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)

ANNOUNCEMENT OF GROUP RESULTS FOR THE YEAR ENDED 31 DECEMBER 2006

FINANCIAL HIGHLIGHTS:

- Revenue of the Group in 2006 was RMB50,993,950,000, representing an increase of RMB3,027,603,000 (or 6.3%) over 2005.
- Profit attributable to equity holders of the Company for the year was RMB2,031,016,000, representing a decrease of RMB3,551,043,000 or (63.6%) over 2005.
- Basic earnings per share for the year of 2006 were RMB0.32989.
- The Board recommends the distribution of a cash final dividend of RMB0.09 per share for the year of 2006, together with an issue of bonus shares on the basis of 1.5 bonus shares for every 10 existing shares of the Company at par value of RMB1.00 each.

The board of directors (the "Board") of China COSCO Holdings Company Limited ("China COSCO" or the "Company") is pleased to announce the results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2006, together with the comparative figures for the year ended 31 December 2005 which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") as follows.

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2006

	Note	**2006** *RMB'000*	**2005** *RMB'000 (Restated)*
Revenue	3	50,993,950	47,966,347
Cost of services		(46,019,733)	(38,819,904)
Gross profit		4,974,217	9,146,443
Other income		2,467,305	1,348,557
Selling, administrative and general expenses		(2,910,327)	(2,980,384)
Other expenses		(735,045)	(449,671)
Share reform	4	(439,707)	—
Operating profit	5	3,356,443	7,064,945
Finance income	6	274,354	206,324
Finance costs	6	(988,445)	(877,462)
Operating profit after finance costs		2,642,352	6,393,807
Share of profits less losses of			
- jointly controlled entities		626,002	567,253
- associates		823,795	718,076
Profit before income tax expenses		4,092,149	7,679,136
Income tax expenses	7	(923,983)	(733,101)
Profit for the year		3,168,166	6,946,035
Attributable to:			
Equity holders of the Company		2,031,016	5,582,059
Minority interests		1,137,150	1,363,976
		3,168,166	6,946,035
Distributions	8(a)	1,816,824	3,952,695
Dividends	8(b)	1,489,141	798,200
Earnings per share for profit attributable to the equity holders of the Company			
- basic	9	RMB0.32989	RMB1.08728
- diluted	9	RMB0.32989	RMB1.08069

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2006

	Note	**2006** *RMB'000*	**2005** *RMB'000 (Restated)*
ASSETS			
Non-current assets			
Property, plant and equipment		26,401,135	29,087,099
Investment properties		20,961	22,243
Leasehold land and land use rights		353,581	226,227
Intangible assets		128,819	177,201
Jointly controlled entities		2,546,150	2,153,904
Associates		5,298,689	4,373,647
Available-for-sale financial assets		3,128,903	2,266,936
Deferred income tax assets		124,342	100,733
Finance lease receivables		23,340	30,241
Restricted bank deposits		96,632	239,988
		38,122,552	38,678,219
Current assets			
Inventories		601,542	544,630
Trade and other receivables	10	8,924,415	6,804,782
Current portion of finance lease receivables		11,257	10,355
Derivative financial assets		4,519	5,853
Cash and cash equivalents		7,795,855	9,969,650
		17,337,588	17,335,270
Total assets		55,460,140	56,013,489

	Note	**2006** *RMB'000*	**2005** *RMB'000* *(Restated)*
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital		6,204,756	6,140,000
Reserves		11,241,407	12,514,491
Proposed dividends	8(b)	1,489,141	798,200
		18,935,304	19,452,691
Minority interests		8,541,404	7,472,397
Total equity		27,476,708	26,925,088
LIABILITIES			
Non-current liabilities			
Long-term borrowings		8,947,208	12,369,503
Other non-current liabilities		316,691	260,637
Derivative financial liabilities		36,071	16,199
Deferred income tax liabilities		488,246	735,661
		9,788,216	13,382,000
Current liabilities			
Trade and other payables	11	11,370,365	10,394,104
Derivative financial liabilities		430,892	—
Short-term loans and bond payable		4,825,817	2,217,308
Current portion of long-term borrowings		1,333,535	2,196,863
Taxes payable		234,607	898,126
		18,195,216	15,706,401
Total liabilities		27,983,432	29,088,401
Total equity and liabilities		55,460,140	56,013,489
Net current (liabilities)/assets		(857,628)	1,628,869
Total assets less current liabilities		37,264,924	40,307,088

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

The Company was incorporated in the People's Republic of China (the "PRC") on 3 March 2005 as a joint stock company with limited liability under the Company Law of the PRC. The address of its registered office was changed to 3rd Floor, No. 1 Tongda Square, Tianjin Port Free Trade Zone, Tianjin, the PRC on 5 January 2007. As part of the restructuring of China Ocean Shipping (Group) Company ("COSCO") and its subsidiaries, (collectively "COSCO Group"), COSCO underwent a group reorganisation (the "Reorganisation"), in preparation for a listing of the Company's H shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Main Board"). The H shares of the Company are listed on the Main Board since 30 June 2005.

Details of the Reorganisation were disclosed in the consolidated financial statements for the year ended 31 December 2005.

The Group provides integrated container shipping services to international and domestic customers. The Group's businesses include the provisions of a range of container shipping, container terminal, container leasing and logistics services all over the world.

During the year, the Group acquired from COSCO Group the equity interests in COSCO Logistics Co., Limited ("COSCO Logistics"), COSCO Philippines Shipping Inc. and COSCO (HK) Cargo Services Co., Limited (collectively the "Acquired Subsidiaries"). The acquisitions are regarded as business combination under common control (refer note 2(a) below).

2 Summary of significant accounting policies

(a) Basis of preparation

The consolidated financial statements for the year ended 31 December 2006 (the "Consolidated Financial Statements") have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by Hong Kong Institute of Certified Public Accountants ("HKICPA"). The Consolidated Financial Statements have been prepared under the historical cost convention, except that, available-for-sale financial assets and derivative financial assets and financial liabilities are stated at fair value.

The Consolidated Financial Statements have been prepared using the principles of merger accounting, as prescribed in Hong Kong Accounting Guideline 5 ''Merger Accounting for Common Control Combinations" issued by the HKICPA. The Consolidated Financial Statements include the financial position, results and cash flows of the Acquired Subsidiaries, as if the business combination had been occurred from the beginning of the earliest financial years presented. Comparatives were restated accordingly.

At 31 December 2006, the Group had net current liabilities of RMB857,628,000, primarily arising from short-term loans and bond payable of RMB4,825,817,000 and current portion of long-term borrowings of RMB1,333,535,000. As at 31 December 2006, the Group had unutilised banking facilities of approximately RMB7,996,000,000.

Based on the Group's history of obtaining finance, its available banking facilities, its operating performance, cash flow forecast and financial obligations in the next twelve months, the Directors consider that there are sufficient financial resources available to the Group to meet its liabilities as and when they fall due and to carry on its business for the foreseeable future. Accordingly, the Directors have prepared the Consolidated Financial Statements on a going concern basis.

(i) **Amendments and interpretation which are effective in 2006 and adopted by the Group**

In 2006, the Group adopted the new/revised HKFRSs below, which are relevant to its operations.

HKAS 19 (Amendment)	Employee Benefits — Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 (Amendment)	Net Investment in a Foreign Operation
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKFRS 4 and HKAS 39 (Amendment)	Financial Guarantee Contracts
HKFRS Interpretation 4	Determining whether an Arrangement contains a Lease

The adoption of the above new/revised HKFRSs in the current year did not have any significant effect on the Consolidated Financial Statements or result in any significant changes in the Group's principal accounting policies except as described below.

HKAS 19 "Employee Benefit - Actuarial gain and Losses, Group Plans and Disclosures"

The Group adopted an amendment to HKAS 19 "Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures" as at 1 January 2006. The Group now recognises all actuarial gains and losses arising from defined benefit plans immediately in equity. In previous years, the Group applied the corridor method to recognise actuarial gains and losses over the expected average remaining working lives of employees in the plans, and recognised such gains and losses in income statement.

This represents a change in an accounting policy and should be accounted for retrospectively in accordance with the transitional provisions of the amendments. However, as the amount is immaterial, all cumulated differences on actuarial losses and related deferred income tax arising from defined benefit plans of RMB5,971,000 as at 1 January 2006 have been charged to equity in the current year. The cumulative difference together with actuarial losses and related deferred income tax for the year have resulted in a net decrease of RMB3,363,000 in equity as at 31 December 2006, representing the recognition of actuarial loss on plan assets of RMB5,676,000 offset by the related deferred tax assets of RMB2,313,000.

HKFRS 4 and HKAS 39 (Amendment) "Financial Guarantee Contracts"

In prior years, financial guarantees issued by the Group were only disclosed as contingent liabilities and no provisions were made in respect of these guarantees unless it was more likely than not that the guarantee would be called upon. Upon the adoption of the Amendments to Hong Kong Accounting Standard ("HKAS") 39 and HKFRS 4 "Financial Guarantee Contracts" (the "Amendments"), financial guarantees are accounted for as financial liabilities under HKAS 39 "Financial Instruments: Recognition and Measurement" and measured initially at fair value and subsequently stated at the higher of (i) the amount initially recognised less accumulated amortisation; and (ii) the amount of the provision, if any, that should be recognised in accoardance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets". The adoption of the Amendments did not have any material impact on the Consolidated Financial Statements for the years ended 31 December 2006 and 2005.

(ii) **Standards, interpretation and amendments that are not yet effective for the year ended 31 December 2006 and have not been early adopted by the Group**

The HKICPA has issued the following new standards, amendments and interpretations which are not yet effective and relevant to the Group's operations for the year ended 31 December 2006:

	Effective for accounting periods beginning on or after
HKFRS 7 "Financial Instruments: Disclosures"	1 January 2007
HKAS 1 (Amendment) "Presentation of Financial Statements: Capital Disclosures"	1 January 2007
HKIFRIC-Int 8 Share-based payment	1 May 2006
HKIFRIC-Int 9 Reassessment of embedded derivatives	1 June 2006
HKIFRIC-Int 10 Interim Financial Reporting and Impairment	1 November 2006

The Group will apply the above standard and amendments from 1 January 2007, but it is not expected to have any significant financial impact on the Consolidated Financial Statements except additional disclosures in the Consolidated Financial Statements will be resulted.

3 **Revenue and segment information**

(a) 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 businesses

— Container terminal and related businesses

— Container leasing

— Logistics

— Other operations that primarily comprise container manufacturing, banking and investment holding

The segment information of freight forwarding and shipping agency for the year ended 31 December 2005 and as at 31 December 2005 has been included in the segment of container shipping and related businesses to conform with the current year's presentation.

Unallocated income mainly represents corporate income. Unallocated costs mainly represent corporate expenses. Segment assets consist primarily of property, plant and equipment, investment properties, leasehold land and land use rights, intangible assets, inventories, receivables and operating cash, and mainly exclude investments in jointly controlled entities, associates, available-for-sale financial assets, derivative financial assets, deferred income tax assets and corporate assets. Segment liabilities comprise operating liabilities and mainly exclude items such as current and deferred income tax liabilities, distribution payable, corporate borrowings and related hedging derivatives. 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 combination.

	Year ended and as at 31 December 2006						
	Container shipping and related businesses *RMB'000*	**Container terminal and related businesses** *RMB'000*	**Container leasing** *RMB'000*	**Logistics** *RMB'000*	**Other operations** *RMB'000*	**Inter-segment elimination** *RMB'000*	**Total** *RMB'000*
Revenue							
External sales	39,999,174	174,935	707,428	10,112,413	—	—	50,993,950
Inter-segment sales	34,300	57,533	1,089,387	54,572	—	(1,235,792)	—
	40,033,474	232,468	1,796,815	10,166,985	—	(1,235,792)	50,993,950
Segment results	1,564,866	208,871	1,112,074	204,010	48,651	—	3,138,472
Profit on disposal of containers (note 5(a))	—	—	672,980	—	—	—	672,980
Share reform (note 4)	—	—	—	—	(439,707)	—	(439,707)
Finance income							274,354
Finance costs							(988,445)
Unallocated income							205,173
Unallocated expenses							(220,475)
Operating profit after finance costs							2,642,352
Share of profits less losses of							
- jointly controlled entities	4,581	460,888	—	89,761	70,772	—	626,002
- associates	12,221	147,714	—	70,574	593,286	—	823,795
Profit before income tax							4,092,149
Income tax expenses							(923,983)
Profit for the year							3,168,166
Segment assets	26,075,211	1,703,788	9,044,085	5,770,459	726	(295,503)	42,298,766
Jointly controlled entities	34,450	1,949,201	—	367,791	194,708	—	2,546,150
Associates	33,300	1,475,209	—	316,929	3,473,251	—	5,298,689
Available-for-sale financial assets	8,890	2,873,601	—	179,343	67,069	—	3,128,903
Unallocated assets							2,187,632
Total assets							55,460,140
Segment liabilities	14,264,520	1,755,989	2,665,195	3,920,760	738,883	(295,503)	23,049,844
Unallocated liabilities							4,933,588
Total liabilities							27,983,432
Depreciation and amortisation	992,691	22,950	708,585	107,663	4,606	—	1,836,495
Capital expenditure	1,373,562	1,068,103	3,852,949	213,402	19,402	—	6,527,418
Recovery of bad debts	(67,990)	—	—	(4,130)	—	—	(72,120)
Provision for impairment of trade and other receivables	6,561	127	10,909	—	—	—	17,597
Other non-cash expenses	7,112	1,650	30,950	—	1,857	—	41,569

	Year ended and as at 31 December 2005 (Restated)						
	Container shipping and related businesses *RMB'000*	**Container terminal and related businesses** *RMB'000*	**Container leasing** *RMB'000*	**Logistics** *RMB'000*	**Other operations** *RMB'000*	**Inter-segment elimination** *RMB'000*	**Total** *RMB'000*
Revenue							
External sales	37,864,210	106,378	1,227,429	8,768,330	—	—	47,966,347
Inter-segment sales	56,027	51,973	1,035,547	48,904	—	(1,192,451)	—
	37,920,237	158,351	2,262,976	8,817,234	—	(1,192,451)	47,966,347
Segment results	5,045,256	208,955	1,278,403	179,890	4,463	—	6,716,967
Profit on disposal of an available-for-sale financial asset (note 5(c))	—	512,117	—	—	—	—	512,117
Finance income							206,324
Finance costs							(877,462)
Unallocated income							108,151
Unallocated expenses							(272,290)
Operating profit after finance costs							6,393,807
Share of profits less losses of							
- jointly controlled entities	4,242	449,012	—	88,775	25,224	—	567,253
- associates	5,567	136,427	—	56,159	519,923	—	718,076
Profit before income tax							7,679,136
Income tax expenses							(733,101)
Profit for the year							6,946,035
Segment assets	26,123,789	422,903	12,622,708	5,146,500	113	(287,838)	44,028,175
Jointly controlled entities	8,297	1,624,257	—	374,149	147,201	—	2,153,904
Associates	24,955	970,232	—	257,093	3,121,367	—	4,373,647
Available-for-sale financial assets	8,945	2,134,744	—	33,894	89,353	—	2,266,936
Unallocated assets							3,190,827
Total assets							56,013,489
Segment liabilities	15,146,697	1,030,500	4,665,640	3,343,637	443,861	(287,838)	24,342,497
Unallocated liabilities							4,745,904
Total liabilities							29,088,401
Depreciation and amortisation	908,597	10,753	886,338	114,500	3,905	—	1,924,093
Capital expenditure	2,989,311	35,791	2,749,623	261,969	7,287	—	6,043,981
Recovery of bad debts	(62,384)	—	(117)	(1,702)	—	—	(64,203)
Provision for impairment of trade and other receivables	15,897	—	11,376	2,841	—	—	30,114
Other non-cash expenses	8,527	1,900	16,117	—	1,833	—	28,377

(b) Secondary reporting format - geographical segments

	2006 *RMB'000*	2005 *RMB'000 (Restated)*
America	13,375,881	12,527,189
Europe	10,075,897	9,524,198
Asia Pacific	6,621,046	6,369,199
China domestic	17,705,808	15,744,945
Other international market	2,507,890	2,573,387
Unallocated	707,428	1,227,429
Total revenue	50,993,950	47,966,347

4 **Share reform**

As at 31 December 2005, the Group held 327,402,912 non-publicly tradeable shares of China International Marine Containers (Group) Co., Ltd. ("CIMC") ("CIMC Non-tradeable Shares"), an associate of the Group. On 25 May 2006, the Group issued 424,106,507 put option certificates (the "Put Options") to all holders of the A-shares of CIMC as accepted inducement for the approval by the holders of the A-shares of CIMC of the conversion of the CIMC Non-tradeable Shares held by the Group into CIMC A-shares which are publicly tradeable on the Shenzhen Stock Exchange in the PRC (the "Share Reform"). If all the Put Options are exercised in full, COSCO Pacific Limited ("COSCO Pacific") will have to pay a total sum of approximately RMB4,241,000,000 in cash and COSCO Pacific's equity interest in CIMC will be increased from approximately 16% to 37% after the acquisition.

The Put Options are derivative financial instruments which are initially recognised at fair values and any subsequent changes in their fair values, are debited or credited in the consolidated income statement. The net amount recognised in the consolidated income statement for the current year in connnection with the Put Options granted under the Share Reform was RMB439,707,000.

	2006 *RMB'000*
Initial recognition of Put Options	(1,116,114)
Fair value gain on Put Options granted	676,407
	(439,707)

5 Operating profit

Operating profit is stated after crediting and charging the following:

	2006 *RMB'000*	2005 *RMB'000* *(Restated)*
Crediting:		
Dividend income from listed and unlisted investments	169,265	155,371
Rental income from investment properties	9,365	4,953
Gain on disposal of property, plant and equipment		
- containers (note a)	672,980	12,113
- container vessels (note b)	377,060	—
- others	35,398	13,482
Gain on deemed partial disposal of a subsidiary	169,867	48,708
Gain on disposal of available-for-sale financial assets *(note c)*	54,790	512,117
Gain on disposal of jointly controlled entities and dissolution of an associate	66,426	3,420
Gain on partial disposal of an associate	—	1,458
Charging:		
Depreciation and amortisation	1,836,495	1,924,093
Cost of bunkers and fuel consumed	7,023,552	4,746,101
Cost of resaleable containers sold	357,772	155,026
Outgoings in respect of investment properties	477	510
Operating lease rentals		
- container vessels	2,709,940	1,845,413
- containers	761,660	752,510
- land and buildings	142,674	122,349
- other property, plant and equipment	324,747	388,180
Loss on disposal/write-off of property plant and equipment	33,168	5,604

Notes:

(a) In 2006, the Group disposed of its containers leased out under operating leases for a cash consideration of approximately RMB6,745,611,000. The Group also received a finder fee of approximately RMB121,449,000 in respect of its services rendered for the entire transaction prior to completion of the disposal on 30 June 2006.

(b) During the year, the Group disposed of two vessels to a subsidiary of COSCO Group for a total consideration of RMB457,458,000 and an another vessel to a third party for a consideration of RMB78,881,000. These disposals resulted in a total gain of RMB345,892,000. Upon the disposal of these vessels, the Group (as charter) entered into time charter agreements with subsidiary of COSCO or the third party (as owner) for the vessels for a charter period ranging from 24 to 36 months.

(c) In 2005, the amount represented gain on disposal of the 17.5% equity and loan interests in Shekou Container Terminals Ltd., to China Merchants Holdings (International) Company Limited in March 2005.

6 **Finance income and costs**

	2006	2005
	RMB'000	*RMB'000*
		(Restated)
Interest expenses:		
- bank loans	735,724	686,586
- bond wholly repayable within one year	9,439	—
- other loans wholly repayable within five years	64	3,115
- loans from COSCO Finance wholly repayable within one year	21,127	6,447
- amounts due to COSCO	5,581	3,705
- notes not wholly repayable within five years	147,802	132,859
	919,737	832,712
Amortised amount of transaction costs on long-term borrowings	38,724	21,553
Amortised amount of discount on issue of notes	1,705	1,858
Other incidental borrowing costs and charges	28,279	21,339
Finance costs	988,445	877,462
Interest income:		
- deposits with COSCO Finance	(12,337)	(13,639)
- loans to a jointly controlled entity	(3,315)	(2,642)
- loans to associates	(8,225)	(5,441)
- third parties	(250,477)	(184,602)
Finance income	(274,354)	(206,324)
Net finance costs	714,091	671,138

7 **Income tax expenses**

	2006	2005
	RMB'000	*RMB'000*
		(Restated)
Current income tax		
- PRC enterprise income tax (note a)	235,148	773,319
- Hong Kong profits tax (note b)	7,751	5,440
- Overseas taxation (note c)	981,698	60,691
Under/(over) provision in prior years	8,852	(1,437)
	1,233,449	838,013
Deferred income tax	(309,466)	(104,912)
	923,983	733,101

Notes:

(a) PRC enterprise income tax ("EIT")

The provision for enterprise income tax ("EIT") is based on the statutory rate of 33% on the taxable 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 subsidiaries, which are taxed at reduced rates ranging from 15% to 27% based on different local preferential policies on income tax and approval by relevant tax authorities.

(b) Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits 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 20% to 44% during the year (2005: 22% to 44%).

8 **Distributions and dividends**

(a) *Distributions*

	2006	**2005**
	RMB'000	*RMB'000*
		(Restated)
Distributions to COSCO (note (i))		
- paid	—	1,994,544
- payable	—	1,794,022
Transfer of COSCO Logistics (note (ii))	1,679,636	—
Dividends paid/payable to COSCO (note (iii))	133,586	58,994
Transfer of other subsidiaries	3,602	94,568
Others	—	10,567
	1,816,824	3,952,695

Notes:

(i) Distribution to COSCO

This represented mandatory and special distributions to COSCO of RMB3,788,566,000, in respect of profits of the Group prior to the listing.

(ii) Transfer of COSCO Logistics

This represented consideration paid/payable by the Company for acquisition of 51% interest in COSCO Logistics from COSCO as stipulated in the sales and purchase agreement dated 28 September 2006 and was treated as deemed distribution to COSCO Group in the Consolidated Financial Statements.

(iii) Dividend paid/payable to COSCO

This represented the dividends paid/payable by COSCO Logistics to COSCO prior to the completion of the acquisition of the 51% interest in COSCO Logistics by the Group.

(b) *Dividends*

	2006	**2005**
	RMB'000	*RMB'000*
Final, proposed, of RMB0.09 per ordinary share (2005: RMB0.13)	558,428	798,200
Special, proposed, of RMB0.15 per ordinary share (2005: Nil)	930,713	—
	1,489,141	798,200

Note:

At the meeting held on 28 March 2007, the Directors proposed a final dividend of RMB0.09 per ordinary share for the year ended 31 December 2006.

In addition, the Directors proposed to issue 1.5 bonus shares for every 10 shares at par value of RMB1.00 each held by the existing shareholders, totalling RMB930,713,000. The special bonus issue is determined based on the lower of the accumulated distributable profits as at 31 December 2006 determined in accordance with (i) PRC GAAP (ii) HKFRSs.

These proposed 2006 final dividend and special bonus issue are not reflected as dividend payable or share capital in the financial statements, but will be reflected as an appropriation of retained profits for the year ending 31 December 2007.

9 **Earnings per share**

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2006	**2005**
		(Restated)
Profit attributable to equity holders of the Company	RMB2,031,016,000	RMB5,582,059,000
Weighted average number of ordinary shares in issue	6,156,676,974	5,133,972,603
Basic earnings per share	RMB0.32989	RMB1.08728

Diluted

Basic earnings per share for the year ended 31 December 2006 is the same as the diluted earnings per share as there is no dilutive potential ordinary shares.

Diluted earnings per share for the year ended 31 December 2005 was calculated based on the profit attributable to equity holders of the Company and the weighted average number of ordinary shares in issue during that year, after adjusting for the number of dilutive potential ordinary shares deemed to be issued at no consideration on the assumption that the special reserve had been converted into Domestic Shares at the offer price of HK$4.25.

	2006	**2005** *(Restated)*
Profit attributable to equity holders of the Company	RMB2,031,016,000	RMB5,582,059,000
Weighted average number of ordinary shares in issue	6,156,676,974	5,133,972,603
Adjustments for assumed conversion of special reserve	—	31,292,600
Weighted average number of ordinary shares for diluted earnings per share	6,156,676,974	5,165,265,203
Diluted earnings per share	RMB0.32989	RMB1.08069

10 Trade and other receivables

	2006 *RMB'000*	**2005** *RMB'000* *(Restated)*
Trade receivables (note (a))		
- third parties	5,580,883	4,505,198
- subsidiaries of COSCO	1,068,503	670,573
- jointly controlled entities	252,317	288,176
- associates	1,773	—
- related companies	61,847	8,970
	6,965,323	5,472,917
Bills receivables (note (a))	79,147	105,774
	7,044,470	5,578,691
Prepayments, deposits and other receivables	1,218,928	765,595
Due from related parties (note (b))		
- COSCO	212,121	195,334
- subsidiaries of COSCO	136,300	207,530
- jointly controlled entities	235,173	57,066
- associates	6,598	566
- related companies	70,825	—
	661,017	460,496
	8,924,415	6,804,782

Notes:

(a) The normal credit period granted to the customers is generally in the range of 25 to 90 days. At 31 December 2006, the aging analysis of trade and bills receivables is as follows:

	2006	2005
	RMB'000	*RMB'000*
1-3 months	6,434,983	4,876,380
4-6 months	410,625	594,799
7-12 months	199,089	95,741
1-2 years	44,991	41,923
2-3 years	15,611	10,386
	7,105,299	5,619,229
Provision for impairment	(60,829)	(40,538)
	7,044,470	5,578,691

(b) The amounts due from related parties are unsecured and interest free.

11 Trade and other payables

	2006	2005
	RMB'000	*RMB'000*
		(Restated)
Trade payables (note (a))		
- third parties	4,124,626	3,112,830
- subsidiaries of COSCO	1,020,258	945,828
- jointly controlled entities	252,907	191,463
- associates	267,511	137,129
- related companies	27,475	36,645
	5,692,777	4,423,895
Bills payables (note (a))	52,233	19,758
	5,745,010	4,443,653
Other payables and accruals	4,374,750	3,975,231
Distribution payable to COSCO	1,213,959	1,794,022
Due to related parties (note (b))		
- COSCO	23,114	117,778
- subsidiaries of COSCO	937	63,420
- related companies	976	—
	25,027	181,198
Current portion of other non-current liabilities	11,619	—
	11,370,365	10,394,104

Notes:

(a) At 31 December 2006, the aging analysis of trade and bills payables are as follows:

	2006	2005
	RMB'000	*RMB'000*
1-6 months	5,569,053	4,176,423
7-12 months	65,339	102,010
1-2 years	92,341	118,066
2-3 years	592	21,295
Above 3 years	17,685	25,859
	5,745,010	4,443,653

(b) The amounts due to related companies are unsecured and interest free.

12 **Comparatives**

The Group has applied merger accounting to account for the purchase of the equity interests in the Acquired subsidiaries during the year, as if the business combination had occurred from the beginning of the earliest financial years presented. This 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 with the current year's presentation.

The financial figures above in respect of the Announcement of Group results for the year ended 31 December 2006 ("Announcement") have been agreed by the Company's auditors, PricewaterhouseCoopers, to the amounts set out in the Group's consolidated financial statements for the year ended 31 December 2006. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by PricewaterhouseCoopers on the Announcement.

Chairman's Statement

Dear shareholders,

First of all, I would like to express, on behalf of the Board of China COSCO, my heartfelt gratitude to the shareholders for their care and support to the Group.

In 2006, the world shipping market maintained its rapid growth, with the shipping market facing increasing demand from global trading. In the PRC, GDP has grown by 10.7% over the same period of the previous year, with total imports and exports reaching US$1,760.1 billion, representing a growth of 23.8% over the previous year. Under the impact of the shifting of industrial bases worldwide, foreign direct investments in the PRC, in particular direct foreign investments in the manufacturing sector, continued to increase, and the PRC has gradually become one of the most important production and manufacturing bases in the world, which has driven the rapid development of exports as the driving force of international trade. "China Factors" continues to be the main driving force for the continuous rapid growth in the shipping market. Being one of the world's largest and most competitive integrated enterprises engaging in container shipping, terminals, container leasing and logistics businesses, China COSCO has been relying on the advantages of the domestic market to face the world, and dedicated to developing into an integrated shipping and logistics supplier across the container shipping value chain, providing high quality services to customers worldwide.

Being the listed flagship and capital platform of COSCO Group, the Group has successfully acquired 51% interest in COSCO Logistics from COSCO Group in 2006. COSCO Logistics is a leading third party logistics provider in the PRC and the largest shipping agency in the PRC, and has ranked top of the "China Top 100 Logistics Enterprises" three years consecutively since 2004, and was named the "Best third party logistics company in the PRC" by Lloyd's FTB Asia China Logistics Awards 2006. The acquisition of COSCO Logistics significantly strengthened the Group's market position as one of the world's largest and most competitive integrated container shipping and logistics enterprises.

In addition, in order to explore new financing channel and optimize its capital structure, the Group was actively involved in returning to the A Share market in the PRC, and was anticipated to issue A Shares in the PRC in June this year. Meanwhile, the Group is in negotiation with COSCO Group, the major shareholder for the possible acquisition of bulk vessels of COSCO Group, with a view to further develop the Group's integrated shipping business. The Board has authorized management of the Company to conduct feasibility study and relevant preparation work.

During the period under review, the Group's revenue was RMB50,993,950,000, representing an increase of 6.3% from the same period last year, and profit attributable to shareholders was RMB2,031,016,000, representing a decrease of 63.6% from the same period last year. The Board has recommended the payment of a dividend of RMB0.09 per share in accordance with the benchmark for dividend payment, the dividend yield was 29.7%, together with an issue of bonus shares on the basis of 1.5 bonus shares for every 10 existing shares of par value RMB1.00 each of the Company.

During the period under review, the Group's container shipping business segment saw rapid development. The revenue reached RMB40,033,474,000, representing an increase of 5.6% from the same period last year. Total container shipping volume for the whole year was 5,111,338 TEUs, an increase of 12.7% from the same period last year.

In order to satisfy the increasing demand for shipping capacity, and to further optimize the fleet structure so as to enhance the Group's competitiveness, the Group has ordered eight 5,086 TEU container vessels in 2006, and 7 new container vessels were delivered during the year. As of 31 December 2006, the Group owned a total of 139 vessels, with a total shipping capacity of 399,237 TEUs, ranking it the top amongst container shipping companies in the PRC, and fifth of all container shipping companies in the world.

In order to effectively leverage on the newly added shipping capacity, the Group further optimized its global routes and increased its service coverage through cooperation with partners in CKYH Consortium, continued to devote its new shipping capacity to routes with strong demand so as to consolidate its market share. At the same time, it also strengthened the development in emerging markets, so as to integrate global resources and upgrade its service network.

In order to cope with the impact brought about by high oil prices, increase in port and inland transportation charges, the Group continued to implement lean management, and various costs have been under more effective control. In 2006, the Group's cargo flow information management system has commenced operation, and has enhanced the level of its management on cost and revenue. At the same time, the Group was dedicated in the improvement of the budget management system and performance testing system, providing more information support for the decision-making of the management.

During the period under review, the Group's terminal business grew rapidly, and terminal throughput continued to increase, of which the annual throughput of container terminal reached 32,791,713 TEUs, an increase of 25.7%. During the period, the Group continued to focus on identifying and investing in quality ports worldwide, and has invested in container terminals projects such as Ningbo Yuan Dong Terminal, Tianjin Port Euroasia Terminal, Quanzhou Pacific Container Terminal. The number of berths it has interests in reached 115, which laid a solid foundation for the Group's establishment of a more extensive terminal network.

In respect of container leasing, the Group has disposed of certain shipping containers owned by Florens Container Holdings Limited ("Florens") at approximately RMB6.93 billion and reached a management service agreement for the sold containers with the buyer. On the basis of expanding the scope of operation, it effectively optimized the mode of operation of the Group's container leasing and management and its capital structure. With the continued growth of the scope of the Group's owned and managed container fleet, its market share has grown from approximately 10.9% in 2005 to approximately 11.9% in 2006. As at 31 December 2006, its container fleet has reached 1,250,609 TEUs, with an average utilization rate of 96.2%, far ahead of its counterparts.

As a listed company, the Group has stressed the effectiveness and transparency of corporate governance. In 2006, the Group has achieved remarkable results in corporate governance and China COSCO was accredited with the "Directors of the Year Award 2006" (Non Heng Sang Index Listed Company Group) by the Hong Kong Institute of Directors, making it the first H Share company in the PRC receiving such accreditation. In addition, the Group aimed at standardising transparent information disclosure. The Company's first annual report since its listing, that is the 2005 annual report of China COSCO, has won the Annual Report Gold Prize of the ARC Awards of the U.S..

Looking forward to 2007, it is anticipated that the global container market will still maintain its booming trend with continuous strong demand. However, it should also be noted that there exists risks such as successive delivery of new vessels of major liner shipping companies, fluctuation of oil prices, port congestions and increase in inland transportation charges in the U.S., which will bring challenges to shipping companies. As a whole, we are cautiously optimistic about the global container shipping market in 2007.

Looking forward to the port sector in 2007, the flourish development of the container shipping market will continue to lead to the rapid growth in port throughput. It is expected that the throughput of container ports in the PRC will surpass 100 million TEUs. As the engine of economic growth of the PRC, the ports in the areas of Bohai Rim, Yangtze River Delta and Pearl River Delta will maintain strong growth, which is expected to bring about continuous growth for the Group's terminals in these three areas.

With continuous expansion of ship fleet and increasing orderbook for new vessels by international liner companies in 2007, further consolidation of the industry as well as further development in containerization in the PRC and other emerging markets, there will be further growth in the demand for leased containers. The Group will grasp the opportunities to develop its own fleet, expand its customer bases and increase its market share.

With respect of the logistics market of the PRC in 2007, in view of the rapid development in the industries of home appliances, automobiles, electricity and chemical, there is great demand for logistics services. International logistics will also continue to grow following the growth in direct investments of foreign enterprises and foreign trade. The Group will continue to develop the scope of third party logistics and enhance the service level in shipping agency and freight forwarding.

I believe that on the basis of the overall shipping value chain comprising businesses such as container shipping, terminals, container leasing and logistics, and through the integration of external and internal resources, the overall strengthening of the synergy from various business segments, China COSCO will transform itself from a global carrier to a shipping-based global logistics operator. With its root deep in prosperous Chinese market and branches into the global market, China COSCO will continue to enhance its integrated competitiveness in shipping through better allocation of shipping and logistics resources, to provide the best service to its customers, and realize the optimum operational efficiency, value of the Company and return to shareholders.

Wei Jiafu
Chairman

28 March 2007

Management Discussion and Analysis

Review of Overall Performance

In 2006, the Group's operating income amounted to RMB50,993,950,000, respresenting an increase of 6.3% as compared with RMB47,966,347,000 of the same period in 2005. Its profit before taxation amounted to RMB4,092,149,000, representing a decrease of 46.7% as compared with RMB 7,679,136,000 of the same period in 2005. Profit attributable to equity holders of the Company amounted to RMB2,031,016,000, representing a decrease of 63.6% over the same period of the previous year.

Review of Operations

Container Shipping and Related Business

Container shipping volume

In 2006, the Group's container shipping and related business achieved a shipping volume of 5,111,338 TEUs, representing an increase of approximately 12.7% over the same period in 2005. Its revenue was RMB40,033,474,000, an increase of 5.6% from the same period in 2005.

The increase in the shipping volume was mainly attributable to the global economy which continued to maintain healthy development, especially for the consecutive years' rapid growth in the economy in the PRC, continuous strong demand for container shipping, and effective increase in the shipping capacity by the Group in the global market, as well as the implementation of improved marketing strategies by the Group. The increase in the revenue was smaller than that in the shipping volume, which was mainly due to a decrease in freight rates on various routes in the first half of 2006 for lack of confidence in the marketplace. Despite of a gradual recovery in freight rates in the second half year, the annual average freight rates were lower than that of the previous year.

Shipping volume by markets

	For the year ended 31 December		
	2006	**2005**	**Change**
	TEUs	*TEUs*	
Trans-Pacific	1,303,027	1,183,899	10.1%
Asia-Europe (including the Mediterranean)	1,208,507	1,002,561	20.5%
Intra-Asia (including Australia)	1,500,873	1,392,828	7.8%
Other international (including Trans-Atlantic)	256,513	240,873	6.5%
PRC	842,418	714,449	17.9%
Total	5,111,338	4,534,610	12.7%

Revenue by markets

	For the year ended 31 December		
	2006	**2005**	**Change**
	RMB'000	*RMB'000*	*%*
Trans-Pacific	13,373,828	12,527,188	6.8
Asia-Europe (including the Mediterranean)	9,743,126	9,154,183	6.4
Intra-Asia (including Australia)	5,958,387	5,935,908	0.4
Other international (including Trans-Atlantic)	2,507,890	2,573,389	(2.6)
PRC	1,575,506	1,433,004	9.9
Sub-total	33,158,737	31,623,672	4.9
Chartered out	297,346	288,193	3.18
Related businesses	6,577,391	6,008,372	9.5
Total	40,033,474	37,920,237	5.6

Upgrade of shipping capacity

In 2006, the Group steadily implemented the shipping capacity upgrade plan, resulting in the continuous optimization of its fleet structure. 7 new vessels were delivered during the year, including 2 vessels of 8,204 TEU and 5 vessels of 9,449 TEU. In order to fulfill the need for continuous development and enhancing its competitiveness, the Group ordered 8 container vessels, with capacity of 5,086 TEU each in June 2006, which will be delivered from 2009 to 2010. The Group also leased 2 container vessels of 3,534 TEU each in February 2006, which will be delivered in 2007. In May 2006, the Group leased 2 container vessels with capacity of 4,506 TEU each, which will be delivered in 2008 to 2009. At the end of 2006, the Group has an orderbook of 26 container vessels, with a total capacity of 166,320 TEUs, which are expected to commence operation in the next few years.

As at 31 December 2006, the Group had a fleet of 139 container vessels in operation, with a capacity of 399,237 TEUs, representing an increase of 23.8% over that at the end of 2005.

Optimization of routes

In order to effectively utilise the newly added shipping capacity, the Group has further optimized its routes worldwide through cooperation with partners in CKYH Consortium, and increased its service coverage. The 7 newly added vessels with over 8,000 TEUs were all devoted to Far East/Europe routes and the slot utilisation rate was satisfactory. The Group also upgraded the Far East/Mediterranean, PNW, PSW and China/Australian routes. Service coverage has been expanded and service standard has been improved, while cost has been reduced. Such as the upgrade of PNW route, the route coverage has been enhanced and on the other hand, 8 vessels (divided into 2 loops) were used to serve the North-west coast of the North America. As compared with the usual practice of other shipping companies of using 1 vessels for each loop, the shipping cost has been reduced.

The Group continued to develop emerging markets such as Central America, Red Sea, Black Sea, the eastern part of Mediterranean as well as Vietnam etc.. For the PRC market which has great potential, it integrated domestic feeder route resources and enhanced the feeding capability of feeder routes to the main routes as well as upgraded the service network. During the year, the Group also acquired the shares in COSCO Philippines Shipping, Inc. and COSCO (HK) Cargo Service Co., Ltd., which were originally held by COSCO Group, to further improve the global network system.

Innovation of the marketing system

As one of the principle players and leaders in the container shipping market, the Group has been actively implementing the Global Key Account (GKA) system which focused on major customer relationship management across the whole marketing system so as to enhance its customer service standard. In the first half of the year, due to the decrease in freight rates in the market, the Group has actively communicated with various parties and promoted freight rates restoration with satisfactory results.

Lean management

During the year under review, the continued new heights achieved in international oil prices, the continued increase in terminal transshipment fees and inland transportation charges in the U.S. brought a great cost pressure to liner companies. In order to respond to this effectively, the Group actively implemented a lean management, with all costs brought under more effective control. Apart from continuing to reduce cost pressures brought by high oil prices through selection of refueling ports and fuel consumption savings, the Group also effectively reduced service costs for cargo transshipment through optimizing route allocation and adjustments to some of the pivot ports, expedited the revenue of containers and improved the equilibrium of global containers.

Information system

In 2006, with the Group's cargo flow information management system put into use, its cost and revenue management has been enhanced. The Group is currently focusing on improving the budget management system and performance assessment system so as to provide more information to support the decision-making by the management.

Terminal and Related Business

In 2006, the Group's container terminal business grew robustly, the throughput of container terminals increased by 25.7% to 32,791,713 TEUs. COSCO Pacific continued to be the fifth largest container terminal operators in the world. During the year, COSCO Pacific further expanded its global network by acquiring interests in new terminals and increased its investment in existing terminals. In 2006, the Group's total number of berths increased by 15 to 115 and the annual capability increased from 54,900,000 TEUs to 61,000,000 TEUs.

Throughput of container terminals in 2006

Container terminals (As at 31 December 2006)	2006 (TEUs)	2005 (TEUs)	Change percentage
Bohai Rim	**13,431,338**	**9,370,361**	**43.3%**
Qingdao Qianwan Container Terminal Co., Ltd.	6,770,003	5,443,086	24.4%
Qingdao Cosport International Container Terminals Co., Ltd.	744,276	605,791	22.9%
Dalian Port Container Co. Ltd.	2,885,276	2,467,465	16.9%
Dalian Port Container Terminal Co., Ltd.	421,068	132,984	216.6%
Tianjin Five Continents International Container Terminal Co., Ltd.	1,773,141	87,462	1,927.3%
Yingkou Container Terminals Company Limited	837,574	633,573	32.2%
Yangtze River Delta	**7,732,423**	**6,831,502**	**13.2%**
Shanghai Container Terminals Limited	3,703,460	3,646,732	1.6%
Shanghai Pudong International Container Terminals Limited	2,650,007	2,471,840	7.2%
Zhangjiagang Win Hanverky Container Terminal Co., Ltd.	455,946	377,121	20.9%
Yangzhou Yuanyang International Ports Co. Ltd.	222,912	157,123	41.9%
Nanjing Port Longtan Containers Co., Ltd.	700,098	178,686	291.8%
Pearl River Delta	**10,400,888**	**9,196,652**	**13.1%**
COSCO — HIT Terminals (Hong Kong) Limited	1,688,697	1,841,193	-8.3%
Yantian International Container Terminals Ltd. (Phase I, II, III)	8,470,919	7,355,459	15.2%
Quanzhou Pacific Container Terminal Co., Ltd.	241,272	—	—
Overseas	**1,227,064**	**681,097**	**80.2%**
COSCO — PSA Terminal Private Limited	627,894	611,013	2.8%
Antwerp Gateway NV	599,170	70,084	754.9%
Total Throughput in China	**29,875,952**	**23,557,322**	**26.8%**
Total Throughput	**32,791,713**	**26,079,612**	**25.7%**

China terminals

In 2006, the throughput for mainland China container ports reached 93,000,000 TEUs, representing an increase of 23% over the previous year. Benefited from this, the investment of the Group in container terminals in the PRC performed very well, with total throughput reaching 29,875,952 TEUs, representing an increase of 26.8% over the same period of the previous year. Of which, Bohai Rim had excellent performance, the throughput of container terminals increased by 43.3% to 13,431,338 TEUs. Qingdao Qianwan Container Terminal recorded strong growth to 6,770,003 TEUs, bringing a higher percentage of profit contribution.

The throughput of container terminals in Yangtze River Delta increased by 13.2% to 7,732,432 TEUs. Both Shanghai Container Terminals and Shanghai Pudong Container Terminals continued to operate at full capacity. Since trade was growing rapidly in Yangtze River, the throughput of the container terminals in Zhangjiagang, Yangzhou and Nanjing invested by the Group were growing at a fast speed, of which the throughput of Nanjing Longtan Terminal increased substantially by 291.8% to 700,098 TEUs.

The performance of the container terminals in Pearl River Delta was satisfactory. The throughput during the year increased by 13.1% to 10,400,888TEUs. With new operational berths added in Yantian Terminal Phase III, the total throughput of Phases I, II and III of that terminal increased by 15.2% to 8,470,919 TEUs.The throughput of COSCO — HIT Terminal in Hong Kong dropped by 8.3%, which was mainly due to the fact that four quay cranes were replaced in the first half of the year and the replacement work affected the normal operation of the terminal for a certain period of time. The situation had been improved in the second half of the year. The replacement of the cranes have enhanced the terminal to be capable to handle larger and more sophisticated vessels with capacity of over 8,000 TEUs.

Overseas terminals

The aggregate container terminal throughput of overseas rose 80.2% on year-to-year basis to 1,227,064 TEUs. COSCO-PSA Terminal in Singapore recorded throughput growth of 2.8% to 627,894 TEUs. In Europe, Antwerp Terminal saw growth of throughput of 754.9% to 599,170 TEUs for the full year operation in 2006 after commencing operations in September 2005.

Acquisitions in 2006

A total of three berths will be added to the Bohai Rim, for which the Group signed a joint venture agreement in relation to the Tianjin Port Euroasia Terminal in 2006 for which it holds a 30% interest, has a total of three berths, is currently under construction and will commence operation in 2008.

In the Yangtze River Delta, the Group purchased another 10% shareholding in the Shanghai Pudong Container Terminal to increase COSCO Pacific's shareholding from 20% to 30%. In addition, the Group signed a joint venture agreement to construct, operate and manage five berths of Ningbo Yuan Dong Terminal, in which COSCO Pacific holds a 20% interest. Together with the expansion of one berth in Yangzhou Yuanyang Terminal, a total of six berths will be added in this region.

In the Pearl River Delta, the Group signed a joint venture agreement to build, manage and operate six berths of Quanzhou Pacific Container Terminal in which the Company holds a 71.43% interest. Four berths are already operating.

For the overseas area, COSCO Pacific is committed to enhance its global network. The Group entered into an agreement to acquire a 20% interest in the Suez Canal Terminal at Port Said, Egypt in December 2005. The Egyptian government agreed in principle with the purchase of shares in December 2006.

Container Leasing and Mangement Business

During the year, our container leasing and management businesses achieved satisfactory performance by enhancing our business model and capital structure. The Group continued to focus on long-term leases, to expand market share and to find the optimum balance between ownership and management of our containers. Successful marketing and increasing flexibility of management enabled us to further strengthen our container leasing and management business model of our Group for year 2006.

As at 31 December 2006, the Group's container fleet (including management containers) reached 1,250,609 TEU, representing an increase of 19.9% over the previous year. In 2006, the container average utilization rate rose from 95.5% in the previous year to 96.2%, which was higher than the average rate of 91.8% of the industry.

During the year, the Group's newly purchased containers reached 268,236 TEUs, representing approximately 24.6% of the total purchases of 1,090,000 TEUs in the container leasing industry. As a result of this, our market share rose approximately from 10.9% in 2005 to 11.9% in 2006. Most of our new containers were under long-term leases to COSCON and other global container carriers. As at 31 December 2006, the number of customers rose from 256 in the previous year to 270.

In order to optimize the mode of operation of the Group's container leasing and management business and its capital structure, the Group completed the strategic sale of 600,082 TEUs and provided after-sale management services. The total amount received from buyer amounted to US$869,203,000.

Logistics Business

At the end of December 2006, the Group completed all the procedures for the acquisition of 51% shareholding in COSCO Logistics from COSCO Group, the major shareholder (the remaining 49% shareholding being held by COSCO Pacific, a subsidiary of the Group). The acquisition of COSCO Logistics has enabled the Group to control the leading third party logistics company in the PRC, significantly strengthened the Group's market position as one of the world's largest and most competitive container shipping and logistics enterprises. The level of the Group's door-to-door services was significantly increased and the synergies among business segments of container shipping, terminal and logistics increasingly envisaged.

COSCO Logistics provides integrated logistics services which include third party logistics, shipping agency and freight forwarding. Among which third party logistics comprises product logistics and engineering logistics. Freight forwarding comprises sea freight and air freight forwarding businesses. COSCO Logistics had been experiencing rapid growth over the past few years. It continued to grow at fast speed in 2006 and recorded revenue amounted to RMB10,166,985,000, representing an increase of 15.3% over 2005.

In 2006, the business volume of various segments of COSCO Logistics is as follows:

	2006	**2005**	**Growth rate**
Third party logistics			
Product logistics			
of which: home appliances ('000 units)	30,720	23,290	31.9%
automobile (units)	562,484	90,000	525.0%
Engineering logistics (million RMB)	766.4	567.9	35.0%
Shipping agency (voyages)	135,087	134,780	0.2%
Freight forwarding			
Sea freight forwarding			
of which: bulk cargo ('000 tones)	129,280	102,410	26.2%
container cargo (TEU)	1,915,987	1,632,242	17.4%
Air freight forwarding (tones)	103,046	90,796	13.5%

Third party logistics

With respect to product logistics, COSCO Logistics provides product logistics services such as supply chain management, order management, warehousing and distribution in the industries such as home appliances, automobiles, petrochemical and exhibition. With respect to logistics for home appliances, COSCO Logistics integrated the network resources in 2006 and set up 40 regional distribution centres (RDC), covering major cities of the country. Its clients comprises one-third of leading home appliance manufacturers in the PRC. In 2006, COSCO Logistics handled approximately 30.72 million units of home appliances, representing an increase of 31.9% over 2005. With respect to logistics for automobile, COSCO logistics provides automobile procurement logistics and sales logistics services to 11 automobile manufacturers in the PRC. In 2006, COSCO Logistics handled 562,484 vehicles, representing an increase of 525% over 2005.

With respect to engineering logistics, COSCO Logistics has leading position in the market of power logistics and petrochemical logistics in the PRC. In 2006, COSCO Logistics participated in a series of large scale domestic and worldwide infrastructure projects for hydro and nuclear power, including Yunnan Jinghong Hydro Power station, Pakistan Chashma Nuclear Power Plant project. Petrochemical logistics include the projects for 5 million tones refinery plant in Algeria of Petrochina, supply chain design for British Petroleum's PTA distribution in China, project for India Reliance Petroleum. COSCO Logistics successfully completed the logistics services for the project of Qinghai-Tibet Railway. In 2006, the turnover of engineering logistics of COSCO logistics was approximately RMB766 million, representing an increase of 35% over 2005.

Shipping agency

COSCO Logistics operates its shipping agency business by the brand “PENAVICO” and established a stable client group in major ports in the PRC. The clients mainly include leading shipping companies in the world. Under the circumstances of increased the number of market participants and intense competition, COSCO Logistics provides tailor-made services to core clients and strives to explore new customers and maintains about 50% market share in the PRC. In 2006, COSCO Logistics provided agency services for 135,087 voyages, representing an increase of 0.2% over 2005.

Freight forwarding

The sea freight forwarding businesses of COSCO Logistics include solicitation, slot booking, warehousing, customs clearance, international multi-modal transportation, for container and bulk cargo. In 2006, COSCO Logistics handled container cargoes of 1,915,987 TEUs, representing an increase of 17.4% over 2005. It handled bulk cargo of 129,280 thousand tonnes, representing an increase of 26.2% over 2005.

With respect to air freight forwarding business, COSCO Logistics has formed an extensive service network with Beijing, Shanghai and Guangzhou as core markets. In 2006, COSCO Logistics handled air cargo of 103,046 tonnes, representing an increase of 13.5% over 2005.

Technology management training (TMT) scheme

In 2006, COSCO Logistics implemented TMT scheme, promoting technology, management and training across the company. With respect to the promotion of technology, it implemented and developed ultra heavy cargo horizontal movement technology and real time logistics tracing system. It was also the first company in the industry who implemented the application of RF and RFID. With respect to the promotion of management, a series of standardization rules was set for sales, operation, management and carried out resources integration for home appliances and automobiles logistics. With respect to training, it cooperated with Dalian Maritime University and provided TMT training to senior managers and technician and established two international training bases for management personnel.

Market reputation

COSCO Logistics has won good reputation within the industry with its high level services. In 2006, COSCO Logistics ranked the first in the list of “Top 100 logistics enterprises in China” for the third consecutive years and was awarded the best third party logistics company in China by Lloyd’s FTB Asia China Logistics Awards 2006. In assessment for China Freight Industry Awards, COSCO Logistics was awarded No. 1 in the contests including “integrated services”, “inventory managment”, “flow management” and “coverage of network” for the four consecutive years. Penavico of COSCO Logistics won No. 1 in all contests for shipping agency enterprises.

Other Businesses

The Group owns 16.23%, 20% and 22.5% in CIMC, Shanghai CIMC Reefer Containers Co., Ltd and Tianjin CIMC North Ocean Container Co., Ltd. respectively. At the beginning of 2006, sales volume and prices of containers were low as the container manufacturing plant remained exposed to market factors subsisting at the end of 2005. Subsequently, the rebound of the container manufacturing market helped CIMC maintain a profit contribution of RMB460,003,000 to the Group. The sale of Shanghai CIMC Far East generated a profit of RMB43,588,000 for the Group. The net profit contributed from our container manufacturing business (excluding the CIMC Put Options Non-cash Expense) increased by 24.1% to RMB524,501,000 in 2006.

The 20% interest in Chong Hing Bank held by the Group through COSCO Pacific generated net profit contribution of RMB101,823,000, representing an increase of 27.4%.

Financial Review

Revenue

The Group's revenue in 2006 amounted to RMB50,993,950,000, representing an increase of RMB3,027,603,000 or 6.3% as compared with RMB 47,966,347,000 in 2005.

(I) **Container Shipping and Related Business**

In 2006, the revenue of container shipping and related business amounted to RMB40,033,474,000, representing an increase of 5.6% as compared to RMB37,920,237,000 in 2005. Of which, the revenue of container shipping business amounted to RMB33,456,083,000, representing an increase of 4.8% as compared with RMB31,911,865,000 in 2005. Other related business is the business of container shipping extension service. Benefited from the increase of shipping capacity and the expansion in marketing effort, the shipping volume increased by 12.7%, and as compared with 2005, except for other international routes which experienced slight decreases in turnover, revenue of other routes experienced increases at different degrees. However, the average freight rates of various routes experienced a decline, which is particularly obvious for Asia-Europe routes and its average freight rates dropped by 11.7%. The decline in freight rates partially offset the contribution from the growth in the shipping volume to the revenue.

(II) **Container Terminal and Related Business**

Revenue of Container Terminal business increased by 46.8% to RMB232,468,000 during the year. Quanzhou Pacific Container Terminal started to operate in September, 2006. This newly acquired terminal contributed RMB46,752,000 during the year. Meanwhile, as new business opportunities was continued to be explored, operating efficiency was improved and berth No. 17 (which was acquired during the year) started to operate, the throughput of Zhangjiagang Win Hanverky Container Terminal Co., Ltd.("Zhangjiagang Win Hanverky Terminal") increased substantially, the revenue it generated represented an increase of 20.4% to RMB119,911,000 as compared to 2005.

(III) **Container Leasing and Management Business**

In 2006, the revenue for container leasing business was RMB1,796,815,000, representing a decrease of 20.6% as compared with 2005, which was mainly attributable to the disposal of containers of 600,082 TEUs in June 2006, resulting a decrease in revenue for container leasing. However, the disposal was a strategic action aiming at optimizing the mode of opertion and capital structure of container leasing business, while expanding business by assisting customers to manage asset portfolio of containers. Since containers will be continued to be replenished in 2007 and the income basis for container leasing will be increased gradually in subsequent period, such decline was considered temporary.

(IV) **Logistics Business**

Logistics business recorded revenue of RMB10,166,985,000 in the current year, representing an increase of 15.3% over the same period of the previous year. The revenue from each segment in logistics and related business recorded a growth, especially for the segment of logistics (products logistics and engineering logistics) which showed an outstanding performance with an increase in turnover for the year by 58.9% to RMB2,234,140,000 over 2005. Product logistics and engineering logistics successively won bidders of certain significant domestic and worldwide logistics projects and the sectors involved includes: home appliances, automobile, petrochemical, exhibition and electricity etc, which has enhanced the recognition of the Company in each sector and the brand advantages of product logistics and engineering logistics were very obvious.

Cost of services

In 2006, the Group' total cost of services amounted to RMB46,019,733,000, representing an increase of RMB7,199,829,000 or 18.5%, as compared with RMB38,819,904,000 in 2005. This was mainly due to the growth in container shipping volume and the substantial increase in fuel cost , causing a rise in overall cost of services.

(I) **Container Shipping and Related Business**

The Group's cost in container shipping and related business in 2006 was RMB35,765,842,000, representing an increase of 20.4% as compared with RMB 29,693,808,000 in 2005.

- In 2006, total cost of equipment and cargo transportation was RMB14,898,710,000, representing an increase of 20.1% over 2005. Although the Group optimized the allocation of routes and adjusted certain transshipment pivot ports so as to reduce the service costs for cargo transshipment, the cost of equipment and cargo transportation was still increased due to the increase of the inland transportation charge in the US since the third quarter of 2006 and the increase of loading and unloading fee in certain ports in Europe and the U.S., which led to the increase of cost for equipment and cargo transportation.

- In 2006, the total voyage costs were RMB9,253,259,000, representing an increase of 42.2% as compared with RMB6,509,218,000 over 2005. There has been a significant increase in the average fuel price during the year, in addition to the expansion of shipping capacity, causing fuel cost to increase by 44% as compared with 2005. The increase in fuel cost represented 34% of the increment in the total cost of container shipping. During the year, as a result of the newly increased shipping capacity and the gradual commencement of operation of large container vessels as well as the increase in certain port charge rates, port charges grew by 37.1% as compared with 2005.

- Vessel costs in 2006 were RMB4,993,383,000, representing an increase of 22.3% as compared with RMB4,084,148,000 of 2005, which was mainly due to the gradual commencement of operation of large size container vessels.

- The cost of business of related extension services of container shipping in 2006 (including land transportation and other related transportation charges and fees paid to third party carriers) amounted to RMB6,241,249,000, representing a decrease of 1.6% as compared with RMB6,341,762,000 for 2005.

(II) **Container Terminal**

The costs of services for the container terminal business of the Group mainly comprise container handling costs, depreciation, repairs and maintenance costs, and wages. The costs of services for the Group's container terminal business was RMB121,083,000 in 2006, representing an increase of 32.6% over 2005, mainly due to the commencement of operation of Quanzhou Pacific Container Terminal in September 2006 as well as the throughput of Zhangjiagang Win Hanverky Container Terminal increased by 20.9%. The increase in the volume of terminal business resulted in the increase in the cost for terminal business.

(III) **Container Leasing and Management Business**

The costs of services for container leasing business primarily comprise depreciation, depot costs and repairs and maintenance costs. In 2006, the costs of the container leasing business were RMB673,176,000, representing a decrease of 21.5% over the same period of the previous year, which was due to the strategic disposal of containers, causing a reduction in depreciation and container handling fee during the year.

(IV) **Logistics Business**

The cost of services in logistics and related business was RMB9,459,632,000 in 2006, representing an increase of 15.7% over 2005. The extent of the increases in cost corresponded with that in revenue.

Selling, administrative and general expenses

Sales, administrative and general expenses decreased by 2.4% from RMB2,980,384,000 in 2005 to RMB2,910,327,000 in 2006. The Group continued to enhance its efforts in lean management, strengthed the implementation and monitoring system of internal control, and further consolidated its budget mechanism, thus controlling various controllable expenses within a certain range, and obtained remarkable results.

Net other income

Net other income in 2006 amounted to RMB1,732,260,000, representing an increase of RMB833,374,000, or 92.7%, over 2005. This was principally derived from the disposal of two vessels by the Group to COSCO Shanghai, a fellow subsidiary, which generated a profit of RMB290,807,000. During the year, the Group recognized a gain of RMB672,980,000 from the strategic disposal of containers. The Group also received finder's fees of approximately RMB121,449,000 from providing services in sales transactions. The profit from disposal of the containers and the finder's fees were both credited as other income. In addition, the dividend income from available for sale financial assets amounted to RMB 169,265,000 was also included in other income.

Share reforms

The put options of COSCO Pacific, a subsidiary of the Group, involving the Share Reforms of CIMC were financial derivatives. The net expenses in the income statement represented the net effect of the initial recognition of derivatives at the fair value and the subsequent changes in fair value amounted to RMB439,707,000.

Finance income

Finance income was mainly interest income, which amounted to RMB274,354,000 for the financial year, representing an increase of 33% as compared with 2005. Cash consideration received from the disposal of vessels and from the disposal of containers increased cash balances, thereby increasing more interest income.

Finance costs

The Group's finance costs increased by RMB110,983,000, or 12.6% from RMB877,462,000 in 2005 to RMB988,445,000 in 2006. The impact of increase in interest rates and new borrowings raised to meet the Group's current capital expenditure contributed to the increase in interest expenses.

Share of profits less losses of jointly controlled entities and associates

Net profit contribution from jointly controlled entities amounted to RMB626,002,000, while net profit in 2005 was RMB567,253,000, representing an increase of 10.4%, which was mainly due to the increase of throughput of terminal which gave growth in net profit, of which the performance of Nanjing Longtan Terminal Co., Ltd. has turned from loss to profit position, its annual throughput increased substantially by 291.8% to 700,098 TEUs. Qingdao Cosport International Container Terminals Co., Ltd. also recorded growth, its throughput increased by 22.9% to 744,276 TEUs. The throughput of Qingdao Qianwan Container Terminal Co., Ltd. increased by 24.4% to 6,770,003 TEUs over the previous year. Net profit contributions of Yingkou Container Terminal Co., Ltd and COSCO-PSA Terminal Co., Ltd also indicated similar growing trends.

Net profit contribution from associates amounted to RMB823,795,000, while net profit for the same period in 2005 was RMB718,076,000, an increase of 14.7%. During the period, the Group acquired an additional 10% shareholding in Shanghai Pudong International Container

Terminals Limited, which increased its net profit contributions by 55% over 2005 to RMB123,027,000. Antwerp Gateway NV, which was acquired at the end of 2004, recorded a loss during the year, which was due to its operation still in the initial stage, however, its throughput increased to 599,170 TEUs from 70,084 TEUs of the previous year.

Income tax expenses

Aggregate income tax expenses increased from RMB733,101,000 in 2005 to RMB923,983,000 in 2006. The increase mainly represented a net charge which arose from the capital gain tax in relation to the disposal of containers and the write back of related deferred tax liabilities.

Financial position

Cashflows

The Group's net cash generated from operating activities in 2006 amounted to RMB1,646,171,000, representing a decrease of RMB4,695,376,000 as compared with RMB6,341,547,000 for the same period in 2005. The Group's operating profit before changes in working capital in 2006 was RMB3,935,023,000, representing a decrease of RMB4,303,479,000 or 52.2% from that of 2005.

Net cash generated from investing activities in 2006 amounted to RMB2,031,056,000, of which RMB4,914,715,000 was used in purchasing property, plant and equipment, such as containers, container vessels, computers and office equipments. RMB503,890,000 was paid for the partial payment for acquiring 51% shareholdings in COSCO Logistics. Meanwhile, the Group received proceeds of RMB7,327,663,000 from the disposal of property, plant and equipment such as container vessels and containers, as well as total dividends of RMB983,092,000 received from its jointly controlled entities, associates and available-for-sale financial assets.

In 2006, the Group's net cash outflow from financing activities amounted to RMB5,775,457,000, of which repayment of long-term borrowings amounted to RMB15,560,960,000, the payment of cash for dividend distribution amounted to RMB3,435,965,000, cash amounted to RMB12,235,166,000 received from the drawdown of long term borrowing as well as cash amounted RMB1,500,000,000 obtained from the issue of short term bonds.

Cash and cash equivalents

As at 31 December 2006, the Group's cash and cash equivalents amounted to RMB7,795,855,000, representing a decrease of RMB2,173,795,000, or 21.8%, as compared to RMB9,969,650,000 as at 31 December 2005. Of the amount, HK$523,887,000 was the remaining balance of proceeds from the H share listing as at 31 December 2006.

The Group's principal source of liquidity and capital resources have been, and are expected to continue to be, cash flows generated from operating activities, the issuance of new shares and debt financing from banks. The Group's principal uses of cash have been, and are expected to continue to be, for operating costs, repayment of loans, purchase of container vessels and containers, investment in container terminals and the funding of the Group's information technology systems.

Assets and liabilities

As at 31 December 2006, the total assets of the Group amounted to RMB55,460,140,000, representing a decrease of RMB553,349,000 over RMB56,013,489,000 as at 31 December 2005. The total liabilities amounted to RMB27,983,432,000, as compared with RMB 29,088,401,000 as at 31 December 2005. Profit attributable to the equity holders of the Group amounted to RMB18,935,304,000, representing a decrease of RMB 517,387,000 as compared to RMB19,452,691,000 at the end of 2005.

Total outstanding borrowings as at the end of 2006 amounted to RMB15,106,560,000, as compared to RMB16,783,674,000 as at the end of 2005. The net current liabilities as at the end of 2006 amounted to RMB857,628,000, representing a decrease of RMB2,486,497,000 over 2005, which was mainly due to the combined effect of decrease of fund and increase of account payable, with total amount of RMB1,679,636,000, which are generated from the acquisition of 51% shares in COSCO Logistics, as well as the issue of short term bonds amounted to RMB1,500,000,000. The net debt to equity ratio as at the end of 2006 was 26.6%, representing a slightly increase from 25.3% as at the end of 2005. Interest coverage was 5.5 times, compared to 10.2 times as at the end of 2005. Borrowings totalling RMB6,138,557,000 (31 December 2005: RMB10,631,675,000) were secured by certain property, plant and equipment of the Group with net book value of RMB8,468,780,000 (31 December 2005: RMB14,875,047,000) to certain banks and financial institutions as collaterals. The pledged assets represented 32.1% (31 December 2005: 51.1%) of the total property, plant and equipment.

Debt analysis

Category	**As at 31 December 2006 RMB'000**	**As at 31 December 2005 RMB'000**
Short-term loans and bonds payable	4,825,817	2,217,308
Long-term borrowings		
Within one year	1,333,535	2,196,863
Between one and two years	2,565,052	2,246,890
Between two and five years	2,375,658	5,359,536
Over five years	4,006,498	4,763,077
Sub-total	10,280,743	14,566,366
Total	15,106,560	16,783,674

As at 31 December 2006, borrowings amounted to RMB15,106,560,000, representing a decrease of RMB1,677,114,000 as compared with RMB16,783,674,000 as at 31 December, 2005.

Breakdown by category:

The Group's secured borrowings amounted to RMB6,138,557,000, while unsecured borrowings amounted to RMB8,968,003,000, representing 40.6% and 59.4% of the total borrowings respectively.

Breakdown by denomination:

The Group had borrowings denominated in U.S. dollars equivalent to RMB10,780,926,000 and borrowings denominated in RMB amounting to RMB4,325,634,000, representing 71.4% and 28.6% of the total borrowings respectively.

Financial guarantees and contingent liabilities

As at 31 December 2006, the Group had provided guarantees on a bank borrowing granted to an associate in the amount of RMB197,591,000 (31 December 2005: RMB176,899,000). Save for the above and information disclosed in the notes to the Group's consolidated financial statements, the Group had no other significant contingent liabilities.

Foreign exchange and interest rate risks management

The Group actively managed the current loan level and control the interest rates by controlling the ratio of long and short-term loans and by using various financial tools, in order to reduce the impact of the fluctuation of interest rates to the Group.

Meanwhile, with respect to exchange rate, the Group is also committed to coordinate and use, in a reasonable manner, various financial tools to control the risks of exchange rate fluctuation, for example by using exchange rate swap agreements to eliminate the risks of exchange rate fluctuation. Subsidiaries under the Group reasonably adjusted the income from operation and the cost and expenditure as well as the currency structure of assets and liabilities according to its own business flow. They also reduce the accumulation of foreign currency by speeding up the turnover rate of capital and actively adopt various measures to handle the risk from the fluctuation of exchange rate.

OTHER INFORMATION

Closure of Register of Members

The register of members of the Company will be closed from 16 April 2007 to 15 May 2007, both days inclusive, during which period no transfer of shares will be effected. Holders of H shares and domestic shares of the Company whose names appear on the register of members of the Company on 13 April 2007 at 4:30 p.m. are entitled to attend the annual general meeting to be held on 15 May 2007.

Dividends and other distribution

The Board resolved to propose for the year ended 31 December 2006 a cash dividend of RMB0.09 per share, together with an issue of bonus shares on the basis of 1.5 bonus shares for every 10 existing shares of par value RMB1.00 each of the Company to the shareholders whose names appear on the register of shareholders on 15 May 2007.

More details of the issue of bonus shares are set out in another announcement of the Company of the even date and in the circular in relation to the bonus issue of shares and proposed amendments to the terms of the proposed A share issue to be despatched to the shareholders in due course.

Corporate Governance

The Company is committed to fulfilling its responsibilities to shareholders by ensuring that the proper processes for the oversight and management of its businesses are in place, in operation and are regularly reviewed.

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

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

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

Save for the above deviation, none of the directors of the Company (the "Directors") is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the period for the year ended 31 December 2006, in compliance with the Code.

Model Code for Securities Transactions by Directors

The Company has adopted the model code for securities transactions by directors ("Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding its directors' and supervisors' securities transactions effective on 9 June 2005. Having made specific enquiry of all directors and supervisors of the Company, they have confirmed that they complied with the required standard set out in the Model Code for the year ended 31 December 2006.

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

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

Purchase, Sale or Repurchase of Shares of the Company

During the reporting period, the Company did not redeem any of its Shares. Neither the Company and its subsidiaries repurchased or sold any shares of the Company during the year.

Service Contracts

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

Share Appreciation Rights Plan

A share appreciation rights plan was adopted by the Company, which was designed to align the interests of directors, supervisors and senior management 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.

On 5 October 2006, the Board granted further share appreciation rights to certain directors, supervisors and senior management officers of the Company and its subsidiaries, and other personnel designated by the Board, including eight directors and three supervisors of the Company at an exercise price of HK$3.588 each under the share appreciation rights plan. The share appreciation rights granted to these eight directors and three supervisors represent 6,800,000 shares of the Company or 0.3% of the Company's total issued H Shares, under the share appreciation rights plan.

Pre-emptive rights

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

Auditors

The Company has appointed PricewaterhouseCoopers and BDO Reanda Certified Public Accountants as the international and PRC auditors of the Company for the year ended 31 December 2006. Resolutions for re-appointments of PricewaterhouseCoopers and BDO Reanda Certified Public Accountants as the international and PRC auditors of the Company for the year ending 31 December 2007 will be proposed at the forthcoming shareholders' annual general meeting to be held on 15 May 2007.

Business Outlook

Please refer to the relevant content in chairman's statement in previous section.

DISCLOSURE OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

The electronic version of this announcement has been published on the website of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (http://www.hkex.com.hk). An annual report for the year ended 31 December 2006 containing all the information required by Appendix 16 to the Listing Rules will be despatched to shareholders of the Company and published on the website of the Stock Exchange in due course.

MEMBERS OF THE BOARD

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

By Order of the Board
WEI Jiafu
Chairman and CEO

Beijing, the People's Republic of China
28 March 2007

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

Please also refer to the published version of this announcement in South China Morning Post.