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)

2008

ANNUAL REPORT

Important Notice

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

2. The 9th meeting of the second session of Board of Directors of the Company held on 22 April 2009 has considered and passed the 2008 annual report and its summary of the Company. All directors of the Company attended the meeting.

3. Zhongruiyuehua Certified Public Accountants Co., Ltd. and PricewaterhouseCoopers have audited the financial reports in the 2008 annual report of the Company prepared under the PRC Corporate Accounting Standards and the Hong Kong Financial Reporting Standards respectively, and issued unqualified auditors' reports thereon.

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

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS

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

Contents

Company's Basic Information

1) Company Profile

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

The Group operates its container shipping and related businesses through COSCO Container Lines Company Limited ("COSCON"), its wholly-owned subsidiary. As at 31 December 2008, COSCON operates a total fleet of 141 vessels, with a total capacity reaching 496,317 TEUs, which calls at over 150 ports in over 53 countries and regions across the world, and operates 67 international routes, 11 international feeder service routes, 21 PRC coastal service routes and 59 Pearl River Delta and Yangtze River feeder service routes. COSCON has an extensive sales and services network across the world. As at 31 December 2008, COSCON owned over 400 sales and service points in the PRC and overseas. These global route networks and sales and service networks have enabled the Group to provide quality door-to-door services to its customers.

The Group operates its dry bulk cargo shipping business through COSCO Bulk Carrier Co., Ltd. ("COSCO Bulk"), Qingdao Ocean Shipping Company ("COSCO Qingdao"), COSCO (Hong Kong) Shipping Co., Ltd. ("COSCO HK Shipping") and Shenzhen Ocean Shipping Co., Ltd. ("COSCO Shenzhen"). As of 31 December 2008, China COSCO operates 443 dry bulk cargo vessels, among which 210 were owned by the Company and 233 were charted-in. With a total shipping capacity of 34,361,005 DWT, being the world's largest dry bulk cargo fleet.

Company's Basic Information

1) Company Profile

The Group provides integrated logistics services (including third party logistics shipping agency and freight forwarding) through its controlling subsidiary, COSCO Logistics Co., Ltd. ("COSCO Logistics", whose equity interests are held as to 51% by the Company directly, and 49 % by COSCO Pacific Limited (("COSCO Pacific") (Stock Code: 1199), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange"), in which the Company owns approximately 51% equity interests)). COSCO Logistics has established over 400 business branches in 29 provinces, cities and autonomous regions in the PRC, Hong Kong and overseas.

The Group operates its terminal business through COSCO Pacific. As at 31 December 2008, COSCO Pacific had invested in 28 terminal projects globally, with a total of 146 berths, ranking the fifth in the world.

The Group operates its container leasing business through Florens Container Holdings Limited ("Florens"), a subsidiary of COSCO Pacific. As at 31 December 2008, Florens owned and managed a container fleet of 1,621,222 TEUs. The container leasing business accounted for approximately 13.6% of the global market share, ranking the second in the world.

In addition, the Company is also engaged in the container manufacturing business through COSCO Pacific's associate China International Marine Containers (Group) Co., Ltd. ("CIMC"), in which COSCO Pacific holds 21.8% equity interest as at 31 December 2008. CIMC is currently the world's largest container manufacturer, accounted for over 50% of the market share.

Being the only capital platform of COSCO and leveraging its extensive market experience and global advantages, the Group, which is based in the PRC and facing the market globally, continues to enhance its integrated shipping capabilities and expand its logistics services coverage so as to become the leading shipping and logistics supplier in the world.

Company's Basic Information

2) Company's Basic Information

1.	Legal Chinese name	中國遠洋控股股份有限公司
	Legal Chinese name abbreviation	中國遠洋
	Legal English name	China COSCO Holdings Company Limited
	Legal English name abbreviation	China COSCO
	Legal representative	WEI Jiafu
2.	Secretary to Board of Directors	
	Name	ZHANG Yongjian
	Contact address	3rd Floor, No.1 Tongda Square, Tianjin Port Free Trade Zone, Tianjin, the PRC
	Telephone	(022) 66270898
	Facsimile	(022) 66270899
	E-mail	investor@chinacosco.com
3.	Representative of securities affairs	
	Name	LIANG Hong, MING Dong
	Contact address	3rd Floor, No.1 Tongda Square, Tianjin Port Free Trade Zone, Tianjin, the PRC
	Telephone	(022) 66270898
	Fascimile	(022) 66270899
	E-mail	lianghong@chinacosco.com; mingdong@chinacosco.com
4.	Company's registered office	3rd Floor, No.1 Tongda Square, Tianjin Port Free Trade Zone, Tianjin, the PRC
	Place of business	3rd Floor, No.1 Tongda Square, Tianjin Port Free Trade Zone, Tianjin, the PRC
	Postal code	300461
	Company website	www.chinacosco.com
	Company E-mail	investor@chinacosco.com
	Designated newspapers for disclosure of Company's information	Shanghai Securities Daily, China Securities Daily, Securities Times
5.	Website designated by the China Securities Regulatory Commission for publishing the annual report	www.sse.com.cn (Website for publishing the H share Annual Report: www.hkex.com.hk)
	Place of collection of annual report	3rd Floor, No.1 Tongda Square, Tianjin Port Free Trade Zone, Tianjin, the PRC

6. Shares in the Company

Type of share	Place of listing	Share abbreviation	Stock code
A share	Shanghai Stock Exchange	China COSCO	601919
H share	Hong Kong Stock Exchange	China COSCO	1919

7. Other information

Initial date of registration	3 March 2005
Initial place of registration	12th Floor, COSCO Building, 158 Fuxingmennei Avenue, Beijing, the PRC

2) Company's Basic Information

	Date of registration for subsequent change	5 January 2007
	Place of registration for subsequent change	3rd Floor, No.1 Tongda Square, Tianjin Port Free Trade Zone, Tianjin, the PRC
	Business registration number	Qi Gu Guo Fu Zi No.001179
	Taxation registration number	Jin Di Shui Zi No.120116710933243
	Entity number	710933243
8.	Auditors engaged by the Company	
	PRC auditor	Zhongruiyuehua Certified Public Accountants Co., Ltd
	Address	8th-9th Floor, Block A, Corporation Building, 35 Finance Street, Xicheng District, Beijing
	International auditor	PricewaterhouseCoopers
	Address	22nd Floor, Prince's Building Hong Kong, Central, Hong Kong
9.	Other information	Authorised representatives CHEN Hongsheng NG Kam Tsun, Jeffrey
		Qualified accountant HE Xinmei
		Place of business in Hong Kong 49/F COSCO Tower, 183 Queen's Road Central, Hong Kong
		Major bankers Bank of China Industrial and Commercial Bank of China China Merchants Bank
		Legal advisers
		As to Hong Kong law Paul, Hastings, Janofsky & Walker 22/F Bank of China Tower, 1 Garden Road, Hong Kong
		As to PRC law Commerce and Finance Law Offices 6th Floor, NCI Tower, A12 Jianguomenwai Avenue, Chaoyang District, Beijing
		Domestic A share registrar and transfer office China Securities Depository and Clearing Corporation Limited, Shanghai Branch 36th Floor, China Insurance Building, 166 Luijiazui Road East, Pudong New District, Shanghai
		Hong Kong H share registrar and transfer office Computershare Hong Kong Investor Services Limited Rooms 1806-1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

Company's Basic Information
3) Major Events

2008

January

"COSCO Europe", a 10,000-TEU container vessel, was delivered to COSCON.

February

To ensure the power supply of the disaster-stricken areas in Southern China, China COSCO deployed 40 bulk vessels with total capacity of 1.974 million tons for the shipping of thermal coal.

March

The computer centre of COSCON was awarded ISO27001 Information Security System Certification and was the leading computer centre in the shipping sector of China.

COSCO HK Shipping was awarded with "Hong Kong Shipping Company with Highest Registered Gross Tonnage (香港最多船舶註冊總噸位獎)" and the "Best Performing Ship Management Company in Tokyo & Paris MOUs Port State Control Inspection" jointly presented by the Marine Department of Hong Kong and the Hong Kong Shipowners Association. COSCO HK Shipping has been the winner of "Hong Kong Shipping Company with Highest Registered Gross Tonnage" for eight successive years.

COSCO Shenzhen was recognised as an "Outstanding Organisation in Securing Smooth Transportation during Natural Disaster (全國交通行業抗災保通先進集團)" by the Ministry of Communications.

"COSCO America", a 10,000-TEU container, was delivered to COSCON.

Wei Jiafu, chairman of China COSCO, was awarded the prize of "2003-2007 Pioneer of Computerisation of Enterprises in China (2003-2007 中國企業信息化功勳獎)" in the event "Top 500 Enterprises in China's Enterprises Computerisation "(中國企業信息化 500 強測評活動).

COSCON was awarded a Green Flag by the Port Authority of Long Beach for the third consecutive year.

Company's Basic Information
3) Major Events

April

"COSCO Oceania", a 10,000-TEU container, was delivered to COSCON.

China COSCO was again elected as the Forbes Global 2000 outstanding enterprises and ranked 951.

A conference was held by CKYH for service enhancement and expansion of service coverage through cooperation of members.

China COSCO was awarded the "Best Achievement Award (最具重大貢獻榮譽)" in the 2007 prize presentation ceremony of "Overseas Investment by China Enterprises (中國企業走出去)".

COSCO HK Shipping was recognised as an "Outstanding Organisation in Fighting Natural Disasters (2008年抗擊雨雪冰凍災害先進集體)" by the State-owned Assets Supervision and Administration Commission of the State Council.

May

All units and staff of China COSCO fulfilled social responsibility with action by donating a total of RMB32.81 million for the relief of the Sichuan earthquake.

China COSCO ranked among the top 20 of the "100 Listed Companies of Best Corporate Governance in China of 2008 (2008年度中國上市公司100強公司治理)".

COSCO Logistics ranked first in the ranking for "2007-2008 Best Social Contributor of the Logistics Industry in China (2007-2008年度中國物流企業傑出貢獻獎、最具社會責任感的企業)".

June

China COSCO was included as the constituency of the SSE 180 Index and SSE 50 Index.

On 6 June, the 2007 annual general meeting and the first 2008 extraordinary general meeting of China COSCO were held simultaneously in Beijing and Hong Kong through video conferencing.

China COSCO ranked the nineteenth of the "Top 100 Listed Companies in China with Excellent Market Value Management (2008年度中國上市公司市值管理百佳)".

The bulk shipping operations headquarters of China COSCO Holdings Company Limited was established.

COSCON was awarded the best shipping company of "Far East/East Canada Routes" for the seventh consecutive year by CIFFA.

China COSCO was elected one of the Top 100 Main Board Issuers of 2007 and Mr. Zhang Yongjian, secretary of the Board of Directors of the Company, was elected one of the Top 100 Board Secretaries of Listed Companies (上市公司百佳董秘獎).

China COSCO won 3 awards from the event "Golden Ox of Top 100 Listed Companies in China Contest (中國上市公司金牛獎百強評比)", namely the fifteenth listed company of China, the twelfth highest revenue company and the twelfth highest market capitalisation A-share company.

Company's Basic Information

3) Major Events

China COSCO was elected the FT Global 500 of 2008 by the Financial Times and ranked 242. China COSCO ranked thirteenth among the 29 elected China enterprises, including red-chip companies.

July

China COSCO ranked first in the "100 Most Valuable Listed Companies in China of 2007 (2007 年度中國上市公司價值百強評選)" at the first China Capital Exemplar Forum.

China COSCO ranked fourth of the "Best Listed Shipping Companies of the World of 2007(2007 年度全球航運上市公司評比綜合排名)" by Marine Money.

"COSCO Pacific", a 10,000-TEU container vessel, was delivered to COSCON.

The acquisition by China COSCO of the dry bulk cargo fleet of its parent company was elected the "Acquisition of the Year" in the "2008 Seatrade Asia Contest" by Seatrade Asia.

"COSCO Africa", a 10,000-TEU container vessel, was delivered to COSCON.

Most components of the Tianjin assembly line of Airbus A320 were delivered at Tianjin by "COSCO Seattle".

August

COSCO Logistics successfully delivered the mobile medical centres of the Beijing Olympics from Germany to Beijing.

The 2007 Annual Report of China COSCO won the ARC Financial Information Disclosure Outstanding Award 2008.

September

China COSCO ranked third in the "Top 100 A-share Listed Companies in managing market value (Interim) (2008 中期 A 股上市公司市值管理百佳)".

October

COSCO Logistics broke the record again for the heaviest single cargo transportation in China.

COSCO Logistics was commissioned to provide logistic services for the display of the return capsule of Shenzhou 7.

November

Wei Jiafu, Chairman of China COSCO, was awarded "Special Contributor of China Shipping Development History for the Last Sixty Years (中國海運青史 60 年特別貢獻獎)" and was elected one of the "Important Persons in China Shipping History for the Last Sixty Years (中國海運 60 年青史人物)".

COSCO Logistics was elected one of the "Top 100 Logistics Companies in China (中國物流百強榜首企業)" for the fourth consecutive year and ranked first in the sixth contest of the "Best Integrated Service Providers of the Shipping Industry of the PRC (第六屆中國貨運業大獎三大業務綜合服務)".

Company's Basic Information

3) Major Events

China COSCO was selected as a constituency of the Dow Jones Asia/Pacific Select Dividend 30 Index (道瓊斯亞太區股息率30指數).

China COSCO was selected as a constituency of the "Dow Jones Global Select Dividend Index (道瓊斯環球股息率指數)" and "Dow Jones EPAC Select Dividend Index (道瓊斯歐亞太區及加拿大股息率指數)".

The Board of Directors of China COSCO was awarded the "Directors of the Year 2008 - Listed Companies (SEHK- Non-Hang Seng Index Constituents)" and Wei Jiafu, Chairman of China COSCO, was awarded the "Excellent Director of the Year 2008 - Listed Companies (SEHK- Non-Hang Seng Index Constituents)".

Wei Jiafu, Chairman of China COSCO, entered into a port concession agreement with the Authority of Piraeus Port in Greece on behalf of the Company in Athens. Hu Jintao, President of China, was paying an official visit to Greece and attended the signing ceremony with Karamanlis, Prime Minister of Greece.

China COSCO was among the top ten Hong Kong listed companies awarded in the sixth "Annual Forum on Competitiveness of China Enterprises (中國企業競爭力年會)" and was recognised as "The Most Competitive H-share Listed Company (最具競爭力港股上市公司)" of 2008.

China COSCO was awarded the "Best IR Website (最佳IR主頁獎)" and "Top 100 Best Investor Relationship A-Share Listed Companies of the Year (年度中國A股公司最佳投資者關係管理百強)" by Listed Companies Customer Relationship Management Research Centre of China (中國上市公司投資者關係管理研究中心).

December COSCO Pacific was awarded the "Best Investor Relationship" by the IR Magazine.

The investor/shareholder relationship website of China COSCO won a prize of the eighth iNOVA 2008 Award.

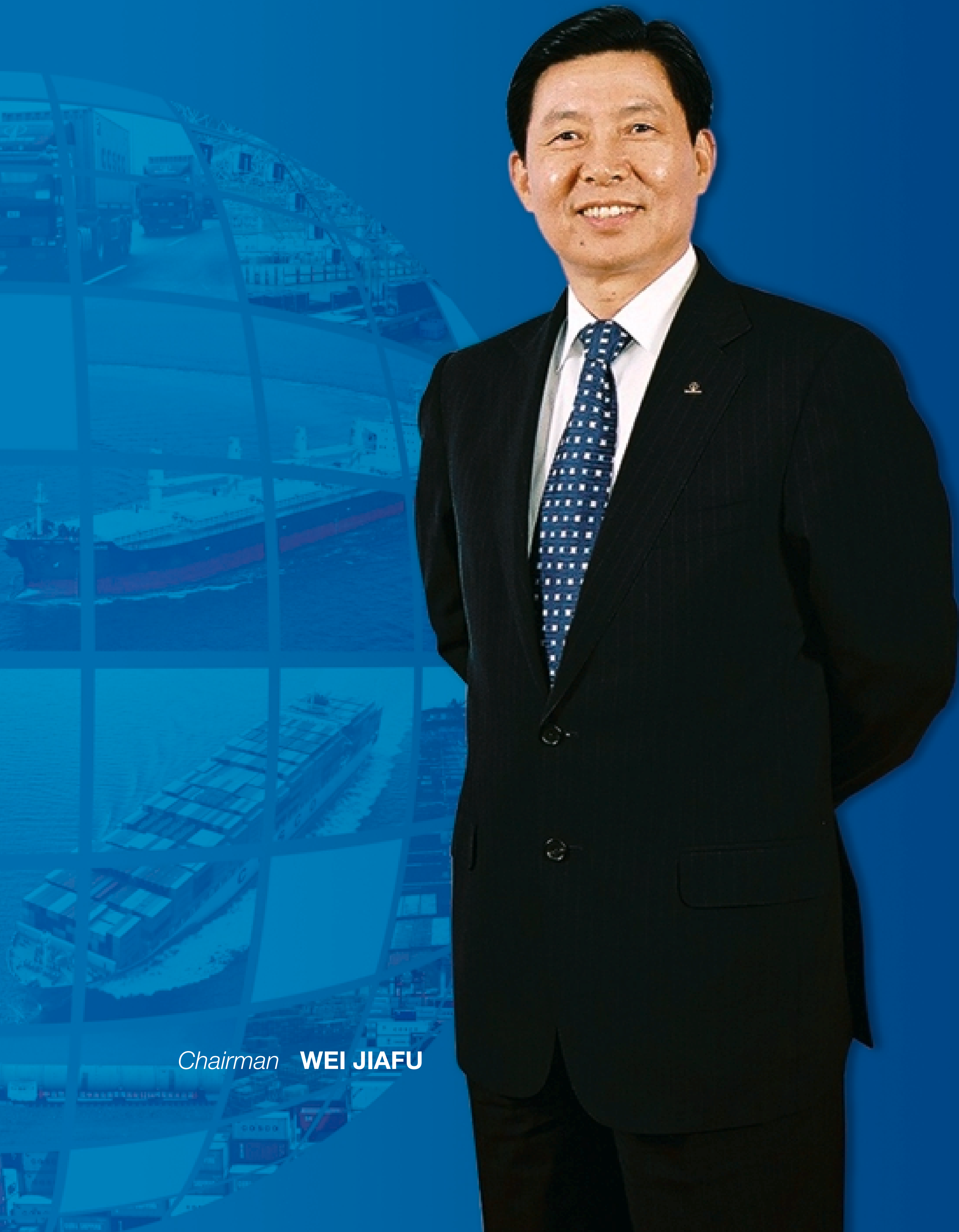
Wei Jiafu, Chairman of China COSCO, was awarded the "CEO of Hong Kong Listed China Enterprises with Best Investor Relationship (香港上市中國企業最佳投資者關係首席執行官獎)" by IR Magazine.

China COSCO was awarded as one of the "China Enterprises with Excellent Investor Relationship (中國企業最佳投資者關係優異獎)" by IR Magazine.

"COSCO Oceania" and "Yuan He" were deployed to run the Xin Gang-Gaoxiong and Yangshan-Gaoxiong routes respectively. It marked the execution of "Agreement on Shipping Arrangement between Mainland China and Taiwan (海峽兩岸海運協議)" and the direct communication between mainland China and Taiwan.

China COSCO ranked thirteenth in the "Best Community Builders of Listed State-owned Enterprises of China of 2008 (2008中國國有上市企業社會責任榜)" in the "2008 Evaluation of Enterprises by Nanfang Daily (南方週末2008年度企業評選)".

Chairman’s Statement



Chairman **WEI JIAFU**

Chairman's Statement

Dear Shareholders,

First of all, I would like to take this opportunity to express my hearty gratitude to all shareholders for your care and support to the Group. I also wish to extend my sincere gratitude to all directors, supervisors, members of the senior management and diligent staff of our Group for their dedicated efforts during the past year. Their endeavours helped China COSCO to its development in 2008.

In 2008, domestic and overseas economies experienced dramatic changes. China encountered severe natural disasters, such as blizzards and earthquakes. The intensifying global financial crisis had significant impacts on the economies. The growth of international trade slowed down and shipping markets sharply deteriorated. Facing such economic hardship, the Group grasped opportunities to enhance reforms and strengthen management, achieving a better results.

During the period under review, the Group's revenues were RMB130,871,857,000, representing an increase of 16.6% from the same period last year, and the profit attributable to equity holders of the Company amounted to RMB11,617,012,000, representing a decrease of 40.4% when compared to the same period last year. The Board recommends a final cash dividend of RMB0.29 per share, equivalent to a dividend rate of 25.7% of the distributable profit for the year.

During the period under review, the shipping volume of the Group's container shipping and related business amounted to 5,792,593 TEUs, representing an increase of approximately 1.5% when compared to the same period of last year. Revenues from container shipping operations amounted to RMB43,799,729,000, representing a decrease of 4.3% from the same period last year.

In 2008, the Group promptly responded to the changes in the container shipping market by adjusting its shipping routes and shipping capacity. In view of strong market demand, the Group allocated more shipping capacity to high revenue shipping routes serving Europe, Central America, Central Australia, South Africa and South America. Whereas, the Group reduced its shipping capacity of main container routes serving Europe and America as well as the Atlantic region by re-allocating shipping capacity of main container lines and feeders, consolidating routes and selling slots during the slowdown of demand. The Group fully leveraged on the resources of CKYH alliance to optimise its capacity of each shipping route. The Group effectively reduced its operational risks through reducing shipping capacity by various means, such as early termination of leases, ship maintenance, suspension of service in dull season and shipping capacity reservation.

During the period under review, the Group continued to optimise the allocation of container shipping capacity. Nine new container vessels were delivered for operation during the year with an aggregate capacity of 73,764 TEUs. As at 31 December 2008, the fleet operated by the Group comprised 141 container vessels with capacity of 496,317 TEUs, representing an increase of 14.1% as compared to the figure as at the end of 2007. In 2008, the Group placed orders for and chartered 12 container vessels of various types, with a total capacity of 123,800 TEUs. As at the end of 2008, the Group had 59 container vessel orders with a total capacity of 444,752 TEUs.

During the period under review, the Group's dry bulk shipping business maintained a stable growth and handled a total shipping volume of 293,100,000 tons in 2008, representing an increase of 10.7% over the same period last year.

Chairman's Statement

Dry bulk shipment turnover was 1.5 trillion ton-nautical miles, representing an increase of 7.1% over the same period last year. Of which, coal shipping volume amounted to 89,350,000 tons, representing a year-on-year decrease of 1.5%; ore shipping volume amounted to 123,330,000 tons, representing a year-on-year increase of 8.3%, and shipping volume of other cargoes amounted to 80,420,000 tons, representing an increase of 33.8% over the same period last year.

The Group had taken a conservative approach to the huge changes in the global dry bulk shipping market and proactively mitigated risks by leveraging on its experiences and leading market position. In addition, the Group actively enhanced the collaborations with our partners to strive for healthy development.

As at 31 December 2008, the Group owned, operated and controlled a total of 443 dry bulk vessels of 34,361,005 DWT. The Group maintained its global leading position in terms of dry bulk fleet size.

During the period under review, the logistics business of the Group achieved steady and rapid growth in third party logistics, shipping agency and freight forwarding businesses. COSCO Logistics was committed to brand building and successfully bid for a number of milestone projects, set new records of the industry and enhanced its brand images and reputation in domestic and overseas logistics markets. COSCO Logistics established overseas business platforms in major markets, such as Hong Kong, Japan, West Asia, America and Europe and successfully consolidated the domestic and overseas businesses and boosted a rapid development of overseas business.

During the period under review, the Group's terminal business continued to grow steadily. The container delivery handled by COSCO Pacific in 2008 reached 45,880,000 TEUs, representing a year-on-year increase of 17.7%. As at 31 December 2008, the number of terminal joint-ventures in which COSCO Pacific held equity interests increased to 28 with 146 berths from 27 with 140 berths in 2007, whereas the number of wholly-owned terminal companies and joint-ventures in which the Company had controlling stakes will increase to 6 with 31 berths. According to the ranking of global terminal operators of Drewry Shipping Consultants Ltd., container terminal business of COSCO Pacific accounted for approximately 5.5% of the global market shares and again ranked as the fifth largest terminal operator. As a remarkable breakthrough in overseas terminal business, COSCO Pacific acquired a 35-year concession of Piraeus Port in Greece. It is the first concession of an overseas port acquired by a PRC enterprise.

With respect to the container leasing business, Florens, a wholly-owned subsidiary of COSCO Pacific, continued to operate in an asset light business mode and fully leveraged on its own strengths and maintained its leading position in the industry. During the year, Florens remained the second largest container leasing company, providing comprehensive services of container leasing and management for its customers.

As at 31 December 2008, the capacity of container fleet increased to 1,621,222 TEUs, representing a year-on-year increase of 6.7% and accounting for approximately 13.6% of global market shares.

In addition to actively adapting to the changing market environment and grasping market opportunities, the Group continued to strengthen its management, optimise resources allocation, reduce costs and enhance efficiency as well as to explore its potential to place a solid foundation for its long-term growth. We were committed to balanced growth so as to generate synergies. The Group also assumed safety responsibilities in all aspects to secure a safe Operating environment.

Chairman's Statement

In light of the continued increase in the size of its assets, China COSCO has recognised and optimised its corporate structure and strengthened its management team according to its imperative needs for building up a strong capital base and achieving the "Three Maximizations" objective. The measures could also strengthen China COSCO by preserving and increasing its asset values as a listing company.

In 2008, the Company further improved its corporate governance and our efforts were highly recognised. The Board of China COSCO was granted "Directors of the Year Awards 2008 - Board of Listed Companies (SEHK-Non-Hang Seng Index Constituents)" by the Hong Kong Institute of Directors. China COSCO achieved various awards, such as "100 Listed Companies of Best Corporate Governance in China of 2008", "Top 100 Listed Companies in China with Excellent Market Value Management", "ARC Outstanding Award 2007" and "Top 100 Best Investor Relationship A-Share Listed Companies of the Year".

As an enterprise with a high social responsibility, the Company actively fulfilled social responsibilities by adequately allocating internal resources in fighting against blizzards and severe earthquakes as well as supporting the Beijing Olympic Games. Regarding this, China COSCO was elected as one of the "2008 Chart of Listed State-owned Enterprises of China with Social Responsibility (2008 中國國有上市企業社會責任榜)" and COSCO HK Shipping, its wholly-owned subsidiary, was recognised as an "2008 Enterprise In Fighting Against Blizzards "(2008 年抗擊雨雪冰凍災害先進集體)".

Looking forward to 2009, according to the forecast by International Monetary Fund ("IMF") in March, the growth of the global economy will drop by 0.5% to 1.0%. Developed countries will see a negative growth of 3% to 3.5% whereas the growth of developing countries will be slackened to 1.5% to 2.5%. As a result, international trade is likely to reduce substantially in 2009. Export environment is harsher and will intensify the imbalance of supply and demand in international shipping markets. The main container liner route market will continue to be adversely affected. The prospect of dry bulk shipping the market remains dim. It will also have impact on the markets of logistics and terminals. In the previous quarter, shipping market was extremely weak and global shipping enterprises experienced great challenges.

Apart from recognising those risks, the Group also sees favorable market factors. In the long run, the trend of globalisation will continue. The alliance and reliance among countries will further strengthen and the globalisation which bases on technology innovations and global productivity re-allocations will not be reversed. In the short run, favorable market factors are emerging. Many governments are seeking to boost investment and consumption by launching stimulus policies. The upstream and downstream industries of shipping will benefit from these measures and investments.

Dear shareholders, your continuous trust and support is our most valuable wealth. Under the current difficult situation, our management and all staff will cooperate and strive to enhance efficiency and maintain steady development so as to achieve returns to our shareholders and to fulfill social responsibility. In order to establish a capital platform for COSCO, China COSCO will continue to actively facilitate the implementation of overall strategy in accordance with the principle of "overall planning and implementing in phases".

Wei Jiafu
Chairman

22 April 2009

Summary of Accounting Data

Results for the year ended 31 December 2008 prepared under the Hong Kong Financial Reporting Standards ("HKFRSs")

	Year ended 31 December 2008 (RMB'000)	Year ended 31 December 2007 (RMB'000) (Restated)	Changes
Revenues	130,871,857	112,232,794	16.6%
Operating Profit	14,443,400	24,093,745	-40.1%
Profit before income tax expenses	15,670,041	26,112,562	-40.0%
Profit attributable to equity holders of the Company	11,617,012	19,481,867	-40.4%
Basic earnings per share (RMB)	1.1371	2.1821	
Final dividend per share (RMB)	0.29	0.18	
Final dividend payout ratio	25.7%	29.3%	
Total assets	118,413,153	117,359,805	0.9%
Total liabilities	56,166,391	60,203,320	-6.7%
Minority interests	9,755,106	10,556,006	-7.6%
Equity attributable to the equity holders of the Company	52,491,656	46,600,479	12.6%
Net debt to equity ratio	-8.3%	-32.0%	
Gross profit margin	16.7%	22.2%	

Summary of Accounting Data

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

		Profit attributable to equity holders of the Company for the year ended 31 December 2008 RMB'000	Equity attributable to the equity holders of the Company as at 31 December 2008 RMB'000
As prepared under CAS		10,830,365	52,091,702
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	861,876	(1,158,625)
2	Difference in cost base of vessels and the related difference in depreciation charge and deferred tax	(101,075)	669,454
3	Difference in valuation of available-for-sale financial assets	—	924,912
4	Differences in recognising goodwill for transactions not under common control under HKFRSs and CAS	—	3,944
5	Difference caused by applicable standards for overseas defined benefit plan	—	(39,731)
6	Others	25,846	—
Total differences		786,647	399,954
As prepared under HKFRSs		11,617,012	52,491,656

Summary of Accounting Data

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

3. 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.

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

5. Differemce caused by applicable standards for overseas defined benefits plan.

6. Insignificant accounting differences arising from HKFRSs and CAS were adjusted this year. After this adjustment, the impact of non-standard differences on owner's equity of the company was eliminated.

Changes in Equity and Shareholders Information

(I) Table of Changes in shares

1. Table of changes in shares

Unit: share

	Before the change		Increase/ decrease(+, -)	After the change	
	Number of shares	Percentage (%)	Release of selling restrictions	Number of shares	Percentage (%)
I. Shares subject to selling restrictions					
1. State-owned shares	5,472,806,911	53.57	–	5,472,806,911	53.57
2. Other domestic shares	914,000,000	8.95	-914,000,000	0	0
Including: Shares held by domestic non state-owned legal person	914,000,000	8.95	-914,000,000	0	0
Total number of shares subject to selling restrictions	6,386,806,911	62.52	-914,000,000	5,472,806,911	53.57
II. Shares not subject to selling restrictions					
1. Renminbi-denominated ordinary shares	1,248,867,446	12.22	914,000,000	2,162,867,446	21.17
2. Overseas listed foreign shares	2,580,600,000	25.26	–	2,580,600,000	25.26
Total number of shares not subject to selling restrictions	3,829,467,446	37.48	914,000,000	4,743,467,446	46.43
III. Total number of shares	10,216,274,357	100	–	10,216,274,357	100

Note: The 914,000,000 shares released from selling restrictions during the period comprised 535,000,000 shares allotted to strategic investors under A share public offer of the Company and 379,000,000 shares allotted to strategic investors under A share non-public offer. The dates of release of selling restrictions were 26 June 2008 and 29 December 2008 respectively.

Changes in Equity and Shareholders Information

2. Changes in shares subject to selling restrictions

(1) Changes in shares subject to selling restrictions under A share public offer

Unit: share

Name of Shareholders	Number of shares subject to selling restrictions at the beginning of the year	Number of shares released from selling restrictions during the year	Number of shares increased subject to selling restrictions during the year	Number of share subject to selling restrictions at the end of the year	Reason for restriction	Date of release from selling restrictions
National Social Security Fund	40,000,000	40,000,000	0	0	Restriction upon issue	26 June 2008
COFCO Limited	40,000,000	40,000,000	0	0	Same as above	Same as above
China Coal Energy Company Limited	40,000,000	40,000,000	0	0	Same as above	Same as above
China National Machinery Industry Corporation	40,000,000	40,000,000	0	0	Same as above	Same as above
China National Nuclear (Group) Corporation	40,000,000	40,000,000	0	0	Same as above	Same as above
CNGC North Industries Group Finance Company Ltd.	30,000,000	30,000,000	0	0	Same as above	Same as above
China Shipbuilding Industry Corporation	30,000,000	30,000,000	0	0	Same as above	Same as above
First Automobile Finance Co. Ltd.	30,000,000	30,000,000	0	0	Same as above	Same as above
China Shipping (Group) Company	30,000,000	30,000,000	0	0	Same as above	Same as above
China National Investment & Guaranty Co., Ltd	30,000,000	30,000,000	0	0	Same as above	Same as above
China Energy Conservation Investment Corporation	25,000,000	25,000,000	0	0	Same as above	Same as above
Beijing Capital Guarantee & Investment Co., Ltd.	20,000,000	20,000,000	0	0	Same as above	Same as above
Taikang Life Insurance Co. Ltd. - Traditional - Ordinary Insurance Products - 019L- CT001 Hu	20,000,000	20,000,000	0	0	Same as above	Same as above

Changes in Equity and Shareholders Information

Name of shareholders	Number of shares subject to selling restrictions at the beginning of the year	Number of shares released from selling restrictions during the year	Number of shares increased subject to selling restrictions during the year	Number of share subject to selling restrictions at the end of the year	Reason for restriction	Date of release from selling restrictions
Tangshan Iron & Steel Group Co., Ltd	20,000,000	20,000,000	0	0	Same as above	Same as above
State Development & Investment Corp.	20,000,000	20,000,000	0	0	Same as above	Same as above
China General Technology (Group) Holding Limited	20,000,000	20,000,000	0	0	Same as above	Same as above
Zhuhai Port Enterprises Group Company Limited	20,000,000	20,000,000	0	0	Same as above	Same as above
New China Life Insurance Co., Ltd - Dividend - group bonus Dividend - 018L - FH001 Hu	20,000,000	20,000,000	0	0	Same as above	Same as above
China Pacific Life Insurance Co., Ltd - Traditional - Ordinary Insurance Products	20,000,000	20,000,000	0	0	Same as above	Same as above
Total	535,000,000	535,000,000	0	0	/	/

(2) Changes in shares subject to selling restrictions under A share non-public offer

Name of Shareholders	Number of shares subject to selling restrictions at the beginning of the year	Number of shares released from selling restrictions during the year	Number of shares increased subject to selling restrictions during the year	Number of share subject to selling restrictions at the end of the year	Reason for restriction	Date of release from selling restrictions
China Life Asset Management Co., Ltd.	70,000,000	70,000,000	0	0	Restriction upon issue	29 December 2008
Sinochem Corporation	50,000,000	50,000,000	0	0	Same as above	Same as above
Nanfang Funds Management Co., Ltd.	45,000,000	45,000,000	0	0	Same as above	Same as above
China National Machinery Industry Corporation	40,000,000	40,000,000	0	0	Same as above	Same as above
COFCO Limited	40,000,000	40,000,000	0	0	Same as above	Same as above
Aerospace Science and Technology Finance Co., Ltd.	40,000,000	40,000,000	0	0	Same as above	Same as above
China National Nuclear (Group) Corporation	32,000,000	32,000,000	0	0	Same as above	Same as above
Minmetals Investment & Development Co. Ltd.	31,000,000	31,000,000	0	0	Same as above	Same as above
Everbright Securities Co., Ltd.	31,000,000	31,000,000	0	0	Same as above	Same as above
Total	379,000,000	379,000,000	0	0	/	/

Changes in Equity and Shareholders Information

(II) Issue and listing of securities

1. Issue of securities in the last three years

Unit: share
Currency: RMB

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

2. Changes in total number and structure of shares of the Company

There is no change in the total number of shares of the Company during the reporting period. During the period, 914,000,000 A shares were released from selling restrictions, comprising 535,000,000 shares allotted to strategic investors under A share public offer and 379,000,000 shares allotted to strategic investors under A share non-public offer. The dates of release from selling restrictions were 26 June 2008 and 29 December 2008 respectively.

3. Existing internal employee shares

The Company did not have any internal employee shares.

Changes in Equity and Shareholders Information

(III) Shareholder and effective controller

1. Number of shareholders and their shareholding

Unit: share

Total number of shareholders at the end of the reporting period	A shares: 480254	H shares: 1007

Shareholdings of the top 10 shareholders

Name of shareholder	Nature of shareholders	Percentage of shareholding (%)	Total number of shares held	Increase / decrease during the reporting period	Number of shares subject to selling restrictions	Number of shares pledged or frozen
China Ocean Shipping (Group) Company	State-owned	53.75	5,491,469,589	18,662,678	5,491,469,589	Nil
HKSCC Nominee Limited	Foreign	24.82	2,535,864,317	68,593,207	0	Unknown
China National Machinery Industry Corporation	Domestic non-state owned legal person	0.78	80,000,000	0	0	Nil
China National Nuclear (Group) Corporation	Domestic non-state owned legal person	0.70	72,000,000	0	0	Nil
Sinochem Corporation	Domestic non-state owned legal person	0.49	50,000,000	0	0	Nil
Aerospace Science & Technology Finance Co., Ltd.	Domestic non-state owned legal person	0.39	40,000,000	0	0	Nil
China Coal Energy Company Limited	Domestic non-state owned legal person	0.39	40,000,000	0	0	Nil
China Life Insurance Company Limited - bonus - individual bonus - 005L - FH002 Hu	Domestic non-state owned legal person	0.38	39,020,000	-3,342,289	0	Nil
Agricultural Bank of China - Zhongyou Core Growth Equity Securities Investment Fund	Domestic non-state owned legal person	0.32	32,465,585	23,709,250	0	Nil
Everbright Securities Co., Ltd.	Domestic non-state owned legal person	0.30	31,000,000	-6,342,616	0	Nil
Minmetals Investment & Development Co. Ltd.	Domestic non-state owned legal person	0.30	31,000,000	0	0	Nil

Note: As at 31 December 2008, China Ocean Shipping (Group) Company holds 81,179,500 shares of H shares, accounts 3.15% of total H shares. It is included in the shares held by HKSCC Nominee Limited.

Changes in Equity and Shareholders Information

Shareholdings of the top 10 shareholders not subject to selling restrictions

Name of shareholders	Number of shares not subject to selling restrictions	Type of shares
HKSCC Nominee Limited	2,535,864,317	Overseas listed foreign shares
China National Machinery Industry Corporation	80,000,000	RMB ordinary shares
China National Nuclear (Group) Corporation	72,000,000	RMB ordinary shares
Sinochem Corporation	50,000,000	RMB ordinary shares
Aerospace Science & Technology Finance Co., Ltd.	40,000,000	RMB ordinary shares
China Coal Energy Company Limited	40,000,000	RMB ordinary shares
China Life Insurance Company Limited - bonus - individual bonus - 005L - FH002 Hu	39,020,000	RMB ordinary shares
Agricultural Bank of China - Zhongyou Core Growth Equity Secutities Investment Fund	32,465,585	RMB ordinary shares
Everbright Securities Co., Ltd.	31,000,000	RMB ordinary shares
Minmetals Investment & Development Co. Ltd.	31,000,000	RMB ordinary shares
Explanation about relationship of the above shareholders as associates or parties acting in concert	Unknown	

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

Unit: share

No.	Name of holders of shares subject to selling restrictions	Number of shares subject to selling restrictions	Situation of shares subject to selling restrictions: Trading date	Number of additional tradable shares	Selling restrictions
	China Ocean Shipping (Group) Company	5,491,469,589	19 December 2010	5,419,140,604	Restriction upon issue
			19 December 2010	53,666,307	Restriction upon issue

Note: The additional 18,662,678 shares of A shares acquired by China Ocean Shipping (Group) Company, the controlling shareholder of the Company, in the secondary market will be subject to selling restrictions under strict regulation.

Agreed lock-up period for strategic investors or ordinary legal persons participating in the placing of new shares

Not applicable.

Changes in Equity and Shareholders Information

2. Controlling shareholder and effective controller

(1) Corporate controlling shareholder

Unit: RMB
Currency: RMB

Name	Legal representative	Registered capital	Date of incorporation	Principal business operations
China Ocean Shipping (Group) Company	Wei Jiafu	4,103,367,000	April 1961	China Ocean Shipping (Group) Company is one of the super-large State-owned enterprise under the State-owned Assets Supervision and Administration Commission of the State Council. Apart from the business operated by our Group, the main business currently operated by China Ocean Shipping (Group) Company ("COSCO") and its subsidiaries ("COSCO Group") also includes operations of oil tankers and other liquefied bulk cargo shipping, general cargo and special vessel shipping, ship repair and retrofit, ship building, provision of vessel fuels, financial services, ship trading service and the provision of seaman and ship management services, etc.

(2) Corporate effective controller

State-owned Assets Supervision and Administration Commission of the State Council.

Changes in Equity and Shareholders Information

(3) Controlling shareholder who is a natural person

Not applicable.

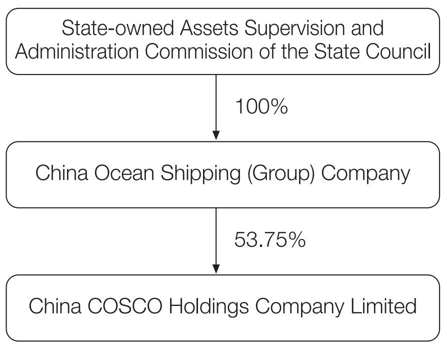
(4) Effective controller who is a natural person

Not applicable.

(5) Changes in controlling shareholder and effective controller

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

(6) Diagram showing equities and controlling relationship between the Company and effective controller



3. Other corporate shareholders holding 5% or above shares

Not applicable.

Directors, Supervisors, Senior Management

1. Directors' Profiles

WEI Jiafu（魏家福）

Mr. WEI, aged 59, is currently an executive director, the chairman and CEO of the Company. Mr. Wei joined the COSCO Group in 1967 and has been the president of COSCO since 1998. Mr. Wei joined the Group in 1997. He has been the chairman of COSCO HK and COSCON since 2000. He became an executive director and the chairman of the board of COSCO Pacific in 2000, and changed roles in 2005 to become a non-executive director and the chairman of COSCO Pacific (1199.HK). In 2008, Mr. Wei was no longer to be the chairman of COSCON and the chairman of board of COSCO Pacific. Mr. Wei had been the general manager of Sino-Tanzania Joint Shipping Company, president of COSCO Holding (Singapore) Pte Ltd, managing director of COSCO Tianjin and COSCO Bulk. He joined the Company in March 2005. Mr. Wei has over 40 years of experience in navigation and international shipping business; he was a former marine captain and he has excellent business decision-making capability and substantial capital markets experience. During his office as the president of COSCO Holding (Singapore) Pte Ltd in 1993, the first overseas listed company, COSCO Investment (Singapore), was acquired. Under the leadership of Mr. Wei, both COSCO Pacific and COSCO Investment (Singapore) have become overseas blue chip listed companies. His strategic view and world vision in his outstanding leadership have continuously enhanced the sustainable development of COSCO Group. Mr. Wei is currently the chairman of China Shipowners' Association, chairman of China Shipowner's mutual Assurance Association, honorary chairman of China Group Companies Promotion Association, chairman of China Federation of Industrial Economics, chairman of China Association of Trade in Services, director of the Board of Boao Forum for Asia, director of Chinese People's Institute of Foreign Affairs, committee member of National MBA Education Supervisory Committee of China, advisor of the Panama Canal Authority, Fellow of Hong Kong Management Association. Mr. Wei obtained his Doctorate degree from Tianjin University and his Master degree in Transportation Planning and Management from Dalian Maritime University. He is also a senior engineer. In 1999, he was awarded the honour of special contribution to the State. He was awarded as "Annual Economic People" by CCTV in 2005, IR Distinguished Merits Award for the years 2003 to 2007, Elite of Economics for the year 2007, China Strategic Planning Leadership Award, Directors of The Year Awards 2009 by HKIoD, Lifetime Achievement Award in China Cargo Industry and so on. Mr. Wei is Top 30 Influential People in Economy in 30 Years of Chinese Reform and Opening, Top 10 Leaders in Transportation and Logistics in 30 Years of Chinese Reform and Opening, 60 People in Chinese Shipping History, and a committee member of the 16th and 17th CPC Central Committee for Discipline Inspection.

Directors, Supervisors, Senior Management

ZHANG Fusheng（張富生）

Mr. ZHANG, aged 59, is currently a non-executive director and the vice-chairman of the Company. Mr. Zhang joined the COSCO Group and the Group in 1999 and has been the secretary of the CPC sub-committee and an executive vice-president of COSCO in 2002. He was appointed as a director of COSCON in 2002. He was an executive director of COSCO Pacific from 2003 to 2005 and became the chairman of board of COSCO International in 2008. Mr. Zhang had been a deputy director of the No. 1 division of Tianjin Port Authority, deputy director of personnel and labour department of MOC, director of institutional reform and regulatory department of MOC (spokesman of MOC), and vice-president of the Beijing branch of Bank of Communications. He became the secretary of the CPC sub-committee of COSCON and COSCO Shanghai in 1999. Mr. Zhang joined the Company in March 2005. He has over 40 years of experience in the administration and management of shipping companies, and also has extensive experience in financial management and business operation. Mr. Zhang is an expert in management, his extensive experience has enabled him to demonstrate outstanding leadership qualities throughout the course of development of the COSCO Group. Mr. Zhang obtained a Master degree in transportation management and engineering from Wuhan University of Communications Science and is a senior engineer. Mr. Zhang was elected a member of the 10th and 11th National People's Congress of the PRC, and is a member of the Foreign Affairs Committee of the 11th National People's Congress.

CHEN Hongsheng（陳洪生）

Mr. CHEN, aged 59, is currently an executive director and president of the Company. Mr. Chen joined the COSCO Group in 1975 and has been an executive vice-president of COSCO Group since 1998. Following his appointment as an executive director and general manager of the Company, Mr. Chen devoted his full efforts and time in directing and managing the Group's affairs. Mr. Chen joined the Group in 1997 and has been an executive director of COSCO Pacific since 2003 and changed his role to an non-executive director and chairman of boardin 2008 and chairman of COSCO Logistics in 2006. Mr. Chen had been the deputy general manager of Penavico Nantong Branch Company, general manager of shipping department of Penavico, general manager of COSCO Beijing International Freight Forwarding Company, deputy general manager of COSCO International Freight Forwarding Company, deputy general manger of COSCO Container Lines, general manager of COSCO International Freight Forwarding Company, deputy general manager of COSCON, and chairman of COSCO Shipping Co., Ltd (600428.SS). He joined the Company in March 2005. Mr. Chen is one of the experienced experts engaging in the container shipping and logistics business at its initial stage in the PRC. He has over 30 years of experience in the shipping industry with extensive experience in enterprise operation and management. Mr. Chen is currently a vice-chairman of the China Enterprise Confederation and the China Enterprise Directors Association. Mr. Chen graduated from Sichuan Foreign Language College and Capital University of Economics and Business in postgraduate studies in business administration. He is a senior economist. He has been awarded the honour of special contribution to the State in 1995.

Directors, Supervisors, Senior Management

LI Jianhong（李建紅）

Mr. LI, aged 52, is currently a non-executive director of the Company. Mr. Li joined the COSCO Group in 1989 and became an executive vice-president of COSCO in 2000, and became Chief Risk Officer and Chief Information Officer in 2008. He joined the Group in 1997 and was appointed as a director of COSCO Pacific. He was appointed as a director of COSCO Logistics in 2004. Mr. Li had been the general manager of Nantong Shipyard and general manager of COSCO Industry Co., Ltd. and COSCO Property Ltd., assistant to president and chief commercial officer of COSCO. He is currently the vice-chairman of CIMC (000039.SZ/200039.SZ), chairman of Sino-Ocean Land Holdings Limited (3377.HK) and chairman of the board of COSCO Investment (Singapore). He joined the Company in March 2005. Mr. Li has over 20 years of experience in corporate management and over 10 years of experience in shipping enterprise management. He has extensive experience in asset management and capital operation. Mr. Li graduated from the University of East London in the United Kingdom with a Master degree in Business Administration and holds a Master degree in Business Administration from Jilin University. He is a senior economist.

XU Lirong（許立榮）

Mr. XU, aged 51, is currently a non-executive director of the Company. Mr. Xu joined COSCO Group in 1975 and joined the Group in 1999. He was appointed as an executive vice-president of COSCO Group and chairman of its labour union in November 2006. He had been an executive director and changed his role to a non-executive director of COSCO Pacific in 2000 and 2005 respectively. He had been the marine captain of Shanghai Ocean Shipping Company ("COSCO Shanghai"), the general manager of Shanghai International Freight Forwarding Company, the deputy general manager of COSCO Shanghai, the president of Shanghai Shipping Exchange, managing director of COSCON and executive vice president of the Company. He is currently the chairman of COSCO Shipping Co., Ltd (600428.SS) and chairman of COSCON. He joined the Company in March 2005. Mr. Xu has over 30 years of experience in the shipping industry and has extensive experience in corporate management. Mr. Xu obtained his Master of Business Administration degree from Shanghai Maritime University and the Maastricht School of Management in Netherlands. He is a senior engineer.

ZHANG Liang（張良）

Mr. ZHANG, aged 55, is currently a non-executive director of the Company. Mr. Zhang joined COSCO Group in 1997. He has been an executive vice president and chief legal consultant of COSCO Group since 2006 and ceased to hold office in 2008. Mr. Zhang had been the managing director of the Personnel Department, assistant to the general manager, as well as deputy general manager (safety control manager) of Tianjin Ocean Shipping Company, deputy general manager of COSCO Bulk Carrier Co. Ltd., general manager of Tianjin Ocean Shipping Company and general manager of COSCO Bulk Carrier Co. Ltd, and is currently the chairman of COSCO Bulk Carrier Co. Ltd., Qingdao COSCO, COSCO Shenzhen as well as the chairman of board of COSCO HK Shipping. He joined the Company in 2007. Mr. Zhang was a former marine captain. He has over 30 years of experience in the shipping industry and has extensive experience in corporate operations and management. He graduated from Dalian Maritime University, majoring in navigation and had obtained his master degree in transportation planning and management from Shanghai Maritime University as well as his doctorate degree in corporate management from Nan Kai University. He is a senior engineer.

SUN Yueying（孫月英）

Ms. SUN, aged 50, is currently a non-executive director of the Company. Ms. Sun joined the COSCO Group in 1982 and has been the chief accountant of COSCO since 2000. She joined the Group in 2000 and was a director of COSCON. She was an executive director of COSCO Pacific in 2002 and was appointed as a director of COSCO HK in the same year, and was appointed as a director of COSCO Logistics in 2004. Ms. Sun was the vice director of the finance department of Tianjin Ocean Shipping Co., the finance manager of COSCO Japan Co., Ltd, the general manager of the finance and capital division of and the deputy chief accountant of COSCO Group. She joined the Company in March 2005. Ms. Sun has over 20 years of experience in the shipping industry and extensive experience in corporate financial management. Ms. Sun graduated from Shanghai Maritime University majoring in shipping finance and accounting, and holds an Executive MBA degree from University of International Business and Economics. She is a certified accountant and a senior accountant.

LI Boxi（李泊溪）

Ms. LI, aged 73, is currently an independent non-executive director of the Company. Ms. Li was an executive member and head of the development forecast division of the Development Research Center of the State Council of the PRC. She is currently a researcher of the Development Research Centre of the State Council of the PRC, with expertise in technical economics, quantitative economics, development strategy and policy. Ms Li had long been involved in the research on country development strategy and corporate development strategy. Her research results are innovative, which have significant influence inside and outside of the PRC. Ms. Li was elected as a member of the 7th and 8th National People's Congress of the PRC. She is currently a part-time professor of Nan Kai University and the chief strategic development consultant of the Real Estate Association of All-China Federation of Industry & Commerce. She is among the first group of experts who have been recognised for their special contribution to the State.

Directors, Supervisors, Senior Management

TSAO Wen King, Frank（曹文錦）

Mr. TSAO, aged 83, is currently an independent non-executive director of the Company. Mr. Tsao has decades of experience in the shipping industry. He was the chairman of the Hong Kong Shipowners Association and is the founder of IMC Holdings Ltd ("IMC"). He had been the executive chairman of IMC since 1966. Mr. Tsao is currently a committee member of the Maritime Industry Council of Hong Kong and the chairman of the Logistics Advisory Committee of the Polytechnic University of Hong Kong, chairman of the Centre for Maritime Studies of National University of Singapore and chairman of Suntec City Development Pte Ltd. Mr. Tsao was awarded "Tan Sri" by the King of Malaysia in 1973 and "Personality of the Year" awarded by the Lloyd's Maritime Asia in 1999. He was awarded the Commodore Award by Connecticut Maritime Association in the US. He was awarded S.B.S by the Hong Kong SAR Government in 2006.

Alexander Reid HAMILTON（韓武敦）

Mr. HAMILTON, aged 67, is currently an independent non-executive director of the Company. Mr. Hamilton is currently an independent non-executive director of a number of Hong Kong listed companies (which include Esprit Holdings Limited and Shangri-La Asia Limited) and a director of a number of Hong Kong private companies. He was an independent non-executive director of COSCO Pacific from 1994 to 2005 and was the independent non-executive director of COSCO International from 1997 to 2004. He was also the chairman of the audit committee of COSCO Pacific. He had been a partner of PricewaterhouseCoopers, with whom he practised for 16 years. He has decades of experience in audit and accounting.

CHENG Mo Chi（鄭慕智）

Mr. CHENG, aged 59, is currently an independent non-executive director of the Company. Mr. Cheng is an independent non-executive director of various listed companies in Hong Kong, such as Hong Kong Exchanges and Clearing Limited and China Mobile (Hong Kong) Limited). He is a non-executive director of a number of Hong Kong listed companies (which include City Telecom (H.K.) Limited and Guangdong Investment Limited). Mr. Cheng is a practicing solicitor, and is a senior partner of P.C. Woo & Co. He was also a founding chairman of The Hong Kong Institute of Directors and is currently its honourable president and chairman emeritus. Mr. Cheng was a member of the Legislative Council and the chairman of the Main Board Listing Committee and of the Growth Enterprise Market Listing Committee of the Hong Kong Stock Exchange.

TEO Siong Seng（張松聲）

Mr. TEO, aged 54, is currently an independent non-executive director of the Company. Mr. Teo is a council member of the Singapore Chinese Chamber of Commerce & Industry, and sits on the board of Business China (Singapore), Maritime and Port Authority of Singapore (MPA) and Through Transport Mutual Insurance Association Limited, the President of Singapore Shipping Association and Chairman of Singapore Maritime Foundation (SMF), Lloyd's Register Asia Shipowners, The Standard Steamship Owners' Protection and Indemnity Association (Asia) Ltd and Class NK Singapore, as well as a member of the management board centre for Maritime Studies of Singapore.

2. Supervisors' Profiles

LI Yunpeng（李雲鵬）

Mr. LI, aged 50, is currently a supervisor and the chairman of the supervisory committee of the Company. Mr. Li joined the COSCO Group in 1976 and was the Assistant to President of COSCO Group in 2003, the Supervisor of the CPC Subcommittee of COSCO Group in 2004, and became the spokesman of COSCO Group in 2008. He joined the Group in 2000 and was the supervisor of COSCON, and was an executive director of COSCO Pacific from 2003 to 2005. Mr. Li joined COSCO's head office in 1998 and had been the deputy general manager of the executive division, general manager of the supervision division and general manager of the human resources division, and is currently the chairman of the supervisory committee of COSCO Bulk and Qingdao COSCO. Mr. Li joined the Company in March 2005. Mr. Li has 30 years of experience in the shipping industry and extensive experience in corporate management, internal control and human resources. Mr. Li obtained a Master's degree in ship and marine engineering from Tianjin University. He is a senior engineer.

WU Shuxiong（吳樹雄）

Mr. WU, aged 54, is currently a supervisor of the Company. He joined the COSCO Group in 1972 and the Group in 1997. He has been the secretary to the committee of the CPC and deputy general manager of COSCON since 2002. He had been a marine chief engineer, deputy director of the fourth ship management department of COSCO Shanghai, general manager of Shanghai Far East Container Manufacturing Co. Ltd., deputy general manager director of COSCO Shanghai and deputy general manager (safety and quality control manager) of COSCON. He joined the Company in March 2005. Mr. Wu has over 30 years of experience in the shipping industry and extensive experience in corporate management and vessel management. Mr. Wu graduated from Shanghai Jiao Tong University, majoring in transportation management. He is a senior engineer.

MA Jianhua（馬建華）

Mr. MA, aged 46, is currently a supervisor of the Company. Mr. Ma joined COSCO Group in March 2006 and had been the secretary to the committee of CPC, and deputy managing director of COSCO Logistics. He had been the deputy section chief of the human resources and labour department and bureau surveyer of MOC, vice-secretary and the supervisor of the CPC sub-committee of Shenzhen Maritime Safety Administration, deputy director of the office of Chongqing municipality of PRC, and deputy secretary of Chongqing municipality of PRC. Mr. Ma has extensive experience in administrative management, traffic management, human resources, modern logistics strategy and management. Mr. Ma graduated from Central Party School of CPC majoring in economics and is a senior engineer.

LI Zonghao（李宗豪）

Mr. LI, aged 51, is currently a supervisor of the Company. He joined the COSCO Group in 1980 and is now the general manager of the supervisory division and head of the discipline inspection department of COSCO. He joined the Company in March 2005. Mr. Li has over 20 years of experience in shipping industry and extensive experience in internal control. Mr. Li graduated from the Marine Navigation Department of Qingdao Ocean Shipping Mariners College and participated in and obtained a graduation certificate from self-study examination in legal profession university. He was a graduate from Capital University of Economics and Business in postgraduate studies in business administration in 2001.

YU Shicheng（於世成）

Mr. YU, aged 54, is currently an independent supervisor of the Company. Mr. Yu is currently the principal of Shanghai Maritime University, vice chairman of China Institute of Navigation, vice chairman of China Maritime Law Association and an arbitrator of China Maritime Arbitration Commission. He is a professor and a lawyer and has been engaging in teaching and research on the topics of maritime laws and international maritime policies. Mr. Yu has been granted a special allowance by the State Council since 1994.

KOU Wenfeng（寇文峰）

Mr. KOU, aged 43, is currently an independent supervisor of the Company. Mr. Kou is currently the general manager of Panwin Investment Consultant Company Limited and the legal representative of Zhong Fa International Asset Appraisal Company Limited and independent director of China Merchants Steam Navigation Company. He had been working in government departments including the MOF for more than ten years, mainly responsible for works relating to reforms, conversion into stock companies, reorganisation of assets, and the issue and listing of shares of state-owned enterprises. He graduated from Dongbei University of Finance and Economics, majoring in finance. He is a registered asset appraiser in the PRC.

(III) Senior Management's Profiles

SUN Jiakang（孫家康）

Mr. SUN, aged 49, is currently an executive vice president of the Company. Mr. Sun joined the COSCO Group in 1982 and the Group in 2002 and was an executive director and general manager of COSCO Pacific. In 2005, Mr. Sun was elected as the vice-chairman of the board of directors, executive director and general manager of COSCO Pacific. Mr Sun resigned vice-chairman of the board, executive director and general manager of COSCO Pacific in 2007 and was appointed as Non-executive director of COSCO Pacific and general manager of COSCON. Mr. Sun had been the manager of the third division and second division of the COSCO Container Lines, the general manager of transportation division and assistant president of COSCO and vice-president of COSCO HK Shipping. He joined the Company in March 2005. Mr. Sun has over 20 years of experience in the shipping industry, and has extensive experience in the corporate operation management. Mr. Sun holds a Doctorate degree in Philosophy in Management from Preston University, U.S. and a Master's degree in management from Dalian Maritime University. He is a senior engineer.

Directors, Supervisors, Senior Management

XU Zunwu（許遵武）

Mr. Xu, aged 51, was appointed an executive vice president of the Company by the Board in January 2008. Mr. Xu joined COSCO Group in 1982 and was elected as the managing director of COSCO Bulk in 2006. He previously held positions as the deputy general manager of COSCO Guangzhou, the deputy general manager of COSCO Bulk, deputy general manager and managing director of COSCO HK Shipping vice-president of COSCO HK Shipping, managing director of Hong Kong Shipping Co., Ltd and the general manager of COSCO Shenzhen. He is also a director of the International Association of Dry Cargo Shipowners and the China Shipowners' Association, and a member of The Baltic and International Maritime Council. Mr. Xu has over 20 years' work experience in maritime industry and therefore has extensive experience in corporate operation management. Mr. Xu graduated from Shanghai Maritime University with major in ocean shipping. He also holds the professional qualification of senior economist.

YE Weilong（葉偉龍）

Mr. YE, aged 46, is currently an executive vice president of the Company. Mr. Ye joined COSCO Group in 1983 and was appointed as managing director of COSCO Logistics in 2002. He had been the assistant to general manager, deputy general manager and general manager of Shanghai Ocean International Freight Company, general manager of COSCO Shanghai International Freight Co., Ltd, deputy general manager of COSCON and the general manager of COSFRE. He is also the chairman of China Association of Shipping Agencies & Non-Vessel-Operating Common Carriers and vice-chairman of China Society of Logistics. Mr. Ye has extensive experience in corporate operation management, international cargo transportation as well as the operation and management of modern logistics strategy. He obtained a Master degree in Business Administration at Shanghai Maritime University and Maastricht School of Netherlands and is a senior economist.

XU Minjia（徐敏杰）

Mr. XU, aged 50, is currently an executive vice president of the Company. Mr. Xu joined COSCO Group in 1980 and was appointed as vice chairman, executive director and general manager of COSCO Pacific as well as director of COSCO Logistics in 2007. He had been a former marine captain, manager of department of container division, operation division and export division of COSCO Shanghai. He had also been deputy general manager of Shanghai Ocean International Freight Company, general manager of COSFRE Shanghai and manager of transportation department of COSCO head office. Mr. Xu has nearly 30 years of experience in shipping and has extensive experience in corporate operation and management. Mr. Xu graduated from the Marine Navigation Department of Qingdao Ocean Shipping Mariners College and obtained his master degrees in Business Administration from Shanghai Maritime University and Maastricht School of Management in the Netherlands and is a senior economist.

Directors, Supervisors, Senior Management

HE Jiale（何家樂）

Mr. HE, aged 54, is currently the chief financial officer of the Company. Mr. He joined the COSCO Group in 1974 and the Group in 1998 as the chief accountant of COSCON. He was the executive director of COSCO Pacific during 2003 to 2005 and since January 2009, Mr. He had been the deputy director of the finance division of Shanghai Ocean Shipping Company, the deputy general manager of finance department of the COSCO Container Lines, the deputy general manager of finance and capital department of COSCO and the chief accountant of COSCON and the financial controller of COSCO HK Shipping. He joined the Company in March 2005. Mr. He has over 30 years of experience in the shipping business and has extensive experience in corporate finance, finance management and capital operation. Mr. He graduated from the postgraduate studies of management science and engineering from Shanghai University. He is a senior accountant.

ZHANG Yongjian（張永堅）

Mr. ZHANG, aged 57, is currently the secretary of the board of the Company. Mr. Zhang joined COSCO Group in 1976. He had been the head of the shipping department and the deputy general manager of COSCO Dalian and assistant president and the general manager of the strategic planning and development division of COSCO HK Shipping and the general manager of the Planning Department of COSCO. He joined the Company in March 2005. Mr. Zhang has 30 years of experience in the shipping business, as well as in legal work. Mr. Zhang graduated from the Shanghai Maritime University and the Dalian Maritime University. He has a Master degree in Law. He is a senior economist.

(IV) Appointments or resignations during the reporting period

1. Appointment of directors and changes

On 22 April 2008, the Company convened the 35th meeting of the first Board of Directors, whereby the nominations of Wei Jiafu, Zhang Fusheng, Chen Hongsheng, Li Jianhong, Xu Lirong, Zhang Liang and Sun Yueying to be the candidates of the Second Board of Directors were accepted, and agreed to recommend Li Boxi, Alexander Reid Hamilton, Cheng Mo Chi and Teo Siong Seng as the candidates for independent directors of the Second Board of Directors of the Company for consideration at the Company's general meeting.

On 6 June 2008, the Company convened the 2007 Annual General Meeting, and elected Wei Jiafu, Zhang Fusheng, Chen Hongsheng, Li Jianhong, Xu Lirong, Zhang Liang and Sun Yueying as directors and elected Li Boxi, Alexander Reid Hamilton, Cheng Mo Chi and Teo Siong Seng as independent directors of the Second Board of Directors of the Company.

On 6 June 2008, the Company convened the first meeting of the Second Board of Directors, and elected Wei Jiafu as chairman and elected Zhang Fusheng as vice chairman of the Second Board of Directors of the Company.

Directors, Supervisors, Senior Management

2. Appointment of supervisors and changes

On 22 April 2008, the Company convened the 8th meeting of the first Supervisory Committee, whereby the nominations of Li Yunpeng, Li Zonghao, Yu Shicheng and Kou Wenfeng to be the candidates of the second Supervisory Committee were accepted for consideration at the Company's general meeting.

On 6 June 2008, the Company convened the 2007 annual general meeting, and elected Li Yunpeng, Li Zonghao, Yu Shicheng and Kou Wenfeng as supervisors of the second Supervisory Committee of the Company.

On 6 June 2008, the Company convened the first meeting of the second Supervisory Committee, and elected Li Yunpeng, a supervisor, as the chairman of second Supervisory Committee of the Company.

On 22 December 2008, Supervisory Committee of the Company announced that "Mr. Kou Wenfeng has tendered a written notice of resignation to the supervisory committee of the Company as a supervisor of the Company for personal reasons. Supervisory Committee of the Company fully respected Mr. Kou Wenfeng's personal opinions and accepted his resignation. Under relevant rules and the articles of association of the Company, Mr. Kou Wenfeng will still assume the role of supervisor before the election of a new independent supervisor at a general meeting to maintain normal operation of the Supervisory Committee".

3. Appointment of senior management and changes

On 25 January 2008, the Company convened the 1st meeting of the first Board of Directors, therefrom appointed Mr. Xu Zunwu as executive vice president of the Company, with effect from the date of that Board meeting until 8 June 2008.

On 20 June 2008, the Company convened the 2nd meeting of the second Board of Directors, therefrom appointed Mr. Chen Hongsheng as general manager, appointed Mr. Sun Jiakang, Mr. Xu Zunwu, Mr. Ye Weilong and Mr. Xu Minjia as vice general manager, appointed Mr. HE Jiale as chief financial officer, and appointed Zhang Yongjian as secretary of the Board of Directors of the Company, all of whom with effect from 9 June 2008 until the date of the first meeting of the third Board of Directors.

Management Discussion and Analysis

Review of overall performance

In 2008, the Group's total revenues were RMB130,871,857,000, representing an increase of 16.6% as compared to 2007. The Group's profit before income tax was RMB15,670,041,000, representing a decrease of 40.0% as compared to 2007. Profit attributable to equity holders of the Company amounted to RMB11,617,012,000, representing a decrease of 40.4% as compared to 2007.

Container Shipping and Related Businesses

Market review

In 2008, global economies weakened. The US subprime mortgage crisis intensified rapidly in the third quarter which triggered a global financial crisis and resulted in a worldwide economic downturn in the fourth quarter. The decrease in the demand of US imports and exports led to a decrease in the shipping volume on Trans-pacific routes. European economies were also affected, causing a slowdown in the growth of shipping volume on Asia-Europe routes and a sharp decline in freight rates. With economic growth in South America, Africa, the Middle East and Australia, the planned additional shipping capacity for Transpacific and Europe-American routes were reallocated to secondary routes, creating significant downward pressure on freight rates. Furthermore, due to the sharp decline of consumer spending in US and Europe, and the stagflation in global trade, growth in domestic trade slowed down. However, benefiting from the PRC government's domestic demand stimulus policy, domestic trade outperformed foreign trade. When fuel prices plummeted in the fourth quarter, it eased part of the pressure on costs.

Results performance

In 2008, the shipping volume of container shipping and related businesses of the Group reached 5,792,593 TEUs, representing an increase of approximately 1.5% as compared to 2007. Revenues of the Group in 2008 amounted to RMB43,799,729,000, representing a decrease of 4.3% as compared to 2007.

The Group successfully carried out its operational plans in 2008. It met the target of "increasing number of vessels and reducing speed" and reducing fuel consumption and discharge on 17 of its routes throughout the year, achieving a 3.9% decrease in fuel consumption notwithstanding a 14.1% increase in capacity as compared to 2007. In addition, as the Group seized the opportunity arising from the fluctuation in Renminbi exchange rates and the prosperous domestic trade market to expand its capacity in domestic routes, the Group recorded a year-on-year increase of 6.2% in terms of capacity. The Group also maximised its return freight in Europe-American routes through solicitation and marketing efforts resulting in over 10% increase in the utilisation rate of slots on return freights. As a result of the above efforts, the Group achieved its operational target of reaching a shipping volume of 6,000,000 TEUs.

Shipping volume by routes

	Year ended 31 December		
	2008 (TEUs)	**2007** (TEUs)	**Change** (%)
Trans-Pacific	**1,286,272**	1,505,991	-14.6
Asia-Europe (including Mediterranean)	**1,527,980**	1,362,440	12.2
Intra-Asia (including Australia)	**1,438,134**	1,484,310	-3.1
Other international (including Trans-Atlantic)	**243,001**	249,177	-2.5
PRC	**1,297,206**	1,106,632	17.2
Total	**5,792,593**	5,708,550	1.5

Management Discussion and Analysis

Revenues by routes

	Year ended 31 December		
	2008 (RMB'000)	**2007** (RMB'000) (Restated)	**Change** (%)
Trans-Pacific	**12,819,471**	14,255,999	-10.1
Asia-Europe (including Mediterranean)	**13,456,153**	14,098,754	-4.6
Intra-Asia (including Australia)	**5,803,158**	6,193,206	-6.3
Other international (including Trans-Atlantic)	**2,129,092**	2,163,104	-1.6
PRC	**3,063,475**	2,529,035	21.1
Sub-total	**37,271,349**	39,240,098	-5.0
Chartering	**328,507**	253,645	29.5
Related business	**6,199,873**	6,282,537	-1.3
Total	**43,799,729**	45,776,280	-4.3

Fleet development

The Group had nine new container vessels with a total capacity of 73,764 TEUs delivered and put into operation in 2008. As at 31 December 2008, the Group had 141 container vessels with a total capacity of 496,317 TEUs in operation, representing an increase of 14.1% as compared to 2007. In 2008, the Group placed orders and signed charter-in contracts of 12 different container vessels with a total capacity of 123,800 TEUs. As at the end of 2008, the Group had an orderbook of 59 container vessels with a total shipping capacity of 444,752 TEUs.

Orderbook of container vessels (31 December 2008)

Year	Owned		Chartered-in		Total	
	Number	TEUs	Number	TEUs	Number	TEUs
2009	5	30,420	4	29,991	9	60,411
2010	4	20,400	11	80,497	15	100,897
2011	7	29,750	7	91,644	14	121,394
2012	16	95,300	—	—	16	95,300
2013	5	66,750	—	—	5	66,750
Total	37	242,620	22	202,132	59	444,752

In 2009, the Group is expected to take delivery and use nine newly built vessels with a total capacity of 60,411 TEUs, including four 5,100 TEUs and one 10,020 TEUs owned vessels, and one 4,506 TEUs and three 8,495 TEUs chartered-in vessels. Considering the market conditions, the Group is negotiating with shipowners to postpone delivery of the three 8,495 TEUs vessels to 2010.

Route operation strategies

In light of the changes in the shipping industry in 2008, the Group grasped market opportunities by making timely adjustments to its routes and shipping capacity. During the rapid growth in market demand, the Group increased its shipping capacity on more profitable routes, including European-Mediterranean routes, Central American routes, Central Australian routes, South African and South American routes. The Group also secured key profitable zones by employing short-term chartered-in vessels instead of flag vessels for its domestic routes. During the slowdown in market demand in the fourth quarter, the Group reduced its capacity on its major Europe-American routes and Atlantic routes in a timely manner through different measures such as integration of its routes and resources, combination of its routes and sale of slots. The Group therefore managed to increase its market presence without sacrificing its service quality while reducing costs at the same time.

To cope with the decrease in shipping volume after the third quarter, the Group set up CKYH Task Force to fully utilise the resources of the consortium for optimizing the allocation of shipping capacity for each route and reducing the operational risks through various measures, including early termination of charters, vessel repairs, service suspension during off-seasons and routes capacity reduction.

Cost control

The Group actively implemented a cost-effective strategy by fully implementing its cost accountability system to address major weaknesses in cost control in order to improve effectiveness and to optimise the Group's cost control.

With respect to fuel cost controls, the Group insisted on implementing energy saving operations, energy saving management and energy saving technology at the same time. During 2008, the Group implemented the principle of "increasing number of vessels and reducing speed" on 17 routes, and increased the cooperation among vessels and ports in order to reduce the operational time required at ports. The Group adopted stringent control over fuel consumption and extensively applied new energy saving techniques, which resulted in a 3.9% decrease in fuel consumption notwithstanding a 14.1% increase in capacity in the year as compared to 2007. In addition, the Group flexibly hedged bunker and secured spot prices to control fuel cost effectively, and charged fuel surcharges to offset fuel costs.

Given the rise in global commodity prices in 2008, the Group took the initiative to negotiate with its suppliers and successfully limited the increase in suppliers' fees and lowered its port charges, cargo and transshipment expenses. Among which, its negotiation with the railway suppliers in America effectively lowered its related costs.

The Group continued to reinforce its strategy of cost reduction for transshipment routes to create a competitive edge and cost effective advantages. The Group promoted the port of Prince Rupert as part of the transshipment routes, adjusted major routes and capacity, enhanced its feeder route network facilities, expanded its feeder route network in Central America and enhanced its feeder route network facilities at the ports in Eastern Mediterranean and Black Sea.

By reducing the amount of stock of containers the Group owned and the chassis it chartered in North America, it effectively reduced the fixed costs and rentals for containers.

Market outlook

Due to the economic downturn, the outlook of the exports from the Far East to the US is not optimistic. With the efforts of various liner companies in carefully controlling the shipping capacity of the US routes, which assisted in easing the imbalance between supply and demand in the market. Most new vessels were added to Asia-Europe routes in recent years. As the shipping volume decreases, it is foreseeable that there will be challenges ahead. In order to ensure stable route operations, many liner companies have recently shown intentions to increase freight rates on European routes. Although emerging markets maintain certain growth momentum, uncertainties for growth are increasing under the mounting pressure on supply and demand. On the other hand, with the favourable economic policies and the more relaxed monetary policies adopted by the PRC government, domestic routes will be able to maintain a relatively rapid growth.

The most difficult challenge in 2009 will be the weakening demand for shipping companies. Under pressure on supply and demand and on costs, the shipping companies in general become more conservative. Acquisitions are suspended or put on hold. Certain shipping companies have gone out of business. The container shipping industry is restructuring and future market structure will change accordingly.

With the economic stimulus policies launched by different countries and the decrease in inventories of retail stores, the container shipping market will revive when the US and European economies and trades recover.

Operation plans

In face of challenges and opportunities, the Group will actively seek to deal with additional capacity in 2009 by various means, namely, reducing its capacity on the major Transpacific and Asia-Europe routes during off-seasons, utilising large vessels, upgrading minor routes, optimizing the facilities of feeder route networks and strengthening the cooperation with different parties in our consortium. Moreover, while focusing on key accounts development and maintaining its basic cargo resources, the Group will also solicit and promote high profit cargo businesses, and enhance supporting services and unique value added services.

As for cost controls, the Group will review its suppliers' contracts and renegotiate terms with an aim to further reduce tariff rates. It will also continue to strengthen its tracking and analysis of fuel consumption of its vessels. It will adopt flexible refueling measures and explore new energy saving methods. Bunker forward contracts may be used to lock in cost levels. Through reducing the amount of its stock of containers, the Group will be able to increase its container turnover efficiency. Furthermore, it will explore routes of lower costs and higher efficiency in order to reduce transshipment costs, use information systems comprehensively to control costs and facilitate work by using the standard project costing template and standard port costing template.

It is expected that Group will complete container shipping volume of 5,235,000 TEUs in 2009.

Dry Bulk Shipping Business

Market review

The global dry bulk shipping market experienced a dramatic change in 2008, falling from the peak to the bottom of the market. In the first half of the year, due to the high demand for large-scale dry bulk cargo shipping for iron ore and coal, serious port congestion and speculative trades, the dry bulk shipping market experienced strong growth as evidenced by the Baltic Exchange Dry Index ("BDI") reaching a record high of 11,793 points on 20 May 2008. However, the intensifying financial turmoil and declining commodity prices quickly turned the market around, in particular, after the fall of Lehman Brothers in September 2008 which triggered the global financial crisis. Global economies experienced an abrupt deterioration. Major economies including the US, Europe and Japan were in recession and emerging economies were also adversely affected. The steel market was also adversely affected. The tightened credit market worsened the market conditions where issuance and acceptance of letters of credit were subject to stringent restrictions, which resulted in a suspension of trading activities and shipment, collapse of public confidence and an unprecedented irrational decline in the market. On 5 December 2008, BDI was only 663 points, a record low since September 1986. If inflation is factored out, then it would even be an all time record low. Thereafter, there was slight recovery as the BDI increased to 836 points on 17 December 2008. However, there were further market adjustments during the Christmas and New Year holidays and the BDI closed at 774 points by the end of 2008, representing a drop of 11,000 points as compared with the record high seven months earlier.

Results performance

In 2008, the Group's dry bulk shipping business sector handled a shipping volume of 293,100,000 tons, representing a year-on-year increase of 10.7%. Dry bulk shipment turnover was 1.5 trillion ton miles, which was similar to that of the previous year, and exceeded the operational target of 1.1 trillion ton nautical miles set at the beginning of the year. Among which, coal shipping volume amounted to 89,350,000 tons, representing a year-on-year decrease of 1.5%. Iron ore shipping volume amounted to 123,330,000 tons, representing a year-on-year increase of 8.3%. Shipping volume of other cargoes amounted to 80,420,000 tons, representing a year-on-year increase of 33.8%. Revenues amounted to RMB71,608,966,000, representing a year-on-year increase of 34.2%.

Management Discussion and Analysis

Operation strategy

The Group worked hard to maintain its earnings. In order to capture the growth momentum of the market, the Group secured its profits through its shipping capacity from long term charters and through the restructuring of its fleet structure based on market practices. When the market was on an upward trend, the Group seized the opportunity to increase its profits.

According to the statistics as at 31 December 2008, we have secured 18.4% of the operational days for 2009 and the fixed average T/C equivalent revenue per day was one-third lower than the average in 2008.

The Group took advantage of the opportunity arising from low costs to grow in phases. By closely monitoring and studying the complicated and highly fluctuated market through scientific analysis with an aim to proactively maximise its profits, the Group increased its short term operation efforts amid the recession, replenished its shipping capacity in a timely manner and reduced storage expenses.

The Group unified and integrated its operations for synergy. The bulk shipping operations headquarter of China COSCO was established on 19 June 2008. Unifying bulk shipping operations was a crucial step for strengthening the scale of bulk shipping operations and the effect of synergy. The Company fully utilised this unified operation platform and capitalised on its leading position in the market.

The Group's operations are characterised by outstanding management and meticulous planning. The Group insisted on lean management, not only did it focus on the execution process of the schedule of voyage charters but also on the changes in the expiry of time charters and the return of vessels, thereby maximizing the Group's interests. Furthermore, it minimised the risks amid the drastic changes in the market through different measures, including strengthening the communication between its fleets and departments and carrying out negotiations in a timely manner when problems arose in order to find the best solution.

Fleet development

As at 31 December 2008, the Group owned, operated and controlled 443 dry bulk vessels, with a total of 34,361,005 DWT, of which, 210 vessels were owned vessels totalling 13,908,462 DWT with an average age of 14.5 years per vessel and 233 vessels were chartered-in vessels totalling 20,452,543 DWT.

Capacity of the fleet (31 December 2008)

	Owned			Chartered-in		Total	
Vessel type	**Number**	**DWT**	**Average vessel age (years)**	**Number**	**DWT**	**Number**	**DWT**
Capesize	23	3,989,783	6.8	53	9,153,570	76	13,143,353
Panamax	68	4,793,944	13.9	93	7,006,751	161	11,800,695
Handymax	77	3,664,350	13.6	55	2,931,256	132	6,595,606
Handysize	42	1,460,385	21.3	32	1,360,966	74	2,821,351
Total	210	13,908,462	14.5	233	20,452,543	443	34,361,005

As at 31 December 2008, the Group owned an orderbook of 58 dry bulk vessels, with a total of 7,503,000 DWT, comprising 9 VLOC with a total of 2,678,000 DWT, 10 Capesize vessels with a total of 1,994,000 DWT, 16 Panamax vessels with a total of 1,528,000 DWT and 23 Handymax vessels with a total of 1,303,000 DWT.

Orderbook of dry bulk vessels (as at 31 December 2008)

	2009		2010		2011 and beyond		Total	
Vessel type	Number	DWT	Number	DWT	Number	DWT	Number	DWT
VLOC	5	1,488,000	4	1,190,000	—	—	9	2,678,000
Capesize	2	354,000	2	410,000	6	1,230,000	10	1,994,000
Panamax	4	304,000	9	879,000	3	345,000	16	1,528,000
Handymax	16	904,000	5	285,000	2	114,000	23	1,303,000
Handysize	—	—	—	—	—	—	—	—
Total	27	3,050,000	20	2,764,000	11	1,689,000	58	7,503,000

The Group is also negotiating with shipyards for the possibility of delaying the delivery of or cancelling some of the new vessel orders.

The status of the Company's FFA

1. **Forward Freight Agreements as an important instrument in avoiding market risks related to dry bulk shipping business**

   Forward Freight Agreements ("FFA") is a type of forward contract. In an FFA, terms such as voyage routes, prices, quantities, value dates, calculation methods of settlement prices are provided, and both parties will also agree to receive or pay the difference in freight or charter hire between the official Baltic Freight Index and the agreed contract price at a certain future date and time. It is difficult for shipping companies to stay close to market trends and operate stably due to the volatile international dry bulk shipping market. As such, FFA plays an important role in hedging against the risks of market fluctuations for shipping companies.

2. **The Group's purpose for having FFA**

   Currently, the Group owns a chartered-in vessels and hedges against the risks related to chartered-in vessels by the appropriate use of time and price differences in the dry bulk market through FFA. The FFA operation enables the Group to monitor market trends and to complement existing cargo operations. Together with the overall operation of the Company's bulk vessels fleet, FFA limits the risks of market fluctuations and hedging to protect value.

3. **Risk management**

   The Group always places risk management as its first priority in production and operations. As such, we do not regulate the operation of FFA merely by rules and regulations, but also through carefully managed and selected personnel operating procedures and transaction counterparties.

   The Group formulated and strictly implemented the regulations on FFA operation. The management of FFA operation was strengthened in various aspects such as organisational structure, labour division, operating principles, decision making and authorisation, operating procedures and risk management. The Group also formulated and implemented the FFA Risk Management Policies to enhance the risk management procedures of FFA.

As part of the Group's stringent operation procedures and to strictly control risks, the Group has assigned experienced personnel to be responsible for the operation of FFA. Authorization procedures are strictly in line with the transaction procedures for existing cargoes and vessels to ensure risks from decision making are under control. The credit quality of counterparties are also strictly reviewed. Most of these counterparties have a business relationship with the Group in the existing cargo market with good credibility. Through these measures, the risks from such operations can be effectively controlled.

4. **Balance of holdings**

As at 31 December 2008, the balance of total FFA derivative assets held by the China COSCO amounted to RMB278,049,000 while the fair value of total FFA derivative liabilities amounted to RMB3,965,662,000, which are accounted as "derivative financial assets" and "derivative financial liabilities" respectively in the balance sheet respectively.

Market Outlook

In terms of demand, the demand for shipping decreased due to the global economic downturn. It is improbable for the sluggish global demand for steel and the decreased output of steel to change in the short term. The global demand for iron ore is unlikely to increase significantly and the growth in coal and grain shipping will also slow down. In terms of supply, the number of new vessels scheduled to be delivered in 2009 will reach a record high of 962 vessels with a total of 71,260,000 DWT according to the statistics published by Clarkson at the beginning of the year. Despite reduced shipbuilding capacity and delayed delivery of new vessels, the capacity of new vessels to be delivered will still be larger than that of the previous year, causing a greater imbalance between the supply and demand of shipping capacity.

Nevertheless, favourable factors are emerging. First, with a series of new infrastructure projects and residential housing construction projects in the PRC, domestic steel plants which have reduced or suspended productions have gradually reinstated their productions recently. Secondly, there are uncertainties as to the delivery of new vessel orders. Simpson Spence & Young (SSY) forecasted that 615 vessels with a total of 49,130,000 DWT will be delivered in 2009, with a delay ratio of 35%. Meanwhile, the demolition of old vessels has increased significantly. Clarkson anticipated that a total of 22,700,000 DWT will be demolished this year. On the other hand, the throughputs of ports cannot cope with the increase in shipping capacity, and congestion will also offset part of the shipping capacity.

Operation plans

In light of the current market situation, the Group will adopt lean management to achieve higher efficiency. The Group will stay closely and respond promptly to market trends. The Group will take advantage of the strength of its diversified and flexible business model to ensure better management and balance in matching existing cargoes with existing vessels. In 2009, the Group will enhance the cooperation with its strategic customers and proactively expand the area and scope of cooperation to strive for a healthy growth.

It is expected that the Group will handle a dry bulk cargo turnover of over 846 billion ton miles in 2009.

Logistics Business

The business volumes of major segments of COSCO Logistics are set out in the table below:

	2008	2007	Growth Rate %
Third party logistics			
Product logistics			
Home appliance logistics ('000 pcs)	**58,582**	43,182	35.7
Automobile logistics (units)	**245,874**	290,517	-15.4
Chemical logistics (tons)	**3,102,599**	2,802,658	10.7
Project logistics (RMB million)	**1,150**	832	38.2
Shipping agency business (vessels)	**136,041**	138,843	-2.0
Freight forwarding business			
Marine shipping			
Bulk cargoes ('000 tons)	**141,630**	140,884	0.5
Containers (TEUs)	**2,212,978**	2,153,882	2.7
Air-freight (tons)	**121,340**	111,007	9.3

In 2008, COSCO Logistics emphasized the restructuring of resources, accelerated infrastructure construction and enhanced overall competitiveness. In 2008, COSCO Logistics established a systematic centralised bulk marketing, operating and management platform, COSCO Logistics Shanghai Heavy Haulage Co., Ltd. With its nationwide market, the efficiency of its resources and overall competitiveness were effectively enhanced. In addition, COSCO Logistics established overseas business platforms in key regions such as Hong Kong, Japan, West Asia, America and Europe, which successfully facilitated the matching of domestic and international businesses and developed the overseas businesses rapidly. COSCO Logistics will continue to build its brand, and increase the influence and reputation of its brands in domestic and overseas logistic markets with the breakthroughs in important projects.

Third party logistics

With respect to project logistics, by successfully winning a number of milestone project logistics projects and by creating new records in the industry, revenues increased by 38.2% as compared to 2007.

With respect to product logistics, COSCO Logistics handled approximately 58.58 million units of home appliances in 2008, representing an increase of 35.7% as compared to 2007. The amount of chemical logistics handled increased by 10.7% while that of automobile logistics decreased by 15.4% as compared to 2007.

Shipping agency

In 2008, COSCO Logistics continued to operate its shipping agency business with the brand "PENAVICO" and established long-term strategic partnerships with leading international shipping companies to provide agency services for 134 new routes, representing a market share of 62% among new routes. Promotion of shipping agency online business and ship line-up information service emphasized value-added service and technological advancement, which helped COSCO Logistics maintain its market share in public shipping agency, and strengthened its leading position and competitive edge in the shipping agency market.

Freight forwarding

COSCO Logistics handled container cargoes of 2,212,978 TEUs, representing an increase of 2.7% as compared to 2007, and handled bulk cargoes of 141,630,000 tons, representing an increase of 0.5% as compared to 2007. Under the overall strategic deployment of air freight reform, all works involving air cargo business of the Company were on the right track and made sound progress under the new management structure. In 2008, the total volume of air cargo handled by the cargo business system of China COSCO amounted to 121,340 tons, representing an increase of 9.3% as compared to 2007.

Market outlook

In 2009, the global economic downturn will intensify. The impact of the global economic slowdown on the PRC's logistics sector will extend from import-export related sectors to the upper level of the industry chain and spread from the developed Eastern regions to Middle-West regions. In 2008, total expenditures on logistics in the PRC increased by 19.6% as compared to the previous year, representing a record low during the past decade. The trend of a slowdown in both international and domestic logistics demand is anticipated to continue in 2009.

In 2009, COSCO Logistics will face both opportunities and challenges. The logistics business of the Group will face unprecedented challenge of shortage of demand due to the international economic conditions and volume of imports and exports. On the other hand, there is a large volume of project logistics opportunities in overseas markets with promising outlooks. According to the forecast of Ministry of Commerce of the PRC, the annual growth rate of the offshore project business in the PRC will be at least 15% in the next five to fifteen years. It is apparent that large projects are very active and will increase significantly. On 25 February 2009, the plan for promoting and developing the logistics industry was considered and approved in principle by the Executive Meeting of the State Council of the PRC. This should benefit the industry as well as the overall development of the logistics sector.

Operation plans

In order to achieve sustainable growth, in 2009, COSCO Logistics will fully implement "The Second 5-year Strategic Development Plan". "The Second 5-year Strategic Development Plan" has clearly set out the path of strategic development of COSCO Logistics in the next five years, which is "to become the integrated logistics service provider with the highest profitability in the PRC, focusing on providing high value-added services in the supply chain as well as shipping and international transport related logistics services".

According to the business model of each business segment under "The Second 5-year Strategic Development Plan", three core businesses of COSCO Logistics, namely modern logistics, shipping agency and freight forwarding, will adjust their development strategies in accordance with changes in the environment, and to upgrade their business models and increase their profitability.

With respect to product logistics, COSCO Logistics intends to upgrade its business structure, eliminate low-end customers, gradually exit the automobile logistics business and reduce operating costs. COSCO Logistics also plans to enter into logistics sectors with high profitability, extend value-added services in the supply chain and enhance its profitability. With respect to project logistics, COSCO Logistics will continue to strengthen the expansion of key sectors such as nuclear power, petrochemicals and aviation through its intensive operations and will also continue to develop into a more internationalized company. In 2009, the proportion of the overseas business of its project logistics business will exceed 50%.

With respect to the shipping agency business, in response to the unfavourable shipping market conditions, COSCO Logistics will further adopt appropriate marketing and service measures in 2009 to retain core customers of its shipping agency business in order to stabilise its income.

As for the sea freight forwarding operations, COSCO Logistics will integrate its shipping slot booking system and information system in 2009 to improve its marketing capacity and profitability by focusing on direct customers and comprehensive freight forwarding operations. With respect to air freight forwarding operations, the air freight system of COSCO Logistics will emphasize certain airports as key airports in order to strengthen the brand of COSCO air freight business.

Management Discussion and Analysis

Terminal and Related Business

Market review

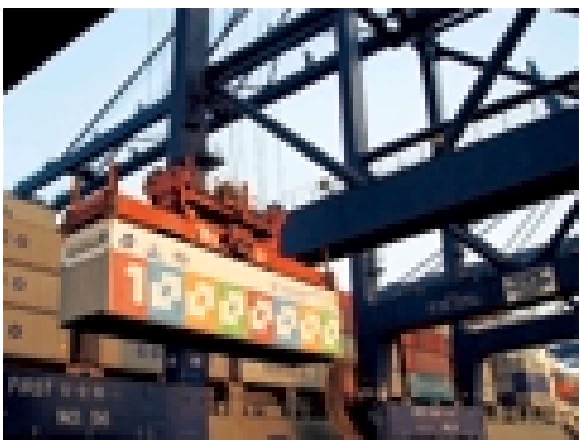
The growth momentum of the container terminal market continued in the beginning of 2008. However, during the traditional export peak season in the second half of the year, growth could not be sustained. As estimated by Drewry Shipping Consultants Limited, the global container throughput of terminals increased to 534 million TEUs, representing a year-on-year increase of 7.4%. Such growth rate represents a year-on-year decline of 5.2 percentage points.

Container throughput of major ports around the world grew rapidly for nearly a decade through increasing in investment and improving operational management. However, such growth slowed down for the first time in 2008 due to the economic downturn in Europe and the US.

Business review

The number of terminal joint venture companies in which COSCO Pacific had equity interests increased from 27 companies with a total of 140 berths in 2007 to 28 companies with a total of 146 berths in 2008. The number of terminal wholly-owned and joint venture companies in which the Company had controlling interests increased to 6 companies with a total of 31 berths. The total annual handling capacity of 21 terminals in operation in 2008 was over 45.88 million TEUs, representing a year-on-year increase of 17.7%. According to the statistics of Drewry Shipping Consultants Limited, the market share of the container terminal business of COSCO Pacific accounted for approximately 5.5% of the world's total and the company continued to be the fifth largest terminal operator. The throughputs of the 18 container terminals in the China region grew stably and steadily, totally annual handling capacity of 41.15 million TEUs, representing a year-on-year increase of 11.1%. Jinjiang Pacific Terminal became part of the Company in March 2008 and commenced operations in April, bringing a new source of income for the Company.

With respect to overseas terminals, the growth of throughputs was satisfactory, with a total of 4.73 million TEUs, representing a year-on-year growth of 143.2%. This was one of the major driving forces for the growth of COSCO Pacific throughputs for the year.



Container terminal throughputs	2008 (TEUs)	2007 (TEUs)	Year-on-Year Change %
Bohai Rim	**17,103,887**	16,080,786	6.4
Qingdao Qianwan Container Terminal Co., Ltd.	**8,715,098**	8,237,501	5.8
Qingdao Cosport International Container Terminals Co., Ltd.	**1,099,937**	1,005,439	9.4
Dalian Port Container Co., Ltd.	**2,742,503**	2,873,474	-4.6
Dalian Port Container Terminal Co., Ltd.	**1,656,968**	850,359	94.9
Tianjin Five Continents International Container Terminals Co., Ltd.	**1,938,580**	1,988,456	-2.5
Yingkou Container Terminals Co., Ltd.	**950,801**	1,125,557	-15.5
Yangtze River Delta	**9,503,821**	8,307,080	14.4
Shanghai Container Terminals Co., Ltd.	**3,681,785**	3,446,135	6.8
Shanghai Pudong International Container Terminals Co., Ltd.	**2,779,109**	2,723,722	2.0
Zhangjiagang Win Hanverky Container Terminal Co., Ltd.	**710,831**	601,801	18.1
Yangzhou Yuanyang International Terminals Co., Ltd.	**267,970**	253,772	5.6
Nanjing Port Longtan Container Co., Ltd.	**1,160,261**	950,289	22.1
Ningbo Yuan Dong Terminals Operation Co., Ltd.	**903,865**	331,361	172.8
Pearl River Delta and Southeast Coastal regions	**14,539,711**	12,649,235	14.9
COSCO-HIT Terminals (Hong Kong) Ltd.	**1,752,251**	1,846,559	-5.1
Yantian International Container Terminals Ltd.	**9,683,493**	9,368,696	3.4
Guangzhou South China Oceangate Container Terminal Co., Ltd.	**2,000,130**	577,196	246.5
Quanzhou Pacific Container Terminal Co., Ltd.	**910,058**	856,784	6.2
Jinjiang Pacific Ports Development Co., Ltd.	**193,779**	—	—
Overseas	**4,731,456**	1,945,504	143.2
COSCO-PSA Terminal Private Ltd.	**1,247,283**	833,892	49.6
Antwerp Gateway NV	**1,091,657**	792,459	37.8
Suez Canal Container Terminal S.A.E.	**2,392,516**	319,153	649.6
Total container terminal throughputs in Mainland China	**41,147,419**	37,037,101	11.1
Total container throughputs	**45,878,875**	38,982,605	17.7

Terminal expansion

2008 Terminal Investment Projects	Shareholding	No. of berths	Container Terminal Throughputs (TEUs)
Piraeus Container Terminal S.A., Greece	100%	6	3,700,000

Management Discussion and Analysis

To cope with the severe domestic and overseas economic conditions, COSCO Pacific continued its principle of cautious investment and achieved relatively good results in terminal development projects. In particular, with respect to overseas terminal investment, COSCO Pacific successfully obtained 35-year franchise rights for Pier 2 and Pier 3 of the container terminal of Piraeus Port in Greece, which are the first overseas wholly-owned terminals of COSCO and a major breakthrough. Due to the new terminal project, the number of berths in which the Company held interests increased by 6 compared to 2007, reaching a total of 146 berths. With respect to domestic terminals, the Group made further investment in Quanzhou Terminal and Jinjiang Terminal, and formally established the Xiamen Yuanhai Terminal joint venture company. The new terminal project together with the existing terminal expansion projects will be the new momentum of the Group's future development in terminal business.

Outlook

2009 will be a year with a difficult operating environment. Global container terminal throughputs are adversely affected by the global economic recession. Under the tightening of the global credit market and deterioration of the operating environment, the Group will inevitably adjust its investments in new terminals and expansion of existing terminals strategically.

Container Leasing, Management and Sales Business

The container leasing and management business of COSCO Pacific is managed by its wholly-owned subsidiary, Florens Container Holdings Limited ("Florens"). In view of market competition, Florens continued to adopt a light asset business model and steadily expand its container fleet to further strengthen its leading position in the industry. Florens remained the second largest container leasing company in the world in the year, and provided comprehensive container leasing and management services to customers.

As at 31 December 2008, the container fleet reached 1,621,222 TEUs, representing a year-on-year increase of 6.7% with a global market share of approximately 13.6%. A total of 551,219 TEUs (including sale and leaseback TEUs) were leased to COSCON, representing a year-on-year increase of 6.6% and accounting for 34.0% of the total container fleet. 314,077 TEUs were not leased to COSCON, representing a year-on-year increase of 31.0% and accounting for 19.4% of the total container fleet. As for managed containers, it amounted to 755,926 TEUs, representing a slight year-on-year decrease of 0.9% and accounting for 46.6% of the total container fleet. The average 2008 total annual utilisation rate was approximately 94.6%, representing a slight year-on-year increase of 0.1 percentage points as compared to 94.5% in 2007.

Size of container fleet (unit: TEUs)

	2008	2007	Year-on-year change %
Owned containers	747,202	757,053	-1.3
Managed containers	755,926	762,618	-0.9
Sale and leaseback containers	118,094	—	—
Total size of container fleet	1,621,222	1,519,671	6.7

Container fleet distribution (as at 31 December 2008)

	2008	% of the total container fleet
Owned containers	747,202	46
Sale and leaseback and management	874,020	54

During the period from January to September 2008, the market for container leasing was generally active as a result of the increase in demand for containers by shipping companies. After mid-October, the demand for container leasing fell rapidly due to the impact of the financial tsunami and global economic downturn.

According to the statistics in the February 2009 issue of "Containerisation International", the total number of incremental shipping capacity of shipping companies was approximately 1,503,000 TEUs in 2008 (1,300,000 TEUs in 2007), resulting in an increase in the demand for containers. However, as affected by factors such as costs of raw materials, energy and labour, the price of new containers generally remained high in 2008. The ex-factory price of 20-feet new containers soared to US$2,600 in August, leading to a reduction in the purchases of new containers and a shift to leasing containers from container leasing companies by shipping companies in the first half of the year. In the third quarter, the financial tsunami swept across the world. Significant economic recession was recorded in developed countries. The effects of the financial crisis also spread rapidly to emerging markets. There was a tightening of capital flows in global capital markets and credit from banks. Corporate financing costs remained high which was followed by a decline in import-export trades. To reduce costs, shipping companies adjusted their shipping capacity, resulting in a sharp decrease in demand for container leasing in the market.

During the year, the Company adjusted the size of its container fleet to a more reasonable level. The Company proactively and innovatively modified its profit-making model for the container leasing business and leveraged its business development model of after-sale management containers and sale and leaseback containers. It also maintained and expanded its market share, effectively controlled investment risks, operation risks and financial risks, as well as accelerated cash flow turnover and maximised return on capital. While increasing total net assets, the Company also maintained a light-asset structure. During the year, a total of 13,509 TEUs were sold with a total sales of US$22,421,000. As an after-sale operator, Florens reduced operation risks to facilitate the present and future development and profit generation. In the meantime 118,094 TEUs were sold, with total sales of US$250 million. Florens sold and leased back the containers from investors so as to increase the cash flow of the company which helped to reduce the gearing ratio of the company.

Container Manufacturing

In 2008, COSCO Pacific entered into an equity transfer agreement to dispose of its equity interests in Tianjin CIMC North Ocean Container and Shanghai CIMC Reefer Containers to CIMC which streamlined the equity distribution in the container manufacturing business. Affected by the macro economic conditions for the second half of the year, demand for dry goods containers was in an off-season in the fourth quarter, and CIMC recorded a drop in profits as compared to the previous year.

Production Safety

In 2008, all management and employees of China COSCO have strictly complied with the production safety guidelines and policies promulgated by the State Council of the PRC. China COSCO overcame factors such as the global economic crisis and strengthened its scientific development model. To enhance the production services centre, China COSCO focused on its production safety measures, strengthened management, and investigated the hidden dangers imperiling the safety of its production. Furthermore, China COSCO continued to carry out the "two preventions" project to fully implement precaution measures to ensure the continuous stability of the production safety system of China COSCO and prevent any material accidents occurring.

1. Marine accidents: six accidents in 2008. According to the requirements of the "Maritime Transport Accidents Statistics Reputation" issued by the Ministry of Transport of the PRC, there were one general accident and five minor accidents, representing a decrease of four accidents as compared to 2007.
2. Engine accident: one accident in 2008, representing a decrease of two accidents as compared to 2007.
3. Pollution accidents: no pollution accidents, representing a decrease of one accident as compared to 2007.
4. Loading port inspections of 664 voyages, with no-defect confirmations issued for 485 voyages, representing a passing rate of 73% and one held-up vessel, accounting for 0.15% of the total number of vessels, representing an increase of one accident as compared to 2007.
5. Deaths and serious injuries: 17 accidents and no death reports in 2008. The total number of accidents in 2008 was down by 20 as compared to 2007, with a drop of three deaths and one serious injury.

6. 48 pirate attacks in 2008, an increase of 48 incidents as compared to 2007. There were no crew member deaths or property losses reported.

Energy Saving and Environmental Protection

In 2008, China COSCO was devoted to environmental protection and energy saving. With its emphasis on the substantial fuel consumption and emission of its shipping companies, the Group strengthened its fuel consumption management for container vessels and improved its system for reducing fuel consumption and pollutant discharge. It also proactively conducted research on new and clean energy, and established energy-saving and emission reduction standards. It lowered costs through measures such as applying technological findings, introducing technological inventions, increasing the use of advanced technology and reducing energy consumption. According to the energy consumption index issued by the Ministry of Transport of the PRC, in 2008, the fuel consumption was 4.65 kg/thousand ton nautical miles, representing a decrease of 9.88% as compared to that of 2007. According to the energy consumption index issued by State-owned Assets Supervision and Administration Commission of the State Council of the PRC unit consumption of coal in 2008 was 0.51 (ton of standard coal/shipping income of RMB10,000), representing a decrease of 12.07% as compared with that of 2007.

Technology Innovation

The Group continues to develop innovative corporate entities. By innovatively leveraging its strong productivity with advanced technology, the Group has continuously established and streamlined its technology innovation system and operation system, and expanded its research and development efforts. Expenditures for technological development in 2008 totaled RMB200 million. Its technology advancement was business operation-driven and aimed at strengthening the core corporate competitiveness to promote greater economies of scale for its overall operations. With its strategic and annual planning, the Group provided technological support for production, operation, management and decision-making. It commenced research and development projects in vessels techniques, logistics technology, ancillary equipment, information systems and software which resulted in a number of proprietary intellectual rights in technology. In 2008, its "China Ocean Shipping Container Lines-Vessel Global Monitoring System" won the first prize in science and technology award from China Institute of Navigation.

The Group actively participated in establishing innovative trial enterprises facilities. Through technological advancement, it accelerated the automation and intelligence conversion of transportation technology. It has also participated in the "Ship and Cargo Online Monitoring System" and in the research and development of national key technology research and development project "Demonstration and Development of Supply Chain Application Systems based on Intelligent Container Public Service System". As such, the Group outperformed other competitors in terms of technological advancement and sustainable development. With respect to vessel management, the Group actively introduced new technologies, techniques and materials, eliminated obsolete technological skills, equipment and fixtures which were harmful to the environment and safety in order to improve the operating conditions of the main engines on vessels. By applying new energy-saving technologies, the Group has improved the overall effectiveness in the usage of resources such as fuels and lubricant oil efficiencies, and reduced energy consumption and pollution. It also shifted from the traditional inefficient operation system to a low cost, low consumption, low emission and high efficiency

Management Discussion and Analysis

operational system. As for logistics, through employing proprietary technologies, such as "computer-aided decision-making system for large-size transportation" and "computer-aided decision-making system for loading and unloading of large-size cargoes", COSCO Logistics has emphasized national transportation projects and strengthened the Group's competitiveness in the global project logistics market.

Financial review

For 2008, the profit attributable to the equity holders of the Group was RMB11,617,012,000, representing a decrease of RMB7,864,855,000 as compared to RMB19,481,867,000 of 2007. The decrease was mainly due to the severe drop in the performance of the dry bulk shipping market in the fourth quarter that resulted in the decrease in profit of the dry bulk shipping companies. Among which, the forward freight agreements ("FFA") of the dry bulk shipping companies recorded net losses (deducted by realised gain) of RMB4,120,762,000. Under the requirements of Hong Kong Accounting Standards, the dry bulk shipping companies made a provision of RMB5,249,667,000 on certain chartered-in contracts that contracts met the recognition criteria of onerous contracts by the end of the year which was another factor decreasing the current profit. In addition, the container shipping business slip into the tough stage throughout the year, earnings of which decreased compared to 2007 was another factor deteriorating the current profit.

Operational revenues

For 2008, the Group's revenues amounted to RMB130,871,857,000, representing a year-on-year increase of RMB18,639,063,000, or 16.6% as compared to RMB112,232,794,000 of 2007, among which:

- Revenues from container shipping and related operations decreased by 4.3% to RMB43,799,729,000. During the year, container shipping volume of the Group increased by 1.5% to 5,792,593 TEUs as compared to 2007, and average container freight rate decreased by 6.4% to RMB6,434/ TEU as compared to 2007. The decrease in container freight rate was the main reason of the decrease in the revenues of container shipping and related operations.

- Revenues from the operation of the Group's dry bulk shipping business continued to increase. Growth of the international dry bulk shipping market remained strong during the first three quarters of 2008. Although a decrease was recorded in the last quarter, the revenues of dry bulk shipping business continued to increase by RMB18,252,027,000 or 34.2% to RMB71,608,966,000, among which, revenues from time charter increased by RMB9,206,494,000 or 25.5% and revenues from voyage charter increased by RMB8,942,686,000 or 53.9%.

- Revenues from logistics operations increased by 18.4% to RMB14,172,646,000 as compared to 2007. Among which, the volume of home appliances logistics and chemical logistics handled recorded a faster growth as compared to last year. Shipping agency business and forwarding business also maintained steady growth under fierce market competition.

- Revenues derived from the terminal and related business of COSCO Pacific recorded a significant growth of 71.7% to RMB524,193,000 as compared to RMB305,272,000 in 2007. The Quanzhou Pacific Terminal recorded throughput of 910,058 TEUs (856,784 TEUs in 2007) and revenue of RMB224,392,000 (RMB188,896,000 in 2007), representing an increase of 6.2% and 18.8% respectively. Yangzhou Yuanyang Terminal was reclassified from a jointly controlled entity to a subsidiary in December last year and recorded RMB137,693,000 in revenue during the year. In addition, the Group invested in Jinjiang Pacific Terminal in March 2008, and the revenue derived from such terminal during the year amounted to RMB66,269,000.

- Revenues derived from the container leasing business operated and managed by COSCO Pacific decreased by 6.5% to RMB766,323,000. During the year, owned and sale and leaseback containers fleet increased to 865,296 TEUs as at the end of 2008 (757,053 TEUs in 2007) with revenues of RMB1,407,848,000 (RMB1,378,864,000 in 2007), representing a year-on-year increase of 2.1%. The number of returned containers sold during the year decreased to 34,043 TEUs (56,759 TEUs in 2007). Revenues from returned containers sold upon expiry amounted to RMB273,673,000 (RMB433,717,000 in 2007), representing a decrease of 36.9%, resulting in a decrease in the revenues derived from the container leasing business.

Operational cost analysis

For 2008, the operational cost of the Group increased by RMB21,793,968,000, or 25%, to RMB109,081,284,000, of which:

- The total operational cost of container shipping and related business amounted to RMB40,291,122,000, representing a year-on-year decrease of RMB459,001,000, or 1.1%, as compared with 2007. During the year, the Group continued to adhere to the strategy of low costs transshipment routes in order to lower the expenses of shipping and transshipment. In addition, the Group reduced the expenses such as container fixed cost by measures such as reduction of stock containers. As such, the Group further improved its cost control and achieved optimisation. Of which, bunker cost increased by RMB2,303,976,000, or 28.7% to RMB10,327,430,000, mainly due to the effect of the increase in average oil prices. During 2008, bunker cost accounted for 25.6% of the operational costs of container shipping and related business.

- Total operational costs of dry bulk shipping and related business amounted to RMB53,786,074,000, representing a year-on-year increase of RMB20,375,114,000, or 61.0%. Among which, current expenses of vessel leasing amounted to RMB33,459,838,000, representing an increase of RMB12,053,298,000, or 56.3% as compared to 2007, which was mainly due to the expansion in the size of chartered-in vessels and the higher charter price of dry bulk vessels during the first three quarters, resulting in a rise in the total chartering costs. In addition, due to the rise of international fuel prices and the expansion in the size of the chartered-in vessels, bunker cost increased RMB2,276,757,000 or 89.4%, to

RMB4,823,263,000. In 2008, bunker costs accounted for 9.0% of the operational costs of the dry bulk shipping business. Moreover, provision was made for the onerous contracts for chartered-in vessels held by the dry bulk companies at the end of the year, resulting in an increase in cost of RMB5,249,667,000 for the year.

- Total operational costs of logistics business amounted to RMB12,877,761,000, representing an increase of 15.9%. During the year, the business volume of the third parties logistics, shipping agency and freight forwarding businesses maintained steady growth and the staff costs, capital expenditures, and fuel and materials consumption have also increased correspondingly.

- Total operational costs of terminal and related business amounted to RMB342,361,000, representing an increase of 77.8% as compared to the previous year, which was due to the increase in throughouts of Quanzhou Pacific Terminal and Zhangjiagang Win Hanverky Terminal. The rise of operational cost in 2008 was also attributable to investment in Jinjiang Pacific Ports during the year and the reclassification of Yangzhou Yuanyang Ports as subsidiary in December last year.

- Total operational costs of the container leasing business amounted to RMB832,303,000, representing a year-on-year decrease of 13.9%, which was mainly attributable to the decrease in the number of disposal of returned containers upon expiry. During the year, as the Group leased back certain containers after sale and expanded the volume of leased containers, the leasing expense for containers and depreciation cost increased. However, the number of returned containers sold upon contract expiry reduced to 34,043 TEUs (56,759 TEUs in 2007) and the carrying amount of disposed returned containers decreased by 41.6% to RMB217,982,000 (RMB372,969,000 in 2007).

Other (expenses)/income, net

The net amount of other income and other expenses of the Group for 2008 was a net expense of RMB2,957,664,000, representing a decrease of RMB6,883,131,000 as compared to net income of RMB3,925,467,000 in 2007. The Group recorded an income of RMB2,394,120,000 for 2007 whereas a loss of RMB4,120,762,000 was incurred for 2008 from FFA. The Group's gain from disposal of fixed assets in 2008 recorded a drop of RMB537,512,000 as compared to that of 2007, which is also a major reason of the decrease in net amount of other income and expenses. The Group also recorded a net exchange gain of RMB239,368,000 for 2008 which partly offset the abovementioned negative factors.

Selling, administrative and general expenses

For 2008, the administrative expenses of the Group recorded a year-on-year decrease of 15.5% to RMB4,389,509,000, which was due to the decrease of staff costs, depreciation and amortization, and agency fee. Of which, the staff costs of the year decreased by RMB549,041,000 as compared with 2007 and included a debit of RMB165,360,000 this year due to a decrease in the fair value of the share appreciation rights granted by the Group.

Share reform

The put options in relation to the share reform of CIMC issued by COSCO Pacific, a subsidiary of the Group, expired on 23 November 2007. As no options were exercised by the holders, the change in fair value of RMB419,596,000 was recognized during the year. No such item was recorded during the year.

Finance Income

Finance income of the Group was mainly interest income from bank deposits. Finance income for the year amounted to RMB888,631,000, representing an increase of 34.5% as compared to 2007.

Finance Costs

For 2008, finance costs of the Group decreased by RMB203,848,000, or 16.8%, to RMB1,012,134,000 from RMB1,215,982,000 for 2007. Among which, the interest expense of the Group paid to the bank decreased by RMB94,493,000 for 2008 as compared to 2007. There is no such interest expense in year 2008 related to the one year bond RMB1.5 billion which was repaid in year 2007, which reduced interest cost of RMB42,618,000.

Gain of disposal of an associate

For 2007, a one-off disposal gain of RMB690,002,000 was recorded from the sale of equity interest in Chong Hing Bank Limited by COSCO Pacific, a subsidiary of the Company. No such item was recorded during the year.

Share of profits less losses from jointly controlled entities and associates

Net profit contribution from jointly controlled entities to the Group amounted to RMB759,503,000 during 2008, while net profit contribution for the same period in 2007 was RMB878,133,000, representing a decrease of 13.5%. Net profit contribution from associates amounted to RMB590,641,000, while net profit contribution for 2007 was RMB1,005,783,000, representing a decrease of 41.3%.

Net profit contributions from most of the associates dropped in 2008. Net profit contributed from COSCO Finance Co., Ltd. and CIMC, in particular, decreased by RMB251,579,000 and RMB193,310,000 respectively, leading to a significant decrease in investment income from associates.

Income Tax expenses

In 2008, the income tax expenses of the Group was RMB2,962,770,000, representing a decrease of RMB1,862,981,000 as compared with RMB4,825,751,000 in 2007. The significant drop in income tax expenses was primarily due to the decrease in profits compared with the previous year.

Financial Position Analysis

Cash flows

For 2008, the Group's net cash flow generated from operating activities amounted to RMB25,391,317,000, representing an increase of RMB1,234,049,000 as compared to RMB24,157,268,000 for the same period in 2007.

For 2008, the Group's net cash outflow generated from investing activities amounted to RMB22,560,154,000, of which RMB17,999,113,000 was used in purchasing property, plant and equipment (such as containers, vessels, computers and office equipment), investment properties and intangible assets. Meanwhile, the Group received proceeds of RMB2,620,514,000 from the sales of property, plant and equipment such as container vessels and containers, as well as total dividends of RMB1,351,142,000 received from its jointly-controlled entities, associates and available-for-sale financial assets.

During 2008, the Group's net cash outflow generated from financing activities amounted to RMB7,519,040,000, principally attributable to the settlement for the distribution of RMB11,556,873,000 by dry bulk shipping companies of the Group to their former shareholders relating to profits prior to acquisition of these companies by the Group.

Cash and cash equivalents

As at 31 December 2008, the Group's balance of cash and cash equivalents decreased from RMB37,624,451,000 as at 31 December 2007 to RMB31,582,436,000, representing a decrease of RMB6,042,015,000, or 16.1%. The dry bulk shipping companies of the Group settled the distribution of RMB11,556,873,000 in relation to their profits prior to acquisition of these companies by the Group, and the increase in the expenses for purchase and construction of vessels resulted in the decrease in the amount of cash and cash equivalents. As at 31 December 2008, the remaining proceeds from the issue of H-Shares by China COSCO in 2005 was RMB317,633,000, and the remaining proceeds from the issue of A-Shares was RMB5,878,062,000.

The Group's sources of liquidity and capital resources 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 uses such as operating costs, purchase of container vessels and dry bulk vessels, containers, investments in container terminals and repayment of loans.

Assets and Liabilities

As at 31 December 2008, total assets of the Group amounted to RMB118,413,153,000, representing an increase of RMB1,053,348,000 as compared to RMB117,359,805,000 at the beginning of the year. Total liabilities amounted to RMB56,166,391,000, representing a decrease of RMB4,036,929,000 as at 31 December 2008 as compared to RMB60,203,320,000 at the beginning of the year. Equity attributable to the equity holders of the Group amounted to RMB52,491,656,000, representing an increase of RMB5,891,177,000 as compared to RMB46,600,479,000 at the beginning of the year.

As at 31 December 2008, total outstanding borrowings of the Group amounted to RMB26,413,903,000, representing an increase of RMB7,084,022,000 as compared to RMB19,329,881,000 at the beginning of the year. The net current assets as at 31 December 2008 amounted to RMB15,591,597,000, representing an increase of RMB4,211,911,000 as compared to RMB11,379,686,000 at the beginning of the year. Net debt as at 31 December 2008 amounted to debit RMB5,168,533,000, representing an increase of RMB13,126,037,000 as compared to debit RMB18,294,570,000 at the beginning of the year. Ratio of net cash/debt to equity at 31 December 2008 was - 8.3%, and was -32.0% at the beginning of the year. The earnings to interest ratio was 16.79 times, and 22.79 times at the beginning of the year. Certain property, plant and equipment of the Group with net book value of RMB12,835,585,000 (31 December 2007: RMB9,731,056,000) were pledged to certain banks and financial institutions as collaterals for borrowings totalling RMB9,259,662,000 (31 December 2007: RMB7,230,796,000). The pledged assets represented 23.06% (31 December 2007: 21.15%) of the total value of property, plant and equipment.

Debt analysis

Category	As at 31 December 2008 RMB'000	As at 31 December 2007 RMB'000
Short-term loans	**1,354,423**	3,916,671
Long-term borrowings		
Within one year	**2,274,229**	1,271,032
Between one and two years	**3,282,878**	1,279,259
Between two and five years	**14,079,481**	6,626,914
Over five years	**5,422,892**	6,236,005
Sub-total	**25,059,480**	15,413,210
Total	**26,413,903**	19,329,881

Breakdown of borrowings by category:

The Group's secured borrowings amounted to RMB9,259,662,000, while unsecured borrowings amounted to RMB17,154,241,000, representing 35.1% and 64.9% of the total borrowings respectively.

Breakdown of borrowings by currency:

The Group had borrowings denominated in U.S. dollars equivalent to RMB24,463,661,000, borrowings denominated in RMB amounting to RMB1,946,679,000 and borrowings denominated in Euro amounting to RMB3,563,000, representing 92.62%, 7.37% and 0.01% of the total borrowings respectively.

Financial guarantee and contingent liabilities

As at 31 December 2008, the Group provided a guarantee on a bank granted to an associate in the amount of RMB253,270,000 (31 December 2007: RMB188,072,000). Save for the information disclosed in note 44 to the audited consolidated financial statements, the Group had no other significant contingent liabilities.

Foreign exchange and interest rate risks management

During the year, combining the impact of appreciation of RMB, the Group completed its project for readjustment of the level of interest rates of its original loans and optimization of its loan structures. Meanwhile, the Group also actively managed the current loan interest rates by using various financial instruments, in order to reduce the impact of interest rate fluctuations on the earnings of 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 to and conducting studies on the trends of various currencies. Provided that actual production and operational needs are satisfied, the Group will try to conduct foreign exchange conversions and settlement transactions at appropriate time so as 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 Friday, 8 May 2009 to Tuesday, 9 June 2009, 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 Thursday, 7 May 2009 at 4:30 p.m. are entitled to attend the annual general meeting to be held on Tuesday, 9 June 2009.

Profit Distribution and Dividends

The Board resolved to propose for the year ended 31 December 2008 a cash dividend of RMB0.29 per share (tax inclusive) to the shareholders whose names appear on the H share register on Tuesday, 30 June 2009 at 4:30 p.m. The register of members of the Company will be closed from Thursday, 2 July 2009 to Wednesday, 8 July 2009, both days inclusive, during which period no transfer of shares will be effected. 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, 30 June 2009.

Corporate Government Structure

I. Corporate Governance

The Board of Directors believes that the governance level of a listed company represents the enterprise's core competitiveness and is highly influential in enhancing its efficiency and sustainability. As a company listed in Shanghai and Hong Kong, China COSCO has strictly complied with domestic and overseas regulatory requirements and is committed to improving the Company's corporate governance level, so as to achieve "the maximisation of operating profit, corporate value and shareholders' equity". With its continuous efforts in enhancing the corporate governance level, the Company obtained various awards in 2008. The Board of Directors of China COSCO was awarded "Director of the Year Award 2008 – Listed Companies (SEHK – Non-Hang Seng Index Constituents)" by the Hong Kong Institute of Directors. China COSCO was also one of the top 20 out of "100 Listed Companies of Best Corporate Governance in China of 2008".

Special corporate governance projects of China COSCO

According to the requirements in relation to "Enhancing the special projects for strengthening the corporate governance in 2007 and continuously promote its corporate governance projects" stipulated in "China Securities Regulatory Commission Announcement [2008] No. 27" and the opinions of Tianjin Securities Regulatory Bureau and Shanghai Stock Exchange on the special corporate governance projects proposed by the Company, the Board of Directors of the Company instructed the responsible department to carefully review the implementation of "Rectification Report" and its results so as to strengthen the corporate governance. The corporate governance activities in 2008 are as follows:

(1) To improve corporate governance, the responsibilities of independent directors, special board committees and general manager are clearly defined. According to CSRC's requirements in relation to the duties and personal responsibilities of independent directors in preparing the company's annual reports, the Company made amendments to "Working Rules for Independent Directors" and "Terms of Reference of Audit Committee" in its 35th meeting of Board of Directors. Immediately after the establishment of the new Board of Directors and Supervisory Committee, a board meeting was held to establish various special committees to perform their respective functions. A meeting was held by the Supervisory Committee promptly to formulate and carry out its working plan.

(2) Reinforce the implementation of its control systems to ensure the normal operations of the Company. The Company has established stringent systems regarding various aspects such as "Rules on Management of Connected Transactions" and "Rules on Disclosure of Information" to clearly define the accountability of the relevant persons and to regulate connected transactions and disclosure of information. The Company seriously studied the "CSRC No. 27 Announcement Notice" and State Council [2005] Fa No. 34 "Opinions Regarding the Quality of Listed Companies" and strictly implemented its control systems. Compliance of internal control systems will be considered in annual appraisal to closely monitor the implementation of the systems to ensure the proper operation of the Company.

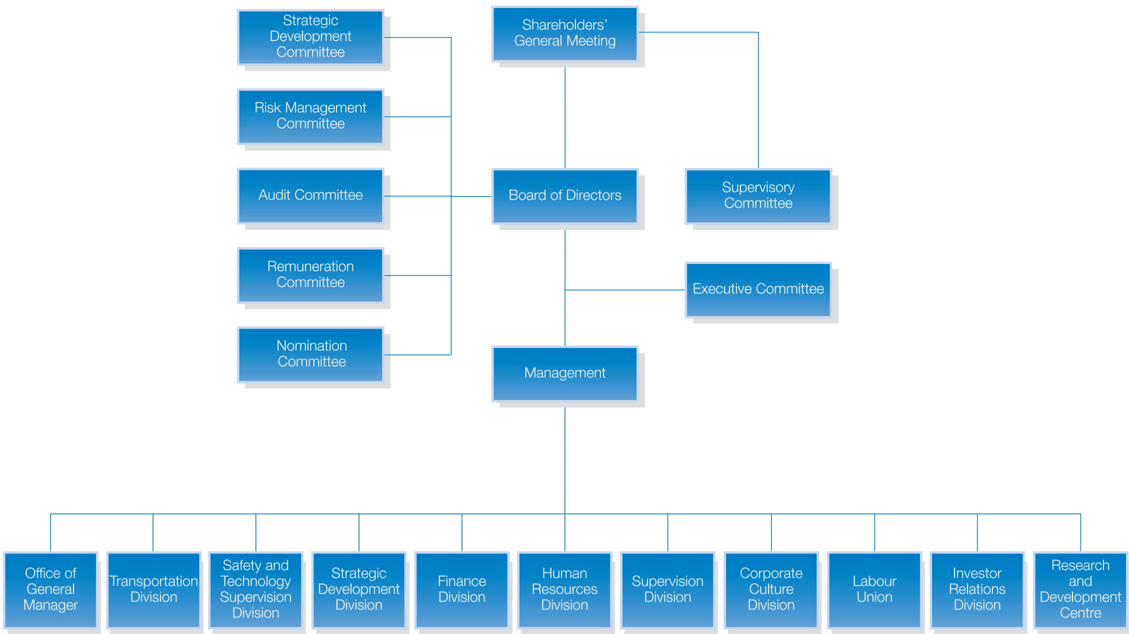
(3) Coordinating internal audit and to carry forward internal control framework. "Internal Control Guide of China COSCO" was revised according to the proposal on improvement of China COSCO's internal control. Based on the "Preliminary Descriptions of China COSCO's Internal Control" in the original internal control guide, the "Description of China COSCO's Internal Control Framework" was revised according to the requirements stipulated in "Internal Control Guideline for Companies Listed in Shanghai Stock Exchange". Review of internal control in 2007 was completed. Furthermore, "Self Evaluation Report on China COSCO's Internal Control" was prepared according to SSE's "Notice on Preparation of 2007 Annual Report of Listed Companies and its Related Works". Based on the report, the internal control system of the Company was improved and implemented more effectively.

(4) Learning and training on laws and regulations such as listing rules through various means were organised. Seminars conducted by experts on listing rules and laws as well as the importance of disclosure of information were held for directors, supervisors, senior management and personnel of the Company. In June 2008, a training session on the "Responsibility of Directors and Supervisors and Corporate Governance Improvement" was arranged by the Board of Directors for the new directors, supervisors and senior management. A number of training sessions on listing rules and systems of the Company were organised for the dry bulk shipping business unit, which was newly included as part of the listed businesses. "Monthly Report on Disclosure and Supervision", "Monthly Report for Directors and Supervisors" and regulation express are circulated regularly or from time to time to ensure that the directors, supervisors and senior management of the Company understand the control policies of the listed company in a timely manner so that the policies and measures can be maintained and implemented.

II. Model Code for Securities Transactions by Directors

Since the listing of the Company on the Main Board of the Hong Kong Stock Exchange in 2005, the Board of Directors has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 2008.

III. Corporate Governance Structure



Note: The Company has considered and approved a resolution to reorganise and streamline the corporate structure of China COSCO at the sixth meeting of the second session of the Board on 8 December 2008. As at 31 December 2008, the reorganisation and streamlining of the corporate structure of China COSCO is still in progress.

Corporate Governance Structure

1. Shareholders' general meetings

   The shareholders' general meeting of the Company is conducted in strict compliance with the procedures as stipulated under the Company Law, the Articles of Association, and the "Rules of Procedures for Shareholders' General Meetings", and each of the resolutions is adopted scientifically and democratically to protect the lawful interests of the Company and the shareholders. In order to allow domestic and overseas shareholders the same right to attend general meetings, the Company's general meetings were held through video conference. Two venues were arranged in Beijing and Hong Kong respectively for the convenience of domestic and overseas shareholders. The Company adopted an accumulative voting system for the resolutions regarding the election of new members of the Board of Directors and Supervisory Committee in shareholders' general meeting for the year 2007 to allow minority and medium shareholders to have more voting power.

2. Board of Directors

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

3. Supervisory Committee

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

4. Management

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

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

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

A. Directors

A1. Board of directors

Principles of the Code • The board should assume responsibility for leadership and control of the issuer and be responsible for directing and supervising the issuer's affairs. Its decisions should be in the interests of the issuer.
The current best situation in the governance of China COSCO • The Board of the Company fully represents the shareholders' interests, and has set up development strategies of the Company within the scope of powers as provided under the Articles of Association, and monitors and finalizes the implementation of the Company's operation management and financial performance, so as to realize a steady return of long term results.

Corporate Governance Structure

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

<table>
<tr><th>Code provisions</th><th>Compliance</th><th>Procedures of Corporate Governance</th></tr>
<tr>
<td>• To convene at least four regular meetings of the board, about once in each quarter. Regular board meetings do not include meetings by way of written resolutions for the approval of the Board</td>
<td>Yes</td>
<td>• In 2008, the Company convened 11 Board meetings, including 5 regular meetings and 6 extraordinary meetings. Each of the Board meetings was attended by the majority of eligible directors in person. Attendance of Board members in 2008 was 100% and is listed as follows:
<table>
<tr><th></th><th>Number of attendance/ Number of meetings to be attended</th><th>Rate of attendance</th></tr>
<tr><td>Executive directors</td><td></td><td></td></tr>
<tr><td>WEI Jiafu</td><td>11/11</td><td>100%</td></tr>
<tr><td>CHEN Hongsheng</td><td>11/11</td><td>100%</td></tr>
<tr><td>Non-executive directors</td><td></td><td></td></tr>
<tr><td>ZHANG Fusheng</td><td>11/11</td><td>100%</td></tr>
<tr><td>LI Jianhong</td><td>11/11</td><td>100%</td></tr>
<tr><td>XU Lirong</td><td>11/11</td><td>100%</td></tr>
<tr><td>ZHANG Liang</td><td>11/11</td><td>100%</td></tr>
<tr><td>SUN Yueying</td><td>11/11</td><td>100%</td></tr>
<tr><td>Independent non-executive directors</td><td></td><td></td></tr>
<tr><td>LI Boxi</td><td>11/11</td><td>100%</td></tr>
<tr><td>TSAO Wen King, Frank[1]</td><td>3/3</td><td>100%</td></tr>
<tr><td>Alexander Reid HAMILTON</td><td>11/11</td><td>100%</td></tr>
<tr><td>CHENG Mo Chi</td><td>11/11</td><td>100%</td></tr>
<tr><td>TEO Siong Seng[2]</td><td>8/8</td><td>100%</td></tr>
</table>
Notes:
(1) Mr. TSAO Wen King, Frank resigned as independent non-executive director of the Company on 6 June 2008
(2) Mr. TEO Siong Seng was appointed as independent non-executive director of the Company on 6 June 2008
</td>
</tr>
</table>

Code provisions	Compliance	Procedures of Corporate Governance
• All directors have opportunities to include matters in the agenda for regular board meetings	Yes	• All directors have opportunities for the inclusion of their proposals in the agenda of regular Board meetings, the Company convened a special Board meeting to discuss matters relating to Forward Freight Agreements at the request of independent non-executive directors Alexander Reid HAMILTON and CHENG Mo Chi.
• Notices of regular board meetings should be sent at least 14 days before the convening of the meetings	Yes	• Notices of regular Board meetings have been given at least 14 days before the convening of the meetings, and notices and agenda of extraordinary Board meetings were given within reasonable time in accordance with the Articles of Association.
• All directors should have access to the advice and services of the board secretary	Yes	• The Board secretary shall keep close contact with all directors, and provide the latest information of the Company to the directors in a timely manner. Prior to the convening of Board meetings, the Board secretary and the relevant departments shall communicate with the directors of the Company in respect of important motions to attend to the opinions of the directors.
• Minutes of meetings should be kept by the board secretary, and are available for inspection by directors at any reasonable time	Yes	• The Board secretary shall be responsible for organizing and keeping the minutes of Board meetings. The minutes of Board meetings and the records and related information of the special committees shall be properly and perpetually kept in the Company's domicile as important files of the Company, and available for the inspection by directors at any time.
• The minutes of the meetings should record in sufficient detail the matters considered by the board and the decisions reached	Yes	• Minutes of Board meetings shall make objective and detailed records on the matters considered, voting and opinions issued by directors in the meetings, and confirmed by the directors.

Corporate Governance Structure

Code provisions	Compliance	Procedures of Corporate Governance
• Directors are entitled to seek independent advice in accordance with the agreed procedures at the company's expense	Yes	• In respect of matters requiring opinions from professional institutions, the Company have taken the initiative to appoint professional institutions to provide independent opinions at the expense of the Company.
• In the event that substantial shareholders or directors have conflict of interests in a material matter, the related directors shall abstain from voting	Yes	• The Company has made provisions in respect of abstaining from voting of related directors in the Articles of Association and the Rules of Procedures of the Board of Directors. • When considering matters such as the building of new vessels and connected transactions, the relevant related directors abstained from voting in the Board meetings.
Recommended Best Practices		
• To arrange appropriate insurance cover in respect of legal actions against directors	Yes	• The Company has maintained liability insurance for directors, supervisors and senior management.
• Board committees should adopt so far as practicable, basically consistent principles and procedures in general	Yes	• The Board committees have adopted principles and procedures which are basically consistent with the above.

A2. Chairman and the Chief Executive Officer ("CEO")

Principle of the Code • Clear division of responsibilities the chairman of the board and the CEO, to ensure the balance of power and authority.
The current best situation in the governance of China COSCO • The Company has clearly specified the duties of the Chairman and the CEO, and separated the functions of the Board and the management, and made detailed descriptions in the Articles of Association, Rules of Procedures of the Board of Directors, Guidelines for the Works of the General Manager, so as to ensure that the balance of power and authority, and ensure the independence of Board decisions, thereby ensuring the independence of the daily operation activities of the management.

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

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

Corporate Governance Structure

Code provisions	Compliance	Procedures of Corporate Governance
Recommended Best Practices		
• The roles of the chairman include: drawing up and approving the agenda of board meetings	Yes	• Agenda of Board meetings are negotiated by the Chairman with the executive directors and the Board secretary, and are decided after taking into consideration all the matters proposed by the non-executive directors.
• The chairman should be responsible for ensuring that good corporate governance practices and procedures are established	Yes	• The Chairman assumes an important role in the promotion of the development of the Company's corporate governance, and delegates the Board secretary to set up a good corporate governance system and procedure, and supervises the management to loyally implement the various systems, and ensures the regularized operation of the Company.
• The chairman should encourage all directors to make a full and active contribution to the board's affairs, the chairman shall at least hold one meeting each year with the non-executive directors without the attendance of executive directors	Yes	• The Chairman has encouraged all directors to be involved in the affairs of the Board, and caused directors to make effective contributions to the Board, and requested the Board to exercise the best interests for the Company by making himself as model.
• The chairman should ensure appropriate measures to maintain effective communication with shareholders	Yes	• The Chairman has placed great emphasis on the effective communication between the Company and the shareholders, and continued to promote and improve investors relations, and dedicated in realizing maximum returns to shareholders.

Code provisions	Compliance	Procedures of Corporate Governance
• The chairman should facilitate the effective contribution of directors to the board, and ensure the executive directors and non-executive directors maintain a constructive relations with each other	Yes	• The Chairman has placed great emphasis on the contributions of directors to the Board, and made efforts to ensure the executive directors and non-executive directors maintain a constructive relations with each other.

A3. Board Composition

Principle of the Code
• The board shall have a balance of skills and experience appropriate for the requirements of the business of the issuer. The board should include a balanced composition of executive and non-executive directors (including independent non-executive directors) so that there is a strong independent element on the board, which can effectively exercise independent judgment. Non-executive directors should be of sufficient calibre and number for their views to carry weight.
The current best situation in the governance of China COSCO
• The Board of the Company is made up of eleven members, comprising two executive directors, five non-executive directors and four independent non-executive directors, with independent directors representing more than one third of the members of the Board.
• The independent non-executive directors of the Company have expertise and experience in areas such as navigation, enterprise management, finance and laws, and are able to make independent judgements, making decisions of the Board to be more cautious and comprehensive.
• There are no relationship (including financial, business, family or other material relationship) between the members of the Board.

Corporate Governance Structure

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

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

A4. Appointments, re-election and removal

Principles of the Code • The board shall set up formal, considered and transparent procedures for the appointment of new directors. There should be plans in place for orderly succession for appointments to the board. All directors shall be subject to re-election at regular intervals. The issuer must explain the reasons for the resignation or removal of any director.
The current best situation in the governance of China COSCO • The Company has set up a Nomination Committee under the Board. The Nomination Committee shall make proposals on the appointment, re-election, removal and discharge procedures of the candidates of directors, present the proposals for the Board's consideration, which will finally be determined by the shareholders' meeting. • In 2008, the Nomination Committee held one meeting to make recommendations on the nominations of the directors of the Company.

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

Code provisions	**Compliance**	**Procedures of Corporate Governance**
• The appointment of non-executive directors shall have specific terms of office, and shall be subject to re-election	Yes	• As provided in the Articles of Association, directors (including non-executive directors) shall be elected at the shareholders' general meeting for a term of three years, and can be eligible for re-election.
• Directors appointed to fill a casual vacancy should be subject to election by shareholders at the first shareholders' general meeting after their appointment	Yes	• The directors appointed to fill in temporary vacancies shall after accepting the appointment, subject to election by shareholders in the first shareholders' general meeting thereafter.

Corporate Governance Structure

Code provisions	Compliance	Procedures of Corporate Governance
• Each director shall retire by rotation at least once in every three years	No	• The Company considers that re-election of directors by the shareholders' general meeting is beneficial for maintaining the Company's operation strategies and the continuation of the various systems. Therefore, the system of retirement by rotation of directors has not been specified in the Articles of Association.
Recommended Best Practices		
• The issuer should set up a nomination committee, a majority of the members should be independent non-executive directors	Yes	• The Board of the Company has set up a Nomination Committee, chaired by independent non-executive director Mr. TEO Siong Seng. Other members include non-executive director Mr. ZHANG Liang, and independent non-executive director Mr. CHENG Mo Chi. The number of independent non-executive directors represents two-thirds of the total.
• The issuer should set out written terms of reference of the nomination committee • The nomination committee should make available its terms of reference, and explain its roles and powers granted by the board	Yes	• The Company has set out the Guidelines for the Works of the Nomination Committee, specifying the powers and duties of the Nomination Committee, and published its terms of reference on the Company's website.
• The nomination committee should be provided with sufficient resources to discharge its duties	Yes	• The Company's human resources department and general office have actively assisted the Nomination Committee in performing their works, so as to ensure they are adequately resourced to discharge their duties.

A5. Responsibilities of directors

Principles of the Code
• Each director is required to keep abreast of his responsibilities as a director of an issuer and of the conduct, business activities and development of that issuer.
The current best situation in the governance of China COSCO
• The Company has set up Rules of Procedures of the Board of Directors, Guidelines of the Works of Independent Directors and guidelines of the works of various special committees, clearly specifying the duties of each of the directors, so as to ensure that all directors fully understand their roles and responsibilities. • The Board secretary is responsible to ensure that all directors receive the Company's latest business development and renewed statutory information.

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

Code provisions	Compliance	Procedures of Corporate Governance
• Each newly appointed director should receive induction on the first occasion of his appointment, to ensure that he has a proper understanding of the business and operations of the issuer and that he is fully aware of his responsibilities under applicable legal requirements and regulatory policies	Yes	• Upon the appointment of the new directors, the Company shall provide related information to the new director in a timely manner and arrange training for the director, including introduction of the Company's business, responsibilities of directors, the Company's rules and regulations and domestic and overseas statutory requirements.

Corporate Governance Structure

Code provisions	Compliance	Procedures of Corporate Governance
• Functions of non-executive directors	Yes	• The Company's non-executive directors have actively attended Board meetings, and acted as members of various special committees, inspected the achievements of the Company's business objectives, and provided independent opinions on the decisions of the Board.
• The director should ensure that he can give sufficient time and attention to the affairs of the issuer	Yes	• All directors of the Company have diligently discharged the duties of directors. The attendance of directors in the meetings of the Board and various special committees in 2008 was 100%, showing that the directors have spent sufficient time on the Company's business.
• The directors must comply with the Model Code set out in Appendix 10	Yes	• Having made specific inquiries to all directors, all directors of the Company confirmed in writing that they had continuously complied with the standards as required in the Model Code for the year ended 31 December 2008.
Recommended Best Practices		
• All directors should participate in a programme of continuous professional development	Yes	• All directors have the opportunities to receive professional training programmes arranged by the Company during their terms of appointment.
• The directors should upon their appointments (and thereafter) disclose their positions and other major commitments in other entities	Yes	• Each of the directors has upon the acceptance of appointment provided the Company with its positions and other major commitments in other companies.

Code provisions	Compliance	Procedures of Corporate Governance
• The directors should ensure their regular attendance and active participation in Board meetings, the meetings of the subordinate committees and shareholders' general meetings	Yes	• The directors have actively attended Board meetings and meetings of the committees, and majority of the directors have attended shareholders' general meetings.

A6. Supply of and access to information

Principle of the Code
• Directors should be provided in a timely manner with appropriate information in such form and of such quality as will enable them make informed decisions and to discharge their duties and obligations.
The current best situation in the governance of China COSCO • The Board secretary is responsible for the provision of all information to the directors, including documents for the meetings of the Board and the special committees, regular provision of the reports of the Company's business progress, financial targets, development plans and strategic plans, as well as latest information on other statutory requirements relating to the Listing Rules, and for the continued enhancements of the quality and timely release of information.

Corporate Governance Structure

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

Code provisions	Compliance	Procedures of Corporate Governance
• The documents of the meetings of the board/ committees should be sent to the directors at least three days before the date of the meetings	Yes	• All documents of the past meetings of the Board/ committees were sent to each of the directors three days before the meetings.
• The management is responsible for the provision of adequate information in a timely manner to the board and its subordinate committees, so as to enable the board to make informed decisions. Each director should have separate and independent access to the senior management of the company for further inquiries	Yes	• The management of the Company have been able to provide sufficient information to the Board and its subordinate committees in a timely manner. The directors have been able to communicate with the management of the Company by themselves to obtain further information required.
• All directors are entitled to access to the board papers and related materials, where queries are raised by directors, steps must be taken to respond as promptly and fully as possible.	Yes	• The documents of the Board and the committees are being kept by the Board secretary, and are available for the inspection by all directors at any time. The Company shall arrange related personnel to give timely response in respect of the questions raised by directors.

B. Remuneration of Directors and senior management

B1. The level and make-up of remuneration and disclosure

Principle of the Code
• The Company should set up formal and transparent procedure for setting policy on executive directors' remuneration for fixing the remuneration packages for all directors. No director should be involved in deciding his own remuneration.
The current best situation in the governance of China COSCO
• The Company has set up a Remuneration Committee. The terms of reference of the Remuneration Committee includes determination, review of the remuneration policies and plans of the directors and managers of the Company. • In 2008, the Remuneration Committee held one meeting, established the remuneration standard for the second Board and Supervisory Committee and approved the annual remuneration of senior management for 2007.

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

Code provisions	Compliance	Procedures of Corporate Governance
• The issuer should set up a remuneration committee, a majority of the members should be independent non-executive directors	Yes	• The Company established a Remuneration Committee upon its establishment and established the second Board Remuneration Committee immediately after the establishment of the second Board in June 2008, chaired by independent non-executive director Mr. CHENG Mo Chi. The other two members are Mr. XU Lirong (non-executive director) and Mr. Alexander Reid HAMILTON (independent non-executive director), with independent non-executive directors representing more than two-thirds of the members. The terms of reference of the Remuneration Committee have been published on the Company's website.

Corporate Governance Structure

Code provisions	Compliance	Procedures of Corporate Governance
• The remuneration committee should consult the chairman or the CEO in respect of the remuneration of other executive directors	Yes	• The Remuneration Committee has fully communicated with the Chairman and the General Manager in respect of the remuneration of the directors, supervisors and senior management.
• Functions of the remuneration committee	Yes	• The Company has set up the "Guidelines for the Works of the Remuneration Committee of China COSCO Holdings Company Limited" and clearly set out the duties of the committee.
• The remuneration committee should make available its terms of reference, and shall be adequately resourced to discharge its duties	Yes	• The terms of reference of the Remuneration Committee have been published on the Company's website. The Company's Human Resources Department and the general office have actively cooperated with the Remuneration Committee to perform their works in the discharge of their duties.
Recommended Best Practices		
• A significant portion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance	Yes	• The remuneration of the executive directors and senior management are in general linked with the performances of the Company and their individual performance.
• The issuer should disclose details of any remuneration payable to members of senior management, on an individual and named basis, in its annual reports and accounts	Yes	• The Company has disclosed the remuneration and names of the directors, supervisors and senior management in the annual reports and accounts.

C. Accountability and Audit

C1. Financial reporting

Principle of the Code
• The Board should present a clear and comprehensive assessment of the company's performance, position and prospects.
The current best situation in the governance of China COSCO
• In all regular financial reports issued to shareholders, the Board has put efforts to make the contents comprehensive, and has complied with the regulatory requirements of both the stock exchanges in Hong Kong and Shanghai, and continued to improve the management discussion and analysis, and made comprehensive disclosures on the Company's production operation, financial position and project developments. At the same time, proactively increasing the amount of information, including information on the Company's operation environment, development strategies, corporate culture, strengthening corporate governance reports, making comprehensive, objective, fair and clear descriptions on the operation management and prospects of the Group.

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

Code provisions	Compliance	Procedures of Corporate Governance
• Management should provide such explanations and information for the board to make an informed assessment on the relevant matters	Yes	• The management of the Company has provided the Board with information on the Company's business progress, development plans and financial targets from time to time as the grounds for the Board to make appraisals.
• The directors should acknowledge their responsibility for preparing the accounts and auditors should make statement about their reporting responsibilities in the report	Yes	• The directors have repeated their declarations of their responsibilities in preparing financial statements which truly and fairly reflect the Company's situation in the financial year. • The auditors' reports have specified the reporting responsibilities of the auditors.

Corporate Governance Structure

Code provisions	Compliance	Procedures of Corporate Governance
• The board should make a balanced, clear and understandable assessment on the company's performance in its regular reports, announcements involving price sensitive information and other discloseable financial information	Yes	• In its regular reports and external announcements, the Board has made objective, fair and clear descriptions on the situation and prospects of the Company and its subsidiaries.
Recommended Best Practices		
• The issuer should announce and publish the quarterly financial results within 45 days after the end of the relevant quarter • Once the issuer decides to announce and publish its quarterly financial results, it should continue to adopt quarterly reporting	Yes	• In addition to the reports on annual and interim results, the Company has also prepared and issued first quarterly and third quarterly results reports. The Company announced and issued quarterly financial results within 30 days after the end of the first and third quarter, and the information disclosed are sufficient for the shareholders to assess the Company's performance, financial position and prospects.

C2. Internal controls

Principle of the Code
• The board should ensure that the issuer maintains sound and effective internal controls to safeguard the shareholder's investment and the issuer's assets.
The current best situation in the governance of China COSCO
• The Board has authorized the management to establish and promote its internal control system, to review the relevant financial, operational and regulatory control procedures from time to time, so as to protect the Company's assets and the shareholders' interests. Currently the system is being further established and improved.
• In its organization structure, the Company has set up an internal audit department to conduct regular inspections, supervisions and appraisals on the Company's financial position, operation and internal control activities according to different business and process flows, and has appointed external audit firms to make regular audits on the Company's financial reports based on the PRC and Hong Kong accounting standards, and provided independent and objective appraisals and proposals by way of audit reports.

Internal Controls of the Company

The Company had formulated and regularly improved its internal control system since its establishment. The internal control system is featured with comprehensive risk management and sustainable development and is based on risks and Global Compact.

In 2008, the Company has implemented the "Guidelines of Comprehensive Risk Management for State-owned Enterprises"（《中央企業全面風險管理指引》）issued by SASAC and studied the Basic Standards for Enterprise Internal Control (Cai Kuai [2008] No.7)（《企業內部控制基本規範》）（財會[2008]7 號）jointly issued by the MOFCOM of the PRC and four other PRC ministries. According to the provisions of Guidelines of Shanghai Stock Exchange for the Internal Control of Listed Companies issued by the Shanghai Stock Exchange, the Company has reinforced the comprehensive risk management and internal control systems of its headquarters and subsidiaries and further improved the effectiveness and efficiency of the Group's internal control system through internal audits, evaluating the comprehensive risk management system and reviewing the sustainability report. The Company has implemented internal control to supervise and monitor the achievement of its plans and assessed the effectiveness of its internal control in 2008.

The Company identifies and manages significant risks through risk evaluations under the internal control system and has not discovered any material defect in internal control nor any significant risks in 2008.

Corporate Governance Structure

China COSCO has formulated and implemented measures to improve its internal control system. We had evaluated and graded each of the risks facing by China COSCO and assigned risk management responsibilities to different departments based on the chart illustrating those risks and the working standards. China COSCO's internal control and risk management are formulated and its Articles of Association are finetuned under our internal control system, which includes an internal control manual, Frameworks of the internal control system and procedures, risk management procedures and operation guidelines. China COSCO will finalise its risk management policy in 2009 and formulate a comprehensive system in the next three years.

The Board and senior management of the Company acknowledge their responsibilities to formulate and implement comprehensive and effective internal controls, reasonably ensure the compliance of our operation and management, asset safety, accuracy and completeness of financial reports and relevant disclosure, improve operational effectiveness and efficiency, and achieve internal control objectives according to the development strategies. The implementation of internal control system is based on goal formulation, internal condition, risk identification, risk evaluation, selection of risk management strategies, controls, communication, inspections and supervisions. The Company has not identified any material defect through self assessment.

The Company acknowledges the great importance to internal controls and has prepared a thorough self evaluation report on the internal control of China COSCO and a self evaluation report on the internal control of the dry bulk shipping and logistics segment, which illustrated the establishment and the inspection and supervision system of the internal control of the Company, the guidance from the Board and the Audit Committee of the Company for our internal control system, and the implementation of the Basic Standards for Enterprise Internal Control (Cai Kuai [2008] No.7). The self evaluation report of the internal control disclosed in the Company's annual report is extracted from and is a summary of the original report in accordance with the regulatory requirements.

Self Evaluation Report on Internal Control of the Company

I. Objectives of the Internal Control of the Company

The Company has strived to establish and strengthen its internal control system, which is based on risks and Global Compact, since its establishment with focuses on comprehensive risk management and sustainable development. Our objectives to our internal control are as follows:

1. Based on our middle- and long-term strategy, the special characteristics of the Company and the industry we operate, through the establishment of our internal control system and risk managements system, which facilitate the implementation of our strategies risk management system, strengthening the management of uncertainty factors and arousing the employees' awareness of risk control.

2. To enhance the operational effectiveness and efficiency of the Company and achieve the annual operational goals through risk management, optimization of work flow and management of uncertainty factors.

3. To promptly identify any possible risk, such as fraud and corruption, and prevent the loss of assets and secure its safety and integrity through continuous risk management and review of internal control.

4. To secure and maintain the reputation of the Company through establishing comprehensive internal financial and accounting control and strengthening internal control in respect to the truthfulness, accuracy and completeness of the information disclosed.

5. To safeguard the Company from risks arising from laws and regulations, ensure strict compliance with laws and regulations in respect of production and operation activities and capital investments, set up Global Compact and realise sustainable development through internal control and comprehensive risk management.

II. Principles of internal control of the Company

1. General principle. The internal control of the Company covers the areas of strategic decision and implementation as well as internal and external supervision and control of every business unit of the Company and its subsidiary, including container freight, dry bulk shipping, logistics, terminals and container leasing and other financing activities and investment in relation to its core business.

2. Importance principle. The internal control system of the Company is a part of its risk management system. Risks are identified, assessed and classified into different categories. Risks in respect of major business and risks of high classification are to be dealt with in priority.

3. Check and balance principle. The internal control system of the Company maintains a balance between the governance structure, organisation structure, responsibilities delineation and business practice and operation efficiency.

4. Adaptability principle. Fully integrated with "comprehensive risk management" system and "sustainable development" system, the internal control system of the Company is based on the social responsibilities, operation scale, business scope and competition environment of the Company, and can be promptly adjusted and adapted to the changes of internal and external environments.

5. Cost effective principle. The internal control system of the Company is based on our risk appetite and risk tolerance and aims at balancing the cost and profit of risk in real time so as to constrain the risk to an acceptable level.

III. Key elements of the Company's internal control

The internal control system of the Company is based on a COSO committee document "Enterprise Risk Management – Integral Framework" with reference to the Basic Standard for Enterprise Internal Control jointly issued by the Ministry of Finance of the PRC and four other PRC ministries, Guidelines of Shanghai Stock Exchange for Internal Control of Listed Companies and the Comprehensive Risk Management Guidance for State-owned Enterprises by the State-owned Assets Supervision and Administration Commission, and in compliance with the Framework of Internal Control and Risk Management issued by Hong Kong Stock Exchange. The internal control system of the Company comprises eight components, namely target setting, internal environment, risk identification, risk assessment, selection of risk management strategy, control measures, communication and inspection and supervision. An Internal Control Handbook of China COSCO is devised as a guideline for business management. The Company has established its internal control system and procedures on the basis of the above eight elements as a centralised internal control system and management system of the Company. The internal control system is an integral part of the comprehensive risk management system of the Company being established. The internal control system is the best practice of the comprehensive risk management. As such, the internal control system reasonably ensures the fulfilment of its objectives.

(I) Target setting

Target setting is one of the important components of the Company's internal control, which determines the strategic targets in accordance with the Company's mission, risk appetite and risk tolerance defined by the Board of Directors (the "Board"). The Company's mission is to consolidate its leading position in shipping and logistics industry, maintain good relationship with its customers, employees and partners, and maximise contribution to shareholders, the community and the environment. The Company's risk appetite is to proactively face and tackle with identified risks and possible risks in the interest of the Company's strategic development and businesses related to the shipping value chain, and shall not engage in speculation business.

The Company's strategic objectives are determined with reference to the Company's overall risk identification and assessment as well as the Company's risk appetite and risk tolerance. The Company identifies the major risks through assessment of strategic risks and seeks to contain the risks of strategic objectives to an acceptable level by risk management strategies and measures.

(II) Internal Environment

1. Participation of the Company's management

The Company has established a corporate governance structure composed of the Shareholders' General Meeting, the Board, the Supervisory Committee and the management. According to the articles of association of the Company, the management of the Company has set up a comprehensive corporate governance structure covering The Rules of Procedures for Shareholders' General Meetings, The Rules of Procedures of the Board of Directors, The Rules of Procedures of the Supervisory Committee and Guidelines for the Works of the manager. Through defining of the scope of authorisation, means and procedures of execution of authority, the Company determines the duties of the management and promotes internal control for risk management. Besides, the Company has also set up a risk control committee and its executive team to oversee the establishment of comprehensive risk management system, internal control system, the Global Compact and sustainable development.

2. Delineation of authorities and duties of the Company

The Company has set up standards for every department and position to clearly define their respective authorities and duties as well as their responsibilities in respect of risk management. The risk-associated activities of staff will be monitored and assessed in accordance with the relevant management and appraisal benchmarks.

3. Integrity and moral standard of the Company

As a global shipping enterprise, the Company has always valued its integrity and moral standard. Practically, the Company seeks to maximise operation efficiency, Company's value and shareholders' returns. Spiritually, the Company emphasises pragmatism and coordination. Pragmatism refers to truthfulness, adhering to principles, practicality, high standards, strict requirements, high efficiency, seriousness, fairness and honesty, strict compliance of laws, regulations and conventions as well as the Company's rules and regulations, no false statements and no briberies. Coordination refers to acting in the interests of all related parties. Coordination is a concert of efforts of the companies of China COSCO Group, employees, shareholders, customers and external stakeholders including strategic partners as well as the community; to arrive at a balanced growth and all-win situation, thereby to realise the strategic target of China COSCO. The Company has formulated Employee Code of Conduct to convey and promote the value of truthfulness and moral standards to the employees. The Company has strictly complied with Guidelines of Public Moral to uphold the professional ethnics standard and imposed relevant requirements to the employees. The Company clearly states the punishments in its Punishment for Violations of Regulations for acts in breach of fidelity and moral standard. Besides, the Company has proactively implemented The Guidelines on Corporate Social Responsibility Compliance issued by the State-owned Assets Supervision and Administration Commission of the State Council, performed its social responsibilities towards the related parties and actively promoted the Global Compact and sustainable development.

4. Management philosophy and operation style of the Company

The management of the Company possess extensive industry experience and international perspective. Their enthusiasm in overcoming difficulties and challenges will lead the sustainable development of China COSCO in a prudent yet progressive manner. The management of the Company strives to create a low profile, pragmatic, careful and effective working environment. Throughout feasibility analysis, market analysis and investment return analysis will be conducted before any major investment decision. Risk Management Committee and Strategic Development Department will jointly analyse and assess all major investment projects/plans. The senior management and managers of the Company maintain close communication and contact to oversee the operation activities of the Company.

5. Competence of the Company's Staff

The Company has set up working standards for each department, office and post and specified their respective responsibilities, basic duties, supportive duties, management standard, risk responsibilities and risk authority. The Company's Human Resources Department conducts annual review of the working standards and makes amendments if necessary. All departments have their personnel replacement systems. Staff in the headquarters of the Company possesses extensive professional experiences necessary for their posts. The Company offers competitive remuneration packages to retain a stable workforce and attract talents to ensure the overall competence of its staff.

6. Human resources policy of the Company

The Company has established comprehensive personnel management rules and regulations in respect of recruitment, performance appraisal, remuneration, labour insurance and staff training. Besides, the Company has proactively utilised various advanced technologies to optimise its remuneration management, promptly identify remuneration-related risks and improve working procedures and related systems. The current performance appraisal and compensation of the senior management at the headquarters of the Company are clivectly linked to the Company's strategies and objectives. The remuneration of the senior management is directly linked to the Company's annual operation results and stock performance. Performance appraisal of the senior management of subsidiaries is divided into annual operation results and personal overall appraisal. The remuneration and promotion of the senior management of subsidiaries are closely related to the accomplishment of target operation results.

7. Creation of corporate culture of the Company

The Company has deep-rooted corporate culture and has formulated the Corporate Culture Creation for the Eleventh Five-Year Plan, Corporate Culture Creation Guideline and Staff Handbook. Through well-established corporate culture and code of conduct, the Company outlines its general image and the general regulations and standards for the performance of its employees. Risk culture is an integral part of the Company's corporate culture and is highly co-related with the remuneration system and personnel system. The Company enhances risk awareness of its employees through various effective means such as intensive risk management training and case study.

(III) Risk identification

1. Principles and methods of risk identification of the Company

The Company has a comprehensive risk management system and a standard risk identification procedures and methods to enable its employees to identify risks. The Company's risk identification is to assess the probability and impacts of risks on the subject based on past experience. Besides identified risks, the Company will also identify possible risk to maximise shareholders' values. Risks are classified into four categories. Risk identification is carried out by all employees under the leadership of the Board of Directors. Organised by the Strategic Development Department, the Company launches a full scale risk identification program every year and maintains a centralised dynamic risk incident records. The Company has also established a regular risk identification system to ensure prompt risk identification and management of all departments (posts) and procedures.

2. Scope of risk identification of the Company

The risk identification of the Company involves every functional department, post, business procedure, unit, external related parties and external environment of the headquarters of the Company. Risks are classified into six categories, namely strategic, financial, market, legal, operation and social responsibility.

(IV) Risk assessment

1. The Company's risk assessment is scientific and objective. Subjective risk assessment is not accepted. All risks identified are managed through centralized management and led to the establishment of standard procedures for risk assessments.

2. Major risks identified

In respect of about a thousand of risk incidents and 62 level-2 risks and taking into account the international and domestic market conditions in 2008, the Company conducted risk assessments and identified about ten major risks by using its risk assessment model. The Company has formulated corresponding management strategies and measures. These major risks include strategic decision risk, investment assessment risk, health and safety risk, environmental pollution risk, financial risk, hedging risks, exchange rate risk, market fluctuation risk, credit management risk and transformation risk. Though the probability of these risks is low, their possible impacts are very material.

(V) Selection of risk management strategy

The risk management strategy of the Company comprises risk appetite, risk tolerance and risk management strategies. The Board determines the overall risk appetite and risk tolerance of the Company. The Company's Risk Management Department shall set up risk control standards and corresponding risk tolerance level as well as specific management strategies in respect of major risks and conducts real-time monitoring. Regarding major risks at corporate level, the Company has established corresponding risk solution, specified risk control indicators, regularly conducted quality and quantity analysis of risk control indicators, and decided specific management measures based on the strategies of acceptance, transfer, alleviation, avoidance and utilisation. As for procedural risk and problems, specific control target and corresponding rectification measures have been established and will be conducted by the relevant departments and posts.

(VI) Control measures

The Company has established a comprehensive internal control procedures handbook covering 67 procedures of the management functions of the Company. The handbook is subject to annual review and update and is uploaded to the information system of the Company. The internal control procedures handbook specifies the working procedures, controlling points, major risks, controlling measures and relevant inspection and examination methods. The Company has also established a comprehensive controlling system in respect of transaction authorisation, delineation of duties, documentation and record control, asset access and record usage, independent audit and electronic information system control, which are strictly complied with.

1. Approval and authorisation

According to the Company's Article of Association, the Company has set up a wide range of systems in respect of the rules of procedures for its governance and management and established detailed regulations on authorised procedures of different transactions by transaction amounts and natures. The Company's material investment, financing activities, warranty and connected transactions require approval from the meetings of the Board. Decisions beyond the approval authority of the Board are subject to approval from Shareholders' General Meetings. The Company has established an authorisation system specifically for general transactions, connected transactions, risk investment projects and financial derivatives transactions. Subject to the facility granted by the Board of China COSCO and pursuant to their investment regulations, wholly-owned subsidiaries and subsidiaries under the control of China COSCO are entitled to make decisions on investment projects in which they are capable of raising funds on their own within the scope of their principal operations.

2. Delineation of duties

   The Articles of Association of the Company explicitly delineates the duties of the Shareholders' General Meeting, the Board and the Supervisory Committee which have formulated effective rules of procedure. They carry out their respective duties and are mutually independent from each other and supervise and promote each other.

   The Board has six committees, including Strategy Development Committee, Risk Management Committee, Audit Committee, Remuneration Committee, Nomination Committee and Executive Committee, with specific terms of reference. Each committee is authorised to make decisions within the respective terms of reference of their committees to fully perform the functions of decision facility of each committee, whereas the Executive Committee makes decisions within the auhorization granted on it.

3. Documentation and record control

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

4. Assets access and record usage

   Vessel management: The "Vessel Movement Monitoring System" is used to track the movement of vessels in a timely manner. Container management: Information on the movement of containers can be tracked and monitored by the computer system. The storage yard has direct EDI capability. Inventory information is transmitted through e-mail or the website of Florens. The Company's computer system will automatically check and identify the error and cause. Fuel stock management: COSCON has established the "COSCON Fuel Monitoring System" for fuel monitoring. Arrangement is made for vessels and ports according to the schedule and the actual stock taking in respect of bunker fuel is undertaken by the officers-in-charge of vessels.

5. Independent audit

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

6. Electronic information system control

As for the construction of the Company's global liner service information system, a worldwide network infrastructure structure has been created. A management information system structure with IRIS2 as the core business system, complemented by the SAP financial system and the MIS business management system, has been created and an e-commerce portal platform integrating COSCO features has been established. The Company has established a dry bulk shipping information system covering various production procedures. It has created a management information system structure with BMS as the business system, complemented by the SAP financial system and SMIS business management system. It has extensively employed CSIS, port information management system, supervisory and key issue online reporting system, human resources management system, comprehensive performance management system to ensure the efficiency of its operations. Shipping information system, i.e. the FOCUS information system, and the TCSS customer satisfaction assessment system has been established for its logistic business to enhance service quality. Through the proprietary container fleet management system developed by Florens, a subsidiary of COSCO Pacific, customers can proceed with real-time interaction with Florens. The Company is committed to the continued construction of the information disaster recovery system and the research and development and upgrading of the information system, and proceeds with the construction of complementary disaster recovery systems duly in response to changes in the production environment in order to ensure its integrity. Besides, the Company organises joint exercises in respect of the disaster recovery system on a global scale each year to ensure the sustained recoverability of the system.

(VII) Information communication

1. Internal Communication of the Company

Members of the Board obtain information on major events and financial position of the Company by attending board meetings. Members of the Supervisory Committee obtain information on major events of the Company, including its financial position, by attending meetings of the Supervisory Committee and presence at board meetings. Members of the Board and the Supervisory Committee obtain information on the latest situation of the Company's production operations, information disclosure and domestic and overseas supervisory updates, each month through the "Monthly Report for Directors and Supervisors" and "Monthly Report on Disclosure and Supervision". Through the office automation system (OA), endorsement and job liaison sheet are used for communication and job allocation among divisions.

2. External Communication of the Company

The Company has maintained constant external communication channels and mechanism. Through the fulfillment of social responsibilities and participation in activities, the Company maintains good relationship with all the related external parties. The Company strictly follows the domestic and overseas requirements on information disclosure obligations and ensures the timely, accurate, sufficient and complete disclosure of information, which serves as the basis of external communication. In addition, the Company announces information through its website (www.chinacosco.com) and organises press conferences for the announcement of financial results. It maintains communication with institutional investors, individual investors, potential investors and creditors and release information of the Company and its business electronically through its website. It welcomes enquiries from shareholders, investors and media on the general meetings, press conferences of financial results and investors meetings, while members of the Board and senior management also frequently attend such events to have direct communication with various parties. The Company also actively seeks external advice and recommendation as the reference for decision making.

(VIII) Inspection and supervision

The Company divides its monitoring task into general and specific supervision according to the inspection and supervision system of internal control. The Company has established internal control evaluation procedures and general risk management procedures to ensure the exposures and weaknesses of workflow are subject to daily supervision. It carries out thorough identification, evaluation, solution and control of exposures and weaknesses. The Company has also developed a supervision mechanism for specific approvals and reports in respect of major risk exposures, including investment, guarantees and connected transactions.

The Board of the Company is responsible for the overall supervision of the Company and the Audit Committee of the Board. Since 2007, the Company has identified risk-oriented internal control audit as a focus of auditing. Upon the formulation of the audit project plan for the whole system, the project plan has been implemented separately by all subsidiaries in accordance with the principle of unified coordination and hierarchical responsibility. Through the implementation of internal control audit, audit divisions at all levels have provided advice and recommendations focusing on the weaknesses in internal control so as to promote further improvement of the internal control of the Company.

The Company also makes the implementation of the opinions set out in the management proposal issued by the accounting firm each year a key task for promoting internal control construction and appoints designated personnel to be responsible for the improvement and implementation of the opinions set out in the management proposal. In 2009, the Company will continue to undertake risk-oriented internal control audit and proceed with audit and supervision focusing on key aspects. Meanwhile, the Company will continue to make the improvement and implementation of the recommendations set out in the management proposal an important task for promoting internal control construction of the Company.

IV. Annual evaluation of inspection and supervision system of internal control of the Company

In 2008, the internal control of China COSCO was focused on the internal control audits on business exposures of the newly acquired bulk cargo transportation companies. According to the internal auditing manual of China COSCO, the Company has conducted internal auditing on COSCO Bulk Carrier Co., Ltd., leases for chartered-in vessels of Qingdao Ocean Shipping Co., Ltd, FFA business and the headquarters of COSCO Logistics Co., Ltd. All of our subsidiaries have also carried out specific internal audit projects. For examples, COSCON has audited its internal control of capital while COSCO Logistics has implemented internal control over business discounts. The internal audit is based on the five key elements of COSO's internal control framework with focuses on the establishment and implementation of each group company's internal control system and the core business operations. Any defects in design and execution identified by the inspection system of internal audit, together with corresponding opinions on supervision, will be submitted to Audit Committee for review.

In 2009, the supervision department of China COSCO responsible for internal auditing, which is established after the restructuring of our Company, will facilitate the implementation of internal audit for each unit in accordance with the requirements of the Board of Directors, the Supervisory Committee and the management of the Company.

(V) Self–evaluation on effectiveness of internal control

The Board of the Company has conducted self-evaluation on all aspects of internal control in 2008 and no significant defects in design or execution of internal control was found. The Board was of the view that as at 31 December 2008, the Company had maintained effective internal control according to the "Internal Accounting Control Basic Standard (Trial)" and relevant provisions in all material aspects.

This report was considered and approved at the ninth meeting of the second session of the Board of Directors of the Company on 22 April 2009. The Board of Directors and all of its members severally and jointly accept full responsibility for the truthfulness, accuracy and completeness of the information contained herein.

(VI) The Company's internal control schedule for the coming year

The Company will further ascertain, integrate and subdivide key internal control procedures and further improve the information platform of internal control based on the outcomes achieved in 2008. With the gradual establishment of the comprehensive risk management system, the Company's internal control and risk management will complement each other and will be incorporated into its major operation so as to effectively implement various provisions and requirements of internal control.

(I) Further establishment of the comprehensive risk management system with internal controls

The Company has recently completed the preparation for internal control handbook of China COSCO and published it for implementation thereafter. In addition, the Company has finished the structure layout of the internal control system of China COSCO in compliance with requirements of the COSO "Corporate Risk Management – Overall Framework".

(II) Reinforcement of staff training to achieve comprehensive internal control and risk management

The Company plans to provide comprehensive risk management training to all the staff through video conferences and regularly organise compulsory extensive risk management training. The Company will also introduce knowledge and expertise for officers in charge of internal control system and relevant personnel for implementing the internal control system. Training for staff responsible for auditing of internal control and management system will be organised to enhance the quality of internal audit.

(III) Clearer definitions of risk management system and functions

The Company has assigned responsibilities of risk management to all divisions based on the chart illustrating the risks and relationships of all segments of China COSCO. The chart will be published upon revision based on feedbacks.

In addition, the Company completed the formulation of operation standards, and restructured and optimised its organisation. Operation standards are categorised by department, workshop, post, and work division of heads of departments and sub-branches. Operation standards specify the Company's risk management, and incorporate the responsibilities of risk management and evaluation of various risks. To meet the requirements of internal risk management, risks of every operating process will be controlled in accordance with the results of risk evaluation.

(IV) Further evaluation of existing operation and management risk

Based on the risk evaluation for 2006, the Company completed the review of its risk evaluation. The risks are classified into three categories of high, medium and low for the formulation of risk management policies.

(V) Further improvement of the internal control information system

The Company will establish and improve the internal control management division according to the overall planning of China COSCO's management information platform to achieve full integration with China COSCO's information system.

(VI) Further enhancement of risk management and internal control of subsidiaries

According to the "China COSCO Internal Control Plan 2009", the Company will further enhance the risk management and internal control systems of its subsidiaries following the headquarters' efforts and experience in establishing internal control systems. The measures to be taken include optimisation of the internal control systems and procedures of its subsidiaries, preparation for internal control manual and establishment of comprehensive risk management system, with a view to implementing a thorough risk management policy.

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

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

Corporate Governance Structure

C3. Audit Committee

Principle of the Code • The audit committee should have clear terms of reference, including arrangements as to how it will apply the financial reporting and internal control principles, and shall maintain an appropriate relationship with the company's auditors.
The current best situation in the governance of China COSCO • The Board of the Company has set up an Audit Committee, chaired by Mr. Alexander Reid HAMILTON, an independent non-executive director. Other members include Ms. SUN Yueying (a non-executive director) and Mr. CHENG Mo Chi (an independent non-executive director) who have professional skills and experience on financial management. All the members are non-executive directors, of which two are independent non-executive directors, and one independent director has been appointed with professional qualification and professional experience in financial management. • The Audit Committee is mainly responsible for the supervision of the internal design system and its implementation of the Company and its subsidiaries; audits on the financial information and disclosures of the Company and its subsidiaries; reviews on the internal control system (including financial control and risk management) of the Company and its subsidiaries, making designs on material connected transactions and communications, supervisions and verifications on the Company's internal and external audits. • In 2008, the Audit Committee has convened four meetings, wherein the management and the financial controller reported the Company's financial situation and material issues relating to internal control.

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

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

Corporate Governance Structure

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

D. Delegation by the Board

D1. Management Functions

Principle of the Code

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

The current best situation in the governance of China COSCO

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

Corporate Governance Structure

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

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

D2. Subordinate Committees of the Board

Principle of the Code
• The establishment of the subordinate committees of the board shall have written terms of reference, which clearly specifying the rights and duties of the committees.
The current best situation in corporate governance • The Board of the Company has six subordinate special committees, including the Strategic Development Committee, the Risk Management Committee, the Audit Committee, the Remuneration Committee, the Nomination Committee and the Executive Committee*. The Company set up the new special committees after the establishment of the second Board in June 2008. The Board shall fully consider the professional skills and experience of the directors when selecting them as the members of the special committees, thereby enabling the works of the committees may be performed with high efficiency. Among these, majority of the members of the Audit Committee, the Remuneration Committee and the Nomination Committee are independent non-executive directors. *Note: The Executive Committee did not hold any meeting in 2008 • Each of the committees has specific working guidelines, setting out the rights and obligations and the rules of procedures of the committees.

Corporate Governance Structure

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

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

Notes:

(1) Mr. Tsao Wen King, Frank resigned as an independent non-executive director of the Company on 6 June 2008.

(2) Mr. Teo Siong Seng was appointed as an independent non-executive director of the Company on 6 June 2008.

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

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

Corporate Governance Structure

E. Communication with Shareholders

E1. Effective communication

Principles of the Code
• The board should endeavour to maintain an on-going dialogue with shareholders, and in particular, use annual general meetings or other general meetings to communicate with shareholders and encourage their participation.
The current best situation in the governance of China COSCO
• The Board has endeavour to maintain communication with shareholders, and has taken annual general meetings as the major opportunities to have contact with individual shareholders, where all shareholders holding shares in the Company are entitled to attend the meetings. • Notices and circulars of general meetings shall be dispatched at least 45 days before the meeting, setting out details of business to be considered in the general meetings and the voting procedures.

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

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

E2. Voting by poll

Principles of the Code
• The issuer shall regularly inform shareholders of the procedures of voting by poll, and ensure compliance with the requirements under the Listing Rules and the Articles of Association.
The current best situation in the governance of China COSCO
• The Company has laid down the Rules of Procedures of Shareholders' General Meetings, specifically setting out the ways of voting and voting procedures in general meetings, and ensuring the procedures comply with the requirements under the Listing Rules and the Articles of Association.
• The Company has confirmed the validity of all shareholders present and voted in the meeting, appointed the Company's supervisors, share registrar, legal advisors and representatives of shareholders as the scrutinizers, and appointed the lawyers to issue legal opinions on the final results of voting. Results of voting are announced on designated newspapers and the website.

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

Code provisions	Compliance	Procedures of Corporate Governance
• The voting procedures for and the rights of shareholders to demand a poll should be disclosed in the circulars of general meetings. The chairman of the general meeting and/or directors who, individually or collectively, hold voting rights by proxies shall disclose in the meeting the number of votes represented by proxies held by directors	Yes	• The notice to shareholders' meetings and the circulars of general meetings clearly stated that each of the items to be considered at the shareholders' meeting and voting requirement, and at the same time explaining the related procedures at the meetings. The Chairman of the meeting has disclosed the voting results of votes by proxy at shareholders' meeting.

Code provisions	Compliance	Procedures of Corporate Governance
• The votes cast shall be ensured to be properly counted and recorded	Yes	• The Company has appointed the Company's supervisors, share registrar, legal advisors and representatives of shareholders as the scrutinizers, to count all the valid votes and make records. The Company has also appointed the lawyers to issue legal opinions on the voting results.
• The chairman of the general meeting should explain the procedures of voting and raising questions by shareholders at the commencement of the meeting	Yes	• Prior to the commencement of the general meeting, the chairman of the meeting shall make explanations on the procedures of the meeting, so as to ensure that all shareholders vote after understanding the voting procedures. In the past general meetings, there were arrangements in the procedures for raising questions by shareholders.

IV. Social responsibilities report

Corporate social responsibilities refer to voluntary obligations assumed by enterprises for stakeholders after taking account into market and economic factors to realise harmony and sustainability of the enterprises and the society. The Company has been complying with the Global Compact and fulfilling social responsibilities to achieve sustainable society and corporate development. China COSCO had prepared and published a thorough sustainability report disclosing the social responsibilities undertaken by China COSCO and the effectiveness of its risk management and sustainability management systems based on the Sustainability Reporting Guidelines of the Global Reporting Initiative, or the GRI, on the company website for social regulation.

The COSCO Group has been approved to become a member of the Global Compact by the United Nations in January 2005 and maintained close communication with the Global Compact Promotion Office of China（中國全球契約推進辦公室）under the United Nations according to the ten principles of Global Compact to promote the Global Compact. With the implementation of Global Compact by and according to the sustainable development plans of COSCO Group, China COSCO has carried out comprehensive risk management and the Global Compact by establishing an economical and harmonious corporate culture to realise harmony between corporate values, humanities and natural environments and achieve sustainability.

China COSCO has formulated strategies for sustainable developments aiming at transforming from a global shipping carrier to an international system integrator of shipping and logistics, expanding its cross-border operations into global scale through establishment of multi-national companies and becoming the resource allocator of global shipping and logistics industry. Being a global logistics group, China COSCO consolidated its strong foothold in China and expanded into the global markets. Through optimizing the resource allocations of shipping and logistics, the Company has continuously enhanced its competitiveness of shipping capability and enriched its logistics service scopes to provide customers with one-stop global shipping and logistics services, optimise the enterprise efficiency, corporate values and interests for shareholders, maximise rewards to its shareholders, the society and environment as well as to maintain sustainable development.

Since 2005, COSCON, a subsidiary of China COSCO, has become the first company under the COSCO Group to issue sustainability reports, which formed part of the sustainability reports of COSCO Group. COSCON's sustainability report has become the exemplary report of UN Global Compact for three consecutive years, which was unprecedented among Chinese enterprises and logistics enterprises and the only enterprise winning such award for three consecutive years in Asia.

Since 2006, performance of social responsibilities and sustainable developments of China COSCO has been disclosed in the consolidated sustainability reports of COSCO Group, while the reports of COSCON has been published as industry reports in the sustainability reports of COSCO Group. In 2007, the sustainability report of COSCO Group was awarded the highest grade of A+ by GRI, which was the first report in China winning such top grade according to the Sustainability Reporting Guidelines.

Since 2009, China COSCO Holdings Company Limited will issue separate sustainability report of 2008 to disclose the fulfilment of social responsibilities by China COSCO in line with the annual report of China COSCO. The sustainability report was prepared according to the Sustainability Reporting Guidelines of GRI and consisted of vertical reports on strategic plans for social responsibilities, target evaluations, corporate governance, management systems, resource allocations and operation performances and disclosures of economic issues, environmental issues, labours, human rights, social matters and products so as to meet all requirements of related parties and regulatory authorities.

To ensure the reliability and disclosure quality of the report, the Company formulated an 18-step review procedure and established an expert committee of related parties for supervision. The Company then submitted the report to United Nations Global Compact Office and DNV for auditing based on AA1000 sustainable management auditing criteria.

Corporate Governance Structure

In 2008, DNV had made evaluation and auditing of sustainable management system and reporting data of COSCO Container Lines Company Limited, COSCO (Hong Kong) Shipping Co., Ltd., COSCO Bulk Carrier Co., Ltd., Qingdao Ocean Shipping Company and COSCO Logistics Co., Ltd. The specific schedule was as follows:

Company Name	Auditing Time
COSCO Container Lines Company Limited	26 to 28 May 2008
COSCO (Hong Kong) Shipping Co., Ltd.	16 to 18 January 2008
COSCO Bulk Carrier Co., Ltd.	21 to 23 May 2008
Qingdao Ocean Shipping Company	11 to 13 November 2008
COSCO Logistics Co., Ltd.	19 to 21 November 2008

The Board of the Company passed the resolution regarding the 2008 sustainable development report of China COSCO Holdings Company Limited on 22 April 2009. The Company will disclose the sustainable development report on the website of China COSCO at www.chinacosco.com.

Description of General Meetings

(I) Annual General Meeting

Session	Date of Meeting
Annual General Meeting of 2007	6 June 2008

(II) Extraordinary General Meeting

Session	Date of Meeting
1st Extraordinary General Meeting of 2008	6 June 2008

Directors' Report

The Board is pleased to present the Directors' Report of the year 2008 together with the audited financial statements of the Group for the year ended 31 December 2008.

Principal Activities

The Group is engaged in providing container shipping, dry bulk cargo shipping, logistics, managing and operating terminals and container leasing businesses. The Company is an investment holding company and details of the principal activities of the Company's principal subsidiaries as at 31 December 2008 are set out in note 48 to the consolidated financial statements.

Results of the Group

The Group's results for the year ended 31 December 2008 are set out on page 160 of this report.

Financial Summary

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

Profit Distribution Plan and Implementation

Dividends and Other Distribution

The Board proposed to distribute a final cash dividend of RMB0.29 per share (including tax). The cash dividend for 2008 will be distributed on or before 8 July 2009 to holders of H Shares whose names appear on the register of members of the Company at 4:30 p.m. on 30 June 2009.

Major Suppliers and Customers

For the year ended 31 December 2008, the Group's purchases attributable to the Group's five largest suppliers were less than 30% of the Group's total purchases, and the aggregate sales attributable to the Group's five largest customers were less than 30% of the Group's total sales.

Reserves

Details of movements in the reserves of the Company and the Group during the year and details of the distributable reserves of the Company as at 31 December 2008 are set out in note 23 to the consolidated financial statements.

Statutory Reserve Funds

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

Property, Plant and Equipment and Investment Properties

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

Employees' Retirement Plans

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

Pre-emptive Rights

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

Share Capital

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

Directors' Report

Directors and Supervisors

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

Name	Date of appointment as Directors	Date of resignation as Directors
Executive director		
WEI Jiafu *(Chairman and CEO)*	6 June 2008	N/A
CHEN Hongsheng *(President)*	6 June 2008	N/A
Non-executive director		
ZHANG Fusheng *(Vice Chairman)*	6 June 2008	N/A
LI Jianhong	6 June 2008	N/A
XU Lirong	6 June 2008	N/A
ZHANG Liang	6 June 2008	N/A
SUN Yueying	6 June 2008	N/A
Independent non-executive director		
LI Boxi	6 June 2008	N/A
TSAO Wen King, Frank	9 June 2005	6 June 2008
Alexander Reid HAMILTON	6 June 2008	N/A
CHENG Mo Chi	6 June 2008	N/A
TEO Siong Seng	6 June 2008	N/A

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

Name	Positions	Date of appointment as Supervisors
LI Yunpeng	Chairman of Supervisory Committee	6 June 2008
WU Shuxiong	Supervisor	6 June 2008
MA Jianhua	Supervisor	6 June 2008
LI Zonghao	Supervisor	6 June 2008
YU Shicheng	Independent Supervisor	6 June 2008
KOU Wenfeng	Independent Supervisor	6 June 2008

Independence of the Independent Non-executive Directors

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

Biography of Directors, Supervisors and Members of the Senior Management

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

Connected Transactions

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

(a) As set out in category 2.5 under the subsection headed "Connected Transactions" in the section headed "Relationship with COSCO" in the prospectus of the Company dated 20 June 2005 (the "Prospectus"), seven independent vessel owners had entered into seven bareboat charters with COSCO Maritime (UK) Limited, a wholly-owned subsidiary of COSCO, in relation to seven vessels. By providing seaman services and vessel management services, COSCO sub-leased these seven vessels to COSCON under seven sub-time charter agreements. The term of each of the four out of the seven sub-time charters ran from the date of delivery of the vessels to 14 January 2008 and was renewed for another six months to 14 July 2008, while the term of each of the other three sub-time charters ran from the date of delivery of the vessels to 14 October 2008.

The annual caps and the actual amounts in respect of the sub-lease of time charters from COSCO to COSCON are set out in the table below.

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

For further information relating to the sub-lease of time charters from COSCO to COSCON, please refer to the Company's announcement dated 22 April 2008.

(b) As set out in category 2.6 under the subsection headed "Connected transactions" in the section headed "Relationship with COSCO" in the Prospectus, SG Almond Inc., SG Gondola Inc. and SG Pacmer Inc., the respective owners of the three vessels, COSCO Sakura, COSCO Ran and COSCO Kiku, had entered into the three bareboat charters with each of River Aquamarine Maritime Inc., River Nereid Maritime Inc. and River Azure Maritime Inc., wholly-owned subsidiaries of COSCO. By providing seaman services and vessel management services, COSCO sub-leased these three vessels to COSCON under time charter arrangements.

COSCO had further entered into three new time charter agreements with COSCON in 2005 and the arrangement of which is similar to those for COSCO Sakura, COSCO Ran and COSCO Kiku as mentioned above. South New Shipping Inc., South Great Shipping Inc. and South China Shipping Inc., the respective owners of the three vessels, COSCO Tianjin, COSCO Dalian and COSCO Xiamen, had entered into three bareboat charters with each of COSCO Tianjin Maritime Inc., COSCO Dalian Maritime Inc., and COSCO Xiamen Maritime Inc., wholly-owned subsidiaries of COSCO. COSCO then sub-leased the three vessels to COSCON under time charter arrangement. Three time charter agreements were entered into between COSCO and COSCON in February and March 2005.

The annual caps and the actual amounts in respect of the sub-time charters from COSCO to COSCON are set out in the table below.

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

For further information relating to the sub-time charters from COSCO to COSCON, please refer to the Company's announcement dated 22 April 2008.

(c) On 28 April 2008, COSCO Bulk and/or its subsidiaries and COSCO HK Shipping and/or its subsidiaries (as transferees) entered into nine novation agreements (the "COSCO Shipyard Group Vessel Novation Agreements") with COSCO International Ship Trading Co., Ltd. ("COSCO Shipping") (as transferor) and COSCO Shipyard Group Co. Ltd. ("COSCO Shipyard Group") (as seller) respectively, pursuant to which the rights and obligations of COSCO Shipping under the nine construction of vessels agreements entered into between COSCO Shipping (as buyer) and COSCO Shipyard Group (as builder) in relation to the construction of nine 57,000 DWT bulk vessels for an aggregate consideration of US$348,900,000 (equivalent to approximately HK$2,703,975,000), were transferred to COSCO Bulk and/or its subsidiaries and COSCO HK Shipping and/or its subsidiaries under each of the COSCO Shipyard Group Vessel Novation Agreements.

As COSCO is the controlling shareholder of the Company, COSCO Shipping and COSCO Shipyard Group, being members of the COSCO Group, are connected persons of the Company under the Listing Rules.

For further information relating to the above transactions, please refer to the Company's announcement dated 28 April 2008.

(d) On 9 May 2008, COSCON and/or its subsidiaries (as buyer) and Nantong COSCO KHI Ship Engineering Co., Ltd. (“NACKS”, as builder) entered into eight construction of vessels agreements for the construction of eight vessels at an aggregate consideration of US$1,336,000,000 (equivalent to approximately HK$10,420,800,000).

As COSCO is the controlling shareholder of the Company, NACKS, being member of the COSCO Group, is a connected person of the Company under the Listing Rules.

For further information relating to the above transactions, please refer to the Company’s announcement dated 9 May 2008.

(e) On 8 May 2008, COSCO Bulk and/or its subsidiaries and COSCO HK Shipping and/or its subsidiaries (as transferees) entered into eight novation agreements (the “NACKS 205,000 DWT Vessel Novation Agreements”) with Ching Tung (H.K.) Shipping Co., Ltd. (“Ching Tung”) and PMSL Shipping Services Limited (“PMSL”) (as transferors) and NACKS (as seller) respectively, pursuant to which the rights and obligations of Ching Tung and PMSL under the eight construction of vessels agreements for an aggregate consideration of US$612,800,000 (equivalent to approximately HK$4,779,840,000), were transferred to COSCO Bulk and/or its subsidiaries and COSCO HK Shipping and/or its subsidiaries under each of the NACKS 205,000 DWT Vessel Novation Agreements.

As COSCO is the controlling shareholder of the Company, NACKS, being member of the COSCO Group, is a connected person of the Company under the Listing Rules.

For further information relating to the above transactions, please refer to the Company’s announcement dated 9 May 2008.

(f) On 20 June 2008, the Company and COSCO Oceania Chartering Services Pty. Ltd. (“COSCO Bulk Oceania”) entered into a time charter master agreement (the “COSCO Bulk Oceania Time Charter Master Agreement”), for the provision of time charter between the Group and COSCO Bulk Oceania. The COSCO Bulk Oceania Time Charter Master Agreement has an initial term expiring on 31 December 2008.

The annual cap and the actual amounts in respect of the transaction is set out in the table below.

As COSCO is the controlling shareholder of the Company and the substantial shareholder of COSCO Bulk Oceania, accordingly, COSCO Bulk Oceania is a connected person of the Company under the Listing Rules.

For further information relating to the above transaction, please refer to the Company’s announcement dated 20 June 2008.

(g) On 20 June 2008, the Company and COSCO Europe Bulk Carrier Company Limited ("COSCO Bulk Europe") entered into a time charter master agreement (the "COSCO Bulk Europe Time Charter Master Agreement"), for the provision of time charter between the Group and COSCO Bulk Europe. The COSCO Bulk Europe Time Charter Master Agreement has an initial term expiring on 31 December 2008.

The annual cap and the actual amounts in respect of the transaction is set out in the table below.

As COSCO is the controlling shareholder of the Company, and COSCO is the substantial shareholder of COSCO Bulk Europe, accordingly, COSCO Bulk Europe is a connected person of the Company under the Listing Rules.

For further information relating to the above transaction, please refer to the Company's announcement dated 20 June 2008.

(h) On 20 June 2008, the Company and COSCO Bulk Carrier Americas Company Limited ("COSCO Bulk Americas") entered into a time charter master agreement (the "COSCO Bulk Americas Time Charter Master Agreement"), for the provision of time charter between the Group and COSCO Bulk Americas. The COSCO Bulk Americas Time Charter Master Agreement has an initial term expiring on 31 December 2008.

The annual cap and the actual amounts in respect of the transaction is set out in the table below.

As COSCO is the controlling shareholder of the Company, and COSCO is the substantial shareholder of COSCO Bulk Americas, accordingly, COSCO Bulk Americas is a connected person of the Company under the Listing Rules.

For further information relating to the above transaction, please refer to the Company's announcement dated 20 June 2008.

(i) On 1 July 2008, COSCON and COSCO Maritime (UK) Limited have signed extension letters to extend the terms of four sub-time charters to 30 June 2009, and to extend the terms of three sub-time charters to 30 November 2008 respectively. In order to unify the terms of the seven sub-time charters, COSCON and COSCO Maritime (UK) Limited have signed extension letters on 29 October 2008 to renew the term of the seven sub-time charter agreements to 30 November 2010.

The annual caps and the actual amounts in respect of the sub-lease of time charters from COSCO to COSCON are set out in the table below.

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

For further information relating to the sub-lease of time charters from COSCO to COSCON, please refer to the Company's announcement dated 29 October 2008.

(j) On 7 November 2008, COSCO Ports (Port Said) Limited ("CPPS"), a wholly-owned subsidiary of COSCO Pacific, and Suez Canal Container Terminal S.A.E. ("SCCT"), entered into a shareholder loan agreement (the "Loan Agreement"), pursuant to which CPPS agreed to make available to SCCT a shareholder's loan of up to US$16 million, which will serve as a short term bridging loan to SCCT before it can obtain permanent financing from third party commercial banks.

SCCT is owned as to 55% by Egyptian International Container Terminal S.A. ("EICT"). EICT is an indirect wholly-owned subsidiary of A.P. Moller – Maersk A/S ("APM"), which in turn is a substantial shareholder of a subsidiary of COSCO Pacific. SCCT is an associate of APM and therefore a connected person of the Company under the Listing Rules.

For further information relating to the above transaction, please refer to the Company's announcement dated 7 November 2008.

(k) CPPS, a wholly-owned subsidiary of COSCO Pacific, agreed to take part in a capital contribution of SCCT before 13 December 2008. CPPS also took part in a previous capital contribution of SCCT in April 2008.

SCCT is owned as to 55% by EICT. EICT is an indirect wholly-owned subsidiary of APM, which in turn is a substantial shareholder of a subsidiary of COSCO Pacific. SCCT is an associate of APM and therefore a connected person of the Company under the Listing Rules.

For further information relating to the above transaction, please refer to the Company's announcement dated 11 December 2008.

(l) On 20 December 2008, the Company and COSCO Bulk Oceania entered into a new time charter master agreement (the "New COSCO Bulk Oceania Time Charter Master Agreement") for the provision of time charters between COSCO Bulk Oceania and the Group. The New COSCO Bulk Oceania Time Charter Master Agreement has an initial term expiring on 31 December 2009.

The annual cap of the charter fees payable by COSCO Bulk Oceania to the Group and the annual cap of the charter fees payable by the Group to COSCO Bulk Oceania for the year ending 31 December 2009 are RMB146,000,000 and RMB104,000,000, respectively.

As COSCO is the controlling shareholder of the Company, and COSCO is the substantial shareholder of COSCO Bulk Oceania, accordingly, COSCO Bulk Oceania is a connected person of the Company under the Listing Rules.

For further information relating to the New COSCO Bulk Oceania Time Charter Master Agreement, please refer to the Company's announcement dated 22 December 2008.

(m) On 20 December 2008, the Company and COSCO Bulk Europe entered into a new time charter master agreement (the "New COSCO Bulk Europe Time Charter Master Agreement") for the provision of time charters between COSCO Bulk Europe and the Group. The New COSCO Bulk Europe Time Charter Master Agreement has an initial term expiring on 31 December 2009.

The annual cap of the charter fees payable by COSCO Bulk Europe to the Group and the annual cap of the charter fees payable by the Group to COSCO Bulk Europe for the year ending 31 December 2009 are RMB143,000,000 and RMB405,000,000, respectively.

As COSCO is the controlling shareholder of the Company, and COSCO is the substantial shareholder of COSCO Bulk Europe, accordingly, COSCO Bulk Europe is a connected person of the Company under the Listing Rules.

For further information relating to the New COSCO Bulk Europe Time Charter Master Agreement, please refer to the Company's announcement dated 22 December 2008.

(n) On 20 December 2008, the Company and COSCO Bulk Americas entered into a new time charter master agreement (the "New COSCO Bulk Americas Time Charter Master Agreement") for the provision of time charters between COSCO Bulk Americas and the Group. The New COSCO Bulk Americas Time Charter Master Agreement has an initial term expiring on 31 December 2009.

The annual cap of the charter fees payable by COSCO Bulk Americas to the Group and the annual cap of the charter fees payable by the Group to COSCO Bulk Americas for the year ending 31 December 2009 are RMB141,000,000 and RMB210,000,000, respectively.

As COSCO is the controlling shareholder of the Company, and COSCO is the substantial shareholder of COSCO Bulk Americas, accordingly, COSCO Bulk Americas is a connected person of the Company under the Listing Rules.

For further information relating to the New COSCO Bulk Americas Time Charter Master Agreement, please refer to the Company's announcement dated 22 December 2008.

(o) In the financial year ended 31 December 2008, the Company entered into certain voyage charters with the three overseas bulk shipping companies (i.e. COSCO Bulk Oceania, COSCO Bulk Europe and COSCO Bulk Americas).

The freight paid by the Company to the three overseas bulk shipping companies for the year ended 31 December 2008 totalled approximately RMB64,289,000. The freight paid by the three overseas bulk shipping companies to the Company for the year ended 31 December 2008 totalled approximately RMB641,487,000.

As COSCO is the controlling shareholder of the Company and at the same time a substantial shareholder of each of the three overseas bulk shipping companies, accordingly, the three overseas bulk shipping companies are connected persons of the Company under the Listing Rules.

For further information relating to the above transactions, please refer to the Company's announcement dated 15 April 2009.

The following table set out the relevant annual caps and the actual figures for the year ended 31 December 2008 in relation to the continuing connected transactions of the Company.

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

Transaction	Annual Cap for the year ended 31 December 2008 (RMB'000)	Actual Figure for the year ended 31 December 2008 (RMB'000)
1. Sub-leasing of time charters from COSCO to COSCON	460,000	383,592
2. Sub-time charters from COSCO to COSCON	204,000	172,043
3. Transactions under the Financial Services Master Agreement		
— Maximum daily outstanding balance of deposits (including accrued interest and handling fee) placed by the Group (excluding COSCO Pacific and its subsidiaries) with COSCO Finance	7,000,000	6,997,238
— Maximum daily outstanding balance of loans (including accrued interest and handling fee) granted by COSCO Finance to the Group (excluding COSCO Pacific and its subsidiaries)	7,000,000	1,871,035
4. Sub-time charters from COSCO Shanghai to COSCON	90,182	88,842
5. Transactions under the Master Vessel Services Agreement	13,500,000	12,938,406
6. Transactions under the Master Overseas Agency Services Agreement	350,000	305,214
7. Transactions under the Master Container Services Agreement	450,000	178,380
8. Transactions under the Master Solicitation Activities Agreement	500,000	257,911
9. Transactions under the Master Port Services Agreement	1,250,000	736,622
10. Transactions under the Master Seamen Leasing Agreement	1,000,000	693,045
11. Transactions under the Master General Services Agreement	100,000	86,236

Transaction	Annual Cap for the year ended 31 December 2008 (RMB'000)	Actual Figure for the year ended 31 December 2008 (RMB'000)
12. Transactions under the Master Vessel Management Agreement	95,000	78,600
13. Transactions under the COSCO Bulk Oceania Time Charter Master Agreement	400,000	263,064
14. Transactions under the COSCO Bulk Europe Time Charter Master Agreement	1,200,000	655,325
15. Transactions under the COSCO Bulk Americas Time Charter Master Agreement	840,000	666,670
16. Transactions under COSCO Pacific – COSCON Container Services Master Agreement	52,166	36,529
17. Transactions under COSCO Pacific – COSCON Shipping Services Master Agreement	356,571	237,163
18. Transactions under COSCO Pacific – APM Shipping Services Master Agreement	236,453	64,546
19. Transactions under COSCO Logistics – Shipping Agency Master Agreement	32,604	4,048
20. Transactions under COSCO Logistics – Freight Forwarding Master Agreement	34,804	2,848

Review of Continuing Connected Transactions for the year 2008

The independent non-executive directors of the Company, Ms. Li Boxi, Mr. Alexander Reid Hamilton, Mr. Cheng Mo Chi and Mr. Teo Siong Seng have reviewed the above continuing connected transactions (other than transactions under the master agreements set out as items 16 to 18 in the above table) and confirm that these transactions have been entered into:

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

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

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

The independent non-executive directors of COSCO Pacific have reviewed the continuing connected transactions set forth as items 16 to 18 in the above table and confirm that these transactions have been entered into:

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

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

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

For the purpose of Rule 14.38 of the Listing Rules, the board of directors of the Company engaged the auditors of the Company, PricewaterhouseCoopers, to perform certain agreed-upon procedures on the above continuing connected transactions (other than transactions under the master agreements set out as items 16 to 18 in the above table) as identified by the management for the year ended 31 December 2008 (the "Transactions") in accordance with Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants. The auditor based on the agreed-upon procedures, reported that:

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

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

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

(4) the accumulated amounts of the Transactions did not exceed the relevant annual caps.

For the purpose of Rule 14.38 of the Listing Rules, the board of directors of COSCO Pacific engaged the auditor of COSCO Pacific to perform certain agreed-upon procedures on the above continuing connected transactions set forth as items 16 to 18 in the above table and as identified by the management for the year ended 31 December 2008 in accordance with Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants. The auditor of COSCO Pacific reported that these transactions: (1) had been approved by the board of directors of COSCO Pacific; (2) had been conducted in accordance with the pricing policies of COSCO Pacific group, if applicable (for the samples selected); (3) had been entered into in accordance with the terms of the relevant agreements governing the other continuing connected transactions (for the samples selected); and (4) had not exceeded the respective annual caps.

Daily routine of the Board

(1) Meetings and resolutions of the Board

Session	Date of meeting	Details of resolutions
34th meeting of the first session of Board of Directors	25 January 2008	Appointment of Mr. Xu Zhunwu as deputy general manager
35th meeting of the first session of Board of Directors	22 April 2008	1. To review the "2007 Annual Report of China COSCO" (A Shares/H Shares), "Summary of 2007 Annual Report of China COSCO" (A Shares) and "2007 Annual Results Announcement of China COSCO" (H Shares) 2. Revision of the "Guidelines of the Works of Independent Directors of China COSCO Holdings Company Limited" 3. Revision of the "Terms of Reference for the Audit Committee of China COSCO Holdings Company Limited" 4. Annual appraisal for directors and supervisors of China COSCO for 2007 5. Annual appraisal for senior management of China COSCO for 2007
36th meeting of the first session of Board of Directors	29 April 2008	2008 first quarterly report of China COSCO
1st meeting of the second session of Board of Directors	6 June 2008	Reviewing election for Chairman and Vice chairman to the second session of Board of Directors of China COSCO
2nd meeting of the second session of Board of Directors	20 June 2008	1. Composition of each specialised committee under the second session of Board of Directors 2. Continuing connected transactions in respect of time charter of vessels entered into between China COSCO and three overseas bulk shipping companies in 2008
3rd meeting of the second session of Board of Directors	18 July 2008	Announcement of completion of corporate governance restructuring of China COSCO Holdings Company
4th meeting of the second session of Board of Directors	26 August 2008	2008 Interim Report of China COSCO

Directors' Report

Session	Date of meeting	Details of resolutions
5th meeting of the second session of Board of Directors	29 October 2008	1. 2008 third quarterly report of China COSCO 2. Revision of annual caps in respect of continuing connected transactions regarding time charter of vessels of China COSCO
6th meeting of the second session of Board of Directors	5 December 2008	Optimising organisational structure of the headquarters of China COSCO
7th meeting of the second session of Board of Directors	20 December 2008	1. Establishment of executive committee under the second session of Board of Directors 2. Issue of medium-term notes by China COSCO 3. Revision of "Measures for Capital Management of China COSCO Holdings Company Limited" 4. Continuing connected transactions in respect of time charter of vessels entered into between China COSCO and three overseas bulk shipping companies in 2009
8th meeting of the second session of Board of Directors	29 December 2008	Opinion of China COSCO on the implementation of FFA

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

(1) According to the "2007 profit distribution plan" passed in the annual general meeting for the year 2007 and based on 10,216,274,357 Shares in total as at 31 December 2007, a final cash dividend of RMB0.18 per share (including tax) per share, representing a total sum of RMB1,838,929,384.26 is paid. Among which, pursuant to the undertakings dated 11 December 2007 made by COSCO Group, the controlling shareholder of the Company, that the 864,270,817 non-public offering shares in China COSCO subscribed on 17 December 2007 shall not enjoy profit distributions of China COSCO from January to August 2007, an amount of RMB34,570,832.68 was deducted from the dividends paid.

(2) According to the "Nomination and Remuneration Policy for the Second Board of Directors of China COSCO" passed in the annual general meeting for the year 2007, the Company convened the first meeting of the second session of Board of Directors on 6 June 2008, during which the Company has elected Mr. WEI Jiafu and Mr. ZHANG Fusheng as Chairman and Vice Chairman, respectively and signed service contracts with all members of second session of the Board of Directors.

(3) According to the "Nomination and Remuneration Policy for Supervisors of the second session of Supervisory Committee of China COSCO" passed in the annual general meeting for the year 2007, the Company convened the first meeting of the second session of Supervisory Committee on 6 June 2008, during which the Company has elected Mr. Li Yunpeng as the Chairman of Supervisory Committee and signed service contracts with all members of the second session of Supervisory Committee.

(4) According to the "construction project of eight 13,350 TEUs container vessels for COSCON" passed in the first extraordinary general meeting in 2008, the Company has signed construction of vessels contracts with NACKS. Vessels will be delivered between 2012 to 2013.

(5) According to the "construction project of nine 57,000 DWT bulk vessels for COSCO Bulk and COSCO HK Shipping" passed in the first extraordinary general meeting in 2008, the Company has signed novation agreements with COSCO Shipping and COSCO Shipyard Group. Vessels will be delivered from March to July 2009.

(6) According to the construction project of eight 205,000 DWT bulk vessels for COSCO Bulk and COSCO HK Shipping passed in the first extraordinary general meeting in 2008, the Company has signed novation agreements with Ching Tung, PMSL and NACKS. Vessels will be delivered between 2010 to 2012.

(7) According to the "provision of guarantee for a loan of US$69.8 million by China COSCO for COSCO Qingdao in Bank of China Shandong Branch" passed in the first extraordinary general meeting in 2008, the guarantee provided by the Company for COSCO Qingdao has expired.

(3) The performance of duties by the audit committee of the Board

The chairman of the Company's audit committee was Mr. Alexander Reid Hamilton, an independent nonexecutive Director. Other members included Ms. Sun Yueying, a non-executive Director, and Mr. Cheng Mo Chi, an independent non-executive Director. During the reporting period, the audit committee held four meetings to review the Company's annual report, interim report, internal audit plan and the re-appointment of accountant firms. The audit committee conducted regular inspections to the Company's internal control system structure, construction of the internal control system, and conducted onsite inspection on the internal controls of subsidiaries. The actual situations were as follows:

(1) The 11th meeting of the first session of audit committee of China COSCO was held on 10 April 2008. The contents of the meeting included: to confirm the minutes of the 10th meeting of the audit committee held on 13 November 2007, to follow-up on the relevant matters in the minutes of the 10th meeting of the audit committee, to consider and listen to the reports of the financial controller on the 2007 financial status, the 2007 financial statements and audit reports, the directors' report, the results announcements of A shares and H shares, the management discussion and analysis, to consider the reports to audit committee of the international and PRC auditor on the 2007 audits, to consider the report on the connected transactions and the audits by the PRC and international auditors, to consider and approve the self-evaluation report of China COSCO for 2007 and the audit opinions of auditors, to consider the reports on the internal audits for 2008, to discuss the re-appointment of the international auditor and the appointment of the PRC auditors, to consider the amendment of the "Rules of procedures of the Audit Committee of China COSCO" and to discuss the crisis of fraud.

(2) The 12th meeting of the first session of audit committee of China COSCO was held on 29 May 2008. The contents of the meeting included: to confirm the minutes of the 11th meeting of the audit committee held on 10 April 2008, to follow-up on the relevant matters in the minutes of the 5th meeting of the audit committee, to consider the 2007 recommendations on enhancing control of the international and PRC auditors, to consider the progress of internal audits and reconfirm the internal audit plan, and to consider the audit strategy memorandum of international auditor on the 2008 audit.

(3) The 1st meeting of the second session of audit committee of China COSCO was held on 26 August 2008. The contents of the meeting included: to confirm the minutes of the 12th meeting of the first session of audit committee held on 29 May 2008, to follow-up on the relevant matters in the minutes of the 12th meeting of the audit committee, to listen to the reports of the financial controller on the interim financial data, to listen to and consider the reports of the international and PRC auditors on the interim financial data, to recommend the Board of Directors to approve the interim report and interim result announcement, to consider the progress of internal audits.

(4) The 2nd meeting of the second session of audit committee of China COSCO was held on 18 November 2008. The contents of the meeting included: to confirm the minutes of the 1st meeting of the second session of audit committee held on 26 August 2008, to follow-up on the relevant matters in the minutes of the 1st meeting of the audit committee, to listen to the reports of COSCO Bulk on the implementation of Forward Freight Agreement, to discuss the FFA report of RSM, to discuss the progress reports of the recommendations on enhancing control of international auditor, to discuss the supplementary report on audit strategy memorandum of international auditor, to discuss the audit plan of PRC auditor, to study relevant matters in the Basic Standards for Corporate Internal Control, to consider reports on internal audit.

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

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

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

The chairman of the remuneration committee of the Board of the Company is Mr. Cheng Mo Chi, an independent non-executive director. Other members include Mr. Xu Lirong, a non-executive Director, and Mr. Alexander Reid Hamilton, an independent non-executive Director. In 2008, the remuneration committee has convened a meeting to consider the overall remuneration policy and management of directors/supervisors, annual appraisal of stock appreciation rights granted and proceeds from the exercise of stock appreciation rights in 2007, remuneration variables of the newly appointed Vice General Manager, achievement progress of "management" goals by senior management in 2007 and annual remuneration of senior management. The committee has also reviewed the standards and terms of remuneration for proposed Directors and Supervisors and the achievement progress of "operation" goals by senior management, presented annual reviews of Directors and Supervisors and made recommendations to the Board of Directors on the above issues.

Substantial Interests in the Shares and Underlying Shares of the Company

So far as was known to any director of the Company, as at 31 December 2008, shareholders who had interests or short positions in the shares and underlying shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (the "SFO"), or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

		Number of H shares/Percentage of total issued share capital of the Company's H shares						
Name	Capacity and nature of interest	Long position	%	Short position	%	Lending Pool	%	Note
UBS AG	Interest of controlled corporation	205,426,727	7.96	13,145,495	0.51	–	–	(1)
Barclays PLC	Interest of controlled corporation	171,446,647	6.64	11,673,756	0.03	–	–	(2)
COSCO	Interest of controlled corporation	81,179,000	3.15	–	–	–	–	(3)

Notes:

(1) The 205,426,727 shares relate to the shares in the Company comprising:

(a) 131,041,526 shares held by UBS AG;

(b) 43,449,135 shares of which UBS AG has a security interest; and

(c) 30,936,066 shares held by certain wholly-owned subsidiaries of UBS AG, including UBS Global Asset Management (UK) Ltd., UBS Global Asset Management (Americas) Inc., UBS Global Asset Management (Hong Kong) Limited, UBS Global Asset Management (Singapore) Limited, UBS Securities LLC, UBS (Bahamas) Ltd., UBS Global Asset Management (Japan) Ltd. UBS Fund Management (Switzerland) AG and UBS Global Asset Management (Canada) Co.

UBS AG and UBS Securities LLC are holding a short position in 11,673,756 shares of the Company.

(2) The 171,446,647 shares relate to the shares in the Company directly held by the following entities of Barclays Bank PLC: Barclays Global Investors, N.A., Barclays Global Fund Advisors, Barclays Global Investors Ltd. and Barclays Global Investors (Deutschland) AG. Barclays Global Investors, N.A. is holding a short position in 11,673,756 shares of the Company.

(3) The 81,179,000 shares, which are held by HKSCC Nominees Limited as a nominee, relate to the shares in the Company directly held by Peaktrade Investments Ltd., a wholly owned subsidiary of COSCO (Hong Kong) Group Ltd., which in turn is a wholly owned subsidiary of COSCO Group.

As at 31 December 2008, so far as was known to the directors of the Company, the shareholder having interests in the A shares of the Company which fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

		Number of shares/Percentage of total issued share capital of the Company					
Name	Capacity and nature of interest	Long position	%	Short position	%	Lending Pool	%
COSCO	Beneficial owner	5,491,469,589	53.75	–	–	–	–

Save as disclosed above, as at 31 December 2008, so far as was known to the directors of the Company, there was no person (other than a director, supervisor or chief executive of the Company) who had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Sufficiency of Public Float

As at the date of this report, the public float of the Company satisfied the requirement of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

Share Appreciation Rights Plan

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

On 16 December 2005, the Board granted share appreciation rights to certain directors, supervisors and senior management 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 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 of the Company and its subsidiaries, and other personnel designated by the Board, including seven directors and four supervisors of the Company at an exercise price of HK$9.540 each under the Share Appreciation Rights Plan. The share appreciation rights granted to the seven directors and four supervisors are equivalent to 6,480,000 shares of the Company, which represent 0.25% of the total number of H shares of the Company. As at 31 December 2008, the Company did not grant any share appreciation rights for the year 2008.

Movements of the share appreciation rights which were granted pursuant to the Share Appreciation Rights Plan during 2008 are set out below:

Name of director/ supervisor	Capacity	Nature of interest	Exercise price	Number of units of share appreciation rights: Outstanding as at 1 January 2008	Granted during the year	Exercised during the year	Outstanding as at 31 December 2008	Approximate % of issued share capital of the Company's H shares as at 31 December 2008	Note
WEI Jiafu	Beneficial owner	Personal	HK$3.195	680,000	–	–	680,000	0.03%	(1)
			HK$3.588	900,000	–	–	900,000	0.03%	(2)
			HK$9.540	880,000	–	–	880,000	0.03%	(3)
ZHANG Fusheng	Beneficial owner	Personal	HK$3.195	700,000	–	(100,000)	600,000	0.03%	(1)
			HK$3.588	800,000	–	–	800,000	0.03%	(2)
			HK$9.540	780,000	–	–	780,000	0.03%	(3)
CHEN Hongsheng	Beneficial owner	Personal	HK$3.195	600,000	–	(75,000)	525,000	0.03%	(1)
			HK$3.588	700,000	–	–	700,000	0.03%	(2)
			HK$9.540	680,000	–	–	680,000	0.03%	(3)
LI Jianhong	Beneficial owner	Personal	HK$3.195	450,000	–	–	450,000	0.02%	(1)
			HK$3.588	600,000	–	–	600,000	0.02%	(2)
			HK$9.540	580,000	–	–	580,000	0.02%	(3)
XU Lirong	Beneficial owner	Personal	HK$3.195	375,000	–	–	375,000	0.02%	(1)
			HK$3.588	500,000	–	–	500,000	0.02%	(2)
			HK$9.540	580,000	–	–	580,000	0.02%	(3)
ZHANG Liang	Beneficial owner	Personal	HK$9.540	580,000	–	–	580,000	0.02%	(3)
SUN Yueying	Beneficial owner	Personal	HK$3.195	500,000	–	(50,000)	450,000	0.02%	(1)
			HK$3.588	600,000	–	–	600,000	0.02%	(2)
			HK$9.540	580,000	–	–	580,000	0.02%	(3)
LI Yunpeng	Beneficial owner	Personal	HK$3.195	540,000	–	(90,000)	450,000	0.02%	(1)
			HK$3.588	600,000	–	–	600,000	0.02%	(2)
			HK$9.540	580,000	–	–	580,000	0.02%	(3)
Wu Shuxiong	Beneficial owner	Personal	HK$3.195	500,000	–	(125,000)	375,000	0.02%	(1)
			HK$3.588	500,000	–	–	500,000	0.02%	(2)
			HK$9.540	480,000	–	–	480,000	0.02%	(3)
Ma Jianhua	Beneficial owner	Personal	HK$9.540	480,000	–	–	480,000	0.02%	(3)
LI Zhonghao	Beneficial owner	Personal	HK$3.195	225,000	–	–	225,000	0.01%	(1)
			HK$3.588	300,000	–	–	300,000	0.01%	(2)
			HK$9.540	280,000	–	–	280,000	0.01%	(3)

Notes:

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

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

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

4. During the period, no share appreciation rights mentioned above were lapsed or cancelled.

Share Options Scheme of COSCO Pacific

As at 31 December 2008, there are outstanding share options in relation to a share option scheme of COSCO Pacific, which was adopted on 23 May 2003 (the "2003 Share Option Scheme").

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

		Number of share option							
Category	Exercise price *HK$*	Outstanding as at 1 January 2008	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 31 December 2008	Percentage of total issued share captial as at 31 December 2008	Exercisable period	Note
Directors									
WEI Jiafu	13.75	1,000,000	–	–	–	1,000,000	0.04%	03.12.2004-02.12.2014	(2),(4)
ZHANG Fusheng	13,75	1,000,000	–	–	–	1,000,000	0.04%	03.12.2004-02.12.2014	(2),(4)
CHEN Hongsheng	13.75	1,000,000	–	–	–	1,000,000	0.04%	03.12.2004-02.12.2014	(2),(4)
LI Jianhong	13.75	1,000,000	–	–	–	1,000,000	0.04%	02.12.2004-01.12.2014	(2),(4)
SUN Yueying	13.75	1,000,000	–	–	–	1,000,000	0.04%	03.12.2004-02.12.2014	(2),(4)

			Number of share option						
Category	Exercise price *HK$*	Outstanding as at 1 January 2008	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 31 December 2008	Percentage of total issued share captial as at 31 December 2008	Exercisable period	Note
Supervisor									
LI Yunpeng	13.75	1,000,000	–	–	–	1,000,000	0.04%	03.12.2004-02.12.2014	(1), (2)
Others[6]	9.54	2,575,000	–	(94,000)	(20,000)	2,461,000	0.11%	(refer to note 1)	
	13.75	17,616,000	–	(54,000)	(120,000)	17,442,000	0.78%	(refer to note 2)	
	19.30	17,070,000	–	–	(190,000)	16,880,000	0.75%	(refer to note 3)	
		43,261,000	–	(148,000)	(330,000)	42,783,000			

Notes:

1. The share options were granted during the period from 28 October 2003 to 6 November 2003 under the 2003 Share Option Scheme at an exercisable price of HK$9.54. The options are exercisable at any time within ten years from the date when grantees commenced to accept the options under the 2003 Share Option Scheme ("Commencement Date"). The Commencement Date of the options of the grantees was from 28 October 2003 to 6 November 2003.

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

3. The share options were granted during the period from 17 April 2007 to 19 April 2007 under the 2003 Share Option Scheme at an exercisable price of HK$19.30, which was determined by the average of the closing prices of the shares of COSCO Pacific as quoted on the Stock Exchange for the five business days immediately preceding the grant of the options. The closing price of the shares COSCO Pacific on the date immediately preceding the grant of the options ranged between HK$19.44 and HK$19.92. The options are exercisable at any time within ten years from the Commencement Date. The Commencement Date of the options of the grantees was from 17 April 2007 to 19 April 2007.

4. These options represent personal interests held by the relevant Director as beneficial owner.

5. The weighted average closing price of the COSCO Pacific Shares immediately before the dates on which the options were exercised was HK$18.19.

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

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

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

As at 31 December 2008, the interests of the Company's directors and supervisors in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for the Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

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

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

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

Name of associated corporation	Name of Director/ Supervisor	Capacity	Nature of interest	Number of ordinary shares	Percentage of total issued share capital
COSCO Pacific	Tsao Wen King, Frank	Beneficial owner	Personal	50,000	0.002%
COSCO Corporation (Singapore) Limited	Wei Jiafu	Beneficial owner	Personal	1,900,000	0.08%
COSCO Corporation (Singapore) Limited	Li Jianhong	Beneficial owner	Personal	1,300,000	0.06%
COSCO Corporation (Singapore) Limited	Sun Yueying	Beneficial owner	Personal	1,400,000	0.06%

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

Movements of the share appreciation rights which were granted pursuant to the Share Appreciation Rights Plan of the Company during the year ended 31 December 2008 are set out in the paragraph headed "Share Appreciation Rights Plan" in this section.

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

Movement of the share options granted to the directors and supervisors of the Company by the associated corporations of the Company during the year ended 31 December 2008 are set out as below:

					Number of share options						
Name of associated corporation	Name of director/ supervisor	Capacity	Nature of interest	Exercise price	Outstanding as at 1 January 2008	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 31 December 2008	Percentage of total issued share capital of associated corporation as at 31 December 2008	Note
COSCO Pacific	WEI Jiafu	Beneficial owner	Personal	HK$13.75	1,000,000	–	–	–	1,000,000	0.04%	(1)
	ZHANG Fusheng	Beneficial owner	Personal	HK$13.75	1,000,000	–	–	–	1,000,000	0.04%	(1)
	CHEN Hongsheng	Beneficial owner	Personal	HK$13.75	1,000,000	–	–	–	1,000,000	0.04%	(1)
	LI Jianhong	Beneficial owner	Personal	HK$13.75	1,000,000	–	–	–	1,000,000	0.04%	(1)
	SUN Yueying	Beneficial owner	Personal	HK$13.75	1,000,000	–	–	–	1,000,000	0.04%	(1)
	LI Yunpeng	Beneficial owner	Personal	HK$13.75	1,000,000	–	–	–	1,000,000	0.04%	(1)
COSCO International	WEI Jiafu	Beneficial owner	Personal	HK$0.57	1,800,000	–	–	(1,800,000)	–	–	(2), (3), (6)
				HK$1.37	1,200,000	–	–	–	1,200,000	0.08%	(2), (4)
	LI Jianhong	Beneficial owner	Personal	HK$0.57	1,800,000	–	–	(1,800,000)	–	–	(2), (3), (6)
				HK$1.37	1,200,000	–	–	–	1,200,000	0.08%	(2), (4)
COSCO Corporation (Singapore) Limited	WEI Jiafu	Beneficial owner	Personal	S$1.23	1,100,000	–	–	(1,100,000)	–	–	(5), (7)
	LI Jianhong	Beneficial owner	Personal	S$1.23	700,000	–	–	–	700,000	0.03%	(5)
	SUN Yueying	Beneficial owner	Personal	S$1.23	700,000	–	–	–	700,000	0.03%	(5)

Notes:

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

2. The share options were granted by COSCO International, an associated corporation of the Company.

3. The share options were granted on 26 November 2003 under the share options scheme approved by the shareholders of COSCO International on 17 May 2002 and are exercisable at any time during the period from 23 December 2003 to 22 December 2008 at an exercisable price of HK$0.57 per share.

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

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

6. Mr. Wei Jiafu and Mr. Li Jianhong waived the rights to exercise these share options, which was lapsed on 23 December 2008.

7. Mr. Wei Jiafu waived the rights to exercise these share options.

Save as disclosed above, as at 31 December 2008, none of the directors, supervisors or chief executives of the Company had any interests or short positions in any shares or underlying shares or interests in debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

DISCLOSURE UNDER RULE 13.22 OF CHAPTER 13 OF THE LISTING RULES

In relation to the financial assistance granted by COSCO Pacific, a listed subsidiary of the Company, to certain affiliated companies, a proforma combined balance sheet of the affiliated companies as at 31 December 2008 required to be disclosed under Rule 13.22 of Chapter 13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") is set out below:

	RMB'000
Non-current assets	15,035,785
Current assets	1,021,725
Current liabilities	(3,943,442)
Non-current liabilities	(7,960,477)
Net assets	4,153,591
Share capital	3,330,480
Reserves	222,213
Minority interest	600,898
Capital and reserves	4,153,591

As at 31 December 2008 the Group's share of net assets of these affiliated companies amounted to RMB2,199,053,054.

Arrangements to purchase shares or debentures

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

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

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

There were no arrangements under which a director or supervisor of the Company had waived or agreed to waive any remuneration in respect of the year ended 31 December 2008.

Service Contracts of Directors and Supervisors

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

Interests of Directors and Supervisors in Contracts

None of the directors or supervisors of the Company had any material interest, whether directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year ended 31 December 2008.

Board Committees

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

Audit Committee

The Company has established an audit committee in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review the financial reporting process and the systems of internal controls of the Group, the completeness and accuracy of its accounts and to liaise on behalf of the directors of the Company with external auditors. The audit committee consists of two independent non-executive Directors, Mr. Alexander Reid Hamilton (chairman of the audit committee) and Mr. Cheng Mo Chi, and one non-executive director, Ms. Sun Yueying, who will meet regularly with management of the Company and the Company's external auditors, review audit reports, if applicable, and the interim and annual financial statements, as the case may be, of the Group. It has reviewed the consolidated financial statements for the year ended 31 December 2008, and recommended their approval by the Board.

Corporate Governance

The Company is committed to maintaining high standards of corporate governance by the Group and the Board is of the view that effective corporate governance makes an important contribution to the corporate success and to the enhancement of shareholder value. Please refer to pages 61 to 110 of this annual report for details.

Employees and Remuneration Policies

As at 31 December 2008, there were approximately 34,304 employees in the Group. Total staff cost for the Group for the year, including directors' remuneration, totalled approximately RMB6,118,540,000.

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

Repurchase, Sale or Redemption of the Company's Shares

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

Donations

Donations made by the Group during the year amounted to RMB34,899,000.

Auditors' Remunerations

The Company has appointed PricewaterhouseCoopers as the international auditor of the Company and Zhongruiyuehua Certified Public Accountants Co., Ltd. as the PRC auditor of the Company for 2008.

Fees in respect of audit services, audit related services and non-audit services provided by the above auditors to the Company during the year amounted to RMB47,092,000, RMB13,267,000 and RMB18,246,000 respectively.

In the 9th meeting of the second session of the Board of Directors, it has been considered and approved to continue to appoint Zhongruiyuehua Certified Public Accountants Co., Ltd. as the PRC auditor of the Company for 2009, and to continue to appoint PricewaterhouseCoopers as the international auditor of the Company for 2009, and to submit to the annual general meeting to authorise any director to handle such appointments.

Investor Relations

The Company has always placed great importance on investor relations and has identified investor relations as part of our long term strategic management.

In light of the pressure and challenges triggered by the global financial crisis and the dampened capital markets in 2008, the Company has ensured the understanding of domestic and foreign investors on the changes of shipping market and the Company's corresponding measures through a wide range of communication channels with capital market. In 2008, the Company participated in 39 investors meetings, and organised two global roadshows, two roadshows simultaneously held in Beijing, Shanghai and Shenzhen and a total of 606 one-to-one or one-to-multi meetings. It also engaged in direct communication with 3,262 domestic and foreign institutional investors, strategic investors and analysts, answered phone enquiries from over 2,000 individual investors, and promptly sent the Company's published announcements, circulars, public information on shipping market and analysts' reports via email. All these initiatives were well-received by the investors.

We made use of the Company's website to publish and promptly update our announcements, regular reports, news, results announcements, recordings of analysts' meetings and contact information of our investor relations personnel. The Company has also strived to provide the greatest convenience for interviews and access to public information from domestic and international financial medium subject to relevant laws and regulations.

During our communication with investors, the Company has always valued the opinions from the capital markets. We have also collected market feedbacks for the management as the basis of important decision-making.

The senior management and personnel who participated in investor relations have carried out the above tasks in strict compliance with the domestic and overseas regulatory requirements and have proactively performed their duties in accordance with the laws and regulations.

The tremendous efforts put in investor relationship by China COSCO have been highly recognised by the industry. It was awarded with "China Outstanding Enterprise with Best Investor Relationship（中國企業最佳投資者關係優異獎）" by IR Magazine on the China Investor Relationship Annual Conference 2008, and "The Best IR Website" and "Top 100 China Investor Relationship (中國投資者關係百強)" in the 2008 Investor Relationship Enterprises Award Campaign (2008年年度投資者關係大獎評選) organised by the Shanghai Stock Exchange and the Shenzhen Stock Exchange.

Corporate Culture

China COSCO has placed strong emphasis on the establishment of corporate culture. The Company has established a 3-year plan for corporate culture development and has formulated the "Guidelines on the Corporate Culture of China COSCO (Consultation Paper)" through workshops, questionnaires, senior management's meetings and case studies. While advocating its core corporate culture of "Success in global development and coordination（全球發展、和諧共贏）", the Company has proactively enriched its corporate culture of education, evaluation and award system to promote a harmonious, pragmatic and coordinated atmosphere for the corporate development of China COSCO.

By order of the Board of Directors
Wei Jiafu
Chairman

Beijing, the PRC
22 April 2009

Report of Supervisory Committee

(I) Meetings of supervisory committee

Meetings of supervisory commitee	Resolutions of the meetings of supervisory committee
21 April 2008 8th meeting of the first session of supervisory committee	1. Consider the work report of China COSCO for the year 2007 2. Consider the financial report of China COSCO for the year 2007 3. Review "Annual Report of China COSCO for the year 2007" (A shares/H shares), "Summary of Annual Report of China COSCO for the year 2007" (A Shares) and "Annual Results Announcements of China COSCO for the year 2007" (H Shares) 4. Review the annual financial reports and auditor's reports for the year 2007 prepared according to PRC accounting principles and Hong Kong Financial Reporting Standards respectively 5. Review changes of accounting estimates for the year 2007 6. Review specific explanations on adjustments in the balance sheet at the beginning of 2007 7. Review specific explanations funds utilisation by controlling shareholders and other related parties in 2007 8. Review the profit appropriation plan of China COSCO for the year 2007 9. Review the self evaluation report of internal controls and review opinions issued by the auditing firm for the year 2007 10. Review the report of supervisory committee of China COSCO for the year 2007 11. Review the work plans of supervisory committee of China COSCO for the year 2008 12. Review nominations of the second session of supervisory committee of China COSCO

Meetings of supervisory commitee	Resolutions of the meetings of supervisory committee
29 April 2008 9th meeting of the first session of supervisory committee	Review the first quarterly report of China COSCO for the year 2008
6 June 2008 1st meeting of the second session of supervisory committee	Review the election for Chairman of the second session of supervisory committee of China COSCO and execute service contracts of supervisors
19 June 2008 2nd meeting of the second session of supervisory committee	Review the work plans of the second session of supervisory committee of China COSCO for the year 2008
25 August 2008 3rd meeting of the second session of supervisory committee	1. Review "Interim Report of China COSCO for the year 2008"(A Shares/H Shares), "Summary of Interim Report of China COSCO for the year 2008"(A Shares) and "Interim Results Announcements of China COSCO for the year 2008" (H Shares) prepared according to PRC accounting principles and Hong Kong Financial Reporting Standards respectively 2. Report on-site investigations of supervisory committee
29 October 2008 4th meeting of the second session of supervisory committee	1. Review the third quarterly report of China COSCO in 2008 2. Review the investment in container piers of Piraeus Port in Greece
5 December 2008 5th meeting of the second session of supervisory committee	Review the resolution regarding optimising the organisational structure of the headquarter of China COSCO
20 December 2008 6th meeting of the second session of supervisory committee	Review the resolution regarding conditionally approving the resignation of Mr. Kou Wenfeng as supervisor

(II) The supervisory committee's independent opinions on whether the Company's operation is in compliance with the laws

The supervisory committee considers that the Company has optimised its internal control system by strengthening its system framework. The Board and the senior management of the Company have operated in a diligent, responsible and regulated manner in strict compliance with the Articles of Association and applicable law of the jurisdiction where the Company is listed. They have endeavoured to optimise the organisational structure of the headquarter of China COSCO and to facilitate the comprehensive coordination and development of the Company. The supervisory committee is not aware of any breach of applicable laws, Articles of Association and any harm to the interests of the Company by the Directors and senior management of the Company.

(III) The supervisory committee's independent opinions on the Company's financial position

The supervisory committee has reviewed the Company's financial report for the year 2008, annual profit appropriation plan and the auditor's reports with no qualified opinion issued by the Company's domestic and international auditors. In the opinion of the supervisory committee, the standard auditor's reports with no qualified opinion issued by PricewaterhouseCoopers and Zhongruiyuehua Certified Public Accountants Co., Ltd. objectively, fairly and truly reflect the Company's financial position and operation results with its profit appropriation plan matching existing operating conditions.

(IV) The supervisory committee's independent opinions on the Company's use of proceeds from the recent financing activity

After considering the report on the use of proceeds from the Company's management, the supervisory committee considers that the proceeds from the initial public offering of A share of the Company and the non-public issue of A shares have been used as planned and there was no change to the intended uses.

(V) The supervisory committee's independent opinions on the Company's acquisition and disposal of assets

During the reporting period, the supervisory committee has reviewed the acquisition of franchises of Piraeus Port No. 2 and No. 3 and considers that the agreements were entered into on normal commercial terms that were fair and reasonable and in the interests of the shareholders. No insider transaction and no loss to the interests of the Shareholders or the assets of the Company have been discovered.

(VI) The supervisory committee's independent opinions on the Company's connected transactions

The supervisory committee had reviewed the Company's connected transactions during the reporting period. Each of the connected transactions was conducted at fair market price. No loss to the interests of the shareholders or the Company was discovered.

(VII) The supervisory committee's independent opinions on the qualified opinion of accountants

Not applicable.

(VIII) The supervisory committee's independent opinions on the material discrepancy between the Company's actual profit and profit forecast

Not applicable.

Significant Events

(I) Material litigations and arbitrations

(Note: For details of the basic status of material litigations and arbitrations, please refer to the "Contingent liabilities" section of Note 44 to the Consolidated Financial Statements)

Unit: Dollar
Currency: US dollar

Plaintiff	Defendant	Party subject to joint responsibility	Nature of litigations and arbitrations	Amount involved in litigations (arbitrations)	Status of litigations (arbitrations)	Judgement of litigations (arbitrations) and effects	Execution of judgement of litigations (arbitrations)
GG SPORTSWEAR MFGT CORP	COSCON and Filipino agent of COSCON	Nil	Cargo delivery without bills of lading	US$2.169 million	Proceeding in progress	Not applicable	Not applicable
TRENGGANU FOREST PRODUCTS SDN BHD	COSCON and (中僑公司)	Nil	Bills of lading dispute	US$1.44 million	Proceeding in progress	Not applicable	Not applicable
Shanghai Reeferco Container Co., Ltd.	COSCON and vessel owner	Nil	Damage of containers	US$1.71 million	Proceeding in progress	Not applicable	Not applicable
Victims in the personal injury case	COSCON and/ or COSCO North America	Nil	Traffic accident and personal injury case	As at 31 December 2008, specific amount of medical and funeral expenses claimed were approximately US$0.65 million. Future claim amount cannot be estimated at present.	Proceeding in progress	Not applicable	Not applicable
Ship owner of MARINEH UNTER	COSCO Bulk	Nil	Lease dispute	US$0.375 million	Not applicable	Settled	The parties have entered into a settlement agreement and COSCO Bulk paid US$375,000 to the ship owner

Plaintiff	Defendant	Party subject to joint responsibility	Nature of litigations and arbitrations	Amount involved in litigations (arbitrations)	Status of litigations (arbitrations)	Judgement of litigations (arbitrations) and effects	Execution of judgement of litigations (arbitrations)
COSCO Bulk	Korea Line Corporation	Nil	Lease dispute	US$1.5 million	Arbitration in progress	Not applicable	Not applicable
STEMCO UK Ltd.	COSCO Bulk	Nil	Cargo delivery without bills of lading	US$11.5 million	Arbitration in progress	Not applicable	Not applicable
COSCO HK Shipping	WORLDLINK SHIPPING LTD. SOMOA	Nil	Lease dispute	US$14.5 million	Arbitration in progress	Not applicable	Not applicable
COSCO Oceania Chartering Services Pty. Ltd.	Parkroad Corporation Company	Nil	Lease dispute	US$8 million	Arbitration in progress	Not applicable	Not applicable
COSCO Oceania Chartering Services Pty. Ltd.	Stratus Shipping Company	Nil	Lease dispute	US$10 million	Arbitration in progress	Not applicable	Not applicable

(II) Matters related to bankruptcy and reorganisation

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

(III) Other material contracts

(1) COSCO Bulk and COSCO HK Shipping constructed nine 57,000 DWT bulk vessels. COSCON constructed eight 13,350 TEUs container vessels. COSCO Bulk and COSCO HK Shipping constructed eight 205,000 DWT bulk vessels. The details are disclosed in the Company's announcement dated 28 April 2008 and 9 May 2008.

(2) COSCON constructed four 4,250 TEUs container vessels, details of which are disclosed in the Company's announcement dated 13 May 2008.

(3) COSCO Pacific entered into a capital increase and amendment agreement with Qingdao Qianwan Container Terminal Co., Ltd., details of which are disclosed in the announcement of COSCO Pacific dated 26 August 2008;

(4) COSCO Pacific Limited obtained the concession of Piers 2 and 3 of the Piraeus Port. The parliament approved the ratification law on 5 March in repect of the concession agreement entered into and the details of the law were published in the government gazette on 30 March 2009.

(5) On July 2008, Florens, a subsidiary of COSCO Pacific, entered into a leaseback agreement with CBA USD Investments Pty Limited, a wholly-owned subsidiary of the Commonwealth Bank of Australia, pursuant to which Florens transferred the legal and equitable ownership of 118,094 TEUs containers at US $0.25 bilion and leaseback the containers from the company above for a term of 5 years. The Group was entitled to exercise the granted option for an extended term of 5 years. The rent payable by the Group shall be determined on an arm's length basis.

(IV) Performance of undertakings

1. Undertakings of the Company or shareholders holding 5% interests or more existed or in effect during the reporting period

Undertakings	Subject	Status
Undertakings given in acquisition reports or reports on change of interests	1. Dry bulk shipping business On 3 September 2007, COSCO issued a "Non-competition Undertaking" to the Company, making the following undertakings to the Company: So far as COSCO remains as the controlling shareholder of China COSCO, other than the above mentioned dry bulk cargo fleet, COSCO and its subsidiaries shall not adopt any actions and measures, to conduct any business which compete or may compete with China COSCO and its subsidiaries, and shall not infringe the lawful interests of China COSCO and its subsidiaries, including but not limited to the establishment of other subsidiaries or joint ventures, or associates in future to be engaged in marine dry bulk shipping business, or through other methods directly or indirectly involved in marine dry bulk shipping. Upon the completion of the Non-Public Offering, there shall be no new competitions between COSCO and its subsidiaries with China COSCO and its subsidiaries. In the meantime, COSCO has undertaken to give China COSCO the right of first refusal to acquire the assets and/or equity rights relating to dry bulk shipping business to be disposed of by COSCO or its subsidiaries; In respect of the chartering of vessels from COSCO Bulk and/or its subsidiaries to, and the operation of international marine dry bulk shipping business of these overseas companies, in which COSCO Bulk are interested, COSCO has undertaken to adopt effective measures to solve the above problem before the end of June 2008, including but not limited to adoption of the following measures: adjustment to the merger structure of such overseas companies or reorganise business operations, strengthen corporate governance, so as to ensure such overseas companies shall not constitute counterparty competition with China COSCO.	1. Dry bulk shipping business COSCO adopted such measures before the end of June 2008 and such overseas companies no longer constitute competition with China COSCO. 1. Profit undertaking If the total net profit after tax of the target companies in this acquisition for the three years from 2007 to 2009 as audited by the accountants appointed by China COSCO is lower than the corresponding estimated total net profit after tax as set out in the asset valuation report, i.e. RMB23,197,767,300, COSCO shall be responsible for the difference in full in cash.

Undertakings	Subject	Status
	2. Profit undertaking In respect of the transaction in which the dry bulk shipping assets of the parent company (COSCO) were acquired in 2007, COSCO, for itself and on behalf of the vendors of other assets in this transaction, made the following profit undertaking to China COSCO: If the total net profit after tax of the target companies in this acquisition for the three years from 2007 to 2009 as audited by the auditors appointed by China COSCO is lower than the corresponding estimated total net profit after tax as set out in the asset valuation report, i.e. RMB23,197,767,300, COSCO shall be responsible for the difference in cash in full.	
Undertakings given on issuance	1. Container shipping business On 9 June 2005, COSCO entered into "Non-competition Undertakings" with the Company, and undertook to the Company that: (1) the Group will be the sole entity to be engaged in marine container comprehensive shipping business ("Restricted Container Shipping Business") both in the PRC and overseas with self-owned or chartered container vessels among the subsidiaries of COSCO; and (2) it will procure its members (excluding members of the Group) not to be directly or indirectly engaged in Restricted Container Shipping Business (whether as shareholder, partner, lender or other capacities, and whether for profits, payments or other benefits). Such undertakings will cease to be effective upon the occurrence of the following: (1) expiry of the twelve months period commencing from the date COSCO (directly or indirectly) ceased to be the controlling shareholder of the Company through the companies, enterprises or entities under its control; (2) the Company's securities were delisted subsequent to its listing on the Hong Kong Stock Exchange or other stock exchanges and automatic transaction systems agreed by both parties.	The Company is not aware of any violation to the undertakings given by COSCO, the controlling shareholder of the Company, during the reporting period.

Undertakings	Subject	Status
	2. Container leasing business In respect of container leasing business, COSCO had undertaken to COSCO Pacific during the initial listing of COSCO Pacific on the Hong Kong Stock Exchange in 1994 that COSCO and its subsidiaries shall: (1) not be engaged in any business in any place in the world that may compete with the container leasing business of COSCO Pacific and its subsidiaries; (2) under any circumstances, when COSCO needs containers, it will first consider to lease from the container leasing companies, and under such circumstances, COSCO will grant COSCO Pacific and its subsidiaries the priority to negotiate container leasing business with COSCO, and may consider purchase of containers for own use only when COSCO fails to lease containers from the container leasing companies; (3) commence with the negotiation with COSCO Pacific and its subsidiaries as mentioned in the preceding paragraph at average market lease values, and to agree at annual rental adjustments in the existing and future contracts, and will enter into all contracts and rental adjustments based on the average rental values of four of the top ten independent container leasing companies; and (4) renew any existing contracts entered with COSCO Pacific and its subsidiaries for further ten years, and will enter into new contracts for a term of ten years.	

Undertakings	Subject	Status
	3. Freight forwarding, shipping agency and logistics business When COSCO Pacific Logistics acquired a 49% interests in COSCO Logistics at the end of 2003, with COSCO retaining a 51% interests in COSCO Logistics, COSCO entered into a "Non-competition deed" with COSCO Logistics on 22 September 2003 and COSCO Pacific Logistics in respect of the businesses conducted by the group of companies under COSCO Logistics. COSCO had made the following undertakings: (1) COSCO undertook that when engaged in shipping agency, freight forwarding, third party logistics and supporting services ("Prohibited Businesses") relating to the above services which compete with the business of COSCO Logistics and its subsidiaries through COSCO International Freight Company Limited ("COSFRE"), COSFRE will only provide shipping agency services to COSCON, while the freight forwarding services engaged by COSFRE are mainly solicitation of cargoes for COSCON; (2) Save as the above arrangements relating with COSFRE, COSCO shall not (other than through COSCO Logistics and China Road Transport International Forwarding Agency Company ("China Road Transport")) develop or operate Prohibited Businesses; (3) COSCO shall procure that except for COSFRE, all Prohibited Businesses in competition with the core businesses of COSCO Logistics, its subsidiaries, including but not limited to those of China Road Transport Agency Company, if not already disposed of by the COSCO to a third party or acquired by COSCO Logistics and its subsidiaries, will be terminated or wound up within three years from the date of the non-competition deed;	

Undertakings	Subject	Status
	(4) COSCO gave COSCO Logistics a five year option (subject to any right of first refusal of third parties in accordance with applicable legal requirements) to purchase from COSCO the entire or partial interests in any businesses or corporations that may compete with or may be similar in nature to the core businesses of COSCO Logistics and its subsidiaries; and	
	(5) COSCO Logistics shall, subject to any right of first refusal of third parties in accordance with applicable legal requirements, have a right of first refusal in respect of the sale by COSCO of any company or business that may be in competition with any business of COSCO Logistics and its subsidiaries.	

2. The Company's explanation on whether certain assets or projects met the original profit forecasts and the reasons behind, regarding the Company's assets or projects with profit forecasts and that the reporting period was within the term of such project forecasts:

   Not applicable.

(V) Punishment and remedial actions of listed company and its directors, supervisors, senior management, company shareholders and effective controller

During the reporting period (as at 31 December 2008), except Mr Alexander Reid HAMILTON, an independent non-executive director, none of the Company, its directors, supervisors, senior management and effective controllers of the Company was subject to any investigations of relevant authorities, coercive measures of judiciary and discipline inspection departments, transfer to justice authorities or criminal liabilities, investigation, administrative punishment from the China Securities Regulatory Commission, banning the entry to securities markets, identification as inappropriate candidate, punishment by other administrative departments and was the subject of a public reprimand from any stock exchanges.

According to an announcement published by the Securities and Futures Commission of Hong Kong (SFC) on 22 October 2008, SFC confirmed that a formal investigation has been commenced into the affairs of CITIC Pacific Limited ("CITIC") and Mr Alexander Reid HAMILTON, an independent non-executive director of CITIC, confirmed that he was subject to the investigation under SFC in respect of affairs of CITIC, for details of which please refer to the announcement published by the Company on 2 January 2009. According to another announcement made by CITIC on 3 April 2009, Commercial Crime Bureau of the Hong Kong Police ("Commercial Crime Bureau") has executed a search warrant to investigate for any alleged offences, details of which are set out in the announcement dated 6 April 2009. Mr. Alexander Reid HAMILTON is an independent non-executive director of the Company. The Company has no reason to believe that the aforesaid investigations concern, either directly or indirectly, any aspect of the affairs of the Company.

Independent Auditor's Report

TO THE SHAREHOLDERS OF CHINA COSCO HOLDINGS COMPANY LIMITED
(incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of China COSCO Holdings Company Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 157 to 319, which comprise the consolidated and company balance sheets as at 31 December 2008, and the consolidated income statement, the consolidated cash flow statement and the consolidated statement of recognised income and expense for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

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

Auditor's responsibility

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

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2008 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 22 April 2009

Consolidated Balance Sheet

As at 31 December 2008

	Note	2008 RMB'000	2007 RMB'000 (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment	6	**55,662,597**	46,002,514
Investment properties	7	**328,901**	340,377
Leasehold land and land use rights	8	**1,074,914**	1,045,052
Intangible assets	9	**185,340**	181,056
Jointly controlled entities	11	**4,993,681**	5,023,849
Associates	12	**6,118,023**	4,489,247
Available-for-sale financial assets	14	**2,864,240**	4,708,917
Derivative financial assets	20	**184,461**	366,349
Deferred income tax assets	15	**2,757,097**	524,264
Finance lease receivables	16	**13,670**	16,910
Restricted bank deposits	17	**74,001**	103,599
		74,256,925	62,802,134
Current assets			
Inventories	18	**1,501,054**	1,559,679
Trade and other receivables	19	**9,887,124**	13,271,481
Current portion of finance lease receivables	16	**6,447**	8,561
Derivative financial assets	20	**278,049**	2,089,099
Tax recoverable		**370,011**	—
Financial assets at fair value through profit or loss	21	**1,870**	3,664
Restricted bank deposits	17	**529,237**	—
Deposits and cash and cash equivalents	17	**31,582,436**	37,625,187
		44,156,228	54,557,671
Total assets		**118,413,153**	117,359,805

The accompanying notes on pages 164 to 319 are an integral part of the consolidated financial statements.

Consolidated Balance Sheet

As at 31 December 2008

	Note	2008 RMB'000	2007 RMB'000 (Restated)
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	22, 23	**10,216,274**	10,216,274
Reserves	23	**39,312,662**	34,579,847
Proposed dividends	23	**2,962,720**	1,804,358
		52,491,656	46,600,479
Minority interests		**9,755,106**	10,556,006
Total equity		**62,246,762**	57,156,485
LIABILITIES			
Non-current liabilities			
Long-term borrowings	24	**22,785,251**	14,142,178
Provisions and other liabilities	25	**1,013,188**	946,854
Derivative financial liabilities	20	**274,630**	6,571
Deferred income tax liabilities	15	**3,528,691**	1,929,732
		27,601,760	17,025,335
Current liabilities			
Trade and other payables	26	**14,761,982**	36,055,970
Amount due to a fellow subsidiary	27	**—**	536,779
Derivative financial liabilities	20	**3,691,032**	536,150
Short-term loans	28	**1,354,423**	3,916,671
Current portion of long-term borrowings	24	**2,274,229**	1,271,032
Current portion of provisions and other liabilities	25	**5,327,137**	21,005
Tax payable		**1,155,828**	840,378
		28,564,631	43,177,985
Total liabilities		**56,166,391**	60,203,320
Total equity and liabilities		**118,413,153**	117,359,805
Net current assets		**15,591,597**	11,379,686
Total assets less current liabilities		**89,848,522**	74,181,820

On behalf of the Board

Mr. Wei Jiafu
Director

Mr. Chen Hongsheng
Director

The accompanying notes on pages 164 to 319 are an integral part of the consolidated financial statements.

Balance Sheet

As at 31 December 2008

	Note	2008 RMB'000	2007 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	6,476	3,664
Intangible assets	9	1,480	356
Subsidiaries	10	33,999,222	29,739,201
Deferred income tax assets	15	19,377	91,119
		34,026,555	29,834,340
Current assets			
Prepayments, deposits and other receivables	19	47,758	109,690
Amounts due from subsidiaries	10	11,603,228	8,192,482
Deposits and cash and cash equivalents	17	7,880,067	12,841,335
		19,531,053	21,143,507
Total assets		53,557,608	50,977,847
EQUITY			
Share capital	22,23	10,216,274	10,216,274
Reserves	23	38,615,208	37,871,035
Proposed dividends	23	2,962,720	1,804,358
Total equity		51,794,202	49,891,667
LIABILITIES			
Current liabilities			
Trade and other payables	26	131,611	531,238
Amounts due to subsidiaries	10	733,897	216,983
Short-term loans	28	—	249,138
Current portion of provision and other liabilities	25	4,009	—
Tax payable		893,889	88,821
		1,763,406	1,086,180
Total liabilities		1,763,406	1,086,180
Total equity and liabilities		53,557,608	50,977,847
Net current assets		17,767,647	20,057,327
Total assets less current liabilities		51,794,202	49,891,667

On behalf of the Board

Mr. Wei Jiafu
Director

Mr. Chen Hongsheng
Director

The accompanying notes on pages 164 to 319 are an integral part of the consolidated financial statements.

Consolidated Income Statement

For the year ended 31 December 2008

	Note	2008 RMB'000	2007 RMB'000 (Restated)
Revenues	5	**130,871,857**	112,232,794
Cost of services and inventories sold	30	**(109,081,284)**	(87,287,316)
Gross profit		**21,790,573**	24,945,478
Other (expenses)/income, net	29	**(2,957,664)**	3,925,467
Selling, administrative and general expenses	30	**(4,389,509)**	(5,196,796)
Share reform	31	**—**	419,596
Operating profit	32	**14,443,400**	24,093,745
Finance income	33	**888,631**	660,881
Finance costs	33	**(1,012,134)**	(1,215,982)
		14,319,897	23,538,644
Profit on disposal of an associate	34	**—**	690,002
Share of profits less losses of			
– jointly controlled entities	11	**759,503**	878,133
– associates	12	**590,641**	1,005,783
Profit before income tax		**15,670,041**	26,112,562
Income tax expenses	35	**(2,962,770)**	(4,825,751)
Profit for the year		**12,707,271**	21,286,811
Attributable to:			
Equity holders of the Company	36	**11,617,012**	19,481,867
Minority interests		**1,090,259**	1,804,944
		12,707,271	21,286,811
Distributions	37(a)	**9,940**	39,072,345
Dividends	37(b)	**2,962,720**	1,804,358
		RMB	RMB
Earnings per share for profit attributable to the equity holders of the Company			
– basic and diluted	38	**1.1371**	2.1821

Consolidated Statement of Recognised Income and Expense

For the year ended 31 December 2008

	2008 RMB'000	2007 RMB'000 (Restated)
Available-for-sale financial assets		
– fair value (losses)/gains	**(1,937,755)**	1,400,356
– tax on fair value losses/gains	**65,224**	(118,783)
– transferred to income statement upon sale	**(14,491)**	—
Share of reserves of jointly controlled entities and associates	**(219,004)**	305,992
Exchange differences	**(2,820,309)**	(2,492,720)
Cash flow hedges		
– fair value (losses)/gains	**(28,754)**	307,608
– tax on fair value losses/gains	**11,780**	(60,345)
– transferred to income statement	**(241,224)**	(25,990)
Realisation of reserves upon		
– disposal of a jointly controlled entity and an associate	**(1,602)**	2,558
– deemed disposals	**819**	251,302
Actuarial losses on defined benefit pension plans and related deferred tax	**—**	(458)
Net expense recognised directly in equity	**(5,185,316)**	(430,480)
Profit for the year	**12,707,271**	21,286,811
Total recognised income for the year	**7,521,955**	20,856,331
Attributable to:		
Equity holders of the Company	**7,718,372**	18,560,449
Minority interests	**(196,417)**	2,295,882
	7,521,955	20,856,331

Consolidated Cash Flow Statement

For the year ended 31 December 2008

	Note	2008 RMB'000	2007 RMB'000 (Restated)
Cash flows from operating activities			
Cash generated from operations	41(a)	29,321,245	25,873,715
Interest received		929,982	529,673
Income tax paid		(4,859,910)	(2,246,120)
Net cash generated from operating activities		25,391,317	24,157,268
Cash flows from investing activities			
Purchase of property, plant and equipment, investment properties, leasehold land, land use rights and intangible assets		(17,999,113)	(12,939,680)
Acquisition of a business, net of cash acquired	41(d)	(196,754)	—
Investments in jointly controlled entities and associates		(2,143,019)	(1,364,018)
Purchase of available-for-sale financial assets		(13,233)	(25,483)
Proceeds from disposal of property, plant and equipment, investment properties, land use rights and intangible assets		2,620,514	4,413,500
Cash received from disposal of jointly controlled entities and an associate		102,384	2,054,753
Cash received from disposal of available-for-sale financial assets		40,778	188,083
Loans advanced to jointly controlled entities and associates		(213,044)	(514,578)
Repayments of loans advanced to jointly controlled entities, associates and an available-for-sale financial asset		199,120	128,115
Cash paid for purchase of 51% equity interest of COSCO logistics		—	(1,175,745)
Cash paid for subsidiaries purchased from COSCO Group		(5,913,956)	(12,781,839)
Dividends received from jointly controlled entities		575,183	843,642
Dividends received from associates		720,207	370,594
Dividends received from available-for-sale financial assets		55,752	119,641
Disposal of subsidiaries, net of cash received	41(e)	(2,090)	(6,372)
(Increase)/decrease in restricted bank deposits		(499,639)	22,499
Decrease in deposits with original maturities over three months		736	9,126
Reclassification of jointly controlled entities to subsidiaries	42	106,032	68,650
Reclassification of a subsidiary to a jointly controlled entity	43	(12)	—
Decrease in deposits to a fellow subsidiary		—	121,848
Net cash used in investing activities		(22,560,154)	(20,467,264)

Consolidated Cash Flow Statement

For the year ended 31 December 2008

	Note	2008 RMB'000	2007 RMB'000 (Restated)
Cash flows from financing activities	41(c)		
Drawdown of borrowings		**15,298,963**	12,143,782
Repayment of borrowings		**(7,374,016)**	(9,681,153)
Proceeds from exercise of share options of a subsidiary by grantees		**1,467**	192,227
Dividends and distributions		**(13,061,358)**	(3,360,889)
Dividends paid to minority shareholders of subsidiaries		**(864,699)**	(689,147)
Contributions from minority shareholders of subsidiaries		**131,552**	83,786
Interest paid		**(955,258)**	(1,143,740)
Other incidental borrowing costs and charges paid		**(41,163)**	(32,079)
Acquisition of minority interests' shares		**—**	(29,585)
Repayments for bond		**—**	(1,500,000)
Repayment of amount due to a fellow subsidiary		**(511,932)**	(143,857)
Contributions from COSCO Group		**—**	207,869
Payments for interest element of finance lease obligations		**(12,685)**	(14,849)
Principal repayments of finance lease obligations		**(9,652)**	(11,763)
Proceeds from A-shares issue		**—**	28,107,185
Share issue expenses		**(120,259)**	(419,736)
Net cash (used in)/generated from financing activities		**(7,519,040)**	23,708,051
Net (decrease)/increase in cash and cash equivalents		**(4,687,877)**	27,398,055
Cash and cash equivalents at 1 January		**37,624,451**	11,041,680
Exchange differences		**(1,354,138)**	(815,284)
Cash and cash equivalents at 31 December	17	**31,582,436**	37,624,451

Notes to the Consolidated Financial Statements

1 General information

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

The businesses of the Company and its subsidiaries (collectively the "Group") include the provisions of a range of container shipping, dry bulk shipping, managing and operating container terminals, container leasing and logistics services all over the world.

The directors of the Company (the "Directors") regard China Ocean Shipping (Group) Company ("COSCO"), a state-owned enterprise established in the PRC, as being the Company's parent company (note 46). COSCO and its subsidiaries (other than the Group) are collectively referred to as "COSCO Group".

In February and May 2008, the Group acquired from COSCO Group the entire equity interests in COSCO Panama Maritime S.A. and COSCO Brazil S/A (collectively the "COSCON overseas companies").

In June 2008, the Memorandum and Articles of Association of COSCO Europe Bulk Shipping GMBH, COSCO Oceania Chartering Services Pty. Ltd. and COSCO Bulk Carrier Americas Company Limited (collectively the "Bulk overseas companies") were revised to reflect the Group's power to govern their respective financial and operating policies. The Bulk overseas companies were previously jointly controlled entities of the Group.

In November 2008, the Group acquired from COSCO Group a 55% equity interest in COSCO Logistics (Europe) GMBH, Hamburg ("CL overseas company").

The parent company of the Bulk overseas companies, COSCON overseas companies and CL overseas company (hereinafter collectively referred to as "Transferred Subsidiaries") is COSCO and the aforesaid transactions are regarded as business combinations under common control (note 2(b)(i)). Details of the relevant statements of adjustments for the common control combinations on the Group's financial position as at 31 December 2008 and 2007 and the Group's results for the years then ended are set out in note 23(g).

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

These Consolidated Financial Statements have been approved for issue by the Board of Directors on 22 April 2009.

2 Summary of significant accounting policies

(a) Basis of preparation

The Consolidated Financial Statements for the year ended 31 December 2008 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 unless otherwise mentioned.

The Consolidated Financial Statements have been prepared under the historical cost convention except that, as disclosed in the accounting policies below, available-for-sale financial assets, financial assets at fair value through profit or loss and derivative financial instruments are stated at fair value.

The preparation of the Consolidated Financial Statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Consolidated Financial Statements, are disclosed in note 4.

(i) Amendments to standards and interpretations which are effective in 2008 and adopted by the Group

HKICPA has issued the following amendments to standards and interpretations which are mandatory for the Group's accounting periods on or after 1 January 2008:

HKAS 39 and HKFRS 7 Amendments	"Reclassification of Financial Assets"
HK(IFRIC)-Int 11	"HKFRS 2 – Group and Treasury Share Transactions"
HK(IFRIC)-Int 12	"Service Concession Arrangements"
HK(IFRIC)-Int 14	"HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction"

The adoption of these amendments to standards and interpretations 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.

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

(ii) New or revised standards, interpretations and amendments that are relevant to the Group but not yet effective for the year ended 31 December 2008 and have not been early adopted by the Group

HKICPA has issued the following new or revised HKFRSs which are relevant to the Group but not yet effective for the year ended 31 December 2008 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
HKAS 31 Amendment	"Interests in Joint Ventures"	1 January 2009
HKAS 39 Amendment	"Financial Instruments: Recognition and Measurement - Eligible Hedged Items"	1 July 2009
HKFRS 1 and HKAS 27 Amendments	"Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate"	1 January 2009
HKFRS 2 Amendment	"Share-based Payment Vesting Conditions and Cancellations"	1 January 2009
HKFRS 3 (Revised)	"Business Combination"	1 July 2009
HKFRS 7 Amendment	"Improving Disclosures about Financial Instruments"	1 January 2009
HKFRS 8	"Operating Segments"	1 January 2009
HK(IFRIC)-Int 16	"Hedges of a Net Investment in a Foreign Operation"	1 October 2008

		Effective for accounting period ending on or after
HK(IFRIC)-Int 9 and HKAS 39 Amendments	"Embedded Derivatives"	30 June 2009

The Group will apply the above standards and interpretations from 1 January 2009 or later period. The Group has already commenced an assessment of the related impact to the Group. The Group is not yet in a position to state whether any substantial changes to the Group's significant accounting policies and presentation of the financial information will be resulted.

(i) HKAS 1 (Revised) prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the consolidated income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period.

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

(ii) New or revised standards, interpretations and amendments that are relevant to the Group but not yet effective for the year ended 31 December 2008 and have not been early adopted by the Group (Continued)

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

(iii) HKAS 27 (Revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in profit or loss.

(iv) HKAS 31 Amendment (and consequential amendments to HKAS 32 and HKFRS 7) requires that where an investment in joint venture is accounted for in accordance with HKAS 39, only certain rather than all disclosure requirements in HKAS 31 need to be made in addition to disclosures required by HKAS 32, "Financial Instruments: Presentation" and HKFRS 7 "Financial Instruments: Disclosures". The amendment will not have a financial impact but will only affect the disclosure on the Consolidated Financial Statements.

(v) HKAS 39 Amendment clarifies the principles that determine whether a fair value or cash flow of a hedged item is eligible for designation and assessment over hedge effectiveness. It is not expected to have a material impact on the Consolidated Financial Statements.

(vi) HKFRS 1 and HKAS 27 Amendments remove the definition of the cost method from HKAS 27 and replace it with a requirement to present dividends as income in the separate financial statements of the investor. The Company will apply HKAS 27 Amendment prospectively from 1 January 2009 in its separate financial statements.

(vii) HKFRS 2 Amendment deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. As such these features would need to be included in the grant date fair value for transactions with employees and others providing similar services, that is, these features would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. It is not expected to have a material impact on the Consolidated Financial Statements.

(viii) HKFRS 3 (Revised) continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the consolidated income statement. There is a choice on an acquisition by acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

(ii) New or revised standards, interpretations and amendments that are relevant to the Group but not yet effective for the year ended 31 December 2008 and have not been early adopted by the Group (Continued)

(ix) HKFRS 7 amendment proposes amendments to disclosure requirement that are based on a three-level fair value hierarchy. The amendment also proposes amendments to liquidity risk disclosure to clarify the existing HKFRS 7 requirements. It is not expected to have a material impact on the Consolidated Financial Statements.

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

(xi) HK(IFRIC)-Int 16 clarifies the accounting treatment in respect of net investment hedging. This includes the fact that net investment hedging relates to differences in functional currency not presentation currency, and hedging instruments may be held anywhere in the Group. The requirements of HKAS 21, "The effects of changes in foreign exchange rates", do apply to the hedged item. It is not expected to have a material impact on the Consolidated Financial Statements.

(xii) HK(IFRIC)-Int 9 Amendments and HKAS 39 allows entities to reclassify particular financial instruments out of the "at fair value through profit or loss" category in specific circumstances. The amendments to IFRIC 9 and IAS 39 clarify that on reclassification of a financial asset out of the "at fair value through profit or loss" category all embedded derivatives have to be assessed and, if necessary, separately accounted for in financial statements. It is not expected to have an impact on the Consolidated Financial Statements.

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

(ii) New or revised standards, interpretations and amendments that are relevant to the Group but not yet effective for the year ended 31 December 2008 and have not been early adopted by the Group (Continued)

HKICPA has issued the following improvements to HKFRSs which are published in October 2008:

		Effective for accounting periods beginning on or after
HKAS 1 Amendment	"Presentation of Financial Statements"	1 January 2009
HKAS 16 Amendment	"Property, Plant and Equipment"	1 January 2009
HKAS 19 Amendment	"Employee Benefits"	1 January 2009
HKAS 20 Amendment	"Accounting for Government Grants and Disclosure of Government Assistance"	1 January 2009
HKAS 23 Amendment	"Borrowing Costs"	1 January 2009
HKAS 27 Amendment	'"Consolidated and Separate Financial Statements"	1 January 2009
HKAS 28 Amendment	"Investments in Associates"	1 January 2009
HKAS 36 Amendment	"Impairment of Assets"	1 January 2009
HKAS 38 Amendment	"Intangible Assets"	1 January 2009
HKAS 39 Amendment	"Financial Instruments: Recognition and Measurement"	1 January 2009
HKAS 40 Amendment	"Investment Property"	1 January 2009
HKFRS 5 Amendment	"Non-Current Assets Held for Sale and Discontinued Operations"	1 July 2009

The Group will apply the above improvements to HKFRSs from 1 January 2009 or later period. The Group has already commenced an assessment of the related impact to the Group. The Group is not yet in a position to state whether any substantial changes to the Group's significant accounting policies and presentation of the financial information will be resulted.

(i) HKAS 1 Amendment clarifies that some rather than all financial assets and liabilities classified as held for trading in accordance with HKAS 39, "Financial Instruments: Recognition and Measurement" are examples of current assets and liabilities respectively. It is not expected to have a financial impact but only affects the disclosure and classification of financial assets and liabilities on the Consolidated Financial Statements.

(ii) HKAS 16 Amendment (and consequential amendment to HKAS 7, "Statement of Cash Flows") requires that entities whose ordinary activities comprise renting and subsequently selling assets present proceeds from the sale of those assets as revenue and should transfer the carrying amount of the asset to inventories when the asset becomes held for sale. A consequential amendment to HKAS 7 states that cash flows arising from purchase, rental and sale of those assets are classified as cash flows from operating activities.

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

(ii) New or revised standards, interpretations and amendments that are relevant to the Group but not yet effective for the year ended 31 December 2008 and have not been early adopted by the Group (Continued)

(iii) HKAS 19 Amendment clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation.

The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation.

The distinction between short term and long term employee benefits will be based on whether benefits are due to be settled within or after 12 months of employee service being rendered.

HKAS 37, "Provisions, Contingent Liabilities and Contingent Assets" requires contingent liabilities to be disclosed, not recognised. HKAS 19 has been amended to be consistent.

(iv) HKAS 20 Amendment requires that the benefit of a below-market rate government loan is measured as the difference between the carrying amount in accordance with HKAS 39, "Financial Instruments: Recognition and Measurement" and the proceeds received with the benefit accounted for in accordance with HKAS 20. The amendment will not have a financial impact on the Consolidated Financial Statements as there are no loans received from the government.

(v) HKAS 23 Amendment amends the definition of borrowing costs so that interest expense is calculated using the effective interest method defined in HKAS 39 "Financial Instruments: Recognition and Measurement". This eliminates the inconsistency of terms between HKAS 39 and HKAS 23. The amendment will not have a financial impact on the Consolidated Financial Statements.

(vi) HKAS 27 Amendment requires that where an investment in a subsidiary that is accounted for under HKAS 39, "Financial Instruments: Recognition and Measurement", is classified as held for sale under HKFRS 5, "Non-Current Assets Held for Sale and Discontinued Operations", HKAS 39 would continue to be applied. The amendment will not have an impact on the Consolidated Financial Statements because it is the Group's policy for an investment in subsidiary to be recorded at cost in the standalone accounts of each entity.

(vii) HKAS 28 Amendment (and consequential amendments to HKAS 32, "Financial Instruments: Presentation" and HKFRS 7, "Financial Instruments: Disclosures") requires that an investment in associate is treated as a single asset for the purposes of impairment testing and any impairment loss is not allocated to specific assets included within the investment, for example, goodwill. Reversals of impairment are recorded as an adjustment to the investment balance to the extent that the recoverable amount of the associate increases. Where an investment in associate is accounted for in accordance with HKAS 39 "Financial Instruments: Recognition and Measurement" only certain rather than all disclosure requirements in HKAS 28 need to be made in addition to disclosures required by HKAS 32, "Financial Instruments: Presentation" and HKFRS 7 "Financial Instruments: Disclosures". The amendment will not have a financial impact on the Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

(ii) New or revised standards, interpretations and amendments that are relevant to the Group but not yet effective for the year ended 31 December 2008 and have not been early adopted by the Group (Continued)

(viii) HKAS 36 Amendment requires that where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made.

(ix) HKAS 38 Amendment requires that a prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services.

The amendment deletes the wording that states that there is 'rarely, if ever' support for use of a method that results in a lower rate of amortisation than the straight line method. The amendment will not currently have an impact on the Consolidated Financial Statements as all intangible assets are amortised using the straight line method.

(x) HKAS 39 Amendment clarifies that it is possible for there to be movements into and out of the fair value through profit or loss category where a derivative commences or ceases to qualify as a hedging instrument in cash flow or net investment hedge.

The definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading is also amended. This clarifies that a financial asset or liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit-taking is included in such a portfolio on initial recognition.

The current guidance on designating and documenting hedges states that a hedging instrument needs to involve a party external to the reporting entity and cites a segment as an example of a reporting entity. This means that in order for hedge accounting to be applied at segment level, the requirements for hedge accounting are currently required to be met by the applicable segment.

When remeasuring the carrying amount of a debt instrument on cessation of fair value hedge accounting, the amendment clarifies that a revised effective interest rate (calculated at the date fair value hedge accounting ceases) are used.

It is not expected to have a material impact on the Group's consolidated income statement.

(xi) HKAS 40 Amendment (and consequential amendments to HKAS 16), requires that property that is under construction or development for future use as investment property is within the scope of HKAS 40. Where the fair value model is applied, such property is, therefore, measured at fair value. However, where fair value of investment property under construction is not reliably measurable, the property is measured at cost until the earlier of the date construction is completed and the date at which fair value becomes reliably measurable. The amendment will not have a financial impact on the Consolidated Financial Statements, as investment properties are stated at cost less depreciation and impairment loss by the Group.

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

(ii) New or revised standards, interpretations and amendments that are relevant to the Group but not yet effective for the year ended 31 December 2008 and have not been early adopted by the Group (Continued)

(xii) HKFRS 5 Amendment (and consequential amendment to HKFRS 1, 'First-Time Adoption') clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control, and relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met. A consequential amendment to HKFRS 1 states that these amendments are applied prospectively from the date of transition to HKFRSs.

(xiii) There are a number of minor amendments to HKFRS 7, "Financial Instruments: Disclosures", HKAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors", HKAS 10, "Events After the Balance Sheet Date", HKAS 18, "Revenue" and HKAS 34, "Interim Financial Reporting" which are not addressed above. These amendments are unlikely to have an impact on the Consolidated Financial Statements and have therefore not been analysed in detail.

(b) Group accounting

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

(i) Merger accounting for common control combinations

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

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

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

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

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

2 Summary of significant accounting policies (Continued)

(b) Group accounting (Continued)

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

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group, other than the common control combinations (note 2(b)(i)). The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

(iii) Subsidiaries

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

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

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses (note 2(h)). For common control combination, the cost of investment is being either the cash consideration amount (for cash-settled transaction) or the amount of the net asset value of the subsidiary acquired at date of completion (for share-settled transaction). For non-common control combination, the cost of investment is being the amount of the fair value of the consideration for the subsidiary acquired at date of completion.

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

(iv) Transaction with minority interests

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

2 Summary of significant accounting policies (Continued)

(b) Group accounting (Continued)

(v) Jointly controlled entities/ associates

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

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

Investments in jointly controlled entities/associates are accounted for using the equity method of accounting and are initially recognised at cost.

The Group's share of its jointly controlled entities'/associates' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a jointly controlled entity/an associate equals or exceeds its interest in the jointly controlled entity/associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the jointly controlled entity/associate.

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

Dilution gains and losses arising in investments in jointly controlled entities/associates are recognised in the consolidated income statement.

In the Company's balance sheet the investments in the jointly controlled entities/associates are stated at cost less provision for impairment losses (note 2(h)). The results of jointly controlled entities/associates are accounted for by the Company on the basis of dividend received and receivable.

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

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

2 Summary of significant accounting policies (Continued)

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Company's functional currency is US dollar and its consolidated financial statements are presented in RMB. Presentation currency is different from the Company's functional currency because the Company is a PRC incorporated company which is required to present its financial statements in RMB.

(ii) Transactions and balances

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

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

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

(iii) Group companies

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

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

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

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

2 Summary of significant accounting policies (Continued)

(c) Foreign currency translation (Continued)

(iii) Group companies (Continued)

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

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

(d) Property, plant and equipment

(i) Assets under construction

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

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

(ii) Container vessels, dry bulk vessels and containers

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

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

Container vessels	25 years
Dry bulk vessels for	
– Ocean transportation	15 years (from the date of first registration)
– Coastal transportation	30 - 33 years (from the date of first registration)
Containers	12 - 15 years

With effect from 1 January 2008, the useful lives of dry bulk vessels for coastal transportation and the residual values of containers were revised, details of which are set out in note 4 (i). The net book value of property, plant and equipment as at 31 December 2008 and the profit before income tax for the year ended 31 December 2008 have been increased by approximately RMB154,000,000 by way of an decrease in depreciation charge for the year as a result of such changes.

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

2 Summary of significant accounting policies (Continued)

(d) Property, plant and equipment (Continued)

(iii) Other property, plant and equipment

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

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

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

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

The residual values of the property, plant and equipment and their useful lives are reviewed and adjusted, if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2(h)).

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

(e) Investment properties

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

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

(f) Leasehold land and land use rights

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

2 Summary of significant accounting policies (Continued)

(g) Intangible assets

(i) Goodwill

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

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of jointly controlled entities and associates is included in investments in jointly controlled entities and associates respectively.

Goodwill is tested annually or when an indication of impairment exists for impairment and carried at cost less accumulated impairment losses. Impairment loss on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

(ii) Computer software

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

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

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

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

2 Summary of significant accounting policies (Continued)

(i) Assets under leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessors are accounted for as operating leases. Leases that substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as finance leases.

(i) Where the Group is the lessee

(1) Operating leases

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

(2) Finance leases

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

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

(ii) Where the Group is the lessor

(1) Operating leases

When assets are leased out under operating leases, the assets are included in the balance sheet according to their nature and where applicable, are depreciated in accordance with the Group's depreciation policies, as set out in note 2(d)(ii) and 2(d)(iii) above. Revenue arising from assets leased out under operating leases is recognised in accordance with the Group's revenue recognition policies, as set out in note 2(x)(iv) below.

(2) Finance leases

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

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

(j) Financial assets

1. Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale. The classification depends on the purpose for which the assets were acquired. Management determines the classification of these assets at initial recognition.

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

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

(ii) Loans and receivables

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

(iii) Available-for-sale financial assets

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

2. Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

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

2 Summary of significant accounting policies (Continued)

(j) Financial assets (Continued)

2. Recognition and measurement (Continued)

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

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated income statement as other income/expenses.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the consolidated income statement as part of other income. Dividends on available-for-sale equity instruments are recognised in the consolidated income statement as part of other income when the Group's right to receive payments is established.

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

The Group assesses at each balance sheet date whether there is objective evidence that available-for-sale financial assets are impaired. A significant or prolonged decline in the fair value of the securities below its cost is considered as an indicator that in determining whether the securities are impaired. If any such evidence exists the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement) is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. Impairment testing of trade receivables is described in note 2(m).

2 Summary of significant accounting policies (Continued)

(k) Derivative financial instruments and hedging activities

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

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

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

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

The fair values of various derivative instruments used for hedging purposes are disclosed in note 20. Movements on the hedging reserve in shareholders' equity are shown in note 23. The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedge item is more than 12 months, and as a current asset or liability, if the remaining maturity of the hedged item is less than 12 months. Non-hedge derivatives are classified as a current asset or liability.

(i) Fair value hedges

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

2 Summary of significant accounting policies (Continued)

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

(ii) Cash flow hedge

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

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

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

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

(iii) Derivatives at fair value through profit or loss and accounted for at fair value through profit or loss

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

(l) Inventories

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

(m) Trade and other receivables

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

2 Summary of significant accounting policies (Continued)

(n) Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts. Bank overdrafts are shown in short-term borrowings on the balance sheet.

(o) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are not recognised for future operating losses. Provision for an onerous contract is recognised when the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling the contract and any compensation or penalties arising from failure to fulfil the contract.

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

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

(p) Share capital

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

(q) Borrowings

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

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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

2 Summary of significant accounting policies (Continued)

(r) Government subsidy

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

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

(s) Employee benefits

(i) Employee leave entitlements

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

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

(ii) Bonus entitlements

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

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

(iii) Post-retirement and early retirement benefit costs

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

Contributions under the defined contribution plans are charged to the income statement as expense when incurred.

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

2 Summary of significant accounting policies (Continued)

(s) Employee benefits (Continued)

(iii) Post-retirement and early retirement benefit costs (Continued)

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

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

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

(iv) Housing funds

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

(v) Housing subsidies

The Group has provided one-off cash housing subsidies based on PRC regulations to those eligible employees who have not been allocated with staff quarters at all or who have not been allocated with quarters up to the prescribed standards before 31 December 1998 when the staff quarter allocation schemes were terminated. The subsidies are determined based on a staff member's years of service, position and other criteria. In addition, monthly cash housing allowances should be made to other employees following the withdrawal of allocation of staff quarters regulations, which are recognised as incurred.

The liabilities recognised in the balance sheet is the present value of the obligation of the one-off housing subsidies at the balance sheet date and the past-service costs are recognised immediately in income statement.

(vi) Share-based payments

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

(i) Employee services settled in cash

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

2 Summary of significant accounting policies (Continued)

(s) Employee benefits (Continued)

(vi) Share-based payments (Continued)

(ii) Employee services settled in equity instruments

One of the Group's subsidiaries operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the share options of the subsidiary is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the consolidated income statement, and a corresponding adjustment to equity over the remaining vesting period. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(t) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries, jointly controlled entities and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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

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

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

2 Summary of significant accounting policies (Continued)

(u) Contingent liabilities and contingent assets

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

A contingent liability is not recognised but is disclosed in the notes to the Consolidated Financial Statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

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

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

(v) Vessels financing, sale and lease back transactions

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

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

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

(w) Trade payables

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

2 Summary of significant accounting policies (Continued)

(x) Recognition of revenues and income

Revenues comprise the fair value of the consideration received or receivable for the sale of services in the ordinary course of the Group's activities. Revenues are shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenues when the amount of revenues can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenues is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

The Group recognises revenues and income on the following basis:

(i) Revenues from container shipping

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

(ii) Revenues from dry bulk shipping

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

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

(iii) Revenues from container terminal operations

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

(iv) Revenues from lease rental income

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

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

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

(x) Recognition of revenues and income (Continued)

(v) Revenues from freight forwarding and shipping agency

Revenues are recognised when the services are rendered.

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

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

(vi) Revenues from sale of containers

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

(vii) Revenues from sales of properties

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

(viii) Interest income

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

(ix) Dividend income

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

(x) Other service income

Other service income is recognised when the services are rendered.

(y) Dividend distribution

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

2 Summary of significant accounting policies (Continued)

(z) Borrowing costs

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

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

(aa) Financial guarantee contracts

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

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

(ab) Segment reporting

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

3 Financial risk management

(a) Financial risk factors

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

The Group's Risk Management Committee identifies the financial risks associated with the Group. The Risk Management Committee works closely with the Audit Committee and the Board of Directors to review the controls and procedures for managing the risks identified. While the risk management controls and procedures are carried out by respective operating units under the risk management policies as approved by the Board of Directors.

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(i) Market risk

(1) Market freight rate risk

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

The Group uses freight forward agreements ("FFA") transacted with shipping companies through shipping agents and/or brokers, fixed terms Contracts of Affreightment and timecharterers to cover future physical positions of its dry bulk shipping business and to manage its business performance. The Group is exposed to freight rate risk arising from the outstanding FFA at the year end.

At 31 December 2008, the Group had derivative financial assets and liabilities in respect of FFA of RMB278,049,000 (2007: RMB2,421,547,000) and RMB3,965,662,000 (2007: RMB533,523,000) respectively (note 20) which are all subject to market freight rate risk.

At 31 December 2008, with all other variables held constant, if the forward freight rates on FFA contracts held by the Group at the balance sheet date were 10% higher, the net derivative financial liabilities in respect of FFA would have decreased by approximately RMB116,221,000 (2007: net derivative financial assets increased by RMB327,672,000) and accordingly, the Group's post-tax profit and equity would have increased by approximately RMB87,420,000 (2007: increased by RMB297,771,000) and RMB87,420,000 (2007: increased by RMB221,980,000) respectively.

At 31 December 2008, with all other variables held constant, if the forward freight rates on FFA contracts held by the Group at the balance sheet date were 10% lower, the net derivative financial liabilities in respect of FFA would have increased by approximately RMB115,958,000 (2007: net derivative financial assets decreased by RMB327,672,000) and accordingly, the Group's post-tax profit and equity would have decreased by approximately RMB87,223,000 (2007: decreased by RMB226,853,000) and RMB87,223,000 (2007: decreased by RMB196,009,000) respectively.

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(i) Market risk (Continued)

(2) Foreign exchange risk

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

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

Management monitors foreign exchange exposure and will consider hedging certain foreign currency exposure by using forward foreign exchange contracts when the need arises. At 31 December 2008, the Group has entered into two forward foreign exchange contracts to mitigate the currency exposure in respect of the purchase of one vessel (note 20(b)).

At 31 December 2008, with all other variables held constant, if non-functional currencies had strengthened/ weakened by 5%, the Group's post-tax profit and equity would have increased/decreased by approximately RMB379,755,000 (2007: RMB122,172,000) and RMB379,755,000 (2007: RMB122,172,000) respectively as a result of the translation of those Non-Functional Currency Items.

(3) Cashflow and fair value interest rate risk

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

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

At 31 December 2008, with all other variables held constant, if the interest rate had increased/ decreased by 50 base point, the corresponding increase/decrease in net finance income (representing interest income on Interest Bearing Assets less interest expenses on the Interest Bearing Liabilities) would have resulted in an increase/a decrease in the Group's post-tax profit and equity by approximately RMB59,158,000 (2007: RMB56,564,000).

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

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(i) Market risk (Continued)

(4) Equity securities price risk

The Group is exposed to equity securities price risk because certain of the Group's investments are classified as available-for-sale financial assets and financial assets through profit and loss which are required to be stated at their fair values (see fair value estimation below). To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio in accordance with the limits set by the Group.

The carrying amount of available-for-sale financial assets would be an estimated RMB286,424,000 lower or RMB286,424,000 higher were the market price, discounted rate used in the discounted cash flow analysis or the price/earnings multiple or price/book multiple to differ by 10% from management's estimates.

(5) Bunker price risk

The Group is also exposed to fluctuations in bunker prices. Bunker cost is part of the voyage expenses and is a significant cost item to the Group. Management monitors the market conditions and bunker price fluctuations and where appropriate, bunker forward contracts are used to lock up the price of part of the Group's bunker requirements.

At 31 December 2008, the Group had no bunker forward contracts (2007: Nil).

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(ii) Credit and counterparty risk

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

The Group has limited its credit exposure by restricting their selection of financial institutions on those state-owned and PRC banks, overseas banks with good credit rating, and the fellow subsidiary.

The trade customers (including related parties) and shipping companies are assessed and rated based on their credit quality, taking into account their financial position, past experience and other factors. Individual risk limits are set by management of the respective operating units.

The Group reviews the creditworthy of the shipyards and considers obtaining refund guarantees from the shipyards if necessary. In addition, the Group monitors the construction progress and the financial positions of the shipyards on a regular basis.

Management does not expect any significant losses from non-performance by these relevant parties.

(iii) Liquidity risk

The Group's cash management policy is to regularly monitor its current and expected liquidity positions to ensure adequate funds are available for its short term and long term requirements and compliance with the covenants as stipulated in the loans agreement.

Management monitors rolling forecasts of the Group's liquidity reserve and cash and cash equivalents on the basis of expected cash flows. In addition, the Group's liquidity management policy involves projecting cashflows in major currencies and considering the level of liquid assets necessary to meet these; monitoring balance sheet liquidity ratios against internal and external regulatory requirements; and maintaining debt financing plans.

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iii) Liquidity risk (Continued)

The table below analyses the Group's financial liabilities that will be settled into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Group	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
At 31 December 2008				
Bank and other borrowings	**4,514,995**	**3,944,075**	**15,544,279**	**5,981,572**
Derivative financial liabilities	**3,691,032**	**202,501**	**72,129**	**—**
Trade and other payables (excluding advances from customers)	**13,363,537**	**—**	**—**	**—**
At 31 December 2007 (Restated)				
Bank and other borrowings	6,000,528	1,983,641	8,123,124	6,564,585
Derivative financial liabilities	536,150	730	5,841	—
Amount due to a fellow subsidiary	536,779	—	—	—
Trade and other payables (excluding advances from customers)	33,791,471	—	—	—

Company	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
At 31 December 2008				
Trade and other payables	**131,611**	**—**	**—**	**—**
Amounts due to subsidiaries	**733,897**	**—**	**—**	**—**
At 31 December 2007				
Trade and other payables	531,238	—	—	—
Amounts due to subsidiaries	216,983	—	—	—
Short-term loans	249,138	—	—	—

3 Financial risk management (Continued)

(b) Capital risk management

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

The Group monitors capital on the basis of the total debt (total borrowings and amount due to a fellow subsidiary) to total equity (capital and reserves attributable to equity holders of the Company and minority interests) ratio and the compliance of covenants of its borrowings. The Group aims to maintain a manageable debt to equity ratio. At 31 December 2008, the total debt to equity ratio is summarised as follows:

	2008 RMB'000	2007 RMB'000 (Restated)
Long-term borrowings	25,059,480	15,413,210
Short-term borrowings	1,354,423	3,916,671
Amount due to a fellow subsidiary	—	536,779
Total debt	26,413,903	19,866,660
Total equity	62,246,762	57,156,485
Total debt to equity ratio	42%	35%

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

3 Financial risk management (Continued)

(c) Fair value estimation

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

— the quoted market price when the related investment is traded in an active market;

— valuation techniques (including pricing models or discounted cash flow models); and

— the price for similar recent transactions, with adjustment on the different market conditions and circumstances.

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

The fair value of interest rate swap contract is based on the market price quoted by dealers as at the balance sheet date.

The fair value of FFA is determined using quoted forward freight market rates as at the balance sheet date.

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

The fair value of forward foreign exchange contract is determined using quoted forward exchange rates at the balance sheet date.

The carrying values less impairment provision (as applicable) of trade receivables and payables are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4 Critical accounting estimates and judgements

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

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

(i) Estimated useful lives and residual values of container vessels, dry bulk vessels and containers

The Group's major operating assets represent container vessels, dry bulk vessels and containers. Management determines the estimated useful lives, residual values and related depreciation expenses for its container vessels, dry bulk vessels and containers. Management estimates useful lives of the container vessels, dry bulk vessels and containers by reference to the Group's business model, its assets management policy, the industry practice, expected usage of the vessels, expected repair and maintenance, and technical or commercial obsolescence arising from changes or improvements in the vessel market.

Management determines the estimated residual values for its container vessels, dry bulk vessels and containers. This estimate is based on all relevant factors (including the use of the current scrap values of steels in an active market as a reference value) at each measurement date. The depreciation expense will change where the useful lives or residual values of container vessels, dry bulk vessels and containers are different from the previous estimate.

During the year ended 31 December 2008, the management re-assessed the useful lives and residual values of dry bulk vessels and containers. The directors concluded that the useful life of dry bulk vessels for coastal transportation should be revised to 30-year as it reflects more fairly the estimated useful life of these assets. Furthermore, the residual values of containers should also be revised based on current market conditions.

With effect from 1 January 2008, depreciation of the dry bulk vessels for coastal transportation and the containers has been calculated to write off their costs over their revised useful life or revised residual value as estimated by the management on a straight-line basis. This represents a change in accounting estimates and has been accounted for prospectively (note 2(d)).

Were the useful lives to differ by 10% from management's estimates as at 31 December 2008 with all other variables held constant, the estimated depreciation expense of container vessels, dry bulk vessels and containers for the year would be RMB623,412,000 lower or RMB960,348,000 higher for the year ended 31 December 2008.

Were the residual values to differ by 10% from management's estimates as at 31 December 2008 with all other variables held constant, the estimated depreciation expense of container vessels, dry bulk vessels and containers for the year would be RMB105,943,000 lower or RMB115,196,000 higher for the year ended 31 December 2008.

4 Critical accounting estimates and judgements (Continued)

(ii) Estimated impairment of container vessels, dry bulk vessels and containers

The Group's major operating assets represent container vessels, dry bulk vessels and containers. Management performs review for impairment of the container vessels, dry bulk vessels and containers whenever events or changes in circumstances indicate that the carrying amounts of the container vessels, dry bulk vessels and containers may not be recoverable.

The recoverable amounts of container vessels, dry bulk vessels and containers have been determined either based on value-in-use or fair value less costs to sell method. The fair values of the assets were determined by independent valuers based on market transactions at the balance sheet date. While the value-in-use calculations require the use of estimates on the projections of cash inflows from the continue use of container vessels, dry bulk vessels and containers (including the amount to be received for the disposal of container vessels, dry bulk vessels and containers) and discount rates. All these items have been historically volatile and may impact the results of the impairment assessment.

Based on management's best estimates, there was no impairment loss for container vessels, dry bulk vessels and containers recognised during the year.

(iii) Classification of leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership to the lessee. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership to the lessee. The Group classifies its lease into either finance leases or operating leases taking into account of the spirit, intention, and application of HKAS 17 "Leases".

Management assesses the classification of leases by taking into account the market conditions at the inception of the lease, the period of the lease and the probability of exercising purchase options, if any, attached to the lease.

(iv) Fair value of available-for-sale financial assets

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

The carrying amount of available-for-sale financial assets would be an estimated RMB259,170,000 lower or RMB259,170,000 higher were the discount rate used in the discounted cash flow analysis or the price/earnings multiple or price/book multiple to differ by 10% from management's estimates.

4 Critical accounting estimates and judgements (Continued)

(v) Acquisition of a business and additional interest in an associate

The initial accounting on the acquisition of a business and additional interest in an associate involves identifying and determining the fair values to be assigned to the identifiable assets, liabilities and contingent liabilities of the acquired entities. The fair values of property, plant and equipment, leasehold land and land use rights and intangible assets are determined by reference to market prices or by using financial models. Any changes in the assumptions used and estimates made in determining the fair values, and management's ability to measure reliably the contingent liabilities of the acquired entity will impact the carrying amount of these assets and liabilities.

(vi) Provision for onerous contracts

The Group recognises a provision for onerous contracts relating to non-cancellable leases for chartered-in dry bulk vessels (i) with lease term expiring within 12 months from the balance sheet date; and (ii) with lease term expiring over 12 months from the balance sheet date in respect of the period being covered by the chartered-out dry bulk vessel contracts (note 25(c)).

Management estimates the provision for onerous contracts being the present obligation of the unavoidable costs less the economic benefits expected to be received under those non-cancellable chartered-in dry bulk vessel contracts. The expected economic benefits are estimated based on contracted freight rates of associated chartered-out dry bulk vessel contracts, and latest forward freight rates by reference to market statistics and information while unavoidable costs are estimated based on charterhire payments that the Group is obligated to make under the non-cancellable chartered-in dry bulk vessel contracts.

Were the estimated freight rates for the onerous contracts at 31 December 2008, with all other variables held constant, increased/decreased by 10% from management's estimates, the provision for onerous contracts would have been decreased/increased by RMB149,934,000.

The dry bulk market is currently highly volatile and freight rates longer than 12 months are difficult to predict with a reasonable certainty. Management considers that it cannot reasonably assess as to whether the chartered-in dry bulk vessel contracts with lease term over 12 months after the balance sheet date are onerous as the economic benefits expected to be received under these contracts cannot be reliably measured.

(vii) Voyages in progress

The Group recognises a percentage of estimated total revenues and expenses for any voyage remains incomplete at end of a reporting period. The percentage is calculated based on the number of days completed to the estimated voyage period. If the actual voyage period was different from the estimate, the estimated revenue and voyage expenses would be affected in the following reporting period (see also (viii) below).

Were the actual time proportion different by 10% from management's estimates as at 31 December 2008, the gross profit would be RMB49,256,000 lower or RMB46,492,000 higher if it were shorter or longer.

4 Critical accounting estimates and judgements (Continued)

(viii) Provision of voyage expenses

Invoices for voyage expenses are normally received several months after the transaction. For voyages completed or in progress as at end of reporting period (see also (vii) above), voyage expenses are estimated based on the latest quotation and voyage statistics obtained from vendors. If the actual voyage expenses were different from the estimate, this would have an impact on the estimated voyage expenses in the following reporting period.

Were the actual expenses of a voyage different from management's estimates as at 31 December 2008 by 10%, the voyage expenses would have been RMB245,854,000 lower or RMB244,726,000 higher in the future periods.

(ix) Income taxes and withholding taxes

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

Deferred tax liabilities have not been established for income tax and withholding tax that would be payable on certain profits of overseas subsidiaries to be repatriated and distributed by way of dividends as the Directors consider that the timing of the reversal of the related temporary differences can be controlled and such temporary differences will not be reversed in the foreseeable future (note 15).

If those undistributed earnings of the overseas subsidiaries are considered to be repatriated and distributed by way of dividends, the deferred income tax charge and deferred income tax liability would have been increased by the same amount of RMB1,256,681,000.

Recognition of deferred tax assets, which principally relate to temporary differences, depend on the management's expectation of the timing of reversal and the taxable profit that will be available against which tax losses can be utilised. The outcome of their actual utilisation or reversal may be different (note 15).

5 Revenues and segment information

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

	2008 RMB'000	2007 RMB'000 (Restated)
Container shipping (note a)	**43,799,729**	45,776,280
Dry bulk shipping (note b)	**70,888,679**	52,739,499
Container terminal operations	**524,193**	305,272
Container leasing (note c)	**766,323**	819,365
Logistics	**14,172,646**	11,974,938
Turnover	**130,151,570**	111,615,354
Manning service income	**214,979**	161,622
Others	**505,308**	455,818
Total revenues	**130,871,857**	112,232,794

Notes:

(a) Turnover from container shipping includes charterhire income under operating leases of RMB328,507,000 for the year ended 31 December 2008 (2007: RMB253,645,000).

(b) Turnover from dry bulk shipping is analysed below:

	2008 RMB'000	2007 RMB'000 (Restated)
Time charterhire income	**45,360,068**	36,153,574
Voyage charterhire income	**25,528,611**	16,585,925
	70,888,679	52,739,499

(c) Turnover from container leasing is analysed below:

	2008 RMB'000	2007 RMB'000 (Restated)
Operating lease rentals	**490,376**	382,767
Finance lease income	**2,274**	2,882
Proceeds from sale of resaleable containers	**273,673**	433,716
	766,323	819,365

5 Revenues and segment information (Continued)

(d) Primary reporting format - business segments

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

The Group is organised on a worldwide basis into the following segments:

— Container shipping and related business
— Dry bulk shipping and related business
— Container terminal and related business
— Container leasing and related business
— Logistics
— Other operations that primarily comprise container manufacturing and investment holding. This segment for the year ended 31 December 2007 also included the banking operation which was disposed of in November 2007.

Unallocated income mainly represents corporate income. Unallocated costs mainly represent corporate expenses. Segment assets consist primarily of property, plant and equipment, leasehold land and land use rights, intangible assets, inventories, receivables, derivative financial assets, operating cash and cash equivalents, and mainly exclude investments in jointly controlled entities, associates, available-for-sale financial assets, financial assets at fair value through profit or loss, 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 and borrowings. 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 2008							
	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 and related business RMB'000	Other operations RMB'000	Inter-segment elimination RMB'000	Total RMB'000
Income statement								
Revenues								
External sales	43,799,729	71,608,966	14,172,646	524,193	766,323	–	–	130,871,857
Inter-segment sales	3,721	2,040	139,983	87,608	990,520	–	(1,223,872)	–
	43,803,450	71,611,006	14,312,629	611,801	1,756,843	–	(1,223,872)	130,871,857
Segment results	291,644	12,642,176	380,385	337,761	909,181	2,608	–	14,563,755
Finance costs								(1,012,134)
Unallocated income, net								768,276
								14,319,897
Share of profits less losses of								
– jointly controlled entities	10,377	168,815	56,863	523,448	–	–	–	759,503
– associates	6,413	34,284	86,909	109,429	–	353,606	–	590,641
Profit before income tax								15,670,041
Income tax expenses								(2,962,770)
Profit for the year								12,707,271

5 Revenues and segment information (Continued)

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

	Year ended and as at 31 December 2008							
	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 and related business RMB'000	Other operations RMB'000	Inter-segment elimination RMB'000	Total RMB'000
Balance sheet								
Segment assets	30,442,286	36,186,834	7,317,591	3,849,759	9,018,301	21	(345,433)	86,469,359
Jointly controlled entities	46,681	859,827	394,713	3,625,591	–	66,869	–	4,993,681
Associates	32,637	118,199	438,206	1,067,558	–	4,461,423	–	6,118,023
Available-for-sale financial assets	35,137	461,844	145,202	2,207,576	–	14,481	–	2,864,240
Unallocated assets								17,967,850
Total assets								118,413,153
Segment liabilities	5,837,874	13,321,559	4,769,596	338,531	463,420	–	(345,433)	24,385,547
Unallocated liabilities								31,780,844
Total liabilities								56,166,391
Depreciation and amortisation	1,089,134	1,798,291	153,157	96,737	549,086	15,218	–	3,701,623
Capital expenditure	8,166,778	5,813,252	448,939	1,231,830	2,455,919	35,565	–	18,152,283
Recovery of bad debts	(3,321)	(1,635)	–	–	(11,628)	–	–	(16,584)
Provision for impairment of trade and other receivables	21,430	242,960	44,596	236	1,155	–	–	310,377
Amortised amount of transaction costs on long-term borrowings	5,877	–	–	2,768	–	3,081	–	11,726
Unrealised fair value loss on FFA, net	–	3,687,613	–	–	–	–	–	3,687,613
Provision for onerous contracts	–	5,249,667	–	–	–	–	–	5,249,667
Other non-cash expenses	–	–	–	–	1,954	2,677	–	4,631

5 Revenues and segment information (Continued)

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

	Year ended and as at 31 December 2007 (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 and related business RMB'000	Other operations RMB'000	Inter-segment elimination RMB'000	Total RMB'000
Income statement								
Revenues								
External sales	45,776,280	53,356,939	11,974,938	305,272	819,365	–	–	112,232,794
Inter-segment sales	9,565	27,912	179,576	83,254	1,065,310	–	(1,365,617)	–
	45,785,845	53,384,851	12,154,514	388,526	1,884,675	–	(1,365,617)	112,232,794
Segment results	1,656,283	21,489,149	276,034	343,677	975,915	251	–	24,741,309
Share reform (note 31)	–	–	–	–	–	419,596	–	419,596
Finance costs								(1,215,982)
Unallocated expense, net								(406,279)
								23,538,644
Profit on disposal of an associate (note 34)	–	–	–	–	–	690,002	–	690,002
Share of profits less losses of								
– jointly controlled entities	9,555	100,757	104,219	654,568	–	9,034	–	878,133
– associates	4,850	23,913	78,470	42,050	–	856,500	–	1,005,783
Profit before income tax								26,112,562
Income tax expenses								(4,825,751)
Profit for the year								21,286,811

5 Revenues and segment information (Continued)

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

	Year ended and as at 31 December 2007 (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 and related business RMB'000	Other operations RMB'000	Inter-segment elimination RMB'000	Total RMB'000
Balance sheet								
Segment assets	28,265,139	38,954,638	7,148,872	2,448,137	9,952,554	34,923	(357,267)	86,446,996
Jointly controlled entities	43,726	669,227	424,308	3,748,969	–	137,619	–	5,023,849
Associates	28,630	102,107	348,593	816,347	–	3,193,570	–	4,489,247
Available-for-sale financial assets	98,134	461,444	375,636	3,674,214	–	99,489	–	4,708,917
Unallocated assets								16,690,796
Total assets								117,359,805
Segment liabilities	6,946,905	7,221,209	4,498,861	137,443	959,350	–	(357,267)	19,406,501
Unallocated liabilities								40,796,819
Total liabilities								60,203,320
Depreciation and amortisation	1,073,785	2,264,284	156,268	52,627	585,121	5,717	–	4,137,802
Capital expenditure	3,799,068	4,695,693	454,649	377,318	4,515,433	1,060	–	13,843,221
Recovery of bad debts	(866)	(34,492)	(4,480)	–	–	–	–	(39,838)
Unrealised fair value gain on FFA, net	–	(1,888,024)	–	–	–	–	–	(1,888,024)
Provision for impairment of trade and other receivables	20,972	6,261	8,864	–	3,019	–	–	39,116
Amortised amount of transaction costs on long-term borrowings	5,860	–	–	15,018	–	2,397	–	23,275
Other non-cash expenses	–	–	–	–	7,748	88,290	–	96,038

5 Revenues and segment information (Continued)

(e) Secondary reporting format – geographical segments

The Group's businesses are managed on a worldwide basis. The revenues generated from the world's major trade lanes for container shipping business mainly include Trans-Pacific, Asia-Europe, Intra-Asia, PRC coastal, Trans-Atlantic and others which are reported as follows:

Geographical	Segment trade lanes
America	Trans-Pacific
Europe	Asia-Europe
Asia Pacific	Intra-Asia
China domestic	PRC coastal
Other international market	Trans-Atlantic and others

The revenues generated from provision of dry bulk shipping business services are classified into international and PRC coastal trade lanes only.

For the geographical segment reporting, freight revenues from container shipping and dry bulk shipping are analysed based on the outbound cargoes or goods transport to each geographical territory.

In respect of container leasing, the movements of containers under operating leases or finance leases are known through reports from the lessees but the Group is not able to control the movements of containers except to the degree that the movements are restricted by the terms of the leases or where safety of the containers is concerned. It is therefore impracticable to present segment information by geographical area and thus the revenues of which are presented as unallocated revenues.

In respect of other activities including container terminals and freight forwarding, shipping agency, manning services and logistics, revenues are based on the geographical locations in which the business operations are located.

The Group's total assets are primarily dominated by its container vessels, dry bulk vessels and containers. The Directors consider that the nature of the Group's businesses and the way in which costs are allocated preclude a meaningful allocation of container vessels, dry bulk vessels and containers and their operating profits and related capital expenditure to specific geographical segments as defined under the HKAS 14 "Segmental Reporting" issued by the HKICPA. These container vessels, dry bulk vessels and containers are primarily utilised across geographical markets for shipment of cargoes throughout the world. Accordingly, geographical segment information is only presented for revenues.

	2008 RMB'000	2007 RMB'000 (Restated)
Container shipping and related business, container terminals and related business and logistics		
– America	12,822,607	14,257,422
– Europe	13,976,409	14,618,523
– Asia Pacific	6,643,451	6,696,493
– China domestic	22,915,723	20,312,410
– Other international market	2,138,378	2,171,642
Dry bulk shipping and related business		
– International	67,839,105	50,538,165
– China domestic	3,769,861	2,818,774
Unallocated	766,323	819,365
Total	130,871,857	112,232,794

Notes to the Consolidated Financial Statements

6 Property, plant and equipment

Group

	Buildings RMB'000	Container Vessels RMB'000	Dry bulk vessels RMB'000	Containers RMB'000	Trucks, chassis and motor vehicles RMB'000	Computer and office equipment RMB'000	Assets under construction RMB'000	Total RMB'000
Cost								
At 1 January 2008	3,105,735	23,922,489	33,486,600	10,821,751	1,362,166	2,032,284	8,985,759	83,716,784
Exchange differences	(4,886)	(1,664,896)	(2,003,640)	(700,969)	(14,675)	(10,679)	(370,040)	(4,769,785)
Reclassification between categories and non-financial assets	617,859	5,220,961	3,591,894	65,294	–	83,102	(9,547,005)	32,105
Additions	54,880	6,556	382,744	2,435,507	85,931	177,978	14,163,175	17,306,771
Acquisition of a business (note 41(d))	354,552	–	–	–	–	85,817	149,391	589,760
Reclassification of jointly controlled entities to subsidiaries (note 42)	55,821	–	–	–	82,498	30,806	–	169,125
Reclassification of a subsidiary to a jointly controlled entity (note 43)	–	–	–	–	–	–	(54,968)	(54,968)
Disposals/write-off	(22,506)	(239,899)	(185,339)	(1,990,166)	(125,271)	(79,836)	–	(2,643,017)
Disposal of a subsidiary (note 41(e))	–	–	–	–	(956)	(300)	–	(1,256)
Transferred to inventories	–	–	–	(399,077)	–	–	–	(399,077)
At 31 December 2008	4,161,455	27,245,211	35,272,259	10,232,340	1,389,693	2,319,172	13,326,312	93,946,442
Accumulated depreciation and impairment								
At 1 January 2008	574,744	11,793,939	21,759,350	1,966,851	696,221	923,165	–	37,714,270
Exchange differences	4,837	(868,723)	(1,140,728)	(132,941)	(3,442)	(2,637)	–	(2,143,634)
Depreciation charge for the year	117,872	903,177	1,708,819	536,357	131,768	189,307	–	3,587,300
Reclassification of jointly controlled entities to subsidiaries (note 42)	11,248	–	–	–	22,074	19,108	–	52,430
Disposals/write-off	(13,150)	(191,890)	(177,966)	(113,640)	(110,909)	(56,652)	–	(664,207)
Disposal of a subsidiary (note 41(e))	–	–	–	–	(929)	(223)	–	(1,152)
Transferred to inventories	–	–	–	(261,162)	–	–	–	(261,162)
At 31 December 2008	695,551	11,636,503	22,149,475	1,995,465	734,783	1,072,068	–	38,283,845
Net book value								
At 31 December 2008	3,465,904	15,608,708	13,122,784	8,236,875	654,910	1,247,104	13,326,312	55,662,597

6 Property, plant and equipment (Continued)

Group

(Restated)

	Buildings RMB'000	Container Vessels RMB'000	Dry bulk vessels RMB'000	Containers RMB'000	Trucks, chassis and motor vehicles RMB'000	Computer and office equipment RMB'000	Assets under construction RMB'000	Total RMB'000
Cost								
At 1 January 2007	2,422,134	24,221,035	36,966,645	10,005,484	1,219,233	1,790,099	4,846,102	81,470,732
Exchange differences	(8,195)	(1,377,567)	(3,230,504)	(704,931)	(13,318)	(14,104)	(373,449)	(5,722,068)
Reclassification within categories	140,115	2,879,874	295,267	–	135,035	12,781	(3,463,072)	–
Additions	329,191	37,922	81,160	4,460,356	124,415	196,030	7,951,800	13,180,874
Reclassification of jointly controlled entities to subsidiaries (note 42)	287,848	–	–	–	7,431	152,753	32,124	480,156
Disposals	(65,358)	(1,838,775)	(625,968)	(1,766,279)	(110,630)	(105,275)	(7,746)	(4,520,031)
Transferred to inventories	–	–	–	(1,172,879)	–	–	–	(1,172,879)
At 31 December 2007	3,105,735	23,922,489	33,486, 600	10,821,751	1,362,166	2,032,284	8,985,759	83,716,784
Accumulated depreciation and impairment								
At 1 January 2007	474,497	12,223,462	22,276,685	2,473,037	608,416	818,437	–	38,874,534
Exchange differences	1,851	(586,097)	(2,343,419)	(144,920)	(1,568)	(9,011)	–	(3,083,164)
Depreciation charge for the year	112,871	822,364	2,180,166	571,181	160,026	210,537	–	4,057,145
Disposals	(14,475)	(665,790)	(354,082)	(123,047)	(70,653)	(96,798)	–	(1,324,845)
Transferred to inventories	–	–	–	(809,400)	–	–	–	(809,400)
At 31 December 2007	574,744	11,793,939	21,759,350	1,966,851	696,221	923,165	–	37,714,270
Net book value								
At 31 December 2007	2,530,991	12,128,550	11,727,250	8,854,900	665,945	1,109,119	8,985,759	46,002,514

6 Property, plant and equipment (Continued)

Company

	Motor vehicles RMB'000	Computer and office equipment RMB'000	Total RMB'000
Cost			
At 1 January 2008	**2,236**	**5,597**	**7,833**
Additions	**2,471**	**2,636**	**5,107**
At 31 December 2008	**4,707**	**8,233**	**12,940**
Accumulated depreciation			
At 1 January 2008	**807**	**3,362**	**4,169**
Depreciation charge for the year	**653**	**1,642**	**2,295**
At 31 December 2008	**1,460**	**5,004**	**6,464**
Net book value			
At 31 December 2008	**3,247**	**3,229**	**6,476**
Cost			
At 1 January 2007	2,236	5,460	7,696
Additions	—	137	137
At 31 December 2007	2,236	5,597	7,833
Accumulated depreciation			
At 1 January 2007	311	1,508	1,819
Depreciation charge for the year	496	1,854	2,350
At 31 December 2007	807	3,362	4,169
Net book value			
At 31 December 2007	1,429	2,235	3,664

6 Property, plant and equipment (Continued)

Notes:

(a) The aggregate cost, accumulated depreciation and impairment of the leased assets, where the Group is the lessor under the operating lease arrangements, are set out below:

	Containers RMB'000	Container vessels RMB'000	Dry bulk vessels RMB'000	Total RMB'000
At 31 December 2008				
Cost	**4,170,092**	**1,863,198**	**23,452,973**	**29,486,263**
Accumulated depreciation and impairment	**(939,572)**	**(139,078)**	**(14,210,623)**	**(15,289,273)**
	3,230,520	**1,724,120**	**9,242,350**	**14,196,990**
At 31 December 2007				
Cost	2,258,831	1,651,302	23,286,689	27,196,822
Accumulated depreciation and impairment	(220,767)	(311,635)	(15,841,361)	(16,373,763)
	2,038,064	1,339,667	7,445,328	10,823,059

(b) At 31 December 2008, certain container vessels and dry bulk vessels with aggregate net book values of RMB12,295,138,000 and RMB481,593,000 respectively (2007: RMB9,359,261,000 and RMB310,761,000) were pledged as securities for loan facilities granted by banks or third parties (note 24(h)).

(c) At 31 December 2008, certain buildings with net book value of RMB58,854,000 (2007: RMB61,034,000) were pledged as securities for long term bank borrowings (note 24(h)).

(d) During the year, the Group transferred containers with aggregate net book values of RMB137,915,000 (2007: RMB363,479,000) to inventories.

(e) The net book value of a vessel held under finance lease as at 31 December 2008 amounted to RMB77,915,000 (2007: RMB128,004,000).

(f) A syndicated banking facility of RMB2,089,747,000 (equivalent to US$305,760,000) was obtained from banks and financial institutions for financing the construction of four container vessels. As at 31 December 2008, outstanding bank loan as drawn down by the Group amounted to RMB1,980,036,000 (equivalent to US$289,707,600) (2007: RMB1,293,077,000 (equivalent to US$177,022,300)). In 2008, two additional syndicated banking facilities of RMB1,328,209,000 (equivalent to US$194,336,000) in total were obtained from banks and financial institutions for financing the construction of two container vessels. As at 31 December 2008, outstanding bank loans as drawn down by the Group amounted to RMB1,282,146,000 (equivalent to US$187,596,313) (2007: Nil). These three banking facilities are secured by:

(i) First legal mortgage over six (2007: one) container vessels with net book values of RMB5,034,166,000 (equivalent to US$736,570,732) (2007: RMB928,619,000 (equivalent to US$127,127,929)), upon completion of the construction. As at 31 December 2007, three container vessels with net book values of RMB1,879,647,000 (equivalent to US$257,323,734) were still under construction for which there were assignments of the building contracts and instalment refund guarantee issued by bank for these three container vessels under construction.

(ii) Assignment of the charter, charter earnings and rights, requisition compensation and insurance relating to these six (2007: one) container vessels.

(iii) Shares of certain subsidiaries.

(iv) Bank accounts of certain subsidiaries.

6 Property, plant and equipment (Continued)

(g) In 2006, the Group entered into agreements with certain bank and financial institution pursuant to which the Group participated in a series of linked transactions including financing, sales and leasing back of two vessels (the "Vessel Financing Lease Arrangements"). These two vessels with net book values of RMB849,381,000 (equivalent to US$124,276,689) (2007: RMB944,326,000 (equivalent to US$129,278,303)) are accounted for as property, plant and equipment as the Group retains all the risks and rewards incident to the ownership of the underlying assets and enjoys substantially the same rights to its use before or after the Vessel Financing Lease Arrangements. As at 31st December 2008, the balance of RMB495,418,000 (equivalent to US$72,486,794) (2007: RMB570,458,000 (equivalent to US$78,095,765)) in respect of the arrangements was included in long-term bank borrowings.

(h) The depreciation of the dry-docking costs for the year ended 31 December 2008 and the net book value of the dry-docking costs as at 31 December 2008 were RMB127,205,000 (2007: RMB90,897,000) and RMB233,129,000 (2007: RMB93,934,000) respectively.

(i) During the year, interest expenses of RMB34,418,000 (2007: RMB39,035,000) were capitalised to the vessels during the vessel construction period (note 33).

7 Investment properties

	Group	
	2008	2007
	RMB'000	RMB'000
At 1 January	**340,377**	314,740
Exchange differences	**(883)**	(665)
Addition	**51,607**	37,345
Reclassification to property, plant and equipment	**(32,105)**	—
Reclassification to leasehold land and land use rights	**(730)**	—
Depreciation	**(29,365)**	(11,043)
At 31 December	**328,901**	340,377
Representing:		
Cost	**444,628**	451,310
Accumulated depreciation	**(115,727)**	(110,933)
Net book value	**328,901**	340,377

The fair value of the investment properties at 31 December 2008 was RMB677,717,000 (2007: RMB945,595,000). The fair value is estimated by the management with reference to recent market transactions.

8 Leasehold land and land use rights

	Group	
	2008	2007
	RMB'000	RMB'000
At 1 January	1,045,052	505,410
Exchange differences	(14,784)	(18,099)
Additions	49,339	528,612
Reclassification from investment properties	730	—
Acquisition of a business (note 41(d))	99,518	—
Reclassification of jointly controlled entities to subsidiaries (note 42)	16,081	54,624
Reclassification of a subsidiary to a jointly controlled entity (note 43)	(83,423)	—
Amortisation	(37,599)	(17,684)
Disposals	—	(7,811)
At 31 December	1,074,914	1,045,052

Note:

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and their net book value, are analysed as follows:

	Group	
	2008	2007
	RMB'000	RMB'000
In Hong Kong, held on:		
Leases of over 50 years	119,736	130,638
Leases of between 10 to 50 years	1,350	2,022
	121,086	132,660
Outside Hong Kong, held on:		
Leases of over 50 years	26,252	31,508
Leases of between 10 to 50 years	927,576	880,884
	953,828	912,392
Total	1,074,914	1,045,052
Cost	1,131,248	586,200
Accumulated amortisation	(86,196)	(80,790)
Net book value at 1 January	1,045,052	505,410
Cost	1,199,361	1,131,248
Accumulated amortisation	(124,447)	(86,196)
Net book value at 31 December	1,074,914	1,045,052

9 Intangible assets

	Group		Company	
	Computer software		Computer software	
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
		(Restated)		
Cost	616,612	522,365	454	132
Accumulated amortisation and impairment	(435,556)	(387,670)	(98)	(40)
Net book value at 1 January	181,056	134,695	356	92
Cost	658,850	616,612	1,757	454
Accumulated amortisation and impairment	(473,510)	(435,556)	(277)	(98)
Net book value at 31 December	185,340	181,056	1,480	356
At 1 January	181,056	134,695	356	92
Exchange differences	(3,212)	(1,779)	—	—
Reclassification of jointly controlled entities to subsidiaries (note 42)	434	4,388	—	—
Additions	55,139	96,390	1,303	323
Acquisition of a business (note 41(d))	149	—	—	—
Amortisation	(47,359)	(51,930)	(179)	(59)
Disposal/write-off	(867)	(708)	—	—
At 31 December	185,340	181,056	1,480	356

10 Subsidiaries

	Company	
	2008	2007
	RMB'000	RMB'000
Non-current assets		
Unlisted investments, at cost	**17,491,823**	17,139,201
Equity loans to subsidiaries (note a)	**16,507,399**	12,600,000
	33,999,222	29,739,201
Current assets		
Amounts due from subsidiaries (note a)	**3,415,262**	4,364,238
Loans to subsidiaries (note b)	**3,983,000**	1,100,000
Dividend receivable from subsidiaries (note c)	**4,204,966**	2,728,244
	11,603,228	8,192,482
Current liabilities		
Amounts due to subsidiaries (note a)	**(733,897)**	(216,983)

Notes:

(a) The equity loans to subsidiaries and amounts due from/(to) subsidiaries are unsecured, interest free and have no fixed terms of repayment.

(b) The loans to subsidiaries are unsecured, bear interest at 1% per annum and wholly repayable within one year. These loans were funded from the Company's A-shares proceed as below:

(i) Amounts of RMB6,000,000,000 (US$802,112,000) relating to the capital expenditure of COSCO Container Lines Company Limited ("COSCON") for 12 vessels under construction and of RMB222,000,000 used for container storage project of COSCON. Up to 31 December 2008, the Company transferred RMB3,683,000,000 (2007: RMB680,000,000) to COSCON through entrusted loans.

(ii) Amounts of RMB401,000,000 relating to logistics related projects and RMB120,000,000 relating to working capital of COSCO Logistics Co., Ltd ("COSCO Logistics"). As at 31 December 2008, the Company transferred RMB300,000,000 (2007: RMB420,000,000) to COSCO Logistics through entrusted loans. The amount of RMB120,000,000 granted in 2007 relating to working capital for COSCO Logistics was repaid during the year.

These loans are arranged and entrusted through COSCO Finance Co., Limited ("COSCO Finance") and PRC banks to its subsidiaries.

(c) The amounts are dividend receivables from subsidiaries in respect of profit declared for the year.

(d) Details of the principal subsidiaries at 31 December 2008 are shown in note 48(a) to the Consolidated Financial Statements.

11 Jointly controlled entities

	Group	
	2008	2007
	RMB'000	RMB'000
		(Restated)
Share of net assets	**3,736,532**	3,542,044
Goodwill on acquisition (note a)	**283,246**	302,725
Loans to jointly controlled entities (note b)	**973,903**	1,249,993
	4,993,681	5,094,762
Current portion of loans to jointly controlled entities (note b)	**—**	(70,913)
	4,993,681	5,023,849

Notes:

(a) The carrying amount of goodwill represented the goodwill on acquisitions of equity interests in Shanghai Pudong International Container Terminals Limited ("Shanghai Pudong"), Qingdao Qianwan Container Terminal Co., Ltd, Nanjing Port Longtan Containers Co., Ltd and Yingkou Container Terminal of RMB214,846,000 (2007: RMB229,620,000), RMB36,647,000 (2007: RMB39,167,000) and RMB30,981,000 (2007: RMB33,112,000) and RMB772,000 (2007: RMB826,000) respectively. The movement during the year was as follows:

	Group	
	2008	2007
	RMB'000	RMB'000
Cost		
At 1 January	**302,725**	78,149
Reclassification of Shanghai Pudong from an associate to a jointly controlled entity (note 12 (a))	**—**	229,620
Exchange differences	**(19,479)**	(5,044)
At 31 December	**283,246**	302,725

(b) At 31 December 2008, an unsecured loan of RMB596,319,000 (2007: Nil) to a jointly controlled entity bears interest at 0.6% per annum above LIBOR and is wholly repayable on or before 30 June 2013. All other loans to jointly controlled entities are unsecured, interest free and have no fixed terms of repayment.

The unsecured loan of RMB13,148,000 to a jointly controlled entity as at 31 December 2007 which bore interest at 0.73% over LIBOR per annum, was early repaid on 30 May 2008.

At 31 December 2007, an unsecured loan of RMB62,148,000 to a jointly controlled entity bore interest at 1.6% per annum above the applicable swap offer rate as determined by the Association of Banks in Singapore of Banks in Singapore and was early repaid on 2 January 2008.

Notes to the Consolidated Financial Statements

11 Jointly controlled entities (Continued)

(c) The financial information below, after making adjustments to conform to the Group's significant accounting policies, represents the Group's interests in respective jointly controlled entities.

	Non-current assets RMB'000	Current assets RMB'000	Non-current Liabilities RMB'000	Current liabilities RMB'000	Revenues RMB'000	Profits less losses after income tax RMB'000
2008	**8,584,192**	**2,342,869**	**(4,431,083)**	**(2,361,508)**	**(3,016,565)**	**(759,503)**
2007 Restated	7,722,634	2,684,389	(3,908,378)	(2,599,866)	(3,737,322)	(878,133)

(d) The Company has no directly owned jointly controlled entity at 31 December 2008 and 2007. Details of the principal jointly controlled entities at 31 December 2008 are shown in note 48(b) to the Consolidated Financial Statements.

As at 31 December 2008, there were no contingent liabilities relating to the Group's interests in jointly controlled entities. In addition, none of the jointly controlled entities had any contingent liabilities.

12 Associates

	Group	
	2008 RMB'000	2007 RMB'000
Share of net assets	**5,954,525**	4,373,900
Goodwill on acquisition (note a)	**595**	636
Loans to associates (note b)	**162,903**	162,711
	6,118,023	4,537,247
Current portion of loan to an associate (note b)	**—**	(48,000)
	6,118,023	4,489,247
Market value of listed shares (note c)	**3,228,822**	11,297,689

12 Associates (Continued)

Notes:

(a) Movement of goodwill of the Group during the year is as follows:

	2008 RMB'000	2007 RMB'000
Cost		
At 1 January	636	246,146
Reclassification of an associate as a jointly controlled entity (note 11(a))	—	(229,620)
Exchange differences	(41)	(15,890)
At 31 December	595	636

In 2007, the Memorandum and Articles of Association of Shanghai Pudong was amended and the Group has joint control over the financial and operating policies of Shanghai Pudong. Accordingly, it was reclassified as a jointly controlled entity.

(b) An unsecured loan of RMB115,963,000 (2007: RMB114,711,000) to an associate which bears interest at 2% (2007:2%) per annum above the 10-year Belgium prime rate and has no fixed term of repayment.

An unsecured loan of RMB48,000,000 granted to an associate as at 31 December 2007, which bore interest at 0.5% over Tokyo Interbank Offered Rate ("TIBOR") per annum, was wholly repaid on 24 April 2008. In 2008, a new unsecured loan of RMB46,940,000 was granted to the associate, which bears interest at 0.5% over TIBOR per annum, is wholly repayable on or before 24th April 2011.

(c) Part of the shares of China International Marine Containers (Group) Co., Ltd ("CIMC") held by the Group cannot be freely placed or traded until the expiry of certain trading restrictions from the implementation date of the share reform of CIMC (the "Trading Restrictions"). The market value of these shares of CIMC of RMB1,028,778,000 (2007: RMB7,739,465,000) as included in the disclosure above has not taken into account these Trading Restrictions.

(d) The financial information below, after making necessary adjustments to conform to the Group's significant accounting policies, represents the Group's interests in respective associates:

	Total assets RMB'000	Total liabilities RMB'000	Revenues RMB'000	Profits less losses after income tax RMB'000
2008	19,018,983	(12,702,028)	(11,737,473)	(590,641)
2007	13,071,852	(8,534,497)	(9,577,842)	(1,005,783)

(e) The Company had no directly owned associate at 31 December 2008 and 2007. Details of the associates as at 31 December 2008 are set out in note 48(c) to the Consolidated Financial Statements.

13 Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

Group

	Loans and receivables RMB'000	Financial assets/ derivatives at fair value through the profit or loss RMB'000	Derivatives used for hedging RMB'000	Available-for-sale RMB'000	Total RMB'000
Assets as per consolidated balance sheet					
At 31 December 2008					
Available-for-sale financial assets (note 14)	–	–	–	2,864,240	2,864,240
Derivative financial assets (note 20)	–	278,049	184,461	–	462,510
Financial assets at fair value through profit or loss (note 21)	–	1,870	–	–	1,870
Trade and other receivables (note 19)	9,887,124	–	–	–	9,887,124
Loans to related parties (notes 11,12)	1,136,806	–	–	–	1,136,806
Total deposits and cash and cash equivalents (note 17)	32,185,674	–	–	–	32,185,674
Finance lease receivable (note 16)	20,117	–	–	–	20,117
Total	43,229,721	279,919	184,461	2,864,240	46,558,341
Assets as per consolidated balance sheet					
At 31 December 2007 (Restated)					
Available-for-sale financial assets (note 14)	–	–	–	4,708,917	4,708,917
Derivative financial assets (note 20)	–	1,991,933	463,515	–	2,455,448
Financial assets at fair value through profit or loss (note 21)	–	3,664	–	–	3,664
Trade and other receivables (note 19)	13,271,481	–	–	–	13,271,481
Loans to related parties (notes 11,12)	1,412,704	–	–	–	1,412,704
Total deposits and cash and cash equivalents (note 17)	37,728,786	–	–	–	37,728,786
Finance lease receivables (note 16)	25,471	–	–	–	25,471
Total	52,438,442	1,995,597	463,515	4,708,917	59,606,471

13 Financial instruments by category (Continued)

Group (Continued)

	Financial liabilities/ derivatives at fair value through the profit or loss RMB'000	Derivatives used for hedging RMB'000	Other financial liabilities RMB'000	Total RMB'000
Liabilities as per consolidated balance sheet				
At 31 December 2008				
Trade and other payables (excluding advances from customers) (note 26)	**—**	**—**	**13,363,537**	**13,363,537**
Borrowings (note 24, 28)	**—**	**—**	**26,413,903**	**26,413,903**
Derivative financial liabilities (note 20)	**3,918,545**	**47,117**	**—**	**3,965,662**
Provisions and other liabilities (note 25)	**—**	**—**	**6,340,325**	**6,340,325**
Total	**3,918,545**	**47,117**	**46,117,765**	**50,083,427**
Liabilities as per consolidated balance sheet (Restated)				
At 31 December 2007				
Trade and other payables (excluding advances from customers) (note 26)	—	—	33,791,471	33,791,471
Borrowings (note 24, 28)	—	—	19,329,881	19,329,881
Derivative financial liabilities (note 20)	528,540	14,181	—	542,721
Provisions and other liabilities(note 25)	—	—	967,859	967,859
Amount due to a fellow subsidiary (note 27)	—	—	536,779	536,779
Total	528,540	14,181	54,625,990	55,168,711

13 Financial instruments by category (Continued)

Company

	Loans and receivables RMB'000	Financial assets/ derivatives at fair value through the profit or loss RMB'000	Derivatives used for hedging RMB'000	Available-for-sale RMB'000	Total RMB'000
Assets as per balance sheet					
At 31 December 2008					
Other receivables (note 19)	**47,758**	**—**	**—**	**—**	**47,758**
Loans to and receivables from subsidiaries (note 10)	**11,603,228**	**—**	**—**	**—**	**11,603,228**
Deposits and cash and cash equivalents (note 17)	**7,880,067**	**—**	**—**	**—**	**7,880,067**
Total	**19,531,053**	**—**	**—**	**—**	**19,531,053**
At 31 December 2007					
Other receivables (note 19)	109,690	—	—	—	109,690
Loans to and receivables from subsidiaries (note 10)	8,192,482	—	—	—	8,192,482
Deposits and cash and cash equivalents (note 17)	12,841,335	—	—	—	12,841,335
Total	21,143,507	—	—	—	21,143,507

13 Financial instruments by category (Continued)

Company (Continued)

	Financial liabilities/ derivatives at fair value through the profit or loss RMB'000	Derivatives used for hedging RMB'000	Other financial liabilities RMB'000	Total RMB'000
Liabilities as per balance sheet				
At 31 December 2008				
Other payables (note 26)	—	—	131,611	131,611
Payables to subsidiaries and related parties (note 10)	—	—	733,897	733,897
Total	—	—	865,508	865,508
At 31 December 2007				
Other payables (note 26)	—	—	531,238	531,238
Payables to subsidiaries and related parties (note 10)	—	—	216,983	216,983
Borrowings (note 28)	—	—	249,138	249,138
Total	—	—	997,359	997,359

14 Available-for-sale financial assets

	Group	
	2008	2007
	RMB'000	RMB'000
At 1 January	4,708,917	3,323,165
Additions	142,247	105,562
Disposals	(49,169)	(120,166)
Net fair value (loss)/gain recognised in equity	(1,937,755)	1,400,356
At 31 December	2,864,240	4,708,917
Available-for-sale financial assets represent the following:		
Listed investments in Hong Kong (note b)	14,483	99,489
Listed investments in the PRC (note b)	258,053	545,629
Unlisted investments (note c)	2,591,704	4,063,799
	2,864,240	4,708,917

Notes:

(a) Available-for-sale financial assets as at 31 December 2008 and 2007 include investments in equity securities of the investee companies and the shareholders' loans advanced to an investee company with the nominal value of RMB556,603,000 (2007: RMB458,575,000). The loan advanced to an investee company is unsecured, interest free and has no fixed terms of repayment.

(b) Listed investments represent equity interests in entities which are mainly engaged in the terminal operations and management of international and domestic transportation.

(c) Unlisted investments of RMB2,591,704,000 (2007: RMB4,063,799,000) mainly comprise equity interests in entities which are involved in container terminal operations in Yantian, Tianjin and Dalian of China mainland.

(d) Available-for-sale financial assets are denominated in the following currencies:

	2008	2007
	RMB'000	RMB'000
RMB	2,849,573	4,609,164
Hong Kong dollar	14,483	99,489
Korean WON	184	264
	2,864,240	4,708,917

(e) None of the available-for-sale financial assets were impaired as at 31 December 2008 and 2007.

15 Deferred income tax

Deferred income tax is calculated in full on temporary differences under the liability method using taxation rates ranging from 12.5% to 46% for the year (2007: 12% to 46%).

The movement on the net deferred tax assets/(liabilities) is as follows:

	Group		Company	
	2008	2007	2008	2007
	RMB'000	RMB'000 (Restated)	RMB'000	RMB'000
At 1 January	(1,405,468)	(266,679)	91,119	2,381
Exchange differences	25,161	97,274	—	—
Credited/(charged) to consolidated income statement (note 35)	531,709	(1,057,250)	(71,742)	88,738
Credited/(charged) to equity	77,004	(178,813)	—	—
At 31 December	(771,594)	(1,405,468)	19,377	91,119

Deferred income tax assets are recognised for tax losses carry forwards to the extent that realisation of the related tax benefit through the future taxable profits is probable. At 31 December 2008, the Company had no material unrecognised tax losses carry forward. At 31 December 2008, the Group had tax losses which were not recognised for deferred tax assets, to carry forward, among which will expire as follows:

	Group	
	2008	2007
	RMB'000	RMB'000
Year		
2008	—	16,860
2009	42,315	24,455
2010	14,560	14,008
2011	89,671	36,312
2012	192,635	154,036
2013	1,232,164	—
	1,571,345	245,671
Tax losses with no expiry date	60,303	129,235
	1,631,648	374,906

At 31 December 2008, the unrecognised deferred income tax liabilities were RMB1,256,681,000 (2007: RMB653,222,000), relating to income tax and withholding tax that would be payable for undistributed profits of certain overseas subsidiaries, as the Directors consider that the timing for the reversal of the related temporary differences can be controlled and such temporary differences will not be reversed in the foreseeable future. The total undistributed profits of these overseas subsidiaries as at 31 December 2008 amounted to RMB4,592,738,000 (2007: RMB2,735,307,000).

Notes to the Consolidated Financial Statements

15 Deferred income tax (Continued)

The movement in deferred income tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year was as follows:

Group

Deferred income tax liabilities

	Undistributed profits of subsidiaries, associates and jointly controlled entities RMB'000	Accelerated tax depreciation RMB'000	Fair value gain RMB'000	Others RMB'000	Total RMB'000
(Restated)					
At 1 January 2007	(419,318)	(93,266)	(248,568)	(696)	(761,848)
Exchange differences	70,936	1,996	—	1,954	74,886
Charged to consolidated income statement	(801,237)	(56,355)	(344,978)	(56,969)	(1,259,539)
Charged to equity	—	—	(179,128)	—	(179,128)
At 31 December 2007 and 1 January 2008	**(1,149,619)**	**(147,625)**	**(772,674)**	**(55,711)**	**(2,125,629)**
Exchange differences	**61,574**	**(12,520)**	**—**	**(20,727)**	**28,327**
(Charged)/credited to consolidated income statement	**(2,081,267)**	**(38,545)**	**517,702**	**64,587**	**(1,537,523)**
Credited to equity	**—**	**—**	**65,224**	**—**	**65,224**
At 31 December 2008	**(3,169,312)**	**(198,690)**	**(189,748)**	**(11,851)**	**(3,569,601)**

15 Deferred income tax (Continued)

Group

Deferred income tax assets

(Restated)	Staff benefit RMB'000	Tax loss RMB'000	Fair value loss RMB'000	Accelerated accounting depreciation RMB'000	Onerous contracts RMB'000	Others RMB'000	Total RMB'000
At 1 January 2007	285,295	3,912	108,131	62,133	–	35,698	495,169
Exchange differences	(1,872)	(411)	–	25,746	–	(1,075)	22,388
Credited/(charged) to consolidated income statement	102,232	6,475	25,250	(6,874)	–	75,206	202,289
Credited to equity	315	–	–	–	–	–	315
At 31 December 2007 and 1 January 2008	385,970	9,976	133,381	81,005	–	109,829	720,161
Exchange differences	(255)	(756)	–	230	–	(2,385)	(3,166)
(Charged)/credited to consolidated income statement	(32,628)	10,020	811,642	7,746	1,194,029	78,423	2,069,232
Credited to equity	–	–	11,780	–	–	–	11,780
At 31 December 2008	353,087	19,240	956,803	88,981	1,194,029	185,867	2,798,007

Company

Deferred income tax assets

	Staff benefit RMB'000
At 1 January 2007	2,381
Credited to income statement	88,738
At 31 December 2007 and 1 January 2008	91,119
Charged to income statement	(71,742)
At 31 December 2008	19,377

15 Deferred income tax (Continued)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet:

	Group	
	2008	2007
	RMB'000	RMB'000
		(Restated)
Deferred income tax assets	**2,757,097**	524,264
Deferred income tax liabilities	**(3,528,691)**	(1,929,732)
	(771,594)	(1,405,468)
The amount shown in the consolidated balance sheet include the following:		
Deferred income tax assets to be recovered after more than 12 months	**1,511,458**	341,624
Deferred income tax liabilities to be settled after more than 12 months	**(2,900,779)**	(431,731)

16 Finance lease receivables

Group	Gross receivables RMB'000	Unearned finance income RMB'000	Provision RMB'000	Present value of minimum lease payment receivable RMB'000
At 31 December 2008				
Not later than one year	**8,087**	**(1,640)**	**—**	**6,447**
Later than one year and not later than five years	**13,588**	**(2,105)**	**—**	**11,483**
Later than five years	**2,624**	**(437)**	**—**	**2,187**
	24,299	**(4,182)**	**—**	**20,117**
Less: Amount included under current assets	**(8,087)**	**1,640**	**—**	**(6,447)**
	16,212	**(2,542)**	**—**	**13,670**
At 31 December 2007				
Not later than one year	10,599	(2,016)	(22)	8,561
Later than one year and not later than five years	17,458	(2,579)	—	14,879
Later than five years	2,542	(511)	—	2,031
	30,599	(5,106)	(22)	25,471
Less: Amount included under current assets	(10,599)	2,016	22	(8,561)
	20,000	(3,090)	—	16,910

At 31 December 2008, the Group entered into 14 (2007: 20) finance leases contracts for leasing of certain containers. The average term of the finance lease contracts is 5 years (2007: 4 years).

The cost of assets acquired for the purpose of leasing under finance leases amounted to RMB46,509,000 (2007: RMB59,481,000) at 31 December 2008.

Residual values of assets leased under finance lease contracts without guarantees are estimated at approximately RMB48,000 (2007: RMB51,000).

17 Deposits and cash and cash equivalents

	Group		Company	
	2008	2007	2008	2007
	RMB'000	RMB'000 (Restated)	RMB'000	RMB'000
Non-current portion				
Restricted bank deposits (note a)	74,001	103,599	—	—
Current portion				
Money market fund investments (note b)	54,677	58,438	—	—
Restricted bank deposits (note a)	529,237	—	—	—
Balances placed with COSCO Finance (note c)	5,437,842	6,573,679	721,104	41,527
Bank balances and cash – unpledged	26,089,917	30,993,070	7,158,963	12,799,808
	32,111,673	37,625,187	7,880,067	12,841,335
Total deposits and cash and cash equivalents (note f)	32,185,674	37,728,786	7,880,067	12,841,335

Cash and cash equivalents include the following for the purpose of the consolidated cash flow statements:

	Group		Company	
	2008	2007	2008	2007
	RMB'000	RMB'000 (Restated)	RMB'000	RMB'000
Total deposit, bank balances and cash	32,185,674	37,728,786	7,880,067	12,841,335
Less:				
Restricted bank deposits	(603,238)	(103,599)	—	—
Deposits at overseas banks with original maturities over three months	—	(736)	—	—
Cash and cash equivalents	31,582,436	37,624,451	7,880,067	12,841,335

Notes:

(a) Restricted bank deposits mainly held as securities for issue of bank gurantees and facilities.

(b) Money market fund investments are highly liquid investments with original maturities within three months.

(c) Balances placed with COSCO Finance bear interest at prevailing market rates.

(d) Time deposits placed with PRC banks with original maturities over three months amounting to RMB2,892,102,000 (2007: RMB9,425,294,000) were treated as cash and cash equivalents as Directors consider those deposits are subject to an insignificant risk of changes in value and are kept for cash management purpose.

(e) At 31 December 2008, exchange controls apply to certain bank balances and cash, which are held by the Company and certain of its subsidiaries with bank accounts operating in the PRC, amounted to RMB17,228,636,000 (2007: RMB22,972,719,000).

17 Deposits and cash and cash equivalents (Continued)

(f) The carrying amounts of deposits and cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2008	2007	2008	2007
	RMB'000	RMB'000 (Restated)	RMB'000	RMB'000
US dollar	15,178,692	14,427,235	15,163	20,185
RMB	15,271,876	21,534,643	7,547,255	12,424,105
EURO	348,693	339,175	—	—
HK dollar	980,558	924,973	317,649	397,045
Other currencies	405,855	502,760	—	—
	32,185,674	37,728,786	7,880,067	12,841,335

(g) The effective interest rates on time deposits at 31 December 2008 were in the range of 0.01% to 6.40% per annum (2007: 0.8% to 6.07% per annum); these deposits have a maturity day in the range of 2 days to 365 days. The deposits earn interests at floating rates based on daily bank deposit rates.

18 Inventories

	Group	
	2008	2007
	RMB'000	RMB'000
Bunker	1,360,770	1,401,048
Resaleable containers	36,776	74,711
Spare parts and consumable stores	97,247	82,349
Marine supplies and others	6,261	1,571
	1,501,054	1,559,679

19 Trade and other receivables

	Group		Company	
	2008	2007	2008	2007
	RMB'000	RMB'000 (Restated)	RMB'000	RMB'000
Trade receivables (note a)				
- third parties	5,098,648	8,132,480	—	—
- subsidiaries of COSCO	281,216	926,582	—	—
- jointly controlled entities	9,233	116,050	—	—
- associates	8,237	708	—	—
- other related companies	136,388	235,847	—	—
	5,533,722	9,411,667	—	—
Bills receivables (note a)	113,340	113,032	—	—
	5,647,062	9,524,699	—	—
Prepayments, deposits and other receivables				
- third parties(note b)	3,280,655	3,277,400	47,289	109,690
- COSCO (note c)	100	33,682	—	—
- subsidiaries of COSCO (note c)	289,845	152,052	—	—
- jointly controlled entities (note c)	343,014	76,180	—	—
- associates (note c)	34,215	23,223	469	—
- other related companies (note c)	292,233	65,332	—	—
	4,240,062	3,627,869	47,758	109,690
Current portion of loans to jointly controlled entities(note 11)	—	70,913	—	—
Current portion of loan to an associate (note 12)	—	48,000	—	—
	—	118,913	—	—
	9,887,124	13,271,481	47,758	109,690

19 Trade and other receivables (Continued)

Notes:

(a) The normal credit period granted to the trade receivables of the Group is generally within 90 days. Trade receivables primarily consisted of voyage-related and logistics receivables. At 31 December 2008, the ageing analysis of trade and bills receivables is as follows:

	2008 RMB'000	2007 RMB'000 (Restated)
1-3 months	5,287,213	8,678,567
4-6 months	322,124	581,198
7-12 months	105,812	250,736
1-2 years	105,715	61,428
2-3 years	20,301	50,294
Over 3 years	133,327	128,571
Trade and bills receivables, gross	5,974,492	9,750,794
Less: impairment of		
1-3 months	(99,818)	(23,613)
4-6 months	(17,395)	(30,675)
7-12 months	(24,024)	(7,327)
1-2 years	(39,593)	(13,054)
2-3 years	(14,799)	(24,478)
Over 3 years	(131,801)	(126,948)
Provision for impairment	(327,430)	(226,095)
	5,647,062	9,524,699

At 31 December 2008, the Group's trade and bills receivables of RMB4,245,333,000 (2007: RMB4,865,027,000) were considered fully collectible by management. Trade and bills receivables that were fully collectible mainly represent those due from customers with good credit history and low default rate.

19 Trade and other receivables (Continued)

At 31 December 2008, trade receivables of RMB1,037,298,000 (2007: RMB4,127,300,000) were past due but were considered not impaired by management. These relate to a number of customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2008 RMB'000	2007 RMB'000 (Restated)
1-3 months	942,062	3,789,927
4-6 months	65,361	231,115
7-12 months	21,198	88,379
1-2 years	8,252	7,348
2-3 years	309	9,369
Over 3 years	116	1,162
	1,037,298	4,127,300

Movements on the provision for impairment of trade receivables are as follows:

	2008 RMB'000	2007 RMB'000 (Restated)
At 1 January	226,095	232,344
Provision for receivable impairment	162,913	38,590
Receivables written off during the year as uncollectible	(42,482)	(30,918)
Unused amounts reversed	(16,584)	(12,593)
Exchange differences	(2,512)	(1,328)
At 31 December	327,430	226,095

The creation and release of provision for impaired receivables have been included in "other expense/income, net" in the consolidated income statement (note 29). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

At 31 December 2008, trade receivables of RMB691,861,000 (2007: RMB758,467,000) were considered as impaired by management. Only RMB327,430,000 (2007: RMB226,095,000) provision was made as the unprovided portion of such receivables was expected to be recovered.

Management considered that there is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers, internationally dispersed.

19 Trade and other receivables (Continued)

(b) Prepayments, deposits and other receivables due from third parties

	Group		Company	
	2008	2007	2008	2007
	RMB'000	RMB'000 (Restated)	RMB'000	RMB'000
Prepayments and deposits	1,609,775	1,585,668	—	—
Claims receivables	92,040	163,142	—	—
Other receivables less provision (note d)	1,578,840	1,528,590	47,289	109,690
	3,280,655	3,277,400	47,289	109,690

(c) The amounts due from related parties are unsecured, interest free and have no fixed terms of repayments.

(d) At 31 December 2008, the Group's other receivable of RMB1,578,840,000 (2007: RMB1,528,590,000) were considered fully collectible by management. At 31 December 2008, the Group's other receivable of RMB231,373,000 (2007: RMB120,073,000) were impaired and full provision was made by management.

Movements on the provision for impairment of other receivables are as follows:

	2008	2007
	RMB'000	RMB'000
At 1 January	120,073	163,724
Provision for receivable impairment	147,464	526
Receivables written off during the year as uncollectible	(36,278)	(16,932)
Unused amounts reversed	—	(27,245)
Exchange differences	114	—
At 31 December	231,373	120,073

(e) The carrying amount of trade and other receivables are denominated in the following currencies:

	Group		Company	
	2008	2007	2008	2007
	RMB'000	RMB'000 (Restated)	RMB'000	RMB'000
US dollar	4,743,903	6,503,762	—	—
RMB	4,010,320	5,415,200	47,401	101,558
EURO	595,188	645,044	—	—
HK dollar	51,154	152,620	357	8,132
Other currencies	486,559	554,855	—	—
	9,887,124	13,271,481	47,758	109,690

(f) The carrying amounts of trade and other receivables approximate their fair values.

(g) Management considered the maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Group does not hold any collateral as security.

20 Derivative financial assets/liabilities

	Group			
	2008		2007	
	Assets RMB'000	Liabilities RMB'000	Assets RMB'000	Liabilities RMB'000
FFA (note a)				
– cash flow hedges	—	47,117	429,614	6,217
– derivatives at fair value through profit or loss	278,049	3,918,545	1,991,933	527,306
Forward foreign exchange contracts				
– cash flow hedges (note b)	18,961	—	—	7,964
Interest rate swaps				
– derivatives at fair value through profit or loss	—	—	—	1,234
– fair value hedges (note c)	165,500	—	33,901	—
Total	462,510	3,965,662	2,455,448	542,721
Less: non-current portion				
FFA (note a)				
– cash flow hedges	—	(47,117)	(40,755)	—
– derivatives at fair value through profit or loss	—	(227,513)	(291,693)	—
Forward foreign exchange contracts				
– cash flow hedges (note b)	(18,961)	—	—	(6,571)
Interest rate swaps				
– cash flow hedges	—	—	—	—
– fair value hedges (note c)	(165,500)	—	(33,901)	—
Total non-current portion	(184,461)	(274,630)	(366,349)	(6,571)
Current portion	278,049	3,691,032	2,089,099	536,150

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

The maximum exposure to credit risk at the reporting date is the fair value of the derivative financial assets in the consolidated balance sheet.

20 Derivative financial assets/liabilities (Continued)

Notes:

(a) FFA

At 31 December 2008, the Group had outstanding forward freight agreements to buy approximately 16,315 (2007: 17,468) days of the various Baltic Index at various prices which expire through December 2011 (2007: December 2010).

At 31 December 2008, the Group had outstanding forward freight agreements to sell approximately 913 (2007: 8,455) days of the various Baltic Index at various prices which expire through December 2009 (2007: December 2008).

(b) Forward foreign exchange contracts

At 31 December 2008, the Group had two (2007: two) outstanding forward foreign exchange contracts with a bank to buy Japanese Yen of approximately 7,740,000,000 (2007: Japanese Yen 10,834,600,000) by United States dollar (at rates subject to different market scenarios on settlement dates) for settlements of the acquisition of one (2007: two) vessel which are denominated in Japanese Yen. These contracts will expire in September 2010 (2007: March 2008 and June 2010). Gains and losses in equity on forward foreign exchange contracts at 31 December 2008 will be released to the consolidated income statement in 2010 (2007: 2008 and 2010).

(c) Interest rate swap contracts

The notional principal amount of the related interest rate swap contracts amounted to US$200,000,000 (equivalent to approximately RMB1,366,920,000) (2007: US$200,000,000 (equivalent to approximately RMB1,460,925,000)) which were committed with interest rates ranging from 1.05% to 1.16% (2007: 1.05% to 1.16%) per annum above LIBOR. These interest rate swap contracts have been designated as a hedge of the fair value of the notes issued by the Group.

21 Financial assets at fair value through profit or loss

	2008 RMB'000	2007 RMB'000
Listed securities, at market value		
– Equity securities - Hong Kong	1,870	3,664

Financial assets at fair value through profit or loss are presented within "operating activities" as part of changes in working capital in the cash flow statement (note 41(a)).

Changes in fair values of financial assets at fair value through profit or loss are recorded in other income/expenses in the income statement.

The fair value of all equity securities is based on their current bid prices in an active market.

22 Share capital and equity linked benefits

(a) Share capital

	2008		2007	
	Number of shares (thousands)	Nominal value RMB'000	Number of shares (thousands)	Nominal value RMB'000
Registered, issued and fully paid				
H-Shares of RMB1.00 each	2,580,600	2,580,600	2,580,600	2,580,600
A-Shares of RMB1.00 each	7,635,674	7,635,674	7,635,674	7,635,674
At 31 December	10,216,274	10,216,274	10,216,274	10,216,274

A summary of the movements in the Company's issued share capital during the year was as follows:

	2008			2007			
	H-Shares	A-Shares	Total	Domestic shares	H-Shares	A-Shares	Total
At 1 January	2,580,600	7,635,674	10,216,274	3,960,756	2,244,000	—	6,204,756
Bonus Issue (note i)	–	–	–	594,114	336,600	—	930,714
A-Shares Issue (note ii)							
- COSCO	–	–	–	(4,554,870)	—	4,554,870	—
- others	–	–	–	—	—	1,783,867	1,783,867
Acquisition Issue (note iii)							
- COSCO	–	–	–	—	—	864,271	864,271
Private placement (note iv)							
- COSCO	–	–	–	—	—	53,666	53,666
- others	–	–	–	—	—	379,000	379,000
At 31 December	2,580,600	7,635,674	10,216,274	—	2,580,600	7,635,674	10,216,274

22 Share capital and equity linked benefits (Continued)

(a) Share capital (Continued)

Notes:

(i) Pursuant to the resolution passed in the annual general meeting held on 15 May 2007, the Company issued 1.5 bonus shares for every 10 shares of the Company at par value of RMB1.00 each held by the existing shareholders as at 31 December 2006 ("Bonus Issue"). The Bonus Issue resulted in the Company's issue of 594,113,450 new Domestic shares and 336,600,000 new H-Shares, totalling RMB930,714,000 (note 23).

(ii) On 26 June 2007, the Company issued 6,338,737,233 new A-Shares ("A-Shares Issue"), of which 4,554,869,787 A-Shares issue in exchange of the Domestic shares held by COSCO and 1,783,867,446 new A-Shares through public offering at RMB8.48 each on the Shanghai Stock Exchange.

Pursuant to the relevant existing PRC laws and regulations and the relevant requirements of the China Securities Regulatory Commission and the Shanghai Stock Exchange, after approval by the relevant authorities, all Domestic Shares issued before the A-Shares Issue, i.e., the 4,554,869,787 Domestic Shares held by COSCO, have been registered with China Securities Depository and Clearing Corporation Limited as circulative 4,554,869,787 A-Shares with restrictive trading period following the A-Shares Issue. COSCO has undertaken that for a period of 36 months commencing on the date on which the A-Shares are listed on the Shanghai Stock Exchange, it will not transfer or put on trust the A-Shares which it holds (directly or indirectly) in the capital of the Company or allow such shares to be repurchased by the Company.

(iii) On 19 December 2007, the Company issued 864,270,817 new A-Shares to COSCO to settle the purchase consideration for acquisition of the entire interest in COSCO Bulk Carrier Co., Ltd. ("COSCO Bulk") and Qingdao Ocean Shipping Company ("COSCO Qingdao") and 41.52% equity interest in Shenzhen Ocean Shipping Co., Ltd ("COSCO Shenzhen") (collectively "COSCO Acquisition" or "Acquisition Issue") (note 23 (e)). The 864,270,817 A-shares held by COSCO did not entitle any dividend declared by the Company in respect of the Group's profits (excluding the Bulk Subsidiaries) for the period from 1 January 2007 to 31 August 2007 ("Relevant Period"). These 864,270,817 A-Shares held by COSCO are subject to a lock-up period of 36 months from the date of 19 December 2007.

(iv) On 28 December 2007, the Company also issued 432,666,307 new A-Shares at RMB30 per A-share through private placement to institutional investors (including COSCO) for cash of approximately RMB12,979,989,000. 53,666,307 A-Shares held by COSCO and 379,000,000 held by other institutional investors. The 53,666,307 A-shares held by COSCO are subject to a lock-up period of 36 months, from the date of 28 December 2007.

(v) The A-Shares rank pari passu, in all material respects, with H-Shares. Nonetheless, certain A-Shares are subject to certain restrictions as disclosed in notes (ii) to (iv) above.

(b) Share appreciation rights

The Group has adopted a cash-settled, share-based payment scheme (the "Plan") which was approved by the Company's shareholder's meeting on 9 June 2005. The Plan provides for the grant of share appreciation rights ("SARs") to eligible participants as approved by the Company's board of Directors (collectively "the Grantees"). The Plan will remain in force unless otherwise cancelled or amended.

22 Share capital and equity linked benefits (Continued)

(b) Share appreciation rights (Continued)

Under the Plan, the holders of SARs are entitled the rights to receive an amount in respect of the appreciation in market value of the Company's H-Shares from the date of grant of SARs and the date of exercise. No shares will be issued under the Plan and therefore the Company's equity interests will not be diluted as a result of the issuance of SARs. The initial grant of SARs was limited to 10% of the Company's H-Shares in issue at the date of grant. The maximum number of unexercised SARs permitted to be granted under the Plan is, upon their exercise, limited to 10% of the Company's H-Shares in issue at any time during each year. The maximum number of SARs granted to any eligible participant (including share appreciation rights granted prior to this Plan) is limited to 25% of the total number of SARs in issue at any time. Any further grant of SARs in excess of the above limits is subject to the approval of the Company's board of Directors.

The exercise period of all SARs commences after a vesting period and ends on a date which is not later than 10 years from the date of grant of the SARs. As of each of the last day of the third, fourth, fifth and sixth anniversary of the date of grant, the total number of SARs exercisable will not exceed 25%, 50%, 75% and 100%, respectively, of the total SARs granted to the respective eligible participants in 2005, 2006 and 2007, with an exercise price of HK$3.195, HK$3.588 and HK$9.540 respectively. The vesting periods of the SARs represented the periods from the date of grant to the date when the related SARs become exercisable. No SARs were granted for the year ended 31 December 2008.

Movements in the number of SARs granted by the Company during the year ended 31 December 2008 are set out below.

			For the year ended 31 December 2008				
			Number of units of SARs				
Category	Note	Exercise price	Outstanding at 1 January 2008	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31 December 2008
Directors	(i)	HK$3.195	3,305,000	–	(225,000)	–	3,080,000
	(ii)	HK$3.588	4,100,000	–	–	–	4,100,000
	(iii)	HK$9.540	4,660,000	–	–	–	4,660,000
Supervisors	(i)	HK$3.195	1,265,000	–	(215,000)	–	1,050,000
	(ii)	HK$3.588	1,400,000	–	–	–	1,400,000
	(iii)	HK$9.540	1,820,000	–	–	–	1,820,000
Other continuous contract employees	(i)	HK$3.195	10,230,750	–	(825,000)	(150,000)	9,255,750
	(ii)	HK$3.588	12,210,000	–	(155,000)	(225,000)	11,830,000
	(iii)	HK$9.540	16,170,000	–	–	(145,000)	16,025,000
Others	(i),(iv)	HK$3.195	2,075,000	–	(93,750)	–	1,981,250
	(ii),(iv)	HK$3.588	3,015,000	–	(985,000)	–	2,030,000
	(iii),(iv)	HK$9.540	2,015,000	–	–	–	2,015,000
			62,265,750	–	(2,498,750)	(520,000)	59,247,000

22 Share capital and equity linked benefits (Continued)

(b) Share appreciation rights (Continued)

Movements in the number of SARs granted by the Company during the year ended 31 December 2007 are set out below.

			For the year ended 31 December 2007 Number of units of SARs					
Category	Note	Exercise price	Outstanding at 1 January 2007	Transferred (to)/from other category during the year note (v)	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31 December 2007
Directors	(i)	HK$3.195	5,400,000	(1,300,000)	–	(795,000)	–	3,305,000
	(ii)	HK$3.588	5,400,000	(1,300,000)	–	–	–	4,100,000
	(iii)	HK$9.540	–	–	4,660,000	–	–	4,660,000
Supervisors	(i)	HK$3.195	1,400,000	–	–	(135,000)	–	1,265,000
	(ii)	HK$3.588	1,400,000	–	–	–	–	1,400,000
	(iii)	HK$9.540	–	–	1,820,000	–	–	1,820,000
Other continuous contract employees	(i)	HK$3.195	12,675,000	(500,000)	–	(1,844,250)	(100,000)	10,230,750
	(ii)	HK$3.588	12,740,000	(500,000)	250,000	(280,000)	–	12,210,000
	(iii)	HK$9.540	–	–	16,250,000	(80,000)	–	16,170,000
Others	(i),(iv)	HK$3.195	2,825,000	1,800,000	–	(2,550,000)	–	2,075,000
	(ii),(iv)	HK$3.588	2,160,000	1,800,000	–	(945,000)	–	3,015,000
	(iii),(iv)	HK$9.540	–	–	2,015,000	–	–	2,015,000
			44,000,000	–	24,995,000	(6,629,250)	(100,000)	62,265,750

Notes:

(i) The SARs were granted by the Company on 16 December 2005 and are exercisable at any time between 16 December 2007 to 15 December 2015 ("2005 SARs").

(ii) The SARs were granted by the Company on 5 October 2006 and are exercisable at any time between 5 October 2008 to 4 October 2016 ("2006 SARs").

(iii) The SARs were granted by the Company on 4 June 2007 and are exercisable at any time between 4 June 2009 and 3 June 2017 ("2007 SARs").

(iv) The SARs were granted to certain senior management of COSCO by the Company and are classified in the category of "Others".

(v) The SARs granted to three Directors who resigned during the year 2007 were reclassified from the category of "Directors" to the category of "Others". During 2007, one of the employees became the Director of the Company, his SARs were transferred from the category of "other continuous contract employees to the category of "Directors".

22 Share capital and equity linked benefits (Continued)

(b) Share appreciation rights (Continued)

The fair values of 2005 SARs, 2006 SARs and 2007 SARs at 31 December 2008 as determined using the Binomial valuation model ranged from HK$2.6 per unit to HK$3.65 per unit. The significant inputs into the model were spot price of HK$5.39 at 31 December 2008, vesting period, volatility of the underlying stock, risk-free interest rate, forfeiture rate, dividend yield and sub-optional exercise factor. The expected volatility of 78.47% is estimated based on past 780 days' share prices of the Company at year end.

The amounts that was recognised in the consolidated income statement and included in staff costs for the year in relation to the above SARs transactions, was a credit of RMB165,360,000 (2007: a debit of RMB383,681,000).

At 31 December 2008, the total carrying amount of the liabilities arising from SARs transactions included in other payables in the consolidated balance sheet amounted to RMB151,791,000 (2007: RMB414,969,000) and the total intrinsic value of the exercisable SARs was RMB9,672,000 (2007:RMB41,585,000).

(c) Share options of a subsidiary

The Group's subsidiary, COSCO Pacific Limited ("COSCO Pacific"), operates share option schemes whereby options are granted to eligible employees and directors or any participants (as defined in the relevant share option schemes) of the Group, to subscribe for its shares.

Movements of the share options granted by COSCO Pacific during the year ended 31 December 2008 and 2007 are set out below:

			For the year ended 31 December 2008				
			Number of share options				
Category	Note	Exercise price HK$	Outstanding at 1 January 2008	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31 December 2008
Directors	(i),(iii)	9.54	–	–	–	–	–
	(i),(iv)	13.75	5,000,000	–	–	–	5,000,000
Supervisors	(i),(iii)	9.54	–	–	–	–	–
	(i),(iv)	13.75	1,000,000	–	–	–	1,000,000
Other continuous contract employees	(i),(iii)	9.54	2,525,000	–	(94,000)	(20,000)	2,411,000
	(i),(iv)	13.75	16,492,000	–	(50,000)	(120,000)	16,322,000
	(i),(v)	19.30	17,070,000	–	–	(190,000)	16,880,000
Others	(i),(iii)	9.54	50,000	–	–	–	50,000
	(i),(iv)	13.75	1,124,000	–	(4,000)	–	1,120,000
			43,261,000	–	(148,000)	(330,000)	42,783,000

22 Share capital and equity linked benefits (Continued)

(c) Share options of a subsidiary (Continued)

			For the year ended 31 December 2007				
			Number of share options				
Category	Note	Exercise price HK$	Outstanding at 1 January 2007	Transfer (to)/ from other category	Granted during the year	Exercised during the year	Outstanding at 31 December 2007
Directors	(i),(iii)	9.54	1,900,000	(300,000)	–	(1,600,000)	–
	(i),(iv)	13.75	6,500,000	(1,500,000)	–	–	5,000,000
Supervisors	(i),(iii)	9.54	300,000	–	–	(300,000)	–
	(i),(iv)	13.75	1,000,000	–	–	–	1,000,000
Other continuous contract employees	(i),(ii)	8.80	322,000	–	–	(322,000)	–
	(i),(iii)	9.54	4,778,000	–	–	(2,253,000)	2,525,000
	(i),(iv)	13.75	23,998,000	(500,000)	–	(7,006,000)	16,492,000
	(i),(v)	19.30	–	–	17,600,000	(530,000)	17,070,000
Others	(i),(iii)	9.54	100,000	300,000	–	(350,000)	50,000
	(i),(iv)	13.75	2,960,000	2,000,000	–	(3,836,000)	1,124,000
			41,858,000	–	17,600,000	(16,197,000)	43,261,000

Notes to the Consolidated Financial Statements

22 Share capital and equity linked benefits (Continued)

(c) Share options of a subsidiary (Continued)

Notes:

(i) All the outstanding options were vested and exercisable at 31 December 2008 and 2007. COSCO Pacific has no legal or constructive obligation to repurchase or settle the options in cash.

(ii) The share options were granted on 20 May 1997 (the "Offer Date") under the 1994 Share Option Scheme and are exercisable on or before 19 May 2007. The grantees may exercise a maximum of 20% of share options granted in each of the first five anniversary years from the Offer Date and all grantees may reserve their rights to exercise and accumulate their share options exercisable during their employment within the COSCO Pacific group.

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

(iv) The share options were granted during the period from 25 November 2004 to 16 December 2004 under the 2003 Share Option Scheme at an exercise price of HK$13.75. The options are exercisable at any time within ten years from the date on which an offer is accepted or deemed to be accepted by the grantee under the 2003 Share Option Scheme from 25 November 2004 to 16 December 2004.

(v) The share options were granted during the period from 17 April 2007 to 19 April 2007 under the 2003 Share Option Scheme at an exercise price of HK$19.30. The options are exercisable at any time within ten years from the date on which an offer is accepted or deemed to be accepted by the grantee under the 2003 Share Option Scheme from 17 April 2007 to 19 April 2007.

(vi) The exercise of the 148,000 (2007: 16,197,000) share options during the year yielded the proceeds, net of transaction costs, of RMB1,447,000 (2007: RMB200,000,000).

(vii) Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2008		2007	
	Average exercise price per share HK$	Number of share options	Average exercise price per share HK$	Number of share options
At 1 January	15.69	43,261,000	13.00	41,858,000
Granted	N/A	—	19.30	17,600,000
Exercised	11.08	(148,000)	12.66	(16,197,000)
Lapsed	16.69	(330,000)	N/A	—
At 31 December	15.70	42,783,000	15.69	43,261,000

The weighted average closing price of the COSCO Pacific's shares on the dates when the share options were exercised was HK$17.59 (2007: HK$20.91) per share.

Notes to the Consolidated Financial Statements

23 Equity

Group

	Equity holders of the Company										
	Share capital RMB'000	Capital reserve RMB'000	Hedging reserve RMB'000	Other reserves RMB'000	Statutory reserve funds RMB'000	Investment revaluation reserves RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Sub-total RMB'000	Minority interests RMB'000	Total RMB'000
At 1 January 2007, as previously reported	6,204,756	8,376,907	26,690	146,425	1,676,335	1,311,840	(1,181,896)	18,158,415	34,719,472	8,687,157	43,406,629
Adoption of merger accounting (note 2(a))	–	–	–	–	–	–	1,552	8,008	9,560	15,071	24,631
At 1 January 2007, as restated	6,204,756	8,376,907	26,690	146,425	1,676,335	1,311,840	(1,180,344)	18,166,423	34,729,032	8,702,228	43,431,260
Transfer between reserves upon adoption of CAS (note a)	–	–	–	(118,627)	(1,676,335)	–	–	1,794,962	–	–	–
Profit for the year	–	–	–	–	–	–	–	19,481,867	19,481,867	1,804,944	21,286,811
Cash flow hedges											
– fair value gain, net	–	–	307,608	–	–	–	–	–	307,608	–	307,608
– tax on fair value gain	–	–	(60,345)	–	–	–	–	–	(60,345)	–	(60,345)
– transferred to consolidated income statement	–	–	(25,990)	–	–	–	–	–	(25,990)	–	(25,990)
Available-for-sale of financial assets											
– fair value gain, net	–	–	–	–	–	879,900	–	–	879,900	520,456	1,400,356
– tax on net fair value gain	–	–	–	–	–	(117,363)	–	–	(117,363)	(1,420)	(118,783)
Actuarial losses on defined benefits pension plan and related deferred tax	–	–	–	–	–	–	–	(458)	(458)	–	(458)
Release of reserves upon											
– disposal of an associate	–	–	–	–	–	(17,910)	(710)	–	(18,620)	21,178	2,558
– deemed disposals	–	(23,756)	–	58,337	–	(14,398)	(1,658)	–	18,525	232,777	251,302
Share of reserves of jointly controlled entities and associates	–	–		31,149	–	155,027	–	(2,783)	183,393	122,599	305,992
Exchange differences (note f)	–	–	–	–	–	–	(2,088,068)	–	(2,088,068)	(404,652)	(2,492,720)
Contribution from minority shareholders of subsidiaries	–	–	–	2	–	–	–	–	2	83,784	83,786
2006 final dividend	–	–	–	–	–	–	–	(1,489,141)	(1,489,141)	–	(1,489,141)
Disposal of shares in a subsidiary	–	–	–	–	–	–	–	–	–	(9,041)	(9,041)
Bonus Issue (note 22(a)(i))	930,714	–	–	–	–	–	–	–	930,714	–	930,714
A-Shares Issue (note 22(a)(ii))	1,783,867	13,343,329	–	–	–	–	–	–	15,127,196	–	15,127,196

23 Equity (Continued)

Group (Continued)

	Equity holders of the Company										
	Share capital RMB'000	Capital reserve RMB'000	Hedging reserve RMB'000	Other reserves RMB'000	Statutory reserve funds RMB'000	Investment revaluation reserves RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Sub-total RMB'000	Minority interests RMB'000	Total RMB'000
Acquisition Issue (notes e and 22(a) (iii))	864,271	4,244,907	–	–	–	–	–	–	5,109,178	–	5,109,178
Private placement (note 22(a)(iv))	432,666	12,547,323	–	–	–	–	–	–	12,979,989	–	12,979,989
Share issue expenses	–	(482,464)	–	–	–	–	–	–	(482,464)	–	(482,464)
Acquisition of the shares in minority interest	–	–	–	–	–	–	–	–	–	(30,023)	(30,023)
Reclassification of jointly controlled entities to subsidiaries (note 42)	–	–	–	–	–	–	–	–	–	203,542	203,542
Dividends paid to minority shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	(690,366)	(690,366)
Distributions (note 37(a))	–	–	–	–	–	–	–	(39,072,345)	(39,072,345)	–	(39,072,345)
Transfer to statutory reserve funds (note a)	–	–	–	–	196,967	–	–	(196,967)	–	–	–
Contribution from COSCO Group (note d)	–	–	–	–	–	–	–	207,869	207,869	–	207,869
At 31 December 2007	10,216,274	38,006,246	247,963	117,286	196,967	2,197,096	(3,270,780)	(1,110,573)	46,600,479	10,556,006	57,156,485
Representing:											
Capital and reserves	10,216,274	38,006,246	247,963	117,286	196,967	2,197,096	(3,270,780)	(2,914,931)	44,796,121	10,556,006	55,352,127
2007 dividends proposed	–	–	–	–	–	–	–	1,804,358	1,804,358	–	1,804,358
At 31 December 2007	10,216,274	38,006,246	247,963	117,286	196,967	2,197,096	(3,270,780)	(1,110,573)	46,600,479	10,556,006	57,156,485

23 Equity (Continued)

Group (Continued)

	Equity holders of the Company										
	Share capital RMB'000	Capital reserve RMB'000	Hedging reserve RMB'000	Other reserves RMB'000	Statutory reserve funds RMB'000	Investment revaluation reserves RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Sub-total RMB'000	Minority interests RMB'000	Total RMB'000
At 1 January 2008, as previously reported	10,216,274	38,006,246	247,963	117,286	196,967	2,197,096	(3,272,700)	(1,122,508)	46,586,624	10,461,448	57,048,072
Adoption of merger accounting (notes g and 2(a))	–	–	–	–	–	–	1,920	11,935	13,855	94,558	108,413
At 1 January 2008, as restated	10,216,274	38,006,246	247,963	117,286	196,967	2,197,096	(3,270,780)	(1,110,573)	46,600,479	10,556,006	57,156,485
Profit for the year	–	–	–	–	–	–	–	11,617,012	11,617,012	1,090,259	12,707,271
Cash flow hedges											
– fair value loss, net	–	–	(28,754)	–	–	–	–	–	(28,754)	–	(28,754)
– tax on fair value loss	–	–	11,780	–	–	–	–	–	11,780	–	11,780
– transferred to consolidated income statement	–	–	(241,224)	–	–	–	–	–	(241,224)	–	(241,224)
Available-for-sale of financial assets											
– fair value loss, net	–	–	–	–	–	(1,232,121)	–	–	(1,232,121)	(705,634)	(1,937,755)
– tax on net fair value loss	–	–	–	–	–	64,200	–	–	64,200	1,024	65,224
– transferred to consolidated income statement	–	–	–	–	–	(7,244)	–	–	(7,244)	(7,247)	(14,491)
Release of reserves upon											
– disposal of a jointly controlled entity	–	–	–	(816)	–	–	–	–	(816)	(786)	(1,602)
– deemed disposals	–	(632)	1	(42)	–	(379)	(131)	(1,141)	(2,324)	3,143	819
Share of reserves of jointly controlled entities and associates	–	–	–	(110,968)	–	47,509	–	462	(62,997)	(156,007)	(219,004)
Exchange differences (note f)	–	–	–	–	–	–	(2,399,140)	–	(2,399,140)	(421,169)	(2,820,309)
Contribution from minority shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	131,552	131,552
2007 final dividend	–	–	–	–	–	–	–	(1,804,358)	(1,804,358)	–	(1,804,358)
Disposal of shares in a subsidiary	–	–	–	–	–	–	–	–	–	(5,517)	(5,517)
Acquisition of a business (note 41(d))	–	–	–	–	–	–	–	–	–	70,740	70,740
Reclassification of jointly controlled entities to subsidiaries (note 42)	–	–	–	–	–	–	–	–	–	85,453	85,453
Dividends paid to minority shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	(888,506)	(888,506)
Distributions (note 37(a))	–	–	–	–	–	–	–	(22,837)	(22,837)	12,897	(9,940)
Transfer to statutory reserve funds (note a)	–	–	–	–	370,689	–	–	(370,689)	–	–	–
Acquisition of the share in miniority interest	–	–	–	–	–	–	–	–	–	(11,102)	(11,102)
At 31 December 2008	10,216,274	38,005,614	(10,234)	5,460	567,656	1,069,061	(5,670,051)	8,307,876	52,491,656	9,755,106	62,246,762
Representing:											
Capital and reserves	10,216,274	38,005,614	(10,234)	5,460	567,656	1,069,061	(5,670,051)	5,345,156	49,528,936	9,755,106	59,284,042
2008 dividends proposed	–	–	–	–	–	–	–	2,962,720	2,962,720	–	2,962,720
At 31 December 2008	10,216,274	38,005,614	(10,234)	5,460	567,656	1,069,061	(5,670,051)	8,307,876	52,491,656	9,755,106	62,246,762

23 Equity (Continued)

Company

	Share capital RMB'000	Capital reserve RMB'000	Statutory reserve funds RMB'000	(Accumulated losses)/ retained profits RMB'000	Exchange reserve RMB'000	Total RMB'000
At 1 January 2007	6,204,756	9,481,479	1,676,335	(3,633,344)	(464,910)	13,264,316
Transfer between reserves upon adoption of CAS (note a)	—	—	(1,676,335)	1,676,335	—	—
Profit for the year	—	—	—	5,262,435	—	5,262,435
Exchange differences (note f)	—	—	—	—	(810,556)	(810,556)
2006 final dividend	—	—	—	(1,489,141)	—	(1,489,141)
Bonus Issue (note 22(a)(i))	930,714	—	—	—	—	930,714
A-Shares Issue (note 22(a)(ii))	1,783,867	13,343,329	—	—	—	15,127,196
Acquisition Issue (notes e and 22(a)(iii))	864,271	4,244,907	—	—	—	5,109,178
Private placement (note 22(a)(iv))	432,666	12,547,323	—	—	—	12,979,989
Share issue expenses	—	(482,464)	—	—	—	(482,464)
Transfer to statutory reserve funds (note a)	—	—	196,967	(196,967)	—	—
At 31 December 2007	10,216,274	39,134,574	196,967	1,619,318	(1,275,466)	49,891,667
Representing:						
Capital and reserves	10,216,274	39,134,574	196,967	(185,040)	(1,275,466)	48,087,309
2007 dividends proposed	—	—	—	1,804,358	—	1,804,358
At 31 December 2007	10,216,274	39,134,574	196,967	1,619,318	(1,275,466)	49,891,667

23 Equity (Continued)

Company (Continued)

	Share capital RMB'000	Capital reserve RMB'000	Statutory reserve funds RMB'000	(Accumulated losses)/ retained profits RMB'000	Exchange reserve RMB'000	Total RMB'000
At 1 January 2008	10,216,274	39,134,574	196,967	1,619,318	(1,275,466)	49,891,667
Profit for the year	–	–	–	5,774,219	–	5,774,219
Transfer to statutory reserve funds (note a)	–	–	370,689	(370,689)	–	–
Exchange differences (note f)	–	–	–	–	(2,067,326)	(2,067,326)
2007 final dividend	–	–	–	(1,804,358)	–	(1,804,358)
At 31 December 2008	10,216,274	39,134,574	567,656	5,218,490	(3,342,792)	51,794,202
Representing:						
Capital and reserves	10,216,274	39,134,574	567,656	2,255,770	(3,342,792)	48,831,482
2008 dividends proposed	–	–	–	2,962,720	–	2,962,720
At 31 December 2008	10,216,274	39,134,574	567,656	5,218,490	(3,342,792)	51,794,202

Notes:

(a) Statutory reserve funds

In accordance with the PRC Company Law and the Company's articles of association, the Company is required to allocate 10% of its profit attributable to equity holders of the Company ("Net Profit"), as determined in accordance with the relevant accounting principles and regulations applicable to the Company, to the statutory surplus reserve until such reserve reaches 50% of the registered capital of the Company. The appropriation to the reserve must be made before any distribution of dividends to equity holders. The statutory surplus reserve can be used to offset previous years' losses, if any, and part of the statutory surplus reserve can be capitalised as the Company's share capital provided that the amount of such reserve remaining after the capitalisation shall not be less than 25% of the share capital of the Company.

On 1 January 2007, the Company and its PRC subsidiaries transferred all their statutory reserve funds to the Group's retained profits and the Company's accumulated losses as at 1 January 2007 upon the adoption of the China Accounting Standards ("CAS") for their statutory financial statements purpose.

In 2008, the Company appropriated RMB370,689,000 (2007: RMB196,967,000), being 10% of its Net Profit for the year ended 31 December 2008 to the statutory surplus reserve fund.

(b) In accordance with the articles of association of the Company, the profit available for appropriation by the Company for the purpose of dividend payments is based on the lesser of (i) the net profit of the Group determined in accordance with the CAS; and (ii) the net profit determined in accordance with HKFRSs.

On this basis, the amount of profits available for appropriation for the year was RMB10,726,123,000 (2007: RMB5,894,112,000), being the amount of consolidated profit attributable to equity holders of the Company as disclosed in the financial statements prepared under the CAS.

(c) Other reserves at 31 December 2008 represented capital reserve and other reserves of jointly controlled entities and associates.

Notes to the Consolidated Financial Statements

23 Equity (Continued)

(d) During the year ended 31 December 2007, COSCO Bulk and Guangzhou Penavico's capitals were increased by RMB147,869,000 and 60,000,000 respectively which were contributed by their then shareholders.

(e) For the COSCO Acquisition, the consideration was settled by the Company's issue of 864,270,817 new A-Shares. In determination of the consideration for the common control combination satisfied by share issue, the attributable net asset value of RMB5,109,178,000 of the subsidiaries acquired at the date of completion under COSCO Acquisition is treated as the deemed consideration for the Company's shares in exchange.

(f) The Company's functional currency is US dollar which is different from its presentation currency. Assets and liabilities are translated at closing rate and income and expenses are translated using the exchange rates prevailing at the dates of the transactions, any differences are dealt with in the exchange reserve of the Company.

(g) Business combinations under common control

Statements of adjustments for common control combinations of the Transferred Subsidiaries on the consolidated balance sheets at 31 December 2008 and 2007 and the Group's result for the years then ended are as follows:

	As previously reported RMB'000	Transferred Subsidiaries RMB'000		Adjustments RMB'000	As restated RMB'000
Year ended 31 December 2007					
Revenues	107,998,532	5,255,014	(i)	(1,020,752)	112,232,794
Profit before income tax	25,927,042	263,075	(iii)	(77,555)	26,112,562
Income tax	(4,721,371)	(104,380)		—	(4,825,751)
Profit for the year	21,205,671	158,695		(77,555)	21,286,811

23 Equity (Continued)

(g) Business combinations under common control (Continued)

	As previously reported RMB'000	Transferred Subsidiaries RMB'000		Adjustments RMB'000	As restated RMB'000
At 31 December 2007					
ASSETS					
Non-current assets	62,869,673	18,931	(iii)	(86,470)	62,802,134
Current assets	54,009,870	882,278	(iv)	(334,477)	54,557,671
Total assets	116,879,543	901,209		(420,947)	117,359,805
EQUITY					
Capital and reserves					
Share capital	10,216,274	12,294	(ii),(iii)	(12,294)	10,216,274
Reserves	34,565,992	182,589	(ii),(iii)	(168,734)	34,579,847
Proposed dividend	1,804,358	—		—	1,804,358
	46,586,624	194,883		(181,028)	46,600,479
Minority interests	10,461,448	—	(ii),(iii)	94,558	10,556,006
Total equity	57,048,072	194,883		(86,470)	57,156,485
LIABILITIES					
Non-current liabilities	17,025,335	—		—	17,025,335
Current liabilities	42,806,136	706,326	(iv)	(334,477)	43,177,985
Total liabilities	59,831,471	706,326		(334,477)	60,203,320
Total equity and liabilities	116,879,543	901,209		(420,947)	117,359,805

Notes to the Consolidated Financial Statements

23 Equity (Continued)

(g) Business combinations under common control (Continued)

	The Group before Transferred Subsidiaries RMB'000	Transferred Subsidiaries RMB'000		Adjustments RMB'000	Year ended at 31 December 2008 RMB'000
Year ended 31 December 2008					
Revenues	122,389,148	10,796,129	(i)	(2,313,420)	130,871,857
Profit before income tax	15,690,611	(21,865)	(iii)	1,295	15,670,041
Income tax	(2,988,625)	25,855		—	(2,962,770)
Profit for the year	12,701,986	3,990		1,295	12,707,271

	The Group before Transferred Subsidiaries RMB'000	Transferred Subsidiaries RMB'000		Adjustments RMB'000	At 31 December 2008 RMB'000
At 31 December 2008					
ASSETS					
Non-current assets	74,274,696	95,197	(ii),(iii)	(112,968)	74,256,925
Current assets	43,613,283	649,690	(iv)	(106,745)	44,156,228
Total assets	117,887,979	744,887		(219,713)	118,413,153
EQUITY					
Capital and reserves					
Share capital	10,216,274	12,207	(ii),(iii)	(12,207)	10,216,274
Reserves	39,314,433	163,501	(ii),(iii)	(165,272)	39,312,662
Proposed final dividend	2,962,720	—		—	2,962,720
	52,493,427	175,708		(177,479)	52,491,656
Minority interests	9,690,595	—	(ii),(iii)	64,511	9,755,106
Total equity	62,184,022	175,708		(112,968)	62,246,762
LIABILITIES					
Non-current liabilities	27,413,935	187,825		—	27,601,760
Current liabilities	28,290,022	381,354	(iv)	(106,745)	28,564,631
Total liabilities	55,703,957	569,179		(106,745)	56,166,391
Total equity and liabilities	117,887,979	744,887		(219,713)	118,413,153

23 Equity (Continued)

(g) Business combinations under common control (Continued)

Notes:

(i) Adjustments to eliminate the inter-group transactions for the year ended 31 December 2008 and 2007.

(ii) Adjustments to eliminate the investment costs, share capitals of the COSCON overseas companies and CL overseas company against reserves and minority interests.

(iii) Bulk overseas companies are previously classified as jointly controlled entities by the Group. Adjustments were made to reclassify and account for Bulk overseas companies as subsidiaries.

(iv) Adjustments to eliminate the intra-group balances as at 31 December 2008 and 2007.

No other significant adjustments were made to the net assets and net profit of any entities or businesses as a result of the common control combinations to achieve consistency of accounting policies.

24 Long-term borrowings

	Group	
	2008	2007
	RMB'000	RMB'000
Bank loans		
– secured (note h)	8,580,760	7,048,009
– unsecured	13,460,556	5,828,955
Loans from COSCO Finance		
– secured (note h)	532,429	—
Other loans		
– secured (note h)	146,473	182,787
– unsecured	2,287	—
Finance lease obligations (note i)	140,396	160,187
Notes (note c)	2,196,579	2,193,272
Total long-term borrowings	25,059,480	15,413,210
Current portion of long-term borrowings	(2,274,229)	(1,271,032)
	22,785,251	14,142,178

24 Long-term borrowings (Continued)

Notes:

(a) The Group's long-term borrowings are analysed as follows:

	2008 RMB'000	2007 RMB'000
Wholly repayable within five years		
– Bank loans	8,817,731	4,418,015
– Other loans	148,760	182,787
– Notes	2,196,579	—
– Loans from COSCO Finance	532,429	—
	11,695,499	4,600,802
Not wholly repayable within five years		
– Bank loans	13,223,585	8,458,949
– Notes	—	2,193,272
– Finance lease obligations (note i)	140,396	160,187
	13,363,981	10,812,408
	25,059,480	15,413,210

24 Long-term borrowings (Continued)

(b) At 31 December 2008, the Group's long-term borrowings were repayable as follows:

	2008 RMB'000	2007 RMB'000
Bank loans		
– within one year	**2,130,795**	1,233,908
– in the second year	**3,135,323**	1,268,278
– in the third to fifth years	**11,432,038**	6,432,378
– after the fifth year	**5,343,160**	3,942,400
	22,041,316	12,876,964
Other loans		
– within one year	**26,648**	26,986
– in the second year	**29,944**	—
– in the third to fifth years	**92,168**	155,801
	148,760	182,787
Finance lease obligations		
– within one year	**10,272**	10,138
– in the second year	**11,134**	10,981
– in the third to fifth years	**39,258**	38,735
– after the fifth year	**79,732**	100,333
	140,396	160,187
Notes		
– in the third to fifth year	**2,196,579**	—
– after the fifth year	**—**	2,193,272
	2,196,579	2,193,272
Loans from COSCO Finance		
– within one year	**106,514**	—
– in the second year	**106,477**	—
– in the third to fifth years	**319,438**	—
	532,429	—
	25,059,480	15,413,210

24 Long-term borrowings (Continued)

(c) Details of the notes at 31 December 2008 are as follows:

	2008 RMB'000	2007 RMB'000
Principal amount	2,483,100	2,483,100
Discount on issue	(15,718)	(15,718)
Notes issuance cost	(14,899)	(14,899)
Proceeds received	2,452,483	2,452,483
Exchange differences	(427,384)	(288,122)
Accumulated amortised amounts of		
– discount on issue	7,757	6,903
– notes issuance cost	7,354	6,545
Effect of fair value hedge	156,369	15,463
	2,196,579	2,193,272

Notes with principal amount of US$300,000,000 (equivalent to approximately RMB2,050,380,000) were issued by a subsidiary of COSCO Pacific to investors on 3 October 2003. The notes carried a fixed interest yield of 5.96% per annum and were issued at a price of 99.367 per cent of their principal amount with a fixed coupon rate of 5.875% per annum, resulting in a discount on issue of US$1,899,000. The notes bear interest from 3 October 2003, payable semi-annually in arrear on 3 April and 3 October of each year, commencing on 3 April 2004. The notes are guaranteed unconditionally and irrevocably by COSCO Pacific and listed on the Singapore Exchange Securities Trading Limited.

Unless previously redeemed or repurchased by COSCO Pacific, the notes will mature on 3 October 2013 at their principal amount. The notes are subject to redemption in whole, at their principal amount, together with accrued interest, at the option of COSCO Pacific at any time in the event of certain changes affecting the taxes of certain jurisdictions.

(d) The exposure of the Group's long-term borrowings to interest rate changes and the contractual repricing dates at balance sheet date are as follows:

	Less than 1 year RMB'000	2 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2008				
Total borrowings	**22,073,395**	**2,986,085**	**—**	**25,059,480**
Effect of interest rate swaps	**—**	**(1,366,920)**	**—**	**(1,366,920)**
	22,073,395	**1,619,165**	**—**	**23,692,560**
At 31 December 2007				
Total borrowings	12,301,925	587,503	2,523,782	15,413,210
Effect of interest rate swaps	—	—	(1,460,920)	(1,460,920)
	12,301,925	587,503	1,062,862	13,952,290

24 Long-term borrowings (Continued)

(e) The effective interest rates of long-term borrowings at 31 December 2008 were as follows:

	2008			2007	
	US$	RMB	EURO	US$	RMB
Bank loans	1.8% to 2.9%	5.5% to 7.9%	—	4.9% to 6.7%	5.1% to 7.4%
Loans from COSCO Finance	—	5.2% to 5.4%	—	—	—
Other loans	6.5%	—	1.5%	6.5%	—
Notes	6.0%	—	—	6.0%	—
Finance lease obligations	8.3%	—	—	8.3%	—

(f) The carrying amounts and fair values of the long-term borrowings are as follows:

	Carrying amounts		Fair values	
	2008 RMB'000	2007 RMB'000	2008 RMB'000	2007 RMB'000
Bank loans	22,041,316	12,876,964	22,045,909	13,002,786
Loans from COSCO Finance	532,429	—	532,429	—
Other loans	148,760	182,787	148,760	182,787
Notes	2,196,579	2,193,272	2,282,203	2,304,499
Finance lease obligations	140,396	160,187	140,396	160,187
	25,059,480	15,413,210	25,149,697	15,650,259

The fair values are based on cash flows discounted by respective rates as set out in note 24(e) above.

(g) The carrying amounts of the long-term borrowings are denominated in the following currencies:

	2008 RMB'000	2007 RMB'000
US dollar	23,399,264	14,555,230
RMB	1,657,929	857,980
EURO	2,287	—
	25,059,480	15,413,210

24 Long-term borrowings (Continued)

(h) The secured bank and other loans at 31 December 2008, including loans of RMB495,418,000 (2007: RMB570,458,000) under Vessels Financing Lease Arrangements (note 6(g)) and syndicated loans of RMB3,262,182,000 (2007: RMB1,293,077,000) (note 6(f)), are secured, inter alia, by one or more of the following:

(i) First legal mortgage over certain property, plant and equipment of RMB12,835,585,000 (2007: RMB9,731,056,000) (notes 6(b) and 6(c));

(ii) Assignments of the charter, rental income and earnings and rights, requisition compensation, insurance relating to certain container vessels and dry bulk vessels and bank accounts;

(iii) Shares of certain subsidiaries.

(i) The Group entered into a finance lease arrangement pursuant to which the Group has an option to purchase the vessel at a consideration of US$7,200,000 (equivalent to approximately RMB49,209,000) prior to the expiry of the lease.

The finance lease payable not wholly repayable within five years is repayable in various instalments up to 2016. Interest is charged on the outstanding balance at 8.3% per annum.

At 31 December 2008, the Group's finance lease payable was repayable as follows:

	2008 RMB'000	2007 RMB'000
Finance lease payable – minimum lease payments:		
– within one year	21,952	23,462
– in the second to fifth year	87,811	93,850
– after the fifth year	95,705	125,744
	205,468	243,056
Future finance charges on finance lease	(65,072)	(82,869)
Present value of finance lease payable	140,396	160,187

The present value of the finance lease payable is as follows:

	2008 RMB'000	2007 RMB'000
– within one year	10,272	10,138
– in the second to fifth year	50,392	49,716
– after the fifth year	79,732	100,333
	140,396	160,187

25 Provisions and other liabilities

	Group		Company	
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Provision for one-off housing subsidies (note a)	**267,949**	196,982	**4,009**	—
Retirement benefit obligations (note b)	**772,889**	716,414	**—**	—
Provision for onerous contracts (note c)	**5,235,690**	—	**—**	—
Deferred income and others	**63,797**	54,463	**—**	—
	6,340,325	967,859	**4,009**	—
Less: current portion included in current liabilities	**(5,327,137)**	(21,005)	**(4,009)**	—
	1,013,188	946,854	**—**	—

Notes:

(a) Movements for the year are as below:

Group

	Provision for one-off housing subsidies	
	2008	2007
	RMB'000	RMB'000
At 1 January	**196,982**	188,435
Reclassification from other payables	**40,538**	—
Additions	**37,571**	8,547
Payments during the year	**(7,142)**	—
At 31 December	**267,949**	196,982

The Group has provided one-off cash housing subsidies based on PRC regulations to those eligible employees who have not been allocated with staff quarters at all or who have not been allocated with quarters up to the prescribed standards before 31 December 1998 when the staff quarter allocation schemes were terminated. The subsidies are determined based on a staff member's years of service, position and other criteria. In addition, monthly cash housing allowances should be made to other employees following the withdrawal of allocation of staff quarters. The specific timetable and procedures of implementation of these policies are to be determined by the Group and approved by individual provincial or municipal governments based on the particular situation of the province or municipality.

Company

The Company provided additional one-off cash housing subsidies of RMB4,009,000 for certain Beijing employees for the year (2007: Nil).

25 Provisions and other liabilities (Continued)

(b) Retirement benefit obligations

	Group	
	2008	2007
	RMB'000	RMB'000
Balance sheet obligations for:		
Post-retirement benefits for US employees (notes (i) and (ii))	–	23,571
Post-employment medical benefits for US employees (notes (i) and (iii))	–	60,873
Multi-employer defined benefits plans for US employees (note (i))	56,117	—
Post-retirement benefits for PRC employees (note (iv))	365,641	304,931
Early-retirement benefits for PRC employees (note (iv))	351,131	327,039
	772,889	716,414
Expensed in income statement for (note 39):		
Post-retirement benefits for US employees (notes (i) and (ii))	–	5,192
Post-employment medical benefits for US employees (notes (i) and (iii))	–	17,596
Multi-employer defined benefits plans for US employees (note (i))	13,611	—
Post-retirement benefits for PRC employees (note (iv))	79,465	219,982
Early-retirement benefits for PRC employees (note (iv))	107,022	122,092
	200,098	364,862

Notes:

(i) Post-retirement benefits and post-employment medical benefits for US employees

In the previous year, there was a retirement benefits plan and a post-employment medical benefits plan operated by a US subsidiary, which were defined benefit in nature. The assets of the funded plans were held independently of the subsidiary's assets in separate trustee administered funds.

In 2008, all the plan assets and obligations were transferred to a multi-employer defined benefit pension and post-retirement medical plan. Plan assets of RMB8,396,000 and liabilities of RMB32,187,000 relating to post-retirement benefits and plan assets of RMB2,496,000 and liabilities of RMB34,822,000 relating to post employment medical benefits were transferred out to multi-employer plan. As the actuary is unable to provide sufficient information to report the Group's proportional share of the defined benefits obligation and the assets and expenses associated with the multi-employer plan and there is no agreement on the future allocation of surplus/shortfall from the plan, the multi-employer plan has been accounted for as a defined contribution plan at the year end.

(ii) Post-retirement benefits for US employees

The amounts recognised in the consolidated balance sheets are determined as follows:

	2008	2007
	RMB'000	RMB'000
Present value of funded obligations	–	41,891
Fair value of plan assets	–	(18,320)
	–	23,571
Unrecognised past service cost	–	—
Liability in the balance sheet	–	23,571

25 Provisions and other liabilities (Continued)

(b) Retirement benefit obligations (Continued)

Notes: (Continued)

(ii) Post-retirement benefits for US employees (Continued)

The movement in the liability recognised in the consolidated balance sheets is as follows:

	2008 RMB'000	2007 RMB'000
At 1 January	41,891	44,648
Exchange differences	(2,695)	(2,886)
Current service cost	—	3,112
Interest cost	—	2,468
Actuarial loss	—	(218)
Benefits paid	—	(6,108)
Settlement	(7,009)	875
Transfer out to multi-employer plan	(32,187)	—
At 31 December	—	41,891

The movement in the fair value of plan assets of the year is as follows:

	2008 RMB'000	2007 RMB'000
At 1 January	18,320	21,730
Exchange differences	(1,178)	(1,320)
Expected return on plan assets	—	1,776
Actuarial loss	—	(884)
Contribution paid	—	3,126
Benefits paid	—	(6,108)
Settlement	(8,746)	—
Realisation of plan assets	(8,396)	—
At 31 December	—	18,320

25 Provisions and other liabilities (Continued)

(b) Retirement benefit obligations (Continued)

Notes: (Continued)

(ii) Post-retirement benefits for US employees (Continued)

The principal actuarial assumptions used are as follows:

	2008	2007
Discount rate	–	5.75%
Expected return on plan assets	–	8.00%

The average life expectancy in years of a pensioner retiring at age 65 on the balance sheet date is as follows:

	2008	2007
Male	–	19.4
Female	–	19.4

Plan assets are comprised as follows:

	2008		2007	
	RMB'000	%	RMB'000	%
Equity	–	–	10,809	59
Debt	–	–	3,847	21
Other	–	–	3,664	20
	–	–	18,320	100

	2008 RMB'000	2007 RMB'000
At 31 December		
Present value of defined benefits obligations	–	41,891
Fair value of plan assets	–	(18,320)
Deficit	–	23,571
Experience adjustments on plan liabilities	–	(218)
Experience adjustments on plan assets	–	(884)

25 Provisions and other liabilities (Continued)

(b) Retirement benefit obligations (Continued)

Notes: (Continued)

(iii) Post-employment medical benefits for US employees

The amounts recognised in the consolidated balance sheet were determined as follows:

	2008 RMB'000	2007 RMB'000
Present value of funded obligations	—	64,640
Fair value of plan assets	—	(3,767)
	—	60,873
Unrecognised past service costs	—	—
Liability in the balance sheet	—	60,873

The movement in the liability recognised in the consolidated balance sheet is as follows:

	2008 RMB'000	2007 RMB'000
At 1 January	64,640	67,466
Exchange differences	(4,159)	(4,418)
Current service cost	—	5,951
Interest cost	—	3,778
Settlement	(25,659)	—
Contributions	—	(8,137)
Transfer out to multi-employer plan	(34,822)	—
At 31 December	—	64,640

The movement in the fair value of plan assets of the year is as follows:

	2008 RMB'000	2007 RMB'000
At 1 January	3,767	2,192
Exchange differences	(242)	(212)
Expected return on plan assets	—	270
Contributions	—	1,656
Actuarial loss	—	(139)
Settlement	(1,029)	—
Realisation of plan assets	(2,496)	—
At 31 December	—	3,767

25 Provisions and other liabilities (Continued)

(b) Retirement benefit obligations (Continued)

Notes: (Continued)

(iii) Post-employment medical benefits for US employees (Continued)

The principal actuarial assumptions used are as follows:

	2008	2007
Discount rate	–	5.75%
Expected return on plan assets	–	8.00%
Rate of increase in cost of post-retirement medical benefits	–	9.00%

The rate of increase in cost of post-retirement benefits is assumed to reduce to 5% in 2016 and thereafter.

Plan assets are comprised as follows:

	2008		2007	
	RMB'000	%	RMB'000	%
Equity	–	–	2,223	59
Debt	–	–	791	21
Other	–	–	753	20
	–	–	3,767	100

	2008 RMB'000	2007 RMB'000
At 31 December		
Present value of defined benefits obligations	–	64,640
Fair value of plan assets	–	(3,767)
Deficit	–	60,873
Experience adjustments on plan liabilities	–	–
Experience adjustments on plan assets	–	(139)

25 Provisions and other liabilities (Continued)

(b) Retirement benefit obligations (Continued)

Notes: (Continued)

(iv) Retirement benefits for PRC employees

The Group recognises a liability for the present value of the unfunded obligations relating to retirement benefits payable to certain normal retired or early retired employees in the consolidated balance sheet. The liability related to the supplemental benefit obligation for retired employees existing at year end is calculated by the management of the Group, using the projected unit credit method. The actuarial liabilities at 31 December 2008 are RMB365,641,000 (2007: RMB304,931,000).

Movements of the net liabilities recognised in the consolidated balance sheets are as follows:

	2008			2007		
	Early retirement RMB'000	Post retirement RMB'000	Total RMB'000	Early retirement RMB'000	Post retirement RMB'000	Total RMB'000
At 1 January	327,039	304,931	631,970	264,692	105,058	369,750
Amounts charged to the consolidated income statements	107,022	79,465	186,487	122,092	219,982	342,074
Benefits paid	(82,930)	(18,755)	(101,685)	(59,745)	(20,109)	(79,854)
At 31 December	351,131	365,641	716,772	327,039	304,931	631,970

The amounts of retirement benefit costs recognised in the consolidated income statements comprise:

	2008			2007		
	Early retirement RMB'000	Post retirement RMB'000	Total RMB'000	Early retirement RMB'000	Post retirement RMB'000	Total RMB'000
Interest cost	12,374	13,883	26,257	7,288	3,088	10,376
Past service costs	94,648	65,582	160,230	114,804	216,894	331,698
	107,022	79,465	186,487	122,092	219,982	342,074

The principal actuarial assumptions used were as follows:

	2008		2007	
	Early retirement	Post retirement	Early retirement	Post retirement
Discount rate	3.5% - 3.8%	3.5% - 3.8%	4.7%	4.7%
Pension benefits inflation rates	0% - 10%	Nil	0% - 10%	Nil
Mortality rates	note	note	note	note

Note: Mortality rates for male and female were made reference to the China Life Insurance Mortality Table (2000-2003) published by the China Insurance Regulatory Commission in 2005.

25 Provisions and other liabilities (Continued)

(c) Provision for onerous contracts

At 31 December 2008, the Group recognised a provision of RMB5,235,690,000 for onerous contracts relating to non-cancellable leases for chartered-in dry bulk vessels (i) with lease term expiring within 12 months from the balance sheet date; and (ii) with lease term expiring over 12 months from the balance sheet date in respect of the period being covered by the chartered-out dry bulk vessel contracts.

Management estimates the provision being the present obligation of the unavoidable costs less the economic benefits expected to be received under those non-cancellable chartered-in dry bulk vessel contracts.

Management considers that it cannot reasonably assess as to whether the chartered-in dry bulk vessel contracts with lease term over 12 months from the balance sheet date are onerous as the economic benefits expected to be received under those contracts cannot be reliably measured. At 31 December 2008, the committed charterhire expenses of those non-cancellable chartered-in dry bulk vessel contracts with lease term over 12 months from the balance sheet date of which management cannot reliably assess their onerous amounted to approximately RMB59,585,487,000.

26 Trade and other payables

	Group		Company	
	2008 RMB'000	2007 RMB'000 (Restated)	2008 RMB'000	2007 RMB'000
Trade payables (note a)				
– third parties	5,194,802	5,735,047	—	—
– subsidiaries of COSCO	554,415	1,107,228	—	—
– jointly controlled entities	42,231	182,607	—	—
– associates	12,935	206,561	—	—
– other related companies	101,275	145,477	—	—
	5,905,658	7,376,920	—	—
Bills payables (note a)	19,416	39,029	—	—
	5,925,074	7,415,949	—	—
Advances from customers	1,398,445	2,264,499	—	—
Other payables and accruals (note b)	6,989,021	7,301,569	131,611	527,038
Consideration and distribution payable (note c)	—	17,460,889	—	—
Due to related parties (note e)				
– COSCO	—	1,486,679	—	4,200
– subsidiaries of COSCO	167,594	76,392	—	—
– jointly controlled entities	51,056	—	—	—
– associates	6,866	—	—	—
– other related companies	223,926	49,993	—	—
	449,442	1,613,064	—	4,200
Total	14,761,982	36,055,970	131,611	531,238

26 Trade and other payables (Continued)

Notes:

(a) At 31 December 2008, the ageing analysis of trade and bills payables is as follows:

	2008 RMB'000	2007 RMB'000 (Restated)
1-6 months	**5,585,781**	6,970,540
7-12 months	**166,157**	255,046
1-2 years	**81,094**	105,396
2-3 years	**40,302**	45,784
Above 3 years	**51,740**	39,183
	5,925,074	7,415,949

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

(b) Other payables and accruals

	Group		Company	
	2008 RMB'000	2007 RMB'000 (Restated)	2008 RMB'000	2007 RMB'000
Salary and welfare payables	**1,403,261**	2,061,504	**114,622**	378,603
Accruals for voyages costs	**1,336,369**	2,015,797	**—**	—
Accruals for vessel costs	**1,032,584**	963,371	**—**	—
Others	**3,216,807**	2,260,897	**16,989**	148,435
	6,989,021	7,301,569	**131,611**	527,038

(c) It represented the outstanding consideration payable to COSCO Group in connection with the subsidiaries acquired in 2007 (note 46(b)) and the dividend payable by the subsidiaries acquired in 2007 to their then shareholders. The balance was fully settled in 2008.

(d) The carrying amounts of trade and other payables are denominated in the following currencies:

	2008 RMB'000	2007 RMB'000 (Restated)
US dollar	**4,584,131**	13,117,428
RMB	**9,170,456**	21,840,883
EURO	**458,190**	400,369
HK dollar	**189,335**	301,060
Other currencies	**359,870**	396,230
Total	**14,761,982**	36,055,970

(e) The amounts due to related companies are unsecured and interest free and have no fixed terms of repayment.

The amount due to COSCO at 31 December 2007 mainly represented the tax payable to COSCO by certain PRC subsidiaries acquired by the Group during 2007 on their income tax liabilities in respect of their taxable profits for 2007.

(f) The carrying amounts of trade and other payables approximate their fair values.

27 Amounts due to a fellow subsidiary

Other than the balance of RMB534,038,000 as at 31 December 2007 which bore interest at 0.6% over LIBOR per annum, all remaining balances were interest free. All balances as at 31 December 2007 were unsecured and were fully settled during the year ended 31 December 2008.

28 Short-term loans

	Group		Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Bank loans – unsecured (note a)	**1,101,226**	2,308,987	**–**	249,138
Loans from COSCO Finance – unsecured (note b)	**251,921**	1,607,684	**–**	–
Other loan – unsecured	**1,276**	–	**–**	–
	1,354,423	3,916,671	**–**	249,138

Notes:

(a) The effective interest rates of short-term loans at 31 December 2008 were in the range of 1.71% to 6.33% (2007: 4.99% to 6.46%) per annum.

(b) At 31 December 2008, the loan from COSCO Finance bore interest at 4.31% to 6.72% (2007: 4.69% to 6.72%) per annum.

(c) The carrying amounts of short-term loans approximate their fair values. The carrying amounts of the short-term loans are denominated in the following currencies:

	Group		Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
US dollar	**1,064,397**	2,622,671	**–**	219,138
RMB	**288,750**	1,294,000	**–**	30,000
EURO	**1,276**	–	**–**	–
	1,354,423	3,916,671	**–**	249,138

29 Other (expenses)/income, net

	2008 RMB'000	2007 RMB'000 (Restated)
Dividend income from listed and unlisted investments	**191,803**	194,996
Subsidy income	**77,734**	47,591
Gain on disposal of property, plant and equipment, net		
– container vessels (note a)	**195,515**	536,608
– dry bulk vessels (note b)	**392,350**	425,426
– containers	**36,852**	197,514
– others	**26,141**	28,822
(Loss)/gain on deemed partial disposal of a subsidiary	**(190)**	71,087
Gain on disposal of a subsidiary	**261**	—
Gain on disposal of available-for-sale financial assets	**13,689**	67,541
Gain on disposal of jointly controlled entities and an associate	**2,093**	19,186
Net (loss)/gain on derivatives at fair value through profit or loss		
– FFA	**(4,120,762)**	2,394,120
– interest rate swap contracts	**1,175**	(730)
– bunker forward contracts	**121,489**	48,370
Recovery of bad debts	**16,584**	39,838
Ineffectiveness on cash flow hedges of FFA, net	**—**	25,019
Net exchange gain/(loss)	**239,368**	(90,563)
Rental outgoings	**(19,584)**	(19,825)
Provision for impairment of trade and other receivables	**(310,377)**	(39,116)
Donations	**(34,899)**	(37,240)
Others	**213,094**	16,823
Total	**(2,957,664)**	3,925,467

Notes:

(a) In 2008, the Group disposed of five container vessels to third parties for a net consideration of RMB243,524,000 resulting in a total gain of RMB195,515,000.

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.

(b) In 2008, the Group disposed of three dry bulk vessels to third parties for a net consideration of RMB399,723,000, resulting in a total gain of RMB392,350,000.

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.

30 Expenses by nature

	2008 RMB'000	2007 RMB'000 (Restated)
Cost of services and inventories sold		
Container shipping and dry bulk shipping costs		
– Equipment and cargo transportation costs	14,693,414	17,914,865
– Voyage costs (note i)	20,634,634	15,789,314
– Vessel costs (note ii)	46,217,603	34,070,286
– Penalty and compensation	278,385	—
– Provision for onerous contracts	5,249,667	—
– Others	837,857	316,179
Freight forwarding and shipping agency costs	19,036,146	17,150,248
Terminal operating and other direct costs	342,361	192,541
Cost of inventories sold	288,282	446,202
Container depreciation and other direct costs	608,496	594,199
Business tax	894,439	813,482
Total	109,081,284	87,287,316
Selling, administrative and general expenses		
Administrative staff costs	2,686,087	3,393,349
Depreciation and amortisation	272,939	337,642
Rental expense	158,983	182,072
Office expense	229,865	220,282
Transportation and travelling expense	197,854	190,148
Entertainment expense	177,314	169,158
Legal and professional fees	161,618	224,560
Telecommunication and utilities	87,868	109,229
Repair and maintenance expense	60,749	59,389
Others	356,232	310,967
Total	4,389,509	5,196,796

Notes:

(i) Voyage costs mainly comprised of bunkers, port charges and commission expenses.

(ii) Vessel costs mainly comprised of operating lease rentals and depreciation of vessels.

31 Share reform

On 25 May 2006, COSCO Pacific issued 424,106,507 put options (the "Put Options") to holders of the A-shares not having trading restrictions (the "CIMC Tradable A-Shares") of CIMC, an associate of the Group listed on the Shenzhen Stock Exchange, as consideration for the former's approval of the removal of the trading restrictions on the CIMC shares held by the Group. The Put Options were listed on the Shenzhen Stock Exchange. The holders of the Put Options were entitled to require COSCO Pacific to buy from them 1.370 CIMC Tradable A-Shares at an exercise price of RMB7.302 per share during the 5 trading days immediately prior to and including 23 November 2007.

The Put Options expired on 23 November 2007 and none of the Put Option was exercised. The change in fair value of RMB419,596,000 was credited to the income statement for the year ended 31 December 2007.

32 Operating profit

Operating profit is stated after charging the following:

	2008 RMB'000	2007 RMB'000 (Restated)
Auditors' remuneration	60,359	95,820
Amortisation		
– leasehold land and land use rights	37,599	17,684
– intangible assets	47,359	51,930
Cost of bunkers consumed	15,150,693	10,569,960
Cost of inventories sold		
– resaleable containers	223,807	372,969
– marine suppliers and others	64,475	73,233
Depreciation		
– container vessels	903,177	822,364
– dry bulk vessels	1,708,819	2,180,166
– containers	536,357	571,181
– other property, plant and equipment	438,947	483,434
– investment properties	29,365	11,043
Operating lease rentals		
– container vessels	3,288,639	3,419,563
– dry bulk vessels	33,459,838	21,406,540
– containers	754,948	1,117,614
– land and buildings	173,316	104,994
– other property, plant and equipment	63,296	91,542

33 Finance income and costs

	2008 RMB'000	2007 RMB'000 (Restated)
Finance income		
Interest income from:		
– deposits with COSCO Finance (note 17(c))	**(174,082)**	(66,773)
– loans to jointly controlled entities (note 11(b))	**(10,807)**	(5,277)
– loans to associates (note 12(b))	**(7,977)**	(8,121)
– deposits with a subsidiary of COSCO	**—**	(25,345)
– banks	**(695,765)**	(555,365)
	(888,631)	(660,881)
Finance costs		
Interest expenses on:		
– bank loans	**803,244**	897,737
– bond	**—**	42,618
– other loans wholly repayable within five years	**7,535**	13,935
– loans from COSCO Finance (note 24(h), 28(b))	**28,543**	43,135
– finance lease obligations (note 24(i))	**12,685**	14,849
– amounts due to a fellow subsidiary (note 27)	**19,979**	32,602
– notes	**112,094**	144,514
Fair value gain on derivative financial instruments	**(136,127)**	(68,459)
Fair value adjustment of notes attributable to interest rate risk	**144,389**	77,196
	8,262	8,737
	992,342	1,198,127
Amortised amount of transaction costs on long-term borrowings	**11,726**	23,275
Amortised amount of discount on issue of notes	**1,321**	1,536
Other incidental borrowing costs and charges	**41,163**	32,079
Less: amount capitalised in construction in progress (note 6(i))	**(34,418)**	(39,035)
	1,012,134	1,215,982
Net finance costs	**123,503**	555,101

34 Disposal of an associate

In 2007, COSCO Pacific 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 a fellow subsidiary, resulted in a gain of RMB690,002,000.

35 Income tax expenses

	2008 RMB'000	2007 RMB'000 (Restated)
Current income tax		
– PRC enterprise income tax (note a)	**3,485,934**	3,489,768
– Hong Kong profits tax (note b)	**1,787**	31,583
– Overseas taxation (note c)	**102,034**	241,775
(Over)/under provision in prior years	**(95,276)**	5,375
	3,494,479	3,768,501
Deferred income tax (note 15)		
– Origination and reversal of temporary differences	**(531,709)**	1,057,250
	2,962,770	4,825,751

The Group's share of income tax expense of jointly controlled entities and associates for the year amounted to RMB156,996,000 (2007: RMB164,634,000) and RMB89,230,000 (2007: RMB90,107,000) 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 25% 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 12.5% to 20% (2007: 12% to 27%) based on different local preferential policies on income tax and approval by relevant tax authorities.

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 was reduced by RMB146,189,000.

35 Income tax expenses (Continued)

(b) Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 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 15% to 46% during the year (2007: 22% to 46%).

(d) The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rate of the home country of the Company as follows:

	2008 RMB'000	2007 RMB'000 (Restated)
Profit before income tax	15,670,041	26,112,562
Less: Share of profits less losses of jointly controlled entities and associates	(1,350,144)	(1,883,916)
Profit on disposal of an associate	–	(690,002)
	14,319,897	23,538,644
Calculated at a tax rate of 25% (2007: 33%)	3,579,974	7,767,752
Effect of differential tax rates of domestic and overseas entities	(677,923)	(2,472,052)
Income not subject to income tax	(497,145)	(1,092,559)
Expenses not deductible for taxation purposes	531,226	642,921
Utilisation of previously unrecognised tax losses	(26,532)	(8,196)
Tax losses not recognised	314,828	108,361
Recognition of previously unrecognised tax losses	(2,783)	(1,310)
Effect of exchange losses directly recognised in equity	(227,729)	(244,554)
Impact of the new CIT Law	–	(146,189)
Recognition of tax liabilities on domestic/overseas undistributed profits previously not recognised	–	213,824
(Over)/under provision in prior years	(95,276)	5,375
Other temporary differences not recognised	64,130	52,378
Income tax expenses	2,962,770	4,825,751

(e) Business tax

Pursuant to various PRC business tax rules and regulations, the Group is required to pay business tax to relevant local tax bureaus as below.

Revenues derived from container shipping and bulk business for inbound shipment and freight forwarding and shipping agencies, and terminal operations provided by the Group in the PRC are subject to business tax at rates ranging from 3% to 5% during the year. The related business tax is included in the cost of services.

36 Profit attributable to equity holders of the Company

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of RMB5,774,219,000 (2007: RMB5,262,435,000).

37 Distributions and dividends

(a) Distributions

	2008 RMB'000	2007 RMB'000 (Restated)
Consideration in connected with the purchase of (note i)		
– COSCON overseas companies (note 46(p))	**9,940**	—
– subsidiaries acquired in 2007 (note 46(b))	**—**	23,800,242
Dividends and distribution of reserves (note ii)		
– subsidiaries of COSCO	**—**	8,948,710
– COSCO	**—**	6,323,393
	9,940	39,072,345

Notes:

(i) These represented consideration paid by the Group for acquisition of equity interests in subsidiaries from COSCO Group. These acquisitions were regarded as business combinations under common control.

(ii) It represented distribution of reserve or dividends declared by the subsidiaries acquired in 2007 to their then shareholders.

(b) Dividends

	2008 RMB'000	2007 RMB'000
Final, proposed, of RMB0.29 per share (2007: RMB0.18)	**2,962,720**	1,804,358

Note:

At the meeting held on 22 April 2009, the Directors proposed a final cash dividend of RMB0.29 per share totalling RMB2,962,720,000 for the year ended 31 December 2008.

The proposed 2008 final cash 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 2009.

In accordance to the PRC Enterprise Income Tax Law and its implementation regulations which took effect on 1 January 2008, the Company is obliged to withhold and pay enterprise income tax at a tax rate of 10% on behalf of non-resident corporate shareholders on its H-shares register when making payments of final dividend to these shareholders. Shares registered in the name of non-individual shareholders, including HKSCC Nominees Limited, other nominees or trustees or other organisations or bodies (excluding qualified PRC social insurance fund) shall be deemed as shares held by non-resident corporate shareholders. Such shareholders will receive their dividends after the deduction of enterprise income tax.

On 22 April 2008, the Board proposed a final cash dividend of RMB0.18 per share, totalling RMB1,838,929,000 for the year ended 31 December 2007. In connection with the Acquisition Issue (note 22(a)(iii)), COSCO has agreed to forfeit the right to receive the dividend of approximately RMB34,571,000 declared by the Company for the period from 1 January 2007 to 31 August 2007 in respect of 864,270,817 A-shares held by COSCO, accordingly such amount as determined was deducted from the 2007 final proposed dividend above.

38 Earnings per share

The calculation of the basic and diluted earnings per share for profit attributable to the equity holders of the Company is based on the following data:

	2008	2007 (Restated)
Earnings (RMB)		
Earnings for the purpose of calculating the basic and dilutive earnings per share (note a)	**11,617,012,000**	19,481,961,000
Number of shares		
Weighted average number of ordinary shares in issue (note b)	**10,216,274,357**	8,928,183,591
Earnings per share (RMB)		
– Basic and diluted	**1.1371**	2.1821

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) In 2007, the number of shares in issue has been adjusted for the Bonus Issue effected on 31 May 2007 and the Acquisition Issue on 19 December 2007 (notes 22(a)(i) and (iii)) as if the Bonus Issue and Acquisition Issue had been issued for all periods presented.

39 Staff costs

An analysis of staff costs, including Directors', supervisors' and key management's emoluments, is set out below:

	2008 RMB'000	2007 RMB'000 (Restated)
Wages, salaries and crew expenses (including bonus and share-based payments)	**4,444,536**	5,210,402
Housing benefits (note a)	**215,787**	197,970
Retirement benefits costs		
– defined benefit plans (including multi-employment defined benefits plans) (note 25(b))	**200,098**	364,862
– defined contribution plans (note b)	**457,419**	551,903
Welfare and other expenses	**800,700**	391,481
	6,118,540	6,716,618

Notes:

(a) These include contributions to PRC government sponsored housing funds (at rates ranging from 5% to 20% of the employees' basic salaries) for full time employees in the PRC during the year.

(b) The employees of the subsidiaries in the PRC participate in various retirement contribution plans organised by the relevant municipal and provincial governments in the PRC under which the Group was required to make monthly contributions to these plans at rates ranging from 5% to 22%, dependent on the applicable local regulations, of the employees' basic salaries for the year.

In addition, the Group participates in various defined contribution retirement schemes for its qualified employees in certain countries outside the PRC. Employees' and employers' contributions are calculated based on various percentages of employees' gross salaries or fixed sums and length of service. The assets of the schemes are held separately from those of the administered funds independently.

No forfeited contributions were available at 31 December 2008 and 2007 to reduce future contributions.

Contributions totalling RMB231,393,000 (2007: RMB210,014,000) payable to various retirement benefit plans at 31 December 2008 are included in trade and other payable.

(c) The staff costs disclosed above do not include staff quarters provided to the Directors, supervisors and the Group's key managements during the year. Further details of the Directors, supervisors and key management's emoluments are disclosed in note 40 of the Consolidated Financial Statements.

40 Emoluments of Directors, supervisors and senior management

(a) Directors', supervisors' and senior management's emoluments

Details of the emoluments paid and payable to the Directors, supervisors and senior management of the Company by the Group in respect of their services rendered for managing the business of the Group during the year are as follows:

	2008 RMB'000	2007 RMB'000
Independent non-executive directors		
– fees	**1,173**	961
Executive and other non-executive directors		
– fees	**1,363**	1,165
– salaries and allowances	**5,949**	9,548
– benefits in kind	**(37,302)**	70,633
	(29,990)	81,346
Supervisors		
– salaries and allowances	**2,510**	2,922
– benefits in kind	**(10,571)**	23,028
– retirement benefit contributions	**47**	42
	(8,014)	25,992
Senior management		
– salaries and allowances	**12,616**	12,269
– benefits in kind	**(8,524)**	26,925
– discretionary bonuses	**663**	34
– retirement benefit contributions	**118**	85
– others	**—**	11
	4,873	39,324
	(31,958)	147,623

Benefits in kind for the year ended 31 December 2008 disclosed above mainly included (i) cash receivable from exercising SARs of RMB 14,426,000 (2007: RMB 17,610,000) by Directors, supervisors and senior management; and (ii) amortised cost and change in fair value with a net credit of RMB 71,518,000 (2007: a net debit of 98,608,000) on outstanding SARS not yet exercised by Directors, supervisors and senior management. The benefit in kind for the year ended 31 December 2007 also included cost of share options of RMB3,878,000 granted to senior management.

40 Emoluments of Directors, supervisors and senior management (Continued)

(a) Directors', supervisors' and senior management's emoluments (Continued)

In 2007, the number of SARs granted to the Directors, supervisors and senior management were 4,660,000,1,820,000 and 1,920,000 respectively and the number of share options granted to senior management was 800,000. There was no SAR and share option granted to the Directors, supervisors and senior management during the year ended 31 December 2008.

Details of SAR scheme and share option scheme refer to notes 22(b) and 22(c), respectively.

(b) Directors' emoluments

Details of the remuneration of each of the Directors are set out below:

	Year ended 31 December 2008			
Name of Directors	Fees RMB'000	Salaries and allowances RMB'000	Benefits in kind in respect of SARs RMB'000	Total RMB'000
Mr. Wei Jiafu	77	2,163	(9,149)	(6,909)
Mr. Zhang Fusheng	—	2,009	(6,059)	(4,050)
Mr. Chen Hongsheng	119	1,777	(5,555)	(3,659)
Mr. Li Jianhong	348	—	(6,072)	(5,724)
Mr. Xu Lirong	307	—	(5,110)	(4,803)
Mr. Zhang Liang	198	—	(305)	(107)
Ms. Sun Yueying	314	—	(5,052)	(4,738)
Ms. Li Boxi	278	—	—	278
Mr. Tsao Wenking (note (iii))	105	—	—	105
Mr. Hamilton Alexander Reid	302	—	—	302
Mr. Cheng Mo Chi	302	—	—	302
Mr. Teo Siong Seng (note (ii))	186	—	—	186
	2,536	5,949	(37,302)	(28,817)

40 Emoluments of Directors, supervisors and senior management (Continued)

(b) Directors' emoluments (Continued)

	Year ended 31 December 2007			
Name of Directors	Fees RMB'000	Salaries and allowances RMB'000	Benefits in kind in respect of SARs RMB'000	Total RMB'000
Mr. Wei Jiafu	140	3,472	15,705	19,317
Mr. Zhang Fusheng	—	3,224	12,988	16,212
Mr. Chen Hongsheng	113	2,852	11,490	14,455
Mr. Li Jianhong	308	—	10,495	10,803
Mr. Xu Lirong	215	—	8,925	9,140
Mr. Zhang Liang	103	—	1,019	1,122
Ms. Sun Yueying	286	—	10,011	10,297
Ms. Li Boxi	200	—	—	200
Mr. Tsao Wenking	245	—	—	245
Mr. Hamilton Alexander Reid	258	—	—	258
Mr. Cheng Mo Chi	258	—	—	258
Mr. Wang Futian (note(iii))	—	—	—	—
Mr. Ma Zehua (note(iii))	—	—	—	—
Mr. Ma Guichuan (note(iii))	—	—	—	—
	2,126	9,548	70,633	82,307

Notes:

(i) During the year, no emoluments were paid by the Group to any of the Directors as an inducement to join or upon joining the Group or as compensation for loss of office. No Directors of the Company waived or agreed to waive any emoluments during the year.

(ii) The Director was appointed in June 2008.

(iii) These Directors were resigned during the year.

40 Emoluments of Directors, supervisors and senior management (Continued)

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group during the year are as follows:

	Number of individuals 2008	2007
Directors	—	5
Employees	5	—
	5	5

In 2007, details of emoluments paid to the five highest paid individuals were five of the Directors of the Company as disclosed in note 40(b) above. In 2008, details of emoluments paid to the five highest paid non-director individuals are as follows:

	2008 RMB'000	2007 RMB'000
– Salaries and allowances	11,901	—
– Benefits in kind	(123)	—
– Discretionary bonuses	2,867	—
– Retirement benefit contributions	33	—
	14,678	—

The emoluments of the above non-director individuals fell within the following bands:

	Number of individuals 2008	2007
HK$2,000,001 to HK$2,500,000 (equivalent to approximately RMB1,760,000 to RMB2,200,000)	1	—
HK$2,500,001 to HK$3,000,000 (equivalent to approximately RMB2,200,000 to RMB2,640,000)	2	—
HK$3,000,001 to HK$3,500,000 (equivalent to approximately RMB2,640,000 to RMB3,080,000)	1	—
HK$5,500,001 to HK$6,000,000 (equivalent to approximately RMB4,840,000 to RMB5,280,000)	1	—
	5	—

41 Notes to the consolidated cash flow statement

(a) Reconciliation of profit before income tax to cash generated from operations:

	2008 RMB'000	2007 RMB'000 (Restated)
Profit before income tax	**15,670,041**	26,112,562
Depreciation		
– property, plant and equipment	**3,587,300**	4,057,145
– investment properties	**29,365**	11,043
Amortisation		
– intangible assets	**47,359**	51,930
– leasehold land and land use rights	**37,599**	17,684
Amortised amount of transaction costs on long-term borrowings and discount on issue of notes	**13,047**	24,811
Dividend income from listed and unlisted investments	**(191,803)**	(194,996)
Share of profits less losses of		
– jointly controlled entities	**(759,503)**	(878,133)
– associates	**(590,641)**	(1,005,783)
Gain on disposal of available-for-sale financial assets	**(13,689)**	(67,541)
Interest expenses	**957,924**	1,159,092
Interest income	**(888,631)**	(660,881)
Loss/(gain) on deemed partial disposal of a subsidiary	**190**	(71,087)
Net gain on disposal of property, plant and equipment	**(650,858)**	(1,188,370)
Net gain on disposal of jointly controlled entities and associates	**(2,093)**	(709,188)
Gain of disposal of a subsidiary	**(261)**	—
Share reform	**—**	(419,596)
Other incidental borrowing costs and charges	**41,163**	32,079
Share option expenses of a subsidiary	**—**	85,089
Provision for onerous contracts	**5,249,667**	—
Foreign exchange gain	**(239,368)**	90,563

41 Notes to the consolidated cash flow statement (Continued)

(a) Reconciliation of profit before income tax to cash generated from operations: (Continued)

	2008 RMB'000	2007 RMB'000 (Restated)
Operating profit before working capital changes	22,296,808	26,446,423
(Increase)/decrease in inventories	216,049	(352,953)
(Increase)/decrease in trade and other receivables	3,843,161	(1,522,591)
(Decrease)/increase in trade and other payables	(2,321,843)	2,237,372
(Decrease)/increase in other taxes payable	(60,026)	132,086
Decrease in finance lease receivables	5,354	13,323
Decrease in provisions and other liabilities	122,799	273,163
Changes on financial instruments at fair value through profit or loss	5,217,149	(1,349,444)
Changes on other financial assets at fair value through profit or loss	1,794	(3,664)
Cash generated from operations	29,321,245	25,873,715

(b) Major non-cash transactions

(i) In June 2007, an amount due from a fellow subsidiary of RMB737,109,000 was offset against the dividend payable to the fellow subsidiary.

(ii) Resulting from the novation of the vessel construction contracts to the Group, the assets under construction of the Group increased by RMB1,349,318,000, with a corresponding reduction in the amount due from COSCO of the same amount during the year ended 31 December 2007.

(iii) The Company issued 864,270,817 A-Shares for COSCO Acquisition in 2007 (note 23 (e)).

(iv) Dividend receivable from available-for-sale financial assets of RMB129,777,000 (2007: RMB141,470,000) were reclassified as loan to an investee company.

Dividend receivable from a jointly controlled entity of RMB108,490,000 (2007: RMB345,509,000) were reclassified as addition investment of a jointly controlled entity and loan to a jointly controlled entity, respectively.

Notes to the Consolidated Financial Statements

41 Notes to the consolidated cash flow statement (Continued)

(c) Analysis of changes in financing during the year

	Share capital (including capital reserve) RMB'000	Borrowings RMB'000	Amounts due to a fellow subsidiary RMB'000	Minority interests RMB'000
At 1 January 2008, as restated	48,222,520	19,329,881	536,779	10,556,006
Exchange differences	—	(1,249,909)	(24,847)	(421,169)
Amortised amount of transaction costs on long-term borrowings and discount on issue of notes	—	13,047	—	—
Drawdown of borrowings	—	15,298,963	—	—
Repayment of borrowings	—	(7,374,016)	—	—
Effect of fair value hedge	—	144,389	—	—
Principal repayment of finance lease obligations	—	(9,652)	—	—
Reclassification of jointly controlled entities to subsidiaries	—	—	—	85,453
Acquisition of a business	—	261,200	—	70,740
Repayment of amount due to a fellow subsidiary	—	—	(511,932)	—
Release of reserves upon				
– disposal of a jointly controlled entity	—	—	—	(786)
– deemed disposals	(632)	—	—	3,143
Available-for-sale of financial assets				
– fair value loss	—	—	—	(705,634)
– tax on fair value loss	—	—	—	1,024
– transfer to income statement	—	—	—	(7,247)
Share of reserves of jointly controlled entities and associates	—	—	—	(156,007)
Disposal of share in a subsidiary	—	—	—	(5,517)
Minority interests' share of profit	—	—	—	1,090,259
Dividends paid to minority shareholders of a subsidiary	—	—	—	(888,506)
Contributions from minority shareholders of subsidiaries	—	—	—	131,552
Acquisition of shares in minority shareholders	—	—	—	(11,102)
Distributions	—	—	—	12,897
At 31 December 2008	48,221,888	26,413,903	—	9,755,106

41 Notes to the consolidated cash flow statement (Continued)

(c) Analysis of changes in financing during the year (Continued)

	Share capital (including capital reserve) RMB'000	Borrowings RMB'000	Amounts due to a fellow subsidiary RMB'000	Minority interests RMB'000
At 1 January 2007, as restated	14,581,663	18,981,886	680,636	8,702,228
Exchange differences	—	(994,878)	—	(404,652)
Amortised amount of transaction costs on long-term borrowings and discount on issue of notes	—	24,811	—	—
Drawdown of borrowings	—	12,143,782	—	—
Repayment of borrowings	—	(9,681,153)	—	—
Issue of A-Shares	15,127,196	—	—	—
Bonus Issue	930,714	—	—	—
Acquisition Issue	5,109,178	—	—	—
Private placement	12,979,989	—	—	—
Share issue expenses	(482,464)	—	—	—
Repayment for bond	—	(1,500,000)	—	—
Effect of fair value hedge	—	77,196	—	—
Principal repayment of finance lease obligations	—	(11,763)	—	—
Reclassification of jointly controlled entities to subsidiaries	—	290,000	—	203,542
Repayment of amount due to a fellow subsidiary	—	—	(143,857)	—
Release of reserves upon				
– disposal of an associate	—	—	—	21,178
– deemed disposals	(23,756)	—	—	232,777
Available-for-sale financial assets				
– fair value gain	—	—	—	520,456
– tax on fair value gain	—	—	—	(1,420)
Share of reserves of jointly controlled entities and associates	—	—	—	122,599
Disposal of share in a subsidiary	—	—	—	(9,041)
Minority interests' share of profit	—	—	—	1,804,944
Dividends paid to minority shareholders of subsidiaries	—	—	—	(690,366)
Contributions from minority shareholders of subsidiaries	—	—	—	83,784
Acquisition of shares in minority shareholders	—	—	—	(30,023)
At 31 December 2007	48,222,520	19,329,881	536,779	10,556,006

41 Notes to the consolidated cash flow statement (Continued)

(d) Acquisition of a business

On 15 March 2008, a subsidiary of the Group acquired a terminal operation in Jinjiang, Quanzhou, the PRC, for a consideration of RMB280,189,000. Details of net assets acquired are as follows:

The assets and liabilities as at the date of acquisition are as follows:

	Fair value RMB'000
Property, plant and equipment	589,760
Leasehold land and land use right	99,518
Intangible assets	149
Trade and other receivables	21,888
Cash and cash equivalents	574
Long term borrowings	(239,000)
Trade and other payables	(99,760)
Current portion of long term borrowings	(22,200)
	350,929
Minority interests	(70,740)
Net assets acquired	280,189

Purchase consideration:

	RMB'000
Cash	197,328
Amounts due to minority shareholders	82,861
	280,189

Analysis on net cash outflow on cash and cash equivalent on acquisition of a business:

	RMB'000
Purchase consideration settled in cash during the year	(197,328)
Cash and cash equivalents in acquired terminal operation	574
Net cash outflow on acquisition	(196,754)

The acquired business contributed revenues of RMB66,269,000 and a profit of RMB2,142,000 to the Group for the year since the date of acquisition. If the acquisition had occurred on 1 January 2008, the Group's revenue for the year ended 31 December 2008 would have been increased by RMB14,604,000; however, the Group's profit would have no significant impact.

41 Notes to the consolidated cash flow statement (Continued)

(e) Disposal of subsidiaries

(i) On 6 April 2007, COSCO Bulk disposed of its entire 55% equity interest in Tianjin Haigang Enterprise Co., Ltd. for a consideration of RMB1,482,000.

(ii) On 10 April 2007, COSCO Bulk disposed of its partial 40% equity interest in COSCO Anderson (Tianjin) Real Estate Development Co., Ltd., at nil consideration. Subsequent to the disposal, COSCO Bulk still holds 30% equity interest in COSCO Anderson (Tianjin) Real Estate Development Co., Ltd., which has been reclassified as a jointly controlled entity of the Group since then.

(iii) On 26 December 2008, COSFRE Qingdao disposed of its entire 51% equity interest in Qingdao Yatao International Freight Co.,Ltd. for a consideration of RMB6,004,000.

Net cash outflow in respect of disposal of subsidiaries is analysed as follows:

	2008 RMB'000	2007 RMB'000
Property, plant and equipment	104	—
Trade and other receivables	7,133	5,442
Cash and cash equivalents	8,094	7,854
Trade and other payables	(4,115)	(6,246)
Tax payable	44	(780)
Net assets disposed of	11,260	6,270
Less: minority interests disposal of	(5,517)	(3,903)
Less: transfer to a jointly controlled entity	—	(885)
	5,743	1,482
Gain on disposal of a subsidiary	261	—
Cash consideration	6,004	1,482
Less: cash and cash equivalents disposed of	(8,094)	(7,854)
Net cash outflow on disposal of subsidiaries	(2,090)	(6,372)

42 Reclassification of jointly controlled entities to subsidiaries

During the year, assets and liabilities arising from the reclassification from jointly controlled entities as subsidiaries are as follows:

Fair values at date of business combinations	At 1 January 2008 Note RMB'000
Property, plant and equipment	116,695
Leasehold land and land use rights	16,081
Intangible assets	434
Trade and other receivables	177,046
Bank balances and cash	106,032
Other assets	19,509
Trade and other payables	(250,936)
Tax payable	(4,134)
	180,727
Minority interests	(85,453)
Reclassification of interest originally held by the Group as jointly controlled entities	95,274

Note:

On 1 January 2008, the Memorandum and Articles of Association of Qingdao Ocean & Great Asia Logistics Co., Ltd. ("Qingdao Great Asia") and Ningbo Golden Sanli Reefer Co., Ltd. ("Ningbo Golden") were revised to reflect the Group's power to govern their financial and operating policies. Qingdao Great Asia and Ningbo Golden were previously jointly controlled entities and since then, the Group has accounted for Qingdao Great Asia and Ningbo Golden as subsidiaries.

Above two jointly controlled entities were transferred to subsidiaries on 1 January 2008 and contributed revenues of RMB252,020,000 and profit of RMB84,320,000 for the year.

The Directors consider that the carrying amounts of the assets and liabilities of the jointly controlled entities approximate their fair values at date of combinations.

42 Reclassification of jointly controlled entities to subsidiaries (Continued)

In 2007, the assets and liabilities arising from the reclassification from jointly controlled entities as subsidiaries were as follows:

Fair values at date of business combinations	At 30 November 2007 Note (a) RMB'000	At 30 June 2007 Note (b) RMB'000	At 31 December 2007 Note (c) RMB'000	Total RMB'000
Property, plant and equipment	455,688	24,206	262	480,156
Leasehold land and land use rights	45,057	9,567	—	54,624
Intangible assets	192	4,196	—	4,388
Trade and other receivables	205,334	89,295	9,173	303,802
Bank balances and cash	7,694	49,470	11,486	68,650
Other assets	(821)	2,400	—	1,579
Trade and other payables	(30,701)	(72,616)	(14,746)	(118,063)
Tax payable	—	(2,141)	(289)	(2,430)
Borrowings	(290,000)	—	—	(290,000)
	392,443	104,377	5,886	502,706
Minority interests	(162,031)	(41,511)	—	(203,542)
Reclassification of interests originally held by the Group as jointly controlled entities	230,412	62,866	5,886	299,164

Notes:

(a) On 13 November 2007, the Memorandum and Articles of Association of Yangzhou Yuanyang International Ports Co. Ltd. ("Yangzhou Yuanyang") was amended and the Group has the power to govern its financial and operating policies from then onwards. Yangzhou Yuanyang was previously a jointly controlled entity and since then, the Group has accounted for Yangzhou Yuanyang as a subsidiary.

(b) On 30 June 2007, the Memorandum and Articles of Association of China Ocean Shipping Agency Basuo Co. Ltd. ("Basuo"), China Ocean Shipping Agency Haikou Co. Ltd. ("Haikou"), Rizhao Ever Glory Shipping Co. Ltd. ("Ever Glory"), Taizhou United International Shipping Agency Ltd. ("Taizhou United"), Qingdao United International Shipping Agency Ltd. ("Qingdao United"), COSCO Beijing United Auto-logistics Co. Ltd ("Beijing United"), Qingdao COSCO Konoike Logistics Co. Ltd. ("Konoike"), Penavico Nanjing Container Co. Ltd.("Penavico Nanjing") were amended and the Group has the power to govern their financial and operating policies from then onwards. Basuo, Haikou, Ever Glory, Taizhou United, Qingdao United, Beijing United, Konoike and Penavico Nanjing were previously jointly controlled entities and since then, the Group has accounted for such eight jointly controlled entities as subsidiaries.

(c) On 31 December 2007, the Memorandum and Articles of Association of Qingdao COSCO Logistics Multimodal Transport Co. Ltd. ("Qingdao COSCO"), Penavico Jinzhou International Freight Co. Ltd. ("Penavico Jinzhou"), China Ocean Shipping Agency Laizhou Co. Ltd. ("Laizhou") were amended and the Group has the power to govern their financial and operating policies from then onwards. Qingdao COSCO, Penavico Jinzhou and Laizhou were previously jointly controlled entities and since then, the Group has accounted for such three jointly controlled entities as subsidiaries.

(d) The Directors consider the carrying amounts of the assets and liabilities of the jointly controlled entities approximate their fair values as at date of combinations.

43 Reclassification of a subsidiary to a jointly controlled entity

In the prior year, the Group held 100% equity interest in Qingdao Ocean Hotel Co., Ltd. ("QDBG") and 4.35% equity interest in COSCO (Qingdao) International Hotel Co., Ltd ("CIH"), which were accounted for as a subsidiary and available-for-sales financial asset, respectively. On 30 April 2008, these two companies undergone a restructuring, and all the assets and liabilities of CIH were transferred to QDBG and as a result the Group's equity interest in QDBG was diluted from 100% to 67.21% and QDBG became a jointly controlled entity of the Group since then.

Carry value at date of disposal	2008 RMB'000
Property, plant and equipment	54,968
Leasehold land and land use right	83,423
Trade and other receivables	406
Cash and cash equivalents	12
Deferred tax assets	308
Trade and other payables	(112,829)
Net assets disposed of	26,288
Share of net assets in a jointly controlled entity	(134,913)
Disposal of an available-for-sale financial asset	7,590
Deemed disposal gain	(101,035)

44 Contingent liabilities

	2008 RMB'000	2007 RMB'000
Pending lawsuits (note b)	31,944	36,717

Notes:

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

(b) The Group is subject to other claims in respect of a number of litigations currently under way. The litigations are, including but not limited to, claims arising from damage to vessels during transportation, loss of goods, delay in delivery or collusion of vessels. At 31 December 2008, other than the amounts disclosed above, the Group is unable to ascertain the likelihood and amounts of the other claims. However, based on advice of legal counsel and/or information available to the Group, the Directors are of the opinion that, while the claims have not been provided for in the Consolidated Financial Statements or included in the contingent liabilities as disclosed above, either the Group's insurance coverage is adequate to cover any final claims to be settled or the final claims amounts will be insignificant to the Group.

(c) As at 31 December 2008, the Company provided guarantees to banks for credit facilities granted to its subsidiaries of RMB1,017,399,000 (RMB: 876,552,000).

(d) Other than those disclosed above, the Group and the Company did not have any other significant contingent liability at 31 December 2008.

45 Commitments

(a) Capital commitments

	2008 RMB'000	2007 RMB'000
Authorised but not contracted for		
Containers	612,004	1,888,882
Other property, plant and equipment	3,361,403	688,029
Intangible assets	5,539	65,399
Investments	—	50,080
	3,978,946	2,692,390
Contracted but not provided for		
Containers	43,659	1,131,738
Containers vessels and dry bulk vessels	32,030,504	27,261,214
Other property, plant and equipment	932,324	1,149,004
Investments (note i)	4,451,512	7,821,879
Intangible assets	69,567	57,981
	37,527,566	37,421,816

Notes:

(i) The Group's contracted investments at 31 December 2008 are as follows:

	2008 RMB'000	2007 RMB'000
Investments in:		
– Qingdao Qianwan Container Terminal Co., Ltd.	444,228	474,777
– Antwerp Gateway NV	515,944	672,286
– Dalian Port Container Terminals Co., Ltd.	292,001	712,001
– COSCO Ports (Nansha) Limited	1,215,561	1,016,289
– Tianjin Port Euroasia Terminal	702,002	702,199
– Xiamen Ocean Gate Container Terminal Co. Ltd.	—	2,793,703
– Piraeus Container Terminal S.A.	451,733	—
– Others	397,897	435,278
	4,019,366	6,806,533
Terminal projects in:		
– Jinjiang Ports	—	583,199
– Shanghai Yangshan Port Phase II	400,000	400,000
– Others	32,146	32,147
	432,146	1,015,346
	4,451,512	7,821,879

45 Commitments (Continued)

(a) Capital commitments (Continued)

Notes: (Continued)

(ii) The Group's share of capital commitments of the jointly controlled entities themselves not included in the above are as follows:

	2008 RMB'000	2007 RMB'000
Authorised but not contracted for	60,630	190,752
Contracted but not provided for	71,320	624,755
	131,950	815,507

(b) Operating lease arrangement – where the Group is the lessor

At 31 December 2008, the Group had future minimum lease receipts under non-cancellable operating leases as follows:

	2008 RMB'000	2007 RMB'000 (Restated)
Containers vessels and dry bulk vessels		
– not later than one year	6,220,072	20,288,604
– later than one year and not later than five years	3,330,924	7,413,565
– later than five years	950,029	18,351
	10,501,025	27,720,520
Containers		
– not later than one year	325,764	378,455
– later than one year and not later than five years	847,197	1,196,857
– later than five years	117,911	360,606
	1,290,872	1,935,918
Investment properties, land and other properties		
– not later than one year	36,645	42,987
– later than one year and not later than five years	19,773	29,581
– later than five years	2,488	1,589
	58,906	74,157
Other property, plant and equipment		
– not later than one year	844	15,887
– later than one year and not later than five years	24	27,182
	868	43,069
	11,851,671	29,773,664

45 Commitments (Continued)

(b) Operating lease arrangement – where the Group is the lessor (Continued)

The future lease receipts above do not include those lease contracts with the amount of future lease receipts depends on the timing of pick up and drop off of containers by lessees during the lease period of the contracts.

(c) Operating lease commitments – where the Group is the lessee

At 31 December 2008, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Group		Company	
	2008	2007	2008	2007
	RMB'000	RMB'000 (Restated)	RMB'000	RMB'000
Containers vessels and dry bulk vessels				
– not later than one year	21,967,038	19,933,971	—	—
– later than one year and not later than five years	50,408,691	24,943,256	—	—
– later than five years	36,632,236	30,140,210	—	—
	109,007,965	75,017,437	—	—
Containers				
– not later than one year	440,383	488,197	—	—
– later than one year and not later than five years	663,511	638,727	—	—
– later than five years	—	154	—	—
	1,103,894	1,127,078	—	—
Land and buildings				
– not later than one year	189,369	138,458	4,715	8,366
– later than one year and not later than five years	254,532	174,048	—	4,183
– later than five years	110,822	45,960	—	—
	554,723	358,466	4,715	12,549
Other property, plant and equipment				
– not later than one year	14,139	11,349	—	—
– later than one year and not later than five years	21,904	7,754	—	—
	36,043	19,103	—	—
	110,702,625	76,522,084	4,715	12,549

46 Significant related party transactions

The Company is controlled by COSCO, the parent company and a state-owned enterprise established in the PRC.

COSCO itself is controlled by the PRC government, which also owns a significant portion of the productive assets in the PRC. In accordance with HKAS 24 "Related Party Disclosures" issued by the HKICPA, other state-owned enterprises and their subsidiaries (other than COSCO group companies), directly or indirectly controlled by the PRC government, are also defined as related parties of the Group. On that basis, related parties include COSCO and its subsidiaries, other state-owned enterprises and their subsidiaries directly or indirectly controlled by the PRC government, other entities and corporations in which the Company is able to control or exercise significant influence and key management personnel of the Company and COSCO as well as their close family members.

For the purpose of the related party transaction disclosures, the Directors believe that meaningful information in respect of related party transactions has been adequately disclosed.

In addition to the related party information and transactions disclosed elsewhere in the Consolidated Financial Statements, the following is a summary of significant related party transactions entered into the ordinary course of business between the Group and its related parties during the year.

46 Significant related party transactions (Continued)

	2008 RMB'000	2007 RMB'000 (Restated)
Transactions with COSCO		
Expenses		
Sub-charter expenses (note a)	133,811	146,171
Rental expenses (note c)	9,431	8,406
Others		
Purchase of equity interests in COSCO Bulk, COSCO Qingdao, COSCO Shenzhen (note b)	–	5,109,178
Transactions with subsidiaries of COSCO and its related entities (including jointly controlled entities and associates)		
Revenues		
Container shipping income (note d)	253,363	343,876
Freight forwarding and shipping agency income (note e)	7,478	113,887
Charterhire income (note f)	57,665	231,893
Vessel services income (note g)	11,892	13,879
Manning income (note h)	3,981	5,522
Vessel management income (note h)	6,013	4,865
Expenses		
Vessel costs		
Sub-charter expenses (note a)	510,666	547,193
Charterhire expenses (note f)	240,133	112,620
Vessel services expenses (note g)	939,570	813,838
Crew expenses (note h)	707,267	760,241
Vessel management expenses (note h)	72,587	72,421
Voyage costs		
Bunker costs (note i)	11,987,391	9,514,575
Port charges (note j)	727,888	1,048,448
Equipment and cargo transportation costs		
Commission and rebates (note k)	304,430	264,409
Cargo and transhipment and equipment and repositioning expenses (note l)	177,588	220,534
Transportation and depot services expenses (note m)	4,527	91,899
Logistics related expenses (note c)	36,856	34,874
General service expenses (note c)	33,007	80,721
Management fee expenses (note c)	26,892	27,603
Rental expenses (note c)	53,721	55,272

46 Significant related party transactions (Continued)

	2008 RMB'000	2007 RMB'000 (Restated)
Transactions with subsidiaries of COSCO and its related entities (including jointly controlled entities and associates)		
Others		
Proceeds on disposal of an associate to a fellow subsidiary (note o)	—	2,035,591
Purchase of equity interests in Golden View Investment Ltd ("Golden View") and COSCO Shenzhen (note b)	—	18,629,296
Purchase of equity interests in China Ocean Shipping Agency Guangzhou Company Limited ("Guangzhou Penavico") and Ningbo Xinyang Shipping Company Limited ("Ningbo Xinyang") (note b)	—	41,394
Purchase of vessel owning subsidiaries ("VOC") by Golden View (note b)	—	20,374
Installments paid for ship building contracts (note q)	6,280,767	1,494,549
Purchase of equity interests in COSCON overseas companies (note p)	9,940	—
Transactions with jointly controlled entities of the Group		
Revenues		
Freight forwarding and shipping agency income (note e)	12,961	17,452
Charterhire income (note f)	417,174	188,039
Management fee and service fee income (note c)	29,411	29,549
Handling, storage and transportation income (note c)	8,679	6,745
Vessel services income (note g)	771	—
Manning income (note h)	20,465	14,103
Expenses		
Vessel costs		
Charterhire expenses (note f)	53,795	77,268
Vessel service expenses (note g)	86	—
Voyage costs		
Port charges (note j)	1,022,911	1,110,342
Equipment and cargo transportation costs		
Commission and rebates (note k)	174	—
Cargo and transhipment and equipment and repositioning expenses (note l)	—	8,827
Transportation and depot services expenses (note m)	5,482	52,928
Logistics related expenses (note c)	2,615	—
General service expenses (note c)	11,706	1,258
Rental expenses (note c)	2,156	4,256
Others		
Installments paid for ship building contracts (note q)	11,214	—
Purchase of containers (note r)	139,090	355,152
Capital injection in jointly controlled entities (note s)	—	216,608
Disposal of a vessel to a jointly controlled entity (note t)	—	110,620

46 Significant related party transactions (Continued)

	2008 RMB'000	2007 RMB'000 (Restated)
Transactions with associates of the Group		
Revenues		
Manning income (note h)	12,494	8,743
Management fee and service fee income (note c)	737	3,878
Expenses		
Container freight charges (note c)	20,217	14,364
Equipment and cargo transportation costs		
Commission and rebate (note k)	96	—
General service expenses (note c)	891	—
Others		
Bank guarantee to an associate at face value (note u)	253,270	188,072
Purchase of containers (note r)	988,485	1,704,878
Proceeds on disposal of a jointly controlled entity to an associate (subsidiary of CIMC) (note v)	97,363	—
Transactions with minority shareholders of subsidiaries		
Revenues		
Logistics related income (note c)	235,590	294,954

46 Significant related party transactions (Continued)

	2008 RMB'000	2007 RMB'000 (Restated)
Transactions with other state-owned enterprises		
Revenues		
Container shipping income (note d)	**5,015,738**	5,959,144
Freight forwarding and shipping agency income (note e)	**461,382**	591,076
Charterhire income (note f)	**5,931,926**	5,417,338
Sales of ship equipment (note c)	**60,329**	56,354
Container rental income (note c)	**2,504**	—
Logistics related income (note c)	**399,090**	413,360
Interest income on bank deposits (note c)	**249,372**	124,229
Expenses		
Vessel costs		
Charterhire expenses (note f)	**105,971**	82,031
Vessel services expenses (note g)	**97,575**	88,310
Insurance costs (note c)	**55,769**	104,777
Voyage costs		
Bunker costs (note i)	**172,429**	144,513
Port charges (note j)	**1,512,664**	1,289,858
Transportation and depot services expenses (note m)	**95,501**	138,610
General service expenses (note c)	**7,452**	22,887
Logistics related expenses (note c)	**154,638**	99,984
Interest expenses (note w)	**310,029**	488,466

46 Significant related party transactions (Continued)

Notes:

(a) COSCO and its subsidiaries leased fifteen vessels to COSCON and Shanghai Pan Asia Shipping Company Limited by way of sub-time charter or time charter arrangements. During the year, the sub-time charter agreements of seven vessels were renewed and extended for a term till 30 November 2010. The periods of the remaining sub-time charters are of six to twelve years from the contract date and the periods of the time charters are of thirty-four to thirty-six months from the contract date. The daily charterhire rate for each vessel was agreed on a mutual basis.

(b) On 3 September 2007, the Company entered into agreements with COSCO Group to acquire the entire equity interests in COSCO Bulk, Golden View, COSCO Qingdao and COSCO Shenzhen, which are mainly engaged in dry bulk shipping and related businesses. Total considerations were RMB23,738,474,000, representing cash consideration of RMB 18,629,296,000 and share consideration of RMB5,109,178,000 (note 23e).

On 24 July 2007 and 22 October 2007, the Group entered into agreements with COSCO Group to acquire Guangzhou Penavico and Ningbo Xinyang respectively for a total consideration of RMB41,394,000.

During 2007, eleven VOC were acquired by Golden View from subsidiaries of COSCO for RMB20,374,000, prior to the completion of the acquisition of Golden View by the Group.

(c) These transactions of revenues and expenses in nature were conducted based on terms as set out in the underlying agreements, based on statutory rates or market prices or actual cost incurred, or as mutually agreed.

(d) COSCON provided the subsidiaries of COSCO and certain state-owned enterprises with container shipping services. These services were charged on a mutually agreed basis, except for the transactions with the subsidiaries of COSCO, which are governed by the terms under Master Solicitation Activities Agreement (note n) and the underlying execution agreements.

(e) The subsidiaries of the Group provided the subsidiaries of COSCO, certain jointly controlled entities of the Group, and certain state-owned enterprises with freight forwarding, shipping agency and related services. The services were charged based on a certain percentage of the related freight revenue or fixed amounts per volume handled or as terms governed by the Master Overseas Agency Services Agreement, Shipping Agency Master Agreement and Freight Forwarding Master Agreement (note n).

(f) The Group entered into charterhire agreements with certain subsidiaries of COSCO and its related entities, jointly controlled entities of the Group and certain state-owned enterprises, whereby the charterhire income and expenses were charged at rates and terms mutually agreed by both parties.

(g) Certain subsidiaries of COSCO, jointly controlled entities of the Group and certain state-owned enterprises entered into vessel services transactions with the Group for the provision of lubricants, paint for vessel repairing, paint for maintenance, vessel materials and parts, vessel radio and communication equipment, etc. The vessel services were charged on a mutually agreed basis, except for the transactions with subsidiaries of COSCO and the jointly controlled entities of the Group which are governed by the terms under Master Vessel Services Agreement (note n).

(h) The Group entered into manning service agreements and vessel management service agreements with certain subsidiaries of COSCO, jointly controlled entities and associates of the Group, for crew and vessel management services. The services rendered were charged based on a mutually agreed basis or based on the actual costs incurred by the subsidiaries of COSCO, jointly controlled entities and associates of the Group and are governed by the terms under Master Vessel Management Agreement and Master Seamen Leasing Agreement (note n).

(i) Certain subsidiaries and jointly controlled entities of COSCO and certain state-owned enterprises provided the Group with bunkers. The prices were charged on a mutually agreed basis, except for the transactions with the subsidiaries and jointly controlled entities of COSCO, of which the price was with reference to market rates and governed by the terms under Master Vessel Services Agreement (note n).

The Group entered into bunker forward agreements through Chimbusco (Singapore) Pte Ltd ("Chimbusco"), a subsidiary of COSCO. No service fees was charged by Chimbusco for the arrangements of bunker forward agreements.

As at 31 December 2008 and 2007, there was no bunker forward agreement entered into by the Group.

46 Significant related party transactions (Continued)

(j) Certain jointly controlled entities of COSCO, certain jointly controlled entities of the Group and certain state-owned enterprises provided the Group with container terminal handling and storage services, port services and shipping services. The services rendered were charged at terms as agreed with the related parties or at term based on respective underlying agreements entered into between the Group and the respective related companies or at term governed by the Master Port Services Agreement (note n).

(k) Certain subsidiaries of COSCO, jointly controlled entities and associates of the Group provided the Group with shipping agency, freight forwarding, freight solicitation, slot booking services and other related services. The service was charged based on a certain percentage of the related freight revenue, the quantity of cargo solicited, at terms as agreed with the related parties and at terms governed by the Master Overseas Agent Services Agreement (note n) and the underlying execution agreements.

(l) Certain subsidiaries of COSCO and jointly controlled entities of the Group provided the Group with container services including provision of container depots, repairs, towage, examination and maintenance of containers and related services. The container services were charged at terms as agreed with the related parties or at terms governed by the Master Container Services Agreement (note n) and the underlying execution agreements.

(m) Certain subsidiaries, jointly controlled entities and associates of COSCO, certain jointly controlled entities of the Group and certain state-owned enterprises provided the Group with transportation and depot services. The charges were based on the terms as governed by the Master Solicitation Services Agreement (note n) and the underlying execution agreements or at terms as agreed with the relevant parties.

(n) On 9 June 2005, the Group (other than COSCO Pacific group) and COSCO Group entered into eight master agreements effective on or after 9 June 2005 with an initial term of three years relating to the provision of general services, vessel services, overseas agency services, container services, solicitation activities, port services, vessel management services and seamen leasing. Upon the expiry of initial term, each of the master agreements shall automatically continue for a term to be agreed by the parties of such master agreements.

Except for subsisting sub-time charter and time charter agreements (note a), the Group and COSCO Group entered into five subsisting agreements on 9 June 2005 for the trademark licence, overseas companies management, property leases, leasing of premises and financial services.

On 28 September 2006, COSCO Logistics and COSCO entered into two new master agreements relating to the provision of freight forwarding and shipping agency services with effective from 25 December 2006 to 31 December 2008. Moreover, the subsisting agreement for the financial services was renewed by the Group with COSCO Finance with effective from 25 December 2006 to 31 December 2008. Upon the initial term, each of the two master agreements and the subsisting agreement for the financial services shall automatically continue for a term to be agreed by the parties of such master agreements.

On 3 September 2007, the Group (other than COSCO Pacific group) and COSCO Group renewed five master agreements dated 9 June 2005 relating to the provision of general services, vessel services, overseas agency services, vessel management services, seamen leasing, and three subsisting agreements relating to the trademark licence, premises leasing and financial services with effective from the completion of the acquisitions of COSCO Bulk, Golden View, COSCO Qingdao and COSCO Shenzhen to 31 December 2010. Upon the expiry of initial term, each of the master agreements shall automatically continue for a term to be agreed by the parties of such master agreements.

On 1 January 2008, the master agreements relating to container services, solicitation activities and port services were expired and automatically renewed.

Each of the ten master agreements contains binding principles, guidelines and terms and conditions pursuant to which any and all products and services contemplated therein are to be provided by the relevant provider to the relevant recipient. The fee of each relevant product or service under each of the master agreements is determined with reference to state-prescribed prices, market price or the actual cost incurred in providing such products or services plus a margin. The master agreements are framework agreements which provide the mechanism for the operation of the related party transactions and individual execution agreements may be entered into between the Group and the related party, if appropriate.

46 Significant related party transactions (Continued)

(o) On 24 August 2007, the Group entered into an agreement with a wholly-owned subsidiary of COSCO to dispose of its entire equity interest in Bauhinia 97, an investment holding company holding 87 million shares of Chong Hing Bank Limited (the "Bank"), representing approximately 20% of the entire issued share capital of the Bank, at a cash consideration of HK$2,088,000,000 (equivalent to approximately RMB2,035,591,000). The disposal resulted in a gain of RMB690,000,000.

(p) In February and May 2008, the Group acquired from COSCO Group the entire equity interests in COSCON overseas companies for a total consideration of RMB 9,940,000.

(q) The Group entered into ship building contracts with Nantong COSCO KHI Ship Engineering Co., Ltd ("NACKS"), COSCO (Zhoushan) Shipyard Co., Ltd ("COSCO Zhoushan") and COSCO Dalian Shipyard Co., Ltd. ("COSCO Dalian"), related companies, pursuant to which NACKS, COSCO Zhoushan and COSCO Dalian will construct certain bulk carriers and container vessels for the Group. Installments are paid in accordance with the payment schedules with reference to the construction progress.

(r) The purchases of containers from jointly controlled entities of the Group and subsidiaries of CIMC were conducted at terms as set out in the agreements entered into between the Group and the parties in concern.

(s) COSCO Bulk increased its investment in Tianjin Yuan Hua Shipping Co., Ltd. ("Tianjin Yuan Hua"), a jointly controlled entity of the Group, by injecting two vessels into Tianjin Yuan Hua on 18 December 2007. With the same proportionate capital injection by the other shareholder of Tianjin Yuan Hua, there was no change in the Group's equity interest in Tianjin Yuan Hua.

(t) During 2007, one vessel was disposed of to a jointly controlled entity, COSCO-Datang Shipping Co.,Ltd for a total consideration of RMB 110,620,000 with the terms agreed by both parties.

(u) A subsidiary of COSCO Pacific provided corporate guarantee to an associate in respect of banking facilities of the associate. The Directors consider that it is not probable for a claim to be made against the Group and the fair value of the guarantee contract is not significant to the Group, and has not recognised at the balance sheet date.

(v) During 2008, the Group entered into an agreement with CIMC Holdings (B.V.I.) Ltd., a subsidiary of CIMC, to dispose of its entire 22.5% equity in Tianjin CIMC North Ocean Co., Ltd, a then jointly controlled entity of the Group, at a consideration of RMB97,363,000 (equivalent of US$14,000,000).

(w) Interest was charged for loans with state-owned banks in accordance with the terms as set out in the respective agreements or as mutually agreed between the parties in concern.

(x) On 26 March 2007, the Group entered into four time charter agreements with a subsidiary of COSCO to charter in four vessels for a period of 119 months to 121 months at a daily charter rate of US$26,900. The charters will commence upon delivery of the four vessels to the subsidiary of COSCO, two of which are anticipated to take place in April 2010 and two of which in June 2010.

(y) On 28 April 2008, COSCO Bulk, COSCO (Hong Kong) Shipping Co., Ltd ("COSCO HK Shipping") and their subsidiaries (as transferees) entered into vessel novation agreements with COSCO International Ship Trading Co., Ltd. (as transferor) and COSCO Shipyard Group Co., Ltd (as seller) respectively, pursuant to which the rights and obligations of the transferor under the vessel agreements in relation to the construction of nine dry bulk vessels for an aggregate consideration of US$348,900,000 (equivalent to approximately RMB2,441,602,000) were transferred to the transferees under the vessel novation agreements. The transferor and seller are subsidiaries of COSCO.

(z) On 8 May 2008, COSCO Bulk, COSCO HK Shipping and their subsidiaries (as transferees) entered into vessel novation agreements with Ching Tung (H.K.) Shipping Co., Ltd. and PMSL Shipping Services Limited (as transferors) and NACKS (as seller), a jointly controlled entity of COSCO, pursuant to which the rights and obligations of the transferors under the vessel agreements in relation to the construction of eight dry bulk vessels for an aggregate consideration of US$612,800,000 (equivalent to approximately RMB4,290,213,000) were transferred to the transferees under the vessel novation agreements.

(aa) On 9 May 2008, COSCON and/or its subsidiaries (as buyer) and NACKS (as builder) entered into eight construction of vessels agreements for the construction of eight vessels at an aggregate consideration of US$1,336,000,000 (equivalent to approximately RMB9,352,000,000).

46 Significant related party transactions (Continued)

Balances with related parties

Other than those disclosed elsewhere in the Consolidated Financial Statements, the outstanding balance with related entities at year end are as follows:

	2008 RMB'000	2007 RMB'000 (Restated)
Deposits		
– state-owned banks (note a)	**17,273,728**	23,977,572
Loans		
– state-owned banks (note a)	**11,872,268**	4,781,052
Trade and other receivables		
– state-owned enterprises (note b)	**446,609**	943,900
Trade and other payables		
– state-owned enterprises (note b)	**615,278**	393,932

Notes:

(a) The deposits and loans were in accordance with the terms as set out in the respective agreements or as mutually agreed between the parties in concern. The interest rates were set at prevailing market rates.

(b) Trading balances with state-owned enterprises have similar terms of repayments as the balances with third parties while other balances with state-owned enterprises are unsecured, interest free and repayable on demand.

47 Significant subsequent events

(a) On 5 March 2009, the Parliament of Greece had ratified the concession agreement entered between Piraeus Port Authority SA ("PPA") and a subsidiary of COSCO Pacific in November 2008 for the concession of Pier 2 and Pier 3 of the container terminal of Piraeus Port ("Concession"). The COSCO Pacific group would pay the initial consideration of Euro 50,000,000 (equivalent to RMB 483,000,000) within 15 days upon notification in writing from PPA on 13 April 2009 regarding enactment of the law of ratification and the publication of the same in the Government Gazette. The total consideration payable to PPA over the 35-year term of the Concession was estimated to be approximately Euro 831,000,000 (equivalent to RMB 8,027,000,000) in present value terms and the capital commitments amount to approximately Euro 236,000,000 (equivalent to RMB 2,280,000,000) in present value terms.

(b) On 21 April 2009, the Company issued five-year term notes of RMB10,000,000,000, which are unsecured, bear interest at a fixed rate of 3.77% per annum. The transaction was completed on 22 April 2009.

48 Particulars of principal subsidiaries, jointly controlled entities and associates

(a) Subsidiaries

At 31 December 2008, the Group had direct and indirect interests in the following principal subsidiaries:

Name	Place of incorporation/ establishment and operations	Principal activities	Type of legal entity	Issued/registered and fully paid up share capital	Attributable equity interest to the equity holders of the Company
Capital held directly					
COSCO Container Lines Company Limited #	PRC	Container transportation	Limited liability company	RMB6,088,763,082	100%
COSCO Pacific Investment Holdings Limited #	Hong Kong	Investment holding	Limited liability company	500 ordinary shares of HK$1,000 each	100%
COSCO Logistics Co., Ltd #	PRC	Freight forwarding, warehousing, deport and cargo terminal service	Limited liability company	RMB1,582,028,851	75.97%
COSCO Bulk Carrier Co.,Ltd.	PRC/Worldwide	Bulk cargo transportation	Limited liability company	RMB1,290,000,000	100%
Qingdao Ocean Shipping Co.,Ltd.	PRC/Worldwide	Provision of passenger and cargo transportation services	Limited liability company	RMB614,210,000	100%
Shenzhen Ocean Shipping Company Limited	PRC	Vessel owning and investment holding	Limited liability company	US$53,236,369	100%
Capital held indirectly					
COSCO International Freight Co., Ltd.	PRC	Freight forwarding and transportation	Limited liability company	RMB200,000,000	100%
COSCO Pacific Limited #	Bermuda	Investment holding	Limited liability company	2,244,881,298 of HK$ 0.1 each	50.96%
COSCO Investments Limited #	British Virgin Islands/Hong Kong	Investment holding	Limited liability company	1 ordinary share of US$1	100%
COSCO Container Shipping Agency Company Limited	PRC	Shipping agency	Limited liability company	RMB80,000,000	100%
COSCO Southern China International Freight Co., Ltd.	PRC	Freight forwarding	Limited liability company	RMB50,000,000	100%
Tianjin Binhai COSCO Container Logistics Co., Ltd.	PRC	Container Stack, Cargo Storage, Cargo Transportation	Limited liability company	RMB190,000,000	56.10%
COSCO Container Line Agencies Limited #	Hong Kong	Shipping agency	Limited liability company	1,000,000 shares of HK$1 each	100%
North Star Shipholding Ltd. S.A.	Panama/Japan	Vessel owning and chartering	Limited liability company	1,000 shares of US$1 each	100%
Wonseong Shipping Co., Ltd. #	Korea	Shipping agency	Limited liability company	50,000 shares of KRW5,000 each	100%
Freightworld Pte Ltd.	Singapore	Shipping agency and freight forwarding	Limited liability company	200,000 shares of SGD1 each	100%
COSCO International Air Freight Co., Ltd	PRC	Air freight forwarding	Limited liability company	RMB48,417,396	75.97%
China Ocean Shipping Agency Company Limited	PRC	Shipping Agency and freight forwarding	Limited liability company	RMB113,372,000	75.97%

48 Particulars of principal subsidiaries, jointly controlled entities and associates (Continued)

(a) Subsidiaries (Continued)

Name	Place of incorporation/ establishment and operations	Principal activities	Type of legal entity	Issued/registered and fully paid up share capital	Attributable equity interest to the equity holders of the Company
Capital held indirectly (Continued)					
COSCO Logistics (Hong Kong) Company Limited	PRC	Logistics	Limited liability company	HK$38,789,500	75.97%
COSCO (Cayman) Mercury Co., Ltd. #	Cayman Islands/ Hong Kong	Investment holding	Limited liability company	50,000 ordinary shares of US$1 each	100%
Pretty River Shipping Inc.	Panama/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary share of US$100 each	100%
Dainty River Shipping Inc.	Panama/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary share of US$100 each	100%
Golden Cascade Corporation #	Liberia/Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Golden Shore Corporation #	Liberia/Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Buyihe Shipping Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Chaoshanhe Maritime Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Chuanhe Shipping Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	10,000 ordinary shares of US$1 each	100%
Caiyunhe Maritime Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	1,000 ordinary shares of US$10 each	100%
COSCO Line New Jersey Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	500 ordinary shares of US$20 each	100%
COSCO Line New York Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	500 ordinary shares of US$20 each	100%
Daqinghe Shipping Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Hanihe Shipping Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Hutuohe Shipping Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Jingpohe Shipping Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Jinyunhe Maritime Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	1,000 ordinary shares of US$10 each	100%
Luhe Shipping Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	10,000 ordinary shares of US$1 each	100%
Lubahe Shipping Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%

Notes to the Consolidated Financial Statements

48 Particulars of principal subsidiaries, jointly controlled entities and associates (Continued)

(a) Subsidiaries (Continued)

Name	Place of incorporation/ establishment and operations	Principal activities	Type of legal entity	Issued/registered and fully paid up share capital	Attributable equity interest to the equity holders of the Company
Capital held indirectly (Continued)					
Miyunhe Maritime Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	1,000 ordinary shares of US$10 each	100%
Naxihe Shipping Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Ninghe Shipping Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	10,000 ordinary shares of US$1 each	100%
Qiyunhe Maritime Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	1,000 ordinary shares of US$10 each	100%
Wanhe Shipping Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	10,000 ordinary shares of US$1 each	100%
Xibohe Shipping Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Xinhuihe Maritime Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Yangjianghe Maritime Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Yongdinghe Shipping Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Yuehe Shipping Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	10,000 ordinary shares of US$1 each	100%
Yuguhe Shipping Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Yunhe Shipping Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	10,000 ordinary shares of US$1 each	100%
Zhaoqinghe Maritime Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Ziyahe Shipping Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Fenghou Maritime Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	1,000 ordinary shares of US$10 each	100%
Haihou Maritime Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	1,000 ordinary shares of US$10 each	100%
Longhou Maritime Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	1,000 ordinary shares of US$10 each	100%
Tianhou Maritime Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	1,000 ordinary shares of US$10 each	100%

48 Particulars of principal subsidiaries, jointly controlled entities and associates (Continued)

(a) Subsidiaries (Continued)

Name	Place of incorporation/ establishment and operations	Principal activities	Type of legal entity	Issued/registered and fully paid up share capital	Attributable equity interest to the equity holders of the Company
Capital held indirectly (Continued)					
COSCO New York Maritime Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	1,000 ordinary shares of US$10 each	100%
COSCO Boston Maritime Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	1,000 ordinary shares of US$10 each	100%
COSCO Asia Maritime Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	1,000 ordinary shares of US$10 each	100%
COSCO Africa Maritime Inc. #	Panama/Worldwide	Vessel owning	Limited liability company	1,000 ordinary shares of US$10 each	100%
COSCO Europe Maritime Inc. #	Panama/Worldwide	Vessel owning	Limited liability company	1,000 ordinary shares of US$10 each	100%
COSCO America Maritime Inc. #	Panama/Worldwide	Vessel owning	Limited liability company	1,000 ordinary shares of US$10 each	100%
COSCO Oceania Shipping Limited. #	Hong Kong/Worldwide	Vessel owning	Limited liability company	1 ordinary share of HK$1 each	100%
COSCO Pacific Shipping Limited. #	Hong Kong/Worldwide	Vessel owning	Limited liability company	1 ordinary share of HK$1 each	100%
COSCO Indian Ocean Shipping Limited #	Hong Kong/Worldwide	Vessel owning	Limited liability company	1 ordinary share of HK$1 each	100%
COSCO Atlantic Shipping Limited. #	Hong Kong/Worldwide	Vessel owning	Limited liability company	1 ordinary share of HK$1 each	100%
COSCO Container Lines (Hong Kong) Co., Limited. #	Hong Kong	Marine services	Limited liability company	1,000,000 shares of HK$1 each	100%
COSCO Container Lines Europe GmbH #	German/Europe	Shipping agency	Limited liability company	EURO1,500,000	100%
COSCO Container Lines Japan Co., Ltd.	Japan	Marine services	Limited liability company	JPY40,000,000	100%
COSCO Container Lines Americas, Inc.	United States of America	Shipping agency	Limited liability company	1,000 ordinary shares of US$0.01 eac	100%
Shanghai COSCON Document Services Co.Ltd.	PRC	To provide documentation services for cargo transportation business or to provide document services as well as other technical supporting services applying to Internet and Multi-media for cargo transportation agency.	Limited liability company	RMB1,000,000	100%

48 Particulars of principal subsidiaries, jointly controlled entities and associates (Continued)

(a) Subsidiaries (Continued)

Name	Place of incorporation/ establishment and operations	Principal activities	Type of legal entity	Issued/registered and fully paid up share capital	Attributable equity interest to the equity holders of the Company
Capital held indirectly (Continued)					
Cosco Aden Maritime Limited	Hong Kong/Worldwide	Vessel owning	Limited liability company	1 ordinary share of HK$1 each	100%
Cosco Auckland Maritime Limited	Hong Kong/Worldwide	Vessel owning	Limited liability company	1 ordinary share of HK$1 each	100%
Cosco Cape Town Maritime Limited	Hong Kong/Worldwide	Vessel owning	Limited liability company	1 ordinary share of HK$1 each	100%
Cosco Colombo Maritime Limited	Hong Kong/Worldwide	Vessel owning	Limited liability company	1 ordinary share of HK$1 each	100%
Cosco Durban Maritime Limited	Hong Kong/Worldwide	Vessel owning	Limited liability company	1 ordinary share of HK$1 each	100%
Cosco Fos Maritime Limited	Hong Kong/Worldwide	Vessel owning	Limited liability company	1 ordinary share of HK$1 each	100%
Cosco Genoa Maritime Limited	Hong Kong/Worldwide	Vessel owning	Limited liability company	1 ordinary share of HK$1 each	100%
Cosco Haifa Maritime Limited	Hong Kong/Worldwide	Vessel owning	Limited liability company	1 ordinary share of HK$1 each	100%
Cosco Istanbul Maritime Limited	Hong Kong/Worldwide	Vessel owning	Limited liability company	1 ordinary share of HK$1 each	100%
Cosco Jeddah Maritime Limited	Hong Kong/Worldwide	Vessel owning	Limited liability company	1 ordinary share of HK$1 each	100%
Cosco Piraeus Maritime Limited	Hong Kong/Worldwide	Vessel owning	Limited liability company	1 ordinary share of HK$1 each	100%
Cosco Santos Maritime Limited	Hong Kong/Worldwide	Vessel owning	Limited liability company	1 ordinary share of HK$1 each	100%
Cosco Sao Paulo Maritime Limited	Hong Kong/Worldwide	Vessel owning	Limited liability company	1 ordinary share of HK$1 each	100%
Cosco Valencia Maritime Limited	Hong Kong/Worldwide	Vessel owning	Limited liability company	1 ordinary share of HK$1 each	100%
Cosco Venice Maritime Limited	Hong Kong/Worldwide	Vessel owning	Limited liability company	1 ordinary share of HK$1 each	100%
Cosco Wellington Maritime Limited	Hong Kong/Worldwide	Vessel owning	Limited liability company	1 ordinary share of HK$1 each	100%
Addrich Shipping Limited #	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Alacritas Shipping Corporation #	Liberia/Worldwide	Vessel owning and chartering	Limited liability company	500 ordinary shares of US$20 each	100%
Allied Best Shipping Limited	Hong Kong	Vessel owning	Limited liability company	1 ordinary share of HK$1	100%
Anson Maritime Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Aptmariner Shipping Limited #	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Arsun Shipping Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Art Link Shipping Limited #	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Beatanavis Shipping Limited #	Hong Kong	Vessel owning	Limited liability company	2 ordinary shares of HK$1 each	100%
Best Time Shipping Limited #	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Bonusnauta Shipping Corporation #	Liberia/Worldwide	Vessel owning and chartering	Limited liability company	500 ordinary shares of US$20 each	100%
Bowling Maritime Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of US$100 each	100%

48 Particulars of principal subsidiaries, jointly controlled entities and associates (Continued)

(a) Subsidiaries (Continued)

Name	Place of incorporation/ establishment and operations	Principal activities	Type of legal entity	Issued/registered and fully paid up share capital	Attributable equity interest to the equity holders of the Company
Capital held indirectly (Continued)					
Celeritas Maritime Corporation #	Liberia/Worldwide	Vessel owning and chartering	Limited liability company	500 ordinary shares of US$20 each	100%
Chiao Mao Enterprises Limited #	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	30,000 ordinary shares of HK$100 each	100%
Concord Bright Shipping Limited #	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Cycle Wide Shipping Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Dapenghai Shipping Limited #	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	1 ordinary share of HK$1	100%
Dayahai Shipping Limited #	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	1 ordinary share of HK$1	100%
Eastar Shipping Limited #	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Easy Way Shipping Limited #	Hong Kong	Vessel owning	Limited liability company	1 ordinary share of HK$1	100%
Ever View Shipping Limited #	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Everbright Shipping Limited #	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Evergold Transportation Limited #	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Everwin Shipping Limited #	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	1 ordinary share of HK$1 each	100%
Fast Line Enterprise Limited #	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	10,000 ordinary shares of HK$1 each	100%
Festivity Shipping Corporation, S.A. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of US$100 each	100%
Fidelitas Maritime Corporation #	Liberia/Worldwide	Vessel owning and chartering	Limited liability company	500 ordinary shares of US$20 each	100%
First Link Shipping Limited #	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Forthcome Shipping Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of US$100 each	100%
Fox Shipping Navigation Inc. #	Panama	Vessel owning	Limited liability company	2 ordinary shares of US$100 each	100%
Fruition Carriers Corporation, S.A. #	Panama	Vessel owning	Limited liability company	2 ordinary shares of US$100 each	100%

48 Particulars of principal subsidiaries, jointly controlled entities and associates (Continued)

(a) Subsidiaries (Continued)

Name	Place of incorporation/ establishment and operations	Principal activities	Type of legal entity	Issued/registered and fully paid up share capital	Attributable equity interest to the equity holders of the Company
Capital held indirectly (Continued)					
Full Comfort Shipping Limited #	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	10,000 ordinary shares of HK$1 each	100%
Full Strong Shipping Limited #	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	10,000 ordinary shares of HK$1 each	100%
Fullbest Shipping Limited #	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Gainlink Shipping Limited #	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Gallantry Shipping Corporation S.A. #	Panama	Vessel owning	Limited liability company	100 ordinary shares of US$100 each	100%
Gateway Shipping Limited #	Hong Kong	Vessel owning	Limited liability company	1 ordinary share of HK$1 each	100%
Gatwick Shipping Limited #	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Glory Land Shipping Limited	Hong Kong	Vessel owning	Limited liability company	2 ordinary shares of HK$1 each	100%
Gracely Shipping Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Golden Union Shipping Limited #	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Handymariner Shipping Limited #	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Heyday Shipping Limited #	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Hipway Shipping Limited #	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Hong Fat Shipping Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of US$100 each	100%
Honour Team Shipping Limited #	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Jeswick Shipping Limited #	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Jetway Shipping Corp., S.A. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of US$1 each	100%
Joviality Shipping Corporation, S.A. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of US$100 each	100%
Joyous Society Shipping Limited #	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Joyous World Shipping Limited #	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%

48 Particulars of principal subsidiaries, jointly controlled entities and associates (Continued)

(a) Subsidiaries (Continued)

Name	Place of incorporation/ establishment and operations	Principal activities	Type of legal entity	Issued/registered and fully paid up share capital	Attributable equity interest to the equity holders of the Company
Capital held indirectly (Continued)					
Kingston Shipping Limited #	Hong Kong	Vessel owning	Limited liability company	1 ordinary share of HK$1 each	100%
Kingswill Shipping Limited #	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Li Lin Shipping Limited #	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	10,000 ordinary shares of HK$1 each	100%
Longood Maritime Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of US$1 each	100%
Loyal Shipping Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Luckyfield Shipping Corporation, S.A. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of US$100 each	100%
Marienvoy Shipping Limited #	Hong Kong	Vessel owning	Limited liability company	2 ordinary shares of HK$1 each	100%
Master Way Shipping Limited #	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Mild Wind Shipping Limited #	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Million Ocean Shipping Limited #	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Montario Shipping Corporation, S.A. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Ocean Priti Shipping S.A. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Oceanplan Shipping Limited #	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
On Hing Shipping Limited #	Hong Kong	Vessel owning	Limited liability company	2 ordinary shares of HK$1 each	100%
Onford Shipping Limited #	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Pacific Well Shipping Limited #	Hong Kong	Vessel owning	Limited liability company	1 ordinary share of HK$1	100%
Pacific Wide Shipping Limited #	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Power Way Shipping Limited #	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	1 ordinary share of HK$1	100%
Refined Success Limited #	British Virgin Islands/Worldwide	Vessel owning and chartering	Limited liability company	1 ordinary share of US$1	100%
Richmax Shipping Limited #	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Richson Shipping Limited #	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%

48 Particulars of principal subsidiaries, jointly controlled entities and associates (Continued)

(a) Subsidiaries (Continued)

Name	Place of incorporation/ establishment and operations	Principal activities	Type of legal entity	Issued/registered and fully paid up share capital	Attributable equity interest to the equity holders of the Company
Capital held indirectly (Continued)					
Seaborne Merchants Corporation, S.A. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of US$100 each	100%
Silvercord Shipping Limited #	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Sinobright Shipping Limited #	Hong Kong	Vessel owning	Limited liability company	1 ordinary share of HK$1	100%
Skylink Transportation Limited #	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Smart Transportation Limited #	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Smart Wise Shipping Limited #	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Starworld Shipping Limited #	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Strongfull Shipping Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Sunyuan Shipping Company Limited #	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	3 ordinary shares of HK$100 each	100%
Tactwell Shipping Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
The Roc Maritime Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of US$100 each	100%
Top Giant Shipping Limited #	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	1 ordinary share of HK$1	100%
Top Harvest Shipping Limited #	Hong Kong	Vessel owning	Limited liability company	1 ordinary share of HK$1	100%
Top Sea Shipping Limited #	Hong Kong	Vessel owning	Limited liability company	1 ordinary share of HK$1	100%
Top Smart Shipping Limited #	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Top Team Shipping Limited #	Hong Kong	Vessel owning	Limited liability company	1 ordinary share of HK$1	100%
Unique Shipping Limited #	Hong Kong	Vessel owning	Limited liability company	1 ordinary share of HK$1	100%
Victor Shipping Limited #	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	1 ordinary share of HK$1 each	100%
Victory Castle Shipping Limited #	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Vorwarts Shipping Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of US$100 each	100%
Wealth Group Shipping Limited #	Hong Kong	Vessel owning	Limited liability company	2 ordinary shares of HK$1 each	100%

Notes to the Consolidated Financial Statements

48 Particulars of principal subsidiaries, jointly controlled entities and associates (Continued)

(a) Subsidiaries (Continued)

Name	Place of incorporation/ establishment and operations	Principal activities	Type of legal entity	Issued/registered and fully paid up share capital	Attributable equity interest to the equity holders of the Company
Capital held indirectly (Continued)					
Well Crown Shipping Limited #	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Well Harvest Shipping Limited #	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	1 ordinary share of HK$1 each	100%
Wellrich Transportation Limited #	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Whole World Shipping Limited #	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	1 ordinary share of HK$1 each	100%
Winston Shipping Limited #	Hong Kong /Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Winview Shipping Limited #	Hong Kong/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of HK$1 each	100%
Worldbond Shipping Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Yick Hua Maritime Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of US$100 each	100%
Yick Jia Maritime Inc. #	Panama	Vessel owning	Limited liability company	2 ordinary shares of US$100 each	100%
You Mei Maritime Inc. #	Panama/Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of US$100 each	100%
Tianjin Huihai Shipping Enterprises Co. Ltd.	PRC/Worldwide	Vessel owning and chartering	Limited liability company	RMB19,865,112	100%
Zhonghai Shipping Inc. #	Grand Cayman, British West Indies/ Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Yuehai Shipping Inc. #	Grand Cayman, British West Indies/ Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Yichanghai Shipping Inc. #	Grand Cayman, British West Indies/ Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Xuchanghai Shipping Inc. #	Grand Cayman, British West Indies/ Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Tonghai Maritime, Inc. #	Grand Cayman, British West Indies/ Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%

48 Particulars of principal subsidiaries, jointly controlled entities and associates (Continued)

(a) Subsidiaries (Continued)

Name	Place of incorporation/ establishment and operations	Principal activities	Type of legal entity	Issued/registered and fully paid up share capital	Attributable equity interest to the equity holders of the Company
Capital held indirectly (Continued)					
Qinhai Shipping Inc.#	Grand Cayman, British West Indies/ Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Pinghai Shipping Inc. #	Grand Cayman, British West Indies/ Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Nanhai Shipping Inc. #	Grand Cayman, British West Indies/ Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Minghai Shipping Inc. #	Grand Cayman, British West Indies/ Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Dongchanghai Shipping Inc. #	Grand Cayman, British West Indies/ Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Fenghai Maritime, Inc.#	Grand Cayman, British West Indies/ Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Jinpuhai Shipping Inc. #	Grand Cayman, British West Indies/ Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Luhai Maritime, Inc. #	Grand Cayman, British West Indies/ Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Lihai Maritime, Inc. #	Grand Cayman, British West Indies/ Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Beihai Shipping Inc. #	Grand Cayman, British West Indies/ Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
COSCO Bulk Carrier Holdings (Cayman) Limited #	Cayman Islands /Singapore	Investment holding	Limited liability company	US$ 50,000	100%
Coheung Marine Shipping Company Limited #	Hong Kong/Korea	Investment holding	Limited liability company	2,980,000 shares of US$1 each	100%
COSCO (Cayman) Golden Company Limited #	Cayman Islands /Singapore	Vessel owning	Limited liability company	1,000 shares of US$1 each	100%
Yuan Shun Hai Maritime S.A. #	Panama	Vessel owning	Limited liability company	2 ordinary shares of US$100 each	100%
Yuan An Hai Maritimes S.A. #	Panama	Vessel owning	Limited liability company	2 ordinary shares of US$100 each	100%

48 Particulars of principal subsidiaries, jointly controlled entities and associates (Continued)

(a) Subsidiaries (Continued)

Name	Place of incorporation/ establishment and operations	Principal activities	Type of legal entity	Issued/registered and fully paid up share capital	Attributable equity interest to the equity holders of the Company
Capital held indirectly (Continued)					
Golden View Investment Limited	British Virgin Islands/Hong Kong	Investment holding	Limited liability company	2 ordinary shares of US$1 each	100%
Bright Sea Management Limited	British Virgin Islands/ Hong Kong	Vessel owning and chartering, investment holding and provision of treasury services	Limited liability company	1 ordinary shares of US$1 each	100%
Sea Lansa S.A. #	Panama/ Worldwide	Vessel owning and chartering	Limited liability company	10,000 ordinary shares of US$1 each	100%
Sea Baisi Maritime Inc. #	Panama/ Worldwide	Vessel owning and chartering	Limited liability company	500 ordinary shares of US$20 each	100%
Houly Sea S.A.	Panama/ Worldwide	Vessel owning and chartering	Limited liability company	10,000 ordinary shares of US$1 each	100%
Tianshenhai Maritime Inc. #	Panama/ Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Tianyanghai Maritime Inc. #	Panama/ Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Pheny Sea S.A. #	Panama/ Worldwide	Vessel owning and chartering	Limited liability company	10,000 ordinary shares of US$1 each	100%
Sea Landa S.A. #	Panama/ Worldwide	Vessel owning and chartering	Limited liability company	10,000 ordinary shares of US$1 each	100%
Sea Grace Shipping Inc.	Panama/ Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Sea Glory Maritime Inc. #	Panama/ Worldwide	Vessel owning and chartering	Limited liability company	100 ordinary shares of US$100 each	100%
Qingping Maritime Inc. #	Panama/ Worldwide	Vessel owning and chartering	Limited liability company	1,000 ordinary shares of US$10 each	100%
Sea Crown Shipping, Inc. #	Panama/ Worldwide	Vessel owning and chartering	Limited liability company	2 ordinary shares of US$100 each	100%
Xin Zhu Hai Shipping Co. Ltd.	Panama/ Worldwide	Vessel owning and chartering	Limited liability company	1 ordinary shares of HK$ 1 each	100%
Xin Zhen Hai Shipping Co. Ltd.	Panama/ Worldwide	Vessel owning and chartering	Limited liability company	1 ordinary shares of HK$ 1 each	100%

48 Particulars of principal subsidiaries, jointly controlled entities and associates (Continued)

(a) Subsidiaries (Continued)

Name	Place of incorporation/ establishment and operations	Principal activities	Type of legal entity	Issued/registered and fully paid up share capital	Attributable equity interest to the equity holders of the Company
Capital held indirectly (Continued)					
COSCO Europe Bulk Shipping GMBH (note) #	Hamburg,Germany /worldwide	Vessel chartering	Sino-foreign equity joint venture	EUR 500,000	50%
COSCO Bulk Carrier Americas Company Limited (note)	Delaware,America /worldwide	Vessel chartering	Sino-foreign equity joint venture	US$ 500,000	51%
COSCO Oceania Chartering Services Pty. Ltd. (note)	New South Wales, Australia/worldwide	Vessel chartering	Sino-foreign equity joint venture	AUD 20,002	51%
Qingdao Ocean & Great Asia Logistics Co.,Ltd.	PRC	Logistics	Limited liability company	RMB82,867,650	38.74%
Ningbo Golden Sanli Reefer Co., Ltd.	PRC	Container maintenance	Limited liability company	RMB3,000,000	39.90%
COSCO Logistics (Europe) GmbH	Germany	Logistics	Limited liability company	Euro100,000	41.78%
Xiamen Ocean Gate Container Terminal Co., Ltd.	PRC	Operation of container terminal	Limited liability company	RMB419,055,000	35.67%
Jinjiang Pacific Ports Development Co., Ltd.	PRC	Operation of container terminal	Limited liability company	US$49,900,000	40.77%
COSCO Brasil S.A.	Brazil	Shipping agency	Limited liability company	520,538 ordinary shares of Real$1 each	100%
COSCO Panama Maritime S.A.	Panama	Shipping agency	Limited liability company	100 shares of US$100 each	100%
COSCO (Hong Kong) Shipping Co., Ltd.	Hong Kong	Provision of agency and management services	Limited liability company	3 ordinary shares of HK$1 each	100%

Subsidiaries audited by PricewaterhouseCoopers

Notes to the Consolidated Financial Statements

48 Particulars of principal subsidiaries, jointly controlled entities and associates (Continued)

(b) Jointly controlled entities

As at 31 December 2008, the Company had indirect interests in the following principal jointly controlled entities:

Name	Place of incorporation/ establishment and operations	Principal activities	Type of legal entity	Issued/registered and fully paid up share capital	Attributable equity interest held
COSCON Italy S.R.L.	Italy	Ocean transportation	Limited liability company	100,000 shares of EURO 1 each	50%
COSCO-HIT Terminals (Hong Kong) Limited	Hong Kong	Operation of container terminal	Limited liability company	2 "A" ordinary shares of HK$10 each and 2 "B" ordinary shares of HK$10 each	25.48%
				4 non-voting 5% deferred shares of HK$10 each	
Qingdao Cosport International Container Terminals Co., Ltd.	PRC	Operation of container terminal	Sino-foreign joint venture	RMB337,868,700	25.48%
Shanghai CIMC Reefer Containers Co., Ltd.	PRC	Container manufacturing	Sino-foreign joint venture	US$31,000,000	10.19%
COSCO Ports (Nansha) Limited	British Virgin Islands /PRC	Investment in a container terminal	Limited liability company	US$10,000	33.68%
Ningbo Yuan Dong Terminals Ltd.	PRC	Operation of container terminal	Sino-foreign joint venture	RMB390,000,000	10.19%
Tianjin Port Euroasia International Container Terminal Co.,Ltd.	PRC	Operation of container terminal	Sino-foreign joint venture	RMB1,260,000,000	15.29%
Qingdao Qianwan Container Terminal Co., Ltd.	PRC	Operation of container terminal	Sino-foreign joint venture	US$230,000,000	10.19%
Yingkou Container Terminals Company Limited	PRC	Operation of container terminal	Sino-foreign joint venture	RMB8,000,000	25.48%
COSCO-PSA Terminal Private Limited	Singapore	Operation of container terminal	Limited liability company	SGD48,900,000	24.97%
Nanjing Port Longtan Container Co., Ltd.	PRC	Operation of container terminal	Limited liability company	RMB474,000,000	10.19%
COSCO Container Lines (Netherlands) B.V.	Netherlands	Shipping agency	Limited liability company	EURO18,000	50%
COSCONET e-Logistics Co., Ltd	PRC	Warehousing, Depot and cargo terminal services	Limited liability company	RMB30,000,000	37.23%
Nantong Xinlun International Storage and Transportation Co., Ltd.	PRC	Transportation	Limited liability company	RMB29,803,145	40.10%
Dalian Jinmen Logistics Company Limited	PRC	Logistics	Limited liability company	RMB38,080,000	41.78%
Qingdao QWG Port Logistics, Co., Ltd	PRC	Freight forwarding	Limited liability company	RMB60,000,000	40%
COSCO Logistics America Co, Ltd	PRC	Logistics	Limited liability company	RMB54,500,000	37.99%
COSCO Logistics Western-Asia Co, Ltd	PRC	Logistics	Limited liability company	RMB7,600,000	37.23%
Zhenjiang Yuangang Logistic Co.,Ltd	PRC	Logistics	Limited liability company	US$6,870,700	49.38%
Qingdao Shenzhouxing Freight Forwarding Company Limited	PRC	Freight forwarding agent	Limited liability company	RMB5,000,000	50%

Notes to the Consolidated Financial Statements

48 Particulars of principal subsidiaries, jointly controlled entities and associates (Continued)

(b) Jointly controlled entities (Continued)

Name	Place of incorporation/ establishment and operations	Principal activities	Type of legal entity	Issued/registered and fully paid up share capital	Attributable equity interest held
Shanghai Pudong International Container Terminals Limited	PRC	Operation of container terminal	Sino-foreign joint venture	RMB1,900,000,000	15.29%
C & I Shipholding S.A.	Panama/worldwide	Vessel owning and chartering	Limited liability company	US$15,600,000	60%
COSCO-Development Shipping Co,Ltd.	PRC	Goods transportation and vessel chartering	Limited liability company	RMB200,000,000	50%
Cosco-Datang Shipping Co.,Ltd	PRC	Vessel owning and investment holding	Limited liability company	RMB55,000,000	22.39%
Tianjin YuanHua Shipping Co., Ltd	PRC	Cargo transportation and vessel chartering	Limited liability company	RMB360,000,000	56.17%
Cosbulk International Trading Co.Ltd	PRC	Vessel and equipment trade consultant	Limited liability company	RMB1,500,000	51%
Shanghai Xin Hai Tian Shipping Co.,Ltd.	PRC	Goods transportation	Limited liability company	RMB48,064,965	41.83%
Cosco Tianjin International Forwarding Agency Co.,Ltd	PRC	Freight forwarding agent	Limited liability company	RMB10,520,000	51%
Tianjin Ocean FPD Savills Property Management Company Limited	PRC	Estate management and commercial building sales	Sino-foreign equity joint venture	US$ 200,000	55%
Tianjin Jinshen Ferry Co., Ltd.	PRC	Vessel owning and chartering	Sino-foreign equity joint venture	US$ 12,000,000 (RMB55,730,000)	50%
Shenzhen COSCO-Yantian Port Logistics Co., Ltd.	PRC	Logistics	Limited liability company	RMB100,000,000	37.99%
Guangzhou South China Oceangate Container Terminal Company Limited	PRC	Operation of container terminal	Sino-foreign joint venture	RMB1,403,171,000	19.87%
Qingdao Ocean Hotel Company Limited	PRC	Provision of accommodation, food and beverage sevices	Limited liability company	RMB38,000,000	67.21%
Ningbo Harbour Agency and Freight Forwarding Company Limited	PRC	Freight forwarding	Limited liability company	RMB30,000,000	37.23%
Foshan Shunde United Shipping Agency Co.,Ltd	PRC	Shipping Agency	Limited liability company	RMB3,000,000	37.99%
Guangzhou Huangpu Ganglian Trading Co.,Ltd	PRC	Trading	Limited liability company	RMB1,500,000	37.99%
Huizhou United International Shipping Agency Co.,Ltd	PRC	Shipping Agency	Limited liability company	RMB3,000,000	37.99%
Panama International Terminals, S.A.	Panama	Operation of container terminal	Limited liability company	300 ordinary shares with no face value	25.48%

48 Particulars of principal subsidiaries, jointly controlled entities and associates (Continued)

(c) Associates

At 31 December 2008, the Company had indirect equity interests in the following principal associates:

Name	Place of incorporation/ establishment and operations	Principal activities	Type of legal entity	Issued/registered and fully paid up share capital	Attributable equity interest held
COSCO Finance Co., Ltd.	PRC	Banking and related financial services	Limited liability company	RMB800,000,000	36.81%
Antwerp Gateway NV	Belgium	Operation of container terminal	Limited liability company	EURO17,900,000	10.19%
China International Marine Containers (Group) Co., Ltd. ("CIMC")	PRC	Container manufacturing	Limited liability company	RMB2,662,396,051 (165,932,239 non-publicly tradeable shares, 1,065,985,103 "A" shares and 1,430,478,709 "B" shares), all of RMB1 each	11.11%
Dalian Automobile Terminal Co., Ltd.	PRC	Construction and operation of automobile terminals	Limited liability company	RMB160,000,000	15.29%
Dalian Port Container Terminal Co., Ltd.	PRC	Operation of container terminal	Limited liability company	RMB240,000,000	10.19%
Shanghai Jihai Shipping Company Limited	PRC	Shipping Agency	Limited liability company	RMB250,000,000	15.20%
China Ocean Shipping Agency Tianjin Company	PRC	Shipping Agency	Limited liability company	RMB101,220,000	30.39%
China United Tally Company Limited	PRC	Tally	Limited liability company	RMB46,000,000	24.31%
Suez Canal Container Terminal S.A.E.	Egypt	Operation of container terminal	Limited liability company	687,500 ordirary shares of US$100 each	10.19%
Copious Resources Development Limited	Hong Kong/PRC	Land development	Limited liability company	10,000,000 ordinary shares of HK$ 1 each	45%
COSCO Net Shipping Technology Limited	PRC	Provision for maintenance services in relation to computer hardware and software	Sino-foreign joint venture	RMB50,000,000	49%
Guangzhou Pan - Ocean Shipping Co., Ltd	PRC	Goods transportation	Limited liability company	US$ 14,500,000	27%
Tianjin Yuanchang Reefer Container Service Co., Ltd	PRC	Debugging services for marine cold-storage container	Sino-foreign joint venture	RMB18,480,000	43%
Dawning Company Limited	British Virgin Islands /PRC	Investment holding	Limited liability company	200 "A" shares of US $1 each and 800 "B" shares of US $1 each	10.19%

48 Particulars of principal subsidiaries, jointly controlled entities and associates (Continued)

(c) Associates (Continued)

Note:

In June 2008, the Memorandum and Articles of Association of COSCO Europe Bulk Shipping GMBH, COSCO Oceania Chartering Services Pty. Ltd. and COSCO Bulk Carrier Americas Company Limited (collectively the "Bulk overseas companies") were revised to reflect the Group's power to govern their respective financial and operating policies. The Bulk overseas companies were previously jointly controlled entities of the Group.

The English name of certain subsidiaries, jointly controlled entities and associates referred to in the Consolidated Financial Statements represent management's best efforts at translating the Chinese names of these companies as no English names have been registered.

49 Comparatives

The Group has applied merger accounting to account for the purchase of the equity interests in the Transferred Subsidiaries during the year, as if the business combinations had been occurred from the beginning of the earliest financial years presented. The adoption of merger accounting has resulted in changes to the presentation of certain items and comparative figures have been restated accordingly. In addition, certain comparative figures have been reclassified to conform to the current year's presentation.

Five Year Financial Summary

For the year ended 31 December 2008

	For the year ended 31 December				
	2008	2007	2006	2005	2004
	RMB'000	RMB'000 (Restated)	RMB'000	RMB'000	RMB'000
Revenue	**130,871,857**	112,232,794	78,856,254	47,966,347	32,188,669
Profit before income tax	**15,670,041**	26,112,562	11,483,130	7,679,136	5,243,300
Income tax	**(2,962,770)**	(4,825,751)	(2,008,565)	(733,101)	(285,757)
Profit for the year	**12,707,271**	21,286,811	9,474,565	6,946,035	4,957,543
Profit attributable to:					
- Equity holders of the Company	**11,617,012**	19,481,867	8,292,447	5,582,059	4,157,960
- Minority interests	**1,090,259**	1,804,944	1,182,118	1,363,976	799,583
	12,707,271	21,286,811	9,474,565	6,946,035	4,957,543

	As at 31 December				
	2008	2007	2006	2005	2004
	RMB'000	RMB'000 (Restated)	RMB'000	RMB'000	RMB'000
Total assets	**118,413,153**	117,359,805	81,709,155	56,013,489	44,249,567
Total liabilities	**(56,166,391)**	(60,203,320)	(38,302,526)	(29,088,401)	(30,847,045)
Total equity	**62,246,762**	57,156,485	43,406,629	26,925,088	13,402,522

Notes:

(a) The financial figures for the year 2007 and 2008 were extracted from the Consolidated Financial Statements.

(b) The financial figures for the year 2004 to 2006 were extracted from the 2007 annual report. No retrospective adjustments for the common control combinations during the year were made on the financial figures for the year 2004 to 2006.

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