STEERING THROUGH THE STORM

International

Stock Code: 00517

COSCO INTERNATIONAL HOLDINGS LIMITED

ANNUAL REPORT 2008

CONTENTS

CORPORATE INFORMATION

FINANCIAL SECTION

AFFECTED BY UNPRECEDENTED FINANCIAL TSUNAMI, THE GROUP ACTIVELY OVERCAME VARIOUS DIFFICULTIES AND ACHIEVED STABLE PERFORMANCE BY CAPTURING MARKET OPPORTUNITIES.

FACING SEVERE OPERATING CIRCUMSTANCES IN THE FUTURE, COSCO INTERNATIONAL WILL CONTINUE TO EXPLORE DEVELOPMENT IN SHIPPING SERVICES.

BY STRENGTHENING MARKET RESEARCH AND ADJUSTING ITS OPERATING STRATEGIES, THE GROUP IS WELL PREPARED FOR CRISES, SO AS TO MAINTAIN A STEADY DEVELOPMENT BY STEERING THROUGH THE STORM.

OUR AIM IS TO BECOME A SPECIALISED, UNIQUE AND LEADING SHIPPING SERVICES PROVIDER.

FINANCIAL HIGHLIGHTS

	2008 HK$'000	2007 HK$'000	Change (%)
ANNUAL RESULTS HIGHLIGHTS			
For the year ended 31st December			
Turnover	**2,100,937**	2,309,123	-9
Gross profit	**635,401**	558,447	14
EBITDA	**607,177**	715,236	-15
Operating profit	**203,763**	2,135,127	-90
Profit before income tax	**582,533**	2,658,867	-78
Profit attributable to the equity holders	**491,015**	2,572,623	-81
Profit attributable to the equity holders (excluding profit contribution from SOLHL and gain on deemed disposal of partial interest in SOLHL)	**171,831**	174,374	-1
Basic earnings per share (HK cents)	**33.18**	175.95	-81
Dividends per share (HK cents)	**7.40**	6.30	17

	2008	2007
KEY FINANCIAL RATIOS		
For the year ended 31st December		
Gross profit margin	**30.2%**	24.2%
Interest coverage	**39.8 times**	60.5 times
Current ratio	**1.9 times**	2.0 times
Total liabilities/total assets	**20.3%**	17.8%
Total borrowings/total assets	**4.4%**	3.5%

	2008 HK$'000	2007 HK$'000	Change (%)
TURNOVER BY SEGMENTS			
For the year ended 31st December			
Shipping services			
Sale of coating products	**1,381,076**	1,579,923	-13
Sale of spare parts and navigation equipment	**454,646**	351,236	29
Ship trading and insurance brokerage commission income	**196,382**	127,112	54
Property investment	**68,833**	250,852	-73
TOTAL	**2,100,937**	2,309,123	-9

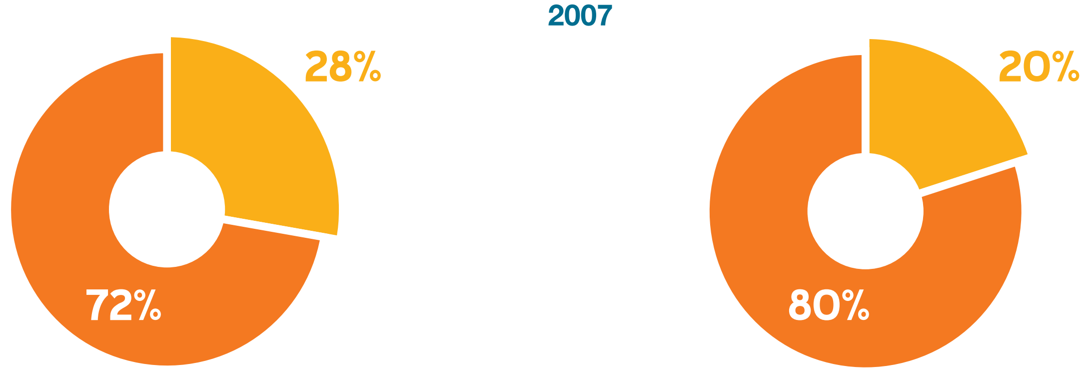
TURNOVER BY SEGMENTS

2008 2007

Shipping services
Property investment

TURNOVER BY GEOGRAPHICAL SEGMENTS

2008 2007



China Mainland
Hong Kong

SHAREHOLDERS' FUNDS

Share premium and other reserves (HK$ million)
Share capital (HK$ million)

HIGHLIGHTS OF THE YEAR 2008

4th FEBRUARY

COSCO International organised a media luncheon in Hong Kong to enhance the communication between the management and the media practitioners.

28th MARCH

Press conference and analysts presentation meeting for 2007 annual results were held in Hong Kong.

3rd APRIL

COSCO International co-organised a seminar regarding integrity management of a listed company with the Independent Commission Against Corruption for its middle and senior management in order to enhance their professional conduct.

23rd MAY

2008 Annual General Meeting was held in Hong Kong and all resolutions were passed.

7th JULY

Mr. Zhang Fusheng was appointed as the executive director and Chairman of the board of the Company (the "Board"). Mr. Wei Jiafu resigned as Chairman and executive director of the Board on the same day.

22nd JULY

COSCO International announced the acquisition of 100% equity interest in 中遠國際貿易有限公司 COSCO International Trading Company Limited ("CITC") for a total cash consideration of RMB142,000,000.

5th SEPTEMBER

A special general meeting was held in Hong Kong regarding the acquisition of 100% equity interest in CITC and all resolutions were approved.

12th SEPTEMBER

Press conference for 2008 Interim results was held in Hong Kong.

18th SEPTEMBER

COSCO International's 2007 Annual Report was awarded the Gold Award for "Financial Data" in the shipping services category in the 22nd International ARC Awards Competition.

ARC Awards 2008
Gold Winner
Financial Data:
Shipping Services

GALAXY Awards 2008 Bronze Winner
Annual Reports: Shipping Services

22nd OCTOBER

COSCO International's 2007 Annual Report was awarded the Bronze Award in the shipping services category in the 19th Annual International GALAXY 2008 Awards Competition.

24th OCTOBER

Mr. Wang Futian was appointed as the Vice Chairman of the Board. Mr. Liu Guoyuan resigned as Vice Chairman and executive director of the Board on the same day.

24th NOVEMBER

The Board of COSCO International and the ex-Vice Chairman, Mr. Liu Guoyuan were presented "Directors of The Year Awards 2008" for listed companies (SEHK-Non-Hang Seng Index Constituents) by The Hong Kong Institute of Directors.

Directors of The Year Awards 2008
Listed Companies (SEHK-Non-Hang Seng Index Constituents)

5th DECEMBER

The acquisition of the entire equity interest in CITC was approved by State-owned Assets Supervision and Administration Commission. CITC became a wholly-owned subsidiary of COSCO International.

COMPANY INFORMATION

DIRECTORS

Executive Directors

Mr. Zhang Fusheng *(Chairman)*
Mr. Wang Futian *(Vice Chairman)*
Mr. Wang Xiaoming
Mr. Liang Yanfeng *(Managing Director)*
Mr. Wang Xiaodong
Mr. Lin Wenjin

Non-executive Directors

Mr. Li Jianhong
Mr. Jia Lianjun
Mr. Meng Qinghui
Mr. Chen Xuewen

Independent Non-executive Directors

Mr. Kwong Che Keung, Gordon
Mr. Tsui Yiu Wa, Alec
Mr. Jiang, Simon X.

COMPANY SECRETARY

Ms. Chiu Shui Suet

QUALIFIED ACCOUNTANT

Mr. Lo Siu Leung, Tony

AUDIT COMMITTEE

Mr. Kwong Che Keung, Gordon *(Committee Chairman)*
Mr. Tsui Yiu Wa, Alec
Mr. Jiang, Simon X.

EXECUTIVE COMMITTEE

Mr. Liang Yanfeng *(Committee Chairman)*
Mr. Wang Futian
Mr. Wang Xiaoming
Mr. Wang Xiaodong
Mr. Lin Wenjin

INVESTMENT COMMITTEE

Mr. Wang Xiaoming *(Committee Chairman)*
Mr. Wang Futian
Mr. Liang Yanfeng
Mr. Wang Xiaodong
Mr. Lin Wenjin

NOMINATION COMMITTEE

Mr. Tsui Yiu Wa, Alec *(Committee Chairman)*
Mr. Kwong Che Keung, Gordon
Mr. Jiang, Simon X.
Mr. Liang Yanfeng

REMUNERATION COMMITTEE

Mr. Jiang, Simon X. *(Committee Chairman)*
Mr. Kwong Che Keung, Gordon
Mr. Tsui Yiu Wa, Alec
Mr. Liang Yanfeng
Mr. Lin Wenjin

RISK MANAGEMENT COMMITTEE

Mr. Liang Yanfeng *(Committee Chairman)*
Mr. Wang Futian
Mr. Wang Xiaoming
Mr. Wang Xiaodong

INDEPENDENT AUDITOR

PricewaterhouseCoopers

LEGAL ADVISERS

Woo Kwan Lee & Lo
Sit, Fung, Kwong & Shum
Conyers Dill & Pearman

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Bank of Communications Company Limited
China Merchants Bank Company Limited
Hang Seng Bank Limited
Industrial and Commercial Bank of China (Asia) Limited
Mizuho Corporate Bank, Limited
The Hongkong and Shanghai Banking Corporation Limited

PRINCIPAL SHARE REGISTRAR

Codan Services Limited
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Abacus Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong

LISTING INFORMATION

The Stock Exchange of Hong Kong Limited
Ordinary share (Stock code: 00517)

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

PRINCIPAL PLACE OF BUSINESS

47th Floor, COSCO Tower,
183 Queen's Road Central
Hong Kong

INVESTOR RELATIONS

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Facsimile	:	(852) 8169 0678
Website	:	www.coscointl.com
E-mail	:	info@coscointl.com

FINANCIAL CALENDAR

2008 Annual General Meeting : 23rd May 2008
Announcement of 2008
Interim Results : 12th September 2008
Announcement of 2008
Annual Results : 27th March 2009
2009 Annual General Meeting : 2nd June 2009

DIVIDENDS

2008 Interim Dividend	: 1.00 HK cent per share
Proposed 2008 Final Dividend	: 6.40 HK cents per share
Total Dividends for 2008	: 7.40 HK cents per share

CORPORATE PROFILE

COSCO International Holdings Limited ("COSCO International" or the "Company") and its subsidiaries (the "Group") are principally engaged in the provision of shipping services. Other business operations are general trading and property investment.

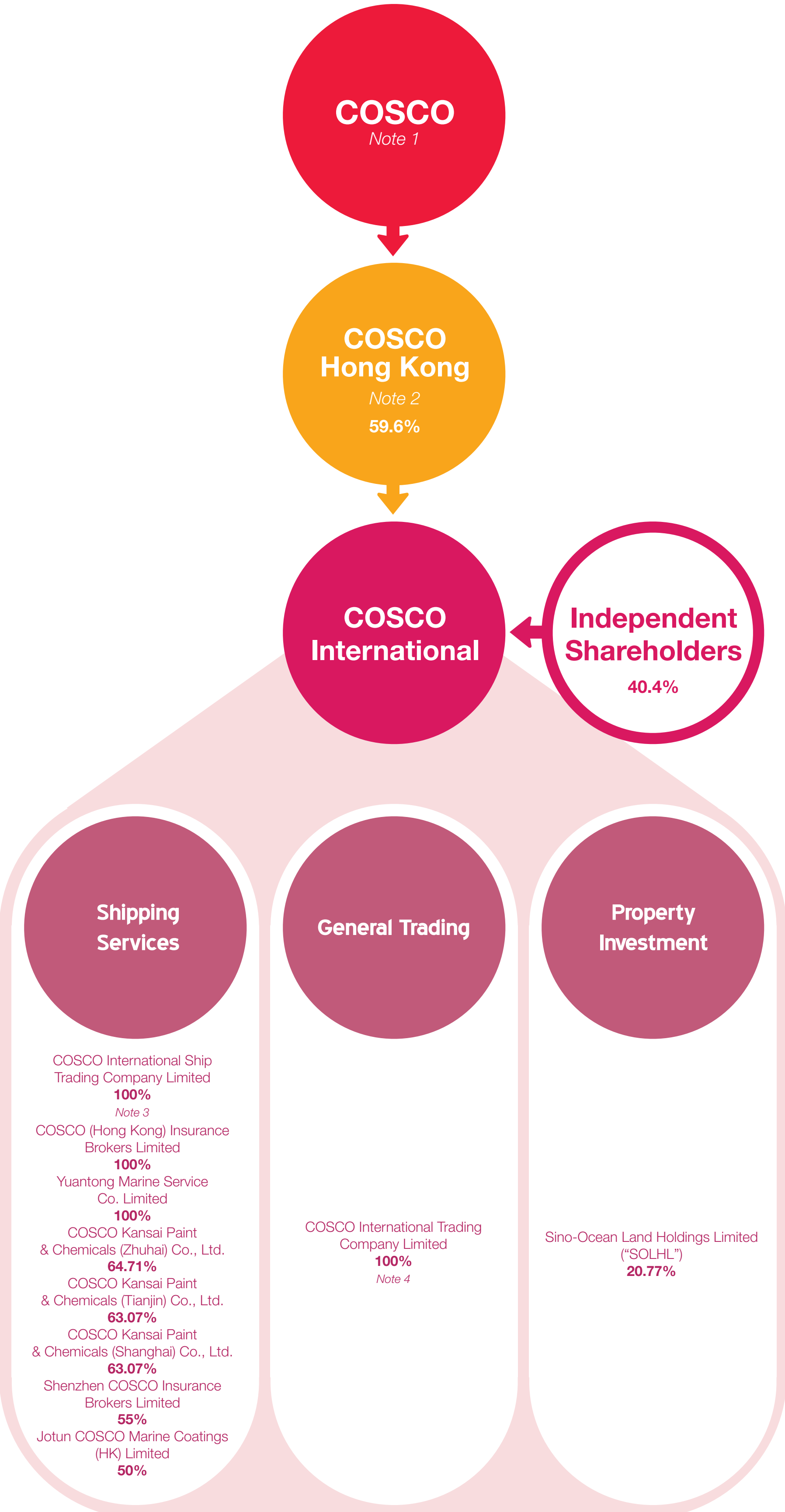
The shares of COSCO International have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "SEHK") since February 1992 under the stock code of 00517. The Company has become a subsidiary of COSCO (Hong Kong) Group Limited ("COSCO Hong Kong") since July 1997 which in turn is a wholly-owned subsidiary of 中國遠洋運輸（集團）總公司 (China Ocean Shipping (Group) Company) ("COSCO"). COSCO and its subsidiaries ("COSCO Group") is a diversified and multinational conglomerate focusing mainly on shipping, logistics and shipbuilding and ship repairing businesses with a leading position in the world. COSCO Group is engaged in the provision of quality services in shipping, logistics and shipbuilding and ship repairing, as well as other ship related businesses.

COSCO International has positioned shipping services as its core business. The Company has laid a platform of shipping services comprising ship trading agency, marine insurance brokerage, sales of marine equipment, spare parts, communications and navigation equipment as well as production and sales of coatings, which grounded a solid foundation for future growth.

Vision COSCO International's vision is to provide quality and professional services for fleets in China and worldwide, through the establishment of a comprehensive, safe, reliable and efficient shipping services supply platform. Our aim is to become a specialised, unique and leading shipping services provider.

Mission By virtue of the support of COSCO Group and leveraging on its substantial resources, COSCO International's mission is to maximise its shareholders' returns. By securing trustworthy and harmonious relationships with its customers, business partners and employees, COSCO International will pursue sustainable growth and maintain its leading position in the shipping services industry.

CORPORATE STRUCTURE



Note 1
COSCO is the ultimate holding company of COSCO International. It operates a fleet of about 800 modern commercial vessels with a total carrying capacity of over 50,000,000 dead weight tonnages.

Note 2
COSCO International is a subsidiary of COSCO Hong Kong. COSCO Hong Kong is an important overseas regional headquarters and conglomerate of COSCO Group which operates and manages a few hundred subsidiaries in Hong Kong and Macau. The main business aspects of COSCO Hong Kong include shipping services, information technology, property development and property management, etc.

Note 3
As a result of the acquisition of the entire equity interest in CITC which owns 40% equity interest in COSCO International Ship Trading Company Limited, the Company owns 100% equity interest in COSCO International Ship Trading Company Limited.

Note 4
On 22nd July 2008, New Legend Holdings Limited, an indirect wholly-owned subsidiary of the Company entered into a conditional share transfer agreement with 中國船舶燃料有限責任公司 (China Marine Bunker (PetroChina) Co., Ltd.), in relation to the acquisition of 100% equity interest in CITC. The transaction was approved by the independent shareholders of the Company on 5th September 2008 and was completed in December 2008.

CHAIRMAN'S STATEMENT

It is my pleasure to announce that the Group achieved expected results for 2008. Profit attributable to equity holders reached HK$491,015,000 with basic earnings per share of 33.18 HK cents. Excluding gain on deemed disposal of partial interest in SOLHL in 2007 and the Group's share of profit of SOLHL, profit attributable to equity holders was slightly down 1% on the same basis. This figure reflected that the performance of the Group's core shipping services business remained relatively stable despite a sharp slip in the global economy during the fourth quarter of 2008. The Group's total turnover during the year was HK$2,100,937,000, down 9% as compared with 2007. In appreciation of shareholders' continued support, the Board proposed a final dividend of 6.40 HK cents per share for 2008. Together with the interim dividend of 1.00 HK cent, total dividends for 2008 was 7.40 HK cents per share, increased by 17% as compared with 2007.

Benefited from the sustained prosperity of the shipping market in the past few years, shipbuilding industry had developed steadily in the first three quarters of 2008. However, impacted by the financial tsunami, the global economy plunged abruptly since the fourth quarter which led to a credit crunch. Diminishing world trade demands resulted in a severe blow to global shipbuilding and shipping markets. However, the Group seised market opportunities to stabilise the performance of its shipping services in 2008. Turnover from all core business segments recorded year-on-year increases except for container coatings business. Turnover from shipping services business accounted for 97% of the Group's total turnover during the year.

Apart from the steady growth in its core business, the Group actively explored new businesses. In December 2008, the Company completed the acquisition of CITC, which is principally engaged in trading of asphalt, vessel spare parts and accessories, as well as integrated trading businesses. Upon completion, the Company had established a new business unit in its core business segments that will provide an operating platform for business development in China Mainland. Furthermore, by entering into a conditional share transfer agreement in March 2009 for the acquisition of 18% equity interests in Double Rich Limited, the Group will participate in trading and supply of bunker oil business, further strengthen and expand the shipping services business and establish a solid foundation for higher efficiency.

FOCUS ON CORPORATE GOVERNANCE

The Company emphasises consistently on corporate governance. The continuous improvement of its corporate governance policies to enhance corporate competitiveness was recognised by professional organisations. During the year, the Board and the ex-Vice Chairman, Mr. Liu Guoyuan were presented "Directors Of The Year Awards 2008" by The Hong Kong Institute of Directors. Besides, COSCO International achieved outstanding performance in disclosure and production of its 2007 annual report and was awarded Gold Prize for Financial Data in shipping services category in International ARC Awards Competition and Bronze Prize in shipping services category in GALAXY Awards Competition. Besides, the Company proactively fulfilled its social responsibility during the year. In 2008, the Company was awarded the Caring Company Logo 2008/2009 by the Hong Kong Council of Social Service in recognition of its efforts in "Employee Friendly" and "Giving".

OUTLOOK PROSPECTS

The global economy is expected to enter into recession in 2009 due to prolonged impact of unprecedented financial tsunami. As international trading volumes waned following the decline in world economy, global shipping and shipbuilding markets experienced further shrinkage. In spite of this, governments of nations around the world have successively injected huge funds and launched financial rescue plans. The PRC government announced a RMB4,000 billion plan to aid economic recovery in 2009-2010 and revival schemes to stimulate various industries, including policies conducive to the development of shipbuilding, transportation and logistics industries. These policies will help resolve current difficulties in securing vessel financing, stabilise economic development and provide support for shipping, shipbuilding and the related ship trading services industries.

Year 2009 will be a year of opportunity and challenge for COSCO International. Facing the market changes, COSCO International will continue to focus its core positioning on shipping services business. Meanwhile, the Company will strengthen market research, adjust its operating strategies, streamline product mix to boost sales and enhance service quality so as to optimise and fortify its existing businesses. With the support from COSCO and COSCO Hong Kong, COSCO International is fully committed to consolidating and developing its existing businesses, and endeavours to expand into new businesses. The Company will actively participate in asset integration among COSCO Group and explore non-COSCO Group project opportunities. For international market expansion, the Company will globalise its shipping services by aiming at steady growth and ultimately become a global shipping services provider.

Besides, to exert the Board's influence in corporate governance, the Company will be committed to further enhancing its corporate governance, improving its internal control mechanism and operational compliance to ensure orderly operation and sustainable growth. In addition, the Company will strive to realise the philosophy and policy undertakings of COSCO as a member of the World Business Council for Sustainable Development, which include improving awareness in staff ethics, environmental protection and safety on production and occupation. By achieving safe, uninterrupted production and with its continued active participation in charitable activities, the Company will be able to perform its obligations as a good corporate citizen.

With the support of COSCO Group as well as the dedication and motivation of management and all employees, I am fully confident with the development prospects of COSCO International. I would like to take this opportunity to express my sincere gratitude to its shareholders and business partners for their continued support and to all members of the Board and the employees for their diligent services.

ZHANG Fusheng
Chairman
Hong Kong, 27th March 2009

The Group's core business, shipping services business, achieved expected results during the year, turnover of which slightly dropped 1% to a level similar to 2007. Steady turnover was primarily due to the fast development of shipping and shipbuilding industries over recent years. Apart from accomplishing the new build and second-hand vessel businesses within COSCO Group during the year and the Group also actively explored market opportunities outside COSCO Group, Ship Trading Agency Services achieved a 77% year-on-year increase in turnover. For marine insurance brokerage services, focusing on exploration of non-COSCO Group business and expansion in China market resulted in a 23% year-on-year increase in turnover over last year. In respect of the sales of spare parts and communications and navigation equipment business, turnover increased by 29% year-on-year through solidifying major customers and expanding the new build vessel business. In view of the significant drop of demand in container coatings market since the fourth quarter, the Group shifted its focus on developing the industrial heavy-duty anti-corrosion coatings business. Meanwhile, the marketing efforts for marine coatings reaped results. Total turnover from all coatings businesses for 2008 amounted to HK$1,381,076,000, a 13% year-on-year drop.

During the year, the Group completed the acquisition of the 100% interests in CITC, which provided an operating platform for the Group's further business expansion into China Mainland. The Group also commenced acquisition of partial interests in Double Rich Limited. Upon completion, the Group would step into trading and supply of bunker oil business. As the information sharing mechanism among companies improves over time, the synergistic effects among different businesses will gradually emerge. Besides, being the largest single shareholder of SOLHL, a well known China property developer, the Company firmly believes that SOLHL will continue to provide a steady stream of profits to the Company.

CORPORATE GOVERNANCE AND INVESTOR RELATIONS

During the year, the Company adjusted the proportion of executive and non-executive directors of the Board to further rationalise its structure. A whistleblowing policy was introduced to provide channel and guidelines for reporting misconducts within the Company. Assessment and supervision were strengthened to enhance the efficiency of internal risk control, while preventive and control measures on investment, funding and foreign exchange risks were implemented. To strengthen communications with investors, securities firms, funds and the media, latest corporate development were disseminated through various road shows during the year, during which the Company solicited opinions and feedback and provided investors with in-depth understanding of the Company.

VICE CHAIRMAN'S STATEMENT

In 2008, the Group continued to position shipping services as its core business. The Group consistently enhanced its operation and governance standard, which enabled sustainable and steady development of the Group in face of of intense market competition and the impact of the global financial tsunami.

FUTURE DEVELOPMENTS

Looking forward, as the economies of major developed countries have run into difficulties, emerging markets will also be facing severe challenges. The significant contraction in international trade volume generally has brought huge challenges to the shipping and shipbuilding industries. Facing these difficult economic environment, the Group has established "risk control, lean management, safety assurance, stable development, and greater profitability" as the work objectives of the year. Corresponding measures will also be formulated to work towards robust development of the Group and to maximise investment returns for its shareholders.

2009 will be a year of hardship. The Group shall further prepare for any potential crises. Risk prevention and control will be a major topic of corporate management under the current circumstances. Efforts will be made to strengthen risk identification, risk analysis and risk assessment in the course of the Group's operations. Prevention and control measures will be improved and implemented in eight risks areas such as market, financial, funding, legal, investment, customer, safety and loss. Meanwhile, corporate management will stress on strengthening financial management, and pursuit of excellence which will generally raise the standard for corporate management. Furthermore, permanent safety management mechanisms will be further implemented to ensure corporate safety and stability. The Group will also foster teambuilding amongst employees to improve their soft power. With dedication and perseverance, the Group will be able to beat adversity and create more profits by all possible means.

In the overall development plan of COSCO Group, the Group has built upon the collective edge of COSCO Group to consolidate and develop its platform for providing global shipping services. In 2009, the Group will continue its development in shipping services and seise opportunities to comprehensively expand in operation scale and enhance its core competitiveness. By continuing leveraging the collective edge of COSCO Group, the Group will solidify existing businesses, expand into new businesses and make use of capital operations to expand asset size, hence ultimately making further contributions in realising maximum values for its shareholders.

WANG Futian
Vice Chairman
Hong Kong, 27th March 2009

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL RESULTS ANALYSIS

The Group's profit attributable to the equity holders was HK$491,015,000 during the year, representing a decrease of 81% as compared to HK$2,572,623,000 in 2007.

Such decrease was largely attributable to a number of factors including: firstly, a substantial one-off gain on deemed disposal of partial interest in SOLHL of HK$1,925,468,000 recognised by the Group in 2007 as a result of the initial public offering of shares by SOLHL ("Deemed Disposal Gain") and no such dilution gain recorded in 2008; and secondly, profit contribution from an associated company, SOLHL, decreased to HK$319,184,000 (2007: HK$472,781,000). Excluding these factors, the Group's profit attributable to the equity holders would be HK$171,831,000 (2007: HK$174,374,000), down 1% as compared with 2007 on the same basis.

On earnings per share performance, basic earnings per share decreased from 175.95 HK cents in 2007 to 33.18 HK cents in 2008.

FINANCIAL REVIEW

Turnover

The Group's turnover for 2008 decreased by 9% to HK$2,100,937,000 (2007: HK$2,309,123,000). From the fourth quarter of 2008 onwards, the Group's container coating business experienced a stagnant market for its products following the drastic decline of worldwide shipping and shipbuilding industries as well as the decrease in international trade volumes. However, the Group's solid performance in ship trading agency, sales of marine equipment, spare parts, communications and navigation equipment and marine insurance brokerage businesses largely mitigated the negative impact brought by the coating sales business. As a result, turnover derived from shipping services slightly decreased by 1% to HK$2,032,104,000 (2007: HK$2,058,271,000), and accounted for 97% (2007: 89%) of the Group's turnover. Turnover from property investment segment reached HK$68,833,000 (2007: HK$250,852,000) representing mainly the sales of retail shops and carparking spaces of the Shanghai Fragrant Garden and accounted for 3% (2007: 11%) of the Group's turnover. The shrinkage in turnover from this segment marked the Group's complete withdrawal from the property development business (except for the shareholdings in SOLHL) following the successful disposal of Shenyang COSCO Yihe Garden in 2007 and liquidation of Shanghai COSCO Honour Property Development Ltd. ("Shanghai Honour") in late 2008.

Gross profit and gross profit margin

The Group's gross profit for 2008 rose 14% to HK$635,401,000 (2007: HK$558,447,000). Due to the increased gross profit earned from the ship trading agency and marine insurance brokerage services commission income, and sales of marine equipment, spare parts, communications and navigation equipment and reduced raw material prices for the coating business, the Group's overall profit margin increased by 6 percentage points to 30% (2007: 24%).

Gain on deemed disposal of partial interest in a jointly controlled entity

The Group recorded a substantial gain on deemed disposal of partial interest in SOLHL of HK$1,925,468,000 due to the initial public offering of shares by SOLHL in September 2007. No such one-off gain recorded in 2008 to generate income of the same nature to the Group in 2008.

Other income

Other income of HK$33,759,000 (2007: HK$54,020,000) comprised further acquisition and deemed acquisition gains of HK$3,096,000 recognised as a result of the Group's further acquisitions of shares in SOLHL and share repurchases by SOLHL during 2008, write-back of provisions for land appreciation tax and property development cost of HK$12,298,000 and HK$6,128,000 respectively following the completion of Shanghai Honour's liquidation in late 2008.

Other expenses

Other expenses for the year increased sharply to HK$105,132,000 (2007: HK$31,863,000). This was largely attributable to fair value losses on investment properties of HK$4,357,000 (2007: fair value gains on investment properties of HK$4,134,000), net exchange loss of HK$15,715,000 (2007: HK$13,052,000), provision for impairment of trade receivables and write-off of bad debts of HK$57,087,000 (2007: HK$7,265,000) and provision for impairment of inventories and write-off of inventories of HK$27,604,000 (2007: HK$6,000). The net exchange loss was largely attributable to the appreciation of Renminbi against US Dollars. Drastic decline of the shipping and shipbuilding industries from the fourth quarter of 2008 onwards with major customers cutting down their production orders and preserving their cash holdings had consequently led to downward pressure on container coating prices and sluggish settlement of receivables. In this circumstance, management considered it prudent to raise the level of provisions.

Operating profit

The Group's operating profit fell drastically by 90% to HK$203,763,000 (2007: HK$2,135,127,000). As explained above, if the Deemed Disposal Gain of HK$1,925,468,000 for 2007 was excluded, the Group's operating profit would be HK$203,763,000 (2007: HK$209,659,000), representing a slight decrease of 3% as compared with 2007.

For 2008, the selling, administrative and general expenses decreased by 3% to HK$360,265,000 (2007: HK$370,945,000), indicating the fruitful result of management's commitment to vigorous control over operating costs in spite of increased cost pressures on rental expenses, employee share option expenses as well as the full year operation of Zhuhai coating plant in 2008 which had only commenced its operation in September 2007. These three expense items experienced a 25% increase to HK$46,681,000 (2007: HK$37,361,000) when compared to 2007.

Finance income – net

The Group's net finance income mainly comprised interest income generated from cash deposits, money market fund investments and loans to a jointly controlled entity of totalling HK$28,127,000 (2007: HK$35,762,000) and finance costs which included interest expenses on short term bank loans of HK$12,842,000 (2007: HK$10,210,000) and other finance charges of HK$2,427,000 (2007: HK$1,613,000). The decrease in interest income was due to the lowering of deposit rates and increase in interest expenses was mainly attributable to increased level of the Group's borrowings.

Share of profits of an associated company and jointly controlled entities

The Group's share of profits from an associated company and jointly controlled entities dropped by 27% to HK$365,912,000 (2007:HK$499,801,000). The Group's share of profit contributions from SOLHL which had decreased by 32% to HK$319,184,000 (2007: HK$472,781,000) and profit contributions from other jointly controlled entities which had increased by 73% to HK$46,728,000 (2007: HK$27,020,000). The changes were mainly driven by decreased financial results of SOLHL and improved performance of Jotun COSCO Marine Coatings (HK) Limited ("Jotun COSCO").

Income tax expense

The Group's income tax expense for the year increased to HK$34,268,000 (2007: HK$23,772,000) while the effective tax rate, defined as the ratio of income tax expenses to profit before income tax after excluding share of profits of jointly controlled entitles and an associated company and the Deemed Disposal Gain, increased from approximately 10% in 2007 to 16% in 2008. Such increases were mainly attributable to decrease in deferred tax credits made in respect of certain timing differences arising from certain expenses accrued by the Group's PRC subsidiaries and deferred tax charges made in respect of withholding tax on undistributed earnings retained by the Group's PRC subsidiaries.

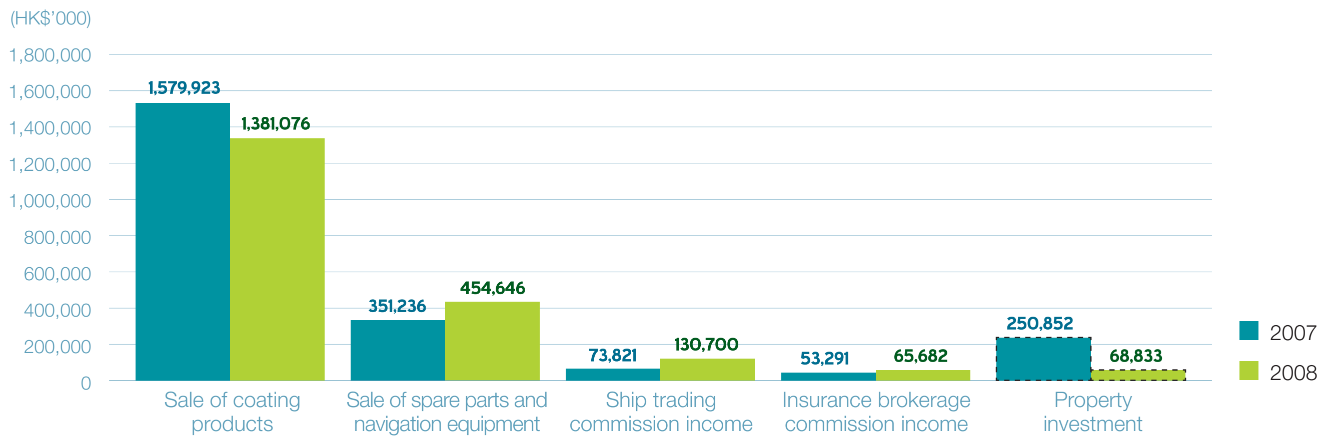
Profit attributable to the equity holders

The Group's profit attributable to the equity holders decreased by 81% to HK$491,015,000 (2007: HK$2,572,623,000). If the Deemed Disposal Gain of HK$1,925,468,000 for 2007 and profit contribution from SOLHL (HK$319,184,000 for 2008 and HK$472,781,000 for 2007) were excluded, the Group's profit attributable to the equity holders would be HK$171,831,000 (2007: HK$174,374,000), down 1% as compared with 2007 on the same basis.

MANAGEMENT DISCUSSION AND ANALYSIS

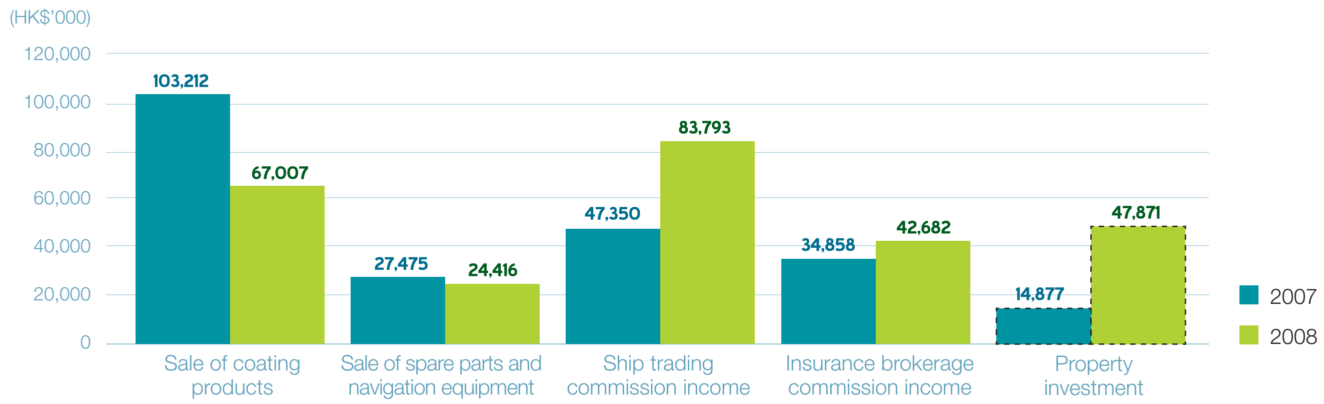
FINANCIAL RESULTS

TURNOVER AND SEGMENT INFORMATION



As a result of the significant decline in global trade volume in the fourth quarter of 2008, the market demand for new containers reduced rapidly, which led to a significant drop in demand for container coatings. Nevertheless, benefited from large amount of vessel delivery in 2008, ship trading agency commission income, insurance brokerage commission income and sale of spare parts and navigation equipment increased and offset the impact from drop in coating business.

SEGMENT RESULTS



The slowdown in container coatings market led to lower sales in coating products, in addition to the impairment provision and write-off of trading receivables and inventories totaling HK$79,240,000, results of the coatings segment as a whole dropped 35% compared with 2007; however, benefiting from the growth momentum of the shipbuilding industry in 2008, the results of ship trading agency and insurance brokerage services recorded significant growth, which provided stability to the overall results of the shipping services segment.

FINANCIAL RESULTS

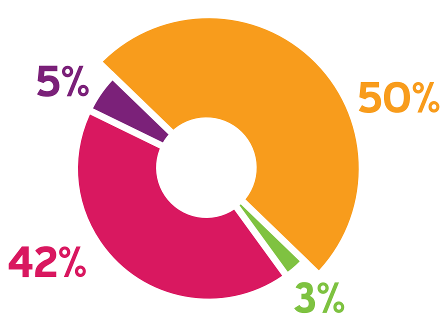
For the year ended 31st December	2008 HK$'000	2007 HK$'000	Change	%	Remarks
Shipping services	**217,898**	212,895	5,003	2	
Property investment	**47,871**	14,877	32,994	222	Mainly derived from sales of retail shops and carparking spaces of Fragrant Garden in Shanghai.
Other operations	**(369)**	(8)	(361)	4,513	
Dividend income from listed and unlisted investments	**484**	2,534	(2,050)	(81)	
Gain on further acquisition and deemed acquisition of an associated company	**3,096**	-	3,096	-	Further acquisition of shares in SOLHL by the Group and shares repurchased by SOLHL during the year.
Gain on disposal of available-for-sale financial assets	**-**	31,139	(31,139)	-	
Gain on deemed disposal of partial interest in a jointly controlled entity	**-**	1,925,468	(1,925,468)	-	In 2007, the Company recorded a substantial gain on deemed disposal of partial interest in SOLHL due to the initial public offerings of shares by SOLHL in September 2007.
Unallocated corporate expenses, net of income	**(65,217)**	(51,778)	(13,439)	26	
Operating profit	**203,763**	2,135,127	(1,931,364)	(90)	
Finance income - net	**12,858**	23,939	(11,081)	(46)	The decrease in interest income was due to the lowering of deposit rates and increase in interest expenses was mainly attributable to increased level of the borrowings during the year.
Share of results of jointly controlled entities	**46,728**	453,082	(406,354)	(90)	Share of results of jointly controlled entities in 2007 included share of profit contributions from SOLHL amounted to HK$426,062,000. Excluding profit contributions from SOLHL and share of results of other jointly controlled entity, share of profit from Jotun COSCO amounted to HK$43,787,000, representing a 95% increase as compared with HK$22,452,000 in 2007.
Share of result of an associated company	**319,184**	46,719	272,465	583	As mentioned above, share of profit contributions from SOLHL in 2007 amounted to HK$472,781,000. The Group's share of profit contributions from SOLHL decreased by 32% to HK$319,184,000 in 2008.
Profit before income tax	**582,533**	2,658,867	(2,076,334)	(78)	
Income tax expense	**(34,268)**	(23,772)	(10,496)	44	Increase in income tax expense mainly attributable to decrease in deferred tax credits made in respect of certain timing differences arising from certain expenses accrued by the Group's PRC subsidiaries and deferred tax charges made in respect of withholding tax on undistributed earnings retained by the Group's PRC subsidiaries.
Loss on disposal of discontinued operations	**-**	(2,827)	2,827	-	
Profit for the year	**548,265**	2,632,268	(2,084,003)	(79)	

MANAGEMENT DISCUSSION AND ANALYSIS

BALANCE SHEET ANALYSIS

As at 31st December	2008 HK$'000	2007 HK$'000	Change	%
Investment properties, property, plant and equipment and prepaid premium for land leases	**163,833**	132,574	31,259	24
Intangible assets	**91,323**	79,616	11,707	15
Jointly controlled entities	**130,935**	93,624	37,311	40
Associated companies	**4,052,810**	3,628,052	424,758	12
Other non-current assets	**79,347**	115,187	(35,840)	(31)
Completed properties held for sale and inventories	**359,366**	400,800	(41,434)	(10)
Trade and other receivables	**887,374**	743,502	143,872	19
Restricted bank deposits	**118,963**	8,006	110,957	1,386
Cash and cash equivalents	**1,373,978**	1,023,338	350,640	34
Other current assets	**1,136**	608	528	87
Total assets	**7,259,065**	6,225,307	1,033,758	17
Deferred income tax liabilities	**8,363**	798	7,565	948
Trade and other payables	**1,128,321**	867,240	261,081	30
Current income tax liabilities	**18,353**	21,190	(2,837)	(13)
Short-term borrowings	**316,960**	216,816	100,144	46
Minority interests	**241,373**	217,517	23,856	11
Total liabilities and minority interests	**1,713,370**	1,323,561	389,809	29
Net assets	**5,545,695**	4,901,746	643,949	13

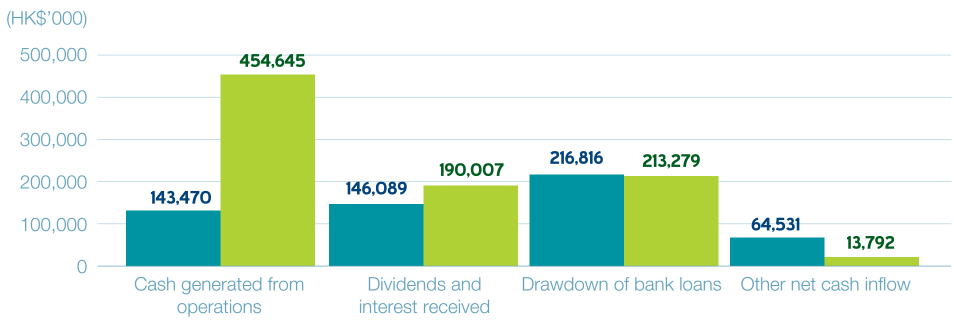
INTERESTS IN ASSOCIATED COMPANIES



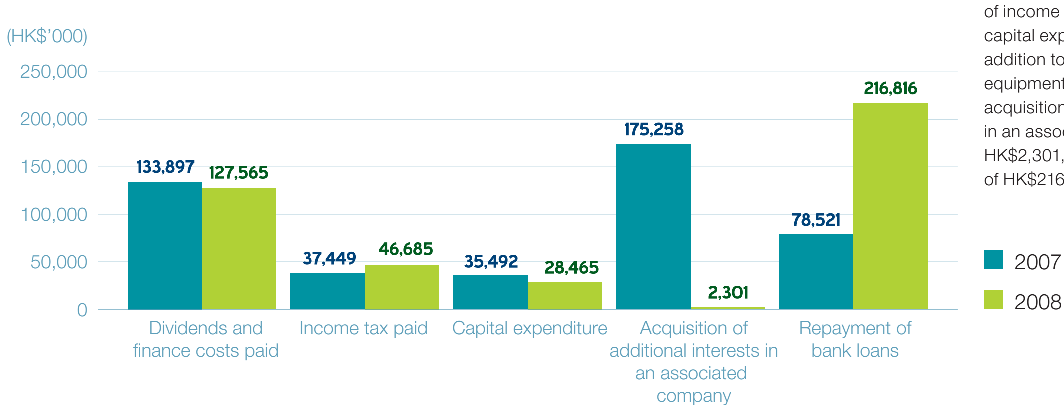
Interests in associated companies increased mainly due to appreciation of Renminbi, which brought forth translation gain of HK$211,194,000. Besides, share of profit of SOLHL amounted to HK$319,184,000, together with attributable reserves of HK$19,127,000, acquisition of a subsidiary of HK$8,943,000, further acquisition of shares of HK$2,301,000 and gains on further acquisition and deemed acquisition of HK$3,096,000 and after deducting dividends received of HK$139,087,000, the Company's interests in associated companies increased by HK$424,758,000 during the year.

MAJOR SOURCES AND USAGE OF CASH

CASH INFLOW



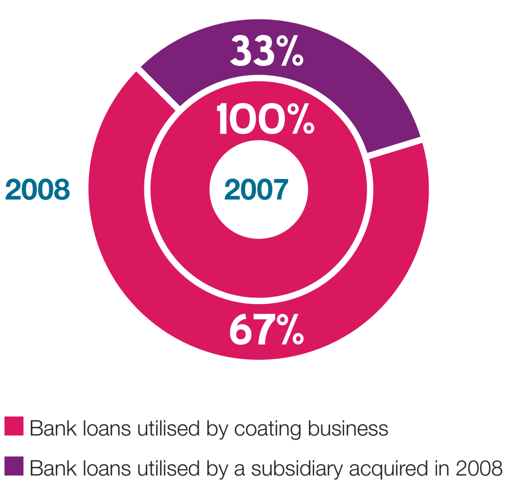
CASH OUTFLOW



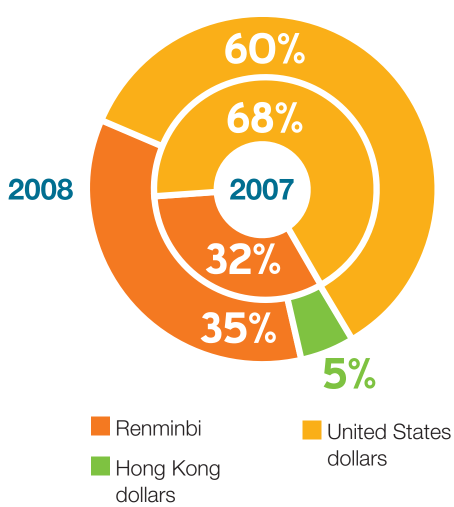
Cash (including restricted bank deposits and cash and cash equivalents) increased by HK$461,597,000 in aggregate during the year with cash generated from operations of HK$454,645,000, dividends and interests received of HK$190,007,000, drawdown of borrowings of HK$213,279,000 and other net cash inflow of HK$13,792,000 as major sources of cash inflow. Apart from this, exchange gains of HK$11,706,000 was recorded at the end of the year due to appreciation of foreign currencies held. Usage of cash principally comprised of payment of dividends and finance costs totaling HK$127,565,000, payment of income tax of HK$46,685,000, capital expenditure (including addition to property, plant and equipment) of HK$28,465,000, acquisition of additional interests in an associated company of HK$2,301,000 and repayment of loans of HK$216,816,000.

ANALYSIS OF SHORT-TERM BORROWINGS

DEBT ANALYSIS



CLASSIFIED BY CURRENCY



At the end of the year, short-term borrowings increased by HK$100,144,000, principally arising from the acquisition of a subsidiary at the end of 2008 which contributed net borrowings of HK$103,681,000. Without taking into account of this factor, short-term borrowings at the end of 2008 decreased by HK$3,537,000 as compared to 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

The Group adopts a prudent yet flexible approach towards financial management through maintaining a strong balance sheet and a relatively low level of borrowings and achieving a high degree of liquidity. The Board believes this approach is beneficial to the Group's long term development as a major shipping services provider and to weather through the times of uncertainty and volatility.

For the year ended 31st December 2008, the Group financed its liquidity requirements by cash generated from operations, dividends from an associated company, bank borrowings, and cash generated from acquisition of subsidiary acquired.

As of 31st December 2008, the Group's consolidated total assets increased by 17% to HK$7,259,065,000 (2007: HK$6,225,307,000). Total liabilities increased by 33% to HK$1,471,997,000 (2007: HK$1,106,044,000).

Net assets value was HK$5,545,695,000 (2007: HK$4,901,746,000). The increase mainly represented retained profit for the year, increased share of reserves of jointly controlled entities and an associated company, exchange differences and the value of new shares issued upon the exercise of options. Net assets value per share was HK$3.72 (2007: HK$3.32), up 12% over the end of 2007.

As at 31st December 2008, the Group's total bank borrowings increased to HK$316,960,000 (2007: HK$216,816,000) whereas the Group's total cash balance and committed yet unutilised standby facilities increased by 45% to HK$1,492,941,000 (2007: HK$1,031,344,000) and by 50% to HK$386,225,000 (2007: HK$258,208,000) respectively. Cash and cash equivalents held by the Group accounted for 50% (2007: 47%) of the Group's current assets.

The increase in bank borrowings was mainly used to finance the purchase of property, plant and equipment for ongoing expansion, upgrade of the Group's production facilities and support working capital needs. Gearing ratio, which represents the ratio of total borrowings to total assets, was 4.4% (2007: 3.5%).

DEBT ANALYSIS

	31st December 2008		31st December 2007	
	HK$'000	%	HK$'000	%
Classified by maturity: – repayable within one year	**316,960**	**100**	216,816	100
Classified by type of loan: – unsecured	**316,960**	**100**	216,816	100
Classified by currency: – Renminbi	**111,127**	**35**	69,384	32
– United States dollars	**188,933**	**60**	147,432	68
– Hong Kong dollars	**16,900**	**5**	–	–
	316,960	**100**	216,816	100

As of 31st December 2008, except for subsidiary's pledge of bank deposits of HK$118,963,000 (2007: HK$8,006,000) for the related banking facilities, the Group did not pledge any other assets to banks as security for bank credit facilities.

In view of the Group's current level of cash and bank balances, funds generated internally from operations, the unutilised banking facilities available and a relatively low debt level, the Board is confident that the Group will have sufficient resources to meet its foreseeable capital expenditures and debt repayment requirements.

Treasury policy

The Group operates principally in Hong Kong and China Mainland, and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to United States Dollars and Renminbi. Foreign exchange risk arises from commercial transactions and recognised assets and liabilities. The Group managed its foreign exchange exposure through matching its operating costs and borrowings against its receivables on sales. Nevertheless, the Group is still exposed to relevant foreign exchange risk in respect of Renminbi and United States Dollars exchange rate fluctuations such that the Group's profit margin might be impacted accordingly. In addition, the conversion of Renminbi into foreign currencies is subject to the rules and regulations of the foreign exchange controls promulgated by the PRC government.

The Group continued to monitor and adjust its debt portfolio from time to time in light of market conditions, the objective of which is to reduce potential interest rate risk exposure, improve debt structure and lower interest expenses.

As at 31st December 2008, borrowings of the Group carried interest at rates calculated with reference to the London Interbank Offered Rate and the benchmark interest rates announced by the People's Bank of China. The Group will consider using forward foreign exchange contracts to hedge its foreign currency exposure should the need arises.

As to investment of surplus funds, the Group invests in highly liquid and secure investments and conduct investments with highly reputable financial institutions both in Hong Kong and China Mainland.

Major customers and suppliers

For the year ended 31st December 2008, aggregate sales to the five largest customers accounted for less than 30% (2007: less than 30%) of total turnover of the Group, while aggregate purchases from the five largest suppliers accounted for less than 30% (2007: less than 30%) of the total cost of sales of the Group.

Employees

As of 31st December 2008, excluding associated companies and jointly controlled entities, the Group had 662 (2007: 610) employees, of which 107 (2007: 104) are Hong Kong employees. The increase in the total number of employees was mainly attributed to the acquisition of 100% equity interest in CITC.

For the year ended 31st December 2008, total staff cost, including directors' emoluments and provident funds, was HK$139,756,000 (2007: HK$132,841,000). Employees were remunerated on the basis of their performance and experience. Remuneration packages include salary, a year-end discretionary bonus, which are determined with reference to market conditions and individual performance. During the year, all of the Hong Kong employees have participated in the Mandatory Provident Fund Scheme.

On 26th November 2003, Directors (excluding Independent Non-executive Directors) and certain employees of the Group were granted share options to subscribe for a total of 44,800,000 shares of the Company at a price of HK$0.57 per share. These share options are exercisable at any time from 23rd December 2003 to 22nd December 2008. On 2nd December 2004, Directors (excluding Independent Non-executive Directors) and certain employees of the Group were granted share options to subscribe for a total of 32,650,000 shares of the Company at a price of HK$1.37 per share. These share options are exercisable at any time from 29th December 2004 to 28th December 2014. On 10th May 2005, certain employees of a subsidiary of the Company were granted share options to subscribe for a total of 2,400,000 shares of the Company at a price of HK$1.21 per share. These share options are exercisable at any time from 6th June 2005 to 5th June 2015. On 9th March 2007, Directors (excluding Independent Non-executive Directors) and certain employees of the Group and its jointly controlled entities were granted share options to subscribe for a total of 25,930,000 shares of the Company at a price of HK$3.666 per share. These share options are exercisable from 9th March 2009 to 8th March 2015 in the stipulated proportion at any time namely: (i) no share options shall be exercisable by the grantees within the first two years from 9th March 2007; (ii) up to a maximum of 30% of the share options can be exercised by the grantees from 9th March 2009 onwards; (iii) up to a maximum of 70% of the share options can be exercised by the grantees from 9th March 2010 onwards; and (iv) all share options can be exercised by the grantees from 9th March 2011 onwards.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

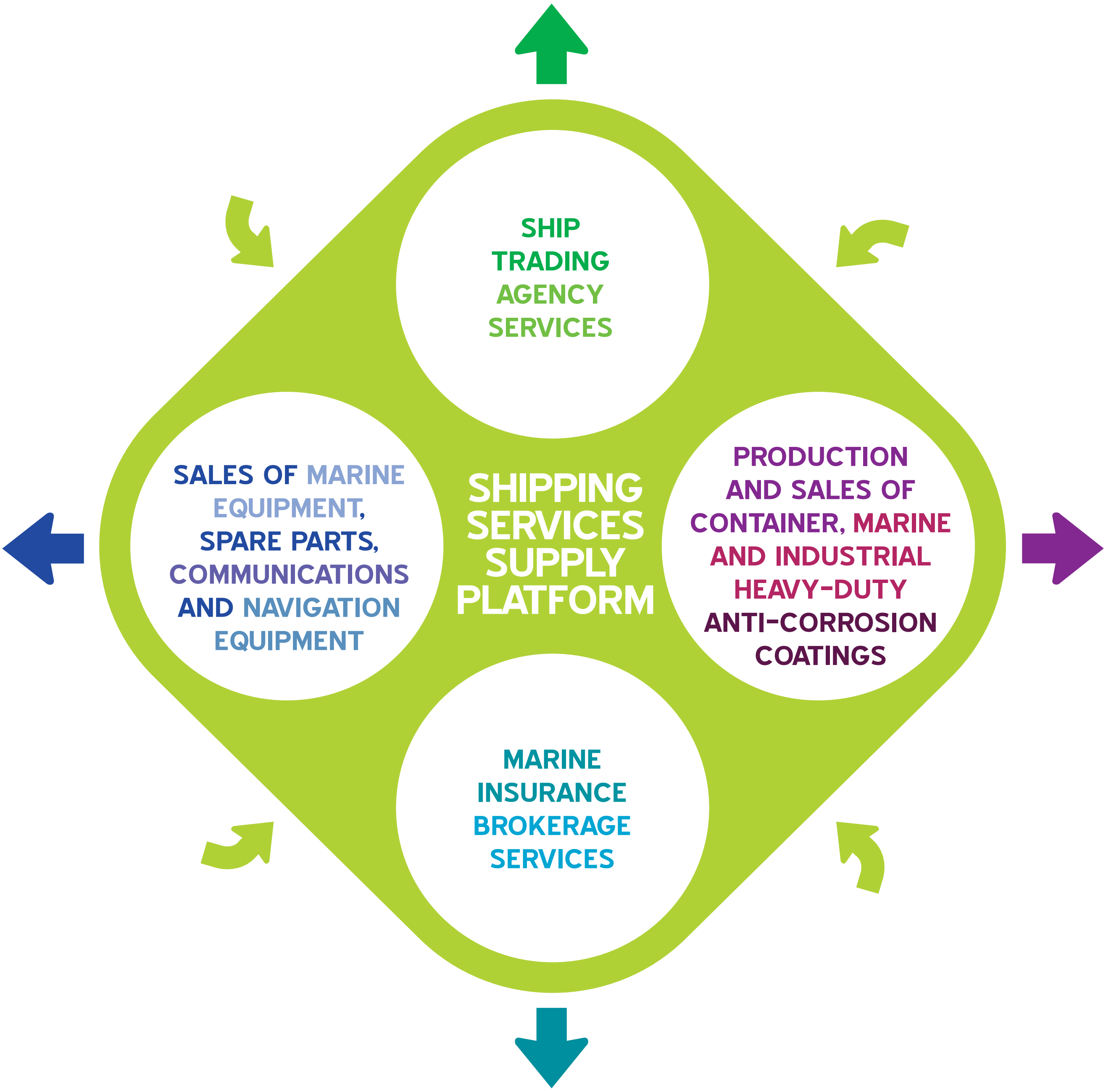
2008 under review, the Group had been continuously implementing its strategic positioning initiative for its core business in shipping services by actively consolidating the development of its core businesses, strengthening the management of key businesses such as ship trading agency services, marine insurance brokerage services, sales of marine equipment, spare parts, communications and navigation equipment, and production and sales of marine coatings. The Group had also been actively exploring external markets, consolidating VIP customers, putting greater efforts into research and development on technology, and successfully procuring new customers and developing new niche markets. Those measures performed well as expected. In addition, the Group was devoted to expanding new businesses. At the end of 2008, the Group completed the acquisition of the entire equity interest in CITC. Since CITC owns 40% equity interest in COSCO International Ship Trading Company Limited ("COSCO Ship Trading") and the Company indirectly owns 60% equity interest in COSCO Ship Trading, COSCO Ship Trading has become a wholly-owned subsidiary of the Company. COSCO Ship Trading is principally engaged in ship trading agency services, which is part of the Group's core shipping services business. Apart from benefiting the Group's reinforcement of its positioning in shipping services businesses, this acquisition also aided the steady growth of the Group. Principally engaged in trading of asphalt as well as trading of various marine spare parts and equipment, CITC may assist the Group realise synergy with its existing businesses in a more effective way.

CORE BUSINESS

1. **Shipping services**

In the first half of 2008, despite the subprime crisis in the United States, global inflation and escalating oil prices, which had caused adverse impacts on the global economies, China's economy still had maintained a steady and fairly fast growth. However, after the outburst of the global financial tsunami in September, global economies suffered from impacts in varying degrees and the reduced demand from developed countries caused a downturn in export businesses of the developing countries. As a result, the global shipping market and shipbuilding industry was in the doldrums. According to statistics from General Administration of Customs of the PRC, China's imports and exports trade in 2008 amounted to US$2,561.6 billion (2007: US$2,173.8 billion), representing an increase of 17.8% as compared with 2007. Aggregated exports increased by 17.2% and aggregated imports increased by 18.5%. Trade surplus amounted to US$295.5 billion, up 12.7% over 2007. Nonetheless, foreign imports and exports trade of the PRC experienced a steep slide since November 2008, when aggregated monthly imports and exports recorded negative growth. The contraction of China's imports and exports trade directly affected the development of the international shipping market.

In addition, the global shipbuilding industry had undergone the unusual and significant changes over recent years in 2008. According to statistics from Clarkson Research Services Limited, global accomplished shipbuilding output and contracts on hand during 2008 reached its highest level in the past decade, while China also achieved the historical high in new build ship orders and contracts on hand, ranking the second among the three largest shipbuilding countries in the world. However, in the wake of the financial tsunami, the banks introduced tight control over credit facilities, which forced some shipyards to face financing difficulties. Huge outflows of funds from the shipbuilding market resulted in significant month-on-month drops in global shipbuilding orders since the fourth quarter of 2008. At the same time, transaction

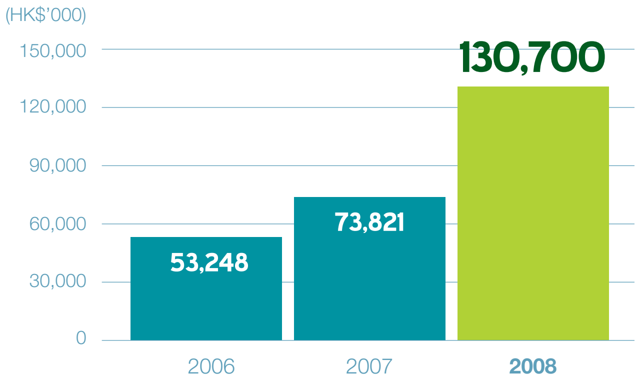


volume in ship trading also significantly declined, thus dragging down the vessel prices. There were also instances where shipbuilding orders were cancelled or amended in the industry, or delays were requested for new vessel delivery, indicating that the shipbuilding rush was apparently cooled down.

Nevertheless, benefiting from the robust development in the shipping market and shipbuilding market in recent years, the Group accumulated shipbuilding orders as an agency for delivery within the next two to three years. In addition, numerous new vessels delivered during the year led to record high commission income from ship trading agency services in recent years, and maintained stable growth in sale of marine equipment and spare parts and marine insurance brokerage services, ensuring the steady development of the shipping services of the Group during the year. For the year ended 31st December 2008, the turnover from shipping services was HK$2,032,104,000, representing a slight decrease of 1% as compared with HK$2,058,271,000 in 2007. This accounted for 97% (2007: 89%) of the total turnover of the Group. The segment results of HK$217,898,000 represented a slight increase of 2% compared with HK$212,895,000 in 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

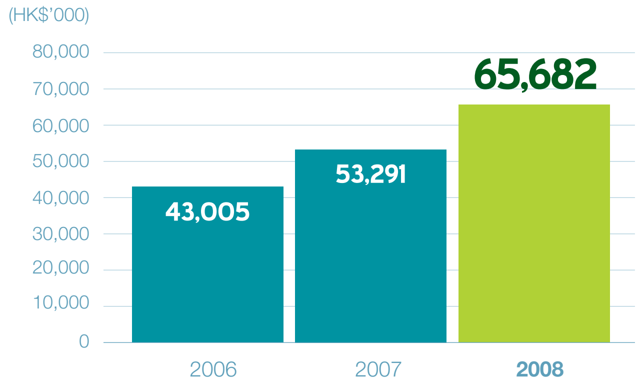
TURNOVER FROM SHIP TRADING AGENCY SERVICES



COSCO Ship Trading, a wholly-owned subsidiary of the Company at the end of 2008, is principally engaged in provision of exclusive agency services relating to shipbuilding, ship trading and chartering for COSCO Group fleet, as well as relevant agency services to non-COSCO Group shipping companies.

During the year, COSCO Ship Trading recorded a surge in turnover to HK$130,700,000 (2007: HK$73,821,000), representing an increase of 77% over 2007. In relation to the turnover for 2006 to 2008 from COSCO Ship Trading, please refer to the above chart.

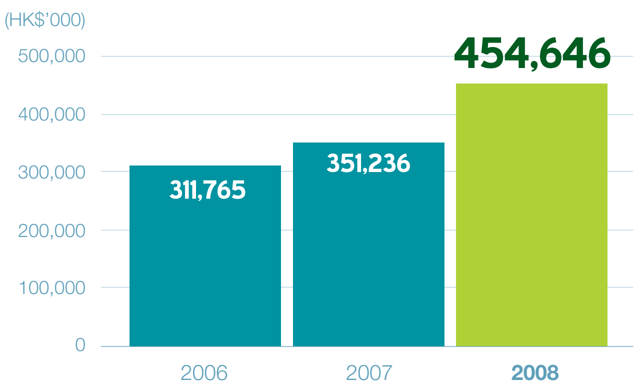
TURNOVER FROM MARINE INSURANCE BROKERAGE SERVICES



COSCO (Hong Kong) Insurance Brokers Limited ("HK COSCO Insurance Brokers"), a wholly-owned subsidiary of the Company, mainly operates intermediary businesses in relation to marine insurance and ship owner's liability insurance. In addition, 深圳中遠保險經紀有限公司 (Shenzhen COSCO Insurance Brokers Limited) ("SZ COSCO Insurance Brokers"), a non-wholly owned subsidiary of the Company, is also engaged in the provision of insurance brokerage services in China Mainland.

During the year, the marine insurance brokerage services of HK COSCO Insurance Brokers and SZ COSCO Insurance Brokers (collectively called "COSCO Insurance Brokers") recorded a turnover of HK$65,682,000 (2007: HK$53,291,000), representing an increase of 23% as compared to 2007. In relation to the turnover for 2006 to 2008 contributed by the marine insurance brokerage services, please refer to the above chart.

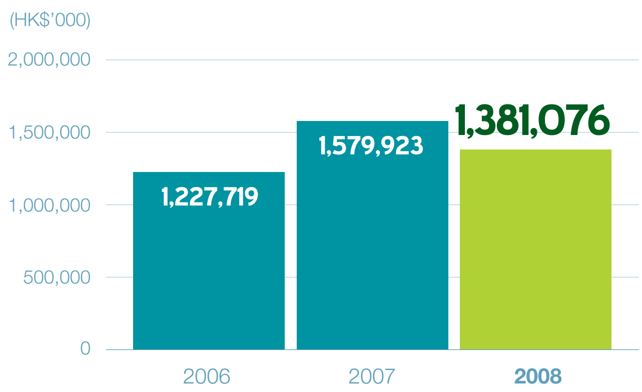
TURNOVER FROM SALES OF MARINE EQUIPMENT, SPARE PARTS, COMMUNICATIONS AND NAVIGATION EQUIPMENT



Yuantong Marine Service Co. Limited ("Yuantong"), a wholly-owned subsidiary of the Company, is principally engaged in the sales and installation of marine equipment and spare parts for existing and new vessels, as well as oil drilling project at sea, communications systems, shore-based AIS systems, vessel traffic management systems and information management systems for land users.

During the year, Yuantong's turnover was HK$454,646,000, representing an increase of 29% as compared with HK$351,236,000 in 2007. In relation to the turnover for 2006 to 2008 from Yuantong, please refer to the above chart.

TURNOVER FROM PRODUCTION AND SALES OF COATINGS



中遠關西塗料化工（天津）有限公司 (COSCO Kansai Paint & Chemicals (Tianjin) Co., Ltd.) ("COSCO Kansai (Tianjin)"), 中遠關西塗料化工（上海）有限公司 (COSCO Kansai Paint & Chemicals (Shanghai) Co., Ltd.) ("COSCO Kansai (Shanghai)"), and 中遠關西塗料化工（珠海）有限公司 (COSCO Kansai Paint & Chemicals (Zhuhai) Co., Ltd.) ("COSCO Kansai (Zhuhai)"), (collectively called "COSCO Kansai Companies") are principally engaged in the production and sales of container coatings and industrial heavy-duty anti-corrosion coatings. Jotun COSCO is principally engaged in the production and sales of marine coatings.

During the year, the production and sales of coatings segment recorded a turnover of HK$1,381,076,000 (2007: HK$1,579,923,000), representing a decrease of 13% as compared with that of 2007. In relation to the turnover for 2006 to 2008 contributed by the production and sales of coatings, please refer to the above chart.

MANAGEMENT DISCUSSION AND ANALYSIS

COSCO Ship Trading consummated transactions for the sale and purchase of new build and second-hand ships amounting to 59 vessels, equivalent to a total of 4,480,000 dead weight tonnages.

SHIP TRADING AGENCY SERVICES

1.1 Ship trading agency services

COSCO Ship Trading, a wholly-owned subsidiary of the Company at the end of 2008, is principally engaged in provision of exclusive agency services relating to shipbuilding, ship trading and chartering for COSCO Group fleet, as well as relevant agency services to non-COSCO Group shipping companies. COSCO Ship Trading mainly derives its turnover from agency commissions. In the case of new vessels, COSCO Ship Trading is paid commissions by shipbuilders according to shipbuilding progress as stipulated in the contracts. As for second-hand vessels, trading commissions are paid according to the contracts after the vendors had delivered vessels to buyers.

As a consequence of the global financial crisis, transaction volume in the ship trading market during the year significantly declined as compared with 2007. COSCO Ship Trading consummated transactions for the sale and purchase of 59 vessels (2007: 107 vessels), amounting to a total of 4,480,000 dead weight tonnages (2007: 6,670,000 dead weight tonnages). COSCO Ship Trading had been well positioned to secure part of its ship trading commission income for 2008 through the contracts executed during the preceding years. As a result, COSCO Ship Trading recorded a surge in turnover to HK$130,700,000 (2007: HK$73,821,000), representing an increase of 77% over 2007.

It is expected that new shipbuilding orders will significantly fall in 2009 due to the credit crunch and uncertain prospect of the shipping market. It is expected that various factors such as the gradual release of the shipbuilding capacity and the drop in steel prices will bring about increasing pressure for downward adjustment of both new build and second-hand vessel prices. However, second-hand vessel transactions and vessel dismantling transactions will become active. The governments around the world have been actively putting forward financial rescue packages. The policy put forward by the PRC government to stimulate the development of the shipbuilding industry will include reinforced efforts in providing financial and credit support for the shipbuilding industry, with the aim of achieving a sustainable development of the industry. These policies will help solve insufficient vessel financing, and therefore provide active support for the shipbuilding industry and related trading services industries.

Confronted with this evolved situation in the global ship trading market in 2009, COSCO Ship Trading will put risk control as its major mission. This includes control over, among other things, market risks and customer risks to ensure performing effective management over recognised orders. Meanwhile, COSCO Ship Trading will enhance its market research and communication with other shipping companies of COSCO Group, and enhance internal management and improve service quality, as well as putting greater efforts in exploring new ship trading businesses. At the time of shipbuilding market downturn, the vessel dismantling market and second-hand vessel market will provide COSCO Ship Trading with new opportunities. COSCO Ship Trading will strive to achieve better results by putting more efforts in the development in the vessel dismantling and second-hand vessel market inside and outside of COSCO Group.

MARINE INSURANCE BROKERAGE SERVICES

Turnover from the marine insurance brokerage services contributed by COSCO Insurance Brokers totaled HK$65,682,000, representing an increase of 23% as compared to 2007.

1.2 Marine insurance brokerage services

HK COSCO Insurance Brokers has Lloyd's broker accreditation and mainly operates intermediary businesses in relation to marine insurance and ship owner's liability insurance. SZ COSCO Insurance Brokers is also engaged in provision of insurance brokerage services in China Mainland. During the year, the marine insurance brokage services of COSCO Insurance Brokers recorded a turnover of HK$65,682,000 (2007: HK$53,291,000), representing an increase of 23% as compared to 2007. The increase in turnover was mainly attributable to the robust shipping market in the first half of 2008 and the success in procuring new customers.

In view of the continuously weak shipping markets resulting in the fall in vessel prices and the significant decline in charterers' liabilities insurance, it is expected that insured sums will decrease and commission income from insurance brokerage will reduce. Confronted with keen market competition, COSCO Insurance Brokers will, while stabilising its existing business, continue their development of hull mutual insurance for vessels registered in China Mainland and actively pursue markets for new insurance products. They will also explore ways to improve marketing capabilities, enhance management and reduce costs, in order to achieve even greater operating efficiencies. Furthermore, COSCO Insurance Brokers will continue to position itself appropriately for the insurance business development of newly delivered vessels of COSCO Group, and put more efforts in cultivating insurance brokerage businesses from prospective local shipping companies.

MANAGEMENT DISCUSSION AND ANALYSIS

SALES OF MARINE EQUIPMENT, SPARE PARTS, COMMUNICATIONS AND NAVIGATION EQUIPMENT

Due to the increase in sales of the equipment for new build vessels business and increased orders for spare parts, communications and navigation equipment as well as newly successful bidding for a land-based communication project, turnover from Yuantong amounted to HK$454,646,000, representing an increase of 29% as compared to 2007.

1.3 Sales of marine equipment, spare parts, communications and navigation equipment

Yuantong is principally engaged in the sales and installation of marine equipment and spare parts for existing and new vessels, as well as oil drilling project at sea, communications systems, shore-based AIS systems, vessel traffic management systems and information management systems for land users. During the year, Yuantong's turnover was HK$454,646,000, representing an increase of 29% as compared with HK$351,236,000 in 2007. This was mainly attributable to the increase in the sales of equipment for new build vessels business and increased orders for spare parts, communications and navigation equipment, as well as newly successful bidding for a land-based communication project.

Although the development of the shipbuilding industry in China Mainland has boosted demand for marine ancillary equipment, keen competition among the distributors arises. Direct sales businesses gradually increase at the expense of market share for traditional suppliers. In addition, due to the recent uncertain prospects for the shipping market and the shipbuilding market, various shipping companies have begun to reduce purchase of spare parts in order to lower costs, which results in a significant decrease in demand for spare parts. Under current circumstances, Yuantong will continue to forge closer relations with suppliers, enhance communications, promotion and ancillary services, enhance synergies between various members of COSCO Group, strive for support from ship owners and shipyards, further expand the products mix distributed by Yuantong, study and screen domestic brand products made in China Mainland, explore new channels for distribution and seek new niche markets for profit growth.

MANAGEMENT DISCUSSION AND ANALYSIS

PRODUCTION AND SALES OF CONTAINER, MARINE AND INDUSTRIAL HEAVY-DUTY ANTI-CORROSION COATINGS

Production and sales of coating products segment recorded a turnover of HK$1,381,076,000, representing a decrease of 13% as compared to 2007.

1.4 Production and sales of coatings

COSCO Kansai Companies are principally engaged in the production and sales of container coatings and industrial heavy-duty anti-corrosion coatings. Jotun COSCO, the 50/50 joint venture formed by the Company and Jotun A/S, Norway, is principally engaged in the production and sales of marine coatings. During the year, the production and sales of coatings segment recorded a turnover of HK$1,381,076,000 (2007: HK$1,579,923,000), representing a decrease of 13% as compared with that of 2007.

1.4.1 Container coatings

COSCO Kansai Companies have established coating plants in Zhuhai, Shanghai and Tianjin. Those three coating plants are located in the three most economically developed regions in China, namely the Pearl River Delta, the Yangtze River Delta and the Pan-Bohai Rim Area respectively, with total production capacity of 100,000 tonnes. During the first three quarters of 2008, COSCO Kansai Companies recorded a steady performance in container coatings business. However, affected by the global financial crisis, the market demand for manufacturing containers rapidly reduced and the order for new containers sharply decreased. Some container manufacturing plants stopped their production because of lack of orders. The sharp fall in demand for containers led to a significant drop in demand for container coatings, which resulted in a sharp fall in the container coatings orders of COSCO Kansai Companies in the fourth quarter of 2008. During the year, the total sales volume of COSCO Kansai Companies was 51,034 tonnes, representing a decrease of 20% as compared to 63,985 tonnes in 2007.

It is expected that shipping companies and container leasing companies will further reduce demand for new containers in 2009 because of various factors such as overcapacity of the container transportation sector and the constant high level of container inventories. Therefore, demand for container coatings will accordingly reduce. However, as container prices have further diminished and the economic recovery policies of various governments have been launched, there are hopes that the market players will gradually restore their confidence to purchase containers. However, it is expected that there will be much fewer container orders globally for this year than 2008. As keen competition for container coatings will be further intensified, COSCO Kansai Companies will continue to maintain close relationship with their key customers, optimise the procurement procedure for raw materials, reduce procurement costs, strengthen internal management, optimise the business process and pay effort to diminish the material adverse impact from the market.

MANAGEMENT DISCUSSION AND ANALYSIS

Sales Volume of Coatings (Tonnes)	2008	2007	Change
● Container coatings	**51,034**	63,985	-20%
● Marine coatings	**72,014**	42,688	+69%
● Industrial heavy-duty anti-corrosion coatings	**10,091**	9,164	+10%

▲ Jotun COSCO

▲ COSCO Kansai Companies

3 **Guangzhou**
Production base & sales centre

6 **Shanghai**
Production base & sales centre

7 **Tianjin**
Production base & sales centre

8 **Zhuhai**
Production base & sales centre

1.4.2 Marine coatings

Jotun COSCO is principally engaged in the production and sales of marine coatings in China (including Hong Kong and Macau Special Administrative Regions). During the year, marine coatings sales volume amounted to 49,665,000 litres (equivalent to 72,014 tonnes), representing a significant increase of 69% compared with 29,440,000 litres (equivalent to 42,688 tonnes) in 2007. It was ranked as a key player in terms of its market share in the marine coatings market in 2008, mainly attributable to the prosperous development in China shipbuilding and ship repairing markets and remarkable progress in exploring markets.

Since the shipping market is weak, there will be fewer market demands for coatings used in new shipbuilding and ship refitting. However, it is expected that the sales of marine coatings will be relatively stable as a result of delivery of new build vessels in 2009. In face of the keen market competition, Jotun COSCO will take advantage of the recognised new orders for shipbuilding coatings and continue to strengthen customer management, give priority to develop VIP customers and customers with stable businesses, strive for orders actively, adjust sales strategies, put greater efforts in marketing coatings for ship repairing and maintenance, make appropriate arrangements for orders and capacity, strictly control product quality and constantly improve service quality, in an attempt to consolidate and enhance the market penetration of Jotun COSCO in China and become the first preference for customers.

1.4.3 Industrial heavy-duty anti-corrosion coatings

China Mainland's demand for infrastructure had grown at a faster pace, which stimulated a rapid growth in demand for industrial heavy-duty anti-corrosion coatings. During the year, COSCO Kansai Companies focused on developing industrial heavy-duty anti-corrosion coatings and achieved satisfactory sales results. Sales volume amounted to 10,091 tonnes, representing an increase of 10% compared with 9,164 tonnes in 2007 because the sales of industrial heavy-duty anti-corrosion coatings were domestically-oriented and were not affected by the unfavourable external economic factors.

With a series of policies launched to expand domestic demand and investment in China Mainland, it is expected that there will be a significant increase in construction scale for infrastructure in China Mainland in 2009, representing a steady increase in demand for industrial heavy-duty anti-corrosion coatings. COSCO Kansai Companies, in 2009, will focus on developing industrial heavy-duty anti-corrosion coating products mainly for fast-growing industries, such as nuclear stations, ports, electricity, oil, petrochemical, transportation and municipal infrastructure in order to expand the market share of relevant products and develop new niche markets for profit growth.

1.5 Others

CITC had become a wholly-owned subsidiary of the Group since December 2008. CITC is principally engaged in trading of asphalt and trading of various vessel spare parts and accessories, as well as other comprehensive trading. CITC is familiar with the market and the market operations in China Mainland and has abundant experience in international trading and has constant suppliers and stable market share, which generates synergies between the Group's shipping services business, serving an important platform for the Group to tap into the domestic markets in China Mainland. With the support from the PRC Government which launched measures to expand domestic consumption, including the policy to expand infrastructure projects, it is estimated that various provinces and municipalities in China Mainland will increase investments in road construction in 2009, leading to a corresponding increase in imports of asphalt for highways, which will benefit CITC to capitalise on its advantages to expand relevant markets.

2. Property investment

In order to cope with high inflation, the PRC government imposed stricter control over the funding available for real estate developers and availability of mortgages for home buyers, thus suppressing the demand and supply in the property market in early 2008. With the slowdown of China's economic growth, the PRC property market has seen a greater downturn since the fourth quarter of

2008. To support a healthy development in the property market, the PRC government has introduced austerity measures to facilitate the property market development.

In 2008, the segment turnover of property investment decreased by 73% to HK$68,833,000 (2007: HK$250,852,000), accounting for 3% of the total turnover of the Group. This was mainly due to the completion of the sale of Shenyang COSCO Yihe Garden, the last development project of the Group, in November 2007, the revenues prior to sale were reflected in the 2007 financial statements.

Upon the completion of Fragrant Garden, the Group's property development in Shanghai, its residential portion was sold and handed over. Shanghai COSCO Honour Property Development Limited, the project holding company, had applied to commence and completed voluntary liquidation, with approval of registration cancellation by Shanghai Administration of Industry and Commerce in October 2008.

Comparing with 2007, segment results increased by 222% to HK$47,871,000 (2007: HK$14,877,000) was mainly due to write-back of certain provisions previously made for Fragrant Garden which were no longer required after the liquidation of Shanghai COSCO Honour Property Development Limited.

3. Investment in associated company Sino-Ocean Land Holdings Limited

As at 31st December 2008, the Company holds 20.77% equity interest in SOLHL, the shares of which are listed on the SEHK. SOLHL holds 100% interest in Sino-Ocean Land Limited ("SOLL").

SOLL is a well known property developer in China Mainland and principally engaged in the development of medium to high-end residential properties and premium grade office buildings, retail properties, serviced apartments and hotels. Apart from a leading position in Beijing and the Pan-Bohai Rim, SOLL also expands into the regions with rapid economic growth such as the Pearl River Delta and the Yangtze River Delta. For the year ended 31st December 2008, the Group's share of profit from SOLHL decreased by 32% from 2007 to HK$319,184,000 (2007: HK$472,781,000) mainly due to the decrease in financial results of SOLHL which was attributable to the decrease in one-off gains including profit on disposal of interests in jointly controlled entities and fair value gain on investment properties recorded in 2007.

It is expected the property market in China Mainland will still be subject to the influence of the economic growth and the property policies formulated by the PRC Government in 2009. However, prospects for the PRC property market will remain positive in the long run as there are no changes in the great demand for better living environment and commercial buildings while urbanisation in the PRC is still developing and the tendency to the growth in social and personal wealth remains unchanged. Capitalising on its sound financial strength, strong brand reputation, prime project locations and flexible marketing strategy, SOLL will maintain its leading position in Beijing and the Pan-Bohai Rim.

EVENT AFTER THE BALANCE SHEET DATE

On 3rd March 2009, New Renown Limited ("New Renown"), a wholly-owned subsidiary of the Company, entered into a conditional share transfer agreement with COSCO Trading and Supply Investments Limited ("COSCO Trading"), in relation to the acquisition by New Renown of 18% of the total issued share capital of Double Rich Limited from COSCO Trading for a consideration of US$4,905,484. Details of the acquisition were disclosed in the announcement dated 3rd March 2009.

PROSPECTS

There has been a significant slowdown in the growth of the global economy as a result of the financial tsunami, which evolved from deterioration of the United States subprime crisis. The global shipping and shipbuilding industries began to step into downward trend as a result of the steep decline in international trade. It is expected that each of the core businesses of the Group will inevitably be exposed to greater impacts in 2009 due to the uncertainties such as external market demand downturn, fewer demand for containers, a sharp drop in vessel prices, a slump in new build ship order, greater risk of order revocation and difficulties in financing which resulted in negative prospects for the shipping and shipbuilding industries, and to a certain extent, a corresponding slip in market demand for shipping services.

The governments in the world in turn have launched economic bailout plans with injection of billions into the economy. The PRC government will also inject RMB4,000 billion into the economy from 2009 to 2010 and introduce stimulus plans for, among others, shipbuilding industry and logistic development, which will help eliminate the current shipbuilding financing problems and stabilise the economy. They will actively support the shipping industry, shipbuilding industry and related ship trading service industries. As a result, the economy may gradually recover from the trough. The transaction volume in the ship trading market will also significantly decrease due to the expected steep drop in new build ship orders, which are affected by the shipping and shipbuilding market, as well as delivery of numerous new vessels, which will result in oversupply in shipping capacity and a decrease in vessel prices. However, the Group will emphasise on development in vessel dismantling and second-hand vessel market to take advantage of new opportunities. In 2009, the marine insurance brokerage market will still be exposed to the difficulties of reduced insured sums as a result of the decrease in vessel prices and the reduction of chartering. However, the Group will continue to actively develop its hull mutual insurance for registered vessels in China Mainland and markets for new insurance products, striving for greater operating efficiency. In addition, as the prospects of the shipping market and shipbuilding market become uncertain, the spare parts supply market will be directly exposed to the impacts of cost reduction and purchase of fewer spare parts of all of the shipping companies. Nonetheless, it is believed that the Group will strive to open up new agency marketing channels and expand its product mix, and marine equipment business will seek a new channel to facilitate profit growth. In view of fewer demand for containers and reduction in the new shipbuilding orders, as well as the depressed shipping market, sale of the container coatings and the coatings for new shipbuilding and ship refitting will also be under pressure to a certain extent. As for container coatings, the Group will optimise its raw material procurement procedure, in an attempt to reduce the procurement costs and overcome market difficulties; as for marine coatings, the Group will adjust tactics, strive to obtain orders from VIP customers and customers with stable businesses, put greater efforts in marketing coatings used for shipbuilding and ship maintenance. On the contrary, the market demand for industrial heavy-duty anti-corrosion coatings will significantly increase as a series of investment measures and the policy of domestic demand expansion in China Mainland are announced and come into operation in turn.

Under such difficult operating circumstances, the Group will continuously position its core business in shipping services and set its work objectives as "risk control, lean management, safety assurance, stable development, and greater profitability". On the one hand, the Group will try its best to improve the production and management of the existing business units by striving to turn risks into opportunities and crises into chances, ensuring safe production, enhancing product and service quality, and reinforcing the core corporate competitiveness and brands to continuously develop new products and businesses and procure new customers, thus seeking new niche markets for profit growth, and actively taking initiatives to counter new challenges, improve management, and excel and strengthen the existing business, thus ensuring to achieve healthy growth for the year. On the other hand, the Group will take pro-active approach to identify new investment opportunities, steadily expand the shipping service business, continuously improve asset reorganisation, strengthen synergy among various business operations, explore business opportunities available inside and outside COSCO Group in order to extend the services network and enhance the competitiveness in the shipping services market as a whole, thereby globalising the shipping services and achieving a steady and sustainable growth. Under the full support of COSCO and COSCO Hong Kong, the Group aims to build a strong reputation and outstanding brand awareness in shipping services industry and become a specialised, unique and leading shipping services provider.

INVESTOR RELATIONS

THE OBJECTIVE OF COSCO INTERNATIONAL'S INVESTOR RELATIONS IS TO MAINTAIN EFFECTIVE AND THOROUGH COMMUNICATIONS WITH ITS SHAREHOLDERS AND INVESTORS SO AS TO ENHANCE THE COMPANY'S INVESTMENT VALUE.

RIGOROUS MECHANISM FOR SAFEGUARDING THE RIGHT TO INFORMATION

COSCO International has been endeavoured to implement investor relations management. It has formulated the Regulations for Investor Relations Management and the Information Management Policy of COSCO International to provide a clear guidance for the investor relations personnel to conduct investor presentations, categorise the various types of information and regulate the disclosure procedures in order to ensure that the disclosure of price sensitive information is compliant with the requirements of the Rules Governing the Listing of Securities on the SEHK ("Listing Rules") and other regulatory authorities, and all of the shareholders, investors and the media can obtain the development strategies and operation information of the Company on a fair and open basis, so as to help the shareholders and the investors better understand the current status and the prospects of the Company, and boost the transparency of the Company, thus establishing a solid foundation for the enhancement of the investment value of the Company.

TWO-WAY COMMUNICATIONS AND ENHANCEMENT OF TRANSPARENCY

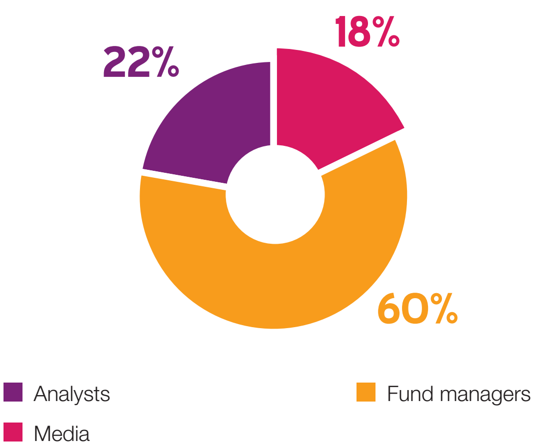
Good investor relations management is an important element of corporate strategic management. The investor relation personnel of the Company are responsible for setting up a bridge for sharing discloseable information between the Company and the shareholders and the investors. Through this bridge, the Company can promptly disclose accurate and complete information to the shareholders, investors, analysts and fund managers, enabling them to assess the investment value of the Company effectively. Through various investor relation activities, the Company can also extensively receive expectations and opinions on development of the Company from its shareholders and investors as valuable reference information for the management when formulating decisions, thereby enhancing its corporate governance and transparency in order to provide a boost to the Company's sustainable development.

INITIATIVES TO STRENGTHEN COMMUNICATIONS WITH ITS SHAREHOLDERS, INVESTORS AND THE MEDIA

REVIEW OF INVESTOR RELATIONS ACTIVITIES

In retrospect of 2008, COSCO International continued to take initiatives to strengthen communications with its shareholders, investors and the media, enabling them to understand its development strategies and operating conditions, and achieved its expected results. During the year, the Company met fund managers, analysts and the media for 158 attendances, 57 attendances and 48 attendances respectively, representing a total of 263 attendances, through shareholders' meetings, results press conferences, analyst's conference, participating in conferences organised by securities firms in Hong Kong and overseas, corporate visits, conference calls and individual meetings, as well as luncheon with the media.

BREAKDOWN OF ATTENDANCES AT MEETING WITH THE MANAGEMENT OF THE COMPANY BY PERCENTAGE IN 2008



INVESTOR RELATIONS

VARIOUS ACTIVITIES TO DEVELOP INVESTOR RELATIONS

Conducting press conferences and analysts presentation meetings to announce the Company's interim and annual results and answering questions raised by the media and analysts. Videos of the press conferences have also been posted on the Company's website to allow access by the shareholders and the investors.

Arranging regular meetings and conference calls with analysts and fund managers to introduce the operating conditions and future development strategies of the Group.

Organising visits to our subsidiaries in China Mainland for the analysts, fund managers and the media to facilitate their understanding towards the business operations of the Group.

Participating in corporate presentation conferences organised within and outside Hong Kong by securities firms to present the development strategies and operating conditions of the Company to the investors from various regions.

Posting the financial statistics for the recent years and the latest discloseable information of the Company in the investor relations section on the website of the Company.

Dispatching the media, the analysts and the investors, such as fund managers, the latest news of the Company through emails and also simultaneously posting such information on the website of the Company to enhance its transparency.

Informing the latest news of the Company to the investors and the public through the media coverage, so as to increase their understanding of the Company's positioning and businesses.

Enhancement of Investment Value

Improvement of Corporate Governance

Enhancement of Transparency

LIST OF INVESTOR RELATIONS AND MEDIA RELATIONS ACTIVITIES IN 2008

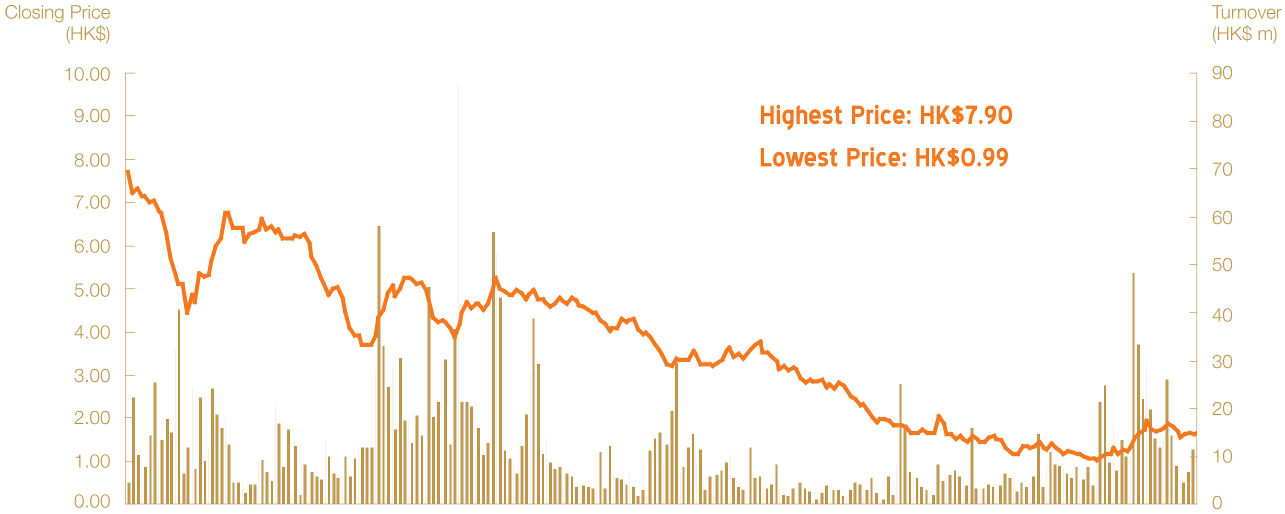
Month	Events
Feb	Organising a luncheon for the management to exchange views with the financial media
Mar	Organising a press conference and an analysts' presentation meeting to announce 2007 annual results of COSCO International
	Attending the 2007 annual results roadshow organised by DBS Vickers in Hong Kong
Apr	Attending the 2007 annual results luncheon organised by UOB Kay Hian in Hong Kong
	Attending the 2007 annual results roadshow organised by UOB Kay Hian in Singapore
	Attending the 2007 annual results roadshow organised by DBS Vickers in Singapore
May	Attending the Asia Corporate Conference organised by DBS Vickers in New York, U.S.A.
Sep	Organising a press conference to announce 2008 interim results of COSCO International
	Attending the 2008 interim results roadshow organised by DBS Vickers in Hong Kong
	Attending the 2008 interim results roadshow organised by Ke Absolute in Hong Kong
Dec	Attending the 2008 Hong Kong Enterprises with Small Capitalisation Conference organised by JP Morgan in Hong Kong

INVESTOR RELATIONS

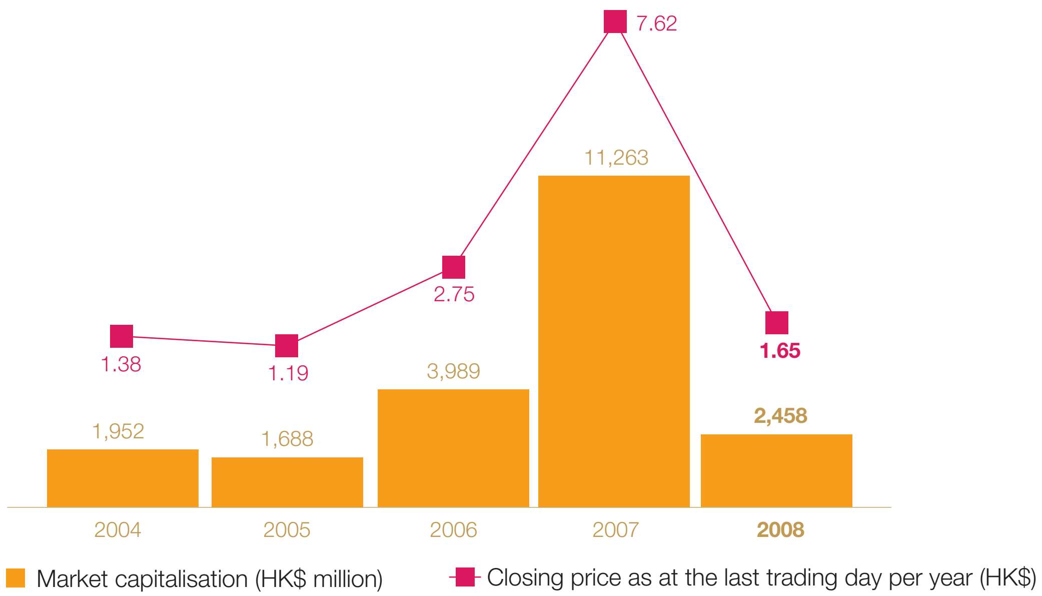
PERFORMANCE OF SHARE PRICE AND TRADING TURNOVER IN 2008

As at 31st December 2008, the closing price of the shares of COSCO International was HK$1.65 (2007: HK$7.62) per share, representing a year-on-year decrease of 78%. The shares in issue of COSCO International were 1,489,671,291 shares (2007: 1,478,031,291 shares). The market capitalisation of the Company was HK$2,457,958,000 (2007: HK$11,262,598,000), representing a year-on-year decrease of 78%. During the year, the highest share price was HK$7.90 and the lowest share price was HK$0.99. The monthly average closing price, monthly average trading volume and monthly average trading turnover were HK$3.54, 77,163,000 shares and HK$232,387,000 respectively.

SHARE PRICE AND TRADING TURNOVER PERFORMANCE IN 2008



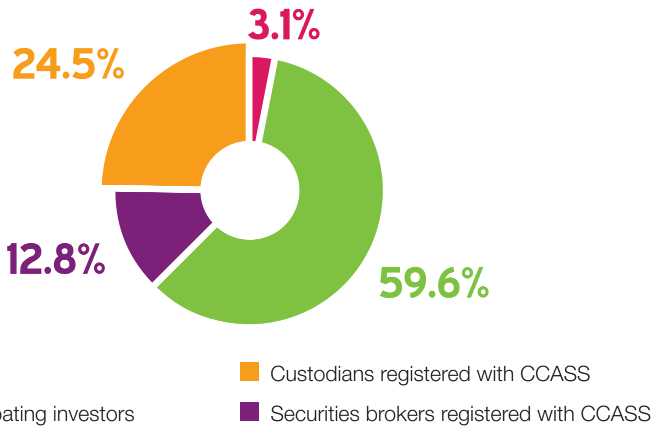
PERFORMANCE OF SHARE PRICE AND MARKET CAPITALISATION FOR THE PAST FIVE FINANCIAL YEARS



SHAREHOLDING AND EQUITY STRUCTURE

As at 31st December 2008, approximately 40.4% of shares in issue of the Company was held by the public independent shareholders. According to the change of shareholding of listed companies set out on the SEHK's website on 31st December 2008, in addition to COSCO, Montpelier Investment Management LLP held 5.0% of total issued share capital of the Company and was one of the substantial shareholders of the Company. According to the register of members and the participants' shareholding report prepared by CCASS on 31st December 2008, the details of shareholding and equity structure of the Company are set out as follows:

SHAREHOLDING STRUCTURE BY PERCENTAGE IN 2008



Note: The major controlling shareholder of the Company is True Smart International Limited, therefore the interests of True Smart are deemed to be the interests owned by COSCO Hong Kong and in turn the interests of COSCO Hong Kong are deemed to be the interests owned by COSCO under the Securities and Futures Ordinance.

EARNINGS PER SHARE AND DIVIDENDS PER SHARE

The basic earnings per share of the Group for 2008 was 33.18 HK cents (2007: 175.95 HK cents). A stable dividend policy has been adopted by the Company since 2004 to maintain a dividend payout ratio (on recurrent operating profit) of not less than 25%. The Board has recommended a final dividend of 6.40 HK cents (2007: 3.50 HK cents) per share, together with the interim dividend of 1.00 HK cent (2007: 1.00 HK cent) per share paid for 2008, making a total dividends of 7.40 HK cents (2007: 6.30 HK cents) per share for the whole year and a dividend payout ratio of approximately 25% for the whole year in terms of recurrent operating profit.

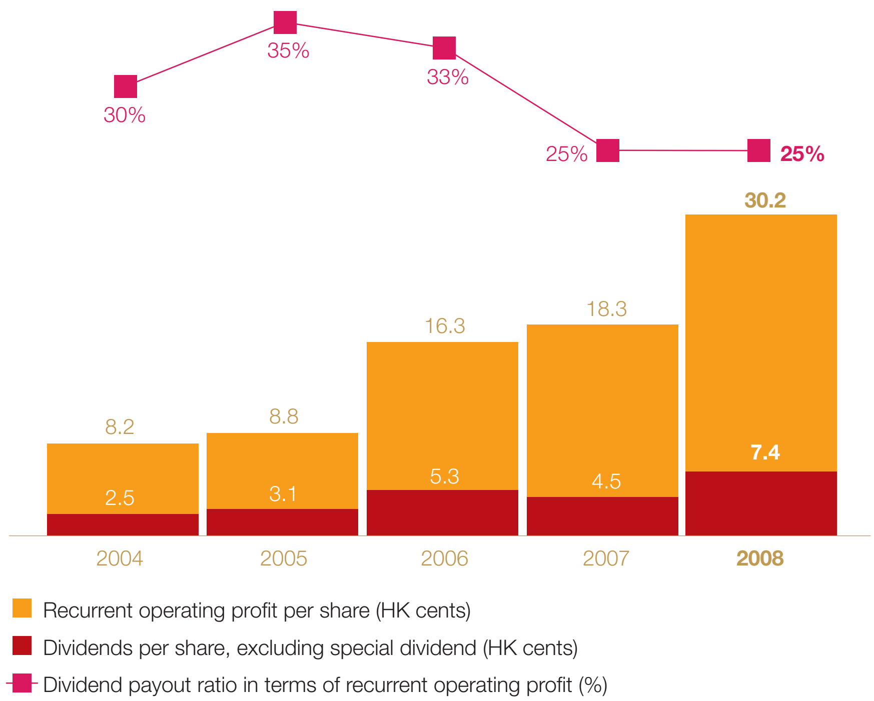
BASIC EARNINGS PER SHARE, DIVIDENDS PER SHARE AND DIVIDEND PAYOUT RATIO FOR THE PAST FIVE FINANCIAL YEARS

	2004	2005	2006	2007	**2008**
Basic earnings per share (HK cents)	15.54	35.04	42.90	175.95	**33.18**
Recurrent operating profit per share (HK cents)	8.20	8.80	16.30	18.30	**30.20**
Dividends per share (HK cents)	2.50	4.50	5.30	6.30	**7.40**
– Interim and final dividends per share (HK cents)	2.50	3.10	5.30	4.50	**7.40**
– Special dividend per share (HK cents)	0	1.40	0	1.80	**0**
Dividend payout ratio in terms of net profit (%)	16	13	12	4	**22**
Dividend payout ratio in terms of recurrent operating profit Note (%)	30	35	33	25	**25**

Note: The dividend payout ratio in terms of recurrent operating profit is calculated by dividing dividend per share (excluding special dividend) for the year by recurrent operating profit per share.

INVESTOR RELATIONS

DIVIDEND PAYOUT RATIO IN TERMS OF RECURRENT OPERATING PROFIT FOR THE PAST FIVE FINANCIAL YEARS AT A GLANCE



MARKET RECOGNITION

The Company is committed to strengthening corporate governance, maintaining good investor relations and adequate information disclosure, as well as protecting our shareholders' interests. With the joint efforts of the management and all staff, the Company obtained market support and recognition. Last year, the Company's 2007 Annual Report won the Gold Award for "Financial Data" in the shipping services category in the 22nd International ARC Awards Competition and the Bronze Award in the shipping services category in the 19th GALAXY 2008 Awards Competition. It was the first time that COSCO International's annual reports received awards granted by international professional organisations, signifying that the Company achieved certain standards in terms of preparation of annual reports and disclosure of information. In the future, the Company will continue to put great efforts to further enhance the transparency and disclosure of the corporate information, enabling more investors to understand the business of the Company, thus improving reputation and investment value of the Company.

INVESTOR RELATIONS PROSPECTS

Looking forward, even if facing challenges such as uncertain global economic prospects, credit crunch and lack of investors' confidence in the future, the Company strongly believes that maintaining effective and thorough communications with its shareholders and investors independent of the market conditions is a prerequisite for achieving top level investor relations. Through the high transparency and immediate disclosure of information, COSCO International will continue to adopt an open, fair and equal manner to maintain the two-way communications with its shareholders, investors, analysts and the media to boost their confidence in the Company. The foregoing will enhance the Company's investment value, further optimise the shareholding structure of the Company and maximise the value for shareholders. Specific measures include:

1. Continuing to communicate and exchange views with its shareholders and investors in Hong Kong and overseas as well as the potential investors in an honest and equal manner to help them fully understand the development strategies of the Company in order to attract more long-term institutional investors, thus optimise the shareholding structure.

2. To in line with the development of the Company, maintaining close relations with securities firms, and actively participating in roadshows organised by securities firms in order to increase the Company's transparency and attract more securities firms to cover the Company, thus raising the public awareness towards the Company.

3. In compliance with the disclosure requirements of the Listing Rules, actively studying the feasibility of disclosing more information on the operating conditions of the Company which enables the public to receive the instant and accurate information of the Company through adequate information disclosures, so as to improve their understanding of and recognition towards the Company.

4. Further making use of the website of the Company as a media to release the latest news of the Company to the public; publishing more timely and accurate information through the website so as to facilitate investors' search and access of information of the Company; and enhancing the function of the website so as to collect opinions and expectations from the investors, which achieves mutual communications and benefits overall improvement of corporate governance.

FREQUENTLY ASKED QUESTIONS

1. **What are the development strategies of COSCO International in 2009?**

   ANS: Looking forward in 2009, it is expected that the impact of the global financial tsunami on the real economy will persist and is likely to intensify. The extended drop in global trade volume will continue to contain the shipping industry in the trough of the cycle. During these critical times, COSCO International will set its work objectives as 'risks control, lean management, safety assurance, steady development and greater profitability' to cope with the various severe challenges. The Company will consolidate and develop its existing businesses as well as explore and materialise the acquisition of new businesses and will strive to turn threats into opportunities and crises into chances, with the aim of getting new edges in development. The Company will actively carry out stringent controls on different types of risks, including market risks, financial risks, funding risks, legal risks, investment risks, customer risks, safety risks and loss risks. Meanwhile, we will continue to further lean management and reinforce our internal control, and in general terms improve upon the overall management in relation to, among other things, production, quality, marketing, risks, finance, customer, and costs. Efforts will be made to perfect safety management, thereby ensuring safety in production; existing businesses and customers will be further consolidated and developed and we will seise market opportunities to explore more customers, allowing a steady growth of the Company's returns. In addition, the Company will actively seek opportunities to continue its involvement in the integration of shipping services related to COSCO Group and non-COSCO Group, so as to complement mutual competencies and drive synergy in related businesses. By achieving steady development, we will strive to become a specialised, unique and leading shipping services provider and create greater benefits for our shareholders.

INVESTOR RELATIONS

2. **The share price of the Company is currently far below its net asset value. Will the major shareholder of the Company consider privatisation? Will the Company buy back its shares, such that the share price will be supported and the confidence of investors will be stabilised?**

   ANS: It is inevitable that the global stock markets are highly volatile under the financial tsunami. However, the fundamentals and business operations of COSCO International itself remain stable, and the operations of various business arms of the Company are now carrying on as usual and our core shipping services businesses are under active expansion. COSCO, as a major shareholder, has been continually supporting the reorganisation of the Company's businesses, in addition to increasing its shareholding in the Company as a gesture of support. In the future, COSCO International will continue to strive for becoming a global and leading shipping services provider. We believe that with our strong and healthy financial position and normal operations of business, the share price will ultimately reflect the value of the Company. As such, our major shareholder does not have any current plans to privatise the Company and the Company so far does not have any current plans to buy back its shares.

3. **As at 31st December 2008, COSCO International held 20.77% interest in SOLHL. As a result, profit contributions from property investment accounted for a considerable portion of the net profit of the Group. Will COSCO International reduce the holdings in SOLHL and focus on the development of its shipping services?**

   ANS: COSCO International has been positioned to provide shipping services and our long term strategy is to develop more shipping services. COSCO International is now the largest shareholder of its associated company, SOLHL. We considered that the prospects of the real estate market in China Mainland would remain optimistic. SOLHL is one of the largest real estate companies in Beijing and the Pan-Bohai Rim Area in the PRC with experienced management. Its businesses have been expanded to the rapidly developed areas in China including the Yangtze River Delta and the Pearl River Delta regions. Currently, although the profit contributed from SOLHL accounted for a considerable proportion of the total net profit of the Group, the Company will continue to hold its interest in this company in order to ensure the earning base of the Group and provide financial support to the future development of its core business.

4. **What is COSCO International's policy on dividend payout? Does it have a stable dividend payout ratio or does it depend on the business situation?**

   ANS: To fulfill its commitment to providing maximum returns to our shareholders, the Board is pleased to share our fruitful results with them. Our usual practice is to distribute not less than 25% of the recurrent operating profits as dividend. The payment of future dividend will be subject to the market changes and capital requirement of the development projects of the Company in the future.

5. **What is the capital expenditure of the Company for future operations?**

   ANS: The Company has been well prepared for the capital requirement of the future development and investment opportunities. As of the end of December 2008, the total deposits and cash and cash equivalents of the Group was HK$1,492,941,000. If all the potential investment projects are realised, the Company may not have enough cash in hand to pay the consideration of the investment projects. Since there are more uncertainties at the moment, the Company will adopt a prudent financial management policy of preserving a higher cash level as well as maintaining a lower gearing ratio. Meanwhile, the Company will invest projects by stages according to the prevailing market condition so as to reduce risks.

6. **Will the Company place new shares to raise funds for its potential acquisition?**

   ANS: As of the end of December 2008, the total liabilities to total assets ratio was at a healthy level of 20.3%. At such level, the Company could finance its projects through various means of fund raising such as borrowing from banks, issuing bonds and placing new shares. The Company will review these methods from time to time and select the appropriate one according to the prevailing market conditions so as to maximise the corporate profitability and the shareholders' values.

7. **The global financial tsunami has led to investment losses of many enterprises. Does the Company have to set aside provisions for investment in financial derivatives?**

   ANS: COSCO has always formulated stringent requirements in respect of managing the risks of financial products, and in principle all member companies are prohibited from conducting financial derivatives investment of speculative nature. As a result, amid the turmoil in global stock markets, COSCO International needs not to set aside provision as a result of investment in any financial derivatives.

INVESTOR RELATIONS

8. **Amongst COSCO Group, what kind of non-listed businesses are related to shipping services?**

ANS: COSCO Group is a diversified and multinational conglomerate which focuses on shipping businesses. Other than shipping, logistics and ship building businesses, the rest of COSCO Group's assets are relating to shipping services. COSCO International has been interested in all kinds of shipping services businesses under its parent company and will fully cooperate with the re-organisation of COSCO Group's businesses to realise the consolidation of existing businesses and the expansion of new businesses. COSCO International will achieve the sustainable development and further enhance its overall core competencies.

9. **Amongst shipping services, what is the income proportion from COSCO Group customers?**

ANS: In 2008, turnover from COSCO Group customers accounted for about 26% (2007: 19%) of the total turnover from shipping services, of which the proportions of the revenue from ship trading agency, marine insurance brokerage and sales of marine equipment and spare parts businesses derived from COSCO Group customers were relatively high, i.e. 99%, 73% and 74% respectively. The coatings business, which has comparatively more customers from non-COSCO Group, representing a larger share of the total revenue and its proportion of revenue from non-COSCO Group customers accounted for about 99%.

10. **Will the shipping services business be affected by the cyclical changes of the shipping industry?**

ANS: The cyclical changes of the shipping industry mainly involve the fluctuations on transportation fees which have no direct impact on the income of shipping services. In addition, during the depression of the industry, some ship owners will order additional new vessels at lower prices and replace equipment. So that, when the market recovers, they will be well positioned to cope with the higher demand and expand market shares. Therefore, in principle, the demand for shipping services is relatively stable and less volatile than the shipping industry and its cycle is not the same as the shipping industry. However, a sustained downturn in the shipping market will cause ship owners to aggressively cut costs, which in turn triggers pressure to reduce commission income rate of shipping services industry and lower demands for shipping services.

11. **Many shipping enterprises have halted shipbuilding plans for 2009, cancelled or delayed newly executed shipbuilding orders in view of a declining shipping market. To what extent will this affect the ship trading agency business of COSCO International?**

ANS: Affected by the declining shipping market, the phenomenon of cancellation or delay in newly executed shipbuilding orders does exist. Presently, more than 90% of the new build agency businesses of COSCO Ship Trading come from companies of the COSCO Group. Although the credit crunch and decline in the shipping market will affect the business opportunities of new build orders to be received by the Company in 2009, COSCO Group has always maintained stable plans for building new vessels and there had been no cancelled orders in the past. In respect of dockyards, even though certain small shipbuilders may experience difficulties due to financing and technical problems, it is expected that the risks of order cancellation are relatively low because COSCO Ship Trading awards most of the new build orders under its agency services to dockyards with strong financial position and relative large scale. Besides, the Company had taken advantage of the thriving shipping and shipbuilding markets during the past two years and executed new vessel orders which are to be delivered in the coming two to three years. We expect these businesses will bring forth steady profits to the Company in the forthcoming years.

12. COSCO International acquired a trading company last year. How does that company create synergy with existing businesses?

ANS: At the end of 2008, we completed the acquisition of 100% equity interests in CITC, a company principally engaged in trading of asphalt and chemicals, trading of various spare parts and accessories, as well as comprehensive trading. CITC is rich in international trading experience and has stable suppliers and market share, which provides synergy with our shipping services business, and can act as an important platform for expansion of COSCO International's business into China Mainland. In addition, benefitted from the PRC Government's initiatives to revive the economy, such as the increase in infrastructure investment projects, it is expected that starting from 2009 the provincial and municipal governments throughout China Mainland will increase investments in highways construction, which means increased imports of highway asphalt that allows CITC to exploit its current advantageous position to actively expand in related markets.

13. When will the commission derived from ship trading agency services be recognised?

ANS: Agency commission is the major income of COSCO Ship Trading. Though agency commission income of COSCO Ship Trading is collected in stages based on the ship building schedule, such commission income on new vessels will only be recognised upon the delivery of the new vessels. Commission income on trading of second-hand vessels is payable within a specified period commencing from the delivery of the vessels by the vendor to the buyer and will be booked by the end of that period.

14. What are the prospects of the marine insurance brokerage market in Hong Kong and in China Mainland?

ANS: Vessel prices had dropped due to a slowdown in the shipping market, causing the insured sums of the related hull insurance and value-added insurance to decline and creating downward pressure for related commission incomes. As the charterer activities have reduced, commission incomes from charterer's liabilities insurance also likely faced reduction. However, as more new vessels delivered and operated, the increased fleet size will be beneficial to the development of marine insurance brokerage business.

The marine insurance businesses for vessels registered in China Mainland are currently operating under traditional practice, i.e. insurance issues are being negotiated directly by the insurance companies with the ship owners, rather than through a more professional, independent insurance broker with stronger bargaining power as usually practicing internationally. With the liberation of the insurance market in China Mainland, the demand for insurance services has been on the rise and the need to seek advice in relation to vessels registered in China Mainland from professional insurance brokers has been increasing. Currently, over two-third of the vessels of COSCO Group's fleet are registered in China Mainland. Therefore, the Company will take proactive strategies in 2009 to expand insurance brokerage businesses to the vessels registered in China Mainland within COSCO Group, in order to offset the negative effects from the decrease in insured sums resulted from fall in vessel prices.

INVESTOR RELATIONS

15. **Jotun COSCO recorded a significant increase in sales volume of marine coatings in 2008. What are the prospects of the marine coatings market?**

    ANS: It is anticipated that uncertainties will continue to loom the international shipping market in 2009. However, 2009 will be the peak year for the deliveries of new vessels, the demand for marine coatings for new build will be stable. Unless a large number of new build orders cancellations occurs, the sales of marine coatings for new shipbuilding in 2009 will be similar to or slightly lower than that in 2008. On the contrary, the costs cutting action taken by some ship owners facing financial difficulties will exert downward pressure on the sales of marine coatings for repair and maintenance.

16. **What are the major ingredients of the coating products of COSCO Kansai Companies?**

    ANS: Oil refined products and metal products are the main ingredients of the coating products of COSCO Kansai Companies. The cost of oil refined products such as epoxy resin, methylbenzene and solvent constitutes approximately 54% of the total cost of production, while the cost of metal products, including titanium dioxide and zinc dust, constitutes approximately 28% of the total production cost.

17. **How much container coatings is needed for each TEU of container? What is the expected demand for container coatings in China in 2009?**

    ANS: Each TEU of container requires about 0.1 tonne of container coatings. According to the Group's internal statistics, affected by the anticipated global economic recession and a negative growth in foreign trade volume, the production volume of containers in China is expected to continue to decrease in 2009.

18. **In what ways do the stimulus plans for ten key industries introduced by the PRC Government in early 2009 help the business development of COSCO International?**

    ANS: The PRC Government approved the stimulus plans for ten key industries in early 2009 aiming at revitalising China's economy. Among the ten industries, the plan for ship building industry will be favourable to the shipping services businesses of the Group, in which the PRC Government will urge financial institutions to increase credit support for ship buyers in vessel exports. It also decided to extend the term of the existing financial support policies for domestically owned oceangoing vessels until 2012. The policies will not only ease the finance burden of new build orders of some large shipping companies including COSCO Group, but also reduce the possibility of cancelling new build orders by Chinese shipping companies in an effective way. In addition, the PRC Government will study the policy of encouraging scrapping and renovating old vessels as well as eliminating single-hull tankers. The policy will urge more business opportunities for scrap vessels trade of ship trading agency of the Group. The PRC Government will also support the building of technologically advanced vessels, which will further enhance the competitiveness of China's ship building industry. Such will motivate the shipping companies be more keen to build technological advanced vessels, which facilitates the development of the ship trading agency, marine coatings business and marine equipment of the Group.

A GLANCE AT FIVE-YEAR FINANCIAL STATISTICS

For the year ended 31st December	2004	2005	2006	2007	**2008**
Total number of shares issued (million)	1,414	1,418	1,451	1,478	**1,490**
Closing price *Note* (HK$)	1.38	1.19	2.75	7.62	**1.65**
Market capitalisation *Note* (HK$ million)	1,952	1,688	3,989	11,263	**2,458**
Basic earnings per share (HK cents)	15.54	35.04	42.90	175.95	**33.18**
Price/earning ratio *Note* (times)	8.88	3.40	6.40	4.33	**4.97**
Dividends per share (HK cents)	2.50	4.50	5.30	6.30	**7.40**
Dividend payout ratio (by net profit) (%)	16%	13%	12%	4%	**22%**
Dividend payout ratio (by recurrent operating profit) (%)	30%	35%	33%	25%	**25%**
Net assets value per share (HK$)	0.79	1.12	1.52	3.32	**3.72**
Return on total assets (%)	8.2%	17.1%	18.9%	51.9%	**7.3%**
Return on shareholders' equity (%)	21.9%	36.6%	32.5%	72.5%	**9.4%**
Net debt/(net cash)-to-shareholders' equity ratio (%)	38.1%	(73.3%)	(35.6%)	(16.6%)	**(21.2%)**
Current ratio (times)	1.76	2.40	1.90	1.97	**1.87**
Quick ratio (times)	1.20	1.80	1.40	1.61	**1.63**
Interest coverage (times)	14.28	9.10	47.30	60.50	**39.76**

Note: As of the last trading day per year

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

WE ARE COMMITTED TO MOVING THE COMPANY FORWARD.

DIRECTORS

1 Mr. ZHANG Fusheng

(Chairman)

aged 59, has been an Executive Director and the Chairman of the Board of the Company since July 2008. He is also the Secretary of the CPC sub-committee and an Executive Vice President of COSCO, the Vice Chairman and a Non-executive Director of China COSCO Holdings Company Limited (listed in Hong Kong and the PRC), a Director of COSCO Container Lines Co., Ltd. and China Bohai Bank Co., Ltd., the Chairman of COSCO Oceania Pty Limited. Mr. Zhang had been a Deputy Director of the No.1 division of Tianjin Port Authority, Deputy Director of Personnel and Labour Department of the Ministry of Communications of the PRC ("MOC"), Director of Institutional Reform and Regulatory Department of MOC (spokesman of MOC), and vice-president of the Beijing

branch of Bank of Communications, the Secretary of the CPC sub-committee of COSCO Container Lines Co., Ltd. and Shanghai Ocean Shipping Company. He has over 30 years of experience in the administrative management and operational management of shipping business, and also has experience in financial management and business operation. Mr. Zhang is an expert in management, his extensive experience has enabled him to demonstrate outstanding leadership qualities throughout the course of development of the COSCO Group. Mr. Zhang obtained a Master degree in Transportation Management and Engineering from Wuhan University of Communications Science and is a Senior Engineer and Senior Political Officer. Mr. Zhang was elected a member of the 10th and 11th National People's Congress of the People's Republic of China, and is a member of the Foreign Affairs Committee of the 11th National People's Congress.

2 Mr. WANG Futian

(Vice Chairman)

aged 58, has been an Executive Director of the Board of the Company since March 2007 and appointed as Vice Chairman since October 2008. He is also the Executive Vice Chairman and President of COSCO (Hong Kong) Group Limited. Mr. Wang graduated from Dalian Maritime University, the PRC, in Navigation and graduated from Capital University of Economics and Business in Postgraduate Studies in Business Administration. He has the Senior Engineer qualification awarded by MOC. He had been a Marine Captain, Vice President and Chief Legal Counsel of COSCO, Executive Director of COSCO Pacific Limited, Chairman of the Supervisory Committee and Director of COSCO Container Lines Co., Ltd. and a member of senior management of Dalian Ocean Shipping Company.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

He has rich experience in the operation and management of large-scale shipping enterprises. He previously served as Non-executive Director of China COSCO Holdings Company Limited (listed in Hong Kong and the PRC) until his resignation in January 2007.

3 Mr. LI Jianhong

aged 52, has been an Executive Director of the Board of the Company since March 2002 and re-designated as Non-executive Director since July 2008. He is also an Executive Vice President of COSCO, Non-independent and Non-executive Director and Chairman of COSCO Corporation (Singapore) Limited (listed in Singapore), Non-executive Director and Chairman of Sino-Ocean Land Holdings Limited (listed in Hong Kong), Chairman of COSCO Shipyard Group Co., Ltd., COSCO International Ship Trading Company Limited and Chinese-Tanzanian Joint Shipping Company; Vice Chairman of China International Marine Containers (Group) Co., Ltd. (listed in the PRC) and Suzhou Industrial Park Company Limited; Non-executive Director of China COSCO Holdings Company Limited (listed in Hong Kong and the PRC); Executive Director of COSCO Pacific Limited (listed in Hong Kong) and Director of COSCO Logistics Co., Ltd. and Boao COSCO Co., Ltd. Mr. Li is also the Vice Chairman of Chinese Society of Naval Architecture & Marine Engineering and China Association of the National Shipbuilding Industry. Since 1986, Mr. Li had been the General Manager of Nantong Shipyard, Managing Director of COSCO Industry Co., Ltd., COSCO Property Ltd., and Assistant President and Chief Commercial Officer of COSCO. Mr. Li possesses two Master Degrees in Business Administration from University of East London in the United Kingdom and Jilin University respectively. He is also a Senior Economist. Mr. Li possesses extensive experience in corporate management and capital operation.

4 Mr. JIA Lianjun

aged 48, has been an Executive Director of the Board of the Company since January 2006 and re-designated as Non-executive Director since July 2008. He is also the Deputy General Manager of Strategic Planning Division of China COSCO Holdings Company Limited, Director of COSCO (Hong Kong) Group Limited and Chinese-Tanzanian Joint Shipping Company. Mr. Jia graduated from Dalian Maritime University, the PRC, in Marine Mechanical Management and is a Senior Engineer. He had been the department officer, deputy department head, department head and manager of Corporate Management Office of Corporate Management Department of COSCO. He has extensive experience in corporate management.

5 Mr. WANG Xiaoming

aged 53, has been an Executive Director of the Board of the Company since January 2006. Mr. Wang is also the Director and Financial Controller of COSCO (Hong Kong) Group Limited and non-executive director of Chong Hing Bank Limited (listed in Hong Kong). Mr. Wang graduated from Shanghai Maritime University, the PRC, major in Accounting and has Senior Accountant qualification awarded by MOC. Mr. Wang had been the deputy manager of the Audit Department and deputy general manager of Finance Division of COSCO, finance manager of COSCO Bulk Carrier Co., Ltd. and general manager of COSCO Finance Co., Ltd.. He has extensive experience in corporate financial management.

6 Mr. LIANG Yanfeng

(Managing Director)

aged 43, has been an Executive Director and the Managing Director of the Board of the Company since August 2006. Mr. Liang leads overall management and operation, strategic development, corporate governance, legal and financial management of the Company. He is also the non-executive director and non-executive vice chairman of Soundwill Holdings Limited (listed in Hong Kong), non-executive director of Sino-Ocean Land Holdings Limited (listed in Hong Kong). He is also a director of various companies of the Group. Mr. Liang has a Master's degree in Laws from the Department of Social Science of Tsinghua University and a degree of Executive Master of Business Administration from the School of Economics and Management of Tsinghua University. He was also awarded the Senior Economist qualification by MOC. Mr. Liang had been the deputy general manager of Human Resources Division and the general manager of Capital Operations Division of COSCO, Director of COSCO (Hong Kong) Group Limited, Executive Director of COSCO Pacific Limited and Director of COSCO Corporation (Singapore) Limited, general manager of COSCO Human Resources Development Company. He also served as a director of various companies. While temporary posted in the local government, he had been the Deputy Mayor of Luzhou municipal government, Sichuan Province. He had participated in acquisitions and financing activities of listed companies and has extensive experience in corporate management and capital market operation.

7 Mr. MENG Qinghui

aged 53, has been an Executive Director of the Board of the Company since March 2002 and re-designated as Non-executive Director since July 2008. He is also the Managing Director of Finance Division of COSCO (Hong Kong) Group Limited, non-executive director of Chong Hing Bank Limited (listed in Hong Kong) and Soundwill Holdings Limited (listed in Hong Kong). He is also a director of a subsidiary of the Company. Mr. Meng graduated from Central South University and has the PRC Accountant qualification. He has extensive experience in corporate financial management and accounting and is also familiar with corporate financial planning.

8 Mr. CHEN Xuewen

aged 44, has been an Executive Director of the Board of the Company since August 2006 and re-designated as Non-executive Director since July 2008. He is also the Managing Director of the Strategic Planning and Development Division of COSCO (Hong Kong) Group Limited. He graduated from the University of Peking in Economics and Management. He had been the department head of the Planning Department of Strategic Planning Division of COSCO, general manager of Beijing Ocean Plaza Co., Ltd. and deputy general manager of COSCO HK (Beijing) Investment Co., Limited.

9 Mr. WANG Xiaodong

aged 50, has been an Executive Director of the Board of the Company since January 2006. He also serves as a Deputy Managing Director of the Company. Mr. Wang is in charge of management of the subsidiaries and project investment of the Company. He is also a director of various companies of the Group. He has a Bachelor's degree in Marine Mechanical Management from Dalian Maritime University, the PRC, a Master's degree in Business Administration from China Europe International Business School and a Senior Engineer qualification awarded by MOC. He had been the deputy general manager of the Trade Division and head of the Consolidated Trade Department of COSCO, deputy general manager of COSCO International Trading Company (presently known as COSCO International Trading Company Limited), general manager of China Marine Bunker Supply Company (presently known as China Marine Bunker (PetroChina) Co., Ltd.) and general manager of COSCO Industry Company. Mr. Wang has extensive experience in the technical management, investment management and operation in the business of bunker oil supply, shipbuilding industry and coating industry.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

10 Mr. LIN Wenjin

aged 49, has been an Executive Director of the Board of the Company since August 2006. He also serves as a Deputy Managing Director of the Company. Mr. Lin is in charge of investor relations as well as administration and personnel management of the Company. He is also a director of various companies of the Group. He has a Bachelor's degree in Engineering from Shanghai Maritime University, the PRC, Marine Chief Engineer certificate and Senior Engineer qualification awarded by MOC. He had worked in COSCO and had been the assistant manager of the Technical Department, chief of New Building Section in Japan, manager of the Development Department of Ocean Tramping Company Limited and had been the deputy general manager of Development Division and Strategic Planning Division, managing director of the Executive Division of COSCO (Hong Kong) Group Limited. He had participated in the acquisitions and financing activities of listed companies. Mr. Lin has extensive experience in shipping management, new shipbuilding, corporate management and planning and capital market operations.

11 Mr. KWONG Che Keung, Gordon

aged 59, has been an Independent Non-executive Director of the Board of the Company since September 2004. Mr. Kwong is also independent non-executive director for a number of companies listed on the SEHK, namely Tianjin Development Holdings Limited, Beijing Capital International Airport Company Limited, Frasers Property (China) Limited, NWS Holdings Limited, China Oilfield Services Limited, OP Financial Investments Limited (formerly known as Concepta Investments Limited), China Chengtong Development Group Limited, Global Digital Creations Holdings Limited, Ping An Insurance (Group) Company of China, Limited, Quam Limited, CITIC 1616 Holdings Limited, China Power International Development Limited, Henderson Land Development Company Limited, Henderson Investment Limited and Agile Property Holdings Limited. He has a Bachelor's degree in Social Science from the University of Hong Kong and is a fellow member of the Institute of Chartered Accountants in England and Wales. From 1984 to 1998, Mr. Kwong was a partner of PricewaterhouseCoopers. He had served as a part-time panel member of the Hong Kong Government's Central Policy Unit from 1993 to 1995 and was an independent member of the council of the SEHK from 1992 to 1997, during which, he had acted as convener of both the compliance committee and the listing committee. He previously served as an independent non-executive director of New World Mobile Holdings Limited (listed in Hong Kong) until his resignation in February 2007 and an independent non-executive director of Tom Online Inc. (previously listed in Hong Kong), which was privatized in September 2007.

12 Mr. TSUI Yiu Wa, Alec

aged 59, has been an Independent Non-executive Director of the Board of the Company since February 2004. Mr. Tsui is also the chairman of WAG Worldsec Corporate Finance Limited, vice chairman of China Mergers and Acquisitions Association, member of the Corporate Advisory Council of the Hong Kong Securities Institute; director of Hong Kong Professional Consultants Association Limited and independent director of AIG Huatai Fund Management Company Limited. He is also an independent non-executive director of a number of listed companies in Hong Kong and NASDAQ, namely Industrial and Commercial Bank of China (Asia) Limited, Vertex Group Limited, China Power International Development Limited, China Chengtong Development Group Limited, China BlueChemical Ltd., Greentown China Holdings Limited, China Huiyuan Juice Group Limited, Pacific Online Limited, Melco Crown Entertainment Limited (formerly known as Melco PBL Entertainment (Macau) Limited) and ATA Inc.. Mr. Tsui graduated from the University of Tennessee, United States and was awarded a Bachelor of Science degree and a Master of Engineering degree and had completed a Program for Senior Managers in Government at the John F. Kennedy School of Government of Harvard University, United States. He was the chairman of the Hong Kong Securities Institute from 2001 to 2004 and the chief operating officer of Hong Kong Exchanges and Clearing Limited in 2000. He has numerous years of experience in finance and administration, corporate and strategic planning, information technology and human resources management. He previously served as independent non-executive director of Synergis Holdings Limited (listed in Hong Kong) until his resignation in September 2008.

13 Mr. JIANG, Simon X.

aged 55, has been an Independent Non-executive Director of the Board of the Company since April 2007. He is also the chairman of CyberCity International Limited, an independent non-executive director of China Oilfield Services Limited and SPG Land (Holdings) Limited. Mr. Jiang is also a director of China Foundation for Disabled Persons, a trustee of Cambridge China Development Trust and a senior associate at the Judge Business School of Cambridge University. He is currently a member of the CPPCC National Committee and the United Nations Investments Committee. Mr. Jiang received his bachelor's degree from Beijing Foreign Studies University, master's degree from Australian National University and doctorate's degree from Cambridge University. Mr. Jiang was the deputy chief of United Nations Joint Staff Pension Fund Investment Management Service, executive director and chairman of Vision Century Corporation Limited (now known as Frasers Property (China) Limited), a director of Zi Corporation and an advisory board member of Capital International Inc., and Rothschild Investment Bank. He has experience in fund management.

The Directors' interests in shares and underlying shares of the Company and its associated corporations, if any, within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") as at 31st December 2008 are disclosed in the section headed "Directors' Interest in Securities" of the Directors' Report.

Mr. Wang Futian, Mr. Jia Lianjun and Mr. Wang Xiaoming are directors of COSCO (Hong Kong) Group Limited. Mr. Wang Xiaoming and Mr. Meng Qinghui are also directors of True Smart International Limited. True Smart International Limited has and COSCO (Hong Kong) Group Limited is deemed to have an interest in the shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO respectively, the details of which are disclosed in section headed "Substantial Shareholders" of the Directors' Report.

Save as disclosed in the Directors' respective biographical details under "Profile of Directors and Senior Management" section, the Directors (a) have not held any directorships in other publicly listed companies, whether in Hong Kong or overseas, during the last three years; (b) do not hold any other positions in the Company and its subsidiaries; and (c) do not have any other relationships with any Directors, senior management or substantial or controlling shareholders of the Company as at the date of Directors' Report.

The Directors (except Executive Directors), have entered into letters of appointment with the Company for a specific term up to the forthcoming annual general meeting. However, all Directors are subject to retirement and eligible for re-election in each annual general meeting in accordance with the Bye-Laws of the Company.

The Directors (except (i) Non-executive Directors and (ii) Mr. Zhang Fusheng and Mr. Wang Xiaoming being Executive Directors) will receive Directors' emoluments, in the amounts determined by the Board from time to time subject to shareholders' approval at the annual general meeting of the Company. The current amounts of Directors' emoluments have been determined with reference to the prevailing market conditions, directors' experience, qualifications, responsibilities involved in the Company.

The details of the emoluments of the Directors on a named basis are disclosed in Note 33 to the Financial Statements.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

14 Mr. LO Siu Leung, Tony

aged 45, has been the Financial Controller of the Company since September 2005. Mr. Lo is a fellow of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. He holds a Master's degree of Business Administration from the Hong Kong University of Science and Technology. Mr. Lo had previously worked for an international accounting firm, the SEHK and several listed companies. He has extensive experience and expertise in corporate finance, corporate governance and financial planning.

15 Ms. CHIU Shui Suet

aged 42, has been the Company Secretary of the Company since October 2005. Ms. Chiu obtained a Bachelor of Laws degree from the University of Wolverhampton and completed her Postgraduate Certificate in Laws at the City University of Hong Kong. Ms. Chiu was admitted as a solicitor in Hong Kong. Besides, she is also a fellow member of The Institute of Chartered Secretaries and Administrators in the United Kingdom and The Hong Kong Institute of Chartered Secretaries. Prior to joining the Company, Ms Chiu had worked for accounting firms, legal firm and various listed companies. She has extensive experience and solid knowledge in dealing with the company secretarial and legal matters of listed company.

16 Ms. ZHU Yizhen

aged 54, joined the Company in August 2004, is the assistant to Managing Director of the Company. Ms. Zhu graduated from Beijing Institute of Chemical Engineering with a Bachelor degree in Chemical Engineering in 1982. After graduation, Ms. Zhu had engaged in research work in Beijing Research Institute of Chemical Engineering for more than 10 years and is very familiar with the technology of petrochemical engineering. From 1992 to 2004, Ms. Zhu was the deputy general manager of Technology Safety Department and the general manager of the Development Department, Management Department and Assets Management Department of China Marine Bunker (PetroChina) Co., Ltd. She is a Senior Engineer and has rich experience and technical management skill in coastal transportation and storage of marine fuel products, bunker oil supply and various oil products. She also has rich experience in investment management and project management.

17 Mr. CHEN Daming

aged 52, has been Managing Director of COSCO International Ship Trading Company Limited since January 1998. Mr. Chen graduated from Dalian Maritime University majoring in Shipping Engineering Management and joined Tianjin Ocean Shipping Company after graduation. He had been the assistant engineer, fourth engineer, third engineer and traveled with COSCO's crews all over the world. In 1987, Mr. Chen was assigned to work in the Shipbuilding Division of COSCO and in charge of the sale and purchase of second-hand vessels, scrap vessels and containers businesses. Mr. Chen was awarded with the professional qualification of Senior Engineer and has extensive experience in ship trading.

18 Mr. SUN Guangcheng

aged 57, has been Managing Director of COSCO (Hong Kong) Insurance Brokers Limited since September 2001. Following his graduation from Shanghai Maritime University majoring in Shipping Transportation, Mr. Sun joined Tianjin Ocean Shipping Company. From 1984 to 1988, he had been the head of Commercial Division and Insurance & Claim Division of Tianjin Ocean Shipping Company. Later, he had been appointed as the chief representative of COSCO in Syria and Cyprus from 1988 to 1991. Having returned to China in September 1991, Mr. Sun had been the deputy general manager of COSCO Tianjin Freight & Forwarding Co., Ltd., the general manager of COSCO Tianjin Container Lines Freight & Forwarding Co., Ltd. in Tianjin, the deputy general manager cum corporate legal advisor of Tianjin COSCO International Freight & Forwarding Co., Ltd. Mr. Sun is a Senior Economist and he has sound knowledge in marine insurance and extensive experience in the management of marine and commercial legal cases.

19 Mr. QIU Ming

aged 48, has been General Manager of Yuantong Marine Service Co. Limited since January 2006. Mr. Qiu graduated from Shanghai Marine College, majoring in Marine Engineering in 1982. After graduation, he worked as a member, deputy division chief and division chief of the Safety and Technology Division of the Second Department and as division chief of Equipment Division of the Technology Department of Shanghai Ocean Shipping Company. In 1999, Mr. Qiu worked as the general manager of Chung Lin Marine Service Company in Japan. He has much experience in managing the supply of marine equipment, spare parts, ship fuels as well as marine technology.

20 Mr. DONG Zhaoming

aged 51, has been General Manager of Jotun COSCO Marine Coatings (HK) Limited since January 2006. Mr. Dong graduated from Shanghai Coating Polytechnic, majoring in Chemistry in 1977, subsequently majored in English and Management respectively in Shanghai International Studies University and Shanghai Jiao Tong University, and obtained his Master's degree of Business Administration from the Macao University of Science and Technology in 2002. Mr. Dong worked as a manager of the Production Department and the Sales Department of International Paints Shanghai during the period from 1981 to 1996. Since 1998, he worked as the general manager of Jotun Paints (H.K.) Limited Shanghai Office. Mr. Dong has extensive experience in coatings technology, sales, marketing management and purchasing management.

21 Mr. ZHANG Huimin

aged 58, has been Director of COSCO Kansai Paint & Chemicals (Tianjin) Co., Ltd., COSCO Kansai Paint & Chemicals (Shanghai) Co., Ltd. and COSCO Kansai Paint & Chemicals (Zhuhai) Co., Ltd. since December 2008. Mr. Zhang graduated from Hangzhou University in 1976, majoring in foreign languages. From 1977 to 1996, he worked for Shanghai Ocean Shipping Company in the areas of shipping and shipping economic management and held the positions of deputy division chief, division chief and deputy general manager of Shipping Division. He had been the assistant to Managing Director of the Company and the general manager of Henan Xinzhongyi Electric Power Co., Ltd., responsible for the operation and management of the power plant in Henan. Mr. Zhang has been awarded as a Senior Economist by the MOC.

22 Mr. LI Min

aged 45, has been Managing Director of COSCO International Trading Company Limited since March 2008. Mr. Li graduated from Wuhan University of Technology major in Marine Mechanical and obtained his Master's degree in Economics at Renmin University of China. Mr. Li joined COSCO Group and served as officer of the Technical Department from 1984 to 1994. He had been designated by COSCO to act as the general manager of Yuan Tong (Holland) Marine Service Company B.V. and the deputy general manager of Han Yuan (Germany) Technical Service GmbH from 1994 to 1999. Having returned to China in 1999, Mr. Li had been an assistant to general manager of China Marine Bunker Supply Company (now known as China Marine Bunker (PetoChina) Co., Ltd.), manager of General Trading Department, assistant to general manager, deputy general manager and general manager of COSCO International Trading Company (now known as COSCO International Trading Company Limited). Mr. Li was awarded with the professional qualification of Senior Engineer and he has sound knowledge in ship engineering and international trading and extensive experience in enterprise management.

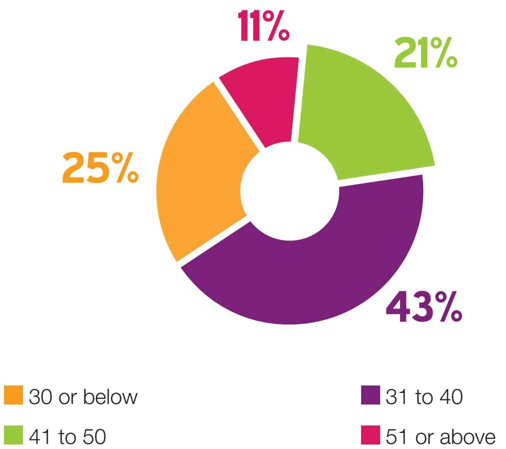
CORPORATE SOCIAL RESPONSIBILITY

COSCO INTERNATIONAL CONSIDERS AN ENTERPRISE SHOULD ESTABLISH A SOCIALLY RESPONSIBLE CORPORATE CULTURE THAT PAVES THE WAY FOR ITS LONG-TERM AND SUSTAINABLE DEVELOPMENT.

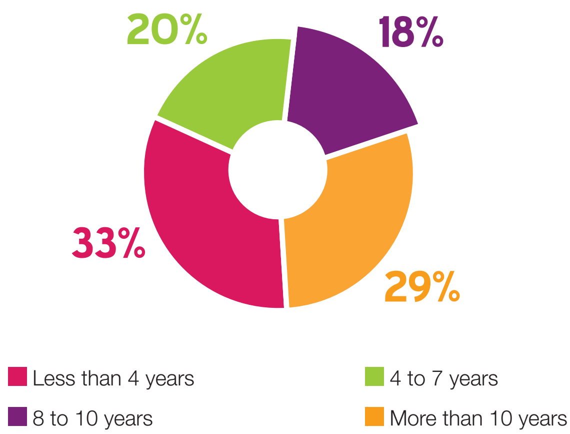
COSCO International considers an enterprise pursuing corporate sustainable development should not only increase operating profit and maximise the shareholders' value, but also, more importantly, should establish a socially responsible corporate culture that paves the way for the long-term development of the enterprise itself, the society, the environment and the economy as a whole, so as to safeguard and balance the interests among its stakeholders including the shareholders, business partners, employees, customers and suppliers. In 2008, to the benefit of efficient utilisation of resources, the Company has been committed to caring for its employees, promoting environmental protection and participating in social charitable activities, thus undertaking the social responsibilities to be performed and eventually taking it as the long-term and systematic task during the development process of the Company.

EMPLOYEES PARTICULARS IN 2008

By age



By years of employment



PEOPLE ORIENTED AND CARING FOR EMPLOYEES

The Group always regards its employees as its most valuable assets. Through restructuring of compensation management, performance appraisals as well as incentive and restrictive mechanism, it has continually stimulated working motivation and creativity in its senior management and employees. Furthermore, the Company has been running a well-rounded talent retention scheme to cater for the future business development needs of the Company. The scheme conducts an annual manpower review and planning to facilitate better understanding of the Group's personnel conditions and formulate a comprehensive development plan for its talents at an early stage. As at 31st December 2008, the Company and its subsidiaries had a total of 662 staff (2007: 610), of which 107 (2007: 104) were based in Hong Kong and 555 (2007: 506) were based in China Mainland [Note].

Note: Employees of the Group in China Mainland do not include the employees of the jointly controlled entity and the associated company.

Nurturing a team of professionals

With a view to strengthening team-building amongst employees in order to meet the corporate development needs, the Company initiated a systematic training scheme in 2008. The newly scheme includes formulating annual training objectives, designing various types of training programs and extending the content to various professional realms such as lean management, occupational safety, finance, auditing, office safety and information security. In addition, the Company will encourage and subsidise employees to participate individual continuing education programs which are related to their job duties. The Company also set up a vetting and monitoring mechanism which regularly tracks and reviews on training effectiveness to ensure a fair and reasonable use of training subsidies. The Company believes that through a systematic training scheme, not only employees of the Company will acquire higher professional qualities, but also upon which, the Company can build up a solid foundation for nurturing an outstanding management team.

CORPORATE SOCIAL RESPONSIBILITY

Fostering integrity management

As a socially responsible company, the Group upholds the principles of fairness, righteousness and openness, and safeguards and balances the interests of the stakeholders, including suppliers, contractors and customers, in an honest, clean and trustworthy manner. In 2008, the Company reviewed the implementation status of the Code of Conduct and Professional Ethic of Staff formulated in 2007 through a self-inspection process, in order to ensure that the contents of the Code had been applied throughout the actual operations and management of the Group. Besides, during the year the Company organised seminars and internal conferences on the topic of integrity management for 67 middle and senior management, and conducted an internal seminar focusing on risk management for listed companies, with the aim of further enhancing the professional conduct and integrity management of its management team, and promoting a management culture with high values of business ethics and incorruptibility.

Valuing communications with employees

The management of the Company believes that effective mutual communications between the management and employees is beneficial for raising work efficiency and establishment of a harmonious enterprise. In recent years, the Company has proactively communicated its corporate development strategies and work objectives through various channels, such as weekly meetings and regular meals gathering. In addition, the Company has set up an internal information management system, which acts as a platform for the management and all employees to share operating data and corporate culture, and has become an effective tool for information sharing and real-time opinion exchange. Meanwhile, the Company has endeavoured to understand its staff needs and collect their opinions on the Company through, among other things, views exchange meetings, one-to-one surveys and corporate activities, so as to enhance its corporate governance and accelerate the overall corporate development progress. In 2008, the Company conducted two opinion polls through one-to-one interview, in which over 30 middle and senior management staff of the Company were interviewed to collect their opinions and suggestions regarding business development, corporate culture, team spirit, staff benefits and compensation, and advancement and career prospects of the Company. The management of the Company highly valued the poll results and adopted some of the suggestions immediately. The opinion polls have successfully driven the Company to reach new milestone in the development process of the Company and effectively enhanced its staff motivation to actively participate into corporate management.

Concerted efforts in developing a safety culture

Safety management lays a fundamental ground for corporate development, while it is also an important social responsibility that the Company has to fulfill to its employees and the community it operates in. Therefore, the Company is highly concerned about the safety production management. A Safety Management Committee of the Company, with the mission of "Safety First, Prevention Top Priority and Integrated Management", performs unified guidance, inspection, assessment and supervision on its subsidiaries in accordance with the Safety Act of the People's Republic of China and the relevant safety management regulations of the HKSAR Government. Through safety educational seminars and on-site training, employees gain heightened awareness in production safety, and their safety management skills have been improved. Through the emergency drills, employees clearly understand the contingency procedures, which strengthen their abilities in dealing with emergencies. During the year, the Group held a total of 23 emergency drills (2007: 12) with 1,256 attendances, the highest number of participants ever recorded. By three-pronged approach, including training, emergency drills as well as supervision and checks, many potential hazards have been avoided and the probabilties of production accidents have been significantly reduced. More importantly, a corporate culture for safety has been promoted comprehensively.

In 2008, the Group recorded no significant accident regarding production safety and information security.

Caring for employees and their families

The Company strives to provide an employee-friendly working environment, and concerns the balanced development of their careers and family lives. During the year, the Company formulated flexible work arrangements and added more leave options, so that its employees may handle their personal and family emergency matters more flexibly. The Company also concerns its employees' physical health. In addition to annual review on medical insurance coverage, it also arranges free annual medical check-up for its staff. Furthermore, the Company cares about those employees and their families who are in financial difficulties resulted from natural disaster and grants subsidy if necessary. For example, the subsidiaries of the Company gave special allowance to help the employees and their families who were affected by the earthquake occurred in China Mainland to overcome their hardship. Every year, the Company organises a variety of activities, including annual dinner, group travels, hiking and recreational ball games as well as exchange and learning tours to China Mainland. These activities not only strengthen the communication and understanding among its employees, but also effectively nurture team cooperation, which in turn fortify its employees' sense of belongings and corporate cohesion. Employees' physical and mental health and balanced family lives are also benefited from the activities.

CORPORATE SOCIAL RESPONSIBILITY

COSCO INTERNATIONAL IS EQUALLY CONCERNED ABOUT ITS OBLIGATIONS TO THE ENVIRONMENT, ITS EMPLOYEES AND THE COMMUNITY.

EFFECTIVE USE OF RESOURCES AND CREATING GREEN ENVIRONMENT

While pursuing corporate profitability and promoting business development, COSCO International is equally concerned about its obligations to the environment, its employees and the community. By always adhering to the work objective of "building a resource-efficient and green enterprise", the Group is active in realising the motto of "energy saving and emission reduction" advocated by the PRC Government. It continually perfected on its environmental protection management policies, focused on technological advancement, developed environmental friendly products and even promoted its philosophy of environmental protection to stakeholders to call for their joint efforts in environmental protection.

Perfecting environmental protection policies

The Group's subsidiaries which are engaged in the production and sales of coatings have established "Management Policy on Environmental Protection" in view of their industrial specialties, and also implemented "Safety Management Procedures on Hazardous Chemical Substances" and "Safety Management Procedures on Waste Substances", which provide for a thorough management and supervision on the procurement, transportation, storage of hazardous chemical substances and disposal of waste substances along the whole production process. In addition, the two coatings companies strictly require their suppliers to hold recognised PRC business licenses in respect of safety and green production, while transportation contractors should hold recognised PRC qualifications for transportating hazardous chemical substances. Furthermore, the Group complies with requirements of local environmental protection bureaus to employ recyclers with qualifications obtained therefrom to provide disposal services on waste substances, hence to minimise potential pollution to the environment during the production process. In 2008, the Group was not involved in any major accidents relating to environmental pollution.

Promoting environmental friendly products

Jotun COSCO, a jointly controlled entity of the Group, is actively developing a kind of marine coatings which can reduce pollution to the ocean, protect aquatic habitat and increase energy saving efficiency of vessels, i.e. known as the SeaQuantum series of anti-fouling coatings. According to the laboratory statistics of the Group, this brand of anti-fouling coatings may increase vessel speed by up to 7% and reduce fuel consumption at most by 3.5%. In order to further promote the green philosophy to the shipping industry and marine coatings industry, during the year Jotun COSCO held international conferences on anti-fouling coatings and anti-corrosion technology in the offshore platform and meetings for exchange views on product technologies. It actively promoted environmental friendly coating products to dockyards and shipowners and promoted those environmental friendly coatings technologies and its concept to vessel classification societies and design and research institutions. Through which, the work on environmental conservation has been reached out to a broader horizon.

Green office

COSCO International and its Hong Kong subsidiaries respond to the HKSAR Government's call on environmental protection and adopt a scheme on urging their staff to wear smart casual costumes at work during summer period from June to October each year. Air-conditioning thermostat in the office is adjusted to 25.5 degrees Celsius for saving energy and reducing air pollution. Additionally, the Company furthered the implementation of a paperless office during the year by completely adopting office automation system which stores the important documents of the Company in electronic format. As a result, the Company significantly reduced the waste of environmental resources and in the meantime effectively enhanced management efficiency in the workplace.

ACTIVE PARTICIPATION IN SOCIAL CHARITABLE ACTIVITIES

COSCO International believes that enterprises form an integral part of society. When enterprises expand in operational scale and increase in earnings, they should proactively give back to the society and motivate their employees to participate in various social charitable activities, in a way that fulfill their obligations as corporate citizens to "giving back to the community with what they get from the community" and as a means to providing assistance to the local community and the persons in need.

Delivering love and care to the earthquake-hit areas

In the wake of the severe earthquake in Sichuan Province, China in 2008, COSCO International responded to COSCO's call and participated in the campaign organised by COSCO Hong Kong to encourage its employees in China Mainland and Hong Kong to show their love and care through making donations to support rescue efforts. Employees from Hong Kong raised a total of HK$96,280 for Sichuan earthquake victims, while employees from China Mainland raised a total of RMB260,956. These two sums of donations were presented to the Sichuan Provincial People's Government of PRC via the Hong Kong Chinese Enterprises Charitable Foundation and COSCO Group Charity Foundation to support post-disaster reconstruction in the earthquake-hit areas and deliver the Group's care and love to the earthquake victims.

Active participation in charitable activities

COSCO International believes that knowledge is power, which can improve one's living conditions and even transform the society and help the country thrive. Therefore, with the aim of helping students living in mountainous areas return to school, COSCO International initiated a donation of HK$100,000 to Sowers Action in 2008 to support the reconstruction of schools in the earthquake-hit areas of Sichuan Province. During the year, the Company also mobilised its employees to participate in fund-raising activities such as the Flag Day of Lifeline Express, Sowers Action Challenging 12 Hours 2008, and the Community Chest's Dress Special Day 2008, from which the funds raised were used for the children welfare and community development services.

Through coordinated efforts of the management and all employees, the Company was awarded Caring Company Logo 2008/2009 by the Hong Kong Council of Social Service for the first time in February 2009, in recognition of the Company's efforts in giving back to the society during the past year, as well as the undertakings in fulfilling its corporate citizen obligations. Going forward, the Company will continue to actively perform its corporate social responsibilities, act responsibly to its shareholders and fulfill its obligations to all stakeholders. By establishing partnership with social services institutions, the Company will encourage employees to participate in more charitable activities and contribute their efforts in building up team spirit and constructing a harmonious society.

CORPORATE GOVERNANCE REPORT

THE COMMITMENT AND COMPLIANCE OF THE COMPANY

The Board is committed to maintaining high standards of corporate governance. It believes that high standards of corporate governance provide a framework and solid foundation for the Group to manage business risks, enhance transparency, maintain high standard of accountability and protect shareholders' interest in general. The Board has adopted a Corporate Governance Statement of Policy (available on www.coscointl.com) which gives guidance on how corporate governance principles are applied to the Company.

The overall management of the Company's business is vested in the Board. The Board takes responsibility to oversee all major matters of the Company, including the formulation and approval of all policy matters, overall strategies, internal control and risk management systems, and monitoring the performance of the senior management. The Directors have to take decisions objectively in the interests of the Company.

The day-to-day management, administration and operation of the Company are delegated to the Managing Director and the senior management of the Company. The delegated functions and work tasks are periodically reviewed. The Board is currently composed of six Executive Directors (including the Chairman, the Vice Chairman and the Managing Director of the Company), four Non-executive Directors and three Independent Non-executive Directors, whose biographical details are set out in "Profile of Directors and Senior Management".

During the year, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors with at least one Independent Non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise.

In addition, the Company has received from each of the Independent Non-executive Directors an annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules.

The Company has applied the principles and complied with all the applicable code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Listing Rules throughout the year ended 31st December 2008 except that:

(i) all Non-executive Directors (including Independent Non-executive Directors) have entered into letters of appointment with the Company until November 2008 for a specific term up to the forthcoming annual general meeting of the Company and the Director appointed in 2008 has not been re-elected by shareholders at the first general meeting after his appointment, however, all Directors are subject to retirement and eligible for re-election in each annual general meeting in accordance with the Bye-Laws of the Company; and

(ii) Mr. Wei Jiafu, the ex-Chairman of the Board, was unable to attend the annual general meeting of the Company held on 23rd May 2008 due to other business commitments.

In addition to complying with applicable statutory requirements, the Company aims to continually review and enhance its corporate governance practices in the light of local and international best practices.

STATEMENT OF COMPLIANCE

A. Directors

A.1 The Board

Principle of the Code

An issuer should be headed by an effective board which should assume responsibility for leadership and control of the issuer and be collectively responsible for promoting the success of the issuer by directing and supervising the issuer's affairs. Directors should take decisions objectively in the interests of the issuer.

CODE PROVISIONS	COMPLIANCE	ACTIONS BY THE COMPANY
A.1.1 The board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals.	Yes	The Board met four times during the year and conducted the following principal activities: – adoption of recommendations of Audit Committee; – interim and annual review of the report of the business operations; – approval of the amendments of Corporate Governance Statement of Policy together with the code of conduct regarding securities transactions of directors and employees and terms of reference of Audit Committee of the Company in accordance with the amendments of the Listing Rules; – approval of whistleblowing policy and director appointment policy; – approval of interim/final results, announcements, and interim/annual report, determining dividends; matters to be considered at annual general meeting; approval of directors' fee of Independent Non-executive Directors; – approval of the change of Chairman/Directors and re-designation of Directors; – adoption of recommendations of Risk Management Committee; and – approval of annual operating plan and budget, management results and performance updates against annual operating plan and budget, together with business reports and presentations from senior management.
A.1.2 Arrangements should be in place to ensure that all directors are given an opportunity to include matters in the agenda for regular board meetings.	Yes	Directors were invited to include any matters which they thought appropriate in the agenda for regular Board meetings.
A.1.3 Notice of at least 14 days should be given of a regular board meeting to give all directors an opportunity to attend.	Yes	At least 14 days' prior notice was normally given for regular Board meetings.

CORPORATE GOVERNANCE REPORT

CODE PROVISIONS	COMPLIANCE	ACTIONS BY THE COMPANY
A.1.4 All directors should have access to the advice and services of the company secretary with a view to ensuring that board procedures, and all applicable rules and regulations, are followed.	Yes	Directors had access to the services of the Company Secretary who is responsible for ensuring the compliance of the Board procedures.
A.1.5 Minutes of board meetings and meetings of board committees should be kept by a duly appointed secretary of the meeting and open for inspection.	Yes	Minutes were kept by the appointed secretary of the meetings and available for inspection at the Company's principal place of business.
A.1.6 Minutes of board meetings and meetings of board committees should be recorded in sufficient detail. Draft and final versions of minutes should be sent to all directors for their comment and records respectively.	Yes	All minutes were recorded in detail and were sent to Directors for review and comment within a reasonable time (generally within 7 days) after each meeting. Final version of minutes had been sent to Directors for records.
A.1.7 There should be a procedure for directors to seek independent professional advice at the issuer's expense.	Yes	Directors were permitted to seek independent professional advice, if required, at the Company's expense.
A.1.8 If a substantial shareholder/director has a conflict of interest in a matter to be considered by the board which the board has determined to be material, a board meeting should be held. Independent non-executive directors should be present at such board meeting.	Yes	The Company would continue to ensure that such matters require Board meetings be held instead of by way of circulation and with the presence of Independent Non-executive Directors or otherwise seek the full endorsement by the Independent Non-executive Directors.

Recommended Best Practices complied by the Company

- There was in place a Directors & Officers' Liabilities Insurance cover in respect of legal actions against the Directors and senior management arising out of corporate activities; and
- All Board Committees of the Company have adopted broadly the same principles and procedures as stated in A.1.1 to A.1.8 of Appendix 14 to the Listing Rules.

A.2 *Chairman and Chief Executive Officer*

Principle of the Code

There should be a clear division of responsibilities between the management of the board and the day-to-day management of the issuer's business at the board level to ensure a balance of power and authority so that power is not concentrated in any one individual.

CODE PROVISIONS	COMPLIANCE	ACTIONS BY THE COMPANY
A.2.1 The roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.	Yes	The position of the Chairman, the Vice Chairman and the Managing Director are currently held by Mr. Zhang Fusheng, Mr. Wang Futian and Mr. Liang Yanfeng respectively. In order to reinforce their respective independence, accountability and responsibility, the roles of the Chairman and the Vice Chairman have been separate from that of the Managing Director. The Chairman and the Vice Chairman are responsible for formulating the overall strategies and policies of the Company and the Managing Director is responsible for developing strategic plans and formulating the organisational structure, control systems and internal procedures and processes for the Board's approval. Division of responsibilities between the Chairman, the Vice Chairman and the Managing Director is clearly defined and set out in writing.
A.2.2 & A.2.3 The chairman should ensure that all directors are properly briefed on issues arising at board meetings and they receive adequate information in a timely manner.	Yes	The Chairman has a clear responsibility to ensure that all the directors being properly briefed and given accurate information.

Recommended Best Practices complied by the Company

- The Chairman has a clear responsibility to ensure that the Board works effectively and discusses all key and appropriate issues in a timely manner.
- Meeting between the Chairman and/or the Vice Chairman and Independent Non-executive Directors without management presence, held at least once a year. Such meeting was held in September 2008. The Board regarded such meeting as opinion exchange gathering whereby a broad range of strategic and performance matters may be openly discussed.

CORPORATE GOVERNANCE REPORT

A.3 Board composition

Principle of the Code

The board should have a balance of skills and experience appropriate for the requirements of the business of the issuer. The board should include a balanced composition of executive directors and non-executive directors (including independent non-executive directors) so that there is a strong independent element on the board, which can effectively exercise independent judgment. Non-executive directors should be of sufficient caliber and number for their views to carry weight.

CODE PROVISIONS	COMPLIANCE	ACTIONS BY THE COMPANY
A.3.1 The independent non-executive directors should be expressly identified as such in all corporate communications.	Yes	Composition of the Board, by category of Executive Directors, including names of the Chairman, the Vice Chairman, the Managing Director, Non-executive Directors and Independent Non-executive Directors, was disclosed in all corporate communications.

Recommended Best Practices complied by the Company

– Biographies of Directors, including clear designation of their roles and responsibilities are maintained on the Company's website.

A.4 Appointments, re-election and removal

Principle of the Code

There should be a formal, considered and transparent procedure for the appointment of new directors to the board. There should be plans in place for orderly succession for appointments to the board. All directors should be subject to re-election at regular intervals. An issuer must explain the reasons for the resignation or removal of any director.

CODE PROVISIONS	COMPLIANCE	ACTIONS BY THE COMPANY
A.4.1 & A.4.2 Non-executive directors should be appointed for a specific term, subject to re-election. All directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.	Partial compliance	All Non-executive Directors (including Independent Non-executive Directors) have entered into letters of appointment with the Company until November 2008 for a specific term up to the forthcoming annual general meeting of the Company and the Director appointed in 2008 has not been re-elected by shareholders at the first general meeting after his appointment. However, all Directors are subject to retirement and shall be eligible for re-election in each annual general meeting of the Company in accordance with the Bye-Laws of the Company. The Company believed that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code.

Recommended Best Practices complied by the Company

- The Company has set up a Nomination Committee comprising a majority of Independent Non-executive Directors with specific written terms of reference. It is responsible for reviewing the Board composition, developing and formulating the relevant procedures on appointment of Directors, monitoring the appointment and succession planning of Directors and assessing the independence of Independent Non-executive Directors. The terms of reference of Nomination Committee is made available on the Company's website. A Nomination Committee meeting was held in July 2008 to discuss the appointment of proposed Chairman and change of Board composition. Another meeting was held in October 2008 to discuss the appointment of proposed Vice Chairman. Having considered the streamlining of Board composition and the qualification and experience of Mr. Zhang Fusheng and Mr. Wang Futian, the Nomination Committee recommended to the Board to appoint Mr. Zhang Fusheng as Executive Director and the Chairman and to re-designate the Executive Directors, namely Mr. Li Jianhong, Mr. Jia Lianjun, Mr. Meng Qinghui and Mr. Chen Xuewen to Non-executive Directors on 7th July 2008 and to appoint Mr. Wang Futian as the Vice Chairman on 24th October 2008.

A.5 Responsibilities of directors

Principle of the Code

Every director is required to keep abreast of his responsibilities as a director of an issuer and of the conduct, business activities and development of that issuer. Non-executive directors have the same duties of care and skill and fiduciary duties as executive directors.

CODE PROVISIONS	COMPLIANCE	ACTIONS BY THE COMPANY
A.5.1 Every newly appointed director of an issuer should receive a comprehensive, formal and tailored induction on the first occasion of his appointment, and subsequently such briefing and professional development as is necessary, to ensure that he has a proper understanding of the operations and business of the issuer and that he is fully aware of his responsibilities under statute and common law, the Listing Rules, applicable legal requirements and other regulatory requirements and the business and governance policies of the issuer.	Yes	A comprehensive information package containing an introduction to the operation of the Group, Directors' responsibilities and duties and other statutory requirements have been provided to new Directors upon their appointment. The Company Secretary is responsible for keeping all Directors updated on Listing Rules and other statutory requirements.

CORPORATE GOVERNANCE REPORT

CODE PROVISIONS	COMPLIANCE	ACTIONS BY THE COMPANY
A.5.2 The functions of non-executive directors should include: – bring an independent judgment at the board meeting – take the lead where potential conflicts of interests arise – serve on the audit, remuneration, nomination and other governance committees, if invited; and – scrutinise the issuer's performance.	Yes	Independent Non-executive Directors were well aware of their functions and had been actively performing their functions.
A.5.3 Every director should ensure that he can give sufficient time to the affairs of the issuer.	Yes	There was satisfactory attendance rate for the Board and Board Committees meetings in 2008.
A.5.4 Directors must comply with their obligations under the Model Code set out in Appendix 10 to the Listing Rules.	Yes	The Company has adopted a code of conduct regarding securities transactions of Directors and employees (the "Securities Code") no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules. In accordance with the amendments of the Model Code in relation to an extension of the black out period applicable to the publication of an issuer's annual and interim results, the Securities Code has been amended in due course. To ensure Directors' dealings in the securities of the Company are conducted in accordance with the Securities Code, a committee (the "Committee") comprising the Chairman, the Vice Chairman, the Managing Director and the Deputy Managing Directors was set up to deal with such transactions. Prior to any dealings in securities of the Company, a Director is required to notify the Chairman or the Vice Chairman in writing and obtain a written acknowledgement from the Committee. The Company had made specific enquiry of all Directors regarding any non-compliance with the Securities Code during the year of 2008, all Directors confirmed that they had fully complied with the required standard set out in the Securities Code during the year.

Recommended Best Practices complied by the Company

– Directors disclosed their other directorship at the time of appointment and, subsequently, at least once every year to the Company. There were satisfactory attendances and active participations at Board meetings, Board Committees meetings and general meetings by the Directors. The Independent Non-executive Directors had during the year contributed to the Board their constructive and valuable advice to the Company in the development of the Company's strategy and policies, in particular the internal controls of the Company.

A.6 *Supply of and access to information*

Principle of the Code

Directors should be provided in a timely manner with appropriate information in such form and of such quality as will enable them to make an informed decision and to discharge their duties and responsibilities as directors of an issuer.

CODE PROVISIONS	COMPLIANCE	ACTIONS BY THE COMPANY
A.6.1 Agenda and accompanying board papers should be sent in full to all directors in a timely manner and at least 3 days before the intended date of board meeting or committee meeting.	Yes	Agenda and board papers were sent to all Directors at least 3 days (generally at least 7 days) before the meetings unless it was on urgent basis to ensure that they had sufficient time to review the papers and be adequately prepared for the meeting.
A.6.2 Management has an obligation to supply the board and its committees with adequate information in a timely manner to enable it to make informed decisions. The board and each director should have separate and independent access to the issuer's senior management.	Yes	Senior management worked closely with the Board and met each other on regular basis. They were required to submit reports on the Company's operations on a regular basis to the Board so that it could discharge its responsibilities.
A.6.3 All directors are entitled to have access to board papers. Steps must be taken to respond to the queries raised by directors as promptly and fully as possible.	Yes	Board papers were sent to all Directors before the Board meetings. Queries raised by any Directors would be responded promptly by management.

CORPORATE GOVERNANCE REPORT

B. Remuneration of Directors and senior management

B.1 The level and make-up of remuneration and disclosure

Principle of the Code

An issuer should disclose information relating to its directors' remuneration policy and other remuneration related matters. There should be a formal and transparent procedure for setting policy on executive directors' remuneration and for fixing the remuneration packages for all directors. No director should be involved in deciding his own remuneration.

CODE PROVISIONS	COMPLIANCE	ACTIONS BY THE COMPANY
B.1.1 Issuers should establish a remuneration committee with specific written terms of reference which deal clearly with its authority and duties. A majority of the members of the remuneration committee should be independent non-executive directors.	Yes	A Remuneration Committee has been established by the Board with specific written terms of reference and a majority of members of the Remuneration Committee is Independent Non-executive Director. The duties of the Remuneration Committee include: – determining the policy for the remuneration of the Company; – approving the terms of service contracts; and – ensuring the remuneration offered is appropriate for the duties and in line with market practice.
B.1.2 The remuneration committee should consult the chairman and/or chief executive officer about their proposals relating to the remuneration of other executive directors and have access to professional advice if considered necessary.	Yes	The Remuneration Committee would consult the Chairman or the Vice Chairman the proposals relating to the remuneration of other executive directors, if any. The Remuneration Committee carried out annual review of remuneration packages for the senior management of the Company with reference to the survey made by professionals in July 2008.

CODE PROVISIONS	COMPLIANCE	ACTIONS BY THE COMPANY
B.1.3, B.1.4 & B.1.5 The terms of reference of the remuneration committee should include the specific duties as stipulated in B.1.3 of Appendix 14 to the Listing Rules. The remuneration committee should make available its terms of reference, explaining its role and the authority delegated to it by the board. The remuneration committee should be provided with sufficient resources to discharge its duties.	Yes	The terms of reference were set out in writing with adoption of the specific duties as provided in B.1.4 of Appendix 14 to the Listing Rules. It is made available on the Company's website. The Company would pay for all professional advice and other assistance as required by the Remuneration Committee.

Recommended Best Practices complied by the Company

– Details of remuneration of the Vice Chairman, the Managing Director and Deputy Managing Directors who are also the executive directors and the Independent Non-executive Directors are disclosed on an individual basis in this Annual Report.

C. Accountability and audit

C.1 Financial reporting

Principle of the Code

The board should present a balanced, clear and comprehensible assessment of the company's performance, position and prospects.

CODE PROVISIONS	COMPLIANCE	ACTIONS BY THE COMPANY
C.1.1 Management should provide such explanation and information to the board as will enable the board to make an informed assessment of the financial and other information put before the board for approval.	Yes	Management was required to provide detailed report and explanation to enable the Board to make an informed assessment before approval.
C.1.2 The directors should acknowledge in the Corporate Governance Report their responsibilities for preparing the accounts, and there should be a statement by the auditors about their reporting responsibilities in the auditor's report on the financial statements.	Yes	The Directors and auditor of the Company state their respective responsibilities in this Annual Report.

CORPORATE GOVERNANCE REPORT

CODE PROVISIONS	COMPLIANCE	ACTIONS BY THE COMPANY
C.1.3 The board's responsibility to present a balanced, clear and understandable assessment extends to annual and interim reports, other price-sensitive announcements and other financial disclosures required under the Listing Rules, and reports to regulators as well as information required to be disclosed pursuant to statutory requirements.	Yes	The Board aimed at presenting a balanced, clear and understandable assessment of the Company's position to its shareholders and the public. Press conferences had been held twice a year. Information in relation to the Company had also been uploaded to the Company's website.

C.2 Internal controls

Principle of the Code

The board should ensure that the issuer maintains sound and effective internal controls to safeguard the shareholders' investment and the issuer's assets.

CODE PROVISIONS	COMPLIANCE	ACTIONS BY THE COMPANY
C.2.1 The directors should at least annually conduct a review of the effectiveness of the system of internal control of the issuer and its subsidiaries and report to shareholders that they have done so in their Corporate Governance Report. The review should cover all material controls, including financial, operational and compliance controls and risk management functions.	Yes	The Board had overall responsibility for the system of internal controls and for reviewing its effectiveness. Management is responsible for formulating and implementing an appropriate internal controls system. The Internal Audit Department assists the Audit Committee in ensuring a sound and effective system of internal controls maintained by the Company. The chairman of the Audit Committee reported to the Board on key findings regarding internal audit work at least twice a year. A Risk Management Committee, comprising of Executive Directors, was chaired by the Managing Director. The Managing Director reported to the Board on key findings regarding internal controls at least once a year. The Board had conducted an annual review on the effectiveness of its internal control systems covering all material controls, including financial, operational and compliance controls as well as risk management functions. The Board believed that the internal control systems of the Company are effective and adequate.

CODE PROVISIONS	COMPLIANCE	ACTIONS BY THE COMPANY
		A Risk Management Committee meeting was held in December 2008 to discuss a report submitted by the management. The report was about the implementation of risk management and internal control of the Company, content of which included risk management analysis on Company's operations, financial, and investment project and provided recommendations on areas of improvement. Such report was submitted to the Board for review and the Board was satisfied with the results.

C.3 *Audit committee*

Principle of the Code

The board should establish formal and transparent arrangements for considering how it will apply the financial reporting and internal control principles and for maintaining an appropriate relationship with the company's auditors. The audit committee established by an issuer pursuant to the Listing Rules should have clear terms of reference.

CODE PROVISIONS	COMPLIANCE	ACTIONS BY THE COMPANY
C.3.1 Full minutes of audit committee meetings should be kept by a duly appointed secretary of the meeting. Draft and final versions of minutes of the audit committee meetings should be sent to all members of the committee for their comment and records respectively, in both cases within a reasonable time after the meeting.	Yes	Draft minutes prepared by the secretary of the Committee were sent to committee members for comment. Full minutes were kept by the secretary of the meeting.
C.3.2 A former partner of the issuer's existing auditing firm should be prohibited from acting as a member of the issuer's audit committee for one year after he ceases to be a partner of or to have any financial interest in the firm, whichever is the later.	Yes	Except that Mr. Kwong Che Keung, Gordon, the Independent Non-executive Director, who was a partner of PricewaterhouseCoopers from 1984 to 1998, none of the members of the Audit Committee are former partners of the Company's existing auditing firm.

CORPORATE GOVERNANCE REPORT

CODE PROVISIONS	COMPLIANCE	ACTIONS BY THE COMPANY
C.3.3 The terms of reference of the audit committee should include at least the following duties: – review of relationships with issuer's auditors. – review of financial information of the issuer; and oversight of the issuer's financial reporting system and internal control procedures.	Yes	The terms of reference have coverage on the scope of duties as required in this Code Provisions.
C.3.4 The audit committee should make available its terms of reference, explaining its role and the authority delegated to it by the board.	Yes	The terms of reference are available on the Company's website.
C.3.5 Where the board disagrees with the audit committee's view on the selection, appointment, resignation or dismissal of the external auditors, the issuer should include in the Corporate Governance Report a statement from the audit committee, explaining its recommendation and also the reason(s) why the board has taken a different view.	Yes	The Audit Committee recommended to the Board that, subject to the shareholders' approval at the forthcoming annual general meeting, PricewaterhouseCoopers would be re-appointed as the external auditor of the Company.
C.3.6 The audit committee should be provided with sufficient resources to discharge its duties.	Yes	The Company would at its expenses provide such assistance as required by the Audit Committee.

Recommended Best Practices complied by the Company

– The Company has adopted a whistleblowing policy in September 2008 under which employees have been provided a channel and guideline to report any misconduct, malpractice or impropriety concerns within the Group. The chairman of the Audit Committee will review the complaint and decide how the investigation should proceed.

– The terms of reference of the Audit Committee have been revised to include the following duties:
  (1) to approve and monitor procedures enabling the following, and ensuring the fair and independent investigation and appropriate follow-up of such matters:
    (a) receipt, retention and treatment of complaints received by the Company regarding accounting, financial reporting, internal control, auditing or other matters; and
    (b) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting, financial reporting, internal control, auditing or other matters.
  (2) the Audit Committee acts as the key representative body of the Company and is responsible to oversee the relationship between the Company and the external auditor, include the relationships involving the provision of non-audit services.

D. Delegation by the board

D.1 Management functions

Principle of the Code

An issuer should have a formal schedule of matters specifically reserved to the board for its decision. The board should give clear directions to management as to the matters that must be approved by the board before decisions are made on behalf of the issuer.

CODE PROVISIONS	COMPLIANCE	ACTIONS BY THE COMPANY
D.1.1 & D.1.2 When the board delegates aspects of its management and administration functions to management, it must at the same time give clear directions as to the powers of management. An issuer should formalise the functions reserved to the board and those delegated to management.	Yes	The segregation of duties and responsibilities between the Board and the management has been defined and provided as internal guidelines of the Company. The duties of the Board include: – formulating operational strategies and management policy and establish corporate governance and internal control system; – setting the objective of management; and – monitoring performance of management. The duties of the management include: – reviewing the business performance; – ensuring adequate fundings; and – monitoring performance of the management of the Group.

D.2 *Board committees*

Principle of the Code

Board committees should be formed with specific written terms of reference which deal clearly with the committees' authority and duties.

CODE PROVISIONS	COMPLIANCE	ACTIONS BY THE COMPANY
D.2.1 Board committees are established with sufficiently clear terms of reference.	Yes	The Board has established Audit Committee, Remuneration Committee, Nomination Committee, Investment Committee, Risk Management Committee and Executive Committee with respective defined terms of reference. The terms of reference of the Board Committees are available on the Company's website.
D.2.2 The terms of reference of board committees should require such committees to report back to the board.	Yes	Board Committees reported to the Board their work, findings and recommendations at the Board meetings.

E. Communication with shareholders

E.1 *Effective communication*

Principle of the Code

The board should endeavour to maintain an on-going dialogue with shareholders and in particular, use annual general meetings or other general meetings to communicate with shareholders and encourage their participation.

CODE PROVISIONS	COMPLIANCE	ACTIONS BY THE COMPANY
E.1.1 A separate resolution should be proposed by the chairman of a general meeting for substantially separate issue.	Yes	Separate resolutions were proposed at the general meeting on each substantially separate issue.

CODE PROVISIONS	COMPLIANCE	ACTIONS BY THE COMPANY
E.1.2 The chairman of the board should attend the annual general meeting and arrange for the chairmen of the audit, remuneration and nomination committees (as appropriate) or in the absence of the chairman of such committees, another member of the committee or failing this his duly appointed delegate, to be available to answer questions at annual general meeting. The chairman of the independent board committee (if any) should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that is subject to independent shareholders' approval.	Partial compliance	Except Mr. Wei Jiafu, the ex-Chairman of the Board, was unable to attend the annual general meeting of the Company held on 23rd May 2008 due to other business commitments, the chairman of the Audit Committee, the Remuneration Committee and the Nomination Committee attended the annual general meeting of the Company. Moreover, the chairman of the independent board committee attended the special general meetings to approve connected transactions.

E.2 *Voting by poll*

Principle of the Code

The issuer should regularly inform shareholders of the procedure for voting by poll and ensure compliance with the requirements about voting by poll contained in the Listing Rules and the constitutional documents of the issuer.

CODE PROVISIONS	COMPLIANCE	ACTIONS BY THE COMPANY
E.2.1, E.2.2 & E.2.3 Disclosure in the issuer's circulars to shareholders of the procedures for and the rights of shareholders to demand a poll. The issuer should ensure that votes cast are properly counted and recorded. The chairman of a meeting should at the commencement of the meeting ensure that the procedures for demanding a poll by shareholders and the detailed procedures for conducting a poll are explained.	Yes	Procedures for demanding a poll were set out in the circular accompanying the notice of general meeting, these procedures were also explained during the proceedings. Branch Share Registrar was appointed as scrutiniser.

CORPORATE GOVERNANCE REPORT

THE COMPOSITION OF THE BOARD AND OTHER COMMITTEES AS AT 31ST DECEMBER 2008

BOARD OF DIRECTORS

Executive Directors

Mr. Zhang Fusheng *(Chairman)*
Mr. Wang Futian *(Vice Chairman)*
Mr. Wang Xiaoming
Mr. Liang Yanfeng *(Managing Director)*
Mr. Wang Xiaodong
Mr. Lin Wenjin

Non-executive Directors

Mr. Li Jianhong
Mr. Jia Lianjun
Mr. Meng Qinghui
Mr. Chen Xuewen

Independent Non-executive Directors

Mr. Kwong Che Keung, Gordon
Mr. Tsui Yiu Wa, Alec
Mr. Jiang, Simon X.

AUDIT COMMITTEE

Mr. Kwong Che Keung, Gordon* *(Committee Chairman)*
Mr. Tsui Yiu Wa, Alec*
Mr. Jiang, Simon X.*

EXECUTIVE COMMITTEE

Mr. Liang Yanfeng# *(Committee Chairman)*
Mr. Wang Futian#
Mr. Wang Xiaoming#
Mr. Wang Xiaodong#
Mr. Lin Wenjin#

INVESTMENT COMMITTEE

Mr. Wang Xiaoming# *(Committee Chairman)*
Mr. Wang Futian#
Mr. Liang Yanfeng#
Mr. Wang Xiaodong#
Mr. Lin Wenjin#

NOMINATION COMMITTEE

Mr. Tsui Yiu Wa, Alec* *(Committee Chairman)*
Mr. Kwong Che Keung, Gordon*
Mr. Jiang, Simon X.*
Mr. Liang Yanfeng#

REMUNERATION COMMITTEE

Mr. Jiang, Simon X.* *(Committee Chairman)*
Mr. Kwong Che Keung, Gordon*
Mr. Tsui Yiu Wa, Alec*
Mr. Liang Yanfeng#
Mr. Lin Wenjin#

RISK MANAGEMENT COMMITTEE

Mr. Liang Yanfeng# *(Committee Chairman)*
Mr. Wang Futian#
Mr. Wang Xiaoming#
Mr. Wang Xiaodong#

* *Independent Non-executive Director*
\# *Executive Director*

During the year, the attendance records of each Director at the Board meetings and Board Committees meetings are set out below:

	BOARD	AUDIT COMMITTEE	EXECUTIVE COMMITTEE	INVESTMENT COMMITTEE	NOMINATION COMMITTEE	REMUNERATION COMMITTEE	RISK MANAGEMENT COMMITTEE
Executive Directors							
Mr. Zhang Fusheng *Note (1)*	2/2	N/A	N/A	N/A	N/A	N/A	N/A
Mr. Wang Futian *Note (2)*	4/4	N/A	1/1	1/1	N/A	N/A	1/1
Mr. Wang Xiaoming	3/4	N/A	1/1	1/1	N/A	N/A	1/1
Mr. Liang Yanfeng	4/4	N/A	1/1	1/1	2/2	2/2	1/1
Mr. Wang Xiaodong	4/4	N/A	1/1	1/1	N/A	N/A	1/1
Mr. Lin Wenjin *Note (3)*	4/4	N/A	1/1	1/1	N/A	2/2	N/A
Non-executive Directors							
Mr. Li Jianhong *Note (4)*	4/4	N/A	N/A	N/A	N/A	N/A	N/A
Mr. Jia Lianjun *Note (4)*	4/4	N/A	N/A	N/A	N/A	N/A	N/A
Mr. Meng Qinghui *Note (5)*	4/4	N/A	N/A	0/0	N/A	N/A	0/0
Mr. Chen Xuewen *Note (6)*	4/4	N/A	0/0	0/0	N/A	N/A	0/0
Independent Non-executive Directors							
Mr. Kwong Che Keung, Gordon	4/4	2/2	N/A	N/A	2/2	2/2	N/A
Mr. Tsui Yiu Wa, Alec	4/4	2/2	N/A	N/A	2/2	2/2	N/A
Mr. Jiang, Simon X.	4/4	1/2	N/A	N/A	2/2	2/2	N/A
Ex-Directors							
Mr. Wei Jiafu *Note (7)*	2/2	N/A	N/A	N/A	N/A	N/A	N/A
Mr. Liu Guoyuan *Note (8)*	3/3	N/A	0/0	N/A	N/A	N/A	0/0

Notes

(1) *appointed as Chairman and Executive Director on 7th July 2008.*

(2) *appointed as committee member of the Executive Committee and the Risk Management Committee of the Company on 7th July 2008 and appointed as Vice Chairman on 24th October 2008.*

(3) *appointed as committee member of the Investment Committee of the Company on 7th July 2008.*

(4) *re-designated from Executive Director to Non-executive Director on 7th July 2008.*

(5) *re-designated from Executive Director to Non-executive Director and ceased to be committee member of the Investment Committee and the Risk Management Committee of the Company on 7th July 2008.*

(6) *re-designated from Executive Director to Non-executive Director and ceased to be committee member of the Executive Committee, the Investment Committee and the Risk Management Committee of the Company on 7th July 2008.*

(7) *resigned as Chairman and Executive Director on 7th July 2008.*

(8) *resigned as Vice Chairman and Executive Director and ceased to be committee member of the Executive Committee and the Risk Management Committee of the Company on 24th October 2008.*

CORPORATE GOVERNANCE REPORT

AUDITOR'S REMUNERATION

During the year, the remuneration paid to the Company's external auditor, Messrs. PricewaterhouseCoopers for audit services and non-audit services are HK$2,946,000 and HK$4,135,000 respectively.

The above non-audit services include professional advisory on taxation, professional services in relation to shareholders' circulars and review on connected transactions.

INFORMATION DISCLOSURE AND INVESTOR RELATIONS

The Company adheres to high standards with respect to the disclosure of its financial statements. To foster regular and contribute two-way communications amongst the Company, its shareholders and potential investors, Corporate Communications Department is designated to respond to enquiries from its shareholders and the public. In addition, the Company is committed to maximising the use of its website as a channel to provide updated information in a timely manner and strengthen the communications with both the public and its shareholders.

DIRECTOR'S RESPONSIBILITY IN RESPECT OF FINANCIAL STATEMENTS

The Board acknowledges its responsibility for preparing the financial statements of the Group. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The Company aims to present a clear and balanced assessment of its financial position and prospects. The Board must ensure that the financial statements of the Group are prepared so as to give a true and fair view of the financial status of the Group. Audited financial statements are published within four months after the end of the financial year.

The reporting responsibilities of the Directors and external auditor are further set out in the Independent Auditor's Report in this Annual Report. For the announcement relating to the price-sensitive information and other financial disclosures required under the Listing Rules are disclosed pursuant to statutory requirements.

MANAGEMENT MEETINGS

Members of Executive Committee and the senior management meet together on a weekly basis to review, discuss and make decisions on financial and operational matters. These meetings, chaired by the Managing Director, enhance and strengthen departmental communications and cooperation within the Group.

CONNECTED TRANSACTIONS

The Company committed to ensuring compliance with regulatory requirements under the Listing Rules and applicable laws and regulations in handling connected transactions. Accordingly, the Company implemented various internal control mechanisms to capture and monitor connected transactions to ensure that connected transactions are approved by Independent Non-executive Directors, conducted under normal commercial terms or on terms that are fair and reasonable and properly disclosed and (if necessary) approved by independent shareholders of the Company in accordance with the Listing Rules. The connected persons were required to abstain from voting in the general meetings. Details of the connected transactions during the year are set out in the Directors' Report.

INCENTIVE SCHEME AND CORPORATE CULTURE

The Company maintains an employee handbook providing guidance to employees on matters such as employee dealings on the Company's securities, ethical standards, business conduct, employees conduct and reporting any misconduct within the Group. The employee handbook applies to all employees of the Group who must ensure strict compliance with the policies therein. Through the establishment of a performance charter for the senior management, appropriate appraisal mechanisms, and the granting of share options, the Company has been able to align the interests of the senior management and entire staff with the growth and performance of the Company. The Company pays particular attention to the establishment of an optimal corporate culture. With the support of all staff, the Company has identified, formulated and implemented a corporate culture that is considered appropriate for its special circumstances, thereby ensuring that good corporate governance is maintained at all levels and at all times within the Group.

By order of the Board

CHIU Shui Suet
Company Secretary
Hong Kong, 27th March 2009

DIRECTORS' REPORT

The board of directors of the Company (the "Directors" or the "Board") presents this Directors' Report (the "Report") together with the audited financial statements of the Company and its subsidiaries (together the "Group") for the year ended 31st December 2008.

PRINCIPAL ACTIVITIES

The Company's principal activity is investment holding. The principal activities of the Group include shipping services, general trading and property investment. An analysis of the turnover and segment information of the Group for the year is set out in note 5 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December 2008 are set out in the consolidated income statement on page 109 of this Annual Report. The Board recommended the payment of a final dividend of 6.40 HK cents (2007: 3.50 HK cents) per share for the year ended 31st December 2008 subject to the shareholders' approval at the annual general meeting of the Company to be held on 2nd June 2009. Approximately HK$95,339,000 will be payable on or before 8th July 2009 to the shareholders of the Company whose names appear on the register of members on 2nd June 2009.

The register of members will be closed from 27th May 2009 to 2nd June 2009, both days inclusive, during which period no transfer of shares will be effected. To qualify for the proposed final dividend, all transfers must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Abacus Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on 26th May 2009.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in note 8 to the financial statements.

DISTRIBUTABLE RESERVES

The distributable reserves of the Company as at 31st December 2008 calculated under Companies Act of Bermuda amounted to HK$1,211,949,000.

BORROWINGS

Borrowings repayable on demand or within one year are classified under current liabilities. Details of the borrowings are set out in note 24 to the financial statements.

RESERVES

Details of the movements in reserves of the Group during the year are set out in note 22 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 21 to the financial statements.

DONATIONS

Donations made by the Group during the year amounted to HK$100,000 (2007: Nil).

FIVE-YEAR FINANCIAL SUMMARY

A five-year financial summary of the Group is set out on pages 193 and 194.

DIRECTORS' REPORT

DIRECTORS

The Directors during the year and up to the date of this Report were:

Executive Directors

Mr. Zhang Fusheng *(Chairman)*
(appointed on 7th July 2008)
Mr. Wang Futian *(Vice Chairman)*
(appointed as Executive Director and Vice Chairman on 16th March 2007 and 24th October 2008 respectively)
Mr. Wang Xiaoming
Mr. Liang Yanfeng *(Managing Director)*
Mr. Wang Xiaodong
Mr. Lin Wenjin
Mr. Wei Jiafu
(resigned on 7th July 2008)
Mr. Liu Guoyuan
(resigned on 24th October 2008)

Non-executive Directors

Mr. Li Jianhong
(re-designated from Executive Director to Non-executive Director on 7th July 2008)
Mr. Jia Lianjun
(re-designated from Executive Director to Non-executive Director on 7th July 2008)
Mr. Meng Qinghui
(re-designated from Executive Director to Non-executive Director on 7th July 2008)
Mr. Chen Xuewen
(re-designated from Executive Director to Non-executive Director on 7th July 2008)

Independent Non-executive Directors

Mr. Kwong Che Keung, Gordon
Mr. Tsui Yiu Wa, Alec
Mr. Jiang, Simon X.

In accordance with Bye-Laws 99 and 102(B) of the Company's Bye-Laws, all Directors shall retire from office at the forthcoming annual general meeting and be eligible for re-election.

DIRECTORS' SERVICE CONTRACTS

Each of Mr. Li Jianhong, Mr. Jia Lianjun, Mr. Meng Qinghui, Mr. Chen Xuewen, Mr. Kwong Che Keung, Gordon, Mr. Tsui Yiu Wa, Alec and Mr. Jiang, Simon X. has entered into letter of appointment with the Company on 18th November 2008 for a specific term up to the forthcoming annual general meeting of the Company.

Saved as disclosed above, none of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with any member of the Group which is not determinable within one year without the payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Company's business to which the Company, its subsidiaries, its fellow subsidiaries or its holding companies was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the year and up to the date of this Report, the following Directors are considered to have interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "SEHK") as set out on the following page:

NAME OF DIRECTOR	NAME OF THE ENTITIES WHICH WERE CONSIDERED TO COMPETE OR LIKELY TO COMPETE WITH THE BUSINESSES OF THE GROUP	DESCRIPTION OF BUSINESSES OF THE ENTITIES WHICH WERE CONSIDERED TO COMPETE OR LIKELY TO COMPETE WITH THE BUSINESSES OF THE GROUP	NATURE OF DIRECTOR'S INTEREST IN THE ENTITIES
Mr. Zhang Fusheng	Companies controlled by 中國遠洋運輸（集團）總公司 (China Ocean Shipping (Group) Company) ("COSCO")	– Shipping services – Property investment	director
Mr. Wang Futian	COSCO (Hong Kong) Group Limited ("COSCO Hong Kong") and companies controlled by COSCO Hong Kong	– Shipping services – Property investment	director
Mr. Li Jianhong	Companies controlled by COSCO	– Shipping services – Property investment	director
	Sino-Ocean Land Holdings Limited ("SOLHL")	– Property investment	chairman and non-executive director
Mr. Jia Lianjun	Companies controlled by COSCO	– Shipping services – Property investment	director
Mr. Wang Xiaoming	COSCO Hong Kong and companies controlled by COSCO Hong Kong	– Shipping services – Property investment	director
Mr. Liang Yanfeng	Soundwill Holdings Limited ("Soundwill")	– Property investment	non-executive vice chairman
	SOLHL	– Property investment	non-executive director
Mr. Meng Qinghui	Companies controlled by COSCO Hong Kong	– Shipping services – Property investment	director
	Soundwill	– Property investment	non-executive director
Mr. Chen Xuewen	Companies controlled by COSCO Hong Kong	– Shipping services – Property investment	director
Mr. Wei Jiafu*	Companies controlled by COSCO	– Shipping services – Property investment	director
Mr. Liu Guoyuan#	COSCO Hong Kong and companies controlled by COSCO Hong Kong	– Shipping services – Property investment	director

* *resigned as Executive Director and Chairman on 7th July 2008.*
\# *resigned as Executive Director and Vice Chairman on 24th October 2008.*

As the Board is independent from the board of directors of the aforesaid companies, and as none of the above Directors controls the Board, the Group is capable of carrying on their businesses independently of, and at arm's length from, the businesses of these companies.

DIRECTORS' REPORT

CONNECTED TRANSACTIONS

Pursuant to Chapter 14A of the Listing Rules, the following connected transactions are required to be disclosed in this Annual Report. The connected transactions which also constitute significant related party transactions are set out in note 37 to the financial statements.

1. Ship Trading Continuing Connected Transactions

On 30th November 2007, a conditional master agreement was entered into between the Company, COSCO Hong Kong, an intermediate holding company of the Company, and COSCO International Ship Trading Company Limited ("COSCO Ship Trading"), currently an indirect wholly-owned subsidiary of the Company, ("Ship Agency Services Master Agreement"), pursuant to which COSCO Ship Trading and its subsidiaries agreed to provide ship agency services to COSCO and its subsidiaries and other associates ("COSCO Group") (the "Ship Trading Continuing Connected Transactions") for the three financial years ending 31st December 2010 on normal commercial terms and on terms no less favourable than terms available to independent third parties. The aggregate amount of the Ship Trading Continuing Connected Transactions for each of the financial years ending 31st December 2008, 2009 and 2010 will not exceed the relevant cap amounts set out below (the "Ship Trading Cap Amounts"). The Ship Agency Services Master Agreement and the Ship Trading Cap Amounts were approved by the independent shareholders of the Company at the special general meeting held on 8th January 2008.

CAP FOR THE YEAR ENDING 31ST DECEMBER 2008	CAP FOR THE YEAR ENDING 31ST DECEMBER 2009	CAP FOR THE YEAR ENDING 31ST DECEMBER 2010
HK$330,000,000	HK$330,000,000	HK$330,000,000

The Ship Trading Continuing Connected Transactions for the financial year ended 31st December 2008 amounted to HK$128,660,000.

2. Yuantong Continuing Connected Transactions

On 30th November 2007, a conditional master agreement was entered into between the Company, COSCO Hong Kong and Yuantong Marine Service Co. Limited ("Yuantong"), an indirect wholly-owned subsidiary of the Company ("Supply and Installation Services Master Agreement"), pursuant to which Yuantong and its subsidiary agreed to provide the supply and installation services to COSCO Group (the "Yuantong Continuing Connected Transactions") for the three financial years ending 31st December 2010 on normal commercial terms and on terms no less favourable than terms available to independent third parties. The aggregate amount of the Yuantong Continuing Connected Transactions for each of the financial years ending 31st December 2008, 2009 and 2010 will not exceed the relevant cap amounts set out below (the "Yuantong Cap Amounts"). The Supply and Installation Services Master Agreement and the Yuantong Cap Amounts were approved by the independent shareholders of the Company at the special general meeting held on 8th January 2008.

CAP FOR THE YEAR ENDING 31ST DECEMBER 2008	CAP FOR THE YEAR ENDING 31ST DECEMBER 2009	CAP FOR THE YEAR ENDING 31ST DECEMBER 2010
HK$410,000,000	HK$450,000,000	HK$495,000,000

The Yuantong Continuing Connected Transactions for the financial year ended 31st December 2008 amounted to HK$345,011,000.

3. COSCO Kansai Continuing Connected Transactions

Technology transfer agreements were entered into between each of 中遠關西塗料化工(天津)有限公司 (COSCO Kansai Paint & Chemicals (Tianjin) Co., Ltd.) ("COSCO Kansai (Tianjin)"), 中遠關西塗料化工(上海)有限公司 (COSCO Kansai Paint & Chemicals (Shanghai) Co., Ltd.) ("COSCO Kansai (Shanghai)") and 中遠關西塗料化工(珠海)有限公司 (COSCO Kansai Paint & Chemicals (Zhuhai) Co., Ltd.) ("COSCO Kansai (Zhuhai)") (collectively the "COSCO Kansai

Companies", all being non-wholly owned subsidiaries of the Company) and Kansai Paint Co., Ltd. ("Japan Kansai"), a substantial shareholder of certain non-wholly owned subsidiaries of the Company, in relation to the provision of technology and know-how on 18th December 1991, 19th January 1996 and 28th February 2006 respectively (collectively the "Technology Transfer Agreements").

On 30th November 2007, the following agreements were entered into for the three financial years ending 31st December 2010 on normal commercial terms:

(A) master agreements were entered into between each of the COSCO Kansai Companies and Japan Kansai in relation to the purchase of raw material by each of COSCO Kansai Companies from Japan Kansai;

(B) a conditional master agreement was entered into between COSCO Kansai (Tianjin), COSCO Kansai (Shanghai) and NKM Coatings Co., Ltd. ("NKM"), a company registered in Kyoto, Japan in which Japan Kansai holds more than 50% of its equity interest, in relation to the purchase of raw materials from NKM;

(C) a master agreement was entered into between COSCO Kansai (Tianjin), COSCO Kansai (Shanghai) and NKM in relation to the sale of coatings to NKM;

(D) a conditional master agreement was entered into between the Company, COSCO Kansai Companies and COSCO Hong Kong in relation to the sale of coatings by COSCO Kansai Companies to COSCO Group and the introduction of businesses by COSCO Group to COSCO Kansai Companies; and

(E) a conditional master agreement was entered into between COSCO Kansai (Tianjin) and COSCO Kansai (Shanghai) and NKM in relation to the introduction of businesses by NKM to COSCO Kansai (Tianjin) and COSCO Kansai (Shanghai).

(The agreements set out in items (A), (B), (C), (D), (E) are collectively called "the Agreements" and the transactions contemplated under the Technology Transfer Agreements and the Agreements are collectively called "COSCO Kansai Continuing Connected Transactions".)

The aggregate amount of the COSCO Kansai Continuing Connected Transactions for each of the financial years ending 31st December 2008, 2009 and 2010 will not exceed the relevant cap amounts set out below (the "COSCO Kansai Cap Amounts"). The Agreements and the COSCO Kansai Cap Amounts were approved by the independent shareholders of the Company at the special general meeting held on 8th January 2008.

	CAPS FOR THE YEAR ENDING 31ST DECEMBER 2008 RMB	CAPS FOR THE YEAR ENDING 31ST DECEMBER 2009 RMB	CAPS FOR THE YEAR ENDING 31ST DECEMBER 2010 RMB
Technology usage fees payable by the COSCO Kansai Companies to Japan Kansai under the Technology Transfer Agreements	11,000,000	14,000,000	18,000,000
Purchase of raw materials by the COSCO Kansai Companies from Japan Kansai and by COSCO Kansai (Tianjin) and COSCO Kansai (Shanghai) from NKM	12,000,000	15,000,000	18,000,000
Sale of coatings by COSCO Kansai (Tianjin) and COSCO Kansai (Shanghai) to NKM	10,000,000	10,000,000	10,000,000
Sale of coatings by the COSCO Kansai Companies to COSCO Group	29,000,000	35,000,000	42,000,000
Commission payable to NKM by COSCO Kansai (Tianjin) and COSCO Kansai (Shanghai) for business referral	9,000,000	9,000,000	9,000,000
Commission payable to COSCO Group by the COSCO Kansai Companies for business referral	19,000,000	21,000,000	23,000,000

The COSCO Kansai Continuing Connected Transactions for the financial year ended 31st December 2008 were as follows:

	RMB
Technology usage fees payable by the COSCO Kansai Companies to Japan Kansai under the Technology Transfer Agreements	5,864,000
Purchase of raw materials by the COSCO Kansai Companies from Japan Kansai and by COSCO Kansai (Tianjin) and COSCO Kansai (Shanghai) from NKM	3,305,000
Sale of coatings by COSCO Kansai (Tianjin) and COSCO Kansai (Shanghai) to NKM	2,608,000
Sale of coatings by the COSCO Kansai Companies to COSCO Group	11,349,000
Commission payable to NKM by COSCO Kansai (Tianjin) and COSCO Kansai (Shanghai) for business referral	Nil
Commission payable to COSCO Group by the COSCO Kansai Companies for business referral	6,742,000

4. COSCO Insurance Brokers Continuing Connected Transactions

On 10th November 2006, the Company, COSCO (Hong Kong) Insurance Brokers Limited ("HK COSCO Insurance Brokers"), an indirect wholly-owned subsidiary of the Company, 深圳中遠保險經紀有限公司 (Shenzhen COSCO Insurance Brokers Limited) ("SZ COSCO Insurance Brokers"), an indirect non-wholly owned subsidiary of the Company, and COSCO Hong Kong entered into a conditional master agreement ("COSCO Insurance Master Agreement"), pursuant to which HK COSCO Insurance Brokers and SZ COSCO Insurance Brokers will provide marine and general insurance brokerage services to COSCO Group (the "COSCO Insurance Brokers Continuing Connected Transactions") for the three financial years ending 31st December 2009 on normal commercial terms and on terms no less favourable than terms available to independent third parties. The aggregate amount of the COSCO Insurance Brokers Continuing Connected Transactions for each of the financial years ending 31st December 2007, 2008 and 2009 will not exceed the relevant cap amounts set out below (the "Insurance Cap Amounts"). The COSCO Insurance Master Agreement and the Insurance Cap Amounts were approved by the independent shareholders of the Company at the special general meeting held on 21st December 2006.

CAP FOR THE YEAR ENDING 31ST DECEMBER 2007	**CAP FOR THE YEAR ENDING 31ST DECEMBER 2008**	CAP FOR THE YEAR ENDING 31ST DECEMBER 2009
US$5,740,000	**US$6,320,000**	US$6,960,000

The aggregate amount of the COSCO Insurance Brokers Continuing Connected Transactions for the financial year ended 31st December 2008 was US$6,314,000.

5. **Tenancy Agreements Relating to 47th Floor, Unit 4601 and Unit 4802 of COSCO Tower, Supplemental Agreement of 47th Floor of COSCO Tower and Tenancy Agreement Relating to Rooms 1103, 1108 and 1110 of the 11th Floor of Block A of Lucky Tower, No. 3 North Dongsanhuan Road, Chao Yang District, Beijing, PRC**

On 30th May 2005, Monoland Assets Limited, a wholly-owned subsidiary of the Company as vendor and Wealthocean Investments Limited ("Wealthocean") as purchaser, a wholly-owned subsidiary of COSCO Hong Kong entered into a conditional sale and purchase agreement ("Modern Capital S&P Agreement") for the sale and purchase of 100% interest in, and loan to, Modern Capital Investment Limited ("Modern Capital") for a total consideration of HK$1,402,000,000. Modern Capital owns various subsidiaries which are the owners of 39th, 40th, 42nd, 47th, 48th, 49th, 50th and 51st Floors of COSCO Tower, Grand Millennium Plaza, Hong Kong. The transaction was completed on 3rd August 2005 where upon Modern Capital became an indirect wholly-owned subsidiary of COSCO Hong Kong.

Pursuant to the terms of Modern Capital S&P Agreement, the following two tenancies were entered into at completion:

(1) a tenancy agreement ("47th Floor Tenancy Agreement") between the Company (as tenant) and Tian Lee Property Limited ("Tian Lee"), an indirect wholly-owned subsidiary of COSCO Hong Kong (as landlord) in respect of the whole 47th Floor of COSCO Tower, Grand Millennium Plaza, Hong Kong ("Premises"); and

(2) a tenancy agreement ("4802 Tenancy Agreement") between COSCO Ship Trading (as tenant) and Velu Exports Limited ("Velu Exports"), an indirect wholly-owned subsidiary of COSCO Hong Kong (as landlord) in respect of Unit 4802 of COSCO Tower, Grand Millennium Plaza, Hong Kong.

On 5th January 2006, a supplemental agreement was entered into between the Company and Tian Lee to amend certain terms of the 47th Floor Tenancy Agreement to exclude Unit 4705 of the 47th Floor COSCO Tower from the 47th Floor Tenancy Agreement ("Supplemental Agreement").

Pursuant to the Supplemental Agreement, certain terms of the 47th Floor Tenancy Agreement have been amended with effect from the date of the Supplemental Agreement as follows:

1. the subject premises of the 47th Floor Tenancy Agreement were changed from the Premises (as defined in the 47th Floor Tenancy Agreement) to Units 4701-3 and 4706 of 47th Floor of COSCO Tower, Grand Millennium Plaza, Hong Kong by excluding Unit 4705 of 47th Floor of COSCO Tower, Grand Millennium Plaza, Hong Kong;

2. the monthly rental (exclusive of air-conditioning and management charges, Government rates and all other outgoings of a recurring and non-capital nature but inclusive of Government rent) payable by the Company to Tian Lee was reduced proportionally by reference to the size of the Unit 4705 of the 47th Floor of COSCO Tower, Grand Millennium Plaza, Hong Kong and the Premises;

3. the monthly management fee (including air-conditioning charges) was reduced proportionally by reference to the size of the Unit 4705 of the 47th Floor of COSCO Tower, Grand Millennium Plaza, Hong Kong and the Premises; and

4. a corresponding compensation shall be payable by Tian Lee to the Company.

DIRECTORS' REPORT

As the 47th Floor Tenancy Agreement as supplemented by the Supplemental Agreement and the 4802 Tenancy Agreement (collectively called "Old Tenancy Agreements") expired on 2nd August 2008, the following agreements were entered into on 30th November 2007:

1. a tenancy agreement between the Company as tenant and Tian Lee as landlord in respect of Units 4701-3 and 4706 of the 47th Floor of COSCO Tower, Grand Millennium Plaza, Hong Kong for a period of three years from 3rd August 2008 to 2nd August 2011 (the "1st Tenancy Agreement");

2. a tenancy agreement between COSCO Ship Trading as tenant and Velu Exports as landlord in respect of Unit 4802 of the 48th Floor of COSCO Tower, Grand Millennium Plaza, Hong Kong for a period of three years from 3rd August 2008 to 2nd August 2011 (the "2nd Tenancy Agreement").

In addition, Yuantong on 30th November 2007 entered into a tenancy agreement as tenant with Thien Poh Engineering Limited, an indirect wholly-owned subsidiary of COSCO Hong Kong as landlord in respect of Unit 4601 of the 46th Floor of COSCO Tower, Grand Millennium Plaza, Hong Kong for a period of three years from 1st January 2008 to 31st December 2010 (the "3rd Tenancy Agreement") and 中遠國際船舶貿易(北京)有限公司 (COSCOSHIP Beijing Company Limited) on 30th November 2007 entered into a tenancy agreement as tenant with 中遠幸福(北京)大廈有限公司 (COSCO Happiness (Beijing) Mansion Ltd.), an indirect wholly-owned subsidiary of COSCO Hong Kong as landlord in respect of Rooms 1103, 1108 and 1110 of the 11th Floor of Block A of Lucky Tower, No. 3 North Dongsanhuan Road, Chao Yang District, Beijing, PRC for a period of three years from 1st January 2008 to 31st December 2010 (the "4th Tenancy Agreement").

(The Old Tenancy Agreements, the 1st Tenancy Agreement, the 2nd Tenancy Agreement, the 3rd Tenancy Agreement and the 4th Tenancy Agreement are collectively called the "Tenancy Agreements" and the transactions contemplated under the Tenancy Agreements are collectively called the "Tenancy Continuing Connected Transactions".)

The aggregate amount of the Tenancy Continuing Connected Transactions for each of the financial years ending 31st December 2008, 2009 and 2010 will not exceed the relevant cap amounts set out below (the "Tenancy Cap Amounts"). The Tenancy Agreements and the Tenancy Cap Amounts were exempted from the independent shareholder's approval requirement pursuant to Chapter 14A of the Listing Rules. Details of which were disclosed in the announcement dated 30th November 2007.

CAP FOR THE YEAR ENDING 31ST DECEMBER 2008	CAP FOR THE YEAR ENDING 31ST DECEMBER 2009	CAP FOR THE YEAR ENDING 31ST DECEMBER 2010
HK$16,000,000	HK$18,000,000	HK$18,000,000

The aggregate amount of the Tenancy Continuing Connected Transactions for the financial year ended 31st December 2008 was HK$13,871,000.

6. Acquisition of CITC & CITC and Financial Services Continuing Connected Transactions

On 22nd July 2008, 中國船舶燃料有限責任公司 (China Marine Bunker (PetroChina) Co., Ltd.) ("Chimbusco"), an associate of COSCO, as vendor entered into a conditional share transfer agreement with New Legend Holdings Limited ("New Legend"), an indirect wholly-owned subsidiary of the Company as purchaser in respect of the acquisition of 100% equity interest in 中遠國際貿易有限公司 (COSCO International Trading Company Limited) ("CITC") from Chimbusco at the total consideration of RMB142,000,000 (the "CITC Share Transfer Agreement"). In connection with the CITC Share Transfer Agreement, a novation agreement was also entered into on 22nd July 2008 between a banking institution in the PRC, CITC, Chimbusco, the Company and 香遠(北京)投資有限公司 (COSCO H.K. (Beijing) Investment Co., Ltd.), a wholly-owned subsidiary of COSCO Hong Kong, relating to, among other things, the substitution of Chimbusco's guarantee obligations towards the banking institution in the PRC in relation to CITC's indebtedness under the banking facility by the Company. As Chimbusco is owned as to 50% equity interest by COSCO, the ultimate holding company of the Company, Chimbusco is an associate of a substantial shareholder of the Company, thus a connected person of the Company. The acquisition was approved by the independent shareholders of the Company at the special general meeting held on 5th September 2008.

Upon the completion of the acquisition in December 2008, the following agreements were entered into for the three financial years ending 31st December 2010 on normal commercial terms:

(A) asphalt master agreement were entered into between CITC and Chimbusco (Singapore) Pte Ltd. ("Chimbusco Singapore") in relation to the supply of asphalt by Chimbusco Singapore to CITC and the provision of services by Chimbusco Singapore to CITC to carry out hedging arrangement against the risk of fluctuation in the purchase price of asphalt;

(B) supplying services and transportation services master agreement were entered into between the Company, COSCO Hong Kong and CITC in relation to the supply of ship facilities and accessories and the provision of agency services in connection with the aforesaid and in connection with ship trading (the "Supplying Services") by CITC and its subsidiaries ("CITC Group") to COSCO Group and the shipping transportation services (the "Transportation Services") by COSCO Group to CITC Group; and

(C) financial services master agreement were entered into between the Company, COSCO Hong Kong and CITC in relation to a range of financial services provided by 中遠財務有限責任公司 (COSCO Finance Co. Limited) ("COSCO Finance"), a non-wholly owned subsidiary of COSCO, to the Group.

(The agreements set out in items (A), (B) and (C) are collectively called "Master Agreements" and the transactions contemplated under the Master Agreements are collectively called the "CITC and Financial Services Continuing Connected Transactions".)

The aggregate amount of the CITC and Financial Services Continuing Connected Transactions for each of the financial years ending 31st December 2008, 2009 and 2010 will not exceed relevant cap amounts set out below (the "CITC and Financial Services Cap Amounts"). The Master Agreements and the CITC and Financial Services Cap Amounts were approved by the independent shareholders of the Company at the special general meeting held on 5th September 2008.

	CAPS FOR THE YEAR ENDING 31ST DECEMBER 2008	CAPS FOR THE YEAR ENDING 31ST DECEMBER 2009	CAPS FOR THE YEAR ENDING 31ST DECEMBER 2010
Consideration for asphalt supply and services fees payable by CITC to Chimbusco Singapore for hedging arrangement	US$22,000,000	US$89,000,000	US$106,000,000
Consideration for Supplying Services payable by COSCO Group to CITC Group	RMB50,700,000	RMB76,500,000	RMB78,000,000
Consideration for Transportation Services payable by CITC Group to COSCO Group	RMB730,000	RMB3,600,000	RMB6,000,000
Daily cash balance in all cash deposits accounts of the Group maintained with COSCO Finance (including all interests accrued thereon and all fees (including service fees) payable by the Group to COSCO Finance)	RMB150,000,000	RMB150,000,000	RMB150,000,000

The CITC and Financial Services Continuing Connected Transactions for the year ended 31st December 2008 were as follows:

Consideration for asphalt supply and services fees payable by CITC to Chimbusco Singapore for hedging arrangement	US$6,622,000
Consideration for Supplying Services payable by COSCO Group to CITC Group	RMB2,823,000
Consideration for Transportation Services payable by CITC Group to COSCO Group	Nil
Daily cash balance in all cash deposits accounts of the Group maintained with COSCO Finance (including all interests accrued thereon and all fees (including service fees) payable by the Group to COSCO Finance)	within RMB150,000,000

7. **COSCO Kansai (Shanghai) Guarantee Continuing Connected Transactions**

On 25th November 2008, COSCO Kansai (Zhuhai), as borrower entered into a facility agreement with COSCO Finance, as lender in respect of a revolving loan facility of up to RMB32,000,000 provided by COSCO Finance to COSCO Kansai (Zhuhai) (the "Facility Agreement"). As a term of the Facility Agreement, the guarantee was executed by COSCO Kansai (Shanghai) as guarantor, COSCO Kansai (Zhuhai) as borrower and COSCO Finance as lender (the "Guarantee") on 25th November 2008 whereby COSCO Kansai (Shanghai) guarantees the payment of all sums due from COSCO Kansai (Zhuhai) to COSCO Finance under the Facility Agreement ("COSCO Kansai (Shanghai) Guarantee Continuing Connected Transactions"). As Japan Kansai is a substantial shareholder of COSCO Kansai (Zhuhai) and COSCO Kansai (Shanghai), the non-wholly owned subsidiaries of the Company and thus a connected person of the Company. As COSCO Kansai (Shanghai) is owned as to more than 30% equity interest by Japan Kansai, COSCO Kansai (Shanghai) is an associate of a connected person. The Guarantee and the transactions contemplated thereunder constitute a continuing connected transaction of the Company. The COSCO Kansai (Shanghai) Guarantee Continuing Connected Transactions for the period from 8th December 2008 to 31st December 2008 and for each of the financial years ending 31st December 2009 and 2010 are subject to the relevant cap amounts set out below (the "Guarantee Cap Amounts"). The Guarantee and the Guarantee Cap Amounts were exempted from the independent shareholder's approval requirement pursuant to Chapter 14A of the Listing Rules. Details of which were disclosed in the announcement dated 25th November 2008.

CAP FOR THE PERIOD FROM 8TH DECEMBER 2008 TO 31ST DECEMBER 2008	CAP FOR THE YEAR ENDING 31ST DECEMBER 2009	CAP FOR THE YEAR ENDING 31ST DECEMBER 2010
RMB34,600,000	RMB34,600,000	RMB34,600,000

The amount of the revolving loan covered by the Guarantee from 8th December 2008 to 31st December 2008 was RMB32,000,000.

The Independent Non-executive Directors had reviewed 1) the Ship Trading Continuing Connected Transactions; 2) the Yuantong Continuing Connected Transactions; 3) the COSCO Kansai Continuing Connected Transactions; 4) the COSCO Insurance Brokers Continuing Connected Transactions; 5) the Tenancy Continuing Connected Transactions; 6) the CITC and Financial Services Continuing Connected Transactions; and 7) the COSCO Kansai (Shanghai) Guarantee Continuing Connected Transactions (collectively called "the Company's Continuing Connected Transactions") and were of the opinion that the Company's Continuing Connected Transactions for the financial year ended 31st December 2008 had been entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) either on normal commercial terms or on terms no less favourable to the Company than terms available to or from independent third parties; and

(iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditor of the Company was instructed to perform specific procedures on the Company's Continuing Connected Transactions and confirmed that the Company's Continuing Connected Transactions:

(a) had received the approval of the Board;

(b) had been entered into in accordance with the relevant agreements governing them; and

(c) had not exceeded the relevant cap amounts for the financial year ended 31st December 2008.

8. Increase in registered capital and total investment amount of COSCO Kansai (Zhuhai)

On 15th April 2008, the Company entered into the supplemental joint venture agreement with Japan Kansai in relation to the increase in the registered capital and total investment amount of COSCO Kansai (Zhuhai), pursuant to which the registered capital and total investment amount of COSCO Kansai (Zhuhai) had both increased from US$5,700,000 to US$10,000,000, and the pro-rata capital contribution by the Company and Japan Kansai as to US$2,782,530 and US$1,517,470 respectively ("Capital Increase"). The Capital Increase was exempted from the independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules. Details of which were disclosed in the announcement dated 15th April 2008.

9. COSCO Kansai Purchase Continuing Connected Transactions

On 19th February 2009, COSCO Kansai Companies entered into (a) a master agreement pursuant to which the COSCO Kansai Companies will purchase and sell raw materials for the manufacturing of coatings from and to one another for a period from 19th February 2009 to 31st December 2011 (the "Raw Materials Agreement"); and (b) a master agreement pursuant to which COSCO Kansai (Shanghai) will purchase coating products manufactured by COSCO Kansai (Tianjin) and COSCO Kansai (Zhuhai) for a period from 19th February 2009 to 31st December 2011 (the "Products Agreement").

(The Raw Materials Agreement and the Products Agreement are collectively called the "COSCO Kansai Purchase Agreements" and the transactions contemplated under the COSCO Kansai Purchase Agreements are collectively called "COSCO Kansai Purchase Continuing Connected Transactions").

The aggregate amount of the COSCO Kansai Purchase Continuing Connected Transactions for each of the financial years ending 31st December 2009, 2010 and 2011 will not exceed the relevant cap amounts set out below (the "COSCO Kansai Purchase Cap Amounts"). The COSCO Kansai Purchase Agreements and the COSCO Kansai Purchase Cap Amounts were approved by an independent shareholder's written approval in lieu of holding a general meeting as waiver was granted by the SEHK. Details of which were disclosed in the announcement and circular dated 19th February 2009 and 10th March 2009 respectively.

	CAPS FOR THE YEAR ENDING 31ST DECEMBER 2009	CAPS FOR THE YEAR ENDING 31ST DECEMBER 2010	CAPS FOR THE YEAR ENDING 31ST DECEMBER 2011
Aggregate transaction amount of the COSCO Kansai Companies under the Raw Materials Agreement	RMB150,000,000	RMB150,000,000	RMB150,000,000
Aggregate transaction amount of the COSCO Kansai Companies under the Products Agreement	RMB800,000,000	RMB1,000,000,000	RMB1,200,000,000

10. Acquisition of Double Rich

On 3rd March 2009, COSCO Trading and Supply Investments Limited ("COSCO Trading"), a wholly-owned subsidiary of COSCO Hong Kong, and New Renown Limited ("New Renown"), a wholly-owned subsidiary of the Company, entered into a conditional share transfer agreement, pursuant to which New Renown will acquire 15,840,000 shares of Double Rich Limited ("Double Rich"), representing 18% of the issued share capital of Double Rich from COSCO Trading at the total consideration of US$4,905,484. The acquisition was approved by the independent shareholders of the Company at the special general meeting held on 21st April 2009.

SHARE OPTIONS

The following is a summary of the Company's share option scheme approved and adopted by the shareholders of the Company on 17th May 2002 and with amendment approved by the shareholders of the Company at the special general meeting held on 5th May 2005 (the "Share Option Scheme") and disclosed in accordance with the Listing Rules:

1. Purpose of the Share Option Scheme

(a) The purpose of the Share Option Scheme is for the Group to attract, retain and motivate talented participants to strive for future development and expansion of the Group.

(b) The Share Option Scheme shall be an incentive to encourage the participants and allow the participants to enjoy the results of the Company attained through their efforts and contributions.

2. Participants of the Share Option Scheme

(a) any director of the Group;

(b) any director of the substantial shareholder of the Company;

(c) any employee of the Group;

(d) any employee of the Company's substantial shareholder or any employee of such substantial shareholder's subsidiaries or associated companies;

(e) any business associate of the Group; and

(f) any business associate of any substantial shareholder of each member of the Group.

3. Total number of share options available for issue under the Share Option Scheme and percentage of issued share capital of the Company as at 31st December 2008

The number of share options available for issue under the Share Option Scheme is 95,394,129 shares representing 6.4% of the issued share capital of the Company at 31st December 2008.

4. Maximum entitlement of each participant under the Share Option Scheme

The maximum entitlement for each participant is that the total number of shares of the Company issued and to be issued upon exercise of the options granted to each participant (including both exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the total number of issued shares of the Company. Any grant of further options above this limit shall be subject to certain requirements as stipulated in the rules of the Share Option Scheme.

5. The period within which the shares must be taken up under an option

Share options granted on 26th November 2003 was exercisable at any time from 23rd December 2003 to 22nd December 2008.

Share options granted on 2nd December 2004 are exercisable at any time from 29th December 2004 to 28th December 2014.

Share options granted on 10th May 2005 are exercisable at any time from 6th June 2005 to 5th June 2015.

Share options granted on 9th March 2007 are exercisable from 9th March 2009 to 8th March 2015 in the stipulated proportion at any time namely: (i) no share options shall be exercisable by the grantees within the first two years from 9th March 2007; (ii) up to a maximum of 30% of the share options can be exercised by the grantees from 9th March 2009 onwards; (iii) up to a maximum of 70% of the share options can be exercised by the grantees from 9th March 2010 onwards; and (iv) all share options can be exercised by the grantees from 9th March 2011 onwards.

6. The minimum period for which an option must be held before it can be exercised

There is and shall be no minimum period for which an option must be held before it can be exercised except the share options granted on 9th March 2007, details of which was disclosed in item 5 above.

7. The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made, or loans for such purposes must be paid

The option shall be deemed to have been accepted when the duplicate letter duly signed by the grantee, together with a remittance in favour of the Company of HK$1.00 by way of consideration for the grant thereof, is received by the Company. To the extent that the offer is not accepted within 28 days in the manner aforesaid, it will be deemed to have been irrevocably declined.

8. The basis of determining the exercise price

The exercise price is determined by the Board and shall be the highest of:

(a) the closing price of the shares of the Company as stated in the daily quotations sheets issued by the SEHK on the offer date;

(b) the average closing price of shares of the Company as stated in the daily quotation sheets issued by the SEHK for the five business days immediately preceding the offer date; and

(c) the nominal value of a share of the Company.

9. The remaining life of the Share Option Scheme

The Share Option Scheme is valid and effective for a period of 10 years, it commenced on 17th May 2002 and will expire on 16th May 2012.

Details of the movements of the share options granted under the Share Option Scheme during the year are set out below:

NAME	EXERCISE PRICE HK$	OUTSTANDING AS AT 1ST JANUARY 2008	GRANTED DURING THE YEAR	CHANGED CATEGORY DURING THE YEAR	EXERCISED DURING THE YEAR	LAPSED DURING THE YEAR	OUTSTANDING AS AT 31ST DECEMBER 2008	PERCENTAGE OF TOTAL ISSUED SHARE CAPITAL	*NOTES*
Mr. Wang Futian	3.666	800,000	–	–	–	–	800,000	0.054%	*(4),(5),(6)*
Mr. Li Jianhong	0.57	1,800,000	–	–	–	(1,800,000)*	–	–	*(1),(5),(6)*
	1.37	1,200,000	–	–	–	–	1,200,000	0.081%	*(2),(5),(6)*
Mr. Jia Lianjun	3.666	800,000	–	–	–	–	800,000	0.054%	*(4),(5),(6)*
Mr. Wang Xiaoming	3.666	800,000	–	–	–	–	800,000	0.054%	*(4),(5),(6)*
Mr. Liang Yanfeng	3.666	1,100,000	–	–	–	–	1,100,000	0.074%	*(4),(5),(6)*
Mr. Meng Qinghui	1.37	800,000	–	–	–	–	800,000	0.054%	*(2),(5),(6)*
	3.666	800,000	–	–	–	–	800,000	0.054%	*(4),(5),(6)*
Mr. Chen Xuewen	3.666	800,000	–	–	–	–	800,000	0.054%	*(4),(5),(6)*
Mr. Wang Xiaodong	1.37	800,000	–	–	–	–	800,000	0.054%	*(2),(5),(6)*
	3.666	800,000	–	–	–	–	800,000	0.054%	*(4),(5),(6)*
Mr. Lin Wenjin	1.37	500,000	–	–	–	–	500,000	0.034%	*(2),(5),(6)*
	3.666	800,000	–	–	–	–	800,000	0.054%	*(4),(5),(6)*
Ex-Directors									
Mr. Wei Jiafu#	0.57	1,800,000	–	(1,800,000)	–	–	–	–	*(1),(5),(6)*
	1.37	1,200,000	–	(1,200,000)	–	–	–	–	*(2),(5),(6)*
Mr. Liu Guoyuan@	1.37	1,200,000	–	(1,200,000)	–	–	–	–	*(2),(5),(6)*
	3.666	1,100,000	–	(1,100,000)	–	–	–	–	*(4),(5),(6)*
Continuous contract	0.57	3,600,000	–	(1,000,000)	(2,600,000)	–	–	–	*(1),(5),(6)*
employees of the	1.37	8,500,000	–	(1,650,000)	(400,000)	(100,000)	6,350,000	0.426%	*(2),(5),(6)*
Group and jointly	1.21	1,300,000	–	(400,000)	(150,000)	–	750,000	0.050%	*(3),(5),(6)*
controlled entities	3.666	17,080,000	–	(900,000)	–	(280,000)	15,900,000	1.067%	*(4),(5),(6)*
Other participants	0.57	7,440,000	–	2,800,000	(8,440,000)	(1,800,000)#	–	–	*(1),(5),(6)*
	1.37	18,318,000	–	4,050,000	(50,000)	–	22,318,000	1.498%	*(2),(5),(6)*
	1.21	–	–	400,000	–	–	400,000	0.027%	*(3),(5),(6)*
	3.666	18,970,000	–	2,000,000	–	(100,000)	20,870,000	1.401%	*(4),(5),(6)*

* *Mr. Li Jianhong renounced his right to exercise 1,800,000 share options at exercise price of HK$0.57 which were lapsed on 23rd December 2008.*

\# *Mr. Wei Jiafu resigned as Executive Director and the Chairman of the Company on 7th July 2008. He renounced his right to exercise 1,800,000 share options at exercise price of HK$0.57 which were lapsed on 23rd December 2008.*

@ *Mr. Liu Guoyuan resigned as Executive Director and the Vice Chairman of the Company on 24th October 2008.*

Notes

(1) Pursuant to the Share Option Scheme, these share options were granted on 26th November 2003 and was exercisable at HK$0.57 per share at any time between 23rd December 2003 and 22nd December 2008.

(2) These share options were granted on 2nd December 2004 pursuant to the Share Option Scheme and are exercisable at HK$1.37 per share at any time between 29th December 2004 and 28th December 2014.

(3) These share options were granted on 10th May 2005 pursuant to the Share Option Scheme and are exercisable at HK$1.21 per share at any time between 6th June 2005 and 5th June 2015.

(4) These share options were granted on 9th March 2007 pursuant to the Share Option Scheme and are exercisable at HK$3.666 per share from 9th March 2009 to 8th March 2015 in the stipulated proportion at any time namely:
   - *(i) no share options shall be exercisable by the grantees within the first two years from 9th March 2007;*
   - *(ii) up to a maximum of 30% of the share options can be exercised by the grantees from 9th March 2009 onwards;*
   - *(iii) up to a maximum of 70% of the share options can be exercised by the grantees from 9th March 2010 onwards; and*
   - *(iv) all share options can be exercised by the grantees from 9th March 2011 onwards.*

(5) These share options represent personal interest held by the relevant participants as beneficial owner.

(6) Save as disclosed above, for the year ended 31st December 2008, none of the share options were lapsed or cancelled.

(7) During the year ended 31st December 2008, the weighted average closing price of the shares when the share options were exercised was HK$2.04.

(8) The relevant share options issued will be recorded by the Company as staff cost in the income statement at the fair value of the relevant share options over the vesting period. Upon the exercise of the share options, the shares to be issued will be recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares will be recorded by the Company in the share premium account. Share options which have lapsed or been cancelled will be deducted from the outstanding options.

(9) The Company adopted Black-Scholes Options Pricing Model (a common valuation methodology for share options) to calculate the fair value of share options granted in 2005. The fair value for each of the share options granted in 2005 was HK$0.58 at the date of grant with assumptions as follows:
   - *(i) interest rate of 10-year Exchange Fund Notes of 3.806% per annum as the risk-free interest rate;*
   - *(ii) expected life of 10 years; and*
   - *(iii) expected volatility of 50.2%, being the annualised volatility of the closing price of the share from 1st August 2004 to 30th November 2004.*

(10) The Company adopted the Binomial Lattice Valuation Model (a common valuation methodology for share options) to calculate the fair value of share options granted in 2007. The weighted average fair value for each of the share options granted in 2007 was HK$1.33 at the date of grant with the major assumptions as follows:
   - *(i) 4% per annum for the first 3 years and 4.25% per annum for the next 5 years as risk-free rates;*
   - *(ii) expected life of 8 years;*
   - *(iii) expected volatility of 37% per annum;*
   - *(iv) annual dividend rate of 2.20% per annum; and*
   - *(v) black-out periods, being one month prior to the release of annual/interim results (April and August respectively) and holding of price sensitive information, applicable to certain option holders with regard to seniority of their positions.*

The fair value of the share options is subject to a number of assumptions and with regard to the limitation of the models. Therefore the value may be subjective and difficult to determine.

DIRECTORS' INTERESTS IN SECURITIES

As at 31st December 2008, the interests of each Director and chief executive of the Company in the equity or debt securities of the Company or any associated corporation (within the meaning of the Securities and Futures Ordinance ("SFO")) which (a) were required to be notified to the Company and the SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Director has taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the SEHK were as follows:

1. Long positions in the shares of the Company

NAME OF DIRECTOR	NATURE OF INTEREST AND CAPACITY	TOTAL NUMBER OF SHARES HELD	PERCENTAGE OF TOTAL ISSUED SHARE CAPITAL OF THE COMPANY
Mr. Liang Yanfeng	Beneficial owner	1,200,000	0.081%
Mr. Chen Xuewen	Beneficial owner	100,000	0.007%
Mr. Wang Xiaodong	Beneficial owner	900,000	0.060%
Mr. Lin Wenjin	Beneficial owner	800,000	0.054%

2. Long positions in the underlying shares of equity derivatives of the Company

Details are set out in the section headed "Share Options" above.

3. Long positions in the shares of associated corporations

NAME OF DIRECTOR	NAME OF ASSOCIATED CORPORATION	NATURE OF INTEREST AND CAPACITY	TOTAL NUMBER OF SHARES HELD	PERCENTAGE OF TOTAL ISSUED SHARE CAPITAL OF THE ASSOCIATED CORPORATION
Mr. Li Jianhong	COSCO Corporation (Singapore) Limited ("COSCO SGP")	Beneficial owner	1,300,000	0.058%
Mr. Wang Xiaoming	Sino-Ocean Land Holdings Limited ("SOLHL")	Beneficial owner	50,000	0.001%
Mr. Liang Yanfeng	China COSCO Holdings Company Limited ("China COSCO")	Beneficial owner	30,000	0.001%
Mr. Chen Xuewen	SOLHL	Beneficial owner	50,000	0.001%
Mr. Lin Wenjin	SOLHL	Beneficial owner	50,000	0.001%
Mr. Kwong Che Keung, Gordon	COSCO Pacific Limited ("COSCO Pacific")	Beneficial owner	250,000	0.011%
Ex-Director				
Mr. Wei Jiafu*	COSCO SGP	Beneficial owner	1,900,000*	0.085%

* *Mr. Wei Jiafu resigned as Executive Director and the Chairman of the Company on 7th July 2008. As at 7th July 2008, he had 1,900,000 shares of COSCO SGP.*

4. Long positions in the underlying shares of equity derivatives of associated corporations

(a) Share options

NAME OF DIRECTOR	NAME OF ASSOCIATED CORPORATION	EXERCISE PRICE	OUTSTANDING AS AT 1ST JANUARY 2008	GRANTED DURING THE YEAR	EXERCISED DURING THE YEAR	LAPSED DURING THE YEAR	OUTSTANDING AS AT 31ST DECEMBER 2008	PERCENTAGE OF TOTAL ISSUED SHARE CAPITAL OF THE ASSOCIATED CORPORATION	EXERCISABLE PERIOD	*NOTES*
Mr. Zhang Fusheng*	COSCO Pacific	HK$13.75	1,000,000*	–	–	–	1,000,000	0.045%	03.12.2004 – 02.12.2014	*(1),(5),(6)*
Mr. Li Jianhong	COSCO Pacific	HK$13.75	1,000,000	–	–	–	1,000,000	0.045%	02.12.2004 – 01.12.2014	*(1),(5),(6)*
	COSCO SGP	SGD1.23	700,000	–	–	–	700,000	0.031%	21.02.2007 – 20.02.2011	*(2),(5),(6)*
Mr. Liang Yanfeng	SOLHL	HK$7.70	1,430,000	–	–	–	1,430,000	0.032%	08.10.2008 – 27.09.2012	*(3),(5),(6)*
	SOLHL	HK$2.55	–	500,000	–	–	500,000	0.011%	19.09.2009 – 18.09.2013	*(4),(5),(6)*
Mr. Meng Qinghui	COSCO Pacific	HK$13.75	500,000	–	–	–	500,000	0.022%	29.11.2004 – 28.11.2014	*(1),(5),(6)*
Ex-Directors										
Mr. Wei Jiafu#	COSCO Pacific	HK$13.75	1,000,000	–	–	–	1,000,000#	0.045%	03.12.2004 – 02.12.2014	*(1),(5),(6)*
	COSCO SGP	SGD1.23	1,100,000	–	–	(1,100,000)#	–	–	21.02.2007 – 20.02.2011	*(2),(5),(6)*
Mr. Liu Guoyuan@	SOLHL	HK$7.70	350,000	–	–	–	350,000@	0.008%	08.10.2008 – 07.01.2009	*(3),(5),(6)*

* *Mr. Zhang Fusheng was appointed as Executive Director and the Chairman of the Company on 7th July 2008. As at 7th July 2008, he had the entitlement of 1,000,000 share options of COSCO Pacific.*

\# *Mr. Wei Jiafu resigned as Executive Director and the Chairman of the Company on 7th July 2008. As at 7th July 2008, he had 1,000,000 share options of COSCO Pacific. In addition, Mr. Wei renounced his right to exercise 1,100,000 share options of COSCO SGP which were lapsed on 15th October 2008.*

@ *Mr. Liu Guoyuan resigned as Executive Director and the Vice Chairman of the Company on 24th October 2008. As at 24th October 2008, he had 350,000 share options of SOLHL.*

Notes

(1) Pursuant to the share option scheme of COSCO Pacific, an associated corporation of the Company, adopted on 23rd May 2003, these share options were granted during the period from 25th November 2004 to 16th December 2004 and are exercisable at HK$13.75 per share at any time within ten years from their respective date on which an offer is accepted or deemed to be accepted.

(2) These share options were granted by COSCO SGP, an associated corporation of the Company, on 21st February 2006.

(3) These share options were granted by SOLHL, an associated corporation of the Company, on 8th October 2007.

(4) These share options were granted by SOLHL, an associated corporation of the Company, on 19th September 2008.

(5) These share options represent personal interest held by the relevant participants as beneficial owner.

(6) Save as disclosed above, for the year ended 31st December 2008, none of the share options of the above Directors were cancelled or lapsed.

(b) Share appreciation rights

NAME OF DIRECTOR	NAME OF ASSOCIATED CORPORATION	EXERCISE PRICE HK$	OUTSTANDING AS AT 1ST JANUARY 2008	UNITS GRANTED DURING THE YEAR	UNITS EXERCISED DURING THE YEAR	UNITS LAPSED DURING THE YEAR	OUTSTANDING AS AT 31ST DECEMBER 2008	*NOTES*
Mr. Zhang Fusheng*	China COSCO	3.195	600,000*	–	–	–	600,000	*(1),(4),(5)*
		3.588	800,000*	–	–	–	800,000	*(2),(4),(5)*
		9.540	780,000*	–	–	–	780,000	*(3),(4),(5)*
Mr. Wang Futian	China COSCO	3.588	320,000	–	(320,000)	–	–	*(2),(4),(5)*
Mr. Li Jianhong	China COSCO	3.195	450,000	–	–	–	450,000	*(1),(4),(5)*
		3.588	600,000	–	–	–	600,000	*(2),(4),(5)*
		9.540	580,000	–	–	–	580,000	*(3),(4),(5)*
Mr. Jia Lianjun	China COSCO	3.195	75,000	–	–	–	75,000	*(1),(4),(5)*
		3.588	65,000	–	–	–	65,000	*(2),(4),(5)*
		9.540	60,000	–	–	–	60,000	*(3),(4),(5)*
Ex-Director								
Mr. Wei Jiafu#	China COSCO	3.195	680,000	–	–	–	680,000#	*(1),(4),(5)*
		3.588	900,000	–	–	–	900,000#	*(2),(4),(5)*
		9.540	880,000	–	–	–	880,000#	*(3),(4),(5)*

* *Mr. Zhang Fusheng was appointed as Executive Director and the Chairman of the Company on 7th July 2008. As at 7th July 2008, he had 600,000, 800,000 and 780,000 units of share appreciation rights of China COSCO at exercise price of HK$3.195, HK$3.588 and HK$9.540 respectively.*

\# *Mr. Wei Jiafu resigned as Executive Director and the Chairman of the Company on 7th July 2008. As at 7th July 2008, he had 680,000, 900,000 and 880,000 units of share appreciation rights of China COSCO at exercise price of HK$3.195, HK$3.588 and HK$9.540 respectively.*

Notes

(1) These share appreciation rights were granted by China COSCO ("Share Appreciation Rights") in units with each unit representing one H share of China COSCO on 16th December 2005 pursuant to the share appreciation rights plan adopted by China COSCO (the "Plan"). Under the Plan, no share will be issued. The Share Appreciation Rights can be exercised at HK$3.195 per unit at any time between 16th December 2007 and 15th December 2015.

(2) These Share Appreciation Rights were granted in units with each unit representing one H share of China COSCO on 5th October 2006 pursuant to the Plan. Under the Plan, no share will be issued. The Share Appreciation Rights can be exercised at HK$3.588 per unit according to its terms between 5th October 2008 and 4th October 2016.

(3) These Share Appreciation Rights were granted in units with each unit representing one H share of China COSCO on 4th June 2007 pursuant to the Plan. Under the Plan, no share will be issued. The Share Appreciation Rights can be exercised at HK$9.540 per unit according to its terms between 4th June 2009 and 3rd June 2017.

(4) These Share Appreciation Rights represent personal interest held by the relevant participants as beneficial owner. The beneficial owners of these Share Appreciation Rights are entitled to the premium of the price of the issued shares of China COSCO over the exercise price of the Share Appreciation Rights.

(5) For the year ended 31st December 2008, none of the Share Appreciation Rights of the above Directors were cancelled or lapsed.

Save as disclosed above and in the section headed "Share Options" as at 31st December 2008, none of the Directors and chief executives of the Company had any interest and short positions in the shares, underlying shares or, the equity interest and debentures of the Company or any associated corporations (within the meaning of the SFO) which (a) were required to be notified to the Company and the SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Director has taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the SEHK.

SUBSTANTIAL SHAREHOLDERS

As at 31st December 2008, the following persons and entities, other than Director or chief executive of the Company, had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

NAME OF SHAREHOLDER	CAPACITY	NATURE OF INTEREST	NUMBER OF SHARES HELD (LONG POSITIONS)	PERCENTAGE OF TOTAL ISSUED SHARE CAPITAL
COSCO	Interest of controlled corporation	Corporate interest	887,190,511	59.6%
COSCO Hong Kong	Interest of controlled corporation	Corporate interest	887,190,511	59.6%
True Smart International Limited ("True Smart")	Beneficial owner	Beneficial interest	887,190,511	59.6%
Montpelier Investment Management LLP	Investment manager	Beneficial interest	74,142,000	5.0%

Note

Since True Smart is a wholly-owned subsidiary of COSCO Hong Kong which is in turn a wholly-owned subsidiary of COSCO, the interests of True Smart are deemed to be the interests of COSCO Hong Kong and in turn the interests of COSCO Hong Kong are deemed to be the interests of COSCO under the SFO.

Save as disclosed above, as at 31st December 2008, the Company has not been notified of any person or entity who had an interest and short position in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

PUBLIC FLOAT

As at the date of this Annual Report, the Board acknowledge that approximately 40% of the issued capital of the Company are held by the public.

PRE-EMPTIVE RIGHTS

No pre-emptive rights exist in Bermuda being the jurisdiction in which the Company is incorporated.

INDEPENDENT AUDITOR

The financial statements for the year have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31st December 2008.

CORPORATE GOVERNANCE

Maintaining high standards of corporate governance has always been one of the Company's priorities. This is achieved through an effective, timely disclosure of information by the Board and a proactive investor relations programme.

In recognition of the great strides that were made with regard to its business performance and corporate governance practices during the year, both the Board and the ex-Vice Chairman, Mr. Liu Guoyuan were presented Directors Of The Year Awards 2008 for Listed Companies (SEHK – Non

DIRECTORS' REPORT

Hang Seng Index Constituents) by The Hong Kong Institute of Directors respectively. Nonetheless, the Company will continue to implement measures in order to further strengthen both its corporate governance and overall risk management.

The Board believed that the Company has during the year complied with the code provisions of the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules except that (i) all Non-executive Directors (including Independent Non-executive Directors) have entered into letters of appointment with the Company until November 2008 for a specific term up to the forthcoming annual general meeting of the Company and the Director appointed in 2008 has not been re-elected by shareholders at the first general meeting after his appointment, however, all Directors are subject to retirement and eligible for re-election in each annual general meeting in accordance with the Bye-Laws of the Company; and (ii) Mr. Wei Jiafu, the ex-Chairman of the Board, was unable to attend the annual general meeting of the Company held on 23rd May 2008 due to other business commitments.

The audit committee of the Company (the "Audit Committee") consists of three Independent Non-executive Directors. The Audit Committee is chaired by an Independent Non-executive Director who is a certified public accountant. The duties of Audit Committee include the review of important accounting policies and supervising the Company's financial reporting process; monitoring the performance of both the internal and external auditors; reviewing and examining the effectiveness of the financial reporting procedures and internal controls; ensuring compliance with applicable statutory accounting and reporting requirements, legal and regulatory requirements, and internal rules and procedures approved by the Board. The Audit Committee has discussed the internal controls and financial reporting matters with management of the Company and reviewed the results announcement and the audited financial statements of the Group for the year ended 31st December 2008. The Company has received from each of the Independent Non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the Independent Non-executive Directors to be independent.

The Company has adopted a code of conduct regarding securities transactions of directors and employees (the "Securities Code") no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules. To ensure Directors' dealing in the securities of the Company are conducted in accordance with the Securities Code, a committee (the "Committee") comprising the Chairman, the Vice Chairman, the Managing Director and Deputy Managing Directors was set up to deal with such transactions. Prior to any dealing in the securities of the Company, a Director is required to notify the Chairman or the Vice Chairman in writing and obtain a written acknowledgement from the Committee.

The Company has made specific enquiry of all Directors regarding any non-compliance with the Securities Code during the year ended 31st December 2008, all Directors confirmed that they have fully complied with the required standard set out in the Securities Code during the year.

On behalf of the Board

LIANG Yanfeng
Managing Director
Hong Kong, 27th March 2009

INDEPENDENT AUDITOR'S REPORT

PRICEWATERHOUSECOOPERS

Independent Auditor's Report
To the Shareholders of COSCO International Holdings Limited
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of COSCO International Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 107 to 191, which comprise the consolidated and company balance sheets as at 31st December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

INDEPENDENT AUDITOR'S REPORT

Opinion

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

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 27th March 2009

CONSOLIDATED BALANCE SHEET

As at 31st December 2008

	Note	2008 HK$'000	2007 HK$'000
ASSETS			
Non-current assets			
Investment properties	6	**26,815**	10,717
Intangible assets	7	**91,323**	79,616
Property, plant and equipment	8	**123,824**	105,436
Prepaid premium for land leases	9	**13,194**	16,421
Jointly controlled entities	11	**130,935**	93,624
Associated companies	12	**4,052,810**	3,628,052
Available-for-sale financial assets	14	**38,503**	88,952
Deferred income tax assets	15(a)	**40,844**	26,235
		4,518,248	4,049,053
Current assets			
Completed properties held for sale	16	**2,631**	20,717
Inventories	17	**356,735**	380,083
Trade and other receivables	18	**887,374**	743,502
Financial assets at fair value through profit or loss	19	**239**	608
Current income tax recoverable		**897**	–
Restricted bank deposits	20	**118,963**	8,006
Cash and cash equivalents	20	**1,373,978**	1,023,338
		2,740,817	2,176,254
Total assets		**7,259,065**	6,225,307
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	21	**148,967**	147,803
Reserves	22	**5,301,389**	4,675,607
Proposed dividends	22	**95,339**	78,336
		5,545,695	4,901,746
Minority interests		**241,373**	217,517
Total equity		**5,787,068**	5,119,263
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	15(b)	**8,363**	798
Current liabilities			
Trade and other payables	23	**1,128,321**	867,240
Current income tax liabilities		**18,353**	21,190
Short-term borrowings	24	**316,960**	216,816
		1,463,634	1,105,246
Total liabilities		**1,471,997**	1,106,044
Total equity and liabilities		**7,259,065**	6,225,307
Net current assets		**1,277,183**	1,071,008
Total assets less current liabilities		**5,795,431**	5,120,061

LIANG Yanfeng
Managing Director

WANG Xiaodong
Deputy Managing Director

BALANCE SHEET

As at 31st December 2008

	Note	2008 HK$'000	2007 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	8	**2,561**	3,082
Subsidiaries	10(a)	**161,765**	140,105
Jointly controlled entity	11	**42,808**	42,808
		207,134	185,995
Current assets			
Other receivables	18	**51,331**	13,758
Amounts due from subsidiaries, net	10(b)	**1,079,280**	1,217,788
Cash and cash equivalents	20	**355,304**	322,158
		1,485,915	1,553,704
Total assets		**1,693,049**	1,739,699
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	21	**148,967**	147,803
Reserves	22	**1,217,290**	1,283,658
Proposed dividends	22	**95,339**	78,336
Total equity		**1,461,596**	1,509,797
LIABILITIES			
Current liabilities			
Other payables	23	**9,416**	10,849
Amounts due to subsidiaries	10(b)	**222,037**	219,053
Total liabilities		**231,453**	229,902
Total equity and liabilities		**1,693,049**	1,739,699

LIANG Yanfeng
Managing Director

WANG Xiaodong
Deputy Managing Director

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December 2008

	Note	2008 HK$'000	2007 HK$'000
Turnover	5	**2,100,937**	2,309,123
Cost of sales	26	**(1,465,536)**	(1,750,676)
Gross profit		**635,401**	558,447
Gain on deemed disposal of partial interest in a jointly controlled entity	11(b)	**–**	1,925,468
Other income	25	**33,759**	54,020
Selling, administrative and general expenses	26	**(360,265)**	(370,945)
Other expenses	26	**(105,132)**	(31,863)
Operating profit		**203,763**	2,135,127
Finance income	27	**28,127**	35,762
Finance costs	27	**(15,269)**	(11,823)
Finance income – net	27	**12,858**	23,939
Share of results of jointly controlled entities	11	**46,728**	453,082
Share of result of an associated company	12	**319,184**	46,719
Profit before income tax		**582,533**	2,658,867
Income tax expense	28	**(34,268)**	(23,772)
Profit from continuing operations		**548,265**	2,635,095
Loss from discontinued operations	29	**–**	(2,827)
Profit for the year		**548,265**	2,632,268
Profit attributable to:			
Equity holders of the Company	30	**491,015**	2,572,623
Minority interests		**57,250**	59,645
		548,265	2,632,268
Dividends	31	**110,142**	93,069
Earnings per share from continuing operations attributable to the equity holders of the Company during the year			
– basic, HK cents	32(a)	**33.18**	176.14
– diluted, HK cents	32(b)	**32.51**	169.85
Loss per share from discontinued operations attributable to the equity holders of the Company during the year			
– basic, HK cent	32(a)	**–**	(0.19)
– diluted, HK cent	32(b)	**–**	(0.19)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December 2008

	Note	Attributable to equity holders of the Company Share capital HK$'000	 Reserves HK$'000	Minority interests HK$'000	Total equity HK$'000
Balance at 1st January 2008		**147,803**	**4,753,943**	**217,517**	**5,119,263**
Exchange differences on translation of:					
– subsidiaries	22	–	28,571	–	28,571
– jointly controlled entities	22	–	506	–	506
– an associated company	22	–	211,194	–	211,194
– minority interests		–	–	13,479	13,479
Share of reserves of jointly controlled entities	22	–	4,288	–	4,288
Share of reserves of an associated company	22	–	19,127	–	19,127
Capital contribution from minority shareholder of a subsidiary		–	–	12,078	12,078
Gain on revaluation of properties – net of deferred tax	22	–	6,363	–	6,363
Fair value losses on available-for-sale financial assets	22	–	(51,731)	–	(51,731)
Net income recognised directly in equity		–	218,318	25,557	243,875
Profit for the year	22	–	491,015	57,250	548,265
Total recognised income for 2008		–	**709,333**	**82,807**	**792,140**
Issue of shares	21,22	1,164	5,927	–	7,091
Acquisition of minority interest	36	–	–	(39,852)	(39,852)
Employee share option benefits	22	–	20,722	–	20,722
Dividends	22	–	(93,197)	(19,099)	(112,296)
		1,164	(66,548)	(58,951)	(124,335)
Balance at 31st December 2008		**148,967**	**5,396,728**	**241,373**	**5,787,068**

	Note	Attributable to equity holders of the Company **Share capital** HK$'000	 **Reserves** HK$'000	**Minority interests** HK$'000	**Total equity** HK$'000
Balance at 1st January 2007		145,052	2,056,248	246,700	2,448,000
Exchange differences on translation of:					
– subsidiaries	22	–	34,353	–	34,353
– jointly controlled entities	22	–	79,479	–	79,479
– minority interests		–	–	14,162	14,162
Share of reserves of jointly controlled entities	22	–	2,273	–	2,273
Share of reserves of an associated company	22	–	9,054	–	9,054
Fair value gains on available-for-sale financial assets	22	–	48,630	–	48,630
Exchange reserve realised upon disposal of subsidiaries	22	–	(3,820)	–	(3,820)
Investment revaluation reserve realised upon disposal of available-for-sale financial assets	22	–	(5,804)	–	(5,804)
Net income recognised directly in equity		–	164,165	14,162	178,327
Profit for the year	22	–	2,572,623	59,645	2,632,268
Total recognised income for 2007		–	2,736,788	73,807	2,810,595
Issue of shares	21,22	2,751	20,834	–	23,585
Disposal of minority interests		–	–	(58,265)	(58,265)
Employee share option benefits	22	–	17,419	–	17,419
Dividends	22	–	(77,346)	(44,725)	(122,071)
		2,751	(39,093)	(102,990)	(139,332)
Balance at 31st December 2007		147,803	4,753,943	217,517	5,119,263

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st December 2008

	Note	2008 HK$'000	2007 HK$'000
Cash flows from operating activities of continuing and discontinued operations			
Cash generated from operations	34(a)	**454,645**	143,470
Income tax paid		**(46,685)**	(37,449)
Net cash generated from operating activities		**407,960**	106,021
Cash flows from investing activities			
Increase in bank deposits with maturity over three months		**(8,561)**	(35,904)
Increase in restricted bank deposits		**(110,957)**	(5,816)
Advance of loans to a jointly controlled entity		**(50,376)**	(3,900)
Loans repaid by a jointly controlled entity		**11,652**	11,643
Interest received		**28,127**	35,952
Dividends received from investments		**484**	2,534
Dividends received from jointly controlled entities		**22,309**	107,603
Dividends received from an associated company		**139,087**	–
Proceeds from sale of property, plant and equipment		**1,068**	47
Proceeds from sale of available-for-sale financial assets		**–**	42,630
Purchase of property, plant and equipment		**(28,465)**	(35,492)
Acquisition of additional interests in an associated company		**(2,301)**	(175,258)
Addition to available-for-sale financial assets		**(1,282)**	–
Net cash generated from the acquisition of a subsidiary	36	**33,561**	815
Net cash outflow on disposal of subsidiaries	34(b)	**–**	(10,289)
Net cash generated from/(used in) investing activities		**34,346**	(65,435)
Cash flows from financing activities			
Drawdown of bank and other loans		**213,279**	216,816
Repayment of bank loans		**(216,816)**	(78,521)
Capital contribution from minority shareholder of a subsidiary		**12,078**	–
Issue of share capital	21(e)	**7,091**	23,585
Finance costs paid		**(15,269)**	(11,826)
Dividends paid to the Company's equity holders		**(93,197)**	(77,346)
Dividends paid to minority shareholders of subsidiaries		**(19,099)**	(44,725)
Net cash (used in)/generated from financing activities		**(111,933)**	27,983
Net increase in cash and cash equivalents		**330,373**	68,569
Cash and cash equivalents at the beginning of the year		**966,994**	878,219
Exchange gain on cash and cash equivalents		**11,706**	20,206
Cash and cash equivalents at the end of the year	20(g)	**1,309,073**	966,994

1 GENERAL INFORMATION

COSCO International Holdings Limited (the "Company") and its subsidiaries (together the "Group") are principally engaged in the provision of shipping services, general trading and property investment.

The Company is a limited liability company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its principal place of business is 47/F, COSCO Tower, 183 Queen's Road Central, Hong Kong.

The ultimate holding company of the Company is China Ocean Shipping (Group) Company ("COSCO"), a state-owned enterprise established in the People's Republic of China (the "PRC").

These consolidated financial statements have been approved for issue by the board of directors on 27th March 2009.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("HKAS") (collectively "HKFRS") issued by the Hong Kong Institute of Certified Public Accountants. The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of investment properties, available-for-sale financial assets, financial assets and financial liabilities at fair value through profit or loss, which are carried at fair value.

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

(i) Adoption of new HKFRS

In 2008, the Group has adopted the following new HKFRS, which are relevant to its operation:

HKAS 39 (Amendment)	Financial instruments: Recognition and measurement	Effective prospectively from 1st July 2008
HK (IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions	Effective for accounting periods beginning on or after 1st March 2007

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (Continued)

(i) Adoption of new HKFRS (Continued)

(1) HKAS 39 (amendment) on reclassification of financial assets permits reclassification of certain financial assets out of the held-for-trading and available-for-sale categories if specified conditions are met. The related amendment to HKFRS 7, "Financial instruments: Disclosures", introduces disclosure requirements with respect to financial assets reclassified out of the held-for-trading and available-for-sale categories. The amendment is effective prospectively from 1st July 2008. This amendment does not have any impact on the Group's financial statements, as the Group has not reclassified any financial assets.

(2) HK (IFRIC)-Int 11 provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone financial statements of the parent company and group companies.

The adoption of the above new HKFRS did not result in substantial changes to the Group's accounting policies and had no material effect on the financial statements.

(ii) Standards, interpretations and amendments to published standards that are not yet effective

Certain new standards, interpretations and amendments to existing standards have been published that are relevant to the Group's operation and mandatory for the Group's accounting periods beginning on or after 1st January 2009 or later periods, but which the Group has not early adopted, are as follows:

		Effective for accounting periods beginning on or after
HKFRS 8	Operating Segments	1st January 2009
HKAS 1 (Revised)	Presentation of financial statements	1st January 2009
HKAS 1 (Amendment)	Presentation of financial statements	1st January 2009
HKFRS 2 (Amendment)	Share-based Payment Vesting Conditions and Cancellations	1st January 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements	1st July 2009
HKAS 28 (Amendment)	Investments in associates	1st January 2009
HKFRS 3 (Revised)	Business Combination	1st July 2009

The Group has already commenced an assessment of the related impact to the Group but it is not expected to have any significant financial impact on the Group's results of operations and financial position.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (Continued)

(ii) Standards, interpretations and amendments to published standards that are not yet effective (Continued)

(1) Under HKFRS 8, segments are components of an entity regularly reviewed by the entity's chief operating decision-maker. Segment reporting is presented on the same basis as that used for internal reporting.

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

(3) HKAS 1 (Amendment) clarifies that some rather than all financial assets and liabilities classified as held for trading in accordance with HKAS 39, "Financial instruments: Recognition and measurement" are examples of current assets and liabilities respectively.

(4) HKFRS 2 (Amendment) clarifies the definition of "vesting conditions" and specifies the accounting treatment of "cancellations" by the counterparty to a share-based payment arrangement. Vesting conditions are service conditions (which require a counterparty to complete a specified period of service) and performance conditions (which require a specified period of service and specified performance targets to be met) only. All "non-vesting conditions" and vesting conditions that are market conditions shall be taken into account when estimating the fair value of the equity instruments granted. All cancellations are accounted for as an acceleration of vesting and the amount that would otherwise have been recognised over the remainder of the vesting period is recognised immediately.

(5) HKAS 27 (Revised) requires non-controlling interests (i.e. minority interests) to be presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent. Total comprehensive income must be attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity. When control of a subsidiary is lost, the assets and liabilities and related equity components of the former subsidiary are derecognised. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at its fair value at the date when control is lost.

(6) According to HKAS 28 (Amendment), an investment in associate is treated as a single asset for the purposes of impairment testing and any impairment loss is not allocated to specific assets included within the investment, for example, goodwill. Reversals of impairment are recorded as an adjustment to the investment balance to the extent that the recoverable amount of the associate increases. The Group will apply HKAS 28 (Amendment) to impairment tests related to investment in associates and any related impairment losses from 1st January 2009.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (Continued)

(ii) Standards, interpretations and amendments to published standards that are not yet effective (Continued)

(7) HKFRS 3 (Revised) may bring more transactions into acquisition accounting as combinations by contract alone and combinations of mutual entities are brought into the scope of the standard and the definition of a business has been amended slightly. It now states that the elements are "capable of being conducted" rather than "are conducted and managed". It requires considerations (including contingent consideration), each identifiable asset and liability to be measured at its acquisition-date fair value, except leases and insurance contracts, reacquired right, indemnification assets as well as some assets and liabilities required to be measured in accordance with other HKFRSs. They are income taxes, employee benefits, share-based payment and non-current assets held for sale and discontinued operations. Any non-controlling interest in an acquiree is measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st December each year. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

All significant intercompany transactions, balances and unrealised gain on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(c) Subsidiaries

(i) Subsidiaries

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

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

In the Company's balance sheet, investments in subsidiaries are stated at cost less provision for impairment losses, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(ii) Transactions with minority interests

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Associated companies

Associated companies are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associated companies are accounted for by the equity method of accounting and are initially recognised at cost. The Group's investment in associated companies includes goodwill identified on acquisition (net of any accumulated impairment loss).

The Group's share of its associated companies' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

When the Group's share of losses in associated companies equals or exceeds its interest in the associated companies, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated companies.

Unrealised gains on transactions between the Group and the associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associated companies have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses in associated companies are recognised in the consolidated income statement.

(e) Jointly controlled entities

Jointly controlled entities are contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

Investments in jointly controlled entities are accounted for by the equity method of accounting and are initially recognised at cost. The Group's investment in jointly controlled entities includes goodwill identified on acquisition (net of any accumulated impairment loss).

The Group's share of jointly controlled entities' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

When the Group's share of losses in jointly controlled entities equals or exceeds its interest in the jointly controlled entities, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the jointly controlled entities.

Unrealised gains on transactions between the Group and jointly controlled entities are eliminated to the extent of the Group's interest in the jointly controlled entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of jointly controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, investment in jointly controlled entities is stated at cost less provision for impairment losses, if any. The results of jointly controlled entities are accounted for by the Company on the basis of dividend received and receivable.

Dilution gains and losses in jointly controlled entities are recognised in the consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Intangible assets

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the subsidiaries, associated companies and jointly controlled entities at the date of acquisition.

Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associated companies/jointly controlled entities is included in investments in associated companies/jointly controlled entities and is tested for impairment as part of the overall balance whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The Group allocates goodwill to each business segment in which it operates.

(g) Properties

(i) Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the Group, is classified as investment property. Investment property is measured initially at cost, including related transaction cost. After initial recognition, investment properties are carried at fair value.

Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. These valuations are performed in accordance with the guidance issued by the International Valuation Standards Committee. These valuations are reviewed annually by external valuers.

Subsequent expenditure is included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance costs are expensed in the consolidated income statement during the financial period in which they are incurred.

Changes in fair values are recognised in the consolidated income statement.

If an owner-occupied property becomes an investment property that will be carried at fair value, the Group depreciates the property and recognises any impairment losses that have occurred up to the date of change in use. The Group treats any difference at that date between the carrying amount of the property and its fair value in the same way as a revaluation of property, plant and equipment.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Properties (Continued)

(i) Investment properties (Continued)

Any resulting decrease in the carrying amount of the property is recognised in the consolidated income statement. However, to the extent that an amount is included in property revaluation reserve for that property, the decrease is charged against that revaluation reserve.

Any resulting increase in the carrying amount is recognised in the consolidated income statement to the extent that the increase reverses a previous impairment loss for that property. The amount recognised in the consolidated income statement does not exceed the amount needed to restore the carrying amount to the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised. Any remaining part of the increase is credited directly to equity in property revaluation reserve. On subsequent disposal of the investment property, the revaluation reserve may be transferred to retained earnings without going through the consolidated income statement.

(ii) Completed properties held for sale

Completed properties held for sale are included as current assets and stated at the lower of cost and net realisable value. Cost comprises prepayments for leasehold land and land use rights, development expenditure and borrowing costs capitalised during the course of development. Net realisable value is determined by reference to estimated sales proceeds of the properties sold in the ordinary course of business less estimated selling expenses.

The accounting policy for recognition of revenue from sale of completed properties is set out in note 2(w)(i).

(iii) Prepaid premium for land leases

Prepaid premium for land leases are up-front payments to acquire long-term interests in land. The premiums are stated at cost and are amortised on a straight line basis over the lease period to the consolidated income statement.

(h) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Property, plant and equipment (Continued)

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Buildings	30 years or remaining lease terms (whichever is shorter)
Machinery	5-10 years
Equipment and motor vehicles	3-5 years
Leasehold improvement	3-5 years
Furniture and fixtures	3-5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

All direct and indirect costs relating to the construction of property, plant and equipment, including financing costs and foreign exchange differences on the related borrowed funds during the construction period are capitalised as costs of the asset.

(i) Impairment of investments in subsidiaries, jointly controlled entities, associated companies and non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

(j) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, calculated on the weighted average basis, comprises direct materials, direct labour and an appropriate proportion of all production overhead expenditure. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Investments

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

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

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, and are not intended for trading. They are included in current assets, except for those with maturity greater than 12 months after the balance sheet date in which case they are classified as non-current assets.

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Available-for-sale financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the consolidated income statement. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value.

Loans and receivables are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the consolidated income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised within investment revaluation reserve in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the consolidated income statement as gains or losses from investment securities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Investments (Continued)

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

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

(l) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessors are accounted for as operating leases. Payment made under operating leases (net of any incentives received from the lessors) are charged to the consolidated income statement on a straight-line basis over the lease term.

(m) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using effective interest method, less provision for impairment. A provision for impairment of trade and other receivable is established when there is objective evidence that the Group will not be able to collect all amounts due to it according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of provision is based on the difference between the asset's carrying amount and the present value of estimated future cash flows. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated income statement within "other expenses". When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited against "other income" in the consolidated income statement.

(n) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with bank, money market fund investments and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet. For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, money market fund investment, and deposits with banks with maturity less than three months from the date of placement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Discontinued operations

A discontinued operation is a cash generating unit ("CGU") or a group of CGU of the Group that either has been disposed of, or is classified as held for sale, and (a) represents a separate major line of business or geographical area of operations; (b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or (c) is a subsidiary acquired exclusively with a view to resale.

The profit after tax of discontinued operations is presented separately in the consolidated income statement as profit from discontinued operations. Prior year amounts are re-presented.

(p) Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amoritised cost using the effective interest method.

(q) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. When the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(r) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

(s) Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company, its subsidiaries, associated companies and jointly controlled entities operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Current and deferred income tax (Continued)

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associated companies and jointly controlled entities, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

(t) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. The functional currency of the Group's subsidiaries in the PRC is Renminbi. The directors consider that presentation of the consolidated financial statements in Hong Kong dollars will facilitate analysis of the financial information of the Group.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Foreign currency translation (Continued)

(iii) Group companies

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

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet;

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

- all resulting exchange differences are recognised as a separate component of equity.

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

Goodwill and fair value adjustments arising on the acquisition of a foreign entity before 1st January 2005 are treated as assets and liabilities of the investor which acquired that foreign entity and expressed in the investor's functional currency. They are reported using the exchange rate at the date of acquisition. For goodwill and fair value adjustments arising on the acquisition of a foreign entity after 1st January 2005, they are treated as assets and liabilities of the foreign entity and translated at closing rate at the date of the balance sheet.

(u) Borrowings and borrowing costs

Borrowings are recognised initially at fair value (net of transaction costs incurred) and subsequently stated at amortised cost. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs that are directly attributable to the acquisition, construction or production of any qualifying asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset.

All other borrowing costs are charged to the consolidated income statement in the year in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Employee benefits

(i) Pensions and retirement benefits

Following the adoption of the Mandatory Provident Fund Scheme ("MPF Scheme") in December 2000, all staff of the Group employed in Hong Kong joined the MPF Scheme. Under this scheme, employees and the Group are required to make contributions to the scheme calculated at 5% of the individual employee's monthly basic salaries, subject to a cap of HK$1,000. The Group's contributions to this scheme are expensed as incurred. The assets of the scheme are held separately from those of the Group in independently administered funds.

The Group also contributes to employee pension schemes established by municipal government in respect of certain subsidiaries in China Mainland.The municipal government undertakes to assume the retirement benefit obligations of all existing and future retired employees of the Group. Contributions to these schemes are charged to the consolidated income statement as incurred.

(ii) Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted. At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the consolidated income statement, and a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(w) Revenue and income recognition

Revenue and income are recognised when it is probable that economic benefits associated with the transactions during the year will flow to the Group and these benefits can be measured reliably on the following bases.

(i) Sale of completed properties held for sale

Revenue from sale of completed properties held for sale is recognised upon signing of sale and purchase contracts, where the risks and rewards of the properties are transferred to the purchasers.

(ii) Rental income

Rental income is recognised on a straight-line basis over the terms of the respective leases.

(iii) Sale of coating products, spare parts and navigation equipment

Revenue from the sale of coating products, spare parts and navigation equipment is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time the goods are delivered to customers according to the sales agreements and titles have passed.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Revenue and income recognition (Continued)

(iv) Commission income

(1) Agency commission income

Commission income from agency services is recognised when the terms of the agency contracts are fulfilled upon provision of services.

(2) Insurance brokerage commission income

Insurance brokerage commission income is recognised when insurance premium becomes due.

(v) Dividend income

Dividend income is recognised when the right to receive payment is established.

(vi) Interest income

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the effective rate over the period to maturity when it is determined that such income will accrue to the Group.

(x) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

(y) Dividend distribution

Dividend distribution to the Company's equity holders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's equity holders.

3 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, interest rate risk and price risk), credit risk, and liquidity risk. Management manages and monitors these exposures to ensure approximate measures are implemented on a timely and effective manner. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group had not entered into any major derivative financial instruments to hedge the risk exposures.

Risk management is carried out by the management under policies approved by the board of directors. The management identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The board of directors provides written policies covering specific areas, such as foreign currency risk, interest rate risk and use of derivative financial instruments.

(i) Market risk

(1) Foreign currency risk

The Group operates locally and in the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to United States dollars. Foreign exchange risk arises mainly from future commercial transactions, recognised assets and liabilities denominated in United States dollars for operations in Hong Kong and the PRC.

Management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure by using foreign exchange forward contracts when the need arises. As at 31st December 2008, the Group had not entered into significant forward foreign exchange contracts to mitigate the currency exposure.

Foreign currency risk arisen from operations in Hong Kong

At 31st December 2008, if Hong Kong dollars had weakened/strengthened by 1% against the United States dollars with all other variables held constant, post-tax profit for the year would have been HK$2,912,000 (2007: HK$2,782,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of US dollars-denominated trade and other receivables, deposits and cash and cash equivalents and foreign exchange losses/gains on translation of US dollars-denominated trade and other payables and short-term borrowings.

Foreign currency risk arisen from operations in the PRC

At 31st December 2008, if Renminbi had weakened/strengthened by 5% against the United States dollars with all other variables held constant, post-tax profit for the year would have been HK$10,921,000 (2007: HK$11,108,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of the United States dollars-denominated trade and other receivables, deposits and cash and cash equivalents and foreign exchange losses/gains on translation of United States dollars-denominated trade and other payables and short-term borrowings.

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(i) ***Market risk*** (Continued)

(2) Interest rate risk

Other than deposits and cash and cash equivalents (collectively the "Interest Bearing Assets"), the Group has no other significant interest bearing assets.

The Group's interest rate risk also arises from borrowings (the "Interest Bearing Liabilities"). Interest Bearing Liabilities are primarily issued at variable rates which therefore expose the Group to cash flow interest rate risk.

With all other variables held constant, if the interest rate had increased/decreased by 50 basis-point, the corresponding increase/decrease in net finance income (representing interest income on the Interest Bearing Assets less interest expenses on Interest Bearing Liabilities) will result in a net increase/decrease in the Group's post-tax profit by HK$5,289,000 (2007: HK$3,766,000).

(3) Price risk

The Group is exposed to equity securities price risk because certain of the Group's investments are classified as available-for-sale financial assets and financial assets at fair value through profit or loss, which are required to be stated at their fair values (see fair value estimation below). To manage its price risk arising from equity securities, the Group diversifies its portfolio in accordance with the limits set by the Group.

The Group's equity investments in equity of other entities are publicly traded. The table below summarises the impact of increases/decreases of the market price of the Group's equity investments by 5%:

	Impact on post-tax profit		**Impact on investment revaluation reserve**	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
5% change in market price	**12**	21	**1,837**	4,424

(ii) ***Credit risk***

Credit risk mainly arises from trade receivables, bills receivables and balances due from group and related companies and deposits with financial institutions. The Group has limited its credit exposure from bank balances and deposits by restricting its selection of financial institutions with credit rating graded B or above, as rated by external credit agencies, and a substantial portion of the Group's balances were placed with state-owned banks (note 37(d)). Customers are assessed and rated based on the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set by management and the utilisation of credit limits is regularly monitored.

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(iii) Liquidity risk

The Group adopts prudent liquidity risk management which includes maintaining sufficient bank balances and cash, having available funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by keeping committed credit lines available.

The table below analyses the Group's financial liabilities that will be settled into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	HK$'000	HK$'000	HK$'000	HK$'000
Group				
At 31st December 2008				
Trade and other payables	**1,040,770**	**–**	**–**	**–**
Short-term borrowings	**317,622**	**–**	**–**	**–**
At 31st December 2007				
Trade and other payables	815,859	–	–	–
Short-term borrowings	220,378	–	–	–
Company				
At 31st December 2008				
Other payables	**9,416**	**–**	**–**	**–**
Amounts due to subsidiaries	**222,037**	**–**	**–**	**–**
At 31st December 2007				
Other payables	10,849	–	–	–
Amounts due to subsidiaries	219,053	–	–	–

(b) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to equity holders.

3 FINANCIAL RISK MANAGEMENT (Continued)

(b) Capital risk management (Continued)

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total assets. The Group's strategy, which was unchanged from 2007, is to maintain a low gearing ratio. The gearing ratios at 31st December 2008 and 2007 were as follows:

	2008 HK$'000	2007 HK$'000
Short-term borrowings	**316,960**	216,816
Total assets	**7,259,065**	6,225,307
Gearing ratio	**4.4%**	3.5%

(c) Fair value estimation

The fair values of the Group's available-for-sale financial assets and financial assets at fair value through profit or loss are determined by reference to the methods below:

– the quoted market price when the related investment is traded in an active market;
– valuation techniques (including pricing models or discounted cash flow models); and
– the price for similar recent transactions, with adjustment on the different market conditions and circumstances.

The carrying value less impairment provision (as applicable) of trade receivables and payables are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Allowances for bad and doubtful debts

The policy for allowance of bad and doubtful debts of the Group is based on the evaluation of collectability and ageing analysis of accounts and on management's judgment. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the creditworthiness and the past collection history of each customer.

(b) Allowances for inventory

The management of the Group reviews the ageing analysis at each balance sheet date, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for use in production. The management estimates the net realisable value for such finished goods and work in progress based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review on a product-by-product basis at each balance sheet date and makes allowance for obsolete items.

(c) Impairment of investments in associated companies

The assessment of the impairment of associated companies requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the market value of an investment is less than its carrying value; and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

If the investment's carrying amount exceeds its recoverable amount (i.e. the higher of fair value less cost to sell and value in use), the difference would be considered as an impairment loss and charged to the consolidated income statement accordingly.

(d) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. As at 31st December 2008, the carrying amount of goodwill was HK$91,323,000. Details of the recoverable amount calculation are disclosed in note 7.

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (Continued)

(e) Estimate of fair value of investment properties

In making its judgement, the Group considers information from a variety of sources including:

(i) Current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;

(ii) Recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(iii) Discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts, and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

(f) Determination of fair value of shared-based compensation

The Group uses the Binomial Lattice Valuation Model to determine the fair value of share options granted last year. Under this model, the value of the share options is subject to a number of assumptions such as risk-free interest rate, expected life of the options and expected volatility based on annualised volatility of the closing price of the share. Therefore the value may be subjective and would change should any of the assumptions change.

(g) Income taxes

The Group is subject to income taxes in Hong Kong and China Mainland. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

5 TURNOVER AND SEGMENT INFORMATION

The Group is principally engaged in the provision of shipping services, general trading and property investment. Turnover recognised from the continuing operations of the Group during the year is as follows:

	2008 HK$000	2007 HK$000
Sale of coating products	**1,381,076**	1,579,923
Sale of spare parts and navigation equipment	**454,646**	351,236
Ship trading and insurance brokerage commission income	**196,382**	127,112
Sale of properties	**66,353**	250,376
Rental income	**2,480**	476
	2,100,937	2,309,123

5 TURNOVER AND SEGMENT INFORMATION (Continued)

(a) Primary reporting format – business segments

The Group is organised into three main business segments:

Shipping services	– manufacturing and sale of coating products – provision of agency services in respect of trading of vessels, marine equipment and bareboat charter business – provision of insurance brokerage services – trading of spare parts and navigation equipment for vessels
General trading (new business segment established following the acquisition of COSCO International Trading Company Limited on 31st December 2008)	– trading of asphalt and other products
Property investment	– holding of properties for rental purpose and sale of completed properties held for sale

Other operations of the Group comprise mainly holding of financial assets.

Unallocated costs represent corporate expenses net of corporate income. Segment assets consist primarily of investment properties, intangible assets, property, plant and equipment, prepaid premium for land leases, completed properties held for sale, inventories, receivables and operating cash, and mainly exclude investments in associated companies and jointly controlled entities, current and deferred income tax assets, available-for-sale financial assets, and corporate assets. Segment liabilities comprise operating liabilities and mainly exclude items such as borrowings, current and deferred income tax liabilities. Capital expenditure comprises additions to intangible assets, investment properties, property, plant and equipment, prepaid premium for land leases, including additions resulting from acquisitions through business combination.

There were no transactions between business segments during both years of 2008 and 2007.

5 TURNOVER AND SEGMENT INFORMATION (Continued)

(a) Primary reporting format – business segments (Continued)

	Shipping services 2008 HK$'000	General trading 2008 HK$'000	Property investment 2008 HK$'000	Other operations 2008 HK$'000	Total 2008 HK$'000
Segment turnover	2,032,104	–	68,833	–	2,100,937
Segment results	217,898	–	47,871	(369)	265,400
Dividend income from listed and unlisted investments	–	–	–	484	484
Gain on further acquisition and deemed acquisition of an associated company	–	–	3,096	–	3,096
Unallocated corporate expenses, net of income					(65,217)
Operating profit					203,763
Finance income					28,127
Finance costs					(15,269)
Finance income – net					12,858
Share of results of jointly controlled entities	46,728	–	–	–	46,728
Share of result of an associated company	–	–	319,184	–	319,184
Profit before income tax					582,533
Income tax expense					(34,268)
Profit for the year					548,265
The segment results have been arrived at after charging/(crediting) the following:					
Depreciation and amortisation (net of amount capitalised)	13,182	–	5	–	13,187
Depreciation and amortisation – unallocated	–	–	–	–	923
Fair value losses on investment properties	–	–	4,357	–	4,357
Provision for impairment of					
– inventories	27,233	–	–	–	27,233
– trade receivables	57,087	–	–	–	57,087
Write-back of provision for impairment of trade receivables	(35)	–	–	–	(35)
Capital expenditure	39,503	1,278	7,520	–	48,301
Capital expenditure – unallocated	–	–	–	–	669

NOTES TO THE FINANCIAL STATEMENTS

5 TURNOVER AND SEGMENT INFORMATION (Continued)

(a) Primary reporting format – business segments (Continued)

	Continuing operations				Discontinued operations (note 29)
	Shipping services 2007 HK$'000	Property investment 2007 HK$'000	Other operations 2007 HK$'000	Total 2007 HK$'000	2007 HK$'000
Segment turnover	2,058,271	250,852	–	2,309,123	1,064
Segment results	212,895	14,877	(8)	227,764	3,420
Dividend income from listed investments	–	–	2,534	2,534	–
Gain on disposal of available-for-sale financial assets	–	–	31,139	31,139	–
Gain on deemed disposal of partial interest in a jointly controlled entity	–	1,925,468	–	1,925,468	–
Unallocated corporate expenses, net of income				(51,778)	–
Operating profit				2,135,127	3,420
Finance income				35,762	190
Finance costs				(11,823)	(3)
Finance income – net				23,939	187
Share of results of jointly controlled entities	27,020	426,062	–	453,082	–
Share of result of an associated company	–	46,719	–	46,719	–
Profit before income tax				2,658,867	3,607
Income tax expense				(23,772)	–
				2,635,095	3,607
Loss on disposal of discontinued operations				–	(6,434)
Profit/(loss) for the year				2,635,095	(2,827)
The segment results have been arrived at after charging/(crediting) the following:					
Depreciation and amortisation (net of amount capitalised)	13,533	138	–	13,671	–
Depreciation and amortisation – unallocated	–	–	–	823	–
Fair value gains on investment properties	–	(4,134)	–	(4,134)	–
Provision for impairment of					
– completed properties held for sale	–	11,278	–	11,278	–
– trade receivables	5,478	–	–	5,478	–
Write-back of provision for impairment of					
– inventories	(778)	–	–	(778)	–
– trade receivables	(1,914)	–	–	(1,914)	–
Write-back of provision for claims and foreseeable losses on certain construction contracts	–	–	–	–	(1,627)
Capital expenditure	34,268	5	–	34,273	–
Capital expenditure – unallocated	–	–	–	1,285	–

5 **TURNOVER AND SEGMENT INFORMATION (Continued)**

(a) Primary reporting format – business segments (Continued)

	Shipping services 2008 HK$'000	General trading 2008 HK$'000	Property investment 2008 HK$'000	Other operations 2008 HK$'000	Total 2008 HK$'000
Segment assets	1,935,250	302,175	72,183	239	2,309,847
Jointly controlled entities	122,837	8,098	–	–	130,935
Associated companies	–	8,943	4,043,867	–	4,052,810
Available-for-sale financial assets	1,759	–	–	36,744	38,503
Deferred income tax assets					40,844
Current income tax recoverable					897
Unallocated assets					685,229
Total assets					7,259,065
Segment liabilities	848,501	107,554	1,247	–	957,302
Deferred income tax liabilities					8,363
Current income tax liabilities					18,353
Short-term borrowings					316,960
Unallocated liabilities					171,019
Total liabilities					1,471,997

	Shipping services 2007 HK$'000	Property investment 2007 HK$'000	Other operations 2007 HK$'000	Total 2007 HK$'000
Segment assets	1,765,246	208,350	608	1,974,204
Jointly controlled entities	93,624	–	–	93,624
Associated company	–	3,628,052	–	3,628,052
Available-for-sale financial assets	477	–	88,475	88,952
Deferred income tax assets				26,235
Unallocated assets				414,240
Total assets				6,225,307
Segment liabilities	832,389	23,757	–	856,146
Deferred income tax liabilities				798
Current income tax liabilities				21,190
Short-term borrowings				216,816
Unallocated liabilities				11,094
Total liabilities				1,106,044

5 TURNOVER AND SEGMENT INFORMATION (Continued)

(b) Secondary reporting format – geographical segments

The Group's business segments operate in two geographical areas as follows:

Hong Kong
- provision of agency services in respect of trading of vessels, marine equipment and bareboat charter business
- provision of insurance brokerage services
- trading of spare parts and navigation equipment for vessels
- holding of properties for rental purpose

China Mainland
- manufacturing and sale of coating products
- provision of agency services in respect of trading of vessels, marine equipment and bareboat charter business
- provision of insurance brokerage services
- trading of spare parts and navigation equipment for vessels
- trading of asphalt and other products
- holding of properties for rental purpose and sale of completed properties held for sale

	Turnover 2008 HK$'000	Segment results 2008 HK$'000	Total assets 2008 HK$'000	Capital expenditure 2008 HK$'000
Hong Kong	594,973	130,269	616,245	2,595
China Mainland	1,513,062	135,131	1,693,602	46,375
	2,108,035	265,400	2,309,847	48,970
Hong Kong inter-segment sales elimination	(7,098)			
	2,100,937			
Dividend income from listed and unlisted investments		484		
Gain on further acquisition and deemed acquisition of an associated company		3,096		
Unallocated corporate expenses, net of income		(65,217)		
Operating profit		203,763		
Jointly controlled entities			130,935	
Associated companies			4,052,810	
Available-for-sale financial assets			38,503	
Deferred income tax assets			40,844	
Current income tax recoverable			897	
Unallocated assets			685,229	
Total assets			7,259,065	

5 TURNOVER AND SEGMENT INFORMATION (Continued)

(b) Secondary reporting format – geographical segments (Continued)

	Turnover 2007 HK$'000	Segment results 2007 HK$'000	Total assets 2007 HK$'000	Capital expenditure 2007 HK$'000
Continuing operations:				
Hong Kong	458,179	105,438	524,472	1,944
China Mainland	1,850,944	122,326	1,449,732	33,614
	2,309,123	227,764	1,974,204	35,558
Discontinued operations:				
Hong Kong	1,064	3,420	–	–
	2,310,187	231,184	1,974,204	35,558
Dividend income from listed investments		2,534		
Gain on disposal of available-for-sale financial assets		31,139		
Gain on deemed disposal of partial interest in a jointly controlled entity		1,925,468		
Unallocated corporate expenses, net of income		(51,778)		
Operating profit		2,138,547		
Jointly controlled entities			93,624	
Associated company			3,628,052	
Available-for-sale financial assets			88,952	
Deferred income tax assets			26,235	
Unallocated assets			414,240	
Total assets			6,225,307	

There were no transactions between geographical segments during 2007.

6 INVESTMENT PROPERTIES

	Group 2008 HK$'000	Group 2007 HK$'000
At 1st January	**10,717**	6,564
Exchange differences	**(65)**	19
Acquisition of a subsidiary (note 36)	**7,520**	–
Transfer from property, plant and equipment (note 8)	**2,400**	–
Transfer from prepaid premium for land leases (note 9)	**10,600**	–
Fair value gains (note 25)	**–**	4,134
Fair value losses (note 26)	**(4,357)**	–
At 31st December	**26,815**	10,717

The Group's interests in investment properties are analysed as follows:

	Group 2008 HK$'000	Group 2007 HK$'000
In Hong Kong, held on:		
Leases of over 50 years	**9,400**	–
Outside Hong Kong, held on:		
Leases of between 10 and 50 years	**17,415**	10,717
	26,815	10,717

The investment properties were revalued at 31st December 2008 on the basis of their open market value by an independent firm of Chartered Surveyors, Jones Lang LaSalle Sallmanns Limited.

7 INTANGIBLE ASSETS

	Group 2008 HK$'000	Group 2007 HK$'000
Goodwill		
At 1st January	**79,616**	79,616
Acquisition of a subsidiary (note 36)	**11,707**	–
At 31st December	**91,323**	79,616

7 INTANGIBLE ASSETS (Continued)

Impairment tests for goodwill

Goodwill is allocated to the Group's cash generating units under shipping services business segment as follows:

	2008 HK$'000	2007 HK$'000
Agency services in respect of trading of vessels, marine equipment and bareboat charter business ("Ship trade business")	**47,297**	35,590
Provision of insurance brokerage services ("Insurance business")	**35,046**	35,046
Trading of spare parts and navigation equipment for vessels ("Supply business")	**8,980**	8,980
	91,323	79,616

The recoverable amounts of the above business units are determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below.

The key assumptions used for value-in-use calculations are as follows:

	Ship trade business	**Insurance business**	**Supply business**
Weighted average growth rate	3.5%	2.6%	2.7%
Discount rate	10.1%	10.1%	10.1%

Management determined the budgeted margin based on past performance and its expectation for market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are after-tax and reflect specific risks relating to the relevant segments.

8 PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings HK$'000	Machinery, equipment and motor vehicles HK$'000	Leasehold improvement HK$'000	Furniture and fixtures HK$'000	Construction in progress HK$'000	Total HK$'000
At 1st January 2007						
Cost	58,324	46,803	12,571	16,216	15,532	149,446
Accumulated depreciation and impairment	(23,253)	(26,401)	(10,231)	(9,017)	–	(68,902)
Net book amount	35,071	20,402	2,340	7,199	15,532	80,544
Year ended 31st December 2007						
Opening net book amount	35,071	20,402	2,340	7,199	15,532	80,544
Acquisition of a subsidiary	–	66	–	–	–	66
Additions	254	6,775	–	5,653	22,810	35,492
Transfer between categories	31,441	7,182	(21)	689	(39,291)	–
Exchange differences	2,283	1,334	3	409	1,120	5,149
Depreciation (note 26(a))	(2,105)	(6,476)	(614)	(5,527)	–	(14,722)
Disposal of subsidiaries	–	(760)	–	(63)	–	(823)
Disposals	(17)	(240)	–	(13)	–	(270)
Closing net book amount	66,927	28,283	1,708	8,347	171	105,436
At 31st December 2007						
Cost	93,941	60,468	12,554	22,951	171	190,085
Accumulated depreciation and impairment	(27,014)	(32,185)	(10,846)	(14,604)	–	(84,649)
Net book amount	66,927	28,283	1,708	8,347	171	105,436
Year ended 31st December 2008						
Opening net book amount	**66,927**	**28,283**	**1,708**	**8,347**	**171**	**105,436**
Acquisition of a subsidiary (note 36)	**–**	**941**	**–**	**337**	**–**	**1,278**
Additions	**1,373**	**5,872**	**1,469**	**4,316**	**15,435**	**28,465**
Revaluation gain recognised in equity upon transfer to investment properties (note (a))	**361**	**–**	**–**	**–**	**–**	**361**
Transfer to investment properties (note (a), 6)	**(2,400)**	**–**	**–**	**–**	**–**	**(2,400)**
Transfer between categories	**181**	**3,001**	**–**	**–**	**(3,182)**	**–**
Exchange differences	**3,967**	**1,607**	**(2)**	**428**	**10**	**6,010**
Depreciation (note 26(a))	**(2,944)**	**(6,506)**	**(804)**	**(4,130)**	**–**	**(14,384)**
Disposals	**(227)**	**(563)**	**(21)**	**(131)**	**–**	**(942)**
Closing net book amount	**67,238**	**32,635**	**2,350**	**9,167**	**12,434**	**123,824**
At 31st December 2008						
Cost	**98,448**	**68,192**	**13,157**	**26,698**	**12,434**	**218,929**
Accumulated depreciation and impairment	**(31,210)**	**(35,557)**	**(10,807)**	**(17,531)**	**–**	**(95,105)**
Net book amount	**67,238**	**32,635**	**2,350**	**9,167**	**12,434**	**123,824**

Note:

(a) An owner-occupied property was revalued on 26th January 2008, being the date it became an investment property, on the basis of its open market value by an independent firm of Chartered Surveyors, DTZ Debenham Tie Leung Limited. A revaluation gain of HK$361,000 which represents the difference between the carrying amount of the building portion of the property at the date of change in use and its fair value was credited directly to property revaluation reserve. A revaluation gain of HK$7,438,000 which represents the difference between the carrying amount of the land portion of the property at the date of change in use and its fair value was credited directly to property revaluation reserve.

8 PROPERTY, PLANT AND EQUIPMENT (Continued)

Company

	Machinery, equipment and motor vehicles	Leasehold improvement	Furniture and fixtures	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 1st January 2007				
Cost	3,018	8,909	736	12,663
Accumulated depreciation and impairment	(2,294)	(7,547)	(208)	(10,049)
Net book amount	724	1,362	528	2,614
Year ended 31st December 2007				
Opening net book amount	724	1,362	528	2,614
Additions	1,295	–	22	1,317
Depreciation	(408)	(319)	(122)	(849)
Closing net book amount	1,611	1,043	428	3,082
At 31st December 2007				
Cost	4,313	8,909	758	13,980
Accumulated depreciation and impairment	(2,702)	(7,866)	(330)	(10,898)
Net book amount	1,611	1,043	428	3,082
Year ended 31st December 2008				
Opening net book amount	**1,611**	**1,043**	**428**	**3,082**
Additions	**624**	**–**	**45**	**669**
Depreciation	**(485)**	**(313)**	**(125)**	**(923)**
Disposals	**(267)**	**–**	**–**	**(267)**
Closing net book amount	**1,483**	**730**	**348**	**2,561**
At 31st December 2008				
Cost	**4,133**	**8,909**	**803**	**13,845**
Accumulated depreciation and impairment	**(2,650)**	**(8,179)**	**(455)**	**(11,284)**
Net book amount	**1,483**	**730**	**348**	**2,561**

9 PREPAID PREMIUM FOR LAND LEASES

	Group 2008 HK$'000	Group 2007 HK$'000
At 1st January	**16,421**	16,609
Exchange differences	**503**	586
Revaluation gain recognised in equity upon transfer to investment properties (note 8(a))	**7,438**	–
Transfer to investment properties (note 8(a))	**(10,600)**	–
Amortisation	**(568)**	(774)
At 31st December	**13,194**	16,421

The Group's interests in prepaid premium for land leases at their net book value are analysed as follows:

	Group 2008 HK$'000	Group 2007 HK$'000
In Hong Kong, held on:		
Leases of over 50 years	**3,207**	6,373
Leases of between 10 and 50 years	**1,862**	1,976
Outside Hong Kong, held on:		
Leases of between 10 and 50 years	**5,841**	5,615
Leases of less than 10 years	**2,284**	2,457
	13,194	16,421

10 SUBSIDIARIES

(a) Investments in subsidiaries

	Company	
	2008	2007
	HK$'000	HK$'000
Unlisted investments, at cost	**161,765**	140,105

(b) Amounts due from/to subsidiaries

	Company	
	2008	2007
	HK$'000	HK$'000
Amounts due from subsidiaries	**1,678,721**	1,867,411
Provision for impairment	**(599,441)**	(649,623)
	1,079,280	1,217,788
Amounts due to subsidiaries	**222,037**	219,053

(c) Movements on the provision for impairment of amounts due from subsidiaries are as follows:

	Company	
	2008	2007
	HK$'000	HK$'000
At 1st January	**649,623**	1,112,093
Unused provision written back	**(50,182)**	(47,879)
Amount written off	**–**	(414,591)
At 31st December	**599,441**	649,623

The amounts due from/to subsidiaries are unsecured, interest-free and repayable on demand. Particulars of principal subsidiaries which, in the opinion of the directors, principally affect the results and/or assets and liabilities of the Group as at 31st December 2008 are set out in note 39 to the financial statements.

11 JOINTLY CONTROLLED ENTITIES

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
At 1st January	**93,624**	1,137,946	**42,808**	42,808
Acquisition of a subsidiary (note 36)	**8,098**	–	**–**	–
Exchange differences on translation (note 22)	**506**	79,479	**–**	–
Share of reserves of jointly controlled entities (note 22)	**4,288**	2,273	**–**	–
Share of results of jointly controlled entities	**46,728**	453,082	**–**	–
Gain on deemed disposal of partial interest in a jointly controlled entity (note (b))	**–**	1,925,468	**–**	–
Dividends received	**(22,309)**	(107,603)	**–**	–
Reclassified to associated company (note (b))	**–**	(3,397,021)	**–**	–
At 31st December	**130,935**	93,624	**42,808**	42,808

Notes:

(a) The Group's share of the financial positions and results of jointly controlled entities is as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Assets		
Non-current assets	**23,983**	19,997
Current assets	**525,181**	259,969
	549,164	279,966
Liabilities		
Non-current liabilities	**(155)**	(11,845)
Current liabilities	**(418,074)**	(174,497)
	(418,229)	(186,342)
Net assets	**130,935**	93,624
Revenue	**899,408**	2,260,366
Expenses	**(852,680)**	(1,807,284)
Profit for the year	**46,728**	453,082

(b) On 28th September 2007, Sino-Ocean Land Holdings Limited ("SOLHL"), a then jointly controlled entity, was listed on the Main Board of the Stock Exchange and the Group's interest in SOLHL was diluted from 30.8% to 20.44%. A deemed disposal gain of HK$1,925,468,000 arose as a result of the dilution. The directors considered that, upon the listing of SOLHL, the Group no longer has any joint control but significant influence in SOLHL. Accordingly, the Group's investment in SOLHL was reclassified as an associated company.

(c) Particulars of principal jointly controlled entities are set out in note 40 to the financial statements.

12 ASSOCIATED COMPANIES

	Group 2008 HK$'000	Group 2007 HK$'000
At 1st January	**3,628,052**	–
Reclassified from jointly controlled entity (note 11(b))	**–**	3,397,021
Acquisition of additional interests	**2,301**	175,258
Acquisition of a subsidiary (note 36)	**8,943**	–
Exchange differences on translation (note 22)	**211,194**	–
Share of reserves of an associated company (note 22)	**19,127**	9,054
Share of result of an associated company	**319,184**	46,719
Gain on further acquisition and deemed acquisition of an associated company	**3,096**	–
Dividends received	**(139,087)**	–
At 31st December	**4,052,810**	3,628,052
Market value of listed shares in Hong Kong	**3,248,704**	8,956,279
Carrying amount of unlisted shares	**8,943**	–
	3,257,647	8,956,279

Notes:

(a) The Group's share of the financial positions and results of associated companies is as follows:

	Group 2008 HK$'000	Group 2007 HK$'000
Assets		
Non-current assets	**1,106,331**	1,050,375
Current assets	**9,243,006**	7,430,646
	10,349,337	8,481,021
Liabilities		
Non-current liabilities	**(2,253,844)**	(2,008,001)
Current liabilities	**(4,042,683)**	(2,844,968)
	(6,296,527)	(4,852,969)
Net assets	**4,052,810**	3,628,052
Revenue	**1,468,077**	459,228
Expenses	**(1,148,893)**	(412,509)
Profit for the year	**319,184**	46,719

(b) Particulars of principal associated companies are set out in note 40 to the financial statements.

13 FINANCIAL INSTRUMENTS BY CATEGORY

The accounting polices for financial instruments have been applied to the line items below:

Group

	Loans and receivables HK$'000	Assets at fair value through profit or loss HK$'000	Available-for-sale HK$'000	Total HK$'000
Assets as per consolidated balance sheet				
At 31st December 2008				
Available-for-sale financial assets (note 14)	**–**	**–**	**38,503**	**38,503**
Trade and other receivables excluding prepayments (note 18)	**864,396**	**–**	**–**	**864,396**
Financial assets at fair value through profit or loss (note 19)	**–**	**239**	**–**	**239**
Deposits and cash and cash equivalents (note 20)	**1,492,941**	**–**	**–**	**1,492,941**
Total	**2,357,337**	**239**	**38,503**	**2,396,079**
At 31st December 2007				
Available-for-sale financial assets (note 14)	–	–	88,952	88,952
Trade and other receivables excluding prepayments (note 18)	726,941	–	–	726,941
Financial assets at fair value through profit or loss (note 19)	–	608	–	608
Deposits and cash and cash equivalents (note 20)	1,031,344	–	–	1,031,344
Total	1,758,285	608	88,952	1,847,845

	Other financial liabilities HK$'000
Liabilities as per consolidated balance sheet	
At 31st December 2008	
Trade and other payables excluding commission income received in advance (note 23)	**1,040,770**
Short-term borrowings (note 24)	**316,960**
Total	**1,357,730**
At 31st December 2007	
Trade and other payables excluding commission income received in advance (note 23)	815,859
Short-term borrowings (note 24)	216,816
Total	1,032,675

13 FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

Company

	Loans and receivables HK$'000
Assets as per balance sheet	
At 31st December 2008	
Other receivables excluding prepayments (note 18)	**51,076**
Amounts due from subsidiaries, net (note 10(b))	**1,079,280**
Deposits and cash and cash equivalents (note 20)	**355,304**
Total	**1,485,660**
At 31st December 2007	
Other receivables excluding prepayments (note 18)	13,485
Amounts due from subsidiaries, net (note 10(b))	1,217,788
Deposits and cash and cash equivalents (note 20)	322,158
Total	1,553,431

	Other financial liabilities HK$'000
Liabilities as per balance sheet	
At 31st December 2008	
Other payables (note 23)	**9,416**
Amounts due to subsidiaries (note 10(b))	**222,037**
Total	**231,453**
At 31st December 2007	
Other payables (note 23)	10,849
Amounts due to subsidiaries (note 10(b))	219,053
Total	229,902

14 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2008	2007
	HK$'000	HK$'000
At 1st January	**88,952**	57,617
Addition	**1,282**	–
Fair value (losses)/gains recognised in equity (note 22)	**(51,731)**	48,630
Disposals	**–**	(17,295)
At 31st December	**38,503**	88,952

There were no impairment provisions on available-for-sale financial assets as at 31st December 2008 and 2007.

Available-for-sale financial assets include the following:

	Group	
	2008	2007
	HK$'000	HK$'000
Market value of listed equity securities in Hong Kong	**36,744**	88,475
Unlisted securities	**1,759**	477
	38,503	88,952

Available-for-sale financial assets are denominated in the following currencies:

	Group	
	2008	2007
	HK$'000	HK$'000
Renminbi	**1,759**	477
Hong Kong dollars	**36,744**	88,475
	38,503	88,952

15 DEFERRED INCOME TAX

Deferred income tax is calculated in full on temporary differences under the liability method using tax rates substantively enacted by the balance sheet date.

The movement on the net deferred income tax assets/(liabilities) during the year is as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
At 1st January	**25,437**	(85)
Exchange differences	**1,636**	–
Acquisition of a subsidiary	**(548)**	2
Charged to equity	**(1,436)**	–
Credited to the consolidated income statement (note 28)	**12,147**	26,233
Charged to the consolidated income statement (note 28)	**(4,755)**	(713)
At 31st December	**32,481**	25,437

Deferred income tax assets are recognised for tax losses carry-forwards to the extent that realisation of the related tax benefit through future taxable profits is probable. As at 31st December 2008, the Group has unrecognised tax losses of HK$288,250,000 (2007: HK$249,849,000) to carry forward against future taxable income.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Deferred income tax assets:		
– to be recovered after more than 12 months	**33,848**	5,348
– to be recovered within 12 months	**6,996**	20,887
	40,844	26,235
Deferred income tax liabilities:		
– to be settled after more than 12 months	**(7,745)**	(798)
– to be settled within 12 months	**(618)**	–
	(8,363)	(798)
	32,481	25,437

15 DEFERRED INCOME TAX (Continued)

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

(a) Deferred income tax assets

	Group				
	Accrued liabilities HK$'000	Impairment losses HK$'000	Tax losses HK$'000	Others HK$'000	Total HK$'000
At 1st January 2008	20,210	4,028	1,362	635	26,235
Exchange differences	1,259	251	85	37	1,632
Acquisition of a subsidiary (note 36)	489	309	–	32	830
(Charged)/credited to the consolidated income statement	(4,495)	17,196	(1,447)	893	12,147
At 31st December 2008	17,463	21,784	–	1,597	40,844

(b) Deferred income tax liabilities

	Group				
	Accelerated tax depreciation HK$'000	Fair value gains HK$'000	Withholding tax HK$'000	Others HK$'000	Total HK$'000
At 1st January 2008	(82)	(716)	–	–	(798)
Exchange differences	–	4	–	–	4
Acquisition of a subsidiary (note 36)	–	(760)	–	(618)	(1,378)
Charged to equity	–	(1,436)	–	–	(1,436)
(Charged)/credited to the consolidated income statement	(55)	670	(5,370)	–	(4,755)
At 31st December 2008	(137)	(2,238)	(5,370)	(618)	(8,363)

As at 31st December 2008, deferred income tax liabilities of HK$5,370,000 (2007: nil) have been established for the withholding tax that would be payable on certain profits of PRC subsidiaries and jointly controlled entities to be repatriated and distributed by way of dividends.

16 COMPLETED PROPERTIES HELD FOR SALE

	Group	
	2008	2007
	HK$'000	HK$'000
Land cost	**760**	5,984
Development cost	**1,871**	14,733
	2,631	20,717

The carrying value of completed properties held for sale is analysed as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Outside Hong Kong, held on:		
Leases of over 50 years	**2,631**	20,717

17 INVENTORIES

	Group	
	2008	2007
	HK$'000	HK$'000
Raw materials	**86,921**	125,410
Work in progress	**5,911**	7,603
Finished goods	**263,903**	247,070
	356,735	380,083

The cost of inventories recognised as expense and included in cost of sales amounted to HK$1,445,159,000 (2007: HK$1,541,092,000) (note 26).

In 2008, the Group recognised inventories impairment provision of HK$27,233,000 and write-off of inventories of HK$371,000. These amounts are included in other expenses.

In 2007, the Group reversed inventories impairment provision of HK$778,000. The amount reversed was included in other income (note 25).

The carrying amount of inventories as at 31st December 2008 includes inventories of a subsidiary acquired during the year of HK$163,769,000, which is carried at fair value less costs to sell.

As at 31st December 2008, inventories of HK$106,592,000 (2007: HK$3,039,000) were impaired and carried at net realisable value.

18 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2008	2007	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000
Trade receivables (note (a))				
– fellow subsidiaries	**46,345**	88,256	**–**	–
– associated companies of COSCO	**247,071**	244,894	**–**	–
– ultimate holding company	**158**	–	**–**	–
– jointly controlled entities	**828**	292	**–**	–
– minority shareholders of subsidiaries	**773**	1,385	**–**	–
– third parties	**442,811**	361,440	**–**	–
	737,986	696,267	**–**	–
Less: provision for impairment	**70,613**	12,582	**–**	–
Trade receivables – net	**667,373**	683,685	**–**	–
Bills receivables	**55,912**	–	**–**	–
Prepayments	**22,978**	16,561	**255**	273
Deposits and other receivables	**89,369**	27,003	**668**	1,801
Amounts due from fellow subsidiaries (note (a))	**121**	4,601	**32**	32
Amount due from an associated company of COSCO (note (a))	**49**	–	**–**	–
Amounts due from jointly controlled entities (note (a))	**1,196**	–	**–**	–
Loans to a jointly controlled entity (note (b))	**50,376**	11,652	**50,376**	11,652
	887,374	743,502	**51,331**	13,758

Notes:

(a) Balances with fellow subsidiaries, associated companies of COSCO, ultimate holding company, certain jointly controlled entities and minority shareholders of subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

(b) Loans to a jointly controlled entity are unsecured and include a loan of HK$19,375,000 (2007: HK$11,652,000) which is interest bearing at 0.5% (2007: 0.5%) above LIBOR and repayable on 31st January 2009 and another loan of HK$31,001,000 which is interest bearing at 1.5% above LIBOR and repayable on 5th May 2009.

(c) The carrying amounts of trade and other receivables approximate their fair values and are denominated in the following currencies:

	Group		Company	
	2008	2007	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000
Renminbi	**377,879**	193,801	**50**	–
Hong Kong dollars	**37,853**	49,833	**764**	2,106
United States dollars	**440,070**	449,333	**50,517**	11,652
Others	**31,572**	50,535	**–**	–
	887,374	743,502	**51,331**	13,758

18 TRADE AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

(d) As at 31st December, the ageing analysis of trade receivables after provision is as follows:

	Group 2008 HK$'000	2007 HK$'000
Current – 90 days	**223,627**	339,801
91 – 180 days	**255,622**	245,286
Over 180 days	**188,124**	98,598
	667,373	683,685

For sale of coating products, spare parts, navigation equipment, asphalt and other products, the majority of sales are on credit terms from 30 days to 90 days. Revenues from sale of properties and other operating revenue are billed according to the terms of the relevant contracts governing the transactions. Other than those with credit terms, all invoices are payable upon presentation.

(e) As at 31st December 2008, trade receivables of HK$90,632,000 (2007: HK$41,420,000) were subject to impairment. The amount of the provision for these receivables was HK$70,613,000 as at 31st December 2008 (2007: HK$12,582,000). Taking into account of the financial difficulties of the debtors, default and delinquency in payments, business relationship and transaction volumes with the debtors, it was assessed that only a portion of these receivables is expected to be recoverable. The ageing analysis of these receivables is as follows:

	Group 2008 HK$'000	2007 HK$'000
Current – 90 days	**2,195**	3,137
91 – 180 days	**3,664**	9,091
Over 180 days	**84,773**	29,192
	90,632	41,420

Except for trade receivables mentioned above, the other classes within trade and other receivables do not contain impaired assets.

(f) Movements on the provision for impairment of trade receivables are as follows:

	Group 2008 HK$'000	2007 HK$'000
At 1st January	**12,582**	12,736
Acquisition of a subsidiary	**441**	25
Exchange differences	**777**	897
Provision for impairment (note 26)	**57,087**	5,478
Amount written off	**(239)**	(4,640)
Unused provision written back (note 25)	**(35)**	(1,914)
At 31st December	**70,613**	12,582

18 TRADE AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

(g) Trade receivables that are less than three months past due are not considered impaired. As at 31st December 2008, trade receivables of HK$418,717,000 (2007: HK$337,073,000) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default. The ageing analysis on past due days of these receivables is as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Up to 90 days	**229,935**	229,532
91 – 180 days	**143,429**	75,589
Over 180 days	**45,353**	31,952
	418,717	337,073

(h) The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above. The Group does not hold any collateral as security.

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2008	2007
	HK$'000	HK$'000
Market value of listed equity securities in Hong Kong	**239**	608

Financial assets at fair value through profit or loss are presented within operating activities in the cash flow statement (note 34 (a)).

20 DEPOSITS AND CASH AND CASH EQUIVALENTS

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Restricted bank deposits (note (a))	**118,963**	8,006	**–**	–
Money market fund investments (note (b))	**23,493**	–	**23,493**	–
Deposits placed with a fellow subsidiary (note (c))	**22,450**	–	**–**	–
Short-term bank deposits	**759,628**	720,836	**148,118**	320,996
Cash at bank and in hand	**568,407**	302,502	**183,693**	1,162
Cash and cash equivalents	**1,373,978**	1,023,338	**355,304**	322,158
Total deposits and cash and cash equivalents	**1,492,941**	1,031,344	**355,304**	322,158

20 DEPOSITS AND CASH AND CASH EQUIVALENTS (Continued)

Notes:

(a) Restricted bank deposits represent deposits pledged for the related banking facilities.

(b) Money market fund investments are highly liquid investments with effective interest rate of 1.37%.

(c) Deposits placed with a fellow subsidiary bear interest at prevailing market rates.

(d) The carrying amounts of deposits and cash and cash equivalents approximate their fair values and are denominated in the following currencies:

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Renminbi	**443,880**	245,123	**16**	–
Hong Kong dollars	**85,778**	34,156	**9,081**	1,570
United States dollars	**949,179**	731,827	**346,207**	320,588
Others	**14,104**	20,238	**–**	–
	1,492,941	1,031,344	**355,304**	322,158

(e) The maximum exposure to credit risk at the reporting date is the carrying amount of the balances mentioned above.

(f) The effective interest rate on deposits placed with a fellow subsidiary and bank deposits was 1.74% (2007: 4.35%). These deposits have an average maturity of 31 days (2007: 23 days).

(g) The Group's cash and cash equivalents include the following for the purposes of the cash flow statement:

	Group	
	2008	2007
	HK$'000	HK$'000
Cash and cash equivalents	**1,373,978**	1,023,338
Less: Cash investments with maturity more than three months from date of placement	**64,905**	56,344
	1,309,073	966,994

21 SHARE CAPITAL

	2008 Number of shares	2008 HK$'000	2007 Number of shares	2007 HK$'000
Authorised:				
Shares of HK$0.10 each	**3,000,000,000**	**300,000**	3,000,000,000	300,000
Issued and fully paid:				
At 1st January	**1,478,031,291**	**147,803**	1,450,523,291	145,052
Issue of shares upon exercise of share options (note (e))	**11,640,000**	**1,164**	27,508,000	2,751
At 31st December	**1,489,671,291**	**148,967**	1,478,031,291	147,803

Share options

On 17th May 2002, a share option scheme was approved at the annual general meeting of the Company under which the directors of the Company may, at their discretion, invite, but not limited to, the directors and employees of the Group, and employees of COSCO, its subsidiaries and associated companies (other than the Group) (collectively "COSCO Group") to subscribe for shares of the Company.

Particulars and movements of the share options granted by the Company are as follows:

			Number of share options						Vested %	
Category	Note	Exercise price HK$	Outstanding as at 1st January 2008	Granted during the year	Changed category during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31st December 2008	as at 31st December 2008	as at 31st December 2007
Directors	a	0.57	**3,600,000**	**–**	**(1,800,000)**	**–**	**(1,800,000)**	**–**	**100**	100
	b	1.37	**5,700,000**	**–**	**(2,400,000)**	**–**	**–**	**3,300,000**	**100**	100
	d	3.666	**7,800,000**	**–**	**(1,100,000)**	**–**	**–**	**6,700,000**	**–**	–
Continuous contract employees	a	0.57	**3,600,000**	**–**	**(1,000,000)**	**(2,600,000)**	**–**	**–**	**100**	100
	b	1.37	**8,500,000**	**–**	**(1,650,000)**	**(400,000)**	**(100,000)**	**6,350,000**	**100**	100
	c	1.21	**1,300,000**	**–**	**(400,000)**	**(150,000)**	**–**	**750,000**	**100**	100
	d	3.666	**17,080,000**	**–**	**(900,000)**	**–**	**(280,000)**	**15,900,000**	**–**	–
Others	a	0.57	**7,440,000**	**–**	**2,800,000**	**(8,440,000)**	**(1,800,000)**	**–**	**100**	100
	b	1.37	**18,318,000**	**–**	**4,050,000**	**(50,000)**	**–**	**22,318,000**	**100**	100
	c	1.21	**–**	**–**	**400,000**	**–**	**–**	**400,000**	**100**	100
	d	3.666	**18,970,000**	**–**	**2,000,000**	**–**	**(100,000)**	**20,870,000**	**–**	–
			92,308,000	**–**	**–**	**(11,640,000)**	**(4,080,000)**	**76,588,000**		

21 SHARE CAPITAL (Continued)

Notes:

(a) On 26th November 2003, the directors and employees of the Group were granted a total of 44,800,000 share options at an exercise price of HK$0.57 per share. In addition, 34,200,000 share options were granted to employees of COSCO Group. These share options were all vested upon the grant of options and are exercisable at any time from 23rd December 2003 to 22nd December 2008. During the year, 11,040,000 (2007: 17,446,000) share options were exercised and 3,600,000 (2007: nil) share options were lapsed.

(b) On 2nd December 2004, the directors and employees of the Group were granted 32,650,000 share options at an exercise price of HK$1.37 per share. In addition, 23,250,000 share options were granted to employees of COSCO Group. These share options were all vested upon the grant of options and are exercisable at any time from 29th December 2004 to 28th December 2014. During the year, 450,000 (2007: 9,162,000) share options were exercised and 100,000 (2007: nil) share options were lapsed.

(c) On 10th May 2005, the employees of the Group were granted 2,400,000 share options at an exercise price of HK$1.21 per share. These share options were all vested upon the grant of options and are exercisable at any time between 6th June 2005 and 5th June 2015. A total of 150,000 (2007: 900,000) share options was exercised during the year.

(d) On 9th March 2007, the Company granted share options to subscribe for 43,850,000 shares of the Company at an exercise price of HK$3.666 per share. These share options are exercisable at any time from 9th March 2009 to 8th March 2015 in the stipulated proportion namely: (i) no share options shall be exercisable within the first two years from 9th March 2007; (ii) up to a maximum of 30% of the share options can be exercised from 9th March 2009 onwards; (iii) up to a maximum of 70% of the share options can be exercised from 9th March 2010 onwards and (iv) all share options can be exercised from 9th March 2011 onwards. During the year, 380,000 (2007: nil) share options were lapsed.

The Company adopted the Binomial Lattice Valuation Model to determine the fair value of the above share options granted in 2007. The weighted average fair value of each share option at the grant date was HK$1.33. The significant inputs into the model are as follows:

Weighted average price	HK$3.62
Exercise price	HK$3.666
Expected volatility	37% p.a.
Expected option life	8 years
Risk-free rate	4% p.a. for the first 3 years
	4.25% p.a. for the next 5 years
Expected dividend yield	2.2% p.a.

Expected volatility measured at the standard deviation of the continuously compounded rates of return was determined based on the historical volatility of the Company's share price over the previous one year.

During the year, the Group recognised total employee benefit expenses of HK$20,722,000 (2007: HK$17,419,000) as a result of the above equity-settled share based transactions on the basis of the fair value of share options granted.

21 SHARE CAPITAL (Continued)

Notes: (Continued)

(e) During the year, an aggregate of 11,640,000 (2007: 27,508,000) share options were exercised and a summary of which, analysed by exercise month, is set out below:

	Number of share options exercised	
	2008	2007
Exercise month		
January	**50,000**	1,268,000
February	**–**	630,000
March	**–**	196,000
April	**1,000,000**	1,870,000
May	**50,000**	1,626,000
June	**700,000**	2,372,000
July	**410,000**	2,000,000
August	**–**	5,704,000
September	**100,000**	5,624,000
October	**–**	5,008,000
November	**1,400,000**	1,210,000
December	**7,930,000**	–
	11,640,000	27,508,000

Exercise of the above share options during the year yielded proceeds as follows:

	2008	2007
	HK$'000	HK$'000
Ordinary share capital – at par	**1,164**	2,751
Share premium	**5,927**	20,834
Proceeds	**7,091**	23,585

The weighted average closing price of the Company's shares on the dates when the share options were exercised was HK$2.04 (2007: HK$7.12).

22 RESERVES

Group

	Share premium HK$'000	Employee share-based compensation reserve HK$'000	Capital reserve (note (b)) HK$'000	Contributed surplus HK$'000	Exchange reserve HK$'000	Property revaluation reserve HK$'000	Investment revaluation reserve HK$'000	Retained profits HK$'000	Total HK$'000
Balance at 1st January 2008	55,850	24,356	89,315	676,218	136,429	–	67,178	3,704,597	4,753,943
Transfer of reserves (note (b))	–	–	23,719	–	–	–	–	(23,719)	–
Capital reserve realised upon dissolution of subsidiaries	–	–	(34,066)	–	–	–	–	34,066	–
Exchange differences on translation of:									
– subsidiaries	–	–	–	–	28,571	–	–	–	28,571
– jointly controlled entities (note 11)	–	–	–	–	506	–	–	–	506
– an associated company (note 12)	–	–	–	–	211,194	–	–	–	211,194
Share of reserves of jointly controlled entities (note 11)	–	–	–	–	4,288	–	–	–	4,288
Share of reserves of an associated company (note 12)	–	26,063	–	–	(2,018)	–	(4,918)	–	19,127
Issue of shares upon exercise of share options	6,014	(87)	–	–	–	–	–	–	5,927
Gain on revaluation of properties – net of deferred tax	–	–	–	–	–	6,363	–	–	6,363
Fair value losses on available-for-sale financial assets (note 14)	–	–	–	–	–	–	(51,731)	–	(51,731)
Employee share option benefits	–	20,722	–	–	–	–	–	–	20,722
Profit for the year (note (a))	–	–	–	–	–	–	–	491,015	491,015
Dividends paid	–	–	–	–	–	–	–	(93,197)	(93,197)
Balance at 31st December 2008	61,864	71,054	78,968	676,218	378,970	6,363	10,529	4,112,762	5,396,728
Representing:									
Reserves	61,864	71,054	78,968	676,218	378,970	6,363	10,529	4,017,423	5,301,389
2008 proposed final dividend	–	–	–	–	–	–	–	95,339	95,339
	61,864	71,054	78,968	676,218	378,970	6,363	10,529	4,112,762	5,396,728

22 RESERVES (Continued)

Group (Continued)

	Share premium HK$'000	Employee share-based compensation reserve HK$'000	Capital reserve (note (b)) HK$'000	Contributed surplus HK$'000	Exchange reserve HK$'000	Investment revaluation reserve HK$'000	Retained profits HK$'000	Total HK$'000
Balance at 1st January 2007	34,494	1,284	65,959	676,218	24,776	20,841	1,232,676	2,056,248
Transfer of reserves (note (b))	–	–	24,419	–	–	–	(24,419)	–
Capital reserve realised upon disposal of subsidiaries	–	–	(1,063)	–	–	–	1,063	–
Exchange reserve realised upon disposal of subsidiaries	–	–	–	–	(3,820)	–	–	(3,820)
Exchange differences on translation of:								
– subsidiaries	–	–	–	–	34,353	–	–	34,353
– jointly controlled entities (note 11)	–	–	–	–	79,479	–	–	79,479
Share of reserves of jointly controlled entities (note 11)	–	–	–	–	1,641	632	–	2,273
Share of reserves of an associated company (note 12)	–	6,175	–	–	–	2,879	–	9,054
Investment revaluation reserve realised upon disposal of available-for-sale financial assets	–	–	–	–	–	(5,804)	–	(5,804)
Issue of shares upon exercise of share options	21,356	(522)	–	–	–	–	–	20,834
Fair value gains on available-for-sale financial assets (note 14)	–	–	–	–	–	48,630	–	48,630
Employee share option benefits	–	17,419	–	–	–	–	–	17,419
Profit for the year (note (a))	–	–	–	–	–	–	2,572,623	2,572,623
Dividends paid	–	–	–	–	–	–	(77,346)	(77,346)
Balance at 31st December 2007	55,850	24,356	89,315	676,218	136,429	67,178	3,704,597	4,753,943
Representing:								
Reserves	55,850	24,356	89,315	676,218	136,429	67,178	3,626,261	4,675,607
2007 proposed final and special dividends	–	–	–	–	–	–	78,336	78,336
	55,850	24,356	89,315	676,218	136,429	67,178	3,704,597	4,753,943

22 RESERVES (Continued)

Company

	Share premium HK$'000	Employee share-based compensation reserve HK$'000	Contributed surplus HK$'000	Retained profits HK$'000	Total HK$'000
Balance at 1st January 2008	**55,850**	**18,181**	**676,218**	**611,745**	**1,361,994**
Issue of shares upon exercise of share options	**6,014**	**(87)**	**–**	**–**	**5,927**
Employee share options benefits	**–**	**20,722**	**–**	**–**	**20,722**
Profit for the year	**–**	**–**	**–**	**17,183**	**17,183**
Dividends paid	**–**	**–**	**–**	**(93,197)**	**(93,197)**
Balance at 31st December 2008	**61,864**	**38,816**	**676,218**	**535,731**	**1,312,629**
Representing:					
Reserves	**61,864**	**38,816**	**676,218**	**440,392**	**1,217,290**
2008 proposed final dividend	**–**	**–**	**–**	**95,339**	**95,339**
	61,864	**38,816**	**676,218**	**535,731**	**1,312,629**

Company

	Share premium HK$'000	Employee share-based compensation reserve HK$'000	Contributed surplus HK$'000	Retained profits HK$'000	Total HK$'000
Balance at 1st January 2007	34,494	1,284	759,988	572,635	1,368,401
Transfer of reserve (note (d))	–	–	(83,770)	83,770	–
Issue of shares upon exercise of share options	21,356	(522)	–	–	20,834
Employee share options benefits	–	17,419	–	–	17,419
Profit for the year	–	–	–	32,686	32,686
Dividends paid	–	–	–	(77,346)	(77,346)
Balance at 31st December 2007	55,850	18,181	676,218	611,745	1,361,994
Representing:					
Reserves	55,850	18,181	676,218	533,409	1,283,658
2007 proposed final and special dividends	–	–	–	78,336	78,336
	55,850	18,181	676,218	611,745	1,361,994

22 RESERVES (Continued)

Notes:

(a) Profit for the year of HK$491,015,000 (2007: HK$2,572,623,000) includes a net profit of HK$46,728,000 (2007: HK$453,082,000) attributable to jointly controlled entities and HK$319,184,000 (2007: HK$46,719,000) attributable to an associated company.

(b) Transfer of reserves to capital reserve represents the Group's share of the PRC statutory reserves of certain subsidiaries, an associated company and jointly controlled entities. As at 31st December 2008, the PRC statutory reserves included in capital reserve amount to HK$78,968,000 (2007: HK$55,249,000).

(c) In 2004, part of the amount standing to the credit of the share premium account of the Company was offset against the entire accumulated losses as at 31st December 2003 of HK$1,680,335,000 and the remaining credit of the share premium account of HK$676,218,000 was transferred to contributed surplus.

(d) Included in the contributed surplus of the Company as at 1st January 2007 is an amount of HK$83,770,000 which arose in 1992 when the Company issued shares in exchange for the shares of companies then acquired, and represents the difference between the nominal value of the Company's shares issued and the value of net assets of the companies acquired. As these companies were disposed of in 2007, such amount was transferred to retained earnings.

23 TRADE AND OTHER PAYABLES

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables (note (a))				
– fellow subsidiaries	**15,112**	16,745	**–**	–
– jointly controlled entities	**1**	249	**–**	–
– minority shareholders of subsidiaries	**766**	772	**–**	–
– third parties	**199,336**	371,341	**–**	–
	215,215	389,107	**–**	–
Bills payables	**70,633**	–	**–**	–
Accrued liabilities, advance from customers and other payables	**500,589**	392,438	**9,416**	7,784
Commission income received in advance	**87,551**	51,381	**–**	–
Amounts due to fellow subsidiaries (note (a))	**79,315**	30,938	**–**	–
Amounts due to a jointly controlled entity of COSCO (note (b))	**175,018**	–	**–**	–
Amounts due to holding companies (note (a))	**–**	3,188	**–**	3,065
Amounts due to jointly controlled entities (note (a))	**–**	188	**–**	–
	1,128,321	867,240	**9,416**	10,849

23 TRADE AND OTHER PAYABLES (Continued)

Notes:

(a) Balances with fellow subsidiaries, jointly controlled entities, minority shareholders of subsidiaries and holding companies are unsecured, interest-free and have no fixed terms of repayment.

(b) Amounts due to a jointly controlled entity comprise the consideration of HK$161,276,000 payable to China Marine Bunker (Petro China) Co., Ltd. ("Chimbusco") for the acquisition of 100% equity interest in COSCO International Trading Company Limited ("CITC") and the dividend payable of HK$13,742,000 by CITC to Chimbusco. The consideration and dividend were settled subsequent to the balance sheet date.

(c) The carrying amounts of trade and other payables approximate their fair values and are denominated in the following currencies:

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Renminbi	**511,670**	440,584	**–**	–
Hong Kong dollars	**75,841**	59,748	**9,416**	10,849
United States dollars	**519,491**	338,345	**–**	–
Others	**21,319**	28,563	**–**	–
	1,128,321	867,240	**9,416**	10,849

(d) As at 31st December, the ageing analysis of trade payables is as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Current – 90 days	**96,330**	325,337
91 – 180 days	**85,906**	50,284
Over 180 days	**32,979**	13,486
	215,215	389,107

24 SHORT-TERM BORROWINGS

	Group	
	2008	2007
	HK$'000	HK$'000
Loan from a fellow subsidiary (note (a))	**36,286**	–
Unsecured bank loans, repayable within one year	**280,674**	216,816
	316,960	216,816

24 SHORT-TERM BORROWINGS (Continued)

Notes:

(a) Loan from a fellow subsidiary is secured by the corporate guarantee executed by a non-wholly owned subsidiary and bears interest at 5.31% per annum and is repayable on 25th December 2009 (note 37(f)).

(b) The carrying amounts of short-term borrowings approximate their fair values and are denominated in the following currencies:

	Group	
	2008	2007
	HK$'000	HK$'000
Renminbi	**111,127**	69,384
Hong Kong dollars	**16,900**	–
United States dollars	**188,933**	147,432
	316,960	216,816

(c) The effective interest rates of short-term borrowings during the year ended 31st December 2008 and 2007 are as follows:

	2008	2007
Renminbi	**6.88%**	6.89%
Hong Kong dollars	**5.63%**	N/A
United States dollars	**6.15%**	5.73%

(d) Short-term borrowings are subject to the exposure of interest rate changes at contractual repricing dates.

25 OTHER INCOME

	2008	2007
	HK$'000	HK$'000
Fair value gains on investment properties (note 6)	**–**	4,134
Gain on further acquisition and deemed acquisition of an associated company	**3,096**	–
Gain on disposal of property, plant and equipment	**126**	–
Gain on disposal of available-for-sale financial assets, including realised investment revaluation reserve of HK$5,804,000	**–**	31,139
Gain on disposal of subsidiaries (note 34 (b))	**–**	2,887
Write-back of provision for land appreciation tax	**12,298**	–
Write-back of provision for capital gains tax	**–**	3,733
Write-back of provision for impairment of trade receivables (note 18 (f))	**35**	1,914
Write-back of provision for impairment of inventories (note 17)	**–**	778
Write-back of provision for property development cost	**6,128**	–
Recovery of bad debts	**1,259**	374
Dividend income from listed and unlisted investments		
– available-for-sale financial assets	**469**	2,526
– financial assets at fair value through profit or loss	**15**	8
Others	**10,333**	6,527
	33,759	54,020

26 EXPENSES BY NATURE

	2008 HK$'000	2007 HK$'000
Cost of sales		
Cost of inventories sold (note 17)	**1,445,159**	1,541,092
Cost of properties sold	**20,198**	209,457
Direct operating expenses for generating rental income	**179**	127
	1,465,536	1,750,676
Selling, administrative and general expenses		
Selling expenses	**144,868**	175,463
Depreciation (note 26 (a))	**7,177**	7,369
Amortisation of prepaid premium for land leases	**568**	774
Operating lease rental expense (note 26 (b))	**15,421**	10,155
Employee benefit expenses, including directors' emoluments (note 26 (c))	**119,896**	113,325
Auditors' remuneration	**3,745**	3,011
Others	**68,590**	60,848
	360,265	370,945
Other expenses		
Fair value losses on investment properties (note 6)	**4,357**	–
Fair value loss on financial assets at fair value through profit or loss	**369**	8
Net exchange loss	**15,715**	13,052
Loss on disposal of subsidiaries (note 34 (b))	**–**	31
Loss on disposal of property, plant and equipment	**–**	223
Provision for impairment of completed properties held for sale	**–**	11,278
Provision for impairment of trade receivables (note 18 (f))	**57,087**	5,478
Write-off of bad debts	**–**	1,787
Provision for impairment of inventories (note 17)	**27,233**	–
Write-off of inventories (note 17)	**371**	6
	105,132	31,863

26 EXPENSES BY NATURE (Continued)

(a) Depreciation

	2008 HK$'000	2007 HK$'000
Charge for the year (note 8)	**14,384**	14,722
Charged to cost of sales	**(6,365)**	(6,351)
Capitalised in inventories	**(842)**	(1,002)
	7,177	7,369

(b) Operating lease rental expense

	2008 HK$'000	2007 HK$'000
Land and buildings	**15,421**	10,155

(c) Employee benefit expenses, including directors' emoluments

	2008 HK$'000	2007 HK$'000
Wages and salaries	**107,081**	101,707
Employee share option benefits (note 21(d))	**20,722**	17,419
Pension costs – defined contribution scheme	**11,953**	13,715
Employee benefit expenses, including directors' emoluments (note 33 (a))	**139,756**	132,841
Charged to cost of sales	**(17,087)**	(10,736)
Capitalised in inventories	**(2,773)**	(8,780)
	119,896	113,325

27 FINANCE INCOME – NET

	2008 HK$'000	2007 HK$'000
Interest income from:		
– a fellow subsidiary	**18**	–
– a jointly controlled entity	**1,294**	1,621
– money market fund investments	**270**	–
– bank deposits	**26,545**	34,141
Total finance income	**28,127**	35,762
Interest expenses on bank loans wholly repayable within five years	**(12,842)**	(10,210)
Other finance charges	**(2,427)**	(1,613)
Total finance costs	**(15,269)**	(11,823)
Finance income – net	**12,858**	23,939

28 INCOME TAX EXPENSE

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

With effect from 1st January 2008, the PRC corporate income tax rate for domestic enterprises was reduced from 33% to 25% and foreign invested enterprises increased from 15% or 24% to 25%. China Mainland taxation has been calculated on the estimated assessable profit derived from the Group's operations in China Mainland for the year at 25% (2007: 33%) except for certain subsidiaries, which are taxed at reduced rates ranging from 15% to 18% (2007: 12% to 15%) based on different local preferential policies on income tax and approval by relevant tax authorities.

	2008	2007
	HK$'000	HK$'000
Current income tax		
– Hong Kong profits tax	**20,753**	16,876
– China Mainland taxation	**29,524**	33,962
– Over-provision for Hong Kong profits tax in prior years	**(431)**	(1,546)
– Over-provision for China Mainland taxation in prior years	**(8,186)**	–
Deferred income tax charge (note 15)	**4,755**	713
Deferred income tax credit (note 15)	**(12,147)**	(26,233)
Income tax expense	**34,268**	23,772

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the profits tax rate of Hong Kong where the Company operates and the difference is set out below:

	2008	2007
	HK$'000	HK$'000
Profit before income tax from continuing operations (excluding share of profits of jointly controlled entities and an associated company)	**216,621**	2,159,066
Calculated at a tax rate of 16.5% (2007: 17.5%)	**35,742**	377,837
Effect of different tax rates in China Mainland	**6,459**	(13,196)
Income not subject to tax	**(17,153)**	(365,809)
Expenses not deductible for tax purposes	**8,515**	18,380
Utilisation of previously unrecognised tax losses	**(2,085)**	–
Tax losses not recognised	**7,424**	8,106
Over-provision in prior years	**(8,617)**	(1,546)
Withholding tax on profits of entities in China Mainland	**5,370**	–
Other temporary differences	**(1,210)**	–
Special tax credit	**(177)**	–
Income tax expense	**34,268**	23,772

29 DISCONTINUED OPERATIONS

On 5th February 2007, the Group entered into an agreement to dispose of the entire issued share capital of, and the shareholder's loan to, COSCO International Construction Limited ("CICL"), a wholly-owned subsidiary, to COSCO (H.K.) Property Development Limited, a fellow subsidiary at a consideration of HK$2. The principal activity of CICL and its subsidiaries (together "CICL Group") is building construction and maintenance. The disposal was effected pursuant to the Group's strategy of disposing its non-core businesses and assets, and was completed on 15th March 2007.

The results and the cash flows of CICL Group for the period from 1st January 2007 to the date of disposal on 15th March 2007 are as follows:

	1st January to 15th March 2007 HK$'000
Turnover	
Building construction	904
Rental income	160
	1,064
Operating costs	(1,088)
Gross loss	(24)
Other income	
Write-back of provision for claims and foreseeable losses on certain construction contracts	1,627
Claims received	2,807
Others	25
	4,459
Administrative and general expenses	(1,015)
Operating profit	3,420
Finance income	190
Finance costs	(3)
Finance income – net	187
Profit for the period	3,607
Net cash used in operating activities	(6,300)
Net cash generated from investing activities	190
Net cash used in financing activities	(3)
Total net cash used in discontinued operations	(6,113)

29 DISCONTINUED OPERATIONS (Continued)

Loss from discontinued operations is presented separately in the consolidated income statement and is analysed as follows:

	1st January to 15th March 2007 HK$'000
Profit for the period from CICL Group	3,607
Loss on disposal of CICL Group (note 34 (b))	(6,434)
Loss from discontinued operations	(2,827)

30 PROFIT ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY

Profit attributable to the equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK$17,183,000 (2007: HK$32,686,000).

31 DIVIDENDS

The dividends paid in 2008 were HK$93,197,000 (2007: HK$77,346,000).

	2008 HK$'000	2007 HK$'000
Interim dividend paid of HK$0.01 (2007: HK$0.01) per ordinary share	**14,803**	14,733
Final dividend proposed of HK$0.064 (2007: HK$0.035) per ordinary share	**95,339**	51,731
Special dividend proposed of HK$0.018 per ordinary share for 2007	**–**	26,605
	110,142	93,069

At the board meeting held on 27th March 2009, the directors proposed a final dividend of HK$0.064 per ordinary share for the year ended 31st December 2008. The proposed dividend is not reflected as dividend payable in the financial statements until it has been approved at the annual general meeting, but will be reflected as an appropriation of retained profit for the year ending 31st December 2009.

32 EARNINGS/(LOSS) PER SHARE

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

	2008	2007
Profit/(loss) attributable to the equity holders of the Company		
– from continuing operations	**HK$491,015,000**	HK$2,575,450,000
– from discontinued operations	**–**	(HK$2,827,000)
Weighted average number of ordinary shares in issue	**1,480,032,051**	1,462,165,609
Basic earnings/(loss) per share		
– from continuing operations	**33.18 HK cents**	176.14 HK cents
– from discontinued operations	**–**	(0.19 HK cent)

(b) Diluted earnings/(loss) per share is calculated based on the weighted average number of shares in issue after adjusting for the potential dilutive effect in respect of outstanding share options.

	2008	2007
Profit/(loss) attributable to the equity holders of the Company		
– from continuing operations	**HK$491,015,000**	HK$2,575,450,000
– from discontinued operations	**–**	(HK$2,827,000)
Weighted average number of ordinary shares in issue	**1,480,032,051**	1,462,165,609
Adjustment for assumed issuance of shares on exercise of share options	**30,269,110**	54,159,426
Weighted average number of ordinary shares for diluted earnings per share	**1,510,301,161**	1,516,325,035
Diluted earnings/(loss) per share		
– from continuing operations	**32.51 HK cents**	169.85 HK cents
– from discontinued operations	**–**	(0.19 HK cent)

33 EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT

(a) Directors' emoluments

Details of emoluments of the directors of the Company for the year ended 31st December 2008 are as follows:

Name of directors	**Fees**	**Salaries and other emoluments**	**Share option benefits**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Mr. Wang Futian	**–**	**941**	**372**	**1,313**
Mr. Jia Lianjun	**–**	**–**	**355**	**355**
Mr. Wang Xiaoming	**–**	**–**	**372**	**372**
Mr. Liang Yanfeng	**–**	**2,400**	**511**	**2,911**
Mr. Meng Qinghui	**–**	**–**	**372**	**372**
Mr. Chen Xuewen	**–**	**–**	**372**	**372**
Mr. Wang Xiaodong	**–**	**1,080**	**372**	**1,452**
Mr. Lin Wenjin	**–**	**1,080**	**372**	**1,452**
Mr. Kwong Che Keung, Gordon	**205**	**–**	**–**	**205**
Mr. Tsui Yiu Wa, Alec	**205**	**–**	**–**	**205**
Mr. Jiang, Simon X.	**205**	**–**	**–**	**205**
Mr. Liu Guoyuan (resigned on 24th October 2008)	**–**	**4,059**	**511**	**4,570**
	615	**9,560**	**3,609**	**13,784**

Details of emoluments of the directors of the Company for the year ended 31st December 2007 are as follows:

Name of directors	Fees	Salaries and other emoluments	Share option benefits	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Mr. Liu Guoyuan	–	5,000	426	5,426
Mr. Wang Futian	–	–	310	310
Mr. Jia Lianjun	–	–	296	296
Mr. Wang Xiaoming	–	–	310	310
Mr. Liang Yanfeng	–	2,400	426	2,826
Mr. Meng Qinghui	–	–	310	310
Mr. Chen Xuewen	–	–	310	310
Mr. Lin Libing (resigned on 11th December 2007)	–	810	310	1,120
Mr. Wang Xiaodong	–	1,080	310	1,390
Mr. Lin Wenjin	–	1,080	310	1,390
Mr. Chan Cheong Foon, Andrew (retired on 29th May 2007)	78	–	–	78
Mr. Kwong Che Keung, Gordon	200	–	–	200
Mr. Tsui Yiu Wa, Alec	200	–	–	200
Mr. Jiang, Simon X. (appointed on 12th April 2007)	145	–	–	145
	623	10,370	3,318	14,311

As at 31st December 2008, the directors of the Company had outstanding share options to subscribe for 10,000,000 (2007: 17,100,000) shares of the Company (refer to note 21 for details).

33 EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

(a) Directors' emoluments (Continued)

The directors were granted share options by COSCO Pacific Limited ("COSCO Pacific"), a fellow subsidiary, details of which are as follows:

			Number of share options					
Category	Note	Exercise price HK$	Outstanding as at 1st January 2008	Granted during the year	Changed category during the year	Lapsed during the year	Exercised during the year	Outstanding as at 31st December 2008
Directors	i	13.75	2,500,000	–	–	–	–	2,500,000

The directors were granted share options by COSCO Corporation (Singapore) Limited ("COSCO SGP"), a fellow subsidiary, details of which are as follows:

			Number of share options					
Category	Note	Exercise price S$	Outstanding as at 1st January 2008	Granted during the year	Changed category during the year	Lapsed during the year	Exercised during the year	Outstanding as at 31st December 2008
Directors	ii	1.230	1,800,000	–	–	(1,100,000)	–	700,000

The directors were granted share appreciation rights by China COSCO Holdings Company Limited ("China COSCO"), a fellow subsidiary, details of which are as follows:

			Number of units of share appreciation rights					
Category	Note	Exercise price HK$	Outstanding as at 1st January 2008	Granted during the year	Changed category during the year	Lapsed during the year	Exercised during the year	Outstanding as at 31st December 2008
Directors	iii	3.195	1,205,000	–	(80,000)	–	–	1,125,000
	iv	3.588	1,885,000	–	(100,000)	–	(320,000)	1,465,000
	v	9.540	1,520,000	–	(100,000)	–	–	1,420,000
			4,610,000	–	(280,000)	–	(320,000)	4,010,000

33 EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

(a) Directors' emoluments (Continued)

The directors were granted share options by SOLHL, an associated company, details of which are as follows:

			Number of share options					
Category		**Exercise price**	**Outstanding as at 1st January 2008**	**Granted during the year**	**Changed category during the year**	**Lapsed during the year**	**Exercised during the year**	**Outstanding as at 31st December 2008**
	Note	HK$						
Directors	vi	7.7	**1,780,000**	**–**	**(350,000)**	**–**	**–**	**1,430,000**
	vii	2.55	**–**	**500,000**	**–**	**–**	**–**	**500,000**
			1,780,000	**500,000**	**(350,000)**	**–**	**–**	**1,930,000**

Notes:

(i) These share options were granted by COSCO Pacific during the period from 25th November 2004 to 16th December 2004 and are exercisable at any time within ten years from the respective date of grant of the share options.

(ii) These share options were granted by COSCO SGP on 21st February 2006 and are exercisable at any time from 21st February 2007 to 20th February 2011.

(iii) Share appreciation rights ("Share Appreciation Rights") were granted by China COSCO in units with each unit representing one H share of China COSCO pursuant to the share appreciation rights plan adopted by China COSCO (the "Plan"). The beneficial owners of the Share Appreciation Rights are entitled to the premium of the price of the issued shares of China COSCO over the exercise price of the share appreciation rights. These Share Appreciation Rights were granted on 16th December 2005 and are exercisable at any time between 16th December 2007 and 15th December 2015.

(iv) These Share Appreciation Rights were granted by China COSCO on 5th October 2006 pursuant to the Plan and are exercisable at any time between 5th October 2008 and 4th October 2016.

(v) These Share Appreciation Rights were granted by China COSCO on 4th June 2007 pursuant to the Plan and are exercisable at any time between 4th June 2009 and 3rd June 2017.

(vi) These share options were granted by SOLHL on 8th October 2007 and are exercisable from 8th October 2008 to 27th September 2012.

(vii) These share options were granted by SOLHL on 19th September 2008 and are exercisable from 19th September 2009 to 18th September 2013.

33 EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include four (2007: four) directors whose emoluments are reflected in the above analysis. The emoluments of the remaining one (2007: one) individual during the year are as follows:

	2008 HK$'000	2007 HK$'000
Basic salaries, other allowances and benefit-in-kind	**1,590**	1,703
Pension costs – defined contribution scheme	**12**	12
	1,602	1,715

The emoluments of the individual fell within the following band:

	Number of individual	
Emolument band	2008	2007
HK$1,500,001 – HK$2,000,000	**1**	1

34 NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of operating profit to cash generated from operations

	2008 HK$'000	2007 HK$'000
Operating profit		
– continuing operations	**203,763**	2,135,127
– discontinued operations[#]	**–**	3,420
Depreciation of property, plant and equipment, net of amount capitalised	**13,542**	13,720
Amortisation of prepaid premium for land leases	**568**	774
Fair value losses/(gains) on investment properties	**4,357**	(4,134)
Gain on further acquisition and deemed acquisition of an associated company	**(3,096)**	–
(Gain)/loss on disposal of property, plant and equipment	**(126)**	223
Gain on disposal of available-for-sale financial assets	**–**	(31,139)
Gain on deemed disposal of partial interest in a jointly controlled entity	**–**	(1,925,468)
Gain on disposal of subsidiaries	**–**	(2,887)
Loss on disposal of subsidiaries	**–**	31
Fair value loss on financial assets at fair value through profit or loss	**369**	8
Write-back of provision for claims and foreseeable losses on certain construction contracts	**–**	(1,627)
Write-back of provision for impairment of trade receivables	**(35)**	(1,914)
Write-back of provision for impairment of inventories	**–**	(778)
Write-back of provision for land appreciation tax	**(12,298)**	–
Write-back of provision for capital gains tax	**–**	(3,733)
Write-back of provision for property development cost	**(6,128)**	–
Provision for impairment of completed properties held for sale	**–**	11,278
Provision for impairment of trade receivables	**57,087**	5,478
Provision for impairment of inventories	**27,233**	–
Write-off of bad debts	**–**	1,787
Write-off of inventories	**371**	6
Employee share option benefits	**20,722**	17,419
Dividend income	**(484)**	(2,534)
Operating profit before working capital changes	**305,845**	215,057
Decrease in properties under development for sale	**–**	228,132
Decrease/(increase) in completed properties held for sale	**19,215**	(17,216)
Decrease/(increase) in inventories	**182,180**	(73,699)
Increase in trade receivables, prepayments, deposits, and other receivables	**(33,098)**	(31,523)
Decrease in amounts due from fellow subsidiaries	**4,480**	3,869
Increase in amount due from jointly controlled entities	**(766)**	–
Decrease in trade payables, accrued liabilities, advance from customers, other payables and commission income received in advance	**(44,845)**	(146,044)
Decrease in construction contracts in progress	**–**	(328)
Increase/(decrease) in amounts due to fellow subsidiaries	**25,010**	(20,238)
Decrease in amounts due to holding companies	**(3,188)**	(6,295)
(Decrease)/increase in amounts due to jointly controlled entities	**(188)**	188
Decrease in dividend payable to minority shareholders of subsidiaries	**–**	(8,433)
Cash generated from operations	**454,645**	143,470

[#] before deducting non-cash item from loss on disposal of discontinued operations of HK$6,434,000 for 2007.

34 NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Disposal of subsidiaries

As disclosed in note 29, on 15th March 2007, the Group disposed of 100% equity interest in, and the shareholder's loan to, CICL at a proceed of HK$2.

The assets and liabilities arising from the disposal are as follows:

	Carrying amount HK$'000
Associated companies	5,915
Completed properties held for sale	34,400
Gross amounts due from customers for contract work	79
Trade receivables	14,357
Retention receivables	19,979
Deposits, prepayment and other receivables	3,671
Cash and cash equivalents	32,532
Gross amounts due to customers for contract work	(67,169)
Trade payables	(8,296)
Retention payables	(22,554)
Accrued liabilities and other payables	(3,649)
Amounts due to associated companies	(5,702)
Net assets disposed	3,563
Incidental costs on disposal	413
Exchange reserve realised upon disposal	2,458
	6,434
Loss on disposal (note 29)	(6,434)
Proceeds on disposal	–
Net outflow of cash and cash equivalents on disposal:	
Proceeds received in cash	–
Incidental costs on disposal	(413)
Cash and cash equivalents in subsidiary disposed	(32,532)
	(32,945)

34 NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Disposal of subsidiaries (Continued)

On 22nd January 2007, the Group disposed of 100% equity interest in, and the shareholder's loan to, Wellbase at a proceed of HK$31,463,000.

The assets and liabilities arising from the disposal are as follows:

	Carrying amount HK$'000
Investment properties	30,997
Property, plant and equipment	673
Trade receivables	17
Deposits, prepayment and other receivables	94
Cash and cash equivalents	19
Accrued liabilities and other payables	(306)
Net assets disposed	31,494
Loss on disposal (note 26)	(31)
Proceeds on disposal	31,463
Net inflow of cash and cash equivalents on disposal:	
Proceeds received in cash	31,463
Cash and cash equivalents in subsidiary disposed	(19)
	31,444

34 NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Disposal of subsidiaries (Continued)

On 5th November 2007, the Group disposed of 100% equity interest in, and the shareholder's loan to, Success Gate Investments Limited ("Success Gate") at a proceed of HK$57,252,000. Success Gate is an investment holding company holding 51% equity interest in Shenyang COSCO Yihe Property Development Co., Ltd., which is engaged in property development in the PRC.

The assets and liabilities arising from the disposal are as follows:

	Carrying amount HK$'000
Property, plant and equipment	823
Completed properties held for sale	68,393
Trade receivables	15,816
Deposits, prepayment and other receivables	17,379
Cash and cash equivalents	66,040
Trade payables	(36,750)
Accrued liabilities and other payables	(4,169)
Current income tax liabilities	(8,624)
Minority interests	(58,265)
Net assets disposed	60,643
Exchange reserve realised upon disposal	(6,278)
	54,365
Gain on disposal (note 25)	2,887
Proceeds on disposal	57,252
Net outflow of cash and cash equivalents on disposal:	
Proceeds received in cash	57,252
Cash and cash equivalents in subsidiary disposed	(66,040)
	(8,788)

35 COMMITMENTS

(a) Capital commitments

Capital commitments in respect of property, plant and equipment are as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Authorised but not contracted for	3,299	–
Contracted but not provided for	14,029	1,018
	17,328	1,018

(b) Operating lease commitments

The aggregate future minimum lease payments under non-cancellable operating leases in respect of land and buildings are as follows:

	Group		Company	
	2008	2007	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000
Within one year	18,053	14,680	7,574	5,966
In the second to fifth years inclusive	26,664	41,068	11,992	19,566
	44,717	55,748	19,566	25,532

The Group's operating leases were for terms ranging from one to five years.

(c) Future minimum rental receivables

The future minimum rental receivables under non-cancellable leases are as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Within one year	971	83
In the second to fifth years inclusive	120	12
	1,091	95

The Group's operating leases were for terms ranging from one to two years.

36 BUSINESS COMBINATION

On 31st December 2008, the Group acquired 100% equity interest in CITC at a cash consideration of RMB142,000,000 from China Marine Bunker (Petro China) Co., Ltd., a jointly controlled entity of COSCO. CITC is engaged in the trading of asphalt and other products and has 40% equity interest in an associated company, COSCO International Ship Trading Company Limited ("COSCO Ship Trading"), which is a 60% owned subsidiary of the Company prior to the acquisition. The acquired business did not contribute revenue nor net profit to the Group for the year ended 31st December 2008. If the acquisition had occurred on 1st January 2008, Group revenue would have been HK$2,717,180,000, and profit attributable to equity holders of the Company would have been HK$541,924,000.

Details of net assets acquired and goodwill are as follows:

	HK$'000
Purchase consideration	
– Cash payable (note 23 (b))	**161,276**
– Incidental costs on acquisition	**4,190**
Total purchase consideration	**165,466**
Fair value of net assets acquired – shown as below	**(153,759)**
Goodwill (note 7)	**11,707**

The goodwill is attributable to the expected future profitability of CITC's 40% equity interest in COSCO Ship Trading.

36 BUSINESS COMBINATION (Continued)

The assets and liabilities arising from the acquisition are as follows:

	Fair value HK$'000	Acquiree's carrying amount HK$'000
Investment property (note 6)	7,520	7,520
Property, plant and equipment (note 8)	1,278	1,239
Jointly controlled entities (note 11)	8,098	8,098
Interest in COSCO Ship Trading[#]	39,852	39,852
Associated companies (note 12)	8,943	8,943
Deferred income tax assets (note 15 (a))	830	830
Inventories	163,769	151,079
Trade receivables	62,920	62,920
Deposits, prepayment and other receivables	35,978	35,978
Amount due from a jointly controlled entity	430	430
Amount due from an associated company of COSCO	49	49
Cash and cash equivalents	37,751	37,751
Trade payables	(17,152)	(17,152)
Bills payables	(1,251)	(1,251)
Accrued liabilities and other payables	(52,043)	(52,043)
Amounts due to fellow subsidiaries	(23,367)	(23,367)
Current income tax liabilities	(1,045)	(1,045)
Short-term borrowings	(103,681)	(103,681)
Dividend payable	(13,742)	(13,742)
Deferred income tax liabilities (note 15 (a))	(1,378)	(1,378)
Net assets	153,759	141,030
Fair value of net assets acquired	153,759	
Net inflow of cash and cash equivalents on acquisition:		
Incidental costs settled in cash		(4,190)
Cash and cash equivalents in subsidiary acquired		37,751
Net cash generated from the acquisition of a subsidiary		33,561

[#] This represents the minority interest in COSCO Ship Trading acquired by the Group.

37 RELATED PARTY TRANSACTIONS

The Group is controlled by COSCO (Hong Kong) Group Limited ("COSCO Hong Kong"), a company incorporated in Hong Kong, which owns 59.6% of the Company's shares as at 31st December 2008. The remaining 40.4% of the Company's shares is widely held. The parent of COSCO Hong Kong is COSCO, a state-owned enterprise established in the PRC.

COSCO itself is a state-owned enterprise and is controlled by the PRC government, which also owns a significant portion of the productive assets in the PRC. In accordance with HKAS 24, other state-owned enterprises and their subsidiaries (other than COSCO group companies), directly or indirectly controlled by the PRC government, are also defined as related parties of the Group. On that basis, related parties include COSCO, its subsidiaries and associates, other state-owned enterprises and their subsidiaries directly or indirectly controlled by the PRC government, and other entities and corporations in which the Company is able to control or exercise significant influence.

For the purpose of related party transaction disclosures, the Group has identified, except where the amounts have been disclosed elsewhere in the accounts, to the extent practicable, its customers, suppliers and banks which are state-owned enterprises. The directors believe that meaningful information in respect of related party transactions has been adequately disclosed.

The following is a summary of the significant related party transactions carried out in the normal course of the Group's business:

37 RELATED PARTY TRANSACTIONS (Continued)

(a) Sale of goods and provision of services to fellow subsidiaries, associated companies of COSCO and other related parties

		Group	
		2008	2007
	Note	**HK$'000**	HK$'000
Sale of coating products to:	(i)		
– fellow subsidiaries		**8,562**	21,126
– associated companies of COSCO		**469,774**	504,319
– state-owned enterprises		**131,259**	56,672
– minority shareholders of subsidiaries		**2,958**	4,713
– jointly controlled entities		**8,883**	–
Sale of spare parts and navigation equipment to:	(ii)		
– fellow subsidiaries		**335,095**	262,067
– associated companies of COSCO		**1,730**	–
– state-owned enterprises		**39,905**	29,089
– holding companies		**158**	–
– jointly controlled entities		**658**	613
Commission income in relation to provision of ship trading agency services to:	(iii)		
– fellow subsidiaries		**129,105**	68,010
– associated companies of COSCO		**–**	118
– state-owned enterprises		**37**	5,507
Commission income in relation to provision of insurance brokerage services to:	(iv)		
– fellow subsidiaries		**47,621**	40,498
– associated companies of COSCO		**1,072**	365
– holding companies		**50**	45
– state-owned enterprises		**1,949**	3,084
Interest income received from state-owned banks		**20,700**	24,504
Interest income received from a jointly controlled entity (note 18 (b))		**1,294**	1,621
Interest income received from a fellow subsidiary		**18**	–

Notes:

(i) Sale of coating products to fellow subsidiaries, associated companies of COSCO, state-owned enterprises, minority shareholders of subsidiaries and jointly controlled entities were conducted on terms as set out in the agreements governing these transactions.

(ii) Sale of spare parts and navigation equipment to fellow subsidiaries, associated companies of COSCO, state-owned enterprises, holding companies and jointly controlled entities were conducted on terms as set out in the agreements governing these transactions.

(iii) Certain subsidiaries of the Company acted as agent of COSCO and its subsidiaries in respect of (a) sale and purchase of new and second hand vessels, (b) bareboat charter businesses, and (c) sale and purchase of marine equipment for new ship-building projects. According to the terms of the relevant engagement/commission agreements, the Group received commission income from vendors, ship-owners and equipment makers with respect to the transactions mentioned above.

(iv) Commission income in relation to the provision of insurance brokerage services to fellow subsidiaries, associated companies of COSCO, holding companies and state-owned enterprises were calculated on terms as set out in the agreements governing these transactions.

37 RELATED PARTY TRANSACTIONS (Continued)

(b) Purchase of goods and services from fellow subsidiaries, associated companies of COSCO and other related parties

	Note	Group 2008 HK$'000	Group 2007 HK$'000
Rental expenses paid to:			
– fellow subsidiaries	(i)	**(13,142)**	(8,410)
– state-owned enterprises		**(1,594)**	–
Commission expenses in relation to sale of coating products paid to:	(ii)		
– fellow subsidiaries		**(5,315)**	(273)
– associated companies of COSCO		**(7,983)**	(11,770)
– state-owned enterprises		**(6,348)**	(279)
Purchase of raw materials from minority shareholders of subsidiaries	(iii)	**(3,797)**	(4,194)
Technology usage fee paid to minority shareholders of subsidiaries	(iv)	**(6,650)**	(8,579)
Interest expenses paid to state-owned banks	(v)	**(8,951)**	(7,269)

Notes:

(i) In August 2005, the Group leased certain properties in Hong Kong from the wholly-owned subsidiaries of COSCO Hong Kong at the monthly rent of HK$567,325 for 3 years expiring on 2nd August 2008. The lease was renewed for 3 years from its maturity at the monthly rent of HK$891,835. In November 2007, the Group leased another property in Hong Kong from the wholly-owned subsidiaries of COSCO Hong Kong at the monthly rent of HK$299,545 for 3 years from 1st January 2008.The Group also leased other properties in the PRC from fellow subsidiaries on terms as set out in the agreements governing these transactions.

(ii) Commission paid was based on a certain percentage of sales amounts in accordance with terms as set out in the agreements governing these transactions.

(iii) Purchases of raw materials from minority shareholders of subsidiaries were conducted on terms as set out in the agreements governing these transactions.

(iv) Technology usage fee paid to minority shareholders of subsidiaries was made based on a certain percentage of the net sales amount in accordance with terms as set out in the agreements governing these transactions.

(v) Interest expenses were paid to state-owned banks on terms as set out in the relevant loan agreements.

37 RELATED PARTY TRANSACTIONS (Continued)

(c) Balances with fellow subsidiaries, associated companies of COSCO and other related parties arising from sale and purchase of goods and services

	Group	
	2008	2007
	HK$'000	HK$'000
Receivables from fellow subsidiaries	**46,345**	88,256
Receivables from associated companies of COSCO	**247,071**	244,894
Receivables from holding companies	**158**	–
Receivables from jointly controlled entities	**828**	292
Receivables from state-owned enterprises	**82,195**	32,352
Receivables from minority shareholders of subsidiaries	**773**	1,385
Payables to fellow subsidiaries	**(15,112)**	(16,745)
Payables to jointly controlled entities	**(1)**	(249)
Payables to minority shareholders of subsidiaries	**(766)**	(772)
Payables to state-owned enterprises	**(4,292)**	(3,783)

(d) Balances with a fellow subsidiary and state-owned banks

	Group	
	2008	2007
	HK$'000	HK$'000
Deposits placed with a fellow subsidiary	**22,450**	–
Deposits placed with state-owned banks	**1,226,651**	839,679
Loans from state-owned banks	**(195,423)**	(138,453)
Loan from a fellow subsidiary (note 37 (f))	**(36,286)**	–

(e) On 5th February 2007, the Group entered into an agreement to dispose of the entire share capital of, and the shareholder's loan to, CICL, a wholly-owned subsidiary, to COSCO (H.K.) Property Development Limited, a fellow subsidiary at a consideration of HK$2. The disposal was completed on 15th March 2007.

(f) On 25th November 2008, COSCO Kansai Paint & Chemicals (Zhuhai) Co., Ltd. (the "Borrower"), a non-wholly owned subsidiary of the Company, entered into a facility agreement with COSCO Finance Co., Ltd. (the "Lender"), a fellow subsidiary, whereby the Lender agreed to provide a revolving loan facility of up to RMB32,000,000 (approximately HK$36,286,000) to the Borrower. The facility is secured by the corporate guarantee executed by COSCO Kansai Paint & Chemicals (Shanghai) Co., Ltd., a non-wholly owned subsidiary of the Company. As at 31st December 2008, the outstanding loan amounts to RMB32,000,000 (approximately HK$36,286,000) and bears interest 5.31% per annum.

(g) On 23rd December 2008, the Group entered into a facility agreement with a bank whereby the bank agreed to provide a revolving banking facility of up to RMB260,000,000 (approximately HK$294,827,000) to CITC. The facility is secured by the corporate guarantee executed by COSCO H.K. (Beijing) Investment Co., Ltd., a fellow subsidiary.

NOTES TO THE FINANCIAL STATEMENTS

38 EVENT AFTER THE BALANCE SHEET DATE

On 3rd March 2009, New Renown Limited ("New Renown"), a wholly-owned subsidiary of the Company, entered into a conditional share transfer agreement with COSCO Trading and Supply Investments Limited ("COSCO Trading"), a wholly-owned subsidiary of COSCO Hong Kong, relating to the acquisition by New Renown of 18% equity interest of Double Rich Limited from COSCO Trading for a cash consideration of US$4,905,484 (equivalent to approximately HK$38,044,000). The principal activities of Double Rich Limited include investment holding and the trading of oil products.

39 PRINCIPAL SUBSIDIARIES

Particulars of principal subsidiaries of the Group as at 31st December 2008 are as follows:

Name	Place of incorporation/ operation and type of legal entity	Particulars of issued share capital/ registered capital	Attributable equity interest held	Principal activities
Capital Properties Limited#	Hong Kong, limited liability company	2 ordinary shares of HK$1 each	100%	Provision of nominee services
COSCO (Hong Kong) Insurance Brokers Limited	Hong Kong, limited liability company	5,000,000 ordinary shares of HK$1 each	100%	Provision of insurance brokerages and related services
COSCO International Land Limited	Hong Kong, limited liability company	2 ordinary shares of HK$1 each	100%	Investment holding
COSCO International Ship Trading and Supplying Services Limited	Hong Kong, limited liability company	2 ordinary shares of HK$1 each	100%	Investment holding
COSCO International Ship Trading Company Limited	Hong Kong, limited liability company	500,000 ordinary shares of HK$1 each	100%	Provision of agency services on ship trading business
COSCO Project Management Limited	Hong Kong, limited liability company	2 ordinary shares of HK$1 each	100%	Investment holding
COSMART Company Limited	Hong Kong, limited liability company	2 ordinary shares of HK$1 each	100%	Provision of agency services on ship trading business
New Legend Holdings Limited	Hong Kong, limited liability company	1 ordinary share of HK$1 each	100%	Investment holding
Yuantong Marine Service Co. Limited	Hong Kong, limited liability company	43,000,000 ordinary shares of HK$1 each	100%	Trading of spare parts and navigation equipment for vessels

39 PRINCIPAL SUBSIDIARIES (Continued)

Name	Place of incorporation/ operation and type of legal entity	Particulars of issued share capital/ registered capital	Attributable equity interest held	Principal activities
COSCO (B.V.I.) Holdings Limited#	British Virgin Islands, limited liability company	1 ordinary share of US$1	100%	Investment holding
COSCO International Land (B.V.I.) Limited	British Virgin Islands, limited liability company	1 ordinary share of US$1	100%	Investment holding
Fastjob Investments Limited	British Virgin Islands, limited liability company	1 ordinary share of US$1	100%	Investment holding
Goldboom International Limited	British Virgin Islands, limited liability company	1 ordinary share of US$1	100%	Investment holding
Graceful Nice Limited	British Virgin Islands, limited liability company	1 ordinary share of US$1	100%	Investment holding
Hugo Marine Limited#	British Virgin Islands, limited liability company	1 ordinary share of US$1	100%	Investment holding
Leadfull Investments Limited	British Virgin Islands, limited liability company	1 ordinary share of US$1	100%	Investment holding
Promise Keep Limited	British Virgin Islands, limited liability company	1 ordinary share of US$1	100%	Investment holding
Raycle Match Development Ltd.	British Virgin Islands, limited liability company	1 ordinary share of US$1	100%	Investment holding
Sunny Wealth Investments Limited	British Virgin Islands, limited liability company	1 ordinary share of US$1	100%	Investment holding
Uppermost Corporation#	British Virgin Islands, limited liability company	1 ordinary share of US$1	100%	Investment holding

39 PRINCIPAL SUBSIDIARIES (Continued)

Name	Place of incorporation/ operation and type of legal entity	Particulars of issued share capital/ registered capital	Attributable equity interest held	Principal activities
Winner Pacific Investment Ltd.	British Virgin Islands, limited liability company	1 ordinary share of US$1	100%	Investment holding
COSCO (Beijing) Marine Electronic Equipment Limited	PRC, wholly foreign-owned enterprise	RMB680,000	100%	Trading of spare parts and navigation equipment for vessels
COSCO International Trading Company Limited	PRC, wholly foreign-owned enterprise	RMB130,633,044	100%	Trading of asphalt, ship equipment and accessories
COSCO Kansai Paint & Chemicals (Shanghai) Co., Ltd.#	PRC, Sino-foreign equity joint venture	US$7,000,000	63.07%	Manufacturing and sale of coating products
COSCO Kansai Paint & Chemicals (Tianjin) Co., Ltd.#	PRC, Sino-foreign equity joint venture	US$5,000,000	63.07%	Manufacturing and sale of coating products
COSCO Kansai Paint & Chemicals (Zhuhai) Co., Ltd.#	PRC, wholly foreign-owned enterprise	US$10,000,000	64.71%	Manufacturing and sale of coating products
COSCOSHIP Beijing Company Limited	PRC, wholly foreign-owned enterprise	US$1,300,000	100%	Provision of agency services on ship trading business
Shanghai COSCO Honour Property Development Ltd.*	PRC, equity joint venture	RMB232,238,926	85%	Property development
Shenzhen COSCO Insurance Brokers Limited	PRC, equity joint venture	RMB$5,000,000	55%	Provision of professional services of insurance brokerages
Xiang Li Yuan (Shanghai) Property Management Co., Ltd.	PRC, wholly foreign-owned enterprise	US$500,000	100%	Property investment and management

shares held directly by the Company

* Approval for cancellation of registration for this company has been granted by the relevant PRC authority in October 2008 and the remaining assets of this company will be distributed to shareholders in 2009.

40 PRINCIPAL JOINTLY CONTROLLED ENTITIES AND ASSOCIATED COMPANIES

Particulars of principal jointly controlled entities and associated companies of the Group as at 31st December 2008 are as follows:

Name	Place of incorporation/ operation and type of legal entity	Particulars of issued share capital/ registered capital	Attributable equity interest held	Principal activities
(a) Jointly controlled entities				
Jotun COSCO Marine Coatings (HK) Limited	Hong Kong/PRC, limited liability company	2,200 ordinary shares of HK$1 each	50%	Investment holding and sale of coating products
Cosbulk International Trading Co. Ltd.	PRC, limited liability company	RMB1,500,000	49%	Vessel and equipment trade consultant
COSCO Dalian Ocean Electronic Co., Ltd.	PRC, Sino-foreign equity joint venture	RMB600,000	40%	Provision of marine electronic engineering services
Shanghai Ocean International Trading Co. Ltd.	PRC, limited liability company	RMB10,000,000	50%	International and domestic trade
Shanghai Ocean Radio Co., Ltd.	PRC, Sino-foreign equity joint venture	US$250,000	25%	Trading of marine equipment and provision of repair and maintenance
Tianjin Marine Electronic Co., Ltd.	PRC, Sino-foreign equity joint venture	US$200,000	25%	Provision of marine electronic engineering services
(b) Associated companies				
Sino-Ocean Land Holdings Limited	Hong Kong/PRC, limited liability company	4,468,587,000 ordinary shares of HK$0.8 each	20.77%	Investment holding, property development and investment
COSCO Guangzhou Shipstores Supply Co., Ltd.	PRC, limited liability company	RMB30,442,100	20%	Supply and storage of related materials of cargo transportation
Coscoship (Qiandao) Co., Ltd.	PRC, limited liability company	RMB3,000,000	20%	Vessel engineering and technical support
German Lashing (Nanjing) Co., Ltd.	PRC, Sino-foreign equity joint venture	US$663,000	20%	Manufacture, sale and provision of after-sale service of container software and related products
Shanghai WaiGaoQiao Ocean Trading Develop Co., Ltd.	PRC, limited liability company	RMB1,000,000	50%	International and domestic trade

LIST OF MAJOR PROPERTIES

INVESTMENT PROPERTIES

	Description	Use	Approximate area	Lease term	% of attributable interest to the Group
(1)	19th Floor, Nan Dao Commercial Building, 359-361 Queen's Road Central, Hong Kong	Commercial	Gross floor area 320.51 sq.m.	999 years from 7th February 1852	100
(2)	No. 9 Xhidexihang, Dongcheng District, Beijing, PRC	Commercial	Gross floor area 219.96 sq.m.	From 27th September 2008 to 3 June 2048	100

BUILDINGS

	Description	Use	Approximate area	Lease term	% of attributable interest to the Group
(1)	No. 42, Diwu Main Street, Economic Technology Development Zone, Tianjin, PRC	Industrial	Gross floor area 28,572 sq.m.	From 16th April 2007 to 15th April 2012	63.07
(2)	No. 5589-5689 Hutai Road, Shanghai, PRC	Industrial	Site area 44,159 sq.m.	From 22nd December 1995 to 21st December 2015	63.07
(3)	Economic Zone Gaolan Port, Zhuhai, PRC	Industrial	Site area 67,881.68 sq.m.	From 18th April 2006 to 17th April 2056	64.71

COMPLETED PROPERTIES HELD FOR SALE

	Description	Use	Approximate area	% of attributable interest to the Group
(1)	No. 9 Basement 1, No. 188 Tongzhou Road, Shanghai, PRC	Carparking	26 car parking spaces	100
(2)	Room 201, No. 8 Building, No. 188 Tongzhou Road, Shanghai, PRC	Residential	Gross floor area 228.29 sq.m.	100

FIVE-YEAR FINANCIAL SUMMARY

CONSOLIDATED INCOME STATEMENT

	Year ended 31st December				
	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**2,100,937**	2,309,123	1,866,465	1,457,220	1,379,624
Operating profit	**203,763**	2,135,127	479,927	431,654	343,882
Finance income/(costs) – net	**12,858**	23,939	32,361	(2,007)	(7,127)
Share of results of jointly controlled entities	**46,728**	453,082	164,867	64,888	12,888
Share of result of an associated company	**319,184**	46,719	–	–	–
Profit before income tax	**582,533**	2,658,867	677,155	494,535	349,643
Income tax expense	**(34,268)**	(23,772)	(39,942)	(25,398)	(50,403)
Profit from continuing operations	**548,265**	2,635,095	637,213	469,137	299,240
(Loss)/profit from discontinued/ discontinuing operations	**–**	(2,827)	25,840	56,506	(36,324)
Profit for the year	**548,265**	2,632,268	663,053	525,643	262,916
Profit attributable to:					
Equity holders of the Company	**491,015**	2,572,623	616,589	496,463	219,158
Minority interests	**57,250**	59,645	46,464	29,180	43,758
	548,265	2,632,268	663,053	525,643	262,916

FIVE-YEAR FINANCIAL SUMMARY

CONSOLIDATED BALANCE SHEET

	As at 31st December				
					Restated
	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS					
Non-current assets					
Investment properties	**26,815**	10,717	6,564	32,614	425,100
Intangible assets	**91,323**	79,616	79,616	79,616	62,321
Property, plant and equipment	**123,824**	105,436	80,544	60,030	204,147
Prepaid premium for land leases	**13,194**	16,421	16,609	11,542	568,478
Jointly controlled entities	**130,935**	93,624	1,137,946	305,276	210,454
Associated companies	**4,052,810**	3,628,052	–	5,919	8,365
Available-for-sale financial assets	**38,503**	88,952	57,617	86,806	–
Other investment in a joint venture	**–**	–	–	–	29,580
Investment securities	**–**	–	–	–	43,946
Deferred income tax assets	**40,844**	26,235	–	–	–
	4,518,248	4,049,053	1,378,896	581,803	1,552,391
Current assets	**2,740,817**	2,176,254	2,314,129	2,252,698	1,435,391
Total assets	**7,259,065**	6,225,307	3,693,025	2,834,501	2,987,782
CAPITAL AND RESERVES					
Share capital	**148,967**	147,803	145,052	141,824	141,444
Reserves	**5,396,728**	4,753,943	2,056,248	1,451,360	975,875
Total shareholders' equity	**5,545,695**	4,901,746	2,201,300	1,593,184	1,117,319
Minority interests	**241,373**	217,517	246,700	193,853	188,895
Total equity	**5,787,068**	5,119,263	2,448,000	1,787,037	1,306,214
LIABILITIES					
Non-current liabilities					
Borrowings	**–**	–	–	96,090	865,889
Deferred income tax liabilities	**8,363**	798	85	85	–
	8,363	798	85	96,175	865,889
Current liabilities					
Short-term borrowings	**316,960**	216,816	78,521	10,570	122,619
Other current liabilities	**1,146,674**	888,430	1,166,419	940,719	693,060
	1,463,634	1,105,246	1,244,940	951,289	815,679
Total liabilities	**1,471,997**	1,106,044	1,245,025	1,047,464	1,681,568
Total equity and liabilities	**7,259,065**	6,225,307	3,693,025	2,834,501	2,987,782
Net current assets	**1,277,183**	1,071,008	1,069,189	1,301,409	619,712
Total assets less current liabilities	**5,795,431**	5,120,061	2,448,085	1,883,212	2,172,103

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