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中國遠洋控股股份有限公司
China COSCO Holdings Company Limited*

(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock code : 1919)

ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2008

FINANCIAL HIGHLIGHTS:

- Revenues of the Group for 2008 were RMB130,871,857,000, representing an increase of RMB18,639,063,000 (or 16.6%) as compared to 2007.
- Profit attributable to equity holders of the Company for 2008 was RMB11,617,012,000, representing a decrease of RMB7,864,855,000 (or 40.4%) as compared to 2007.
- Both the basic and diluted earnings per share for the year of 2008 amounted to RMB1.1371.
- The Board recommends the distribution of a final dividend of RMB0.29 per share for the year of 2008.

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 (collectively, the "Group") for the year ended 31 December 2008, together with the comparative figures for the year ended 31 December 2007, which have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") as below.

FINANCIAL INFORMATION

A. **Financial Information extracted from the Consolidated Financial Statements of the Group for the year ended 31 December 2008 prepared in accordance with HKFRSs:**

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	2008	2007
		RMB'000	*RMB'000*
			(Restated)
Revenues	3	130,871,857	112,232,794
Cost of services and inventories sold	5	(109,081,284)	(87,287,316)
Gross profit		21,790,573	24,945,478
Other (expenses)/income, net	4	(2,957,664)	3,925,467
Selling, administrative and general expenses	5	(4,389,509)	(5,196,796)
Share reform		—	419,596
Operating profit	6	14,443,400	24,093,745
Finance income	7	888,631	660,881
Finance costs	7	(1,012,134)	(1,215,982)
		14,319,897	23,538,644
Profit on disposal of an associate		—	690,002
Share of profits less losses of			
- jointly controlled entities		759,503	878,133
- associates		590,641	1,005,783
Profit before income tax		15,670,041	26,112,562
Income tax expenses	8	(2,962,770)	(4,825,751)
Profit for the year		12,707,271	21,286,811
Attributable to:			
Equity holders of the Company		11,617,012	19,481,867
Minority interests		1,090,259	1,804,944
		12,707,271	21,286,811
Distributions	9(a)	9,940	39,072,345
Dividends	9(b)	2,962,720	1,804,358
		RMB	*RMB*
Earnings per share for profit attributable to the equity holders of the Company			
- basic and diluted	10	1.1371	2.1821

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2008

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

	Note	2008 *RMB'000*	2007 *RMB'000* *(Restated)*
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital		10,216,274	10,216,274
Reserves		39,312,662	34,579,847
Proposed dividends	9	2,962,720	1,804,358
		52,491,656	46,600,479
Minority interests		9,755,106	10,556,006
Total equity		62,246,762	57,156,485
LIABILITIES			
Non-current liabilities			
Long-term borrowings		22,785,251	14,142,178
Provisions and other liabilities		1,013,188	946,854
Derivative financial liabilities		274,630	6,571
Deferred income tax liabilities		3,528,691	1,929,732
		27,601,760	17,025,335
Current liabilities			
Trade and other payables	12	14,761,982	36,055,970
Amount due to a fellow subsidiary		—	536,779
Derivative financial liabilities		3,691,032	536,150
Short-term loans		1,354,423	3,916,671
Current portion of long-term borrowings		2,274,229	1,271,032
Current portion of provisions and other liabilities		5,327,137	21,005
Tax payable		1,155,828	840,378
		28,564,631	43,177,985
Total liabilities		56,166,391	60,203,320
Total equity and liabilities		118,413,153	117,359,805
Net current assets		15,591,597	11,379,686
Total assets less current liabilities		89,848,522	74,181,820

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 **General information**

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

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

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

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

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

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

The parent company of the Bulk overseas companies, COSCON overseas companies and CL overseas company (hereinafter collectively referred to as "Transferred Subsidiaries") is COSCO and the aforesaid transactions are regarded as business combinations under common control.

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

2 Summary of significant accounting policies

(a) Basis of preparation

The Consolidated Financial Statements for the year ended 31 December 2008 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") and the principles of merger accounting as prescribed in Hong Kong Accounting Guideline 5 "Merger Accounting for the Common Control Combinations'' issued by Hong Kong Institute of Certified Public Accountants (the "HKICPA''). These accounting policies have been consistently applied to all the years presented unless otherwise mentioned.

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

The preparation of the Consolidated Financial Statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

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

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

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

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

The adoption of these amendments to standards and interpretations in the current year did not result in any significant changes to the Group's accounting policies and had no material effect on the Consolidated Financial Statements.

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

HKICPA has issued the following new or revised HKFRSs which are relevant to the Group but not yet effective for the year ended 31 December 2008 and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
HKAS 1 (Revised)	"Presentation of Financial Statements"	1 January 2009
HKAS 23 (Revised)	"Borrowing Costs"	1 January 2009
HKAS 27 (Revised)	"Consolidated and Separate Financial Statements"	1 July 2009
HKAS 31 Amendment	"Interests in Joint Ventures"	1 January 2009
HKAS 39 Amendment	"Financial Instruments: Recognition and Measurement — Eligible Hedged Items"	1 July 2009
HKFRS 1 and HKAS 27 Amendments	"Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate"	1 January 2009
HKFRS 2 Amendment	"Share-based Payment Vesting Conditions and Cancellations"	1 January 2009
HKFRS 3 (Revised)	"Business Combination"	1 July 2009
HKFRS 7 Amendment	"Improving Disclosures about Financial Instruments"	1 January 2009
HKFRS 8	"Operating Segments"	1 January 2009
HK(IFRIC)-Int 16	"Hedges of a Net Investment in a Foreign Operation"	1 October 2008
		Effective for accounting period ending on or after
HK(IFRIC)-Int 9 and HKAS 39 Amendments	"Embedded Derivatives"	30 June 2009

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

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

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

3 Revenues and segment information

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

	2008	2007
	RMB'000	*RMB'000*
		(Restated)
Container shipping (note a)	43,799,729	45,776,280
Dry bulk shipping (note b)	70,888,679	52,739,499
Container terminal operations	524,193	305,272
Container leasing (note c)	766,323	819,365
Logistics	14,172,646	11,974,938
Turnover	130,151,570	111,615,354
Manning service income	214,979	161,622
Others	505,308	455,818
Total revenues	130,871,857	112,232,794

Notes:

(a) Turnover from container shipping includes charterhire income under operating leases of RMB328,507,000 for the year ended 31 December 2008 (2007: RMB253,645,000).

(b) Turnover from dry bulk shipping is analysed below:

	2008	2007
	RMB'000	*RMB'000*
		(Restated)
Time charterhire income	45,360,068	36,153,574
Voyage charterhire income	25,528,611	16,585,925
	70,888,679	52,739,499

(c) Turnover from container leasing is analysed below:

	2008	2007
	RMB'000	*RMB'000*
		(Restated)
Operating lease rentals	490,376	382,767
Finance lease income	2,274	2,882
Proceeds from sale of resaleable containers	273,673	433,716
	766,323	819,365

(d) Primary reporting format - business segments

In accordance with the Group's internal financial reporting, the Group has determined that business segments are presented as the primary reporting format and geographical as the secondary reporting format.

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

— Container shipping and related business

— Dry bulk shipping and related business

— Container terminal and related business

— Container leasing and related business

— Logistics

— Other operations that primarily comprise container manufacturing and investment holding. This segment for the year ended 31 December 2007 also included the banking operation which was disposed of in November 2007.

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

The segment results and other information for the year ended 31 December 2008 and 2007 are as follows:

	Year ended and as at 31 December 2008							
	Container shipping and related business	**Dry bulk shipping and related business**	**Logistics**	**Container terminal and related business**	**Container leasing and related business**	**Other operations**	**Inter-segment elimination**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Income statement								
Revenues								
External sales	43,799,729	71,608,966	14,172,646	524,193	766,323	—	—	130,871,857
Inter-segment sales	3,721	2,040	139,983	87,608	990,520	—	(1,223,872)	—
	43,803,450	71,611,006	14,312,629	611,801	1,756,843	—	(1,223,872)	130,871,857
Segment results	291,644	12,642,176	380,385	337,761	909,181	2,608	—	14,563,755
Finance costs								(1,012,134)
Unallocated income, net								768,276
								14,319,897
Share of profits less losses of								
- jointly controlled entities	10,377	168,815	56,863	523,448	—	—	—	759,503
- associates	6,413	34,284	86,909	109,429	—	353,606	—	590,641
								15,670,041
Profit before income tax								
Income tax expenses								(2,962,770)
Profit for the year								12,707,271
Balance sheet								
Segment assets	30,442,286	36,186,834	7,317,591	3,849,759	9,018,301	21	(345,433)	86,469,359
Jointly controlled entities	46,681	859,827	394,713	3,625,591	—	66,869	—	4,993,681
Associates	32,637	118,199	438,206	1,067,558	—	4,461,423	—	6,118,023
Available-for-sale financial assets	35,137	461,844	145,202	2,207,576	—	14,481	—	2,864,240
Unallocated assets								17,967,850
Total assets								118,413,153
Segment liabilities	5,837,874	13,321,559	4,769,596	338,531	463,420	—	(345,433)	24,385,547
Unallocated liabilities								31,780,844
Total liabilities								56,166,391
Depreciation and amortisation	1,089,134	1,798,291	153,157	96,737	549,086	15,218	—	3,701,623
Capital expenditure	8,166,778	5,813,252	448,939	1,231,830	2,455,919	35,565	—	18,152,283
Recovery of bad debts	(3,321)	(1,635)	—	—	(11,628)	—	—	(16,584)
Provision for impairment of trade and other receivables	21,430	242,960	44,596	236	1,155	—	—	310,377
Amortised amount of transaction costs on long-term borrowings	5,877	—	—	2,768	—	3,081	—	11,726
Unrealised fair value loss on freight forward agreements	—	3,687,613	—	—	—	—	—	3,687,613
Provision for onerous contracts	—	5,249,667	—	—	—	—	—	5,249,667
Other non-cash expenses	—	—	—	—	1,954	2,677	—	4,631

	Year ended and as at 31 December 2007 (Restated)							
	Container shipping and related business	**Dry bulk shipping and related business**	**Logistics**	**Container terminal and related business**	**Container leasing and related business**	**Other operations**	**Inter-segment elimination**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Income statement								
Revenues								
External sales	45,776,280	53,356,939	11,974,938	305,272	819,365	—	—	112,232,794
Inter-segment sales	9,565	27,912	179,576	83,254	1,065,310	—	(1,365,617)	—
	45,785,845	53,384,851	12,154,514	388,526	1,884,675	—	(1,365,617)	112,232,794
Segment results	1,656,283	21,489,149	276,034	343,677	975,915	251	—	24,741,309
Share reform	—	—	—	—	—	419,596	—	419,596
Finance costs								(1,215,982)
Unallocated expenses, net								(406,279)
								23,538,644
Profit on disposal of an associate	—	—	—	—	—	690,002	—	690,002
Share of profits less losses of								
- jointly controlled entities	9,555	100,757	104,219	654,568	—	9,034	—	878,133
- associates	4,850	23,913	78,470	42,050	—	856,500	—	1,005,783
Profit before income tax								26,112,562
Income tax expenses								(4,825,751)
Profit for the year								21,286,811
Balance sheet								
Segment assets	28,265,139	38,954,638	7,148,872	2,448,137	9,952,554	34,923	(357,267)	86,446,996
Jointly controlled entities	43,726	669,227	424,308	3,748,969	—	137,619	—	5,023,849
Associates	28,630	102,107	348,593	816,347	—	3,193,570	—	4,489,247
Available-for-sale financial assets	98,134	461,444	375,636	3,674,214	—	99,489	—	4,708,917
Unallocated assets								16,690,796
Total assets								117,359,805
Segment liabilities	6,946,905	7,221,209	4,498,861	137,443	959,350	—	(357,267)	19,406,501
Unallocated liabilities								40,796,819
Total liabilities								60,203,320
Depreciation and amortisation	1,073,785	2,264,284	156,268	52,627	585,121	5,717	—	4,137,802
Capital expenditure	3,799,068	4,695,693	454,649	377,318	4,515,433	1,060	—	13,843,221
Recovery of bad debts	(866)	(34,492)	(4,480)	—	—	—	—	(39,838)
Unrealised fair value gain on freight forward agreements	—	(1,888,024)	—	—	—	—	—	(1,888,024)
Provision for impairment of trade and other receivables	20,972	6,261	8,864	—	3,019	—	—	39,116
Amortised amount of transaction costs on long-term borrowings	5,860	—	—	15,018	—	2,397	—	23,275
Other non-cash expenses	—	—	—	—	7,748	88,290	—	96,038

(e) Secondary reporting format — geographical segments

	2008	**2007**
	RMB'000	*RMB'000*
		(Restated)
Container shipping and related business, container terminals and related business and logistics		
- America	12,822,607	14,257,422
- Europe	13,976,409	14,618,523
- Asia Pacific	6,643,451	6,696,493
- China domestic	22,915,723	20,312,410
- Other international market	2,138,378	2,171,642
Dry bulk shipping and related business		
- International	67,839,105	50,538,165
- China domestic	3,769,861	2,818,774
Unallocated	766,323	819,365
Total	130,871,857	112,232,794

4 **Other (expenses)/income, net**

	2008 *RMB'000*	2007 *RMB'000* *(Restated)*
Dividend income from listed and unlisted investments	191,803	194,996
Subsidy income	77,734	47,591
Gain on disposal of property, plant and equipment, net		
- container vessels	195,515	536,608
- dry bulk vessels	392,350	425,426
- containers	36,852	197,514
- others	26,141	28,822
(Loss)/gain on deemed partial disposal of a subsidiary	(190)	71,087
Gain on disposal of a subsidiary	261	—
Gain on disposal of available-for-sale financial assets	13,689	67,541
Gain on disposal of jointly controlled entities and an associate	2,093	19,186
Net (loss)/gain on derivatives at fair value through profit or loss		
- freight forward agreements	(4,120,762)	2,394,120
- interest rate swap contracts	1,175	(730)
- bunker forward contracts	121,489	48,370
Recovery of bad debts	16,584	39,838
Ineffectiveness on cash flow hedges of freight forward agreements, net	—	25,019
Net exchange gain/(loss)	239,368	(90,563)
Rental outgoings	(19,584)	(19,825)
Provision for impairment of trade and other receivables	(310,377)	(39,116)
Donations	(34,899)	(37,240)
Others	213,094	16,823
Total	(2,957,664)	3,925,467

5 **Expenses by nature**

	2008	2007
	RMB'000	*RMB'000*
		(Restated)
Cost of services and inventories sold		
Container shipping and dry bulk shipping costs		
- Equipment and cargo transportation costs	14,693,414	17,914,865
- Voyage costs	20,634,634	15,789,314
- Vessel costs	46,217,603	34,070,286
- Penalty and compensation	278,385	—
- Provision of onerous contracts	5,249,667	—
- Others	837,857	316,179
Freight forwarding and shipping agency costs	19,036,146	17,150,248
Terminal operating and other direct costs	342,361	192,541
Cost of inventories sold	288,282	446,202
Container depreciation and other direct costs	608,496	594,199
Business tax	894,439	813,482
Total	109,081,284	87,287,316
Selling, administrative and general expenses		
Administrative staff costs	2,686,087	3,393,349
Depreciation and amortisation	272,939	337,642
Rental expense	158,983	182,072
Office expense	229,865	220,282
Transportation and travelling expense	197,854	190,148
Entertainment expense	177,314	169,158
Legal and professional fees	161,618	224,560
Telecommunication and utilities	87,868	109,229
Repair and maintenance expense	60,749	59,389
Others	356,232	310,967
Total	4,389,509	5,196,796

6 **Operating profit**

Operating profit is stated after charging the following:

	2008	2007
	RMB'000	*RMB'000*
		(Restated)
Auditors' remuneration	60,359	95,820
Amortisation		
- leasehold land and land use rights	37,599	17,684
- intangible assets	47,359	51,930
Cost of bunkers consumed	15,150,693	10,569,960
Cost of inventories sold		
- resaleable containers	223,807	372,969
- marine suppliers and others	64,475	73,233
Depreciation		
- container vessels	903,177	822,364
- dry bulk vessels	1,708,819	2,180,166
- containers	536,357	571,181
- other property, plant and equipment	438,947	483,434
- investment properties	29,365	11,043
Operating lease rentals		
- container vessels	3,288,639	3,419,563
- dry bulk vessels	33,459,838	21,406,540
- containers	754,948	1,117,614
- land and buildings	173,316	104,994
- other property, plant and equipment	63,296	91,542

7 **Finance income and costs**

	2008	2007
	RMB'000	*RMB'000*
		(Restated)
Finance income		
Interest income from:		
- deposits with COSCO Finance Co., Ltd ("COSCO Finance")	(174,082)	(66,773)
- loans to jointly controlled entities	(10,807)	(5,277)
- loans to associates	(7,977)	(8,121)
- deposits with a subsidiary of COSCO	—	(25,345)
- banks	(695,765)	(555,365)
	(888,631)	(660,881)
Finance costs		
Interest expenses on:		
- bank loans	803,244	897,737
- bond	—	42,618
- other loans wholly repayable within five years	7,535	13,935
- loans from COSCO Finance	28,543	43,135
- finance lease obligations	12,685	14,849
- amounts due to a fellow subsidiary	19,979	32,602
- notes	112,094	144,514
Fair value gain on derivative financial instruments	(136,127)	(68,459)
Fair value adjustment of notes attributable to interest rate risk	144,389	77,196
	8,262	8,737
	992,342	1,198,127
Amortised amount of transaction costs on long-term borrowings	11,726	23,275
Amortised amount of discount on issue of notes	1,321	1,536
Other incidental borrowing costs and charges	41,163	32,079
Less: amount capitalised in construction in progress	(34,418)	(39,035)
	1,012,134	1,215,982
Net finance costs	123,503	555,101

8 Income tax expenses

	2008	**2007**
	RMB'000	*RMB'000*
		(Restated)
Current income tax		
- PRC enterprise income tax (note a)	3,485,934	3,489,768
- Hong Kong profits tax (note b)	1,787	31,583
- Overseas taxation (note c)	102,034	241,775
(Over)/under provision in prior years	(95,276)	5,375
	3,494,479	3,768,501
Deferred income tax		
- Origination and reversal of temporary differences	(531,709)	1,057,250
	2,962,770	4,825,751

The Group's share of income tax expense of jointly controlled entities and associates for the year totalling RMB156,996,000 (2007: RMB164,634,000) and RMB89,230,000 (2007: RMB90,107,000) are included in the consolidated income statement as share of profits of jointly controlled entities and associates respectively.

Notes:

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

The provision for EIT is based on the statutory rate of 25% on the assessable income of each of the PRC companies of the Group as determined in accordance with the relevant PRC income tax rules and regulations for the year, except for certain PRC companies, which are taxed at reduced rates ranging from 12.5% to 20% (2007:12% to 27%) based on different local preferential policies on income tax and approval by relevant tax authorities.

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the PRC (the "new CIT Law"). The new CIT Law reduces or increases the corporate income tax rate for domestic enterprises and foreign invested enterprises from 33% and 15% respectively to 25% with effect from 1 January 2008.

(b) Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profits derived from or arising in Hong Kong for the year.

(c) Overseas taxation

Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates. These rates range from 15% to 46% during the year (2007: 22% to 46%).

9 Distributions and dividends

(a) Distributions

	2008	**2007**
	RMB'000	*RMB'000*
		(Restated)
Consideration in connected with the purchase of (note i)		
- COSCON overseas companies	9,940	—
- subsidiaries acquired in 2007	—	23,800,242
Dividends and distribution of reserves (note ii)		
- subsidiaries of COSCO	—	8,948,710
- COSCO	—	6,323,393
	9,940	39,072,345

Notes:

(i) These represented consideration paid by the Group for acquisition of equity interests in subsidiaries from COSCO Group. These acquisitions were regarded as business combinations under common control.

(ii) It represented distribution of reserve or dividends declared by the subsidiaries acquired in 2007 to their then shareholders.

(b) **Dividends**

	2008	**2007**
	RMB'000	*RMB'000*
Final, proposed, of RMB0.29 per share (2007: RMB0.18)	2,962,720	1,804,358

Note:

At the meeting held on 22 April 2009, the Directors proposed a final cash dividend of RMB0.29 per share totalling RMB2,962,720,000 for the year ended 31 December 2008.

The proposed 2008 final cash dividend is not reflected as dividend payable in the Consolidated Financial Statements, but will be reflected as an appropriation of retained profits for the year ending 31 December 2009.

On 22 April 2008, the Board proposed a final cash dividend of RMB0.18 pre share, totalling RMB1,838,929,000 for the year ended 31 December 2007. In connection with the Company's shares issued for the acquisition of subsidiaries from COSCO Group in 2007 ("Acquisition Issue"), COSCO has agreed to forfeit the right to receive the dividend of approximately RMB34,571,000 declared by the Company for the period from 1 January 2007 to 31 August 2007 in respect of 864,270,817 A-shares held by COSCO, accordingly such amount as determined was deducted from the 2007 final proposed dividend above.

10 Earnings per share

The calculation of the basic and diluted earnings per share attributable to the equity holders of the Company is based on the following data:

	2008	2007 *(Restated)*
Earnings (RMB)		
Earnings for the purpose of calculating the basic and dilutive earnings per share (note a)	11,617,012,000	19,481,961,000
Number of shares		
Weighted average number of ordinary shares in issue (note b)	10,216,274,357	8,928,183,591
Earnings per share (RMB)		
- Basic and diluted	1.1371	2.1821

Notes:

(a) There is an anti-dilutive effect on the profit attributable to equity holders of the Company if all the outstanding share options granted by COSCO Pacific Limited, a subsidiary, had been exercised. Accordingly, there is no adjustment on the profit attributable to equity holders of the Company used for calculating the diluted earnings per share.

(b) In 2007, the number of shares in issue has been adjusted for the Company's bonus issue effected on 31 May 2007 and the Acquisition Issue on 19 December 2007 as if the bonus issue and Acquisition Issue had been issued for all periods presented.

11 **Trade and other receivables**

	2008	**2007**
	RMB'000	*RMB'000*
		(Restated)
Trade receivables (note a)		
- third parties	5,098,648	8,132,480
- subsidiaries of COSCO	281,216	926,582
- jointly controlled entities	9,233	116,050
- associates	8,237	708
- other related companies	136,388	235,847
	5,533,722	9,411,667
Bills receivables (note a)	113,340	113,032
	5,647,062	9,524,699
Prepayments, deposits and other receivables		
- third parties	3,280,655	3,277,400
- COSCO (note b)	100	33,682
- subsidiaries of COSCO (note b)	289,845	152,052
- jointly controlled entities (note b)	343,014	76,180
- associates (note b)	34,215	23,223
- other related companies (note b)	292,233	65,332
	4,240,062	3,627,869
Current portion of loans to jointly controlled entities	—	70,913
Current portion of loan to an associate	—	48,000
	—	118,913
	9,887,124	13,271,481

Notes:

(a) The normal credit period granted to the trade receivables of the Group is generally within 90 days. Trade receivables primarily consisted of voyage-related and logistics receivables. At 31 December 2008, the ageing analysis of trade and bills receivables is as follows:

	2008	**2007**
	RMB'000	*RMB'000*
		(Restated)
1-3 months	5,287,213	8,678,567
4-6 months	322,124	581,198
7-12 months	105,812	250,736
1-2 years	105,715	61,428
2-3 years	20,301	50,294
Over 3 years	133,327	128,571
Trade and bills receivables, gross	5,974,492	9,750,794
Less: impairment of		
1-3 months	(99,818)	(23,613)
4-6 months	(17,395)	(30,675)
7-12 months	(24,024)	(7,327)
1-2 years	(39,593)	(13,054)
2-3 years	(14,799)	(24,478)
Over 3 years	(131,801)	(126,948)
Provision for impairment	(327,430)	(226,095)
	5,647,062	9,524,699

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

12 Trade and other payables

	2008	2007
	RMB'000	*RMB'000*
		(Restated)
Trade payables (note a)		
- third parties	5,194,802	5,735,047
- subsidiaries of COSCO	554,415	1,107,228
- jointly controlled entities	42,231	182,607
- associates	12,935	206,561
- other related companies	101,275	145,477
	5,905,658	7,376,920
Bills payables (note a)	19,416	39,029
	5,925,074	7,415,949
Advances from customers	1,398,445	2,264,499
Other payables and accruals	6,989,021	7,301,569
Consideration and distribution payable	—	17,460,889
Due to related parties (note b)		
- COSCO	—	1,486,679
- subsidiaries of COSCO	167,594	76,392
- jointly controlled entities	51,056	—
- associates	6,866	—
- other related companies	223,926	49,993
	449,442	1,613,064
Total	14,761,982	36,055,970

Notes:

(a) At 31 December 2008, the ageing analysis of trade and bills payables is as follows:

	2008	2007
	RMB'000	*RMB'000*
		(Restated)
1-6 months	5,585,781	6,970,540
7-12 months	166,157	255,046
1-2 years	81,094	105,396
2-3 years	40,302	45,784
Above 3 years	51,740	39,183
	5,925,074	7,415,949

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

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

13 **Significant subsequent event**

On 5 March 2009, the Parliament of Greece ratified the concession agreement entered between Piraeus Port Authority SA ("PPA") and a subsidiary of COSCO Pacific Limited in November 2008 for the concession of Pier 2 and Pier 3 of the container terminal of Piraeus Port ("Concession"). The COSCO Pacific group would pay the initial consideration of Euro 50,000,000 (equivalent to RMB 483,000,000) within 15 days upon notification in writing from PPA on 13 April 2009 regarding enactment of the law of ratification and the publication of the same in the Government Gazette. The total consideration payable to PPA over the 35-year term of the Concession was estimated to be approximately Euro 831,000,000 (equivalent to RMB 8,027,000,000) in present value terms and the capital commitments amount to approximately Euro 236,000,000 (equivalent to RMB 2,280,000,000) in present value terms.

14 **Comparatives**

The Group has applied merger accounting to account for the purchase of the equity interests in the Transferred Subsidiaries during the year, as if the business combinations had been occurred from the beginning of the earliest financial years presented. The adoption of merger accounting has resulted in changes to the presentation of certain items and comparative figures have been restated accordingly. In addition, certain comparative figures have been reclassified to conform to the current year's presentation.

The financial figures above in respect of the announcement of the Group's annual results for the year ended 31 December 2008 (the "Announcement") have been agreed by the Company's international auditor, PricewaterhouseCoopers, to the amounts set out in the Group's consolidated financial statements for the year ended 31 December 2008. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by PricewaterhouseCoopers on the Announcement.

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

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

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

		Consolidated profit attributable to equity holders of the Company For the year ended 31 December		**Consolidated net assets attributable to equity holders of the Company As at 31 December**	
		2008	**2007**	**2008**	**2007**
			(Restated)		*(Restated)*
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Notes					
	Under CAS	10,830,365	19,090,355	52,091,702	44,949,462
	Adjustments made under HKFRSs:				
1	Difference caused by different recognition and accounting treatment of functional currency	861,876	665,392	(1,158,625)	(682,903)
2	Difference in the cost based of fixed assets and the related difference in depreciation charge	(101,075)	(331,652)	669,454	689,211
3	Difference caused by different recognition for investment that are not commonly controlled or significantly influenced	—	—	924,912	1,709,210
4	Difference caused by different timing of implementing goodwill standard	—	—	3,944	3,663
5	Difference caused by applicable standards for overseas defined benefits plan			(39,731)	(39,731)
6	Others	25,846	57,772	—	(28,433)
Total difference		786,647	391,512	399,954	1,651,017
Under HKFRSs		11,617,012	19,481,867	52,491,656	46,600,479

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

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

3. According to Hong Kong Accounting Standard No. 32 and No. 39, part of available-for-sale investments should be measured at fair value. However, under CAS they should by treated as long-term investment and measured at historical cost.

4. New revised HKFRSs had been applied on 1st January 2005. According to the regulation of No. 3 goodwill would need not to be amortized from 1st January 2005 but subject to impairment assessment each year if there is evidence for impairment. Domestic companies began to implement new "Accounting Standards for Business Enterprises" on 1st January 2007. According to Item Five of "Accounting Standards for Business Enterprises No. 38 - Initial Implementation", the debit investment difference arising from consolidation of companies that are not commonly controlled by the same company should be recognized as cost of long-term investment, which should not be amortized but should be subject to impairment assessment in each year. This difference is caused by different time of ceasing amortization.

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Review of overall performance

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

Container Shipping and Related Businesses

Market review

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

Results performance

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

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

Shipping volume by routes

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

Revenues by routes

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

Fleet development

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

Orderbook of container vessels (31 December 2008)

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

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

Route operation strategies

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

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

Cost control

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

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

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

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

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

Market outlook

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

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

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

Operation plans

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

As for cost controls, the Group will review its suppliers' contracts and renegotiate terms with an aim to further reduce tariff rates. It will also continue to strengthen its tracking and analysis of fuel consumption of its vessels. It will adopt flexible refueling measures and explore new energy saving methods. Bunker forward contracts may be used to lock in cost levels. Through reducing the amount of its stock of containers, the Group will be able to increase its container turnover efficiency.

Furthermore, it will explore routes of lower costs and higher efficiency in order to reduce transshipment costs, use information systems comprehensively to control costs and facilitate work by using the standard project costing template and standard port costing template.

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

Dry Bulk Shipping Business

Market review

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

Results performance

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

Operation strategy

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

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

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

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

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

Fleet development

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

Capacity of the fleet (31 December 2008)

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

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

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

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

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

The status of the Company's FFA

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

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

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

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

3. **Risk management**

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

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

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

4. **Balance of holdings**

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

Market Outlook

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

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

Operation plans

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

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

Logistics Business

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

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

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

Third party logistics

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

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

Shipping agency

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

Freight forwarding

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

Market outlook

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

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

Operation plans

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

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

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

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

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

Terminal and Related Business

Market review

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

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

Business review

The number of terminal joint venture companies in which COSCO Pacific had equity interests increased from 27 companies with a total of 140 berths in 2007 to 28 companies with a total of 146 berths in 2008. The number of terminal wholly-owned and joint venture companies in which the Company had controlling interests increased to 6 companies with a total of 31 berths. The total annual handling capacity of 21 terminals in operation in 2008 was over 45.88 million TEUs, representing a year-on-year increase of 17.7%. According to the statistics of Drewry Shipping Consultants Limited, the market share of the container terminal business of COSCO Pacific accounted for approximately 5.5% of the world's total and the company continued to be the fifth largest terminal operator. The throughputs of the 18 container terminals in the China region grew stably and steadily, totally annual handling capacity of 41.15 million TEUs, representing a year-on-year increase of 11.1%. Jinjiang Pacific Terminal became part of the Company in March 2008 and commenced operations in April, bringing a new source of income for the Company. With respect to overseas terminals, the growth of throughputs was satisfactory, with a total of 4.73 million TEUs, representing a year-on-year growth of 143.2%. This was one of the major driving forces for the growth of COSCO Pacific throughputs for the year.

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

Terminal expansion

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

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

Outlook

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

Container Leasing, Management and Sales Business

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

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

Size of container fleet (unit: TEUs)

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

Container fleet distribution (as at 31 December 2008)

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

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

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

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

Container Manufacturing

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

Production Safety

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

1. Marine accidents: six accidents in 2008. According to the requirements of the "Maritime Transport Accidents Statistics Reputation" issued by the Ministry of Transport of the PRC, there were one general accident and five minor accidents, representing a decrease of four accidents as compared to 2007.

2. Engine accident: one accident in 2008, representing a decrease of two accidents as compared to 2007.

3. Pollution accidents: no pollution accidents, representing a decrease of one accident as compared to 2007.

4. Loading port inspections of 664 voyages, with no-defect confirmations issued for 485 voyages, representing a passing rate of 73% and one held-up vessel, accounting for 0.15% of the total number of vessels, representing an increase of one accident as compared to 2007.

5. Deaths and serious injuries: 17 accidents and no death reports in 2008. The total number of accidents in 2008 was down by 20 as compared to 2007, with a drop of three deaths and one serious injury.

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

Energy Saving and Environmental Protection

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

According to the energy consumption index issued by State-owned Assets Supervision and Administration Commission of the State Council of the PRC unit consumption of coal in 2008 was 0.51 (ton of standard coal/shipping income of RMB10,000), representing a decrease of 12.07% as compared with that of 2007.

Technology Innovation

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

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

Financial review

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

Operational revenues

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

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

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

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

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

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

Operational cost analysis

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

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

- Total operational costs of dry bulk shipping and related business amounted to RMB53,786,074,000, representing a year-on-year increase of RMB20,375,114,000, or 61.0%. Among which, current expenses of vessel leasing amounted to RMB33,459,838,000, representing an increase of

RMB12,053,298,000, or 56.3% as compared to 2007, which was mainly due to the expansion in the size of chartered-in vessels and the higher charter price of dry bulk vessels during the first three quarters, resulting in a rise in the total chartering costs. In addition, due to the rise of international fuel prices and the expansion in the size of the chartered-in vessels, bunker cost increased RMB2,276,757,000 or 89.4%, to RMB4,823,263,000. In 2008, bunker costs accounted for 9.0% of the operational costs of the dry bulk shipping business. Moreover, provision was made for the onerous contracts for chartered-in vessels held by the dry bulk companies at the end of the year, resulting in an increase in cost of RMB5,249,667,000 for the year.

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

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

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

Other (expenses)/income, net

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

Selling, administrative and general expenses

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

Share reform

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

Finance Income

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

Finance Costs

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

Gain of disposal of an associate

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

Share of profits less losses from jointly controlled entities and associates

Net profit contribution from jointly controlled entities to the Group amounted to RMB759,503,000 during 2008, while net profit contribution for the same period in

2007 was RMB878,133,000, representing a decrease of 13.5%. Net profit contribution from associates amounted to RMB590,641,000, while net profit contribution for 2007 was RMB1,005,783,000, representing a decrease of 41.3%.

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

Income Tax expenses

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

Financial Position Analysis

Cash flows

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

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

During 2008, the Group's net cash outflow generated from financing activities amounted to RMB7,519,040,000, principally attributable to the settlement for the distribution of RMB11,557,000,000 by dry bulk shipping companies of the Group to their former shareholders relating to profits prior to acquisition of these companies by the Group.

Cash and cash equivalents

As at 31 December 2008, the Group's balance of cash and cash equivalents decreased from RMB37,624,451,000 as at 31 December 2007 to RMB31,582,436,000, representing a decrease of RMB6,042,015,000, or 16.1%. The dry bulk shipping companies of the Group settled the distribution of RMB11,557,000,000 in relation to their profits prior to acquisition of these companies by the Group, and the increase in the expenses for purchase and construction of vessels resulted in the decrease in the amount of cash and cash equivalents. As at 31 December 2008, the remaining proceeds from the issue of H-Shares by China COSCO in 2005 was RMB317,633,000, and the remaining proceeds from the issue of A-Shares was RMB5,878,062,000.

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

Assets and Liabilities

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

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

Debt analysis

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

Breakdown of borrowings by category:

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

Breakdown of borrowings by currency:

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

Financial guarantee and contingent liabilities

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

Foreign exchange and interest rate risks management

During the year, combining the impact of appreciation of RMB, the Group completed its project for readjustment of the level of interest rates of its original loans and optimization of its loan structures. Meanwhile, the Group also actively managed the current loan interest rates by using various financial instruments, in order to reduce the impact of interest rate fluctuations on the earnings of the Group.

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

OTHER INFORMATION

Closure of Register of Members

The register of members of the Company will be closed from Friday, 8 May 2009 to Tuesday, 9 June 2009, both days inclusive, during which period no transfer of shares will be effected. Holders of H shares of the Company whose names appear on the register of members of the Company on Thursday, 7 May 2009 at 4:30 p.m. are entitled to attend the annual general meeting to be held on Tuesday, 9 June 2009.

Profit Distribution and Dividends

The Board resolved to propose for the year ended 31 December 2008 a cash dividend of RMB0.29 per share (tax inclusive) to the shareholders whose names appear on the H share register on Tuesday, 30 June 2009 at 4:30 p.m. The register of members of the Company will be closed from Thursday, 2 July 2009 to Wednesday, 8 July 2009, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final cash dividend, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's H share registrar, Computershare Hong Kong Investor Services Limited of Units 1806-1807, 18/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 30 June 2009.

Corporate Governance

The Company is committed to maintaining a high standard of corporate governance by the Group and the Board is of the view that effective corporate governance makes an important contribution to corporate operational success and to enhancing shareholders' value.

The Company adopted its own code on corporate governance practices which incorporates all the code provisions (other than the following deviation) and a majority of the recommended best practices in the Code on Corporate 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 as set out in Appendix 14 to the listing companies of the Code requires separation of the roles of Chairman and Chief Executive Officer of a listed issuer. Mr. Wei Jiafu currently assumes the roles of both Chairman and CEO of the Company.

The Board considered that an abrupt segregation of the roles 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.

Appendix 14 of the Code stipulates that every director should be subject to retirement by rotation at least once every three years.

The Company believes that to re-elect the directors of the Company (the "Directors") at annual general meetings is favourable to the sustainability of its operational strategies and systems. As such, the system of retirement by rotation for Directors has not been specified in the Articles of Association of the Company.

Save for the above deviation, none of the Directors is aware of any information that would reasonably indicate that the Company is not, or for any part of the period for the year ended 31 December 2008 has not been, in compliance with the Code.

Model Code for Securities Transactions by Directors

Since the listing of the Company on the Main Board of the Stock Exchange in 2005, the Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code for the dealings in securities transactions by the Directors. Having made specific enquiries with all Directors and supervisors of the Company, they have confirmed that they complied with the required standard set out in the Model Code throughout the year ended 31 December 2008.

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

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

Purchase, Sale or Repurchase of Shares of the Company

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

Service Contracts

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

Share Appreciation Rights Plan

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

On 16 December 2005, the Board granted share appreciation rights to certain Directors, supervisors and senior management officers of the Company and its subsidiaries, and other personnel designated by the Board, including nine Directors and three supervisors of the Company at an exercise price of HK$3.195 each under the SARP. On 5 October 2006, the Board granted share appreciation rights to certain directors, supervisors and senior management officers of the Company and its subsidiaries, and other personnel designated by the Board, including eight directors and three supervisors of the Company, at an exercise price of HK$3.588 each under the SARP. On 4 June 2007, the Company granted further share appreciation rights to certain Directors, supervisors and senior management officers of the Company and its subsidiaries, and other personnel designated by the Board, including seven directors and four supervisors of the Company, at an exercise price of HK$9.540 each under the SARP. The share appreciation rights granted to the seven Directors and four supervisors is equivalent to 6,480,000 shares of the Company, which represent 0.25% of the total number of H shares of the Company. As at 31 December 2008, the Company did not grant any share appreciation rights for 2008.

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 Zhongruiyuehua Certified Public Accountants Co., Ltd. as the international and PRC auditors of the Company for the year ended 31 December 2008. PricewaterhouseCoopers has conducted the audit of the Group's financial statements which are prepared in accordance with HKFRS. Resolutions for the re-appointment of PricewaterhouseCoopers and Zhongruiyuehua Certified Public Accountants Co., Ltd. as the international and PRC auditors of the Company respectively for the year ending 31 December 2009 will be proposed at the forthcoming shareholders' annual general meeting to be held on Tuesday, 9 June 2009.

PUBLICATION OF ANNUAL REPORT

An annual report for the year ended 31 December 2008 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.

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

Beijing, the People's Republic of China
22 April 2009

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. Alexander Reid HAMILTON, Mr. CHENG Mo Chi and Mr. TEO Siong Seng.

* *The Company is registered as a non-Hong Kong 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".*