中國遠洋控股股份有限公司

China COSCO Holdings Company Limited

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

(Stock Code: 1919)

2007

ANNUAL REPORT

A global leading shipping and logistics services supplier

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS

The report may contain certain forward-looking information and/or information that is not based on historical data and uses forward-looking terminology such as "anticipate", "believe", "intend", "could", "except", "estimate", "may", "ought to", "should" or "will". Readers are cautioned that reliance on any forward-looking statements involves risks and uncertainties and that, although the Group believes that assumptions on which the forward-looking statements are based are reasonable, any or all of those assumptions could prove to be incorrect and as a result, the inclusion of forward-looking statements in this report should not be regarded as representations by the Group concerning future performance of the Group and readers should not place undue reliance on such forward-looking statements, In addition, the Group undertakes no obligation to publicly update or revise any forward-looking statements contained in this report as a result of new information, future events or otherwise.

Contents

Important Notice

The Board of Directors, the Supervisory Committee, the Directors, Supervisors and Senior Management of the Company declare that there are no false information, misleading statements or material omissions in this report, and collectively and individually accept full responsibility for the truthfulness, accuracy and completeness of the information contained in this report.

The 35th Meeting of the First Board of Directors of the Company held on 22 April 2008 has considered and passed the 2007 Annual Report and its summary of the Company. All Directors of the Company attended the meeting.

PricewaterhouseCoopers and Reanda Certified Public Accountants have audited the financial reports in the 2007 Annual Report of the Company prepared under the the Hong Kong Financial Reporting Standards and PRC Corporate Accounting Standards and issued unqualified auditors' reports thereon.

Mr. Wei Jiafu (Chairman), Mr. Chen Hongsheng (President), Mr. He Jiale (Chief Financial Officer of the Finance Department) and Ms. Li Jin (General Manager of the Financial Department) declare that they confirm the truthfulness and completeness of the financial reports in this annual report.

Company's Basic Information

1) Company Profile

China COSCO Holdings Company Limited ("China COSCO" or the "Company", together with its subsidiaries, the "Group") was established in the People's Republic of China (the "PRC") on 3 March 2005 is the listed flagship and integrated platform of China Ocean Shipping (Group) Company ("COSCO", together with its subsidiaries, collectively known as "COSCO Group"). The Company provides a wide range of container shipping, dry bulk shipping, logistics, terminals and container leasing covering the whole shipping value chain for both international and domestic customers through its various subsidiaries.

The Group operates its container shipping and related businesses through COSCO Container Lines Company Limited ("COSCON"), its wholly-owned subsidiary. As at 31 December 2007, COSCON operates a total fleet of 144 vessels, with a total capacity reaching 435,138 TEUs, which calls at over 140 ports in over 40 countries and regions across the world, and operates 74 international routes, 12 international feeder service routes, 20 PRC coastal service routes and 62 Pearl River Delta and Yangtze River feeder service routes. COSCON has an extensive sales and services network across the world. As at 31 December 2007, COSCON owned over 400 sales and service points in the PRC and overseas. These global route networks and sales and service networks have enabled the Group to provide quality door-to-door services to its customers.

China COSCO operates its dry bulk cargo shipping business through COSCO Bulk Carrier Co., Ltd. ("COSCO Bulk"), Qingdao Ocean Shipping Company ("COSCO Qingdao"), COSCO (Hong Kong) Shipping Co., Ltd. ("COSCO HK") and Shenzhen Ocean Shipping Co., Ltd. ("COSCO Shenzhen"). As of 31 December, 2007, China COSCO operates 419 dry bulk cargo vessels, among which 202 were owned by the Company and 217 were charted-in. With a total shipping capacity of 32,981,460 DWT, being the world's largest dry bulk cargo fleet.

Company's Basic Information

1) Company Profile

The Group provides integrated logistics services (including third party logistics shipping agency and freight forwarding) through its controlling subsidiary, COSCO Logistics Co., Ltd. ("COSCO Logistics"), in which the Company directly holds 51% equity interests and indirectly holds 49% equity interests through COSCO Pacific. COSCO Logistics has established over 400 business branches in 29 provinces, cities and autonomous regions in the PRC, Hong Kong and overseas.

The Group also operates its terminal business through COSCO Pacific Limited ("COSCO Pacific"), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange"), in which the Company owns approximately 51% equity interests. As at 31 December 2007, COSCO Pacific had invested in 27 terminal projects globally, with a total of 140 berths, which ranked the fifth in the world.

The Group operates its container leasing business through Florens Container Holdings Limited and its subsidiaries ("Florens"), a subsidiary of COSCO Pacific. As at 31 December 2007, Florens owned and managed a container fleet of 1,519,671 TEUs. The container leasing business accounted for approximately 13.2% of the global market share, ranking the second in the world.

In addition, the Company is also engaged in the container manufacturing business through COSCO Pacific's associate China International Marine Container's (Group) Co., Ltd. ("CIMC"), in which COSCO Pacific holds approximately 21.8% equity interest as at 24 March 2008. CIMC is currently the world's largest container manufacturer, accounted for over 50% of the market share.

Being the listed flagship and integrated platform of COSCO Group, the Group which is based in the PRC and facing the market globally. By leveraging its market experience and global advantages, continue to enhance its integrated shipping capabilities and expand its logistics service coverage so as to become the leading shipping and logistics supplier in the world.

Company's Basic Information

2) Company Information

1. Legal Chinese name : 中國遠洋控股股份有限公司

   Legal Chinese name abbreviation : 中國遠洋

   English name : China COSCO Holdings Company Limited

   English name abbreviation : China COSCO

2. Legal representative : WEI Jiafu

3. Board of Directors

   WEI Jiafu *(Executive Director, Chairman and CEO)*
   ZHANG Fusheng
   (Non-executive Director and Vice Chairman)
   CHEN Hongsheng
   (Executive Director and President)
   LI Jianhong *(Non-executive Director)*
   XU Lirong *(Non-executive Director)*
   ZHANG Liang *(Non-executive Director)*
   SUN Yueying *(Non-executive Director)***
   LI Boxi *(Independent Non-executive Director)*
   TSAO Wen King, Frank
   (Independent Non-executive Director)
   Alexander Reid HAMILTON
   *(Independent Non-executive Director)**
   CHENG Mo Chi
   *(Independent Non-executive Director)***

   * *Chairman of Audit Committee*
   ** *Member of Audit Committee*

4. Authorised Representatives

   CHEN Hongsheng
   NG Kam Tsun, Jeffrey

5. Secretary of the Board of Directors
   ZHANG Yongjian

   Telephone : (022) 66270898
   Facsimile : (022) 66270899
   E-mail : zhangyongjian@chinacosco.com
   Contact address : 3rd Floor, No.1 Tongda Square, Tianjian Port Free Trade Zone, Tianjin, the PRC

   Representative of Securities affairs : LIANG Hong

   Telephone : (022) 66270898
   Facsimile : (022) 66270899
   E-mail : lianghong@chinacosco.com

   Representative of Securities affairs : MING Dong

   Telephone : (022) 66270898
   Facsimile : (022) 66270899
   E-mail : mingdong@chinacosco.com
   Contact address : 3rd Floor, No.1 Tongda Square, Tianjian Port Free Trade Zone, Tianjin, the PRC

6. Joint Company Secretaries

   ZHANG Yongjian
   NG Kam Tsun, Jeffrey

7. Qualified Accountant

   HE Xinmei

8. Company's registered office : 3rd Floor, No.1 Tongda Square, Tianjian Port Free Trade Zone, Tianjin, the PRC

Company's Basic Information

2) Company Information

Postal code	:	300461
Company's place of business	:	3rd Floor, No.1 Tongda Square, Tianjian Port Free Trade Zone, Tianjin, the PRC
Postal code	:	300461
Company's website	:	www.chinacosco.com
Company's e-mail	:	investor@chinacosco.com
Place of business in Hong Kong	:	49th Floor, COSCO Tower, 183 Queen's Road Central, Hong Kong

9. Newspapers for Company's information disclosure:

   A Share : Shanghai Security Daily, China Security Daily, Securities Times

10. International internet website designated by the China Securities Regulatory Commission ("CSRC") for publishing the A Share Annual Report: www.sse.com.cn

    Internet website designated by the Hong Kong Stock Exchange for publishing the H Share Annual Report: www.hkex.com.hk

11. Place of Listing of the Company's A Share: Shanghai Stock Exchange
    Abbreviation of the Company's A Share: China COSCO
    A Share's Stock Code: 601919

    Place of Listing of the Company's H Share: Hong Kong Stock Exchange
    Abbreviation of the Company's H Share: China COSCO
    H Share's Stock Code: 1919

12. Other relevant information

    Registration date and place for subsequent change: 5 January 2007
    3rd Floor, No.1 Tongda Square, Tianjian Port Free Trade Zone, Tianjin, the PRC

    Business registration number:
    Qi Gu Guo Fu Zi No. 001179

    Taxation registration number:
    Jin Di Shui Zi No. 120116710933243

    Name and place of business of the auditors engaged by the Company:
    PricewaterhouseCoopers
    22nd Floor, Prince's Building, Central, Hong Kong

    Reanda Certified Public Accountants Co., Ltd.
    100 Ba Li Zhang Xi Li, Chaoyang District, Beijing

13. Major Bankers

    Bank of China
    Industrial and Commercial Bank of China
    China Merchants Bank

14. Legal Advisers

    As to Hong Kong law:
    Paul, Hastings, Janofsky & Walker
    22nd Floor, Bank of China Tower, 1 Garden Road, Hong Kong

    As to PRC law:
    Commerce and Finance Law Offices
    6th Floor, NCI Tower, A12 Jianguomenwai Avenue, Chaoyang District, Beijing

15. Domestic A Share Registrar and Transfer Office

    China Securities Depository and Clearing Corporation Limited, Shanghai Branch
    36th Floor, China Insurance Building, 166 Lujiazui Road East, Pudong New District, Shanghai

    Hong Kong H Share Registrar and Transfer Office

    Computershare Hong Kong Investor Services Limited
    Shops 1806-1807, 18th Floor, Hopewell Centre. 183 Queen's Road East, Wanchai, Hong Kong

Company's Basic Information

3) Major Events

2007

1 January

The CKYH Consortium restructured the eastern routes

COSCON and CMA CGM of France would jointly create a new western route AMX

2 February

Chairman of China COSCO, Mr. Wei Jiafu, was awarded "The Most Outstanding Individual in Promoting the Use of IT in PRC Enterprises" in the election awards of the Top 500 Enterprises in the Use of IT in PRC for the year 2006

COSCO Pacific was awarded the "Best Investor Relation" by the IR magazine

3 March

COSCO Logistics successfully completed the full logistics services for the shipment of two units of hydrocrackers with each weighing 1,466 tons and 1,347 tons respectively, setting new national records in the transportation of ultra heavy large-size equipment by roll-on/roll-off loading and unloading methods

4 April

COSCO Logistics successfully completed the full logistics services for the "China National Exhibition" held in Russia

China COSCO and COSCO Pacific were again elected as the Forbes Global 2,000 outstanding enterprises

COSCO Pacific and Fujian Provincial Communication Transportation (Shareholdings) Co., Ltd Liability Company signed a letter of intent for joint capital investment to acquire 29% shareholding in Fuzhou Port Group Co., Ltd

5 May

COSCO Pacific won the Prize for Best Corporate Governance awarded by The Asset magazine

COSCON signed fixed-term chartering agreements for 8 vessels of 8,500 TEUs

COSCON won the Prize for Quickest Cargo Delivery Shipping Route 2006 awarded by the Lloyd's Loading List Magazine

COSCO Logistics won the tender for an overseas logistics services project for 12 million tons of refined oil from CNOOC

COSCO Logistics completed overweight cargo roll-off and highway transportation in India for the first time

Company's Basic Information

3) Major Events

6
June

China COSCO completed the issue of A shares successfully, a total amount of RMB15,127,195,942.08 of proceeds were raised

On 26 June, the A shares of China COSCO Holdings Company Limited were listed on the Shanghai Stock Exchange

7
July

China COSCO won "The World's Top 20 Most Competitive Chinese Enterprises Award" hosted by the Global Enterpreneur Magazine

The controlling shareholder of China COSCO, COSCO Group, was ranked Top 500 Global Enterprises by the Fortune Magazine

COSCO Logistics operated Asia's largest wind power logistics project with success

Asia's first container of 10,000-TEU capacity "COSCO Asia" was named in Korea

8
August

COSCO Logistics adopted the latest half-float roll-off technology and successfully unloaded over-weight cargoes

9
Setpember

COSCO Pacific won the "Best Corporate Legal Team of the Year in Hong Kong" and "Best Shipping Corporate Legal Team" awards presented by the renowned legal journal "Asia Legal Business" (ALB)

COSCON entered into time charters with the shipowner, Seaspan Corporation, for chartering 8 vessels of 13,100 TEUs

The Nansha Port Phase 2 project of Guangzhou Port, a joint-venture between Guangzhou Port Group and COSCO Pacific, a subsidiary of China COSCO, was completed and the final four of six container berths commenced operation

10 October

COSCO Logistics and Bayer Materials Technology signed a strategic cooperative agreement

China COSCO's subsidiary COSCO International Freight Co., Ltd. became known as a meritorious logistics company in credibility building in China

China COSCO was incorporated into the FTSE Xinhua 25 Index and the A50 Index

The China COSCO Annual Report 2006 won the ARC Outstanding Award 2007

All resolutions relating to the non-public issue of China COSCO A shares were approved by shareholders at the general meeting with a high number of votes

COSCO Pacific completed the acquisition of 20% shareholding of the Suez Canal Terminal

11 November

COSCO Logistics successfully signed the contract for the logistics services project relating to the Tianjin assembly line of Airbus 320 planes

COSCO Pacific acquired 70% shareholding of Xiamen Haicang Port Terminal

China COSCO was incorporated into the Juchao 40 Index

CKYH Consortium optimized the Asian/Northwest European shipping routes

Chairman of China COSCO, Mr. Wei Jiafu, was elected the first President of the China Service Trade Association at the China Service Trade Conference and inauguration ceremony of the China Service Trade Association

China COSCO was ranked first in the Transport and Logistics Sector of the Top 1,000 Global Chinese Business Enterprises List in the Asia Magazine

12 December

China COSCO was incorporated in the Shanghai-Shenzhen 300 Index and China Securities 100 Index

China COSCO was elected as one of the "Exemplary Stocks on the Shanghai Stock Exchange Corporate Governance Board" launched by the Shanghai Stock Exchange

COSCON signed the contract for the construction of 16+4 container vessels of 4,250 TEUs

China COSCO completed the acquisition of shareholdings of the major dry-bulk cargo shipping subsidiaries of the COSCO Group and the non-public issue of A shares project

Chairman **WEI JIAFU**

Chairman's Statement

Dear Shareholders,

First of all, I would like to take this opportunity to express my hearty gratitude to all shareholders for your care and support to the Group. I also wish to extend my sincere gratitude to all directors, supervisors, members of the senior management and diligent staff of our Group for their dedicated work efforts during the past year. With their endeavours in operation and management, China COSCO has achieved overwhelming developments in 2007.

During the period under review, the Group's revenues were RMB 107,998,532,000, representing an increase of 37.0% from the same period of the previous year, and the profit attributable to equity holders of the Company amounted to RMB 19,477,940,000, representing an increase of 134.9% when compared to the same period of the previous year. The Board recommends a final cash dividend payment of RMB0.18 per share, equivalent to a dividend rate of 29.3% of the distributable profit for the year.

2007 was a glorious year for China COSCO in its development process. After launching the H shares successfully in 2005, A-Shares of the Company were listed successfully on the Shanghai Stock Exchange ("A-share listing") since 26 June 2007. Proceeds of RMB15.13 billion were raised, being one of the most popular initial public offerings in the domestic capital market of China.

China COSCO, being the listed flagship company and capital platform for COSCO, successfully completed the project of non-public issuance of A shares on 29 December 2007 and acquired from the COSCO Group the shareholdings of its subsidiary owning the world's largest fleet of dry bulk vessels. Upon completion of such project, the Group's scope of operation and scale of business have been further expanded, the value chain of the principal shipping business was also further extended, with the Group becoming an integrated shipping company with various operations including container shipping, dry bulk shipping, logistics, terminal and container leasing, etc.

In 2007, the "China Factor" continued to be one of the important factors for our Group's success. With China being the world's third largest trading nation, China economy continues to be one of the major driving forces for the global economic growth.

Chairman's Statement

During the period under review, the shipping volume of the Group's container shipping and related business amounted to 5,708,550 TEUs, representing an increase of approximately 11.7% when compared to the same period of the previous year. Revenues from container shipping operations amounted to RMB45,766,318,000, representing an increase of 14.4% from the same period of the previous year.

In light of the changes in the container shipping market, decisive policies on the utilization of shipping capacity and the arrangement of shipping routes were formulated to optimize the shipping routes in a timely manner, to expand the size of resources base, and to enhance the contribution per container. At the same time, efforts were exerted to control fuel costs through implementing fuel-saving techniques in ships, hedging, optimizing arrangement of refuelling ports, etc. to reduce the costs of fuel oil, resulting in a relatively good effect.

During the period under review, the Group continued to optimize the structure of container shipping capacity, ten new container vessels were delivered for operation during the year with an aggregate capacity of 44,146 TEUs. As at 31 December 2007, the fleet operated by the Group comprised 144 container vessels with capacity of 435,138 TEUs, representing an increase of 9% as comparing to the figure as at the year end of 2006. As at the year end of 2007, the Group had 56 container vessel orders with a total capacity of 394,524 TEUs.

During the period under review, the Group's dry bulk shipping business maintained strong growth and the shipping volume amounted to 264,730,000 tons, representing an increase of 15.1% when compared to the same period of the previous year. Of which, the carriage volume of coal amounted to 90,770,000 tons, an increase of 9.7% year-on-year; carriage volume of ore amounted to 113,860,000 tons, an increase of 19.1%; and carriage volume of other cargoes amounted to 60,110,000 tons, an increase of 23.2%.

On the basis of meticulous market research studies, the dry bulk shipping market trend was well-captured by the Group, and corresponding operational measures were adopted, leading to significant increases in both the business revenue and the operating profit. While focusing on spot market operations, the Group also steadily pursued the key account strategy, secured the further long-term cooperative relationship with large cargo-owners and made solid progress in respect of the signing of long-term contracts.

As at 31 December 2007, a total of 419 dry bulk vessels of 33,000,000 DWT were owned, operated and controlled by the Group which continued to maintain its global leading position in dry bulk fleet.

During the period under review, the logistics business of the Group continued to grow rapidly, COSCO Logistics continued to provide product logistic services such as supply chain management, warehousing and distribution, etc. for customers from key industries. With respect to logistics for home appliances, COSCO Logistics achieved outstanding results in the development of new projects and the in-depth development of existing businesses. With respect to engineering logistics, COSCO Logistics continued to maintain its leading position in the power logistics and petrochemical logistics markets in the PRC, and at the same time, new breakthrough was realized in the aviation logistics sector. In 2007, COSCO Logistics had successfully completed many large-scale engineering logistics projects in both domestic and overseas markets. It also achieved steady growth in the ship agency and freight forwarding businesses.

During the period under review, the Group's terminal business continued to grow rapidly, the container throughput handled by COSCO Pacific in 2007 reached 39,832,964 TEUs, an increase of 21.5% year-on-year. Main container routes along the coastal ports in China recorded steady growth in their throughput, while overseas terminals reported promising performance. In 2007, COSCO Pacific achieved better performance in the development of its terminal projects with further expansion on the investments capacity in Qingdao Qianwan port area and Yangzhou Jiangdu port area; investment were also increased along the coastal regions of southeast China. Progress was also achieved with respect to investments in overseas terminal.

As at 31 December 2007, the Group owned various equity interests in 27 terminal companies at 18 ports in the PRC and overseas, and participated in the investment, operation and management of 140 berths, of which 87 container terminal berths were put into operation with an annual handling capacity of 47,450,000 TEUs.

In the container leasing business, Florens Container Holdings Limited (a wholly-owned subsidiary of COSCO Pacific) continued to adopt a mode of operation by integrating self-owned containers with managed containers to expand the container fleet and became the second largest container leasing company in the world, further enhancing its leading position within the industry. As at 31 December 2007, the container fleet owned and managed by the Group amounted to 1,519,671 TEUs in size, representing an increase of 21.5% year-on-year. It had a market share of approximately 13.2% of the container leasing companies in the world.

As a company dual listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange, the Group considers that it is very important to improve and enhance its corporate governance standard continuously. During the period under review, the Group strictly complied with the domestic and overseas regulatory requirements, and adopted various measures to improve its internal control, ensure effective utilization of all resources, realize operating benefits and corporate value and maximize the return to shareholders.

Looking forward in 2008, under the impact of the sub-prime mortgage crisis in the US, the international financial markets are volatile, the US economy will slow down, economies of other regions are also affected to different extents. However, the emerging economies maintained a relatively faster growth, and the demand for shipping continued to increase. The China economy, driven by local consumption growth, is expected to maintain a positive growth trend in import trade volume.

Chairman's Statement

In 2008, the growth pace of the world's containership fleet will basically remain stable, meanwhile, factors limiting the effective utilization of the shipping capacity continue to exist and will reduce the supply of effective shipping capacity to a certain extent. It is expected that in 2008, the overall market supply and demand in the container shipping market will remain stable.

It is anticipated that in 2008, the dry bulk shipping market demand will continue to maintain a strong growth as driven by the enormous growth in dry bulk cargo trading activities in countries such as China and India. Of course, some uncertainties do exist in the market. The slowing growth of the global economy and the macroeconomic measures of China may exert certain impact on the shipping demand. However, since increase in the supply of shipping capacity had slowed down, it is expected that the overall dry bulk shipping market supply and demand conditions will remain favourable.

In 2008, the China's logistics sector will be faced with good development opportunities. According to forecast, the growth rate in the total amount of the social logistics business of China will not be less than 20% in the year 2008, and the growth in the added value of the logistics sector may reach to approximately 16%. With its growing importance as a global procurement centre, investments from the foreign-invested manufacturing and trading enterprises in China will continue to increase and lead to a higher demand for logistics services. Meanwhile, China enterprises have accelerated their pace of internationalization, giving rise to corresponding logistics demand overseas.

In 2008, the container terminal business will develop rapidly in areas such as terminal investment portfolio, consolidation of resources, distribution of cargo sources, investment structures, terminal management and information technology packages, etc. but competition will also increase corresponding. The China's economy, together with the increase of domestic spendings, it is expected that import trading will maintain promising increase. For container leasing business, the Company will continue to operate in a light-asset mode and expand the container after-sales management business to optimize the business structure.

Dear shareholders, China COSCO, being the listed flagship company and capital platform for the COSCO Group, will rely on the enormous size and rapid development of the China market to strengthen and develop its businesses in areas including the container shipping, dry bulk shipping, logistics, terminals and container leasing operations, etc., expand into other shipping business areas, enhance its capability of integrated shipping services, improve the shipping value chain and develop into a world leading integrated shipping enterprise.

Wei Jiafu
Chairman

22 April 2008

Summary of Accounting Data

Results for the year ended 31 December 2007 prepared under the Hong Kong Financial Reporting Standards ("HKFRSs")

	Year ended 31 December 2007 (RMB'000)	Year ended 31 December 2006 (RMB'000) (Restated)	Changes
Revenues	107,998,532	78,856,254	37.0%
Operating Profit	23,839,833	10,762,522	121.5%
Profit before income tax expenses	25,927,042	11,483,130	125.8%
Profit attributable to equity holders of the Company	19,477,940	8,292,447	134.9%
Basic earnings per share (RMB)	2.1816	1.0415	
Final dividend per share (RMB)	0.18	0.09	
Final dividend payout ratio	29.3%	29.7%	
Total assets	116,879,543	81,709,155	43.0%
Total liabilities	59,831,471	38,302,526	56.2%
Minority interests	10,461,448	8,687,157	20.4%
Equity attributable to the equity holders of the Company	46,586,624	34,719,472	34.2%
Net debt to equity ratio	-31.5%	18.6%	
Gross profit margin	22.8%	15.4%	

Summary of Accounting Data

Significant differences between financial information reported under HKFRSs and the Corporate Accounting Standards ("CAS") issued by the Ministry of Finance of the PRC

		Profit attributable to equity holders of the Company for the year ended 31 December 2007 RMB'000	Equity attributable to the equity holders of the Company as at 31 December 2007 RMB'000
As prepared under CAS		19,085,357	44,933,898
Notes			
1	Under HKFRSs, the functional currency of the Company and its certain PRC subsidiaries is determined as US dollar whereby the functional currency is determined as RMB under CAS	665,392	(682,903)
2	Differences arisen due to different basis for the calculation of assets and liabilities and different dates for initial adoption of deferred income tax standards between HKFRSs and CAS	(204,462)	(256,290)
3	Difference in cost base of vessels and the related difference in depreciation charge and deferred tax	(127,190)	945,501
4	Difference in valuation of available-for-sale financial assets		1,709,210
5	Differences in recognising goodwill for transactions not under common control under HKFRSs and CAS		3,663
6	Difference in recognising gain as a result of the dilution of the Group's interests in COSCO Pacific	71,239	
7	Others	(12,396)	(66,455)
Total differences		392,583	1,652,726
As prepared under HKFRSs		19,477,940	46,586,624

Notes:

1. In the HKFRSs financial statements, US Dollar is taken as the functional currency of China COSCO, and RMB is the presentation currency in financial statements, whereas there is no such differentiation between the functional currency and the financial statement presentation currency in the PRC financial statements.

2. In the HKFRSs financial statements, provisions are made on deferred taxes, while in the PRC financial statements, the EIT are calculated based on method of taxes payable in the previous years, and making retrospective adjustments on the deferred EIT by adopting the accounting method of tax impact in the balance sheet in accordance with Article 12 under the "Corporate Accounting Standards 38 — Initial Implementation of Corporate Accounting Standards". Due to the difference in the calculation basis of values and taxes on the assets in the PRC and overseas, and the execution time points of the new accounting standards are different, it has resulted in the difference in impact of deferred tax on the net assets and net profit.

3. In the HKFRSs financial statements, fixed assets are carried at historical costs less amortisation, while under PRC financial statements, assets are carried at the appreciation values less amortisation.

4. In the HKFRSs financial statements, part of the investments are classified as available-for-sale financial assets in accordance with HKAS 32 and 39, and are carried in the balance sheet based at their fair values. In the PRC financial statements, such investments are classified as long-term equity investments, and are carried at cost.

5. In the HKFRSs financial statements, the new HKFRSs were being applied commencing from 1 January 2005, and based on HKFRS 3, amortisation is no longer made on goodwill (equity investment difference) since 1 January 2005, and impairments are being tested annually and when there are indications of impairment. In the PRC financial statements, implementation of the new CAS commenced since 1 January 2007, and according to the Article 5(2) of the "Corporate Accounting Standards 38 — Initial implementation of Corporate Accounting Standards", long-term equity investments of enterprises of not under common control adopting equity method to calculate the differences standing to the debit of the equity investments, shall take the balance of the book value of the long-term equity invesments as the recognised cost at the initial execution date and not to be amortised, but making impairment testings every year. Such discrepancy has been arisen due to the difference in the execution time point in ceasing the amortisation on the difference of the equity investment and making impairment testing in the PRC and overseas.

6. This represented the dilution of the Company's interests in COSCO Pacific upon exercising the COSCO Pacific's share options. The gain is recognised in the income statement of HKFRSs finanical statements but retained in the equity in PRC financial statements.

7. The PRC and HKFRSs financial statements have different recognitions on the accounting estimations and materiality, thus resulting in the discrepancies.

Changes in Equity and Shareholders Information

Changes in Equity and Shareholders Information

(I) Changes in shares

Table of changes in shares **Unit: share**

	Before the change		Changes during the reporting period	
	Number of shares	Percentage (%)	1, Bonus issue	2, Public Offering of A Shares
I. Shares subject to selling restrictions	3,960,756,337	63.83	594,113,450	891,934,446
1. State-owned shares	3,960,756,337	63.83	594,113,450	
2. Other domestic shares				891,934,446
II. Shares not subject to selling restrictions	2,244,000,000	36.17	336,600,000	891,933,000
1. Renminbi-denominated ordinary shares				891,933,000
2. Overseas listed foreign shares	2,244,000,000	36.17	336,600,000	
III. Total number of shares	6,204,756,337	100	930,713,450	1,783,867,446

Table of changes in shares (continued) **Unit: share**

	Changes during the reporting period			After the change	
	3, Released from lock-up	4, Non-Public issue of A Share	Sub-total	Number of shares	Percentage (%)
I. Shares subject to selling restrictions	-356,934,446	1,296,937,124	2,426,050,574	6,386,806,911	62.52
1. State-owned shares		917,937,124	1,512,050,574	5,472,806,911	53.57
2. Other domestic shares	-356,934,446	379,000,000	914,000,000	914,000,000	8.95
II. Shares not subject to selling restrictions	356,934,446		1,585,467,446	3,829,467,446	37.48
1. Renminbi-denominated ordinary shares	356,934,446		1,248,867,446	1,248,867,446	12.22
2. Overseas listed foreign shares			336,600,000	2,580,600,000	25.26
III. Total number of shares	0	1,296,937,124	4,011,518,020	10,216,274,357	100

Notes: 1. State-owned shares in this table represented the shares held by COSCO.

2. Overseas listed foreign capital shares in this table represented H Shares.

3. The shares released from lock-up in this table represented the portion being placed pursuant to the institutional placement during the A Share issue.

Changes in shares subject to selling restrictions

Unit: share

Name of Shareholders	Number of shares subject to selling restrictions at the beginning of the year	Number of shares released from selling restrictions during the year	Number of shares increased subject to selling restrictions during the year	Number of shares subject to selling restrictions at the end of the year	Reason for restriction	Date of release of selling restrictions
China Ocean Shipping (Group) Company	N/A	0	5,472,806,911	5,472,806,911	Restriction from issue	Note (1)
Portion of A Share institutional placement under the public offer	0	356,934,446	356,934,446	0	Restriction from issue	26 September 2007
Portion of A Share strategic investor under the public offer	0	0	535,000,000	535,000,000	Restriction from issue	26 June 2008
Portion of A Share strategic investment under the non-public offer	0	0	379,000,000	379,000,000	Restriction from issue	28 December 2008
Total		356,934,446	6,743,741,357	6,386,806,911		

Notes: 1. On 19 December 2007, COSCO, the controlling shareholder of the Company, has processed with the selling restrictions on the entire 5,419,140,604 A Shares held by COSCO with China Securities Depository and Clearing Corporation Limited with a three years restriction period commencing from the time of procedures, the listing date of which shall be on 19 December 2010. The Company made a non-public offer of A Shares to strategic investors, including COSCO, the controlling shareholder, on 28 December 2007, of which COSCO subscribed for 53,666,307 shares. Such shares are expected to be listed for trading on 28 December 2010. The number of shares of the above two portions amounted to a total of 5,472,806,911 shares.

2. For details of the public offer of the strategic investors' A Shares and the non-public offer of strategic investors' A Shares, please refer to the Company's announcements dated 20 June, 21 December and 29 December of 2007 published on the Shanghai Stock Exchange.

Dates on which shares subject to selling restrictions become tradable

Unit: share

Date	Number of shares tradable at the expiry of lock-up period	Outstanding number of shares subject to selling restrictions	Outstanding number of shares not subject to selling restrictions	Remarks
26 June 2008	535,000,000	5,851,806,911	4,364,467,446	Allotted to strategic investor under A Share public offer
28 December 2008	379,000,000	5,472,806,911	4,743,467,446	Allotted to strategic investor under A Share non-public offer
19 December 2010	5,419,140,604	53,666,307	10,162,608,050	Allotted to COSCO under the first non-public offer of A Shares
28 December 2010	53,666,307	0	10,216,274,357	Allotted to COSCO under the second non-public offer of A Shares

Changes in Equity and Shareholders Information

The number of shares held by the top ten shareholders holding shares subject to selling restrictions and the respective selling restrictions

Unit: share

No.	Name of holders of shares subject to selling restrictions	Number of shares subject to selling restrictions	Trading date	Number of additional tradable shares	Selling restrictions
1	China Ocean Shipping (Group) Company	5,472,806,911	19 December 2010	5,419,140,604	36 months commencing from 19 December 2007
			28 December 2010	53,666,307	36 months commencing from 28 December 2007
2	China National Machinery Industry Corporation	80,000,000	26 June 2008	40,000,000	12 months commencing from 26 June 2007
			28 December 2008	40,000,000	12 months commencing from 28 December 2007
3	COFCO Limited	80,000,000	26 June 2008	40,000,000	12 months commencing from 26 June 2007
			28 December 2008	40,000,000	12 months commencing from 28 December 2007
4	China National Nuclear (Group) Corporation	72,000,000	26 June 2008	40,000,000	12 months commencing from 26 June 2007
			28 December 2008	32,000,000	12 months commencing from 28 December 2007
5	China Life Asset Management Co., Ltd.	70,000,000	28 December 2008	70,000,000	12 months commencing from 28 December 2007
6	Sinochem Corporation	50,000,000	28 December 2008	50,000,000	12 months commencing from 28 December 2007
7	Nanfang Funds Management Co., Ltd.	45,000,000	28 December 2008	45,000,000	12 months commencing from 28 December 2007
8	China Coal Energy Company Limited	40,000,000	26 June 2008	40,000,000	12 months commencing from 26 June 2007
9	Aerospace Science and Technology Finance Co., Ltd.	40,000,000	28 December 2008	40,000,000	12 months commencing from 28 December 2007
10	National Council for Social Security Fund	40,000,000	26 June 2008	40,000,000	12 months commencing from 26 June 2007

Note: Shares subject to selling restrictions held by China Insurance Assets Management Co., Ltd., China Southern Fund Management Co., Ltd. and National Council for Social Security Fund are held under a number of accounts, and are herewith being aggregated.

(II) Issue and listing of Shares

Issue of shares in the last three years

Type of shares	Date of issue	Issuing price	Number of shares issued (share)	Date of listing and the number of tradable shares approved	End of trading date
H Share Issue	29 June 2005	HK$4.25	2,244,000,000	2,580,600,000 H Shares were listed on the main board of the Hong Kong Stock Exchange on 30 June 2005	N/A
Bonus Share Issue	29 May 2007	N/A	930,713,450	336,600,000 H Shares were listed on the main board of the Hong Kong Stock Exchange on 29 May 2007	N/A
A Share Issue	25 June 2007	RMB8.48	1,783,867,446	891,933,000 A Shares of this issue were listed on 26 June 2007, 356,934,446 A Shares were listed on 26 September 2007, 535,000,000 A Shares can be listed on 26 June 2008.	
Additional issue to COSCO Group	19 December 2007	RMB18.49	864,270,817	Will be listed on 19 December 2010	N/A
Additional issue to strategic investors, including COSCO	28 December 2007	RMB30	432,666,307	The designated issue of 379,000,000 A Shares will be listed on 28 December 2008. Shares issued to COSCOwill be listed for trading on 28 December 2010	N/A

Changes in Equity and Shareholders Information

Changes in shares during the reporting period

1. Distribution of accumulated profits before the issuance of A Shares by the Company

   Pursuant to the resolutions of the 24th Meeting of the First Board of Directors of the Company and the 2006 Shareholders' Annual General Meeting, the Company, after gaining approval from the 2006 Shareholders' Annual General Meeting and the relevant competent authorities, had distributed the balance of net profits attributable to the owner of the parent company for the year ended 31 December 2006 after the appropriation of 10% of the net profits to the statutory reserve funds and 10% to the discretionary reserve funds and the payment of cash dividends plus the undistributed profits for the prior years to COSCO Group and shareholders of H Shares at par by way of shares and dividends. This specially distributed amount was determined based on the profits available for special distribution stated in the audited financial statements prepared in accordance with the PRC corporate accounting standards and regulations or the HKFRSs, whichever is the lower. The amount for profit distribution was RMB 930,713,450, i.e. 1.5 bonus shares allocated for each 10 shares of the Company. The special profit distribution plan was approved at the 24th Meeting of the First Board of Directors of the Company held on 28 March 2007 and the 2006 Shareholders' Annual General Meeting held on 15 May 2007 and the distribution had been completed.

2. Initial public offer of A Shares

   The Company's initial public offer of A Shares was approved by the China Securities Regulatory Commission in its approval document with file reference: Zeng Jian Fa Xing Zi [2007] No. 130. The listing of the Company's A Shares was approved by the Shanghai Stock Exchange in its approval document with file reference: Shang Zheng Shang Zi [2007] No. 131. A total of 1,783,867,446 shares were issued at the offer price of RMB 8.48 per share. The share offer adopted a combined approach by way of placement to strategic investors of A Shares, offline placement to market consultation targets and cash applications through online subscription. Under which, 535,000,000 Shares were issued to strategic investors by placement, 356,934,446 Shares were issued to offline placement targets, and 891,933,000 Shares were issued to applicants of online subscriptions. Total proceeds in the amount of RMB 15,127,195,942.08 were raised in this share issue.

3. Non-public issue of A Shares

   China COSCO issued A Shares to target investors under non-public offer in two parts: The first part comprised non-public issue of 864,270,817 A Shares to COSCO, and the second part comprised the non-public issue of not more than 432,666,307 A Shares.

For details of the issue, please refer to the related announcements published on the website of the Shanghai Stock Exchange on 21 December 2007 and 29 December 2007.

The Company did not have any internal staff shares.

(III) Shareholders

Shareholdings of the top 10 shareholders

Total Number of Shareholders at the end of the reporting period	A Shares: 288033	H Shares: 901

Shareholdings of the top 10 shareholders

Name of shareholder	Nature of shareholders	Percentage of shareholding %	Total number of shares held	Number of shares subject to selling restrictions	Number of shares pledged or frozen
China Ocean Shipping (Group) Company	State-owned (A Shares)	53.57	5,472,806,911	5,472,806,911	nil
HKSCC Nominee Limited	Foreign (H Shares)	24.15	2,467,271,110	0	unknown
China National Machinery Industry Corporation	Others (A Shares)	0.79	80,207,000	80,000,000	unknown
COFCO Limited	Others (A Shares)	0.78	80,000,000	80,000,000	unknown
China National Nuclear (Group) Corporation	Others (A Shares)	0.70	72,000,000	72,000,000	unknown
Rhine Office Investment Limited	Foreign (H Shares)	0.68	69,294,050	0	unknown
Sinochem Corporation	Others (A Shares)	0.49	50,000,000	50,000,000	unknown
China Life Insurance Company Limited - bonus- individual bonus - 005L - FH002 Hu	Others (A Shares)	0.41	42,362,289	39,020,000	unknown
Aerospace Science & Technology Finance Co., Ltd.	Others (A Shares)	0.39	40,000,000	40,000,000	unknown
China Coal Energy Company Limited	Others (A Shares)	0.39	40,000,000	40,000,000	unknown

Note: The above shareholders are presented in individual accounts, and different accounts under the control of same manager have not been aggregated.

Changes in Equity and Shareholders Information

Shareholdings of the top 10 shareholders not subject to selling restrictions

Name of shareholders	Number of shares not subject to selling restrictions	Type of shares
HKSCC Nominee Limited	2,467,271,110	Overseas listed foreign shares (H Share)
Rhine Office Investment Limited	69,294,050	Overseas listed foreign shares (H Share)
Sanda Investments Limited	23,000,000	Overseas listed foreign shares (H Share)
ICBC China – Zhonghai Energy Strategic Composite Securities Investment Fund	17,816,986	RMB ordinary shares (A Share)
Agricultural Bank of China –Yimin Innovative Advantage Composite Securities Investment Fund	17,748,940	RMB ordinary shares (A Share)
Bank of Communications – Hua'an Strategic Elite Selected Equity Securities Investment Fund	15,754,900	RMB ordinary shares (A Share)
China Construction Bank – Hua'an Manulife Equity Securities Investment Fund	14,030,389	RMB ordinary shares (A Share)
China Construction Bank – Fortune SGAM Sector Selected Equity Securities Investment Fund	13,740,579	RMB ordinary shares (A Share)
ICBC China – Boshi Selected Equity Securities Investment Fund	13,137,504	RMB ordinary shares (A Share)
Yulong Securities Investment Fund	12,643,608	RMB ordinary shares (A Share)
Explanation about relationship of the above shareholders as associates or parties acting in concert	unknown	

Note: The above shareholders are presented in individual accounts, and different accounts under the control of same manager have not been aggregated.

Controlling shareholder and effective controller

1. Corporate controlling shareholder

   Name of controlling shareholder: China Ocean Shipping (Group) Company
   Legal representative: Mr. Wei Jiafu
   Registered capital: RMB 4,103,367,000
   Date of incorporation: April 1961

   Principal business operations or management activities: China Ocean Shipping (Group) Company is one of the super-large State-owned enterprise under the State-owned Assets Supervision and Administration Commission of the State Council. Apart from the business operated by our Group, the main business currently operated by COSCO Group also includes operations of oil tankers and other liquefied bulk cargo shipping, general cargo and special vessel shipping, ship repair and retrofit, ship building, provision of vessel fuels, financial services, ship trading service and the provision of seaman and ship management services, etc.

2. Corporate effective controller

   Name of the effective controller: State-owned Assets Supervision and Administration Commission of the State Council.

3. Changes in controlling shareholder and effective controller

   During the reporting period, there was no change in the Company's controlling shareholder and the effective controller.

4. The ownership and control relationship between the Company and the effective controller

5. Other corporate shareholders holding 5% or above shares.

   Not applicable

Directors, Supervisors, Senior Management

1. Directors' Profiles

WEI Jiafu（魏家福）

Mr. WEI, aged 58, is currently an executive director, the chairman and CEO of the Company. Mr. Wei joined the COSCO Group in 1967 and has been the president of COSCO since 1998. Mr. Wei joined the Group in 1997. He has been the chairman of COSCO HK and COSCON since 2000. He became an executive director and the chairman of the board of COSCO Pacific in 2000, and changed roles in 2005 to become a non-executive director and the chairman of COSCO Pacific, in which roles he will continue to be responsible for formulating the company's overall strategy and business direction. Mr. Wei is currently the chairman of the board of COSCO Investment (Singapore) and COSCO International. He had been the general manager of Sino-Tanzania Joint Shipping Company, president of COSCO Holding (Singapore) Pte Ltd, managing director of COSCO Tianjin and COSCO Bulk. He joined the Company in March 2005. Mr. Wei has over 40 years of experience in navigation and international shipping business; he was a former marine captain and he has excellent business decision-making capability and substantial capital markets experience. During his office as the president of COSCO Holding (Singapore) Pte Ltd in 1993, the first overseas listed company, COSCO Investment (Singapore), was acquired. Under the leadership of Mr. Wei, both COSCO Pacific and COSCO Investment (Singapore) have become overseas blue chip listed companies. His strategic view and world vision in his outstanding leadership have continuously enhanced the sustainable development of COSCO Group. Mr. Wei is currently the chairman of China Shipowners' Association, chairman of China Shipowner's mutual Assurance Association, chairman of China Group Companies Promotion Association, chairman of China Federation of Industrial Economics, chairman of China Association of Trade in Services, director of the Board of Boao Forum for Asia, advisor of the Panama Canal Authority, Fellow of Hong Kong Management Association. Mr. Wei obtained his Doctorate degree from Tianjin University and his Master degree in Transportation Planning and Management from Dalian Maritime University. He is also a senior engineer. In 1999, he was awarded the honour of special contribution to the State. He was awarded as "Annual Economic People" by CCTV in 2005, IR Distinguished Merits Award for the years 2003 to 2007, Elite of Economics for the year 2007 and China Strategic Planning Leadership Award. Mr. Wei is a committee member of the 16th and 17th CPC Central Committee for Discipline Inspection.

ZHANG Fusheng（張富生）

Mr. ZHANG, aged 58, is currently a non-executive director and the vice-chairman of the Company. Mr. Zhang joined the COSCO Group and the Group in 1999 and has been the secretary of the CPC sub-committee and an executive vice-president of COSCO in 2002. He was appointed as a director of COSCON in 2002. He was an executive director of COSCO Pacific from 2003 to 2005. Mr. Zhang had been a deputy director of the No.1 division of Tianjin Port Authority, deputy director of personnel and labour department of MOC, director of institutional reform and regulatory department of MOC (spokesman of MOC), and vice-president of the Beijing branch of Bank of Communications. He became the secretary of the CPC sub-committee of COSCON and COSCO Shanghai in 1999. Mr. Zhang joined the Company in March 2005. He has over 40 years of experience in the administration and management of shipping companies, and also has extensive experience in financial management and business operation. Mr. Zhang is an expert in management, his extensive experience has enabled him to demonstrate outstanding leadership qualities throughout the course of development of the COSCO Group. Mr. Zhang obtained a Master degree in transportation management and engineering from Wuhan University of Communications Science and is a senior engineer. In 2003, Mr. Zhang was elected a member of the 10th and 11th National People's Congress of the PRC, and is a member of the Foreign Affairs Committee of the 11th National People's Congress.

CHEN Hongsheng（陳洪生）

Mr. CHEN, aged 58, is currently an executive director and president of the Company. Mr. Chen joined the COSCO Group in 1975 and has been an executive vice-president of COSCO Group since 1998. Following his appointment as an executive director and general manager of the Company, Mr. Chen devoted his full efforts and time in directing and managing the Group's affairs. Mr. Chen joined the Group in 1997 and has been an executive director of COSCO Pacific since 2003 and a director of COSCON in 2004 and chairman of COSCO Logistics in 2006. Mr. Chen 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, deputy general manager of COSCO International Freight Forwarding Company, deputy general manger of COSCO Container Lines, general manager of COSCO International Freight Forwarding Company, deputy general manager of COSCON, chairman of COSCO Shipping Co., Ltd (stock code: 600428). He joined the Company in March 2005. 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 over 30 years of experience in the shipping industry with extensive experience in enterprise operation and management. Mr. Chen is currently a vice-chairman of the China Enterprise Confederation and the China Enterprise Directors Association. Mr. Chen graduated from Sichuan Foreign Language College and Capital University of Economics and Business in postgraduate studies in business administration. He is a senior economist. He has been awarded the honour of special contribution to the State in 1995.

Directors, Supervisors, Senior Management

LI Jianhong（李建紅）

Mr. LI, aged 51, is currently a non-executive director of the Company. Mr. Li joined the COSCO Group in 1989 and became an executive vice-president of COSCO in 2000. He joined the Group in 1997 and was appointed as a director of COSCO Pacific. He was appointed as a director of COSCO Logistics in 2004. Mr. Li had been the general manager of Nantong Shipyard and general manager of COSCO Industry Co., Ltd. and COSCO Property Ltd., assistant to president and chief commercial officer of COSCO. He is currently the vice-chairman of CIMC (Stock code for A shares and B shares are "000039" and "200039" respectively), chairman of Sino-Ocean Land Holdings Limited (H Share Stock Code: 3377). He joined the Company in March 2005. Mr. Li has over 20 years of experience in corporate management and over 10 years of experience in shipping enterprise management. He has extensive experience in asset management and capital operation. Mr. Li graduated from the University of East London in the United Kingdom with a Master degree in Business Administration and holds a Master degree in Business Administration from Jilin University. He is a senior economist.

XU Lirong（許立榮）

Mr. XU, aged 50, is currently a non-executive director of the Company. Mr. Xu joined COSCO Group in 1975 and joined the Group in 1999. He was appointed as an executive vice-president of COSCO Group and chairman of the labour union in November 2006. He had been an executive director of COSCO Pacific in 2000 and changed his role to a non-executive director of COSCO Pacific in 2005. He had been the marine captain of Shanghai Ocean Shipping Company ("COSCO Shanghai"), the general manager of Shanghai International Freight Forwarding Company, the deputy general manager of COSCO Shanghai, the president of Shanghai Shipping Exchange, managing director of COSCON and executive vice president of the Company. He is currently the chairman of COSCO Shipping Co., Ltd (stock code: 600428). He joined the Company in March 2005. Mr. Xu has over 30 years of experience in the shipping industry and has extensive experience in corporate management. Mr. Xu obtained his Master of Business Administration degree from Shanghai Maritime University and the Maastricht School of Management in Netherlands. He is a senior engineer.

ZHANG Liang（張良）

Mr. ZHANG, aged 54, is currently a non-executive director of the Company. Mr. Zhang joined COSCO Group in 1997. He has been an executive vice president and chief legal consultant of COSCO Group since 2006. Mr. Zhang had been the managing director of the Personnel Department, assistant to the general manager, as well as deputy general manager (safety control manager) of Tianjin Ocean Shipping Company, deputy general manager of COSCO Bulk Carrier Co. Ltd., general manager of Tianjin Ocean Shipping Company and general manager of COSCO Bulk Carrier Co. Ltd. He has over 30 years of experience in the shipping industry and has extensive experience in corporate operations and management. He graduated from Dalian Maritime University, majoring in navigation and had obtained his master degree in transportation planning and management from Shanghai Maritime University as well as his doctorate degree in corporate management from Nan Kai University. He is a senior engineer.

SUN Yueying（孫月英）

Ms. SUN, aged 49, is currently a non-executive director of the Company. Ms. Sun joined the COSCO Group in 1982 and has been the chief accountant of COSCO since 2000. She joined the Group in 2000 and was a director of COSCON. She was an executive director of COSCO Pacific in 2002 and was appointed as a director of COSCO HK in the same year. She was appointed as a director of COSCO Logistics in 2004. Ms. Sun was the vice director of the finance department of Tianjin Ocean Shipping Co., the finance manager of COSCO Japan Co., Ltd, the general manager of the finance and capital division of and the deputy chief accountant of COSCO Group. She joined the Company in March 2005. Ms. Sun has over 20 years of experience in the shipping industry and extensive experience in corporate financial management. Ms. Sun graduated from Shanghai Maritime University majoring in shipping finance and accounting, and holds an Executive MBA degree from University of International Business and Economics. She is a certified accountant and a senior accountant.

LI Boxi（李泊溪）

Ms. LI, aged 72, is currently an independent non-executive director of the Company. Ms. Li was an executive member and head of the development forecast division of the Development Research Center of the State Council of the PRC. She is currently a researcher of the Development Research Centre of the State Council of the PRC, with expertise in technical economics, quantitative economics, development strategy and policy. Ms Li had long been involved in the research on country development strategy and corporate development strategy. Her research results are innovative, which have significant influence inside and outside of the PRC. Ms. Li was elected as a member of the 7th and 8th National People's Congress of the PRC. She is currently the chairman of the Committee of Global Competitiveness Organisation, a part-time professor of Nan Kai University and the chief strategic development consultant of the China Housing Industry Association. She is among the first group of experts who have been recognised for their special contribution to the State.

Directors, Supervisors, Senior Management

TSAO Wen King, Frank（曹文錦）

Mr. TSAO, aged 82, is currently an independent non-executive director of the Company. Mr. Tsao has decades of experience in the shipping industry. He was the chairman of the Hong Kong Shipowners Association and is the founder of IMC Holdings Ltd ("IMC"). He had been the executive chairman of IMC since 1966. Mr. Tsao is currently a committee member of the Maritime Industry Council of Hong Kong and the chairman of the Logistics Advisory Committee of the Polytechnic University of Hong Kong, chairman of the Centre for Maritime Studies of National University of Singapore and chairman of Suntec City Development Pte Ltd. Mr. Tsao was awarded "Tan Sri" by the King of Malaysia in 1973 and "Personality of the Year" awarded by the Lloyd's Maritime Asia in 1999. He was awarded the Commodore Award by Connecticut Maritime Association in the US. He was awarded S.B.S by the Hong Kong SAR Government in 2006.

Alexander Reid HAMILTON（韓武敦）

Mr. HAMILTON, aged 66, is currently an independent non-executive director of the Company. Mr. Hamilton is currently an independent non-executive director of a number of Hong Kong listed companies (which include Citic Pacific Limited, Esprit Holdings Limited and Shangri-La Asia Limited) and a director of a number of Hong Kong private companies. He was an independent non-executive director of COSCO Pacific from 1994 to 2005 and was the independent non-executive director of COSCO International from 1997 to 2004. He was also the chairman of the audit committee of COSCO Pacific. He had been a partner of PricewaterhouseCoopers, with whom he practised for 16 years. He has decades of experience in audit and accounting.

CHENG Mo Chi（鄭慕智）

Mr. CHENG, aged 58, is currently an independent non-executive director of the Company. Mr. Cheng is an independent non-executive director of Hong Kong Exchanges and Clearing Limited, Beijing Capital International Airport Company Limited and China Mobile (Hong Kong) Limited). He is a non-executive director of a number of Hong Kong listed companies (which include City Telecom (H.K.) Limited and Guangdong Investment Limited). Mr. Cheng is a practising solicitor, and is a senior partner of P.C. Woo & Co. He was also a chairman of The Hong Kong Institute of Directors and is currently its honourable president and chairman emeritus. Mr. Cheng was a member of the Legislative Council and the chairman of the Main Board Listing Committee and of the Growth Enterprise Market Listing Committee of the Hong Kong Stock Exchange.

2. Supervisors' Profiles

LI Yunpeng（李雲鵬）

Mr. LI, aged 49, is currently a supervisor and the chairman of the supervisory committee of the Company. Mr. Li joined the COSCO Group in 1976 and was the Assistant to President of COSCO Group in 2003. He was the Supervisor of the CPC Subcommittee of COSCO Group in 2004. He joined the Group in 2000 and was the supervisor of COSCON. Mr. Li was an executive director of COSCO Pacific from 2003 to 2005. Mr. Li joined COSCO's head office in 1998 and had been the deputy general manager of the executive division, general manager of the supervision division, and general manager of the human resources division. Mr. Li joined the Company in March 2005. Mr. Li has 30 years of experience in the shipping industry and extensive experience in corporate management, internal control and human resources. Mr. Li obtained a Master's degree in ship and marine engineering from Tianjin University. He is a senior engineer.

WU Shuxiong（吳樹雄）

Mr. WU, aged 53, is currently a supervisor of the Company. He joined the COSCO Group in 1972 and the Group in 1997. He has been the secretary to the committee of the CPC and deputy general manager of COSCON since 2002. He had been a marine chief engineer, deputy director of the fourth ship management department of COSCO Shanghai, general manager of Shanghai Far East Container Manufacturing Co. Ltd., deputy general manager director of COSCO Shanghai and deputy general manager (and safety and quality control manager) of COSCON. He joined the Company in March 2005. Mr. Wu has over 30 years of experience in the shipping industry and extensive experience in corporate management. Mr. Wu graduated from Shanghai Jiao Tong University, majoring in transportation management. He is a senior engineer.

MA Jianhua（馬建華）

Mr. MA, aged 45, is currently a supervisor of the Company. Mr. Ma joined COSCO Group in March 2006 and had been the secretary to the committee of CPC, and deputy managing director of COSCO Logistics. He had been the deputy section chief of the human resources and labour department and bureau surveyer of MOC, vice-secretary and the supervisor of the CPC sub-committee of Shenzhen Maritime Safety Administration, deputy director of the office of Chongqing municipality of PRC, deputy secretary of Chongqing municipality of PRC. Mr. Ma has extensive experience in administrative management, traffic management, human resources, modern logistics strategy and management. Mr. Ma graduated from Central Party School of CPC majoring in economics and is a senior engineer.

LI Zonghao（李宗豪）

Mr. LI, aged 50, is currently a supervisor of the Company. He joined the COSCO Group in 1980 and is now the general manager of the supervisory division and head of the discipline inspection department of COSCO. He joined the Company in March 2005. Mr. Li has over 20 years of experience in shipping industry and extensive experience in internal control. Mr. Li graduated from the Marine Navigation Department of Qingdao Ocean Shipping Mariners College and participated in and obtained a graduation certificate from self-study examination in legal profesion university. He was a graduate from Capital University of Economics and Business in postgraduate studies in business administration.

Directors, Supervisors, Senior Management

YU Shicheng（於世成）

Mr. YU, aged 53, is currently an independent supervisor of the Company. Mr. Yu is currently the principal of Shanghai Maritime University, vice-chairman of China Institute of Navigation, vice-chairman of China Maritime Law Association and an arbitrator of China Maritime Arbitration Commission. He is a professor and a lawyer and has been engaging in teaching and research on the topics of maritime laws and international maritime policies. Mr. Yu was awarded the honour of special contribution to the State in 1994.

KOU Wenfeng（寇文峰）

Mr. KOU, aged 42, is currently an independent supervisor of the Company. Mr. Kou is currently the general manager of Panwin Investment Consultant Company Limited and the legal representative of Zhong Fa International Asset Appraisal Company Limited and independent director of China Merchants Steam Navigation Company. He had been working in government departments including the MOF for more than ten years, mainly responsible for works relating to reforms, conversion into stock companies, reorganisation of assets, and the issue and listing of shares of state-owned enterprises. He graduated from Dongbei University of Finance and Economics, majoring in finance. He is a registered asset appraiser in the PRC.

3. Senior Management's Profiles

SUN Jiakang（孫家康）

Mr. SUN, aged 48, is currently an executive vice president of the Company. Mr. Sun joined the COSCO Group in 1982 and the Group in 2002 and was an executive director and general manager of COSCO Pacific. In 2005, Mr. Sun was elected as the vice-chairman of the board of directors, executive director and general manager of COSCO Pacific. In 2007, Mr. Sun resigned the positions of vice-chairman, executive director and general manager of COSCO Pacific, and was then appointed as a non-executive director, and was appointed the managing director of COSCON. Mr. Sun had been the manager of the third division and second division of the COSCO Container Lines, the general manager of transportation division and assistant president of COSCO and vice-president of COSCO HK. He joined the Company in March 2005. Mr. Sun has over 20 years of experience in the shipping industry, and has extensive experience in the corporate operation management. Mr. Sun holds a Doctorate degree in Philosophy in Management from Preston University, U.S. and a Master's degree in management from Dalian Maritime University. He is a senior engineer.

XU Zunwu（許遵武）

Mr. Xu, aged 50, was appointed an executive vice president of the Company by the Board in January 2008. Mr. Xu joined COSCO Group in 1982 and was elected as the managing director of COSCO Bulk in 2006. He previously held positions as the deputy general manager of COSCO Guangzhou, the deputy general manager of COSCO Bulk, deputy general manager and managing director of Hong Kong Shipping Co., Ltd, vice-president of COSCO Hong Kong, managing director of Hong Kong Shipping Co., Ltd and the general manager of Shenzhen COSCO. He is also a director of the International Association of Dry Cargo Shipowners and the China Shipowners' Association, and a member of The Baltic and International Maritime Council. Mr. Xu has over 20 years' work experience in maritime industry and therefore has extensive experience in corporate operation management. Mr. Xu graduated from Shanghai Maritime University with major in ocean shipping. He also holds the professional qualification of senior economist.

YE Weilong（葉偉龍）

Mr. YE, aged 45, is currently an executive vice president of the Company. Mr. Ye joined COSCO Group in 1983 and was appointed as managing director of COSCO Logistics in 2002. He had been the assistant to general manager, deputy general manager and general manager of Shanghai Ocean International Freight Company, general manager of COSCO Shanghai International Freight Co., Ltd, deputy general manager of COSCON and the general manager of COSFRE. He was also the chairman of China Association of Shipping Agencies & Non-Vessel-Operating Common Carriers and vice-chairman of China Society of Logistics. Mr. Ye has extensive experience in corporate operation management, international cargo transportation as well as the operation and management of modern logistics strategy. He obtained a Master degree in Business Administration at Shanghai Maritime University and Maastricht School of Netherlands and is a senior economist.

XU Minjia（徐敏杰）

Mr. XU, aged 49, is currently an executive vice president of the Company. Mr. Xu joined COSCO Group in 1980 and was appointed as vice-chairman, executive director and general manager of COSCO Pacific as well as director of COSCO Logistics in 2007. He had been a former marine captain, manager of department of container division, operation division, export division of COSCO Shanghai. He had also been deputy general manager of Shanghai Ocean International Freight Company, general manager of COSFRE Shanghai, manager of transportation department of COSCO head office. Mr. Xu has nearly 30 years of experience in shipping and has extensive experience in corporate operation and management. Mr. Xu graduated from the Marine Navigation Department of Qingdao Ocean Shipping Mariners College and obtained his master degree in Business Administration from Shanghai Maritime University and is a senior economist.

Directors, Supervisors, Senior Management

HE Jiale（何家樂）

Mr. HE, aged 53, is currently the chief financial officer of the Company. Mr. He joined the COSCO Group in 1974 and the Group in 1998 as the chief accountant of COSCON. He was the executive director of COSCO Pacific during 2003 to 2005, Mr. He had been the deputy director of the finance division of Shanghai Ocean Shipping Company, the deputy general manager of finance department of the COSCO Container Lines, the deputy general manager of finance and capital department of COSCO and the chief accountant of COSCON and the financial controller of COSCO HK. He joined the Company in March 2005. Mr. He has over 30 years of experience in the shipping business and has extensive experience in corporate finance, finance management and capital operation. Mr. He graduated from the postgraduate studies of management science and engineering from Shanghai University. He is a senior accountant.

ZHANG Yongjian（張永堅）

Mr. ZHANG, aged 56, is currently the secretary of the board of the Company. Mr. Zhang joined COSCO Group in 1976. He had been the head of the shipping department and the deputy general manager of COSCO Dalian and assistant president and the general manager of the strategic planning and development division of COSCO HK and the general manager of the Planning Depantment of COSCO. He joined the Company in March 2005. Mr. Zhang has 30 years of experience in the shipping business, as well as in legal work. Mr. Zhang graduated from the Shanghai Maritime University and the Dalian Maritime University. He has a Master degree in Law. He is a senior economist.

4. Appointments or resignations during the reporting period

1. Appointment of directors and changes

On 22 January 2007, the Company convened the 22nd meeting of the first Board of Directors, whereby the resignations of Mr. Wang Futian, Mr. Ma Zehua and Mr. Ma Guichuan were accepted, all being non-executive directors of the Company, with effect from the date of that Board meeting, and agreed to recommend Mr. Xu Lirong and Mr. Zhang Liang as the candidates for non-executive directors of the Company for consideration at the Company's general meeting.

On 15 May 2007, the Company convened the 2006 Annual General Meeting, and elected Mr. Xu Lirong and Mr. Zhang Liang as non-executive directors of the Company.

2. Appointment of supervisors and changes

On 26 February 2007, Mr. Ma Jianhua was democratically elected as a staff representative supervisor of the Company in replacement of Mr. Zou Bin, with effect from 26 June 2007.

3. Appointment of senior management and changes

On 22 January 2007, the Company convened the 22nd meeting of the first Board of Directors, and removed Mr. Xu Lirong from the position of executive vice president of the Company, with effect from the date of that Board meeting.

On 12 March 2007, the Company convened the 23rd meeting of the first Board of Directors, therefrom appointed Mr. Ye Welong and Mr. Xu Minjie as executive vice president of the Company, with effect from the date of that Board meeting.

On 25 January 2008, the Company convened the 34th meeting of the first Board of Directors, therefrom appointed Mr. Xu Zunwu as executive vice president of the Company, with effect from the date of that Board meeting.

Corporate Governance Structure

I. Corporate Governance

Being a company listed in Hong Kong and Shanghai, the Company has complied strictly with domestic and overseas regulatory requirements and is committed to improving the Company's corporate governance level, ensuring the effective utilization of various resources so as to achieve the maximization of economic benefits, corporate value and shareholders' equity.

- Pursuant to the requirements of the notice regarding strengthening the corporate governance of listed companies issued by CSRC and the Tianjin Securities Regulatory Bureau, the Company has established a leading group for corporate governance activities with Chairman Wei Jiafu as the group leader and all members of the Board as group members and set up a working group for corporate governance activities comprising the secretary to the Board as the group leader and the management and officers-in-charge of all departments of the Company to undertake corporate governance activities step by step according to plan. The Company completed the three stages of work of self-check, public assessment and rectification by the end of 2007.

- For the self-check stage, to identify the Company's problems and weakness regarding its corporate governance with reference to "Strengthening Self-inspection on Corporate Governance Activities of Listed Companies" issued by CSRC. For the assessment stage, the Company has set up special hotline and network platform to comprehensively collect comments and suggestions from investors and the general public. On 26 September 2007, the Company accepted the on-site inspection by the Tianjin Securities Regulatory Bureau and received the letter of opinions about rectification issued by the Tianjin Securities Regulatory Bureau on 19 October, immediately thereafter convened a meeting to discuss the plan for implementing the opinions about rectification, and analyze on the existing problems, identify the reasons, formulate and improve the relevant system as well as preparing the rectification report which was approved by the 32nd meeting of the first Board of Directors for publication.

  Through the corporate governance activity, the Company faithfully strengthened the regulation of corporate governance, enhanced the standard of operational management and competitiveness, facilitated the sustained, steady and healthy development of the Company. The Company further refined the relevant system in connection with the structure of the Company's corporate governance, such as the formulation of working rules for the strategic development committee, risk control committee, audit committee, remuneration committee and nomination committee. The working rules specify the responsibilities and duties and working procedures of the committees and the responsibilities of supporting divisions, offering a guarantee in the aspect of system for the specialized committee to give support to the Board for highly effective decision making. To specify the rights and obligations of the general manager, regulate the work, rules of procedure and decision making of the senior management of the Company, the Company has formulated the "Working Rules for General Manager". To improve the structure of corporate governance, ensure the independent performance of duties by independent directors, safeguard the overall interests of the Company, particularly safeguarding the legitimate interests of minority shareholders from being harmed, the Company formulated the "Independent Director System of China COSCO Holdings Company Limited" in accordance with the "Standard for Corporate Governance of Listed Companies" and the "Guiding Opinion regarding the Establishment of the Independent Director System in Listed Companies".

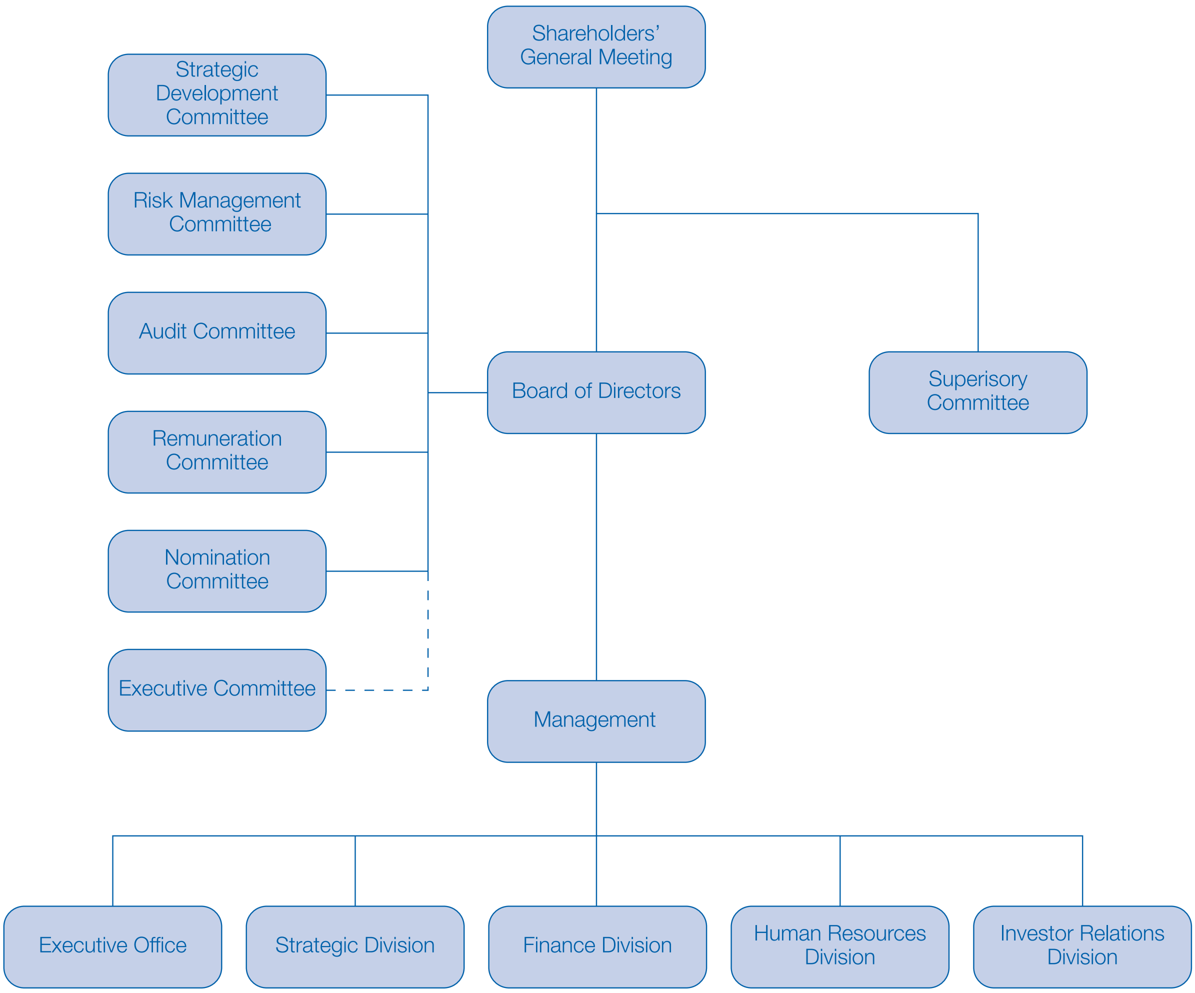
- Pursuant to the requirements of regulatory authorities in Shanghai and Hong Kong, the Company has fully systematized and improved the system and measures for internal management, further refined the measures for the management of internal systems. Based on the categories of businesses, this can be divided into seven management systems, namely corporate management, financial management, investment management, connected transaction management, information disclosure management, human resources management and others. Up to present, China COSCO has established 49 management systems including 16 new and 9 amended systems.
- Through the promotion of the internal audit system, the Company further improved its risk management system. With a focus on the key points of operational management, the Company has thoroughly carried out risk control-oriented internal control auditing, established a unified, coordinated and hierarchical internal control system so as to strengthen the supervisory role of auditing in internal control. Pursuant to the all system audit project plans set by the headquarters of the Company, the subsidiaries fully implemented the project plans, thus facilitated the Company's timely discovery of the weak points in internal control, and actively making adjustments and improvements, thereby enhancing the management level of internal control.

II. Model Code for Securities Transactions by Directors

Since the listing of the Company on the Main Board of the Hong Kong Stock Exchange in 2005, the Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities of The Hong Kong Stock Exchange Limited ("Listing Rules") as the code for the dealings in securities transactions by the directors of the Company. Having made specific enquiries with all Directors and supervisors of the Company, they have confirmed that they complied with the required standard set out in the Model Code throughout the year ended 31 December 2007.

Corporate Governance Structure

III. Structure of Corporate Governance



1. Shareholders' general meetings

The shareholders' general meeting of the Company operates in strict compliance with the procedures as stipulated under the Company Law, the Articles of Association, and the Rules of Procedures for Shareholders' General Meetings, and each of the resolutions is adopted scientifically and democratically, and shall protect the lawful interests of the Company and the shareholders. In the 2007 first extraordinary general meeting, 2007 first A Share class meeting, the Company actively adopted the Board's online voting system, which enhanced the ratio of participation by public shareholders, and have fully protected the interests of both major and minor shareholders.

2. Board of directors

The board of directors is the decision making organ of the Company. Election and appointment of Directors shall comply with the provisions under the Articles of Association, and the number and composition of the board of directors shall comply with the laws and regulations. Currently, the Board is made up of eleven members, comprising two executive Directors, five non-executive Directors and four independent non-executive Directors. All the members of the Board possess the professional knowledge to discharge their duties, and have extensive experience in operation management, and discharge their duties loyally, honestly and diligently.

3. Supervisory Committee

The Supervisory Committee is the supervision body of the Company. The number and composition of the Supervisory Committee shall comply with the provisions and requirements of the laws, regulations and the Articles of Association. Currently, the Supervisory Committee is made up of six members, comprising two staff representative Supervisors democratically elected, and two independent Supervisors. The Supervisors of the Company shall seriously discharge their duties, and shall protect the interests of the shareholders and the Company through inspecting the Company's financial situation, implementation of resolutions of the general meetings, and discharge of duties by the senior management.

4. Management

The election and appointment of the management of the Company shall be in strict compliance with the Articles of Association. The managers of the Company shall discharge their duties and power limits as strictly required, seriously implement the resolutions of the Board, and implement effective management and control on the operation management of the Company, and continue to enhance the Company's management level and operation results.

Corporate Governance Structure

IV. Report on the Company's compliance of the "Code on Corporate Governance Practices"

The Board reviews the Company's daily governance in accordance with the Code on Corporate Governance Practices ("Code on Corporate Governance Practices") as set out in Appendix 14 to the Listing Rules, and considers that save as disclosed below, the Company has complied with the provisions under the Code during the reporting period, and complied with the requirements under the provisions of the Code of Governance, and has made its best efforts to comply with the proposed best practices.

1. Directors

(a) Board of directors

Principles of the Code

- The Board shall be responsible to guide and monitor the issuer, and be responsible to manage and supervise the various matters of the issuer. Its decisions shall comply with the interests of the issuer.

The current best situation in the governance of China COSCO

- The Board of the Company fully represents the shareholders' interests, and has set up development strategies of the Company within the scope of powers as provided under the Articles of Association, and monitors and finalizes the implementation of the Company's operation management and financial performance, so as to realize a steady return of long-term results.

Compliance procedures of the Code of Corporate Governance Practices – Code provisions and the proposed best practices

Code provisions	Compliance	Procedures of Corporate Governance
• To convene at least four regular meetings of the Board, about once in each quarter. Regular Board meetings do not include meetings by way of written resolutions for the approval of the Board	Yes	• In 2007, the Company convened 12 Board meetings, including 4 regular meetings and 8 extraordinary meetings. Each of the Board meetings has been attended by directors who are eligible to attend either in person or by proxies. Attendance of Board members to the Board meetings in 2007 were as follows:

	Number of attendance/ Number of meetings to be attended	Rate of attendance
Executive directors		
WEI Jiafu	12/12	100%
CHEN Hongsheng	12/12	100%
Non-executive directors		
ZHANG Fusheng	12/12	100%
LI Jianhong	12/12	100%
XU Lirong *	6/8	75%
ZHANG Liang *	8/8	100%
SUN Yueying	12/12	100%

* Note: XU Lirong, ZHANG Liang were appointed as non-executive directors on 15 May 2007.

Independent non-executive directors		
LI Boxi	12/12	100%
TSAO Wen King, Frank	10/12	83%
Alexander Reid HAMILTON	12/12	100%
CHENG Mo Chi	11/12	92%

Corporate Governance Structure

Code provisions	Compliance	Procedures of Corporate Governance
• All directors have opportunities to include matters in the agenda for regular Board meetings	Yes	• All directors have opportunities for the inclusion of their proposals in the agenda of regular Board meetings, but no such situation occurred during the year.
• Notices of regular Board meetings should be sent at least 14 days before the convening of the meetings	Yes	• Notices of regular Board meetings have been given at least 14 days before the convening of the meetings, and notices and agenda of extraordinary Board meetings were given within reasonable time in accordance with the Articles of Association.
• All directors should have access to the advice and services from the Board secretary	Yes	• The Board secretary shall keep in close contact with all directors, and provide the latest information of the Company to the directors in a timely manner. Prior to the convening of Board meetings, the Board secretary and the relevant departments shall communicate with the directors of the Company in respect of important motions to attend to the opinions of the directors.
• Minutes of meetings should be kept by the Board secretary, and are available for inspection by directors at any reasonable time on reasonable notice	Yes	• The Board secretary shall be responsible for organising and keeping the minutes of Board meetings. The minutes of Board meetings and the records and related information of the special committees shall be properly and perpetually kept in the Company's domicile as important files of the Company, and available for the inspection by directors at any time.

Code provisions	Compliance	Procedures of Corporate Governance
• The minutes of the meetings should record in sufficient detail the matters considered by the Board and the decisions reached	Yes	• Minutes of Board meetings shall make objective and detailed records on the matters considered, voting and opinions issued by directors in the meetings, and confirmed by the directors.
• Directors are entitled to seek independent advice in accordance with the agreed procedures at the Company's expense	Yes	• In respect of matters requiring opinions from professional institutions, the Company have taken the initiative to provide supports to appoint professional institutions to provide independent opinions to the expense of the Company.
• In the event that substantial shareholders or directors have conflict of interests, in a material matter, the related directors shall abstain from voting	Yes	• The Company has made provisions in respect of abstain from voting of related directors in the Articles of Association and the Rules of Procedures of the Board of Directors. • When considering the acquisition of the assets of the bulk cargo vessel companies of COSCO Group and the non-public offering of A Shares this year, the relevant related directors abstained from voting in the Board meetings.
Recommended Best Practices		
• To arrange appropriate insurance cover in respect of legal actions against directors	Yes	• The Company has purchased liability insurance covers for directors, supervisors and senion management.
• Board Committees should adopt so far as practicable, consistent principles and procedures	Yes	• The Board committees have adopted principles and procedures which are basically consistent with the above.

Corporate Governance Structure

(b) Chairman and the Chief Executive Officer ("CEO")

Principle of the Code

- Clear division of responsibilies the Chairman of the Board and the CEO, to ensure the balance of power and authority.

The current best situation in the governance of China COSCO

- The Company has clearly specified the duties of the Chairman and the CEO, and separated the functions of the Board and the management, and made detailed descriptions in the Articles of Association, Rules of Procedures of the Board of Directors, Guidelines for the Works of the General Manager, so as to ensure that the balance of power and authority, and ensure the independence of Board decisions, thereby ensuring the independence of the daily operation activities of the management.

Compliance procedures of the Code of Corporate Governance Practices – Code provisions and the recommended best practices

Code provisions	Compliance	Procedures of Corporate Governance
• The roles of the Chairman and the CEO should be separate, and should be clearly established and set out in writing	No	• The Board considers that abrupt separation of the roles of the Chairman and CEO will involve a realignment of power and authority under the existing corporate structure, and might affect the ordinary business activities of the Company. The Board will review the current structure from time to time, and will make any necessary arrangements as appropriate.
• The Chairman should ensure that all directors are properly briefed on issues arising at board meeting	Yes	• In respect of matters to be considered in the Board meeting, adequate information would be provided to the directors before the meeting, and detailed explanations would be made in the meeting by the Chairman or the management on the motions.

Code provisions	Compliance	Procedures of Corporate Governance
• The Chairman should ensure that the directors receive adequate information in a timely manner	Yes	• The Chairman has arranged the Board secretary to provide information regarding the progress of the various matters of the Company to the directors each month, so that the directors may obtain timely and adequate information.
Recommended Best Practices		
• The roles of the Chairman include: drawing up and approving the agenda of Board meetings	Yes	• Agenda of Board meetings are negotiated by the Chairman with the executive directors and the Board secretary, and are decided after taking into consideration all the matters proposed by the non-executive directors.
• The Chairman should be responsible for ensuring that good corporate governance practices and procedures are established	Yes	• The Chairman assumes an important role in the promotion of the development of the Company's corporate governance, and delegates the Board secretary to set up a good corporate governance system and procedure, and supervises the management to loyally implement the various systems, and ensures the regularized operation of the Company.
• The Chairman should encourage all directors to make a full and active contribution to the board's affairs, the Chairman shall at least hold one meeting with the non-executive directors without the attendance of executive directors	Yes	• The Chairman has encouraged all directors to be involved in the affairs of the Board, and caused directors to make effective contributions to the Board, and requested the Board to exercise the best interests for the Company by making himself as model.

Corporate Governance Structure

Code provisions	Compliance	Procedures of Corporate Governance
• The Chairman should ensure appropriate measures to maintain effective communication with shareholders	Yes	• The Chairman has placed great emphasis on the effective communication between the Company and the shareholders, and continued to promote and improve investors relations, and dedicated in realizing maximum returns to shareholders.
• The Chairman should facilitate the effective contribution of directors to the Board, and ensure the executive directors and non-executive directors maintain a constructive relations with each other	Yes	• The Chairman has placed great emphasis on the contributions of directors to the Board, and made efforts to ensure the executive directors and non-executive directors maintain a constructive relations with each other.

(c) Board Composition

Principle of the Code

- The Board shall have a balance of skills and experience appropriate for the requirements of the business of the issuer. The board should include a balanced composition of executive and non-executive directors (including non-executive directors) so that there is a strong independent element on the board, which can effectively exercise independent judgment. Non-executive directors should be of sufficient calibre and number for their views to carry weight.

The current best situation in the governance of China COSCO

- The Board of the Company is made up of eleven members, comprising two executive directors, five non-executive directors and four independent non-executive directors, with independent directors representing more than one third of the members of the Board.
- The non-executive directors of the Company have expertise and experience in areas such as navigation, enterprise management, finance and laws, and are able to make independent judgements, making decisions of the Board to be more cautious and comprehensive.
- There are no relationship (including financial, business, family or other material relationship) between the members of the Board.

Compliance procedures of the Code of Corporate Governance Practices – Code provisions and the recommended best practices

Code provisions	Compliance	Procedures of Corporate Governance
• The independent non-executive directors should be expressly identified as such in all corporate communications.	Yes	• The Company has disclosed the composition of the Board members according to the category of the directors in all corporate communications.
Recommended Best Practices		
• Independent non-executive directors should represent at least one third of the number of Board members	Yes	• The Board has four independent directors, namely Ms. LI Boxi, Mr. TSAO Wen King, Frank, Mr. HAMILTON Alexander Reid, and Mr. CHENG Mo Chi, representing more than one third of the Board members.
• Maintain on the website of the issuer an updated list of its directors, identifying their role and function and whether they are independent non-executive directors	Yes	• The Company has posted the list of Board members on its website, setting out their role and function and their independency.

(d) Appointments, re-election and removal

Principles of the Code

- The Board shall set up formal, considered and transparent procedures for the appointment of new directors. There should be plans in place for orderly succession for appointments to the board. All directors shall be subject to re-election at regular intervals. The issuer must explain the reasons for the resignation or removal of any director.

The current best situation in the governance of China COSCO

- The Company has set up a Nomination Committee under the Board. The Nomination Committee shall make proposals on the appointment, re-election, removal and discharge procedures of the candidates of directors, present the proposals for the Board's consideration, and finally to be determined by the shareholders' meeting.
- In 2007, the Nomination Committee held two meetings, made recommendations in the nominations of the directors of the Company, and set down the guidelines for the works of the Nomination Committee.

Corporate Governance Structure

Compliance procedures of the Code of Corporate Governance Practices – Code provisions and the recommended best practices

Code provisions	Compliance	Procedures of Corporate Governance
• The appointment of non-executive directors shall have specific terms of office, and shall be subject to re-election	Yes	• As provided in the Articles of Association, directors (including non-executive directors) shall be elected at the shareholders' general meeting for a term of three years, and can be eligible for re-election.
• Directors appointed to fill a casual vacancy should be subject to election by shareholders at the first shareholders' general meeting after their appointment	Yes	• The directors appointed to fill in temporary vacancies shall after accepting the appointment, subject to election by shareholders in the first shareholders' general meeting thereafter.
• Each director shall retire by rotation at least once in every three years	No	• The Company considers that re-election of directors by the shareholders' general meeting is beneficial for maintaining the Company's operation strategies and the continuation of the various systems. Therefore, the system of retirement by rotation of directors has not been specified in the Articles of Association.
Recommended Best Practices		
• The issuer should set up a nomination committee, a majority of the members should be independent non-executive directors	Yes	• The Board of the Company has set up a Nomination Committee, chaired by Mr. TSAO Wen King, Frank, an independent non-executive director. Other members include Mr. ZHANG Liang, non-executive director, and Mr. CHENG Mo Chi, an independent non-executive director. The number of independent non-executive directors representing two-thirds of the total.

Code provisions	Compliance	Procedures of Corporate Governance
• The issuer should set out written terms of reference of the Nomination Committee • The Nomination Committee should make available its terms of reference, and explain its roles and powers granted by the Board	Yes	• The Company has set out the Guidelines for the Works of the Nomination Committee, specifying the powers and duties of the Nomination Committee, and published its terms of reference on the Company's website.
• The Nomination Committee should be provided with sufficient resources to discharge its duties	Yes	• The Company's human resources department, general office have actively assisted the Nomination Committee in performing their works, so as to ensure they are adequately resourced to discharge their duties.

Corporate Governance Structure

(e) Responsibilities of directors

Principles of the Code

- Each director is required to keep abreast of his responsibilities as a director of an issuer and of the conduct, business activities and development of that issuer.

The current best situation in the governance of China COSCO

- The Company has set up Rules of Procedures of the Board of Directors, Guidelines of the Works of Independent Directors and guidelines of the works of the various special committees, clearly specifying the duties of each of the directors, so as to ensure that all the directors fully understand their roles and responsibilities.
- The Board secretary is responsible to ensure that all the directors receive the Company's latest business development and renewed statutory information.

Compliance procedures of the Code of Corporate Governance Practices – Code provisions and the recommended best practices

Code provisions	Compliance	Procedures of Corporate Governance
• Each newly appointed director should receive induction on the first occasion of his appointment, to ensure that he has a proper understanding of the operations and business of the issuer and that he is fully aware of his responsibilities under applicable legal requirements and regulatory requirements	Yes	• Upon the appointment of the new directors, the Company shall provide related information to the new director in a timely manner, including introduction of the Company's business, responsibilities of directors, the Company's rules and regulations and other statutory requirements.
• Functions of non-executive directors	Yes	• The Company's non-executive directors have actively attended Board meetings, and acted as members of each special committees, inspected the achievements of the Company's business objectives, and provided independent opinions on the decisions of the Board.

Code provisions	Compliance	Procedures of Corporate Governance
• The director should ensure that he can give sufficient time and attention to the affairs of the issuer	Yes	• All the directors of the Company have diligently discharged the duties of directors. The attendance rates of directors in the meetings of the Board and various special committees in 2007 demonstrated that the directors have spent sufficient time on the Company's business.
• The directors must comply with the Model Code set out in Appendix 10	Yes	• Having made specific inquiries to all directors, all the directors of the Company confirmed in writing that they have continuously complied with the standards as required in the Model Code for the year ended 31 December 2007.
Recommended Best Practices		
• All the directors should participate in a programme of continuous professional development	Yes	• All the directors have the opportunities to receive professional training plans arranged by the Company during their terms of appointment.
• The directors should upon their appointments (and thereafter) disclose their positions and other major commitments in other entities	Yes	• Each of the directors has upon the acceptance of appointment provided the Company with its positions and other major commitments in other companies.
• The directors should ensure their regular attendance and active participation in Board meetings, the meetings of the subordinate committees and shareholders' general meetings	Yes	• The directors have actively attended Board meetings and meetings of the committees, and majority of the directors have attended shareholders' general meetings.

Corporate Governance Structure

(f) Supply of and access to information

Principle of the Code

- Directors should be provided in a timely manner with appropriate information in such form and of such quality as will enable them make informed decisions and to discharge their duties and obligations.

The current best situation in the governance of China COSCO

- The Board secretary is responsible for the provision of all information to the directors, including documents for the meetings of the Board and the special committees, regular provision of the reports of the Company's business progress, financial targets, development plans and strategic plans, as well as latest information on other statutory requirements relating with the Listing Rules, and for the continued enhancements of the quality and timeliness of the information.

Compliance procedures of the Code of Corporate Governance Practices – Code provisions and the recommended best practices

Code provisions	Compliance	Procedures of Corporate Governance
• The documents of the meetings of the Board/committees should be sent to the directors at least three days before the date of the meetings	Yes	• All documents in the past meetings of the Board/committees were sent to each of the directors three days before the meetings.
• The management is responsible for the provision of adequate information in a timely manner to the Board and its subordinate committees, so as to enable the Board to make informed decisions. The directors should have separate and independent access to the senior management of the Company for further inquiries	Yes	• The management have been able to provide sufficient information to the Board and its subordinate committees in a timely manner. The directors have been able to communicate with the management of the Company by themselves to obtain further information required.

Code provisions	Compliance	Procedures of Corporate Governance
• All directors should be entitled to access to the board papers and related materials, where queries are raised by directors, steps must be taken to respond as promptly and fully as possible.	Yes	• The documents of the Board and documents of the committees are being kept by the Board secretary, and are available for the inspection by all directors any time. The Company shall arrange the related personnel to give timely response in respect of the questions raised by directors.

2. Remuneration of Directors and senior management

(a) The level and make-up of remuneration and disclosure

Principle of the Code

- The Company should set up formal and transparent procedure for setting policy on directors' remuneration for fixing the remuneration packages for all directors. No director should be involved in deciding his own remuneration.

The current best situation in the governance of China COSCO

- The Company has set up a Remuneration Committee. The terms of reference of the Remuneration Committee includes determination, review of the remuneration policies and plans of the directors and managers of the Company.

- In 2007, the Remuneration Committee held four meetings, approved the remuneration for the senior management for 2006, proposed interim measures for the annual appraisal of senior management, plan for the granting of 2007 Share Approaching Right and the guideline for the work of the Remuneration Committee, approved the fluctuating coefficient of the remuneration of the senior management.

Corporate Governance Structure

Compliance procedures of the Code of Corporate Governance Practices – Code provisions and the recommended best practices

Code provisions	Compliance	Procedures of Corporate Governance
• The issuer should set up a remuneration committee, a majority of the members should be independent non-executive directors	Yes	• The Company has established a Remuneration Committee in April 2005, chaired by Mr. CHENG Mo Chi, an independent non-executive director. The other two members are Mr. XU Lirong (non-executive director) and Mr. Alexander Reid HAMILTON (independent non-executive director) respectively, with independent non-executive directors representing more than two-thirds of the members. The terms of reference of the Remuneration Committee have been published on the Company's website.
• The remuneration committee should consult the Chairman or the CEO in respect of the remuneration of other executive directors	Yes	• The Remuneration Committee has fully communicated with the Chairman and the General Manager in respect of the remuneration of the directors, supervisors and senior management
• Functions of the Remuneration Committee	Yes	• The Company has set up the Guidelines for the Works of the Remuneration Committee of China COSCO Holdings Company Limited clearly set out the duties of the committee.
• The Remuneration Committee should make available its terms of reference, and shall be adequately resourced to discharge its duties	Yes	• The terms of reference of the Remuneration Committee have been published on the Company's website. The Company's Human Resources Department, the General Office have actively cooperated with the Remuneration Committee to perform their works in the discharge of their duties.

Code provisions	Compliance	Procedures of Corporate Governance
Recommended Best Practices		
• A significant portion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance	Yes	• The remuneration of the executive directors and senior management are in general linked with the performances of the Company and their individual performance.
• The issuer should disclose details of any remuneration payable to members of senior management, on an individual and named basis, in its annual reports and accounts	No	• The Company has disclosed the remuneration of the directors, supervisors and senior management on time period basis in the annual reports and accounts.

3. Accountability and Audit

(a) Financial reporting

Principle of the Code

- The Board should present a balanced, clear and comprehensive assessment of the company's performance, position and prospects.

The current best situation in the governance of China COSCO

- In all the regular financial reports issued to shareholders, the Board has put efforts to make the contents comprehensive, and has complied with the regulatory requirements of both the stock exchanges in Hong Kong and Shanghai, and continued to upgrade the management discussion and analysis, and made comprehensive disclosures on the Company's production operation, financials and project developments. At the same time, proactively increasing the amount of information, including the Company's operation environment, development strategies, corporate culture, strengthening corporate governance reports, making comprehensive, fair and clear descriptions on the operation management prospects of the Group.

Corporate Governance Structure

Compliance procedures of the Code of Corporate Governance Practices – Code provisions and the recommended best practices

Code provisions	Compliance	Procedures of Corporate Governance
• Management should provide such explanations and information for the Board to make an informed assessment on the relevant matters	Yes	• The management of the Company has provided the Board with information such as the Company's business progress, development plans and financial targets from time to time as the grounds for the Board to make appraisals.
• The Directors should acknowledge their responsibility for preparing the accounts and auditors should make statement about their reporting responsibilities in the auditor's report	Yes	• The directors have repeated their declarations of their responsibilities in preparing financial statements which truly and fairly reflected the Company's situation in the financial year. • The auditors' reports have specified the reporting responsibilities of the auditors.
• The Board should make a balanced, clear and understandable assessment on the Company's performance in its regular reports, announcements involving price sensitive information and other discloseable financial information	Yes	• In its regular reports and external announcements, the Board has made objective, fair and clear descriptions on the situation and prospects of the Company and its subsidiaries.

Code provisions	Compliance	Procedures of Corporate Governance
Recommended Best Practices		
• The issuer should announce and publish the financial results within 45 days after the end of the relevant quarter • Once the issuer decides to announce and publish its quarterly financial results, it should continue to adopt quarterly reporting	Yes	• In addition to the reports on annual and interim results, the Company has also prepared and issued first quarterly and third quarterly results reports. The Company announced and issued quarterly financial results within 30 days after the end of the relevant quarter, and the information disclosed are sufficient for the shareholders to assess the Company's performance, financial situation and prospects.

(b) Internal controls

Principle of the Code

- The Board should ensure that the issuer maintains sound and effective internal controls to safeguard the shareholder's investment and the issuer's affairs.

The current best situation in the governance of China COSCO

- The Board has authorized the management to establish and promote its internal control system, to review the relevant financial, operation and regulatory control procedures from time to time, so as to protect the Company's assets and the shareholders' interests. Currently the system is being further established and upgraded.

- In its organization structure, the Company has set up an internal audit department to conduct regular inspections, supervisions and appraisals on the Company's financial situation, operation and internal control activities according to the different business and process flows, and has appointed external audit firms to make regular audits on the Company's financial reports based on the PRC and Hong Kong accounting standards, and provided independent and objective appraisals and proposals by way of audit reports.

Corporate Governance Structure

The Company's internal control

- Scope of self-assessment

  In 2007, the Company acquired the relevant bulk cargo vessel assets held by China Ocean Shipping (Group) Company through non-public offering of A shares, and directly and indirectly held 100% interests in COSCO Bulk Carrier Co., Ltd., Qingdao Ocean Shipping Company Limited, Golden View Investment Limited and Shenzhen Ocean Shipping Co., Ltd. (hereinafter referred to as "Target Companies") after the acquisition. This transaction was reviewed and approved conditionally by the Audit Committee for Issue and Audit Committee for Mergers and Acquisitions of CSRC on 29 November 2007. After the Company asked for instructions from the Shanghai Stock Exchange, Target Companies were not required to issue the report on self-assessment of internal control in 2007. Therefore, this report on self-assessment of internal control does not include the confirmation of the effectiveness of internal control of Target Companies as at 31 December 2007. The auditors of Target Companies will not issue audit opinions on the effectiveness of internal control of Target Companies in relation to financial statements as at 31 December 2007.

- Self-assessment on internal control

  Pursuant to the requirements of the relevant regulatory rules of China Securities Regulatory Commission, the Shanghai Stock Exchange and the Hong Kong Stock Exchange, the Company has actively implemented the internal control system with COSO Committee's "Corporate Risk Management – Overall Framework" as the theoretical basis. The objective is to: reasonably ensure the achievement of the Company's strategic targets; reasonably ensure the operation effectiveness and efficiency of the Company, ensure the safety and integrity of assets; reasonably guarantee the truthfulness, legality and integrity of accounting information and the reliability of financial reports; and comply with the requirements of laws and regulations in all operating activities.

(i) Target setting

Being a shipping and logistics service provider with operations throughout the shipping value chain and providing high-quality services for customers worldwide, the Company is based in China, faces the global market, seeks for the maximization of corporate benefits, corporate value and shareholders' return, thereby maintaining the sustainable development of the Company.

(ii) Control environment

(1) Organizational structure

The Company has established agencies of power, decision making, supervision and operational management such as annual general meeting, board of directors and specialized committees under it, supervisory committee and the management pursuant to the relevant requirements of laws and regulations of the PRC, specified the terms of reference and established an effective corporate governance structure. The Board is responsible for overall internal control of the Company.

To effectively plan, coordinate and control operating activities, the Company has reasonably determined the form and nature of the organizational units and implemented the principle of separating mutually exclusive posts, and relatively scientifically delineated the duty permission rights within each organizational unit to create a mutual control mechanism.

(2) Management system

Since its establishment, the Company has established effective internal control systems in the aspects of investment management, financial management, personnel management and information disclosure to external parties, established rules and regulations such as "Important Decision Making, Appointment and Removal of Important Cadres, Arrangement of Important Projects and Use of Large Amount Funds" Supervisory Regulations (Trial)", "Provisional Measures for Investment Management", "Provisional Measures for the Appraisal of Operating Performance of Officers-in-charge of Subsidiaries", "Measures for Joint Venture Management", "Provisional Management Measures for the Delegation of Directors/Supervisor", "Measures for Capital Management", "Measures for Debt Management", "Measures for Guarantee Management", "Regulations for Large Amount Payment Approval Procedures", "Measures for Proceeds Management", "Measures for the Management of the Financial Risk Management Business", "Measures for Labour Contract Management", "Measures for Performance Appraisal Management", "Regulations for Connected Transaction Management (Provisional)", "Measures for Information Disclosure Management", "Measures for Emergency Proposal Management". All subsidiaries have also formulated their own management system in relation to their respective operations. The Company believes that the continued improvement of the internal control system, the effective running of the internal control mechanism are conducive to tackling and eliminating potential risks in a timely manner so as to better safeguard the interests of customers and shareholders.

Corporate Governance Structure

(3) Occupational moral regulation and working atmosphere

The Company is currently studying the "Draft Guidelines on the Corporate Culture of China COSCO", and the value concept of China COSCO currently advocating is: to maximise operation efficiency, maximise the Company's value, maximise shareholders' returns. The corporate spirit of China COSCO is: pragmatism and coordination. Pragmatism refers to: adhering to fidelity and principles, and insisting on telling the truth, actual effects and doing practical jobs, insisting on high standards, strict requirements, high efficiency, seriously completing every task in details, insisting on performing fairly and honestly, fully implementing the requirements of the laws, regulations and conventions, and fully implementing the Company's systems and rules, making no false statements and no commercial briberies. Coordination refers to efforts to arrive at equillibrium. The aim of coordination is to facilitate the inter-company synergic development of China COSCO, facilitate the synergic development between China COSCO and its employees, facilitate the synergic development between China COSCO and its shareholders, facilitate the synergic development between China COSCO and its external customers, facilitate the synergic development between China COSCO and its strategic cooperation partners, facilitate the synergic development between China COSCO and the society. Our objective is to arrive at a sure-win situation through coordination, thereby to realise the strategic target of China COSCO.

(iii) Risk recognition and management strategy

(1) Risks related to investment decision making

The Company has established Strategic Development Committee and Risk Management Committee under the Board, formulated the "Measures for Investment Management" and stipulated the management process for development strategy and planning so as to control the risks arising from investment decision making.

(2) Risks related to profit fluctuations

The Company has closely focused on transformation from a global shipping carrier into a global logistics operator relying on shipping, transformation from a multi-national business enterprise into a multi-national corporation which will then become a global shipping and logistics resources allocator, sought for the maximization of corporate benefits, corporate value and shareholders' return, pursued the corporate development objective of maintaining the sustainable development of the Company, formulated the strategic plan for China COSCO, and the important connotation of sustainable development is to reduce fluctuations in the shipping business, and to emphasize the development of counter-cycle and no-cycle businesses.

(3) Risks related to the management and control of subsidiaries

The Company is managed by way of the letter of responsibility of officers-in-charge of enterprises regarding operating performance. The Company has formulated “Provisional Measures for the Appraisal of Operating Performance of Officers-in-charge of Subsidiaries”, “Measures for Joint Venture Management”, “Provisional Management Measures for the Delegation of Directors/ Supervisor”.

(4) Capital risks

The Company has formulated the “Measures for Capital Management”, “Measures for Debt Management”, “Measures for Guarantee Management”, “Regulations for Large Amount Payment Approval Procedures”, “Measures for Proceeds Management” to control capital risks.

(5) Financial risks

The Company manages financial risks through the relevant provisions in the “Articles of Association”, “Provisional Measures for Investment Management”, “Measures for Capital Management”, “Measures for Debt Management”, “Measures for Guarantee Management”, “Regulations for Large Amount Payment Approval Procedures”, “Measures for Proceeds Management”, “Measures for the Management of the Financial Risk Management Business”. In particular, the Company has provided that its subsidiaries should not offer debt guarantees, counter-guarantees or pledge assets and properties as securities for bank loans, L/C establishment line outside of the system without authorization.

(6) Risks related to information disclosure

The Company has formulated the “Measures for the Management of Information Disclosure”, “Code for the Management of Irregular Information Disclosure” which stipulate the delineation of duties and the process for information disclosure to control risks related to information disclosure.

(iv) Control procedure

The Company has established a relatively complete set of control procedures in the aspects of transaction authorization, delineation of duties, evidence and record control, asset access and record usage, independent audit and electronic information system which have been strictly complied with.

(1) Transaction authorization

1) The general meeting of China COSCO is responsible for considering and approving investment projects which have exceeded the approval authority of the Board.

Corporate Governance Structure

2) The Board of China COSCO is responsible for approving the investment plans of the Company and considering and approving the following investment projects:

General transactions: Responsible for approving transactions with the five test ratios stipulated by the Listing Rules all lower than 25%; and with the other five test ratios stipulated by the Articles of Association of China COSCO all lower than 50%, and the aggregate amount for the acquisition and disposal of significant assets including the transaction (inclusive of connected transactions) within one year lower than 30% of the total assets of the Company.

Connected transactions: The five test ratios stipulated by the Listing Rules all lower than 2.5%; the amount of the transaction is less than 5% of the absolute value of the latest audited net assets of the Company, and the aggregate amount for the acquisition and disposal of significant assets including the transaction (inclusive of general transactions) within one year lower than 30% of the total assets of the Company.

Risk investment projects: Responsible for approving projects with the total investment amount not exceeding 15% of the value of the latest audited net assets of the Company

The above projects requiring consideration by the Board have to undergo risk assessment by the risk control committee before they are submitted to the Board for consideration.

3) The management of China COSCO is responsible for considering and approving the following investment projects as authorized by the Articles of Association:

General transactions: Responsible for approving transactions with the five test ratios stipulated by the Listing Rules all lower than 3%; and the aggregate amount for the acquisition and disposal of significant assets including the transaction (inclusive of connected transactions) within one year lower than 30% of the total assets of the Company.

Connected transactions: Responsible for approving transactions with the five test ratios stipulated by the Listing Rules all lower than 0.1%; and the aggregate amount for the acquisition and disposal of significant assets including the transaction (inclusive of general transactions) within one year lower than 30% of the total assets of the Company.

4) Subject to the facility granted by the Board of China COSCO and pursuant to their investment regulations, wholly-owned subsidiaries and subsidiaries under the control of China COSCO are entitled to make decisions on investment projects in which they are capable of raising funds on their own within the scope of their principal operations.

(2) Delineation of duties

The "Articles of Association" of the Company explicitly delineates the duties of the general meeting, the board of directors and the supervisory committee which have formulated effective rules of procedure. They carry out their respective duties and are mutually independent of each other and supervise and promote each other.

The Board has six committees, including Strategy Development Committee, Risk Management Committee, Audit Committee, Remuneration Committee, Nomination Committee and Executive Committee). Each committee has specific duty permission rights. Members of the committees are authorized to make decisions within the permission rights of the committees. Since their establishment, the specialized committees have successively formulated the "Working Rules for the Strategic Development Committee", "Working Rules for the Risk Management Committee", "Terms of Reference for the Audit Committee", "Working Rules for the Nomination Committee", "Working Rules for the Remuneration Committee" which contain such contents as duty permission rights, work procedures and rules of procedure of the committees. Meanwhile, based on the needs for business development, the Company amends and refines the rules from time to time. The improvement of the system has played a supporting and safeguarding role in regulating the operation of the specialized committees and leveraging the supporting function of the specialized committees in decision making.

(3) Evidence and record control

The Company has formulated a relatively sound evidence and record control procedure. Computerized invoice issuance has been implemented for all sales invoices, which technically guarantees a reduction in fraudulent practice and mistakes. Bank bills such as cheques and drafts are managed by designated personnel of the Company and are strictly managed in accordance with "Law of Bills" and the relevant management measures of banks.

(4) Assets access and record usage

Vessel management: The "Vessel Movement Monitoring System" is used to track the movement of vessels in a timely manner.

Container management: Information on the movement of containers can be tracked and monitored by the computer system. The storage yard has direct EDI capability. Inventory information is transmitted through e-mail or the website of Florens. The Company's computer system will check automatically and identify the error and cause.

Fuel stock management: COSCON has established the "COSCON Fuel Monitoring System 2006" for fuel monitoring. Arrangement is made for vessels and ports according to the schedule and the actual stock taking in respect of bunker fuel is undertaken by the management division, finance division and officers-in-charge of vessels.

Corporate Governance Structure

(5) Independent audit

The Company will proceed with the audit of business transactions entered into and the information generated, including evidence audit, account reconciliation and stock taking of assets in kind usually adopted in enterprises.

(6) Electronic information system control

As for the construction of the Company's global liner service information system, a worldwide network infrastructure structure has been created. A management information system structure with IRIS2 as the business system, complemented by the SAP financial system and the MIS business management system, has been created and an e-commerce portal platform integrating COSCO features has been established.

The extensive application and promotion of the Company's logistics business information systems such as LMIS, DMS and VMI have increased the operating efficiency of the Company.

Through the proprietary container fleet management system developed by Florens Company, a subsidiary of COSCO Pacific, customers can proceed with real-time interaction with Florens.

The Company is committed to the continued construction of the information disaster recovery system and the research and development and upgrading of the information system, and proceeds with the construction of complementary disaster recovery systems timely in response to changes in the production environment in order to ensure its integrity. Besides, the Company organizes joint exercises in respect of the disaster recovery system on a global scale each year to ensure the sustained recoverability of the system.

(v) Information communication

Members of the Board obtain information on major events and financial position of the Company by attending board meetings. Members of the supervisory committee obtain information on major events of the Company, including its financial position, by attending meetings of the supervisory committee and presence at board meetings. Members of the Board and the supervisory committee obtain information on the latest situation of the Company's production operations, including its financial position, each month through the "Monthly Report for Directors and Supervisors". The management of the Company exercises control over financial information associated with the profit of the Company through the dedicated "Financial Information Enquiry System". Besides, it also makes use of the "Financial Information Management System" to compile statistical information such as production operation, transportation volume, fuel consumption and load factor. Daily documents and expense approval of the Company are transmitted through the office automaton (OA) system. Endorsement is used for requesting jobs. Job liaison sheet is used for communication among divisions.

(vi) Inspection and supervision

The Board of the Company is responsible for the overall supervision of the Company. The Board has an Audit Committee whose members are mostly independent non-executive directors of the Company who have an in-depth knowledge of accounting or law. The Board authorizes the Audit Committee to review the financial control, internal control and risk management system of the Company, and discuss with the management on the internal control system so as to ensure the management has performed the duty of establishing an effective internal control system. The Audit Committee will also take the initiative or be appointed by the Board to study the important investigation results and the feedback of the management in connection with the appropriateness of internal control. The Audit Committee provides advice and recommendations to the Board. At various meetings of the Audit Committee convened in 2007, the Audit Committee considered the internal control position of the Company, heard work reports on internal audit, supervised internal audit suggestions and the implementation of the improvement of the management proposal.

The Company has specified that at the management level, the chief responsible person for internal control is chief financial officer and that the leading division for internal control construction is finance division. Each division shall have designated personnel responsible for its own internal control whereby an internal control group shall be formed to undertake the inspection and supervision of internal control.

Internal audit is an important component of internal control construction. In 2007, the Company identified risk-oriented internal control audit as a focus of auditing. To ensure the implementation of key tasks, the headquarters of the Company started from annual audit plan and formulated an audit project plan for the whole system. In accordance with the principle of unified coordination and hierarchical responsibility, the project plan was implemented separately by all subsidiaries. Through the implementation of internal control audit, audit divisions at all levels provided advice and recommendations focusing on the weak points in internal control so as to promote further improvement of the internal control of the Company.

The Company also makes the implementation of the opinions set out in the management proposal issued by the accounting firm each year a key task for promoting internal control construction. The Company compiles the management proposal according to respective subsidiaries and appoints designated personnel to be responsible for the improvement and implementation of the opinions set out in the management proposal.

In 2008, the Company will continue to undertake risk-oriented internal control audit and proceed with audit and supervision focusing on key aspects. Meanwhile, the Company will continue to make the improvement and implementation of the recommendations set out in the management proposal an important task for promoting internal control construction of the Company.

Corporate Governance Structure

Conclusion on self-assessment of internal control

The Company has established a relatively sound and healthy internal control system which has been consistently and strictly followed in production and operating activities. We firmly believe that other than the target companies acquired in 2007, the existing internal control system of the Company complies with our country's laws and regulations and the requirements of securities regulatory authorities and can adapt to the management needs of the Company, which has basically ensured the requirements for the preparation of true and fair financial statements. The system has also played a role in controlling and preventing loss of control over major risks, severe management malpractice and serious process mistakes. During the course of the implementation of the internal control system, the Company has not identified any loss of control over major risks, severe management malpractice and serious process mistakes. The inherent limitations of internal control, such as differences in understanding internal control, unforeseen risks in undertaking new businesses, fast changing social and operating environment, have made it difficult for the internal control system to achieve timely and comprehensive coverage. Accordingly, we are unable to offer a full guarantee that there will be no corporate risks and mistakes. However, this will not affect our efforts in implementing and improving the existing internal control system. With the further development of its operations, the Company will inspect or make additions to the internal control system on a regular basis or according to needs in accordance with continuously accumulated management experience, suggestions of shareholders, international and domestic internal control development trends and changes in internal and external risks with reference to the regulatory rules and requirements so that the internal control system can play its role.

The report on self-assessment of internal control of the Company has been approved by the Board on 22 April 2008.

Compliance procedures of the Code on Corporate Governance Practices – Code provisions and the recommended best practices

Code provisions	Compliance	Procedures of Corporate Governance
• The Board should at least annually conduct a review of effectiveness of its internal control systems (including the financial control, operational control and compliance control and risk management functions)	Yes	• The Company has placed strong emphasis on its internal control, and has established an internal control system, and set up an internal audit department in its organization structure to perform supervision and control on the Company's finance, business, compliance and risk management. The Company's financial controller has reported to the Audit Committee and the Board on the internal control each year for the appraisals by all the directors.
Recommended Best Practices		
• The issuer should ensure their disclosures provide meaningful information	Yes	• In all the announcements issued to shareholders, the Company has ensured that the information disclosed were meaningful information, and has warranted that there were no false records, misleading statements or material omissions in the information, and assumed individual and related responsibilities on the truthfulness, accuracy and completeness of is contents.

Corporate Governance Structure

(c) Audit Committee

Principle of the Code

- The Audit Committee should have clear terms of reference, including arrangements as to how it wil apply the financial reporting and internal control principles, and shall maintain an appropriate relationship with the Company's auditors.

The current best situation in the governance of China COSCO

- The Board has set up and Audit Committee, chaired by Mr. Alexander Reid HAMILTON, an independent non-executive director. Other members include Ms. SUN Yueying (a non-executive director) and Mr. CHENG Mo Chi (an independent non-executive director) who have professional skills and experience on financial management. All the members are non-executive directors, of which two are independent non-executive directors, and one independent director has been appointed with professional qualification and professional experience in financial management.
- The Audit Committee is mainly responsible for the supervision of the internal design system and its implementation of the Company and its subsidiaries; audits on the financial information and disclosures of the Company and its subsidiaries; reviews on the internal control system (including financial control and risk management) of the Company and its subsidiaries, making designs on material connected transactions and communications, supervisions and verifications on the Company's internal and external audits.
- In 2007, the Audit Committee has convened six meetings, wherein the management and the financial controller reported the Company's financial situation and material issues relating to internal control.

Compliance procedures of the Code of Corporate Governance Practices – Code provisions and the recommended best practices

Code provisions	Compliance	Procedures of Corporate Governance
• Full minutes of the Audit Committee shall be kept by a duly appointed secretary, and confirmed by all the members of the committee	Yes	• The minutes and related information of meetings of the Audit Committee are properly kept by the Board secretary. The minutes of meetings of the Audit Committee have made detailed records on the matters considered in the meetings, and confirmed by all the members present in the meeting.
• The former partner of the existing auditors shall not be a member of the Audit Committee	Yes	• Mr. Alexander Reid HAMILTON, the chairman of the Audit Committee had been a partner of PricewaterhouseCoopers. He resigned from his office at PricewaterhouseCoopers about 20 years ago, and is no longer enjoying the financial benefits of the company. • Mr. CHENG Mo Chi, Ms. SUN Yueying, members of the Audit Committee are not former partners of the external auditors.
• The terms of reference of the Audit Committee shall be made public in a timely manner	Yes	• The Company has set up a written terms of reference of the Audit Committee, specifying the terms of reference of the committee. The related contents have been set out on the Company's website.
• The Board shall obtain recommendation from the Audit Committee on the appointment or removal of external auditors	Yes	• The Audit Committee has made proposals to the Board in respect of the election or removal of external auditors, which after consideration by the Board, are subject to approval by the general meeting.

Corporate Governance Structure

Code provisions	Compliance	Procedures of Corporate Governance
• The Audit Committee shall be adequately resourced to discharge its duties	Yes	• The Company's financial department and general office actively assisted the Audit Committee to perform its works. The members are entitled to consult independent professional opinions basing on agreed procedures, to the expense of the Company.
Recommended Best Practices		
• To monitor the relationship of the issuer and external auditors	Yes	• There are members of the Audit Committee acting as major representatives between the Company and the external auditors, and responsible for the monitoring and coordinating of their relationship.

4. Delegation by the Board

(a) Management Functions

Principle of the Code

- The issuer should have a formal schedule of matters specifically reserved to the Board for its decisions and which may be delegated to be handled by the management, and give directions to the management on matters which required to be approved by the Board.

The current best situation in the governance of China COSCO

- The main powers of the Board include to convene shareholders' general meetings; to decide the Company's operation plans and investment plans and the allocation of the Company's internal management bodies; to prepare the Company's annual financial budgets, final accounts and profit distribution plans; to propose plans for the Company's merger, division and dissolution and material acquisition and disposal plans, and implement resolutions of the general meetings.
- The Board may delegate part of its powers to the special committees and the management, and specify matters which require the approvals by the Board.

Compliance procedures of the Code of Corporate Governance Practices – Code provisions and the recommended best practices

Code provisions	Compliance	Procedures of Corporate Governance
• When the Board delegates aspects of its management and functions to management, it shall at the same time give clear directions as to the powers of management	Yes	• The management shall be accountable to the Board, its main duties include the leading in the Company's operation and management, organize implementation of Board resolutions, conduct and implement economic activities such as investments, asset disposals relating with the Board resolutions, and making reports to the Board. The management shall not surpass the scope of its powers and the Board resolutions in the exercise of its powers.
• The issuer should formalise the functions reserved to the Board and the those delegated to the management, and shall review on a periodic basis	Yes	• In the Rules of Procedures of the Board of Directors and Guidelines for the Works of the General Manager, the Company has specified matters requiring resolutions of the Board and functions to be delegated to the management.
Recommended Best Practices		
• The issuer shall disclose the division of responsibility between the board and the management	Yes	• In the Articles of Association, Rules of Procedures of the Board of Directors and Guidelines for the Works of the General Manager, the Company has specifically set out the division of responsibility between the Board and the management, and has made announcements to the public.
• The issuer shall have formal letters of appointment for directors, setting out the terms and conditions relative to their appointment	Yes	• Each of the new directors shall receive a formal appointment letter, specifying the principle terms and conditions relating with such appointment.

Corporate Governance Structure

(b) Subordinate Committees of the Board

Principle of the Code

- The establishment of the subordinate committees of the Board shall have written terms of reference, which clearly specifying the rights and duties of the committees.

The current best situation in the governance of China COSCO

- The Board of the Company has six subordinate special committees, including the Strategic Development Committee, the Risk Management Committee, the Audit Committee, the Remuneration Committee, the Nomination Committee and the Executive Committee *. The Board shall fully consider the professional skills and experience of the directors to select them as the members of the special committees, thereby enabling the works of the committees may be performed with high efficiency. Among these, majority of the members of the Strategic Development Committee, the Risk Management Committee, the Audit Committee, the Remuneration Committee and the Nomination Committee are independent non-executive directors.

  *Note: The Executive Committee had not held any meeting in 2007

- Each of the committees has entered into specific working guidelines, setting out the rights and obligations and the rules of procedures of the committees.

The table below sets out the attendance in the meetings of the various special committees (number of attendance/number of meetings to be attended)

Name	Position	Strategic Development Committee	Risk Management Committee	Audit Committee	Remuneration Committee	Nomination Committee	Execution Committee
WEI Jiafu	Chairman, Executive Director	—	—	—	—	—	—
ZHANG Fusheng	Vice Chairman, Executive Director	—	—	—	—	—	—
CHEN Hongsheng	Executive Director	3/3	—	—	—	—	—
Li Jianhong	Non-executive Director	—	5/5	—	—	—	—
XU Lirong	Non-executive Director	—	—	—	2/3	—	—
ZHANG Liang	Non-executive Director	—	—	—	—	1/1	—
SUN Yueying	Non-executive Director	—	—	6/6	—	—	—
LI Boxi	Independent Non-executive Director	3/3	5/5	—	—	—	—
TSAO Wen King, Frank	Independent Non-executive Director	2/3	4/5	—	—	2/2	—
Alexander Reid HAMILTON	Independent Non-executive Director	—	—	6/6	4/4	—	—
CHENG Mo Chi	Independent Non-executive Director	—	—	6/6	4/4	2/2	—

Corporate Governance Structure

Compliance procedures of the Code of Corporate Governance Practices – Code provisions and the recommended best practices

Code provisions	Compliance	Procedures of Corporate Governance
• The Board should prescribe sufficiently clear terms of reference of the committees, to enable such committees to discharge their functions properly	Yes	• The Board of the Company has six subordinate special committees, including: the Strategic Development Committee, the Risk Management Committee, the Audit Committee, the Remuneration Committee, the Nomination Committee and the Executive Committee. Each of the committees has entered into specific working guidelines, setting out the rights and obligations and the rules of procedures of the committees.
• The terms of reference of the committees should require them to report back to the Board on their decisions and recommendations of the committees	Yes	• The committees has reported to the Board of their decisions and proposals after each meeting, and submitted to the Board for consideration matters which require decisions by the Board.

5. Communication with Shareholders

(a) Effective communication

Principle of the Code

- The Board should endeavour to maintain an on-going dialogue with shareholders, and in particular, use annual general meetings or other general meetings to communicate with shareholders and encourage their participation.

The current best situation in the governance of China COSCO

- The Board has endeavour to maintain communication with shareholders, and has taken annual general meetings as the major opportunities to contact with individual shareholders, where all shareholders holding shares in the Company are entitled to attend the meetings.

- Notices and circulars of general meetings shall be dispatched at least 45 days before the meeting, setting out details of business to be considered in the general meetings and the voting procedures.

Compliance procedures of the Code of Corporate Governance Practices – Code provisions and the recommended best practices

Code provisions	Compliance	Procedures of Corporate Governance
• In the general meetings, a separate resolution should be proposed by the chairman of the meeting in respect of each substantially separate issue	Yes	• Each actual independent matter submitted for consideration by the general meeting shall be raised by individual motions
• The Chairman of the Board shall attend the annual general meeting, and arrange the chairman or members of the committees to be available to answer questions of shareholders at the meetings	Yes	• The Chairman of the Board shall attend the annual general meetings, extraordinary general meetings in person and preside over the meetings, and shall arrange the members of the committees and the management to reply to the inquiries of shareholders in the meetings.

(b) Voting by poll

Principle of the Code

- The issuer shall regularly inform shareholders of the procedures of voting by poll, and ensure compliance with the requirements under the Listing Rules and the Articles of Association.

The current best situation in the governance of China COSCO

- The Company has laid down the Rules of Procedures of Shareholders' General Meetings, specifically setting out the ways of voting and voting procedures in general meetings, and ensuring the procedures comply with the requirements under the Listing Rules and the Articles of Association.
- The Company has confirmed the validity of all shareholders present and voted in the meeting, appointed the Company's share registrar as the scrutinizer, and appointed the lawyers to issue legal opinions on the final results of voting. Results of voting are announced on the designated newspapers and the website.

Corporate Governance Structure

Compliance procedures of the Code of Corporate Governance Practices – Code provisions and the recommended best practices

Code provisions	Compliance	Procedures of Corporate Governance
• The voting procedures for and the rights of shareholders to demand a poll should be disclosed in the circulars of general meetings. The chairman of the general meeting and/or directors who, individually or collectively, hold voting rights by proxies shall disclose in the meeting the number of votes represented by proxies held by directors	Yes	• The notice to shareholders' meetings and the circulars of general meetings clearly stated that each of the items to be considered at the shareholders' meeting and voting requirement, and at the same time explaining the related procedures at the meetings. The Chairman of the meeting to disclose the voting results of votes by proxy.
• The votes cast shall be ensured to be properly counted and recorded	Yes	• The Company has appointed the Company's share registrar as the scrutinizer, to count all the valid votes and make records. The Company has also appointed the lawyers to issue legal opinions on the voting results.
• The chairman of the general meeting should explain the procedures of voting and raising questions by shareholders at the commencement of the meeting	Yes	• Prior to the commencement of the general meeting, the chairman of the meeting shall make explanations on the procedures of the meeting, so as to ensure that all shareholders vote after understanding the voting procedures. In the past general meetings, there were arrangements in the procedures for raising questions by shareholders.

Basic Information of Shareholders' General Meetings

(1) Annual General Meetings

The Company's 2006 Annual General Meeting was held on 15 May 2007 in Hong Kong. The meeting considered and approved the Directors' Report, Report of the Supervisory Committee, auditors' reports and audited financial statements for the year ended 31 December 2006; considered and approved the 2006 profit distribution plan and special distribution plan proposed by the Board; considered and approved the proposed amendments on the terms of A Share issue proposals; amendments to the Articles of Association; considered and approved re-appointment of PricewaterhouseCoopers as the international auditor of the Company and Reanda Certified Public Accountants Co., Ltd. as the PRC auditor of the Company for a term until the conclusion of the next annual general meeting, and authorised the Board to determine their remunerations. Announcement of the resolutions were published on Hong Kong Economic Times and South China Morning Post in Hong Kong on 16 May 2007.

(2) Extraordinary General Meetings

1. The 2007 First Extraordinary General Meeting of the Company was convened in Beijing on 23 October 2007. Announcement of the resolutions were published on Hong Kong Economic Times and South China Morning Post in Hong Kong and the Shanghai Securities News, China Securities Journal and Securities Times in the PRC dated 24 October 2007.

2. The 2007 First H Share Class Meeting of the Company was convened in Beijing on 23 October 2007. Announcement of the resolutions were published on Hong Kong Economic Times and South China Morning Post in Hong Kong and the Shanghai Securities News, China Securities Journal and Securities Times in the PRC dated 24 October 2007.

3. The 2007 First A Share Class Meeting of the Company was convened in Beijing on 23 October 2007. Announcement of the resolutions were published on Hong Kong Economic Times and South China Morning Post in Hong Kong and the Shanghai Securities News, China Securities Journal and Securities Times in the PRC dated 24 October 2007.

4. The 2007 Second Extraordinary General Meeting of the Company was convened in Beijing on 23 October 2007. Announcement of the resolutions were published on Hong Kong Economic Times and South China Morning Post in Hong Kong and the Shanghai Securities News, China Securities Journal and Securities Times in the PRC dated 24 October 2007.

Management Discussion and Analysis

Review of Overall Performance

In 2007, the Group's total revenues were RMB107,998,532,000, representing an increase of 37.0% as compared to the same period in 2006, realising the Group's profit before income tax of RMB25,927,042,000, representing an increase of 125.8% as compared with the same period in 2006. Profit attributable to the equity holders of the Company amounted to RMB19,477,940,000, representing an increase of 134.9% as compared with the same period of last year, among which segment result of dry bulk shipping fleet which acquisition was completed by the end of 2007 has increased significantly by RMB13,644,236,000, representing an increase of 179.8% as compared to the same period in 2006, being the main reason for the substantial growth of the Group's overall results.

Business Segments Review and Outlook

Container Shipping and Related Businesses

Market review

In 2007, although the increase in demand for the Trans-Pacific route was relatively low due to the effect of the weak US economy, market demand in other regions was however strong. Major markets such as the Far East/Europe route, Intra-Asia route, North/South route and PRC coastal route have all maintained growth with two digit figures, with the level of freight rates recovering in various degrees and performance of the Far East Europe routes being particularly outstanding. On the other hand, the significant increase in fuel and inland transportation costs had caused great difficulties to cost control of liner companies.

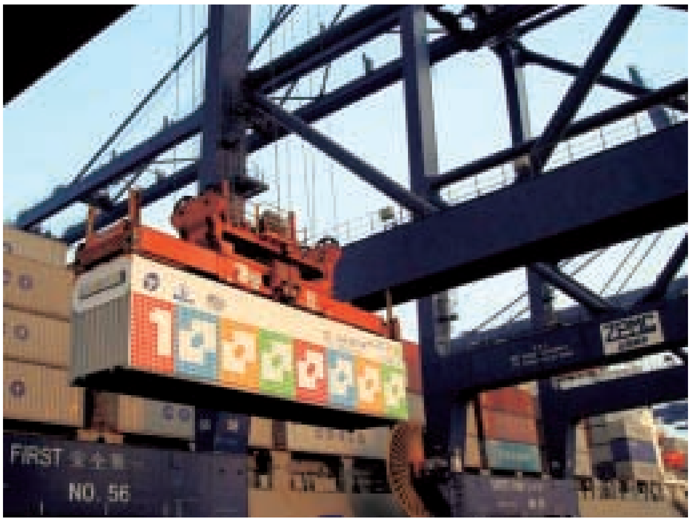
Results performance

In 2007, the shipping volume of container shipping and related businesses of the Group reached 5,708,550 TEUs, representing an increase of approximately 11.7% as compared to the year 2006. In 2007, revenues amounted to RMB 45,766,318,000, representing an increase of 14.4% as compared to the same period of the year 2006.

Shipping volume by routes

	Year ended 31 December		
	2007	2006	Change
	TEUs	TEUs	%
Trans-Pacific	**1,505,991**	1,303,027	15.6%
Asia-Europe (including Mediterranean)	**1,362,440**	1,208,507	12.7%
Intra-Asia (including Australia)	**1,484,310**	1,500,873	-1.1%
Other international (including Trans-Atlantic)	**249,177**	256,513	-2.9%
PRC	**1,106,632**	842,418	31.4%
Total	**5,708,550**	5,111,338	11.7%

Management Discussion and Analysis



Revenues by routes

	Year ended 31 December 2007 RMB'000	2006 RMB'000	Change %
Trans-Pacific	**14,255,999**	13,373,828	6.6%
Asia-Europe (including Mediterranean)	**14,098,754**	9,743,126	44.7%
Intra-Asia (including Australia)	**6,193,206**	5,958,387	3.9%
Other international (including Trans-Atlantic)	**2,163,104**	2,507,890	-13.7%
PRC	**2,529,035**	1,575,506	60.5%
Sub-total	**39,240,098**	33,158,737	18.3%
Chartering	**253,645**	297,346	-14.7%
Related business	**6,272,575**	6,533,633	-4.0%
Total	**45,766,318**	39,989,716	14.4%

Fleet development

In 2007, the Group had ten new container vessels delivered and put into operation, with a total capacity of 44,146 TEUs. As at 31 December 2007, the Group's operating fleet included 144 container vessels with a total capacity of 435,138 TEUs, representing an increase of 9% when compared to the end of 2006.

In order to meet the rapid growth in market demand, the Group continued to actively enhance the upgrading of its shipping capacity. In 2007, the Group placed orders and chartered 37 container vessels of various types, with a total capacity of 265,626 TEUs, these vessels will be delivered during 2009 to 2012. As at the end of 2007, the Group had an orderbook of 56 container vessels with a total shipping capacity of 394,524 TEUs.

Year	**Owned**		**Chartered**		**Total**	
	number	**TEUs**	**number**	**TEUs**	**number**	**TEUs**
2008	6	60,186	3	13,518	9	73,704
2009	6	35,430	3	21,496	9	56,926
2010	3	15,258	12	88,992	15	104,250
2011	7	29,750	7	91,644	14	121,394
2012	9	38,250	—	—	9	38,250
Total	31	178,874	25	215,650	56	394,524

In 2008, the Company is expected to deliver and utilise nine newly built vessels of a total capacity of 73,704 TEUs, amongst which, including six 10,000 TEUs self-owned vessels and three 4,500 TEUs time-charter vessels.

Route Operations Strategics

In light of the changes in market situation, the Group made decisive decisions on the utilization of shipping capacity resources and route adjustments, and adopted a series of contingent measures. With the rapid growth of the Asia/Europe routes, container vessels of 7,500 TEUs in the South China/US Southwest routes were reciprocated with container vessels of 5,500 TEUs in the Europe routes to increase the utilisation of capacity in the Asia/Europe routes and to reduce the capacity in the Trans-Pacific routes.

The Group optimized its route allocation by focusing on global emerging markets and economic hot spots. For example, the Mediterranean route was divided into the Mediterranean West route and Mediterranean East route; the South Africa and South America routes were operated independently, and a Central-America feeder route developed to strengthen the Central and South America markets; the capacity of China/Australia route was significantly increased and the Red Sea route was integrated. To cope with the rapid growth in the demand for domestic coastal routes in the PRC, the Group deployed three vessels of 2,700 TEUs and four vessels of 4,200 TEUs so as to expand the shipping capacity for the PRC domestic costal routes in a timely manner. The above measures have effectively enhanced the service capability in these markets.

Management Discussion and Analysis

To cope with further enhancement of shipping capacity, the Group has taken "Releasing marketing potentials, expanding supply of cargo resources, enhancing profit contribution per container" as its working focus, and actively adopted contingent measures to ensure the utilization rates of slots, and promoted the increase of freight rates.

Cost control

Amid international oil price hikes and rising transshipment and container management fees, the Group continued to intensify its lean management, with a focus on strengthening its operation quality control and detailed cost management to strictly control each operational cost. In light of surging inland transshipment cost and port distribution bottleneck in North America, the Group initiated the transshipment routes in the port of Prince Rupert in Canada, hence significantly reducing the cost of inland transshipment in North America.

In respect of fuel costs control, the Group continued to hedge part of bunker to avoid market risks, and actively promoted separation of fuel surcharges in Trans-Pacific routes from the basic shipping freight and collection work of fuel surcharges in other routes. The Group also implemented a scheme by increasing the number of vessels and reducing speed, for example, through increasing the number of vessels deployed from eight to nine in the Far East/Europe route and increasing the number of vessels from five to six in the Trans-Pacific route, achieved the dual target of reducing fuel consumption and reducing discharge of pollutants. At present, such change of mode of operation has been gradually being promoted within the shipping industry, restraining the increse of shipping capacity in certain aspects, which is favourable for improving the balance of supply and demand within the industry.

Market Outlook

In 2008, the growth pace of world container fleets will basically be maintained at the level of the prior two years. Meanwhile, certain factors limiting the release of actual shipping capacitity will continue to exist with signs of aggravation, such as terminal congestion, inland transportation bottlenecks, higher average container weight, increase in container flow for prolonged distance, each company's implementation of the "increasing number of vessels and reducing speed" strategies in route operations, etc., these will reduce the utilisation of effective shipping capacities. Despite the existence of some uncertainties in the economies of the US and other regions, it is anticipated that supply and demand will remain stable on the whole. Driven by the above factors, freight recovery plans for major routes in 2008 have basically been confirmed. In addition, under the combined effects of various factors such as the currency appreciation of RMB, government incentive policies, etc., significant increase of imports from Europe and US to China since the end of 2007, the imbalance of cargo volume between the east and the west is expected to improve gradually.

Under the impact of the sub-mortgage crisis, the US economy has been slowed down, and resulted in an adverse impact on the market demand of Trans-Pacific routes since last year. Nevertheless, due to the efforts of various liner companies to control the shipping capacities in such routes, the overall market will remain stable.

European economy has remained stable as Euro strengthened continuously. It is anticipated that the European route will sustain future growth. At the same time, the rapid growth of the economy of emerging nations have provided new opportunities for the development of other North/South trades and secondary East/West trades. With China's gradual abolishment of export tax refund, and the introduction of a series of policies to boost domestic demand and domestic trade, there are also tremendous development opportunities in the domestic shipping market in the PRC.

Operation plans

Efforts were made to control fuel cost in order to cope with the rising oil prices. COSCON is carrying on a plan to reduce the fleet average cruising speed by 10% on the basis to maintain the existing services for each route. Such measures will further reduce fuel consumption and discharge of pollutants, and will enhance the Company's commitment to social responsibility while effectively ensuring service quality. Meanwhile, COSCON will continue to save energy by various traditional means, including implementing fuel-saving techniques in vessels, hedging, optimizing arrangement of refueling ports, etc.

The Group will actively develop emerging markets as its new growth focus. Moreover, advantages in domestic market will be used to increase the utilisation of shipping capacity for domestic trade and expand the profit contribution from such operations continuously. The Group will capture the opportunity of the obvious increase in European and US imports to improve the unbalanced cargo flow situation, and strive to achieve increases in freight rate and volume for return trip cargo transportation. It is expected that Group will complete container cargo shipments of approximately 6,000,000 TEUs in 2008.

Dry Bulk Shipping Business

Market review

The year of 2007 saw the historical high of freight rates in the global dry bulk shipping market though fluctuating from time to time. The dry bulk shipping market was in general on a strong rising trend. During the year, shipping demands for dry bulk cargoes such as iron ore, coal, etc, were strong, while supplies of new shipping capacities were relatively small. Congestion was serious in many major ports, causing various ship type reaching its historical high. The Baltic Exchange Dry Index (BDI), an index for measuring the dry bulk freight rate, attained an average of 7,070 points during the year, being the highest level historically. The China coastal dry bulk shipping market displayed a lower start but followed by an upward trend. In 2007, the average coastal bulk freight rate index was 1,929 points, representing an increase of 25% year-on-year.

Management Discussion and Analysis

Result performance

In 2007, the Group's dry bulk shipping business maintained a strong growth, and handled a shipping volume of 264,738,000 tons, representing an increase of 15.1% as compared to the year 2006. Dry bulk shipment turnover was approximately 1.4 trillion ton miles, an increase of 18.3% year-on-year. Of which, coal shipping volume amounted to 90,770,000 tons, an increase of 9.7% as compared to 2006; ore shipping volume amounted to 113,860,000 tons, an increase of 19.1% as compared to 2006, shipping volume of other cargoes amounted to 60,110,000 tons, an increase of 23.2% as compared to 2006.

In 2007, revenues amounted to RMB49,265,720,000, representing an increase of 78.9% as compared to 2006; segmental result was RMB21,231,485,000, representing an increase of 179.8% as compared to 2006.

An operation strategy combining self-owned and chartered vessels

On one hand, the self-owned vessels of the Group, with their low costs and strong risk resistance abilities, have been all along the major source of profit contribution for the dry bulk shipping unit. On the other hand, the Group also continues to follow its practices that proved to be successful in the past few years by chartering vessels at low market rate in a flexible manner to optimise the fleet structure. In 2007, the size of the Group's fleet expanded further and its structure was also further optimized. Our market share was increased further while remaining in a world leading position, and our leading advantageous position in the global dry bulk shipping industry were further strengthened.

Key accounts strategy

In 2007, the Group continued to strengthen marketing and sales and focused on the promotion of the key accounts strategy to further enhance the long-term cooperation relationship with large cargo owners, hence achieving good progress in securing long-term contracts. For example, the Group entered into a shipment contract with Shougang Group for the carriage of 46,000,000 tons of cargoes for a term of 20 years, entered into the second long-term contract with Baogang Group for two 300,000 tons ore vessels deployed on the Brazil/China trade for a term of 20 years, and entered into a 9-year agreement and 3-year contract with China power enterprises for coastal thermal coal transportation, joint venture companies were also established jointly with some enterprises. Through these newly signed COA contracts and joint venture formation, the long-term cargo sources were further increased.

Combining stable operations with flexibility to changes

The Group continued to strengthen its market research and analysis and maintain an operational portfolio including COA contracts, voyage charters and time charters covering various periods in accordance with the operation objectives of "combining maximum yield in the short term with stable yield in the long term, combining optimization of shipping capacity with leadership in operation scale, combining quality ocean shipping with strong coastal shipping". For example, in the fourth quarter of 2007, part of the operation days for certain subsequent period were fixed at a relatively high rate, providing assurance for future results.

As of December 2007, the fixed operation days account for 54% of the total in 2008 and the fixed average T/C equivalent revenue per day of all vessel types is higher than the annual average in 2007, with the average increase of about one-third.

Refined lean management

In 2007, the Group strengthened cost control through lean management by upgrading financial supervision system and strengthening shipment schedule management, and as a result shipment schedule has been effectively controlled. For example, in 2007, due to the impact of typhoons in the Australian regions and port machine breakdowns in the Brazil region, there were repeated cases of serious congestion in some major loading ports. For this reason, the Group adopted specific measures to avoid congested ports or request for higher demurrage fees during the process of vessel chartering, and achieved good results.

Fleet development

As at 31 December 2007, the Group owned, operated and controlled 419 vessels, with a total of 32,981,460 DWT. Of these, 202 vessels were self-owned vessels, with 12,884,916 DWT, the average age of the vessels was 14.6 years; 217 vessels were chartered vessels, with 20,096,544 DWT. The details are set out as follows:

Capacity of the dry bulk fleet (31 December 2007)

Existing capacity

	Owned			Chartered-in		Total	
Vessel type	Number	DWT	Average vessel age (years)	Number	DWT	Number	DWT
Capesize	20	3,336,559	7.1	64	10,850,887	84	14,187,446
Panamax	65	4,538,317	14.5	68	5,099,968	133	9,638,285
Handymax	78	3,690,311	13.5	55	2,855,078	133	6,545,389
Handysize	39	1,319,729	20.6	30	1,290,611	69	2,610,340
Total	202	12,884,916	14.6	217	20,096,544	419	32,981,460

As at 31 December 2007, the Group owned an orderbook of 52 dry bulk vessels, with 6,546,900 DWT, including: ten VLOC, with 2,976,000 DWT; four Capesize vessels, with 708,000 DWT; 21 Panamax vessels, with 1,913,900 DWT; 17 Handymax vessels, with 949,000 DWT.

Orderbook of dry bulk vessels (31 December 2007)

	2008		2009		2010		2011		Total	
Vessel type	Number	DWT	Number	DWT	Number	DWT	Number	DWT	Number	DWT
VLOC	1	298,000	5	1,488,000	4	1,190,000	—	—	10	2,976,000
Capesize	1	177,000	3	531,000	0	—	—	—	4	708,000
Panamax	4	309,000	5	380,000	9	879,000	3	345,000	21	1,913,900
Handymax	11	619,000	6	330,000	0	—	—	—	17	949,000
Handysize	0	—	0	—	0	—	—	—	0	—
Total	17	1,403,900	19	2,729,000	13	2,069,000	3	345,000	52	6,546,900

Management Discussion and Analysis

Market outlook

The dry bulk shipping industry mainly involves marine transportation of iron ore, coal, grain etc. which are the raw materials, energy resources and basic daily needs required for economic developments and are closely related to the global economy and trade. Although unfavorable factors exist in the global economy in 2008, they have not caused any significant impact on the global dry bulk shipping sector so far as most of the added demand are from emerging economies.

It is expected that in 2008 the dry bulk shipping market will sustain strong growth driven by the rapid growth in bulk cargo trading in countries like China and India. Demands for iron ore shipping will continue to maintain rapid growth, with the majority demand continuously from China. Coal imports in China and India will continue to grow strongly, while Europe and Japan will maintain a certain extent of growth. Coal transportation will become another important factor underpinning the prosperity of the dry bulk shipping market in future. With additional factors such as the prolonged shipping distance due to changes in the trade pattern and the dismantling of old vessels, the situation of relatively shortage in supply will continue in the international dry bulk shipping market in 2008. There are of course some uncertainties in the market. If the global economy slows down further, and tighter macroeconomic controls are implemented in China, the demand for dry bulk shipping may be affected to a certain extent.

Overall speaking, the dry bulk shipping market in 2008 will be intertwined with risks and opportunities, with major influence from favourable factors. The persistent strong growth of demand in China and the obvious changes in trade pattern will continue to fuel the extraordinary strong growth in demand for shipping capacity measured in nautical miles, and the market will remain prosperous.

Operation plans

The Group will continue to play the spot market operation to maximize profit as well as allocating appropriate capacity to lock in mid to long term profit. The Group will make in-depth studies on the shipbuilding market trends, and to leverage on favorable opportunities to improve the fleet structure. The Group will continue to implement the main accounts strategy, and explore and strengthen its cooperation with them through establishing joint ventures. The Group will adhere to the policy of prudent operation and strive to enter into more long-term COA contracts.

Since the number of chartered vessels may possibly be different from past figures pursuant to the market changes, it is expected that the Group will handle a dry bulk cargo turnover of over 1.1 trillion ton miles in 2008.

Logistics Business

In 2007, the logistics business of the Group recorded revenues of RMB 11,841,857,000, representing an increase of 17.2% as compared to 2006. Segmental result amounted to RMB 273,512,000, representing an increase of 25.2% as compared to 2006. The business volumes of major segments of COSCO Logistics in 2007 are set out in the table below:

	2007	2006	Growth Rate
Third party logistics			
Product logistics			
Home appliance logistics ('000 pcs)	**43,182**	30,720	40.5%
Automobile logistics (units)	**290,517**	562,484	-48.4%
Chemical logistics (tons)	**2,802,658**	1,439,793	94.6%
Engineering logistics (RMB million)	**832**	766	8.6%
Ship agency (voyages)	**138,843**	135,087	2.8%
Freight forwarding			
Marine shipping			
Bulk cargoes ('000 tons)	**140,884**	129,280	9%
Containers (TEUs)	**2,153,882**	1,915,987	12.4%
Air-freight (tons)	**111,007**	103,046	7.7%

Management Discussion and Analysis

Third party logistics

With respect to product logistics, COSCO Logistics continued to provide services such as supply chain management, warehousing and distribution for customers in key industries such as home appliances, automobiles, chemical and exhibition. COSCO Logistics provided logistical service under the cooperation with a number of banks in the PRC in the area of supply chain finance, as a new source for profit and an important mean to retain customers.

With respect to logistics for home appliances, COSCO Logistics made remarkable achievement in the development of new projects and in-depth development of existing business, and succeeded in developing high-end multinational brands on the basis of steadily increasing local home appliance customers. In 2007, COSCO Logistics handled approximately 43.18 million units of home appliances, representing an increase of 40.5% as compared to the year 2006. With respect to logistics for automobile, the number of vehicles handled reduced mainly due to the impact of changes in the sales volume to major automobile customers. With respect to chemical logistics, operations in the East and South China regions grew rapidly, and commenced to develop towards the peripheral and hinterland areas. In 2007, the handling amount of chemical logistics increased by 94.6%.

With respect to engineering logistics, COSCO Logistics continued to maintain its leading position in the market of power logistics and petrochemical logistics in the PRC, and also achieved new breakthrough in the aviation logistics sector. In 2007, COSCO Logistics successfully completed a number of significant domestic and overseas large engineering logistics projects, revenues were increased by 8.6%.

Ship agency

COSCO Logistics operates its ship agency business with the brand “PENAVICO” and established stable business cooperation relationships with leading domestic and international shipping companies in major ports in the PRC by leveraging on its in advantages network, technologies and years of agency experience, and maintained approximately 50% of the market shares in the PRC. In 2007, COSCO Logistics provided agency services for 138,843 voyages, representing an increase of 2.8% as compared to 2006.

Freight forwarding

COSCO Logistics handled container cargoes of 2,153,882 TEUs, increased by 12.4% as compared to 2006. It handled bulk cargoes of 140,884,000 tons, increased by 9% as compared to 2006. In 2007, COSCO Logistics integrated the resources of air freight forwarding business to be the vertical management structure, forming an operation network with the airports of Beijing, Shanghai and Guangzhou as the core hubs. In 2007, the total handling volume of air cargo amounted to 111,007 tons, representing an increase of 7.7% as compared to 2006.

Market outlook

The logistics industry in the PRC will be facing favorable development opportunities. It is anticipated that in the year 2008, the increase in total logistics in China will not be less than 20%, and the increase in the added values of logistics may reach to approximately 16%. With China being an important and continuing growing global procurement centre, investments from foreign investors in manufacturing and circulating enterprises in the PRC continue to increase, leading to a growth in logistics demand. Meanwhile, the pace of internationalization of Chinese enterprises is accelerating, which will generate demand for overseas logistics accordingly. With a higher demand for sub-contracting logistics services, more and more Chinese enterprises have switched from the proprietary logistics operation to outsourcing logistics services.

Operation plans

COSCO Logistics will continue to enhance infrastructure investment in order to satisfy the rapid growth in demand. In 2008, the Group plans to invest in the construction of comprehensive logistics facilities in Dalian, Qingdao, Shenyang, Lianyungang, Shenzhen and Zhenjiang. Product logistics will continue to focus on four pillar operations, namely, home appliances, chemical, automobiles and exhibitions, with emphasis in coordinating the developments of various regions and the mutual promotions with supply chain financial services. The development strategy for engineering logistics is to go international, to develop on markets such as Asia, Africa and South America, etc.

The ship agency business will continue to strengthen its market position, to innovate services and to expand profit sources. With respect to freight forwarding operations, efforts will be made to develop comprehensive freight forwarding operations, upgrade its service system mainly covering marine shipping slot booking supported by customs clearing, warehousing, container packaging, bonded warehousing, multi-modal transportation and freight forwarding services. COSCO Logistics strives to expand direct customer base in air freight forwarding operations, and to construct airport logistics centers in key airports.

Management Discussion and Analysis

Terminal and Related Business

Market review

In 2007, with the China's rapid economic development, the efficiency of cargo transportation system in the PRC was further enhanced, while the ratio of containerization has also increased, driving the rapid growth of container throughput in ports. Following with this growth, the China's total throughput recorded 112,700,000 TEUs in 2007, representing an increase of 20.4% as compared to the year 2006. At the same time, major ports in Europe and the US were congested, showing strong market demands for terminal services.

Business review

According to the ranking of global terminal operators announced by Drewry Shipping Consultants Ltd. in September 2007, COSCO Pacific, a subsidiary of the Group was ranked the fifth and accounted for 5% of the global market shares, an increase of 1.3 percentage points as compared to the year 2006. As at 31 December 2007, the Group had various equity interests in 27 terminal companies in 18 ports in the PRC and overseas and involved in the investment, operation and management of 140 berths, out of which, 87 container terminal berths are being put into operation, with an annual handling capacity of 47,450,000 TEUs.

In 2007, the container throughput of COSCO Pacific reached 39,832,964 TEUs, representing an increase of 21.5% as compared to the year 2006, of these, the throughput of 16 domestic terminal joint-ventures reached 36,040,901 TEUs, representing an increase of 20.6%. Segment result from terminal business increased by 57.4% to RMB343,677,000.

Container hub ports in China's coastal areas recorded a steady growth in throughput. The performance of the Bohai Rim was the most outstanding, and has became a focus of COSCO Pacific in terminal expansion in recent years. There were six terminal joint-ventures in the region, with a total container handling capacity of 16,931,145 TEUs, representing an increase of 26.1% as compared to the year 2006. The throughput in the Yangtse River Delta was 8,307,080 TEUs, representing an increase of 7.4%. The total throughput in the Pearl River Delta and southeast coastal regions was 12,649,235 TEUs, representing an increase of 21.6%.

In 2007, terminals of which the Group had controlling stakes achieved satisfactory performance, with Zhangjiagang Win Hanverky Terminal having an annual throughput of 601,801 TEUs, representing an increase of 32.0% as compared to the year 2006, and Yangzhou Yuanyang Terminal having a throughput of 253,772 TEUs, representing an increase of 13.8%, and throughput of bulk cargoes increased by 9.0% to 7,196,428 tons in 2007. The Quanzhou Pacific Terminal has scored new heights continuously since its commencement of operation in September 2006, with throughput of 856,784 TEUs in 2007, representing an increase of 255.1%.

In 2007, the performance of overseas terminals was satisfactory. COSCO-PSA Terminal in Singapore recorded a container handling capacity of 833,892 TEUs, representing a significant increase of 32.8% as compared to the year 2006. The Antwerp Terminal in Belgium recorded a throughput of 792,459 TEUs, representing an increase of 32.3% as compared to the year 2006. The Suez Canal Terminal in Egypt in which the Group had completed its share transfer in October 2007, has handled a throughput of 319,153 TEUs from November to December 2007.

Container terminal throughput	2007 (TEUs)	2006 (TEUs)	Changes
Bohai Rim	**16,931,145**	13,431,338	+26.1%
Qingdao Qianwan Container Terminal Co., Ltd.	**8,237,501**	6,770,003	+21.7%
Qingdao Cosport International Container Terminals Co., Ltd.	**1,005,439**	744,276	+35.1%
Dalian Port Container Co., Ltd.	**3,723,833**	2,885,276	+29.1%
Dalian Port Container Terminal Co., Ltd.	**850,359**	421,068	+102.0%
Tianjin Five Continents International Container Terminal Co., Ltd.	**1,988,456**	1,773,141	+12.1%
Yingkou Container Terminals Co., Ltd.	**1,125,557**	837,574	+34.4%
Yangtze River Delta	**8,307,080**	7,732,423	+7.4%
Shanghai Container Terminals Ltd.	**3,446,135**	3,703,460	-6.9%
Shanghai Pudong International Container Terminals Ltd.	**2,723,722**	2,650,007	+2.8%
Zhangjiagang Win Hanverky Container Terminal Co., Ltd.	**601,801**	455,946	+32.0%
Yangzhou Yuanyang International Ports Co., Ltd.	**253,772**	222,912	+13.8%
Nanjing Port Longtan Container Co., Ltd.	**950,289**	700,098	+35.7%
Ningbo Yuan Dong Terminals Ltd.	**331,361**	N/A	N/A
Pearl River Delta and Southeast Coastal	**12,649,235**	10,400,888	+21.6%
COSCO-HIT Terminals (HK) Ltd.	**1,846,559**	1,688,697	+9.3%
Yantian International Container Terminals (Phase I, II, III) Ltd.	**9,368,696**	8,470,919	+10.6%
Guangzhou South China Oceangate Container Terminal Co., Ltd.	**577,196**	N/A	N/A
Quan Zhou Pacific Container Terminal Co., Ltd.	**856,784**	241,272	+255.1%
Overseas	**1,945,504**	1,227,064	+58.5%
COSCO-PSA Terminal Private Ltd.	**833,892**	627,894	+32.8%
Antwerp Gateway NV	**792,459**	599,170	+32.3%
Suez Canal Container Terminal S.A.E.	**319,153**	N/A	N/A
Total container throughput in Mainland China	**36,040,901**	29,875,952	+20.6%
Total container throughput	**39,832,964**	32,791,713	+21.5%

Management Discussion and Analysis

Terminal expansion

In 2007, COSCO Pacific achieved good performance in the expansion of terminal projects, and further increased its investments in Qingdao Qianwan port area and in Yangzhou Jiangdu port area. COSCO Pacific also acquired 70% equity interest in Xiamen Yuanhai Container Terminal Co., Ltd. and 80% equity interest in Jinjiang Pacific Ports Development Co., Ltd., and increased the Company's shareholding and investment in the southeast coastal region, which will become the fourth largest economic development zone in China. With respect to overseas terminal business, the Suez Canal Terminal increased its investment in East Port Said of Egypt, and entered into a concession agreement with Egyptian government in respect of phase II project development with the government of Egypt. COSCO-PSA Terminal in Singapore also entered into an agreement in respect of the addition of a new berth pursuant to the contents of the original agreement.

2007 Terminal Investment Projects	Container Terminal Share-holding	Container Terminal No. of berths	Container Terminal Throughput (TEUs)	Bulk cargo Terminal No. of berths	Bulk cargo Terminal Throughput (Tons)
Qingdao New Qianwan Container Terminal Co., Ltd.	16%	10	6,000,000	—	—
Xiamen Yuanhai Container Terminal Co., Ltd.	70%	4	2,800,000	—	—
Jinjiang Pacific Ports Development Co., Ltd.	80%	2	800,000	3	4,200,000
Yangzhou Yuanyang International Ports Co., Ltd.	55.59%	—	—	2	1,850,000
Suez Canal Container Terminal S.A.E.	20%	4	2,550,000	—	—
Total		20	12,150,000	5	6,050,000

With the new acquisition and the finalization of the expansion projects of the existing terminals, the Group added 25 berths in 2007, including 20 container berths and 5 break-bulk cargo berths. The newly-added terminal projects will gradually come into operation in the year 2008, together with the construction works of Tianjin Port Euroasia Terminal project which commenced on 20 September 2007, will provide additional driving force for the terminal business development of the Company in the future. During the year of 2007, the Company entered into a letter of intent for cooperation with, and acquiring shares of, Fuzhou Port Group, and is now discussing for further cooperation.

During the year of 2007, there were in the Group's terminal portfolio a total of 15 berths newly put into operation, including six container berths at Guangzhou South China Oceangate Terminal, two of which were put into operation in March, and the other four berth were put into in September; one berth in Ningbo Yuan Dong Terminal was formally put into operation in March; two berths in Yantian Terminal (Phase III) were put into operation in March and September respectively. Four berths at the Suez Canal Terminal, which are already operating, have their shares transferred in October; berth No. 1 and berth No. 2 in Yangzhou Jiangdu were put into operation in December 2007. These 15 newly-operated berths will enable the growth of business volumes of the terminals in 2008. Furthermore, an additional berth at the COSCO-PSA Terminal was put into operation in January 2008.

Outlook

Looking forward to the year of 2008, the volume of container cargo transportation will continue to increase, and will provide favorable development opportunities for the Group's terminal business. COSCO Pacific will strive to strengthen and concentrate on the terminal operation, and make it the principal earnings driver and the largest profit center. Enjoying a high degree of synergy with other businesses in the Group, COSCO Pacific is gaining footholds and it establishes a global terminal network strategically located in China and overseas. In return 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.

Container Leasing, Management and Sales Business

The container leasing, management and sale business of the Group is operated and managed by Florens Container Holdings Limited and its subsidiaries ("Florens"). Faced with intensified market competitions, Florens made timely adjustments to its operation strategies, and fully leveraged on its own strengths, and further maintained its leading position in the industry.

As at 31 December 2007, Florens owned and managed a container fleet of 1,519,671 TEUs, representing an increase of 21.5% as compared to the year 2006, and representing approximately 13.2% market shares of the global container leasing companies, ranking the second largest container leasing company in the world. The average annual utilisation rate was 94.5%, which was lower than last year's 96.2% but still higher than the industry average of approximately 93.0%. The slight reduction in the utilisation rate was mainly attributable to Florens' strategic advanced ordering of containers with approximately 58,000 TEUs during the fourth quarter of 2007, so as to cope with the rising trend of container prices and customers' demand in the first quarter of 2008.

Management Discussion and Analysis

As containers sold in the year were less than those sold in 2006 of 600,082 TEUs, revenues from sales of containers dropped, causing the segment result contribution from Florens drop by 46.8% to RMB975,915,000.

In order to further optimise and enhance the operation model of container leasing business and reduce operation risks, the sale and managed back model has been gradually development. As at 31 December 2007, the managed container fleet increased to 762,618 TEUs (2006: 629,881 TEUs), representing 50.2% of the total container fleet. The owned container fleet was 757,053 TEUs (2006: 620,728 TEUs), representing 49.8% of the total container fleet. Among its owned container fleet, 517,311 TEUs were leased to COSCON, and 239,742 TEUs were available to international customers.

Upon an outlook to the future, while expanding the size of fleet, shipping companies need to use more new containers and expand the size of fleet, leading to an increasing demand for container leasing. The Group will continue to operate in a an asset light business model and expand the container after-sales management business, so as to further consolidate its leading position in the industry.

Container Manufacturing

As at 31 December 2007, the Group's subsidiary COSCO Pacific was holding 16.54% equity interest in CIMC. Due to the increase in profit of CIMC, net profit contribution of CIMC to the Group increased by 11.0% to RMB510,745,000.

In 2006, COSCO Pacific granted 424,106,507 put options to holders of outstanding A shares of CIMC. As no holder exercised the put option upon their expiry on 23 November 2007, the provision of US$55,181,000 made in 2006 was reversed in full.

Financial review

Revenues analysis

In 2007, the Group's revenues amounted to RMB 107,998,532,000, representing an increase of RMB 29,142,278,000, or 37.0% as compared to RMB 78,856,254,000 of 2006. The increase in revenues was 11.9 percentage points higher than the increase in costs, and was the major driver for the increase in profits. The analysis by business segments is set out below:

- Revenues from container shipping and related operations increased by 14.4% to RMB45,766,318,000. Container shipping volume increased by 11.7%, average container freight income increased by 6.0% as compared to 2006, resulting in the increase in the revenues.
- In 2007, revenues from the operation of the Group's dry bulk shipping and related business increased by RMB21,733,894,000 or 78.9% to RMB49,265,720,000 as compared to 2006. Revenues from time chartering increased by RMB18,091,507,000 or 120.6% as compared to 2006. Revenues from voyage chartering increased by RMB3,733,019,000 or 31.6% as compared to 2006.
- Revenues from logistics operations increased by 17.2% to RMB11,841,857,000, mainly benefited from the continuous expansion of various key operations.

- Revenues derived from the terminal and related operations of COSCO Pacific increased by RMB130,337,000, or 74.5%, to RMB305,272,000 in 2007. Of these, the throughput of Quanzhou Pacific Terminal was 850,000 TEUs since its commencement of operation in mid-2006, and recorded a revenue of RMB188,944,000, representing an increase of 291.7% as compared to the year 2006. Turnover of Zhangjiagang Win Hanverky Terminal increased by 13.1% in 2007 as result of its acquisition of berth No. 17 in 2006.

- Revenues derived from the container leasing business operated and managed by COSCO Pacific decreased by 22.3%, mainly affected by the strategic sales of 600,082 TEUs in 2006.

Operational cost analysis

In 2007, the operating cost of China COSCO increased by 25.1% to RMB83,402,731,000, of which:

- Total operating costs of container transportation, bulk cargo transportation and related business amounted to RMB71,168,029,000, representing an increase of RMB15,168,056,000, or 27.1% as compared to 2006. Of these, operating lease expenses for the year amounted to RMB21,338,255,000, representing an increase of RMB9,798,090,000, or 84.9% as compared to 2006, being a major item of increase in the operating cost of China COSCO. The increase was mainly due to the expansion in the size of chartered vessels and the higher leasing costs of dry bulk vessels resulting in a rise in the total leasing costs.

- Total operating costs of logistics business amounted to RMB11,001,760,000, representing an increase of 16.3% as compared to 2006, which was in line with the increase in the related business volume.

Management Discussion and Analysis

- Total operating costs of terminal and related business amounted to RMB192,541,000, an increase of 59.0% as compared to 2006. The increase was mainly due to the commencement of operation of Quanzhou Pacific Terminal since 2006 and the acquisition of berth No. 17 by Zhangjiagang Win Hanverky Terminal in 2006.
- Total operating costs of container leasing business amounted to RMB594,199,000, a decrease of 11.7% as compared to 2006, which was also affected by the strategic sales of 600,082 TEUs in 2006.

Share reform

The put options in relation to the share reform of CIMC issued by COSCO Pacific, a subsidiary of the Company, expired on 24 November 2007. As none of the holders exercised the options, a fair value gain of RMB419,596,000 was recognised for the current year, as compared with a net loss of RMB439,707,000 recognised for 2006.

Selling, administrative and general expenses

In 2007, the management expenses of China COSCO increased by RMB1,402,277,000, or 37.9% as compared with 2006. The increase was mainly derived from staff costs and legal and professional expenses. Of these, the staff costs in relation to Share Appreciation Rights ("SARs") granted by the Company recorded an increase of RMB352,393,000 as compared to that of 2006 due to the recognition of RMB383,681,000 as amortised cost of SARs this year. During the year, share options granted to the staff at fair value by COSCO Pacific, a subsidiary of the Company, recognised as staff costs at amounted to RMB85,087,000. In addition, the Company acquired the dry bulk cargo fleet from the COSCO Group, its controlling shareholder, strengthened its marketing promotion and developed new projects, leading to the increase in legal, audit and appraisal expenses by RMB108,891,000.

Other income

The Group's other income in 2007 amounted to RMB4,248,904,000, representing an increase of RMB1,081,240,000 as compared to RMB3,167,664,000 in 2006. Of these, gains of RMB2,419,139,000 were derived from Forward Freight Agreement ("FFA") operations, representing an increase of RMB1,861,672,000 as compared to the year 2006. In addition, gain from disposal of fixed assets decreased by RMB302,690,000 as compared to the year 2006 (In 2006, COSCO Pacific, a subsidiary, recorded an one-off gain of RMB672,980,000 from the sales of 600,082 TEUs); subsidy income was decreased by RMB182,012,000 with the expiry of the enterprise tax subsidy granted by local government.

Other expenses

The Group's other expenses amounted to RMB319,961,000 in 2007, decreased by RMB117,372,000 as compared to RMB437,333,000 for 2006, of which, a net loss on bunker forward contracts amounted to RMB123,388,000 in 2006, and while there was a net gain of RMB48,370,000 for the year . With respect to foreign exchange losses, since positive measures were adopted during the year, foreign exchange losses were RMB87,159,000 for 2007, reduced by RMB67,043,000 as compared to the year 2006. Other expenses such as the provision for impairment of trade and other receivables, donations, etc. increased as compared to the year 2006.

Finance Income

Finance income of the Group was mainly represented interest income. Finance income for the current year amounted to RMB650,929,000, increased by 48% as compared to 2006. The Company's A Shares were listed on the Shanghai Stock Exchange during the year, and the net proceeds of RMB27,624,721,000 were raised by issuing A Shares to target institutional investors, which in turn led to an increase in the interest income of the Group.

Finance Costs

The Group's finance costs decreased by RMB50,856,000, from RMB1,266,049,000 for 2006 to RMB1,215,193,000 for 2007, or a reduction of 4.0%, of which interest expenses were basically in line with 2006, other incidental expenses such as amortised amount of transaction costs on long-term borrowings had decreased.

Profit on the disposal of an associates

This related to an one-off disposal gain of RMB690,002,000 from the sale of equity interest of Chong Hing Bank Limited held by COSCO Pacific.

Share of profits less losses of jointly-controlled entities and associates

Net profit contribution from jointly-controlled entities to the Group amounted to RMB955,688,000 for 2007, while net profit for the same period for 2006 was RMB673,424,000, representing an increase of 41.9%. Net profit contribution from associates amounted to RMB1,005,783,000, while net profit for 2006 was RMB873,448,000, an increase of 15.2%.

Management Discussion and Analysis

During the year, Shanghai Pudong International Container Terminals Limited held by COSCO Pacific, a subsidiary of the Group, was reclassified from an associate into a jointly-controlled entity, net profit from the jointly-controlled entities was thus increased by RMB171,805,000, while net profit from associates for 2006 was RMB123,035,000. In addition, net profit contribution from an associate, COSCO Finance Co., Ltd., to the Group increased by RMB246,759,000, representing largest increment during the year.

Income tax expenses

The Group's income tax expenses for 2007 was RMB4,721,371,000, representing an increase of RMB2,712,806,000 as compared to RMB2,008,565,000 for 2006. For 2007, the Group's results improved significantly, resulting in a corresponding increase in income tax expenses.

Financial Position Analysis

Cash flows

For 2007, the Group's net cash generated from operating activities amounted to RMB23,858,504,000, representing an increase of RMB13,162,682,000 as compared to RMB10,695,822,000 for the same period in 2006.

In 2007, the Group's net cash outflow generated from investing activities amounted to RMB20,456,083,000, of which RMB12,266,205,000 was used in purchasing property, plant and equipment, such as containers, vessels, computers and office equipment, RMB12,725,278,000 was paid to the COSCO Group for acquisition of certain subsidiaries to the COSCO Group. Meanwhile, the Group received proceeds of RMB4,413,553,000 from the sales of property, plant and equipment such as vessels and containers, as well as total dividends of RMB1,333,877,000 received from its jointly-controlled entities, associates and available-for-sale financial assets.

During 2007, the Group's net cash inflow from financing activities amounted to RMB23,708,840,000, of which, net proceeds of RMB14,881,698,000 were raised on 26 June 2007 when the Company issued A Shares which have been listed on the Shanghai Stock Exchange. On 26 December 2007, the Company issued A Shares to target institutional investors and received proceeds of RMB12,805,751,000. These two fund-raising activities brought a cash inflow of RMB27,687,449,000.

Cash and cash equivalents

As at 31 December 2007, the Group's cash and cash equivalents increased by RMB26,383,762,000, or 242% from RMB10,912,281,000 as at 31 December 2006 to RMB37,296,043,000. As at 31 December 2007, the remaining balance of the proceeds from the two issues of A Shares at 31 December 2007 was RMB12,238,462,000; the remaining balance of the proceeds from the issue of H Shares was RMB397,042,000.

The Group's sources of liquidity and capital resources have been, and are expected to continue to be, cash flows generated from operating activities, the issuance of new shares and debt financing from banks. The Group's uses of cash have been, and are expected to continue to be, for operating costs, purchase of container vessels and dry bulk vessels, containers, investments in container terminals and repayment of loans, etc.

Assets and Liabilities

As at 31 December 2007, total assets of the Group amounted to RMB116,879,543,000, representing an increase of RMB35,170,388,000 over RMB81,709,155,000 at 31 December 2006. Total liabilities amounted to RMB59,831,471,000, representing an increase of RMB21,528,945,000 as at 31 December 2007 as compared to 2006. Capital and reserves attributable to the equity holders of the Group amounted to RMB46,586,624,000, representing an increase of RMB11,867,152,000 when compared to RMB34,719,472,000 as at 31 December 2006.

As at 31 December 2007, total outstanding borrowings of the Group amounted to RMB19,329,881,000, as compared to RMB18,983,350,000 as at 31 December 2006. The net current assets as at 31 December 2007 amounted to RMB11,203,734,000, representing an increase of RMB10,510,586,000 as compared to that as at 31 December 2006, which was mainly due to the issuance of A shares and cash inflows from operating activities. Net debt at 31 December 2007 amounted to RMB-17,966,162,000 and RMB8,071,069,000 at 31 December 2006. Ratio of net debt to equity at 31 December 2007 was -31.5%, and 18.6% as at 31 December 2006. The earnings to interest ratio was 22.9 times, and 10.8 times as at 31 December 2006. Certain property, plant and equipment of the Group with net book value of RMB9,731,056,000 (31 December 2006: RMB10,884,890,000) were pledged to certain banks and financial institutions as collaterals for borrowings of a total amount of RMB7,230,796,000 (31 December 2006: RMB8,697,261,000). The pledged assets represented 21% (31 December 2006: 20%) of the total value of property, plant and equipment.

Management Discussion and Analysis

Debt analysis

Category	As at 31 December 2007 RMB'000	As at 31 December 2006 RMB'000
Short-term loans and bonds payable	**3,916,671**	5,397,281
Long-term borrowings		
Within one year	**1,271,032**	1,738,868
Between one and two years	**1,279,259**	2,954,828
Between two and five years	**6,626,914**	3,544,650
Over five years	**6,236,005**	5,347,723
Sub-total	**15,413,210**	13,586,069
Total	**19,329,881**	18,983,350

As at 31 December 2007, total borrowings of the Group amounted to RMB19,329,881,000, representing an increase of RMB346,531,000 when compared to RMB18,983,350,000 at 31 December 2006.

Breakdown of borrowings by category:

The Group's secured borrowings amounted to RMB7,230,796,000, while unsecured borrowings amounted to RMB12,099,085,000, representing 37.4% and 62.6% of the total borrowings respectively.

Breakdown of borrowings by currency:

The Group had borrowings denominated in U.S. dollars equivalent to RMB17,177,901,000 and borrowings denominated in RMB amounting to RMB2,151,980,000, representing 88.9% and 11.1% of the total borrowings respectively.

Financial guarantee and contingent liabilities

As at 31 December 2007, the Group had provided a guarantee on a bank borrowing granted to an associate in the amount of RMB188,072,000 (31 December 2006: RMB197,591,000). Save for the information disclosed in the note 43 to the Group's consolidated financial statements, the Group had no other significant contingent liabilities.

Foreign exchange and interest rate risks management

During the year, the Group completed interest rate adjustments to original loans by combining the appreciation of RMB and optimization of loan structures. Meanwhile, the Group also actively managed the current loan interest rates through controlling the interest rate levels of actual interest payments by using various financial tools, in order to reduce the impact of fluctuations in interest rates to the Group.

With respect to exchange rate, the Group had integrated its internal business flows so as to continue adjusting the currency structure between income and cost expenses, and between assets and liabilities, while paying active attention and conducting studies on the trends on various currencies. Provided that actual production and operational needs are satisfied, the Group will try to conduct foreign exchange conversion and settlement transactions at appropriate timing to exercise maximum control over foreign exchange risk.

Directors' Report

The Board has pleasure in presenting the Report of the Directors of the year 2007 together with the audited financial statements of the Group for the year ended 31 December 2007.

Principal Activities

The Group is engaged in providing container shipping, dry bulk cargo shipping, logistics, terminals and container leasing businesses. The Company is an investment holding company and details of the principal activities of the Company's principal subsidiaries as at 31 December 2007 are set out in note 47 to the consolidated financial statements.

Results of the Group

The Group's results for the year ended 31 December 2007 are set out on page 148 of this report.

Financial Summary

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

Profit Distribution Plan and Implementation

(i) Profit Distribution for 2006

Pursuant to the PRC Company Law, the Articles of Association of the Company and the resolutions passed at the extraordinary general meeting of the Company held on 20 November 2006, for the year ended 31 December 2006, the Company appropriated 10% of the net profits stated in the audited combined financial statement prepared in accordance with the PRC corporate accounting standards and regulations for each of the statutory reserve funds and the discretionary reserve funds, representing a total sum of RMB313,225,000. The actual amounts were determined based on the net profits stated in the audited financial statements prepared in accordance with the PRC corporate accounting standards and regulations or the HKFRSs, whichever is lower. The total share capital of the Company as at 31 December 2006 was 6,204,756,337 shares. The Company intended to pay a final cash dividend of RMB0.09 (inclusive of tax) per share, representing a total sum of RMB558,427,000. The above profit distribution plan was approved at the 24th Meeting of the First Board of Directors of the Company held on 28 March 2007 and the 2006 Shareholders' General Meeting held on 15 May 2007 and the distribution had been completed.

(ii) Distribution of Accumulated Profits before the Issue of A Shares by the Company

Pursuant to the 24th Meeting of the First Board of Directors of the Company and the 2006 Shareholders' General Meeting, the Company, after the approval from the 2006 Shareholders' General Meeting and the relevant competent authorities, distributed the balance of net profits attributable to the owner of the parent company for the year ended 31 December 2006 after the appropriation of 10% of the net profits for each of the statutory reserve funds and the discretionary reserve funds and the payment of cash dividends, plus the undistributed profits for the prior years, to COSCO Group and shareholders of H Shares at par by way of shares and dividends. This specially distributed amount was determined based on the profits available for special distribution stated in the audited financial statements prepared in accordance with the PRC corporate accounting standards and regulations or the HKFRSs, whichever is lower. The amount for profit distribution was RMB930,714,000, i.e. 1.5 bonus shares allotted for every 10 shares of the Company. Such special profit distribution plan was approved at the 24th Meeting of the First Board of Directors of the Company held on 28 March 2007 and the 2006 Shareholders' General Meeting held on 15 May 2007 and the distribution had been completed. The accumulated profits for the period from 1 January 2007 until the issue will be shared by all new and existing shareholders following this issue.

(iii) Dividends and other Distribution

The Board proposed to distribute a final cash dividend of RMB0.18 per share (including tax). The cash dividend for 2007 will be distributed on 16 June 2008 to holders of H Shares whose names appear on the register of members of the Company as at 7 May 2008, and holders of A Shares whose names appear on the register of members of the Company as at 11 June 2008. That is, the closure date and time for the transfer of H Shares of the Company will be at 4:30 p.m. on 6 May 2008, and the closure date and time for the transfer of A Shares will be at 3:00 p.m. on 10 June 2008. Of these, pursuant to the undertakings dated 11 December 2007 made by China Ocean Shipping (Group) Company, the controlling shareholder of the Company, that the 864,270,817 non-public offering shares in China COSCO subscribed on 17 December 2007 shall not enjoy profit distributions of China COSCO from January to August 2007, an amount of RMB34,570,000 was deducted from the dividends paid.

Major Suppliers and Customers

For the year ended 31 December 2007, the Group's purchases attributable to the Group's five largest suppliers were less than 30% of the Group's total purchases, and the aggregate sales attributable to the Group's five largest customers were less than 30% of the Group's total sales.

Directors' Report

Reserves

Details of movements in the reserves of the Company and the Group during the year and details of the distributable reserves of the Company as at 31 December 2007 are set out in note 23 to the consolidated financial statements.

Statutory Reserve Funds

Details of the statutory reserve funds are set out in note 23 to the consolidated financial statements.

Property, Plant and Equipment and Investment Properties

Details of movements in property, plant and equipment and investment properties of the Group and the Company during the year are set out in notes 6 and 7 to the consolidated financial statements.

Employees' Retirement Plans

Details of the employees' retirement plans are set out in note 25(b) to the consolidated financial statements.

Pre-emptive Rights

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

Share Capital

Details of the share capital of the Company are set out in note 22 to the consolidated financial statements.

Directors and Supervisors

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

Name	Date of Appointment as Director	Date of Resignation as Director
Executive director		
WEI Jiafu *(Chairman and CEO)*	7 March 2005	N/A
CHEN Hongsheng *(President)*	7 March 2005	N/A
Non-executive director		
ZHANG Fusheng *(Vice Chairman)*	7 March 2005	N/A
LI Jianhong	7 March 2005	N/A
Xu Lirong	15 May 2007	N/A
Zhang Liang	15 May 2007	N/A
SUN Yueying	7 March 2005	N/A
Independent non-executive director		
LI Boxi	9 June 2005	N/A
TSAO Wen King, Frank	9 June 2005	N/A
Alexander Reid HAMIILTON	9 June 2005	N/A
CHENG Mo Chi	9 June 2005	N/A

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

Name	Position	Date of Appointment as Supervisor
LI Yunpeng	Chairman of Supervisory Committee	3 March 2005
WU Shuxiong	Supervisor	3 March 2005
MA Jianhua	Supervisor	26 June 2007
LI Zonghao	Supervisor	3 March 2005
YU Shicheng	Independent Supervisor	9 June 2005
KOU Wenfeng	Independent Supervisor	9 June 2005

Independence of the Independent Non-executive Directors

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

Directors' Report

Biography of Directors, Supervisors and Members of the Senior Management

Biography of directors, supervisors and members of the senior management of the Company as at the date hereof are set out on pages 26 to 34 of this report.

Connected Transactions

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

(a) On 8 January 2007, COSCO Ports (Qianwan) Limited (an indirect subsidiary of the Company) ("COSCO Ports Qianwan") entered into a shareholder's loan agreement with Qingdao Qianwan Container Terminal Co., Ltd. ("QQCT"), pursuant to which COSCO Ports Qianwan agreed to lend a loan facility in the amount of US$12,820,513 to QQCT for a term of 11 months. The above shareholder's loan was made pursuant to the amended and restated joint venture contract dated 21 July 2003 made between COSCO Ports Qianwan, PTS Holdings Limited and Qingdao Port (Group) Co., Ltd. in which the parties to the contract agreed to grant shareholders' loans to QQCT according to the proportion of their respective equity interests in QQCT.

APM Terminals Invest Company Limited, which is a subsidiary of A.P. Moller – Maersk A/S ("APM"), is a substantial shareholder of an indirectly held subsidiary of COSCO Pacific. Therefore, members of the APM are connected persons of the Company. APM holds approximately 40.82% interest in PTS Holdings Limited, which has an equity interest of 49% in QQCT. Therefore QQCT is an associate of APM, and is therefore a connected person of the Company.

For further information relating to the above transaction, please refer to the Company's announcement dated 8 January 2007.

(b) On 23 March 2007, COSCO Ports (Holdings) Limited ("COSCO Ports") (a wholly-owned subsidiary of COSCO Pacific) and COSCON entered into a shipping services master agreement ("COSCON Shipping Services Master Agreement") with COSCO, whereby COSCO Ports agreed to provide shipping related services by its members to members of the COSCO Group, including but not limited to the handling, storage and maintenance of cargoes. The COSCON Shipping Servcies Master Agreement has an initial term expiring on 31 December 2009.

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

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

For further information relating to the COSCON Shipping Services Master Agreement, please refer to the Company's announcement dated 23 March 2007.

(c) On 23 March 2007, COSCO Ports entered into a APM shipping services master agreement ("APM Shipping Services Master Agreement") with entities trading under the names of Masersk Line, Safmarine, MCC or any other future names with majority ownership by APM (the "Lines"), whereby COSCO Ports agreed to provide shipping related services by its members to members of the Lines, including but not limited to the handling, storage and maintenance of cargoes. The APM Shipping Services Master Agreement has an initial term expiring on 31 December 2009.

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

APM Terminals Invest Company Limited, which is a subsidiary of APM, is a substantial shareholder of a subsidiary of COSCO Pacific. The Lines is majority-owned by APM and is therefore an associate of APM Terminals Invest Company Limited, and is therefore a connected person of the Company.

For further information relating to the APM Shipping Services Master Agreement, please refer to the Company's announcement dated 23 March 2007.

(d) On 23 March 2007, Plangreat Limited ("Plangreat") (a wholly-owned subsidiary of COSCO Pacific) and COSCON entered into a container services agreement (the "COSCON Container Services Agreement"), which effectively renewed the term of the COSCON Container Services Master Agreement dated 3 June 2005 entered into between Plangreat, COSCO and COSCON from 23 March 2007 to expire on 31 December 2009 and changed the definitions of "associates" and "COSCO Group" in the COSCON Container Services Master Agreement.

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

For further information relating to the COSCO Container Services Agreement, please refer to the Company's announcement dated 23 March 2007.

(e) On 26 March 2007, COSCO Container Lines (Hong Kong) Company Limited, an indirect wholly-owned subsidiary of the Company, entered into four time charterparties with Shanghai Ocean Shipping Company ("COSCO Shanghai") to charter four new container vessels each having a capacity of 5,100 TEU (the "Four Vessels") at agreed rates for a period of 119 months to 121 months to be determined by COSCO Container Lines (Hong Kong) Company Limited. Such charters shall commence upon delivery of the Four Vessels to COSCO Shanghai, two of which are anticipated to take place in April 2010 and two of which in June 2010.

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

For further information relating to the above transactions, please refer to the Company's announcement dated 26 March 2007.

Directors' Report

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

Bauhinia 97 is a wholly-owned subsidiary of COSCO Pacific and has no business operation other than holding of the 87 million ordinary shares of Chong Hing Bank Limited, representing 20% of the entire issued share capital of Chong Hing Bank Limited as at 24 August 2007.

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

For further information relating to the above transactions, please refer to the Company's announcement dated 24 August 2007.

(g) On 3 September 2007, the Company entered into an acquisition agreement with COSCO to acquire the entire equity interest in COSCO Bulk Carrier Co., Ltd. and Qingdao Ocean Shipping Company and 41.52% equity interest in Shenzhen Ocean Shipping Co., Ltd. According to the terms of the agreement, the Company would issue an aggregate of 864,270,817 A Shares to COSCO to pay for the consideration of the acquisition amounting to approximately RMB15,980.37 million.

For further information relating to the above transactions, please refer to the Company's announcement and circular dated 3 September 2007 and 24 September 2007 respectively.

(h) On 3 September 2007, COSCO Pacific Investment Holdings Limited entered into an acquisition agreement with COSCO HK Group to acquire the entire equity interest in Golden View Investment Ltd. at a consideration of approximately RMB18,504.02 million.

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

For further information relating to the above transaction, please refer to the Company's announcement and circular dated 3 September 2007 and 24 September 2007 respectively.

(i) On 3 September 2007, the Company entered into an acquisition agreement with Guangzhou Ocean Shipping Company ("COSCO Guangzhou") to acquire 6.35% equity interest in Shenzhen Ocean Shipping Co., Ltd. at a consideration of approximately RMB125.28 million.

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

For further information relating to the above transaction, please refer to the Company's announcement and circular dated 3 September 2007 and 24 September 2007 respectively.

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

The following table sets out the relevant annual caps and the actual amounts for the year ended 31 December 2007 in relation to the continuing connected transactions of the Company.

Directors' Report

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

Transaction	Annual Cap for the year ended 31 December 2007 (RMB'000)	Actual Figure for the year ended 31 December 2007 (RMB'000)
1. Sub-leasing of time charters from COSCO to COSCON	460,000	419,024
2. Sub-time charters from COSCO to COSCON	204,000	187,933
3. Transactions under the Financial Services Master Agreement:		
– Maximum daily outstanding balance of deposits (including accrued interest and handling fee) placed by the Group (excluding COSCO Pacific and its subsidiaries) with COSCO Finance	3,000,000	6,995,379
– Maximum daily outstanding balance of loans (including accrued interest and handling fee) granted by COSCO Finance to the Group (excluding COSCO Pacific and its subsidiaries)	3,000,000	2,287,163
4. Transactions under the Master Vessel Services Agreement	8,000,000	8,268,988
5. Transactions under the Master Overseas Agency Services Agreement	365,000	302,909
6. Transaction under the Master Container Services Agreement	603,000	320,648
7. Transactions under the Master Solicitation Activities Agreement	1,320,000	398,897
8. Transactions under the Master Port Services Agreement	1,760,000	1,007,393
9. Transactions under the Master Seamen Leasing Agreement	750,000	602,776

Transaction	Annual Cap for the year ended 31 December 2007 (RMB'000)	Actual Figure for the year ended 31 December 2007 (RMB'000)
10. Transactions under the Master General Services Agreement	100,000	62,124
11. Transactions under the Master Vessel Management Agreement	90,000	72,827
12. Transactions under COSCO Pacific – COSCON Container Services Master Agreement	54,792	48,393
13. Transactions under COSCO Pacific – COSCON Shipping Services Master Agreement	255,142	101,654
14. Transactions under COSCO Pacific – Short-term Container Leasing Master Agreement	25,566	241
15. Transactions under COSCO Pacific – APM Shipping Services Master Agreement	109,569	36,581
16. Transactions under COSCO Logistics – Shipping Agency Master Agreement	29,656	5,864
17. Transactions under COSCO Logistics – Freight Forwarding Master Agreement	34,540	3,282

Directors' Report

Review of Continuing Connected Transactions for the year 2007

Reference is made to the announcement and the circular dated 3 September 2007 and 24 September 2007 respectively, in relation to the acquisitions of the entire equity interest of COSCO Bulk and COSCO Qingdao and 41.52% equity interest in COSCO Shenzhen; 6.35% equity interest in COSCO Shenzhen and the entire equity interest of Golden View (the "Acquisitions") and in relation to, among other things, the continuing connected transactions of the Company under (i) the financial services master agreement dated 3 September 2007 entered into between the Company and COSCO Finance in relation to the provision of financial services (the "Financial Services Master Agreement"); and (ii) the master agreement dated 3 September 2007 entered into between the Company and COSCO in relation to the provision of vessel services (the "Master Vessel Services Agreement").

The Acquisitions were completed on 25 October 2007 and 29 November 2007, the continuing connected transaction amounts of Golden View and COSCO Shenzhen in relation to the financial services provided by COSCO Finance and the provision of vessel services by COSCO since November 2007 and the continuing connected transaction amounts of COSCO Bulk and COSCO Qingdao in relation to financial services provided by COSCO Finance and the provision of vessel services by COSCO for December 2007 were included in the annual connected transaction amounts of the Company, as such, the annual caps for the maximum daily outstanding balance of deposits placed with COSCO Finance under the Financial Services Master Agreement and the transaction amount under the Master Vessel Services Agreement exceeded the original annual caps for the year ended 31 December 2007.

At the time of the issue of the circular dated 24 September 2007 in relation to the Acquisitions, there were uncertainties as to whether the Acquisitions would be completed in 2007, as such, only the annual caps for the relevant connected transactions for the three years ending 31 December 2010 were set but the annual caps for the relevant connected transactions for the year ended 31 December 2007 were not revised. Save for the Acquisitions, the continuing connected transactions contemplated under the Financial Services Master Agreement and the Master Vessel Services Agreement do not exceed the caps previously approved by the independent shareholders. As a result of the Acquisitions, the annual caps for the continuing connected transactions contemplated under the Financial Services Master Agreement and the Master Vessel Services Agreement for the year ended 31 December 2007 were exceeded. The Directors are of the view that as the Financial Services Master Agreement and the revised annual caps for the year ending 31 December 2008 and the new annual caps for the two years ending 31 December 2010 and the Master Vessel Services Agreement and the new annual caps for the three years ending 31 December 2010 have been approved by the independent shareholders at the extraordinary general meeting of the Company on 23 October 2007, the increase in the maximum daily outstanding balance of deposits placed with COSCO Finance and the additional transactions under the Master Vessel Services Agreement due to the Acquisitions have already been contemplated and were not resulted from any new transaction.

Please refer to the announcement of the Company dated 27 March 2008 for details.

The independent non-executive directors of the Company, Ms. LI Boxi, Mr. TSAO Wen King, Frank, Mr. Alexander Reid HAMILTON and Mr. CHENG Mo Chi have reviewed the above continuing connected transactions (other than the transactions under the master agreements set out as items 12 to 15 in the table above) and confirm that these transactions have been entered into:

(1) in the ordinary and usual course of business of the Group:

(2) on normal commercial terms or on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and

(3) in accordance with the relevant agreements governing such transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The independent non-executive directors of COSCO Pacific have reviewed the continuing connected transactions set out as items 12 to 15 in the table above and confirm that these transactions have been entered into:

(1) in the ordinary and usual course of COSCO Pacific group's business;

(2) on terms no less favourable to COSCO Pacific group's than terms available from/to independent third parties; and

(3) in accordance with the relevant agreements governing such transactions on terms that are fair and reasonable and in the interests of the shareholders of COSCO Pacific as a whole.

Directors' Report

For the purpose of Rule 14.38 of the Listing Rules, the board of directors of the Company engaged the auditor of the Company, PricewaterhouseCoopers, to perform certain agreed-upon procedures on the above continuing connected transactions (other than transactions under the master agreements set out as items 12 to 15 in the table above) as identified by the management for the year ended 31 December 2007 (the "Transactions") in accordance with Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants. Based on the agreed-upon procedures performed, the auditor reported that:

(1) the Transactions had received the approval of the Company's board of directors;

(2) in relation to those Transactions involving provision of goods and services by the Group (for the samples selected), the pricing was in accordance with the pricing policies of the Group;

(3) the pricing of the Transactions (for the samples selected) was in accordance with the terms of the relevant agreements or contracts governing the Transactions or the invoices issued if the agreements or contracts were not available; and

(4) save for the maximum daily outstanding balance of deposits placed by the Group with COSCO Finance under the Financial Services Master Agreement and the transaction under the Master Vessel Services Agreement as reported in the Company's announcement dated 27 March 2008, the accumulated amounts of the Transactions had not exceeded the relevant annual caps.

For the purpose of Rule 14.38 of the Listing Rules, the board of directors of COSCO Pacific engaged the auditor of COSCO Pacific to perform certain agreed-upon procedures on the above continuing connected transactions set out as items 12 to 15 in the table above and as confirmed by the management for the year ended 31 December 2007 in accordance with Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants. The auditor of COSCO Pacific reported that these transactions: (1) had been approved by the board of directors of COSCO Pacific; (2) had been conducted in accordance with the pricing policies of COSCO Pacific group, if applicable (for the samples selected); (3) had been entered into in accordance with the terms of the relevant agreements governing the other continuing connected transactions (for the samples selected); and (4) had not exceeded the respective annual caps.

Accounting policy, changes in accounting estimates, explanations for differences

In accordance with the requirements under "Corporate Accounting Standards No. 4 – Fixed Assets" of the PRC and HKAS 16, the Company shall make verifications on the useful lives, the residual values and depreciation method of fixed assets at the end of each year. Pursuant to the results of the verifications, and by reference to the current business and market situations, adjustments shall be made on the accounting estimations in respect of the residual values of vessels and containers, depreciation periods of dry bulk vessels, amortisation of dry-docking costs of vessels, depreciation period of office vehicles and office equipment. Prospective method had been adopted in the above accounting estimation adjustments. The above accounting estimations based on the consolidated financial statements prepared under the PRC accounting standards had reduced the net profit of the Group by RMB561,558,000 in 2007. Based on the consolidated financial statements prepared under HKFRSs, the above adjustments due to change in accounting estimation had reduced the net book value of fixed assets and profit before tax in 2007 of the Group by RMB602,679,000.

Daily routine of the Board

(1) Meetings and resolutions of the Board

1. The Company convened the 22nd meeting of the first Board by way of written resolutions on 22 January 2007. 9 directors were entitled to vote at the meeting and 9 directors actually participated in the voting. In the meeting, four resolutions were passed, including the resolution on change of directors of the Company, the resolution that Mr. Xu Lirong would resign from his position as deputy general manager, the resolution on the recommendation that Mr. Xu Minjie be appointed as executive director and vice-chairman of the board of COSCO Pacific Limited and the resolution on the ratification of the resolutions of the 3rd meeting of the executive committee of the 1st Board.

2. The Company convened the 23rd meeting of the first Board by way of written resolutions on 12 March 2007. 9 directors were entitled to vote at the meeting and 9 directors actually participated in the voting. In the meeting, eight resolutions were passed, including the resolution on the time charter agreement for four 5100TEU container vessels entered into between COSCON and Shanghai COSCO, the resolution on the two connected transaction agreements entered into between COSCON and COSCO Pacific, the resolution on the 2007 investment execution plan and reserve plan, financing schedule and debt scale, the resolution on increasing the capital of COSCON, the resolution on change of members of the strategic development committee, remuneration committee and nomination committee, the resolution on the appointment of Mr. Ye Weilong, Mr. Xu Minjie as deputy general managers of the Company and the resolution on the ratification of part of the investment projects authorized for approval of China COSCO for 2006.

Directors' Report

3. The Company convened the 24th meeting of the first Board in Beijing on 28 March 2007. 9 directors were entitled to vote at the meeting and 9 directors actually participated in the voting. In the meeting, the resolutions of the audit committee meeting and the annual report on financial position were heard; 18 resolutions were passed, including the resolution on the approval of the 2006 annual report, the profit distribution proposal, the dividend payment date and the date for closure of register of members, annual results announcement and the mandate related to results announcement; the resolution on the date, time and venue of annual general meeting and on the announcement and circular regarding annual general meeting; the resolution on the approval of the special distribution plan for the offering of A shares, increasing the investment projects for proceeds from A shares, the establishment of the proceeds deposit system, reviewed and signed the documents related to the offering of A shares; resolution on "Provisional Management Measures for the Delegation of Directors/Supervisors of China COSCO Holdings Company Limited", an amendment to the provisions of the Articles of Association of the Company; resolution on approval of the appointment of domestic and international accounting firms, change of members of the executive committee of the Board;resolution on approval of instructing the management of the Company to study the acquisition of the bulk cargo resources of the COSCO Group.

4. The Company convened the 25th meeting of the first Board by way of written resolutions on 19 April 2007. 9 directors were entitled to vote at the meeting and 9 directors actually participated in the voting. In the meeting, the operation summary for the first quarter was considered and approved.

5. The Company convened the 26th meeting of the first Board by way of written resolutions on 24 May 2007. 11 directors were entitled to vote at the meeting and 11 directors actually participated in the voting. In the meeting, three resolutions were passed, including the resolutions on the continued implementation of the policy of payment by results in 2007 and subsequent years, an adjustment to the way of exercising the share appreciation rights in respect of special distribution for the offering of A shares, the non-executive director service contracts for Xu Lirong and Zhang Liang.

6. The Company convened the 27th meeting of the first Board by way of written resolutions on 4 June 2007. 11 directors were entitled to vote at the meeting and 11 directors actually participated in the voting. In the meeting, two resolutions were passed, including the resolution on the implementation of the new "Corporate Accounting Standards" and accounting policy, share appreciation rights for 2007.

7. The Company convened the 28th meeting of the first Board by way of written resolutions on 11 June 2007. 11 directors were entitled to vote at the meeting and 10 directors actually participated in the voting. In the meeting, the resolution on the project for the sale of two 5100TEU vessels by COSCON was passed.

8. The Company convened the 29th meeting of the first Board by way of written resolutions on 26 June 2007. 11 directors were entitled to vote at the meeting and 9 directors actually participated in the voting. In the meeting, the resolution on the approval for the amendment to the Articles of Association of the Company was passed.

9. The Company convened the 30th meeting of the first Board in Beijing on 24 August 2007. 11 directors were entitled to vote at the meeting, and 10 directors actually participated in the voting.The resolutions were published in Shanghai Securities News, China Securities Journal, Securities Times and the websites of the Shanghai Stock Exchange and the Hong Kong Stock Exchange on 27 August 2007.

10. The Company convened the 31st meeting of the first Board in Beijing on 3 September 2007. 11 directors were entitled to vote at the meeting, and 11 directors actually participated in the voting.The resolutions were published in Shanghai Securities News, China Securities Journal, Securities Times and the web site of the Shanghai Stock Exchange and the Hong Kong Stock Exchange on 4 September 2007.

11. The Company convened the 32nd meeting of the first Board by way of written resolutions on 29 October 2007. 11 directors were entitled to vote at the meeting and 11 directors actually participated in the voting. In the meeting, four resolutions were passed, including resolution on, the 2007 third quarterly report, the arrangement made by COSCON for the retirement of nine vessels including the "Gaocheng Vessel", the corporate governance self-investigation rectification and improvement report, the instruction of the management to study the structure and functions of the executive committee.

12. The Company convened the 33rd meeting of the first Board in Hainan on 11 December 2007. 11 directors were entitled to vote at the meeting, and 10 directors actually participated in the voting.The resolutions were published in Shanghai Securities News and the web site of the Shanghai Stock Exchange and the Hong Kong Stock Exchange on 12 December 2007.

(2) The execution of the resolutions of the general meeting by the Board

1. Pursuant to the "2006 Profit Distribution Plan" passed at the 2006 general meeting of the Company, for the year ended 31 December 2006, after the Company appropriated 10% of the net profits stated in the audited combined financial statement prepared in accordance with the PRC corporate accounting standards and regulations for each of the statutory reserve funds and the discretionary reserve funds, representing a total sum of RMB313,224,820.39, a final cash dividend of RMB0.09 (inclusive of tax) per share, representing a total sum of RMB558,428,070.33 was paid.

2. Pursuant to the "'Special Distribution Plan" passed at the 2006 general meeting of the Company, the Company had distributed the balance of profits attributable to equity holders for the year ended 31 December 2006 after the appropriation of 10% of the profits for each of the statutory reserve funds and the discretionary reserve funds and the payment of the final cash dividends plus the undistributed profits for the prior years to COSCO and shareholders of H Shares at par by way of shares and dividends. The amount for profit distribution was RMB930,713,451, i.e. 1.5 bonus shares allotted for every 10 shares of the Company.

Directors' Report

3. Pursuant to the "Proposal for the Non-public offering of A Shares" passed at the 2007 first extraordinary general meeting, first H share class meeting and first A share class meeting of the Company, the Company completed two non-public issue of A shares to target investors. As for the first issue, 864,270,817 A shares were issued to COSCO which made the purchase with its 100% equity interests in COSCO Bulk and COSCO Qingdao, 41.52% equity interests in COSCO Shenzhen. The issue price was the average trading price of A shares of China COSCO for the first 20 business days before the announcement of the resolutions of the Board, i.e. RMB18.49 per share. As for the second issue, 432,666,307 A shares were issued to 10 target investors, including COSCO, China Life Insurance Asset Management Company Limited, Sinochem Corporation, China Southern Fund Management Co., Ltd., China National Machinery Industry Corporation, COFCO Limited, Aerospace Science and Technology Finance Co., Ltd., China National Nuclear Corporation, Minmetals Investment & Development Co. Ltd. and Everbright Securities Co., Ltd. The issue price was set at RMB30.

(3) The performance of duties by the Audit Committee of the Board

The chairman of the Company's Audit Committee was Mr. Alexander Reid HAMILTON, an independent non-executive director. Other members included Ms. SUN Yueying, a non-executive director, Mr. CHENG Mo Chi, an independent non-executive director. During the reporting period, the Audit Committee held six meetings to consider the Company's annual report, interim report, internal audit plan and the re-appointment of accountant firms. The Audit Committee conducted regular inspections to the Company's internal control system structure, construction of the internal control system, and conducted onsite inspection on the internal controls of subsidiaries. The actual situations were as follows:

1. The 5th meeting of the first session of the Audit Committee of China COSCO was held on 22 January 2007. The contents of the meeting included: to confirm the minutes of the 4th meeting of the Audit Committee held on 7 September 2006, to make follow-ups on the relevant matters in the minutes of the 4th meeting of the Audit Committee, to consider and approve the internal audit plans of China COSCO for 2007, to make follow-ups on the changes to the 2006 audit plans of the international auditor and the progress of the audits, to listen to the reports of the management in respect of connected transactions and internal controls.

2. The 6th meeting of the first session of the Audit Committee of China COSCO was held on 25 March 2007. The contents of the meeting included: to confirm the minutes of the 5th meeting of the Audit Committee held on 22 January 2007, to make follow-ups on the relevant matters in the minutes of the 5th meeting of the Audit Committee, to consider the 2006 financial statements, directors' report, results announcement and management discussion and analysis in respect of the Company's H shares, to review the report to Audit Committee of the international auditor on its 2006 audits, to review the agreed-upon procedure work of the international auditor on the connected transactions, to consider the progress of the Company's internal audits, to discuss the re-appointment of PricewaterhouseCoopers as the Company's international auditor. On 28 March 2007, Mr. Alexander Reid HAMILTON, the chairman of the Audit Committee, made a report on the resolutions of the meeting to the 24th meeting of the first session of the Board of Directors.

3. The 7th meeting of the first session of the Audit Committee of China COSCO was held on 24 May 2007. The contents of the meeting included: to confirm the minutes of the 6th meeting of the Audit Committee held on 25 March 2007, to make follow-ups on the relevant matters in the minutes of the 6th meeting of the Audit Committee, to consider the recommendations on enhancing control of the international and PRC auditor, and listen to their reports, to consider the progress of internal audits, to discuss the audit strategy memorandum of international auditor on the 2007 audit.

4. The 8th meeting of the first session of the Audit Committee of China COSCO was held on 21 August 2007. The contents of the meeting included: to confirm the minutes of the 7th meeting of the Audit Committee held on 24 May 2007, to make follow-ups on the relevant matters in the minutes of the 7th meeting of the Audit Committee, reports by the financial controller on the interim results, to discuss the interim reports to Audit Committee issued by the international and PRC auditor, to discuss the draft announcement of the Company's interim report and interim results, to consider the progress of the Company's internal audits and the findings arising from the internal audit.

5. The 9th meeting of the first session of the Audit Committee of China COSCO was held on 3 September 2007. The contents of the meeting included: to consider the pro-forma enlarged combined 2006 profit statement and the combined balance sheet of the Company's H shares as at 30 June 2007 under the Hong Kong standards, to consider the enlarged combined 2006 financial statements of the Company's A shares under the PRC accounting standards, to consider the Company's enlarged profit forecast letters as provided by PricewaterhouseCoopers and Reanda respectively, to consider the connected transactions.

6. The 10th meeting of the first session of the Audit Committee of China COSCO was held on 13 November 2007. The contents of the meeting included: to confirm the minutes of the 8th and 9th meetings of the Audit Committee held on 21 August and 3 September 2007, to make follow-ups on the relevant matters in the minutes of the 8th and 9th meetings of the Audit Committee, to discuss the progress in respect of the key priorities in 2007 in the recommendations on enhancing control of the international auditor and the progress of the key accounting issues in the report to Audit Committee issued on 17 August, to discuss on the progress of the construction of the internal control of China COSCO, to discuss the finalisation on the improvements in the management report issued by the PRC auditors, to consider the progress of the internal audits and the finalisation of the internal audit opinions, to discuss the workdone on the connected transactions by the international auditor, to discuss the supplementary draft on the audit strategy memorandum of the international auditor.

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7. The 11th meeting of the first session of the Audit Committee of China COSCO was held on 10 April 2008. The contents of the meeting included: to confirm the minutes of the 10th meeting of the Audit Committee held on 13 November 2007, to make follow-ups on the relevant matters in the minutes of the 10th meeting of the Audit Committee, to consider and listen to the reports of the financial controller on the 2007 financial status, the 2007 financial statements and audit reports (including the specific explanations on the changes to the 2007 accounting estimations, the adjustments on the balance sheet at the beginning of 2007), the directors' report, the results announcements of A shares and H shares, the management discussion and analysis, to consider the reports to Audit Committee of the international and PRC auditor on the 2007 audits, to consider the agreed-upon procedures report on the connected transactions and the audits by the PRC and international auditors (including the specific explanations on the appropriation of funds by the controlling shareholders and other related parties issued by PRC auditor), to consider and approve the self-assessment report of China COSCO for 2007 and the audit opinions of auditors, to consider the reports on the internal audits, to discuss the re-appointment of the international auditor and the appointment of the PRC auditors, to consider the amendment of the "Rules of procedures of the Audit Committee of China COSCO", to discuss the crisis of fraud. The Audit Committee will report to the 35th meeting of the first session of the Board of Directors of China COSCO on the resolutions of the meeting on 22 April 2008.

In the above meetings of the Audit Committee, the attendants included members of the Audit Committee, the Company's management and the PRC and international auditors, minutes or meeting resolutions had been recorded in every meeting. Besides the above formal meetings convened by the Audit Committee, Mr. Alexander Reid HAMILTON, the chairman of the Audit Committee also went to Shanghai on 8 February 2007 and 3 March 2008 respectively to conduct onsite review in respect of the management of the continued connected transactions by COSCON, a subsidiary of China COSCO, and to listen to the reports of the management on the execution of the continued connected transaction and the status reports of the international auditor on the agreed-upon procedure work of the continued connected transactions.

During the reporting period, the Audit Committee had reviewed the Company's interim financial reports, the third quarterly financial reports, and during the period of annual audits, the Audit Committee had placed much concern and supervised the PRC and international auditors to complete the various works strictly according to the audit plan arrangements. Before the convening of the 11th meeting, in order to fully understand the status of the audits for the auditing and confirmation of the results of the annual financial reports, Mr. Alexander Reid HAMILTON, the chairman and Ms. SUN Yueying, a member, attended the meeting with international auditor and the PRC auditor in Hong Kong and Beijing respectively, and held discussions on key accounting and related issues.

(4) The performance of duties by remuneration committee of the Board

The chairman of the remuneration committee of the Board of the Company is independent non-executive director, Mr. Cheng Mo Chi. Other members include a non-executive director, Mr. Xu Lirong and an independent non-executive director, Mr. Alexander Reid Hamilton. During the reporting period, the remuneration committee convened four meetings to consider the remuneration of senior management, formulate the annual appraisal method for senior management, plan for the annual granting of Share Appreciation Rights and the guidelines for the works the Remuneration Committee. The share appreciation rights plan implemented during the reporting period complied with the relevant requirements and the conditions for exercising rights by holders were verified conscientiously.

Substantial Interests in the Shares and Underlying Shares of the Company

So far as was known to any director of the Company, as at 31 December 2007, shareholders who had interests or short positions in the shares and underlying shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (the "SFO"), or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

		Number of H shares/Percentage of total issued share capital of the Company's H shares						
Name	Capacity and nature of interest	Long position	%	Short position	%	Lending Pool	%	Note
JP Morgan Chase & Co. ("JP Morgan")	Interest of controlled corporation	320,406,057	12.42	93,437,519	3.62	104,247,237	4.04	(1)
Morgan Stanley	Interest of controlled corporation	221,521,146	8.58	56,966,315	2.21	—	—	(2)
UBS AG	Beneficial owner	143,548,028	5.56	7,508,253	0.29	—	—	(3)
The Northern Trust Company (ALA)	Custodian corporation	—	—	—	—	154,154,025	5.97	(4)

Notes:

1. The 320,406,057 shares relate to the shares in the Company directly held by the following entities of JP Morgan: JPMorgan Chase Bank, N.A., J.P. Morgan Whitefriars Inc., JF Asset Management Limited, JP International Management Inc., J.P. Morgan Investment Management Inc., JPMorgan Asset Management (Japan) Limited, China International Fund Management Ltd., J.P. Morgan Securities Ltd., JPMorgan Asset Management (London) Limited, JP Asset Management (Singapore) Limited and JPMorgan Asset Management (UK) Limited. J.P. Morgan Whitefriars Inc. and J.P. Morgan Securities Ltd. hold a short position of the 93,437,519 shares of the Company. The 104,247,237 shares of the Company are held in the capacity of approved lending agent/custodian corporation by JPMorgan.

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2. The 221,521,146 shares relate to the shares in the Company directly held by Morgan Stanley Investment Management Company, Morgan Stanley & Co., International plc., Morgan Stanley Hong Kong Securities Limited, Morgan Stanley Asset & Investment Trust Management Co., Limited, MSDW Equity Finance Services I (Cayman) Limited, Morgan Stanley Capital (Luxembourg) S.A., Morgan Stanley Swiss Holdings GmbH, Morgan Stanley Capital Services Inc., Morgan Stanley Hedging Co. Ltd. Morgan Stanley & Co., Inc. being related entities of Morgan Stanley. Morgan Stanley Hong Kong Securities Limited, MSDW Equity Finance Services I (Cayman) Limited, Morgan Stanley Capital (Cayman Islands) Limited, Morgan Stanley Capital Services Inc., Morgan Stanley Hedging Co. Ltd., Morgan Stanley & Co., International plc. and Morgan Stanley & Co., Inc. are holding a short position in 56,966,315 shares of the Company.

3. The 143,548,028 shares relate to the shares in the Company comprising:

   (a) 98,925,220 shares held by UBS AG;

   (b) 22,051,586 shares on which UBS AG has a security interest; and

   (c) 22,571,222 shares held by certain wholly-owned subsidiaries of UBS AG, including UBS Global Asset Management (UK) Ltd., UBS Fund Management (Switzerland) AG, UBS Fund Services (Luxembourg) SA, UBS Global Asset Management (Americas) Inc., UBS Global Asset Management (Hong Kong) Limited, UBS Global Asset Management (Singapore) Limited and UBS Global Asset Management (Japan) Ltd.

   UBS AG holds a short position in 7,508,253 shares of the Company.

As at 31 December 2007, so far as was known to the directors of the Company, the shareholder having interests in the A shares of the Company which fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

		Number of shares/Percentage of total issued share capital of the Company					
Name	Capacity and nature of interest	Long position	%	Short position	%	Lending Pool	%
China Ocean Shipping (Group) Company	Beneficial owner	5,472,806,911	53.57	—	—	—	—

Save as disclosed above, as at 31 December 2007, so far as was known to the directors of the Company, there was no person (other than a director, supervisor or chief executive of the Company) who had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Sufficiency of Public Float

As at the date of this report, the total share capital of the Company consisted of 10,216,274,357 shares, of which 2,580,600,000 shares were H shares, representing 25.26% of the Company's total share capital all of which were held by the public.

Share Appreciation Rights Plan

A share appreciation rights plan (the "Share Appreciation Rights Plan") was adopted by the Company, which was designed to align the interests of directors, supervisors and senior management of the Company with the Company's operating results and the Company's share value. The issuance of share appreciation rights does not involve any issuance of new shares, nor does it have any dilutive effect on the Company's shareholders.

On 16 December 2005, the Board granted share appreciation rights to certain directors, supervisors and senior management officers of the Company and its subsidiaries, and other personnel designated by the Board, including nine directors and three supervisors of the Company at an exercise price of HK$3.195 each under the Share Appreciation Rights Plan. On 5 October 2006, the Board granted share appreciation rights to certain directors, supervisors and senior management officers of the Company and its subsidiaries, and other personnel designated by the Board, including eight directors and three supervisors of the Company at an exercise price of HK$3.588 each under the Share Appreciation Rights Plan. On 4 June 2007, the Company granted further share appreciation rights to certain directors, supervisors and senior management officers of the Company and its subsidiaries, and other personnel designated by the Board, including seven directors and four supervisors of the Company at an exercise price of HK$9.540 each under the Share Appreciation Rights Plan. The share appreciation rights granted to the seven directors and four supervisors of the Company are equivalent to 6,480,000 H shares of the Company or 0.25% of the total issued H Shares of the Company.

Directors' Report

Movements of the share appreciation rights which were granted pursuant to the Share Appreciation Rights Plan during year 2007 are set out below:

				Number of units of share appreciation rights						
Name of director/ supervisor	Capacity	Nature of interest	Exercise price	Outstanding as at 1 January 2007	Granted during the period	Exercised during the period	Lapsed/ cancelled	Outstanding as at 31 December 2007	Approximate % of issued share capital of the Company's H shares as at 31 December 2007	Note
WEI Jiafu	Beneficial owner	Personal	HK$3.195	900,000	—	(220,000)	—	680,000	0.03%	(1)
			HK$3.588	900,000	—	—	—	900,000	0.03%	(2)
			HK$9.540	—	880,000	—	—	880,000	0.03%	(3)
ZHANG Fusheng	Beneficial owner	Personal	HK$3.195	800,000	—	(100,000)	—	700,000	0.03%	(1)
			HK$3.588	800,000	—	—	—	800,000	0.03%	(2)
			HK$9.540	—	780,000	—	—	780,000	0.03%	(3)
CHEN Hongsheng	Beneficial owner	Personal	HK$3.195	700,000	—	(100,000)	—	600,000	0.03%	(1)
			HK$3.588	700,000	—	—	—	700,000	0.03%	(2)
			HK$9.540	—	680,000	—	—	680,000	0.03%	(3)
LI Jianhong	Beneficial owner	Personal	HK$3.195	600,000	—	(150,000)	—	450,000	0.02%	(1)
			HK$3.588	600,000	—	—	—	600,000	0.02%	(2)
			HK$9.540	—	580,000	—	—	580,000	0.02%	(3)
XU Lirong	Beneficial owner	Personal	HK$3.195	500,000	—	(125,000)	—	375,000	0.02%	(1), (5)
			HK$3.588	500,000	—	—	—	500,000	0.02%	(2), (5)
			HK$9.540	—	580,000	—	—	580,000	0.02%	(3),(5)
ZHANG Liang	Beneficial owner	Personal	HK$9.540	—	580,000	—	—	580,000	0.02%	(3), (5)
SUN Yueying	Beneficial owner	Personal	HK$3.195	600,000	—	(100,000)	—	500,000	0.02%	(1)
			HK$3.588	600,000	—	—	—	600,000	0.02%	(2)
			HK$9.540	—	580,000	—	—	580,000	0.02%	(3)
WANG Futian	Beneficial owner	Personal	HK$3.195	600,000	—	(600,000)	—	—	N/A	(1), (4)
			HK$3.588	600,000	—	(280,000)	—	320,000	0.01%	(2), (4)
MA Zehua	Beneficial owner	Personal	HK$3.195	600,000	—	(600,000)	—	—	N/A	(1), (4)
			HK$3,588	600,000	—	—	—	600,000	0.02%	(2), (4)
MA Guichuan	Beneficial owner	Personal	HK$3.195	600,000	—	(600,000)	—	—	N/A	(1), (4)
			HK$3.588	600,000	—	(600,000)	—	—	N/A	(2), (4)
LI Yunpeng	Beneficial owner	Personal	HK$3.195	600,000	—	(60,000)	—	540,000	0.02%	(1)
			HK$3.588	600,000	—	—	—	600,000	0.02%	(2)
			HK$9.540	—	580,000	—	—	580,000	0.02%	(3)

Name of director/ supervisor	Capacity	Nature of interest	Exercise price	Number of units of share appreciation rights: Outstanding as at 1 January 2007	Granted during the period	Exercised during the period	Lapsed/ cancelled	Outstanding as at 31 December 2007	Approximate % of issued share capital of the Company's H shares as at 31 December 2007	Note
WU Shuxiong	Beneficial owner	Personal	HK$3.195	500,000	—	—	—	500,000	0.02%	(1)
			HK$3.588	500,000	—	—	—	500,000	0.02%	(2)
			HK$9.540	—	480,000	—	—	480,000	0.02%	(3)
MA Jianhua	Beneficial owner	Personal	HK$9.540	—	480,000	—	—	480,000	0.02%	(3)
LI Zonghao	Beneficial owner	Personal	HK$3.195	300,000	—	(75,000)	—	225,000	0.01%	(1)
			HK$3.588	300,000	—	—	—	300,000	0.01%	(2)
			HK$9.540	—	280,000	—	—	280,000	0.01%	(3)

Notes:

1. The share appreciation rights were granted by the Company in units with each unit representing one H share of the Company pursuant to the Share Appreciation Rights Plan. At each of the last day of the third, fourth, fifth and sixth anniversary of the date of grant (i.e. 16 December 2005), the total number of the share appreciation rights exercisable shall not exceed 25%, 50%, 75% and 100%, respectively, of each of the total share appreciation rights granted. The share appreciation rights are exercisable at HK$3.195 per unit according to their terms between 16 December 2007 and 15 December 2015.

2. The share appreciation rights were granted by the Company in units with each unit representing one H share of the Company pursuant to the Share Appreciation Rights Plan. At each of the last day of the third, fourth, fifth and sixth anniversary of the date of grant (i.e. 5 October 2006), the total number of the share appreciation rights exercisable shall not exceed 25%, 50%, 75% and 100%, respectively, of each of the total share appreciation rights granted. The share appreciation rights are exercisable at HK$3.588 per unit according to their terms between 5 October 2008 and 4 October 2016.

3. The share appreciation rights were granted by the Company in units with each unit representing one H share of the Company pursuant to the Share Appreciation Rights Plan. At each of the last day of the third, fourth, fifth and sixth anniversary of the date of grant (i.e. 4 June 2007), the total number of the share appreciation rights exercisable shall not exceed 25%, 50%, 75% and 100%, respectively, of each of the total share appreciation rights granted. The share appreciation rights are exercisable at HK$9.540 per unit according to their terms between 4 June 2009 and 3 June 2017.

4. Mr. Wang Futian, Mr. Ma Zehua and Mr. Ma Guichuan resigned as non-executive directors of the Company on 22 January 2007.

5. Mr. Xu Lirong and Mr. Zhang Liang were appointed as non-executive directors of the Company on 15 May 2007.

Directors' Report

Share Options Scheme of COSCO Pacific

As at 31 December 2007, there are outstanding share options in relation to two share option schemes of COSCO Pacific, one of which was adopted by its shareholders on 30 November 1994 (the "1994 Share Option Scheme") and the other was adopted on 23 May 2003 (the "2003 Share Option Scheme"). The 1994 Share Option Scheme was terminated on 23 May 2003.

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

		Number of share options				
Category	Exercise price HK$	Outstanding at 1 January 2007	Exercised during the period	Outstanding at 31 December 2007	Percentage of total issued share capital as at 31 December 2007	Note
A director of COSCO Pacific	8.80	300,000	(300,000)	—	—	(1), (3)
Employees	8.80	22,000	(22,000)	—	—	(1), (2), (3)
		322,000	(322,000)	—		

Notes:

1. The share options were granted on 20 May 1997 (the "Offer Date") under the 1994 Share Option Scheme. The share options are exercisable at any time within ten years from the date of grant (i.e. on or before 19 May 2007), subject to the following conditions:

   (a) Those grantees who have completed one year full-time service in the group companies of COSCO Pacific may exercise a maximum of 20% of the share options granted each year during the first five anniversary years from the Offer Date.

   (b) For those grantees who have not completed one year full-time service in the group companies of COSCO Pacific as at the Offer Date, a maximum of 20% of the share options granted may be exercised on each of the first five anniversary years of the Offer Date after completion of one year full-time service.

2. This category comprises continuous contract employees of the subsidiaries of COSCO Pacific.

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

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

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

Category	Exercise price HK$	Number of share option Outstanding as at 1 January 2007	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 31 December 2007	Percentage of total issued share captial as at 31 December 2007	Ecercisable period	Note
Directors									
WEI Jiafu	9.54	400,000	—	(400,000)	—	—	N/A	30.10.2003 -29.10.2013	(1), (4), (5)
	13.75	1,000,000	—	—	—	1,000,000	0.04%	03.12.2004 -02.12.2014	(2), (4)
ZHANG Fusheng	9.54	300,000	—	(300,000)	—	—	N/A	29.10.2003 -28.10.2013	(1), (4), (5)
	13,75	1,000,000	—	—	—	1,000,000	0.04%	03.12.2004 -02.12.2014	(2), (4)
CHEN Hongsheng	9.54	300,000	—	(300,000)	—	—	N/A	28.10.2003 -27.10.2013	(1), (4), (5)
	13.75	1,000,000	—	—	—	1,000,000	0.04%	03.12.2004 -02.12.2014	(2), (4)
LI Jianhong	9.54	300,000	—	(300,000)	—	—	N/A	29.10.2003 -28.10.2013	(1), (4), (5)
	13.75	1,000,000	—	—	—	1,000,000	0.04%	02.12.2004 -01.12.2014	(2), (4)
SUN Yueying	9.54	300,000	—	(300,000)	—	—	N/A	29.10.2003 -28.10.2013	(1), (4), (5)
	13.75	1,000,000	—	—	—	1,000,000	0.04%	03.12.2004 -02.12.2014	(2), (4)
WANG Futian	13.75	500,000	—	(500,000)	—	—	N/A	03.12.2004 -02.12.2014	(2), (4), (5), (8)
MA Zehua	9.54	300,000	—	(300,000)	—	—	N/A	30.10.2003 -29.10.2013	(1), (4), (5), (8)
	13.75	1,000,000	—	(1,000,000)	—	—	N/A	03.12.2004 -02.12.2014	(2), (4), (5), (8)

Directors' Report

		Number of share option							
Category	Exercise price HK$	Outstanding as at 1 January 2007	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 31 December 2007	Percentage of total issued share captial as at 31 December 2007	Ecercisable period	Note
Supervisor									
LI Yunpeng	9.54	300,000	—	(300,000)	—	—	N/A	30.10.2003 -29.10.2013	(1), (5)
	13.75	1,000,000	—	—	—	1,000,000	0.04%	03.12.2004 -02.12.2014	(2)
Others[6]	9.54	4,878,000	—	(2,303,000)	—	2,575,000	0.09%	(refer to note 1)	(1), (5)
	13.75	26,958,000	—	(9,342,000)	—	17,616,000	0.68%	(refer to note 2)	(2), (5)
	19.30	—	17,600,000	(530,000)	—	17,070,000	0.66%	(refer to note 3)	(3), (5)
		41,536,000	17,600,000	(15,875,000)	—	43,261,000			

Notes:

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

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

3. The share options were granted during the period from 17 April 2007 to 19 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 COSCO Pacific as dated in the Hong Kong 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 COSCO Pacific 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 17 April 2007 to 19 April 2007.

COSCO Pacific 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 COSCO Pacific for the previous five years); and

(iv) expected volatility of 33.59% (being the historical volatility of the closing price of COSCO Pacific's shares from 22 March 2006 to 23 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 director as beneficial owner.

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

6. This category comprises, inter alia, continuous contract employees of COSCO Pacific.

7. During the period, no share options were cancelled under the 2003 Share Option Scheme.

8. Mr. Wang Futian and Mr. Ma Zehua resigned as non-executive directors of the Company on 22 January 2007.

Directors' Report

Directors' and Supervisors' Interests in Shares, Underlying Shares and Debentures

As at 31 December 2007, the interests of the Company's directors and supervisors in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the definition in Part XV of the SFO as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code were as follows:

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

Name of Supervisor	Capacity	Nature of interest	Number of A shares of the Company	Percentage of total issued H shares of the Company
LI Yunpeng	Beneficial owner	Family	3,000	0.00005%

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

Name of associated company	Name of Director/ Supervisor	Capacity	Nature of interest	Number of ordinary shares	Percentage of total issued share capital
COSCO Pacific	Tsao Wen King, Frank	Beneficial owner	Personal	50,000	0.002%
COSCO Corporation (Singapore) Limited	Wei Jiafu	Beneficial owner	Personal	1,900,000	0.09%
COSCO Corporation (Singapore) Limited	Li Jianhong	Beneficial owner	Personal	1,300,000	0.06%
COSCO Corporation (Singapore) Limited	Sun Yueying	Beneficial owner	Personal	1,400,000	0.06%

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

Movements of the share appreciation rights which were granted pursuant to the Share Appreciation Rights Plan of the Company during the year ended 31 December 2007 are set out in the paragraph headed "Share Appreciation Rights Plan" in this section.

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

Movement of the share options granted to the directors and supervisors of the Company by the associated corporations of the Company during the year ended 31 December 2007 are set out as below:

Name of associated corporation	Name of director/ supervisor	Capacity	Nature of interest	Exercise price	Number of share options: Outstanding as at 1 January 2007	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 31 December 2007	Percentage of total issued share capital of associated corporation as at 31 December 2007	Note
COSCO Pacific	WEI Jiafu	Beneficial owner	Personal	HK$9.54	400,000	—	(400,000)	—	—	N/A	(1)
				HK$13.75	1,000,000	—	—	—	1,000,000	0.04%	(2)
	ZHANG Fusheng	Beneficial owner	Personal	HK$9.54	300,000	—	(300,000)	—	—	N/A	(1)
				HK$13.75	1,000,000	—	—	—	1,000,000	0.04%	(2)
	CHEN Hongsheng	Beneficial owner	Personal	HK$9.54	300,000	—	(300,000)	—	—	N/A	(1)
				HK$13.75	1,000,000	—	—	—	1,000,000	0.04%	(2)
	LI Jianhong	Beneficial owner	Personal	HK$9.54	300,000	—	(300,000)	—	—	N/A	(1)
				HK$13.75	1,000,000	—	—	—	1,000,000	0.04%	(2)
	SUN Yueying	Beneficial owner	Personal	HK$9.54	300,000	—	(300,000)	—	—	N/A	(1)
				HK$13.75	1,000,000	—	—	—	1,000,000	0.04%	(2)
	Wang Futian	Beneficial owner	Personal	HK$13.75	500,000	—	(500,000)	—	—	N/A	(2), (8)
	Ma Zehua	Beneficial owner	Personal	HK$9.54	300,000	—	(300,000)	—	—	N/A	(1), (8)
				HK$13.75	1,000,000	—	(1,000,000)	—	—	N/A	(2), (8)
	LI Yunpeng	Beneficial owner	Personal	HK$9.54	300,000	—	(300,000)	—	—	N/A	(1)
				HK$13.75	1,000,000	—	—	—	1,000,000	0.04%	(2)
COSCO International Holdings Limited	WEI Jiafu	Beneficial owner	Personal	HK$0.57	1,800,000	—	—	—	1,800,000	0.13%	(3), (4)
				HK$1.37	1,200,000	—	—	—	1,200,000	0.08%	(3), (5)
	LI Jianhong	Beneficial owner	Personal	HK$0.57	1,800,000	—	—	—	1,800,000	0.13%	(3), (4)
				HK$1.37	1,200,000	—	—	—	1,200,000	0.08%	(3), (5)
COSCO Corporation (Singapore) Limited	WEI Jiafu			S$1.23	1,100,000	—	—	—	1,100,000	0.05%	(7)
	LI Jianhong	Beneficial owner	Personal	S$1.23	700,000	—	—	—	700,000	0.03%	(7)
	SUN Yueying	Beneficial owner	Personal	S$1.23	700,000	—	—	—	700,000	0.03%	(7)

Directors' Report

Notes:

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

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

3. The share options were granted by COSCO International Holdings Limited ("COSCO International"), an associated corporation of the Company.

4. These share options were granted on 26 November 2003 pursuant to the share option scheme approved by shareholders of COSCO International on 17 May 2002 (the "Share Option Scheme of COSCO International") and can be exercised at HK$0.57 per share at any time between 23 December 2003 and 22 December 2008.

5. These share options were granted on 2 December 2004 pursuant to the Share Option Scheme of COSCO International and can be exercised at HK$1.37 per share at any time between 29 December 2004 and 28 December 2014.

6. The share options were granted by COSCO Corporation (Singapore) Limited ("COSCO (Singapore)"), an associated corporation of the Company and a company listed on the Singapore Exchange Securities Trading Limited, on 6 April 2005 and can be exercised at any time between 6 April 2006 and 5 April 2010. Adjustments were made to the exercise price and the number of share options held by the grantees as the sub-division of every 1 ordinary share of S$0.20 each divided into 2 ordinary shares of S$0.10 each was approved by the shareholders of COSCO (Singapore) on 17 January 2006. In this respect, the exercise price was adjusted from S$1.614 to S$0.807. Mr. Xu Lirong was appointed as a non-executive director of the Company on 15 May 2007.

7. The share options were granted by COSCO Corporation (Singapore) Limited on 21 February 2006 and can be exercised at S$1.23 per share at any time between 21 February 2007 and 20 February 2011.

8. Mr. Wang Futian and Mr. Ma Zehua resigned as non-executive directors of the Company on 22 February 2007.

Save as disclosed above, as at 31 December 2007, none of the directors, supervisors or chief executives of the Company had any interests or short positions in any shares or underlying shares or interests in debentures of the Company or any of its associated corporations (within the definition in of Part XV of the SFO) which were required to be notified to the Company and the Hong Kong 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 Hong Kong Stock Exchange.

Disclosure Under Rule 13.22 of Chapter 13 of the Listing Rules

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

	RMB'000
Non-current assets	6,784,038
Current assets	778,780
Current liabilities	(1,554,967)
Non-current liabilities	(4,872,650)
Net assets	1,135,193
Share capital	600,599
Reserves	(4,704)
Minority interests	539,299
Capital and reserves	1,135,193

As at 31 December 2007, the Group's share of net assets of these affiliated companies amounted to RMB1,217,618,383.

Arrangements to purchase shares or debentures

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

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

Details of the remuneration of the directors and the supervisors of the Company and the five highest paid individuals of the Group are set out in note 40 to the consolidated financial statements.

There were no arrangements under which a director or supervisor of the Company had waived or agreed to waive any remuneration in respect of the year ended 31 December 2007.

Service Contracts of Directors and Supervisors

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

Directors' Report

Interests of Directors and Supervisors in Contracts

None of the directors or supervisors of the Company had a material interest, whether directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year ended 31 December 2007.

Board Committees

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

Audit Committee

The Company has established an audit committee in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review the financial reporting process and the systems of internal controls of the Group, the completeness and accuracy of its accounts and to liaise on behalf of the directors of the Company with external auditors. The audit committee consists of two independent non-executive directors, Mr. Alexander Reid Hamilton (chairman of the audit committee) and Mr. Cheng Mo Chi, and one non-executive director, Ms. Sun Yueying, who will meet regularly with management of the Company and the Company's external auditors, review audit reports, if applicable, and the interim and annual financial statements, as the case may be, of the Group. It has reviewed the consolidated financial statements for the year ended 31 December 2007, and recommended their adoption by the Board.

Corporate Governance

The Company is committed to maintaining high standards of corporate governance by the Group and the Board is of the view that effective corporate governance makes an important contribution to the corporate success and to enhancement of shareholder value. Please refer to pages 36 to 76 of this annual report for details.

Employees and Remuneration Policies

As at 31 December 2007, there were approximately 32,851 employees in the Group. Total staff cost for the Group for the year, including directors' remuneration, totalled approximately RMB6,673,425,000.

To enhance the quality and capability of our human resources as well as their team spirit and to fully cope with the business expansion of its container shipping, dry bulk shipping, logistics, container terminal, container leasing, freight forwarding and shipping agency business, the Group has organized many professional and comprehensive training programs during the period. The remuneration policies of the Group are reviewed on a regular basis, taking into account the Group's results and market conditions, in order to formulate better incentives and appraisal measures.

Repurchase, Sale or Redemption of the Company's Shares

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

Donations

Donations made by the Group during the year amounted to RMB37,783,000.

Auditors' Remunerations

The Company has appointed PricewaterhouseCoopers as the international auditor of the Company and Reanda Certified Public Accountants Co., Ltd. as the PRC auditors of the Company for 2007.

Fees in respect of audit services, audit related services and non-audit services provided by the above auditors to the Company during the year amounted to RMB47,372,000, RMB41,727,000 and RMB18,957,000 respectively.

In the 35th meeting of the first session of the Board of Directors, it has been considered and approved to appoint Zhongruiyuehua Certified Public Accountants Co., Ltd. as the PRC auditor of the Company for 2008, and to continue to appoint PricewaterhouseCoopers as the international auditor of the Company for 2008, and to submit to the annual general meeting to authorise any director to handle such appointments.

Investor Relations

The Company has always view investor relations with great importance, and has set up an Investors Relations Department to assume the responsibilities for communications among investors and relevant parties, and entered into a Working System on the Management of Investors Relations. During the reporting period, the Company has been in strict compliance with the relevant rules and regulations on information disclosure, and maintained good two-way communications with different sectors.

In 2007, China COSCO succeeded in returning to the A share market, and the size of the team of investors has been doubled. The Company has maintained close relationship with domestic and overseas investors through results announcement meetings, press release meetings, domestic and overseas roadshows, investors meetings. During the year, the Company held three large roadshows and promotion activities, participated in 16 investors meetings, and directly commincated with over 2,100 institutional investors, daily visits by investors for more than 300 times, and received over a thousand telephone inquiries by individual investors. Meantime, the Company continued to maintain communications with the existing shareholders, making active communications with shareholders in advance before each general meeting, so as to ensure that majority of the shareholders votes and all the resolutions are passed with high votes.

Directors' Report

Details of the relevant activities are as follows:

January	• UBS Greater China Seminar • Deutsche Bank "China Concept" Investors Meeting
March	• Credit Suisse Tenth Asia Investment Meeting • Press Release Meeting of 2006 Annual Results • Analysts Meeting, Global Roadshow
April	• Morgan Chase China Investment Forum
May	• Credit Lyonnais China Investment Forum
June	• A Share IPO Roadshow
September	• Acquisition of the Group's dry bulk cargo assets and results announcement meeting of the first half year 2007 • Goldman Sachs Company Day of Navigation Industry • Analysts Meeting, Global Roadshow • Morgan Chase Asia Pacific and Emerging Market Investors Meeting
October	• Meryll Lynch Asian Navigation Industry Investors Forum • BNP Paribas Asian 14th Economic Development Forum
November	• Future Asset Securities Korean/Sino Company Day • Goldman Sachs China Investment Peak Meeting • Daiwa Hong Kong Investors Meeting
December	• JP Morgan China Investors Meeting • Haitong Securities Investors Meeting • 2008 Investment Strategy Meeting of Guosen Securities • 2008 Investment Strategy Seminar of Guotai Junan Securities

The Company's regular information disclosures are now systematic and procedurised, with stabilised quality in the works, and received unanimous recognition from the capital market. Subsequent to the winning of the three major awards from International ARC Annual Report Appraisals, the Company's 2006 Annual Report was again accredited with Outstanding Awards from the organisation. After the return to the A Shares, the Company made serious studies on the disclosure requirements of domestic and overseas regulatory authorities and the interim reports and quarterly reports of both similar A share and H share companies, and fully completed the disclosures in the Company's first interim report and quarterly report on the A Shares basing on the principles of strict disclosures, principles of equal information content and principles of simultaneous disclosure.

Since the establishment of the Company's website in 2005, it has fully played the role of external communication and advertising, and guaranteed the complete, full and timely update of various information, and as at the end of 2007, the number of visitors had aggregated to 5 million times.

The Company shall, based on the principles of transparency, credibility, fair, and openness, continue to maintain a smooth communication channel with various sectors, and create better values for the Company and shareholders.

Corporate Culture

The Company considers that an active and positive corporate culture is a solid foundation for the continued development of the enterprise, and is an important composition of the core competitiveness of the enterprise. Therefore, while actively expanding its business, the Group puts much emphasis on building its corporate culture. Having high responsibility to its employees, shareholders, customers, other related parties and the society, the Group is actively cultivating its corporate culture system with "Pragmatism and coordination" as the core, to enable the employees establish a value concept of "Maximised operation efficiency, maximised corporate values, maximised shareholders' return". The Group is also dedicated in creating a listed flagship and capital platform for COSCO Group, so as to facilitate the healthy and rapid growth of the Company.

By order of the Board of Directors
Wei Jiafu
Chairman

Beijing, the PRC
22 April 2008

Report of Supervisory Committee

Report of the Supervisory Committee

The Company's Supervisory Committee conscientiously performs its duties and initiates its work in a diligent way in accordance with the laws and regulations of the place of listing of the Company's shares and the "Articles of Association", "The Rules of Procedures of the Supervisory Committee" and other legal regulations. During the reporting period, the Company has convened a total of four meetings of the Supervisory Committee, in which all supervisors attended in person, achieving an attendance rate of 100%. Members of the Supervisory Committee has begun supervising and examining the procedures of convening and the matters to be resolved at the meetings of the board of directors and general meetings, the implementation of resolutions of general meetings, the performance of duties by directors and senior management, and the system of internal control of the Company, by attending, as observers, all meetings of the board of directors and general meetings held during the year and by carrying out on-site investigations and studies, in order to safeguard the interests of the shareholders and the Company.

The Supervisory Committee believes that, the board of directors of the Company and the senior management has strictly complied with the Articles of Association and the relevant requirements of the applicable laws of the place of listing of the Company to dutifully and diligently conduct operations in a regulated manner. The Company has further perfected its system of internal control by increasing its efforts of system establishment. So far as is known to the Supervisory Committee, the directors and senior management of the Company has not breached any applicable laws or the Articles of Association or engaged in any behavior that will harm the interests of the Company.

The Supervisory Committee has carefully reviewed the 2007 financial report, the annual profit appropriation plan of the Company and the unqualified auditor's reports issued by the Company's internal and external auditors. The Supervisory Committee considers that the standard unqualified auditor's reports, issued by PricewaterhouseCoopers and Reanda Certified Public Accountants give an objective, fair and truthful view of the financial position and operating results of the Company, and the profit appropriation plan conforms to the Company's current operational status.

The Supervisory Committee has considered the report regarding the use of proceeds given by the management of the Company, and found that the proceeds from the initial public offering of A Shares and the proceeds from the non-publicly issued A Shares by the Company are used in accordance as stated and there has been no change in the use of proceeds.

During the reporting period, the Supervisory Committee has reviewed the plan for the non-public issue of A Shares of the Company, and has examined the manner and the transaction price for the acquisition of assets of dry bulk business of COSCO Group, and found that no insider dealing was involved and there was no harm to the interests of some shareholders nor any outflow of assets of the Company.

The Supervisory Committee has examined the connected transactions occurred during the reporting period and found that all transactions were conducted at fair market value without harming the interests of shareholders or the Company.

In 2008, the Supervisory Committee of the Company will continue to strictly adhere to the Articles of Association and the relevant requirements, and to increase its supervision efforts to effectively safeguard and protect the legal interests of the shareholders and the Company.

LI Yunpeng
Chairman of the Supervisory Committee

Beijing, the PRC
21 April, 2008

Significant Events

(1) Material litigations, arbitrations

In 2003, the Group was involved in a personal injury case in which a truck was involved in a traffic accident in Illinois, the US, resulting in death and injury of a number of individuals. Upon advice of US legal counsel, the Directors considered that the exposure liable to the Group, if any, is fully covered by the Group's insurance policies.

The Group is subject to other claims in respect of a number of litigations currently under way. The litigations are, including but not limited to, claims arising from damage to vessels during transportation, loss of goods, delay in delivery or collusion of vessels. At 31 December 2007, the Group is unable to ascertain the likelihood and amounts of the respective claims. However, based on advice of legal counsel and/or information available to the Group, either the Group's insurance coverage will be adequate to cover any final claims to be settled or the final claims amounts will be insignificant to the Group.

(2) Matters related to bankruptcy and reorganization

The Company did not have any matters related to bankruptcy and reorganization during the year.

(3) Material Contracts and Execution

The Company has the following material contracts during the reporting period

1. Disposal of equity interests in Chong Hing Bank by COSCO Pacific. For details please see the Company's announcements on the website of Shanghai Stock Exchange and the designated newspapers dated 26 August 2007;

2. Very significant asset acquisition and connected transaction and proposed A Share issue. For details please see the Company's announcements on the website of Shanghai Stock Exchange and the designated newspapers dated 4 September 2007;

3. Construction of container terminal by COSCO Pacific. For details please see the Company's announcements on the website of Shanghai Stock Exchange and the designated newspapers dated 9 November 2007;

4. Acquisition and construction of container vessels. For details please see the Company's announcements on the website of Shanghai Stock Exchange and the designated newspapers dated 29 December 2007;

(4) Undertakings

In order to avoid the existence of actual or potential competitions between the operations of COSCO Group and the Group, COSCO Group, the controlling shareholder of the Company, has made the following undertakings to the Group:

(1) Container shipping business

On 9 June 2005, COSCO Group entered into "Non-competition Undertakings" with the Company, and undertook to the Company that:

1. the Group will be the sole entity to be engaged in marine container comprehensive transportation business ("Restricted Container Shipping Business") both in the PRC and overseas with self-owned or chartered container vessels among the subsidiaries of COSCO Group; and

2. it will procure its members (excluding members of the Group) not to be directly or indirectly engaged in Restricted Container Shipping Business (whether as shareholder, partner, lender or other capacities, and whether for profits, payments or other benefits).

Such undertakings will cease to be effective upon the occurrence of the following:

1. expiry of the twelve months period commencing from the date COSCO Group (directly or indirectly) ceased to be the controlling shareholder of the Company through the companay, enterprise or entity under its control;

2. the Company's securities were delisted subsequent to its listing on the Hong Kong Stock Exchange or other stock exchanges and automatic transaction systems agreed by both parties.

(2) Container leasing business

In respect of container leasing business, COSCO Group had undertaken to COSCO Pacific during the initial listing of COSCO Pacific on the Hong Kong Stock Exchange in 1994 that COSCO Group and its subsidiaries shall:

1. not be engaged in any business in any place in the world that may compete with the container leasing business of COSCO Pacific and its subsidiaries;

2. under any circumstances, when COSCO Group needs containers, it will first consider to lease from the Container Leasing Company, and under such circumstances, COSCO Group will grant COSCO Pacific and its subsidiaries the priority to negotiate container leasing business with COSCO Group, and may consider purchase of containers for own use only when COSCO Group fails to lease containers from the Container Leasing Company;

Significant Events

3. commence with the negotiation with COSCO Pacific and its subsidiaries as mentioned in the preceding paragraph at average market lease values, and to agree at annual rental adjustments in the existing and future contracts, and will enter into all contracts and rental adjustments based on the average rental values of four of the Top Ten container leasing companies; and

4. renew any existing contracts entered with COSCO Pacific and its subsidiaries for further ten years, and will enter into new contracts for a term of ten years.

(3) Freight forwarding, vessel agency and logistics business

During the acquisition of 49% interests in COSCO Logistics by COSCO Pacific Logistics at the end of 2003, COSCO Group had retained 51% interests in COSCO Logistics, and had entered into "Non-competition Agreement" with COSCO Logistics and COSCO Pacific Logistics in respect of the business of COSCO Logistics and its subsidiaries on 22 September 2003. COSCO Group had made the following undertakings:

1. COSCO Group undertook that when engaged in vessel agency, freight forwarding agency, third party logistics and support services ("Restricted Business") related with the above services which compete with the business of COSCO Logistics and its subsidiaries through COSCO International Freight Forwarding, COSCO International Freight Forwarding shall only provide vessel agency services to COSCO Group, while the freight forwarding agency services engaged by COSCO International Freight Forwarding were mainly solicitation of cargoes for COSCON;

2. Save as the above arrangements relating with COSCO International Freight Forwarding, COSCO Group shall not (except through COSCO Logistics and 中汽貨代) develop or operate Restricted Business;

3. COSCO Group shall procure that all its subsidiaries (including but not limited to 中汽貨代, other than COSCO International Freight Forwarding which have competition with the core business of COSCO Logistics and its subsidiaries) shall (other than companies disposed of to third parties by COSCO Group or acquired by COSCO Logistics and its subsidiaries) terminate its business or liquidate upon the expiry of three years after entering into of the non-competition agreement;

4. COSCO Group had granted COSCO Logistics options for a term of five years (subject to the right of first refusal of any third party which complied with applicable laws), entitling COSCO Logistics to, on the basis of fair market price and other fair and reasonable commercial terms, acquire, all or part of the interests in the companies or enterprises under COSCO Group which engaged in business which may compete or are similar in nature with those engaged by COSCO Logistics and its subsidiaries; and

5. COSCO Logistics shall have the priority to acquire any company or business which may have competition with any business of COSCO Logistics and its subsidiaries and disposed of by COSCO Group (but subject to the right of first refusal of any third parties under applicable laws).

(4) Dry bulk cargo business

On 3 September 2007, COSCO Group issued a “Non-competition Undertaking” to the Company, making the following undertakings to the Company:

During the period COSCO Group acting as the controlling shareholder of China COSCO, besides the scope of the above mentioned bulk cargo fleet, COSCO Group and its subsidiaries shall not adopt any action and measures, be engaged in actions which compete or may compete with China COSCO and its subsidiaries, and shall not infringe the lawful interests of China COSCO and its subsidiaries, including but not limited to the establishment of other subsidiaries or joint ventures, associated enterprises in future to be engaged in marine bulk cargo transportation business, or through other methods directly or indirectly involved in marine bulk cargo transportation. Upon the completion of the Non-Public Offering, there shall be no new counterparty competitions between COSCO Group and its subsidiaries with China COSCO and its subsidiaries. Meantime, COSCO Group has undertaken to give China COSCO the right of first refusal to acquire the assets and/or equity rights relating with bulk cargo transportation business to be disposed of by COSCO Group or its subsidiaries;

In respect of the leasing and operation of international marine bulk cargo transportation business by COSCO Bulk Carrier and/or its subsidiaries, COSCO Group has undertaken to adopt effective measures to solve the above problem before the end of June 2008, including but not limited to adoption of the following measures: adjusting the merger structure of such overseas companies or reoganize business operations, strengthen corporate governance, so as to ensure such overseas companies shall not constitute counterparty competition with China COSCO.

During the reporting period, the Company had not discovered any violation of its undertakings by COSCO Group, its controlling shareholder.

During the reporting period, the Company had no external undertakings.

(5) Penalties

During the reporting period, none of the Company and the directors, supervisors, senior management, actual controller of the Company had been subject to the investigation by competent authorities, or enforcements by legislation departments, be transferred to the legislation authorities or pursued for criminal liabilities, investigations by CSRC, administrative penalties by CSRC, banned by securities markets, deemed as in-appropriate candidate, penalised by other administrative authorities and publicly reprimanded by the stock exchange.

Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF CHINA COSCO HOLDINGS COMPANY LIMITED

(incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of China COSCO Holdings Company Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 145 to 307, which comprise the consolidated and company balance sheets as at 31 December 2007, and the consolidated income statement, the consolidated cash flow statement and the consolidated statement of recognised income and expense for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The Company's 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 and the disclosure requirements of the Hong Kong Companies Ordinance. 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 our agreed terms of engagement 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 the Group as at 31 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, 22 April 2008

Consolidated Balance Sheet

As at 31 December 2007

	Note	2007 RMB'000	2006 RMB'000 (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment	6	45,991,647	42,591,226
Investment properties	7	340,377	314,740
Leasehold land and land use rights	8	1,045,052	505,410
Intangible assets	9	180,341	133,827
Jointly controlled entities	11	5,110,319	2,986,881
Associates	12	4,489,247	5,543,537
Available-for-sale financial assets	14	4,708,917	3,323,165
Derivative financial assets	20	366,349	—
Deferred income tax assets	15	516,915	332,976
Finance lease receivables	16	16,910	23,340
Restricted bank deposits	17	103,599	126,098
		62,869,673	55,881,200
Current assets			
Inventories	18	1,559,679	865,040
Trade and other receivables	19	13,052,088	13,410,153
Current portion of finance lease receivables	16	8,561	11,257
Derivative financial assets	20	2,089,099	617,898
Other financial assets at fair value through profit or loss	21	3,664	—
Deposits and cash and cash equivalents	17	37,296,779	10,923,607
		54,009,870	25,827,955
Total assets		116,879,543	81,709,155
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	22, 23	10,216,274	6,204,756
Reserves	23	34,565,992	27,025,575
Proposed dividends	23	1,804,358	1,489,141
		46,586,624	34,719,472
Minority interests		10,461,448	8,687,157
Total equity		57,048,072	43,406,629

Consolidated Balance Sheet

As at 31 December 2007

	Note	2007 RMB'000	2006 RMB'000 (Restated)
LIABILITIES			
Non-current liabilities			
Long-term borrowings	24	14,142,178	11,847,201
Other non-current liabilities	25	946,854	673,233
Derivative financial liabilities	20	6,571	47,114
Deferred income tax liabilities	15	1,929,732	600,171
		17,025,335	13,167,719
Current liabilities			
Trade and other payables	26	35,778,691	15,928,076
Amounts due to a fellow subsidiary	27	536,779	680,636
Derivative financial liabilities	20	536,150	781,754
Short-term loans and bond payable	28	3,916,671	5,397,281
Current portion of long-term borrowings	24	1,271,032	1,738,868
Taxes payable		766,813	608,192
		42,806,136	25,134,807
Total liabilities		59,831,471	38,302,526
Total equity and liabilities		116,879,543	81,709,155
Net current assets		11,203,734	693,148
Total assets less curent liabilities		74,073,407	56,574,348

On behalf of the Board

Director

Director

Balance Sheet

As at 31 December 2007

	Note	2007 RMB'000	2006 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	3,664	5,877
Intangible assets	9	356	92
Subsidiaries	10	29,739,201	8,586,288
Deferred income tax assets	15	91,119	2,381
		29,834,340	8,594,638
Current assets			
Prepayments, deposits and other receivables	19	109,690	316,428
Amounts due from subsidiaries	10	8,192,482	7,810,772
Deposits and cash and cash equivalents	17	12,841,335	631,847
		21,143,507	8,759,047
Total assets		50,977,847	17,353,685
EQUITY			
Share capital	22,23	10,216,274	6,204,756
Reserves	23	37,871,035	5,570,419
Proposed dividends	23	1,804,358	1,489,141
Total equity		49,891,667	13,264,316
LIABILITIES			
Current liabilities			
Trade and other payables	26	531,238	1,300,877
Amounts due to subsidiaries	10	216,983	514,189
Short-term loans and bond payable	28	249,138	2,273,700
Taxes payable		88,821	603
		1,086,180	4,089,369
Total liabilities		1,086,180	4,089,369
Total equity and liabilities		50,977,847	17,353,685
Net current assets		20,057,327	4,669,678
Total assets less current liabilities		49,891,667	13,264,316

On behalf of the Board

Director　　　　Director

Consolidated Income Statement

For the year ended 31 December 2007

	Note	2007 RMB'000	2006 RMB'000 (Restated)
Revenues	5	**107,998,532**	78,856,254
Cost of services	30	**(83,402,731)**	(66,682,126)
Gross profit		**24,595,801**	12,174,128
Other income	29	**4,248,904**	3,167,664
Selling, administrative and general expenses	30	**(5,104,507)**	(3,702,230)
Other expenses	30	**(319,961)**	(437,333)
Share reform	31	**419,596**	(439,707)
Operating profit	32	**23,839,833**	10,762,522
Finance income	33	**650,929**	439,785
Finance costs	33	**(1,215,193)**	(1,266,049)
Operating profit after net finance costs		**23,275,569**	9,936,258
Profit on disposal of an associate	34	**690,002**	—
Share of profits less losses of:			
– jointly controlled entities	11	**955,688**	673,424
– associates	12	**1,005,783**	873,448
Profit before income tax expenses		**25,927,042**	11,483,130
Income tax expenses	35	**(4,721,371)**	(2,008,565)
Profit for the year		**21,205,671**	9,474,565
Attributable to:			
Equity holders of the Company	36	**19,477,940**	8,292,447
Minority interests		**1,727,731**	1,182,118
		21,205,671	9,474,565
Distributions	37(a)	**39,072,345**	6,323,695
Dividends	37(b)	**1,804,358**	1,489,141
		RMB	RMB
Earnings per share for profit attributable to the equity holders of the Company			
– basic and diluted	38	**2.1816**	1.0415

Consolidated Statement of Recognised Income and Expense

For the year ended 31 December 2007

	2007 RMB'000	2006 RMB'000 (Restated)
Available-for-sale financial assets		
– fair value gains	1,400,356	803,787
– tax on fair value gain	(118,783)	(44,324)
– transferred to income statement upon sale	—	(19,092)
Share of reserves of jointly controlled entities and associates	305,992	28,406
Exchange differences	(2,495,362)	(729,649)
Cash flow hedges		
– fair value gains	307,608	26,690
– tax on fair value gain	(60,345)	—
– transferred to income statement	(25,990)	165,028
Realisation of reserves upon		
– disposal of an associate	2,558	—
– deemed disposals	251,302	229,281
Actuarial losses on defined benefit pension plans and related deferred tax	(458)	(334)
Net (expense)/income recognised directly in equity	(433,122)	459,793
Profit for the year	21,205,671	9,474,565
Total recognised income and expense for the year	20,772,549	9,934,358
Attributable to:		
Equity holders of the Company	18,556,154	8,258,321
Minority interests	2,216,395	1,676,037
	20,772,549	9,934,358

Consolidated Cash Flow Statement

For the year ended 31 December 2007

	Note	2007 RMB'000	2006 RMB'000 (Restated)
Cash flows from operating activities			
Cash generated from operations	41(a)	**25,544,644**	12,966,721
Interest received		**519,721**	426,297
Income tax paid		**(2,205,861)**	(2,697,196)
Net cash from operating activities		**23,858,504**	10,695,822
Cash flows from investing activities			
Purchase of property, plant and equipment		**(12,266,205)**	(8,427,644)
Purchase of investment properties, leasehold land and land use rights		**(565,957)**	(149,690)
Purchase of intangible assets		**(96,390)**	(37,884)
Acquisitions of subsidiaries, net of cash acquired	41(d)	**—**	(234)
Investments in jointly controlled entities and associates		**(1,364,018)**	(804,800)
Purchase of available-for-sale financial assets		**(25,483)**	(98,247)
Proceeds from disposal of property, plant and equipment, investment properties, land use right, and intangible assets		**4,413,553**	8,249,575
Cash received from disposal of jointly controlled entities and associates		**2,054,753**	70,973
Cash received from disposal of available-for-sale financial assets		**188,083**	131,538
Increase in amount due from COSCO		**—**	(1,091,965)
Loans advanced to jointly controlled entity and associates		**(514,578)**	(467,791)
Repayments of loans advanced to jointly controlled entities, associates and available-for-sale financial assets		**128,115**	281,467
Cash paid for purchase of 51% equity interest of COSCO logistics		**(1,175,745)**	(503,890)
Dividends received from jointly controlled entities		**843,642**	532,753
Dividends received from associates		**370,594**	396,677
Dividends received from available-for-sale financial assets		**119,641**	112,277
Repayment from a fellow subsidiary		**—**	593,679
Disposal of subsidiaries, net of cash received	41(e)	**(6,372)**	(36,696)
Decrease in restricted bank deposits		**22,499**	140,660
Decrease/(increase) in deposits with original maturities over three months		**9,126**	(9,862)
Cash paid for purchase of subsidiaries from COSCO group		**(12,781,839)**	—
Reclassification of jointly controlled entities to subsidiaries, net of cash	42	**68,650**	—
Decrease in deposits to COSCO HK Group		**121,848**	—
Net cash used in investing activities		**(20,456,083)**	(1,119,104)

Consolidated Cash Flow Statement

For the year ended 31 December 2007

	Note	2007 RMB'000	2006 RMB'000 (Restated)
Cash flows from financing activities	41(c)		
Drawdown of borrowings		12,143,782	13,185,166
Repayment of borrowings		(9,681,153)	(16,512,796)
Proceeds from exercise of share options of a subsidiary by grantees		192,227	399,148
Dividends and distributions		(3,360,889)	(7,010,735)
Dividends paid to minority shareholders of subsidiaries		(689,147)	(780,171)
Contributions from minority shareholders of subsidiaries		83,786	28,321
Interest paid		(1,143,740)	(1,133,659)
Other incidental borrowing costs and charges paid		(31,290)	(33,496)
Acquisition of minority interests' shares		(29,585)	(32,244)
Proceeds from issue of bond		—	1,500,000
Repayment of bond		(1,500,000)	—
Repayment of amounts due to a fellow subsidiary		(143,857)	(580,973)
Contributions from COSCO Group		207,869	40,480
Payments for interest element of finance lease obligations		(14,849)	(17,826)
Principal repayments of finance lease obligations		(11,763)	(33,714)
Proceeds from A-Shares issue		28,107,185	—
Share issue expenses		(419,736)	—
Net cash generated from/(used in) financing activities		23,708,840	(10,982,499)
Net increase/(decrease) in cash and cash equivalents		27,111,261	(1,405,781)
Cash and cash equivalents at 1 January		10,912,281	12,420,840
Exchange differences		(727,499)	(102,778)
Cash and cash equivalents at 31 December	17	37,296,043	10,912,281

Notes to the Consolidated Financial Statements

1 General information

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

During the year, the Group acquired from China Ocean Shipping (Group) Company ("COSCO") and its subsidiaries (collectively "COSCO Group") pursuant to three acquisition agreements, the entire equity interests in COSCO Bulk Carrier Co., Ltd ("COSCO Bulk"), Golden view Investment Ltd (operated through COSCO (Hong Kong) Shipping Co., Ltd. ("COSCO HK Shipping")), Qingdao Ocean Shipping Company ("COSCO Qingdao") and Shenzhen Ocean Shipping Co., Ltd. ("COSCO Shenzhen") and their subsidiaries (hereinafter collectively referred to as the "Bulk Subsidiaries"), which are mainly engaged in dry bulk shipping and related businesses.

The Group also acquired during the year from COSCO Group the entire equity interests in China Ocean Shipping Agency Guangzhou Company ("GZ Penanvico") and Penanvico Ningbo Xinyang Shipping Agency Company Limited ("Ningbo Xinyang"), and their subsidiaries (collectively "Penanvico Subsidiaries"), which are engaged in logistics and related business.

The Bulk Subsidiaries together with Penanvico Subsidiaries hereinafter collectively referred to as "Acquired Subsidiaries". The acquisitions are regarded as business combinations under common control (note 2(b)(i)) and details of the above acquisitions and the relevant statements of adjustments for the common control combinations as at 31 December 2006 and 2007 are set out in note 23(h).

The Group's businesses include the provisions of a range of container shipping, dry bulk shipping, container terminal, container leasing and logistics services all over the world.

The directors of the Company (the "Directors") regard COSCO, a state-owned enterprise established in the PRC, as being the Company's parent company (note 45).

These Consolidated Financial Statements have been approved for issue by the board of Directors on 22 April 2008.

2 Summary of significant accounting policies

(a) Basis of preparation

The Consolidated Financial Statements for the year ended 31 December 2007 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") and the principles of merger accounting as prescribed in Hong Kong Accounting Guideline 5 "Merger Accounting for the Common Control Combinations" issued by Hong Kong Institute of Certified Public Accountants (the "HKICPA"). These accounting policies have been consistently applied to all the years presented.

The 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 and derivative financial instruments are stated at fair value.

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

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

The preparation of the Consolidated Financial Statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its 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 4.

(i) 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 Group's financial instruments.

The HKICPA has issued other interpretations and amendments which are mandatory for the Group's accounting periods on or after 1 January 2007. The adoption of these interpretations and amendments 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.

(ii) New or revised standards and interpretations that are not yet effective for the year ended 31 December 2007 and have not been adopted by the Group

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

	Effective for accounting periods beginning on or after
HKAS 1 (Revised) "Presentation of Financial Statements"	1 January 2009
HKAS 23 (Revised) "Borrowing Costs"	1 January 2009
HKAS 27 (Revised) "Consolidated and Separate Financial Statements"	1 July 2009
HKFRS 2 Amendment "Share-based Payment Vesting Condition and Cancellations"	1 January 2009
HKFRS 3 (Revised) "Business Combination"	1 July 2009
HKFRS 8 "Operating Segments"	1 January 2009
HKAS 32 and HKAS 1 Amendments "Puttable Financial Instruments and Obligations Arising on Liquidation"	1 January 2009
HK(IFRIC)-Int 11 "HKFRS 2 - Group and Treasury Share Transactions"	1 March 2007
HK(IFRIC)-Int 12 "Service Concession Arrangements"	1 January 2008
HK(IFRIC)-Int 13 "Customer Loyalty Programmes"	1 July 2008
HK(IFRIC)-Int 14 "HKAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction"	1 January 2008

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

(ii) New or revised standards and interpretations that are not yet effective for the year ended 31 December 2007 and have not been adopted by the Group (Continued)

The Group will apply the above standards and interpretations from 1 January 2008 or later period. The Group has already commenced an assessment of the related impact to the Group. The Group is not yet in a position to state whether any substantial changes to the Group's significant accounting policies and presentation of the financial information will be resulted.

(i) 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.

(ii) HKAS 23 (Revised) applies to qualifying assets measured at cost. The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed.

(iii) 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.

(iv) HKAS 32 and HKAS 1 Amendments requires some puttable financial instruments and some financial instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation to be classified as equity.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

(ii) New or revised standards and interpretations that are not yet effective for the year ended 31 December 2007 and have not been adopted by the Group (Continued)

(v) 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.

(vi) 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 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.

(vii) HKFRS 8 replaces HKAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The expected impact is still being assessed in detail by management, but it appears likely that the number of reportable segments, as well as the manner in which the segments are reported, will change in a manner that is consistent with the internal reporting provided to the chief operating decision-maker. As goodwill is allocated to groups of cash-generating units based on segment level, the change will also require management to reallocate goodwill to the newly identified operating segments. Management does not anticipate that this will result in any material impairment to the goodwill balance.

(viii) HK(IFRIC)-Int 11 provides guidance on whether share-based transactions involving treasury shares or involving Group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone financial statements of the parent and Group companies.

(ix) HK(IFRIC)-Int 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. HK(IFRIC)-Int 12 is not relevant to the Group's operations because none of the Group's companies provide public sector services.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

(ii) New or revised standards and interpretations that are not yet effective for the year ended 31 December 2007 and have not been adopted by the Group (Continued)

(x) HK(IFRIC)-Int 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. HK(IFRIC)-Int 13 is not relevant to the Group's operations because none of the Group's companies operate any loyalty programmes.

(xi) 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 and explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. It is not expected to have any impact on the Group's financial statements.

(b) Group accounting

The Consolidated Financial Statements include the financial statements of the Company and all its subsidiaries made up to 31 December.

(i) Merger accounting for common control combination

The Consolidated Financial Statements incorporate the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised in consideration for goodwill or excess of acquirers' interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated income statement includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where there is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the Consolidated Financial Statements are presented as if the entities or businesses had been combined at the previous balance sheet date or when they first came under common control, whichever is shorter.

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting is recognised as an expense in the year in which it is incurred.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

(b) Group accounting (Continued)

(ii) Purchase method of accounting for non-common control combination

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group, other than the common control combinations (note 2(b)(i)). 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 income statement. Subsidiaries are fully consolidated from the date on which control is transferred to the Group.

(iii) 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.

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

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses. For common control combination, the cost of investment is being either the cash consideration amount (for cash-settled transaction) or the amount of the net asset value of the subsidiary acquired at date of completion (for share-settled transaction). For non-common control combination, the cost of investment is being the amount of the fair value of the consideration for the subsidiary acquired at date of completion.

The results of subsidiaries are accounted by the Company on the basis of dividend income.

(iv) Transaction with minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests results 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 acquired of the carrying value of net assets of the subsidiary.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

(b) Group accounting (Continued)

(v) Jointly controlled entities/ associates

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

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.

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 and recognition of goodwill is 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 investor's share of the profits or losses after acquisition are made to the consolidated financial statements based on their fair values at the 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.

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

Intercompany 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 but (considered an impairment indicator) unless the transaction provides evidence of an impairment of the asset transferred.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

(c) Foreign currency translation

(i) 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 Company's functional currency is US dollar and its consolidated financial statements are presented in RMB. Presentation currency is different from the Company's functional currency because the Company is a PRC incorporated company which is required to present its financial statements in RMB.

(ii) 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 consolidated 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 related to changes in the amortised cost are recognised in the consolidated income statement, and other changes in carrying amount are recognised in equity.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in equity.

(iii) 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:

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

(2) 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

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

(c) Foreign currency translation (Continued)

(iii) Group companies (Continued)

(3) 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 operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to equity. When a foreign operation is sold, exchange differences that were recorded in equity are recognised in the consolidated 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.

(d) Property, plant and equipment

(i) Assets under construction

Assets under construction represent primarily vessels and buildings under construction, and plant and equipment pending installation and are stated at cost less accumulated impairment losses. Cost includes all direct costs relating to the construction of the assets and acquisition.

No depreciation is provided for assets under construction until such time as the relevant assets are completed and ready for intended use. Assets under construction are transferred to relevant categories of property, plant and equipment upon the completion of their respective construction.

(ii) Container vessels, dry bulk vessels and containers

Container vessels, dry bulk vessels and containers are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Container vessels, dry bulk vessels and containers are depreciated during the year on a straight-line basis over their anticipated useful lives, after taking into account the estimated residual values.

Container vessels	25 years
Dry bulk vessels for	
— Ocean transportation	15 years (from the date of first registration)
— Coastal transportation	23 - 33 years (from the date of first registration)
Containers	12 - 15 years

Cost incurred in replacing or renewing the separate assets (dry-docking costs) are capitalised and depreciated on a straight-line basis over the estimated period until the next dry-docking.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

(d) Property, plant and equipment (Continued)

(iii) Other property, plant and equipment

Other property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Other property, plant and equipment are depreciated at rates sufficient to write off their costs less accumulated impairment losses over their estimated useful lives to their respective residual values estimated by the directors or management on a straight-line basis. The estimated useful lives of these assets are summarised as follows:

Buildings	25 to 50 years
Trucks, chassis and motor vehicles	5 to 10 years
Computer and office equipment	3 to 5 years

Historical 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 period in which they are incurred.

The residual values of the property, plant and equipment and their useful lives are reviewed and adjusted, if appropriate, at each financial year end. 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 (note 2(h)).

With effect from 1 January 2007, the useful lives of dry bulk vessels for ocean transportation and the residual values of container vessels, dry bulk vessels and containers were revised, details of which is set out in note 4(i). The net book value of property, plant and equipment as at 31 December 2007 and the profit for the year then ended have been decreased by approximately RMB602,679,000 by way of an increase in depreciation charge for the year as a result of such changes.

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

(e) 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.

(f) Investment properties

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

Investment properties are stated at cost less accumulated depreciation and impairment losses. The cost less accumulated impairment and residual values of investment properties are depreciated on a straight-line basis over their estimated useful lives of 25 to 50 years.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

(g) Intangible assets

(i) Goodwill

Goodwill represents the excess of purchase consideration over the fair value of the Group's share of the net identifiable assets of subsidiaries, jointly controlled entities and associates acquired (other than common control combinations) 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.

Goodwill is tested annually or when an indication of impairment exists for impairment and 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.

(ii) 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 their estimated useful lives of 5 years on a straight-line basis.

Costs associated with developing or maintaining computer software programmes 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 system 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.

(h) Impairment of investments in subsidiaries, jointly controlled entities, associates and non-financial assets

Assets that have an indefinite useful life are tested 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.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

(i) 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.

(i) Where the Group is the lessee

(1) Operating leases

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

(2) Finance leases

Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Each lease payment is allocated between the capital and finance charges so as to achieve a constant rate on the capital balances outstanding. The corresponding rental obligations, net of finance charges, are included in current and non-current liabilities. The finance charges are charged to the income statement over the lease periods.

Assets held under finance leases are depreciated over the shorter of their estimated useful lives or the lease periods.

(ii) Where the Group is the lessor

(1) Operating leases

When assets are leased out 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 2(d)(ii) 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 note 2(x)(iv) below.

(2) Finance leases

Finance leases for assets leased out are leases of assets which contain a provision giving the lessee an option to acquire legal title to the assets upon the fulfillment of certain conditions stated in the contracts.

When assets are leased out under a finance lease, the present value of the minimum lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Revenue on containers leased out under finance leases is recognised in accordance with the Group's revenue recognition policies, as set out in note 2(x)(iv) below.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

(j) Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loan receivable and available-for-sale. The classification depends on the purpose for which the assets were acquired. Management determines the classification of these assets at initial recognition and re-evaluates this designation at every reporting date.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the income statement within other income/expenses, in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Group's right to receive payments is established.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as trade and other receivables in the balance sheet (note 2(m)).

(iii) Available-for-sale financial assets

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.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale financial assets 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 related to changes in the amortised cost are recognised in the income statement and other changes in carrying amount are recognised in equity.

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.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

(j) Financial assets (Continued)

(iii) Available-for-sale financial assets (Continued)

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 in determining whether 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.

(k) 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 either:

(i) hedges of the fair value of recognised liabilities (fair value hedge); and

(ii) hedges of a particular risk associated with a recognised liability or a highly probable forecast transaction (cash flow hedge)

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, 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 or cash flows of the hedged items.

The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining hedge 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. Non-hedge derivatives are classified as a current asset or liability.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

(k) Derivative financial instruments and hedging activities (Continued)

(i) Fair value hedges

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 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 hedge item for which the effective interest method is used is amortised to profit or loss over the period to maturity.

(ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within other income/expenses. Freight forward agreements which qualify for hedge accounting are being classified as cash flow hedge.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item affects profit or loss.

The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement within finance costs.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within other income/expenses.

(iii) Derivatives at fair value through profit or loss

Certain derivative instruments which do not qualify for hedge accounting are accounted for at fair value through profit or loss. Changes in the fair value of these derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement within other income/expense.

(l) Inventories

Inventories mainly represent bunkers which are stated at the lower of cost and net realisable value. Costs are calculated on a weighted average basis. Net realisable value of bunkers is the expected amount to be realised from use as estimated by the directors/management. Net realisable value of other inventories such as resaleable container, properties held for sale and marine supplies is determined on the basis of anticipated sales proceeds less estimated selling expenses.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

(m) 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 amount of the provision is recognised in the income statement within other expenses.

(n) 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. Bank overdrafts are shown in short-term borrowings on the balance sheet.

(o) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. 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.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(p) Share capital

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

(q) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. 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.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

(q) Borrowings (Continued)

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.

(r) Government subsidy

Subsidy from the government are recognised at their fair value when there is a reasonable assurance that the Group will comply with the conditions attaching with them and that the grants will be received.

Subsidy relating to income are deferred and recognised in the income statement over the period necessary to match them with the costs they are intended to compensate, otherwise subsidy with no future related costs are recognised as income in the period in which they become receivable.

(s) Employee benefits

(i) 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.

(ii) 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.

(iii) Post-retirement benefit costs

The Group has both defined benefit and defined contribution plans throughout the world. The assets of defined contribution plan are generally held in separate trustee-administered funds. The plans are generally funded by payments from employees and the relevant companies in the Group. The defined benefit plan is unfunded.

A defined contribution plan is a retirement benefit plan under which the Group pays fixed contributions into a separate entity. Contributions under the defined contribution plans are charged to the income statement as expense when incurred.

The Group also makes payments and contributions on a monthly basis according to various defined contribution retirement benefit plans organised by relevant municipal and/or provincial governments in the PRC and other relevant countries. The Group has no further obligations for post-retirement benefits beyond these payments as they fall due. Payments made under these plans are expensed as incurred.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

(s) Employee benefits (Continued)

(iii) Post-retirement benefit costs (Continued)

A defined benefit plan is a retirement benefit plan that is not a defined contribution plan. Under the plan, an amount of retirement benefit that an employee will receive on retirement is defined, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit retirement plans is the present value of the defined benefit obligation at the balance sheet date. The defined benefit obligation is calculated annually by independent actuaries/management using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate or government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related retirement benefit liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the equity directly.

Past-service costs are recognised immediately as income, unless the changes to the retirement benefit plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

(iv) Other post-employment obligations

The Group also provides post-retirement healthcare benefits to their retirees. The entitlement to these benefits is conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit retirement plans. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions recognised in the equity. These obligations are valued annually by independent qualified actuaries.

(v) Early retirement benefits

Early retirement benefits have been paid to those employees who accept voluntary retirement before the normal retirement date as approved by the management. The related benefit payments are made from the date of early retirement through the normal retirement date.

(vi) Housing funds

All full-time employees of the Group are entitled to participate in various government-sponsored housing funds. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees. The Group's liability in respect of these funds is limited to the contributions payable in each period.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

(s) Employee benefits (Continued)

(vii) Share-based payments

The Group regularly entered into equity-settled or cash-settled share-based payment transactions with employees.

(i) Employee services settled in cash

Employee services received in exchange for cash-settled share-based payments, are recognised at the fair value of the liability incurred and are expensed when consumed or capitalised as assets, which are depreciated or amortised. The liability is remeasured at each balance sheet date to its fair value, with all changes recognised immediately in the income statement.

(ii) Employee services settled in equity instruments

One of the Group's subsidiaries operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the share options of the subsidiary 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 exercisable. At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the consolidated income statement, and 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.

(t) 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, the deferred income tax is not accounted for if it arises from initial recognition of an asset or 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.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

(u) 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.

A contingent liability is 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.

(v) Vessels financing, sale and lease back transactions

A series of financing, sale and leasing back of vessels transactions with bank and financial institutions, which are closely interrelated, negotiated as a single transaction, and takes place concurrently or in a continuous sequence, is considered linked and accounted for as one transaction when the overall economic effect cannot be understood without reference to the series of transactions as a whole.

These vessels financing and leasing arrangements are designed to achieve a tax result for the third parties in return for a cash benefit or reduction in the effective loan interest rate offered to the Group and not to convey the right to use the vessels. Such cash benefit is deferred and accounted for as a reduction in the effective interest rate for the borrowings from the bank and financial institutions by amortising the cash benefit over the period from the date of commencement of the vessels financing arrangements to eventual settlement dates.

Under these vessels financing and leasing arrangements, non-current liabilities have been defeased by the loan receivables, those liabilities and loan receivables (and income and charges arising therefrom) are netted off, in order to reflect the overall commercial effect of the arrangements when viewed as a whole. Such netting off has been effected where a right is held to insist on net settlement of the liability and receivable at any time and where no significant risk is borne in respect of the gross amounts.

(w) Trade payables

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

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

(x) Recognition of revenues and income

The Group recognises revenues and income on the following basis:

(i) Revenues from container shipping

Freight revenues from the operation of international and domestic containerised transportation business are recognised on a percentage of completion basis, which is determined on the time proportion method of each individual vessel voyage.

(ii) Revenues from dry bulk shipping

Revenues from time charter of dry bulk shipping, which are of operating lease in nature, is recognised on a straight-line basis over the period of each charter.

Revenues from voyage charter of dry bulk shipping are recognised on a percentage-of-completion basis, which is determined on the time proportion method of each individual voyage.

(iii) Revenues from container terminal operations

Revenues from container terminal operations are recognised when the services rendered are complete and the vessel leaves the berth.

(iv) Revenues from lease rental income

Rental income arising from assets leased out under operating leases are recognised on a straight-line basis over the period of each lease.

Revenues on assets leased out under finance leases are allocated to accounting period to give a constant periodic rate of return on the net investment in the lease in each period.

(v) Revenues from freight forwarding and shipping agency

Revenues are recognised when the services are rendered.

For freight forwarding business, it generally coincides with the date of departure for outward freights and the time of transfer of goods to the customers at the designated location for inward freight. For shipping agency services, it generally coincides with the date of departure of the relevant vessels from the port.

Where the Group effectively acts as a principal in arranging transportation of goods for customers, revenue recognised generally includes the carrier's charges to the Group. Where the Group effectively acts as an agent for the customers, revenue recognised comprises fees for services provided by the Group.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

(x) Recognition of revenues and income (Continued)

(vi) Revenues from sale of containers

Revenues from sale of containers are recognised on the transfer of risks and rewards of ownership, which generally coincides with the times when the containers are delivered to customers and title has passed. Direct costs relating to the lifting and storage of containers for sale are expensed as incurred.

(vii) Revenues from sales of properties

Revenues from sales of properties are recognised when the risks and rewards of the property are transferred to the purchasers, which occurs when the construction of relevant properties has been completed and the properties have been delivered to the purchasers pursuant to the sale agreements. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the balance sheet under current liabilities and collectability of the related receivables is reasonably assured.

(viii) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(ix) Dividend income

Dividend income is recognised when the right to receive payment is established.

(x) Other service income

Other service income is recognised when the services are rendered.

(y) Dividend distribution

Dividend distribution to the Company's equity holders is recognised as a liability in the financial statements in the period in which the dividends are approved by the Company's equity holders or directors, where appropriate.

(z) 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.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

(aa) 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 incurs because a specified debtor fails 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.

(ab) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economics environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Notes to the Consolidated Financial Statements

3 Financial risk management

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including market freight rate risk, foreign currency risk, interest rate risk and price 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 derivative financial instruments are disclosed in respective notes.

Risk management is carried out by respective operating units under the risk management policies as approved by the board of Directors. The Directors identify, evaluate and hedge financial risks in close cooperation with their operating units and provide written policies covering specific areas, such as market freight rate risk, interest rate risk and use of derivative financial instruments.

(i) Market risk

(1) Market freight rate risk

The freight rates of the Group's shipping businesses are very sensitive to economic fluctuations. The revenues and cost of services of the Group will increase/decrease if there is an increase/a decrease in the freight rates.

The Group uses freight forward agreements ("FFA") transacted with shipping companies through shipping agents and/or brokers, fixed terms Contracts of Affreightment and timecharterers to manage the market freight rate risk arising from future transactions of its dry bulk shipping business. The Group's associated risk management policy is to hedge less than 50% anticipated transactions for the subsequent 12 months.

At 31 December 2007, the Group had derivative financial assets and liabilities in respect of FFA of RMB2,421,547,000 (2006: RMB613,379,000) and RMB533,523,000 (2006: RMB350,862,000) respectively (note 20) which are all subject to market freight rate risk.

With all other variables held constant, if the average forward freight rate for vessels charterhire transactions was 10% higher, the net derivative financial assets in respect of FFA would have increased by approximately RMB327,672,000 (2006: decreased by RMB22,261,000) and accordingly, the Group's post-tax profit and equity would have increased by approximately RMB297,771,000 (2006: increased by RMB8,011,000) and RMB221,980,000 (2006: decreased by RMB20,219,000) respectively.

With all other variables held constant, if the average forward freight rate for vessels charterhire transactions was 10% lower, the net derivative financial assets in respect of FFA would have decreased by approximately RMB327,672,000 (2006: increased by RMB22,261,000) and accordingly, the Group's post-tax profit and equity would have decreased by approximately RMB226,853,000 (2006: decreased by RMB8,011,000) and RMB196,009,000 (2006: increased by RMB20,219,000) respectively.

Notes to the Consolidated Financial Statements

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(i) Market risk (Continued)

(2) Foreign currency risk

The functional currency of most of the operating companies within the Group is US dollar. The Group operates internationally and is exposed to foreign exchange risk arising from various non-functional currencies, primarily with respect to Renminbi and Euro dollars. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The actual foreign exchange risk faced by the Group therefore primarily with respect to non-functional currency bank balances, receivable and payable balances, bank borrowings and forward foreign exchange contracts as entered into by the Group (note 20) (collectively "Non-Functional Currency Items").

Management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure by using foreign exchange forward contracts when the need arises. As at 31 December 2007, the Group has entered into two forward foreign exchange contracts to mitigate the currency exposure in respect of the purchases of vessels (note 20(b)).

With all other variables held constant, if non-functional currencies had weakened/strengthened by 5%, the Group's post-tax profit and equity would have increased/decreased by approximately RMB122,375,000 (2006: RMB128,370,000) and RMB122,704,000 (2006: RMB128,825,000) respectively as a result of the translation of those Non-Functional Currency Items.

(3) Interest rate risk

Other than the deposits placed with a fellow subsidiary, bank balances and deposits, and loans to associates and jointly controlled entities (collectively the "Interest Bearing Assets"), the Group has no other significant interest bearing assets.

The Group's interest rate risk also arises from borrowings, certain balances payable to related parties and finance lease obligations (collectively the "Interest Bearing Liabilities"). Interest Bearing Assets and Interest Bearing Liabilities are primarily issued at variable rates which therefore expose the Group to cash flow interest rate risk.

With all other variables held constant, if the interest rate had increased/ decreased by 50 basis-point, the corresponding increase/decrease in net finance costs (representing interest income on the Interest Bearing Assets less interest expenses on Interest Bearing Liabilities) would have resulted in a decrease/an increase in the Group's post-tax profit and equity by approximately RMB55,526,000 (2006: RMB38,663,000).

Management monitors the capital market conditions and where appropriate, interest rate swap contracts with financial institutions will be used to achieve optimum ratio between fixed and floating rates borrowings.

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(i) Market risk (Continued)

(4) Price risk

The Group is exposed to equity securities price risk because certain of the Group's investments are classified as available-for-sale financial assets and financial assets through profit and loss which are required to be stated at their fair values (see fair value estimation below).

The carrying amount of available-for-sale financial assets would be an estimated RMB470,892,000 lower or RMB470,892,000 higher were the market price, discounted rate used in the discounted cash flow analysis and the price/earnings multiple to increase/decrease by 10% from management's estimates.

The Group is also exposed to fluctuations in bunker prices. Management monitors the market conditions and bunker price fluctuations and where appropriate, bunker hedging contracts are used to lock up the price of part of the Group's bunker requirements.

At 31 December 2007, the Group had no bunker forward contracts.

(ii) Credit risk

Credit risk mainly arises from deposits and cash and cash equivalents with banks, financial institutions and a fellow subsidiary; derivative financial instruments transacted with banks, financial institutions and shipping companies through shipping agents or brokers; and trade and other receivables.

The Group has limited its credit exposure by restricting their selection of financial institutions on those reputable local banks, state-owned banks and the fellow subsidiary. Management considers the credit risk for deposits with COSCO Finance Co., Ltd ("COSCO Finance"), the fellow subsidiary, is low as there was no default history in the past.

The trade customers (including related parties) and shipping companies are assessed and rated based on their credit quality, taking into account their financial position, past experience and other factors. Individual risk limits are set by management of the respective operating units. Management does not expect any significant losses from non-performance by these relevant parties.

Notes to the Consolidated Financial Statements

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iii) 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 that 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. Except for the bank and other borrowings, other balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Group

	Less than 1 year RMB'000	**Between 1 and 2 years RMB'000**	**Between 2 and 5 years RMB'000**	**Over 5 years RMB'000**
At 31 December 2007				
Bank and other borrowings	6,000,528	1,983,641	8,123,214	6,564,585
Derivative financial liabilities	536,150	730	5,841	—
Amounts due to a fellow subsidiary	536,779	—	—	—
Trade and other payables	35,778,691	—	—	—

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
At 31 December 2006				
Bank and other borrowings	7,949,742	3,415,195	4,599,461	5,611,867
Derivative financial liabilities	781,754	7,848	5,203	34,063
Amounts due to a fellow subsidiary	728,645	—	—	—
Trade and other payables	15,928,076	—	—	—

Notes to the Consolidated Financial Statements

3 Financial risk management (Continued)

(b) 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 shareholders/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 total debt (total borrowings and amount due to a fellow subsidiary) to total equity (capital and reserves attributable to equity holders of the Company and minority interests) ratio. The Group aims to maintain a manageable debt to equity ratio. At 31 December 2007, the total debt to equity ratio is summarised as follows:

	2007 RMB'000	2006 RMB'000 (Restated)
Long-term borrowings	**15,413,210**	13,586,069
Short-term borrowings	**3,916,671**	5,397,281
Amount due to a fellow subsidiary	**536,779**	680,636
Total debt	**19,866,660**	19,663,986
Total equity	**57,048,072**	43,406,629
Total debt to equity ratio	**35%**	45%

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

Notes to the Consolidated Financial Statements

3 Financial risk management (Continued)

(c) Fair value estimation

The fair values of the Group's available-for-sale financial assets and financial assets through profit and loss 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 on the different market conditions and circumstances.

For major unlisted investment, 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 contract is based on the market price quoted by dealers as at the balance sheet date.

The fair value of FFA is determined using quoted forward freight market rates as at the balance sheet date.

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 fair value of forward foreign exchange contract is determined using quoted forward exchange rates at the balance sheet date.

The carrying values less impairment provision (as applicable) of trade receivables and payables are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

Notes to the Consolidated Financial Statements

4 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.

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.

(i) Estimated useful lives and residual values of container vessels, dry bulk vessels and containers

The Group's major operating assets represent container vessels, dry bulk vessels and containers. Management determines the estimated useful lives, residual values and related depreciation expenses for its container vessels, dry bulk vessels and containers.

Management estimates useful lives of the container vessels, dry bulk vessels and containers by reference to the Group's business model, its assets management policy, the industry practice, expected usage of the vessels, expected repair and maintenance, and technical or commercial obsolescence arising from changes or improvements in the vessel market. Management determines the estimated residual values for its container vessels, dry bulk vessels and containers. This estimate is based on the current scrap values of steels in an active market at each measurement date since management decides to dispose of the fully depreciated container vessels, dry bulk vessels and containers as scrap steels. The depreciation expense will be significantly affected by the useful lives and residual values of container vessels, dry bulk vessels and containers as estimated by management.

During the year ended 31 December 2007, the management re-assessed the useful lives and residual values of the container vessels, dry bulk vessels and containers. The directors concluded that the useful life of dry bulk vessels for ocean transportation should be revised to 15-year as it reflects more fairly the estimated useful life of these assets based on current business conditions. Furthermore, the residual values of vessels and containers should also be revised based on current market conditions.

With effect from 1 January 2007, depreciation of the vessels and the containers has been calculated to write off their costs over their revised useful lives (where applicable) to their revised residual values estimated by the management on a straight-line basis. This represents a change in accounting estimates and has been accounted for prospectively (note 2d).

Were the useful lives differ by 10% from management's estimates as at 31 December 2007 with all other variables held constant, the estimated depreciation expense of container vessels, dry bulk vessels and containers for the year would be RMB404,093,000 lower or RMB646,718,000 higher for the year ended 31 December 2007.

Were the residual values differ by 10% from management's estimates as at 31 December 2007 with all other variable held constant, the estimated depreciation expense of container vessels, dry bulk vessels and containers for the year would be RMB112,695,000 lower or RMB110,483,000 higher for the year ended 31 December 2007.

Notes to the Consolidated Financial Statements

4 Critical accounting estimates and judgements (Continued)

(ii) Estimated impairment of container vessels, dry bulk vessels and containers

The Group's major operating assets represent container vessels, dry bulk vessels and containers. Management performs review for impairment of the container vessels, dry bulk vessels and containers whenever events or changes in circumstances indicate that the carrying amounts of the container vessels, dry bulk vessels and containers may not be recoverable.

The recoverable amounts of container vessels, dry bulk vessels and 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 continue use of container vessels, dry bulk vessels and containers (including the amount to be received for the disposal of container vessels, dry bulk vessels and containers) and discount rate.

Management reviews certain indicators of potential impairment, such as reported sale and purchase prices, market demand and general market conditions. Based on management's best estimates, there was no indication of potential impairment of the container vessels, dry bulk vessels and containers and no impairment loss for container vessels, dry bulk vessels and containers was recognised during the year.

(iii) Fair value 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 techniques (including discounted cash flow model or price/earnings multiple model). The Group uses assumptions that are mainly based on market conditions existing at each balance sheet date.

The carrying amount of available-for-sale financial assets would be an estimated RMB406,380,000 lower or RMB406,380,000 higher were the discount rate used in the discounted cash flow analysis and the price/earnings multiple to differ by 10% from management's estimates.

(iv) Voyages in progress

The Group recognises a percentage of estimated total revenues and expenses for any voyage remains incomplete at end of a reporting period. The percentage is calculated based on the number of days completed to the estimated voyage period. If the actual voyage period was different from the estimate, the estimated revenue and voyage expenses would be affected in the following reporting period (see also (v) below).

Were the actual time proportion different by 10% from management's estimates as at 31 December 2007, the gross profit would be RMB244,661,000 lower or RMB249,859,000 higher if it were shorter or longer.

Notes to the Consolidated Financial Statements

4 Critical accounting estimates and judgements (Continued)

(v) Provision of voyage expenses

Invoices for voyage expenses are normally received several months after the transaction. For voyages completed or in progress as at end of reporting period (see also (iv) above), voyage expenses are estimated based on the latest quotation and voyage statistics obtained from vendors. If the actual voyage expenses were different from the estimate, this would have an impact on the estimated voyage expenses in the following reporting period.

Were the actual expenses of a voyage different from management's estimates as at 31 December 2007 by 10%, the voyage expenses would have been RMB211,690,000 lower or higher in the future periods.

Critical judgements in applying the Group's accounting policies

Income taxes

Deferred tax liabilities have not been established for income tax and withholding tax that would be payable on certain profits of overseas subsidiaries to be repatriated and distributed by way of dividends as the Directors consider that the timing of the reversal of the related temporary differences can be controlled and such temporary differences will not be reversed in the foreseeable future (note 15).

If those undistributed earnings of the overseas subsidiaries are considered to be repatriated and distributed by way of dividends, the deferred income tax charge and deferred income tax liability would have been increased by the same amount of RMB653,222,000.

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. 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 tax provisions in the period in which such determination is made.

Notes to the Consolidated Financial Statements

5 Revenues and segment information

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

	2007 RMB'000	2006 RMB'000 (Restated)
Container shipping (note a)	45,766,318	39,989,716
Dry bulk shipping (note b)	48,648,280	26,823,754
Container terminal	305,272	174,935
Container leasing (note c)	819,365	1,054,166
Logistics	11,841,857	10,105,611
Turnover	107,381,092	78,148,182
Manning service income	161,622	214,006
Others	455,818	494,066
	107,998,532	78,856,254

Notes:

(a) Turnover from container shipping includes charterhire income under operating leases of RMB253,645,000 for the year ended 31 December 2007 (2006: RMB297,346,000).

(b) Turnover from dry bulk shipping is analysed below:

	2007 RMB'000	2006 RMB'000 (Restated)
Time charterhire income	33,093,109	15,001,602
Voyage charterhire income	15,555,171	11,822,152
	48,648,280	26,823,754

(c) Turnover from container leasing is analysed below:

	2007 RMB'000	2006 RMB'000 (Restated)
Operating lease rentals	382,767	703,507
Finance lease income	2,882	3,921
Proceeds from sale of resaleable containers	433,716	346,738
	819,365	1,054,166

Notes to the Consolidated Financial Statements

5 Revenues and segment information (Continued)

(d) Primary reporting format - business segments

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

The Group is organised on a worldwide basis into the following segments:

— Container shipping and related business
— Dry bulk shipping and related business
— Container terminal and related business
— Container leasing
— Logistics
— Other operations that primarily comprise container manufacturing, banking and investment holding

Unallocated income mainly represents corporate income. Unallocated costs mainly represent corporate expenses. Segment assets consist primarily of property, plant and equipment, investment properties, leasehold land and land use rights, intangible assets, inventories, receivables and operating cash, and mainly exclude investments in jointly controlled entities, associates, available-for-sale financial assets, other financial assets at fair value through profit or loss, derivative financial assets, deferred income tax assets and corporate assets. Segment liabilities comprise operating liabilities and mainly exclude items such as current and deferred income tax liabilities, distribution payable, corporate borrowings and derivative financial liabilities. Capital expenditure comprises additions to property, plant and equipment, investment properties, leasehold land and land use rights and intangible assets, including additions resulting from acquisitions through business combinations.

Notes to the Consolidated Financial Statements

5 Revenues and segment information (Continued)

(d) Primary reporting format - business segments (Continued)

	Year ended and as at 31 December 2007							
	Container shipping and related business RMB'000	Dry bulk shipping and related business RMB'000	Logistics RMB'000	Container terminal and related business RMB'000	Container leasing RMB'000	Other operations RMB'000	Inter-segment elimination RMB'000	Total RMB'000
Income statement								
Revenues								
External sales	45,766,318	49,265,720	11,841,857	305,272	819,365	—	—	107,998,532
Inter-segment sales	9,565	27,912	179,576	83,254	1,065,310	—	(1,365,617)	—
	45,775,883	49,293,632	12,021,433	388,526	1,884,675	—	(1,365,617)	107,998,532
Segment results	1,652,605	21,231,485	273,512	343,677	975,915	251	—	24,477,445
Share reform (note 31)	—	—	—	—	—	419,596	—	419,596
Finance costs								(1,215,193)
Unallocated income								889,944
Unallocated expenses								(1,296,223)
Operating profit after finance costs								23,275,569
Profit on disposal of an associate (note 34)	—	—	—	—	—	690,002	—	690,002
Share of profits less losses of								
- jointly controlled entities	9,555	178,312	104,219	654,568	—	9,034	—	955,688
- associates	4,850	23,913	78,470	42,050	—	856,500	—	1,005,783
Profit before income tax								25,927,042
Income tax expenses								(4,721,371)
Profit for the year								21,205,671
Balance sheet								
Segment assets	23,502,130	21,641,033	4,722,992	2,448,137	9,952,554	34,923	(348,467)	61,953,302
Jointly controlled entities	43,726	755,697	424,308	3,748,969	—	137,619	—	5,110,319
Associates	170,170	102,107	348,593	816,347	—	3,052,030	—	4,489,247
Available-for-sale financial assets	98,134	461,444	375,636	3,674,214	—	99,489	—	4,708,917
Unallocated assets								40,617,758
Total assets								116,879,543
Segment liabilities	6,903,721	6,438,494	4,476,189	137,443	959,350	—	(348,467)	18,566,730
Unallocated liabilities								41,264,741
Total liabilities								59,831,471
Depreciation and amortisation	1,072,585	2,263,939	152,522	52,627	585,121	5,717	—	4,132,511
Capital expenditure	3,798,491	4,692,993	446,798	377,318	4,515,433	1,060	—	13,832,093
Recovery of bad debts	(866)	(34,492)	(4,480)	—	—	—	—	(39,838)
Provision for impairment of trade and other receivables	20,972	6,261	8,864	—	3,019	—	—	39,116
Other non-cash expenses	—	—	—	—	7,748	88,290	—	96,038

Notes to the Consolidated Financial Statements

5 Revenues and segment information (Continued)

(d) Primary reporting format - business segments (Continued)

	Year ended and as at 31 December 2006 (Restated)							
	Container shipping and related business RMB'000	Dry bulk shipping and related business RMB'000	Logistics RMB'000	Container terminal and related business RMB'000	Container leasing RMB'000	Other operations RMB'000	Inter-segment elimination RMB'000	Total RMB'000
Income statement								
Revenues								
External sales	39,989,716	27,531,826	10,105,611	174,935	1,054,166	—	—	78,856,254
Inter-segment sales	43,758	3,930	61,374	57,533	1,089,387	—	(1,255,982)	—
	40,033,474	27,535,756	10,166,985	232,468	2,143,553	—	(1,255,982)	78,856,254
Segment results	1,631,897	7,587,249	218,430	218,403	1,835,934	48,675	—	11,540,588
Share reform (note 31)	—	—	—	—	—	(439,707)	—	(439,707)
Finance costs								(1,266,049)
Unallocated income								321,901
Unallocated expenses								(220,475)
Operating profit after finance costs								9,936,258
Share of profits less losses of								
- jointly controlled entities	4,581	47,422	89,761	460,888	—	70,772	—	673,424
- associates	12,221	49,653	70,574	147,714	—	593,286	—	873,448
Profit before income tax								11,483,130
Income tax expenses								(2,008,565)
Profit for the year								9,474,565
Balance sheet								
Segment assets	22,856,744	21,431,299	3,830,861	1,587,165	8,466,765	23	(349,955)	57,822,902
Jointly controlled entities	34,450	440,731	367,791	1,949,201	—	194,708	—	2,986,881
Associates	33,300	91,076	316,929	1,475,209	—	3,627,023	—	5,543,537
Available-for-sale financial assets	8,890	151,343	222,262	2,873,601	—	67,069	—	3,323,165
Unallocated assets								12,032,670
Total assets								81,709,155
Segment liabilities	5,512,704	4,907,141	3,833,125	77,681	1,245,433	430,892	(349,955)	15,657,021
Unallocated liabilities								22,645,505
Total liabilities								38,302,526
Depreciation and amortisation	992,691	2,312,203	107,663	22,950	708,585	4,606	—	4,148,698
Capital expenditure	1,373,562	3,547,649	213,402	1,068,103	3,852,949	19,402	—	10,075,067
Recovery of bad debts	(14,777)	—	(4,130)	—	—	—	—	(18,907)
Provision for impairment of trade and other receivables	12,489	737	—	127	10,909	—	—	24,262
Other non-cash expenses	7,112	—	—	1,650	30,950	1,857	—	41,569

Notes to the Consolidated Financial Statements

5 Revenues and segment information (Continued)

(e) Secondary reporting format - geographical segments

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

Geographical	Segment trade lanes
America	Trans-Pacific
Europe	Asia-Europe
Asia Pacific	Intra-Asia
China domestic	PRC coastal
Other international market	Trans-Atlantic and others

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

In respect of other activities including container terminals and freight forwarding, shipping agency, manning services and logistics, revenues are based on the geographical locations in which the business operations are located.

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

The Group's total assets are primarily dominated by its container vessels, dry bulk vessels and containers. The Directors consider that the nature of the Group's businesses and the way in which costs are allocated preclude a meaningful allocation of container vessels, dry bulk vessels and containers and their operating profits and related capital expenditure to specific geographical segments as defined under the HKAS 14 "Segmental reporting" issued by the HKICPA. These container vessels, dry bulk vessels and containers are primarily utilised across geographical markets for shipment of cargoes throughout the world. Accordingly, geographical segment information is only presented for revenues.

	2007 **RMB'000**	2006 RMB'000 (Restated)
Container shipping, container terminals and freight forwarding, shipping agency and logistics		
America	**14,255,999**	13,375,881
Europe	**14,485,442**	10,075,897
Asia Pacific	**6,696,493**	6,621,046
China domestic	**20,312,410**	17,689,548
Other international market	**2,163,103**	2,507,890
Dry bulk shipping and manning services		
International	**44,929,476**	22,750,256
China domestic	**4,336,244**	4,781,570
Unallocated	**819,365**	1,054,166
Total	**107,998,532**	78,856,254

Notes to the Consolidated Financial Statements

6 Property, plant and equipment

Group

	Buildings RMB'000	Container vessels RMB'000	Dry bulk vessels RMB'000	Containers RMB'000	Trucks, chassis and motor vehicles RMB'000	Computer and office equipment RMB'000	Assets under construction RMB'000	Total RMB'000
Cost								
At 1 January 2007	2,419,907	24,221,035	36,966,645	10,005,484	1,214,808	1,786,037	4,846,102	81,460,018
Exchange differences	(8,051)	(1,377,567)	(3,230,504)	(704,931)	(13,348)	(13,888)	(373,449)	(5,721,738)
Reclassifications	140,115	2,879,874	295,267	—	135,035	12,781	(3,463,072)	—
Additions	329,191	37,922	81,160	4,460,356	115,706	193,611	7,951,800	13,169,746
Reclassification of jointly controlled entities to subsidiaries	287,848	—	—	—	7,431	152,753	32,124	480,156
Disposals	(65,358)	(1,838,775)	(625,968)	(1,766,279)	(110,331)	(105,076)	(7,746)	(4,519,533)
Transferred to inventories	—	—	—	(1,172,879)	—	—	—	(1,172,879)
At 31 December 2007	3,103,652	23,922,489	33,486,600	10,821,751	1,349,301	2,026,218	8,985,759	83,695,770
Accumulated depreciation and impairment								
At 1 January 2007	474,342	12,223,462	22,276,685	2,473,037	605,479	815,787	—	38,868,792
Exchange differences	1,864	(586,097)	(2,343,419)	(144,920)	(1,575)	(8,850)	—	(3,082,997)
Charge for the year and impairment	112,784	822,364	2,180,166	571,181	155,883	209,644	—	4,052,022
Reclassification of jointly controlled entities to subsidiaries	—	—	—	—	—	—	—	—
Disposals	(14,475)	(665,790)	(354,082)	(123,047)	(70,297)	(96,603)	—	(1,324,294)
Transferred to inventories	—	—	—	(809,400)	—	—	—	(809,400)
At 31 December 2007	574,515	11,793,939	21,759,350	1,966,851	689,490	919,978	—	37,704,123
Net book value								
At 31 December 2007	2,529,137	12,128,550	11,727,250	8,854,900	659,811	1,106,240	8,985,759	45,991,647

Notes to the Consolidated Financial Statements

6 Property, plant and equipment (Continued)

Group

	Buildings	Container vessels	Dry bulk vessels	Containers	Trucks, chassis and motor vehicles	Computer and office equipment	Assets under construction	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(Restated)								
Cost								
At 1 January 2006	1,826,929	25,282,529	35,075,334	16,100,266	1,001,609	1,217,756	4,102,373	84,606,796
Exchange differences	(9,221)	(445,523)	(787,128)	(406,641)	(793)	(12,602)	(118,439)	(1,780,347)
Reclassifications	225,479	39,586	594,458	—	10,051	163,326	(1,032,900)	—
Additions	511,448	69,712	2,779,078	3,829,974	319,750	482,463	1,895,068	9,887,493
Disposals	(134,728)	(725,269)	(695,097)	(9,518,115)	(115,809)	(64,906)	—	(11,253,924)
At 31 December 2006	2,419,907	24,221,035	36,966,645	10,005,484	1,214,808	1,786,037	4,846,102	81,460,018
Accumulated depreciation and impairment								
At 1 January 2006	433,748	12,227,418	20,777,856	4,976,589	599,291	704,927	—	39,719,829
Exchange differences	(526)	(184,751)	(423,335)	(113,415)	(450)	(1,366)	—	(723,843)
Charge for the year and impairment	81,956	754,315	2,243,412	682,424	103,864	167,110	—	4,033,081
Disposals	(40,836)	(573,520)	(321,248)	(3,072,561)	(97,226)	(54,884)	—	(4,160,275)
At 31 December 2006	474,342	12,223,462	22,276,685	2,473,037	605,479	815,787	—	38,868,792
Net book value								
At 31 December 2006	1,945,565	11,997,573	14,689,960	7,532,447	609,329	970,250	4,846,102	42,591,226

Notes to the Consolidated Financial Statements

6 Property, plant and equipment (Continued)

Company

	Motor vehicles RMB'000	Computer and office equipment RMB'000	Total RMB'000
Cost			
At 1 January 2007	2,236	5,460	7,696
Additions	—	137	137
At 31 December 2007	2,236	5,597	7,833
Accumulated depreciation			
At 1 January 2007	311	1,508	1,819
Charge for the year	496	1,854	2,350
At 31 December 2007	807	3,362	4,169
Net book value			
At 31 December 2007	1,429	2,235	3,664
Cost			
At 1 January 2006	1,400	5,309	6,709
Additions	836	151	987
At 31 December 2006	2,236	5,460	7,696
Accumulated depreciation			
At 1 January 2006	58	432	490
Charge for the year	253	1,076	1,329
At 31 December 2006	311	1,508	1,819
Net book value			
At 31 December 2006	1,925	3,952	5,877

Notes to the Consolidated Financial Statements

6 Property, plant and equipment (Continued)

Notes:

(a) The aggregate cost, accumulated depreciation and impairment of the leased assets, where the Group is the lessor under the operating lease arrangements, are set out below:

	Containers RMB'000	Container vessels RMB'000	Dry bulk vessels RMB'000	Total RMB'000
At 31 December 2007				
Cost	**2,258,831**	**1,651,302**	**23,286,689**	**27,196,822**
Accumulated depreciation and impairment	**(220,767)**	**(311,635)**	**(15,841,361)**	**(16,373,763)**
	2,038,064	**1,339,667**	**7,445,328**	**10,823,059**
At 31 December 2006				
Cost	2,429,763	434,840	22,244,815	25,109,418
Accumulated depreciation and impairment	(1,029,116)	(228,622)	(12,165,973)	(13,423,711)
	1,400,647	206,218	10,078,842	11,685,707

(b) At 31 December 2007, certain container vessels and dry bulk vessels with an aggregate net book value of RMB9,359,261,000 and RMB310,761,000 respectively (2006: RMB8,437,857,000 and RMB2,416,110,000) were pledged as securities for loan facilities granted by banks or third parties (note 24(h)).

The pledge of certain dry bulk vessels with net book value of RMB819,078,000 as at 31 December 2006 for a loan borrowed by COSCO was released during the year.

(c) At 31 December 2007, certain buildings with net book value of RMB61,034,000 (2006: Nil) were pledged as securities for long term bank borrowings (note 24(h)). At 31 December 2006, certain buildings with net book value of RMB30,923,000 were pledged as securities for short-term loan from COSCO Finance Co., Ltd. ("COSCO Finance"), an associate and also a fellow subsidiary, which was fully repaid in 2007(note 28(b)).

(d) During the year, the Group transferred containers with an aggregate net book value of RMB363,479,000 (2006: RMB331,956,000) to inventories.

(e) The net book value of a vessel held under finance lease as at 31 December 2007 amounted to RMB128,004,000 (2006: RMB184,722,000).

(f) A syndicated banking facility of RMB2,387,572,000 (equivalent to US$305,760,000) was obtained from banks and financial institutions for financing the construction of four container vessels held by the Group. As at 31 December 2007, the banking facilities which were drawn down by the Group amounting to RMB1,293,077,000 (equivalent to US$177,022,300) (2006: Nil). The banking facility is secured by:

(i) Assignments of the building contracts and instalment refund guarantee issued by bank for the three container vessels under construction.

(ii) First legal mortgage over one container vessel.

(iii) Assignment of the charter, charter earnings and rights, requisition compensation and insurance relating to these four container vessels.

(iv) Pledge of issued shares of certain subsidiaries.

(v) Bank accounts of certain subsidiaries.

Notes to the Consolidated Financial Statements

6 Property, plant and equipment (Continued)

(g) In 2006, the Group entered into agreements with certain bank and financial institution pursuant to which the Group participated in a series of linked transactions including financing, sales and leasing back of two vessels (the "Vessels Financing Lease Arrangements"). As at 31st December 2007, the loans of approximately RMB587,115,000 (US$80,376,000) were fully drawn down. These vessels were delivered in 2007 and are accounted for as property, plant and equipment as the Group retain all the risks and rewards incident to the ownership of the underlying assets and enjoy substantially the same rights to its use before or after the Vessels Financing Lease Arrangements. The net book values of these two vessels amounted to RMB944,742,000 as at 31 December 2007.

(h) The depreciation of the dry-docking costs for the year ended 31 December 2007 and the net book value of the dry-docking costs as at 31 December 2007 were RMB90,897,000 (2006: RMB107,581,000) and RMB93,934,000 (2006: RMB139,474,000) respectively.

(i) During the year, interest expenses of RMB39,035,000 (2006: Nil) were capitalised to the vessels during the vessel construction period. The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation was at 0.515% over LIBOR (2006: Nil) (note 33).

7 Investment properties

	Group	
	2007 RMB'000	2006 RMB'000 (Restated)
At 1 January	314,740	332,810
Exchange differences	(665)	(207)
Addition	37,345	—
Disposals	—	(4,837)
Depreciation	(11,043)	(13,026)
At 31 December	340,377	314,740
Representing:		
Cost	451,310	414,155
Accumulated depreciation	(110,933)	(99,415)
Net book value	340,377	314,740

The fair value of the investment properties at 31 December 2007 was RMB945,595,000 (2006: RMB899,795,000). The fair value is estimated by the management with reference to recent market transactions.

Notes to the Consolidated Financial Statements

8 Leasehold land and land use rights

	Group 2007 RMB'000	2006 RMB'000 (Restated)
At 1 January	**505,410**	385,822
Exchange differences	**(18,099)**	(4,549)
Additions	**528,612**	149,690
Reclassification of jointly controlled entities to subsidiaries	**54,624**	—
Amortisation	**(17,684)**	(15,954)
Disposals	**(7,811)**	(9,599)
At 31 December	**1,045,052**	505,410

Notes:

(a) The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and their net book value, are analysed as follows:

	Group 2007 RMB'000	2006 RMB'000 (Restated)
In Hong Kong, held on:		
Leases of over 50 years	**12,420**	10,454
Leases of between 10 to 50 years	**120,240**	120,465
	132,660	130,919
Outside Hong Kong, held on:		
Leases of over 50 years	**31,508**	32,650
Leases of between 10 to 50 years	**880,884**	341,841
	912,392	374,491
Total	**1,045,052**	505,410
Cost	**586,200**	481,058
Accumulated amortisation	**(80,790)**	(95,236)
Net book value at 1 January	**505,410**	385,822
Cost	**1,131,248**	586,200
Accumulated amortisation	**(86,196)**	(80,790)
Net book value at 31 December	**1,045,052**	505,410

(b) At 31 December 2007, no land use rights were pledged. At 31 December 2006, land use rights outside Hong Kong with net book value of RMB12,845,000 were pledged as securities for loan facility granted by a bank (note 24(h)).

Notes to the Consolidated Financial Statements

9 Intangible assets

	Group		Company	
	Computer software		Computer software	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(Restated)		
Cost	**521,088**	486,254	**132**	132
Accumulated amortisation and impairment	**(387,261)**	(302,378)	**(40)**	(13)
Net book value at 1 January	**133,827**	183,876	**92**	119
Cost	**615,344**	521,088	**454**	132
Accumulated amortisation and impairment	**(435,003)**	(387,261)	**(98)**	(40)
Net book value at 31 December	**180,341**	133,827	**356**	92
At 1 January	**133,827**	183,876	**92**	119
Exchange differences	**(1,794)**	(719)	**—**	—
Reclassification of jointly controlled entities to subsidiaries	**4,388**	—	**—**	—
Additions	**96,390**	37,884	**323**	—
Amortisation	**(51,762)**	(86,637)	**(59)**	(27)
Disposal/write-off	**(708)**	(577)	**—**	—
At 31 December	**180,341**	133,827	**356**	92

10 Subsidiaries

	Company	
	2007	2006
	RMB'000	RMB'000
Non-current assets		
Unlisted investments, at cost	**17,139,201**	8,586,288
Equity loan to a subsidiary (note a)	**12,600,000**	—
	29,739,201	8,586,288
Current assets		
Amounts due from subsidiaries (note a)	**4,364,238**	7,810,772
Loans to subsidiaries (note b)	**1,100,000**	—
Dividend receivable from subsidiaries (note c)	**2,728,244**	—
	8,192,482	7,810,772
Current liabilities		
Amounts due to subsidiaries (note a)	**(216,983)**	(514,189)

Notes to the Consolidated Financial Statements

10 Subsidiaries (Continued)

Notes:

(a) The equity loan to a subsidiary and amounts due from/(to) subsidiaries are unsecured, interest free and have no fixed terms of repayment.

(b) The loans to subsidiaries are unsecured, bear interest at 1% per annum and wholly repayable within one year.

(c) The amounts are dividend receivable from subsidiaries in respect of profit declared for the year.

(d) Details of the principal subsidiaries at 31 December 2007 are shown in note 47(a) to the Consolidated Financial Statements.

11 Jointly controlled entities

	Group	
	2007 RMB'000	2006 RMB'000 (Restated)
Share of net assets	3,628,514	2,508,193
Goodwill on acquisition (note a)	302,725	78,149
Loans to jointly controlled entities (note b)	1,249,993	409,909
	5,181,232	2,996,251
Current portion of loans to a jointly controlled entities (note b)	(70,913)	(9,370)
	5,110,319	2,986,881
Unlisted investments, at cost	5,118,612	3,960,402

Notes:

(a) The carrying amount of goodwill mainly represented the goodwill on acquisitions of equity interests in Shanghai Pudong International Container Terminals Limited ("Shanghai Pudong"), Qingdao Qianwan Container Terminal Co., Ltd, Nanjing Port Longtan Containers Co., Ltd and Yingkou Container Terminal of RMB229,620,000 (2006: Nil), RMB39,167,000 (2006: RMB41,870,000) and RMB33,112,000 (2006: RMB35,397,000) and RMB826,000 (2006: RMB882,000) respectively. The movement during the year was as follows:

	Group	
	2007 RMB'000	2006 RMB'000 (Restated)
Cost		
At 1 January	78,149	80,767
Reclassification of Shanghai Pudong from an associate to a jointly controlled entity (note 12(a))	229,620	—
Exchange differences	(5,044)	(2,618)
At 31 December	302,725	78,149

Notes to the Consolidated Financial Statements

11 Jointly controlled entities (Continued)

(b) At 31 December 2007, an unsecured loan of RMB13,148,000 (2006: RMB79,648,000) to a jointly controlled entity bears interest at 0.73% over LIBOR per annum and is fully repayable by 2010.

At 31 December 2007, an unsecured loan of RMB62,148,000 (2006: RMB62,196,000) to a jointly controlled entity bore interest at 1.6% (2006: 1.6%) per annum above the applicable swap offer rate as determined by the Association of Banks in Singapore and was early repaid on 2 January 2008.

All other loans to jointly controlled entities are unsecured, interest free and have no fixed terms of repayment.

(c) The Company had no directly owned jointly controlled entity at 31 December 2007. Details of the principal jointly controlled entities at 31 December 2007 are shown in note 47(b) to the Consolidated Financial Statements.

(d) The financial information below, after making adjustments to conform to the Group's significant accounting policies, represents the Group's interests in respective jointly controlled entities.

	Non-current assets RMB'000	Current assets RMB'000	Non-current Liabilities RMB'000	Current liabilities RMB'000	Revenues RMB'000	Profits less losses after income tax RMB'000
2007	**7,727,881**	**2,979,714**	**(3,908,500)**	**(2,813,846)**	**(5,729,297)**	**(955,688)**
2006	5,505,365	2,173,977	(1,493,818)	(3,489,225)	(2,732,536)	(673,424)

There are no contingent liabilities relating to the Group's interests in jointly controlled entities. In addition, none of the jointly controlled entities had any contingent liabilities.

12 Associates

	Group 2007 RMB'000	Group 2006 RMB'000 (Restated)
Share of net assets	**4,373,900**	5,151,509
Goodwill on acquisition (note a)	**636**	246,146
Loans to associates (note b)	**162,711**	145,882
	4,537,247	5,543,537
Current portion of loan to an associate (note b)	**(48,000)**	—
	4,489,247	5,543,537
Investments, at cost		
- Listed shares in Hong Kong	**—**	1,711,581
- Listed shares in the PRC (note c)	**1,115,559**	1,074,485
- Unlisted shares	**1,011,096**	1,492,791
	2,126,655	4,278,857
Market value of listed shares (note c)	**11,297,689**	8,298,446

Notes to the Consolidated Financial Statements

12 Associates (Continued)

Notes:

(a) Movement of goodwill of the Group during the year is as follows:

	2007 RMB'000	2006 RMB'000
Cost		
At 1 January	246,146	702
Additions	—	245,466
Reclassification of an associate as a jointly controlled entity (note 11(a))	(229,620)	—
Exchange differences	(15,890)	(22)
At 31 December	636	246,146

In December 2007, the Group reclassified Shanghai Pudong as a jointly controlled entity. The Memorandum and Articles of Association of Shanghai Pudong was amended during the year and the Group could have joint control over the financial and operating policies of Shanghai Pudong.

(b) An unsecured loan of RMB114,711,000 (2006 : RMB97,882,000) to an associate which bears interest at 10-year Belgium prime rate plus 2% (2006: 2%) per annum has no fixed term of repayment.

An unsecured loan of RMB48,000,000 (2006: RMB48,000,000) to an associate which bears interest at Tokyo interbank Offered Rate plus 0.5% (2006: 0.5%) per annum and is wholly repayable on 24 April 2008.

Other loans to associates are unsecured, interest free and have no fixed terms of repayment.

(c) With the completion of the share reform of China International Marine Containers (Group) Co, Ltd ("CIMC") in 2006, the Group's investment in CIMC has been redesignated as a listed investment. The market value of CIMC shares of RMB6,710,765,000 held by the Group cannot freely place or trade until the expiry of certain trading restrictions from the implementation date of the share reform of CIMC.

(d) The financial information below, after making adjustments to conform to the Group's significant accounting policies, represents the Group's interests in respective associates:

	Total assets RMB'000	Total liabilities RMB'000	Revenues RMB'000	Profits less losses after income tax RMB'000
2007	**13,071,852**	**(8,534,497)**	**(9,577,842)**	**(1,005,783)**
2006	21,298,134	(15,863,540)	(6,833,299)	(873,448)

(e) During the year, a 20% equity interest in Chong Hing Bank Limited was disposed of to a fellow subsidiary, and details of which are set out in note 34.

(f) The Company had no directly owned associate at 31 December 2007. Details of the associates at 31 December 2007 are set out in note 47(c) to the Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

13 Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

Group

	Loans and receivables RMB'000	Other financial assets/ derivatives at fair value through the profit or loss RMB'000	Derivatives used for hedging RMB'000	Available-for-sale RMB'000	Total RMB'000
Assets as per consolidated balance sheet					
At 31 December 2007					
Available-for-sale financial assets (note 14)	—	—	—	4,708,917	4,708,917
Derivative financial assets (note 20)	—	1,991,933	463,515	—	2,455,448
Other financial assets at fair value through profit or loss (note 21)	—	3,664	—	—	3,664
Trade and other receivables (note 19)	13,052,088	—	—	—	13,052,088
Receivables from and loans to related parties (notes 11,12)	1,293,791	—	—	—	1,293,791
Deposits and cash and cash equivalents (note 17)	37,400,378	—	—	—	37,400,378
Finance lease receivable (note 16)	25,471	—	—	—	25,471
Total	51,771,728	1,995,597	463,515	4,708,917	58,939,757
At 31 December 2006					
Available-for-sale financial assets (note 14)	—	—	—	3,323,165	3,323,165
Derivative financial assets (note 20)	—	552,456	65,442	—	617,898
Trade and other receivables (note 19)	13,410,153	—	—	—	13,410,153
Receivables from and loans to related parties (notes 11, 12)	546,421	—	—	—	546,421
Deposits and cash and cash equivalents (note 17)	11,049,705	—	—	—	11,049,705
Finance lease receivable (note 16)	34,597	—	—	—	34,597
Total	25,040,876	552,456	65,442	3,323,165	28,981,939

Notes to the Consolidated Financial Statements

13 Financial instruments by category (Continued)

	Other financial liabilities/ derivatives at fair value through the profit or loss RMB'000	Derivatives used for hedging RMB'000	Other financial liabilities RMB'000	Total RMB'000
Liabilities as per consolidated balance sheet				
At 31 December 2007				
Trade and other payables (note 26)	—	—	35,778,691	35,778,691
Borrowings (notes 24, 28)	—	—	19,329,881	19,329,881
Derivative financial liabilities (note 20)	528,540	14,181	—	542,721
Other non-current liabilities (note 25)	—	—	946,854	946,854
Amount due to fellow subsidiaries (note 27)	—	—	536,779	536,779
Total	528,540	14,181	56,592,205	57,134,926
At 31 December 2006				
Trade and other payables (note 26)	—	—	15,928,076	15,928,076
Borrowings (notes 24, 28)	—	—	18,893,350	18,893,350
Derivative financial liabilities (note 20)	327,672	501,196	—	828,868
Other non-current liabilities (note 25)	—	—	673,233	673,233
Amount due to fellow subsidiaries (note 27)	—	—	680,636	680,636
Total	327,672	501,196	36,175,295	37,004,163

Notes to the Consolidated Financial Statements

13 Financial instruments by category (Continued)

Company

	Loans and receivables RMB'000	Other financial assets/ derivatives at fair value through the profit or loss RMB'000	Derivatives used for hedging RMB'000	Available-for-sale RMB'000	Total RMB'000
Assets as per balance sheet					
At 31 December 2007					
Other receivables (note 19)	**109,690**	**—**	**—**	**—**	**109,690**
Loans to and receivables from subsidiaries (note 10)	**8,192,482**	**—**	**—**	**—**	**8,192,482**
Deposits and cash and cash equivalents (note 17)	**12,841,335**	**—**	**—**	**—**	**12,841,335**
Total	**21,143,507**	**—**	**—**	**—**	**21,143,507**
At 31 December 2006					
Other receivables (note 19)	316,428	—	—	—	316,428
Loans to and receivables from subsidiaries (note 10)	7,810,772	—	—	—	7,810,772
Deposits and cash and cash equivalents (note 17)	631,847	—	—	—	631,847
Total	8,759,047	—	—	—	8,759,047

Notes to the Consolidated Financial Statements

13 Financial instruments by category (Continued)

Company

	Other financial liabilities/ derivatives at fair value through the profit or loss RMB'000	Derivatives used for hedging RMB'000	Other financial liabilities RMB'000	Total RMB'000
Liabilities as per balance sheet				
At 31 December 2007				
Other payables (note 26)	**—**	**—**	**531,238**	**531,238**
Payables to subsidiaries and related parties (note 10)	**—**	**—**	**216,983**	**216,983**
Borrowings (note 28)	**—**	**—**	**249,138**	**249,138**
Total	**—**	**—**	**997,359**	**997,359**
At 31 December 2006				
Other payables (note 26)	—	—	86,918	86,918
Consideration and distribution payable (note 26)	—	—	1,213,959	1,213,959
Payables to subsidiaries and related parties (note 10)	—	—	514,189	514,189
Borrowings (note 28)	—	—	2,273,700	2,273,700
Total	—	—	4,088,766	4,088,766

Notes to the Consolidated Financial Statements

14 Available-for-sale financial assets

	Group	
	2007	2006
	RMB'000	RMB'000
		(Restated)
At 1 January	3,323,165	2,483,208
Exchange differences	(189,051)	(72,038)
Additions	105,562	119,182
Disposals	(120,166)	(83,012)
Net fair value gain recognised in equity	1,589,407	875,825
At 31 December	4,708,917	3,323,165
Available-for-sale financial assets represent the following:		
Listed investments in Hong Kong (note b)	99,489	67,069
Listed investments in the PRC (note b)	545,629	192,036
Unlisted investments (note c)	4,063,799	3,064,060
	4,708,917	3,323,165

Notes:

(a) Available-for-sale financial assets at 31 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 RMB458,575,000 (2006: RMB410,870,000). The loan advanced to an investee company is unsecured, interest free and has no fixed terms of repayment.

(b) Listed investments mainly represented equity interests in entities which are principally engaged in shipping business for domestic and international transportation.

(c) Unlisted investments mainly comprise equity interests in entities which are engaged in container terminal operations in Yantian, Tianjin and Dalian of China mainland.

(d) Available-for-sale financial assets are denominated in the following currencies:

	2007	2006
	RMB'000	RMB'000
		(Restated)
RMB	4,609,164	3,255,812
Hong Kong dollar	99,489	67,069
Korean WON	264	284
	4,708,917	3,323,165

(e) None of the available-for-sale financial assets were impaired in 2007 and 2006.

Notes to the Consolidated Financial Statements

15 Deferred income tax

Deferred income tax is calculated in full on temporary differences under the liability method using taxation rates ranging from 15% to 42% for the year (2006: 15% to 46%).

The movement on the net deferred tax liabilities is as follows:

	Group		Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000 (Restated)	**RMB'000**	RMB'000
At 1 January	**(267,195)**	(395,711)	**2,381**	—
Exchange differences	**97,274**	6,010	**—**	—
(Charged)/credited to consolidated income statement (note 35)	**(1,064,083)**	164,388	**88,738**	2,381
Charged to equity	**(178,813)**	(41,882)	—	—
At 31 December	**(1,412,817)**	(267,195)	**91,119**	2,381

Deferred income tax assets are recognised for tax losses carry forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. As at 31 December 2007, the Group had unrecognised tax losses of RMB257,816,000 (2006: RMB291,698,000) to carry forward for offsetting future taxable profits, their expiry dates are as follows:

Year	**2007 RMB'000**	2006 RMB'000
2007	**—**	18,259
2008	**16,860**	18,147
2009	**24,455**	31,581
2010	**14,008**	26,125
2011	**36,312**	43,128
2012	**36,946**	—
	128,581	137,240
Tax loss with no expiry date	**129,235**	154,458
	257,816	291,698

At 31 December 2007, unrecognized deferred income tax liabilities of RMB653,222,000 (2006: RMB503,739,000) were provisions made for the income tax and withholding tax of RMB2,735,307,000 (2006: RMB993,460,000) that would be payable for undistributed profits of certain overseas subsidiaries as the Directors considered that the timing for the reversal of the related temporary differences can be controlled and such temporary differences will not be reversed in the foreseeable future.

Notes to the Consolidated Financial Statements

15 Deferred income tax (Continued)

The movement in deferred income tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year was as follows:

Group

Deferred income tax liabilities

	Undistributed profits of subsidiaries	Accelerated tax depreciation	Fair value gain	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(Restated)					
At 1 January 2006	(200,210)	(1,063,807)	(27,478)	(28,881)	(1,320,376)
Exchange differences	—	13,552	—	5	13,557
(Charged)/credited to consolidated income statement	(219,108)	956,989	(176,766)	28,180	589,295
Charged to equity	—	—	(44,324)	—	(44,324)
At 31 December 2006 and 1 January 2007	(419,318)	(93,266)	(248,568)	(696)	(761,848)
Exchange differences	70,936	1,996	—	1,954	74,886
Charged to consolidated income statement	(801,237)	(56,355)	(344,978)	(56,969)	(1,259,539)
Charged to equity	—	—	(179,128)	—	(179,128)
At 31 December 2007	(1,149,619)	(147,625)	(772,674)	(55,711)	(2,125,629)

Notes to the Consolidated Financial Statements

15 Deferred income tax (Continued)

Group

Deferred income tax assets

	Staff benefit RMB'000	Tax loss RMB'000	Fair value loss RMB'000	Accelerated accounting depreciation RMB'000	Others RMB'000	Total RMB'000
(Restated)						
At 1 January 2006	317,940	390,858	33,879	106,070	75,918	924,665
Exchange differences	(833)	(5,851)	—	—	(863)	(7,547)
(Charged)/credited to consolidated income statement	(34,125)	(381,095)	74,252	(43,937)	(40,002)	(424,907)
Credited to equity	2,313	—	—	—	129	2,442
At 31 December 2006 and 1 January 2007	285,295	3,912	108,131	62,133	35,182	494,653
Exchange differences	(1,872)	(411)	—	25,746	(1,075)	22,388
(Charged)/credited to consolidated income statement	102,232	6,475	25,250	(6,874)	68,373	195,456
Credited to equity	315	—	—	—	—	315
At 31 December 2007	385,970	9,976	133,381	81,005	102,480	712,812

Notes to the Consolidated Financial Statements

15 Deferred income tax (Continued)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current 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:

	Group	
	2007 RMB'000	2006 RMB'000 (Restated)
Deferred income tax assets	516,915	332,976
Deferred income tax liabilities	(1,929,732)	(600,171)
	(1,412,817)	(267,195)
The amount shown in the consolidated balance sheet include the following:		
Deferred income tax assets to be recovered after more than 12 months	334,275	306,564
Deferred income tax liabilities to be settled after more than 12 months	(431,731)	(490,983)

16 Finance lease receivables

Group	Gross receivables RMB'000	Unearned finance income RMB'000	Provision RMB'000	Present value of minimum lease payment receivable RMB'000
At 31 December 2007				
Not later than one year	**10,599**	**(2,016)**	**(22)**	**8,561**
Later than one year and not later than five years	**17,458**	**(2,579)**	**—**	**14,879**
Later than five years	**2,542**	**(511)**	**—**	**2,031**
	30,599	**(5,106)**	**(22)**	**25,471**
Less: Amount included under current assets	**(10,599)**	**2,016**	**22**	**(8,561)**
	20,000	**(3,090)**	**—**	**16,910**

Notes to the Consolidated Financial Statements

16 Finance lease receivables (Continued)

Group	Gross receivables RMB'000	Unearned finance income RMB'000	Provision RMB'000	Present value of minimum lease payment receivable RMB'000
At 31 December 2006				
Not later than one year	14,570	(2,843)	(470)	11,257
Later than one year and not later than five years	26,963	(3,537)	(86)	23,340
	41,533	(6,380)	(556)	34,597
Less: Amount included under current assets	(14,570)	2,843	470	(11,257)
	26,963	(3,537)	(86)	23,340

At 31 December 2007, the Group entered into 20 (2006: 19) finance leases 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 leasing under finance leases amounted to RMB59,481,000 (2006: RMB63,227,000) at 31 December 2007.

Residual values of assets leased under finance lease contracts without guarantees are estimated at approximately RMB51,000 (2006: RMB55,000).

Notes to the Consolidated Financial Statements

17 Deposits and cash and cash equivalents

	Group		Company	
	2007	2006	2007	2006
	RMB'000	RMB'000 (Restated)	RMB'000	RMB'000
Non-current portion				
Restricted bank deposits (note a)	103,599	126,098	—	—
Current portion				
Money market fund investments (note b)	58,438	62,470	—	—
Deposits placed with COSCO Finance (note c)	6,573,679	1,903,352	41,527	—
Bank balances and cash - unpledged	30,664,662	8,957,785	12,799,808	631,847
	37,296,779	10,923,607	12,841,335	631,847
Total deposits and cash and cash equivalents (note f)	37,400,378	11,049,705	12,841,335	631,847

Cash and cash equivalents include the following for the purpose of the consolidated cash flow statements:

	Group		Company	
	2007	2006	2007	2006
	RMB'000	RMB'000 (Restated)	RMB'000	RMB'000
Total deposits and bank balances and cash	37,400,378	11,049,705	12,841,335	631,847
Less:				
Restricted bank deposits	(103,599)	(126,098)	—	—
Bank overdrafts (note 28)	—	(1,464)	—	—
Deposits at overseas banks with original maturities over three months (note d)	(736)	(9,862)	—	—
Cash and cash equivalents	37,296,043	10,912,281	12,841,335	631,847

Notes to the Consolidated Financial Statements

17 Deposits and cash and cash equivalents (Continued)

Notes:

(a) Restricted bank deposits of RMB Nil (2006: RMB 22,738,000) held as security for repayment of bank loans of the Group and are restricted for the purpose of the related banking facilities (note 24(h)).

(b) Money market fund investments are highly liquid investments with original maturities within three months.

(c) Deposits placed with COSCO Finance bear interest at prevailing market rates.

(d) Deposits placed with PRC banks with original maturities over three months amounting to RMB9,425,294,000 (2006: RMB168,058,000) were treated as cash and cash equivalents as Directors consider those deposits are kept for cash management purpose.

(e) At 31 December 2007, exchange controls apply to certain bank balances and cash, which are held by the Company and certain of its subsidiaries with bank accounts operating in the PRC, amounted to RMB22,927,719,000 (2006: RMB6,296,908,000).

(f) The carrying amounts of deposits and cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(Restated)		
US dollar	**14,115,678**	5,250,155	**20,185**	46,124
RMB	**21,534,643**	4,003,449	**12,424,105**	90,691
EURO dollar	**323,058**	206,239	**—**	—
HK dollar	**924,239**	1,121,655	**397,045**	495,032
Other currencies	**502,760**	468,207	**—**	—
	37,400,378	11,049,705	**12,841,335**	631,847

(g) The effective interest rates on deposits at 31 December 2007 were in the range of 0.8% to 5.23% per annum (2006: 0.16% to 6.50% per annum); these deposits have an average maturity of 2 days to 365 days. The deposits earn interests at floating rates based on daily bank deposit rates.

18 Inventories

	Group	
	2007	2006
	RMB'000	RMB'000
		(Restated)
Bunker	**1,401,048**	749,614
Resaleable containers	**74,711**	29,593
Spare parts and consumable stores	**82,349**	82,777
Marine supplies and others	**1,571**	3,056
	1,559,679	865,040

Notes to the Consolidated Financial Statements

19 Trade and other receivables

	Group		Company	
	2007	2006	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000
		(Restated)		
Trade receivables (note a)				
- third parties	7,792,489	6,127,391	—	—
- subsidiaries of COSCO	1,081,462	1,192,621	—	—
- jointly controlled entities	162,911	254,380	—	—
- associates	708	3,010	—	—
- other related companies	235,847	110,764	—	—
	9,273,417	7,688,166	—	—
Bills receivables (note a)	113,032	81,021	—	—
	9,386,449	7,769,187	—	—
Prepayments, deposits and other receivables (note b)	3,199,570	2,509,235	109,690	6,243
Deposits with a fellow subsidiary (note c)	—	858,957	—	—
Current portion of loan to an associate (note 12)	48,000	—	—	—
Current portion of loans to jointly controlled entities (note 11)	70,913	9,370		
	118,913	9,370	—	—
Due from related parties (note d)				
- COSCO	33,682	1,776,267	—	—
- subsidiaries of COSCO	148,739	152,690	—	303,013
- jointly controlled entities	76,180	257,024	—	—
- associates	23,223	6,598	—	—
- related companies	65,332	70,825	—	7,172
	347,156	2,263,404	—	310,185
	13,052,088	13,410,153	109,690	316,428

Notes to the Consolidated Financial Statements

19 Trade and other receivables (Continued)

Notes:

(a) The credit period granted to the trade receivables of the Group is generally in the range of 15 to 90 days. Trade receivables consisted primarily of voyage-related and logistics receivables. At 31 December 2007, the ageing analysis of trade and bills receivables is as follows:

	2007 RMB'000	2006 RMB'000 (Restated)
1-3 months	8,540,317	6,832,936
4-6 months	581,198	649,649
7-12 months	250,736	257,536
1-2 years	61,428	91,909
2-3 years	50,294	20,159
Over 3 years	128,571	149,342
Trade receivable, gross	9,612,544	8,001,531
Less: Impairment of		
1-3 months	(23,613)	(34,421)
4-6 months	(30,675)	(36,393)
7-12 months	(7,327)	(6,479)
1-2 years	(13,054)	(12,944)
2-3 years	(24,478)	(9,920)
Over 3 years	(126,948)	(132,187)
Provision for impairment	(226,095)	(232,344)
	9,386,449	7,769,187

At 31 December 2007, the Group's trade and bills receivables of RMB4,726,777,000 (2006: RMB4,173,640,000) were fully collectible. Trade and bills receivables that were fully collectible mainly represent those due form customers with good credit history and low default rate.

At 31 December 2007, trade receivables of RMB4,127,300,000 (2006: RMB3,355,963,000) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2007 RMB'000	2006 RMB'000 (Restated)
1-3 months	3,789,927	2,624,875
4-6 months	231,115	450,718
7-12 months	88,379	202,463
1-2 years	7,348	59,281
2-3 years	9,369	4,394
Over 3 years	1,162	14,232
	4,127,300	3,355,963

Notes to the Consolidated Financial Statements

19 Trade and other receivables (Continued)

Notes:

Movements on the provision for impairment of trade receivables are as follows:

	2007 RMB'000	2006 RMB'000 (Restated)
At 1 January	232,344	246,959
Provision for receivable impairment	38,590	18,082
Receivables written off during the year as uncollectible	(30,918)	(17,629)
Unused amounts reversed	(12,593)	(14,042)
Exchange differences	(1,328)	(1,026)
At 31 December	226,095	232,344

The creation and release of provision for impaired receivables have been included in "other expenses" in the consolidated income statement (note 30). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

At 31 December 2007, trade receivable of RMB734,854,000 (2006: RMB437,507,000) were impaired. Provision of RMB226,095,000 (2006: RMB232,344,000) was made as the unprovided portion of such receivables was expected to be recovered.

There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers, internationally dispersed.

(b) Prepayments, pledged amounts and other receivables

	Group		Company	
	2007 RMB'000	2006 RMB'000 (Restated)	2007 RMB'000	2006 RMB'000
Prepayments and pledged amounts	1,508,714	994,037	—	—
Claims receivables	163,142	165,700	—	—
Other receivables less provision (note e)	1,527,714	1,349,498	109,690	6,243
	3,199,570	2,509,235	109,690	6,243

(c) The balance as at 31 December 2006 represented amounts placed by COSCO HK Shipping with its then intermediate holding company, COSCO (Hong Kong) Group Limited ("COSCO HK Group"), which were unsecured and bore interest at 0.25% over LIBOR per annum. During 2007, the balance was offset against the dividend payable to COSCO HK Group of RMB737,109,000.

Notes to the Consolidated Financial Statements

19 Trade and other receivables (Continued)

(d) The amounts due from related parties are unsecured, interest free and have no fixed terms of repayments.

The amount due from COSCO at 31 December 2006 included amounts of RMB1,091,965,000 paid to shipbuilders through COSCO for the construction of vessels. These construction contracts were novated to the Bulk Subsidiaries in June 2007. Together with the amount paid through COSCO during the year ended 31 December 2007, the total amount was RMB1,349,318,000 reclassified as assets under construction as at 31 December 2007 accordingly.

(e) At 31 December 2007, the Group's other receivable of RMB1,467,641,000 (2006: RMB1,185,774,000) were fully collectible. It mainly represented unsettled billings to be collected by the Group in respect of the leases of those containers managed on behalf of third parties of RMB286,654,000 (2006: RMB337,609,000) and expenses paid on behalf of charterers and container customers. At 31 December 2007, the Group's other receivable of RMB120,073,000 (2006: RMB163,724,000) were impaired and full provision was made.

Movements on the provision for impairment of other receivables are as follows:

	2007 RMB'000	2006 RMB'000 (Restated)
At 1 January	163,724	168,549
Provision for receivable impairment	526	6,180
Receivables written off during the year as uncollectible	(16,932)	(6,140)
Unused amount reversed	(27,245)	(4,865)
At 31 December	120,073	163,724

(f) The carrying amount of trade and other receivables are denominated in the following currencies:

	Group		Company	
	2007 RMB'000	2006 RMB'000 (Restated)	2007 RMB'000	2006 RMB'000
US dollar	6,309,282	6,989,407	—	74,521
RMB	5,415,200	5,433,865	101,558	5,903
EURO dollar	620,131	546,893	—	156,064
HK dollar	152,620	142,745	8,132	—
Other currencies	554,855	297,243	—	79,940
	13,052,088	13,410,153	109,690	316,428

(g) The carrying amounts of trade and other receivables approximate their fair values.

(h) The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Group does not hold any collateral as security.

Notes to the Consolidated Financial Statements

20 Derivative financial assets/liabilities

	Group			
	2007		2006	
	Assets RMB'000	Liabilities RMB'000	Assets RMB'000	Liabilities RMB'000
FFA (note a)				
- cash flow hedges	429,614	6,217	60,923	23,190
- derivatives at fair value through profit or loss	1,991,933	527,306	552,456	327,672
Forward foreign exchange contracts				
- cash flow hedges (note b)	—	7,964	—	11,043
Interest rate swaps				
- cash flow hedges (note c)	—	—	4,519	2,010
- derivatives at fair valve through profit or loss	—	1,234	—	—
- fair value hedges (note d)	33,901	—	—	34,061
	2,455,448	542,721	617,898	397,976
Put options (note 31)	—	—	—	430,892
Total	2,455,448	542,721	617,898	828,868
Less: non-current portion				
FFA (note a)				
- cash flow hedges	(40,755)	—	—	—
- derivatives at fair value through profit or loss	(291,693)	—	—	—
Forward foreign exchange contracts				
- cash flow hedges (note b)	—	(6,571)	—	(11,043)
Interest rate swaps				
- cash flow hedges (note c)	—	—	—	(2,010)
- fair value hedges (note d)	(33,901)	—	—	(34,061)
Total non-current portion	(366,349)	(6,571)	—	(47,114)
Current portion	2,089,099	536,150	617,898	781,754

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

The maximum exposure to credit risk at the reporting date is the fair value of the derivative financial assets in the consolidated balance sheet.

Notes to the Consolidated Financial Statements

20 Derivative financial assets/liabilities (Continued)

Notes:

(a) FFA

Most of the hedged highly probable forecast transactions are expected to occur at various dates during the next 12 months. Unless ineffective, gains and losses previously recognised in the hedging reserve in equity (note 23) on FFA are recognised in the consolidated income statement in the period during which the hedged transaction affects the consolidated income statement. This is generally within 12 months from the balance sheet date.

(b) Forward foreign exchange contracts

It mainly represented outstanding forward foreign exchange contracts with a bank to buy approximately Japanese Yen 10,834,600,000 by US dollar (at rates subject to different market scenarios on settlement dates) for settlements of the acquisition of two vessels which are denominated in Japanese Yen. These contracts are expired through March 2008 and June 2010. Gains and losses in equity (note 23) on forward foreign exchange contracts at 31 December 2007 will be released to the consolidated income statement in 2008 and 2010 respectively.

(c) Interest rate swap contracts – cash flow hedges

The notional principal amounts of the related interest rate swap contracts at 31 December 2006 amounted to US$100,000,000 (equivalent to approximately RMB807,020,000) which were committed with the fixed interest rates ranging from 3.88% to 4.90% per annum.

(d) Interest rate swap contracts – fair value hedges

The notional principal amount of the related interest rate swap contracts amounted to US$200,000,000 (equivalent to approximately RMB1,460,925,000) (2006: US$200,000,000 (equivalent to approximately RMB1,614,040,000)) which were committed with the 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 are designated as a hedge of the fair value of the notes issued by a subsidiary of the Group (note 24(c)).

21 Other financial assets at fair value through profit or loss

	2007 **RMB’000**	2006 RMB’000
Listed securities, at market value		
- Equity securities – Hong Kong	**3,664**	—

Other financial assets at fair value through profit or loss are presented within “operating activities” as part of changes in working capital in the cash flow statement (note 41(a)).

Changes in fair values of other financial assets at fair value through profit or loss are recorded in other income/expenses in the income statement.

The fair value of all equity securities is based on their current bid prices in an active market.

Notes to the Consolidated Financial Statements

22 Share capital and equity linked benefits

(a) Share capital

	2007		2006	
	Number of shares (thousands)	**Nominal value RMB'000**	Number of shares (thousands)	Nominal value RMB'000
Registered, issued and fully paid				
Domestic Shares of RMB1.00 each	**—**	**—**	3,960,756	3,960,756
H-Shares of RMB1.00 each	**2,580,600**	**2,580,600**	2,244,000	2,244,000
A-Shares of RMB1.00 each	**7,635,674**	**7,635,674**	—	—
At 31 December	**10,216,274**	**10,216,274**	6,204,756	6,204,756

Notes to the Consolidated Financial Statements

22 Share capital and equity linked benefits (Continued)

(a) Share capital (Continued)

A summary of the movements in the Company's issued share capital during the year was as follows:

	Domestic shares RMB'000	H-Shares RMB'000	A-Shares RMB'000	Total RMB'000
At 1 January 2006	3,896,000	2,244,000	—	6,140,000
Domestic shares converted from special reserve (note 23(c))	64,756	—	—	64,756
At 31 December 2006 and 1 January 2007	3,960,756	2,244,000	—	6,204,756
Bonus Issue (note i)	594,114	336,600	—	930,714
A-Shares Issue (note ii)				
- COSCO	(4,554,870)	—	4,554,870	—
- others	—	—	1,783,867	1,783,867
Acquisition Issue (note iii)				
- COSCO	—	—	864,271	864,271
Private placement (note iv)				
- COSCO	—	—	53,666	53,666
- others	—	—	379,000	379,000
At 31 December 2007	—	2,580,600	7,635,674	10,216,274

Notes:

i) Pursuant to the resolution passed in the annual general meeting held on 15 May 2007, the Company issued 1.5 bonus shares for every 10 shares of the Company at par value of RMB1.00 each held by the existing shareholders as at 31 December 2006 ("Bonus Issue"). The Bonus Issue resulted in the Company's issue of 594,113,450 new Domestic shares and 336,600,000 new H-Shares, totalling approximately RMB930,714,000 (note 23).

ii) On 26 June 2007, the Company issued 6,338,737,233 new A-Shares ("A-Shares Issue"), of which 4,554,869,787 A-Shares issue in exchange of the Domestic shares held by COSCO and 1,783,867,446 new A-Shares through public offering at RMB8.48 each on the Shanghai Stock Exchange.

Notes to the Consolidated Financial Statements

22 Share capital and equity linked benefits (Continued)

(a) Share capital (Continued)

Pursuant to the relevant existing PRC laws and regulations and the relevant requirements of the China Securities Regulatory Commission and the Shanghai Stock Exchange, after approval by the relevant authorities, all Domestic Shares issued before the A-Shares Issue, i.e., the 4,554,869,787 Domestic Shares held by COSCO, have been registered with China Securities Depository and Clearing Corporation Limited as circulative 4,554,869,787 A-Shares with restrictive trading period following the A-Shares Issue. COSCO has undertaken that for a period of 36 months commencing on the date on which the A-Shares are listed on the Shanghai Stock Exchange, it will not transfer or put on trust the A-Shares which it holds (directly or indirectly) in the capital of the Company or allow such shares to be repurchased by the Company.

Under the A-Shares Issue, 535,000,000 A-Shares that have been placed with the strategic investors are subject to a lock-up period of 12 months from the date of commencement of trading of the A-Shares.

The Company raised gross proceeds of RMB15,127,196,000 for the issue of 1,783,867,446 new A-Shares, of which paid-up share capital was approximately RMB1,783,867,000 and share premium was approximately RMB13,343,329,000 (note 23).

The A-Shares are listed on the Shanghai Stock Exchange since 26 June 2007.

iii) On 19 December 2007, the Company issued 864,270,817 new A-Shares to COSCO to settle the purchase consideration for acquisition of the entire interest in COSCO Bulk and COSCO Qingdao and 41.52% equity interest in COSCO Shenzhen (collectively "COSCO Acquisition") (notes 23 (f) and (h)). COSCO has agreed to forfeit the right to receive the dividend declared by the Company in respect of the Group's profits (excluding the Bulk Subsidiaries) for the period from 1 January 2007 to 31 August 2007 in respect of 864,270,817 A-Shares held by COSCO. These 864,270,817 A-Shares held by COSCO are subject to a lock-up period of 36 months from the date of 19 December 2007.

iv) On 28 December 2007, the Company also issued 432,666,307 new A-Shares at RMB30 per A-share through private placement to institutional investors (including COSCO) for cash of approximately RMB12,979,989,000. 53,666,307 A-Shares held by COSCO and 379,000,000 held by other institutional investors are subject to a lock-up period of 36 months and 12 months respectively, from the date of 28 December 2007.

v) The A-Shares rank pari passu, in all material respects, with H-Shares. Nonetheless, certain A-Shares are subject to certain restrictions as disclosed in notes (ii) to (iv) above.

Notes to the Consolidated Financial Statements

22 Share capital and equity linked benefits (Continued)

(b) Share appreciation rights

The Group has adopted a cash-settled, share-based payment scheme (the "Plan") which was approved by the Company's shareholders' meeting on 9 June 2005. The Plan provides for the grant of share appreciation rights ("SARs") to eligible participants as approved by the Company's board of Directors (collectively "the Grantees"). The Plan will remain in force unless otherwise cancelled or amended.

Under the Plan, the holders of SARs are entitled the rights to receive an amount in respect of the appreciation in market value of the Company's H-Shares from the date of grant of SARs and the date of exercise. No shares will be issued under the Plan and therefore the Company's equity interests will not be diluted as a result of the issuance of SARs. The initial grant of SARs was limited to 10% of the Company's H-Shares in issue at the date of grant. The maximum number of unexercised SARs permitted to be granted under the Plan is, upon their exercise, limited to 10% of the Company's H-Shares in issue at any time during each year. The maximum number of SARs granted to any eligible participant (including share appreciation rights granted prior to this Plan) is limited to 25% of the total number of SARs in issue at any time. Any further grant of SARs in excess of the above limits is subject to the approval of the Company's board of Directors.

The exercise period of all SARs commences after a vesting period and ends on a date which is not later than 10 years from the date of grant of the SARs. As of each of the last day of the third, fourth, fifth and sixth anniversary of the date of grant, the total number of SARs exercisable will not exceed 25%, 50%, 75% and 100%, respectively, of the total SARs granted to the respective eligible participants.

Notes to the Consolidated Financial Statements

22 Share capital and equity linked benefits (Continued)

(b) Share appreciation rights (Continued)

Movements in the number of SARs granted by the Company during the year ended 31 December 2007 are set out below.

			For the year ended 31 December 2007 Number of units of SARs					
Category	Note	Exercise price	Outstanding at 1 January 2007	Transferred (to)/from other category during the year note (v)	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31 December 2007
Directors	(i)	HK$3.195	5,400,000	(1,300,000)	—	(795,000)	—	3,305,000
	(ii)	HK$3.588	5,400,000	(1,300,000)	—	—	—	4,100,000
	(iii)	HK$9.54	—	—	4,660,000	—	—	4,660,000
Supervisors	(i)	HK$3.195	1,400,000	—	—	(135,000)	—	1,265,000
	(ii)	HK$3.588	1,400,000	—	—	—	—	1,400,000
	(iii)	HK$9.54	—	—	1,820,000	—	—	1,820,000
Other continuous contract employees	(i)	HK$3.195	12,675,000	(500,000)	—	(1,844,250)	(100,000)	10,230,750
	(ii)	HK$3.588	12,740,000	(500,000)	250,000	(280,000)	—	12,210,000
	(iii)	HK$9.54	—	—	16,250,000	(80,000)	—	16,170,000
Others	(i),(iv)	HK$3.195	2,825,000	1,800,000	—	(2,550,000)	—	2,075,000
	(ii),(iv)	HK$3.588	2,160,000	1,800,000	—	(945,000)	—	3,015,000
	(iii),(iv)	HK$9.54	—	—	2,015,000	—	—	2,015,000
			44,000,000	—	24,995,000	(6,629,250)	(100,000)	62,265,750

Notes to the Consolidated Financial Statements

22 Share capital and equity linked benefits (Continued)

(b) Share appreciation rights (Continued)

Movements in the number of SARs granted by the Company during the year ended 31 December 2006 are set out below.

Category	Note	Exercise price	For the year ended 31 December 2006 Number of units of SARs Outstanding at 1 January 2006	Transferred (to)/from other category during the year note (v)	Granted during the year	Outstanding at 31 December 2006
Directors	(i)	HK$3.195	6,000,000	(600,000)	—	5,400,000
	(ii)	HK$3.588	—	—	5,400,000	5,400,000
Supervisors	(i)	HK$3.195	1,400,000	—	—	1,400,000
	(ii)	HK$3.588	—	—	1,400,000	1,400,000
Other continuous contract employees	(i)	HK$3.195	12,525,000	—	150,000	12,675,000
	(ii)	HK$3.588	—	—	12,740,000	12,740,000
Others	(i),(iv)	HK$3.195	2,225,000	600,000	—	2,825,000
	(ii),(iv)	HK$3.588	—	—	2,160,000	2,160,000
			22,150,000	—	21,850,000	44,000,000

Notes:

(i) The SARs were granted by the Company on 16 December 2005 and are exercisable at any time between 16 December 2007 to 15 December 2015 (“2005 SARs”).

(ii) The SARs were granted by the Company on 5 October 2006 and are exercisable at any time between 5 October 2008 to 4 October 2016 (“2006 SARs”).

(iii) The SARs were granted by the Company on 4 June 2007 and are exercisable at any time between 4 June 2009 and 3 June 2017 (“2007 SARs”).

(iv) The SARs were granted to certain senior management of COSCO by the Company and are classified in the category of “Others”.

(v) The SARs granted to three Directors who resigned during the year were reclassified from the category of “Directors” to the category of “Others”. During the year, one of the employees becomes the Director of the Company, his SARs were transferred from the category of “other continuous contract employees to the category of “Directors”.

The fair values of 2005 SARs, 2006 SARs and 2007 SARs at 31 December 2007 as determined using the Binomial valuation model ranged from HK$8.73 per unit to HK$18.36 per unit. The significant inputs into the model were spot price of HK$21.55 at 31 December 2007, vesting period, volatility of the underlying stock, risk-free interest rate, forfeiture rate, dividend yield and sub-optional exercise factor. The expected volatility of 26.69% is estimated based on historical daily share price of the Company for the year.

Notes to the Consolidated Financial Statements

22 Share capital and equity linked benefits (Continued)

(b) Share appreciation rights (Continued)

The total expense recognised for the year ended 31 December 2007 arising from SARs transactions amounted to RMB383,681,000 (2006: RMB31,288,000), which was included in the staff costs in the consolidated income statement.

At 31 December 2007, the total carrying amount of the liabilities arising from SARs transactions included in other payables in the consolidated balance sheet amounted to RMB414,969,000 (2006: RMB31,288,000) and the total intrinsic value of the vested SARs was RMB41,585,000 (2006: RMB Nil).

(c) Share options of a subsidiary

The Group's subsidiary, COSCO Pacific Limited ("COSCO Pacific"), operates share option schemes whereby options are granted to eligible employees and directors or any participants (as defined in the relevant share option schemes) of the Group, to subscribe for its shares.

Movements of the share options granted by COSCO Pacific during the year ended 31 December 2007 and 2006 are set out below:

			For the year ended 31 December 2007 Number of share options				
Category	Note	Exercise price HK$	Outstanding at 1 January 2007	Transfer (to)/ from other category	Granted during the year	Exercised during the year	Outstanding at 31 December 2007
Directors	(iii)	9.54	1,900,000	(300,000)	—	(1,600,000)	—
	(iv)	13.75	6,500,000	(1,500,000)	—	—	5,000,000
Supervisors	(iii)	9.54	300,000	—	—	(300,000)	—
	(iv)	13.75	1,000,000	—	—	—	1,000,000
Other continuous contract employees	(ii)	8.80	322,000	—	—	(322,000)	—
	(iii)	9.54	4,778,000	—	—	(2,253,000)	2,525,000
	(iv)	13.75	23,998,000	(500,000)	—	(7,006,000)	16,492,000
	(v)	19.30	—	—	17,600,000	(530,000)	17,070,000
Others	(iii)	9.54	100,000	300,000	—	(350,000)	50,000
	(iv)	13.75	2,960,000	2,000,000	—	(3,836,000)	1,124,000
			41,858,000	—	17,600,000	(16,197,000)	43,261,000

Notes to the Consolidated Financial Statements

22 Share capital and equity linked benefits (Continued)

(c) Share options of a subsidiary (Continued)

			For the year ended 31 December 2006			
			Number of share options			
Category	Note	Exercise price HK$	Outstanding at 1 January 2006	Exercised during the year	Lapsed during the year	Outstanding at 31 December 2006
Directors	(iii)	9.54	3,300,000	(1,400,000)	—	1,900,000
	(iv)	13.75	9,000,000	(2,500,000)	—	6,500,000
Supervisors	(iii)	9.54	400,000	(100,000)	—	300,000
	(iv)	13.75	1,000,000	—	—	1,000,000
Other continuous contract employees	(ii)	8.80	1,154,000	(832,000)	—	322,000
	(iii)	9.54	7,988,000	(3,210,000)	—	4,778,000
	(iv)	13.75	38,144,000	(14,126,000)	(20,000)	23,998,000
Others	(iii)	9.54	910,000	(810,000)	—	100,000
	(iv)	13.75	9,700,000	(6,740,000)	—	2,960,000
			71,596,000	(29,718,000)	(20,000)	41,858,000

Notes to the Consolidated Financial Statements

22 Share capital and equity linked benefits (Continued)

(c) Share options of a subsidiary (Continued)

Notes:

(i) All the outstanding options were vested and exercisable at 31 December 2007 and 2006. COSCO Pacific has no legal or constructive obligation to repurchase or settle the options in cash.

(ii) The share options were granted on 20 May 1997 (the “Offer Date”) under the 1994 Share Option Scheme and are exercisable on or before 19 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 COSCO Pacific group.

(iii) The share options were granted during the period from 28 October 2003 to 6 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 28 October 2003 to 6 November 2003.

(iv) The share options were granted during the period from 25 November 2004 to 16 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 25 November 2004 to 16 December 2004.

(v) The share options were granted during the period from 17 April 2007 to 19 April 2007 under the 2003 Share Option Scheme at an exercise price of HK$19.30. 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 17 April 2007 to 19 April 2007.

(vi) The exercise of the 16,197,000 (2006: 29,718,000) share options during the year yielded the proceeds, net of transaction costs, of RMB200,000,000 (2006: RMB391,139,000).

(vii) 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 1 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 31 December	15.69	43,261,000	13.00	41,858,000

The weighted average closing price of the COSCO Pacific’s shares on the dates when the share options were exercised was HK$20.91 (2006: HK$17.31) per share.

Notes to the Consolidated Financial Statements

23 Equity

Group

	Equity holders of the Company											
	Share capital RMB'000	Capital reserve RMB'000	Hedging reserve RMB'000	Special reserve RMB'000	Other reserves RMB'000	Statutory reserve funds RMB'000	Investment revaluation reserves RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Sub-total RMB'000	Minority interests RMB'000	Total RMB'000
At 1 January 2006, as previously reported	6,140,000	8,231,032	—	279,422	52,368	1,081,763	828,375	(384,782)	3,224,513	19,452,691	7,472,397	26,925,088
Adoption of merger accounting (note 2(a))	—	—	(165,028)	—	—	—	73,341	(212,104)	14,389,398	14,085,607	119,728	14,205,335
At 1 January 2006, as restated	6,140,000	8,231,032	(165,028)	279,422	52,368	1,081,763	901,716	(596,886)	17,613,911	33,538,298	7,592,125	41,130,423
Profit for the year	—	—	—	—	—	—	—	—	8,292,447	8,292,447	1,182,118	9,474,565
Cash flow hedges												
-fair value gain, net	—	—	26,690	—	—	—	—	—	—	26,690	—	26,690
-transferred to consolidated income statement	—	—	165,028	—	—	—	—	—	—	165,028	—	165,028
Available-for-sale of financial assets												
-fair value gain, net	—	—	—	—	—	—	483,075	—	—	483,075	320,712	803,787
-tax on net fair value gain	—	—	—	—	—	—	(44,324)	—	—	(44,324)	—	(44,324)
-transfer to consolidated income statement	—	—	—	—	—	—	(19,092)	—	—	(19,092)	—	(19,092)
Actuarial losses on defined benefits pension plan and related deferred tax	—	—	—	—	—	—	—	—	(334)	(334)	—	(334)
Release of reserves upon												
-disposal of an available-for-sale financial asset	—	—	—	—	—	—	2,471	—	—	2,471	(2,471)	—
-deemed disposals	—	(68,791)	—	—	—	—	(13,616)	(1,207)	—	(83,614)	312,895	229,281
Share of reserves of jointly controlled entities and associates	—	—	—	—	18,167	—	1,610	—	—	19,777	8,629	28,406
Exchange difference	—	—	—	—	—	—	—	(583,803)	—	(583,803)	(145,846)	(729,649)
Conversion to Domestic Shares (note c)	64,756	214,666	—	(279,422)	—	—	—	—	—	—	—	—
Contribution from minority shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	—	220,897	220,897
2005 final dividend	—	—	—	—	—	—	—	—	(798,200)	(798,200)	—	(798,200)
Disposal of shares in a subsidiary	—	—	—	—	—	—	—	—	—	—	(884)	(884)
Acquisition of subsidiaries	—	—	—	—	—	—	—	—	—	—	10,170	10,170
Acquisition of the shares in minority interests	—	—	—	—	—	—	—	—	—	—	(31,017)	(31,017)

Notes to the Consolidated Financial Statements

23 Equity (Continued)

Group (Continued)

	Equity holders of the Company											
	Share capital RMB'000	Capital reserve RMB'000	Hedging reserve RMB'000	Special reserve RMB'000	Other reserves RMB'000	Statutory reserve funds RMB'000	Investment revaluation reserves RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Sub-total RMB'000	Minority interests RMB'000	Total RMB'000
Dividends paid to minority shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	—	(780,171)	(780,171)
Distributions (note 37)	—	—	—	—	—	—	—	—	(6,323,695)	(6,323,695)	—	(6,323,695)
Transfer to statutory reserve funds (note a)	—	—	—	—	75,890	594,572	—	—	(670,462)	—	—	—
Contribution from COSCO group (note e)	—	—	—	—	—	—	—	—	40,480	40,480	—	40,480
Others	—	—	—	—	—	—	—	—	4,268	4,268	—	4,268
At 31 December 2006, as restated	6,204,756	8,376,907	26,690	—	146,425	1,676,335	1,311,840	(1,181,896)	18,158,415	34,719,472	8,687,157	43,406,629
Representing:												
Capital and reserves	6,204,756	8,376,907	26,690	—	146,425	1,676,335	1,311,840	(1,181,896)	16,669,274	33,230,331	8,687,157	41,917,488
2006 dividends proposed	—	—	—	—	—	—	—	—	1,489,141	1,489,141	—	1,489,141
At 31 December 2006	6,204,756	8,376,907	26,690	—	146,425	1,676,335	1,311,840	(1,181,896)	18,158,415	34,719,472	8,687,157	43,406,629

Notes to the Consolidated Financial Statements

23 Equity (Continued)

Group (Continued)

	Equity holders of the Company										
	Share capital RMB'000	Capital reserve RMB'000	Hedging reserve RMB'000	Other reserves RMB'000	Statutory reserve funds RMB'000	Investment revaluation reserves RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Sub-total RMB'000	Minority interests RMB'000	Total RMB'000
At 1 January 2007, as previously reported	6,204,756	8,376,907	–	146,425	1,676,335	1,219,258	(659,326)	1,970,949	18,935,304	8,541,404	27,476,708
Adoption of merger accounting (note 2(a))	–	–	26,690	–	–	92,582	(522,570)	16,187,466	15,784,168	145,753	15,929,921
At 1 January 2007, as restated	6,204,756	8,376,907	26,690	146,425	1,676,335	1,311,840	(1,181,896)	18,158,415	34,719,472	8,687,157	43,406,629
Transfer between reserves upon adoption of CAS (note a)	–	–	–	(118,627)	(1,676,335)	–	–	1,794,962	–	–	–
Profit for the year	–	–	–	–	–	–	–	19,477,940	19,477,940	1,727,731	21,205,671
Cash flow hedges											
-fair value gain, net	–	–	307,608	–	–	–	–	–	307,608	–	307,608
-tax on fair value gain	–	–	(60,345)	–	–	–	–	–	(60,345)	–	(60,345)
-transferred to consolidated income statement	–	–	(25,990)	–	–	–	–	–	(25,990)	–	(25,990)
Available-for-sale of financial assets											
-fair value gain net	–	–	–	–	–	879,900	–	–	879,900	520,456	1,400,356
-tax on net fair value gain	–	–	–	–	–	(117,363)	–	–	(117,363)	(1,420)	(118,783)
Actuarial losses on defined benefits pension plan and related deferred tax	–	–	–	–	–	–	–	(458)	(458)	–	(458)
Release of reserves upon											
-disposal of an associate	–	–	–	–	–	(17,910)	(710)	–	(18,620)	21,178	2,558
-deemed disposals	–	(23,756)	–	58,337	–	(14,398)	(1,658)	–	18,525	232,777	251,302
Share of reserves of jointly controlled entities and associates	–	–	–	31,149	–	155,027	–	(2,783)	183,393	122,599	305,992
Exchange difference	–	–	–	–	–	–	(2,088,436)	–	(2,088,436)	(406,926)	(2,495,362)
Contribution from minority shareholders of subsidiaries	–	–	–	2	–	–	–	–	2	83,784	83,786
2006 final dividend	–	–	–	–	–	–	–	(1,489,141)	(1,489,141)	–	(1,489,141)
Disposal of shares in a subsidiary	–	–	–	–	–	–	–	–	–	(9,041)	(9,041)
Bonus Issue (note 22(a)(i))	930,714	–	–	–	–	–	–	–	930,714	–	930,714
A-Shares Issue (note 22(a)(ii))	1,783,867	13,343,329	–	–	–	–	–	–	15,127,196	–	15,127,196

Notes to the Consolidated Financial Statements

23 Equity (Continued)

Group (Continued)

	Equity holders of the Company										
	Share capital RMB'000	Capital reserve RMB'000	Hedging reserve RMB'000	Other reserves RMB'000	Statutory reserve funds RMB'000	Investment revaluation reserves RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Sub-total RMB'000	Minority interests RMB'000	Total RMB'000
Acquisition Issue (notes g and 22(a)(iii))	864,271	4,244,907	–	–	–	–	–	–	5,109,178	–	5,109,178
Private placement (note 22(a)(iv))	432,666	12,547,323	–	–	–	–	–	–	12,979,989	–	12,979,989
Share issue expenses	–	(482,464)	–	–	–	–	–	–	(482,464)	–	(482,464)
Acquisition of the shares in minority interest	–	–	–	–	–	–	–	–	–	(30,023)	(30,023)
Reclassification of a jointly controlled entities to subsidiaries	–	–	–	–	–	–	–	–	–	203,542	203,542
Dividends paid to minority shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	(690,366)	(690,366)
Distributions (note 37)	–	–	–	–	–	–	–	(39,072,345)	(39,072,345)	–	(39,072,345)
Transfer to statutory reserve funds (note a)	–	–	–	–	196,967	–	–	(196,967)	–	–	–
Contribution from COSCO Group (note e)	–	–	–	–	–	–	–	207,869	207,869	–	207,869
At 31 December 2007	10,216,274	38,006,246	247,963	117,286	196,967	2,197,096	(3,272,700)	(1,122,508)	46,586,624	10,461,448	57,048,072
Representing:											
Capital and reserves	10,216,274	38,006,246	247,963	117,286	196,967	2,197,096	(3,272,700)	(2,926,866)	44,782,266	10,461,448	55,243,714
2007 dividends proposed	–	–	–	–	–	–	–	1,804,358	1,804,358	–	1,804,358
At 31 December 2007	10,216,274	38,006,246	247,963	117,286	196,967	2,197,096	(3,272,700)	(1,122,508)	46,586,624	10,461,448	57,048,072

Notes to the Consolidated Financial Statements

23 Equity (Continued)

Company

	Share capital RMB'000	Capital reserve RMB'000	Special reserve RMB'000	Statutory reserve funds RMB'000	Accumulated losses RMB'000	Exchange reserve RMB'000	Total RMB'000
At 1 January 2006	6,140,000	9,266,813	279,422	1,081,763	(2,124,986)	(185,476)	14,457,536
Loss for the year	—	—	—	—	(115,586)	—	(115,586)
Exchange difference (note g)	—	—	—	—	—	(279,434)	(279,434)
2005 final dividend	—	—	—	—	(798,200)	—	(798,200)
Transfer to statutory reserve funds (note a)	—	—	—	594,572	(594,572)	—	—
Conversion to Domestic Shares (note c)	64,756	214,666	(279,422)	—	—	—	—
At 31 December 2006	6,204,756	9,481,479	—	1,676,335	(3,633,344)	(464,910)	13,264,316
Representing:							
Capital and reserves	6,204,756	9,481,479	—	1,676,335	(5,122,485)	(464,910)	11,775,175
2006 dividends proposed	—	—	—	—	1,489,141	—	1,489,141
At 31 December 2006	6,204,756	9,481,479	—	1,676,335	(3,633,344)	(464,910)	13,264,316

Notes to the Consolidated Financial Statements

23 Equity (Continued)

Company (Continued)

	Share capital RMB'000	Capital reserve RMB'000	Statutory reserve funds RMB'000	(Accumulated loss)/ retained profits RMB'000	Exchange reserve RMB'000	Total RMB'000
At 1 January 2007	6,204,756	9,481,479	1,676,335	(3,633,344)	(464,910)	13,264,316
Transfer between reserves upon adoption of CAS (note a)	—	—	(1,676,335)	1,676,335	—	—
Profit for the year	—	—	—	5,262,435	—	5,262,435
Exchange difference (note g)	—	—	—	—	(810,556)	(810,556)
2006 final dividend	—	—	—	(1,489,141)	—	(1,489,141)
Bonus Issue (note 22(a)(i))	930,714	—	—	—	—	930,714
A-Shares Issue (note 22(a)(ii))	1,783,867	13,343,329	—	—	—	15,127,196
Acquisition Issue (notes g and 22(a)(iii))	864,271	4,244,907	—	—	—	5,109,178
Private placement (note 22(a)(iv))	432,666	12,547,323	—	—	—	12,979,989
Share issue expenses	—	(482,464)	—	—	—	(482,464)
Transfer to statutory reserve funds (note a)	—	—	196,967	(196,967)	—	—
At 31 December 2007	10,216,274	39,134,574	196,967	1,619,318	(1,275,466)	49,891,667
Representing:						
Capital and reserves	10,216,274	39,134,574	196,967	(185,040)	(1,275,466)	48,087,309
2007 dividends proposed	—	—	—	1,804,358	—	1,804,358
At 31 December 2007	10,216,274	39,134,574	196,967	1,619,318	(1,275,466)	49,891,667

Notes to the Consolidated Financial Statements

23 Equity (Continued)

Notes:

(a) Statutory reserve funds

At 31 December 2007 and 2006, the statutory reserve funds comprised of:

	2007 RMB'000	2006 RMB'000
Statutory surplus reserve	196,967	1,065,352
Discretionary surplus reserve	—	610,983
	196,967	1,676,335

In accordance with the PRC Company Law and the Company's articles of association, the Company is required to allocate 10% of its profit attributable to equity holders of the Company ("Net Profit"), as determined in accordance with the relevant accounting principles and financial regulations applicable to PRC companies and regulations applicable to the Company, to the statutory surplus reserve until such reserve reaches 50% of the registered capital of the Company. The appropriation to the reserve must be made before any distribution of dividends to equity holders. The statutory surplus reserve can be used to offset previous year's losses, if any, and part of the statutory surplus reserve can be capitalised as the Company's share capital provided that the amount of such reserve remaining after the capitalisation shall not be less than 25% of the share capital of the Company.

On 15 May 2006, the equity holders of the Company approved the appropriation of RMB281,347,000, being 10% of its Net Profit for the year ended 31 December 2005 to the discretionary surplus reserve.

On 20 November 2006, the equity holders of the Company approved the appropriations of RMB156,612,000 being 10% of its Net Profit for the year ended 31 December 2006 to each of the statutory surplus reserve fund and the discretionary surplus reserve.

On 1 January 2007, the Company and its PRC subsidiaries transferred all their statutory reserve funds to the Group's retained profits and the Company's accumulated losses as at 1 January 2007 upon the adoption of the Corporate Accounting Standards for their statutory financial statements prepared.

In 2007, the Company appropriated RMB196,967,000, being 10% of its Net Profit for the year ended 31 December 2007 to the statutory surplus reserve fund.

(b) In accordance with the articles of association of the Company, the profit available for appropriation by the Company for the purpose of dividend payments is based on the lesser of (i) the net profit determined in accordance with CAS; and (ii) the net profit of the Group determined in accordance with HKFRSs.

On this basis, the amount of profits available for appropriation for the year was RMB5,894,112,000 (2006: RMB1,566,124,000), being the amount of consolidated profit attributable to equity holders of the Company for the year less amounts of profits of Acquired Subsidiaries for the period prior to the acquistion dates as disclosed in the statutory financial statements prepared under CAS.

Notes to the Consolidated Financial Statements

23 Equity (Continued)

(c) In 2005, the Company obtained from the Ministry of Finance an approval pursuant to which the Company was permitted to retain as a special reserve of RMB279,422,000, the benefit of which was solely attributable to COSCO, an amount representing the profit of COSCO Pacific attributable to the Group for the period from 30 June 2004 to 3 March 2005 (being the date of incorporation of the Company) less dividends payable by COSCO Pacific to the Group in respect of that period.

In 2006, the specific reserve was converted into 64,756,000 Domestic Shares held by COSCO at HK$4.25 per share.

On 26 June 2007, the Company issued 4,554,869,787 A-Shares in exchange of the Domestic Shares held by COSCO.

(d) Other reserves at 31 December 2007 represented capital reserve and other reserves of jointly controlled entities and associates.

(e) During the year ended 31 December 2006, COSCO Shenzhen's capital was increased by RMB40,480,000 which was contributed by its then shareholders.

During the year ended 31 December 2007, COSCO Bulk and Guangzhou Penavico's capitals were increased by RMB147,869,000 and RMB60,000,000 respectively which were contributed by their then shareholders.

(f) For the COSCO Acquisition, the consideration was settled by the Company's issue of 864,270,817 new A-Shares. In determination of the consideration for the common control combination satisfied by shares issue, the attributable net asset value of RMB5,109,178,000 of the subsidiaries acquired at the date of completion under COSCO Acquisition is treated as the deemed consideration for the Company's shares in exchange.

(g) The Company's functional currency is US dollar which is different from its presentation currency. Assets and liabilities are translated at closing rate and income and expenses are translated using the exchange rates prevailing at the dates of the transactions, any differences are dealt with in the exchange reserve of the Company.

(h) Business combinations under common controls

During the year, the Group acquired from COSCO Group, pursuant to three acquisition agreements, for the Bulk Subsidiaries for an aggregate purchase consideration of RMB34,609,670,000. The consideration was satisfied by the Company's issue of 864,270,817 A-Shares and cash payment of RMB18,629,300,000. Pursuant to the three acquisition agreements, the profits or losses of the Bulk Subsidiaries for the period from 1 January 2007 to 31 August 2007 (the "Relevant Period") are shared or borne by COSCO Group.

	Interests acquired	Settlement of consideration	Deemed consideration RMB'000
COSCO Acquisition	- The entire equity interest in COSCO Bulk - The entire equity interest in COSCO Qingdao - 41.52% equity interest in COSCO Shenzhen - COSCO Bulk and COSCO Qingdao own in aggregate 11.43% equity interest in COSCO Shenzhen	864,270,817 A-Shares	5,109,178 (refer note (f) above)
COSCO HK Group Acquisition	- The entire equity interest in Golden View. - Golden View owns the entire equity interest in COSCO HK Shipping and 40.70% equity interest in COSCO Shenzhen	Cash	18,504,017
COSCO Guangzhou Acquisition	- 6.35% equity interest in COSCO Shenzhen	Cash	125,279
			23,738,474

Notes to the Consolidated Financial Statements

23 Equity (Continued)

(h) Business combinations under common control (Continued)

The completion date of the COSCO HK Group Acquisition and COSCO Guangzhou Acquisition was 25 October 2007 while the completion date of the acquisition of COSCO Acquisition was 29 November 2007.

The Group also acquired Penanvico Subsidiaries for consideration of RMB41,394,000. The completion date of the acquisition of GZ Penanvico and Ningbo Penanvico were 14 December 2007 and 21 December 2007 respectively.

Statements of adjustments for common control combinations of the Acquired Subsidiaries on the consolidated balance sheets at 31 December 2007 and 2006 are as follows:

At 31 December 2006

	As previously reported RMB'000	Acquired Subsidiaries RMB'000		Adjustments RMB'000	At 31 December 2006 RMB'000
ASSETS					
Non-current assets	38,122,552	17,758,648	(iii)	—	55,881,200
Current assets	17,337,588	8,544,819	(i)	(54,452)	25,827,955
Total assets	55,460,140	26,303,467		(54,452)	81,709,155
EQUITY					
Capital and reserves					
Share capital	6,204,756	1,948,819	(ii)	(1,948,819)	6,204,756
Reserves	11,241,407	13,825,293	(ii),(iii)	1,958,875	27,025,575
Proposed final dividend	1,489,141	—		—	1,489,141
	18,935,304	15,774,112		10,056	34,719,472
Minority interests	8,541,404	145,753		—	8,687,157
Total equity	27,476,708	15,919,865		10,056	43,406,629
LIABILITIES					
Non-current liabilities	9,788,216	3,389,559	(iii)	(10,056)	13,167,719
Current liabilities	18,195,216	6,994,043	(i)	(54,452)	25,134,807
Total liabilities	27,983,432	10,383,602		(64,508)	38,302,526
Total equity and liabilities	55,460,140	26,303,467		(54,452)	81,709,155

Notes to the Consolidated Financial Statements

23 Equity (Continued)

At 31 December 2007

	The Group before Acquired Subsidiaries RMB'000	Acquired Subsidiaries RMB'000		Adjustments RMB'000	At 31 December 2007 RMB'000
ASSETS					
Non-current assets	66,128,673	20,168,776	(ii)	(23,427,776)	62,869,673
Current assets	37,555,266	20,584,470	(i),(iv)	(4,129,866)	54,009,870
Total assets	103,683,939	40,753,246		(27,557,642)	116,879,543
EQUITY					
Capital and reserves					
Share capital	10,216,274	2,225,300	(ii),(iii)	(2,225,300)	10,216,274
Reserves	44,255,097	11,566,214	(ii),(iii),(iv)	(21,255,319)	34,565,992
Proposed final dividend	1,804,358	—		—	1,804,358
	56,275,729	13,791,514		(23,480,619)	46,586,624
Minority interests	10,301,666	106,939		52,843	10,461,448
Total equity	66,577,395	13,898,453		(23,427,776)	57,048,072
LIABILITIES					
Non-current liabilities	13,904,922	3,120,413		—	17,025,335
Current liabilities	23,201,622	23,734,380	(i),(iv)	(4,129,866)	42,806,136
Total liabilities	37,106,544	26,854,793		(4,129,866)	59,831,471
Total equity and liabilities	103,683,939	40,753,246		(27,557,642)	116,879,543

Notes:

(i) Adjustments to eliminate the inter-group balances as at 31 December 2007 and 2006.

(ii) Adjustment to eliminate the investment costs, share capitals of the Acquired Subsidiaries against retained earnings.

(iii) The Acquired Subsidiaries held 15% equity interest in COSCO Finance which is accounted for as available-for-sale financial asset. Accordingly, adjustments were made to reclassify and account for the additional 15% interest held by the Acquired Subsidiaries as an associate of the Group.

(iv) Adjustment to eliminate the dividends received and receivable from Acquired Subsidiaries.

No other significant adjustments were made to the net assets and net profit of any entities or businesses as a result of the common control combinations to achieve consistency of accounting policies.

Notes to the Consolidated Financial Statements

24 Long-term borrowings

	Group	
	2007	2006
	RMB'000	RMB'000
		(Restated)
Bank loans		
- secured (note h)	7,048,009	8,439,253
- unsecured	5,828,955	2,456,204
Other loans		
- secured (note h)	182,787	245,008
Finance lease obligations (note i)	160,187	183,321
Notes (note c)	2,193,272	2,262,283
Total long-term borrowings	15,413,210	13,586,069
Current portion of long-term borrowings	(1,271,032)	(1,738,868)
	14,142,178	11,847,201

Notes:

(a) The Group's long-term borrowings are analysed as follows:

	2007	2006
	RMB'000	RMB'000
		(Restated)
Wholly repayable within five years		
- bank loans	4,418,015	3,752,382
- other loans	182,787	245,008
	4,600,802	3,997,390
Not wholly repayable within five years		
- bank loans	8,458,949	7,143,075
- notes	2,193,272	2,262,283
- finance lease obligations (note i)	160,187	183,321
	10,812,408	9,588,679
	15,413,210	13,586,069

Notes to the Consolidated Financial Statements

24 Long-term borrowings (Continued)

(b) At 31 December 2007, the Group's long-term borrowings were repayable as follows:

	2007 RMB'000	2006 RMB'000 (Restated)
Bank loans		
- within one year	1,233,908	1,699,572
- in the second year	1,268,278	2,943,990
- in the third to fifth year	6,432,378	3,288,631
- after the fifth year	3,942,400	2,963,264
	12,876,964	10,895,457
Other loans		
- within one year	26,986	27,217
- in the third to fifth year	155,801	217,791
	182,787	245,008
Finance lease obligations		
- within one year	10,138	12,079
- in the second year	10,981	10,838
- in the third to fifth year	38,735	38,228
- after the fifth year	100,333	122,176
	160,187	183,321
Notes		
- after the fifth year	2,193,272	2,262,283
	15,413,210	13,586,069

Notes to the Consolidated Financial Statements

24 Long-term borrowings (Continued)

(c) Details of the notes at 31 December 2007 are as follows:

	2007 RMB'000	2006 RMB'000
Principal amount	2,191,380	2,342,610
Discount on issue	(13,871)	(14,829)
Notes issuance cost	(13,148)	(14,056)
Proceeds received	2,164,361	2,313,725
Accumulated amortised amounts of		
- discount on issue	6,903	5,802
- notes issuance cost	6,545	5,497
Effect of fair value hedge	15,463	(62,741)
	2,193,272	2,262,283

Notes with principal amount of US$300,000,000 (equivalent to approximately RMB2,191,380,000) were issued by a subsidiary of COSCO Pacific to investors on 3 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. The notes bear interest from 3 October 2003, payable semi-annually in arrear on 3 April and 3 October of each year, commencing on 3 April 2004. The notes are guaranteed unconditionally and irrevocably by COSCO Pacific and listed on the Singapore Exchange Securities Trading Limited.

Unless previously redeemed or repurchased by COSCO Pacific, the notes will mature on 3 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 COSCO Pacific at any time in the event of certain changes affecting the taxes of certain jurisdictions.

(d) The exposure of the Group's long-term borrowings to interest rate changes and interest fixing dates as at balance sheet date are as follows:

	Less than one year RMB'000	2 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2007				
Total borrowings	**12,301,925**	**587,503**	**2,523,782**	**15,413,210**
Effect of interest rate swaps	**—**	**—**	**(1,460,920)**	**(1,460,920)**
	12,301,925	**587,503**	**1,062,862**	**13,952,290**
At 31 December 2006				
Total borrowings	10,328,880	745,586	2,511,603	13,586,069
Effect of interest rate swaps	—	—	(1,561,740)	(1,561,740)
	10,328,880	745,586	949,863	12,024,329

Notes to the Consolidated Financial Statements

24 Long-term borrowings (Continued)

(e) The effective interest rates of long-term borrowings at 31 December 2007 were as follows:

	2007		2006	
	US$	RMB	US$ (Restated)	RMB (Restated)
Bank loans	4.9% to 6.7%	5.1% to 7.1%	5.1% to 6.8%	5.2% to 6.2%
Other loans	5.8% to 6.6%	—	5.8% to 6.6%	—
Notes	6.8%	—	6.3%	—
Finance lease obligations	8.3%	—	8.3%	—

(f) The carrying amounts and fair values of the long-term borrowings are as follows:

	Carrying amounts		Fair values	
	2007 RMB'000	2006 RMB'000 (Restated)	2007 RMB'000	2006 RMB'000 (Restated)
Bank loans	12,876,964	10,895,457	13,002,786	10,914,979
Other loans	182,787	245,008	182,787	245,008
Notes	2,193,272	2,262,283	2,304,499	2,402,440
Finance lease obligations	160,187	183,321	160,187	183,321
	15,413,210	13,586,069	15,650,259	13,745,748

The fair values are based on cash flows discounted by respective rates as set out in note 24(e) above.

(g) The carrying amounts of the long-term borrowings are denominated in the following currencies:

	2007 RMB'000	2006 RMB'000 (Restated)
US dollar	14,555,230	12,975,074
RMB	857,980	610,995
	15,413,210	13,586,069

(h) The secured bank and other loans at 31 December 2007, including loans of RMB587,115,000 (2006: Nil) under Vessels Financing Lease Arrangements (note 6(g)) and syndicated loan of RMB1,293,077,000 (2006: Nil) (note 6(f)) are secured, inter alia, by one or more of the following:

(i) First legal mortgages over certain property, plant and equipment of RMB9,731,056,000 (2006: RMB10,853,967,000) (notes 6(b), 6(c));

(ii) Assignments of building contracts and instalment refund guarantee issued by bank for three container vessels under construction;

(iii) Assignments of the charter, rental income and earnings and rights, requisition compensation, insurance relating to certain container vessels and dry bulk vessels and bank accounts;

(iv) shares of certain subsidiaries.

The secured bank and other loans at 31 December 2006 were also secured by bank deposits of RMB22,738,000, and land use right of RMB12,845,000 and corporate guarantees provided by COSCO and certain fellow subsidiaries to the extent of RMB563,301,000. The guarantees were released in 2007.

Notes to the Consolidated Financial Statements

24 Long-term borrowings (Continued)

(i) The Group entered into a finance lease arrangement pursuant to which the Group has an option to purchase the vessel at a consideration of US$7,200,000 (equivalent to approximately RMB59,590,800) prior to the expiry of the lease.

The finance lease payable not wholly repayable within five years is repayable in various instalments up to 2016. Interest is charged on the outstanding balance at 8.3% per annum.

At 31 December 2007, the Group's finance lease payable was repayable as follows:

	2007 RMB'000	2006 RMB'000 (Restated)
Finance lease payable - minimum lease payments:		
- within one year	23,462	27,328
- in the second to fifth year	93,850	100,326
- after the fifth year	125,744	159,504
	243,056	287,158
Future finance charges on finance lease	(82,869)	(103,837)
Present value of finance lease payable	160,187	183,321

The present value of the finance lease payable is as follows:

	2007 RMB'000	2006 RMB'000 (Restated)
- within one year	10,138	12,079
- in the second to fifth year	49,716	49,066
- after the fifth year	100,333	122,176
	160,187	183,321

Notes to the Consolidated Financial Statements

25 Other non-current liabilities

	2007 RMB'000	2006 RMB'000 (Restated)
Provision for one-off housing subsidies and early retirement benefit obligations (note a)	**524,021**	453,127
Retirement benefit obligations (note b)	**389,375**	174,703
Deferred income and others	**54,463**	57,022
	967,859	684,852
Less: current portion included in current liabilities (note 26)	**(21,005)**	(11,619)
	946,854	673,233

Notes:

(a) Movements for the year are as below:

	Provision for one-off housing subsidies		Early retirement benefit obligations		Total	
	2007 RMB'000	2006 RMB'000 (Restated)	2007 RMB'000	2006 RMB'000 (Restated)	2007 RMB'000	2006 RMB'000 (Restated)
At 1 January	**188,435**	184,536	**264,692**	339,165	**453,127**	523,701
Reversal of over provision	**(5,561)**	(36,343)	**—**	(1,593)	**(5,561)**	(37,936)
Additions	**14,108**	40,242	**122,092**	11,334	**136,200**	51,576
Payments during the year	**—**	—	**(59,745)**	(84,214)	**(59,745)**	(84,214)
At 31 December	**196,982**	188,435	**327,039**	264,692	**524,021**	453,127

In 2000, the State Council issued a circular stating that one-off cash housing subsidies should be made to those eligible employees who have not been allocated with staff quarters at all or who have not been allocated with quarters up to the prescribed standards before 31 December 1998 when the staff quarter allocation schemes were terminated. The subsidies are determined based on a staff member's years of service, position and other criteria. In addition, monthly cash housing allowances should be made to other employees following the withdrawal of allocation of staff quarters. The specific timetable and procedures of implementation of these policies are to be determined by individual provincial or municipal governments based on the particular situation of the province or municipality.

The Group has provided for the one-off cash housing subsidies based on the relevant detailed local government regulations when they are promulgated, or the available information and the best estimate of the management when the local regulations have not been promulgated.

Notes to the Consolidated Financial Statements

25 Other non-current liabilities (Continued)

Notes: (Continued)

(b) Retirement benefit obligations

	Group 2007 RMB'000	2006 RMB'000
Balance sheet obligations for:		
Post-retirement benefits for overseas employees (note (i))	23,571	21,083
Post-employment medical benefits (note (ii))	60,873	48,562
Post-retirement benefits for PRC employees (note (iii))	304,931	105,058
	389,375	174,703
Expensed in income statement for (note 39):		
Post-retirement benefits for overseas employees (note (i))	5,192	7,250
Post-employment medical benefits (note (ii))	17,596	17,865
Post-retirement benefits for PRC employees (note (iii))	219,982	24,420
	242,770	49,535

Notes:

(i) Post-retirement benefits for overseas employees

There is a retirement benefit plan operating as defined benefit plan in a subsidiary of the Group. The assets of the funded plans are held independently of the subsidiary's assets in separate trustee administered funds. The plans are valued by a qualified actuary, Summit Financial Corporation, annually using the projected unit credit method.

The amounts recognised in the consolidated balance sheets are determined as follows:

	2007 RMB'000	2006 RMB'000
Present value of funded obligations	41,891	44,648
Fair value of plan assets	(18,320)	(21,730)
	23,571	22,918
Unrecognised past service cost	—	(1,835)
Liability in the balance sheet	23,571	21,083

Notes to the Consolidated Financial Statements

25 Other non-current liabilities (Continued)

(b) Retirement benefit obligations (Continued)

(i) Post-retirement benefits for overseas employees (Continued)

The movement in the liability recognised in the consolidated balance sheets is as follows:

	2007 RMB'000	2006 RMB'000
At 1 January	44,648	40,422
Exchange difference	(2,886)	(1,311)
Current service cost	3,112	4,003
Interest cost	2,468	2,146
Actuarial loss	(218)	(420)
Benefits paid	(6,108)	(192)
Settlement/curtailment	875	—
At 31 December	41,891	44,648

The movement in the fair value of plan assets of the year is as follows:

	2007 RMB'000	2006 RMB'000
At 1 January	21,730	11,471
Exchange difference	(1,320)	(371)
Expected return on plan assets	1,776	1,163
Actuarial (loss)/gain	(884)	478
Contribution paid	3,126	9,181
Benefits paid	(6,108)	(192)
At 31 December	18,320	21,730

The amounts recognised in the consolidated income statements are as follows:

	2007 RMB'000	2006 RMB'000
Current service cost	3,112	4,003
Interest cost	2,468	2,146
Expected return on plan assets	(1,776)	(1,163)
Past service cost	1,388	2,264
Total expense, included in staff costs	5,192	7,250

Notes to the Consolidated Financial Statements

25 Other non-current liabilities (Continued)

(b) Retirement benefit obligations (Continued)

(i) Post-retirement benefits for overseas employees (Continued)

The expenses were included in selling, administrative and general expenses.

The actual return on plan assets was RMB1,536,000 (2006: RMB1,911,000).

The principal actuarial assumptions used are as follows:

	2007	2006
Discount rate	5.75%	5.75%
Expected return on plan assets	8.00%	8.00%

The average life expectancy in years of a pensioner retiring at age 65 on the balance sheet date is as follows:

	2007	2006
Male	19.4	19.4
Female	19.4	19.4

Plan assets are comprised as follows:

	2007		2006	
	RMB'000	%	RMB'000	%
Equity	10,809	59	12,431	57
Debt	3,847	21	3,897	18
Other	3,664	20	5,402	25
	18,320	100	21,730	100

Due to the transition of the existing post-retirement benefits plan to a multi-employer Taft-Hartley Trust ("Trust") and the finalisation of Trust agreement is still in progress, management is unable to quantify the expected contribution to the Trust for the year ending 31 December 2008.

	2007 RMB'000	2006 RMB'000
At 31 December		
Present value of defined benefits obligations	41,891	44,648
Fair value of plan assets	(18,320)	(21,730)
Deficit	23,571	22,918
Experience adjustments on plan liabilities	(218)	(420)
Experience adjustments on plan assets	(884)	478

Notes to the Consolidated Financial Statements

25 Other non-current liabilities (Continued)

(b) Retirement benefit obligations (Continued)

(ii) Post-employment medical benefits

There is a post-employment medical benefit plan in the United Sates of America. The method of accounting, assumptions and the frequency of valuations are similar to those used for defined benefit pension plans.

The amounts recognised in the consolidated balance sheets were determined as follows:

	2007 RMB'000	2006 RMB'000
Present value of funded obligations	64,640	67,466
Fair value of plan assets	(3,767)	(2,192)
	60,873	65,274
Unrecognised past service costs	—	(16,712)
Liability in the balance sheet	60,873	48,562

The movement in the liability recognised in the consolidated balance sheets is as follows:

	2007 RMB'000	2006 RMB'000
At 1 January	67,466	63,209
Exchange differences	(4,418)	(2,048)
Current service cost	5,951	6,193
Interest cost	3,778	3,364
Actuarial loss	—	(3,252)
Settlement/curtailment	(8,137)	—
At 31 December	64,640	67,466

Notes to the Consolidated Financial Statements

25 Other non-current liabilities (Continued)

(b) Retirement benefit obligations (Continued)

(ii) Post-employment medical benefits (Continued)

The movement in the fair value of plan assets of the year is as follows:

	2007 RMB'000	2006 RMB'000
At 1 January	2,192	624
Exchange differences	(212)	(21)
Expected return on plan assets	270	48
Contributions	1,656	1,531
Actuarial (loss)/gain	(139)	10
At 31 December	3,767	2,192

The amounts recognised in the consolidated income statements are as follows:

	2007 RMB'000	2006 RMB'000
Current service cost	5,951	6,193
Interest cost	3,778	3,364
Expected return on plan assets	(270)	(48)
Past service cost	8,137	8,356
Total expense, included in staff costs	17,596	17,865

Notes to the Consolidated Financial Statements

25 Other non-current liabilities (Continued)

(b) Retirement benefit obligations (Continued)

(ii) Post-employment medical benefits (Continued)

The expense was included in selling, administrative and general expenses.

The actual return on plan assets was RMB54,000 (2006: RMB71,000).

The principal actuarial assumptions used are as follows:

	2007	2006
Discount rate	5.75%	5.75%
Expected return on plan assets	8.00%	8.00%
Rate of increase in cost of post-retirement medical benefits	9.00%	9.00%

The rate of increase in cost of post-retirement benefits is assumed to reduce to 5% in 2016 and thereafter.

Due to the transition of existing post-employment medical benefit plan to the Trust and finalisation of the Trust agreement is still in progress, management is unable to quantify the effect of a 1% movement in assumed medical cost trend rate on the aggregate of the current services cost and interest cost, future defined benefit obligation and the expected contributions to the Trust for the year ending 31 December 2008.

Plan assets are comprised as follows:

	2007		2006	
	RMB'000	%	RMB'000	%
Equity	2,223	59	1,326	60
Debt	791	21	424	20
Other	753	20	442	20
	3,767	100	2,192	100

	2007 RMB'000	2006 RMB'000
At 31 December		
Present value of defined benefits obligations	64,640	67,466
Fair value of plan assets	(3,767)	(2,192)
Deficit	60,873	65,274
Experience adjustments on plan liabilities	—	(3,252)
Experience adjustments on plan assets	(139)	10

Notes to the Consolidated Financial Statements

25 Other non-current liabilities (Continued)

(b) Retirement benefit obligations (Continued)

(iii) Post-retirement benefits for PRC employees

The Group recognises a liability for the present value of the unfunded obligation relating to retirement benefits payable to certain retired employees in the consolidated balance sheet. The liability related to the supplemental benefit obligation for retired employees existing at year end is calculated by the management of the Group, using the projected unit credit method. The actuarial liabilities at 31 December 2007 are RMB304,931,000 (2006: RMB105,058,000).

Movements of the net liability recognised in the consolidated balance sheets are as follows:

	2007 RMB'000	2006 RMB'000
At 1 January	105,058	90,183
Amounts charged to the consolidated income statements	219,982	24,420
Actuarial gains credited to equity	—	(3,029)
Benefits paid	(20,109)	(6,516)
At 31 December	304,931	105,058

The amounts of retirement benefit costs recognised in the consolidated income statements comprise:

	2007 RMB'000	2006 RMB'000
Interest cost	3,088	2,825
Past service costs	216,894	21,595
	219,982	24,420

The principal actuarial assumptions used were as follows:

	2007 RMB'000	2006 RMB'000
Discount rate	4.7%	3.25%
Pension benefits inflation rates	0% - 2%	0% - 8.00%

Notes to the Consolidated Financial Statements

26 Trade and other payables

	Group		Company	
	2007	2006	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000
		(Restated)		
Trade payables (note a)				
- third parties	5,651,126	4,375,378	—	—
- subsidiaries of COSCO	1,100,544	959,450	—	—
- jointly controlled entities	200,043	257,579	—	—
- associates	206,561	274,088	—	—
- related companies	145,477	29,593	—	—
	7,303,751	5,896,088	—	—
Bills payables (note a)	39,029	52,233	—	—
	7,342,780	5,948,321	—	—
Advance from customers	2,022,453	1,631,752	—	—
Other payables and accruals (note b)	7,318,516	6,846,542	527,038	46,475
Consideration and distribution payable (note c)	17,460,889	1,213,959	—	1,213,959
Due to related parties (note e)				
- COSCO	1,486,679	43,447	4,200	—
- subsidiaries of COSCO	76,376	204,973	—	40,443
- jointly controlled entities	—	26,487	—	
- related companies	49,993	976	—	—
	1,613,048	275,883	4,200	40,443
Current portion of other non-current liabilities (note 25)	21,005	11,619	—	—
Total	35,778,691	15,928,076	531,238	1,300,877

Notes to the Consolidated Financial Statements

26 Trade and other payables (Continued)

Notes:

(a) At 31 December 2007, the ageing analysis of trade and bills payables is as follows:

	2007 RMB'000	2006 RMB'000 (Restated)
1-6 months	**6,926,627**	5,664,019
7-12 months	**225,790**	115,047
1-2 years	**105,396**	113,818
2-3 years	**45,784**	26,849
Above 3 years	**39,183**	28,588
	7,342,780	5,948,321

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

(b) Other payables and accruals

	Group		Company	
	2007 RMB'000	2006 RMB'000	2007 RMB'000	2006 RMB'000
Salary and welfare payables	**2,060,105**	2,018,366	**378,603**	25,373
Accruals for voyages costs	**2,015,797**	1,896,721	**—**	—
Accruals for vessel costs	**963,371**	667,154	**—**	—
Others	**2,279,243**	2,264,301	**148,435**	21,102
	7,318,516	6,846,542	**527,038**	46,475

(c) The balance comprised of :

	Group		Company	
	2007 RMB'000	2006 RMB'000	2007 RMB'000	2006 RMB'000
Consideration payable to: (note i)				
- COSCO HK Group	**5,904,017**	—	**—**	—
- COSCO	**—**	1,175,745	**—**	1,175,745
Dividends payable to COSCO Group (note ii)	**11,556,872**	38,214	**—**	38,214
	17,460,889	1,213,959	**—**	1,213,959

Notes:

(i) It represented the outstanding consideration payable to COSCO HK Group in connection with the COSCO HK Group Acquisition.

Last year, the amount represented outstanding consideration payable to COSCO in relation to the acquisition of 51% equity interest in COSCO Logistics, which was fully settled in 2007.

(ii) It represented the dividends payable by Acquired Subsidiaries to their then shareholders (note 23(h)).

Notes to the Consolidated Financial Statements

26 Trade and other payables (Continued)

(d) The carrying amounts of trade and other payables are denominated in the following currencies:

	2007 RMB'000	2006 RMB'000 (Restated)
US dollar	**12,841,816**	5,837,224
RMB	**21,861,888**	9,226,069
EURO dollar	**377,697**	375,587
HK dollar	**301,060**	277,440
Other currencies	**396,230**	211,756
Total	**35,778,691**	15,928,076

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

The amount due to COSCO at 31 December 2007 mainly represented the tax payable by certain PRC Bulk Subsidiaries to COSCO on their income tax liabilities (refer to note 35(a)).

(f) The carrying amounts of trade and other payables approximate their fair values.

27 Amounts due to a fellow subsidiary

Except for the balance of RMB534,038,000 (2006: RMB680,636,000) which is unsecured, bears interest at 0.6% over LIBOR per annum (2006: 5.00% to 9.95% per annum) and repayable in 2008, other balance is unsecured, interest free and have no fixed terms of repayment.

Notes to the Consolidated Financial Statements

28 Short-term loans and bond payable

	Group		Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(Restated)		
Bank loans - unsecured (note a)	**2,308,987**	2,781,178	**249,138**	764,261
Loans from COSCO Finance (note b)				
- unsecured	**1,607,684**	1,092,200	**—**	—
- secured	**—**	13,000	**—**	—
Bank overdrafts	**—**	1,464	**—**	—
Bond payable (note c)	**—**	1,509,439	**—**	1,509,439
	3,916,671	5,397,281	**249,138**	2,273,700

Notes:

(a) The effective interest rates of short-term loans at 31 December 2007 were in the range of 4.99% to 6.46% (2006: 4.70% to 6.48%) per annum.

(b) At 31 December 2007, the loan from COSCO Finance bore interest at 4.69% to 6.72% (2006: 4.70% to 5.85%) per annum. The loan of RMB13,000,000 was secured by certain building of the Group, which was repaid in 2007 (note 6(c)).

(c) In 2006, the Company issued a short-term bond of RMB1,500,000,000, which was unsecured, bore interest at 3.48% per annum. The principal together with the accrual interest was repaid in October 2007 upon maturity.

(d) The carrying amounts of short-term loans approximate their fair values. The carrying amounts of the short-term loans are denominated in the following currencies:

	Group		Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
US dollar	**2,622,671**	1,111,178	**219,138**	234,261
RMB	**1,294,000**	4,286,103	**30,000**	2,039,439
	3,916,671	5,397,281	**249,138**	2,273,700

Notes to the Consolidated Financial Statements

29 Other income

	2007 RMB'000	2006 RMB'000 (Restated)
Dividend income from listed and unlisted investments	194,996	184,549
Subsidy income	47,591	229,603
Finder's fee	—	121,449
Gain on disposal of property, plant and equipment, net		
- containers (note a)	197,514	672,980
- container vessels (note b)	536,608	345,892
- dry bulk vessels (note c)	425,426	428,980
- others	28,822	43,208
Gain on deemed partial disposal of a subsidiary	71,087	169,867
Gain on disposal of available-for-sale financial assets	67,541	71,987
Gain on disposal of jointly controlled entities and dissolution of an associate	19,186	66,426
Net gain on derivatives at fair value through profit or loss		
- FFA	2,394,120	466,025
- interest rate swap contracts	—	4,382
- bunker forward contracts	48,370	—
Recovery of bad debts	39,838	18,907
Ineffectiveness on cash flow hedges of FFA, net	25,019	91,442
Others	152,786	251,967
Total	4,248,904	3,167,664

Notes:

(a) In the current year, the Group disposed of containers included under property, plant and equipment with an aggregate net book value of approximately RMB1,618,336,000 (equivalent to US$212,827,000) (2006: RMB 6,072,631,000 (equivalent to US$762,070,000)) together with the related lease contracts to a third party for cash considerations of approximately RMB1,815,850,000 (equivalent to US$238,802,000). The gain on the disposal before income taxes amounted to approximately RMB 197,514,000 (equivalent to US$25,975,000) (2006: RMB672,980,000 (equivalent to US$84,454,000)).

For the disposal of containers in June 2006, the Group also received a finder fee income of approximately RMB121,449,000 (equivalent to approximately US$15,240,000) in respect of its services rendered prior to the completion of the entire disposal transaction.

(b) In 2007, the Group disposed of five container vessels to third parties for a total consideration of RMB1,732,332,000, resulting in a total gain of RMB536,608,000.

In 2006, the Group disposed of two container vessels to a subsidiary of COSCO for a total consideration of RMB457,458,000 and another vessel to a third party for a consideration of RMB78,881,000. These disposals resulted in a total gain of RMB345,892,000.

(c) In 2007, the Group disposed of two dry bulk vessels to third parties and three dry bulk vessels to jointly controlled entities for total considerations of RMB721,298,000, resulting in a total gain of RMB425,426,000.

In 2006, the Group disposed of four dry bulk vessels to third parties for total considerations of RMB676,058,000, resulting in a total gain of RMB428,980,000.

Notes to the Consolidated Financial Statements

30 Expenses by nature

	2007 RMB'000	2006 RMB'000 (Restated)
Cost of services		
Equipment and cargo transportation costs	17,914,865	14,898,711
Voyage costs	15,488,283	13,836,288
Vessel costs	30,582,438	20,169,450
Freight forwarding and shipping agency costs	17,068,242	15,700,847
Terminal operating and other direct costs	192,541	121,083
Container depreciation and other direct costs	594,199	673,176
Business tax	812,860	496,931
Cost of inventories sold	446,202	428,260
Others	303,101	357,380
Total	83,402,731	66,682,126
Selling, administrative and general expenses		
Administrative staff costs	3,350,158	2,113,033
Depreciation and amortisation	332,435	317,437
Rental expense	177,851	166,908
Office expense	203,568	169,092
Transportation and travelling expense	185,902	186,005
Entertainment expense	162,250	164,267
Legal and professional fees	221,520	112,629
Telecommunication and utilities	103,192	96,853
Repair and maintenance expense	58,691	57,596
Others	308,940	318,410
Total	5,104,507	3,702,230
Other expenses		
Rental outgoings	19,825	22,140
Exchange losses	87,159	154,202
Provision for impairment of trade and other receivables	39,116	24,262
Donation	37,240	6,600
Net loss on derivatives at fair value through profit or loss		
- interest rate swap contracts	730	—
- bunker forward contracts	—	123,388
Others	135,891	106,741
Total	319,961	437,333

Notes to the Consolidated Financial Statements

31 Share reform

On 25 May 2006, COSCO Pacific issued 424,106,507 put options (the "Put Options") to holders of the A-shares not having trading restrictions (the "CIMC Tradable 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 COSCO Pacific to buy from them 1.370 CIMC Tradable A-Shares at an exercise price of RMB7.302 per share during the 5 trading days immediately prior to and including 23 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 Option was exercised and in accordance with HKAS 39, a fair value gain of RMB419,596,000 (equivalent to approximately US$55,181,000) was recognised in the consolidated income statement in the current year. The change in fair values recognised in the consolidated income statement for the year in connection with the Put Options was as follows:

	2007 RMB'000	2006 RMB'000
Initial recognition of Put Options	—	(1,116,114)
Fair value gain on Put Options	419,596	676,407
	419,596	(439,707)

Notes to the Consolidated Financial Statements

32 Operating profit

Operating profit is stated after charging the following:

	2007 RMB'000	2006 RMB'000 (Restated)
Auditor's remuneration	94,975	45,124
Amortisation		
- leasehold land and land use rights	17,684	15,954
- intangible assets	51,762	86,637
Cost of bunkers consumed	10,405,776	9,605,508
Cost of inventories sold		
- resaleable containers	372,969	357,772
- marine suppliers and others	73,233	53,587
- properties for sales	—	16,901
Depreciation and impairment		
- container vessels	822,364	754,315
- dry bulk vessels	2,180,166	2,243,412
- containers	571,181	682,424
- other owned property, plant and equipment	478,311	352,930
- investment properties	11,043	13,026
Operating lease rentals		
- container vessels	5,089,024	2,709,940
- dry bulk vessels	16,183,873	8,823,532
- containers	1,117,614	761,660
- land and buildings	104,994	148,652
- other property, plant and equipment	87,321	325,463
Provision for resaleable containers	3,255	2,425

Notes to the Consolidated Financial Statements

33 Finance income and costs

	2007 RMB'000	2006 RMB'000 (Restated)
Finance income		
Interest income:		
- deposits with COSCO Finance (note 17(c))	**(66,773)**	(25,315)
- loans to jointly controlled entities (note 11(b))	**(5,277)**	(8,305)
- loans to associates (note 12(b))	**(8,121)**	(8,225)
- deposits with COSCO HK Group (note 19(c))	**(25,345)**	(62,906)
- third parties	**(545,413)**	(335,034)
	(650,929)	(439,785)
Finance costs		
Interest expenses:		
- bank loans	**897,737**	921,204
- bond wholly repayable within one year	**42,618**	9,439
- other loans wholly repayable within five years	**13,935**	16,982
- loans from COSCO Finance wholly repayable within one year (note 28(b))	**43,135**	35,413
- finance lease obligations (note 24(i))	**14,849**	17,826
- notes not wholly repayable within five years (note 24(c))	**153,251**	147,802
- amounts due to COSCO	**—**	5,708
- amounts due to a fellow subsidiary (note 27)	**32,602**	37,420
	1,198,127	1,191,794
Amortised amount of transaction costs on long-term borrowings	**23,275**	38,724
Amortised amount of discount on issue of notes	**1,536**	1,705
Other incidental borrowing costs and charges	**31,290**	33,826
Less: amount capitalised in construction in progress (note 6(i))	**(39,035)**	—
	1,215,193	1,266,049
Net finance costs	**564,264**	826,264

Notes to the Consolidated Financial Statements

34 Disposal of an associate

On 24 August 2007, COSCO Pacific entered into a sale and purchase agreement to dispose of its entire 20% shareholding interest in Chong Hing Bank Limited, a company listed in Hong Kong, at cash consideration of approximately RMB2,038,000,000 to COSCO HK Group. The sale was completed in November 2007 and resulted in a profit of RMB690,002,000.

35 Income tax expenses

	2007 RMB'000	2006 RMB'000 (Restated)
Current income tax		
- PRC enterprise income tax (note a)	**3,489,768**	1,163,602
- Hong Kong profits tax (note b)	**31,583**	21,119
- Overseas taxation (note c)	**130,562**	981,698
Under provision in prior years	**5,375**	6,534
	3,657,288	2,172,953
Deferred income tax (note 15)	**1,064,083**	(164,388)
	4,721,371	2,008,565

The Group's share of income tax expense of jointly controlled entities and associates for the year totalling RMB216,889,000 (2006: RMB112,852,000) and RMB90,107,000 (2006: RMB93,427,000) are included in the consolidated income statement as share of profits of jointly controlled entities and associates respectively.

Notes:

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

The provision for EIT is based on the statutory rate of 33% on the assessable income of each of the PRC companies of the Group as determined in accordance with the relevant PRC income tax rules and regulations for the year, except for certain PRC companies, which are taxed at reduced rates ranging from 15% to 27% based on different local preferential policies on income tax and approval by relevant tax authorities.

Pursuant to Guoshuihan (2004) No. 1251 issued by the State Administration of Taxation, COSCO and certain of its approved subsidiaries are assessed for EIT liabilities on a consolidated basis as a single entity with COSCO, being the only entity to settle the consolidated tax liabilities with the Beijing State Tax Bureau, and all the approved subsidiaries would not be assessed separately for EIT in prior years. Accordingly, certain Bulk Subsidiaries as approved by the relevant tax bureaus were entitled to utilise the tax loss incurred by the loss-making companies to offset against the taxable income of the profit-making companies in determining their consolidated taxable income in prior years. These Bulk Subsidiaries were not be eligible to this consolidated tax arrangement after the completion of the acquisitions of the Bulk Subsidiaries by the Group and these Bulk Subsidiaries will settle their tax liabilities directly with the relevant tax bureaus starting from 2008. The directors considered the termination of such consolidated tax arrangement would not have a material impact to the Group.

On 16 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 or increases the corporate income tax rate for domestic enterprises and foreign invested enterprises from 33% and 15% respectively to 25% with effect from 1 January 2008. As a result of the new CIT Law, the carrying amount of net deferred tax liabilities for the year ended 31 December 2007 has been reduced by RMB146,189,000.

Notes to the Consolidated Financial Statements

35 Income tax expenses (Continued)

(b) Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profits derived from or arising in Hong Kong for the year.

(c) Overseas taxation

Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates. These rates range from 22% to 42% during the year (2006: 22% to 44%).

(d) The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rate of the home country of the Company as follows:

	2007 RMB'000	2006 RMB'000 (Restated)
Profit before income tax	25,927,042	11,483,130
Less: Share of profits less losses of jointly controlled entities and associates	(1,961,471)	(1,546,872)
Profit on disposal of associate	(690,002)	—
	23,275,569	9,936,258
Calculated at a tax rate of 33% (2006: 33%)	7,680,938	3,278,965
Effect of differential tax rates of domestic and overseas entities	(2,490,193)	(1,160,952)
Income not subject to income tax	(1,092,559)	(720,586)
Expenses not deductible for taxation purposes	642,921	418,606
Utilisation of previously unrecognised tax losses	(8,196)	(24,306)
Tax losses not recognised	108,361	151,149
Recognition of previously unrecognised tax losses	(1,310)	(6,526)
Effect of exchange losses directly recognised in equity	(244,554)	(82,482)
Impact of the new CIT Law	(146,189)	—
Effect on deferred income tax liabilities due to the change in tax rates	—	(176,000)
Recognition of tax liabilities on domestic/overseas undistributed profits previously not recognised	213,824	243,627
Under provision in prior years	5,375	6,534
Other temporary differences not recognised	52,953	80,536
Income tax expenses	4,721,371	2,008,565

(e) Business tax

Pursuant to the relevant provisions of the PRC business tax law and regulations, the Group is required to pay business tax to relevant local tax bureaus as below.

Revenues derived from container shipping and bulk business for inbound shipment and freight forwarding and shipping agencies, and terminal operations provided by the Group in the PRC are subject to business tax at rates ranging from 3% to 5% during the year. The related business tax is included in the cost of services.

Notes to the Consolidated Financial Statements

36 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 RMB5,262,435,000 (2006: a loss of RMB115,586,000).

37 Distributions and dividends

(a) Distributions

	2007 RMB'000	2006 RMB'000 (Restated)
Considerations in connection with the purchase of (note i)		
- Bulk Subsidiaries (note 23(h))	23,738,474	—
- Penanvico Subsidiaries (note 23(h))	41,394	—
- COSCO Logistics Co., Ltd. ("COSCO Logistics") (note ii)	—	1,679,636
- Vessel owning companies (note iii)	20,374	—
- Other subsidiaries	—	104,066
Dividends paid/payable to (note iv)		
- COSCO HK Group	8,922,063	2,549,952
- COSCO	6,323,393	1,807,771
- Guangzhou Ocean Shipping Company	26,647	—
- COSCO (Cayman) Fortune Holding Co., Ltd. ("COSCO Fortune")	—	128,169
Disposal of subsidiaries (note v)	—	54,101
	39,072,345	6,323,695

Notes:

(i) Consideration distributions represented the deemed considerations for the acquisition of subsidiaries from COSCO Group. These acquisitions were regarded as business combinations under common control.

(ii) It represented consideration paid/payable by the Company for the acquisition of 51% equity interest in COSCO Logistics from COSCO.

(iii) This represented considerations paid by Golden View for the acquisition of ten vessel owning subsidiaries ("VOC") from COSCO Fortune and one VOC from Ocean Crest Navigation Limited, prior to the completion of the acquisition by the Group from COSCO HK Group.

Notes to the Consolidated Financial Statements

37 Distributions and dividends (Continued)

(a) Distributions (Continued)

(iv) It represented distribution of dividends of RMB3,715,230,000 (2006: RMB4,485,892,000) declared by the Acquired Subsidiaries, VOC and COSCO Logistics to their then shareholders prior to the completion of the respective acquisitions and the dividends of RMB11,556,873,000 (2006: Nil) in relation to the profits of Bulk Subsidiaries for the Relevant Period to their then shareholders as stipulated in the acquisition agreements.

For COSCO Acquisition, the consideration was settled by issue of the Company's A-Shares. The attributable net asset value of the Acquired Subsidiaries at the date of completion under COSCO Acquisition are treated as a deemed consideration. For other business combinations under common control for which the considerations were settled by cash, the deemed considerations were equal to the cash considerations. Pursuant to a memorandum dated 26 December 2007 signed by the Company and relevant COSCO group companies, the profits of the Bulk Subsidiaries for the Relevant Period are calculated on a pro-rata basis based on the total annual profits for 2007.

(v) This represented the amount of the net assets of certain subsidiaries which were disposed of to fellow subsidiaries less consideration received and was treated as deemed distribution.

(b) Dividends

	2007 RMB'000	2006 RMB'000
Final, proposed, of RMB0.18 per share (2006: RMB0.09)	**1,804,358**	558,427
Special, proposed, of RMB Nil per share (2006: RMB0.15)	**—**	930,714
	1,804,358	1,489,141

Note:

At the meeting held on 22 April 2008, the Board proposed a cash final dividend of RMB0.18 per share totalling RMB1,838,929,000 for the year ended 31 December 2007. In connection with the Acquisition Issue, COSCO has agreed to forfeit the right to receive the dividend declared by the Company in respect of the Group's profits (excluding the Bulk Subsidiaries) for the Relevant Period in respect of 864,270,817 A-Shares held by COSCO. As such, the amount of approximately RMB34,571,000 as determined has been deducted from the proposed 2007 final dividend above.

The proposed 2007 cash final dividend is not reflected as dividend payable in the Consolidated Financial Statements, but will be reflected as an appropriation of retained profits for the year ending 31 December 2008.

On 28 March 2007, the Board proposed a final cash dividend of RMB 0.09 pre share, totalling RMB558,427,000 for the year ended 31 December 2006. In addition, the Board of Directors also proposed to issue 1.5 bonus shares for every 10 shares of the Company at par value of RMB1.00 each held by the shareholders at 31 December 2006, totalling RMB930,714,000. No special dividend was proposed for this year. The above proposed 2006 dividends were approved by the shareholders on 15 May 2007.

Notes to the Consolidated Financial Statements

38 Earnings per share

The calculation of the basic and diluted earnings per share attributable to the equity holders of the Company is based on the following data:

	2007	2006 (Restated)
Earnings (RMB)		
Earnings for the purpose of calculating the basic and dilutive earnings per share (note a)	19,477,940,000	8,292,447,000
Number of shares		
Weighted average number of ordinary shares in issue (note b)	8,928,183,591	7,962,199,671
Earnings per share (RMB)		
- Basic and diluted	2.1816	1.0415

Notes:

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

(b) The number of shares in issue for the year ended 31 December 2007 and 2006 have been adjusted for the Bonus Issue effected on 31 May 2007 (note 22(a)(i)) and for the Acquisition Issue on 19 December 2007 (note 22(a)(iii)) as if the Bonus Issue and the Acquisition Issue had been issued for all periods presented.

39 Staff costs

An analysis of staff costs, including Directors', supervisors' and key management's emoluments, is set out below:

	2007 RMB'000	2006 RMB'000 (Restated)
Wages, salaries and crew expenses	5,174,031	3,776,989
Housing benefits (note a)	197,970	157,716
Retirement benefits costs		
- post-retirement/post-employment benefits (note 25(b))	242,770	49,535
- defined contribution plans (note b)	670,099	359,998
Welfare and other expenses	388,555	567,969
	6,673,425	4,912,207

Notes to the Consolidated Financial Statements

39 Staff costs (Continued)

Notes:

(a) These include contributions to PRC government sponsored housing funds (at rates ranging from 5% to 20% of the employees' basic salaries) for full time employees in the PRC during the year.

(b) The employees of the subsidiaries in the PRC participate in various retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group was required to make monthly contributions to these plans at rates ranging from 5% to 20%, dependent on the applicable local regulations, of the employees' basic salaries for the year.

In addition, the Group participates in various defined contribution retirement schemes for its qualified employees in certain countries outside the PRC. Employees' and employers' contributions are calculated based on various percentages of employees' gross salaries or fixed sums and length of service. The assets of the schemes are held separately from those of the administered funds independently.

No forfeited contributions were available at 31 December 2007 and 2006 to reduce future contributions.

Contributions totalling RMB102,849,000 (2006: RMB30,037,000) payable to various retirement benefit plans at 31 December 2007 are included in other payables.

(c) The staff costs disclosed above do not include staff quarters provided to the Company's directors, supervisors and the Group's key managements during the year. Further details of the Directors, supervisors and key management's emoluments are disclosed in note 40 of the Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

40 Emoluments of Directors, supervisors and senior management

(a) Directors', supervisors' and senior management's emoluments

Details of the emoluments paid and payable to the Directors, supervisors and senior management of the Company by the Group in respect of their services rendered for managing the business of the Group during the year are as follows:

	2007 RMB'000	2006 RMB'000
Independent non-executive directors		
- fees	**961**	958
Executive and other non-executive directors		
- fees	**1,165**	1,486
- salaries and allowances	**9,548**	7,469
- benefits in kind	**70,633**	8,257
	81,346	17,212
Supervisors		
- salaries and allowances	**2,922**	1,523
- benefits in kind	**23,028**	2,016
- retirement benefit contributions	**42**	19
	25,992	3,558
Senior management		
- salaries and allowances	**12,269**	12,283
- benefits in kind	**23,047**	2,705
- discretionary bonuses	**34**	402
- others	**11**	730
- retirement Benefit contributions	**85**	57
	35,446	16,177
	143,745	37,905

Benefits in kind mainly represented the amortised cost of the SARs granted to the Directors, supervisors and certain key management members at the date of grant (details of which refer note 22(b)). During the year, the number of SARs granted to the Directors and supervisors were 4,660,000 (2006: 5,400,000) and 1,820,000 (2006: 1,400,000) respectively.

Notes to the Consolidated Financial Statements

40 Emoluments of Directors, supervisors and senior management (Continued)

(b) Directors' emoluments

Details of the remuneration of each of the Directors are set out below:

	Year ended 31 December 2007			
Name of Directors	Fees RMB'000	Salaries and allowances RMB'000	Benefits in kind RMB'000	Total RMB'000
Mr. Wei Jiafu	140	3,472	15,705	19,317
Mr. Zhang Fusheng	—	3,224	12,988	16,212
Mr. Chen Hongsheng	113	2,852	11,490	14,455
Mr. Li Jianhong	308	—	10,495	10,803
Mr. Sun Yueying	286	—	10,011	10,297
Mr. Xu Lirong	215	—	8,925	9,140
Mr. Zhang Liang	103	—	1,019	1,122
Mr. Wang Futian (note(ii))	—	—	—	—
Mr. Ma Zehua (note(ii))	—	—	—	—
Mr. Ma Guichuan (note(ii))	—	—	—	—
Mr. Li Boxi	200	—	—	200
Mr. Cheng Mo Chi	258	—	—	258
Mr. Hamilton Alexander Reid	258	—	—	258
Mr. Tsao Wenking	245	—	—	245
	2,126	9,548	70,633	82,307

Notes to the Consolidated Financial Statements

40 Emoluments of Directors, supervisors and senior management (Continued)

(b) Directors' emoluments (Continued)

Name of Directors	Fees RMB'000	Salaries and allowances RMB'000	Benefits in kind RMB'000	Total RMB'000
	Year ended 31 December 2006			
Mr. Wei Jiafu	151	2,716	1,262	4,129
Mr. Zhang Fusheng	—	2,522	1,121	3,643
Mr. Chen Hongsheng	121	2,231	981	3,333
Mr. Wang Futian	162	—	841	1,003
Mr. Li Jianhong	305	—	841	1,146
Mr. Ma Zehua	163	—	841	1,004
Mr. Ma Guichuan	165	—	841	1,006
Mr. Sun Yueying	291	—	841	1,132
Mr. Liu Guoyuan (note (ii))	128	—	688	816
Mr. Li Boxi	202	—	—	202
Mr. Cheng Mo Chi	249	—	—	249
Mr. Hamilton Alexander Reid	255	—	—	255
Mr. Tsao Wenking	252	—	—	252
	2,444	7,469	8,257	18,170

Notes:

(i) During the year, no emoluments were paid by the Group to any of the Directors as an inducement to join or upon joining the Group or as compensation for loss of office. No Directors of the Company waived or agreed to waive any emoluments during the year.

(ii) The Director resigned during the year.

Notes to the Consolidated Financial Statements

40 Emoluments of Directors, supervisors and senior management (Continued)

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group during the year are as follows:

	Number of individuals 2007	2006
Directors	5	3
Employees	—	2
	5	5

The details of emoluments paid to the five highest paid individuals, has included five (2006: three) Director of the Company as disclosed in note 40(b) above. Details of emoluments paid to the remaining two highest paid non-director individuals for the year ended 31 December 2006 are as follows:

	2007 RMB'000	2006 RMB'000
- Salaries and allowances	—	8,714
- Benefits in kind	—	1,455
- Discretionary bonuses	—	402
- Retirement benefit contributions	—	19
- Others	—	730
	—	11,320

The emoluments of the above non-director individuals fell within the following bands:

	Number of individuals 2007	2006
HK$2,500,001 to HK$3,000,000 (equivalent to approximately RMB2,600,000 to RMB 3,120,000)	—	1
HK$8,000,001 to HK$8,500,000 (equivalent to approximately RMB8,320,000 to RMB8,840,000)	—	1
	—	2

Notes to the Consolidated Financial Statements

41 Notes to the consolidated cash flow statement

(a) Reconciliation of profit before income tax to cash generated from operations:

	2007 RMB'000	2006 RMB'000 (Restated)
Profit before income tax	25,927,042	11,483,130
Depreciation		
- property, plant and equipment	4,052,022	4,027,437
- investment properties	11,043	13,026
Amortisation		
- intangible assets	51,762	86,637
- leasehold land and land use rights	17,684	15,954
Amortised amount of transaction costs on long-term borrowings and discount on issue of notes	24,811	40,429
Dividend income from listed and unlisted investments	(194,996)	(184,549)
Share of profits less losses of		
- jointly controlled entities	(955,688)	(673,424)
- associates	(1,005,783)	(873,448)
Gain on disposal of available-for-sale financial assets	(67,541)	(71,987)
Interest expenses	1,159,092	1,191,794
Interest income	(650,929)	(439,785)
Gain on deemed disposal of a subsidiary	(71,087)	(169,867)
Net gain on disposal of property, plant and equipment	(1,188,370)	(1,491,060)
Net gain on disposal of jointly controlled entities and associates	(709,188)	(66,426)
Unrealised gain on interest rate swap contracts at fair value through profit or loss	(4,029)	(1,821)
Share reform	(419,596)	439,707
Other incidental borrowing costs and charges	31,290	33,826
Share option expenses of a subisdiary	85,089	—
Unrealised gain on FFA at fair value through profit or loss	(1,350,678)	(304,020)
Unrealised loss on other financial assets at fair value through profit or loss	804	—
Operating profit before working capital changes	24,742,754	13,055,553
(Increase)/decrease in inventories	(352,953)	390,465
Increase in trade and other receivables	(1,450,354)	(1,872,734)
Decrease in amount due from a fellow subsidiary	—	247,212
Increase in trade and other payables	2,191,093	1,104,100
Increase/(decrease) in other taxes payable	132,086	(52,424)
Decrease in finance lease receivables	13,323	13,915
Increase in other non-current liabilities	273,163	80,634
Increase in other financial assets at fair value through profit or loss	(4,468)	—
Cash generated from operations	25,544,644	12,966,721

Notes to the Consolidated Financial Statements

41 Notes to the consolidated cash flow statement (Continued)

(b) Major non-cash transactions

(i) In June 2007, an amount due from COSCO HK Group of RMB737,109,000 has been offset against the dividend payable to COSCO HK Group (note 19(c)).

(ii) Resulting from the novation of the vessel construction contracts to the Group as mentioned in note 19(d), the assets under construction of the Group increased by RMB1,349,318,000, with a corresponding reduction in the amount due from COSCO of the same amount during the year ended 31 December 2007.

(iii) The Company issued 864,270,817 A-Shares for COSCO Acquisition in 2007 (note 23 (f)).

(iv) During 2007, dividend receivable from available-for-sale financial assets of RMB141,470,000 and dividend receivable from a jointly controlled entity of RMB345,509,000 were reclassified as loan to an investee company and loan to an jointly controlled entity, respectively.

(c) Analysis of changes in financing during the year

	Share capital (including capital reserve) RMB'000	Borrowings (excluding bank overdrafts) RMB'000	Amounts due to a fellow subsidiary RMB'000	Minority interests RMB'000
At 1 January 2007, as restated	14,581,663	18,981,886	680,636	8,687,157
Exchange differences	—	(994,877)	—	(406,926)
Amortised amount of transaction costs on long-term borrowings and discount on issue of notes	—	24,811	—	—
Drawdown of borrowings	—	12,143,782	—	—
Repayment of borrowings	—	(9,681,153)	—	—
Issue of A-Shares	15,127,196	—	—	—
Bonus issue	930,714	—	—	—
Acquisition issue	5,109,178	—	—	—
Private placement	12,979,989	—	—	—
Share issue expenses	(482,464)	—	—	—
Repayment for bond	—	(1,500,000)	—	—
Effect of fair value hedge	—	77,195	—	—
Principal repayment of finance lease obligations	—	(11,763)	—	—

Notes to the Consolidated Financial Statements

41 Notes to the consolidated cash flow statement (Continued)

(c) Analysis of changes in financing during the year (Continued)

	Share capital (including capital reserve) RMB'000	Borrowings (excluding bank overdrafts) RMB'000	Amounts due to a fellow subsidiary RMB'000	Minority interests RMB'000
Reclassification of jointly controlled entities to subsidiaries	—	290,000	—	203,542
Repayment of amount due to a fellow subsidiary	—	—	(143,857)	—
Release of reserves upon				
- disposal of an associate	—	—	—	21,178
- deemed disposals	(23,756)	—	—	232,777
Available-for-sale of financial assets				
- fair value gain	—	—	—	520,456
- tax on fair value gain	—	—	—	(1,420)
Share of reserves of a jointly controlled entity and associates	—	—	—	122,599
Disposal of share in a subsidiary	—	—	—	(9,041)
Minority interests' share of profit	—	—	—	1,727,731
Dividends paid to minority shareholders of a subsidiary	—	—	—	(690,366)
Contributions from minority shareholders of subsidiaries	—	—	—	83,784
Acquisition of shares in minority shareholders	—	—	—	(30,023)
At 31 December 2007	48,222,520	19,329,881	536,779	10,461,448

Notes to the Consolidated Financial Statements

41 Notes to the consolidated cash flow statement (Continued)

(c) Analysis of changes in financing during the year (Continued)

	Share capital (including capital reserves) RMB'000	Borrowings (excluding bank overdrafts) RMB'000	Amounts due to a fellow subsidiary RMB'000	Minority Interests RMB'000
At 1 January 2006, as restated	14,371,032	20,803,071	1,133,440	7,592,125
Exchange differences	—	(512,062)	—	(145,846)
Amortised amount of transaction costs on long-term borrowings and discount on issue of notes	—	24,188	—	—
Addition of subsidiaries	—	530,000	—	10,170
Drawdown of borrowings	—	13,185,166	—	—
Repayment of borrowings	—	(16,512,796)	—	—
Issue of bonds and related interest expense	—	1,509,439	—	—
Effect of fair value hedge	—	(11,406)	—	—
Principal repayment of finance lease obligations	—	(33,714)	—	—
Dividend to then shareholder (Note 37(a)(iv))	—	—	128,169	—
Repayment of amount due to a fellow subsidiary	—	—	(580,973)	—
Release of reserves upon				
- disposal of an available -for-sale financial asset	—	—	—	(2,471)
- deemed disposals	(68,791)	—	—	312,895
Fair value gain of available -for-sale financial assets	—	—	—	320,712
Share of reserves of jointly controlled entities and associates	—	—	—	8,629
Disposal of share in a subsidiary	—	—	—	(884)
Minority interests' share of profit	—	—	—	1,182,118
Dividends paid to minority shareholders of a subsidiary	—	—	—	(780,171)
Contributions from minority shareholders of subsidiaries	—	—	—	220,897
Acquisition of shares in minority shareholders	—	—	—	(31,017)
Conversion to Domestic Shares	279,422	—	—	—
At 31 December 2006, as restated	14,581,663	18,981,886	680,636	8,687,157

Notes to the Consolidated Financial Statements

41 Notes to the consolidated cash flow statement (Continued)

(d) Acquisition of subsidiaries

On 1 January 2006, COSCO Qingdao increased its equity interests in Coscoship (Qingdao) Co., Ltd. by 31%, and the entity became a 80% owned subsidiary of COSCO Qingdao. The revenues and profit of Coscoship (Qingdao) Co., Ltd. for the year ended 31 December 2006 were RMB9,402,000 and RMB1,236,000 respectively.

Details of net assets acquired and negative goodwill are as follows:

	2006 RMB'000
Purchase consideration settled in cash	1,652
Fair value of net assets acquired	(1,652)
Negative goodwill	—

The assets and liabilities arising from the acquisition are as follows:

	2006 RMB'000
Property, plant and equipment	426
Inventories	—
Trade and other receivables	6,679
Cash and cash equivalents	1,418
Trade and other payables	(2,415)
Taxation payable	(779)
Net assets	5,329
Equity interests acquired	31%
Net assets acquired	1,652
Negative goodwill	—
Purchase consideration settled in cash	1,652
Cash and cash equivalents in subsidiaries acquired	(1,418)
Cash outflow on acquisition	234

The Directors consider that the carrying amounts of the assets and liabilities of the subsidiaries acquired approximate their fair values.

The acquisitions of subsidiaries under common control by the Group are set out in note 23(h).

Notes to the Consolidated Financial Statements

41 Notes to the consolidated cash flow statement (Continued)

(e) Disposal of subsidiaries

(i) On 31 December 2006, the Group disposed of certain subsidiaries at nil consideration.

(ii) On 6 April 2007, COSCO Bulk disposed of its entire 55% equity interest in Tianjin Haigang Enterprise Co., Ltd. for a consideration of RMB1,482,000.

(iii) On 10 April 2007, COSCO Bulk disposed of its partial 40% equity interest in COSCO Anderson (Tianjin) Real Estate Development Co., Ltd., at nil consideration. Subsequent to the disposal, COSCO Bulk still holds 30% equity interest in COSCO Anderson (Tianjin) Real Estate Development Co., Ltd., which has been reclassified as a jointly controlled entity of the Group since then.

Net cash outflow in respect of disposal of subsidiaries is analysed as follows:

	2007 RMB'000	2006 RMB'000 (Restated)
Property, plant and equipment	—	14,879
Leasehold land and land use rights	—	3,483
Jointly controlled entities	—	34,565
Available-for-sale financial assets	—	4,369
Inventories	—	3,227
Trade and other receivables	5,442	2,765
Cash and cash equivalents	7,854	36,696
Trade and other payables	(6,246)	(45,883)
Tax payable	(780)	—
Net assets disposed of	6,270	54,101
Less: minority interests disposal of	(3,903)	—
Less: transfer to a jointly controlled entity	(885)	—
Net assets disposed of	1,482	54,101
Distribution (note 37(a)(v))	—	(54,101)
Cash consideration	1,482	—
Less: cash and cash equivalents disposed of	(7,854)	(36,696)
Net cash outflow on disposal of subsidiaries	(6,372)	(36,696)

Notes to the Consolidated Financial Statements

42 Reclassification of jointly controlled entities to subsidiaries

During the year, the assets and liabilities arising from the reclassification from jointly controlled entities as subsidiaries are as follows:

	Carrying amount and fair value			
Date for financial statements	At 30 November 2007	At 30 June 2007	At 31 December 2007	
	Note (a)	Note (b)	Note (c)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Property, plant and equipment	455,688	24,206	262	480,156
Leasehold land and land use rights	45,057	9,567	—	54,624
Intangible assets	192	4,196	—	4,388
Trade and other receivables	205,334	89,295	9,173	303,802
Bank balances and cash	7,694	49,470	11,486	68,650
Other assets	(821)	2,400	—	1,579
Trade and other payables	(30,701)	(72,616)	(14,746)	(118,063)
Tax payable	—	(2,141)	(289)	(2,430)
Borrowings	(290,000)	—	—	(290,000)
	392,443	104,377	5,886	502,706
Minority interests	(162,031)	(41,511)	—	(203,542)
Reclassification of interest originally held by the Group as jointly controlled entities	230,412	62,866	5,886	299,164

Notes:

(a) On 13 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.

(b) On 30 June 2007, the Memorandum and Articles of Association of China Ocean Shipping Agency Basuo Co. Ltd. ("Basuo"), China Ocean Shipping Agency Haikou Co. Ltd. ("Haikou"), Rizhao Ever Glory Shipping Co. Ltd. ("Ever Glory"), Taizhou United International Shipping Agency Ltd. ("Taizhou United"), Qingdao United International Shipping Agency Ltd. ("Qingdao United"), COSCO Beijng United Auto-logistics Co. Ltd ("Beijing United"), Qingdao COSCO Konoike Logistics Co. Ltd. ("Konoike"), Penavico Nanjing Container Co. Ltd.("Penavico Nanjing") were amended and the Group has the power to govern their financial and operating policies from then onwards. Basuo, Haikou, Ever Glory, Taizhou United, Qingdao United, Beijing United, Konoike and Penavico Nanjing were previously jointly controlled entities and since then, the Group has accounted for such eight jointly controlled entities as subsidiaries.

(c) On 31 December 2007, the Memorandum and Articles of Association of Qingdao COSCO Logistics Multimodal Transport Co. Ltd. ("Qingdao COSCO"), Penavico Jinzhou International Freight Co. Ltd. ("Penavico Jinzhou"), China Ocean Shipping Agency Laizhou Co. Ltd. ("Laizhou") were amended and the Group has the power to govern their financial and operating policies from then onwards. Qingdao COSCO, Penavico Jinzhou and Laizhou were previously jointly controlled entities and since then, the Group has accounted for such three jointly controlled entities as subsidiaries.

Notes to the Consolidated Financial Statements

42 Reclassification of jointly controlled entities to subsidiaries (Continued)

Above twelve jointly controlled entities contributed revenues of RMB83,868,000 and profit of RMB16,515,000 for the year. If the reclassification had occurred on 1 January 2007, the Group's revenues would have been increased by RMB180,069,000 and profit for the year would have been increased by RMB39,602,000.

43 Contingent liabilities

	2007 **RMB'000**	2006 RMB'000 (Restated)
Pending lawsuits (note b)	**36,717**	36,482

Notes:

(a) In 2003, the Group was involved in a personal injury case in which a truck was involved in a traffic accident in Illinois, the US, resulting in death and injury of a number of individuals. Upon advice of US legal counsel, the Directors considered that the exposure liable to the Group, if any, is fully covered by the Group's insurance policies.

(b) The Group is subject to other claims in respect of a number of litigations currently under way. The litigations are, including but not limited to, claims arising from damage to vessels during transportation, loss of goods, delay in delivery or collusion of vessels. At 31 December 2007, the Group is unable to ascertain the likelihood and amounts of the respective claims. However, based on advice of legal counsel and/or information available to the Group, the Directors are of the opinion that, while the claims have not been provided for in the Consolidated Financial Statements or included in the contingent liabilities as disclosed above, either the Group's insurance coverage will be adequate to cover any final claims to be settled or the final claims amounts will be insignificant to the Group.

(c) The Company did not have any significant contingent liability at 31 December 2007.

Notes to the Consolidated Financial Statements

44 Commitments

(a) Capital commitments

	2007 RMB'000	2006 RMB'000 (Restated)
Authorised but not contracted for		
Containers	1,888,882	3,705,947
Other property, plant and equipment	688,029	67,754
Intangible assets	65,399	3,500
Investments	50,080	—
	2,692,390	3,777,201
Contracted but not provided for		
Containers	1,131,738	307,241
Containers vessels and dry bulk vessels	27,261,214	20,418,250
Other property, plant and equipment	1,149,004	538,187
Investments (note i)	7,821,879	5,742,624
Intangible assets	57,981	18,359
	37,421,816	27,024,661

Notes to the Consolidated Financial Statements

44 Commitments (Continued)

(a) Capital commitments (Continued)

Notes:

(i) The Group's contracted investments at 31 December 2007 are as follows:

	2007 RMB'000	2006 RMB'000 (Restated)
Investments in:		
- Qingdao Qianwan Container Terminal Co., Ltd.	**474,777**	607,650
- Antwerp Gateway NV	**672,286**	673,844
- Dalian Port Container Terminals Co., Ltd	**712,001**	714,855
- COSCO Ports (Nansha) Limited	**1,016,289**	1,295,479
- Tianjin Port Euroasia Terminal	**702,199**	1,079,998
- Xiamen Ocean Gate Container Terminal Co., Ltd.	**2,793,703**	—
- Others	**435,278**	567,736
	6,806,533	4,939,562
Terminal projects in:		
- Jinjiang Ports	**583,199**	—
- Shanghai Yangshan Port Phase II	**400,000**	400,000
- Suez Canal Terminal at Port Said, Egypt	**—**	370,913
- Others	**32,147**	32,149
	1,015,346	803,062
	7,821,879	5,742,624

(ii) Amounts of capital commitments relating to the Group's interest in the jointly controlled entities are as follows:

	2007 RMB'000	2006 RMB'000
Authorised but not contracted for	**190,752**	251,604
Contracted but not provided for	**624,755**	234,620
	815,507	486,224

Notes to the Consolidated Financial Statements

44 Commitments (Continued)

(b) Operating lease ar rangement - wher e the Gr oup is the lessor

At 31 December 2007, the Group had future minimum lease receipts under non-cancellable operating leases as follows:

	Group 2007 RMB'000	2006 RMB'000 (Restated)
Containers vessels and dry bulk vessels		
- not later than one year	**17,829,637**	8,830,877
- later than one year and not later than five years	**5,944,439**	2,267,243
- later than five years	**18,351**	47,567
	23,792,427	11,145,687
Containers		
- not later than one year	**378,455**	150,768
- later than one year and not later than five years	**1,196,857**	471,170
- later than five years	**360,606**	52,907
	1,935,918	674,845
Investment properties		
- not later than one year	**42,987**	23,180
- later than one year and not later than five years	**29,581**	14,170
- later than five years	**1,589**	2,327
	74,157	39,677
Other property, plant and equipment		
- not later than one year	**15,887**	12,032
- later than one year and not later than five years	**27,182**	24,508
- later than five years	**—**	—
	43,069	36,540
	25,845,571	11,896,749

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.

Notes to the Consolidated Financial Statements

44 Commitments (Continued)

(c) Operating lease commitments - wher e the Gr oup is the lessee

At 31 December 2007, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Group		Company	
	2007	2006	2007	2006
	RMB'000	RMB'000 (Restated)	RMB'000	RMB'000
Containers vessels and dry bulk vessels				
- not later than one year	16,466,124	9,252,325	—	—
- later than one year and not later than five years	23,654,462	13,886,830	—	—
- later than five years	30,140,210	7,743,627	—	—
	70,260,796	30,882,782	—	—
Containers				
- not later than one year	488,197	577,198	—	—
- later than one year and not later than five years	638,727	1,127,258	—	—
- later than five years	154	498	—	—
	1,127,078	1,704,954	—	—
Land and buildings				
- not later than one year	138,458	123,706	8,366	4,176
- later than one year and not later than five years	174,048	236,990	4,183	—
- later than five years	45,960	74,364	—	—
	358,466	435,060	12,549	4,176
Other property, plant and equipment				
- not later than one year	11,349	14,585	—	—
- later than one year and not later than five years	7,754	15,121	—	—
- later than five years	—	29	—	—
	19,103	29,735	—	—
	71,765,443	33,052,531	12,549	4,176

Notes to the Consolidated Financial Statements

45 Significant related party transactions

The Company is controlled by COSCO, the parent company and a state-owned enterprise established in the PRC.

COSCO itself 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 the related party transaction disclosures, the Directors believe that meaningful information in respect of related party transactions has been adequately disclosed.

In addition to the related party information and transactions disclosed elsewhere in the Consolidated Financial Statements, the following is a summary of significant related party transactions entered into the ordinary course of business between the Group and its related parties during the year.

Notes to the Consolidated Financial Statements

45 Significant related party transactions (Continued)

	2007 RMB'000	2006 RMB'000 (Restated)
Transactions with COSCO		
Expenses		
Sub-charter expenses (note a)	146,171	152,945
Others		
Purchase of equity interests in COSCO Bulk, COSCO Qingdao, COSCO Shenzhen (note b)	5,109,178	—
Purchase of 51% equity interest in COSCO Logistics (note c)	—	1,679,636
Purchases of vessels (note d)	461,042	173,529
Guarantees to COSCO		
Corporate guarantee for credit or loan facilities granted to COSCO (note e)	—	4,000,000
Transactions with subsidiaries of COSCO and its related entities (including jointly controlled entities and associates)		
Revenues		
Container shipping income (note f)	343,876	415,046
Freight forwarding and shipping agency income (note g)	111,171	106,337
Charterhire income (note h)	250,113	175,743
Shipping-related service income (note i)	18,744	10,822
Expenses		
Vessel costs		
Sub-charter expenses (note a)	547,193	529,312
Charterhire expenses (note h)	67,728	32,963
Vessel services expenses (note j)	813,838	525,656
Crew expenses (note k)	760,241	615,376
Vessel management expenses (note k)	72,421	74,957
Voyage costs		
Bunker costs (note l)	9,503,347	8,145,211
Port charges (note m)	1,046,243	1,122,271
Equipment and cargo transportation costs		
Commission and rebates (note n)	286,701	236,918
Cargo and transhipment and equipment and repositioning expenses (note o)	220,534	258,605
Transportation and depot services expenses (note p)	91,899	93,547
General service expenses (note i)	80,571	89,116
Rental expenses (note i)	55,272	53,039

Notes to the Consolidated Financial Statements

45 Significant related party transactions (Continued)

	2007 RMB'000	2006 RMB'000 (Restated)
Transactions with subsidiaries of COSCO and its related entities (including jointly controlled entities and associates)		
Others		
Proceeds on disposal of an associate to a fellow subsidiary (note r)	2,035,591	—
Purchase of equity interests in Golden View and COSCO Shenzhen (note b)	18,629,296	—
Purchase of equity interests in Guangzhou Penavico and Ningbo Xinyang (note b)	41,394	—
Purchase of equity interests in two subsidiaries (note c)	—	3,603
Down payments for ship building contracts (note s)	—	337,231
Consideration received for disposal of vessels to a fellow subsidiary (note t)	—	425,650
Transactions with jointly controlled entities of the Group		
Revenues		
Freight forwarding and shipping agency income (note g)	17,452	14,153
Charterhire income (note h)	1,203,049	382,428
Management fee income (note i)	29,549	27,420
Shipping-related service income (note i)	—	909
Manning income (note i)	14,103	10,115
Expenses		
Vessel costs		
Charterhire expenses (note h)	141,787	117,976
Voyage costs		
Port charges (note m)	1,110,342	1,096,443
Equipment and cargo transportation costs		
Commission and rebates (note n)	—	1,969
Cargo and transhipment and equipment and repositioning expenses (note o)	8,827	8,934
Transportation and depot services expenses (note p)	52,928	91,745
General service expenses (note i)	1,258	6,196
Rental expenses (note i)	4,256	4,478
Others		
Purchase of containers (note u)	355,152	321,732
Additional capital injection in a jointly controlled entity (note v)	216,608	—
Disposal of a vessel to jointly controlled entity (note aa)	110,620	—

Notes to the Consolidated Financial Statements

45 Significant related party transactions (Continued)

Transactions with associates of the Group

	2007 RMB'000	2006 RMB'000 (Restated)
Revenues		
Freight forwarding and shipping agency income (note g)	—	2,031
Manning income (note i)	8,743	5,900
Management fee income (note i)	3,878	6,845
Expenses		
Container freight charges (note i)	14,364	12,909
Transportation and depot services expenses (note p)	—	34
Others		
Bank guarantee to an associate at face value (note e)	188,072	197,591
Proceeds on disposal of a jointly controlled company to an associate (note w)	—	49,820
Purchase of containers (note u)	1,704,878	1,245,484
Transactions with minority shareholders of subsidiaries		
Revenues		
Management fee income (note i)	—	15,937
Logistics related income (note i)	294,954	442,063
Others		
Injection of assets and liabilities by minority shareholders of subsidiaries (note x)	—	417,934

Notes to the Consolidated Financial Statements

45 Significant related party transactions (Continued)

Transactions with other state-owned enterprises

	2007 RMB'000	2006 RMB'000 (Restated)
Revenues		
Container shipping income (note f)	5,959,144	5,107,369
Freight forwarding and shipping agency income (note g)	591,076	848,119
Charterhire income (note h)	5,417,338	2,812,164
Sales of ship equipment (note i)	56,354	59,805
Container rental income (note i)	—	8,295
Logistics related income (note i)	413,360	611,042
Interest income on bank deposits (note i)	124,229	127,625
Expenses		
Vessel costs		
Charterhire expenses (note h)	82,031	15,274
Vessel service expenses (note j)	88,310	38,343
Insurance costs (note i)	104,777	102,365
Voyage costs		
Bunker costs (note l)	144,513	58,240
Port charges (note m)	1,289,858	3,046,833
Transportation and depot services expenses (note p)	209,672	327,060
Shipping-related service expenses (note i)	—	15,329
General service expenses (note i)	22,887	23,990
Logistics related expenses (note i)	28,922	129,683
Interest expenses (note y)	488,466	407,894

Notes to the Consolidated Financial Statements

45 Significant related party transactions (Continued)

Notes:

(a) COSCO and its subsidiaries leased fifteen vessels to COSCON and Shanghai Pan Asia Shipping Company Limited by way of sub-time charter or time charter arrangements. The periods of the sub-time charters are of six to twelve years and the periods of the time charters are of thirty-four to thirty-six months. The daily charterhire rate for each vessel was agreed on a mutual basis.

(b) On 3 September 2007, the Company entered into agreements with COSCO Group to acquire the entire equity interests in COSCO Bulk, Golden View, COSCO Qingdao and COSCO Shenzhen, which are mainly engaged in dry bulk shipping and related businesses (note 23(h)).

On 24 July 2007 and 22 October 2007, the Group entered into agreements with COSCO Group to acquire Guangzhou Penavico and Ningbo Xinyang respectively for a total consideration of RMB41,394,000.

(c) On 28 September 2006, the Company entered into an agreement with COSCO to acquire its 51% equity interest in COSCO Logistics for a consideration of RMB1,679,636,000. The acquisition of COSCO Logistics was completed on 25 December 2006.

On 1 January 2006, the Company entered into an agreement with subsidiaries of COSCO to acquire the 100% equity interest in COSCO (HK) Cargo Service Co., Limited and 55% equity interest in COSCO Philippines Shipping, Inc. for an aggregate consideration of HK$3,462,000 (equivalent to RMB3,603,000).

(d) The purchases of vessels from COSCO were conducted at terms as set out in the agreements entered into between the Group and COSCO.

(e) COSCO Bulk provided corporate guarantees in respect of bank loans borrowed by COSCO to the extent of RMB4,000,000,000. These guarantees were released in 2007.

A subsidiary of COSCO Pacific provided corporate guarantee to an associate in respect of banking facilities of the associate. The Directors consider that a claim on the Group is unlikely and the fair value of the guarantee contract is not significant to the Group, as such, it has not been recognised on the balance sheet date.

(f) COSCON provided the subsidiaries of COSCO and certain state-owned enterprises with container shipping services. These services were charged on a mutually agreed basis, except for the transactions with the subsidiaries of COSCO, which are governed by the terms under Master Solicitation Activities Agreement (note q) and the underlying execution agreements.

(g) The subsidiaries of the Group provided the subsidiaries of COSCO, certain jointly controlled entities and certain associates of the Group, and certain state-owned enterprises with freight forwarding, shipping agency and related services. The services were charged based on a certain percentage of the related freight revenue or fixed amounts per volume handled or as terms governed by the Master Overseas Agency Services Agreement, Shipping Agency Master Agreement and Freight Forwarding Master Agreement (note q).

(h) The Group entered into charterhire agreements with certain subsidiaries of COSCO and its related entities, jointly controlled entities of the Group and certain state-owned enterprises, whereby the charterhire income and expenses were charged at rates and terms mutually agreed by both parties.

(i) These transactions of revenues and expenses in nature were conducted based on terms as set out in the underlying agreements, based on statutory rates or market prices or actual cost incurred, or as mutually agreed.

(j) Certain subsidiaries of COSCO and certain state-owned enterprises provided the Group with lubricants, paint for vessel repairing, paint for maintenance, vessel materials and parts, vessel radio and communication equipment, etc. The vessel services were charged on a mutually agreed basis, except for the transactions with subsidiaries of COSCO which are governed by the terms under Master Vessel Services Agreement (note q).

(k) Certain subsidiaries of COSCO, provided the Group with crew and vessel management services. The services rendered were charged based on a mutually agreed basis or based on the actual costs incurred by the subsidiaries of COSCO and governed by the terms under Master Vessel Management Agreement and Master Seamen Leasing Agreement (note q).

Notes to the Consolidated Financial Statements

45 Significant related party transactions (Continued)

Notes: (Continued)

(l) Certain subsidiaries and jointly controlled entities of COSCO and certain state-owned enterprises provided the Group with bunkers. The prices were charged on a mutually agreed basis, except for the transactions with the subsidiaries and jointly controlled entities of COSCO, of which the price was with reference to market rates and governed by the terms under Master Vessel Services Agreement (note q).

The Group entered into bunker forward agreements through Chimbusco (Singapore) Pte Ltd ("Chimbusco"), a subsidiary of COSCO. No service fees was charged by Chimbusco for the arrangements of bunker forward agreements.

As at 31 December 2007 and 2006, there was no bunker forward agreement entered into by the Group.

(m) Certain jointly controlled entities of COSCO, certain jointly controlled entities of the Group and certain state-owned enterprises provided the Group with container terminal handling and storage services, port services and shipping services. The services rendered were charged at terms as agreed with the related parties or at terms based on respective underlying agreements entered into between the Group and the respective related companies or at terms governed by the Master Port Services Agreement (note q).

(n) Certain subsidiaries of COSCO and certain jointly controlled entities of the Group provided the Group with shipping agency, freight forwarding, freight solicitation, slot booking services and other related services. The service was charged based on a certain percentage of the related freight revenue, the quantity of cargo solicited, at terms as agreed with the related parties and at terms governed by the Master Overseas Agent Services Agreement (note q) and the underlying execution agreements.

(o) Certain subsidiaries of COSCO and certain jointly controlled entities of the Group provided the Group with container services including provision of container depots, repairs, towage, examination and maintenance of containers and related services. The container services were charged at terms as agreed with the related parties or at terms governed by the Master Container Services Agreement (note q) and the underlying execution agreements.

(p) Certain subsidiaries, jointly controlled entities and associates of COSCO, certain jointly controlled entities and associates of the Group and certain state-owned enterprises provided the Group with transportation and depot services. The charges were based on the terms as governed by the Master Container Services Agreement or Master Solicitation Services Agreement (note q) and the underlying execution agreements or at terms as agreed with the relevant parties.

(q) On 9 June 2005, the Group (other than COSCO Pacific group) and COSCO Group entered into eight master agreements effective on or after 9 June 2005 with an initial term of three years relating to the provision of general services, vessel services, agency and management services, container services solicitation activities, port services, vessel management services, seamen leasing, properties leasing, provision of products and services. Upon the expiry of initial term, each of the master agreements shall automatically continue for a term to be agreed by the parties of such master agreements.

Except for subsisting sub-time charter agreement (note a), the Group and COSCO Group entered into five subsisting agreements on 9 June 2005 for the trademark licence, overseas companies management, property lease, leasing of premises and financial services.

On 28 September 2006, COSCO Logistics and COSCO entered into two new master agreements relating to the provision of freight forwarding and shipping agency services with effective from 25 December 2006 to 31 December 2008. Moreover, the subsisting agreement for the financial services was renewed by the Group with COSCO Finance with effective from 25 December 2006 to 31 December 2008. Upon the initial term, each of the two master agreements and the subsisting agreement for the financial services shall automatically continue for a term to be agreed by the parties of such master agreements.

On 3 September 2007, the Group (other than COSCO Pacific group) and COSCO Group renewed five master agreements dated 9 June 2005 relating to the provision of general services, vessel services, agency and management services, vessel management services and seamen leasing, and three subsisting agreements relating to the trademark licence, premises leasing and financial services with effective from the completion of the acquisitions of COSCO Bulk, Golden View, COSCO Qingdao and COSCO Shenzhen to 31 December 2010. Upon the expiry of initial term, each of the master agreements shall automatically continue for a term to be agreed by the parties of such master agreements.

Notes to the Consolidated Financial Statements

45 Significant related party transactions (Continued)

Notes: (Continued)

Each of the ten master agreements contains binding principles, guidelines and terms and conditions pursuant to which any and all products and services contemplated therein are to be provided by the relevant provider to the relevant recipient. The fee of each relevant product or service under each of the master agreements is determined with reference to state-prescribed prices, market price or the actual cost incurred in providing such products or services plus a margin. The master agreements are framework agreements which provide the mechanism for the operation of the related party transactions and individual execution agreements may be entered into between the Group and the related party, if appropriate.

(r) On 24 August 2007, the Group entered into an agreement with a wholly-owned subsidiary of COSCO to dispose of its entire equity interest in Bauhinia 97, an investment holding company holding 87 million shares of Chong Hing Bank Limited (the "Bank"), representing approximately 20% of the entire issued share capital of the Bank, at a cash consideration of HK$2,088,000,000 (equivalent to approximately RMB2,038,000,000). The disposal resulted in a gain of RMB690,002,000.

(s) In 2006, the Group entered into ship building contracts with Nantong COSCO KHI Ship Engineering Co., Ltd. ("NACKS") and COSCO (Zhoushan) Shipyard Co., Ltd. ("COSCO Zhoushan"), related companies, pursuant to which NACKS and COSCO Zhoushan will construct certain bulk carriers for the Group.

(t) In June 2006, the Group disposed of two vessels to a fellow subsidiary, Shanghai Ocean Shipping Company for a consideration of RMB425,650,000, resulting in a gain of approximately RMB290,807,000. The Group had entered into lease agreements to charter in these two vessels on the same day.

(u) The purchases of containers from jointly controlled entities of the Group and subsidiaries of CIMC were conducted at terms as set out in the agreements entered into between the Group and the parties in concern.

(v) COSCO Bulk increased its investment in Tianjin Yuan Hua Shipping Co., Ltd. ("Tianjin Yuan Hua"), a jointly controlled entity of the Group, by injecting two vessels into Tianjin Yuan Hua on 18 December 2007. With the same proportionate capital injection by the other shareholder of Tianjin Yuan Hua, there was no change in the Group's equity interest in Tianjin Yuan Hua.

(w) On 17 July 2006, the Group entered into an agreement with a subsidiary of CIMC to dispose of its entire 20% equity interest in Shanghai CIMC Far East Container Co., Ltd, a then jointly controlled entity of the Group, at a consideration of US$6,252,000 (equivalent to approximately RMB49,820,000). The disposal resulted in a gain of US$5,470,000 (equivalent to approximately RMB43,588,000).

(x) In 2006, the minority shareholder of Zhangjiagang Win Hanverky Container Terminal Co., Ltd. ("ZWHC") , a non-wholly owned subsidiary, injected certain port facilities and terminal equipment to ZWHC amounting to RMB171,082,000 (the "Injected Assets"). The value of the Injected Assets was determined by reference to the valuation report issued by an independent valuer in the PRC. The amount of the Injected Assets, net of the minority shareholder's capital contribution to ZWHC for its capital increase of US$9,800,000 (equivalent to RMB76,525,000), is repayable to the minority shareholder by ZWHC. Any unsettled balance bore interest at a rate of 5.265% (prior to 30 April 2006: 5.022%) per annum. The related balance repayable to the minority shareholder of ZWHC was fully settled in November 2006. For the capital increase of ZWHC, the Group had also made a capital contribution in cash to ZWHC in proportion to its shareholding.

In addition, the Group established Quanzhou Pacific Container Terminal Co., Limited ("QPCT"), a non-wholly owned subsidiary, in August 2006. The minority shareholder injected certain assets and liabilities to QPCT with an aggregate value of RMB246,852,000 (the "Injected Net Assets") which was determined by reference to the valuation report issued by an independent valuer in the PRC. The amount of the Injected Net Assets, after deducting the minority shareholder's capital contribution to QPCT of US$14,256,000 (equivalent to RMB111,321,000), is repayable to the minority shareholder by QPCT and the balance is unsecured, interest free and has no fixed terms of repayment. The balance has fully settled in 2007.

(y) Interest was charged for loans with state-owned banks in accordance with the terms as set out in the respective agreements or as mutually agreed between the parties in concern.

Notes to the Consolidated Financial Statements

45 Significant related party transactions (Continued)

Notes: (Continued)

(z) On 26 March 2007, the Group entered into four time charter agreements with a subsidiary of COSCO to charter in four vessels for a period of 119 months to 121 months at a daily charter rate of US$26,900 per vessel. The charters will commence upon delivery of the four vessels to the subsidiary of COSCO, two of which are anticipated to take place in April 2010 and two of which in June 2010.

(aa) During the year, one vessel was disposed of to a jointly controlled entity, COSCO-Datang Shipping Co., Ltd. for a total consideration of RMB110,620,000 with the terms agreed by both parties.

Balances with related parties

Other than those disclosed elsewhere in the Consolidated Financial Statements, the outstanding balances with related entities at year end are as follows:

	2007 RMB'000	2006 RMB'000 (Restated)
Deposits		
- listed state-owned banks and other state-owned financial institutions (note a)	23,557,707	5,425,084
- unlisted state-owned banks and other state-owned financial institutions (note a)	419,865	521,944
Loans		
- state-owned banks and other state-owned financial institutions (note a)	4,781,052	8,106,757
Trade and other receivables		
- state-owned enterprises (note b)	943,900	947,923
Trade and other payables		
- state-owned enterprises (note b)	393,932	1,582,854

Notes:

(a) The deposits and loans were in accordance with the terms as set out in the respective agreements or as mutually agreed between the parties in concern. The interest rates were set at prevailing market rates.

(b) Trading balances with state-owned enterprises have similar terms of repayments as the balances with third parties while other balances with state-owned enterprises are unsecured, interest free and repayable on demand.

46 Significant subsequent event

During the period from 10 December 2007 to 24 March 2008, COSCO Pacific group acquired a total of 148,320,037 B-shares of CIMC on the Shenzhen Stock Exchange in the PRC at an aggregate cash consideration of approximately RMB2,003 million. Together with the 432,171,843 A-Shares held by COSCO Pacific group, the Group's interest in CIMC has increased from 16.23% to approximately 21.8%.

Notes to the Consolidated Financial Statements

47 Particulars of principal subsidiaries, jointly controlled entities and associates

(a) Subsidiaries

At 31 December 2007, the Group had direct and indirect interests in the following principal subsidiaries:

Name	Place of incorporation/ establishment and operations	Principal activities	Type of legal entity	Issued/registered and fully paid up share capital	Attributable equity interest to the equity holders of the Company
Capital held directly					
COSCO Container Lines Company Limited #	PRC	Container transportation	Limited liability company	RMB6,088,763,082	100%
COSCO Pacific Investment Holdings Limited #	Hong Kong	Investment holding	Limited liability company	500 ordinary shares of HK$1,000 each	100%
[2] COSCO Logistics Co., Ltd	PRC	Freight forwarding, warehousing, depot and cargo terminal service	Limited liability company	RMB1,582,028,851	75.98%
COSCO Bulk Carrier Co.,Ltd.	PRC/Worldwide	Bulk cargo transportation	Limited liability company	RMB1,290,000,000	100%
Qingdao Ocean Shipping Co.,Ltd.	PRC/Worldwide	Provision of passenger and cargo transportation services	Limited liability company	RMB614,210,000	100%
[3] Shenzhen Ocean Shipping Company Limited	PRC	Vessel owning and investment holding	Limited liability company	US$53,236,369	100%
Capital held indirectly					
COSCO International Freight Co., Ltd.	PRC	Freight forwarding and transportation	Limited liability company	RMB200,000,000	100%
COSCO Pacific Limited #	Bermuda	Investment holding	Limited liability company	2,244,881,298 of HK$ 0.1 each	50.97%
COSCO Investments Limited #	British Virgin Islands/ Hong Kong	Investment holding	Limited liability company	1 ordinary share of US$1	100%
COSCO Container Shipping Agency Company Limited	PRC	Shipping agency	Limited liability company	RMB80,000,000	100%
COSCO Southern China International Freight Co., Ltd.	PRC	Freight forwarding	Limited liability company	RMB50,000,000	100%

Notes to the Consolidated Financial Statements

47 Particulars of principal subsidiaries, jointly controlled entities and associates (Continued)

(a) Subsidiaries (Continued)

Name	Place of incorporation/ establishment and operations	Principal activities	Type of legal entity	Issued/registered and fully paid up share capital	Attributable equity interest to the equity holders of the Company
Capital held indirectly (Continued)					
Tianjin Binhai COSCO Container Logistics Co., Ltd.	PRC	Container Stack, Cargo Storage, Cargo Transportation	Limited liability company	RMB190,000,000	56.10%
COSCO Container Line Agencies Limited #	Hong Kong	Shipping agency	Limited liability company	1,000,000 shares of HK$1 each	100%
North Star Shipholding Ltd. S.A.	Panama/Japan	Vessel owning and chartering	Limited liability company	1,000 shares of US$1 each	100%
Wonseong Shipping Co., Ltd. #	Korea	Shipping agency	Limited liability company	50,000 shares of KRW5,000 each	100%
Freightworld Pte Ltd.	Singapore	Shipping agency and freight forwarding	Limited liability company	200,000 shares of SGDl each	100%
COSCO International Air Freight Co, Ltd	PRC	Air freight forwarding	Limited liability company	RMB48,417,396	75.98%
China Ocean Shipping Agency Company Limited	PRC	Shipping Agency and freight forwarding	Limited liability company	RMB113,372,000	75.98%
COSCO Logistics (Hong Kong) Company Limited	PRC	Logistics	Limited liability company	HK$38,789,500	75.98%
COSCO (Cayman) Mercury Co., Ltd. #	Cayman Islands/ Hong Kong	Investment holding	Limited liability company	50,000 ordinary shares of US$1 each	100%
Pretty River Shipping Inc.	Panama/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary share of US$100 each	100%
Dainty River Shipping Inc.	Panama/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary share of US$100 each	100%
Golden Cascade Corporation #	Liberia/Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Golden Shore Corporation #	Liberia/Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
[1] Buyihe Shipping Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Chaoshanhe Maritime Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Chuanhe Shipping Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	10,000 ordinary shares of US$1 each	100%

Notes to the Consolidated Financial Statements

47 Particulars of principal subsidiaries, jointly controlled entities and associates (Continued)

(a) Subsidiaries (Continued)

Name	Place of incorporation/ establishment and operations	Principal activities	Type of legal entity	Issued/registered and fully paid up share capital	Attributable equity interest to the equity holders of the Company
Capital held indirectly (Continued)					
[1] Caiyunhe Maritime Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	1,000 ordinary shares of US$10 each	100%
[1] COSCO Line New Jersey Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	500 ordinary shares of US$20 each	100%
[1] COSCO Line New York Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	500 ordinary shares of US$20 each	100%
Daqinghe Shipping Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
[1] Hanihe Shipping Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Hutuohe Shipping Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
[1] Jingpohe Shipping Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
[1] Jinyunhe Maritime Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	1,000 ordinary shares of US$10 each	100%
[1] Luhe Shipping Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	10,000 ordinary shares of US$1 each	100%
[1] Lubahe Shipping Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Miyunhe Maritime Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	1,000 ordinary shares of US$10 each	100%
[1] Naxihe Shipping Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
[1] Ninghe Shipping Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	10,000 ordinary shares of US$1 each	100%
Qiyunhe Maritime Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	1,000 ordinary shares of US$10 each	100%
Wanhe Shipping Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	10,000 ordinary shares of US$1 each	100%
[1] Xibohe Shipping Inc.#	Panama/Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%

Notes to the Consolidated Financial Statements

47 Particulars of principal subsidiaries, jointly controlled entities and associates (Continued)

(a) Subsidiaries (Continued)

Name	Place of incorporation/ establishment and operations	Principal activities	Type of legal entity	Issued/registered and fully paid up share capital	Attributable equity interest to the equity holders of the Company
Capital held indirectly (Continued)					
Xinhuihe Maritime Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Yangjianghe Maritime Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Yongdinghe Shipping Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Yuehe Shipping Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	10,000 ordinary shares of US$1 each	100%
[1] Yuguhe Shipping Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
[1] Yunhe Shipping Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	10,000 ordinary shares of US$1 each	100%
Zhaoqinghe Maritime Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Ziyahe Shipping Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Fenghou Maritime Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	1,000 ordinary shares of US$10 each	100%
Haihou Maritime Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	1,000 ordinary shares of US$10 each	100%
Longhou Maritime Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	1,000 ordinary shares of US$10 each	100%
Tianhou Maritime Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	1,000 ordinary shares of US$10 each	100%
[1] COSCO New York Maritime Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	1,000 ordinary shares of US$10 each	100%
[1] COSCO Boston Maritime Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	1,000 ordinary shares of US$10 each	100%
[1] COSCO Asia Maritime Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	1,000 ordinary shares of US$10 each	100%

Notes to the Consolidated Financial Statements

47 Particulars of principal subsidiaries, jointly controlled entities and associates (Continued)

(a) Subsidiaries (Continued)

	Name	Place of incorporation/ establishment and operations	Principal activities	Type of legal entity	Issued/registered and fully paid up share capital	Attributable equity interest to the equity holders of the Company
	Capital held indirectly (Continued)					
1	COSCO Africa Maritime Inc. #	Panama/Worldwide	Vessel owning	Limited liability company	1,000 ordinary shares of US$10 each	100%
1	COSCO Europe Maritime Inc. #	Panama/Worldwide	Vessel owning	Limited liability company	1,000 ordinary shares of US$10 each	100%
1	COSCO America Maritime Inc. #	Panama/Worldwide	Vessel owning	Limited liability company	1,000 ordinary shares of US$10 each	100%
	COSCO Oceania Shipping Limited. #	Hong Kong/Worldwide	Vessel owning	Limited liability company	1 ordinary share of HK$1	100%
	COSCO Pacific Shipping Limited. #	Hong Kong/Worldwide	Vessel owning	Limited liability company	1 ordinary share of HK$1	100%
	COSCO Indian Ocean Shipping Limited #	Hong Kong/Worldwide	Vessel owning	Limited liability company	1 ordinary share of HK$1	100%
	COSCO Atlantic Shipping Limited. #	Hong Kong/Worldwide	Vessel owning	Limited liability company	1 ordinary share of HK$1	100%
	COSCO Container Lines (Hong Kong) Co., Limited. #	Hong Kong	Marine services	Limited liability company	1,000,000 shares of HK$1 each	100%
	COSCO Container Lines Europe GmbH #	German/Europe	Shipping agency	Limited liability company	EURO1,500,000	100%
	COSCO Container Lines Japan Co., Ltd.	Japan	Marine services	Limited liability company	JPY40,000,000	100%
	COSCO Container Lines Americas, Inc.	United States of America	Shipping agency	Limited liability company	1,000 ordinary shares of US$0.01 each	100%
	Shanghai COSCON Document Services Co.Ltd.	PRC	To provide documentation services for cargo transportation business or to provide document services as well as other technical supporting services applying to Internet and Multi-media for cargo transportation agency.	Limited liability company	RMB1,000,000	100%
	Cosco Aden Maritime Limited	Hong Kong/Worldwide	Vessel owning	Limited liability company	1 ordinary share of HK$1	100%
	Cosco Auckland Maritime Limited	Hong Kong/Worldwide	Vessel owning	Limited liability company	1 ordinary share of HK$1	100%
	Cosco Cape Town Maritime Limited	Hong Kong/Worldwide	Vessel owning	Limited liability company	1 ordinary share of HK$1	100%
	Cosco Colombo Maritime Limited	Hong Kong/Worldwide	Vessel owning	Limited liability company	1 ordinary share of HK$1	100%

Notes to the Consolidated Financial Statements

47 Particulars of principal subsidiaries, jointly controlled entities and associates (Continued)

(a) Subsidiaries (Continued)

Name	Place of incorporation/ establishment and operations	Principal activities	Type of legal entity	Issued/registered and fully paid up share capital	Attributable equity interest to the equity holders of the Company
Capital held indirectly (Continued)					
Cosco Durban Maritime Limited	Hong Kong/Worldwide	Vessel owning	Limited liability company	1 ordinary share of HK$1	100%
Cosco Fos Maritime Limited	Hong Kong/Worldwide	Vessel owning	Limited liability company	1 ordinary share of HK$1	100%
Cosco Genoa Maritime Limited	Hong Kong/Worldwide	Vessel owning	Limited liability company	1 ordinary share of HK$1	100%
Cosco Haifa Maritime Limited	Hong Kong/Worldwide	Vessel owning	Limited liability company	1 ordinary share of HK$1	100%
Cosco Istanbul Maritime Limited	Hong Kong/Worldwide	Vessel owning	Limited liability company	1 ordinary share of HK$1	100%
Cosco Jeddah Maritime Limited	Hong Kong/Worldwide	Vessel owning	Limited liability company	1 ordinary share of HK$1	100%
Cosco Piraeus Maritime Limited	Hong Kong/Worldwide	Vessel owning	Limited liability company	1 ordinary share of HK$1	100%
Cosco Santos Maritime Limited	Hong Kong/Worldwide	Vessel owning	Limited liability company	1 ordinary share of HK$1	100%
Cosco Sao Paulo Maritime Limited	Hong Kong/Worldwide	Vessel owning	Limited liability company	1 ordinary share of HK$1	100%
Cosco Valencia Maritime Limited	Hong Kong/Worldwide	Vessel owning	Limited liability company	1 ordinary share of HK$1	100%
Cosco Venice Maritime Limited	Hong Kong/Worldwide	Vessel owning	Limited liability company	1 ordinary share of HK$1	100%
Cosco Wellington Maritime Limited	Hong Kong/Worldwide	Vessel owning	Limited liability company	1 ordinary share of HK$1	100%
Addrich Shipping Limited #	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Alacritas Shipping Corporation #	Liberia/Worldwide	Vessel owning and chartering	Limited liability company	500 ordinary shares of US$20 each	100%
Allied Best Shipping Limited	Hong Kong	Vessel owning	Limited liability company	1 ordinary share of HK$1	100%
Anson Maritime Inc.	Panama/Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Aptmariner Shipping Limited	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Arsun Shipping Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Art Link Shipping Limited #	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Beatanavis Shipping Limited #	Hong Kong	Vessel owning	Limited liability company	2 ordinary shares of HK$1 each	100%
Best Time Shipping Limited #	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Bonusnauta Shipping Corporation #	Liberia/Worldwide	Vessel owning and chartering	Limited liability company	500 ordinary shares of US$20 each	100%
Bowling Maritime Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of US$100 each	100%

Notes to the Consolidated Financial Statements

47 Particulars of principal subsidiaries, jointly controlled entities and associates (Continued)

(a) Subsidiaries (Continued)

Name	Place of incorporation/ establishment and operations	Principal activities	Type of legal entity	Issued/registered and fully paid up share capital	Attributable equity interest to the equity holders of the Company
Capital held indirectly (Continued)					
Celeritas Maritime Corporation #	Liberia/Worldwide	Vessel owning and chartering	Limited liability company	500 ordinary shares of US$20 each	100%
Chiao Mao Enterprises Limited #	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	30,000 ordinary shares of HK$100 each	100%
Concord Bright Shipping Limited #	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Cycle Wide Shipping Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Dapenghai Shipping Limited #	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	1 ordinary share of HK$1	100%
Dayahai Shipping Limited #	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	1 ordinary share of HK$1	100%
Eastar Shipping Limited #	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Easy Way Shipping Limited #	Hong Kong	Vessel owning	Limited liability company	1 ordinary share of HK$1	100%
Ever View Shipping Limited #	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Everbright Shipping Limited #	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Evergold Transportation Limited #	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Everwin Shipping Limited #	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	1 ordinary share of HK$1	100%
Fast Line Enterprise Limited #	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	10,000 ordinary shares of HK$1 each	100%
Festivity Shipping Corporation, S.A. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of US$100 each	100%
Fidelitas Maritime Corporation #	Liberia/Worldwide	Vessel owning and chartering	Limited liability company	500 ordinary shares of US$20 each	100%
First Link Shipping Limited #	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%

Notes to the Consolidated Financial Statements

47 Particulars of principal subsidiaries, jointly controlled entities and associates (Continued)

(a) Subsidiaries (Continued)

Name	Place of incorporation/ establishment and operations	Principal activities	Type of legal entity	Issued/registered and fully paid up share capital	Attributable equity interest to the equity holders of the Company
Capital held indirectly (Continued)					
Forthcome Shipping Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of US$100 each	100%
Fox Shipping Navigation Inc. #	Panama	Vessel owning	Limited liability company	2 ordinary shares of US$100 each	100%
Fruition Carriers Corporation, S.A. #	Panama	Vessel owning	Limited liability company	2 ordinary shares of US$100 each	100%
Full Comfort Shipping Limited #	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	10,000 ordinary shares of HK$1 each	100%
Full Strong Shipping Limited #	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	10,000 ordinary shares of HK$1 each	100%
Fullbest Shipping Limited #	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Gainlink Shipping Limited #	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Gallantry Shipping Corporation S.A. #	Panama	Vessel owning	Limited liability company	100 ordinary shares of US$100 each	100%
Gateway Shipping Limited #	Hong Kong	Vessel owning	Limited liability company	1 ordinary share of HK$1	100%
Gatwick Shipping Limited #	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Glory Land Shipping Limited	Hong Kong	Vessel owning	Limited liability company	2 ordinary shares of HK$1 each	100%
Gracely Shipping Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Golden Union Shipping Limited #	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Handymariner Shipping Limited #	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Heyday Shipping Limited #	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Hipway Shipping Limited #	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Hong Fat Shipping Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of US$100 each	100%
Honour Team Shipping Limited #	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%

Notes to the Consolidated Financial Statements

47 Particulars of principal subsidiaries, jointly controlled entities and associates (Continued)

(a) Subsidiaries (Continued)

Name	Place of incorporation/ establishment and operations	Principal activities	Type of legal entity	Issued/registered and fully paid up share capital	Attributable equity interest to the equity holders of the Company
Capital held indirectly (Continued)					
Jeswick Shipping Limited #	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Jetway Shipping Corp., S.A. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of US$1 each	100%
Joviality Shipping Corporation, S.A. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of US$100 each	100%
Joyous Society Shipping Limited #	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Joyous World Shipping Limited #	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Kingston Shipping Limited #	Hong Kong	Vessel owning	Limited liability company	1 ordinary share of HK$1	100%
Kingswill Shipping Limited #	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Li Lin Shipping Limited #	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	10,000 ordinary shares of HK$1 each	100%
Longood Maritime Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of US$1 each	100%
Loyal Shipping Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Luckyfield Shipping Corporation, S.A. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of US$100 each	100%
Marienvoy Shipping Limited #	Hong Kong	Vessel owning	Limited liability company	2 ordinary shares of HK$1 each	100%
Master Way Shipping Limited #	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Mild Wind Shipping Limited #	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Million Ocean Shipping Limited #	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Montario Shipping Corporation, S.A. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%

Notes to the Consolidated Financial Statements

47 Particulars of principal subsidiaries, jointly controlled entities and associates (Continued)

(a) Subsidiaries (Continued)

Name	Place of incorporation/ establishment and operations	Principal activities	Type of legal entity	Issued/registered and fully paid up share capital	Attributable equity interest to the equity holders of the Company
Capital held indirectly (Continued)					
Ocean Priti Shipping S.A. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Oceanplan Shipping Limited #	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
On Hing Shipping Limited #	Hong Kong	Vessel owning	Limited liability company	2 ordinary shares of HK$1 each	100%
Onford Shipping Limited #	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Pacific Well Shipping Limited #	Hong Kong	Vessel owning	Limited liability company	1 ordinary share of HK$1	100%
Pacific Wide Shipping Limited #	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Power Way Shipping Limited #	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	1 ordinary share of HK$1	100%
Qingping Maritime Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	1,000 ordinary shares of US$10 each	100%
Refined Success Limited #	British Virgin Islands/ Worldwide	Vessel owning and chartering	Limited liability company	1 ordinary share of US$1	100%
Richmax Shipping Limited #	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Richson Shipping Limited #	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Seaborne Merchants Corporation, S.A. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of US$100 each	100%
Silvercord Shipping Limited #	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Sinobright Shipping Limited #	Hong Kong	Vessel owning	Limited liability company	1 ordinary share of HK$1	100%
Skylink Transportation Limited #	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Smart Transportation Limited #	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Smart Wise Shipping Limited #	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%

Notes to the Consolidated Financial Statements

47 Particulars of principal subsidiaries, jointly controlled entities and associates (Continued)

(a) Subsidiaries (Continued)

Name	Place of incorporation/ establishment and operations	Principal activities	Type of legal entity	Issued/registered and fully paid up share capital	Attributable equity interest to the equity holders of the Company
Capital held indirectly (Continued)					
Starworld Shipping Limited #	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Strongfull Shipping Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Sunyuan Shipping Company Limited #	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	3 ordinary shares of HK$100 each	100%
Tactwell Shipping Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
The Roc Maritime Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of US$100 each	100%
Top Giant Shipping Limited #	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	1 ordinary share of HK$1	100%
Top Harvest Shipping Limited #	Hong Kong	Vessel owning	Limited liability company	1 ordinary share of HK$1	100%
Top Sea Shipping Limited #	Hong Kong	Vessel owning	Limited liability company	1 ordinary share of HK$1	100%
Top Smart Shipping Limited #	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Top Team Shipping Limited #	Hong Kong	Vessel owning	Limited liability company	1 ordinary share of HK$1	100%
Unique Shipping Limited #	Hong Kong	Vessel owning	Limited liability company	1 ordinary share of HK$1	100%
Victor Shipping Limited #	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	1 ordinary share of HK$1 each	100%
Victory Castle Shipping Limited #	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Vorwarts Shipping Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of US$100 each	100%
Wealth Group Shipping Limited #	Hong Kong	Vessel owning	Limited liability company	2 ordinary shares of HK$1 each	100%
Well Crown Shipping Limited #	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Well Harvest Shipping Limited #	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	1 ordinary share of HK$1 each	100%
Wellrich Transportation Limited #	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%

Notes to the Consolidated Financial Statements

47 Particulars of principal subsidiaries, jointly controlled entities and associates (Continued)

(a) Subsidiaries (Continued)

Name	Place of incorporation/ establishment and operations	Principal activities	Type of legal entity	Issued/registered and fully paid up share capital	Attributable equity interest to the equity holders of the Company
Capital held indirectly (Continued)					
Whole World Shipping Limited #	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	1 ordinary share of HK$1 each	100%
Winston Shipping Limited #	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Winview Shipping Limited #	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Worldbond Shipping Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Yick Hua Maritime Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of US$100 each	100%
Yick Jia Maritime Inc. #	Panama	Vessel owning	Limited liability company	2 ordinary shares of US$100 each	100%
You Mei Maritime Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of US$100 each	100%
Sea Grace Shipping Inc.	Panama/Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Sea Glory Maritime Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Tianjin Huihai Shipping Enterprises Co. Ltd.	PRC/Worldwide	Vessel owning and chartering	Limited liability company	RMB19,865,112	55.53%
Tianshenhai Maritime Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Tianyanghai Maritime Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Pheny Sea S.A. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	10,000 ordinary shares of US$1 each	100%
Sea Landa S.A. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	10,000 ordinary shares of US$1 each	100%
Sea Lansa S.A. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	10,000 ordinary shares of US$1 each	100%
Sea Baisi Maritime Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	500 ordinary shares of US$20 each	100%
Houly Sea S.A.	Panama/Worldwide	Vessel owning and chartering	Limited liability company	10,000 ordinary shares of US$1 each	100%
Sea Crown Shipping, Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of US$100 each	100%

Notes to the Consolidated Financial Statements

47 Particulars of principal subsidiaries, jointly controlled entities and associates (Continued)

(a) Subsidiaries (Continued)

Name	Place of incorporation/ establishment and operations	Principal activities	Type of legal entity	Issued/registered and fully paid up share capital	Attributable equity interest to the equity holders of the Company
Capital held indirectly (Continued)					
Zhonghai Shipping Inc. #	Grand Cayman, British West Indies/ Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Yuehai Shipping Inc. #	Grand Cayman, British West Indies/ Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Yichanghai Shipping Inc. #	Grand Cayman, British West Indies/ Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Xuchanghai Shipping Inc. #	Grand Cayman, British West Indies/ Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Tonghai Shipping Inc. #	Grand Cayman, British West Indies/ Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Qinghai Shipping Inc. #	Grand Cayman, British West Indies/ Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Pinghai Shipping Inc. #	Grand Cayman, British West Indies/ Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Nanhai Shipping Inc. #	Grand Cayman, British West Indies/ Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Minghai Shipping Inc. #	Grand Cayman, British West Indies/ Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Dongchanghai Shipping Inc. #	Grand Cayman, British West Indies/ Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Fenghai Shipping Inc. #	Grand Cayman, British West Indies/ Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Jinpuhai Shipping Inc. #	Grand Cayman, British West Indies/ Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%

Notes to the Consolidated Financial Statements

47 Particulars of principal subsidiaries, jointly controlled entities and associates (Continued)

(a) Subsidiaries (Continued)

Name	Place of incorporation/ establishment and operations	Principal activities	Type of legal entity	Issued/registered and fully paid up share capital	Attributable equity interest to the equity holders of the Company
Capital held indirectly (Continued)					
Lu Hai Shipping Inc. #	Grand Cayman, British West Indies/ Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Lihai Shipping Inc. #	Grand Cayman, British West Indies/ Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Beihai Shipping Inc. #	Grand Cayman, British West Indies/ Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Golden View Investment Limited	British Virgin Islands/ Hong Kong	Investment holding	Limited liability company	2 ordinary shares of US$1 each	100%
COSCO Bulk Carrier Holdings (Cayman) Limited	Cayman Islands/ Worldwide	Investment holding	Limited liability company	US$ 50,000	100%
Coheung Marine Shipping Company Limited #	Hong Kong/ Korea	Investment holding	Limited liability company	2,980,000 shares of US$1 each	100%
COSCO (Cayman) Golden Company Limited #	Cayman Islands/ Singapore	Vessel owning	Limited liability company	1,000 shares of US$1 each	100%
Yuan Xiang Hai Maritimes S.A. #	Panama	Vessel owning	Limited liability company	2 ordinary shares of US$100 each	100%
Yuan An Hai Maritimes S.A. #	Panama	Vessel owning	Limited liability company	2 ordinary shares of US$100 each	100%

Subsidiaries audited by PricewaterhouseCoopers

[1] Shares of these subsidiaries have been pledged to banks as securities for loan facilities granted (note 24(h)).

[2] 51% of the shares is directly held by the Company.

[3] 47.87% of the shares is directly held by the Company.

Notes to the Consolidated Financial Statements

47 Particulars of principal subsidiaries, jointly controlled entities and associates (Continued)

(b) Jointly controlled entities

As at 31 December 2007, the Company had indirect interests in the following principal jointly controlled entities:

Name	Place of incorporation/ establishment and operations	Principal activities	Type of legal entity	Issued/registered and fully paid up share capital	Attributable equity interest held
COSCON Italy S.R.L.	Italy	Ocean transportation	Limited liability company	100,000 shares of EURO 1 each	50%
COSCO-HIT Terminals (Hong Kong) Limited	Hong Kong	Operation of container terminal	Limited liability company	2 "A" ordinary shares of HK$10 each and 2 "B" ordinary shares of HK$10 each 4 non-voting 5% deferred shares of HK$10 each	25.49%
Qingdao Cosport International Container Terminals Co., Ltd.	PRC	Operation of container terminal	Sino-foreign joint venture	RMB337,868,700	25.49%
Shanghai CIMC Reefer Containers Co., Ltd.	PRC	Container manufacturing	Sino-foreign joint venture	US$31,000,000	10.19%
COSCO Ports (Nansha) Limited	PRC	Investment in a container terminal	Limited liability company	US$10,000	33.69%
Ningbo Yuan Dong Terminals Ltd.	PRC	Operation of container terminal	Sino-foreign joint venture	RMB390,000,000	10.19%
Tianjin Port Euroasia Internattional Container Terminal Co.,Ltd.	PRC	Operation of container terminal	Sino-foreign joint venture	RMB1,260,000,000	15.29%
Tianjin CIMC North Ocean Container Co., Ltd.	PRC	Container manufacturing	Sino-foreign joint venture	US$16,682,000	11.47%
Qingdao Qianwan Container Terminal Co., Ltd	PRC	Operation of container terminal	Sino-foreign joint venture	US$199,962,500	10.19%
Yingkou Container Terminals Company Limited	PRC	Operation of container terminal	Sino-foreign joint venture	RMB8,000,000	25.49%
COSCO-PSA Terminal Private Limited	Singapore	Operation of container terminal	Limited liability company	SGD48,900,000	24.98%
Nanjing Port Longtan Container Co., Ltd.	PRC	Operation of container terminal	Limited liability company	RMB474,000,000	10.19%
COSCO Container Lines (Netherlands) B.V. (note viii)	Netherlands	Shipping agency	Limited liability company	EURO18,000	50%
COSCONET e-Logestics Co., Ltd	PRC	Warehousing, Depot and cargo terminal services	Limited liability company	RMB30,000,000	37.23%

Notes to the Consolidated Financial Statements

47 Particulars of principal subsidiaries, jointly controlled entities and associates (Continued)

(b) Jointly controlled entities (Continued)

Name	Place of incorporation/ establishment and operations	Principal activities	Type of legal entity	Issued/registered and fully paid up share capital	Attributable equity interest held
Nantong Xinlun International Storage and Transportation Co., Ltd.	PRC	Transportation	Limited liability company	RMB29,803,145	40.27%
Dalian Jinmen Logistics Company Limited	PRC	Logistics	Limited liability company	RMB38,080,000	41.79%
Qingdao Ocean Great Asia Logistics Co.,Ltd.	PRC	Logistics	Limited liability company	RMB82,867,650	38.75%
Qingdao QWG Port Logistics, Co., Ltd	PRC	Freight forwarding	Limited liability company	RMB60,000,000	40%
COSCO Logistics America Co, Ltd	PRC	Logistics	Limited liability company	RMB54,500,000	37.99%
COSCO Logistics Western-Asia Co, Ltd	PRC	Logistics	Limited liability company	RMB7,600,000	37.23%
Zhenjing Yuangang Logistic Co.,Ltd	PRC	Logistics	Limited liability company	US$6,870,700	49.38%
Qingdao Shenzhouxing Freight Forwarding Company Limited	PRC	Freight forwarding agent	Limited liability company	RMB5,000,000	50%
Shanghai Pudong International Container Terminals Limited (note i)	PRC	Operation of container terminal	Sino-foreign joint venture	RMB1,900,000,000	15.29%
C & I Shipholding S.A.	Panama/Worldwide	Vessel owning and chartering	Limited liability company	US$15,600,000	60%
COSCO-Develpoment Shipping Co.Ltd.	Guangzhou, PRC/PRC	Goods transportation and vessel chartering	Limited liability company	RMB200,000,000	50%
Cosco-Datang Shipping Co.,Ltd	PRC	Vessel owning and investment holding	Limited liability company	RMB55,000,000	22.39%
Tianjin YuanHua Shipping Co., Ltd	Bonded Zone, Tianjin, PRC/PRC	Cargo transportation and vessel chartering	Limited liability company	RMB360,000,000	56.17%
Cosbulk International Trading Co.Ltd	Bonded Zone, Tianjin, PRC/PRC	Vessel and equipment trade consultant	Limited liability company	RMB1,500,000	51%
Shanghai Xin Hai Tian Shipping Co.,Ltd.	Shanghai, PRC/PRC	Goods transportation	Limited liability company	RMB48,064,965	41.83%
COSCO Europe Bulk Shipping GMBH	Hamburg, Germany/ Worldwide	Vessel chartering	Sino-foreign equity joint venture	EUR500,000	50%

Notes to the Consolidated Financial Statements

47 Particulars of principal subsidiaries, jointly controlled entities and associates (Continued)

(b) Jointly controlled entities (Continued)

Name	Place of incorporation/ establishment and operations	Principal activities	Type of legal entity	Issued/registered and fully paid up share capital	Attributable equity interest held
Cosco Tianjin Internatioal Forwarding Agency Co.,Ltd	Economic & Technological Development Zone, Tianjin, PRC/PRC	Cargo transportation, vessel chartering and ship recycling	Limited liability company	RMB10,520,000	51%
Tianjin Ocean FPD Savills Property Management Company Limited	Tianjin, PRC/PRC	Estate management and commercial building sales	Sino-foreign equity joint venture	US$200,000	55%
Tianjin Jinshen Ferry Co., Ltd.	Tanggu District, Tianjin, PRC/PRC	Vessel owning and chartering	Sino-foreign equity joint venture	US$12,000,000 (RMB55,730,000)	50%
COSCO Bulk Carrier Americas Inc.	Delaware, America/ Worldwide	Vessel chartering	Sino-foreign equity joint venture	US$500,000	51%
COSCO Oceania Chartering PTY Ltd	New South Wales, Australia/ Worldwide	Vessel chartering	Sino-foreign equity joint venture	AUD20,002	51%

Note:

(i) In 2007, the Group acquired an additional 10% equity interest in Shanghai Pudong International Container Terminals Limited ("Shanghai Pudong"). After the acquisition, the Memorandum and Articles of Association was amended and the Group has the power to jointly govern its financing and operating policy. Accordingly, Shanghai Pudong has been accounted for as a jointly controlled entity since then.

Notes to the Consolidated Financial Statements

47 Particulars of principal subsidiaries, jointly controlled entities and associates (Continued)

(c) Associates

At 31 December 2007, the Company had indirect equity interests in the following principal associates:

Name	Place of incorporation/ establishment and operations	Principal activities	Type of legal entity	Issued/registered and fully paid up share capital	Attributable equity interest held
COSCO Finance Co., Ltd.	PRC	Banking and related financial services	Limited liability company	RMB800,000,000	36.81%
Antwerp Gateway NV	Belgium	Operation of container terminal	Limited liability company	EURO14,000,000	10.19%
China International Marine Containers (Group) Co., Ltd. ("CIMC") (note)	PRC	Container manufacturing	Limited liability company	RMB2,662,396,051 (432,171,844 non-publicly tradable shares, 799,743,698 "A" shares and 1,430,480,509 "B" shares), all of RMB1 each	8.43%
Dalian Automobile Terminal Co., Ltd.	PRC	Construction and operation of automobile terminals	Limited liability company	RMB160,000,000	15.29%
Dalian Port Container Terminal Co., Ltd.	PRC	Operation of container terminal	Limited liability company	RMB240,000,000	10.19%
Shanghai Jihai Shipping Company Limited	PRC	Shipping Agency	Limited liability company	RMB250,000,000	15.20%
China Ocean Shipping Agency Tianjin Company	PRC	Shipping Agency	Limited liability company	RMB101,220,000	30.39%
China United Tally Company Limited	PRC	Tally	Limited liability company	RMB46,000,000	24.31%
Ningbo Harbour Agency and Freight Forwarding Company Limited	PRC	Freight forwarding	Limited liability company	RMB30,000,000	37.23%
Foshan Shunde United Shipping Agency Co.,Ltd	PRC	Shipping Agency	Limited liability company	RMB3,000,000	37.99%
Guangzhou Ganglian Trading Co.,Ltd	PRC	Trading	Limited liability company	RMB1,500,000	37.99%
Huizhou United International Shipping Agency Co.,Ltd	PRC	Shipping Agency	Limited liability company	RMB3,000,000	37.99%
Suez Canal Container Terminal	Egypt	Operation of container terminal	Limited liability company	687,500 ordinary shares of US$100 each	10.19%
Copious Resources Development Limited	Hong Kong/PRC	Land development	Limited liability company	10,000,000 ordinary shares of HK$1 each	45%

Notes to the Consolidated Financial Statements

47 Particulars of principal subsidiaries, jointly controlled entities and associates (Continued)

(c) Associates (Continued)

Name	Place of incorporation/ establishment and operations	Principal activities	Type of legal entity	Issued/registered and fully paid up share capital	Attributable equity interest held
COSCO Net Shipping Technology Limited	PRC	Provision for maintenance services in relation to computer hardware and software	Sino-foreign equity joint venture	RMB50,000,000	49%
Guangzhou Pan - Ocean Shipping Co., Ltd	PRC	Goods transportation	Limited liability company	US$ 14,500,000	27%
Tianjin Yuanchang Reefer Container Service Co., Ltd	PRC	Debugging services for marine cold-storage container	Sino-foreign equity joint venture	RMB18,480,000	43%

Note:

The Directors of the Company consider that the Group has significant influence over CIMC through its representatives on the board of directors of CIMC.

The English names of certain subsidiaries, jointly controlled entities and associates referred to in the Consolidated Financial Statements represent management's best efforts at translating the Chinese names of these companies as no English names have been registered.

Subsidiaries audited by PricewaterhouseCoopers.

48 Comparatives

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

Five Year Financial Summary

For the year ended 31 December 2007

	For the year ended 31 December				
	2007	2006	2005	2004	2003
	RMB'000	RMB'000 (Restated)	RMB'000	RMB'000	RMB'000
Turnover	107,998,532	78,856,254	47,966,347	32,188,669	25,852,874
Operating profit after net finance costs	23,275,569	9,936,258	6,393,807	4,405,956	2,050,206
Share of profits less losses of jointly controlled entities and associates	1,961,471	1,546,872	1,285,329	837,344	481,202
Profit before income tax	25,927,042	11,483,130	7,679,136	5,243,300	2,531,408
Income tax	(4,721,371)	(2,008,565)	(733,101)	(285,757)	(177,506)
Profit for the year	21,205,671	9,474,565	6,946,035	4,957,543	2,353,902
Profit attributable to:					
- Equity holders of the Company	19,477,940	8,292,447	5,582,059	4,157,960	1,742,228
- Minority interests	1,727,731	1,182,118	1,363,976	799,583	611,674
	21,205,671	9,474,565	6,946,035	4,957,543	2,353,902

	As at 31 December				
	2007	2006	2005	2004	2003
	RMB'000	RMB'000 (Restated)	RMB'000	RMB'000	RMB'000
Total assets	116,879,543	81,709,155	56,013,489	44,249,567	39,124,943
Total liabilities	(59,831,471)	(38,302,526)	(29,088,401)	(30,847,045)	(31,893,227)
Total equity	57,048,072	43,406,629	26,925,088	13,402,522	7,231,716

Notes:

(a) The financial figures for the year 2006 and 2007 were extracted from the Consolidated Financial Statements.

(b) The financial figures for the year 2003 to 2005 were extracted from the 2006 annual report, which have also been reclassified to conform with the current year's presentation format. No retrospective adjustments for the common control combinations during the year were made on the financial figures for the year 2003 to 2005.

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