

OPERATIONAL REVIEW – LOGISTICS AND CONTAINER MANUFACTURING

LOGISTICS

The Group owns a 49% stake in COSCO Logistics, whose major businesses include third party logistics, shipping agency services and freight forwarding. During the year, the profit contribution from COSCO Logistics for the Group amounted to US\$25,006,000 (2007: US\$19,663,000), a 27.2% year-on-year growth from 2007.

In 2008, COSCO Logistics strived hard to strengthen its brand identity by leveraging its leadership in technology and further solidified its dominant position in the market. During the year, COSCO Logistics won tenders for a number of high profile logistics projects, including the logistics service

for the transportation of orbital module and its components, the re-entry module and the unmanned spacecraft model of Shenzhou-7. These projects elevated the brand awareness and reputation of COSCO Logistics in both mainland and international logistics markets.

In 2009, COSCO Logistics will continue to develop its high-end customer base, upgrade its technologies, explore innovative business models and develop domestic-international joint logistics services to bring the business to the next level and seek new breakthroughs in earnings models, with a view to further enhancing profitability and overall competitiveness.

CONTAINER MANUFACTURING

The Group holds a 21.8% stake in CIMC, which is the world's largest container manufacturer, producing more than 50% of the containers in the global market.

In 2008, the Group signed an agreement to sell its interest in Tianjin CIMC North Ocean and Shanghai CIMC Reefer to simplify the shareholder structure of its container manufacturing business.

The global economy downturn has caused a sharp contraction in the container shipping market in the second half of 2008, resulting in a decline in demand for new containers. This led to a relatively sharp decline in the profit of CIMC. As a result, the profit contribution from the container manufacturing business for the Group declined by 42.5% to US\$39,316,000.

Business performance

	2008	2007	y-o-y change
Third party logistics			
Product logistics			
Home appliance (thousand pieces)	58,582	43,182	+35.7%
Automobile (vehicles)	245,874	290,517	-15.4%
Chemical (tons)	3,102,599	2,802,658	+10.7%
Project logistics (RMB in millions)	1,150	832	+38.2%
Shipping agency (voyage)	136,041	138,843	-2.0%
Freight forwarding			
Sea freight forwarding			
Bulk cargo (thousand tons)	141,630	140,884	+0.5%
Container (TEUs)	2,212,978	2,153,882	+2.7%
Air freight forwarding (tons)	121,340	111,007	+9.3%