



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)

ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2007

FINANCIAL HIGHLIGHTS:

- Revenues of the Group in 2007 were RMB107,998,532,000, representing an increase of RMB29,142,278,000 (or 37.0%) as compared to 2006.
- Profit attributable to equity holders of the Company for 2007 was RMB19,477,940,000, representing an increase of RMB11,185,493,000 (or 134.9%) as compared to 2006.
- Both the basic and diluted earnings per share for the year of 2007 amounted to RMB2.1816.
- The Board recommends the distribution of a final dividend of RMB0.18 per share for the year of 2007.

The board of directors (the “Board”) of China COSCO Holdings Company Limited (the “Company”) is pleased to announce the results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2007, together with the comparative figures for the year ended 31 December 2006, which have been prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRSs”) as below.

FINANCIAL INFORMATION

A. Financial Information extracted from the consolidated financial statements of the Group for the year ended 31 December 2007 prepared in accordance with HKFRSs:

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2007

	<i>Note</i>	2007 <i>RMB'000</i>	2006 <i>RMB'000</i> <i>(Restated)</i>
Revenues	3	107,998,532	78,856,254
Cost of services	6	<u>(83,402,731)</u>	<u>(66,682,126)</u>
Gross profit		24,595,801	12,174,128
Other income	5	4,248,904	3,167,664
Selling, administrative and general expenses	6	(5,104,507)	(3,702,230)
Other expenses	6	(319,961)	(437,333)
Share reform	4	<u>419,596</u>	<u>(439,707)</u>
Operating profit	7	23,839,833	10,762,522
Finance income	8	650,929	439,785
Finance costs	8	<u>(1,215,193)</u>	<u>(1,266,049)</u>
Operating profit after finance costs		23,275,569	9,936,258
Profit on disposal of an associate	9	690,002	—
Share of profits less losses of			
- jointly controlled entities		955,688	673,424
- associates		<u>1,005,783</u>	<u>873,448</u>
Profit before income tax expenses		25,927,042	11,483,130
Income tax expenses	10	<u>(4,721,371)</u>	<u>(2,008,565)</u>
Profit for the year		<u>21,205,671</u>	<u>9,474,565</u>
Attributable to:			
Equity holders of the Company		19,477,940	8,292,447
Minority interests		<u>1,727,731</u>	<u>1,182,118</u>
		<u>21,205,671</u>	<u>9,474,565</u>
Distributions	11(a)	<u>39,072,345</u>	<u>6,323,695</u>
Dividends	11(b)	<u>1,804,358</u>	<u>1,489,141</u>
		<i>RMB</i>	<i>RMB</i>
Earnings per share for profit attributable to the equity holders of the Company			
- basic and diluted	12	<u>2.1816</u>	<u>1.0415</u>

**CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2007**

	<i>Note</i>	2007 <i>RMB'000</i>	2006 <i>RMB'000</i> <i>(Restated)</i>
ASSETS			
Non-current assets			
Property, plant and equipment		45,991,647	42,591,226
Investment properties		340,377	314,740
Leasehold land and land use rights		1,045,052	505,410
Intangible assets		180,341	133,827
Jointly controlled entities		5,110,319	2,986,881
Associates		4,489,247	5,543,537
Available-for-sale financial assets		4,708,917	3,323,165
Derivative financial assets		366,349	—
Deferred income tax assets		516,915	332,976
Finance lease receivables		16,910	23,340
Restricted bank deposits		<u>103,599</u>	<u>126,098</u>
		<u>62,869,673</u>	<u>55,881,200</u>
Current assets			
Inventories		1,559,679	865,040
Trade and other receivables	13	13,052,088	13,410,153
Current portion of finance lease receivables		8,561	11,257
Derivative financial assets		2,089,099	617,898
Other financial assets at fair value through profit or loss		3,664	—
Deposits and cash and cash equivalents		<u>37,296,779</u>	<u>10,923,607</u>
		<u>54,009,870</u>	<u>25,827,955</u>
Total assets		<u><u>116,879,543</u></u>	<u><u>81,709,155</u></u>

	<i>Note</i>	2007 <i>RMB'000</i>	2006 <i>RMB'000</i> <i>(Restated)</i>
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital		10,216,274	6,204,756
Reserves		34,565,992	27,025,575
Proposed dividends	11	<u>1,804,358</u>	<u>1,489,141</u>
		46,586,624	34,719,472
Minority interests		<u>10,461,448</u>	<u>8,687,157</u>
Total equity		<u>57,048,072</u>	<u>43,406,629</u>
LIABILITIES			
Non-current liabilities			
Long-term borrowings		14,142,178	11,847,201
Other non-current liabilities		946,854	673,233
Derivative financial liabilities		6,571	47,114
Deferred income tax liabilities		<u>1,929,732</u>	<u>600,171</u>
		17,025,335	13,167,719
Current liabilities			
Trade and other payables	14	35,778,691	15,928,076
Amounts due to a fellow subsidiary		536,779	680,636
Derivative financial liabilities		536,150	781,754
Short-term loans and bond payable		3,916,671	5,397,281
Current portion of long-term borrowings		1,271,032	1,738,868
Taxes payable		<u>766,813</u>	<u>608,192</u>
		42,806,136	25,134,807
Total liabilities		<u>59,831,471</u>	<u>38,302,526</u>
Total equity and liabilities		<u>116,879,543</u>	<u>81,709,155</u>
Net current assets		<u>11,203,734</u>	<u>693,148</u>
Total assets less current liabilities		<u>74,073,407</u>	<u>56,574,348</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

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 Penavico 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 (notes 2(a) and 16).

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.

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 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.

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.

(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

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.

(iii) **Change in accounting estimates**

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, the useful lives of dry bulk vessels for ocean transportation and the residual values of container vessels, dry bulk vessels and containers were revised. 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.

3 **Revenues and segment information**

Turnover represents gross revenues from operations of container shipping, dry bulk shipping, container terminal, container leasing and logistics, net of discounts allowed, where applicable. Revenues recognised during the year are as follows:

	2007 <i>RMB'000</i>	2006 <i>RMB'000</i> <i>(Restated)</i>
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	<u>11,841,857</u>	<u>10,105,611</u>
Turnover	107,381,092	78,148,182
Manning service income	161,622	214,006
Others	<u>455,818</u>	<u>494,066</u>
	<u>107,998,532</u>	<u>78,856,254</u>

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 <i>RMB'000</i>	2006 <i>RMB'000</i> <i>(Restated)</i>
Time charterhire income	33,093,109	15,001,602
Voyage charterhire income	<u>15,555,171</u>	<u>11,822,152</u>
	<u>48,648,280</u>	<u>26,823,754</u>

(c) Turnover from container leasing is analysed below:

	2007 <i>RMB'000</i>	2006 <i>RMB'000</i> <i>(Restated)</i>
Operating lease rentals	382,767	703,507
Finance lease income	2,882	3,921
Proceeds from sale of resaleable containers	<u>433,716</u>	<u>346,738</u>
	<u>819,365</u>	<u>1,054,166</u>

(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.

	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)	—
	<u>45,775,883</u>	<u>49,293,632</u>	<u>12,021,433</u>	<u>388,526</u>	<u>1,884,675</u>	<u>—</u>	<u>(1,365,617)</u>	<u>107,998,532</u>
Segment results	1,652,605	21,231,485	273,512	343,677	975,915	251	—	24,477,445
Share reform (note 4)	—	—	—	—	—	419,596	—	419,596
Finance costs								(1,215,193)
Unallocated income								889,944
Unallocated expenses								<u>(1,296,223)</u>
Operating profit after finance costs								23,275,569
Profit on disposal of an associate (note 9)	—	—	—	—	—	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	—	<u>1,005,783</u>
Profit before income tax								25,927,042
Income tax expenses								<u>(4,721,371)</u>
Profit for the year								<u>21,205,671</u>
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								<u>40,617,758</u>
Total assets								<u>116,879,543</u>
Segment liabilities	6,903,721	6,438,494	4,476,189	137,443	959,350	—	(348,467)	18,566,730
Unallocated liabilities								<u>41,264,741</u>
Total liabilities								<u>59,831,471</u>
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	—	<u>96,038</u>

	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
<u>Income statement</u>								
Revenues								
External sales	39,989,716	27,531,826	10,105,611	174,935	1,054,166	—	—	78,856,254
Inter-segment sales	<u>43,758</u>	<u>3,930</u>	<u>61,374</u>	<u>57,533</u>	<u>1,089,387</u>	<u>—</u>	<u>(1,255,982)</u>	<u>—</u>
	<u>40,033,474</u>	<u>27,535,756</u>	<u>10,166,985</u>	<u>232,468</u>	<u>2,143,553</u>	<u>—</u>	<u>(1,255,982)</u>	<u>78,856,254</u>
Segment results	1,631,897	7,587,249	218,430	218,403	1,835,934	48,675	—	11,540,588
Share reform (note 4)	—	—	—	—	—	(439,707)	—	(439,707)
Finance costs								(1,266,049)
Unallocated income								321,901
Unallocated expenses								<u>(220,475)</u>
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	—	<u>873,448</u>
Profit before income tax								11,483,130
Income tax expenses								<u>(2,008,565)</u>
Profit for the year								<u>9,474,565</u>
<u>Balance sheet</u>								
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								<u>12,032,670</u>
Total assets								<u>81,709,155</u>
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								<u>22,645,505</u>
Total liabilities								<u>38,302,526</u>
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	<u>7,112</u>	<u>—</u>	<u>—</u>	<u>1,650</u>	<u>30,950</u>	<u>1,857</u>	<u>—</u>	<u>41,569</u>

(e) Secondary reporting format - geographical segments

	2007 <i>RMB'000</i>	2006 <i>RMB'000</i> <i>(Restated)</i>
Container shipping, container leasing, 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	<u>819,365</u>	<u>1,054,166</u>
 Total	 <u>107,998,532</u>	 <u>78,856,254</u>

4 **Share reform**

On 25 May 2006, COSCO Pacific Limited (“COSCO Pacific”), a listed subsidiary of the Company, issued 424,106,507 put options (the “Put Options”) to holders of the A-shares not having trading restrictions (the “CIMC Tradeable A-Shares”) of China International Marine Containers (Group) Co., Ltd. (“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 Tradeable 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 Options 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 <i>RMB'000</i>	2006 <i>RMB'000</i>
Initial recognition of Put Options	—	(1,116,114)
Fair value gain on Put Options	<u>419,596</u>	<u>676,407</u>
	<u>419,596</u>	<u>(439,707)</u>

5 Other income

	2007 <i>RMB'000</i>	2006 <i>RMB'000</i> <i>(Restated)</i>
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		
- freight forward agreements ("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	<u>152,786</u>	<u>251,967</u>
Total	<u>4,248,904</u>	<u>3,167,664</u>

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 approximately US\$212,827,000) (2006: approximately RMB6,072,631,000 (equivalent to approximately 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 approximately US\$238,802,000). The gain on the disposal before income taxes amounted to approximately RMB197,514,000 (equivalent to approximately US\$25,975,000) (2006: approximately RMB672,980,000 (equivalent to approximately 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.

6 Costs and expenses by nature

	2007 <i>RMB'000</i>	2006 <i>RMB'000</i> <i>(Restated)</i>
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	<u>303,101</u>	<u>357,380</u>
Total	<u>83,402,731</u>	<u>66,682,126</u>
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	<u>308,940</u>	<u>318,410</u>
Total	<u>5,104,507</u>	<u>3,702,230</u>
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	<u>135,891</u>	<u>106,741</u>
Total	<u>319,961</u>	<u>437,333</u>

7 Operating profit

Operating profit is stated after charging the following:

	2007 <i>RMB'000</i>	2006 <i>RMB'000</i> <i>(Restated)</i>
Auditors' 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		
- 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	<u>3,255</u>	<u>2,425</u>

8 **Finance income and costs**

	2007 <i>RMB'000</i>	2006 <i>RMB'000</i> <i>(Restated)</i>
Finance income		
Interest income:		
- deposits with COSCO Finance Co., Ltd. ("COSCO Finance")	(66,773)	(25,315)
- loans to jointly controlled entities	(5,277)	(8,305)
- loans to associates	(8,121)	(8,225)
- deposits with COSCO (Hong Kong) Group Limited ("COSCO HK Group")	(25,345)	(62,906)
- third parties	<u>(545,413)</u>	<u>(335,034)</u>
	----- (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	43,135	35,413
- finance lease obligations	14,849	17,826
- notes not wholly repayable within five years	153,251	147,802
- amounts due to COSCO	—	5,708
- amounts due to a fellow subsidiary	<u>32,602</u>	<u>37,420</u>
	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	<u>(39,035)</u>	<u>—</u>
	<u>1,215,193</u>	<u>1,266,049</u>
Net finance costs	<u>564,264</u>	<u>826,264</u>

9 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.

10 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	<u>5,375</u>	<u>6,534</u>
	3,657,288	2,172,953
Deferred income tax	<u>1,064,083</u>	<u>(164,388)</u>
	<u>4,721,371</u>	<u>2,008,565</u>

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 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.

(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%).

11 Distributions and dividends

(a) Distributions

	2007 <i>RMB'000</i>	2006 <i>RMB'000</i> <i>(Restated)</i>
Considerations in connection with the purchase of (note i)		
- Bulk Subsidiaries	23,738,474	—
- Penanvico Subsidiaries	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
	<u>39,072,345</u>	<u>6,323,695</u>

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.

The Company issued 864,270,817 new A-Shares to COSCO to settle the consideration for acquisition of the entire interest in COSCO Bulk and COSCO Qingdao and 41.52% equity interest in COSCO Shenzhen (“Acquisition Issue”). The attributable net asset values of the acquired subsidiaries at the date of completion under the Acquisition Issue were treated as deemed considerations. For other business combinations under common control for which the considerations were settled by cash, the deemed considerations were equal to the cash considerations.

- (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.
- (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 period from 1 January to 31 August 2007 (the “Relevant Period”) to their then shareholders as stipulated in the three acquisition agreements entered into by the Group and COSCO Group.

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 <i>RMB'000</i>	2006 <i>RMB'000</i>
Final, proposed, of RMB0.18 per share (2006: RMB0.09)	1,804,358	558,428
Special, proposed, of RMB0 per share (2006: RMB0.15)	<u>—</u>	<u>930,713</u>
	<u>1,804,358</u>	<u>1,489,141</u>

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 per share, totalling RMB558,428,000 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 as at 31 December 2006 ("Bonus Issue"), totalling RMB930,713,000. No special dividend was proposed for this year. The above proposed 2006 dividends were approved by the shareholders on 15 May 2007.

12 **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 <i>(Restated)</i>
Earnings (RMB)		
Earnings for the purpose of calculating the basic and dilutive earnings per share (note a)	<u>19,477,940,000</u>	<u>8,292,447,000</u>
Number of shares		
Weighted average number of ordinary shares in issue (note b)	<u>8,928,183,591</u>	<u>7,962,199,671</u>
Earnings per share (RMB)		
— Basic and diluted	<u>2.1816</u>	<u>1.0415</u>

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 as if the Bonus Issue had been issued on 1 January 2006 and for the Acquisition Issue on 19 December 2007 as if the Acquisition Issue had been issued for all periods presented.

13 Trade and other receivables

	2007 RMB'000	2006 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	<u>235,847</u>	<u>110,764</u>
	9,273,417	7,688,166
Bills receivables (note a)	<u>113,032</u>	<u>81,021</u>
	9,386,449	7,769,187
Prepayments, deposits and other receivables	<u>3,199,570</u>	<u>2,509,235</u>
Deposits with a fellow subsidiary (note b)	—	858,957
Current portion of loan to an associate	48,000	—
Current portion of loans to jointly controlled entities	<u>70,913</u>	<u>9,370</u>
	118,913	9,370
Due from related parties (note c)		
- COSCO	33,682	1,776,267
- subsidiaries of COSCO	148,739	152,690
- jointly controlled entities	76,180	257,024
- associates	23,223	6,598
- related companies	<u>65,332</u>	<u>70,825</u>
	<u>347,156</u>	<u>2,263,404</u>
	<u>13,052,088</u>	<u>13,410,153</u>

Notes:

- (a) The normal 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 <i>RMB'000</i>	2006 <i>RMB'000</i> <i>(Restated)</i>
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	<u>128,571</u>	<u>149,342</u>
Trade receivable, gross	<u>9,612,544</u>	<u>8,001,531</u>
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	<u>(126,948)</u>	<u>(132,187)</u>
Provision for impairment	<u>(226,095)</u>	<u>(232,344)</u>
	<u>9,386,449</u>	<u>7,769,187</u>

- (b) The balance at 31 December 2006 represented amounts placed by COSCO HK Shipping with its then intermediate holding company, COSCO HK Group, which were unsecured and bore interest at 0.25% over the London Interbank Offered Rate per annum. During 2007, the balance was offset against the dividend payable to COSCO HK Group of RMB737,109,000.
- (c) 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, total amounts of RMB1,349,318,000 were reclassified as assets under construction as at 31 December 2007 accordingly.

14 Trade and other payables

	2007 <i>RMB'000</i>	2006 <i>RMB'000</i> <i>(Restated)</i>
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	<u>145,477</u>	<u>29,593</u>
	7,303,751	5,896,088
Bills payables (note a)	<u>39,029</u>	<u>52,233</u>
	<u>7,342,780</u>	<u>5,948,321</u>
Advance from customers	<u>2,022,453</u>	<u>1,631,752</u>
Other payables and accruals	<u>7,318,516</u>	<u>6,846,542</u>
Consideration and distribution payable	<u>17,460,889</u>	<u>1,213,959</u>
Due to related parties (note b)		
- COSCO	1,486,679	43,447
- subsidiaries of COSCO	76,376	204,973
- jointly controlled entities	—	26,487
- related companies	<u>49,993</u>	<u>976</u>
	<u>1,613,048</u>	<u>275,883</u>
Current portion of other non-current liabilities	<u>21,005</u>	<u>11,619</u>
Total	<u><u>35,778,691</u></u>	<u><u>15,928,076</u></u>

Notes:

(a) At 31 December 2007, the ageing analysis of trade and bills payables is as follows:

	2007	2006
	<i>RMB'000</i>	<i>RMB'000</i>
		<i>(Restated)</i>
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	<u>39,183</u>	<u>28,588</u>
	<u>7,342,780</u>	<u>5,948,321</u>

Trade balances with related parties are unsecured, interest free and have similar terms of repayment as those of third party suppliers.

(b) 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. (note 10(a))

15 Significant subsequent event

During the period from 10 December 2007 to 6 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%.

16 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.

The financial figures above in respect of the announcement of the Group's annual results for the year ended 31 December 2007 (the "Announcement") have been agreed by the Company's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's consolidated financial statements for the year ended 31 December 2007. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by PricewaterhouseCoopers on the Announcement.

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

The Group’s accounting policies (in accordance with HKFRSs) are different in certain aspects from CAS. The difference between HKFRSs and CAS where have significant effect on the consolidated profit attributable to equity holders of the Company and the consolidated net assets of the Group prepared under HKFRSs and CAS are summarised as below. The relevant differences are extracted from the annual financial statements prepared under CAS and audited by Reanda Certified Public Accountants Co., Ltd., the Group’s auditor in the PRC.

Consolidated net profit attributable to the equity holders of the Company and consolidated net assets

	Consolidated profit attributable to equity holders of the Company for the year ended 31 December 2007	Consolidated net assets as at 31 December 2007
	<i>RMB’000</i>	<i>RMB’000</i>
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

	Consolidated profit attributable to equity holders of the Company for the year ended 31 December 2007 RMB'000	Consolidated net assets as at 31 December 2007 RMB'000
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	<u>(12,396)</u>
	Total differences	<u>392,583</u>
	As prepared under HKFRSs	<u>46,586,624</u>

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 basing on HKFRSs 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 “Corporate Accounting Standards” 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 investments 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 financial statements but retained in the equity in PRC financial statements.
7. The PRC and HKFRS financial statements have different recognitions on the accounting estimations and materiality, thus resulting in the discrepancies.

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 China Ocean Shipping (Group) Company, 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.

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 264,740,000 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 39,830,000 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 47,100,000 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 1,520,000 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 Limited (the “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.

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. 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

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 <i>TEUs</i>	2006 <i>TEUs</i>	Change %
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	<u>1,106,632</u>	<u>842,418</u>	<u>31.4%</u>
Total	<u>5,708,550</u>	<u>5,111,338</u>	<u>11.7%</u>

Revenues by routes

	Year ended 31 December		
	2007 <i>RMB'000</i>	2006 <i>RMB'000</i>	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	<u>2,529,035</u>	<u>1,575,506</u>	<u>60.5%</u>
Sub-total	<u>39,240,098</u>	<u>33,158,737</u>	<u>18.3%</u>
Chartering	253,645	297,346	-14.7%
Related business	<u>6,272,575</u>	<u>6,533,633</u>	<u>-4.0%</u>
Total	<u>45,766,318</u>	<u>39,989,716</u>	<u>14.4%</u>

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	<u>9</u>	<u>38,250</u>	<u>—</u>	<u>—</u>	<u>9</u>	<u>38,250</u>
Total	<u>31</u>	<u>178,874</u>	<u>25</u>	<u>215,650</u>	<u>56</u>	<u>394,524</u>

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 Strategies

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 coastal routes in a timely manner. The above measures have effectively enhanced the service capability in these markets.

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 increase 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 capacity 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.

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 140 million 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 RMB 49,265,720,000, 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.

According to the statistics as at 31 December 2007, we have already secured 54% of the operating revenue for the year 2008, the average time chartering rates secured by various types of vessels are higher than their respective average rates realized for the whole year of 2007, and have increased by approximately one-third on average.

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)

Vessel type	Number	Owned		Chartered-in		Total	
		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)

Vessel type	Number	2008		2009		2010		2011		Total	
		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	

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%

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.

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% 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 become 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 container throughput of 601,801 TEUs, representing an increase of 32.0% as compared to the year 2006, and Yangzhou Yuanyang Terminal having a container 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 Terminals Co., Ltd.	850,359	421,068	+102.0%
Tianjin Five Continents International Container Terminals Co., Ltd.	1,988,456	1,773,141	+12.1%
Yingkou Container Terminals Co., Ltd.	1,125,557	837,574	+34.4%
Yangtse River Delta	8,307,080	7,732,423	+7.4%
Shanghai Container Terminals Co., Ltd.	3,446,135	3,703,460	-6.9%
Shanghai Pudong International Container Terminals Co., 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 Terminals Co., Ltd.	253,772	222,912	+13.8%
Nanjing Port Longtan Container Co., Ltd.	950,289	700,098	+35.7%
Ningbo Yuan Dong Terminals Operation Co., Ltd.	331,361	N/A	N/A
Pearl River Delta and Southeast Coastal regions	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 Ltd.(Phase I, II, III)	9,368,696	8,470,919	+10.6%
Guangzhou South China Oceangate Container Terminals Co., Ltd.	577,196	N/A	N/A
Quanzhou 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 of Terminals in Mainland China	36,040,901	29,875,952	+20.6%
Total container throughput	39,832,964	32,791,713	+21.5%

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

	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 Port 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		<u>20</u>	<u>12,150,000</u>	<u>5</u>	<u>6,050,000</u>

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 Euro-Asian 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 and management 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 leasing rate was 94.5%, which was lower than last year's by 96.2% but still higher than the average utilisation level of approximately 93.0% within the

industry. The slight reduction in the leasing rate was mainly attributable to Florens' strategic ordering of containers with approximately 58,000 TEUs since the fourth quarter of 2007, so as to cope with the rising trend of container prices and customers' demands in the first quarter of 2008.

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

In order to further optimise the business model of container leasing business, reduce operation risks, the operation model of container selling and management has been gradually formed. As at 31 December 2007, the Group's managed container fleet increased to 762,618 TEUs (2006: 629,881 TEUs), representing 50.2% of the total container fleet. Its self-owned container fleet was 757,053 TEUs (2006: 620,728 TEUs), representing 49.8% of the total container fleet. Of its self-owned container fleet, 517,311 TEUs were leased to COSCON, and 239,742 TEUs were leased 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 light-asset mode 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 its maturity 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.
- 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%.

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.

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	<u>15,413,210</u>	<u>13,586,069</u>
Total	<u>19,329,881</u>	<u>18,983,350</u>

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.

OTHER INFORMATION

Closure of Register of Members

The register of members of the Company will be closed from Wednesday, 7 May 2008 to Friday, 6 June 2008, both days inclusive, during which period no transfer of shares will be effected. Holders of H shares of the Company whose names appear on the register of members of the Company on Tuesday, 6 May 2008 at 4:30 p.m. are entitled to attend the annual general meeting to be held on Friday, 6 June 2008.

Dividends and other distribution

The Board resolved to propose for the year ended 31 December 2007 a cash dividend of RMB0.18 per share including tax to the shareholders whose names appear on the H share register on Tuesday, 6 May 2008 at 4:30 p.m. In order to qualify for the proposed final cash dividend, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's H share registrar, Computershare Hong Kong Investor Services Limited of Units 1806-1807, 18/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 6 May 2008.

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 corporate success and to enhancing shareholders' value.

The Company adopted its own code on corporate governance practices which incorporates all the code provisions (other than the following deviation) and a majority of the recommended best practices in the Code on Governance Practices (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

Appendix 14 of the Code requires separation of the role of Chairman and Chief Executive Officer of a listed issuer. Mr. Wei Jiafu currently assumes the role of both Chairman and Chief Executive Officer of the Company.

The Board considered that an abrupt segregation of the role of the Chairman and CEO would involve a sharing of power and authority of the existing structure which might affect the daily operations of the Company. Notwithstanding the above, the Board will review the current structure from time to time and shall make necessary arrangements when the Board considers appropriate.

Save for the above deviation, none of the directors of the Company (the “Directors”) is aware of any information that would reasonably indicate that the Company is not, or for any part of the period for the year ended 31 December 2007 has not been, in compliance with the Code.

Model Code for Securities Transactions by Directors

Since the listing of the Company on the Main Board of the 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 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.

Board Committee

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 audit committee of the Company (the “Audit Committee”), established in April 2005, comprises two independent non-executive Directors and one non-executive Director. It is chaired by Mr. Alexander Reid Hamilton and the other two members are Ms. Sun Yueying and Mr. Cheng Mo Chi. All members of the committee are competent and experienced in understanding, analysing and reviewing the financial reports of listed companies.

The annual results of the Company have been reviewed by the Audit Committee.

Purchase, Sale or Repurchase of Shares of the Company

During the reporting period, the Company did not redeem any of its Shares. Neither the Company nor its subsidiaries repurchased or sold any shares of the Company during the year.

Service Contracts

Each of the Directors and supervisors of the Company has entered into a service contract with the Company.

Share Appreciation Rights Scheme

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.

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.

Auditors

The Company has appointed PricewaterhouseCoopers and BDO Reanda Certified Public Accountants as the international and PRC auditors of the Company for the year ended 31 December 2007. PricewaterhouseCoopers has conducted the audit of the Group's financial statements which are prepared in accordance with Hong Kong Financial Reporting Standards. Resolutions for the re-appointment of PricewaterhouseCoopers and the newly appointed Zhongruiyuehua Certified Public Accountants Co., Ltd. (中瑞岳華會計師事務所有限公司) as the international and PRC auditors of the Company respectively for the year ending 31 December 2008 will be proposed at the forthcoming shareholders' annual general meeting to be held on Friday, 6 June 2008.

Business Outlook

Please refer to the relevant content in the section headed "Chairman's Statement" in this announcement.

PUBLICATION OF ANNUAL REPORT

An annual report for the year ended 31 December 2007 containing all the information required by Appendix 16 to the Listing Rules will be despatched to Shareholders and published on the website of the Stock Exchange in due course.

By Order of the Board
China COSCO Holdings Company Limited
ZHANG Yongjian
Joint Company Secretary

Beijing, the People's Republic of China
22 April 2008

As at the date of this announcement, the executive directors of the Company are Mr. WEI Jiafu (Chairman and CEO) and Mr. CHEN Hongsheng (President); the non-executive directors of the Company are Mr. ZHANG Fusheng (Vice Chairman), Mr. LI Jianhong, Mr. XU Lirong, Mr. ZHANG Liang and Ms. SUN Yueying; and the independent non-executive directors of the Company are Ms. LI Boxi; Mr. TSAO Wen King, Frank, Mr. Alexander Reid HAMILTON and Mr. CHENG Mo Chi.

* *The Company is registered as an oversea company under Part XI of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) under its Chinese name and the English name "China COSCO Holdings Company Limited".*