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 2007 INTERIM RESULTS

RESULTS AND BUSINESS HIGHLIGHTS:

	First half of 2007 *RMB'000*	First half of 2006 (Restated) *RMB'000*	Change
Revenues	**26,815,178**	22,918,586	+17.0%
Profit attributable to equity holders of the Company	**968,678**	1,057,147	(8.37%)
Basic earnings per share	**RMB0.135**	RMB0.150	(10.0%)

- Shipping volume reached 2,767,539 TEUs during the period, representing an increase of 14.0% over the same period in 2006. Revenue of shipping and related businesses recorded an increase of 17.7% over the same period last year.

- During the period, the aggregate number of containers handled by the Company through 24 operating container terminal companies which COSCO Pacific had interests in reached 18,417,429 TEUs, representing an increase of 23.0% over the same period last year.

- As of 30 June 2007, the Group owned and managed a container fleet of 1,397,952 TEUs, recording an increase of 25.8% over the same period of last year.

- During the period, the Group's logistics business experienced rapid development. Revenue increased by 23.7% over the same period last year.

The board of directors (the "**Board**") of China COSCO Holdings Company Limited (the "**Company**" or "**China COSCO**") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the ''**Group**'') for the six months ended 30 June 2007. The unaudited condensed consolidated financial statements for the six months ended 30 June 2007 have been reviewed by the Company's audit committee, comprising a majority of independent non-executive directors of the Company.

The Group's unaudited condensed consolidated income statement and the unaudited condensed consolidated balance sheet and explanatory notes 1 to 13 as presented under Section A below are extracted from the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2007 prepared under Hong Kong Financial Reporting Standards (collectively the ''**unaudited Condensed Consolidated Financial Statements**''). The unaudited Condensed Consolidated Financial Statements have been reviewed by the Company's independent international auditor, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants (the ''**HKICPA**''), except that the scope of their review did not extend to the Group's share of net assets and results of two listed associates, China International Marine Containers (Group) Co., Ltd. ("**CIMC**") and Chong Hing Bank Limited ("**CHB**"), which were accounted for under the equity method on the basis of their published interim financial information. Accordingly, their independent review report has been qualified in this respect. Details of the qualified report will be set out in the Group's 2007 interim financial report.

FINANCIAL INFORMATION

Section A. Unaudited Condensed Consolidated Financial Statements and notes thereto prepared in accordance with Hong Kong Financial Reporting Standards

Unaudited condensed consolidated income statement
For the six months ended 30 June 2007

	Note	**Six months ended 30 June 2007** *RMB'000*	2006 *RMB'000* *(Restated)*
Revenues	3	**26,815,178**	22,918,586
Cost of services		**(24,672,775)**	(20,742,020)
Gross profit		**2,142,403**	2,176,566
Other income		**764,121**	1,683,571
Selling, administrative and general expenses		**(1,545,503)**	(1,379,832)
Other expenses		**(172,397)**	(52,016)
Share reform	4	**82,045**	(511,305)
Operating profit	5	**1,270,669**	1,916,984
Finance income	6	**91,776**	109,560
Finance costs	6	**(464,579)**	(500,314)
Operating profit after net finance costs		**897,866**	1,526,230
Share of profits less losses of			
- jointly controlled entities		**311,928**	294,900
- associates		**466,491**	372,992
Profit before income tax expenses		**1,676,285**	2,194,122
Income tax expenses	7	**(104,851)**	(599,088)
Profit for the period		**1,571,434**	1,595,034
Attributable to:			
Equity holders of the Company		**968,678**	1,057,147
Minority interests		**602,756**	537,887
		1,571,434	1,595,034
Distribution	8	**—**	3,602
Earnings per share for profit attributable to the equity holders of the Company			
- basic	9	**RMB0.135**	RMB0.150
- diluted	9	**RMB0.135**	RMB0.148

Unaudited condensed consolidated balance sheet

As at 30 June 2007

	Note	**As at 30 June 2007** *RMB'000*	As at 31 December 2006 *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**28,001,276**	26,401,135
Investment properties		**41,472**	20,961
Leasehold land and land use rights		**415,548**	353,581
Intangible assets		**114,924**	128,819
Jointly controlled entities		**2,837,228**	2,546,150
Associates		**5,562,952**	5,298,689
Available-for-sale financial assets		**4,081,879**	3,128,903
Deferred income tax assets		**225,723**	124,342
Finance lease receivables		**18,127**	23,340
Restricted bank deposits		**71,929**	96,632
		41,371,058	38,122,552
Current assets			
Inventories		**731,678**	601,542
Trade and other receivables	10	**11,130,288**	8,924,415
Current portion of finance lease receivables		**9,962**	11,257
Available-for-sale financial assets		**126,653**	—
Derivative financial assets		**503**	4,519
Financial assets at fair value through profit or loss		**4,671**	—
Cash and cash equivalents		**22,354,511**	7,795,855
		34,358,266	17,337,588
Total assets		**75,729,324**	55,460,140

	Note	As at 30 June 2007 RMB'000	As at 31 December 2006 RMB'000
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital		**8,919,337**	6,204,756
Reserves		**25,815,094**	11,241,407
Proposed final dividend	8	**—**	1,489,141
		34,734,431	18,935,304
Minority interests		**9,496,170**	8,541,404
Total equity		**44,230,601**	27,476,708
LIABILITIES			
Non-current liabilities			
Long-term borrowings		**8,680,835**	8,947,208
Other non-current liabilities		**304,889**	316,691
Derivative financial liabilities		**64,571**	36,071
Deferred income tax liabilities		**530,903**	488,246
		9,581,198	9,788,216
Current liabilities			
Trade and other payables	11	**13,020,553**	11,370,365
Derivative financial liabilities		**339,369**	430,892
Short-term loans and bond payable		**6,063,289**	4,825,817
Current portion of long-term borrowings		**2,216,182**	1,333,535
Tax payable		**278,132**	234,607
		21,917,525	18,195,216
Total liabilities		**31,498,723**	27,983,432
Total equity and liabilities		**75,729,324**	55,460,140
Net current assets/(liabilities)		**12,440,741**	(857,628)
Total assets less current liabilities		**53,811,799**	37,264,924

Notes

1 **General information**

The Company was incorporated in the People's Republic of China (the "PRC") on 3 March 2005 as a joint stock company with limited liability under the Company Law of the PRC. The address of its registered office is 3rd Floor, No. 1 Tongda Square, Tianjin Port Free Trade Zone, Tianjin, the PRC.

The H-shares of the Company are listed on the Stock Exchange of Hong Kong since 30 June 2005. On 26 June 2007, the Company issued approximately 1.78 billion new A-shares through public offering on the Shanghai Stock Exchange, at the offer price of RMB8.48 per share raising RMB15.13 billion. The A-shares of the Company are listed on the Shanghai Stock Exchange since 26 June 2007.

In 2006, the Group acquired from China Ocean Shipping (Group) Company ("COSCO") and its subsidiaries (collectively "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. The comparative figures in respect of the six months ended 30 June 2006 have been restated as a result of adoption of merger accounting for the Acquired Subsidiaries.

2 **Basis of preparation and significant accounting policies**

These unaudited Condensed Consolidated Financial Statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" and the principles of merger accounting as prescribed in Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA.

The unaudited Condensed Consolidated Financial Statements should be read in conjunction with the annual financial statements for the year ended 31 December 2006 (the "2006 Annual Financial Statements") which were prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA.

Adoption of new/revised HKFRSs

The significant accounting policies and methods of computation used in the preparation of the unaudited Condensed Consolidated Financial Statements are consistent with the accounting policies used for the 2006 Annual Financial Statements except that, the Group has adopted the following new standards, interpretations and amendments to the published standards (collectively the "new/revised HKFRSs") issued by the HKICPA which are relevant to its operations and mandatory for the financial year ending 31 December 2007:

HKFRS 7	Financial Instruments: Disclosures
HKAS 1 (Amendment)	Presentation of Financial Statements: Capital Disclosures
HK (IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 "Financial Reporting in Hyperinflatory Economies"
HK (IFRIC)-Int 8	Scope of HKFRS 2
HK (IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK (IFRIC)-Int 10	Interim Financial Reporting and Impairment

The adoption of the above new/revised HKFRSs in the current period did not have any significant effect on the unaudited Condensed Consolidated Financial Statements or result in any significant changes in the Group's significant accounting policies.

Certain new standard and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods but which the Group has not adopted earlier as follows:

		Effective for accounting periods beginning on or after
HKFRS 8	Operating Segments	1 January 2009
HK (IFRIC)-Int 11	HKFRS2 - Group and Treasury Share Transactions	1 March 2007
HK (IFRIC)-Int 12	Service Concession Arrangements	1 January 2008

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

3 **Revenues 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 segments as the secondary reporting format.

The Group is organised on a worldwide basis into the following segments:

— Container shipping and related business

— Container terminal and related business

— Container leasing

— Logistics

— Other operations, mainly comprising container manufacturing, banking business and investment holding

Unallocated income mainly represents corporate income. Unallocated costs mainly represent corporate expenses. Segment assets consist primarily of property, plant and equipment, investment properties, leasehold land and land use rights, intangible assets, inventories, receivables, and mainly exclude investments in jointly controlled entities and associates, available-for-sale financial assets, derivative financial assets, financial assets at fair value through profit or loss, deferred income tax assets, restricted bank deposits, cash and cash equivalents and corporate assets. Segment liabilities comprise operating liabilities and mainly exclude items such as current and deferred income tax liabilities, distribution payable, 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.

The segment results and other information for the six months ended 30 June 2007 and 2006 are as follows:

	Six months ended 30 June 2007						
	Container shipping and related business *RMB'000*	Container terminal and related business *RMB'000*	Container leasing *RMB'000*	Logistics *RMB'000*	Other operations *RMB'000*	Inter-segment elimination *RMB'000*	Total *RMB'000*
Revenues							
External sales	**20,915,699**	**187,874**	**392,077**	**5,319,528**	**—**	**—**	**26,815,178**
Inter-segment sales	**3,932**	**2,095**	**560,255**	**153,358**	**—**	**(719,640)**	**—**
	20,919,631	**189,969**	**952,332**	**5,472,886**	**—**	**(719,640)**	**26,815,178**
Segment results	**586,258**	**154,419**	**354,743**	**156,080**	**(1,166)**	**—**	**1,250,334**
Gain on disposal of containers	**3,623**	**—**	**46,576**	**—**	**—**	**—**	**50,199**
Share reform (note 4)	**—**	**—**	**—**	**—**	**82,045**	**—**	**82,045**
Finance income							**91,776**
Finance costs							**(464,579)**
Unallocated income							**60,274**
Unallocated expenses							**(172,183)**
Operating profit after net finance costs							**897,866**
Share of profits less losses of							
- jointly controlled entities	**2,178**	**240,833**	**—**	**53,318**	**15,599**	**—**	**311,928**
- associates	**2,805**	**100,910**	**—**	**38,226**	**324,550**	**—**	**466,491**
Profit before income tax expenses							**1,676,285**
Income tax expenses							**(104,851)**
Profit for the period							**1,571,434**
Depreciation and amortisation	**412,509**	**24,531**	**276,277**	**66,516**	**2,520**	**—**	**782,353**
Capital expenditure	**1,026,279**	**56,407**	**2,684,266**	**151,620**	**451**	**—**	**3,919,023**
Provision for/(reversal of) impairment of trade and other receivables, net	**8,938**	**—**	**(4,307)**	**2,646**	**—**	**—**	**7,277**
Amortised amount of transaction costs on long-term borrowings	**—**	**—**	**1,644**	**—**	**1,984**	**—**	**3,628**
Other non-cash expenses	**—**	**—**	**124**	**—**	**879**	**—**	**1,003**

	Six months ended 30 June 2006 (Restated)						
	Container shipping and related business *RMB'000*	Container terminal and related business *RMB'000*	Container leasing *RMB'000*	Logistics *RMB'000*	Other operations *RMB'000*	Inter-segment elimination *RMB'000*	Total *RMB'000*
Revenues							
External sales	17,765,259	85,655	767,259	4,300,413	—	—	22,918,586
Inter-segment sales	3,186	120	507,681	155,247	—	(666,234)	—
	17,768,445	85,775	1,274,940	4,455,660	—	(666,234)	22,918,586
Segment results	701,615	105,172	763,697	142,998	—	—	1,713,482
Gain on disposal of containers	—	—	678,284	—	—	—	678,284
Share reform (note 4)	—	—	—	—	(511,305)	—	(511,305)
Finance income							109,560
Finance costs							(500,314)
Unallocated income							93,479
Unallocated expenses							(56,956)
Operating profit after net finance costs							1,526,230
Share of profits less losses of							
- jointly controlled entities	1,445	211,817	—	39,838	41,800	—	294,900
- associates	4,782	58,878	—	33,240	276,092	—	372,992
Profit before income tax expenses							2,194,122
Income tax expenses							(599,088)
Profit for the period							1,595,034
Depreciation and amortisation	484,495	6,096	449,950	44,293	2,265	—	987,099
Capital expenditure	143,877	2,434	1,495,246	61,910	18,598	—	1,722,065
Reversal of provision for impairment of trade and other receivables, net	(57,969)	—	(9,209)	(667)	—	—	(67,845)
Amortised amount of transaction costs on long-term borrowings	2,963	—	29,146	—	721	—	32,830
Other non-cash expenses	—	651	4,064	—	1,044	—	5,759

The segment assets and liabilities as at 30 June 2007 and 31 December 2006 are as follows:

	As at 30 June 2007						
	Container shipping and related business *RMB'000*	**Container terminal and related business** *RMB'000*	**Container leasing** *RMB'000*	**Logistics** *RMB'000*	**Other operations** *RMB'000*	**Inter-segment elimination** *RMB'000*	**Total** *RMB'000*
Segment assets	**24,394,802**	**1,804,158**	**9,991,280**	**4,541,143**	**11,263**	**(321,496)**	**40,421,150**
Jointly controlled entities	**35,949**	**2,256,894**	**—**	**350,342**	**194,043**	**—**	**2,837,228**
Associates	**34,558**	**1,404,062**	**—**	**317,968**	**3,806,364**	**—**	**5,562,952**
Available-for-sale financial assets	**59,929**	**3,815,366**	**—**	**206,585**	**126,652**	**—**	**4,208,532**
Unallocated assets							**22,699,462**
Total assets							**75,729,324**
Segment liabilities	**6,413,034**	**68,616**	**1,766,316**	**4,112,530**	**339,286**	**(321,496)**	**12,378,286**
Unallocated liabilities							**19,120,437**
Total liabilities							**31,498,723**

	As at 31 December 2006						
	Container shipping and related business *RMB'000*	Container terminal and related business *RMB'000*	Container leasing *RMB'000*	Logistics *RMB'000*	Other operations *RMB'000*	Inter-segment elimination *RMB'000*	Total *RMB'000*
Segment assets	22,856,744	1,587,165	8,466,765	3,830,860	23	(295,503)	36,446,054
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							8,040,344
Total assets							55,460,140
Segment liabilities	5,512,704	77,681	1,245,433	3,771,560	430,892	(295,503)	10,742,767
Unallocated liabilities							17,240,665
Total liabilities							27,983,432

(b) *Secondary reporting format - geographical segments*

	Six months ended 30 June	
	2007	2006
	RMB'000	*RMB'000*
		(Restated)
America	**6,725,939**	6,147,999
Europe	**6,206,104**	4,236,081
Asia Pacific	**3,158,240**	3,008,280
China domestic	**9,368,435**	7,544,949
Other international market	**964,383**	1,214,020
Unallocated	**392,077**	767,257
Total revenues	**26,815,178**	22,918,586

4 **Share reform**

On 25 May 2006, COSCO Pacific Limited ("COSCO Pacific"), a listed subsidiary of the Company, issued 424,106,507 put options (the "Put Options") to holders of the A-shares not having trading restrictions (the "CIMC 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 are listed on the Shenzhen Stock Exchange. The holders of the Put Options are entitled to require COSCO Pacific to buy from them 1.37 CIMC Tradable A-Shares at an exercise price of RMB7.302 per share during the 5 trading days immediately prior to and excluding 23 November 2007. If all the Put Options are exercised in full, 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 16.23% to 37% after the acquisition.

The Put Options are derivative financial instruments as defined under HKAS 39 "Financial Instruments: Recognition and Measurement" and are carried in the condensed consolidated balance sheet at their fair value. The Put Options are initially recognised at fair values and any subsequent changes in their fair values, are debited or credited in the condensed consolidated income statement. The change in fair values recognised in the condensed consolidated income statement for the current period in connection with the Put Options was RMB82,045,000. The fair values of the Put Options have been determined based on quotes from independent third parties for the price to settle the related liability.

	Six months ended 30 June	
	2007	2006
	RMB'000	*RMB'000*
Initial recognition of Put Options	**—**	(1,116,114)
Fair value gain on Put Options	**82,045**	604,809
	82,045	(511,305)

5 **Operating profit**

Operating profit is stated after crediting and charging the following:

	Six months ended 30 June	
	2007	2006
	RMB'000	*RMB'000*
		(Restated)
Crediting:		
Gain on disposal of property, plant and equipment		
- containers (note a)*	**50,199**	678,284
- container vessels (note b)*	**408,506**	290,807
- others*	**5,299**	4,057
Finder fee*	**—**	122,406
Gain on deemed disposal of a subsidiary*	**50,490**	89,048
Reversal of provision for impairment of trade and other receivables*	**4,307**	71,003
Government subsidy*	**35,894**	223,040
Dividend income from an available-for-sale financial asset*	**87,414**	83,359
Gain on disposal of available-for-sale financial assets*	**18,638**	—
Gain on interest rate swap contracts - not qualifying as hedges*	**548**	6,223
Gain on bunker forward contracts - not qualifying as hedges*	**—**	34,966
Charging:		
Depreciation and amortisation	**782,353**	987,099
Cost of bunkers and fuel consumed	**3,464,050**	3,345,964
Operating lease rentals:		
- container vessels	**1,561,516**	1,196,413
- containers	**358,984**	440,801
- land and buildings	**74,834**	55,240
- other property, plant and equipment	**160,177**	176,223
Provision for impairment of trade and other receivables	**11,584**	3,158
Loss on bunker forward contracts - not qualifying as hedges	**6,678**	—

* Items included in other income

Notes:

(a) In June 2007, the Group disposed of containers leased out under operating leases with an aggregate net book value of RMB312,565,000 (equivalent to US$40,493,000) to a third party for a cash consideration of approximately RMB359,142,000 (equivalent to US$ 46,527,000). The gain on disposal before taxes amounted to RMB46,576,000 (equivalent to US$6,034,000).

In the prior period, the Group disposed of its containers leased out under operating leases for a cash consideration of approximately RMB6,772,192,000 (equivalent to US$846,524,000). The disposal was completed on 30 June 2006. The Group also received a finder fee of approximately RMB122,406,000 (equivalent to US$15,240,000) in respect of its services rendered for the entire transaction prior to the completion of the disposal. The gain on disposal of these containers and the finder fee were included in other operating income.

(b) During the six months ended 30 June 2007, the Group disposed of two container vessels which is under construction and one container vessel to third parties for total considerations of RMB1,469,286,000, resulting in a total gain of RMB408,506,000.

In June 2006, the Group disposed of two container vessels to a subsidiary of COSCO for a total consideration of RMB425,650,000, resulting in a total gain of RMB290,807,000.

6 Finance income and costs

	Six months ended 30 June	
	2007	2006
	RMB'000	*RMB'000*
		(Restated)
Interest expenses from		
- bank loans	**326,252**	375,990
- bond wholly repayable within one year	**25,885**	—
- other loans wholly repayable within five years	**507**	64
- loans from an associate wholly repayable within one year	**17,791**	10,398
- notes not wholly repayable within five years	**75,631**	67,351
- amounts due to COSCO wholly repayable within one year	**—**	2,635
	446,066	456,438
Amortised amount of transaction costs on long-term borrowings	**3,628**	32,830
Amortised amount of discount on issue of notes	**795**	867
Other incidental borrowing costs and charges	**14,962**	10,179
Amount capitalised in construction in progress	**(872)**	—
Finance costs	**464,579**	500,314
Interest income from		
- deposits with an associate	**(7,087)**	(6,721)
- loan to a jointly controlled entity	**(3,813)**	(1,662)
- loans to associates	**(3,528)**	(3,543)
- loan to an investee	**—**	(156)
- third parties	**(77,348)**	(97,478)
Finance income	**(91,776)**	(109,560)
Net finance costs	**372,803**	390,754

7 Income tax expenses

	Six months ended 30 June	
	2007	2006
	RMB'000	*RMB'000*
		(Restated)
Current income tax		
- PRC enterprise income tax (note a)	**122,082**	93,683
- Hong Kong profits tax (note b)	**4,880**	1,472
- Overseas taxation (note c)	**53,070**	1,025,866
Under provision in prior periods	**—**	23,561
	180,032	1,144,582
Deferred income tax, net	**(75,181)**	(545,494)
	104,851	599,088

Notes:

(a) PRC enterprise income tax is calculated based on the statutory rate of 33% (2006: 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 period, except for the Company and certain subsidiaries, which are taxed at reduced rates ranging from 15% to 27% (2006: 15% to 27%) based on different local preferential policies on income tax and approval by relevant tax authorities.

(b) Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profits for the period.

(c) Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in which the Group operates. These rates range from 20% to 44% during the period (2006: 20% to 44%). The overseas taxation charge for the six months ended 30 June 2006 represented primarily the estimated capital gain tax in connection with the disposal as mentioned in note 5(a).

(d) Deferred taxation is calculated in full on temporary differences under the liability method using tax rates substantively enacted at the balance sheet date. The deferred tax liabilities associated with certain containers disposed of were written back and credited to the unaudited condensed consolidated income statement for the six months ended 30 June 2006.

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (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. The new CIT Law also provides for preferential tax rates, tax incentives for prescribed industries and activities, and grandfathering provisions as well as determination of taxable profit. As at the date of approval of unaudited Condensed Consolidated Financial Statements for issue, detailed measures concerning these items have yet to be issued by the State Council.

As at 30 June 2007, deferred income tax liabilities of RMB299,907,000 (31 December 2006: RMB54,848,000) and RMB271,000,000 (31 December 2006: RMB275,337,000) have not been established for the income taxation and withholding taxation, respectively, that would be payable on the undistributed profits of certain subsidiaries primarily operating overseas as the Directors considered 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.

8 **Distribution and dividends**

(a) *Distribution*

	Six months ended 30 June	
	2007	2006
	RMB'000	*RMB'000*
		(Restated)
Transfer of other subsidiaries (note)	—	3,602

Note:

This represented considerations paid/payable by the Group for acquisition of equity interests in COSCO Philippines Shipping Inc. and COSCO (HK) Cargo Services Co., Limited from COSCO Group which were treated as deemed distribution to COSCO (note 1).

(b) *Dividends*

(i) On 28 March 2007, the Board proposed a final cash dividend of RMB0.09 per share, totalling RMB558,427,000 for the year ended 31 December 2006. In addition, the Board also proposed to issue 1.5 bonus shares for every 10 shares of the Company at par value of RMB1.00 each held by the existing shareholders as at 31 December 2006, totalling RMB930,714,000.

These amounts were accounted for as the appropriations of retained profits for the period ended 30 June 2007.

(ii) The Board does not recommend the payment of the interim dividend for the six months ended 30 June 2007 (2006: NIL).

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 shares in issue during the period. The number of shares in issue for the six months ended 30 June 2007 and 2006 have been adjusted for the bonus issue effected on 31 May 2007 as if this had been issued on 1 January 2006.

	Six months ended 30 June	
	2007	2006 *(Restated)*
Profit attributable to equity holders of the Company	**RMB968,678,000**	RMB1,057,147,000
Weighted average number of ordinary shares in issue	**7,184,747,506**	7,061,000,000
Basic earnings per share	**RMB0.135**	RMB0.150

Diluted

Basic earnings per share for the six months ended 30 June 2007 is the same as the diluted earnings per share as there is no dilutive potential shares.

Diluted earnings per share for the six months ended 30 June 2006 was calculated based on the profit attributable to equity holders of the Company and the weighted average number of ordinary shares in issue during the period, after adjusting for the number of dilutive potential shares deemed to be issued at no consideration on the assumption that the special reserve of RMB279,422,000 as at 30 June 2006 had been converted into domestic shares at the offer price of HK$4.25 on 30 June 2006.

The number of potential shares deemed to be issued for the six months ended 30 June 2006 have been adjusted for the bonus issue as if this had been issued on 1 January 2006.

	Six months ended 30 June	
	2007	2006 *(Restated)*
Profit attributable to equity holders of the Company	**RMB968,678,000**	RMB1,057,147,000
Weighted average number of ordinary shares in issue	**7,184,747,506**	7,061,000,000
Adjustments for assumed conversion of special reserve	**—**	73,449,030
Weighted average number of ordinary shares for diluted earnings per share	**7,184,747,506**	7,134,449,030
Diluted earnings per share	**RMB0.135**	RMB0.148

10 **Trade and other receivables**

	As at 30 June 2007 *RMB'000*	As at 31 December 2006 *RMB'000*
Trade receivables (note a)		
- third parties	**6,155,845**	5,580,883
- subsidiaries of COSCO	**1,302,835**	1,068,503
- jointly controlled entities	**271,869**	252,317
- associates	**26,706**	1,773
- other related companies	**16,279**	61,847
	7,773,534	6,965,323
Bills receivables (note a)	**83,709**	79,147
	7,857,243	7,044,470
Prepayments, deposits and other receivables	**2,328,094**	1,218,928
Due from related parties (note b)		
- COSCO	**138,582**	212,121
- subsidiaries of COSCO	**215,408**	136,300
- jointly controlled entities	**489,805**	235,173
- associates	**101,156**	6,598
- related companies	**—**	70,825
	944,951	661,017
	11,130,288	8,924,415

Notes:

(a) The normal credit period granted to customers is generally in the range of 25 to 90 days. As at 30 June 2007, the ageing analysis of trade and bills receivables is as follows:

	As at 30 June 2007 *RMB'000*	As at 31 December 2006 *RMB'000*
1-3 months	**7,061,651**	6,434,983
4-6 months	**709,249**	410,625
7-12 months	**87,592**	199,089
1-2 years	**47,281**	44,991
2-3 years	**14,026**	15,611
	7,919,799	7,105,299
Provision for impairment	**(62,556)**	(60,829)
	7,857,243	7,044,470

(b) The amounts due from related parties are unsecured, interest free and have no fixed terms of repayment.

11 Trade and other payables

	As at 30 June 2007 *RMB'000*	As at 31 December 2006 *RMB'000*
Trade payables (note a)		
- third parties	**4,402,237**	4,124,626
- subsidiaries of COSCO	**1,117,626**	1,020,258
- jointly controlled entities	**220,510**	252,907
- associates	**464,219**	267,511
- other related companies	**9,554**	27,475
	6,214,146	5,692,777
Bills payables (note a)	**41,458**	52,233
	6,255,604	5,745,010
Other payables and accruals	**5,526,103**	4,374,750
Consideration and dividend payable to COSCO	**1,213,959**	1,213,959
Due to related parties (note b)		
- COSCO	**3,033**	23,114
- subsidiaries of COSCO	**2,722**	937
- related companies	**7,800**	976
	13,555	25,027
Current portion of other non-current liabilities	**11,332**	11,619
	13,020,553	11,370,365

Notes:

(a) As at 30 June 2007, the ageing analysis of trade and bills payables is as follows:

	As at 30 June 2007 *RMB'000*	As at 31 December 2006 *RMB'000*
1-6 months	**6,044,820**	5,569,053
7-12 months	**119,421**	65,339
1-2 years	**38,674**	92,341
2-3 years	**25,542**	592
Above 3 years	**27,147**	17,685
	6,255,604	5,745,010

(b) The amounts due to related parties are unsecured, interest free and have no fixed terms of repayment.

12 **Event after the balance sheet date**

COSCO Pacific, a subsidiary of the Company, entered into a sale and purchase agreement on 24 August 2007 (the "Agreement") to dispose of its entire 20% equity interest in CHB, a listed associate of the Group, to COSCO (Hong Kong) Group Limited, a fellow subsidiary, at a cash consideration of approximately HK$2,088 million (equivalent to RMB2,035 million). The disposal is subject to the completion of the terms and conditions as set out in the Agreement.

13 **Comparatives**

Apart from the restatement of certain comparative figures as a result of the adoption of merger accounting for the Acquired Subsidiaries as disclosed in the note 1, certain comparative figures have been reclassified to conform with the current period's presentation.

Section B. Significant difference between HKFRSs and accounting principles and the financial regulations of Accounting Principles of Enterprise issued by the Ministry of Finance of the PRC and applicable for enterprises ("PRC GAAP")

The Group's significant accounting policies, which conform with the HKFRSs, differ in certain respect from PRC GAAP. Differences between HKFRSs and PRC GAAP which have significant effects on the unaudited consolidated net profit and unaudited consolidated net assets attributable to equity holders of the Company are summarised as follows. The table below is extracted from the interim financial statements prepared under the PRC GAAP, as reviewed by the PRC auditor, BDO Reanda Certified Public Accountants.

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

Notes		Unaudited consolidated net profit attributable to equity holders of the Company for the period ended 30 June 2007 *RMB'000*	Unaudited consolidated net assets attributable to equity holders of the Company as at 30 June 2007 *RMB'000*
	According to the financial statements prepared under PRC GAAP	853,809	32,323,060
1.	Difference in the recognition and treatment of functional currency	64,003	—
2.	Difference in the accounting treatment on exercise of share options	50,485	—
3.	Difference in the timing difference of cessation of amortisation of goodwill	—	4,404
4.	Difference in the recognition and application of accounting standards for investments with no jointly control or significant influence, no price quotation from active market and whose fair value cannot be reliably measured	—	1,679,623
5.	Difference in accounting treatment on the initial recognition of fixed assets due to revaluation	35,633	917,222
6.	Difference in the recognition of accounting base and tax base of assets and liabilities	(11,423)	(167,241)
7.	Difference in the recognition of accounting estimates and principle of materiality used	(23,829)	(22,637)
	Total differences	114,869	2,411,371
	According to the financial statements prepared under HKFRSs	968,678	34,734,431

Notes:

Note 1: For HKFRSs financial statements, the Company's functional currency is United States dollar and the presentation currency is RMB. There is no difference between the functional currency and the presentation currency for the PRC financial statements.

Note 2: The profit or loss in connection with the exercise of the share options granted by COSCO Pacific was recognised in the income statement in the HKFRSs financial statements. For PRC financial statements, the profit or loss was recorded in the balance sheet.

Note 3: The new/revised HKFRSs were adopted on 1 January 2005 in the HKFRSs financial statements. In accordance with HKFRS 3, the amortisation of goodwill (equity investment difference) was ceased with effect from 1 January 2005 and the goodwill is tested annually for impairment, as well as when there is any indication of impairment. In accordance with paragraph 5(2) of CAS 38 — "First time adoption of CAS", the debit difference between the investment costs and the equity acquired is recognised as the cost of the long term investment on the date of first time adoption in the PRC financial statements. After such recognition, the amortisation is ceased and will not be tested for impairment. Accordingly, the difference was because the timing for cessation of amortisation and impairment assessment is different.

Note 4: In accordance with HKASs 32 and 39, certain investments which are accounted for as available-for-sale financial assets, are stated at their fair values in the balance sheet prepared under HKFRSs. For PRC financial statements, these investments are accounted for as long-term investment at cost.

Note 5: Under the accounting policies determined under HKFRSs financial statement, fixed assets are stated at historical costs. Accordingly, all asset revaluation surplus and its related amortisation recognised under PRC GAAP are reversed in the HKFRSs financial statements.

Note 6: The HKFRSs financial statements recognised deferred taxation in accordance with HKFRSs. For the PRC financial statements, enterprise income tax is recognised based on tax payable method in prior years. Upon the adoption of paragraph 12 of CAS 38 — "First time adoption of CAS", the application of balance sheet approach for the recognition of income tax has a retrospective adjustment on deferred taxation. Due to the different tax base of assets under HKFRSs and PRC financial statements, there is a different impact on the deferred taxation in the net assets and net profits.

Note 7: The accounting estimates and principle of materiality used under HKFRSs and PRC financial statements are different.

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Review of Results

Since the beginning of 2007, the global ecomony has continued to develop healthily, in particular the continuous rapid growth of the economy and foreign trade in the PRC. In the first half of the year, China's GDP grew by 11.5% while exports grew by 27.6%. Due to the continuous high demand for container shipping, the throughput from ports in China in the first half of the year has reached 52,530,000 TEUs, representing an increase of 24.1% over the same period last year.

In the first half of 2007, the Group's revenue was RMB26,815,178,000, representing an increase of 17.0% as compared with the same period in 2006. However, since operating costs went up correspondingly, the Group's net profit attributable to the equity holders of the Company in the first half of 2007 amounted to RMB968,678,000, representing a decrease of 8.37% as compared with the same period last year.

Review of Operations

Container Shipping and Related Businesses

In the first half of 2007, the shipping volume of container shipping and related businesses of the Group reached 2,767,539 TEUs, representing an increase of 14.0% over the same period in 2006. A revenue of RMB20,915,699,000 was generated, which represented an increase of 17.7% over the same period in 2006. The increase in revenue was mainly attributable to recovery in freight rates of various major routes, especially the substantial rise in freight rates for the Asia-Europe routes.

Shipping volume by routes

	Six months ended 30 June		
	2007	**2006**	**Change**
	TEUs	*TEUs*	*%*
Trans-Pacific	**712,582**	612,881	16.3
Asia-Europe (including Mediterranean)	**658,262**	551,431	19.4
Intra-Asia (including Australia)	**741,872**	760,218	-2.4
Other international (including Trans-Atlantic)	**118,668**	126,150	-5.9
PRC	**536,155**	376,023	42.6
Total	**2,767,539**	2,426,703	14.0

Revenues by routes

	Six months ended 30 June		
	2007	**2006**	**Change**
	RMB'000	*RMB'000*	*%*
Trans-Pacific	**6,725,939**	6,147,999	9.4
Asia-Europe (including Mediterranean)	**6,041,681**	4,100,027	47.4
Intra-Asia (including Australia)	**2,829,527**	2,831,515	(0.1)
Other international (including Trans-Atlantic)	**964,383**	1,214,020	(20.6)
PRC	**1,112,450**	732,596	51.9
Sub-total	**17,673,980**	15,026,157	17.6
Chartered out	**119,504**	94,979	25.8
Related business	**3,122,215**	2,644,123	18.1
Total	**20,915,699**	17,765,259	17.7

Upgrade of shipping capacity

In the first half of 2007, the Group continued to implement its plans in optimising the shipping fleet. The Group chartered in four container vessels of 5,106 TEUs in March 2007, which are expected to be delivered in 2010. In April 2007, the Group chartered in eight container vessels of 8,495 TEUs which are expected to be delivered in 2009 to 2010. As at 30 June 2007, the Group had an orderbook of 37 container vessels, with an aggregate shipping capacity of 248,894 TEUs which are expected to be put into operation over the next few years.

As at 30 June 2007, the Group operated a fleet of 144 container vessels and has a shipping capacity reaching 417,315 TEUs, representing an increase of 4.5% over the year end of 2006 and an increase of 9.5% over 30 June 2006.

Optimisation of routes

In order to utilise the existing shipping capacity effectively, the Group increased its shipping capacity on routes with higher profitability and continued to monitor the development of potential markets in Vietnam, India and the Middle East. The Group successfully implemented replacement for larger vessels or opened up new services on routes such as the Far East/Europe, Far East/Mediterranean, Far East/South Africa, Far East/South America and Far East/Red Sea. For instance, five container vessels of 7,455 TEUs in South China/US West Coast were reciprocated with five container vessels of 5,446 TEUs in the Far East/Europe; and the original Far East/Mediterranean route was split into two route services, namely the Far East/West Mediterranean route and Far East/East Mediterranean route.

Implementation of "Increase in both volume and price scheme"

In light of the market recovery in the first half of 2007, the Group has initiated an "increase in both volume and price scheme" and continued its efforts to increase market share in various ports and to enhance the management of slot movements, which has effectively improved slot utilisation rate. The Group also formulated a plan to respond to influences of the adjustment in the State's VAT rebate policy on trade flow and, on the basis to facilitate its customers, has effectively increased the shipping volume and income of the routes.

The Group actively implemented and finalised various freight rate increase plans and had successfully implemented two general freight rates increase (GRI) for Asia/Europe route on 1 January and 1 April, respectively and substantially raised the freight rates on this route. As for Trans-Pacific route, the Group put in efforts to implement GRI for various goods on west-bound services, which were instrumental to the enhancement and recovery of freight rates for the return route. The Group also enhanced the management of surcharge collection.

Lean management

During the first half year of 2007, owing to the increase of shipping capacity and the cost pressure from various aspects, the operating costs of the Group's container shipping and related business recorded a relatively substantial increase of 18.4%. The Group intensified its lean management and made efforts in lowering the growth rate for operating costs, amongst which:

The inland transportation charges in the U.S. went up resulting in an increase of container cargo transshipment fees during the period, which represented the highest growth item in the operating cost. The Group strictly controlled the proportion of inland cargo, closely monitored the flowage of inland transshipped cargo and optimised the transshipment route.

During the period, partially due to the Group's increase of shipping capacity with large container vessels continuously being put into use, together with the increase of port charges in certain ports, there was an obvious rise in port charges as compared with the same period of 2006. The congestion in some ports made things worse. The Group emphasised the management of shipping schedules and formulated preliminary plans to make berthing and cargo transshipment on time, which reduced extra costs due to contingencies such as ship delays.

During the period, the bunker price started low in early year and ended high in the middle of the year. A slight increase of 3.5% was recorded in fuel expenses during the period as compared to the same period last year.

Terminal and related businesses

The Group's terminal and related businesses operated by COSCO Pacific performed satisfactorily. During the period, the throughput of container terminals reached 18,417,429 TEUs, representing an increase of 23.0% over the same period last year. During the period, the revenue of container terminal business recorded a robust growth. Since the commencement of operation of Quanzhou Pacific Terminal in September last year, its throughput reached 385,051 TEUs and revenue amounted to RMB82,246,000 during the period. Meanwhile, due to the continuous expansion of business opportunities and improvement in operating efficiency, the throughput of Zhangjiagang Win Hanverky Terminal increased substantially to 300,389 TEUs, respresenting an increase of 37.9% as compared with the same period in 2006. Its revenue increased accordingly.

Moreover, in the first half of the year, the Group's net profits from joint venture companies Qingdao Qianwan and COSCO-HIT Terminal amounted to RMB122,437,000 and RMB95,984,000, representing a growth of 21.0% and 19.8% respectively. Net profits from associates Shanghai Pudong Terminal also recorded rapid growth.

Throughput of container terminals

	First half of 2007 TEUs	First half of 2006 TEUs	Change
Bohai Rim	**8,181,025**	**6,110,855**	**+33.9%**
Qingdao Qianwan Terminal	4,026,677	3,155,907	+27.6%
Qingdao Cosport International Container Terminals Co., Ltd.	492,582	400,382	+23.0%
Dalian Port Container Co., Ltd.	1,749,367	1,294,558	+35.1%
Dalian Port Container Terminal	414,210	134,844	+207.2%
Tianjin Five Continents Terminal	952,673	737,371	+29.2%
Yingkou Terminal	545,516	387,793	+40.7%
Yangtze River Delta	**3,881,561**	**3,790,026**	**+2.4%**
Shanghai Terminal	1,618,337	1,941,717	-16.7%
Shanghai Pudong Terminal	1,357,173	1,242,515	+9.2%
Ningbo Yuan Dong Terminal	39,896	—	—
Zhangjiagang Win Hanverky Terminal	300,389	217,843	+37.9%
Yangzhou Yuanyang Terminal	138,871	107,562	+29.1%
Nanjing Longtan Terminal	426,895	280,389	+52.3%
Pearl River Delta and Southeast Coastal Region	**5,588,253**	**4,547,135**	**+22.9%**
COSCO — HIT Terminal	906,589	823,493	+10.1%
Yantian Terminal (Phase I, II, III)	4,164,935	3,723,642	+11.9%
Guangzhou South China Oceangate Terminal	131,678	—	—
Quanzhou Pacific Terminal	385,051	—	—
Overseas Region	**766,590**	**526,732**	**+45.5%**
COSCO — PSA Terminal	400,117	284,750	+40.5%
Antwerp Terminal	366,473	241,982	+51.4%
Total Throughput	**18,417,429**	**14,974,748**	**+23.0%**
Total Throughput of Terminals in Mainland China	**16,744,250**	**13,624,523**	**+22.9%**

Expansion of terminals

As at 30 June 2007, the Group holds various interests in 24 terminal joint venture companies, with a total of 119 berths (same period in 2006: 104) including 113 container berths, 2 automobile berths and 4 multi-purpose berths. In August 2006, the Group acquired a 71.43% equity interest in Quanzhou Pacific Terminal to operate and develop 6 berths. In January 2007, Qingdao Qianwan Terminal acquired the operating rights of four container terminals from DP World. At the end of 2006, Ningbo Yuan Dong Terminal signed a memorandum of understanding with Ningbo Port (Group) Limited and acquired the right to build 4 berths in the phase V of Beilun at the port of Ningbo and at the end of 2006, Yangzhou Yuanyang Terminal planned to expand one berth, resulting in the total number of increased berths reaching 15 for the Group. The annual container handling capability was increased to 63,000,000 TEUs, representing an increase of 10.3% over the same period last year.

Signing three letters of intent

On 12 April 2007, the Group signed a letter of intent for strategic cooperation and related agreements with Jiangdu Municipal Government of Jiangsu Province to invest and operate berth no. 1 and no. 2 in the Jiangdu port region and to acquire the development rights of the adjacent land of 1,330,000 square metres. It also owns the priority development rights of new berths. The above mentioned two berths are designed as bulk cargo terminals. Their designed annual throughput is 750,000 tonnes and 1,100,000 tonnes, respectively.

On 20 April 2007, COSCO, the holding company of the Group, signed an agreement with Haikou Municipal Government of Hainan Province. Both parties agreed that the Group and Hainan Harbor & Shipping Holding Co., Ltd. to jointly incorporate a joint venture company of which the Group will be the majority shareholder, to jointly operate the related principal business of Hainan Harbor & Shipping Holding and develop Qiongbei port area into a hub port in Hainan Province. It is preliminarily expected that, according to the existing plan of the joint venture companies, the number of berths of the construction works should reach 21, including two container berths, nine bulk cargo and multi-purpose berths and ten ferry berths.

On 20 April 2007, the Group signed a letter of intent with Fujian Provincial Communication Transportation (Holding) Co. Ltd. to acquire a 29% shareholding in Fuzhou Port Group Co., Ltd.. Fuzhou Port Group owns 49 berths and is mainly engaged in container, coal and ore terminal and terminal related businesses.

Container Leasing and Management Business

As at 30 June 2007, Florens Container Holdings Limited and its subsidiaries ("Florens") of the Group owned and managed a container fleet of 1,397,952 TEUs, representing an increase of 25.8% over the same period last year, accounting for 13.0% of market share (same period in 2006: approximately 10.7%) and ranked No.3 in the industry. The average age of the Group's container fleet decreased from 4.38 years of the same period last year to 3.99 years.

During the period, Florens acquired new containers of 184,931 TEUs, representing an increase of 74.3% over the same period last year.

In June 2007, the Group completed the sale of marine containers of 31,352 TEUs (2006: 600,082 TEUs) and together with the container leasing agreements of those containers. After the disposal, the Group continued to provide the administrative and management services to the buyer and received related administrative fee annually. An amount of US$46,527,000 (equivalent to RMB359,142,000) was received from the buyer in respect of such disposal. Profit before tax on the disposal amounted to US$6,034,000 (equivalent to RMB46,576,000) (same period in 2006: RMB678,284,000).

Logistics Business

In the first half of 2007, benefiting from rapid economic growth as well as efforts by the Group, the logistics business of the Group developed at a rapid pace, with a revenue of RMB5,319,528,000, representing an increase of 23.7% over the same period last year.

In the first half of 2007, the volume of different business segments of COSCO Logistics is stated in the following table:

	For the six months ended 30 June 2007	2006	Change %
Third party logistics			
Product Logistics			
Home appliance ('000 piece)	**17,734**	13,617	30.2%
Automobile (unit)	**197,991**	233,879	-15.3%
Chemicals (tonne)	**1,339,832**	293,937	355.8%
Project Logistics (million RMB)	**428**	322	32.9%
Shipping agency (voyage)	**63,497**	62,508	1.6%
Freight forwarding			
Sea freight forwarding			
Bulk cargo (tonne)	**70,762,066**	64,330,800	10.0%
Container cargo (TEU)	**1,039,453**	905,101	14.8%
Air freight forwarding (tonne)	**52,044**	45,140	15.3%

Third party logistics

In the first half of 2007, the number of customers and business of the Group's home appliances logistics grew steadily, with the total number of home appliances handled amounting to 17,734,000 pieces, representing an increase of 30.2% over the same period last year. The volume of automobile handled were 197,991 units, representing a decrease of 15.3% over the same period last year. Benefiting from new projects and the oil product logistics business, the volume of chemical logistics increased substantially.

In the first half of the year, COSCO Logistics achieved excellent results on expansion of new projects on the basis of its successful handling of existing logistics projects. It signed a contract with Huaneng Group for the logistics services at Jinghong Power Station in Yunan and won logistics projects of Airbus Tianjin's A320, 12 million tonnes refinery plant in Huizhou for CNOOC as well as logistics projects for a power station at Candiota, Brazil for CITIC. COSCO Logistics actively developed its logistics financing business and signed cooperation agreements for logistics finance with a number of large banks.

Shipping Agency

COSCO Logistics operates its shipping agency business under the brand of "PENAVICO" and has established a regular group of customers in the major ports of China. Its major clients include the leading global shipping companies. In the first half of 2007, the shipping agency business maintained a satisfactory development and provided agency services for an aggregate of 63,497 voyages, representing an increase of 1.6% over the same period last year.

Freight Forwarding

In the first half of 2007, the sea freight forwarding business of COSCO Logistics continued to grow steadily and handled container cargo of 1,039,453 TEUs, representing a growth of 14.8% over the same period last year. 70,762,066 tonnes of bulk cargo were handled, representing a growth of 10% over the same period last year. For air freight forwarding, in the first half of 2007, COSCO Logistics handled a total of 52,044 tonnes air freight cargo, representing a growth of 15.3% over the same period last year.

Share reform

The put options of COSCO Pacific, a subsidiary of the Group, involving the share reform of CIMC were financial derivatives. Gains from changes in their fair value during the period amounted to RMB82,045,000. For the same period of 2006, a net loss of RMB511,305,000 was recorded for the initial recognition of the put options and subsequent change in the fair value.

Grant of share appreciation rights and staff share options

The Company granted share appreciation rights to qualified employees in 2005, 2006 and 2007 respectively. Its subsidiary, COSCO Pacific, granted share options to continuous contract employees during the period. The fair values of employee services received in exchange for the grant of share appreciation rights and share options amounted to RMB49,683,000 and RMB86,375,000 respectively were recognised and included in staff costs during the period.

Other businesses

In the first half of 2007, the demand for containers was stable. Net profits contribution from CIMC increased by 2.2% to RMB220,316,000. During the period, the net profits contribution from CHB which the Group holds 20% shareholding amounted to RMB58,610,000, representing an increase of 15.4% over the same period last year.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Compnay's A shares are listed and traded on the Shanghai Stock Exchange since 26 June 2007. Net proceeds raised by issuing the A shares amounted to RMB14,881,145,000, resulting in a substantial increase in the cashflow from the Group's financing activities as well as cash and cash equivalents.

As at 30 June 2007, the Group's cash and cash equivalents amounted to RMB22,354,511,000, representing an increase of RMB14,558,656,000 or 186.7%, as compared to RMB7,795,855,000 as at 31 December 2006.

As at 30 June 2007, the Group's total outstanding borrowings amounted to RMB16,960,306,000. After reducing cash and cash equivalents of RMB22,354,511,000, the net amount was RMB-5,394,205,000.

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

Debt analysis

	As at 30 June 2007 *RMB'000*	As at 31 December 2006 *RMB'000*
By category and repayment term		
Short-term loans and bonds payable	**6,063,289**	4,825,817
Long-term borrowings		
Within one year	**2,216,182**	1,333,535
One to two years	**962,661**	2,565,052
Two to five years	**3,023,127**	2,375,658
Over five years	**4,695,047**	4,006,498
Subtotal	**10,897,017**	10,280,743
Total	**16,960,306**	15,106,560

In terms of types of loans:

As at 30 June 2007, the Group has secured borrowings amounted to RMB5,560,095,000 and unsecured borrowings amounted to RMB11,400,211,000, which accounted for 67% and 33% respectively of the total borrowings. Among which the Group pledged equipments and properties with net book value of RMB8,704,553,000 to banks and financial institutions as major collaterals for secured borrowings.

In terms of currency:

The Group's borrowings denominated in US dollar amounted to RMB13,651,702,000 and borrowings denominated in RMB amounted to RMB3,308,604,000, representing 80% and 20% of total borrowings respectively in percentage terms.

As at 30 June 2007, the majority of the Group's borrowings are charged at floating interest rates.

Contingent liabilities

As at 30 June 2007, the Group had provided guarantees on a bank borrowing granted to an associate company at face value of RMB190,159,000 (31 December 2006: RMB197,591,000). The claims amounts of the pending lawsuits amounted to RMB34,402,000. Except for the above data and those disclosed in the notes to the unaudited Condensed Consolidated Financial Statements, the Group had no other significant contingent liabilities.

Foreign exchange and interest rates risk management

The Group operates its business intentionally and is exposed to foreign exchange risk arising from various currency exposure, primarily with respect to the US dollar. Foreign exchange risk arises from commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The Group has been committed to coordinate and use, in a reasonable manner, various financial tools to control the risks of exchange rate fluctuation, such as using forward settlement, currency swap to eliminate the risks of exchange rate fluctuation. At the same time, 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 expedited the turnover time of funds and reduced the precipitation of capital in foreign currency and actively carried out various measures to tackle risks from exchange rate fluctuation.

With respect to risk management from interest rate, the Group managed the existing interest rate of loans by controlling the proportion of short-term and long-term loans and by utilising various financial tools. It controlled the interest rate of the interest actually paid and reduced the impact of interest rate fluctuation to the earning of Group.

PROSPECTS

Looking forward to the second half year, the major businesses of the Group will continue to benefit from the healthy development of the global economy, in particular the continual soaring growth of the Chinese economy and foreign trade.

It is anticipated that the container shipping market will continue to face a strong demand in the second half year, with the supply-demand equilibrium maintained at a relatively high level in recent years. However, there still exists problems such as high oil prices and increases in inland transportation charges. The Group will grasp opportunities to optimise route network when receiving large size container vessels with a capacity of 10,000 TEUs; to drive the development of potential markets by strengthening research on second-tier markets; to strengthen marketing efforts, actively drive up the freight rates and optimise cargo flow; to enhance lean management, improve and implement cost management system strictly control operating costs.

Futhermore, the Group aims to further strengthen its terminal business, progressively assume majority stakes in terminals and achieve a diversified terminals portfolio, further enhance the terminals profitability, aiming to further expand the Group's scale and further consolidate leading position in the industry. At the same time the Group is to continually expand container fleet, optimise the mode of operation of the container leasing business, and enhance marketing efforts and cost control.

With the rapid expansion of the logistics business, the industry will become increasingly fractionized and its service mode will become increasingly diversified. The Group will speed up the resource construction and business development pace in key regions such as the three major economic regions, namely Yangtze River Delta, Pearl River Delta and Bohai Rim, to focus more on the professionalisation of logistics services, to pay attention to the optimisation of the logistics information technology, as well as enhancing lean management to improve operating efficiency.

In order to realize the development goals of “three maximization”and to envisage the Group’s position as the listed flagship and capital platform of the COSCO Group, we have completed the feasibility study and the relevant preparation work of acquiring the bulk cargo fleet of the COSCO Group (please refer to the announcement published on the website of Stock Exchange on 29 March). We also discussed the matter relating to A share issue with controlling shareholders and their related parties (please refer to the announcement published on the websites of Shanghai Stock Exchange and Hong Kong Stock Exchange on 27 July). The above matters are being proactively pursued.

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). The primary duties of the audit committee are to review the financial reporting process and the internal controls system 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 a non-executive director, Ms. Sun Yueying, who will meet regularly with management of the Company and the Company’s external auditors, review audit reports, and review the interim and annual financial statements of the Group. The audit committee has reviewed the unaudited Condensed Consolidated Financial Statements, and recommended their adoption by the Board.

CORPORATE GOVERNANCE

The Company is committed to maintain high standards of corporate governance by the Group and the Board considers that effective corporate governance makes an important contribution to corporate success and in enhancing shareholder value.

The Company adopted its own code on corporate governance practices (“Company’s Corporate Governance Code”) which incorporates all the code provisions other than the deviation set out below and a majority of the recommended best practices in the Code on Governance Practices in Appendix 14 to the Listing Rules.

The Code on Governance Practices in Appendix 14 to the Listing Rules requires separation of the role of Chairman and Chief Executive Officer of a listed issuer. Mr. Wei Jiafu currently assumes the role of both Chairman and Chief Executive Officer of the Company.

The Board considered that an abrupt segregation of the role of Chairman and Chief Executive Officer would involve a splitting 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 is aware of any information that would reasonably indicate that the Compauy did not meet the applicable code provisions set out in the Code on Corporate Governance Practices in Appendix 14 to the Listing Rules or the Company's Corporate Governance Code for any part of the six months period ended 30 June 2007.

EMPLOYEES AND REMUNERATION POLICIES

The Group had approximately 18,172 employees as at 30 June 2007. Total staff cost for the Group for the first six months of the year, including directors' remuneration, was approximately RMB1,596,096,000.

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, container terminals, container leasing businesses, the Group has organised many professional and comprehensive training programs during the period. The remuneration policies of the Group are being reviewed on a regular basis, taking into account the Group's results and market conditions, in order to formulate better incentives and appraisal measures.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2007.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the model code for securities transactions by directors set out in Appendix 10 to the Listing Rules ("Model Code") as its own code of conduct ("Code of Conduct") effective from 9 June 2005. Having made specific enquiry of all directors of the Company, they have confirmed that they complied with the required standard set out in the Model Code and the Code of Conduct for the six months ended 30 June 2007.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

The Company has not redeemed any of its listed shares during the six months ended 30 June 2007. Neither the Company nor any of its subsidiaries purchased or sold any of the Company's listed shares during the six months ended 30 June 2007.

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 (http://www.hkex.com.hk). An interim report for the six months ended 30 June 2007 containing all the information required by Appendix 16 to the Listing Rules will be despatched to shareholders and published on the website of the Stock Exchange in due course.

MEMBERS OF THE BOARD

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

By Order of the Board
China COSCO Holdings Company Limited
WEI Jiafu
Chairman and CEO

Beijing, the PRC
24 August 2007

* *The Company is registered as an overseas 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".*