investment for the Group, and that the acquisition increased the Group's shareholding of CIMC and its percentage share of the results of the CIMC group, and will strengthen the Group's capability in container related businesses, improve the allocation of resources of the Group and contribute to the continued development of the Group's businesses.

Major Events

2007

JAN

★ COSCO Pacific was elected among the Top 10 Enterprises by China Shipping Gazette.

On 24th January, Mr. XU Minjie was appointed as Vice Chairman and Managing Director of COSCO Pacific.

Participated at the "Access China Conference 2007" hosted by Deutsche Bank in Beijing.

FEB

★ COSCO Pacific was awarded the "Best Investor Relations Award" by IR magazine.

MAR

2006 final results announcement.

Two container berths of Guangzhou Nansha Port Phase II commenced operation.

One additional container berth of Yantian Terminal Phase III expansion project commenced operation.

Container Berth No. 7 of Ningbo Yuan Dong Terminals located at Beilun port area Phase IV commenced operation.

Attended the road show arranged by Daiwa Institute of Research in Hong Kong.

Participated at the "Asian Investment Conference 2007" hosted by Credit Suisse in Hong Kong.

APR

★ COSCO Pacific was elected as a "Forbes Global 2000" by Forbes magazine for the third consecutive year.

A letter of intent was signed with the Fujian Provincial Communication Transportation (Shareholding) Co., Ltd. to acquire 29% equity interest in Fuzhou Port Group Co., Ltd.

MAY

★ COSCO Pacific was awarded "Best Corporate Governance Award" by The Asset magazine.

Signed a US$500,000,000 loan agreement.

The Annual General Meeting and a Special General Meeting were held.

Participated in the "5th Bank of China International Investors Conference" hosted by Bank of China International in Xiamen City.

JUN

31,352 TEUs of marine containers were disposed with sale proceeds of US$46,500,000 while maintaining the management role of those sold containers.

Attended the Corporate Governance Roundtable hosted by the OECD.

AUG

2007 interim results announcement.

Announcement of the disposal of 20% equity interest in Chong Hing Bank.

A ceremony of the maiden voyage of "COSCO Asia" was held at the COSCO-HIT Terminal in Hong Kong. COSCO Asia is a 10,000 TEUs container ship being operated by COSCON.

Attended road show arranged by Deutsche Bank in Hong Kong and Singapore.

SEP

★ COSCO Pacific was awarded "Hong Kong In-House Team of the Year" and "Shipping In-House Team of the Year" by Asian Legal Business (ALB), a well recognized professional magazine.

The final four of six container berths of Guangzhou Nansha Port Phase II commenced operation.

Tianjin Port Euroasia Terminal started the construction of two container berths in Phase B of Tianjin North Port which are expected to be operational in 2008.

One additional container berth at Yantian Terminal Phase III expansion project commenced operation.

COSCO Pacific became a member of Business Environment Council and dedicated its efforts to improve public initiatives to protect the environment and sustainability of our community.

OCT

A Special General Meeting was held and the resolution to dispose of the 20% equity interest in Chong Hing Bank was passed unanimously.

Acquisition of No. 1 and No. 2 berths at Jiangdu port area in Yangzhou.

COSCO Pacific released 2007 Q3 results so as to further increase its transparency and corporate governance.

A JV agreement was signed with Jinjiang Port Investment & Development Co., Ltd. to establish Jinjiang Pacific Terminal. The JV company would operate and manage two container berths and three break-bulk cargo berths. COSCO Pacific holds 80% interest of the JV company.

COSCO Pacific completed the share transfer of its 20% equity interest in Suez Canal Terminal with investment in eight container berths at Port Said in Egypt.

Attended a road show arranged by Nomura Int'l in Japan.

Attended a road show arranged by CICC in Shenzhen.

NOV

A JV agreement was signed with Xiamen Haicang Investment General Co. to jointly set up Xiamen Yuanhai Terminal. COSCO Pacific owns 70% equity interest in the JV company.

Qingdao Qianwan Terminal in which the company owns 20% equity interest, reached an agreement with Pan Asia International Shipping Ltd. to set up a JV company – Qingdao New Qianwan Terminal and to jointly build and operate ten container berths on the south bay of the Qianwan port area.

Signed agreement to dispose 104,604 TEUs of marine containers with sale proceeds of US$192,302,000 in November and December while maintaining the management role of those sold containers.

COSCO Pacific was the lead sponsor for the "Directors of the Year Awards 2007" arranged by The Hong Kong Institute of Directors.

Disposal of 20% equity interest in Chong Hing Bank was concluded.

DEC

COSCO Pacific won the "Hong Kong Outstanding Enterprises" in Hang Seng Index Constituents category from Economic Digest.

A celebration ceremony was held in Quanzhou for handling the 1,000,000th TEU.

Attended a road show arranged by CICC in Beijing.

Acquired the second container berth at COSCO-PSA Terminal in Singapore.

Overall Analysis of Results

The profit attributable to equity holders of the Group was US$427,768,000, a 47.0% increase from US$291,082,000 recorded in 2006. If the financial effect of the CIMC Put Options associated with the CIMC Share Reform is excluded, the Group's profit attributable to equity holders would be US$372,587,000, a 7.6% increase as compared to US$346,263,000 recorded last year. With the continuous robust growth in China's import and export trade and the worldwide shipping market, the Group's total container terminal throughput reached 39,832,964 TEUs in 2007, a 21.5% increase from the 32,791,713 TEUs recorded in 2006. Therefore, the net profit from container terminal business for the year reached US$128,267,000, representing a significant increase of 27.5% over the amount of US$100,581,000 in 2006.

In June, November and December 2007, an aggregate of 135,956 TEUs (as amended) of containers were disposed of while 326,715 TEUs of newly manufactured containers were purchased in the same year. As at 31st December 2007, the total container fleets amounted to 1,519,671 TEUs, in which 762,618 TEUs were managed containers. (In June 2006, 600,082 TEUs of containers were disposed of and 268,236 TEUs of newly manufactured containers were purchased; as at 31st December 2006, the total container fleets amounted to 1,250,609 TEUs, in which 629,881 TEUs were managed containers). In 2007, the net profit contribution from the container leasing, management and sale businesses amounted to US$117,994,000 (2006: US$184,344,000), a 36.0% drop as compared with last year. The decrease was mainly due to the one-off disposal of 600,082 TEUs of containers at the end of June last year, which generated non-recurring net gain and a finder fee income aggregated to approximately US$65,000,000.

Logistics business provided a net profit of US$19,236,000 to the Group in 2007, a 6.0% increase over the amount of US$18,151,000 recorded last year.

The net profit from container manufacturing business (excluding the financial effect of the CIMC Put Options associated with the CIMC Share Reform) amounted to US$68,356,000 in 2007, a 5.4% drop over US$72,233,000 recorded in 2006.

Furthermore, in order to concentrate our resources on the development of our core businesses such as terminal and container business, the Group completed the disposal of the 20% shareholding interest in Chong Hing Bank during the year, which generated a net profit of US$90,742,000. The cash received was mainly used for the development of terminal business and the distribution of special final dividend. To achieve a higher return on capital through strategic acquisitions, disposal and repositioning, the Group achieved a return on equity holders of the Company of 17.5% (2006: 14.4%) and return on net assets of 17.2% (2006: 14.2%).

Financial Analysis

Revenue

Revenue of the Group were US$298,948,000 for the year, a 0.5% increase from US$297,473,000 of last year. Revenues were primarily contributed by the container leasing business. Since the strategic disposal of 600,082 TEUs of containers in June 2006, the Group further disposed of 135,956 TEUs (as amedned) of containers during the year, so that while optimising the business model and capital structure of the container leasing operation, the Group can expand business opportunities by providing container management expertise to strategic investors to help them manage their container portfolio. The disposal resulted in revenue from container leasing dropping from US$219,566,000 of last year to US$181,334,000. Revenue from container management rose by US$3,266,000 from US$4,061,000 of last year to US$7,327,000. Revenue from leasing of reefer-container generator sets rose by 29.8% from US$1,368,000 of last year to US$1,775,000. In addition to leasing income, proceeds from the disposal of returned containers amounted to US$57,038,000, a 31.1% increase as compared to US$43,513,000 of last year. The increase was mainly attributable to the number of returned containers sold increased from 48,071 TEUs of last year to 56,759 TEUs during the year.

Revenue from container terminal operations showed very strong growth for the year. With the operational commencement of Quan Zhou Pacific Terminal since September 2006, Quan Zhou Pacific Terminal contributed throughput volume of 856,784 TEUs (2006: 241,272 TEUs) and revenue of US$24,089,000 for the year, a 310.6% increase from US$5,867,000 of last year. With the newly acquired berth No. 17 commencing its operation in October last year and with the continuous benefits of exploring new business opportunities and improving operational efficiency, allowed Zhangjiagang Win Hanverky Terminal to achieve a significant increase in its throughput to 601,801 TEUs, a 32.0% over 455,946 TEUs last year. Revenue from Zhangjiagang Win Hanverky Terminal also recorded an increase to US$17,763,000, a 18.0% rise from US$15,048,000 last year. Yangzhou Yuanyang Terminal was reclassified from a jointly controlled entity to a subsidiary in December 2007 and the revenue in December 2007 was US$1,532,000.

With increased business of container handling, storage, repairs and drayage operations, the revenue of Plangreat and its subsidiaries and COSCO Ports Services (Guangzhou) Limited amounted to US$7,711,000, a 2.0% rise from US$7,558,000 of last year.

Cost of sales

Cost of sales, mainly comprising depreciation, net book value of disposal on returned containers, depot expenses, repairs and maintenance and operating expenses, was US$152,513,000, a rise of 14.1% from US$133,651,000 of last year. The strategic disposal of containers last year resulted in a reduction in depreciation of containers to US$74,667,000, a 10.1% drop from US$83,059,000 of last year. Since the number of returned containers sold increased to 56,759 TEUs from 48,071 TEUs of last year, net book value of returned containers disposed of was US$49,049,000, a 48.8% rise from US$32,965,000 of last year. In addition, the commissioning of Quan Zhou Pacific Terminal and berth No. 17 in Zhangjiagang Win Hanverky Terminal in September and October last year respectively, also increased operating expenses.

Investment income

Investment income, comprising mainly dividend income, increased by 10.8% from US$19,747,000 of last year to US$21,874,000. During the year, Yantian Terminal declared dividend of US$18,610,000, a rise of 2.5% as compared to US$18,154,000 of last year. In addition, Dalian Port Container Co., Ltd. and Tianjin Five Continents Terminal declared dividend of US$1,099,000 (2006: US$1,073,000) and US$1,475,000 (2006: Nil) respectively during the year.

Administrative expenses
Administrative expenses were US$55,582,000, a rise of 64.4% from US$33,806,000 of last year. The increase was mainly due to the granting of share options to continuous contract employees and certain directors of the Company by the Group. In accordance with the HKFRS 2 "Share-based Payment" issued by HKICPA, all share options granted are recognised at their fair value as share-based payment of employees' benefits. Accordingly, the expense of such share-based payment of employees' benefits was US$11,190,000 for the year (2006: N/A). Commencement of Quan Zhou Pacific Terminal's operation in September last year also triggered additional administrative expenses. In addition, human resources, marketing, office, professional consultation, entertainment and travelling expenses rose during the year as the Group continued to strengthen its marketing and new project development.

Net other operating income
Net other operating income was US$18,373,000 for the year, a drop of 16.8% from US$22,088,000 of last year. The difference was mainly due to a finder fee income of approximately US$15,240,000, which was related to the services provided to the disposal of 600,082 TEUs of containers last year. Excluding this factor, the net increase was mainly due to profit of US$7,418,000 from the disposal on shares of China Shipping Container Lines Co., Ltd and net foreign exchange gain.

Profit on disposal of containers
During the year, 135,956 TEUs (as amended) (2006: 600,082 TEUs) of containers were disposed of (the Group would provide after sale management service), which generated a profit before tax of US$25,975,000 (2006: US$84,454,000).

Initial recognition and subsequent fair value gain on put options
In 2006, the Company issued 424,106,507 put options to shareholders of the CIMC Tradeable A-shares. As none of the holders of the put options exercised the put options upon the maturity date, being 23rd November 2007, the provision related to the fair value of put options of US$55,181,000 made in 2006 was fully reversed.

Finance costs
Finance costs increased 12.8% from US$44,203,000 of last year to US$49,878,000 this year, which was mainly due to increase in the Group's average borrowings from US$664,431,000 of last year to US$761,478,000 for the year. The Group's average cost of borrowing, including current amortisation of transaction costs on bank loans and notes but before the write-off of unamortised transaction costs upon the early repayment of bank loans for the last year, was an average 6-month London Interbank Offer Rate ("LIBOR") plus 99 basis points as compared to the average LIBOR plus 100 basis points in 2006.

Share of profits less losses of jointly controlled entities and associates
In 2007, net profit contribution from jointly controlled entities amounted to US$106,933,000, an increase of 25.7% from US$85,070,000 in 2006. After COSCO-HIT Terminal replaced four quay cranes last year to strive for better operational efficiency, the throughput in 2007 increased 9.3% from 1,688,697 TEUs of last year to 1,846,559 TEUs and the net profit amounted to US$25,125,000, a 5.8% rise from US$23,751,000 of last year. Throughput at Qingdao Qianwan Terminal for the year increased by 21.7% to 8,237,501 TEUs, as compared to 6,770,003 TEUs of last year, and its net profit increased to US$31,409,000, which increased by 18.8% from US$26,429,000 of last year. Throughput of Nanjing Longtan Terminal for the year increased by 35.7% to 950,289 TEUs, as compared to 700,098 TEUs of last year, and the net profit increased by 30.0%.

Growth momentum in net profit also occurred at Yingkou Terminal as well as at the Yangzhou Yuanyang Terminal. Throughput at Yingkou Terminal and Yangzhou Yuanyang Terminal for the year was 1,125,557 TEUs (2006: 837,574 TEUs) and 253,772 TEUs (2006: 222,912 TEUs) respectively, representing a 34.4% and 13.8% growth respectively. Net profit of Yingkou Terminal and Yangzhou Yuanyang Terminal for the year increased by 42.2% and 2.7% respectively.

Upon the respective commencement of operation of Ningbo Yuan Dong Terminals and Guangzhou South China Oceangate Terminal at the beginning of 2007, Ningbo Yuan Dong Terminals recorded a profit while Guangzhou South China Oceangate Terminal recorded a loss of US$4,270,000. Thus, the increase in net profit from jointly controlled entities for the year had slowed down slightly. In addition, Tianjin CIMC North Ocean and Shanghai CIMC Reefer under influence of rising costs of raw materials, recorded a lower profit. Net profit from COSCO Logistics for the year was US$19,663,000, an increase of 7.1% as compared to US$18,351,000 in 2006.

Yangzhou Yuanyang Terminal became a subsidiary from a jointly controlled entity since December 2007. Shanghai Pudong Terminal was reclassified from an associate to a jointly controlled entity and its net profit for the year was US$22,594,000, an increase of 46.3% as compared to US$15,439,000 of last year, which was mainly due to the increase of additional 10% equity interest holding in Shanghai Pudong Terminal by the Group in June last year as well as the increase of throughput from 2,650,007 TEUs to 2,723,722 TEUs.

Net profit from associates amounted to US$80,326,000 for the year, a decrease of 9.8% from US$89,042,000 of last year, mainly due to reclassification of Shanghai Pudong Terminal from an associate to a jointly controlled entity and decrease in profit after the disposal of Chong Hing Bank. The net profit from Chong Hing Bank during the year was US$7,628,000 (2006: US$12,778,000). The throughput of Shanghai Terminal suffered a decrease of 6.9% at the level of 3,446,135 TEUs for the year as compared to 3,703,460 TEUs of last year and its profit dropped by 6.4% to US$6,392,000 from last year's level of US$6,831,000. Antwerp Terminal recorded a loss of US$922,000 for the year, 66.3% lower than last year. Net profit of CIMC was US$67,168,000 for the year, a 16.4% rise from US$57,727,000 of last year.

Profit on disposal of an associate

In order to concentrate on the development of our core businesses such as terminal and container businesses, the Group completed the disposal of the 20% shareholding interest in Chong Hing Bank during the year, which generated a net profit of US$90,742,000.

Income tax expenses

Aggregate income tax expenses decreased substantially by 63.8% to US$17,796,000 for the year from last year's US$49,196,000. The income tax expenses for last year mainly represented a net charge from the capital gain tax in relation to the disposal of 600,082 TEUs of containers and the write back of related deferred tax liabilities.

Financial Position

Cash flow

The disposal of containers and the disposal of 20% equity interest in Chong Hing Bank increased the cash inflow of the Group significantly. During the year, net cash from operating activities amounted to US$231,465,000 (2006: US$210,318,000). In 2007, the Group drew bank loans of US$611,292,000 (2006: US$517,103,000) and repaid US$286,319,000 (2006: US$889,986,000). During the year, the total cash outflow for major investments of the Group amounted to US$215,169,000, including US$37,212,000 in Guangzhou South China Oceangate Terminal, US$15,120,000 for additional equity interests of approximately 0.31% in CIMC, US$18,610,000 dividend income for reinvestment in Yantian Terminal Phase III, US$6,158,000 in Ningbo Yuan Dong Terminals, 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 Port Euroasia Terminal. Last year the cash outflow included US$57,973,000 for acquiring an additional 10% equity interests in Shanghai Pudong Terminal, US$34,336,000 in Guangzhou South China Oceangate Terminal, US$20,195,000 in Qingdao Qianwan Terminal, dividend income of US$9,087,000 for reinvestment in Yantian Terminal Phase III, US$9,196,000 in Dalian Port Container Co., Ltd, US$9,827,000 in Ningbo Yuan Dong Terminals and US$3,277,000 in Antwerp Terminal. During the year, cash payments for acquisition of property, plant and equipment amounted to US$682,829,000 (2006: US$438,923,000), out of which US$618,474,000 (2006: US$391,813,000) was for new container purchases.

Financing and credit facilities

A wholly-owned subsidiary of the Company completed a club loan of US$500,000,000 in May 2007, of which US$300,000,000 was set for new container purchases for the year and US$200,000,000 for general working capital. 17 banks participated in the club loan and the term of the loan was 6 years with the interest of 38 basis points over LIBOR. The loan was fully drawn down during the year. The terms and conditions of this financing package was privileged which would help to optimise the debt structure of the Group.

As at 31st December 2007, cash and bank balances was US$387,373,000 (2006: US$224,668,000) and there was no banking facilities available but unused (2006: US$40,000,000).

Assets and liabilities

As at 31st December 2007, total assets of the Group were US$3,871,575,000 (2006: US$2,987,155,000). Total liabilities amounted to US$1,096,916,000 (2006: US$778,954,000). Net asset value increased to US$2,774,659,000 from US$2,208,201,000 in 2006, mainly due to an increase in retained profits and increase in the investment revaluation reserve as well as an increase of new shares issued upon the exercise of share options. The net asset value per share was US123.60 cents (2006: US99.08 cents) representing an increase of 24.7% over last year.

Debt Analysis

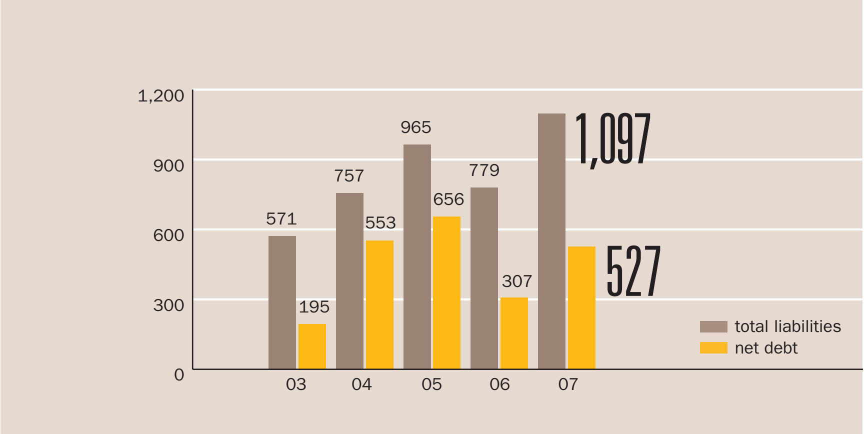
	As at 31st December 2007		As at 31st December 2006	
	US$	%	US$	%
By repayment term				
Within the first year	39,599,000	4.3	12,666,000	2.4
Within the second year	43,054,000	4.7	189,840,000	35.7
Within the third year	61,460,000	6.7	10,821,000	2.0
Within the fourth year	96,531,000	10.6	11,526,000	2.2
Within the fifth year and after	673,390,000	73.7	306,745,000	57.7
	914,034,000*	100.0	531,598,000*	100.0
By category				
Secured borrowings	–	–	500,000	0.1
Unsecured borrowings	914,034,000	100.0	531,098,000	99.9
	914,034,000	100.0	531,598,000	100.0
By denominated currency				
US dollar	800,134,000	87.5	464,622,000	87.4
RMB	113,900,000	12.5	66,976,000	12.6
	914,034,000	100.0	531,598,000	100.0

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

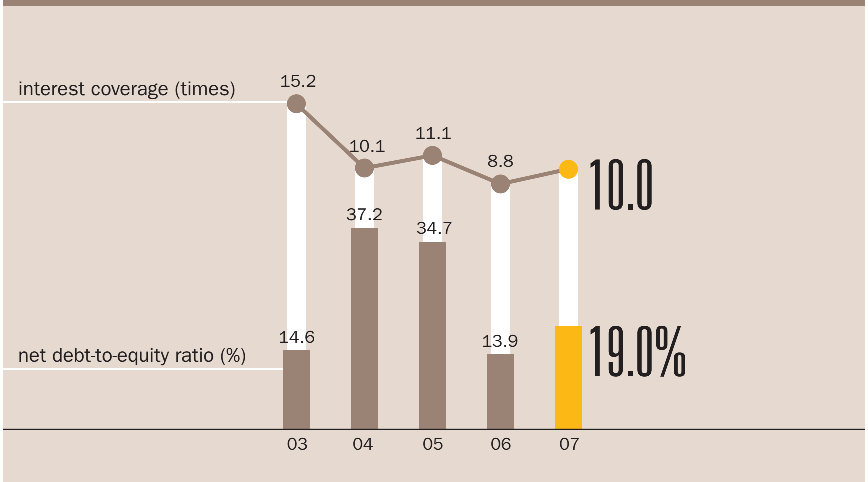
As at 31st December 2007, cash and bank balances of the Group amounted to US$387,373,000 (2006: US$224,668,000). Total outstanding loan amounted to US$914,034,000 (2006: US$531,598,000). Net debt to equity ratio increased from 13.9% to 19.0% and interest coverage was 10.0 times as compared with 8.8 times last year.

As at 31st December 2007, the Group did not have loan pledged by asset (as at 31st December 2006: land use rights with a net book value of US$1,645,000 were pledged to a bank by the Group to secure loans with an aggregate amount of US$500,000).

Total Liabilities & Net Debt (US$m)



Net Debt-to-Equity Ratio and Interest Coverage



Contingent liabilities

As at 31st December 2007, the Group provided guarantees on a loan facility granted to an associate of US$25,747,000 (2006: US$25,304,000) and the Group did not have any significant contingent liabilities.

Treasury policy

The Group contained foreign exchange risk by conducting borrowings as far as possible in currencies that match the Group's functional currency used for transacting the Group's major cash receipts and underlying assets. Borrowings for the container leasing business were conducted mainly in US dollars, which match with the US dollar revenue and expenses of the Group's container leasing business so as to minimise any potential foreign exchange exposure.

In regard to the financing activities of jointly controlled entities and associates, all material borrowings were denominated in the respective functional currencies, with corresponding hedging policies being effective.

The Group continued to exercise stringent control over the use of financial derivatives to hedge against its interest rate exposure. As at 31st December 2007, outstanding interest rate swap contracts comprised:

- Notional principals of contracts amounting to US$200,000,000 (2006: US$200,000,000) in total, whereby the Group agreed to pay floating interest rates ranging from 105 to 116 basis points above 6 month LIBOR to the banks in return for receiving from the banks a fixed interest rate of 5.875% per annum.

- During last year, the notional principals of contracts of outstanding interest rate swap contracts amounted to US$100,000,000 in total. In accordance with the interest rate swap contracts, the Group agreed to pay interests at a fixed interest rate ranging from 3.88% to 4.90% per annum to the banks in return for receiving from the banks an interest income at the rate of 3 month LIBOR. Such interest rate swap contracts had expired during the year.

As at 31st December 2007, after adjusting the fixed rate borrowings for the effect of the interest rate swap contracts, 10.9% (2006: 35.7%) of the Group's borrowings fell in the category of fixed rate loans. The Group would continue to monitor its debt portfolio and adjust the mix of fixed and floating interest rates from time to time in light of market conditions in order to reduce the potential exposure to interest rate risk.

Event after balance sheet date

During the period from 10th December 2007 to 24th March 2008, COSCO Container Industries Limited, a wholly owned subsidiary of the Company, acquired a total of 148,320,037 B shares of CIMC (representing approximately 5.57% of the issued share capital of CIMC) on the Shenzhen Stock Exchange in the PRC at an aggregate cash consideration of approximately HK$2,139,058,000 (equivalent to approximately US$274,238,000). Together with the 432,171,843 A shares (representing approximately 16.23% of the issued share capital of CIMC) held by the Group, the Group's interest in CIMC has increased to approximately 21.80%.

As at 31st December 2007, the Group held 432,171,843 A shares and 8,342,010 B shares of CIMC, representing approximately 16.54% of the issued share capital of CIMC.

Abbreviation

Company name	Abbreviation
Antwerp Gateway NV	Antwerp Terminal
China COSCO Holdings Company Limited	China COSCO
China International Marine Containers (Group) Co., Ltd.	CIMC
China Ocean Shipping (Group) Company	COSCO
Chong Hing Bank Limited	Chong Hing Bank
COSCO Container Lines Company Limited	COSCON
COSCO Logistics Co., Ltd.	COSCO Logistics
COSCO-HIT Terminals (Hong Kong) Limited	COSCO-HIT Terminal
COSCO-PSA Terminal Private Limited	COSCO-PSA Terminal
Dalian Automobile Terminal Co., Ltd.	Dalian Automobile Terminal
Dalian Port Container Terminal Co., Ltd.	Dalian Port Container Terminal
Guangzhou South China Oceangate Container Terminal Company Limited	Guangzhou South China Oceangate Terminal
Jinjiang Pacific Ports Development Co., Ltd.	Jinjiang Pacific Terminal
Nanjing Port Longtan Container Co., Ltd.	Nanjing Longtan Terminal
Ningbo Yuan Dong Terminals Limited	Ningbo Yuan Dong Terminals
Plangreat Limited	Plangreat
Qingdao Cosport International Container Terminals Co., Ltd.	Qingdao Cosport Terminal
Qingdao New Qianwan Container Terminal Co., Ltd.	Qingdao New Qianwan Terminal
Qingdao Qianwan Container Terminal Co., Ltd.	Qingdao Qianwan Terminal
Quan Zhou Pacific Container Terminal Co., Ltd.	Quan Zhou Pacific Terminal
Shanghai CIMC Reefer Containers Co., Ltd.	Shanghai CIMC Reefer
Shanghai Container Terminals Limited	Shanghai Terminal
Shanghai Pudong International Container Terminals Limited	Shanghai Pudong Terminal
Shanghai Xiangdong International Container Terminal Company Limited	Shanghai Yangshan Port Phase II
Shekou Container Terminals Ltd.	Shekou Terminal
Suez Canal Container Terminal S.A.E.	Suez Canal Terminal
Tianjian CIMC North Ocean Container Co., Ltd.	Tianjin CIMC North Ocean
Tianjin Five Continents International Container Terminal Co., Ltd.	Tianjin Five Continents Terminal
Tianjin Port Euroasia International Container Terminal Co., Ltd.	Tianjin Euroasia Terminal
Xiamen Yuanhai Container Terminal Co., Ltd.	Xiamen Yuanhai Terminal
Yangzhou Yuanyang International Ports Co., Ltd.	Yangzhou Yuanyang Terminal
Yantian International Container Terminals (Phase III) Limited	Yantian Terminal Phase III
Yantian International Container Terminals Co., Ltd. (Phases I & II)	Yantian Terminal Phases I & II
Yingkou Container Terminals Company Limited	Yingkou Terminal
Zhangjiagang Win Hanverky Container Terminal Co., Ltd.	Zhangjiagang Win Hanverky Terminal
Zhenjiang Jinyuan Container Terminals Co., Ltd.	Zhenjiang Jinyuan Terminal

Frequently Asked Questions

What is your overall corporate strategy and what are the strategies of your two main business divisions – terminal operations and container leasing?

Overall – synergies within the Group: Our overall strategy is to generate synergies between COSCO Pacific and parties within COSCO Group. The supply and logistics chain in port and shipping industries provides excellent synergies and we are well placed to develop them. For example, port operators want to see the support of sufficient cargo volume to maintain the utilisation rates so critical to ensure profitability. To enable this we are leveraging on COSCON's large world-class shipping liner, our significant customer. COSCON currently has an aggressive plan to increase its fleet capacity from 435,000 TEUs in 2007 to 700,000 TEUs by 2010 and to 800,000 TEUs by 2011. With this strong shipping fleet support, we certainly have competitive advantages for competing new port and terminal investments.

Ports and Terminals – four strategies for growth: We focus on ports and terminals as our principal earnings drive and constantly review our business structure so as to allocate most of our capital resources to develop the terminal business, with a focus on acquiring substantial stakes and the value that can come from those. We are aggressively seeking new investment opportunities and we have established four key strategies for transforming our terminal portfolio. They are:

CONTROL – To move from an investment-based to a controlling rights model
GLOBALISE – To move from a China focus to be a global player focused primarily on China
DIVERSIFY – To move from a container terminals business to a diversified terminals portfolio
REVALUE – To move from a focus on maximising profit to maximising enterprise value

Container leasing – staying 'asset light': In the container leasing business, we are continuing to implement our asset-light strategy, which in simple terms means that we are decreasing the percentage of self-owned container boxes, by divesting the boxes and entering into a service agreement with the purchaser. This strategy enables us to continue growing our business while freeing up financial resources which can be deployed in the terminal business.

What are your growth targets?

In our terminal business, we plan to add an average of 20 berths per annum over the next couple of years, which would increase the total number of berths of COSCO Pacific to more than 200 by 2010. We expect a throughput CAGR of between 15-20% in the next three years.

What's your outlook for profitability in the terminal business?

The profit contribution from the terminal business exceeded that from container leasing, management and sale division for the first time in 2007. We expect profits to continue to grow as we add berths at a fairly constant rate. Hence there are several projects, which we committed to years ago, which are now starting to contribute positively. Such as Ningbo Yuan Dong Terminals and Dalian Port Container Terminal. It is expected that both the profit from and the assets value of our terminal business will reach half of COSCO Pacific's total by 2010.

Why does your company focus on acquiring substantial stakes of terminal assets?

Majority stakes render a higher level of operational and financial management. The company has the right to monitor the performance of terminal operations and participate in making decisions on key issues, including financing, capital structure and treasury policy, so as to play an important role to enhance the profitability of the terminal. It will allow us to be well positioned for an effective execution of our terminal strategy. Furthermore the company's enterprise value is to be enhanced by enjoying a market valuation premium from holding majority stakes.

How do you use the asset light business model to develop owned and managed containers?

The asset light strategy refers to the business model of disposing the ownership of our leased containers while maintaining a management role over those containers on behalf of the buyer.

We receive disposal gain and charge the buyer a management fee of between 4%-8% of the operating profit of those sold containers, with operating costs borne by the buyers. Through this 'sale and managed back' business strategy, we are able to enhance our capital efficiency and lower our operational risk. It allows our operational team to focus on our core competence of providing excellent service to customers so as to enlarge our market share in the container leasing industry. The management fee and net gain from the disposal will further improve our cash flow and return on capital.

What is COSCO Pacific's dividend policy?

The Company intends to maintain its payout policy given the current capital investment plan. Dividend policy is reviewed constantly against future investment plans, profitability and overall return on equity.

Investor Relations

We strongly believe investor relations play an important role for a public company. How well a company handles its communications process will directly affect its valuation, reputation, investor base and future access to capital markets. Therefore, we have for years been attaching great importance to the investor relations function.

Our IR-work is a two-way communications process in which we liaise with key financial stakeholders such as, institutional and retail investors, financial analysts and the financial media. Upon request, we e-mail our latest developments, news releases, announcements, and financial statements to financial analysts, fund managers, media, and the general public.

We ensure that our announcements give a fair and accurate update on the Company's situation and development and we closely monitor our stakeholders' views, reactions and suggestions. In addition, we participate in a number of investor conferences and road shows every year to reach out to as many institutional investors as possible.

We regularly analyse our shareholding structure by reviewing the registrar of institutional and individual investors. It is our aim to establish a sound relationship with our existing and potential shareholders to maintain a sound shareholder base.

Furthermore, we channel information to the Company's top management to ensure that they are kept abreast about the market's perception of our Company, the latest rules and regulations and international best practices.

IR activities

In 2007, we organised a series of events including press conferences, fund managers and analyst briefings, teleconferences, luncheons, and domestic and overseas road shows, in conjunction with interim and final results announcement.

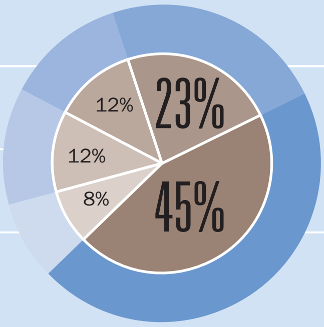
We attended three investor conferences, participated in six road shows and arranged two press conferences. In addition, we arranged two hundred and twenty one-on-one meetings with financial analysts, investors, and investment bankers and arranged fourteen on-site port visits for investors.

All events in the Company's IR-calendar are in compliance with the legal requirements or a higher standard of practice than that of the legal requirements.

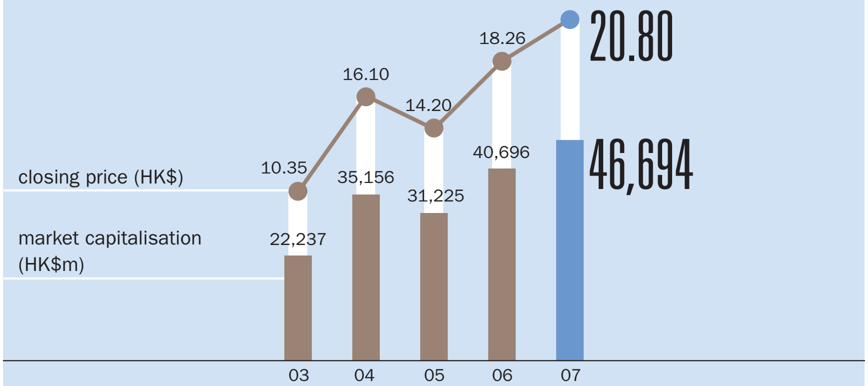
Market recognition

In 2007, COSCO Pacific engaged in many activities aimed at encouraging better corporate governance standards in the market. We were the lead sponsor of the Directors of the Year Awards 2007 organised by Hong Kong Institute of Directors. Our efforts to improve corporate governance were acknowledged by the industry and the capital markets. We received several recognitions including "Forbes Global 2000" for the 3rd consecutive year and awarded "Hong Kong Outstanding Enterprises" by Economic Digest for three consecutive year; the Company also won "Best Corporate Governance Award" by The Asset magazine and "Corporate Governance Asia Recognition Awards" by Corporate Governance Asia magazine. We also won the "Best Investor Relations Award" from IR magazine.

One-on-one Meeting with Stakeholders in 2007



Market Capitalisation



Share Price Performance

	2007	2006
Share price (HK$)		
Highest	26.85	18.65
Lowest	16.58	14.20
Average	20.81	16.37
Closing price at 31st December	20.80	18.26
Average trading volume / month (share)	155,864,561	114,698,900
Average trading value / month (HK$)	3,241,342,857	1,845,173,958
Number of shares issued (share)	2,244,881,298	2,228,684,298
Market capitalisation as at 31st December (HK$)	46,693,531,000	40,695,775,000

Investor Relations Activities

JAN

Participated in the "Access China Conference 2007" in Beijing, organised by Deutsche Bank

MAR

Participated in "The 10th Credit Suisse Asian Investment Conference 2007" in Hong Kong, organised by Credit Suisse

Road show in Hong Kong, organised by DIR

Announcement of COSCO Pacific's 2006 annual results
- Press conference
- Analyst briefing

MAY

Participated in "The 5th BOC (International) Investors Conference" in Xiamen, organised by BOCI

AUG

Road shows in Hong Kong and Singapore, organised by Deutsche Bank

Announcement of COSCO Pacific's 2007 interim results
- Press conference
- Analyst briefing

OCT

Road show in Japan, organised by Nomura Int'l

Road show in Shenzhen, organised by CICC

DEC

Road show in Beijing, organised by CICC

Analysts Contact List

Company	Name	Telephone no. & fax	Email
ABN AMRO Asia Limited	Osbert TANG	T. 86 21 5049 6333 F. 86 21 5049 6999	osbert.tang@cn.abnamro.com
BNP Paribas Equity (Asia) Limited	Ingrid WEI	T. 86 21 6288 2822 F. 86 21 6288 2818	ingrid.wei@asia.bnpparibas.com
BOCI Research Limited	Jimmy LAM	T. 2867 6333 F. 2147 9513	jimmy.lam@bocigroup.com
Cazenove Asia Limited	Claire TENG	T. 2123 0454 F. 2868 1411	claire.teng@cazenove.com
China International Capital Corporation Limited	ZHENG Dong	T. 86 10 6505 1166 F. 86 10 6505 8157	zhengd@cicc.com.cn
China Merchants Securities (HK) Company Limited	YU Huangyan	T. 86 755 8294 3507 F. 86 755 8373 6959	yuhuangyan@cmschina.com.cn
Citigroup Global Markets Asia Limited	Ally MA	T. 2501 2470 F. 2501 8237	ally.ma@citi.com
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J.P. Morgan Securities (Asia Pacific) Limited	Karen LI	T. 2800 1000 F. 2537 4319	karen.yy.li@jpmorgan.com
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Macquarie Securities Limited	Anderson CHOW	T. 2823 3588 F. 2823 3560	anderson.chow@macquarie.com
Merrill Lynch (Asia Pacific) Limited	Christie JU	T. 2536 3888 F. 2536 3435	christie_ju@ml.com
Morgan Stanley Dean Witter Asia Limited	Edward XU	T. 2848 5200 F. 3407 5084	edward.xu@morganstanley.com
Standard & Poor's	CHAN Kah Ling	T. 65 6530 6532 F. 65 6533 3897	kahling_chan@standardandpoors.com
Nomura International (Hong Kong) Limited	Jim WONG	T. 2536 1111 F. 2536 1820	jim.wong@hk.nomura.com
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Tai Fook Research Limited	CHO Fook Tat	T. 2848 4333 F. 2869 7737	ftcho@taifook.com
UOB Kay Hian (Hong Kong) Limited	Stella KEI	T. 2521 8787 F. 2845 1655	stella.kei@uobkayhian.com.hk

Corporate Culture

COSCO Pacific considers commitment to corporate social responsibilities (CSR) to be an essential way for business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve their quality of life.

Employee relations

As of 29th February 2008, COSCO Pacific had a total of 1,061 employees in China, Asia, America, Europe and Australia.

The Company is committed to providing professional and continued development opportunities for its staff, by organizing a range of training to enhance the management and professional standards of our executives. The Company encourages the staff to keep improving their management skills and professional knowledge. The Company continues refining its competitive remuneration and bonus schemes on the basis of equality and fairness. In 2007, we organised various activities to improve internal communication, enrich employees' lives, and cultivate the spirit of teamwork among our staff. The granting of share options to the staff in April 2007 greatly ignited employees' sense of belonging and enhanced their passion for work. COSCO Pacific's workforce has been developed into a globalised and united group in pursuit of excellence.

Social responsibilities

In 2007, the Company actively participated in various charity and poverty alleviation causes. In June, our employees participated in the "Lifeline-Express" charity lottery for donation to help cataracts patients, in remote areas of China, regaining their eye-sight. In December, we donated RMB 2 million to the COSCO Charity Fund under the Ministry of Civil Affairs of the PRC. The Company takes the responsibility for environmental protection very seriously. In September, we joined and became a Council Member of the "Hong Kong Business Environment Council". In an effort to promote sustainable development of our society, we maintained participation in the large-scale promotional event "Project CLEAN AIR" co-organised by the Hong Kong General Chamber of Commerce and the Hong Kong Business Coalition on the Environment. In November, we supported the "Directors of the Year Awards 2007", organised by The Hong Kong Institute of Directors, as a lead sponsor.

COSCO Pacific is committed to carrying out our civil duties to reward the society by actively participating in public welfare activities, community services, and environmental protection.

Corporate Governance Report

The corporate governance framework of COSCO Pacific Limited (the "Company" or "we") aims to ensure that the highest standards of corporate conduct are in place within the Company and places great importance on corporate governance processes and systems so as to achieve the corporate objectives, ensure greater transparency and protection of shareholders' interests. The board of directors of the Company (the "Board") would keep abreast of our practices and policies in a timely, transparent, informative and accountable manner. The Board strongly believes that good corporate governance forms the hub of a well managed organisation.

The Company's continuous effort to promote excellence and high standards of corporate governance practices and investor relations in 2007 continued to earn market recognition from different stakeholders. In 2007, the Company was awarded "Hong Kong In-House Team of the Year" and "Shipping In-House Team of the Year" by Asian Legal Business (ALB), a well recognized law profession magazine, "Hong Kong Outstanding Enterprises" by Economic Digest for three consecutive years, "Corporate Governance Asia Recognition Awards" from Corporate Governance Asia magazine, "Best Corporate Governance Award" by The Asset magazine and "Best Investor Relations" by IR magazine. The Company was cited as one of the "Forbes Global 2000" by Forbes magazine for three consecutive years. These awards represent market's recognition of our dedication towards upholding and enhancing corporate governance.

Corporate governance practices

The Company adopted the code provisions set out in the Code on Corporate Governance Practices (the "Corporate Governance Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as its own code on corporate governance practices in January 2005. Long before the implementation of the Corporate Governance Code, the Company had taken its own initiative to disclose its corporate governance practices in its annual reports commencing from the year ended 31st December 2002.

We believe that commitment to good corporate governance is essential to the sustainability of the Company's businesses and performances. For the year ended 31st December 2007, we are pleased to confirm that the Company has complied fully with the code provisions of the Corporate Governance Code. In addition, the Company would conduct a review from time to time of the extent to which the Company would comply with the recommended best practices in the Corporate Governance Code and the following is a major recommended best practice in the Corporate Governance Code with which the Company started complying during the year ended 31st December 2007:

Recommended best practice C.1.4

The recommended best practice states that an issuer should announce and publish quarterly financial results. The Company had, on 29th October 2007, first disclosed its quarterly results on a voluntary basis. The Company would continue to publish its quarterly results in the coming financial periods.

Outlined below are the policies, processes and practices adopted by the Company in compliance with the principles and spirit of the Corporate Governance Code.

Board of directors

Board composition

The Board is responsible for the leadership and control of the Group (the Company and its subsidiaries) and is collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs. Every board member is required to keep abreast of his duties and responsibilities in the Company in the conduct, business and development of the Company and should act in good faith, exercise due diligence and care and act in the best interests of the Group and its shareholders. The Board should ensure that the Company complies with all applicable laws and regulations.

The Board currently consists of 14 members. Among them, 7 are executive directors, 3 are non-executive directors and 4 are independent non-executive directors. The directors, as at the date of this report, are Dr. WEI Jiafu[2] (Chairman), Mr. CHEN

Hongsheng[1], Mr. LI Jianhong[1], Mr. XU Lirong[2], Ms. SUN Yueying[1], Mr. XU Minjie[1] (Vice Chairman and Managing Director), Dr. SUN Jiakang[2], Dr. WONG Tin Yau, Kelvin[1], Mr. WANG Zhi[1], Mr. YIN Weiyu[1], Dr. LI Kwok Po, David[3], Mr. LIU Lit Man[3], Mr. CHOW Kwong Fai, Edward[3] and Mr. Timothy George FRESHWATER[3].

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

Biographical details of the directors are set out in the section of "Directors and Senior Management Profiles" in this annual report and the Company's website at www.coscopac.com.hk.

Separation of Chairman and Managing Director

To ensure independence, accountability and responsibility, the posts of Chairman and Managing Director are separated and each of them plays a distinctive role. As at the date of this report, the Chairman, Dr. WEI Jiafu, who is a non-executive director, is responsible for setting the Group's strategy and business directions, managing the Board and ensuring that the Board is functioning properly and with good corporate governance practices and procedures, whilst the Vice Chairman and Managing Director, Mr. XU Minjie, who is an executive director, supported by other board members and the senior management, is responsible for managing the Group's business, including implementation of major strategies set by the Board, making day-to-day decisions and co-ordinating overall business operations. In addition, he guides and motivates the senior management towards achieving the Group's objectives.

Non-executive directors (including independent non-executive directors)

The Company has three non-executive directors and four independent non-executive directors who are not involved in the day-to-day operation and management of the Group's businesses. The three non-executive directors bring innovative view to the Board decision-making through their rich experience in container shipping business and corporate management. These experiences, expertise and skills would facilitate the process of formulating the Company's strategy. The four independent non-executive directors have well recognized experience in areas such as accounting, legal, finance and business. Their insightful advice, mix of skills and business experience is a major contribution to the future development of the Company and the check-and-balance of the Board. They ensure that matters are fully debated and that no individual or group of individuals dominates the Board's decision-making processes. In addition, they facilitate the Board to maintain a high standard of financial, regulatory and other mandatory reporting and provide adequate check-and-balance to safeguard the interests of shareholders in general and the Company as a whole.

Each of the non-executive directors and independent non-executive directors, has entered into an appointment letter with the Company pursuant to which each of them is appointed for service with the Company for a term of three years, except Mr. LIU Lit Man who is appointed for a term of four and a half months to 15th May 2008. Their appointment shall subject to the rotational retirement provision of the Bye-laws of the Company and terminate on the earlier of either (i) the date of expiry of the said term of service, or (ii) the date on which the director ceases to be a director for any reasons pursuant to the Bye-laws of the Company or any applicable laws.

The Board has received from each independent non-executive director a written annual confirmation of his independence and is satisfied with their independence up to the date of this report in accordance with the Listing Rules.

In 2007, our Nomination Committee has conducted an annual review of the independence of all independent non-executive directors of the Company and confirmed that all the independent non-executive directors satisfied the criteria of independence as set out in the Listing Rules.

Board Meetings

The Board held a total of 4 regular board meetings during the financial year ended 31st December 2007, at quarterly intervals and 2 additional board meetings had been held. The average attendance rate was 74.18%. Of these, three meetings were held to approve the 2006 final results, 2007 interim results and 2007 third quarterly results of the Company; one meeting was held to approve the change of Vice Chairman and Managing Director of the Company; the remaining two meetings were held to consider new investment opportunities and review the strategic business directions, financial and operating performances of the Group. As the members of the Board are either in Hong Kong or in the People's Republic of China, all of these meetings were conducted by video and/or telephone conferencing which are permitted under the Company's Bye-laws. The General Counsel & Company Secretary, the Assistant Financial Controller and/or the Qualified Accountant also attended all board meetings to report matters arising from corporate governance, risk management, statutory compliance, accounting and financial aspects.

Before each regular board meeting, the Board is supplied with relevant information by the senior management pertaining to matters to be brought before the Board for decision as well as reports relating to operational and financial performance of the Group, in addition to the minutes of the board meetings and board committee meetings of preceding meetings. At least 14 days' notice of a regular board meeting is given to all directors to provide them with an opportunity to attend and all directors are given an opportunity to include matters in the agenda for a regular meeting. Board papers are despatched to the directors at least 3 days before the meeting to ensure that they have sufficient time to review the papers and be adequately prepared for the meeting. When directors are unable to attend a meeting, they are advised of the matters to be discussed and given an opportunity to make their views known to the Chairman prior to the meeting. Senior management who are responsible for the preparation of the Board papers are invited to present their papers and to take any questions or address queries that the Board members may have on the papers. This enables the Board to have pertinent data and insight for a comprehensive and informed evaluation as part of the Board's decision-making process.

The Chairman or the Vice Chairman of the Company conducts the proceedings of the Board at all board meetings. They ensure that sufficient time is allocated for discussion and consideration of each item on the agenda and that equal opportunities are given to the directors to speak and express their views and share their concerns. Minutes of the board meetings record in sufficient detail the matters considered by the Board and the decisions reached, including any concerns raised by the directors. Draft minutes of each board meeting are sent to all the directors for comments within a reasonable time after the date on which the board meeting is held. All directors have access to the General Counsel & Company Secretary who is responsible for ensuring that the board procedures are complied with and advising the Board on compliance matters.

Set out below are the details of all directors' attendance at the board meetings during the financial year ended 31st December 2007 which illustrate the attention given by the Board in overseeing the Company's affairs:

Attendance of Individual Members at Board Meetings

Name of Directors	No. of meetings attended/ held in the financial year 2007	Attendance rate (%)
Directors		
Dr. WEI Jiafu[2] (Chairman)	6/6	100
Mr. CHEN Hongsheng[1]	6/6	100
Mr. LI Jianhong[1]	6/6	100
Mr. XU Lirong[2]	3/6	50
Ms. SUN Yueying[1]	5/6	83.33
Mr. XU Minjie[1 Note] (Vice Chairman and Managing Director)	4/4	100
Dr. SUN Jiakang[2 Note]	6/6	100
Dr. WONG Tin Yau, Kelvin[1]	6/6	100
Mr. WANG Zhi[1]	4/6	66.67
Mr. YIN Weiyu[1] (appointed on 4th January 2008)	N/A	N/A
Dr. LI Kwok Po, David[3]	3/6	50
Mr. LIU Lit Man[3]	3/6	50
Mr. CHOW Kwong Fai, Edward[3]	5/6	83.33
Mr. Timothy George FRESHWATER[3]	4/6	66.67
Ex-director		
Mr. QIN Fuyan[1] (resigned on 4th January 2008)	0/6	0

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

Note: Dr. SUN Jiakang resigned as Vice Chairman and Managing Director and re-designated from Executive Director to Non-executive Director with effect from 24th January 2007. Mr. XU Minjie has been appointed as an Executive Director, Vice Chairman and Managing Director with effect from 24th January 2007.

Appointment, re-election and removal of directors

The Company follows a formal, considered and transparent procedure for the appointment of new directors. The Nomination Committee, chaired by an independent non-executive director, comprising a majority of independent non-executive directors, has formulated a nomination policy and is responsible for identifying and nominating suitable candidates for the Board's consideration as additional directors or fill in casual vacancy of the Board and making recommendations to the shareholders regarding any director proposed for re-election at general meetings.

Details of the selection process of new directors and a summary of work performed by the Nomination Committee during 2007 are set out under the section of "Nomination Committee" below.

At each annual general meeting, one-third of the directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every director shall be subject to retirement at least once every three years.

Procedure to enable directors to seek independent professional advice

To assist the directors to discharge their duties to the Company, the Board has established written procedures to enable the directors, upon reasonable request, to seek independent professional advice, at the Company's expense, in appropriate circumstances. No request was made by any director for such independent professional advice in 2007.

Responsibilities of directors

The Company has in place a clear corporate governance process to ensure that all directors fully appreciate their roles and responsibilities.

The General Counsel & Company Secretary, who is responsible directly to the Board, is responsible for keeping directors updated on all relevant regulatory changes of which she is aware, including organising appropriate continuing development programme for directors. All newly appointed directors will undergo a comprehensive programme which includes management presentations on the Group's businesses and strategic plans and objectives and receive a comprehensive orientation package on appointment which includes policies on disclosure of interest in securities, prohibitions on dealing in the Company's securities and restrictions on disclosure of price sensitive information. They are also updated from time to time on changes in relevant laws and regulations.

Directors may request further explanations, briefings or informal discussions on any aspect of the Group's operations or business issues from the management.

The Company has arranged for liability insurance to indemnify its directors for their liabilities arising out of corporate activities. The insurance coverage is reviewed by the Company on an annual basis.

Directors / senior management's securities transactions

All directors are obliged to observe the requirements as stipulated in the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the "Model Code") as the Company has adopted the Model Code as the Company's code of conduct and rules governing dealings by its directors in the securities of the Company. In addition, the Board also established written guidelines on no less exacting terms than the Model Code for the senior management and relevant employees of the Company in respect of their dealings in the securities of the Company. A committee comprising the Chairman, Vice Chairman and Managing Director and Deputy Managing Director was set up to deal with such transactions.

Specific confirmation has been obtained from directors and senior management to confirm their compliance with the Model Code and the aforesaid mentioned guidelines respectively for 2007. No incident of non-compliance was noted by the Company in 2007.

General Counsel & Company Secretary

The General Counsel & Company Secretary is responsible directly to the Board. All directors have access to the General Counsel & Company Secretary who is responsible for ensuring that board procedures are followed and that applicable laws and regulations are complied with. The General Counsel & Company Secretary is also responsible for providing advice to the Board in relation to the directors' obligations as regards disclosure of interests in securities and disclosure requirements in respect of notifiable transactions, connected transactions and price-sensitive information. The General Counsel & Company Secretary has to advise the Board on disclosure of information in a true, accurate, complete and timely manner in strict compliance with the requirements of the Listing Rules, applicable laws, regulations and the Company's Bye-laws.

The General Counsel & Company Secretary is the alternate authorised representative of the Company and the primary channel of communications between the Company and The Stock Exchange of Hong Kong Limited. She assists the Board in implementing and strengthening corporate governance practices with a view to enhancing long term shareholders' value. In addition, the General Counsel & Company Secretary will, on a timely basis, provide the directors with updated information regarding the directors' continuing legal, regulatory and compliance obligations. In relation to connected transactions and disclosure requirements, regular seminars are conducted by the General Counsel & Company Secretary to management and senior executives within the Group to ensure that such transactions are handled in compliance with the Listing Rules. Detailed analyses are performed on all potential connected transactions to ensure full compliance and for Directors' consideration.

Delegation by the Board

Management functions

The Board delegates day-to-day operations of the Group to the management. Both the Board and the management have clearly defined authorities and responsibilities under various internal control and check-and-balance mechanisms. The Board is responsible for establishing the strategic direction of the Group, setting objectives and business development plans, monitoring the performance of the senior management and assuming primary responsibility for establishing a good corporate governance culture. The management, under the leadership of the Managing Director (who is also the Vice Chairman), is responsible for implementing these strategies and plans. To ensure effective discharge of the Board's responsibilities, the management submits reports on the Company's operations to the Board on a regular basis. The Board reviews and approves the Company's annual budget and business plans, which serves as an important benchmark in assessing and monitoring the performance of the management. Directors have access to management and are welcome to request for explanations, briefings or discussions on the Company's operations or business issues.

Board committees

To assist the Board in execution of its duties and to facilitate effective management, certain functions of the Board have been delegated by the Board to various board committees, which review and make recommendations to the Board on specific areas. The Board has established a total of 7 board committees, details of which are set out below, which consist of directors, members of senior management and management. Each committee has its defined scope of duties and terms of reference and the committee members are empowered to make decisions on matters within the terms of reference of each committee. These committees have the authority to examine particular issues and report back to the Board with their recommendations, where appropriate. The ultimate responsibility for the final decision on all matters, however, lies with the Board.

The terms of reference of the board committees setting out their roles and the authority delegated to them by the Board have been posted on the Company's website at www.coscopac.com.hk. It is the Company's policy to ensure that the committees are provided with sufficient resources to discharge their duties. They have scheduled to meet regularly every year and will report to the Board on a regular basis. All businesses transacted at the committee meetings are well recorded and the records are well maintained and minutes of meetings are circulated to the Board for information.

1. Executive Committee

The Executive Committee consists of all executive directors of the Company who are principally based in Hong Kong. The purpose of establishing this committee is to smoothen the daily operations of the Company. As most of the directors of the Company are fully engaged in their major responsibilities and/or stationed in different cities such as Beijing, Shanghai and Hong Kong, it may, in practice, be practically difficult and inconvenient to convene a full board meeting or arrange all the directors to sign a written resolution on a frequent basis. Hence, the Board delegates powers to the Executive Committee to conduct and supervise the business of the Company and its staff.

During the year ended 31st December 2007, the Executive Committee held a total of 132 meetings. All the matters considered and decided by the Executive Committee at the committee meetings had been recorded in details by minutes. A committee member will present a summary report of the businesses transacted at the committee meetings to the board members at board meetings. All directors of the Company could inspect the minutes of the committee meetings at any time and upon request, the General Counsel & Company Secretary will provide a copy of the minutes of the committee meetings to the directors.

2. Audit Committee

The Audit Committee, chaired by an independent non-executive director with appropriate professional qualifications, consists of four members, all of whom are independent non-executive directors of the Company. All committee members are well-versed in the accounting, legal, banking and/or commercial areas. The committee is authorised by the Board to investigate any activity within its terms of reference. It has unrestricted access to information relating to the Group, to both the internal and external auditors, and to the management and staff. Its terms of reference are aligned with the recommendations set out in "A Guide for Effective Audit Committees" issued by the Hong Kong Institute of Certified Public Accountants and the code provisions set out in the Corporate Governance Code.

The Audit Committee, in addition to providing advice and recommendations to the Board, also oversees all matters relating to the external auditors. It therefore plays an important role in monitoring and safeguarding the independence of the external auditors. Both the Assistant Financial Controller/Qualified Accountant and the Internal Auditor are directly accountable to the Chairman of the Audit Committee.

Regular meetings of the Audit Committee are held normally four times a year on a quarterly basis, with additional meetings arranged, as and when required. During the year ended 31st December 2007, a total of 5 meetings were held and the average attendance rate was 70%. A special meeting was held during the year for the purpose of initial disclosure of third quarterly results.

The key matters deliberated on by the Audit Committee in 2007 includes the following:

- reviewed the accounting principles and practices adopted by the Group and other financial reporting matters
- reviewed the draft annual report, interim report and third quarterly results and assuring the completeness, accuracy and fairness of the financial statements of the Company
- reviewed the results of external audit and discussion with the external auditors on any significant findings and audit issues
- reviewed the internal audit plan and the internal audit reports
- discussed the implementation of internal control requirements (as to principles, practice, reporting and disclosures) as set out in Appendix 23 of the Listing Rules
- discussed the effectiveness of the systems of internal controls throughout the Group, including financial, operational and compliance controls, and risk management policies and systems established by the management
- discussed certain alternatives of the accounting treatment for the CIMC Put Options issued by the Company

Attendance of Individual Members at Audit Committee Meetings

Name of members	No. of meetings attended/ held in the financial year 2007	Attendance rate (%)
Mr. CHOW Kwong Fai, Edward [1] (Chairman)	5/5	100
Dr. LI Kwok Po, David [1]	4/5	80
Mr. LIU Lit Man [1]	1/5	20
Mr. Timothy George FRESHWATER [1]	4/5	80

1 Independent Non-executive Director

3. Remuneration Committee

The Remuneration Committee, led by an independent non-executive director, comprises 5 members, the majority of whom are independent non-executive directors of the Company. It formulates the Group's remuneration policy of directors and senior management, reviews and determines their remuneration packages and makes recommendations to the Board on the directors' fee and annual salary of directors. If necessary, it will engage professional advisers to assist and/or provide professional advice on relevant issues.

The Remuneration Committee considers several factors such as the salaries paid by comparable companies, time commitment, job responsibilities, performance of the individual and performance of the Company before determining the remuneration packages (which comprise salaries, bonus, benefits in kind, etc.). The Committee will also review and approve performance-based remuneration by reference to the corporate goals and objectives resolved by the Board from time to time.

The following is a summary of the work of the Committee during 2007:

- recommended the remuneration of the Vice Chairman and Managing Director of the Company
- reviewed the remuneration packages of all executive directors and senior management
- made recommendations to the Board of the remuneration of non-executive directors
- discussed long term incentive arrangements
- recommended and, if appropriate, approved the grant of share options to certain directors and senior management

Attendance of Individual Members at Remuneration Committee Meetings

Name of members	No. of meetings attended/ held in the financial year 2007	Attendance rate (%)
Members		
Mr. CHOW Kwong Fai, Edward [1] (Chairman)	3/3	100
Dr. LI Kwok Po, David [1]	2/3	66.67
Mr. LIU Lit Man [1]	3/3	100
Mr. XU Minjie [2] (appointed on 18th January 2007)	2/2	100
Mr. ZHANG Hanfeng (appointed on 17th September 2007)	N/A	N/A
Ex-members		
Dr. SUN Jiakang [3] (resigned on 18th January 2007)	1/1	100
Mr. LI Bing (resigned on 17th September 2007)	3/3	100

1 Independent Non-executive Director
2 Executive Director, Vice Chairman and Managing Director
3 Dr. SUN Jiakang resigned as Vice Chairman and Managing Director and re-designated from Executive Director to Non-executive Director with effect from 24th January 2007

Remuneration policy

The remuneration policy is to ensure that the pay levels are competitive and effective in attracting, retaining and motivating employees. No director, or any of his associates, is involved in deciding his own remuneration. The remuneration policy of the Company for non-executive directors is to ensure that they are sufficiently yet not excessively compensated for their efforts and time dedicated to the Company and that for the employees (including the executive directors and senior management) is to ensure that the remuneration offered is appropriate for the duties and in line with market practice.

The key components of the Company's remuneration package include basic salary plus other allowances, discretionary cash bonus and mandatory provident fund. Cash bonus is tied to the performance of individual employee. As a long-term incentive plan and with the aim at motivating employees in the continued pursuit of the Company's goal and objectives, the Company has granted share options to the employees of the Group to subscribe for the shares of the Company based on their performance and contribution to the Company under the 1994 Share Option Scheme (terminated on 23rd May 2003) and 2003 Share Option Scheme.

4. Nomination Committee

The Nomination Committee, led by an independent non-executive director, comprises 3 members, the majority of whom are independent non-executive directors. It is responsible for nominating potential candidates for directorship, reviewing the nomination and resignation of directors, assessing the independence of independent non-executive directors and making recommendations to the Board on such appointments.

During the financial year ended 31st December 2007, the work performed by the Nomination Committee includes the following:

- made recommendations to the Board on matters relating to the appointment, re-designation and re-election of directors
- made recommendations to the Board on matters relating to the appointment and change of senior management and committee members
- conducted an annual review of the independence of the independent non-executive directors
- reviewed the renewal of terms of appointment of non-executive directors

All new appointment of directors and nomination of directors proposed for re-election at the annual general meeting are first considered by the Nomination Committee. The recommendations of the Nomination Committee will then be put to the Board for decision. New directors appointed by the Board are subject to re-election by shareholders at the next following general meeting (in the case of filling a casual vacancy) or annual general meeting (in the case of an addition to the Board) pursuant to the Bye-laws of the Company. In considering the new appointment or nomination of directors proposed for re-election, the Nomination Committee will assess the candidate or incumbent on criteria such as integrity, independent mindedness, experience, skill and the ability to commit time and effort to carry out his duties and responsibilities effectively etc.

In early 2008, the Nomination Committee nominated and the Board recommended Mr. CHEN Hongsheng, Mr. XU Lirong, Dr. SUN Jiakang, Mr. WANG Zhi and Mr. Timothy George FRESHWATER to retire by rotation and Mr. YIN Weiyu, who was appointed with effect from 4th January 2008 to fill a causal vacancy, to retire at the forthcoming annual general meeting and stand for re-election by shareholders of the Company at such meeting.

Attendance of Individual Members at Nomination Committee Meetings

Name of members	No. of meetings attended/ held in the financial year 2007	Attendance rate (%)
Members		
Dr. LI Kwok Po, David [1] (Chairman)	10/10	100
Mr. LIU Lit Man [1]	10/10	100
Mr. XU Minjie [2] (appointed on 18th January 2007)	8/8	100
Ex-member		
Dr. SUN Jiakang [3] (resigned on 18th January 2007)	2/2	100

1 Independent Non-executive Director
2 Executive Director, Vice Chairman and Managing Director
3 Dr. SUN Jiakang resigned as Vice Chairman and Managing Director and re-designated from Executive Director to Non-executive Director with effect from 24th January 2007

5. Investment and Strategic Planning Committee

The Investment and Strategic Planning Committee, led by an executive director, comprises 10 members (including executive directors, members of senior management and management). It considers, evaluates, reviews and recommends to the Board the proposed major investments, acquisitions and disposals, conducts post-investment evaluation of the investment projects, reviews and considers the overall strategic direction and business developments of the Company.

Attendance of Individual Members at Investment and Strategic Planning Committee Meetings

Name of members	No. of meetings attended/ held in the financial year 2007	Attendance rate (%)
Members		
Mr. XU Minjie [2] (Chairman) (appointed on 18th January 2007)	4/4	100
Mr. WANG Zhi [1]	3/4	75
Mr. YIN Weiyu [1] (appointed on 21st June 2007)	2/3	66.67
Mr. CHAN Hang, Ken	4/4	100
Ms. YANG Jianjian	3/4	75
Mr. DING Weiming	4/4	100
Mr. YING Haifeng	4/4	100
Mr. LI Wei	2/4	50
Mr. HUNG Chun, Johnny	3/4	75
Mr. FAN Chih Kang, Ken	3/4	75
Ex-members		
Dr. SUN Jiakang [3] (resigned on 18th January 2007)	N/A	N/A
Mr. QIN Fuyan [1] (resigned on 31st October 2007)	0/3	0

1 Executive Director
2 Executive Director, Vice Chairman and Managing Director
3 Dr. SUN Jiakang resigned as Vice Chairman and Managing Director and re-designated from Executive Director to Non-executive Director with effect from 24th January 2007

6. Corporate Governance Committee

The Corporate Governance Committee, led by an executive director, comprises 6 members (including an executive director, members of senior management and management). It reviews the corporate governance practice and disclosure systems of the Company and introduces relevant principles concerning corporate governance so as to enhance the standard of corporate governance of the Company.

Attendance of Individual Members at Corporate Governance Committee Meetings

Name of members	No. of meetings attended/ held in the financial year 2007	Attendance rate (%)
Dr. WONG Tin Yau, Kelvin [1] (Chairman)	4/4	100
Ms. HUNG Man, Michelle	4/4	100
Mr. YING Haifeng	3/4	75
Mr. LI Wei	4/4	100
Mr. FAN Chih Kang, Ken	4/4	100
Ms. LIU Mei Wan, May	4/4	100

1 Executive Director

7. Risk Management Committee

The Risk Management Committee, led by an executive director, comprises 8 members (including an executive director, members of senior management and management). It provides support to the Board by identifying and minimising the operational risks of the Company, sets the direction for the Group's risk management strategy and strengthens the Group's system of risk management.

Attendance of Individual Members at Risk Management Committee Meetings

Name of members	No. of meetings attended/ held in the financial year 2007	Attendance rate (%)
Mr. WANG Zhi[1] (Chairman)	2/4	50
Ms. HUNG Man, Michelle	4/4	100
Ms. YANG Jianjian	3/4	75
Mr. DING Weiming	4/4	100
Mr. YING Haifeng	4/4	100
Mr. LI Wei	0/4	0
Mr. SHI Jingmin	3/4	75
Mr. FAN Chih Kang, Ken	4/4	100

1 Executive Director

Accountability and audit

Financial reporting

The following statement, which sets out the responsibilities of the directors in relation to the financial statements, should be read in conjunction with, but distinguished from, the Independent Auditor's Report on page 90 which acknowledges the reporting responsibilities of the Group's auditors.

Annual report and financial statements

The directors acknowledge their responsibility for preparing the financial statements for each financial year which give a true and fair view of the results and the state of affairs of the Group.

Accounting policies

The directors consider that in preparing the financial statements, the Group uses appropriate accounting policies that are consistently applied, and that all applicable accounting standards are followed.

Accounting records

The directors are responsible for ensuring that the Group keeps accounting records which disclose, with reasonable accuracy, the financial position and results of the Group and which enable the preparation of financial statements in accordance with the Hong Kong Companies Ordinance, Listing Rules and applicable accounting standards.

Safeguarding assets

The directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Internal control

The Group has in place an internal control system that has been set up within the areas of the Group's control environment, risk areas, control and monitoring activities, and information and communication. The internal control system makes reference to the COSO framework developed by the Committee of Sponsoring Organisations of the Treadway Commission and also the Guide on Internal Control and Risk management issued by The Hong Kong Institute of Certified Public Accountants.

Control environment

The maintenance of a high standard of control environment has been and remains a top priority of the Group. Therefore, the Group is dedicated to its enhancement and improvement on a continuous basis.

Recognising the importance of various values, including management's integrity, ethics, operating philosophy and commitment to organisational competence (quality of personnel), the Board has set out a direction for the internal control system in order to ensure achievement of the Group's objectives and identify discrepancies so that corrective actions could be taken in an efficient manner.

The management is primarily responsible for the design, implementation, and maintenance of the Group's internal control system with a view to providing sound and effective controls to safeguard shareholders' investment and the Company's assets. The internal control system covers all major and material controls, including financial, operational and compliance as well as risk management.

The Board is ultimately responsible for the effectiveness of the internal control and risk management system. The Audit Committee assists the Board to review the effectiveness of the internal control and risk management system twice a year reviewing the underlying mechanism and functioning of the Group's internal control system and discussing their opinion with the Board annually as to the system effectiveness. During 2007, the directors have conducted reviews of the effectiveness of the system of internal control of the Group, covering all material controls, including financial, operational and compliance controls and risk management functions.

As the control environment is the foundation for all of the other components of the internal control system, the Group has defined a Group-wide structure and has set up a procedure manual to regulate business processes and activities.

Risk assessment

The Group is principally engaged in the businesses of managing and operating container terminals, container leasing, container management, logistics, container manufacturing and related businesses and other investments. The activities of the Group is exposed to a variety of risks which are categorised as financial risk, operational risk and compliance risk factors as shown below:

Major financial risk factors

In the rapid expansion of its container fleet size and scale of terminal operations, the Group has maintained a certain leverage level to fund the need of the Group's large amount of capital expenditure. Changes in market interest rates can significantly affect the financial performance of the Group.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to create value and returns for shareholders and to maintain an optimal capital structure to reduce cost of capital.

Following the expansion into the global market, the operating environment of the Group is increasingly complex and geographically diversified while the taxation environment is also an area of concern. As the businesses of the Group are predominantly carried out in China Mainland, the United States, Europe and Hong Kong, the Group is subject to risks which change as the systems of taxation change in these regions.

The Group conducts business and operations internationally and is thus exposed to foreign exchange risk arising from various currency exposures. For the container leasing business, the primary currency involved is the US dollar while for the container terminal business, the primary currencies involved are Renminbi and EURO.

Major operational risk factors

The volume, current purchasing price and per diem rates for the container leasing business fluctuate in response to the changes in the supply and demand for leased containers. These fluctuations affect the performance of the Group.

Another operational risk factor encountered by the Group is credit risk on accounts receivable.

Major compliance risk factors

As the Group has been investing in China and gradually to overseas, these new investments may be exposed to various foreign legal and regulatory regimes of which different levels of transparency and compliance are involved. Where necessary, the Group has sought independent professional advice on compliance matters in foreign jurisdictions in order to protect its interest. Regulatory changes designed to promote transparency and raise the profile of compliance expose the Group to risks of satisfying diverse legal and regulatory requirements in a multitude of jurisdictions.

The Group is continuously expanding its business partnership network for container terminal business and, in particular, the number of container terminal joint venture companies which constitute subsidiaries of the Company under the Listing Rules is constantly increasing. This has resulted in an increase in connected transactions with (1) China COSCO Holdings Company Limited, an intermediate holding company of the Company, and COSCO Group; and (2) the Maersk Group, the DP World Group and various Port Authorities, which are respectively regarded as connected persons of the Group under the Listing Rules.

By the very nature of the Group business activities, transactions with these connected persons are inevitable. However, the identification of connected persons and the updating of the non-exhaustive list of connected persons may prove to be difficult and the volume of such transactions may expose the Group to compliance risk in relation to the identification, authorisation, recording and disclosure of such transactions.

The Group is increasingly involved in new projects of significant size, which are often required to be disclosed or approved by shareholders under the Listing Rules. Timely and strict compliance with the relevant regulatory requirements expose the Group to compliance risk.

To identify and analyse the relevant risks in achieving the Company's objectives, the internal control system is designed to provide reasonable, but not absolute, assurance against material misstatements and to manage rather than completely eliminate the risk of system failure in this regard. In addition to safeguarding the assets of the Company, the systems design also pays regard to the basis for determining control activities (fundamentally include financial, operational and compliance controls) and to ensure a high level of operational efficiency; to ensure the reliability of financial reporting; and to ascertain the compliance of laws, regulations and any other defined procedures.

For the purpose of better risk management, the Company assesses the likelihood and potential impact of each particular risk. It emphasises on changing operational behaviour and regards the internal control system as an early warning mechanism which would trigger a quick response. Monitoring and control procedures are derived thereon.

The Group's risk assessment process considers the entire organisation where significant relationships and portfolio of relationships such as fraud, going concern, internal and external reporting, and accounting in accordance with generally accepted accounting principles have been performed. When risks are identified, existing controls are examined to determine if there has been a failure in control, and if so, to determine the reason for such failure.

Control Activities and Monitoring

A sound system of internal controls requires a defined organisational and policy framework. The framework of the Company's internal control activities includes the following:

1. To allow delegation of authority, proper segregation of duties as well as to increase accountability, a clear organisational structure exists which details lines of authority and control responsibilities in each business unit of the Group. Certain specific matters are not delegated and are subject to the Board's decision. These include, among others, the approval of annual, interim and quarterly results, annual budgets, distribution of dividends, board structure, and the board's composition and succession.

2. To assist the Board in execution of its duties, the Board is supported by seven Board Committees, namely, Executive Committee, Audit Committee, Remuneration Committee, Nomination Committee, Investment and Strategic Planning Committee, Corporate Governance Committee and Risk Management Committee. These committees make recommendations to the Board on relevant matters within their terms of reference, or make decisions under appropriate circumstances within the power delegated by the Board.

3. Systems and procedures, approved by the management, are set up to identify, measure, manage and control risks including but not limited to legal, credit, concentration, operational, environmental, behavioral and systematic risk that may have an impact on the Group.

4. A comprehensive management accounting system is in place providing financial and operational performance measurement indications to the management and relevant financial information for reporting and disclosure purposes. Variances against actual performances and targets are prepared, analysed and explained. Appropriate actions are also taken to rectify the identified deficiencies, if necessary. This helps the management of the Group monitor business operations closely and enables the Board to formulate and, if necessary, revise strategic plan timely and prudently.

   The Group places great importance on the internal audit functions. The internal audit's roles include assisting the management and the Audit Committee to ensure the Group maintains an effective system of internal control by reviewing all aspects of the Group's activities with unrestricted right of access and conducting comprehensive audits of all practices and procedures on a regular basis. Additional attention is paid to control activities which are considered being of higher risk, include, amongst others, income, expenditures and other areas of concern being highlighted by management. The internal auditor, as head of the internal audit function, has free access to the Audit Committee and his reports go directly to the Managing Director and the Chairman of the Audit Committee. He attends meetings of the Audit Committee and brings matters identified during the course of internal audit to the Audit Committee. This reporting structure allows the internal auditor to stay independent and effective.

During the year, the internal audit function adopted a risk-based auditing approach that focuses on material internal controls, including financial, operational and compliance controls. Internal audits were carried out on all significant business units in the Group. All internal audit reports are submitted to the Audit Committee for review and approval. The internal auditor's summary of findings, recommendations and follow reviews of previous audit findings are discussed at the Audit Committee meetings.

The yearly internal audit plan, which is reviewed and approved by the Audit Committee, is based on the sizes and prevailing risks of all business units of the Group to establish audit scopes and frequencies. All internal audit works scheduled for the year of 2007 have been completed. All areas of concern reported by the internal auditor have been monitored by the management until appropriate corrective measures are taken or implemented.

5. The Board established the Audit Committee in August 1998. The Audit Committee assists the Board by providing independent review and supervision of financial reporting, and satisfying themselves as to the effectiveness of the Group's internal controls and the adequacy of the external and internal audits.

6. The management, General Counsel & Company Secretary, Assistant Financial Controller/Qualified Accountant and internal auditor conduct reviews of the effectiveness of the Company's system of internal control, including financial, operational and compliance controls and risk management function and the Audit Committee reviews the findings and opinion of the internal auditor and management on the effectiveness of the Company's system of internal control twice a year and reports annually to the Board on such reviews.

7. In consideration of those identified major risk factors of financial risk, operational risk and compliance risk, the management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. The Group's overall risk management programme focuses on unpredictability arising from financial market, industry and regulatory bodies and imposed various internal control risk measures to minimize the adverse impact of the Group's financial performance.

Major financial risk measures

- To reduce the interest rate risk exposure, the Group uses the diversified debt profiles (including different combination of bank borrowings and notes, different maturity profiles and different combination of fixed and floating interest rates debts) based upon market conditions and the Group's internal requirement and, where considered necessary, hedging instruments. The effectiveness of the hedging relationship is assessed continuously and annually by reference to the Group's risk management objective and strategy.

- To maintain a certain leverage level for funding requirements in respect of daily operation, investments and capital expenditure, the Group adopts prudent liquidity risk management which implies maintaining sufficient cash and bank balances, having available funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group aims to maintain flexibility in funding by keeping committed credit lines available.
- Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. The Group may adjust on the amount of dividend paid out, return capital to shareholders, issues new shares or capital or sell assets to reduce debts in order to maintain or adjust the capital structure when need arises.
- To ensure the tax risk is understood and properly controlled, management reviews and assesses the global tax impact to the Group annually and conducts an annual Group tax planning exercise after seeking advices from different external consultants.
- The Group currently does not have a written foreign currency hedging policy, however, it monitors and controls foreign exchange risk by conducting borrowings as far as possible in currencies that match with the Group's functional currency used for transacting the Group's major cash receipts and underlying assets. Borrowings for the container leasing business were conducted mainly in US dollars, which match well with the US dollar revenue and expenses of the leasing business, in order to minimise any potential foreign exchange risk. For those jointly controlled entities

and associates for the container terminal business, all material borrowings were denominated in the respective functional currencies. The management will consider hedging significant foreign currency exposure should the need arise.

Major operational risk measures

- Management meetings among department heads and senior management are held on a monthly basis to analyse and discuss the performance of each business segment and the response to the changes of business environment, market conditions and operational issues. For container leasing business, management holds weekly meetings with their operational managers to discuss the current leasing rate and current market price for containers and to convey the Group's strategies on market changes and to minimize adverse effects on the Group's financial performance as a consequence to price fluctuation.
- For available for sale financial assets, management will monitor and report timely to the Board on it's price performance and re-affirm strategic objective of these strategic investments.
- The Group limits its exposure to credit risk through performing credit reviews and monitoring financial strength of its major customers. Despite no collateral on trade receivables is required, the Group has insured the recoverability for majority of its third party trade receivable balance to mitigate exposure to credit risk.
- For container leasing business, the credit committee of each operating units establishes the maximum credit limit for each customer based on their credit quality, taking into account the financial position, past settlement history and other factors. Utilisation of credit limits is regularly monitored, the system would suspend the provision of services to those customers whose transactions exceed the defined credit limits.
- To ensure the stability and reliability of computer systems, those in relation to container leasing and terminal businesses are operated by trained professional, frequently checked and upgraded when necessary. Backup of all data are prepared timely. For security purpose, disaster recovery plan is developed.

Major compliance risk measures

- The General Counsel & Company Secretary formulates the overall strategies and mechanisms in relation to the Group's legal compliance. Upon becoming aware of any material development in the legal environment, the legal department will communicate such updated information to the Board and disseminate the information within the Group if and when appropriate. The General Counsel & Company Secretary coordinates the engagement of Hong Kong and foreign lawyers to provide professional advice on specialised and geographically diverged legal issues.
- A non-exhaustive list of connected persons is prepared and updated on a regular basis. In order to effectively assess and report any potential "connected transactions", all originating departments are required to obtain and report the shareholding structure of respective new customers and business partners. If a customer is classified as a "connected person", both finance department and strategy and development department will closely monitor the transaction amounts on a monthly basis. Management meetings are held regularly and on a quarterly basis to review the nature and amount of all connected transactions. Contract negotiation and conclusion in relation to connected transactions are cautiously authorised by appropriate level of management to ensure adherence to the Group's pricing policy. Disclosures made to the public are continuously compared against the evolving disclosure requirements to ensure compliance with respective rules and regulations.
- The code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules are adopted by the Company.

Information and Communications

1. The Company has a policy of open communication which allows strong access to both internally and externally generated information. Pertinent information is identified, captured and communicated in a timely manner.

2. To promote corporate governance and provide the shareholders with timely information about the financial performance of the Group, there is a regular dialogue with institutional shareholders and general presentations are made when the financial results are announced. To foster effective communications, the Company provides extensive information in its annual reports, interim reports, quarterly results, announcements and press releases and also disseminates information relating to the Group and its business electronically through its website at www.coscopac.com.hk. Shareholders are also welcome to raise enquiries at the Annual General Meeting where directors are available for direct communication.

3. The Company attaches great priority to fair disclosure as it is considered as a key means to enhance corporate governance standards and provide necessary information to shareholders and other stakeholders for their formation of own judgments as well as provision of feedback. The Company also understands that the integrity of the information provided is essential in building market confidence.

4. With respect to procedures and internal controls for handling and dissemination of price-sensitive information, the Company,

   - is well aware of its obligations under the Listing Rules and the overriding principle that information which is considered price-sensitive should be announce promptly after it is the subject of a decision
   - conducts its affairs with close regard to the "Guide on Disclosure of Price-sensitive Information" issued by The Stock Exchange of Hong Kong Limited
   - has included in its Code of Conduct a strict prohibition on the unauthorized use of confidential, sensitive or insider information; and has communicated it to all staff
   - has established and implemented procedures for responding to external enquiries about the Company's affairs. Only directors and delegated management of the Company can act as the Company's spokesperson and respond to enquiries in allocated areas of issues

The Board considered that the system of internal controls in place during the year is effective for the current business scope and operations of the Group. No significant areas of concern which might affect shareholders' interest were identified.

Auditor's remuneration

For the year ended 31 December 2007, the auditor's remuneration paid or payable in respect of the auditing and other non-audit service provided by the auditors to the Company were as follows:

Nature of service	2007 US$	2006 US$
Audit service	806,000	615,000
Audit related service	221,000	128,000
Non-audit services		
– Tax related services	512,000	655,000
– Circular related services	54,000	59,000
– Due diligence related services	–	35,000

Investor relations

The Company continues to promote and enhance investor relations and communications with its investors. Our dedicated investor relations team supports designated executive director and senior management in maintaining regular dialogue with institutional investors and analysts to keep them abreast of the Company's development and attend to any queries promptly. An intensive communications channel has been maintained with the media, analysts and fund managers through one-on-one meetings, roadshows and conferences. Press and analysts conferences are held at least twice a year subsequent to the interim and final results announcements at which the executive directors are available to answer questions regarding the Group's operational and financial performances.

Communication with shareholders

The Company believes regular and timely communication with shareholders forms part of the Group's effort to help our shareholders understand our business better. The Company embraces and commits to fair, transparent and timely disclosure policy and practices. All price-sensitive information or data are publicly released, prior to individual sessions held with investors or analysts. There is a regular dialogue with institutional shareholders and general presentations are made when the financial results are announced. To foster effective communications, the Company provides extensive information in its annual report, interim report, quarterly results, press releases and also disseminates information relating to the Group and its business electronically through its website at www.coscopac.com.hk. Shareholders and investors are welcome to raise enquiries through our Investor Relations Department whose contact details are available on the Company's website.

The Company views the Annual General Meeting ("AGM") as an opportune forum for shareholders to meet the Board and senior management. All directors and senior management will make an effort to attend. External auditors are also available at the AGM to address shareholders' queries. The Chairmen of the audit, nomination and remuneration committees are normally available at AGMs to take any relevant questions. All shareholders will be given at least 21 days' notice of the AGM and they are encouraged to attend the AGM and other shareholders' meetings. The Company supports the Corporate Governance Code's principle to encourage shareholders' participation. Questioning by the shareholders at such meetings are encouraged and welcomed.

Shareholders' holding of not less than one-tenth of the issued capital of the Company may deposit a requisition to the Board or the General Counsel & Company Secretary of the Company to convene a special general meeting and state the purpose therefor at the Company's principal place of business in Hong Kong at 49th Floor, COSCO Tower, 183 Queen's Road Central, Hong Kong. To facilitate enforcement of shareholders' rights, substantially separate issues at general meetings are dealt with under separate resolutions.

Shareholdings and shareholders information

Share capital (as at 31st December 2007)

Authorised share capital	HK$300,000,000 divided into 3,000,000,000 shares of a par value of HK$0.1 each
Issued and fully paid-up capital	HK$224,488,129.80 comprising 2,244,881,298 shares of HK$0.1 each

Types of shareholders (as at 31st December 2007)

Type of shareholders	No. of shares held	% of the issued share capital
COSCO Pacific Investment Holdings Limited and its subsidiary	1,144,166,411	50.968
Other corporate shareholders	1,095,655,385	48.807
Individual shareholders	5,059,502	0.225
Total	**2,244,881,298**	**100.000**

Location of shareholders (as at 31st December 2007)

Location of shareholders Note 1	No. of shareholders	No. of shares held
Hong Kong	422	2,244,867,298 Note 2
Macau	1	2,000
United States	1	4,000
People's Republic of China	2	8,000
Total	**426**	**2,244,881,298**

Note 1: The location of shareholders is prepared according to the address of shareholders registered in the register of members of the Company.
Note 2: These shares include 1,294,044,164 shares registered in the name of HKSCC Nominees Limited which may hold these shares on behalf of its clients in or outside Hong Kong.

Directors and Senior Management Profiles

Directors

WEI Jiafu

Non-executive Director and Chairman of the Board

Dr. WEI, aged 58, is the Chairman of the Board of the Company. He joined the Company in June 2000 as Executive Director and Chairman of the Board and was redesignated as Non-executive Director and Chairman of the Board in June 2005. He is currently the President and CEO of China Ocean Shipping (Group) Company, the Chairman of China COSCO Holdings Company Limited, COSCO International Holdings Limited, COSCO (Hong Kong) Group Limited, COSCO Corporation (Singapore) Limited and COSCO Container Lines Company Limited and the Vice Chairman of China Merchants Bank Co., Ltd. Dr. WEI is also the Chairman of China Shipowners' Association, China Association of Trade in Services, China Shipowner's Mutual Assurance Association, China Group Companies Promotion Association, China Federation of Industrial Economics, Vice Chairman of China Enterprise Confederation and China Enterprise Directors Association and Director of the Board of Boao Forum for Asia, advisor of Panama Canal Authority, committee member of International Committee of American Bureau of Shipping. Dr. WEI joined China Ocean Shipping (Group) Company in 1967 and had been the marine captain, the General Manager of Sino-Tanzania Joint Shipping Company, Tianjin Ocean Shipping Company and COSCO Bulk Carrier Co. Limited as well as the President of COSCO Holding (Singapore) Pte Ltd. and COSCO Corporation (Singapore) Limited. Dr. WEI has extensive experience in international shipping management and capital operation. Dr. WEI obtained his Doctoral degree from Tianjin University and Master of Transportation Planning and Management degree from Dalian Maritime University. He is also a senior engineer. Dr. WEI was elected into the 16th and 17th CPC Central Committee for Discipline Inspection.

CHEN Hongsheng

Executive Director

Mr. CHEN, aged 58, has been a Director of the Company since September 2003. He is also an Executive Vice President of China Ocean Shipping (Group) Company, a Director and the President of China COSCO Holdings Company Limited and a Director of COSCO Container Lines Company Limited. Mr. CHEN graduated from Sichuan Foreign Language College, majoring in English and from Capital University of Economics and Business, in postgraduate studies in business administration. He had been the Deputy General Manager of Penavico Nantong Branch Company, General Manager of Shipping Department of Penavico, General Manager of COSCO Beijing International Freight Forwarding Company, Managing Director of COSCO International Freight Forwarding Co., Ltd. and Deputy General Manager of COSCO Container Lines Company Limited. He is currently a Vice Chairman of China Enterprise Confederation and China Enterprise Directors Association. Mr. CHEN is one of the experienced experts engaging in the container shipping and logistics business at its initial stage in the PRC. He has 30 years of experience in shipping industry with extensive experience in enterprise operation and management.

LI Jianhong

Executive Director

Mr. LI, aged 51, has been a Director of the Company since October 1997. He is also an Executive Vice President of China Ocean Shipping (Group) Company, the Chairman of Sino-Ocean Land Holdings Limited, COSCO Shipyard Group, COSCO International Ship Trading Co., Ltd., Dalian COSCO Shipbuilding Industry Co., Ltd. and Chinese-Tanzanian Join Shipping Company; Vice Chairman of China International Marine Containers (Group) Co., Ltd. and Nantong COSCO KHI Ship Engineering Co., Ltd.; Non-executive Director of China COSCO Holdings Company Limited and COSCO Corporation (Singapore) Limited and Director of COSCO International Holdings Limited, COSCO Logistics Co., Ltd. and Boao COSCO Co., Ltd.. Mr. LI is also the Vice Chairman of Chinese Society of Naval Architecture & Marine Engineering and China Association of the National Shipbuilding Industry. Mr. LI joined COSCO Group in 1989 and he had been the General Manager of Nantong Shipyard, Managing Director of COSCO Industry Co., Ltd., COSCO Property Ltd., and Assistant President and Chief Commercial Officer of China Ocean Shipping (Group) Company. Mr. LI possesses two Master Degrees in Business Administration from University of East London in the United Kingdom and Jilin University respectively. He is also a senior economist. Mr. LI possesses extensive experience in corporate management and capital operation.

XU Lirong

Non-executive Director

Mr. XU, aged 50, has been a Director of the Company since March 2000. Before his redesignation as a Non-executive Director in June 2005, he served as an Executive Director. He is now the Executive Vice President of China Ocean Shipping (Group) Company, a Non-executive Director of China COSCO Holdings Company Limited and the Chairman of COSCO Shipping Co., Ltd. Mr. XU graduated from Marine Navigation Department of the Adult Education College in Dalian Maritime University and obtained his Master of Business Administration degree from a joint programme organised by Shanghai Maritime University and the Maastricht School of Management in the Netherlands. Mr. XU had been the Executive Vice President of China COSCO Holdings Company Limited, the Managing Director of COSCO Container Lines Company Limited, the Marine Captain and Deputy Director of the first management department of Shanghai Ocean Shipping Company, the General Manager of Shanghai International Freight Forwarding Company, the Deputy Managing Director of Shanghai Ocean Shipping Company and the President of Shanghai Shipping Exchange. He has extensive experience in container shipping business management and corporate management.

SUN Yueying

Executive Director

Ms. SUN, aged 49, has been a Director of the Company since March 2002. She is currently the Chief Financial Officer of China Ocean Shipping (Group) Company and a Director of China COSCO Holdings Company Limited, COSCO (Hong Kong) Group Limited, COSCO Container Lines Company Limited and COSCO Corporation (Singapore) Limited. Ms. SUN graduated from Shanghai Maritime University in 1982 majoring in shipping finance and accounting. She is a certified accountant and a senior accountant. She had been the Vice Director of the Finance Division of Tianjin Ocean Shipping Co., Finance Manager of COSCO Japan Co., Ltd. and the General Manager of the Finance and Capital Division of and the Deputy Chief Financial Officer of China Ocean Shipping (Group) Company. She has extensive experience in the shipping industry and corporate financial management.

XU Minjie

Executive Director, Vice Chairman of the Board and Managing Director

Mr. XU, aged 49, is the Vice Chairman of the Board and the Managing Director of the Company. He is also the Chairman of the Investment and Strategic Planning Committee and a member of the Executive Committee, Nomination Committee and Remuneration Committee of the Company. He is also a director of China International Marine Containers (Group) Co., Ltd. Mr. XU graduated from the Marine Navigation Department of Qingdao Ocean Shipping Mariners College and obtained his Master of Business Administration degree from Shanghai Maritime University and also obtained a Master Degree in Management from Maastricht School of Management in the Netherlands（荷蘭馬斯特里赫特商學院）. Mr. XU joined COSCO Group in 1980 and was appointed as Managing Director of COSCO Shanghai International Freight Company Limited in November 1998. He was the Vice Chairman of Shanghai City Freight Forwarders Association（上海市貨運代理協會）during the period from December 1998 to September 2003 and was appointed as the General Manager of the Transportation Division of China Ocean Shipping (Group) Company in September 2003. He had been a former marine captain on COSCO's ocean-going ships, General Manager of the Container Division, Operation Division, Export Division of Shanghai Ocean Shipping Company and Deputy Managing Director of Shanghai International Freight Forwarding Company. During the period from June 2005 to January 2007, Mr. XU was an Executive Committee member of China Communications and Transportation Association（中國交通運輸協會）. Mr. XU has accumulated around 30 years of experience in the shipping industry and has demonstrated excellent enterprise operation and management skills. His outstanding vision and management power have been highly appreciated by the industry. He joined the Company in January 2007 as the Vice Chairman and Managing Director and leads the Company's overall management, strategic development, corporate governance and financial management.

SUN Jiakang

Non-executive Director

Dr. SUN, aged 48, has been a Director of the Company since September 2002. Before his redesignation as a Non-executive Director in January 2007, he served as the Vice Chairman and Managing Director. He is an Executive Vice President of China COSCO Holdings Company Limited, a fellow member of The Hong Kong Institute of Directors, a member of International WHO'S WHO of Professionals and a visiting professor at Dalian Maritime University. Dr. SUN graduated from the Faculty of Navigation of Dalian Maritime Transportation Institute with a bachelor degree in shipping management in 1982 and obtained a bachelor degree in economic management of industrial enterprises from the People's University of China in 1987, a master degree in management from Dalian Maritime University in 2001 and a doctor of philosophy (PhD) degree in management from Preston University, USA in 2005. After graduating from university in 1982, Dr. SUN joined COSCO Group and had been the Assistant to the President and Spokesman of China Ocean Shipping (Group) Company. For the past 25 years, Dr. SUN has been committed to shipping management and has accumulated rich experiences in international shipping and logistics operations and has demonstrated excellent management skills.

WONG Tin Yau, Kelvin

Executive Director

Dr. WONG, aged 47, is a Deputy Managing Director of the Company. He is also the Chairman of the Corporate Governance Committee and member of the Executive Committee of the Company. Dr. WONG is a Deputy Chairman, Chairman of the Corporate Governance Committee and fellow member of The Hong Kong Institute of Directors, Chairman and council member of the Hong Kong Chinese Orchestra Limited, a member of the China Trade Advisory Committee of the Hong Kong Trade Development Council, a member of the Auditing and Assurance Standards Committee of the Hong Kong Institute of Certified Public Accountants, a member of the OECD/World Bank Asian Corporate Governance Roundtable, a member of Main Board and GEM Listing Committee of The Stock Exchange of Hong Kong Limited and a member of The Board of Review (Inland Revenue Ordinance). He obtained his Master of Business Administration degree from Andrews University in Michigan, the USA in 1992 and his Doctor of Business of Administration from The Hong Kong Polytechnic University in 2007. He is an associate member of the Chartered Institute of Bankers, a member of the Hong Kong Securities Institute, a member of the Chartered Institute of Marketing and a member of the National Investor Relations Institute in the USA. He has more than 23 years of working experience in management, banking and securities industries. Currently, Dr. WONG is an Independent Non-executive Director and Chairman of the Audit Committee of China Metal International Holdings Inc., an Independent Non-executive Director and Chairman of the Audit Committee of Tradelink Electronic Commerce Limited, an Independent Non-executive Director of CIG Yangtze Ports PLC, and an Independent Non-executive Director of I.T Limited, all of these companies are listed on The Stock Exchange of Hong Kong Limited. Dr. WONG held various senior positions in several listed companies in Hong Kong before he joined the Company in July 1996. He is responsible for the overall management, strategic planning, financial management, and investor relations of the Company.

WANG Zhi

Executive Director

Mr. WANG, aged 45, is a Deputy Managing Director of the Company. He is also the Chairman of the Risk Management Committee and a member of the Executive Committee and the Investment and Strategic Planning Committee of the Company and the President & CEO of Florens Container Services Company Limited, a wholly owned subsidiary of the Company. He joined the Company in April 2001 and was appointed as an Executive Director of the Company in July 2005. He graduated from Jimei Navigation College in 1980. He then further his studies in Shanghai Maritime University and obtained an International Executive Master of Business Administration degree from International School of Management in Paris in 2000. Prior to joining the Company, he worked in COSCO Guangzhou in 1980 and gained more than 13 years of working experience in shipping industries there. Since 1993, he had been the Deputy Chief Executive Officer of COSCO (UK) Limited, the Managing Director of Crystal Logistics Ltd. and the Managing Director of COSCO France S.A. He was a Non-executive Director of Chong Hing Bank Limited. Mr. WANG is responsible for corporate development, overall management and administration of Florens Container Services Company Limited and strategic development and investment of some of the container terminal business of the Company.

YIN Weiyu

Executive Director

Mr. YIN, aged 41, is a Deputy Managing Director of the Company. He is also a member of the Executive Committee and Investment and Strategic Planning Committee of the Company. He obtained his Master of Science degree major in Applied Mathematics from Graduate School of Sun Yat-Sen University in 1990. Before joining the Company in October 2006, Mr. YIN has been the Managing Director of COSCO Guangzhou International Freight Co., Ltd. and Deputy General Manager of South China COSCO International Freight Co., Ltd. Mr. YIN is responsible for the Company's strategic planning and terminal and related business development.

LI Kwok Po, David GBM, GBS, OBE, JP

Independent Non-executive Director

Dr. LI, aged 69, has been an Independent Non-executive Director of the Company since February 1998. He is also the Chairman of the Nomination Committee and a member of the Audit Committee and the Remuneration Committee of the Company. Dr. LI is the Chairman and Chief Executive of The Bank of East Asia, Limited, and a director of numerous other companies in Hong Kong and overseas. He is a member of the Legislative Council of Hong Kong. He is the Chairman of The Chinese Banks' Association, Limited and the Hong Kong Management Association. He is also a member of the Banking Advisory Committee and the Council of the Treasury Markets Association. Dr. LI was awarded the Grand Bauhinia Medal by the Government of the Hong Kong Special Administrative Region in July 2007.

LIU Lit Man GBS, JP, FIBA

Independent Non-executive Director

Mr. LIU, aged 78, has been an Independent Non-executive Director of the Company since September 1996. He is also a member of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Company. He is the Executive Chairman of Chong Hing Bank Limited and the Chairman of both Liu Chong Hing Investment Limited and Chong Hing Insurance Company Limited. Mr. LIU is also a Director of The Hong Kong and China Gas Company Limited. Mr. LIU was a Director of Tung Wah Group of Hospitals, the President of the Hong Kong Chiu Chow Chamber of Commerce (now Permanent Honorary President), a founder and a Permanent Honorary Chairman of the Chiu Chow Association Building (Property Holding) Limited, a founder and the first Chairman of Teochew International Convention (now Permanent Honorary Chairman). Presently, he is a Permanent Honorary Chairman of The Chinese General Chamber of Commerce, Hong Kong, the founder and the Manager of Liu Po Shan Memorial College, a Director of New Asia College of The Chinese University of Hong Kong and the founder of Chiu Chow Association Secondary School. In 1975, he was appointed a Justice of the Peace and was elected Fellow of the International Banker Association. He had been a member of the Consultative Committee for the Basic Law from 1985 to 1990 and was a member of the Selection Committee of the First Government of the Hong Kong Special Administrative Region and a member of the First Election Committee constituted under the Chief Executive Election Ordinance. Mr. LIU was awarded the Gold Bauhinia Star by the Government of the Hong Kong Special Administrative Region in July 2001.

CHOW Kwong Fai, Edward

Independent Non-executive Director

Mr. CHOW, aged 55, has been an Independent Non-executive Director of the Company since June 2005. He is also the Chairman of the Audit Committee and the Remuneration Committee of the Company. Mr. CHOW is a fellow member of The Institute of Chartered Accountants in England and Wales and a past president of the Hong Kong Institute of Certified Public Accountants (HKICPA). Before elected president, he chaired the HKICPA's Corporate Governance Committee and Professional Accountants in Business (PAIB) Committee. He is also Chairman of the PAIB Committee of the International Federation of Accountants (IFAC), a core member of the OECD/World Bank Asian Corporate Governance Roundtable and a Deputy Chairman of both The Hong Kong Institute of Directors and the Business and Professionals Federation of Hong Kong. He was recently appointed an expert advisor of the Accounting Standards Committee of the Ministry of Finance, Peoples Republic of China. He is also a member of The Chinese People's Political Consultative Conference – Zhejiang Province and The Election Committee of the Hong Kong Special Administrative Region. Mr. CHOW is currently the Chairman of China Infrastructure Group and CIG Yangtze Ports PLC, listed in Hong Kong. He is also an independent director of China Merchants Bank Co., Ltd., which is listed on the stock exchanges of Hong Kong and Shanghai. Between 1988 and 1996, he was the Managing Director of a conglomerate which had companies listed on the stock exchanges of Hong Kong and Thailand. Prior to entering the commercial sector, Mr. CHOW spent 11 years working for two major accounting firms, Deloitte Haskins & Sells and Price Waterhouse (as they were then known), respectively in London and Hong Kong.

Timothy George FRESHWATER

Independent Non-executive Director

Mr. FRESHWATER, aged 63, has been an Independent Non-executive Director of the Company since June 2005. He is also a member of the Audit Committee of the Company. He is a Vice Chairman of Goldman Sachs (Asia) L.L.C. Before joining Goldman Sachs in 2001, he was the Chairman of Jardine Fleming. Mr. FRESHWATER is admitted as a solicitor in England & Wales and Hong Kong. After graduating from the University of Cambridge, he joined the international law firm Slaughter and May in 1967 and remained with them for 29 years before joining the Jardine Fleming group in 1996. He became a partner of Slaughter and May in 1975 and worked in their Hong Kong office for seven years between 1978 and 1985. He was the head of Slaughter and May's worldwide corporate practice from 1993 until 1996. He is an ex-President of the Hong Kong Law Society. Mr. FRESHWATER is currently a Non-executive Director of Chong Hing Bank Limited and an Independent Non-Executive Director of Swire Pacific Limited.

Senior Management

CHAN Hang, Ken

Deputy Managing Director

Mr. CHAN, aged 50, is a Deputy Managing Director of the Company and a member of the Investment and Strategic Planning Committee of the Company. From 1998 to 2006, Mr. CHAN was the General Manager of the Corporate Development Department (name has been changed to Strategy and Development Department) of the Company. He obtained his Master of Business Administration degree from Dalhousie University in Canada in 1985 and continued his education in the University of Washington in the USA. Before joining the Company in September 1998, he had held senior positions in a local bank and an international securities firm in Hong Kong. He has over 20 years of working experience in corporate strategic planning and management and finance and securities. Mr. CHAN is responsible for terminal management and terminal development of the Group.

LUI Sai Kit, Eddie

Financial Controller

Mr. LUI, aged 44, is the Financial Controller of the Company. He joined the Company in January 2008. He is a member of the Hong Kong Institution of Certified Public Accountants, a member of the American Institution of Certified Public Accountants, a member of the Chartered Institution of Management Accountants of United Kingdom and a member of the Certified Management Accountants of Canada. He also has a Master Degree in Business Administration from University of Ottawa and Bachelor Degree of Administration from York University in Canada. Prior to joining the Company, he had held Chief Financial Officer and General Management positions for companies listed on the Hong Kong Stock Exchange and US multinational companies such as New World TMT Limited, Wang On Group Limited and General Electric Company Limited Hong Kong Plastic Division.

HUNG Man, Michelle

General Counsel & Company Secretary

Ms. HUNG, aged 38, has been appointed the General Counsel of the Group and the Company Secretary of the Company since November 1996 and March 2001, respectively. She is also a member of the Corporate Governance Committee and Risk Management Committee of the Company. She is responsible for overall legal, corporate governance, compliance, company secretarial and related matters for the Group. She received a Bachelor of Laws degree (Hons) from The University of Hong Kong. She is also a practicing solicitor of the High Court of the Hong Kong Special Administrative Region and qualified in England and Wales. Moreover, she is a member of the Executive Committee of the Hong Kong Corporate Counsel Association. In both years of 2006 and 2007, Ms. HUNG was named among the top 25 “in-house high flyers” and “the best in Asia” by Asian Legal Business (ALB), a well recognized law profession magazine.

DING Weiming

Deputy Financial Controller

Mr. DING, aged 49, has been the Financial Controller of Florens Container Services Company Limited, a wholly owned subsidiary of the Company, since January 2002 and is also the Deputy Financial Controller of the Company since January 2008. He is also a member of the Risk Management Committee and the Investment and Strategic Planning Committee of the Company. He graduated from Shanghai Maritime University majoring in marine transportation management and obtained a bachelor degree in Economics in 1982. Mr. DING was awarded the professional qualification of senior accountant by the Ministry of Communications of the PRC in 1994. Before he joined the Company, he has been the Deputy Treasurer of the Finance Department of China Ocean Shipping (Group) Company and the Finance Director of COSCO (UK) Limited. Mr. DING is responsible for assisting the Financial Controller of the Company and is in charge of the financial management and supervision of Florens Container Services Company Limited.

DIRECTOR'S REPORT & FINANCIAL STATEMENTS

REPORT OF THE DIRECTORS

The directors submit their report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31st December 2007.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in note 44 to the consolidated financial statements.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 6 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December 2007 are set out in the consolidated income statement on page 94 of this annual report.

The directors declared an interim cash dividend of HK24.9 cents (equivalent to US3.186 cents) per share, totalling HK$557,927,000 (equivalent to US$71,388,000), which was paid on 21st September 2007.

The directors recommend the payment of a final cash dividend of HK30.6 cents (equivalent to US3.924 cents) per share and a special final cash dividend of HK17.9 cents (equivalent to US2.296 cents) per share, totalling HK$1,088,767,000 (equivalent to US$139,632,000), payable on or before 29th May 2008.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 169 of this annual report.

RESERVES

Movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on pages 95 and 96 of this annual report.

Movements in the reserves of Company during the year are set out in note 21 to the consolidated financial statements.

DONATIONS

Charitable and other donations made by the Group during the year amounted to US$263,000.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group and the Company are set out in note 7 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are shown in note 20 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

The distributable reserves of the Company as at 31st December 2007 calculated under Companies Act of Bermuda amounted to US$826,713,000.

BORROWINGS

Details of the borrowings of the Group are set out in note 22 to the consolidated financial statements.

RETIREMENT BENEFIT SCHEMES

Details of retirement benefit schemes of the Group are set out in notes 3.20 and 35 to the consolidated financial statements.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Dr. WEI Jiafu[2] *(Chairman)*	
Mr. CHEN Hongsheng[1]	
Mr. LI Jianhong[1]	
Mr. XU Lirong[2]	
Ms. SUN Yueying[1]	
Mr. XU Minjie[1] *(Vice Chairman and Managing Director)*	(appointed on 24th January 2007)
Dr. SUN Jiakang[2]	(re-designated from executive director to non-executive director and resigned as Vice Chairman and Managing Director with effect from 24th January 2007)
Dr. WONG Tin Yau, Kelvin[1]	
Mr. WANG Zhi[1]	
Mr. YIN Weiyu[1]	(appointed on 4th January 2008)
Mr. QIN Fuyan[1]	(resigned on 4th January 2008)
Dr. LI Kwok Po, David[3]	
Mr. LIU Lit Man[3]	
Mr. CHOW Kwong Fai, Edward[3]	
Mr. Timothy George FRESHWATER[3]	

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

In accordance with Clause 86(2) of the Company's Bye-laws, Mr. YIN Weiyu retires at the forthcoming general meeting and, being eligible, offers himself for re-election.

In accordance with Clauses 87(1) and (2) of the Company's Bye-laws, Mr. LIU Lit Man has notified the Company that he will retire from office at the forthcoming annual general meeting and will not offer himself for re-election; and other directors to retire from office by rotation at the forthcoming annual general meeting are Mr. CHEN Hongsheng, Mr. XU Lirong, Dr. SUN Jiakang, Mr. WANG Zhi and Mr. Timothy George FRESHWATER who, being eligible, offer themselves for re-election.

The Company has received annual confirmation from each of the independent non-executive directors concerning their independence to the Company and considers that each of the independent non-executive directors is independent to the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of directors and senior management as at the date of this report are set out on pages 62 to 68 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Mr. XU Minjie has entered into a service agreement with COSCO Pacific Management Company Limited ("COSCO Pacific Management"), a wholly owned subsidiary of the Company, on 24th January 2007 for a term of three years commencing from 24th January 2007. The agreement is renewable automatically for successive terms of three years subject to termination by either party giving not less than three months' notice in writing to the other party pursuant to the terms of the service agreement.

Dr. WONG Tin Yau, Kelvin has a service agreement with the Company commencing from 22nd July 1996. The agreement is terminable by either party giving to the other party not less than one month's prior notice in writing.

Mr. WANG Zhi has an employment contract with COSCO Pacific Management commencing from 1st April 2001. Such contract is terminable by either party by giving to the other party not less than one month's prior notice in writing.

Mr. YIN Weiyu has an employment contract with COSCO Pacific Management commencing from 9th October 2006. Such contract is terminable by either party by giving to the other party not less than one month's prior notice in writing.

Save as disclosed above, none of the directors has a service contract or service agreement with the Company which is not terminable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company, any of its subsidiaries, its fellow subsidiaries or its holding companies was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SHARE OPTIONS

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

On 5th December 2005, the shareholders of the Company approved the amendments to the 2003 Share Option Scheme at a special general meeting. The definitions of "Participant" and "relevant company" in paragraph 1 of the 2003 Share Option Scheme were amended by deleting all references to COSCO (Hong Kong) Group Limited and replacing them by China COSCO Holdings Company Limited ("China COSCO"), an intermediate holding company of the Company, and paragraph 8(e) of the 2003 Share Option Scheme was changed to allow a grantee who ceases to be an employee or an executive director of the relevant company (as defined in the 2003 Share Option Scheme) by reason of voluntary resignation from his employment, directorship, secondment or nomination to exercise the option up to his entitlement at the date of cessation within a period of three months following the date of such cessation pursuant to paragraph 7.3(a) of the 2003 Share Option Scheme. These amendments came into effect on 28th February 2006 after the approval of the shareholders of China COSCO at the general meeting held on the same date.

The following is a summary of the principal terms of these share option schemes:

(i) 1994 Share Option Scheme

The 1994 Share Option Scheme was designed to motivate the employees to enhance their performance and contribution to the Group. Under the 1994 Share Option Scheme, the directors of the Company may, at their discretion, grant to any director, executive and/or employee who are in full time employment with any company in the Group, share options to subscribe for the Company's shares (each a "Share" or collectively the "Shares"), subject to the terms and conditions stipulated therein.

Under the 1994 Share Option Scheme, the maximum number of Shares in respect of which options may be granted will not exceed 10% of the issued share capital of the Company from time to time. The maximum number of Shares issued to each employee or director in respect of which options may be granted shall not exceed 25% of the total Shares in issue or to be issued under the 1994 Share Option Scheme.

The period within which an option may be exercised will be determined by the board of directors of the Company (the "Board") in its absolute discretion, save that the exercise period shall not be more than ten years from the date on which the option is granted. The consideration on acceptance of an offer of the grant of an option is HK$1.00 payable within 28 days from the offer date. The full amount of the subscription price for the Shares must be paid upon exercise of an option.

The exercise price of an option is determined by the Board and will not be less than 80% of the average of the closing prices of the Shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the five trading days immediately preceding the date of offer of the share option or the nominal value of the Shares, whichever is higher.

The 1994 Share Option Scheme was terminated on 23rd May 2003. No further options shall thereafter be offered under the 1994 Share Option Scheme but the options which had been granted during its life shall continue to be valid and exercisable in accordance with their terms of issue and in all other respects the provisions of the 1994 Share Option Scheme shall remain in full force and effect.

All options granted under the 1994 Share Option Scheme had been expired on 19th May 2007 and there was no outstanding share option yet to be exercised under the 1994 Share Option Scheme as at 31st December 2007.

(ii) 2003 Share Option Scheme

The 2003 Share Option Scheme is designed to attract, retain and motivate talented participants (the "Participants" or a "Participant") (as defined in note 1 below) to strive for future developments and expansion of the Group and to provide the Company with a flexible means of giving incentive to rewarding, remunerating, compensating and/or providing benefits to the Participants and for such other purposes as the Board may approve from time to time.

Under the 2003 Share Option Scheme, the Board may, at its discretion, invite any Participants to take up options. In determining the basis of eligibility of each Participant, the Board would mainly take into account the experience of the Participant on the Group's business, the length of service of the Participant with the Group or the length of business relationship the Participant has established with the Group and such other factors as the Board may at its discretion consider appropriate.

The maximum number of Shares which may be issued upon exercise of all options to be granted under the 2003 Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of the total number of Shares in issue as at the date of the adoption of the 2003 Share Option Scheme (the "Scheme Mandate Limit") unless the Company seeks approval of its shareholders in general meeting to refresh the Scheme Mandate Limit, such that the maximum number of Shares which may be issued upon exercise of all options to be granted under the 2003 Share Option Scheme or any other share option schemes of the Company under the limit as refreshed shall not exceed 10% of the total number of Shares in issue as at the date of approval to refresh such limit. The Company may seek separate approval by its shareholders in general meeting for granting options beyond the 10% limit provided that the options in excess of such limit are granted only to Participants specifically identified by the Company before such approval is sought. Notwithstanding the above, the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2003 Share Option Scheme and any other share option schemes of the Company (including the 1994 Share Option Scheme) shall not exceed 30% of the total number of Shares in issue from time to time (or such higher percentage as may be allowed under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")).

As at the date of this report, a total of 87,251,229 Shares (representing approximately 3.89% of the existing issued share capital of the Company) may be issued upon exercise of all options which may be granted under the 2003 Share Option Scheme and a total of 43,163,000 Shares (representing approximately 1.92% of the existing issued share capital of the Company) may be issued upon exercise of all options which had been granted and yet to be exercised under the 2003 Share Option Scheme.

The maximum entitlement for any one Participant (including both exercised, cancelled and outstanding options) in any twelve months' period shall not exceed 1% of the total number of Shares in issue.

The period under which an option must be exercised shall be such period as the Board may in its absolute discretion determine at the time of grant, save that such period shall not be longer than 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 minimum period for which an option must be held before it can be exercised is determined by the Board upon the grant of an option. The amount payable on acceptance of an offer of the grant of an option is HK$1.00. The full amount of the exercise price for the subscription of Shares must be paid upon exercise of an option.

The exercise price in relation to each option shall be determined by the Board in its absolute discretion, but in any event shall be at least the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheet on the date when an option is offered; (ii) a price being the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date on which an option is offered; and (iii) the nominal value of a Share.

The 2003 Share Option Scheme will expire on 22nd May 2013.

Notes:

(1) As defined in the 2003 Share Option Scheme (as amended), "Participants" include:

(i) any employee of the Group (including any executive director of the Group);

(ii) any management of China COSCO, or China Ocean Shipping (Group) Company, the Company's parent company; and

(iii) any person seconded or nominated by the Group to represent the Group's interest in any of the Group's associated companies or jointly controlled entities (as defined in note 2 below), or any other company or organisation.

As to whether a particular person falls within the definition of Participants, it shall be determined by the Board in its absolute discretion.

(2) Under the 2003 Share Option Scheme, associated companies and jointly controlled entities refer to those companies and/or enterprises which have defined and/or disclosed as associates and/or associated companies and joint ventures and/or jointly controlled entities of the Company in the latest audited financial statements of the Company.

(iii) Movements of options under 1994 Share Option Scheme

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

		Number of share options				
Category	Exercise price HK$	Outstanding at 1st January 2007	Exercised during the year	Outstanding at 31st December 2007	% of total issued share capital of the Company	Note
Director						
Dr. WONG Tin Yau, Kelvin	8.80	300,000	(300,000)	–	–	(1), (2), (3)
Continuous contract employees	8.80	22,000	(22,000)	–	–	(1), (3)
		322,000	(322,000)	–		

Notes:

(1) The share options were granted on 20th May 1997 (the "Offer Date") under the 1994 Share Option Scheme. The 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:

(i) For those grantees who have completed one year full-time service in the Group may exercise a maximum of 20% of share options granted in each of the first five anniversary years from the Offer Date.

(ii) For those grantees who have not completed one year full-time service in the Group as at the Offer Date, a maximum of 20% of options granted may be exercisable in each of the first five anniversary years of the Offer Date after completion of one year full-time service.

(2) These share options represent personal interest held by the director as beneficial owner.

(3) The weighted average closing price of the shares of the Company immediately before the dates on which the share options were exercised was HK$20.09.

(4) All options granted under the 1994 Share Option Scheme had been expired on 19th May 2007 and there was no outstanding share option yet to be exercised under the 1994 Share Option Scheme as at 31st December 2007.

(iv) Movements of options under 2003 Share Option Scheme

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

		Number of share options							
Category	Exercise price HK$	Outstanding at 1st January 2007	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31st December 2007	% of total issued share capital	Exercisable period	Note
Directors									
Dr. WEI Jiafu	9.54	400,000	–	(400,000)	–	–	–	30.10.2003 - 29.10.2013	(1), (4), (5)
	13.75	1,000,000	–	–	–	1,000,000	0.045%	3.12.2004 - 2.12.2014	(2), (4)
Mr. CHEN Hongsheng	9.54	300,000	–	(300,000)	–	–	–	28.10.2003 - 27.10.2013	(1), (4), (5)
	13.75	1,000,000	–	–	–	1,000,000	0.045%	3.12.2004 - 2.12.2014	(2), (4)
Mr. LI Jianhong	9.54	300,000	–	(300,000)	–	–	–	29.10.2003 - 28.10.2013	(1), (4), (5)
	13.75	1,000,000	–	–	–	1,000,000	0.045%	2.12.2004 - 1.12.2014	(2), (4)
Ms. SUN Yueying	9.54	300,000	–	(300,000)	–	–	–	29.10.2003 - 28.10.2013	(1), (4), (5)
	13.75	1,000,000	–	–	–	1,000,000	0.045%	3.12.2004 - 2.12.2014	(2), (4)
Mr. XU Minjie	19.30	–	800,000	–	–	800,000	0.036%	19.4.2007 - 18.4.2017	(3), (4)
Dr. SUN Jiakang	13.75	1,000,000	–	(300,000)	–	700,000	0.031%	1.12.2004 - 30.11.2014	(2), (4) (5)
Dr. WONG Tin Yau, Kelvin	9.54	800,000	–	–	–	800,000	0.036%	28.10.2003 - 27.10.2013	(1), (4)
	13.75	1,000,000	–	–	–	1,000,000	0.045%	2.12.2004 - 1.12.2014	(2), (4)
	19.30	–	500,000	–	–	500,000	0.022%	18.4.2007 - 17.4.2017	(3), (4)
Mr. WANG Zhi	13.75	700,000	–	(150,000)	–	550,000	0.025%	29.11.2004 - 28.11.2014	(2), (4), (5)
	19.30	–	500,000	–	–	500,000	0.022%	18.4.2007 - 17.4.2017	(3), (4)
Mr. QIN Fuyan*	13.75	200,000	–	–	–	200,000	0.009%	29.11.2004 - 28.11.2014	(2), (4)
	19.30	–	500,000	–	–	500,000	0.022%	19.4.2007 - 18.4.2017	(3), (4)
		9,000,000	2,300,000	(1,750,000)	–	9,550,000			
Continuous contract employees**	9.54	3,978,000	–	(2,253,000)	–	1,725,000	0.077%	(refer to note 1)	(1), (5)
	13.75	20,198,000	–	(6,156,000)	–	14,042,000	0.626%	(refer to note 2)	(2), (5)
	19.30	–	15,300,000	(530,000)	–	14,770,000	0.658%	(refer to note 3)	(3), (5)
Others	9.54	1,000,000	–	(950,000)	–	50,000	0.002%	(refer to note 1)	(1), (5)
	13.75	7,360,000	–	(4,236,000)	–	3,124,000	0.139%	(refer to note 2)	(2), (5)
		32,536,000	15,300,000	(14,125,000)	–	33,711,000			
		41,536,000	17,600,000	(15,875,000)	–	43,261,000			

* Mr. QIN Fuyan resigned as a director of the Company on 4th January 2008.

** Including share options of Mr. YIN Weiyu who has been appointed as a director of the Company on 4th January 2008.

Notes:

(1) The share options were granted during the period from 28th October 2003 to 6th November 2003 under the 2003 Share Option Scheme at an exercise price of HK$9.54. The options are exercisable at any time within ten years from the commencement date which is the date on which an offer is accepted or deemed to be accepted by the grantee pursuant to the 2003 Share Option Scheme (the "Commencement Date"). The Commencement Date of the options of the grantees was from 28th October 2003 to 6th November 2003.

(2) The share options were granted during the period from 25th November 2004 to 16th December 2004 under the 2003 Share Option Scheme at an exercise price of HK$13.75. The options are exercisable at any time within ten years from the Commencement Date. The Commencement Date of the options of the grantees was from 25th November 2004 to 16th December 2004.

(3) The share options were granted during the period from 17th April 2007 to 19th April 2007 under the 2003 Share Option Scheme at an exercise price of HK$19.30, which represents the average closing prices of the shares of the Company as dated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date on which an option is offered. The closing prices of the shares of the Company immediately before the dates on which the options were granted were in the range of HK$19.44 to HK$19.92. 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 17th April 2007 to 19th April 2007.

The Company adopted Black-Scholes Options Pricing Model (a common valuation methodology for share option) to calculate the value of share options. The fair value of the options was approximately HK$4.97 at the dates of grant with assumptions as follows:

(i) Interest rate of 10-year Exchange Fund Notes of 4.08% per annum as the risk-free interest rate;

(ii) Expected life of 6 years (by reference to the pattern of the options exercised by the grantees in prior years);

(iii) Expected dividend yield of 3.84% (being the average dividend yield of the Company for the previous five years); and

(iv) Expected volatility of 33.59% (being the historical volatility of the closing price of the Company's shares from 22nd March 2006 to 23rd March 2007).

The value of the share options is subject to a number of assumptions and with regard to the limitation of the model. Therefore the value may be subjective and difficult to determine.

(4) These options represent personal interests held by the relevant directors as beneficial owners.

(5) The weighted average closing price of the Shares immediately before the dates on which the options were exercised was HK$20.67.

(6) During the year, no share options were cancelled under the 2003 Share Option Scheme.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31st December 2007, the interests of the Company's directors in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

(a) Long positions in the shares of the Company

Name of director	Capacity	Nature of interest	Number of ordinary shares held	% of total issued share capital of the Company
Dr. LI Kwok Po, David	Beneficial owner	Personal	258,000	0.011%
Mr. Timothy George FRESHWATER	Beneficial owner	Personal	30,000	0.001%

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

Share options were granted to certain directors of the Company pursuant to the 1994 Share Option Scheme and the 2003 Share Option Scheme. Details of the directors' interests in share options granted by the Company are set out under the section headed "Share Options" of this report.

(c) Long positions in the shares of associated corporations

Name of associated corporation	Name of director	Capacity	Nature of interest	Number of H shares held	% of total issued H share capital of the relevant associated corporation
China COSCO Holdings Company Limited	Dr. WONG Tin Yau, Kelvin	Beneficial owner	Personal	573,875	0.022%

Name of associated corporation	Name of director	Capacity	Nature of interest	Number of shares held	% of total issued share capital of the relevant associated corporation
COSCO Corporation (Singapore) Limited	Dr. WEI Jiafu	Beneficial owner	Personal	1,900,000	0.085%
	Mr. LI Jianhong	Beneficial owner	Personal	1,300,000	0.058%
	Ms. SUN Yueying	Beneficial owner	Personal	1,400,000	0.063%

Note:

Adjustments were made to the number of shares held by these directors as a result of the approval of the sub-division of every 1 ordinary share of S$0.20 each divided into 2 ordinary shares of S$0.10 each by the shareholders of COSCO Corporation (Singapore) Limited on 17th January 2006.

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

(i) Movements of the share options granted to the directors of the Company by associated corporations during the year are set out below:

					Number of share options					
Name of associated corporation	Name of director	Capacity	Nature of interest	Exercise price HK$	Outstanding at 1st January 2007	Granted during the year	Exercised during the year	Outstanding at 31st December 2007	% of total issued share capital of the relevant associated corporation	Note
COSCO International Holdings Limited	Dr. WEI Jiafu	Beneficial owner	Personal	0.57	1,800,000	–	–	1,800,000	0.122%	(1)
				1.37	1,200,000	–	–	1,200,000	0.081%	(2)
	Mr. LI Jianhong	Beneficial owner	Personal	0.57	1,800,000	–	–	1,800,000	0.122%	(1)
				1.37	1,200,000	–	–	1,200,000	0.081%	(2)
	Dr. SUN Jiakang	Beneficial owner	Personal	0.57	900,000	–	(300,000)	600,000	0.041%	(1)
				1.37	800,000	–	–	800,000	0.054%	(2)
	Dr. WONG Tin Yau, Kelvin	Beneficial owner	Personal	0.57	800,000	–	–	800,000	0.054%	(1)
				1.37	500,000	–	–	500,000	0.034%	(2)

Notes:

(1) The share options were granted by COSCO International Holdings Limited ("COSCO International"), an associated corporation of the Company and a company listed on the Stock Exchange, on 26th November 2003 pursuant to the share option scheme adopted by COSCO International on 17th May 2002 and amended by the shareholders of COSCO International at the special general meeting held on 5th May 2005 (the "Share Option Scheme of COSCO International"). The share options are exercisable at an exercise price of HK$0.57 per share at any time between 23rd December 2003 and 22nd December 2008.

(2) The share options were granted by COSCO International on 2nd December 2004 pursuant to the Share Option Scheme of COSCO International. The share options are exercisable at an exercise price of HK$1.37 per share at any time between 29th December 2004 and 28th December 2014.

(3) During the year, no share options mentioned above were lapsed or cancelled.

Name of associated corporation	Name of director	Capacity	Nature of interest	Exercise price S$	Number of share options: Outstanding at 1st January 2007	Granted during the year	Exercised during the year	Outstanding at 31st December 2007	% of total issued share capital of the relevant associated corporation	Note
COSCO Corporation (Singapore) Limited	Dr. WEI Jiafu	Beneficial owner	Personal	1.23	1,100,000	–	–	1,100,000	0.049%	(2)
	Mr. LI Jianhong	Beneficial owner	Personal	1.23	700,000	–	–	700,000	0.031%	(2)
	Mr. XU Lirong	Beneficial owner	Personal	0.807	400,000	–	(400,000)	–	–	(1)
	Ms. SUN Yueying	Beneficial owner	Personal	1.23	700,000	–	–	700,000	0.031%	(2)

Notes:

(1) The share options were granted by COSCO Corporation (Singapore) Limited ("COSCO Corporation (Singapore)"), an associated corporation of the Company and a company listed on the Singapore Exchange Securities Trading Limited on 6th April 2005 and are exercisable at any time between 6th April 2007 and 5th 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 Corporation (Singapore) on 17th January 2006. In this respect, the exercise price was adjusted from S$1.614 to S$0.807 and the number of share options of Mr. XU Lirong was adjusted from 200,000 to 400,000 with effect from 17th January 2006.

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

(3) During the year, no share options mentioned above were lapsed or cancelled.

(ii) Movements of the share appreciation rights granted to the directors of the Company by an associated corporation during the year are set out below:

Name of associated corporation	Name of director	Capacity	Nature of interest	Exercise price HK$	Number of units of share appreciation rights: Outstanding at 1st January 2007	Granted during the year	Exercised during the year	Outstanding at 31st December 2007	% of total issued H share capital of the relevant associated corporation	Note
China COSCO Holdings Company Limited	Dr. WEI Jiafu	Beneficial owner	Personal	3.195	900,000	–	(220,000)	680,000	0.026%	(1)
				3.588	900,000	–	–	900,000	0.035%	(2)
				9.540	–	880,000	–	880,000	0.034%	(3)
	Mr. CHEN Hongsheng	Beneficial owner	Personal	3.195	700,000	–	(100,000)	600,000	0.023%	(1)
				3.588	700,000	–	–	700,000	0.027%	(2)
				9.540	–	680,000	–	680,000	0.026%	(3)
	Mr. LI Jianhong	Beneficial owner	Personal	3.195	600,000	–	(150,000)	450,000	0.017%	(1)
				3.588	600,000	–	–	600,000	0.023%	(2)
				9.540	–	580,000	–	580,000	0.022%	(3)
	Mr. XU Lirong	Beneficial owner	Personal	3.195	500,000	–	(125,000)	375,000	0.015%	(1)
				3.588	500,000	–	–	500,000	0.019%	(2)
				9.540	–	580,000	–	580,000	0.022%	(3)
	Ms. SUN Yueying	Beneficial owner	Personal	3.195	600,000	–	(100,000)	500,000	0.019%	(1)
				3.588	600,000	–	–	600,000	0.023%	(2)
				9.540	–	580,000	–	580,000	0.022%	(3)
	Mr. XU Minjie	Beneficial owner	Personal	3.195	100,000	–	–	100,000	0.004%	(1)
				3.588	90,000	–	–	90,000	0.003%	(2)
	Dr. SUN Jiakang	Beneficial owner	Personal	3.195	500,000	–	–	500,000	0.019%	(1)
				3.588	500,000	–	–	500,000	0.019%	(2)
				9.540	–	480,000	–	480,000	0.019%	(3)

Notes:

(1) The share appreciation rights were granted by China COSCO Holdings Company Limited ("China COSCO") (incorporated on 3rd March 2005), an associated corporation of the Company and a company listed on the Stock Exchange and the Shanghai Stock Exchange, in units with each unit representing one H share of China COSCO, on 16th December 2005 pursuant to the share appreciation rights plan adopted by China COSCO (the "Plan"). Under the Plan, no shares will be issued. The share appreciation rights can be exercisable at HK$3.195 per unit at any time between 16th December 2007 and 15th December 2015.

(2) The share appreciation rights were granted by China COSCO in units with each unit representing one H share of China COSCO on 5th October 2006 pursuant to the Plan. Under the Plan, no shares will be issued. The share appreciation rights can be exercisable at HK$3.588 per unit at any time between 5th October 2008 and 4th October 2016.

(3) The share appreciation rights were granted by China COSCO in units with each unit representing one H share of China COSCO on 4th June 2007 pursuant to the Plan. Under the Plan, no shares will be issued. The share appreciation rights can be exercisable at HK$9.540 per unit at any time between 4th June 2009 and 3rd June 2017.

(4) During the year, no share appreciation rights mentioned above were lapsed or cancelled.

Save as disclosed above, as at 31st December 2007, none of the directors 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' INTERESTS IN COMPETING BUSINESS

China Ocean Shipping (Group) Company ("COSCO") and its subsidiaries (excluding the Group) (collectively the "COSCO Group") (excluding the COSCO Logistics Group as defined below) carry on, among others, the businesses of shipping agency, freight forwarding and/or third party logistics and supporting services relating to the aforesaid services ("Logistics Businesses"), details of which are disclosed in the connected transactions circular issued by the Company dated 13th October 2003. The core of such businesses is unlikely to be in competition with the businesses carried on by COSCO Logistics Co., Ltd. ("COSCO Logistics"), its subsidiaries, jointly controlled entities and associates (collectively the "COSCO Logistics Group"). As at 31st December 2007, China COSCO, a subsidiary of COSCO and an intermediate holding company of the Company, and the Group has 51% and 49% equity interest in COSCO Logistics respectively.

As at 31st December 2007, Dr. WEI Jiafu, Mr. CHEN Hongsheng, Mr. LI Jianhong, Mr. XU Lirong, Ms. SUN Yueying, Mr. XU Minjie and Dr. SUN Jiakang, all being directors of the Company, held directorships and/or senior management posts in the COSCO Group (excluding the COSCO Logistics Group) and/or other companies which have interests in container terminals ("Container Terminal Interests").

The Board is of the view that the Group is capable of carrying on its businesses independently from the Logistics Businesses and/or the Container Terminal Interests. When making decisions on the logistics business and/or the container terminal business of the Group, the relevant directors, in the performance of their duties as directors of the Company, have acted and will continue to act in the best interests of the Group.

SUBSTANTIAL INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

As at 31st December 2007, the interests of shareholders in the shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

			Number of ordinary shares/Percentage of total issued share capital			
Name	**Capacity**	**Nature of interests**	**Long positions**	**%**	**Short positions**	**%**
COSCO Investments Limited	Beneficial owner	Beneficial interest	200,120,000	8.91	–	–
COSCO Pacific Investment Holdings Limited	Beneficial owner and interest of controlled corporation	Beneficial interest and corporate interest	1,144,166,411	50.97	–	–
China COSCO Holdings Company Limited	Interest of controlled corporation	Corporate interest	1,144,166,411	50.97	–	–
China Ocean Shipping (Group) Company	Interest of controlled corporation	Corporate interest	1,144,166,411	50.97	–	–

Note:

The 1,144,166,411 shares relate to the same batch of shares in the Company. COSCO Investments Limited ("COSCO Investments") is a wholly owned subsidiary of COSCO Pacific Investment Holdings Limited ("COSCO Pacific Investment"). Accordingly, the 200,120,000 shares of the Company held by COSCO Investments are also included as part of COSCO Pacific Investment's interests in the Company. COSCO Pacific Investment is a wholly owned subsidiary of China COSCO and it itself holds 944,046,411 shares of the Company beneficially. Accordingly, COSCO Pacific Investment's interests in relation to the 1,144,166,411 shares of the Company are also recorded as China COSCO's interests in the Company. China Ocean Shipping (Group) Company ("COSCO") holds 53.57% interest of the issued share capital of China COSCO as at 31st December 2007, and accordingly, COSCO is deemed to have the interests of 1,144,166,411 shares of the Company held by COSCO Pacific Investment.

Save as disclosed above, as at 31st December 2007, the Company has not been notified of any other interests or short positions in the shares and underlying shares of the Company which had been recorded in the register required to be kept under Section 336 of the SFO.

PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of its directors, as at the date of this report, there is sufficient public float of the shares of the Company with not less than 25% of the total issued shares of the Company as required under the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its Shares during the year. Neither the Company nor any of its subsidiaries purchased or sold any of the Company's shares during the year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws and there are no restrictions against such rights under the laws in Bermuda which would oblige the Company to offer new Shares on a pro-rata basis to existing shareholders.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

MAJOR SUPPLIERS AND LESSEES

The percentage of the Group's container purchases and leasing income attributable to major suppliers and lessees are as follows:

Percentage of container purchases attributable to the Group's largest supplier	11.14%
Percentage of container purchases attributable to the Group's five largest suppliers	38.36%
Percentage of leasing income attributable to the Group's largest lessee, which is a subsidiary of COSCO	77.26%
Percentage of leasing income attributable to the Group's five largest lessees	87.74%

None of the directors or their associates has interests in any of the suppliers or lessees of the Group.

Three of the Group largest suppliers attribute 23.56% of container purchases of the Group. During the year ended 31st December 2007, the Group and COSCO have equity interest in China International Marine Containers (Group) Co., Ltd., the holding company of the aforesaid three suppliers of the Group.

Save as disclosed above, none of the shareholders (which to the knowledge of the directors owns more than 5% of the Company's shares) has interest in any of the suppliers and lessees of the Group.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance so as to ensure better transparency and protection of shareholders' interests. The Company has complied with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules for the year ended 31st December 2007.

Further information on the Company's corporate governance practices is set out in the Corporate Governance Report on pages 46 to 61 of this annual report.

CONNECTED TRANSACTIONS

During the year, the following connected transactions/continuing connected transactions of the Company were entered into by the Group:

(a) Connected transactions

Entering into the Shareholder's Loan Agreement with Qingdao Qianwan Container Terminal Co., Ltd.

On 8th January 2007, COSCO Ports (Qianwan) Limited ("COSCO Ports Qianwan"), a wholly owned subsidiary of the Company, entered into a shareholder's loan agreement (the "Shareholder's Loan Agreement") as lender with Qingdao Qianwan Container Terminal Co., Ltd. ("QQCT") as borrower in relation to a loan facility ("Shareholder's Loan") of US$12,820,513, which shall be interest-free and drawn on or before 26th January 2007. The Shareholder's Loan Agreement was made in pursuance to the amended and restated joint venture contract dated 21st July 2003 made between COSCO Ports Qianwan, PTS Holdings Limited ("PTS Holdings") and Qingdao Port (Group) Co., Ltd ("QPC") in relation to QQCT, whereby all three parties agreed to grant shareholders' loan to QQCT in proportion to their respective equity interests in QQCT.

Such Shareholder's Loan lasted for 11 months but QQCT could advance or postpone the repayment as per the resolutions of the board of directors of QQCT. As at 26th November 2007, QQCT had repaid the Shareholder's Loan to COSCO Ports Qianwan.

APM Terminals Invest Company Limited ("APMT"), which is a subsidiary of A.P. Møller-Maersk A/S ("APM"), has been a substantial shareholder of a subsidiary of the Company since 5th September 2006. Accordingly, APM and its subsidiaries are connected persons of the Company. APM holds approximately 40.82% interest in PTS Holdings, which has an equity interest of 49% in QQCT. Accordingly, QQCT is an associate of APM and, on 5th September 2006, became a connected person of the Company. Hence, the Shareholder's Loan constituted a connected transaction of the Company under the Listing Rules.

Provision of the Shareholder's Loan was proposed to be used to finance the facility usage fee of Phase III of the container terminal situated at Qingdao Qianwan, the People's Republic of China (the "PRC").

The disposal of shareholding interest in Chong Hing Bank Limited

On 24th August 2007, the Company entered into a conditional sale and purchase agreement (the "Sale and Purchase Agreement") with COSCO (Hong Kong) Group Limited (the "Purchaser"), pursuant to which the Company agreed to sell and the Purchaser agreed to purchase (a) the two ordinary shares of US$1.00 each in the issued share capital of Bauhinia 97 Ltd. ("Bauhinia 97"), representing the entire issued share capital of Bauhinia 97 ("Sale Shares"); and (b) the rights of and benefits in the unsecured and non-interest bearing loan outstanding and owing from Bauhinia 97 to the Company and repayable on demand ("Sale Loan") as at the date of completion of the sale and purchase of the Sale Shares and Sale Loan pursuant to and in accordance with the Sale and Purchase Agreement for an aggregate cash consideration of HK$2,088 million (the "Disposal").

Bauhinia 97 is an investment holding company and its sole asset is 87 million ordinary shares of HK$0.50 each in the capital of Chong Hing Bank Limited ("Bank Shares"), representing a 20% shareholding interest in Chong Hing Bank Limited. The Consideration translates to an implied valuation of HK$24.00 per Bank Share.

The Disposal constituted a major transaction for the Company under the Listing Rules. As the Purchaser is a wholly owned subsidiary of China Ocean Shipping (Group) Company, the ultimate controlling shareholder of the Company, the Purchaser is a connected person of the Company and the Disposal also constituted a connected transaction of the Company, subject to the approval of (and was approved by) the independent shareholders at the Special General Meeting held on 11th October 2007. The Disposal was completed on 26th November 2007.

The Disposal provided an opportunity for the Group to divest its non-core investment and the cash consideration from the Disposal will be used for investments in its core businesses.

Acquisition of Berth Assets at Jiangdu Port

On 16th October 2007, Yangzhou Yuanyang International Ports Co. Ltd. (the "Purchaser") entered into an acquisition agreement (the "Acquisition Agreement") with Yangzhou Port Jiangdu Port Area Co. Ltd.（揚州港江都港區有限公司）("Yangzhou Jiangdu Ltd.") and Jiangdu City Port Development Company（江都市港口開發公司）("Jiangdu Port Development") regarding the land use rights of two parcels of land (Portion A and Portion B), berth terminal projects, machinery facilities, buildings, ancillary works and other construction in progress in respect of berth no. 1 of the Jiangdu Port in the PRC, and the business related thereto ("Berth Assets").

The consideration payable by the Purchaser to Yangzhou Jiangdu Ltd. and Jiangdu Port Development (the "Vendors") pursuant to the Acquisition Agreement for acquiring the Berth Assets, which was funded from a capital injection by its shareholders on pro rata basis and/or from its internal resources and/or from external financing, was determined based on an independent qualified valuer's valuation as at 31st May 2007 and comprised the following:

(i) asset transfer consideration (comprising the consideration which amounts to RMB1,844,600, payable by the Purchaser for the transfer of Jiangdu Port Development's share in the Berth Assets and the consideration which amounts to RMB47,135,000, payable by the Purchaser for the transfer of Yangzhou Jiangdu Ltd.'s share in the Berth Assets) payable to the Vendors, which amounts to RMB48,979,600;

(ii) land premium in relation to the transfer of the land use rights of Portion A payable to Jiangdu Port Development, which amounts to RMB5,614,100; and

(iii) land premium in relation to the transfer of the land use rights of Portion B payable to Jiangdu Port Development, which amounts to RMB980,000.

As the date of this report, the transfer has not been completed.

Yangzhou Jiangdu Ltd. is owned by Yangzhou Port of Jiangsu Province Group Co., Ltd.（江蘇省揚州港務集團有限公司）as to 51% (which owns 40% of the Purchaser). Being a subsidiary of a substantial shareholder of the Purchaser, Yangzhou Jiangdu Ltd. is therefore a connected person of the Company. Accordingly, the acquisition of the Berth Assets constituted a connected transaction of the Company under the Listing Rules.

Investment in such berth is expected to expand the Company's participation and involvement in the development of Yangzhou Port region in order to benefit from its economic growth, in turn boosting the Group's competitiveness and market position in the Yangzhou Port region and enlarge its relevant market share in terminal business.

Development of berth at Zhangjiagang Port

On 4th December 2007, Zhangjiagang Win Hanverky Container Terminal Co., Ltd. (the "Joint Venture"), a sino-foreign equity join venture established in the PRC and owned by a wholly owned subsidiary of the Company and Zhangjiagang Port Group Co. Ltd.（張家港港務集團有限公司）("Zhangjiagang Port Group") as to 51% and 49% respectively, entered into an agreement (the "Agreement") with Zhangjiagang Port Group Co. Ltd. Port Industry Branch（張家港港務集團有限公司港口實業分公司）(the "Contractor") in relation to the depot reconstruction project of berth no. 17 of Zhangjiagang Port in the PRC (the "Development").

The Contractor is engaged by the Joint Venture to carry out the Development. The construction period is expected to last for six months.

In consideration of the Contractor providing services in relation to the Development, the Joint Venture will pay a service fee up to a maximum of RMB38,000,000. Expenses on material will be reimbursed to the Contractor by the Joint Venture on an as incurred basis up to a maximum of RMB58,000,000.

As the Contractor is a wholly owned subsidiary of Zhangjiagang Port Group, the Contractor is therefore a connected person of the Company. Accordingly, the Agreement constituted a connected transaction of the Company.

The Development is required due to the increase in the volume of containers handled by the Joint Venture and for meeting the higher demand on the area of the container yard.

(b) Continuing connected transactions

Rental of office premises

On 27th March 2006, COSCO Pacific Management as tenant entered into two tenancy agreements with Wing Thye Holdings Limited ("Wing Thye") as landlord in respect of the leasing of certain office premises situated at 49th Floor of COSCO Tower, 183 Queen's Road Central, Hong Kong ("COSCO Tower") (the "4901 and 4902A Tenancy Agreement" and the "4903 Tenancy Agreement", collectively the "Tenancy Agreements").

Pursuant to the 4901 and 4902A Tenancy Agreement, COSCO Pacific Management agreed to rent from Wing Thye portions of the premises known as Unit 4901 and Unit 4902A situate at COSCO Tower ("Units 4901 and 4902A") for a term of three years commencing with retrospective effect from 29th November 2005 at a monthly rental of HK$420,000, exclusive of rates and management fees payable by COSCO Pacific Management. The monthly management fees payable to Wing Thye is HK$50,746.60. The maximum aggregate annual value of the rental and the management fees is HK$5,648,959.20.

Pursuant to the 4903 Tenancy Agreement, COSCO Pacific Management agreed to rent from Wing Thye a portion of the premises known as Unit 4903 situate at COSCO Tower ("Unit 4903") for a term of two years ten months and thirteen days commencing with retrospective effect from 16th January 2006 at a monthly rental of HK$150,000 (including rent-free period from 16th January 2006 to 15th March 2006 (both days inclusive)) exclusive of rates and management fees payable by COSCO Pacific Management. The monthly management fees payable to Wing Thye is HK$18,170. The maximum aggregate annual value of the rental and the management fees is HK$2,018,040.

The Company intended to continue to occupy Units 4901 and 4902A and Unit 4903 on a long term basis as the head office of itself and its subsidiaries and as its principal place of business in Hong Kong. In negotiating the rentals under the Tenancy Agreements, the directors of the Company made reference to the professional opinion given by DTZ Debenham Tie Leung Limited, an independent professional valuer engaged by COSCO Pacific Management and Wing Thye, that the monthly rental agreed for Units 4901 and 4902A and the monthly rental agreed for Unit 4903 were at market levels and were fair and reasonable.

Wing Thye is a wholly owned subsidiary of COSCO (Hong Kong) Group Limited (''COSCO Hong Kong''). COSCO Pacific Management is a wholly owned subsidiary of the Company. COSCO is a controlling shareholder of both the Company and COSCO Hong Kong. Accordingly, COSCO, COSCO Hong Kong and Wing Thye are all connected persons of the Company. The Tenancy Agreements and the transactions contemplated thereunder constituted continuing connected transactions of the Company under the Listing Rules.

Container related services, shipping related services and short term container leasing transactions

COSCO is the ultimate controlling shareholder of the Company. COSCO Container Lines Company Limited ("COSCON") is a subsidiary of COSCO. Accordingly, COSCO and COSCON and their respective associates (excluding the Group) are connected persons of the Company. APMT, which is a subsidiary of APM, has been a substantial shareholder of a subsidiary of the Company since 5th September 2006. Entities trading under the names of Maersk Line, Safmarine, MCC or any other future names with majority ownership by APM (collectively the "Line") are majority-owned by APM and are therefore associates of APMT. Accordingly, the Line is a connected person of the Company. Each of the Master Agreements referred to below and the transactions contemplated thereunder constituted continuing connected transactions (the "Continuing Connected Transactions") for the purpose of the Listing Rules and are subject to the reporting, announcement and (except for the short term container leasing transactions referred to below, the "Short Term Leasing Transactions") independent shareholders approval requirements set out in Chapter 14A of the Listing Rules. The Continuing Connected Transactions (other than the Short Term Leasing Transactions) for the years 2007 to 2009 were approved by the independent shareholders at the Special General Meeting held on 17th May 2007.

(1) The Shipping Services Master Agreement entered into between COSCO, COSCON and COSCO Ports (Holdings) Limited ("COSCO Ports") on 23rd March 2007, a wholly owned subsidiary of the Company, in respect of provision of the shipping related services provided by COSCO Ports and its subsidiaries to COSCO and COSCON and their respective associates (excluding the Group but including COSCON) for a term of three years from 1st January 2007 to 31st December 2009 at rates no less favourable than that at which COSCO Ports and its subsidiaries charge independent third parties for the relevant services. The annual caps of the shipping related services transactions for the years ended/ending 31st December 2007, 2008 and 2009 are US$34,929,000, US$51,272,000 and US$52,629,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2007 was US$13,915,000.

(2) The Shipping Services Master Agreement entered into between COSCO Ports and the Line on 23rd March 2007, in respect of provision of the shipping related services provided by COSCO Ports and its subsidiaries to the Line for a term of three years from 1st January 2007 to 31st December 2009 on normal commercial terms. The annual caps of the shipping related services transactions for the years ended/ending 31st December 2007, 2008 and 2009 are US$15,000,000, US$34,000,000 and US$46,000,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2007 was US$5,008,000.

(3) The Container Services Master Agreement (as amended on 23rd March 2007) entered into between COSCO, COSCON and Plangreat Limited ("Plangreat") commencing from 1st January 2005 and which was effectively renewed from 23rd March 2007 to expire on 31st December 2009, a wholly owned subsidiary of the Company, in respect of provision of the container related services by Plangreat and its subsidiaries to COSCO, COSCON and their respective associates (excluding the Group but including COSCON) at rates no less favourable to Plangreat and its subsidiaries than that at which Plangreat and its subsidiaries charge independent third parties for the relevant services. The annual cap of the container related services transactions for each of the years ended/ending 31st December 2007, 2008 and 2009 is US$7,501,000. The total amount of the aforesaid transactions for the year ended 31st December 2007 was US$6,625,000.

(4) The Short Term Container Leasing Master Agreement entered into between COSCO, COSCON and Florens Container Holdings Limited ("Florens"), a wholly owned subsidiary of the Company, in respect of provision of the short term container leases (container leasing for a term less than 10 years) granted by Florens and its subsidiaries to COSCO and its associates (excluding the Group but including COSCON) for a term of three years from 1st January 2005 to 31st December 2007 at rates no less favourable than that at which Florens and its subsidiaries charge independent third parties for the relevant leases. The annual caps of the short term container leasing transactions for the years ended 31st December 2005, 2006 and 2007 are US$2,700,000, US$3,100,000 and US$3,500,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2007 was US$33,000.

Logistics services provided by Yangzhou Ports Modern Logistics Centre

Yangzhou Yuanyang International Ports Co. Ltd ("Yangzhou Yuanyang"), a subsidiary of the Company, entered into Ancillary Loading and Unloading Transportation Services Agreements with Yangzhou Ports Modern Logistics Centre ("Yangzhou Ports Modern Logistics"), a wholly owned subsidiary of Yangzhou Port of Jiangsu Province Group Co., Ltd.（江蘇省揚州港務集團有限公司）which holds 40% equity interest in Yangzhou Yuanyang, on 28th February 2004 and 1st January 2005 in respect of the provision of logistics services by Yangzhou Ports Modern Logistics to Yangzhou Yuanyang for the periods from 1st March 2004 to 28th February 2007 (subsequently superseded by the agreement dated 1st January 2005) and 1st January 2005 to 28th February 2007 respectively. The services fees charged by Yangzhou Ports Modern Logistics were at rates no less favourable to Yangzhou Yuanyang than that at which independent third parties charged Yangzhou Yuanyang for the relevant services. The total amount of the aforesaid transactions for the years ended 31st December 2004, 2005 and 2006 were US$2,451,038, US$3,861,925 and US$4,452,972 respectively.

On 20th April 2007, Yangzhou Yuanyang entered into a new Ancillary Loading and Unloading Transportation Services Agreement with Yangzhou Ports Modern Logistics in respect of the provision of logistics services by Yangzhou Ports Modern Logistics to Yangzhou Yuanyang for the period from 1st March 2007 to 31st December 2009. The services fees charged by Yangzhou Ports Modern Logistics were payable monthly by reference to the volume of work handled by Yangzhou Ports Modern Logistics. The annual caps of the aforesaid transactions for the years ended/ending 31st December 2007, 2008 and 2009 are US$3,735,000, US$4,109,000 and US$4,518,000 respectively.

The total amount of the aforesaid transactions for the year ended 31st December 2007 was US$2,474,000.

As Yangzhou Ports Modern Logistics is a connected person of the Company by virtue of its being a subsidiary of a substantial shareholder of Yangzhou Yuanyang, its provision of logistics services to Yangzhou Yuanyang constituted continuing connected transactions of the Company.

Shipping related services provided by Yangzhou Yuanyang

Yangzhou Yuanyang has been providing shipping related services to COSCO and COSCON and their respective associates (excluding the Group) since 2004. The service fees charged by Yangzhou Yuanyang were at rates no less favourable to Yangzhou Yuanyang than that at which Yangzhou Yuanyang charged independent their parties for the relevant services. The total amounts of the aforesaid transactions for the years ended 31st December 2004, 2005, 2006 and the two months ended 28th February 2007 were US$315,012, US$437,460, US$653,642 and US$130,962 respectively. Such amount for the two months ended 28th February 2007 formed part of the total amount of the shipping related services transactions for the year ended 31st December 2007 under the Shipping Services Master Agreement entered into between COSCO, COSCON and COSCO Ports referred to above.

As COSCO and COSCON and their respective associates (excluding the Group) are connected persons of the Company, the provision of shipping related services by Yangzhou Yuanyang to them constituted continuing connected transactions of the Company.

Shipping related services provided by Quan Zhou Pacific Container Terminal Co., Ltd.

Quan Zhou Pacific Container Terminal Co., Ltd. ("Quanzhou Pacific"), a subsidiary of the Company, has been providing shipping related services to COSCO and COSCON and their respective associates (excluding the Group) since September 2006. The service fees charged by Quanzhou Pacific were at rates no less favourable to Quanzhou Pacific than that at which Quanzhou Pacific charged independent third parties for the relevant services. The total amount of the aforesaid transactions for the years ended 31st December 2006 was US$559,000. The aforesaid transactions for the year ended 31st December 2007 formed part of the transactions for the year ended 31st December 2007 under the Shipping Services Master Agreement entered into between COSCO, COSCON and COSCO Ports referred to above.

As COSCO and COSCON and their respective associates (excluding the Group) are connected persons of the Company, the provision of shipping related services by Quanzhou Pacific to them constituted continuing connected transactions of the Company.

Long term container leasing transactions (with waiver granted by the Stock Exchange)

During the year, long term container leasing transactions were entered into between COSCO Group and the Group in respect of the provision of long term container leases by the Group to COSCO Group to which the Stock Exchange had, subject to certain conditions, granted waiver dated 14th December 1994 to the Company from strict compliance with the requirements stipulated in the then Chapter 14 of the Listing Rules to disclose details of such connected transactions by press notice and/or circular and/or to obtain prior independent shareholders' approval. The total consideration of the aforesaid transactions for the year ended 31st December 2007 amounted to US$140,099,000. In the opinion of the directors of the Company, the aforesaid transactions were conducted in the ordinary course of business of the Group and using average market rates by reference to the average of the available leasing rates quoted from four of the top ten independent container leasing companies.

Opinion from the independent non-executive directors on the continuing connected transactions

Pursuant to the conditions of the waiver in relation to long term container leasing transactions and Rule 14A.37 of the Listing Rules, the independent non-executive directors of the Company have reviewed the above continuing connected transactions and opined that:

(i) the long term container leasing transactions had been conducted in the ordinary course of business of the Group and using average market rates by reference to the average of the available leasing rates quoted from four of the top ten independent container leasing companies and were fair and reasonable so far as the shareholders of the Company were concerned; and

(ii) the rental of the office premises transactions, container related service transactions, shipping related service transactions, short term container leasing transactions and logistics service transactions were:

- entered into in the ordinary and usual course of the Group's businesses;
- entered into on terms no less favourable to the Group than terms available from/to independent third parties; and
- entered into 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.

Report from the auditor on the continuing connected transactions

For the purposes of the conditions of the waiver in relation to long term container leasing transactions and Rule 14A.38 of the Listing Rules in relation to the other continuing connected transactions, the Board engaged the auditor of the Company to perform certain agreed-upon procedures on the above continuing connected transactions as identified by the management for the year ended 31st December 2007 (the "Relevant Year") 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 auditor reported that:

(i) the long term container leasing transactions for the Relevant Year had been conducted in the ordinary course of business of the Group and by reference to, if applicable, the average of the available leasing rates quoted from four of the top ten independent container leasing companies; and

(ii) the rental of the office premises transactions, container related service transactions, shipping related service transactions, short term container leasing transactions and logistics service transactions for the Relevant Year:

- had been approved by the Board;
- had been conducted in accordance with the pricing policies of the Group, if applicable (for the samples selected);
- had been entered into in accordance with the terms of the relevant agreements governing the other continuing connected transactions (for the samples selected); and
- had not exceeded the respective annual caps (as revised where applicable) as set out in the Company's announcements published in that regard.

DISCLOSURE UNDER RULE 13.22 OF CHAPTER 13 OF THE LISTING RULES

In relation to the financial assistance granted by the Group to certain affiliated companies, a proforma combined balance sheet of the affiliated companies as at 31st December 2007 required to be disclosed under Rule 13.22 of Chapter 13 of the Listing Rules is set out below:

	US$'000
Non-current assets	928,735
Current assets	106,615
Current liabilities	(212,875)
Non-current liabilities	(667,067)
Net assets	155,408
Share capital	82,222
Reserves	(644)
Minority interest	73,830
Capital and reserves	155,408

As at 31st December 2007, the Group's attributable interests in these affiliated companies amounted to US$166,692,000.

AUDIT COMMITTEE

The Company has an audit committee consisting of four independent non-executive directors. The committee reviews the systems of internal controls throughout the Group, the completeness and accuracy of its financial statements and liaises on behalf of the Board with external auditor and the Group's internal auditor. During the year, the committee members met regularly with management, external auditor and the Group's internal auditor and reviewed the internal and external audit reports and the interim and annual consolidated financial statements of the Group.

AUDITOR

The consolidated financial statements for the year have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

XU Minjie
Vice Chairman and Managing Director

Hong Kong, 7th April 2008

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF COSCO PACIFIC LIMITED

(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of COSCO Pacific Limited (the "Company") and its subsidiaries (collectively the "Group") set out on pages 91 to 168, which comprise the consolidated and company balance sheets as at 31st December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st December 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 7th April 2008

CONSOLIDATED BALANCE SHEET

As at 31st December 2007

	Note	2007 US$'000	2006 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	**1,474,264**	1,108,852
Investment properties	8	**1,676**	1,540
Leasehold land and land use rights	9	**43,654**	34,401
Intangible assets	10	**3,506**	3,839
Jointly controlled entities	12	**752,503**	476,764
Associates	13	**480,151**	619,590
Available-for-sale financial assets	14	**503,000**	376,589
Finance lease receivables	15	**2,315**	2,989
Deferred income tax assets	23	**1,271**	162
Derivative financial instruments	18	**4,641**	–
Restricted bank deposits	40(b)	**506**	158
		3,267,487	2,624,884
Current assets			
Inventories	16	**10,105**	3,553
Trade and other receivables	17	**193,496**	133,629
Available-for-sale financial assets	14	**13,620**	–
Derivative financial instruments	18	**–**	579
Cash and cash equivalents	40(b)	**386,867**	224,510
		604,088	362,271
Total assets		**3,871,575**	2,987,155

CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 31st December 2007

	Note	2007 US$'000	2006 US$'000
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	20	**28,790**	28,583
Reserves		**2,543,971**	2,051,627
Proposed final and special dividends		**139,632**	92,424
		2,712,393	2,172,634
Minority interests		**62,266**	35,567
Total equity		**2,774,659**	2,208,201
LIABILITIES			
Non-current liabilities			
Derivative financial instruments	18	**–**	4,362
Deferred income tax liabilities	23	**8,620**	2,202
Long term borrowings	22	**874,435**	518,932
Other long term liabilities	24	**5,189**	5,207
		888,244	530,703
Current liabilities			
Trade and other payables	19	**153,739**	172,728
Derivative financial instruments	18	**–**	55,181
Current income tax liabilities		**15,334**	7,676
Current portion of long term borrowings	22	**25,904**	2,421
Short term bank loans	22	**13,695**	10,245
		208,672	248,251
Total liabilities		**1,096,916**	778,954
Total equity and liabilities		**3,871,575**	2,987,155
Net current assets		**395,416**	114,020
Total assets less current liabilities		**3,662,903**	2,738,904

On behalf of the Board

XU Minjie
Vice Chairman and Managing Director

WONG Tin Yau, Kelvin
Executive Director and Deputy Managing Director

The accompanying notes on pages 98 to 168 are an integral part of these consolidated financial statements.

BALANCE SHEET

As at 31st December 2007

	Note	2007 US$'000	2006 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	**107**	213
Subsidiaries	11	**1,598,889**	1,328,294
		1,598,996	1,328,507
Current assets			
Other receivables	17	**109,705**	191,416
Cash and cash equivalents	40(b)	**217,636**	126,743
		327,341	318,159
Total assets		**1,926,337**	1,646,666
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	20	**28,790**	28,583
Reserves	21	**1,396,890**	1,130,819
Proposed final and special dividends	21	**139,632**	92,424
Total equity		**1,565,312**	1,251,826
LIABILITIES			
Non-current liability			
Loan due to a subsidiary	11	**296,655**	296,655
Current liabilities			
Other payables	19	**64,370**	43,004
Derivative financial instruments	18	**–**	55,181
		64,370	98,185
Total liabilities		**361,025**	394,840
Total equity and liabilities		**1,926,337**	1,646,666

On behalf of the Board

XU Minjie
Vice Chairman and Managing Director

WONG Tin Yau, Kelvin
Executive Director and Deputy Managing Director

The accompanying notes on pages 98 to 168 are an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December 2007

	Note	2007 US$'000	2006 US$'000
Revenue	6	**298,948**	297,473
Cost of sales		**(152,513)**	(133,651)
Gross profit		**146,435**	163,822
Investment income		**21,874**	19,747
Administrative expenses		**(55,582)**	(33,806)
Other operating income	25	**27,934**	35,304
Other operating expenses		**(9,561)**	(13,216)
Profit on disposal of containers	26	**25,975**	84,454
Initial recognition of put options granted in connection with share reform of an associate	28	**–**	(140,064)
Fair value gain on put options granted	28	**55,181**	84,883
		55,181	(55,181)
Operating profit	29	**212,256**	201,124
Finance income	30	**10,466**	12,621
Finance costs	30	**(49,878)**	(44,203)
Operating profit after finance income and costs		**172,844**	169,542
Share of profits less losses of			
– jointly controlled entities		**106,933**	85,070
– associates		**80,326**	89,042
Profit on disposal of an associate	27	**90,742**	–
Profit before income tax		**450,845**	343,654
Income tax expenses	31	**(17,796)**	(49,196)
Profit for the year		**433,049**	294,458
Profit attributable to:			
Equity holders of the Company	32	**427,768**	291,082
Minority interests		**5,281**	3,376
		433,049	294,458
Dividends	33	**211,003**	197,370
Earnings per share for profit attributable to equity holders of the Company			
– basic	34	**US19.09 cents**	US13.14 cents
– diluted	34	**US18.99 cents**	US13.07 cents

The accompanying notes on pages 98 to 168 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December 2007

	Share capital US$'000	Share premium US$'000	Share option reserve US$'000	Capital reserve US$'000	Contributed surplus US$'000	Investment revaluation reserves US$'000	Other properties revaluation reserve US$'000	Exchange reserve US$'000	Other reserves US$'000	Retained profits US$'000	Total reserves US$'000	Minority interests US$'000	Total US$'000
At 1st January 2007	28,583	672,524	–	1,093	115	306,038	714	30,906	28,070	1,104,591	2,144,051	35,567	2,208,201
Exchange differences arising on translation of financial statements of foreign subsidiaries, jointly controlled entities and associates	–	–	–	–	–	–	–	53,150	–	–	53,150	2,781	55,931
Fair value gain on available-for-sale financial assets	–	–	–	–	–	143,992	–	–	–	–	143,992	–	143,992
Release of reserves upon disposal of available-for-sale financial assets	–	–	–	–	–	(7,508)	–	–	–	–	(7,508)	–	(7,508)
Share of reserves of jointly controlled entities and associates	–	–	–	3,615	–	59,805	–	(10,778)	(731)	–	51,911	–	51,911
Release of reserves upon disposal of an associate	–	–	–	–	–	(4,613)	–	1,362	–	–	(3,251)	–	(3,251)
Net gain/(loss) recognised directly in equity	–	–	–	3,615	–	191,676	–	43,734	(731)	–	238,294	2,781	241,075
Profit for the year	–	–	–	–	–	–	–	–	–	427,768	427,768	5,281	433,049
Total recognised profit/(loss) for 2007	–	–	–	3,615	–	191,676	–	43,734	(731)	427,768	666,062	8,062	674,124
Recognition of share-based compensation	–	–	11,190	–	–	–	–	–	–	–	11,190	–	11,190
Issue of shares on exercise of share options	207	26,108	–	–	–	–	–	–	–	–	26,108	–	26,315
Share issue expenses	–	(13)	–	–	–	–	–	–	–	–	(13)	–	(13)
Transfer of reserve upon exercise of share option	–	337	(337)	–	–	–	–	–	–	–	–	–	–
Reclassification of a jointly controlled entity to a subsidiary (note 42)	–	–	–	–	–	–	–	–	–	–	–	21,897	21,897
Transfer of reserves	–	–	–	–	–	–	–	–	5,981	(5,981)	–	–	–
Dividend paid to minority shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(3,260)	(3,260)
Dividends paid to equity holders of the Company													
– 2006 final	–	–	–	–	–	–	–	–	–	(92,209)	(92,209)	–	(92,209)
– 2007 interim	–	–	–	–	–	–	–	–	–	(71,586)	(71,586)	–	(71,586)
	207	26,432	10,853	3,615	–	191,676	–	43,734	5,250	257,992	539,552	26,699	566,458
At 31st December 2007	28,790	698,956	10,853	4,708	115	497,714	714	74,640	33,320	1,362,583	2,683,603	62,266	2,774,659
Representing:													
Share capital	28,790	–	–	–	–	–	–	–	–	–	–		
Reserves	–	698,956	10,853	4,708	115	497,714	714	74,640	33,320	1,222,951	2,543,971		
2007 final and special dividends proposed	–	–	–	–	–	–	–	–	–	139,632	139,632		
	28,790	698,956	10,853	4,708	115	497,714	714	74,640	33,320	1,362,583	2,683,603		

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 31st December 2007

	Share capital US$'000	Share premium US$'000	Capital reserve US$'000	Contributed surplus US$'000	Investment revaluation reserve US$'000	Other properties revaluation reserve US$'000	Exchange reserve US$'000	Other reserves US$'000	Retained profits US$'000	Total reserves US$'000	Minority interests US$'000	Total US$'000
At 1st January 2006	28,200	623,822	1,121	115	192,051	714	9,595	22,857	1,001,473	1,851,748	10,395	1,890,343
Exchange differences arising on translation of financial statements of foreign subsidiaries, jointly controlled entities and associates	–	–	–	–	–	–	26,159	–	–	26,159	514	26,673
Fair value gain on available-for-sale financial assets	–	–	–	–	88,952	–	–	–	–	88,952	–	88,952
Share of reserves of jointly controlled entities and associates	–	–	79	–	25,035	–	(4,839)	984	–	21,259	–	21,259
Release of reserves upon disposal of a jointly controlled entity	–	–	(107)	–	–	–	(9)	(217)	217	(116)	–	(116)
Net gain/(loss) recognised directly in equity	–	–	(28)	–	113,987	–	21,311	767	217	136,254	514	136,768
Profit for the year	–	–	–	–	–	–	–	–	291,082	291,082	3,376	294,458
Total recognised profit/(loss) for 2006	–	–	(28)	–	113,987	–	21,311	767	291,299	427,336	3,890	431,226
Issue of shares on exercise of share options	383	48,715	–	–	–	–	–	–	–	48,715	–	49,098
Share issue expenses	–	(13)	–	–	–	–	–	–	–	(13)	–	(13)
Asset injection to a non-wholly owned subsidiary by a minority shareholder of the subsidiary	–	–	–	–	–	–	–	–	–	–	9,800	9,800
Establishment of a non-wholly owned subsidiary	–	–	–	–	–	–	–	–	–	–	14,256	14,256
Transfer of reserves	–	–	–	–	–	–	–	4,446	(4,446)	–	–	–
Dividend paid to minority shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	(2,774)	(2,774)
Dividends paid to equity holders of the Company												
– 2005 final	–	–	–	–	–	–	–	–	(79,457)	(79,457)	–	(79,457)
– 2006 interim	–	–	–	–	–	–	–	–	(78,230)	(78,230)	–	(78,230)
– 2006 special interim	–	–	–	–	–	–	–	–	(26,048)	(26,048)	–	(26,048)
	383	48,702	(28)	–	113,987	–	21,311	5,213	103,118	292,303	25,172	317,858
At 31st December 2006	28,583	672,524	1,093	115	306,038	714	30,906	28,070	1,104,591	2,144,051	35,567	2,208,201
Representing:												
Share capital	28,583	–	–	–	–	–	–	–	–	–		
Reserves	–	672,524	1,093	115	306,038	714	30,906	28,070	1,012,167	2,051,627		
2006 final dividend proposed	–	–	–	–	–	–	–	–	92,424	92,424		
	28,583	672,524	1,093	115	306,038	714	30,906	28,070	1,104,591	2,144,051		

The accompanying notes on pages 98 to 168 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st December 2007

	Note	**2007 US$'000**	2006 US$'000
Cash flows from operating activities			
Cash generated from operations	40(a)	**227,508**	310,637
Interests received		**9,593**	11,683
Net cash (paid)/received from interest rate swap contracts		**(652)**	751
Tax refunded		**51**	58
Tax paid		**(5,035)**	(112,811)
Net cash generated from operating activities		**231,465**	210,318
Cash flows from investing activities			
Dividends received from jointly controlled entities		**99,998**	43,986
Dividends received from associates		**31,173**	40,979
Dividends received from available-for-sale financial assets		**11,919**	10,633
Purchase of property, plant and equipment		**(682,829)**	(438,923)
Investments in jointly controlled entities		**(66,217)**	(15,842)
Investments in associates		**(62,670)**	(58,903)
Investments in available-for-sale financial assets		**–**	(9,195)
Loans advanced to jointly controlled entities, associates and investee companies		**(67,672)**	(59,951)
Reclassification of jointly controlled entity to a subsidiary		**1,040**	–
Repayment of loans by jointly controlled entities and an investee company		**8,448**	34,704
Sale of available-for-sale financial assets		**14,355**	–
Sale of property, plant and equipment		**240,378**	855,021
Net proceeds on disposal of an associate		**266,116**	–
Compensation received for loss of containers		**1,148**	809
Net cash (used in)/generated from investing activities		**(204,813)**	403,318
Cash flows from financing activities			
Loans borrowed		**611,292**	517,103
Loans repaid		**(286,319)**	(889,986)
Issue of shares		**26,315**	49,098
Share issue expenses		**(13)**	(13)
Dividends paid		**(163,791)**	(183,735)
Dividends paid to minority shareholders of subsidiaries		**(3,100)**	(2,774)
Interests paid		**(47,358)**	(36,095)
Other incidental borrowing costs paid		**(2,056)**	(783)
Net cash generated from/(used in) financing activities		**134,970**	(547,185)
Net increase in cash and cash equivalents		**161,622**	66,451
Cash and cash equivalents at 1st January		**224,510**	157,337
Exchange differences		**735**	722
Cash and cash equivalents at 31st December	40(b)	**386,867**	224,510

The accompanying notes on pages 98 to 168 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

COSCO Pacific Limited (the "Company") and its subsidiaries (collectively the "Group") are principally engaged in the businesses of managing and operating container terminals, container leasing, management and sale, logistics, container manufacturing and their related businesses. The Company is a limited liability company incorporated in Bermuda and its registered office is Clarendon House, Church Street, Hamilton, HM 11, Bermuda.

The intermediate holding company of the Company is China COSCO Holdings Company Limited ("China COSCO"), a company established in the People's Republic of China (the "PRC") and listed in Hong Kong. The parent company of China COSCO is China Ocean Shipping (Group) Company ("COSCO"), a state-owned enterprise established in the PRC.

These consolidated financial statements have been approved for issue by the Board of Directors on 7th April 2008.

2 BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). These consolidated financial statements have been prepared under the historical cost convention except that, as disclosed in the accounting policies below, available-for-sale financial assets, derivative financial instruments and investment properties are carried at fair value and certain buildings are carried at valuation as at 31st December 1994 less accumulated depreciation and impairment losses.

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

(a) Standards, interpretations and amendments which are effective in 2007 and adopted by the Group

In 2007, the Group adopted HKAS 1 (Amendment) "Capital Disclosures" and HKFRS 7 "Financial Instruments: Disclosures" which are relevant to its operations. HKAS 1 (Amendment) and HKFRS 7 introduce new disclosures relating to capital management and financial instruments respectively. These standards do not have any impact on the classification and valuation of the financial instruments.

The HKICPA has issued other certain new and revised HKFRSs which are mandatory for the Group's accounting periods on or after 1st January 2007. The adoption of these HKFRSs in the current year did not result in any significant changes to the Group's accounting policies and had no material effect on the consolidated financial statements.

(b) Standards, interpretations and amendments to published standards that are not yet effective for the year ended 31st December 2007 and have not been early adopted by the Group

The HKICPA has issued the following new or revised HKFRSs which are not yet effective for the year ended 31st December 2007 and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions	1st March 2007
HK(IFRIC)-Int 12	Service Concession Arrangement	1st January 2008
HK(IFRIC)-Int 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction	1st January 2008
HK(IFRIC)-Int 13	Customer Loyalty Programmes	1st July 2008
HKFRS 8	Operating Segments	1st January 2009
HKAS 1 (Revised)	Presentation of Financial Statements	1st January 2009
HKAS 23 (Revised)	Borrowing Costs	1st January 2009
HKFRS 2 Amendment	Share-based Payment – Vesting Conditions and Cancellations	1st January 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements	1st July 2009
HKFRS 3 (Revised)	Business Combination	1st July 2009

2 BASIS OF PREPARATION (CONTINUED)

(b) Standards, interpretations and amendments to published standards that are not yet effective for the year ended 31st December 2007 and have not been early adopted by the Group (Continued)

(i) HK(IFRIC)-Int 11 clarifies that certain types of transactions are accounted for as equity-settled or cash-settled transactions under HKFRS 2. It also addresses the accounting for share-based payment transactions involving two or more entities within one group.

(ii) HK(IFRIC)-Int 12 applies to companies that participate in service concession arrangements and provides guidance on the accounting by operations in public-to-private service concession arrangements.

(iii) HK(IFRIC)-Int 14 provides guidance on assessing the limit in HKAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The Group will apply HK(IFRIC)-Int 14 from 1st January 2008, but it is not expected to have any impact on the Group's account.

(iv) HK(IFRIC)-Int 13 applies to companies that operate or otherwise participate in customer loyalty programmes for their customers. It addresses sales transactions in which the entities grant their customers award credits that, subject to meeting any further qualifying conditions, the customers can redeem in future for free or discounted goods or services.

(v) Under HKFRS 8, segments are components of an entity regularly reviewed by an entity's chief operating decision-maker. Items are reported based on the internal reporting.

(vi) HKAS 1 (Revised) requires all owner changes in equity to be presented in a statement of changes in equity. All comprehensive income is presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). It requires presenting a statement of financial position as at the beginning of the earliest comparative period in a complete set of financial statements when there are retrospective adjustments or reclassification adjustments. However, it does not change the recognition, measurement or disclosure of specific transactions and other events required by other HKFRSs.

(vii) HKAS 23 (Revised) applies to qualifying assets measured at cost. It addresses that management no longer has an option to expense borrowing costs on qualifying assets. Companies that expense borrowing costs under their current accounting policy must identify their qualifying assets.

(viii) HKFRS 2 Amendment clarifies the definition of "vesting conditions" and specifies the accounting treatment of "cancellations" by the counterparty to a share-based payment arrangement. Vesting conditions are service conditions (which require a counterparty to complete a specified period of service) and performance conditions (which require a specified period of service and specified performance targets to be met) only. All "non-vesting conditions" and vesting conditions that are market conditions shall be taken into account when estimating the fair value of the equity instruments granted. All cancellations are accounted for as an acceleration of vesting and the amount that would otherwise have been recognised over the remainder of the vesting period is recognised immediately.

(ix) HKAS 27 (Revised) requires non-controlling interests (i.e. minority interests) to be presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent. Total comprehensive income must be attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity. When control of a subsidiary is lost, the assets and liabilities and related equity components of the former subsidiary are derecognised. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at its fair value at the date when control is lost.

2 BASIS OF PREPARATION (CONTINUED)

(b) Standards, interpretations and amendments to published standards that are not yet effective for the year ended 31st December 2007 and have not been early adopted by the Group (Continued)

(x) HKFRS 3 (Revised) may bring more transactions into acquisition accounting as combinations by contract alone and combinations of mutual entities are brought into the scope of the standard and the definition of a business has been amended slightly. It now states that the elements are 'capable of being conducted' rather than 'are conducted and managed'. It requires considerations (including contingent consideration), each identifiable asset and liability to be measured at its acquisition-date fair value, except for leases and insurance contracts, reacquired right, indemnification assets as well as some assets and liabilities required to be measured in accordance with other HKFRSs. They are income taxes, employee benefits, share-based payment and non-current assets held for sale and discontinued operations. Any non-controlling interest in an acquiree is measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The Group will apply the above standards and interpretations from 1st January 2008 or later periods. 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 consolidated financial statements will be resulted.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Group accounting

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

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

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated income statement. Investment in a jointly controlled entity/an associate is accounted for using the equity method from the date on which it becomes a jointly controlled entity/an associate. The measurement of goodwill is the same as that of goodwill arising from the acquisition of subsidiaries. Goodwill relating to a jointly controlled entity/an associate is included in the carrying amount of the investment. Appropriate adjustments to the Group's share of the profits or losses after acquisition are made to the consolidated financial statements based on the fair values of the assets and liabilities acquired at date of acquisition.

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

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Group accounting (Continued)

(a) Subsidiaries

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

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

(b) Jointly controlled entities

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

(c) Associates

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

(d) Minority interests

Minority interests represent the interest of outside shareholders in the operating results and net assets of subsidiaries.

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

3.2 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in United States dollar ("US dollar"), which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the securities and other changes in the carrying amount of the securities. Translation differences relating to the changes in amortised cost are recognised in the income statement, and other changes in carrying amount are recognised in equity.

Translation differences on non-monetary items, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation difference on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the investment revaluation reserve in equity.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Foreign currency translation (Continued)

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to Group's total equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

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

3.3 Property, plant and equipment

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

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

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

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

Containers	15 years
Generator sets	12 years
Buildings	25 to 50 years
Leasehold improvements	5 years or the remaining period of the lease, whichever is shorter
Other property, plant and equipment	5 to 20 years

No depreciation is provided for construction in progress. Construction in progress is transferred to relevant categories of property, plant and equipment upon the completion of the related construction works and depreciation will then be commenced accordingly.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The gain or loss on disposal of property, plant and equipment is the difference between the net sale proceeds and the carrying amount of the relevant asset, and is recognised in the income statement.

When the containers cease to be rented and are held for sale, these containers are transferred to inventories at their carrying amount.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Leasehold land and land use rights

Leasehold land and land use rights represent prepaid operating lease payments for land less accumulated amortisation and any impairment losses. Amortisation is calculated using the straight-line method to allocate the prepaid operating lease payments for land over the remaining lease term.

3.5 Investment properties

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

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

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

Investment property is measured initially at its cost, including related transaction costs.

After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are reviewed annually by external valuers.

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

Changes in fair values are recognised in the income statement.

3.6 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/jointly controlled entity/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of jointly controlled entities and associates is included in investments in jointly controlled entities and associates respectively. Separately recognised goodwill is tested for impairment annually and where there is indication for impairment, and is carried at cost less accumulated impairment losses. Impairment loss on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash generating units for the purpose of impairment testing.

(b) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over the estimated useful lives of 5 years on a straight-line basis.

Costs associated with developing or maintaining computer software programmes which do not generate economic benefits exceeding costs beyond one year are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Computer systems under development are transferred to computer software upon the completion of the respective development and amortisation will then be commenced accordingly over the estimated useful lives of 5 years on a straight-line basis.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Impairment of assets

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

3.8 Available-for-sale financial assets

The Group classifies its investments as available-for-sale financial assets. Management determines the classification of its investments at initial recognition.

Available-for-sale financial assets are non-derivatives and they are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

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

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

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

3.9 Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as hedge of the fair value of a recognised liability.

The Group documents the relationship between hedging instruments and hedged items at the inception of the transaction, as well as its risk management objectives and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values of the hedged items.

The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining hedged item is more than 12 months, and as a current asset or liability, if the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as current assets or liabilities.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Derivative financial instruments and hedging activities (Continued)

Changes in the fair value of derivatives that are designated and qualified as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in the income statement within finance costs. The gain or loss relating to the ineffective portion is recognised in the income statement within other operating income/ expenses. Changes in the fair value of the hedge fixed rate borrowings attributable to interest rate risk are recognised in the income statement within finance costs. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity.

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement.

3.10 Inventories

Inventories include resaleable containers. Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

3.11 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within other operating expenses. When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited against other operating income in the income statement.

3.12 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts (if any).

3.13 Assets under leases

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

(a) Leases – where the Group is the lessee

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

(b) Leases – where the Group is the lessor

When the Group leases out assets under operating leases, the assets are included in the balance sheet according to their nature and where applicable, are depreciated in accordance with the Group's depreciation policies, as set out in note 3.3 above. Revenue arising from assets leased out under operating leases is recognised in accordance with the Group's revenue recognition policies, as set out in notes 3.21(a) and 3.21(e) below.

When assets are leased out under a finance lease, the present value of the minimum lease payments is recognised as a receivable. Revenue on containers leased out under finance leases is recognised in accordance with the Group's revenue recognition policies, as set out in note 3.21(a) below.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

3.15 Trade payables

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

3.16 Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurred because a specified debtor failed to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts are initially recognised at their fair value, and subsequently measured at the higher of (i) the amount initially recognised less accumulated amortisation; and (ii) the amount required to be settled by the guarantor in respect of the financial guarantee contracts at the balance sheet date.

3.17 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3.18 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

3.19 Deferred income tax

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

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

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, jointly controlled entities and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.20 Employee benefits

(a) Retirement benefit costs

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

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

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

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

(b) Employee leave entitlements

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

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

(c) Bonus entitlements

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

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

(d) Share-based compensation

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.21 Recognition of revenue and income

The Group recognises revenue and income on the following bases:

(a) Revenue from leasing of containers and generator sets

Rental income from leasing of containers and generator sets under operating leases are recognised on a straight-line basis over the period of each lease.

Revenue on containers leased out under finance leases is allocated to accounting period to give a constant periodic rate of return on the net investments in the lease in each period.

(b) Revenue from terminal operations

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

(c) Revenue from container handling, transportation and storage

Revenue from container handling and transportation is recognised when the services are rendered.

Revenue from container storage is recognised on a straight-line basis over the period of storage.

(d) Revenue from container management

Revenue from container management is recognised when the related management and administrative services are rendered.

(e) Operating lease rental income from investment properties

Operating lease rental income from investment properties is recognised on a straight-line basis over the period of each lease and is recognised in the consolidated income statement within investment income.

(f) Revenue from sale of resaleable containers included in inventories

Revenue from sale of resaleable containers is recognised on the transfer of risks and rewards on ownership, which generally coincides with the time when the containers are delivered to customers and title has passed. The proceeds from the sale of resaleable containers are included in revenue as the sale is in the course of the Group's ordinary activities.

In prior years, the proceeds from the sale of resaleable containers were included in other operating income and the cost of these resaleable containers sold was included in other operating expenses. During the year, the Group included the proceeds from the sale of resaleable containers as revenue and the related costs are included in the cost of sales as the sale of resaleable containers arises in the course of the Group's principal activities and recurs routinely. As a result, the proceeds from sale of resaleable containers of US$43,513,000 and the cost of these resaleable containers sold of US$32,965,000 for the year ended 31st December 2006 were reclassified to revenue and cost of sales respectively to conform with current year's presentation.

(g) Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

(h) Dividend income

Dividend income is recognised when the right to receive payment is established and is recognised in the consolidated income statement within investment income.

(i) Income on sale of investments

Income on sale of investments is recognised when the risks and rewards associated with ownership of the related investment have been transferred to the purchaser.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.22 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset.

All other borrowing costs are charged to the income statement in the year in which they are incurred.

3.23 Dividend distribution

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

3.24 Contingent liabilities and contingent assets

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

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

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

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

4 FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

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

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

(a) Market risk

(i) Foreign exchange risk

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

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

With all other variables held constant, if Non-Functional Currency Items had weakened/strengthened by 5% against the US dollar, the Group's profit after income tax for the year would have been decreased/increased by approximately US$2,331,000 (2006: US$2,327,000) as a result of the translation of those Non-Functional Currency Items.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (Continued)

***(a) Market risk* (Continued)**

(ii) Price risk

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

(iii) Cash flow and fair value interest rate risk

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

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

With all other variable held constant if the interest rate had increased/decreased by 50 basis-point, the corresponding increase/decrease in net finance costs (representing interest expenses on Interest Bearing Liabilities net of interest income on the Interest Bearing Assets) would have been approximately US$1,845,000 (2006: US$457,000).

(b) Credit risk

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

The majority of the Group's trade and finance lease receivables relate to container leasing rental income receivable from COSCO Container Lines Company Limited ("COSCON"), a fellow subsidiary, and third party customers which are operating in the container shipping industry. COSCON accounted for approximately 47% of the Group's revenue and most of balance receivable from COSCON are aged less than 60 days (which is within the credit period granted by the Group of 90 days).

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

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

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

Customers are assessed and rated based on their credit quality, taking into account its financial position, past experience and other factors. Individual risk limits are set by management of the respective operating units.

Utilisation of credit limits is regularly monitored.

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

The maximum exposure to credit risk at the reporting date is the carrying value of total unimpaired trade and other receivables in the consolidated balance sheet.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (Continued)

(c) Liquidity risk

The Group's cash management policy is to regularly monitor its current and expected liquidity positions to ensure adequate funds are available for its short term and long term requirements.

The table below analyses the Group's financial liabilities which will be settled into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year US$'000	Between 1 and 2 years US$'000	Between 2 and 5 years US$'000	Over 5 years US$'000
At 31st December 2007				
Bank and other borrowings	**91,184**	**92,100**	**481,665**	**484,900**
Trade and other payables	**153,739**	**–**	**–**	**–**
At 31st December 2006				
Bank and other borrowings	44,338	212,178	88,522	325,814
Derivatives financial instruments	55,181	–	–	4,362
Trade and other payables	172,728	–	–	–

4.2 Capital risk management

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

The Group monitors capital on the basis of the net debt (total borrowings less cash and cash equivalents) to equity (capital and reserves attributable to equity holders of the Company) ratio. The Group aims to maintain a manageable net debt to equity ratio. As at 31st December 2007, the net debt to equity ratio is 19.0% (2006: 13.9%).

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to equity holders, return capital to equity holders, issue new shares or capital or sell assets to reduce debt.

4.3 Fair value estimation

The fair values of the Group's available-for-sale financial assets are determined by reference to the methods below:

- the quoted market price when the related investment is traded in an active market;
- valuation techniques (including pricing models or discounted cash flow models); and the price for similar recent transactions, with adjustment for the difference in market conditions and circumstances.

For unlisted investments, the Group will determine the fair value of available-for-sale financial assets by reference to valuation report of an independent professional valuer.

The fair value of interest rate swap contracts is calculated as the present value of the estimated future cash flows.

The fair value of financial guarantee contracts is determined by reference to the fees charged in an arm's length transaction for similar services or the interest rate differentials charged by lenders on the related borrowings with and without the guarantees granted by the Group.

The carrying amounts of receivables and payables are assumed to approximate their fair values. The fair values of financial liabilities for disclosure purposes are estimated by discounting the future contractual cash flows at the current market interest rates that are available to the Group for similar financial instruments. The fair value of Group's available-for-sale financial assets traded in active markets are quoted at market price on balance sheet date.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

5.1 Critical accounting estimates and assumptions

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

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

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

If the price/earnings ratio as used for the fair value estimation had been 10% lower than the management's estimates adopted, the Group's total equity and the carrying amount of available-for-sale financial assets would have been decreased by US$50,300,000.

(b) Useful lives and residual values of containers

Management determines the estimated useful lives of containers by reference to the Group's business model, its assets management policy and industry practice. The change in these factors can significantly affect the estimation of useful lives of containers and depreciation expense will change when useful lives are different from the previous estimates.

Management determines the residual values of containers based on all relevant factors (including the use of the current scrap value of steel in an active market as a reference value) at each measurement date. The depreciation expenses will change where the residual values are different from the previous estimates.

Management reviewed the residual values and useful lives of property, plant and equipment as at 1st January 2007. The depreciation charge of containers for the year ended 31st December 2007 was calculated based on the revised estimated residual values. This represents a change in an accounting estimate and has been accounted for prospectively. The overall effect of this change is to decrease the depreciation charge by approximately US$1,006,000 and increase the deferred income tax charge by approximately US$13,000 for the year ended 31st December 2007.

If the estimated useful lives of containers had been 10% shorter than the management's estimates adopted, the Group would have recognised an additional depreciation charge for the year of US$13,973,000, a reduction of the carrying amount of property, plant and equipment of US$13,302,000 and an increase in profit on disposal of containers of US$671,000.

If the estimated useful lives of containers had been 10% longer than the management's estimates adopted, the Group would have recognised a reduction of depreciation charge for the year of US$9,262,000, a decrease in profit on disposal of containers of US$421,000 and an increase of the carrying amount of property, plant and equipment of US$8,841,000.

If the estimated residual values of containers had been 10% lower than the management's estimates adopted, the Group would have recognised an additional depreciation charge for the year of US$1,922,000, a reduction of the carrying amount of the property, plant and equipment of US$1,841,000 and an increase in profit on disposal of containers of US$81,000.

If the estimated residual values of containers had been 10% higher than the management's estimates adopted, the Group would have recognised a reduction of depreciation charge for the year of US$1,922,000, a decrease in profit on disposal of containers of US$119,000 and an increase in of the carrying amount of property, plant and equipment of US$1,803,000.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

5.1 Critical accounting estimates and assumptions (Continued)

(c) Impairment of containers

The Group tests whether containers have suffered any impairment in accordance with the accounting policy stated in note 3.7. The recoverable amounts of containers have been determined based on value-in-use calculations. These calculations require the use of estimates on the projections of cash inflows from the continual use of containers (including the amount to be received for the disposal of containers) and discount rate.

If the estimated future income stream from the use and subsequent resale of the containers had been 5% lower than the management's estimates as adopted in the value-in-use calculations, the Group would have recognised an additional impairment loss and a reduction of carrying amount of the property, plant and equipment of US$1,255,000.

If the estimated pre-tax discount rate applied to the value-in-use calculations had been 5% higher than management's estimates, the Group would have recognised additional impairment loss and a reduction of carrying amount of the property, plant and equipment of US$3,129,000.

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

(d) Share-based payments

The fair value of options granted is estimated based on valuations by management. The valuations are based on various assumptions on share prices, volatility, life of options, dividend paid out rate and annual risk-free interest rate, excluding the impact of any non-market vesting conditions, which generally represent the best estimate of the fair value of the share options at the date of grant.

5.2 Critical judgement in applying the Group's accounting policies

Income taxes

Deferred tax liabilities have not been established for the withholding taxation that would be payable on the undistributed earnings of certain subsidiaries in the United States of America (the "US") as the directors consider that the timing of the reversal of related temporary differences can be controlled (note 23).

If 10% of those undistributed earnings of the US subsidiaries had been repatriated out of the US, the Group would have recognised deferred income tax charge and deferred income tax liability of US$199,000.

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

6 REVENUE AND SEGMENT INFORMATION

Revenues recognised during the year are as follows:

	2007	2006
	US$'000	US$'000
Operating lease rentals on		
– containers	**181,334**	219,566
– generator sets	**1,775**	1,368
Sale of inventories	**57,038**	43,513
Finance lease income on containers	**379**	492
Container management income	**7,327**	4,061
Container terminal operation income	**43,384**	20,915
Container handling, transportation and storage income	**7,711**	7,558
	298,948	297,473

(a) Primary reporting format – business segments

In accordance with the Group's internal financial reporting, the Group has determined that the following business segments are presented as the primary reporting format.

(i) container terminal and related businesses including terminal operation, container handling, transportation and storage;
(ii) container leasing, management, sale and related businesses;
(iii) logistics and related businesses;
(iv) container manufacturing and related businesses; and
(v) corporate and other businesses.

Unallocated costs represent corporate finance costs less interest income.

Segment assets consist primarily of property, plant and equipment, investment properties, leasehold land and land use rights, intangible assets, inventories and receivables, and mainly exclude deferred income tax assets, jointly controlled entities, associates, available-for-sale financial assets, derivative financial instruments, restricted bank deposits and cash and cash equivalents.

Segment liabilities comprise operating liabilities and primarily exclude items such as current and deferred income tax liabilities, borrowings and derivative financial instruments.

Capital expenditure comprises additions to property, plant and equipment, investment properties, leasehold land and land use rights and intangible assets. Capital expenditure also includes additions resulting from business combinations.

6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(a) Primary reporting format – business segments (Continued)

Segment assets and liabilities

	Container terminal and related businesses US$'000	Container leasing, management, sale and related businesses US$'000	Logistics and related businesses US$'000	Container manufacturing and related businesses US$'000	Corporate and other businesses US$'000	Total US$'000
At 31st December 2007						
Segment assets	**335,136**	**1,362,505**	**14,115**	**4,782**	**–**	**1,716,538**
Jointly controlled entities	**513,234**	**–**	**220,429**	**18,840**	**–**	**752,503**
Associates	**111,758**	**–**	**–**	**368,393**	**–**	**480,151**
Available-for-sale financial assets	**503,000**	**–**	**–**	**–**	**13,620**	**516,620**
Unallocated assets						**405,763**
						3,871,575
Segment liabilities	**18,816**	**131,335**	**–**	**–**	**–**	**150,151**
Unallocated liabilities						**946,765**
						1,096,916
At 31st December 2006						
Segment assets	203,256	1,074,953	–	3	–	1,278,212
Jointly controlled entities	250,743	–	202,186	23,835	–	476,764
Associates	188,918	–	–	255,729	174,943	619,590
Available-for-sale financial assets	368,000	–	–	–	8,589	376,589
Unallocated assets						236,000
						2,987,155
Segment liabilities	9,948	160,451	7	55,181	–	225,587
Unallocated liabilities						553,367
						778,954

6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(a) Primary reporting format – business segments (Continued)

Segment revenue, results and other information

	Year ended 31st December 2007					
	Container terminal and related businesses US$'000	Container leasing, management, sale and related businesses US$'000	Logistics and related businesses US$'000	Container manufacturing and related businesses US$'000	Corporate and other businesses US$'000	Total US$'000
Revenue						
External sales	51,095	247,853	–	–	–	298,948
Segment results	21,754	100,711	(427)	–	(12,761)	109,277
Dividend income from						
– a listed investment	–	–	–	–	639	639
– unlisted investments	21,184	–	–	–	–	21,184
Profit on disposal of containers (note 26)	–	25,975	–	–	–	25,975
Fair value gain on put options granted (note 28)	–	–	–	55,181	–	55,181
Unallocated costs						
– finance income						10,466
– finance costs						(49,878)
Operating profit after finance income and costs						172,844
Share of profits less losses of						
– jointly controlled entities	86,082	–	19,663	1,188	–	106,933
– associates	5,530	–	–	67,168	7,628	80,326
Profit on disposal of an associate (note 27)	–	–	–	–	90,742	90,742
Profit before income tax						450,845
Income tax expenses						(17,796)
Profit for the year						433,049
Capital expenditure	49,621	590,932	–	–	79	640,632
Depreciation and amortisation	6,921	76,670	–	–	435	84,026
Share-based compensation	–	–	–	–	11,190	11,190
Other non-cash expenses	–	1,019	–	–	421	1,440

6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(a) Primary reporting format – business segments (Continued)

Segment revenue, results and other information (Continued)

	Year ended 31st December 2006					
	Container terminal and related businesses US$'000	Container leasing, management, sale and related businesses US$'000	Logistics and related businesses US$'000	Container manufacturing and related businesses US$'000	Corporate and other businesses US$'000	Total US$'000
Revenue						
– total revenue	28,474	269,000	–	–	–	297,474
– inter-segment sales	(1)	–	–	–	–	(1)
External sales	28,473	269,000	–	–	–	297,473
Segment results	12,257	147,236	(200)	5,624	(12,769)	152,148
Dividend income from						
– a listed investment	–	–	–	–	476	476
– unlisted investments	19,227	–	–	–	–	19,227
Profit on disposal of containers included under property, plant and equipment (note 26)	–	84,454	–	–	–	84,454
Initial recognition of put options granted in connection with share reform of an associate (note 28)	–	–	–	(140,064)	–	(140,064)
Fair value gain on put options granted (note 28)	–	–	–	84,883	–	84,883
Unallocated costs						
– finance income						12,621
– finance costs						(44,203)
Operating profit after finance income and costs						169,542
Share of profits less losses of						
– jointly controlled entities	57,837	–	18,351	8,882	–	85,070
– associates	18,537	–	–	57,727	12,778	89,042
Profit before income tax						343,654
Income tax expenses						(49,196)
Profit for the year						294,458
Capital expenditure	131,350	484,200	–	–	2,312	617,862
Depreciation and amortisation	2,880	84,832	–	–	407	88,119
Other non-cash expenses	16	8,013	–	–	1,016	9,045

Note:

Included under the business segment of container leasing, management, sale and related business are revenue, segment results and segment assets of US$57,038,000 (2006: US$43,513,000), US$6,583,000 (2006: US$8,794,000) and US$10,105,000 (2006: US$3,553,000) respectively in respect of the sale of resaleable container business.

6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Secondary reporting format – geographical segments

In respect of container leasing, management, sale and related businesses, the movements of containers and generator sets of the Group and those managed on behalf of third parties under operating leases or finance leases are known through report from the lessees but the Group is not able to control the movements of containers and generator sets except to the degree that the movements are restricted by the terms of the leases or where safety of the containers and generator sets is concerned. It is therefore impracticable to present segment revenue and results by geographical areas for the related businesses.

The Group's segment assets are primarily dominated by its containers and generator sets. The directors consider that the nature of the Group's business precludes a meaningful allocation of containers and generator sets and their related capital expenditure to specific geographical segments as defined under HKAS 14 "Segment Reporting" issued by the HKICPA. These containers and generator sets are primarily utilised across geographical markets for shipment of cargoes throughout the world. Accordingly, it is impractical to present segment assets and capital expenditure by geographical areas.

The activities of the container terminal and related businesses as conducted by certain subsidiaries of the Group are predominantly carried out in Mainland China and Hong Kong.

The activities of the Group's jointly controlled entities and associates are predominantly carried out in the following geographical areas:

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

7 PROPERTY, PLANT AND EQUIPMENT

Group

	Containers US$'000	Generator sets US$'000	Buildings in Hong Kong US$'000	Buildings outside Hong Kong US$'000	Leasehold improvements US$'000	Other property, plant and equipment US$'000	Construction in progress US$'000	Total US$'000
Cost or valuation								
At 1st January 2007	1,278,463	8,308	2,687	59,571	1,525	82,653	12,332	1,445,539
Exchange differences	–	–	–	5,853	9	6,140	1,092	13,094
Additions	586,323	3,132	–	20,632	334	12,333	15,226	637,980
Disposals	(230,318)	(64)	–	(445)	(4)	(238)	–	(231,069)
Transfer to inventories	(154,245)	–	–	–	–	–	–	(154,245)
Reclassification of a jointly controlled entity to a subsidiary (note 42)	–	–	–	36,715	12	20,525	4,330	61,582
Transfer	–	–	–	10,257	–	492	(10,749)	–
At 31st December 2007	1,480,223	11,376	2,687	132,583	1,876	121,905	22,231	1,772,881
Accumulated depreciation and impairment losses								
At 1st January 2007	315,393	1,167	1,465	4,470	1,120	13,072	–	336,687
Exchange differences	–	–	–	411	4	829	–	1,244
Impairment loss for the year	400	–	–	–	–	–	–	400
Depreciation charge for the year	74,667	785	110	1,996	167	5,056	–	82,781
Disposals – accumulated depreciation and impairment losses	(15,748)	(12)	–	(101)	(3)	(187)	–	(16,051)
Transfer to inventories	(106,444)	–	–	–	–	–	–	(106,444)
At 31st December 2007	268,268	1,940	1,575	6,776	1,288	18,770	–	298,617
Net book value								
At 31st December 2007	1,211,955	9,436	1,112	125,807	588	103,135	22,231	1,474,264
The analysis of cost or valuation of the above assets as at 31st December 2007 is as follows:								
At cost	1,480,223	11,376	248	132,583	1,876	121,905	22,231	1,770,442
At 1994 professional valuation	–	–	2,439	–	–	–	–	2,439
	1,480,223	11,376	2,687	132,583	1,876	121,905	22,231	1,772,881

7 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group (Continued)

	Containers US$'000	Generator sets US$'000	Buildings in Hong Kong US$'000	Buildings outside Hong Kong US$'000	Leasehold improvements US$'000	Other property, plant and equipment US$'000	Construction in progress US$'000	Total US$'000
Cost or valuation								
At 1st January 2006	1,990,700	6,403	2,503	12,122	1,104	25,012	–	2,037,844
Exchange differences	–	–	–	1,332	11	1,687	432	3,462
Additions	481,275	1,962	184	45,321	410	49,234	21,076	599,462
Disposals	(1,064,736)	(57)	–	(128)	–	(1,532)	–	(1,066,453)
Transfer to inventories	(128,776)	–	–	–	–	–	–	(128,776)
Transfer	–	–	–	924	–	8,252	(9,176)	–
At 31st December 2006	1,278,463	8,308	2,687	59,571	1,525	82,653	12,332	1,445,539
Accumulated depreciation and impairment losses								
At 1st January 2006	619,828	591	1,356	3,631	1,024	11,294	–	637,724
Exchange differences	–	–	–	133	10	293	–	436
Impairment loss for the year	2,533	–	–	–	–	–	–	2,533
Depreciation charge for the year	83,059	583	109	738	86	2,596	–	87,171
Disposals – accumulated depreciation and impairment losses	(293,565)	(7)	–	(32)	–	(1,111)	–	(294,715)
Transfer to inventories	(96,462)	–	–	–	–	–	–	(96,462)
At 31st December 2006	315,393	1,167	1,465	4,470	1,120	13,072	–	336,687
Net book value								
At 31st December 2006	963,070	7,141	1,222	55,101	405	69,581	12,332	1,108,852
The analysis of cost or valuation of the above assets as at 31st December 2006 is as follows:								
At cost	1,278,463	8,308	248	59,571	1,525	82,653	12,332	1,443,100
At 1994 professional valuation	–	–	2,439	–	–	–	–	2,439
	1,278,463	8,308	2,687	59,571	1,525	82,653	12,332	1,445,539

7 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company

	Other property, plant and equipment 2007 US$'000	2006 US$'000
Cost		
At 1st January and at 31st December	**527**	527
Accumulated depreciation		
At 1st January	**314**	209
Depreciation charge for the year	**106**	105
At 31st December	**420**	314
Net book value		
At 31st December	**107**	213

Notes:

(a) Certain buildings in Hong Kong with carrying amount of US$891,000 (2006: US$990,000) of the Group were revalued in 1994 on an open market value basis by C.Y. Leung & Company Limited (now known as DTZ Debenham Tie Leung Limited), an independent professional property valuer.

The carrying amount of these buildings as at 31st December 2007 would have been US$864,000 (2006: US$900,000) had the buildings been carried at cost less accumulated depreciation and impairment losses in the consolidated financial statements.

(b) The aggregate cost, accumulated depreciation and accumulated impairment losses as at 31st December 2007 of the leased assets of the Group (where the Group is a lessor) which comprised containers and generator sets and were leased to fellow subsidiaries and third parties under operating leases amounted to US$1,289,378,000 (2006: US$1,161,481,000), US$269,709,000 (2006: US$313,595,000) and US$499,000 (2006: US$2,965,000) respectively.

(c) The accumulated impairment losses of property, plant and equipment of the Group as at 31st December 2007 amounted to US$3,156,000 (2006: US$5,622,000).

(d) During the year, the Group transferred containers with an aggregate net book value of US$47,801,000 (2006: US$32,314,000) to inventories.

8 INVESTMENT PROPERTIES

	Group 2007 US$'000	2006 US$'000
At 1st January	**1,540**	1,383
Revaluation surplus (note a)	**136**	157
At 31st December	**1,676**	1,540

Notes:

(a) The investment properties as at 31st December 2007 and 2006 were revalued on an open market value basis by Sallmanns (Far East) Limited, an independent professional property valuer. Valuations were based on current prices in an active market for all properties. The revaluation surplus for the year ended 31st December 2007 of US$136,000 (2006: US$157,000) was accounted for in the consolidated income statement (note 29).

(b) The Group's interests in investment properties are situated in Hong Kong and are held on leases of over 50 years.

9 LEASEHOLD LAND AND LAND USE RIGHTS

	Group 2007 US$'000	2006 US$'000
At 1st January	**34,401**	16,597
Exchange differences	**1,398**	388
Additions	**2,298**	17,583
Reclassification of a jointly controlled entity to a subsidiary (note 42)	**6,089**	–
Amortisation	**(532)**	(167)
At 31st December	**43,654**	34,401

Notes:

(a) The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and their net book values are analysed as follows:

	Group 2007 US$'000	2006 US$'000
In Hong Kong, held on leases of over 50 years	**16,184**	16,251
Outside Hong Kong, held on leases of between 10 to 50 years	**27,470**	18,150
	43,654	34,401

(b) As at 31st December 2006, land use rights outside Hong Kong with net book value of US$1,645,000 were pledged as security for loan facility granted by a bank.

10 INTANGIBLE ASSETS

Group

	Computer software		Computer systems under development		Total	
	2007	2006	**2007**	2006	**2007**	2006
	US$'000	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
Cost						
At 1st January	**8,718**	8,034	**2,143**	2,010	**10,861**	10,044
Additions	**43**	53	**311**	764	**354**	817
Reclassification of a jointly controlled entity to a subsidiary (note 42)	**26**	–	**–**	–	**26**	–
Transfer	**402**	631	**(402)**	(631)	**–**	–
At 31st December	**9,189**	8,718	**2,052**	2,143	**11,241**	10,861
Accumulated amortisation						
At 1st January	**7,022**	6,241	**–**	–	**7,022**	6,241
Amortisation for the year	**713**	781	**–**	–	**713**	781
At 31st December	**7,735**	7,022	**–**	–	**7,735**	7,022
Net book value						
At 31st December	**1,454**	1,696	**2,052**	2,143	**3,506**	3,839

11 SUBSIDIARIES

	Company	
	2007	2006
	US$'000	US$'000
Unlisted investments, at cost	**167,150**	167,150
Amounts due from subsidiaries (note a)	**1,431,739**	1,217,786
Provision (note c)	**–**	(56,642)
	1,598,889	1,328,294
Loan due to a subsidiary (note b)	**296,655**	296,655

Notes:

(a) The amounts due from subsidiaries are unsecured and have no fixed terms of repayment. Except for amounts due from subsidiaries of US$51,255,000 (2006: US$45,579,000) which bear interests ranging from 1.41% to 7.25% (2006: 0.61% to 6.7%) per annum, the remaining balances are interest free.

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

(c) The provision was written back upon repayment of the loans.

(d) Details of the subsidiaries as at 31st December 2007 are set out in note 44 to the consolidated financial statements.

12 JOINTLY CONTROLLED ENTITIES

	Group 2007 US$'000	2006 US$'000
Share of net assets	**507,993**	382,211
Goodwill on acquisitions (note a)	**83,694**	52,259
	591,687	434,470
Loans to jointly controlled entities (note b)	**160,816**	42,294
	752,503	476,764
Investments, at cost		
Unlisted investments	**742,631**	599,452

Notes:

(a) The carrying amount of goodwill on acquisitions of jointly controlled entities mainly represented the goodwill on acquisitions of equity interests in COSCO Logistics Co., Ltd., Shanghai Pudong International Container Terminals Limited, Qingdao Qianwan Container Terminal Co., Ltd. and Nanjing Port Longtan Containers Co., Ltd. of US$42,251,000 (2006: US$42,251,000), US$31,435,000 (2006: N/A), US$5,362,000 (2006: US$5,362,000) and US$4,533,000 (2006: US$4,533,000) respectively.

(b) The loans to jointly controlled entities are unsecured, interest free and have no fixed terms of repayment. In 2006, an amount of US$7,965,000 was interest bearing at 1.60% per annum above the applicable swap offer rate as determined by the Association of Banks in Singapore wholly repayable on or before October 2013.

(c) Yangzhou Yuanyang International Ports Co. Ltd. ("Yangzhou Yuanyang"), former jointly controlled entity, was reclassified as a subsidiary during the year. Details are set out in note 42.

(d) The Company has no directly owned jointly controlled entity as at 31st December 2007 and 2006. Details of the jointly controlled entities as at 31st December 2007 are set out in note 45 to the consolidated financial statements.

The financial information below, after making necessary adjustments to conform to the Group's significant accounting policies, represents the Group's interests in respective jointly controlled entities:

	Non-current assets US$'000	Current assets US$'000	Non-current liabilities US$'000	Current liabilities US$'000	Revenue US$'000	Expenses US$'000	Profits less losses after income tax US$'000
2007	**1,130,101**	**588,018**	**(487,503)**	**(660,998)**	**1,124,205**	**(1,004,763)**	**106,933**
2006	769,936	424,415	(187,096)	(592,415)	885,967	(787,519)	85,070

13 ASSOCIATES

	Group 2007 US$'000	2006 US$'000
Share of net assets	**464,360**	569,386
Goodwill on acquisitions (note a)	**87**	31,522
	464,447	600,908
Loans to associates (note b)	**15,704**	18,682
	480,151	619,590
Investments, at cost		
Shares listed		
– in Hong Kong	**–**	219,189
– outside Hong Kong (note c)	**152,720**	137,601
Unlisted shares	**63,568**	119,761
	216,288	476,551
Market value of listed shares (note c)	**1,546,654**	1,062,718

Notes:

(a) In 2007, the Group reclassified an associate, Shanghai Pudong International Container Terminals Limited ("Shanghai Pudong") as a jointly controlled entity. The Memorandum and Articles of Association of Shanghai Pudong was amended and the Group could have joint control over the financial and operating policies of Shanghai Pudong.

(b) Loans to associates are unsecured and have no fixed terms of repayment. Balance of US$15,704,000 (2006: US$12,535,000) bears interest at 2% (2006: 2%) per annum above the 10-year Belgium prime rate. The remaining balance in 2006 was interest free.

(c) Part of the shares of China International Marine Containers (Group) Co., Ltd ("CIMC") held by the Group cannot be freely placed or traded until the expiry of certain trading restrictions from the implementation date of the share reform of CIMC (the "Trading Restrictions"). The market value of these shares of CIMC of US$1,059,533,000 (2006: US$868,915,000) as included in the disclosure above has not taken into account these Trading Restrictions.

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

	Total assets US$'000	Total liabilities US$'000	Revenue US$'000	Expenses US$'000	Profits less losses after income tax US$'000
2007	**1,096,039**	**(595,494)**	**1,106,442**	**(1,016,486)**	**80,326**
2006	2,327,192	(1,739,790)	788,439	(690,960)	89,042

(e) During the year, Chong Hing Bank Limited was disposed of to a fellow subsidiary and details of the disposal are set out in note 27.

(f) The Company has no directly owned associate as at 31st December 2007 and 2006. Details of the associates as at 31st December 2007 are set out in note 46 to the consolidated financial statements.

14 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2007	2006
	US$'000	US$'000
At 1st January	**376,589**	275,595
Exchange differences	**(50)**	80
Additions	**10,536**	11,962
Disposals	**(14,447)**	–
Net fair value gain recognised in equity	**143,992**	88,952
At 31st December	**516,620**	376,589
Less: Current portion	**(13,620)**	–
Non-current portion	**503,000**	376,589

Notes:

(a) Available-for-sale financial assets as at 31st December 2007 and 2006 comprise investments in equity securities of the investee companies and the shareholders' loans advanced to an investee company with the nominal value of US$62,779,000 (2006: US$52,617,000). The loan advanced to an investee company is unsecured, interest free and has no fixed terms of repayment.

(b) Listed investment represents equity interest in an entity which is principally engaged in the operation and management of international and domestic container marine transportation.

(c) Unlisted investments mainly comprise equity interests in entities which are involved in container terminal operations in Yantian, Tianjin and Dalian of Mainland China.

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

	2007	2006
	US$'000	US$'000
Renminbi	**503,000**	368,000
Hong Kong dollar	**13,620**	8,589
	516,620	376,589

(e) At 31st December 2007, the carrying amount of interest in the following company exceeds 10% of total assets of the Group:

Name	Place of incorporation	Principal activities	Particulars of issued shares held	Interest held
Sigma Enterprises Limited	British Virgin Islands	Investment holding of terminal operations	2,005 "A" shares of US$1 each and 8,424 "B" shares of US$1 each	6.85%

15 FINANCE LEASE RECEIVABLES

Group

	2007				2006			
	Gross receivables US$'000	**Unearned finance income US$'000**	**Provision US$'000**	**Present value of minimum lease payment receivable US$'000**	Gross receivables US$'000	Unearned finance income US$'000	Provision US$'000	Present value of minimum lease payment receivable US$'000
Amounts receivable under finance leases:								
Current portion (note 17)	**1,451**	**(276)**	**(3)**	**1,172**	1,866	(364)	(60)	1,442
Non-current portion								
– later than one year and not later than five years	**2,390**	**(353)**	**–**	**2,037**	3,453	(453)	(11)	2,989
– later than five years	**348**	**(70)**	**–**	**278**	–	–	–	–
	2,738	**(423)**	**–**	**2,315**	3,453	(453)	(11)	2,989
	4,189	**(699)**	**(3)**	**3,487**	5,319	(817)	(71)	4,431

As at 31st December 2007, the Group entered into 20 (2006: 19) finance lease contracts for leasing of certain containers. The average term of the finance lease contracts is 4 years (2006: 3 years).

The cost of assets acquired for the purpose of letting under finance leases amounted to US$8,143,000 (2006: US$8,097,000) as at 31st December 2007.

Unguaranteed residual values of assets leased under finance lease contracts are estimated at approximately US$7,000 (2006: US$7,000).

16 INVENTORIES

Inventories of the Group represent containers held for sales including containers ceased to be rented. Containers ceased to be rented are transferred from property, plant and equipment at their carrying amount.

17 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2007	2006	**2007**	2006
	US$'000	US$'000	**US$'000**	US$'000
Trade receivables (note a)				
– third parties	**28,118**	19,927	**–**	–
– fellow subsidiaries (notes b and c)	**25,328**	24,375	**–**	–
– jointly controlled entities (note b)	**299**	–	**–**	–
– related companies (note b)	**168**	185	**–**	–
	53,913	44,487	**–**	–
Less: provision for impairment	**(3,713)**	(4,477)	**–**	–
	50,200	40,010	**–**	–
Other receivables, deposits and prepayments	**63,909**	15,731	**352**	396
Rent receivable collected on behalf of owners of managed containers (note d)	**39,243**	36,459	**–**	–
Current portion of finance lease receivables (note 15)	**1,172**	1,442	**–**	–
Amounts due from (note b)				
– subsidiaries (net of provision)	**–**	–	**109,353**	191,020
– jointly controlled entities	**20,776**	30,072	**–**	–
– associates	**3,101**	845	**–**	–
– an investee company (note e)	**–**	9,070	**–**	–
– related companies	**16**	–	**–**	–
Loans receivable from (note f)				
– a jointly controlled entity	**8,508**	–	**–**	–
– an associate	**6,571**	–	**–**	–
	193,496	133,629	**109,705**	191,416

Notes:

(a) The Group grants credit periods of 30 to 90 days to its customers.

The ageing analysis of the trade receivables (net of provision) was as follows:

	Group	
	2007	2006
	US$'000	US$'000
Within 30 days	**20,405**	18,573
31 – 60 days	**20,228**	15,764
61 – 90 days	**6,128**	3,825
Over 90 days	**3,439**	1,848
	50,200	40,010

17 TRADE AND OTHER RECEIVABLES (CONTINUED)

As at 31st December 2007, trade receivables of US$25,019,000 (2006: US$21,562,000) were fully performing.

As at 31st December 2007, trade receivables of US$19,288,000 (2006: US$15,071,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables which were past due is as follows:

	2007	2006
	US$'000	US$'000
Within 30 days	**1,065**	531
31 – 60 days	**13,499**	11,631
61 – 90 days	**3,715**	1,440
Over 90 days	**1,009**	1,469
	19,288	15,071

As at 31st December 2007, trade receivables of US$9,606,000 (2006: US$7,854,000) were impaired. The amount of the provision was US$3,713,000 as at 31st December 2007 (2006: US$4,477,000). The individually impaired receivables mainly relate to lessees, which are in unexpected difficult economic situations. It was assessed that a portion of the receivables is expected to be recovered. The ageing of these receivables is as follows:

	2007	2006
	US$'000	US$'000
Within 30 days	**3,108**	1,288
31 – 60 days	**1,914**	1,376
61 – 90 days	**624**	760
Over 90 days	**3,960**	4,430
	9,606	7,854

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

	2007	2006
	US$'000	US$'000
At 1st January	**(4,477)**	(3,056)
Provision for trade receivables impairment	**(394)**	(2,990)
Reversal of provision for impairment of trade receivables	**966**	1,515
Receivables written off during the year as uncollectible	**192**	54
At 31st December	**(3,713)**	(4,477)

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

(c) The balance mainly represented container leasing income receivable from fellow subsidiaries and included a receivable balance from COSCON of US$23,083,000 (all are aged less than 60 days) (2006: US$21,779,000 (all are aged less than 60 days)). During the year ended 31st December 2007, the container leasing income from COSCON and the other fellow subsidiaries amounted to US$140,099,000 (2006: US$136,889,000) and US$33,000 (2006: US$213,000) respectively.

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

17 TRADE AND OTHER RECEIVABLES (CONTINUED)

(e) The amount due from an investee company represented dividend income receivable from the investee company.

(f) Balance of US$8,508,000 represented an unsecured loan to a jointly controlled entity, COSCO-PSA Terminal Private Limited, which bore interest at 1.6% per annum above the applicable swap offer rate as determined by the Association of Banks in Singapore and was repaid on 2nd January 2008.

Balance of US$6,571,000 represented an unsecured loan to an associate, Dalian Automobile Terminal Co., Ltd, which bears interest at Tokyo Interbank Offered Rate ("TIBOR") plus 0.5% per annum and is wholly repayable on 24th April 2008.

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

	Group		Company	
	2007	2006	**2007**	2006
	US$'000	US$'000	**US$'000**	US$'000
US dollar	**105,314**	82,352	**109,174**	181,482
Renminbi	**67,147**	38,227	**–**	–
Hong Kong dollar	**9,921**	11,902	**302**	9,331
Euro	**1,793**	429	**229**	219
Other currencies	**9,321**	719	**–**	384
	193,496	133,629	**109,705**	191,416

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

18 DERIVATIVE FINANCIAL INSTRUMENTS

	Group			
	2007		2006	
	Assets	**Liabilities**	Assets	Liabilities
	US$'000	**US$'000**	US$'000	US$'000
Interest rate swap contracts				
– cash flow hedges (note a)	**–**	**–**	579	–
– fair value hedges (note b)	**4,641**	**–**	–	4,362
Put Options (note 28)	**–**	**–**	–	55,181
Total	**4,641**	**–**	579	59,543
Less: non-current portion interest rate swap contracts – fair value hedges	**(4,641)**	**–**	–	(4,362)
	–	**–**	579	55,181

	Company			
	2007		2006	
	Assets	**Liabilities**	Assets	Liabilities
	US$'000	**US$'000**	US$'000	US$'000
Put Options	**–**	**–**	–	55,181

18 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Notes:

(a) These interest rate swap contracts were expired during 2007.

(b) The notional principal amount of the related interest rate swap contracts amounted to US$200,000,000 (2006: US$200,000,000) which were committed with interest rates ranging from 1.05% to 1.16% (2006: 1.05% to 1.16%) per annum above the London Interbank Offered Rate ("LIBOR"). These interest rate swap contracts have been designated as a hedge of the fair value of the notes issued by the Group.

19 TRADE AND OTHER PAYABLES

	Group		Company	
	2007	2006	**2007**	2006
	US$'000	US$'000	**US$'000**	US$'000
Trade payables				
– third parties	**16,875**	39,774	**–**	–
– jointly controlled entities (notes a and b)	**3,288**	2,935	**–**	–
– a minority shareholder of a subsidiary (note a)	**387**	36	**–**	–
– subsidiaries of an associate (notes a and b)	**25,785**	30,024	**–**	–
– related companies (note a)	**–**	14	**–**	–
	46,335	72,783	**–**	–
Other payables and accruals	**65,103**	62,083	**1,716**	1,072
Payable to owners of managed containers (note c)	**39,614**	34,909	**–**	–
Current portion of other long term liabilities (note 24)	**2,267**	1,488	**–**	–
Dividend payable	**24**	20	**24**	20
Amounts due to (note a)				
– subsidiaries	**–**	–	**62,630**	41,912
– fellow subsidiaries	**105**	270	**–**	–
– related companies	**5**	–	**–**	–
– minority shareholders of subsidiaries	**286**	1,175	**–**	–
	153,739	172,728	**64,370**	43,004

Notes:

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

(b) The balances represented the amounts payable to jointly controlled entities and subsidiaries of an associate of the Group in respect of the purchases of containers (note 41(a)(vii)).

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

19 TRADE AND OTHER PAYABLES (CONTINUED)

(d) The ageing analysis of the trade balances due to third parties, jointly controlled entities, a minority shareholder of a subsidiary, subsidiaries of an associate and related companies was as follows:

	Group	
	2007	2006
	US$'000	US$'000
Within 30 days	**28,089**	1,192
31 – 60 days	**10,070**	15,347
61 – 90 days	**7,728**	45,155
Over 90 days	**448**	11,089
	46,335	72,783

(e) Other payables and accruals include an amount of US$26,813,000 (2006: US$36,049,000) accrued for the purchase of containers which were delivered to the Group prior to the year end. The amount has not been included in the ageing analysis above.

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

	Group		Company	
	2007	2006	**2007**	2006
	US$'000	US$'000	**US$'000**	US$'000
US dollar	**131,077**	159,593	**44,850**	19,647
Renminbi	**17,981**	9,003	**8,053**	19,807
Hong Kong dollar	**4,445**	3,956	**8,602**	3,550
Other currencies	**236**	176	**2,865**	–
	153,739	172,728	**64,370**	43,004

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

20 SHARE CAPITAL

	2007	2006
	US$'000	US$'000
Authorised:		
3,000,000,000 ordinary shares of HK$0.10 each	**38,462**	38,462
Issued and fully paid:		
2,244,881,298 (2006: 2,228,684,298) ordinary shares of HK$0.10 each	**28,790**	28,583

20 SHARE CAPITAL (CONTINUED)

(a) The movements of the issued share capital of the Company are summarised as follows:

	Number of ordinary shares	Nominal value US$'000
At 1st January 2007	**2,228,684,298**	**28,583**
Issued on exercising of share options (note b)	**16,197,000**	**207**
At 31st December 2007	**2,244,881,298**	**28,790**
At 1st January 2006	2,198,966,298	28,200
Issued on exercising of share options (note b)	29,718,000	383
At 31st December 2006	2,228,684,298	28,583

(b) Share options

Under the 1994 Share Option Scheme, the directors of the Company may, at their discretion, grant to any directors, executives and/or employees who are in full time employment with any company in the Group, share options to subscribe for the Company's shares, subject to the terms and conditions stipulated therein.

On 23rd May 2003, the shareholders of the Company approved the adoption of the 2003 Share Option Scheme and the termination of the 1994 Share Option Scheme. No further options shall be granted under the 1994 Share Option Scheme after 23rd May 2003 but the outstanding share options which had been granted shall continue to be valid and exercisable in accordance with their terms and provisions under the 1994 Share Option Scheme.

On 5th December 2005, amendments to certain terms of the 2003 Share Option Scheme were approved by the shareholders of the Company (the "Amended 2003 Share Option Scheme"). Under the Amended 2003 Share Option Scheme, the directors of the Company may, at their discretion, invite any participants, as defined under the Amended 2003 Share Option Scheme, to take up share options for subscribing the Company's shares, subject to the terms and conditions stipulated therein.

The consideration on acceptance of an offer of the grant of an option is HK$1.00.

During the current year, 17,600,000 share options were granted under the 2003 Share Option Scheme at an exercise price of HK$19.30, which represents the average closing prices of the shares of the Company as dated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date on which an option is offered. The closing prices of the shares of the Company immediately before the dates on which the options were granted were in the range of HK$19.44 to HK$19.92. The options are exercisable at any time within ten years from the respective dates of granting the options in the period from 17th April 2007 to 19th April 2007.

The Company adopted Black-Scholes Options Pricing Model (a common valuation methodology for option) to calculate the value of share options. The fair value of the options was approximately HK$4.97 at the dates of grant with assumptions as follows:

(i) Interest rate of 10-year Exchange Fund Notes of 4.08% per annum as the risk-free interest rate;
(ii) Expected life of 6 years (by reference to the pattern of the options exercised by the grantees in prior years);
(iii) Expected dividend yield of 3.84% (being the average dividend yield of the Company for the previous five years); and
(iv) Expected volatility of 33.59% (being the historical volatility of the closing price of the Company's shares from 22nd March 2006 to 23rd March 2007).

The value of the share options is subject to a number of assumptions and with regard to the limitation of the model. Therefore the value may be subjective and difficult to determine.

20 SHARE CAPITAL (CONTINUED)

(b) Share options (Continued)

Movements of the share options are set out below:

			For the year ended 31st December 2007 Number of share options				
Category	**Note**	**Exercise price HK$**	**Outstanding at 1st January 2007**	**Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**Outstanding at 31st December 2007**
Directors	(i)(ii)	8.80	**300,000**	**–**	**(300,000)**	**–**	**–**
	(i)(iii)	9.54	**2,100,000**	**–**	**(1,300,000)**	**–**	**800,000**
	(i)(iv)	13.75	**6,900,000**	**–**	**(450,000)**	**–**	**6,450,000**
	(i)(v)	19.30	**–**	**2,300,000**	**–**	**–**	**2,300,000**
Continuous contract employees	(i)(ii)	8.80	**22,000**	**–**	**(22,000)**	**–**	**–**
	(i)(iii)	9.54	**3,978,000**	**–**	**(2,253,000)**	**–**	**1,725,000**
	(i)(iv)	13.75	**20,198,000**	**–**	**(6,156,000)**	**–**	**14,042,000**
	(i)(v)	19.30	**–**	**15,300,000**	**(530,000)**	**–**	**14,770,000**
Others	(i)(iii)	9.54	**1,000,000**	**–**	**(950,000)**	**–**	**50,000**
	(i)(iv)	13.75	**7,360,000**	**–**	**(4,236,000)**	**–**	**3,124,000**
			41,858,000	**17,600,000**	**(16,197,000)**	**–**	**43,261,000**

			For the year ended 31st December 2006 Number of share options				
Category	Note	Exercise price HK$	Outstanding at 1st January 2006	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31st December 2006
Directors	(i)(ii)	8.80	900,000	–	(600,000)	–	300,000
	(i)(iii)	9.54	2,700,000	–	(600,000)	–	2,100,000
	(i)(iv)	13.75	8,800,000	–	(1,900,000)	–	6,900,000
Continuous contract employees	(i)(ii)	8.80	254,000	–	(232,000)	–	22,000
	(i)(iii)	9.54	6,794,000	–	(2,816,000)	–	3,978,000
	(i)(iv)	13.75	31,044,000	–	(10,826,000)	(20,000)	20,198,000
Others	(i)(iii)	9.54	3,104,000	–	(2,104,000)	–	1,000,000
	(i)(iv)	13.75	18,000,000	–	(10,640,000)	–	7,360,000
			71,596,000	–	(29,718,000)	(20,000)	41,858,000

20 SHARE CAPITAL (CONTINUED)

(b) Share options (Continued)

Notes:

(i) All the outstanding options were vested and exercisable as at 31st December 2007 and 2006. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

(ii) The share options were granted on 20th May 1997 (the "Offer Date") under the 1994 Share Option Scheme and are exercisable on or before 19th May 2007. The grantees may exercise a maximum of 20% of share options granted in each of the first five anniversary years from the Offer Date and all grantees may reserve their rights to exercise and accumulate their share options exercisable during their employment within the Group. The exercisable period expired on 19th May 2007.

(iii) The share options were granted during the period from 28th October 2003 to 6th November 2003 under the 2003 Share Option Scheme at an exercise price of HK$9.54. The options are exercisable at any time within ten years from the date on which an offer is accepted or deemed to be accepted by the grantee under the 2003 Share Option Scheme from 28th October 2003 to 6th November 2003.

(iv) The share options were granted during the period from 25th November 2004 to 16th December 2004 under the 2003 Share Option Scheme at an exercise price of HK$13.75. The options are exercisable at any time within ten years from the date on which an offer is accepted or deemed to be accepted by the grantee under the 2003 Share Option Scheme from 25th November 2004 to 16th December 2004.

(v) The share options granted on 23rd March 2007 under the share option scheme as adopted by the Company on 23rd May 2004 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 from 17th April 2007 to 19th April 2007. The fair value of these options granted during the period, determined by using Black-Scholes valuation model, was approixmately HK$4.97 per option (2006: N/A). By reference to the fair value of these options, an aggregate share-based compensation expense of US$11,190,000 (2006: N/A) was charged to the consolidated income statement for the current year.

(vi) During the current year, no share options were lapsed or cancelled under the 1994 and 2003 Share Option Scheme.

(vii) The exercise of the 16,197,000 (2006: 29,718,000) share options during the year yielded the proceeds, net of transaction costs of US$13,000 (2006: US$13,000), as follows:

	Company	
	2007	2006
	US$'000	US$'000
Ordinary share capital – at par	**207**	383
Share premium (net of issue expenses)	**26,095**	48,702
Proceeds (net of issue expenses)	**26,302**	49,085

20 SHARE CAPITAL (CONTINUED)

(b) Share options (Continued)

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

Expiry date	Exercise price	Number of share options	
	HK$	**2007**	2006
20th May 2007	8.80	**–**	322,000
28th October 2013 to 6th November 2013	9.54	**2,575,000**	7,078,000
25th November 2014 to 16th December 2014	13.75	**23,616,000**	34,458,000
17th April 2017 to 19th April 2017	19.30	**17,070,000**	–
		43,261,000	41,858,000

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

	2007		2006	
	Average exercise price per share HK$	**Number of share options**	Average exercise price per share HK$	Number of share options
At 1st January	**13.00**	**41,858,000**	12.93	71,596,000
Granted	**19.30**	**17,600,000**	N/A	–
Exercised	**12.66**	**(16,197,000)**	12.97	(29,718,000)
Lapsed	**N/A**	**–**	13.75	(20,000)
At 31st December	**15.69**	**43,261,000**	13.00	41,858,000

The weighted average closing market price of the Company's shares on the dates when the share options were exercised was HK$20.91 (2006: HK$17.31) per share.

21 RESERVES

Company

	Share premium US$'000	Contributed surplus (note) US$'000	Share option reserve US$'000	Retained profits US$'000	Total US$'000
At 1st January 2007	**672,524**	**414,214**	**–**	**136,505**	**1,223,243**
Issue of shares on exercise of share options	**26,108**	**–**	**–**	**–**	**26,108**
Equity share options issued	**–**	**–**	**11,190**	**–**	**11,190**
Share issue expenses	**(13)**	**–**	**–**	**–**	**(13)**
Transfer of reserve upon exercise of share options	**337**	**–**	**(337)**	**–**	**–**
Profit for the year	**–**	**–**	**–**	**439,789**	**439,789**
Dividends					
– 2006 final	**–**	**–**	**–**	**(92,209)**	**(92,209)**
– 2007 interim	**–**	**–**	**–**	**(71,586)**	**(71,586)**
At 31st December 2007	**698,956**	**414,214**	**10,853**	**412,499**	**1,536,522**
Representing:					
Reserves	**698,956**	**414,214**	**10,853**	**272,867**	**1,396,890**
2007 final and special dividends proposed	**–**	**–**	**–**	**139,632**	**139,632**
At 31st December 2007	**698,956**	**414,214**	**10,853**	**412,499**	**1,536,522**
At 1st January 2006	623,822	414,214	–	166,999	1,205,035
Issue of shares on exercise of share options	48,715	–	–	–	48,715
Share issue expenses	(13)	–	–	–	(13)
Profit for the year	–	–	–	153,241	153,241
Dividends					
– 2005 final	–	–	–	(79,457)	(79,457)
– 2006 interim	–	–	–	(78,230)	(78,230)
– 2006 special interim	–	–	–	(26,048)	(26,048)
At 31st December 2006	672,524	414,214	–	136,505	1,223,243
Representing:					
Reserves	672,524	414,214	–	44,081	1,130,819
2006 final dividend proposed	–	–	–	92,424	92,424
At 31st December 2006	672,524	414,214	–	136,505	1,223,243

Note:

The contributed surplus of the Company represents the difference between the nominal value of the Company's shares issued in exchange for the issued share capital and the net asset value of the subsidiaries acquired. Under the Companies Act 1981 of Bermuda (as amended), the contribution surplus is distributable to shareholders.

22 BORROWINGS

	Group 2007 US$'000	2006 US$'000
Long term borrowings		
– Secured	–	500
– Unsecured	**900,339**	520,853
	900,339	521,353
Amounts due within one year included under current liabilities	**(25,904)**	(2,421)
	874,435	518,932
Short term bank loans – unsecured	**13,695**	10,245

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

	Group 2007 US$'000	2006 US$'000
Wholly repayable within five years		
– Bank loans	**430,550**	221,395
Not wholly repayable within five years		
– Bank loans	**169,530**	10,245
– Notes (note c)	**300,259**	289,713
	469,789	299,958
	900,339	521,353

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

	Group 2007 US$'000	2006 US$'000
Bank loans		
Within one year	**25,904**	2,421
Between one and two years	**43,054**	189,840
Between two and five years	**361,592**	30,927
Over five years	**169,530**	8,452
	600,080	231,640
Notes		
Over five years (note c)	**300,259**	289,713
	900,339	521,353

22 BORROWINGS (CONTINUED)

(c) Details of the notes as at 31st December 2007 are as follows:

	Group 2007 US$'000	2006 US$'000
Principal amount	**300,000**	300,000
Discount on issue	**(1,899)**	(1,899)
Notes issuance cost	**(1,800)**	(1,800)
Net proceeds received	**296,301**	296,301
Accumulated amortised amounts of		
– discount on issue	**945**	743
– notes issuance cost	**896**	704
	298,142	297,748
Effect of fair value hedge	**2,117**	(8,035)
	300,259	289,713

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

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

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

	Less than one year US$'000	One to five years US$'000	Over five years US$'000	Total US$'000
At 31st December 2007				
Total borrowings	**512,121**	**68,382**	**319,836**	**900,339**
Effect of interest rate swaps qualified as hedges	**–**	**–**	**(200,000)**	**(200,000)**
	512,121	**68,382**	**119,836**	**700,339**
At 31st December 2006				
Total borrowings	176,829	46,359	298,165	521,353
Effect of interest rate swaps qualified as hedges	–	–	(200,000)	(200,000)
	176,829	46,359	98,165	321,353

22 BORROWINGS (CONTINUED)

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

	2007 US$'000	2006 US$'000
US dollar	**800,134**	464,622
Renminbi	**113,900**	66,976
	914,034	531,598

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

	2007		2006	
	US$	**RMB**	US$	RMB
Bank loans	**4.9%**	**7.1%**	6.2%	5.8%
Notes	**6.0%**	**N/A**	6.0%	N/A

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

	Carrying amounts		**Fair values**	
	2007 **US$'000**	2006 US$'000	**2007** **US$'000**	2006 US$'000
Bank loans	**574,176**	229,219	**591,401**	231,719
Notes	**300,259**	289,713	**315,486**	307,662
	874,435	518,932	**906,887**	539,381

The fair values are determined based on cash flows discounted using a weighted average borrowing rate of 5.0% (2006: 5.4%) per annum.

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

(h) As at 31st December 2007, the Group has the following committed and undrawn borrowing facilities:

	2007 **US$'000**	2006 US$'000
Facilities at floating rates		
– expiring within one year	**–**	40,000

23 DEFERRED INCOME TAX

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

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

	Group	
	2007	2006
	US$'000	US$'000
At 1st January	**2,040**	72,453
Charged/(credited) to consolidated income statement (note 31)	**5,309**	(70,413)
At 31st December	**7,349**	2,040

Deferred income tax assets are recognised for tax losses carry forwards to the extent that realisation of the related tax benefit through the future taxable profits is probable. As at 31st December 2007, the Group and the Company have unrecognised tax losses of US$4,416,000 (2006: US$4,286,000) and US$2,547,000 (2006: US$2,555,000) respectively, which have no expiry date, to carry forward.

As at 31st December 2007, deferred income tax liabilities of US$1,994,000 (2006: US$58,750,000) have not been established for the withholding taxation that would be payable on the undistributed earnings of certain subsidiaries totalling US$6,645,000 (2006: US$195,833,000) as the directors considered that the timing of the reversal of the related temporary differences can be controlled and accordingly the temporary difference will not be reversed in the foreseeable future.

On 16th March 2007, the National People's Congress approved the Corporate Income Tax Law of the PRC (the "New CIT Law"). The New CIT Law reduces (increases) the corporate income tax rate for domestic enterprises (foreign invested enterprises) from 33% (15% or 24%) to 25% with effect from 1st January 2008. The new CIT Law also provides for preferential tax rates, tax incentives for prescribed industries and activities, grandfathering provisions as well as determination of taxation profit. On 6th December 2007, the State Council approved the Detailed Implementation Regulations ("DIR") for the implementation of the CIT Law. The Group will continue to evaluate the impact as more detailed regulations or interpretations on these areas are approved.

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

(a) Deferred income tax liabilities

	Group					
	Accelerated tax depreciation		Others		Total	
	2007	2006	**2007**	2006	**2007**	2006
	US$'000	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
At 1st January	**4,240**	125,263	**–**	–	**4,240**	125,263
Charged/(credited) to consolidated income statement	**(483)**	(121,023)	**6,517**	–	**6,034**	(121,023)
At 31st December	**3,757**	4,240	**6,517**	–	**10,274**	4,240

23 DEFERRED INCOME TAX (CONTINUED)

(b) Deferred income tax assets

	Group					
	Tax losses		Others		Total	
	2007	2006	**2007**	2006	**2007**	2006
	US$'000	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
At 1st January	**188**	48,064	**2,012**	4,746	**2,200**	52,810
Credited/(charged) to consolidated income statement	**1,077**	(47,876)	**(352)**	(2,734)	**725**	(50,610)
At 31st December	**1,265**	188	**1,660**	2,012	**2,925**	2,200

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

	2007	2006
	US$'000	US$'000
Deferred income tax assets	**1,271**	162
Deferred income tax liabilities	**8,620**	2,202

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

	2007	2006
	US$'000	US$'000
Deferred income tax assets to be recovered after more than 12 months	**1,271**	115
Deferred income tax liabilities to be settled after more than 12 months	**2,079**	2,188

As at 31st December 2007 and 2006, the Company did not have significant deferred income tax assets and liabilities.

24 OTHER LONG TERM LIABILITIES

	Group	
	2007	2006
	US$'000	US$'000
Deferred deal management fee	**2,249**	–
Deferred upfront administration fee	**5,207**	6,695
	7,456	6,695
Less: current portion (note 19)	**(2,267)**	(1,488)
	5,189	5,207

25 OTHER OPERATING INCOME

	2007 US$'000	2006 US$'000
Exchange gain, net	**7,992**	567
Finder fee (note 26)	**–**	15,240
Profit on disposal of a jointly controlled entity	**–**	5,470
Management fee and other service income	**4,459**	6,300
Profit on disposal of available-for-sale financial assets	**7,418**	–
Others	**8,065**	7,727
	27,934	35,304

26 PROFIT ON DISPOSAL OF CONTAINERS

In the current year, the Group disposed of containers included under property, plant and equipment with an aggregate net book value of approximately US$212,827,000 (2006: US$762,070,000) together with the related lease contracts to a third party for cash considerations of approximately US$238,802,000 (2006 : US$846,524,000). The gain on the disposal before income taxes amounted to approximately US$25,975,000 (2006: US$84,454,000).

For the disposal of containers in June 2006, the Group also received a finder fee income of approximately US$15,240,000 in respect of its services rendered prior to the completion of the entire disposal transaction. The finder fee income was recognised and included as other operating income in the consolidated income statement for the prior year.

27 PROFIT ON DISPOSAL OF AN ASSOCIATE

On 24th August 2007, the Group entered into a Sale and Purchase Agreement to dispose of its entire 20% shareholding interest in Chong Hing Bank Limited, a then associate listed in Hong Kong, at cash consideration of HK$2,088,000,000 (equivalent to approximately US$268,474,000) to COSCO (Hong Kong) Group Limited, a fellow subsidiary. The sale was completed on 26th November 2007 and resulted in a profit of US$90,742,000.

28 SHARE REFORM

On 25th May 2006, the Company issued 424,106,507 put options (the "Put Options") to holders of the A-shares not having trading restrictions (the "CIMC Tradeable A-Shares") of CIMC, an associate of the Group listed on the Shenzhen Stock Exchange, as consideration for the former's approval of the removal of the trading restrictions on the CIMC shares held by the Group. The Put Options were listed on the Shenzhen Stock Exchange. The holders of the Put Options were entitled to require the Company to buy from them 1.370 CIMC Tradeable A-Shares at an exercise price of RMB7.302 per share during the 5 trading days immediately prior to and including 23rd November 2007.

The Put Options were derivative financial instruments as defined under HKAS 39 "Financial Instruments: Recognition and Measurement" ("HKAS 39") issued by the HKICPA and were carried in the balance sheet at their fair value in accordance with HKAS 39.

Upon expiry of exercisable period, none of the Put Options was exercised and in accordance with HKAS 39, a fair value gain of US$55,181,000 was recognised in the consolidated income statement in the current year.

29 OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	2007 US$'000	2006 US$'000
Crediting		
Dividend income from listed and unlisted investments (note a)	**21,823**	19,703
Rental income from investment properties (note a)	**51**	44
Exchange gain, net	**7,992**	567
Fair value gain on interest rate swap contracts not qualified as hedges	**73**	605
Profit on disposal of property, plant and equipment (excluding the sold containers (note 26))	**1,037**	632
Profit on disposal of a jointly controlled entity	**–**	5,470
Revaluation surplus of investment properties (note 8)	**136**	157
Reversal of provision for impairment of trade receivables	**966**	1,515
Charging		
Amortisation of		
– leasehold land and land use rights	**532**	167
– intangible assets (note b)	**713**	781
Depreciation of		
– owned property, plant and equipment leased out under operating leases	**75,452**	83,642
– other owned property, plant and equipment	**7,329**	3,529
Impairment loss of containers	**400**	2,533
Cost of inventories sold	**49,049**	32,965
Auditors' remuneration		
– current year	**864**	550
– under/(over) provision in prior year	**176**	(178)
Outgoings in respect of investment properties	**2**	6
Provision for impairment of trade and finance lease receivables	**394**	3,061
Provision for inventories	**28**	143
Rental expense under operating leases of		
– buildings leased from third parties	**1,384**	1,695
– buildings leased from fellow subsidiaries	**877**	833
– buildings leased from a jointly controlled entity	**33**	33
– leasehold land and land use rights leased from minority shareholders of subsidiaries	**1,822**	1,068
– plant and machinery leased from third parties	**255**	373
– plant and machinery leased from a minority shareholder of a subsidiary	**160**	25
Total staff costs (including directors' emoluments and retirement benefit costs) (note c):		
Wages, salaries and other benefits	**31,003**	22,599
Share-based compensation	**11,190**	–
Less: Amounts capitalised in intangible assets	**(104)**	(74)
	42,089	22,525

29 OPERATING PROFIT (CONTINUED)

Notes:

(a) Dividend income and rental income from investment properties are included in investment income in the consolidated income statement.

(b) Amortisation of intangible assets is included in administrative expenses in the consolidated income statement.

(c) Total staff costs do not include the amounts of benefits in kind provided to the Company's directors and the Group's employees in respect of the Company's share options granted prior to 2005 and staff quarters. Details of the Company's share options are set out in note 20 to the consolidated financial statements.

30 FINANCE INCOME AND COSTS

	2007 US$'000	2006 US$'000
Finance income		
Interest income on		
– bank balances and deposits	**8,742**	11,480
– loans to jointly controlled entities and associates	**1,724**	1,141
	10,466	12,621
Finance costs		
Interest expenses on		
– bank loans	**(27,814)**	(20,795)
– other loans wholly repayable within five years	**–**	(8)
– notes not wholly repayable within five years	**(20,154)**	(18,547)
– amount due to a minority shareholder of a subsidiary	**–**	(658)
Amortised amount of		
– discount on issue of notes	**(202)**	(214)
– transaction costs on bank loans and notes	**(783)**	(3,944)
	(48,953)	(44,166)
Less: amount capitalised in construction in progress	**293**	789
	(48,660)	(43,377)
Other incidental borrowing costs and charges	**(1,218)**	(826)
	(49,878)	(44,203)

31 INCOME TAX EXPENSES

	2007 US$'000	2006 US$'000
Current income tax		
– Hong Kong profits tax	**2,771**	230
– China mainland taxation	**574**	1,332
– Overseas taxation	**9,171**	117,912
– (Over)/under provision in prior years	**(29)**	135
	12,487	119,609
Deferred income tax charge/(credit) (note 23)	**5,309**	(70,413)
	17,796	49,196

The Group's shares of income tax expenses of jointly controlled entities and associates of US$13,050,000 (2006: US$12,243,000) and US$6,210,000 (2006: US$4,717,000) are included in the Group's shares of profits less losses of jointly controlled entities and associates respectively.

Hong Kong profits tax has been provided at a rate of 17.5% (2006: 17.5%) on the estimated assessable profit for the year.

Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates. The overseas taxation charged in 2006 included the estimated capital gain tax provision in connection with the disposal of containers in 2006 as set out in note 26.

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

	2007 US$'000	2006 US$'000
Profit before income tax	**450,845**	343,654
Less: share of profits less losses of jointly controlled entities and associates	**(187,259)**	(174,112)
Profit on disposal of an associate	**(90,742)**	–
	172,844	169,542
Aggregate tax at domestic rates applicable to profits in respective territories concerned	**19,747**	47,236
Income not subject to income tax	**(11,014)**	(6,328)
Expenses not deductible for income tax purposes	**1,525**	342
(Over)/under provision in prior years	**(29)**	135
Utilisation of previously unrecognised tax losses	**(26)**	(1,377)
Tax losses not recognised	**908**	623
Others	**6,685**	8,565
Income tax expenses	**17,796**	49,196

32 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of US$439,789,000 (2006: US$153,241,000).

33 DIVIDENDS

	2007 US$'000	2006 US$'000
Interim dividend paid of US3.186 cents (2006: US3.526 cents) per ordinary share	**71,388**	78,213
2006 special interim dividend paid of US1.174 cents per ordinary share	**–**	26,042
Final dividend proposed of US3.924 cents (2006: US4.147 cents) per ordinary share	**88,089**	92,424
Special final dividend proposed of US2.296 cents (2006: Nil) per ordinary share	**51,543**	–
Exchange difference	**(657)**	–
Additional dividends paid on shares issued due to the exercise of share options before the closure of register of members:		
– 2006/2005 final	**442**	668
– 2007/2006 interim	**198**	17
– 2006 special interim	**–**	6
	211,003	197,370

Note:

At a meeting held on 7th April 2008, the directors recommended the payment of a final cash dividend of HK30.6 cents (equivalent to US3.924 cents) and a special final cash dividend of HK17.9 cents (equivalent to US2.296 cents) per ordinary share. These proposed final cash dividend and special final cash dividend are not reflected as dividend payable in these consolidated financial statements until they have been approved at the annual general meeting, but will be reflected as an appropriation of retained profits for the year ending 31st December 2008.

34 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2007	2006
Profit attributable to equity holders of the Company	**US$427,768,000**	US$291,082,000
Weighted average number of ordinary shares in issue	**2,240,304,150**	2,214,684,013
Basic earnings per share	**US19.09 cents**	US13.14 cents

(b) Diluted

Diluted earnings per share is calculated based on the profit attributable to equity holders of the Company and the weighted average number of ordinary shares in issue during the year, after adjusting for the number of dilutive potential ordinary shares deemed to be issued at no considerations as if all outstanding share options granted by the Company had been exercised.

	2007	2006
Profit attributable to equity holders of the Company	**US$427,768,000**	US$291,082,000
Weighted average number of ordinary shares in issue	**2,240,304,150**	2,214,684,013
Adjustments for assumed issuance of shares on exercise of share options	**11,776,391**	11,604,078
Weighted average number of ordinary shares for diluted earnings per share	**2,252,080,541**	2,226,288,091
Diluted earnings per share	**US18.99 cents**	US13.07 cents

35 RETIREMENT BENEFIT COSTS

The retirement benefit costs charged to the consolidated income statement represent contributions payable by the Group to the retirement benefit schemes and amounted to US$1,633,000 (2006: US$1,125,000). Contributions totaling US$63,000 (2006: US$63,000) were payable to the retirement benefit schemes as at 31st December 2007 and were included in trade and other payables. No forfeited contributions were available as at 31st December 2007 (2006: nil) to reduce future contributions.

36 DIRECTORS' AND MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The aggregate amounts of emoluments paid to directors of the Company during the year are set out as follows:

	2007 **US$'000**	2006 US$'000
Fees	**229**	229
Salaries, housing and other allowances	**1,339**	1,388
Benefits in kind	**87**	33
Share options	**1,467**	–
Bonuses	**154**	141
Contributions to retirement benefit schemes	**2**	2
	3,278	1,793

Directors' fees disclosed above include US$135,000 (2006: US$135,000) paid to independent non-executive directors.

Share options for the year ended 31st December 2007 represented the aggregate fair value of the share options granted to the directors under the Company's 2003 Share Option Scheme (note 20(b)). The Company did not grant any share options during the year ended 31st December 2006.

As at 31st December 2007, one director (2006: five directors) of the Company had 800,000 (2006: 2,100,000) share options which are exercisable at HK$9.54 per share granted by the Company under the share option scheme approved by the shareholders of the Company on 23rd May 2003 (the "2003 Share Option Scheme").

As at 31st December 2007, eight (2006: eight) directors of the Company had 6,450,000 (2006: 6,900,000) share options which are exercisable at HK$13.75 per share granted by the Company under the 2003 Share Option Scheme.

As at 31st December 2007, four (2006: N/A) directors of the Company had 2,300,000 (2006: N/A) share options which are exercisable at HK$19.30 per share granted by the Company under the 2003 Share Option Scheme.

For the year ended 31st December 2007, 2,050,000 (2006: 3,100,000) share options were exercised by the directors. The directors' emoluments as disclosed above do not include the difference between the aggregate amount of the market price of the Company's shares issued at the date of exercise of these share options and the amount paid by the directors in exercising these share options of US$2,527,000 (2006: US$2,111,000).

Details and movement of share options granted and exercised during the year are set out in note 20(b) to the consolidated financial statements.

36 DIRECTORS' AND MANAGEMENT'S EMOLUMENTS (CONTINUED)

(a) Directors' emoluments (Continued)

The directors' emoluments are analysed as follows:

		Year ended 31st December 2007						
Name of directors	**Note**	**Fees US$'000**	**Salaries, housing and other allowances US$'000**	**Benefits in kind US$'000**	**Share options US$'000**	**Bonuses US$'000**	**Contributions to retirement benefit schemes US$'000**	**Total US$'000**
Dr. WEI Jiafu		**19**	**–**	**–**	**–**	**–**	**–**	**19**
Mr. CHEN Hongsheng		**15**	**–**	**–**	**–**	**–**	**–**	**15**
Mr. LI Jianhong		**15**	**–**	**–**	**–**	**–**	**–**	**15**
Ms. SUN Yueying		**15**	**–**	**–**	**–**	**–**	**–**	**15**
Dr. SUN Jiakang	(i)	**15**	**55**	**–**	**–**	**5**	**–**	**75**
Mr. XU Minjie	(ii)	**–**	**596**	**31**	**510**	**–**	**–**	**1,137**
Mr. XU Lirong		**15**	**–**	**–**	**–**	**–**	**–**	**15**
Dr. WONG Tin Yau, Kelvin		**–**	**276**	**–**	**319**	**64**	**2**	**661**
Mr. WANG Zhi		**–**	**243**	**56**	**319**	**48**	**–**	**666**
Mr. QIN Fuyan		**–**	**169**	**–**	**319**	**37**	**–**	**525**
Dr. LI Kwok Po, David		**37**	**–**	**–**	**–**	**–**	**–**	**37**
Mr. LIU Lit Man		**35**	**–**	**–**	**–**	**–**	**–**	**35**
Mr. CHOW Kwong Fai, Edward		**36**	**–**	**–**	**–**	**–**	**–**	**36**
Mr. Timothy George FRESHWATER		**27**	**–**	**–**	**–**	**–**	**–**	**27**
		229	**1,339**	**87**	**1,467**	**154**	**2**	**3,278**

		Year ended 31st December 2006						
Name of directors	Note	Fees US$'000	Salaries, housing and other allowances US$'000	Benefits in kind US$'000	Share options US$'000	Bonuses US$'000	Contributions to retirement benefit schemes US$'000	Total US$'000
Dr. WEI Jiafu		19	–	–	–	–	–	19
Mr. CHEN Hongsheng		15	–	–	–	–	–	15
Mr. LI Jianhong		15	–	–	–	–	–	15
Ms. SUN Yueying		15	–	–	–	–	–	15
Dr. SUN Jiakang	(i)	–	707	30	–	51	–	788
Mr. XU Lirong		15	–	–	–	–	–	15
Dr. WONG Tin Yau, Kelvin		–	278	–	–	39	2	319
Mr. WANG Zhi		–	267	3	–	51	–	321
Mr. QIN Fuyan		15	136	–	–	–	–	151
Dr. LI Kwok Po, David		37	–	–	–	–	–	37
Mr. LIU Lit Man		35	–	–	–	–	–	35
Mr. CHOW Kwong Fai, Edward		36	–	–	–	–	–	36
Mr. Timothy George FRESHWATER		27	–	–	–	–	–	27
		229	1,388	33	–	141	2	1,793

36 DIRECTORS' AND MANAGEMENT'S EMOLUMENTS (CONTINUED)

(a) Directors' emoluments (Continued)

Notes:

(i) resigned as Vice Chairman and Managing Director and appointed as a non-executive director on 24th January 2007.

(ii) appointed on 24th January 2007.

The above analysis includes three (2006: three) directors whose emoluments were among the five highest in the Group.

(b) Management's emoluments

Details of the aggregate emoluments paid to two (2006: two) individuals whose emoluments were the highest in the Group and have not been included in the directors' emoluments above are set out below:

	2007 US$'000	2006 US$'000
Salaries and other allowances	432	394
Bonuses	117	130
Share options	638	–
Contributions to retirement benefit schemes	4	3
	1,191	527

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

	Number of individuals	
	2007	2006
Emolument bands		
US$192,352 – US$256,470 (HK$1,500,001 – HK$2,000,000)	–	1
US$256,470 – US$320,587 (HK$2,000,001 – HK$2,500,000)	–	1
US$512,939 – US$577,056 (HK$4,000,001 – HK$4,500,000)	1	–
US$577,056 – US$641,173 (HK$4,500,001 – HK$5,000,000)	1	–
	2	2

(c) During the year, no emolument had been paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office. No directors waived or agreed to waive any emoluments during the year.

37 FINANCIAL GUARANTEE CONTRACTS

The face value of the financial guarantees issued by the Group and the Company as at 31st December 2007 is analysed as below:

	Group		Company	
	2007	2006	**2007**	2006
	US$'000	US$'000	**US$'000**	US$'000
Guarantees for:				
– Notes issued by a subsidiary (note 22(c))	**–**	–	**300,000**	300,000
– Other loan facilities granted to subsidiaries	**–**	–	**500,000**	175,000
– Bank guarantees to an associate	**25,747**	25,304	**–**	–
	25,747	25,304	**800,000**	475,000

The directors of the Company consider that it is not probable for a claim to be made against the Group and the Company under any of these guarantees as at the balance sheet date.

The fair value of the guarantee contracts is not material and has not been recognised.

38 CAPITAL COMMITMENTS

Except as disclosed elsewhere in the financial statements, the Group has the following significant capital commitments as at 31st December 2007:

	Group	
	2007	2006
	US$'000	US$'000
Authorised but not contracted for		
– Containers	**258,588**	474,592
– Generator sets	**3,006**	2,448
– Computer system under development	**709**	946
– Other property, plant and equipment	**65,564**	1,264
	327,867	479,250
Contracted but not provided for		
– Containers	**154,935**	39,346
– Investments (note)	**1,069,003**	727,118
– Other property, plant and equipment	**43,069**	27,729
	1,267,007	794,193
The Group's share of capital commitments of the jointly controlled entities themselves not included in the above are as follows:		
Contracted but not provided for	**84,810**	20,320
Authorised but not contracted for	**26,114**	32,221
	110,924	52,541

38 CAPITAL COMMITMENTS (CONTINUED)

Note:

The Group's investments contracted but not provided for as at 31st December 2007 are as follows:

	Group	
	2007	2006
	US$'000	US$'000
Investments in:		
– Qingdao Qianwan Container Terminal Co., Ltd	**64,997**	77,817
– Antwerp Gateway NV	**92,036**	86,294
– Dalian Port Container Terminals Co., Ltd	**97,473**	91,546
– COSCO Ports (Nansha) Limited	**139,130**	165,902
– Tianjin Port Euroasia International Terminal Co., Ltd	**96,131**	138,307
– Xiamen Ocean Gate Container Terminal Co, Ltd	**382,458**	–
– Others	**57,777**	64,410
	930,002	624,276
Terminal projects in:		
– Jinjiang Ports	**79,840**	–
– Shanghai Yangshan Port Phase II	**54,760**	51,225
– Suez Canal Terminal at Port Said, Egypt	**–**	47,500
– Others	**4,401**	4,117
	139,001	102,842
	1,069,003	727,118

39 OPERATING LEASE ARRANGEMENTS/COMMITMENTS

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

At 31st December 2007, the Group had future minimum lease receipts under non-cancellable operating leases as follows:

	Group	
	2007	2006
	US$'000	US$'000
Containers		
– not later than one year	**185,809**	156,681
– later than one year and not later than five years	**566,472**	462,665
– later than five years	**312,516**	280,864
	1,064,797	900,210
Generator sets		
– not later than one year	**1,989**	1,468
– later than one year and not later than five years	**3,588**	3,130
	5,577	4,598
Investment properties		
– not later than one year	**44**	34
– later than one year and not later than five years	**24**	22
	68	56
	1,070,442	904,864

The future lease receipts above do not include those lease contracts with the amount of future lease receipts depends on the timing of pick up and drop off of containers by lessees during the lease period of the contracts.

(b) Operating lease commitments – where the Group is the lessee

At 31st December 2007, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Group	
	2007	2006
	US$'000	US$'000
Buildings, leasehold land and land use rights		
– not later than one year	**3,419**	3,021
– later than one year and not later than five years	**3,017**	3,839
– later than five years	**4,231**	4,269
	10,667	11,129
Plant and machinery		
– not later than one year	**355**	322
– later than one year and not later than five years	**263**	97
	618	419
	11,285	11,548

(c) The Company did not have any lease commitments as at 31st December 2007 and 2006.

40 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2007 **US$'000**	2006 US$'000
Profit before income tax	**450,845**	343,654
Depreciation and amortisation	**84,026**	88,119
Interest expenses	**47,675**	39,219
Fair value gain on interest rate swap contracts not qualified as hedges	**(73)**	(605)
Initial recognition of put options granted in connection with share reform of an associate	**–**	140,064
Fair value gain on put options granted	**(55,181)**	(84,883)
Amortised amount of		
– discount on issue of notes	**202**	214
– transaction costs on bank loans and notes	**783**	3,944
Other incidental borrowing costs and charges	**1,218**	826
Impairment loss of containers	**400**	2,533
Provision for impairment of trade and finance lease receivables	**394**	3,061
Provision of inventories	**28**	143
Profit on disposal of property, plant and equipment, net	**(27,012)**	(85,086)
Shared-based compensation	**11,190**	–
Dividend income from		
– a listed investment	**(639)**	(476)
– unlisted investments	**(21,184)**	(19,227)
Profit on disposal of		
– a jointly controlled entity	**–**	(5,470)
– an associate	**(90,742)**	–
– available-for-sale financial assets	**(7,418)**	–
Revaluation surplus of investment properties	**(136)**	(157)
Reversal of provision for impairment of trade receivables	**(966)**	(1,515)
Interest income	**(10,466)**	(12,621)
Share of profits less losses of		
– jointly controlled entities	**(106,933)**	(85,070)
– associates	**(80,326)**	(89,042)
Operating profit before working capital changes	**195,685**	237,625
Increase in net amount due from jointly controlled entities	**(17)**	(784)
Decrease in finance lease receivables	**1,449**	1,521
Increase in rent receivable collected on behalf of owners of managed containers	**(2,784)**	(36,459)
Decrease in inventories	**41,220**	30,954
(Increase)/decrease in trade and other receivables, deposits and prepayments	**(26,411)**	21,910
(Increase)/decrease in restricted bank deposits	**(348)**	21,820
Decrease in amounts due from fellow subsidiaries	**–**	849
(Increase)/decrease in amounts due from related companies	**(16)**	83
Decrease/(increase) in amount due from an associate	**437**	(775)
Increase/(decrease) in trade and other payables and accruals	**14,797**	(1,724)
Increase in payable to owners of managed containers	**4,705**	34,909
Decrease in amounts due to fellow subsidiaries	**(165)**	(80)
Increase in amounts due to related companies	**5**	14
(Decrease)/increase in amounts due to minority shareholders of subsidiaries	**(1,049)**	774
Cash generated from operations	**227,508**	310,637

40 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

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

	Group	
	2007	2006
	US$'000	US$'000
Total time deposits, bank balances and cash (note i)	**387,373**	224,668
Restricted bank deposits included in non-current assets	**(506)**	(158)
	386,867	224,510
Representing:		
Time deposits	**277,917**	160,561
Bank balances and cash	**108,950**	63,949
	386,867	224,510

Notes:

(i) As at 31st December 2007, cash and cash equivalents of US$25,821,000 (2006: US$15,834,000) were denominated in Renminbi and US dollar which are held by certain subsidiaries with bank accounts operating in the PRC where exchange controls apply.

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

	Group		Company	
	2007	2006	**2007**	2006
	US$'000	US$'000	**US$'000**	US$'000
US dollar	**326,503**	163,929	**203,833**	96,053
Renminbi	**21,526**	15,378	**–**	–
Hong Kong dollar	**27,608**	31,630	**13,649**	27,270
Other currencies	**11,736**	13,731	**154**	3,420
	387,373	224,668	**217,636**	126,743

(iii) The effective interest rate on time deposits was 4.10% (2006: 4.64%) per annum. These deposits have an average maturity of 6 days (2006: 9 days). The bank balances earn interests at floating rates based on daily bank deposits rates.

41 RELATED PARTY TRANSACTIONS

The Group is controlled by China COSCO which owns 50.97% of the Company's shares as at 31st December 2007. The parent company of China COSCO is COSCO.

COSCO itself is a state-owned enterprise and is controlled by the PRC government, which also owns a significant portion of the productive assets in the PRC. In accordance with HKAS 24 "Related Party Disclosures" issued by the HKICPA, other state-owned enterprises and their subsidiaries (other than COSCO group companies), directly or indirectly controlled by the PRC government, are also defined as related parties of the Group. On that basis, related parties include COSCO and its subsidiaries, other state-owned enterprises and their subsidiaries directly or indirectly controlled by the PRC government, other entities and corporations in which the Company is able to control or exercise significant influence and key management personnel of the Company and COSCO as well as their close family members.

For the purpose of related party transaction disclosures, the Group has identified, to the extent practicable, its customers and suppliers as to whether they are state-owned enterprises. Nevertheless, the directors believe that meaningful information in respect of related party transactions has been adequately disclosed.

In addition to those disclosed elsewhere in the consolidated financial statements, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties during the year.

(a) Sales/purchases of goods, services and investments

	2007	2006
	US$'000	US$'000
Container rental income from fellow subsidiaries (note i)		
– long term leases	**140,099**	136,889
– short term leases	**33**	213
Container rental income from other state-owned enterprises (note i)	**122**	1,041
Handling, storage and transportation income from (note ii)		
– fellow subsidiaries	**6,625**	7,234
– a jointly controlled entity	**887**	–
Management fee and service fee income from (note iii)		
– jointly controlled entities	**3,886**	3,441
– associates	**510**	859
– a joint venture partner of a jointly controlled entity	**–**	2,000
– an investee company	**62**	37
Container terminal handling and storage income received from fellow subsidiaries and an associate of the parent company (note iv)	**6,536**	3,980
Container freight charges to (note v)		
– jointly controlled entities	**(278)**	(507)
– subsidiaries of CIMC	**(1,889)**	(1,620)
Approved continuous examination program fees to a fellow subsidiary (note vi)	**(1,100)**	(1,100)
Purchase of containers from (note vii)		
– subsidiaries of CIMC	**(224,208)**	(156,299)
– jointly controlled entities of the Group	**(46,706)**	(40,375)
Proceeds on disposal of an associate to a fellow subsidiary (note viii)	**268,474**	–

41 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Sales/purchases of goods, services and investments (Continued)

Notes:

(i) The Group has conducted long term container leasing business with COSCON. During the two years ended 31st December 2007, the Group entered into new long term container leasing contracts/arrangements with COSCON. The Group's long term container leasing transactions with COSCON during the year have been conducted by reference to, if applicable, the average of the available leasing rates quoted from four (2006: four) of the top ten independent container leasing companies and in the ordinary and normal course of the business of the Group.

The other container leasing businesses with COSCON, other subsidiaries of COSCO and other state-owned enterprises were conducted at terms as agreed between the Group and respective parties in concern.

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

(iii) The Group provided advisory and management services to COSCO-HIT Terminals (Hong Kong) Limited ("COSCO HIT"), a jointly controlled entity of the Group, during the year. Management fee was charged and agreed at HK$20,000,000 (equivalent to US$2,564,000) (2006: HK$20,000,000 (equivalent to US$2,575,000)) per annum.

Other management fee and service fee income charged to jointly controlled entities, associates, the joint venture partner of a jointly controlled entity and an investee company was agreed between the Group and the respective parties in concern.

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

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

(vi) Approved continuous examination program fees of US$1,100,000 to COSCON in connection with the containers leased to COSCON on a long term basis were agreed between the Group and COSCON for the year ended 31st December 2007 (2006: US$1,100,000).

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

(viii) On 24th August 2007, the Group entered into an agreement with a fellow subsidiary to dispose of its entire 20% equity interest in Chong Hing Bank, a then associate of the Group, at a consideration of US$268,474,000. The disposal resulted in a gain of US$90,742,000.

41 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Balances with state-owned banks

	2007 US$'000	2006 US$'000
Bank deposit balances		
– in China mainland	**25,821**	15,384
– outside China mainland	**267,564**	96,084
Long term bank loans		
– in China mainland	**101,580**	57,232
– outside China mainland	**–**	174,409
Short term bank loans		
– in China mainland	**13,695**	10,245

The deposits and loans with state-owned banks were in accordance with the terms as set out in the respective agreements or as mutually agreed between the parties in concern.

(c) Balances with other state-owned enterprise

	2007 US$'000	2006 US$'000
Other payables to a state-owned enterprise	**5,497**	5,682

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

(d) Key management compensation

	2007 US$'000	2006 US$'000
Salaries, bonuses and other allowances	**2,648**	2,641
Share options	**2,104**	–
Contributions to retirement benefit schemes	**6**	6
	4,758	2,647

Key management includes directors of the Company and four senior management members of the Group.

42 RECLASSIFICATION OF A JOINTLY CONTROLLED ENTITY TO A SUBSIDIARY

On 13th November 2007, the Memorandum and Articles of Association of Yangzhou Yuanyang International Ports Co. Ltd. ("Yangzhou Yuanyang") were amended and the Group has the power to govern its financial and operating policies from then onwards. Yangzhou Yuanyang was previously a jointly controlled entity and since then, the Group has accounted for Yangzhou Yuanyang as a subsidiary.

The assets and liabilities arising from the reclassification are as follows:

	Carrying amount and fair value US$'000
Property, plant and equipment	**61,582**
Leasehold land and land use rights	**6,089**
Intangible assets	**26**
Trade and other receivables	**27,749**
Bank balances and cash	**1,040**
Other assets	**(111)**
Trade and other payables	**(4,149)**
Short term bank loans	**(6,757)**
Long term borrowings	**(32,434)**
	53,035
Minority interests	**(21,897)**
Reclassification of interest originally held by the Group as a jointly controlled entity	**31,138**

Yangzhou Yuanyang contributed revenue of US$1,595,000 and net profit of US$251,000 during the year. If the reclassification had occurred on 1st January 2007, the Group's revenue would have been increased by US$13,881,000 and profit for the year would have been increased by US$3,479,000.

43 EVENT AFTER THE BALANCE SHEET DATE

During the period from 10th December 2007 to 24th March 2008, COSCO Container Industries Limited, a wholly owned subsidiary of the Company, acquired a total of 148,320,037 B shares of CIMC (representing approximately 5.57% of the issued share capital of CIMC) on the Shenzhen Stock Exchange in the PRC at an aggregate cash consideration of approximately HK$2,139,058,000 (equivalent to US$274,238,000). Together with the 432,171,843 A shares of CIMC (representing approximately 16.23% of the issued share capital of CIMC) held by the Group, the Group's interest in CIMC has increased to approximately 21.80%. As at 31st December 2007, the Group held 432,171,843 A shares and 8,342,010 B shares of CIMC, representing approximately 16.54% of the issued share capital of CIMC.

44 DETAILS OF SUBSIDIARIES

Details of the subsidiaries as at 31st December 2007 are as follows:

Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/ paid-up capital	Group equity interest 2007	Group equity interest 2006
[2] Allgood International Limited	British Virgin Islands	Hong Kong	Dormant	1 ordinary share of US$1	**100.00%**	100.00%
[1, 2, 6] Bauhinia 97 Ltd.	Cayman Islands	Hong Kong	Investment holding	2 ordinary shares of US$1 each	**–**	100.00%
Cheer Hero Development Limited	Hong Kong	Hong Kong	Container handling, storage and stevedoring	10,000 ordinary shares of HK$10 each	**75.00%**	75.00%
[1, 2] COSCO Container Industries Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
COSCO Container Services Limited	Hong Kong	Hong Kong	Investment holding, depot handling, storage and container repairing	2 ordinary shares of HK$1 each	**100.00%**	100.00%
[1, 2, 3] COSCO Pacific (China) Investments Co., Ltd.	PRC	PRC	Investment holding	US$37,496,000	**100.00%**	100.00%
[1] COSCO Pacific Finance (2003) Company Limited	British Virgin Islands	Hong Kong	Financing	1 ordinary share of US$1	**100.00%**	100.00%
[1, 2] COSCO Pacific Logistics Company Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
[1] COSCO Pacific Management Company Limited	Hong Kong	Hong Kong	Investment holding and provision of management services	2 ordinary shares of HK$1 each	**100.00%**	100.00%
[1, 2] COSCO Pacific Nominees Limited	British Virgin Islands	Hong Kong	Provision of nominee services	1 ordinary share of US$1	**100.00%**	100.00%
[2] COSCO Ports Services (Guangzhou) Limited	PRC	PRC	Depot handling, storage and container repairing	US$5,000,000	**100.00%**	–
[2] COSCO Ports (Antwerp) NV	Belgium	Belgium	Investment holding	EURO61,500 divided into 2 shares with no face value	**100.00%**	100.00%
COSCO Ports (Belgium) Limited	Hong Kong	Hong Kong	Investment holding	1 ordinary share of HK$1	**100.00%**	100.00%
[2] COSCO Ports (Dalian) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%

44 DETAILS OF SUBSIDIARIES (CONTINUED)

Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/ paid-up capital	Group equity interest 2007	2006
[2] COSCO Ports (Dalian RoRo) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
[2] COSCO Ports (Europe) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	–
[2] COSCO Ports (Fuzhou) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	–
[2] COSCO Ports (Guangzhou) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
[2] COSCO Ports (Haikou) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	–
[1] COSCO Ports (Holdings) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
[2] COSCO Ports (Hong Kong) Limited	British Virgin Islands	Hong Kong	Dormant	1 ordinary share of US$1	**100.00%**	100.00%
[2] COSCO Ports (Lian Yun Gang) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	–
[2] COSCO Ports (Nanjing) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
[2] COSCO Ports (Netherlands) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	–
[2] COSCO Ports (Ningbo Beilun) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
[2] COSCO Ports (Port Said) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
[2] COSCO Ports (Pudong) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
[2] COSCO Ports (Qianwan) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
[2] COSCO Ports (Qingdao) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
[2] COSCO Ports (Quanzhou) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%

44 DETAILS OF SUBSIDIARIES (CONTINUED)

Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/ paid-up capital	Group equity interest 2007	Group equity interest 2006
[2] COSCO Ports (Quanzhou Jinjiang) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
[2] COSCO Ports (Services) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
[2] COSCO Ports (Singapore) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
[2] COSCO Ports (Tianjin) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
[2] COSCO Ports (Tianjin North Basin) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
[2] COSCO Ports (Xiamen Haicang) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	–
[2] COSCO Ports (Yangshan) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
[2] COSCO Ports (Yangzhou) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
[2] COSCO Ports (Yingkou) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
[2] COSCO Ports (Zhenjiang) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
[2] COSCO Ports (Zhenjiang Terminal) Limited	Hong Kong	Hong Kong	Investment holding	1 ordinary share of HK$1	**100.00%**	–
[1] CPL Treasury Limited	British Virgin Islands	Hong Kong	Provision of treasury services	1 ordinary share of US$1	**100.00%**	100.00%
Crestway International Limited	British Virgin Islands	Hong Kong	Investment holding	50,000 ordinary shares of US$1 each	**100.00%**	100.00%
[1, 2] Elegance Investment Limited	British Virgin Islands	Hong Kong	Dormant	1 ordinary share of US$1	**100.00%**	100.00%
Fairbreeze Shipping Company Limited	Hong Kong	Hong Kong	Property investment	5,000 ordinary shares of HK$100 each	**100.00%**	100.00%
[2] Famous International Limited	British Virgin Islands	Worldwide	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%

44 DETAILS OF SUBSIDIARIES (CONTINUED)

	Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/ paid-up capital	Group equity interest 2007	2006
2	Fentalic Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
2, 3, 5	Florens (China) Company Limited	PRC	PRC	Container leasing and resale of old containers	US$12,800,000	**100.00%**	100.00%
	Florens Container (Macao Commercial Offshore) Limited	Macau	Worldwide	Sale of containers and administration of marine shipping container activities	1 quota of MOP100,000	**100.00%**	100.00%
	Florens Container Corporation S.A.	Panama	Worldwide	Container leasing	100 ordinary shares of US$100 each	**100.00%**	100.00%
1	Florens Container Holdings Limited	British Virgin Islands	Hong Kong	Investment holding	22,014 ordinary shares of US$1 each	**100.00%**	100.00%
	Florens Container Inc.	United States of America	United States of America	Investment holding and container leasing	1 ordinary share of US$1	**100.00%**	100.00%
	Florens Container, Inc. (1998)	United States of America	United States of America	Leasing of generator sets	100 ordinary shares of US$1 each	**100.00%**	100.00%
	Florens Container Inc. (1999)	United States of America	United States of America	Leasing of generator sets	100 ordinary shares of US$1 each	**100.00%**	100.00%
	Florens Container, Inc. (2000)	United States of America	United States of America	Information technology development and software maintenance	100 ordinary shares of US$1 each	**100.00%**	100.00%
	Florens Container, Inc. (2001)	United States of America	United States of America	Container leasing	1 ordinary share of US$1	**100.00%**	100.00%
	Florens Container, Inc. (2002)	United States of America	United States of America	Sale of old containers	1 ordinary share of US$1	**100.00%**	100.00%
	Florens Container, Inc. (2003)	United States of America	United States of America	Sale of old containers	1 ordinary share of US$1	**100.00%**	100.00%
2, 7	Florens Container, Inc. (2004)	United States of America	United States of America	Dissolved	1 ordinary share of US$1	**–**	100.00%
2, 7	Florens Container, Inc. (2005)	United States of America	United States of America	Dissolved	1 ordinary share of US$1	**–**	100.00%

44 DETAILS OF SUBSIDIARIES (CONTINUED)

Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/ paid-up capital	Group equity interest 2007	Group equity interest 2006
Florens Container Services Company Limited	Hong Kong	Worldwide	Provision of container management services	100 ordinary shares of HK$1 each	**100.00%**	100.00%
[2] Florens Container Services (Australia) Pty Limited	Australia	Australia	Provision of container management services	100 ordinary shares of AUD1 each	**100.00%**	100.00%
[2] Florens Container Services (Deutschland) GmbH.	Germany	Germany	Provision of container management services	2 shares of EURO12,782.30 each	**100.00%**	100.00%
[2] Florens Container Services (Italy) S.R.L.	Italy	Italy	Provision of container management services	20,000 quotas of EURO0.52 each	**100.00%**	100.00%
[2] Florens Container Services (Japan) Co. Ltd.	Japan	Japan	Provision of container management services	200 ordinary shares of JPY50,000 each	**100.00%**	100.00%
[2] Florens Container Services (UK) Limited	United Kingdom	United Kingdom	Provision of container management services	183,610 ordinary shares of GBP1 each	**100.00%**	100.00%
Florens Container Services (USA), Ltd.	United States of America	United States of America	Container manager and provision of container management services	1,000 ordinary shares of US$0.001 each	**100.00%**	100.00%
[1, 2] Florens Industrial Holdings Limited	Bermuda	Hong Kong	Dormant	12,000 ordinary shares of US$1 each	**100.00%**	100.00%
Florens Management Services (Macao Commercial Offshore) Limited	Macau	Macau	Provision of container management services	1 quota of MOP100,000	**100.00%**	100.00%
Florens Maritime Limited	Bermuda	Worldwide	Container leasing	12,000 ordinary shares of US$1 each	**100.00%**	100.00%

44 DETAILS OF SUBSIDIARIES (CONTINUED)

Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/ paid-up capital	Group equity interest 2007	Group equity interest 2006
Florens Shipping Corporation Limited	Bermuda	Worldwide	Container leasing	12,000 ordinary shares of US$1 each	**100.00%**	100.00%
[2, 7] Florens U.S. Holdings, Inc.	United States of America	United States of America	Dissolved	1 ordinary share of US$1	**–**	100.00%
[2] Fota Limited	British Virgin Islands	Hong Kong	Dormant	12,000 ordinary shares of US$1 each	**100.00%**	100.00%
[2] Frosti International Limited	British Virgin Islands	Hong Kong	Investment holding	2 ordinary shares of US$1 each	**100.00%**	100.00%
Greating Services Limited	Hong Kong	Hong Kong	Transportation of containers	250,000 ordinary shares of HK$1 each	**100.00%**	100.00%
[1] Hang Shing Investment Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
[2] Loson Investment Limited	British Virgin Islands	Hong Kong	Dormant	1 ordinary share of US$1	**100.00%**	100.00%
[2] Plangreat Limited	British Virgin Islands	Hong Kong	Investment holding	100 ordinary each shares of US$1	**100.00%**	100.00%
[2, 3] Quan Zhou Pacific Container Terminal Co., Ltd.	PRC	PRC	Operation of container terminal	RMB49,900,000	**71.43%**	71.43%
[1, 2] Topview Investment Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
Win Hanverky Investments Limited	Hong Kong	Hong Kong	Investment holding	10,000 ordinary shares of HK$10 each	**100.00%**	100.00%
[2, 4] Yangzhou Yuanyang International Ports Co. Ltd.	PRC	PRC	Operation of container terminal	US$44,800,000	**55.59%**	N/A
[2] Yeman Limited	British Virgin Islands	British Virgin Islands	Property holding	1 ordinary share of US$1	**100.00%**	100.00%
[2, 3] Zhangjiagang Win Hanverky Container Terminal Co., Ltd.	PRC	PRC	Operation of container terminal	US$36,800,000	**51.00%**	51.00%

44 DETAILS OF SUBSIDIARIES (CONTINUED)

[1] Shares held directly by the Company.

[2] Subsidiaries not audited by PricewaterhouseCoopers.

[3] COSCO Pacific (China) Investments Co., Ltd and Florens (China) Company Limited are wholly foreign-owned enterprises. Quan Zhou Pacific Container Terminal Co., Ltd. and Zhangjiagang Win Hanverky Container Terminal Co., Ltd are sino-foreign equity joint ventures established in the PRC.

[4] On 13th November 2007, the Memorandum and Articles of Association of Yangzhou Yuanyang International Ports Co. Ltd. ("Yangzhou Yuanyang") was amended and the Group has the power to govern its financial and operating policies from then onwards. Yangzhou Yuanyang was previously a jointly controlled entity and since then, the Group has accounted for Yangzhou Yuanyang as a subsidiary.

[5] The capital of this subsidiary was paid up to US$3,840,000 as at 31st December 2007.

[6] This subsidiary was disposed to a fellow subsidiary during the year.

[7] These subsidiaries were dissolved during the year.

45 DETAILS OF JOINTLY CONTROLLED ENTITIES

Details of the jointly controlled entities as at 31st December 2007 are as follows:

Name	Place of establishment/ operation	Principal activities	Paid-up capital	Percentage of interest in ownership/voting power/ profit sharing 2007	2006
COSCO Logistics Co., Ltd.	PRC	Shipping agency, freight forwarding, third party logistics and supporting services	RMB1,582,029,851	**49.00%/ 44.40%/ 49.00%**	49.00%/ 44.40%/ 49.00%
COSCO Ports (Nansha) Limited	British Virgin Islands/PRC	Investment in a container terminal	US$10,000	**66.10%/ 66.67%/ 66.10%**	66.10%/ 66.67%/ 66.10%
COSCO-HIT Terminals (Hong Kong) Limited	Hong Kong	Operation of container terminal	2 "A" ordinary shares of HK$10 each, 2 "B" ordinary shares of HK$10 each and 4 non-voting 5% deferred shares of HK$10 each	**50.00%/ 50.00%/ 50.00%**	50.00%/ 50.00%/ 50.00%
COSCO-PSA Terminal Private Limited	Singapore	Operation of container terminal	SGD48,900,000	**49.00%/ 50.00%/ 49.00%**	49.00%/ 50.00%/ 49.00%
Guangzhou South China Oceangate Container Terminal Company Limited	PRC	Operation of container terminal	RMB1,403,171,000	**39.00%/ 40.00%/ 39.00%**	39.00%/ 40.00%/ 39.00%
Nanjing Port Longtan Container Co., Ltd.	PRC	Operation of container terminal	RMB474,000,000	**20.00%/ 22.20%/ 20.00%**	20.00%/ 22.20%/ 20.00%

45 DETAILS OF JOINTLY CONTROLLED ENTITIES (CONTINUED)

Name	Place of establishment/ operation	Principal activities	Paid-up capital	Percentage of interest in ownership/voting power/ profit sharing 2007	2006
Ningbo Yuan Dong Terminals Ltd.	PRC	Operation of container terminal	RMB390,000,000	**20.00%/ 20.00%/ 20.00%**	20.00%/ 20.00%/ 20.00%
Qingdao Cosport International Container Terminals Co. Ltd.	PRC	Operation of container terminal	RMB337,868,700	**50.00%/ 50.00%/ 50.00%**	50.00%/ 50.00%/ 50.00%
Qingdao Qianwan Container Terminal Co., Ltd.	PRC	Operation of container terminal	US$230,000,000	**20.00%/ 18.18%/ 20.00%**	20.00%/ 18.18%/ 20.00%
Shanghai CIMC Reefer Containers Co., Ltd.	PRC	Container manufacturing	US$31,000,000	**20.00%/ 21.40%/ 20.00%**	20.00%/ 21.40%/ 20.00%
Shanghai Pudong International Container Terminals Limited (note)	PRC	Operation of container terminal	RMB1,900,000,000	**30.00%/ 30.00%/ 30.00%**	N/A/ N/A/ N/A
Tianjin CIMC North Ocean Container Co., Ltd.	PRC	Container manufacturing	US$16,682,000	**22.50%/ 20.00%/ 22.50%**	22.50%/ 20.00%/ 22.50%
Tianjin Port Euroasia International Container Terminal Co., Ltd.	PRC	Operation of container terminal	RMB1,260,000,000	**30.00%/ 28.60%/ 30.00%**	– – –
Yangzhou Yuanyang International Ports Co. Ltd.	PRC	Operation of container terminal	US$44,800,000	**N/A N/A N/A**	55.59%/ 50.00%/ 55.59%
Yingkou Container Terminals Company Limited	PRC	Operation of container terminal	RMB8,000,000	**50.00%/ 57.14%/ 50.00%**	50.00%/ 57.14%/ 50.00%

Note:

Following the completion of amendments of Memorandum and Article of Association of Shanghai Pudong, the Group has the power to jointly govern its financing and operating policy. Accordingly, Shanghai Pudong has been reclassified as a jointly controlled entity in 2007.

46 DETAILS OF ASSOCIATES

Details of the associates as at 31st December 2007 are as follows:

Name	Place of establishment/ operation	Principal activities	Issued share capital/ registered capital	Group equity interests 2007	Group equity interests 2006
Antwerp Gateway NV	Belgium	Operation of container terminal	EURO17,900,000	**20.00%**	20.00%
China International Marine Containers (Group) Co., Ltd. (note)	PRC	Container manufacturing	RMB2,662,396,051 (299,052,041 non-publicly tradeable shares, 932,865,301 “A” shares and 1,430,478,709 “B” shares), all of RMB1 each	**16.54%**	16.23%
Chong Hing Bank Limited	Hong Kong	Banking and related financial services	435,000,000 ordinary shares of HK$0.5 each	**–**	20.00%
Dalian Automobile Terminal Co., Ltd.	PRC	Construction and operation of automobile terminals	RMB160,000,000	**30.00%**	30.00%
Dalian Port Container Terminal Co., Ltd.	PRC	Operation of container terminal	RMB240,000,000	**20.00%**	20.00%
Dawning Company Limited	British Virgin Islands/ PRC	Investment holding	200 “A” shares of US$1 each and 800 “B” shares of US$1 each	**20.00%**	20.00%
Shanghai Pudong International Container Terminals Limited	PRC	Operation of container terminal	RMB1,900,000,000	**N/A**	30.00%
Suez Canal Container Terminal S.A.E.	Egypt	Operation of container terminal	687,500 ordinary shares of US$100 each	**20.00%**	–

Note:

The directors of the Company considered that the Group has significant influence over CIMC through its representatives on the board of directors of CIMC.

FIVE-YEAR FINANCIAL SUMMARY

	For the year ended 31st December				
	2007	2006	2005	2004	2003
	US$'000	US$'000	US$'000	US$'000	US$'000
Revenue	**298,948**	297,473	318,266	300,096	268,295
Operating profit after finance income and costs	**172,844**	169,542	205,092	133,421	109,341
Share of profits less losses of					
– jointly controlled entities	**106,933**	85,070	72,969	66,366	36,891
– associates	**80,326**	89,042	82,320	27,324	22,813
Profit on disposal of an associate	**90,742**	–	–	–	–
Profit before income tax	**450,845**	343,654	360,381	227,111	169,045
Income tax expenses	**(17,796)**	(49,196)	(22,426)	(18,021)	(12,502)
Profit for the year	**433,049**	294,458	337,955	209,090	156,543
Profit attributable to:					
Equity holders of the Company	**427,768**	291,082	334,937	206,646	154,685
Minority interests	**5,281**	3,376	3,018	2,444	1,858
	433,049	294,458	337,955	209,090	156,543
Dividends	**211,003**	197,370	190,333	117,662	87,568
Basic earnings per share (US cents)	**19.09**	13.14	15.28	9.57	7.20
Dividend per share (US cents)	**9.41**	8.85	8.65	5.40	4.08

	As at 31st December				
	2007	2006	2005	2004	2003
	US$'000	US$'000	US$'000	US$'000	US$'000
Total assets	**3,871,575**	2,987,155	2,855,150	2,243,072	1,903,292
Total liabilities	**(1,096,916)**	(778,954)	(964,807)	(757,444)	(570,458)
Net assets	**2,774,659**	2,208,201	1,890,343	1,485,628	1,332,834

Notes:

1 The consolidated results of the Group for the two years ended 31st December 2007 and the assets and liabilities of the Group as at 31st December 2007 have been extracted from the audited consolidated financial statements of the Group as set out on pages 91 to 97 of the annual report.

2 The Company was incorporated in Bermuda under the Companies Act 1981 of Bermuda (as amended) on 26th July 1994.

HISTORICAL STATISTICS SUMMARY

Financial statistics		1998	1999	2000
Consolidated income statement	US$M			
Revenue				
Container terminal		4.2	4.6	5.3
Container leasing, management, sale and related businesses		214.0	229.1	219.5
Container handling, transportation and storage		10.8	10.9	10.5
Total		229.0	244.6	235.3
EBITDA		234.8	237.3	245.6
Depreciation & amortisation		(66.8)	(70.6)	(74.8)
EBIT		168.0	166.7	170.8
Interest expenses		(41.7)	(37.1)	(38.1)
Interest income		3.1	5.1	12.2
Profit before income tax		129.4	134.7	144.9
Operating profit after finance income and costs		81.1	83.7	81.8
Profit attributable to equity holders of the Company		126.7	128.8	140.0
Breakdown of profit attributable to equity holders of the Company				
Container terminal and related businesses		40.6	40.1	47.0
Container leasing, management, sale and related businesses		120.7	115.0	110.6
Logistics and related businesses		–	–	–
Container manufacturing and related businesses		2.0	1.7	2.7
Other operations		9.2	9.7	13.5
Net corporate financial income/(expenses)		(42.4)	(34.8)	(31.0)
Net corporate expenses		(3.4)	(2.9)	(2.8)
Total		126.7	128.8	140.0
Consolidated balance sheet	US$M			
Consolidated total assets		1,549.7	1,631.3	1,558.9
Consolidated total liabilities		683.6	631.6	470.9
Consolidated net assets		866.1	999.7	1,088.0
Consolidated total debts		634.3	560.8	423.6
Cash balances		87.6	252.3	145.6
Consolidated net debts		546.7	308.5	278.0
Per share data				
Capital and reserves attributable to the equity holders of the Company per share	US$	0.42	0.46	0.50
Basic earnings per share	US cents	6.18	6.11	6.55
Dividend per share	US cents	2.30	2.34	2.46
Net asset value per share	HK$	3.292	3.645	3.967
Share price (as at 31st December)	US$	0.413	0.827	0.776
	HK$	3.225	6.450	6.050
Ratios				
P/E (as at 31st December)	Times	6.7	13.5	11.9
Dividend payout ratio	%	37.2	38.3	37.6
Return on total assets	%	8.5	8.1	8.8
Return on net assets	%	15.5	13.8	13.4
Return on equity holders of the Company	%	15.6	13.9	13.5
Net debt-to-equity ratio	%	63.1	30.9	25.6
Interest coverage	Times	4.1	4.6	4.8
Other information				
Total number of shares issued	M	2,051.8	2,139.2	2,139.2
Weighted average number of ordinary shares issued	M	2,051.8	2,109.5	2,139.2
Market capitalisation (as at 31st December)	US$M	848.4	1,769.0	1,659.3

Notes:

1 The amount in 2007 and 2006 included the financial effect of Put Options associated with the CIMC Share Reform.

2 The financial effect of Put Options associated with the CIMC Share Reform was excluded in the calculation of dividend payout ratio of year 2007 and 2006.

2001	2002	2003	2004	2005	2006	2007
5.7	7.8	9.0	11.1	12.5	20.9	43.3
216.2	232.1	250.5	281.8	299.0	269.0	247.9
9.6	8.8	8.8	7.2	6.8	7.6	7.7
231.5	248.7	268.3	300.1	318.3	297.5	298.9
258.8	254.6	274.1	351.1	499.3	462.6	574.2
(81.0)	(87.7)	(95.5)	(102.5)	(107.7)	(88.1)	(84.0)
177.8	166.9	178.6	248.6	391.6	374.5	490.2
(24.0)	(15.5)	(11.9)	(24.8)	(35.6)	(43.4)	(49.9)
5.2	3.8	2.3	3.3	4.4	12.6	10.5
159.0	155.2	169.0	227.1	360.4	343.7	450.8
99.0	91.9	109.3	133.4	205.1	169.5	172.8
154.5	142.5	154.7	206.6	334.9	291.1	427.8
44.1	55.7	68.3	98.5	155.7	100.6	128.3
108.3	90.8	92.2	114.1	134.1	184.3	118.0
–	–	–	11.2	16.4	18.2	19.2
5.0	5.2	5.6	3.0	59.2	17.0 Note 1	123.6 Note 1
24.3	7.0	7.8	9.8	10.7	13.3	99.0
(24.1)	(12.8)	(13.6)	(23.9)	(32.0)	(31.6)	(39.4)
(3.1)	(3.4)	(5.6)	(6.1)	(9.2)	(10.7)	(20.9)
154.5	142.5	154.7	206.6	334.9	291.1	427.8
1,731.9	1,746.4	1,903.3	2,243.0	2,855.1	2,987.2	3,871.6
544.3	482.4	570.5	757.4	964.8	779.0	1,096.9
1,187.6	1,264.0	1,332.8	1,485.6	1,890.3	2,208.2	2,774.7
509.5	420.7	478.3	653.3	835.6	531.6	914.0
254.1	236.1	283.8	100.6	179.3	224.7	387.4
255.4	184.6	194.5	552.7	656.3	306.9	526.6
0.55	0.58	0.61	0.67	0.85	0.97	1.21
7.21	6.64	7.20	9.57	15.28	13.14	19.09
3.01	3.72	4.08	5.40	8.65	8.85	9.41
4.324	4.592	4.839	5.307	6.666	7.704	9.637
0.516	0.821	1.327	2.064	1.830	2.349	2.668
4.025	6.400	10.350	16.100	14.200	18.260	20.800
7.2	12.4	18.4	21.7	11.9	17.9	14.0
41.7	56.0	56.6	56.4	56.6	56.6 Note 2	56.6 Note 2
9.4	8.2	8.5	10.0	13.1	10.0	12.5
13.6	11.6	11.9	14.7	19.8	14.2	17.2
13.7	11.8	12.1	14.7	20.0	14.4	17.5
21.5	14.6	14.6	37.2	34.7	13.9	19.0
7.6	11.0	15.2	10.1	11.1	8.8	10.0
2,142.5	2,147.0	2,148.5	2,183.6	2,199.0	2,228.7	2,244.9
2,141.2	2,146.2	2,147.3	2,160.0	2,192.1	2,214.7	2,240.3
1,105.6	1,761.7	2,851.0	4,507.2	4,024.2	5,234.1	5,988.4

HISTORICAL STATISTICS SUMMARY

Operating statistics		1998	1999	2000
Container leasing, management and sale				
Revenue (Note 1)	US$M	214.0	229.1	219.5
Breakdown of rental income				
– COSCON		149.0	142.6	136.8
– International customers (long term lease)		29.0	32.0	35.7
– International customers (master lease)		19.9	27.2	27.9
Fleet capacity	TEUs	505,954	500,899	527,982
Breakdown of fleet capacity by customers				
– COSCON	TEUs	340,344	311,047	303,978
– International customers	TEUs	165,610	189,852	224,004
– Managed containers	TEUs	–	–	–
– COSCON	%	67.3	62.1	57.6
– International customers	%	32.7	37.9	42.4
– Managed containers	%	–	–	–
Breakdown of fleet capacity				
– Dry	TEUs	463,200	456,490	482,516
– Reefer	TEUs	30,325	30,757	31,880
– Special	TEUs	12,429	13,652	13,586
– Dry	%	91.5	91.2	91.4
– Reefer	%	6.0	6.1	6.0
– Special	%	2.5	2.7	2.6
Capital expenditure on containers	US$M	127.9	57.7	116.3
Purchase of new containers	TEUs	58,009	40,094	69,060
Disposal of returned containers (Note 2)	TEUs	18,740	40,319	34,087
Fleet age	Year	4.0	4.1	4.2
Utilisation rate				
COSCO Pacific (Florens)	%	97.0	96.5	95.1
Industry average	%	80.0	80.0	83.0
Number of customers		150	175	155
Container terminals				
Throughput	TEUs			
COSCO-HIT Terminal		1,206,572	1,220,002	1,412,854
Yantian Terminal (Phases I, II & III)		1,038,074	1,588,089	2,147,476
Quan Zhou Pacific Terminal		–	–	–
Shanghai Pudong Terminal		–	–	–
Shanghai Terminal		2,027,188	2,593,995	2,950,500
Zhangjiagang Win Hanverky Terminal		105,051	113,114	136,778
Yangzhou Yuanyang Terminal		–	–	–
Nanjing Longtan Terminal		–	–	–
Qingdao Qianwan Terminal		–	–	–
Qingdao Cosport Terminal		350,126	401,029	502,119
Dalian Port Container Co., Ltd.		–	–	–
Dalian Port Container Terminal		–	–	–
Yingkou Terminal		–	–	–
Tianjin Five Continents Terminal		–	–	–
Guangzhou South China Oceangate Terminal		–	–	–
Ningbo Yuan Dong Terminals		–	–	–
COSCO-PSA Terminal		–	–	–
Antwerp Terminal		–	–	–
Suez Canal Terminal		–	–	–
Total throughput		4,727,011	5,916,229	7,149,727
Container manufacturing				
Production volume	TEUs			
CIMC		–	–	–
Shanghai CIMC Reefer		11,088	16,914	24,503
Tianjin CIMC North Ocean		38,993	37,948	61,000

Notes:

1 Revenue from 1998 to 2006 have been restated to include the sales of resaleable containers.

2 Included COSCON and the buy-in of returned containers upon the expiry of lease.

2001	2002	2003	2004	2005	2006	2007
216.2	232.1	250.5	281.8	299.0	269.0	247.9
136.0	136.1	130.6	120.8	126.4	136.9	140.1
40.4	49.1	64.9	88.0	104.3	60.9	32.7
31.9	39.2	43.6	47.1	43.8	21.8	8.5
610,019	707,890	808,825	919,128	1,042,852	1,250,609	1,519,671
327,370	329,028	310,444	327,845	377,324	456,877	517,311
282,649	373,644	481,701	567,644	630,925	163,851	239,742
–	5,218	16,680	23,639	34,603	629,881	762,618
53.7	46.5	38.4	35.7	36.2	36.5	34.0
46.3	52.8	59.5	61.7	60.5	13.1	15.8
–	0.7	2.1	2.6	3.3	50.4	50.2
561,419	657,466	758,783	870,789	993,988	1,198,770	1,470,832
35,078	36,962	37,400	36,639	38,020	41,456	38,745
13,522	13,462	12,642	11,700	10,844	10,383	10,094
92.0	92.9	93.8	94.7	95.3	95.9	96.8
5.8	5.2	4.6	4.0	3.6	3.3	2.5
2.2	1.9	1.6	1.3	1.1	0.8	0.7
165.0	153.7	195.6	270.9	333.6	480.6	586.3
96,953	119,466	142,218	155,526	168,592	268,236	326,715
12,151	15,822	23,714	39,517	27,288	48,071	56,759
4.3	4.4	4.3	4.3	4.3	4.0	3.8
91.4	93.4	95.2	97.0	95.5	96.2	94.5
75.0	83.0	89.0	92.0	90.9	91.8	93.0
155	176	202	218	256	270	280
1,301,966	1,526,074	1,513,559	1,697,212	1,841,193	1,688,697	1,846,559
2,751,885	4,181,478	5,258,106	6,259,515	7,355,459	8,470,919	9,368,696
–	–	–	–	–	241,272	856,784
–	–	1,765,586	2,339,479	2,471,840	2,650,007	2,723,722
2,609,800	3,049,080	3,400,963	3,650,319	3,646,732	3,703,460	3,446,135
161,208	202,348	247,306	328,199	377,121	455,946	601,801
–	–	–	118,079	157,123	222,912	253,772
–	–	–	–	178,686	700,098	950,289
–	–	1,332,746	4,532,769	5,443,086	6,770,003	8,237,501
600,329	454,528	244,159	385,856	605,791	744,276	1,005,439
–	1,326,463	1,644,409	2,172,252	2,467,465	2,885,276	3,723,833
–	–	–	–	132,984	421,068	850,359
–	–	–	393,097	633,573	837,574	1,125,557
–	–	–	–	87,462	1,773,141	1,988,456
–	–	–	–	–	–	577,196
–	–	–	–	–	–	331,361
–	–	95,830	571,863	611,013	627,894	833,892
–	–	–	–	70,084	599,170	792,459
–	–	–	–	–	–	319,153
7,425,188	10,739,971	15,502,664	22,448,640	26,079,612	32,791,713	39,832,964
–	–	–	–	1,304,500	1,564,100	2,100,000
25,642	33,582	35,398	40,320	48,645	47,798	64,627
33,382	79,506	98,306	133,968	101,077	141,759	137,466

CORPORATE INFORMATION

BOARD OF DIRECTORS

Dr. WEI Jiafu[2] *(Chairman)*
Mr. CHEN Hongsheng[1]
Mr. LI Jianhong[1]
Mr. XU Lirong[2]
Ms. SUN Yueying[1]
Mr. XU Minjie[1] *(Vice Chairman and Managing Director)*
Dr. SUN Jiakang[2]
Dr. WONG Tin Yau, Kelvin[1]
Mr. WANG Zhi[1]
Mr. YIN Weiyu[1]
Dr. LI Kwok Po, David[3]
Mr. LIU Lit Man[3]
Mr. CHOW Kwong Fai, Edward[3]
Mr. Timothy George FRESHWATER[3]

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

GENERAL COUNSEL & COMPANY SECRETARY

Ms. HUNG Man, Michelle

QUALIFIED ACCOUNTANT

Ms. SIU Kim Shan, Margaret

PLACE OF INCORPORATION

Bermuda

REGISTERED OFFICE

Clarendon House
Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

49th Floor, COSCO Tower
183 Queen's Road Central
Hong Kong
Telephone: (852) 2809 8188
Fax: (852) 2907 6088
Website: www.coscopac.com.hk

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
22nd Floor
Prince's Building
Hong Kong

SOLICITORS

Coudert Brothers
Holman, Fenwick & Willan
Linklaters
Woo, Kwan, Lee & Lo

PRINCIPAL BANKERS

ABN AMRO Bank N.V.
Bank of China (Hong Kong) Limited
ING Bank N.V.
Rabobank
The Hongkong and Shanghai Banking Corporation Limited

PRINCIPAL REGISTRAR AND TRANSFER OFFICE IN BERMUDA

The Bank of Bermuda Limited
6 Front Street
Hamilton HM11
Bermuda

BRANCH REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Secretaries Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

LISTING INFORMATION/COMPANY STOCK CODE

The Stock Exchange of Hong Kong Limited: 1199
Bloomberg: 1199 HK
Reuters: 1199. HK

Notes

Notes

Stock Code: 1199

COSCO Pacific Limited
(Incorporated in Bermuda with limited liability)
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