



COSCO International Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 0517)

2007 Annual Results

Results Highlights

- Turnover increased by 24% to HK\$2,309,123,000;
- Profit attributable to the equity holders was HK\$2,572,623,000, representing an increase of 317%. Excluding gain on deemed disposal of partial interest in SOLHL and the fair value gains on investment properties of HK\$1,925,468,000 and HK\$4,134,000 respectively, profit attributable to the equity holders was up 93% on the same basis;
- Basic earnings per share increased by 310% to 175.95 HK cents;
- The Board has recommended a final dividend of 3.50 HK cents per share and a special dividend of 1.80 HK cents per share. Together with the interim dividend of 1.00 HK cent, the total dividend for 2007 was 6.30 HK cents, representing a 19% increase;
- Strong growth of imports and exports trade in the PRC has driven the robust development of the global shipping and shipbuilding market. Turnover of shipping services, the core business of the Company and its subsidiaries recorded an increase of 26%;
- In recognition of the business performance and corporate governance practices, the Company was awarded with the prize of “Hong Kong Outstanding Enterprise Parade” presented by *Economic Digest*.

The board of directors (the “Directors” or the “Board”) of COSCO International Holdings Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31st December 2007.

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2007

	<i>Note</i>	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Turnover	3	2,309,123	1,866,465
Cost of sales	6	(1,750,676)	(1,392,649)
Gross profit		558,447	473,816
Gain on deemed disposal of partial interest in a jointly controlled entity	4	1,925,468	279,043
Other income	5	54,020	60,826
Selling, administrative and general expenses	6	(370,945)	(289,649)
Other expenses	6	(31,863)	(44,109)
Operating profit		2,135,127	479,927
Finance income	7	35,762	36,572
Finance costs	7	(11,823)	(4,211)
Finance income – net	7	23,939	32,361
Share of profits of jointly controlled entities		453,082	164,867
Share of profit of an associated company		46,719	–
Profit before income tax		2,658,867	677,155
Income tax expense	8	(23,772)	(39,942)
Profit from continuing operations		2,635,095	637,213
(Loss)/profit from discontinued operations	9(a)	(2,827)	25,840
Profit for the year		2,632,268	663,053
Profit attributable to:			
Equity holders of the Company		2,572,623	616,589
Minority interests		59,645	46,464
		2,632,268	663,053
Dividends	10	93,069	76,836
Earnings per share from continuing operations attributable to the equity holders of the Company during the year			
– basic, HK cents	11(a)	176.14	41.10
– diluted, HK cents	11(b)	169.85	40.05
(Loss)/earnings per share from discontinued operations attributable to the equity holders of the Company during the year			
– basic, HK cents	11(a)	(0.19)	1.80
– diluted, HK cents	11(b)	(0.19)	1.75

CONSOLIDATED BALANCE SHEET
AS AT 31ST DECEMBER 2007

	<i>Note</i>	2007 HK\$'000	2006 HK\$'000
ASSETS			
Non-current assets			
Investment properties		10,717	6,564
Intangible asset		79,616	79,616
Property, plant and equipment		105,436	80,544
Prepaid premium for land leases		16,421	16,609
Jointly controlled entities		93,624	1,137,946
Associated company	<i>4(b)</i>	3,628,052	–
Deferred income tax assets		26,235	–
Available-for-sale financial assets		88,952	57,617
		<hr/> 4,049,053 <hr/>	<hr/> 1,378,896 <hr/>
Current assets			
Completed properties held for sale		20,717	79,687
Properties under development for sale		–	220,674
Inventories		380,083	279,979
Trade and other receivables	<i>12</i>	743,502	723,760
Financial assets at fair value through profit or loss		608	616
Current income tax recoverable		–	1,372
Cash and cash equivalents		1,031,344	862,187
		<hr/> 2,176,254 <hr/>	<hr/> 2,168,275 <hr/>
Assets held for sale	<i>9(c)</i>	–	145,854
		<hr/> 2,176,254 <hr/>	<hr/> 2,314,129 <hr/>
Total assets		<hr/> 6,225,307 <hr/>	<hr/> 3,693,025 <hr/>

	<i>Note</i>	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		147,803	145,052
Reserves		4,675,607	1,993,875
Proposed dividends		78,336	62,373
		<u>4,901,746</u>	<u>2,201,300</u>
Minority interests		<u>217,517</u>	<u>246,700</u>
Total equity		<u>5,119,263</u>	<u>2,448,000</u>
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		<u>798</u>	<u>85</u>
Current liabilities			
Trade and other payables	<i>13</i>	867,240	1,033,331
Current income tax liabilities		21,190	18,684
Short-term borrowings		<u>216,816</u>	<u>78,521</u>
		<u>1,105,246</u>	<u>1,130,536</u>
Liabilities directly associated with assets held for sale	<i>9(c)</i>	<u>–</u>	<u>114,404</u>
		<u>1,105,246</u>	<u>1,244,940</u>
Total liabilities		<u>1,106,044</u>	<u>1,245,025</u>
Total equity and liabilities		<u>6,225,307</u>	<u>3,693,025</u>
Net current assets		<u>1,071,008</u>	<u>1,069,189</u>
Total assets less current liabilities		<u>5,120,061</u>	<u>2,448,085</u>

NOTES

1 Basis of preparation and accounting policies

These financial statements have been prepared in accordance with accounting standards issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong, and the disclosure requirements of the Hong Kong Companies Ordinance and of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (“HKAS”) (collectively “HKFRS”). 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.

2 Changes in accounting policies

Adoption of new HKFRS

In 2007, the Group adopted the following new HKFRS, which are relevant to its operations:

HKAS 1 (Amendment)	Presentation of Financial Statements: Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK (IFRIC)-Int 8	Scope of HKFRS 2
HK (IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK (IFRIC)-Int 10	Interim Financial Reporting and Impairment

The adoption of the above new HKFRS did not result in substantial changes to the Group’s accounting policies and had no material effect on the financial statements except that HKAS 1 (Amendment) and HKFRS 7 require additional disclosures to be made in annual financial statements.

3 Turnover and segment information

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

	2007 <i>HK\$000</i>	2006 <i>HK\$000</i>
Sale of coating products	1,579,923	1,227,719
Sale of spare parts and navigation equipment	351,236	311,765
Ship trading and insurance brokerage commission income	127,112	96,253
Sale of properties	250,376	227,573
Rental income	476	2,618
Building management fee income	–	537
	<u>2,309,123</u>	<u>1,866,465</u>

(a) Primary reporting format – business segments

	Continuing operations				Discontinued operations (note 9(a))
	Shipping services	Property development and property investment	Other operations	Total	
	2007 HK\$'000	2007 HK\$'000	2007 HK\$'000	2007 HK\$'000	2007 HK\$'000
Segment turnover	<u>2,058,271</u>	<u>250,852</u>	<u>-</u>	<u>2,309,123</u>	<u>1,064</u>
Segment results	<u>212,895</u>	<u>14,877</u>	<u>33,665</u>	261,437	3,420
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 profits of jointly controlled entities	27,020	426,062	-	453,082	-
Share of profit 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				<u>2,635,095</u>	<u>(2,827)</u>
The segment results have been arrived at after charging/(crediting) the following:					
Depreciation and amortisation (net)	13,533	138	823	14,494	-
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	<u>34,268</u>	<u>5</u>	<u>1,285</u>	<u>35,558</u>	-

Continuing operations

	Shipping services 2007 HK\$'000	Property development and 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
Deferred income tax assets				26,235
Available-for-sale financial assets	–	–	88,952	88,952
Unallocated assets				<u>414,240</u>
Total assets				<u><u>6,225,307</u></u>
Segment liabilities	1,049,205	23,757	–	1,072,962
Deferred income tax liabilities				798
Current income tax liabilities				21,190
Unallocated liabilities				<u>11,094</u>
Total liabilities				<u><u>1,106,044</u></u>

	Continuing operations				Discontinued operations (note 9(a))
	Shipping services 2006 HK\$'000	Property development and property investment 2006 HK\$'000	Other operations 2006 HK\$'000	Total 2006 HK\$'000	2006 HK\$'000
Segment turnover	<u>1,635,737</u>	<u>230,191</u>	<u>537</u>	<u>1,866,465</u>	<u>12,165</u>
Segment results	<u>168,472</u>	<u>17,361</u>	<u>48,864</u>	234,697	25,494
Gain on deemed disposal of partial interest in a jointly controlled entity	–	279,043	–	279,043	–
Unallocated corporate expenses, net of income				<u>(33,813)</u>	<u>–</u>
Operating profit				479,927	25,494
Finance income				36,572	576
Finance costs				<u>(4,211)</u>	<u>(230)</u>
Finance income – net				32,361	346
Share of profits of jointly controlled entities	12,280	152,587	–	<u>164,867</u>	<u>–</u>
Profit before income tax				677,155	25,840
Income tax expense				<u>(39,942)</u>	<u>–</u>
Profit for the year				<u>637,213</u>	<u>25,840</u>
The segment results have been arrived at after charging/(crediting) the following:					
Depreciation and amortisation (net)	8,240	375	563	9,178	–
Fair value gains on investment properties	–	(4,932)	–	(4,932)	–
Provision for impairment of					
– inventories	6,862	–	–	6,862	–
– trade receivables	7,793	–	–	7,793	–
Write-back of provision for impairment of completed properties held for sale	–	–	–	–	(23,319)
Write-back of provision for claims and foreseeable losses on certain construction contracts	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(3,422)</u>
Capital expenditure	<u>31,643</u>	<u>421</u>	<u>2,740</u>	<u>34,804</u>	<u>–</u>

	Continuing operations			Discontinued operations	
	Shipping services 2006 HK\$'000	Property development and property investment 2006 HK\$'000	Other operations 2006 HK\$'000	Total 2006 HK\$'000	2006 HK\$'000
Segment assets	1,505,992	528,060	4,871	2,038,923	–
Jointly controlled entities	63,149	1,074,797	–	1,137,946	–
Available-for-sale financial assets	–	–	57,617	57,617	–
Assets held for sale (note 9(c))	–	31,800	–	31,800	114,054
Unallocated assets				<u>312,685</u>	<u>–</u>
Total assets				<u><u>3,578,971</u></u>	<u><u>114,054</u></u>
Segment liabilities	846,706	233,991	281	1,080,978	–
Deferred income tax liabilities				85	–
Current income tax liabilities				18,684	–
Liabilities directly associated with assets held for sale (note 9(c))	–	306	–	306	114,098
Unallocated liabilities				<u>30,874</u>	<u>–</u>
Total liabilities				<u><u>1,130,927</u></u>	<u><u>114,098</u></u>

(b) Secondary reporting format – geographical segments

	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	139,111	524,472	1,944
China Mainland	<u>1,850,944</u>	<u>122,326</u>	<u>1,449,732</u>	<u>33,614</u>
	2,309,123	261,437	1,974,204	35,558
Discontinued operations:				
Hong Kong	<u>1,064</u>	<u>3,420</u>	<u>–</u>	<u>–</u>
	<u>2,310,187</u>	264,857	1,974,204	<u>35,558</u>
Gain on deemed disposal of partial interest in a jointly controlled entity		1,925,468		
Unallocated corporate expenses, net of income		<u>(51,778)</u>		
Operating profit		<u>2,138,547</u>		
Jointly controlled entities			93,624	
Associated company			3,628,052	
Deferred income tax assets			26,235	
Available-for-sale financial assets			88,952	
Unallocated assets			<u>414,240</u>	
Total assets			<u>6,225,307</u>	

	Turnover 2006 HK\$'000	Segment results 2006 HK\$'000	Total assets 2006 HK\$'000	Capital expenditure 2006 HK\$'000
Continuing operations:				
Hong Kong	388,448	65,162	467,108	4,334
China Mainland	1,478,017	169,535	1,571,815	30,470
	1,866,465	234,697	2,038,923	34,804
Discontinued operations:				
Hong Kong	12,165	25,494	114,054	–
	<u>1,878,630</u>	260,191	2,152,977	<u>34,804</u>
Gain on deemed disposal of partial interest in a jointly controlled entity		279,043		
Unallocated corporate expenses, net of income		<u>(33,813)</u>		
Operating profit		<u>505,421</u>		
Jointly controlled entities			1,137,946	
Available-for-sale financial assets			57,617	
Assets held for sale			31,800	
Unallocated assets			<u>312,685</u>	
Total assets			<u>3,693,025</u>	

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

- (a) In October 2006, the Group completed the transaction to acquire 20% and 4% equity interests in Sino-Ocean Land Limited (“SOLL”, previously known as Sino-Ocean Real Estate Development Co., Ltd.) from China Ocean Shipping (Group) Company and Tianjin Ocean Shipping Company, a fellow subsidiary, respectively. SOLL is an equity joint venture company incorporated in the People’s Republic of China and is engaged in property development in China Mainland. Upon completion, the Group held a total of 44% equity interests in SOLL. SOLL underwent a group reorganisation in November 2006, pursuant to which the Group exchanged its interests in SOLL for a 44% equity interest in a new holding company, Shine Wind Development Limited (“Shine Wind”), which in turn held a 100% equity interest in SOLL. Subsequent to the reorganisation, certain independent third-party investors subscribed for new shares in Shine Wind (“Subscription”). As a result, the Group’s shareholding interest in Shine Wind was diluted to 30.8% of the enlarged issued capital of Shine Wind. The Subscription resulted in the Group recording a gain on deemed disposal of partial interest in a jointly controlled entity amounting to HK\$279,043,000 in 2006.
- (b) In May 2007, Shine Wind underwent a pre-listing reorganisation pursuant to which, a new holding company, Sino-Ocean Land Holdings Limited (“SOLHL”) acquired all the issued shares of Shine Wind by issuing shares to the then shareholders of Shine Wind, and became the ultimate holding company of Shine Wind. Since then, the Group held the shares in SOLHL instead of Shine Wind. On 28th September 2007, SOLHL was listed on the Main Board of The Stock Exchange of Hong Kong Limited 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 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.

5 Other income

	2007 HK\$'000	2006 HK\$'000
Fair value gains on investment properties	4,134	4,932
Fair value gains on financial assets at fair value through profit or loss	–	266
Gain on disposal of available-for-sale financial assets, including realised investment revaluation reserve of HK\$5,804,000 (2006: HK\$7,735,000)	31,139	41,496
Gain on disposal of subsidiaries	2,887	–
Write-back of provision for urban real estate tax	–	1,988
Write-back of provision for capital gains tax	3,733	–
Write-back of provision for impairment of trade receivables	1,914	–
Write-back of provision for impairment of inventories	778	–
Recovery of bad debts	374	529
Dividend income from listed and unlisted investments		
– available-for-sale financial assets	2,526	8,698
– financial assets at fair value through profit or loss	8	38
Others	6,527	2,879
	<u>54,020</u>	<u>60,826</u>

6 Expenses by nature

	2007 HK\$'000	2006 HK\$'000
Cost of sales		
Cost of inventories sold	1,541,092	1,209,487
Cost of properties sold	209,457	182,435
Direct operating expenses for generating rental income	127	727
	<u>1,750,676</u>	<u>1,392,649</u>
Selling, administrative and general expenses		
Depreciation	7,369	4,786
Amortisation of prepaid premium for land leases	774	459
Operating lease rental expense	10,155	9,018
Employee benefit expenses, including directors' emoluments	113,325	76,196
Auditors' remuneration	3,011	2,412
Others	236,311	196,778
	<u>370,945</u>	<u>289,649</u>
Other expenses		
Fair value loss on financial assets at fair value through profit or loss	8	–
Net exchange loss	13,052	994
Loss on disposal of subsidiaries	31	–
Loss on disposal of property, plant and equipment	223	52
Provision for impairment of completed properties held for sale	11,278	–
Provision for impairment of trade receivables	5,478	7,793
Write-off of bad debts	1,787	582
Provision for impairment of inventories	–	6,862
Write-off of inventories	6	1,424
Provision for land appreciation tax	–	17,864
Provision for capital gains tax	–	8,538
	<u>31,863</u>	<u>44,109</u>

7 Finance income – net

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Interest income from bank deposits	34,141	36,572
Interest income from a jointly controlled entity	1,621	–
	<u>35,762</u>	<u>36,572</u>
Interest expenses on bank and other loans wholly repayable within five years	(10,210)	(6,035)
Other finance costs	(1,613)	(1,598)
	<u>(11,823)</u>	<u>(7,633)</u>
Total finance costs incurred	(11,823)	(7,633)
Capitalised in properties under development for sale	–	3,422
	<u>(11,823)</u>	<u>(4,211)</u>
Finance income – net	<u>23,939</u>	<u>32,361</u>

8 Income tax expense

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

China Mainland taxation has been calculated on the estimated assessable profit derived from the Group's operations in China Mainland for the year at the rates of taxation prevailing in China Mainland.

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Current income tax		
– Hong Kong profits tax	16,876	13,010
– China Mainland taxation	33,962	27,618
– Over-provision for Hong Kong profits tax in prior years	(1,546)	(686)
Deferred income tax charge	713	–
Deferred income tax credit	(26,233)	–
	<u>23,772</u>	<u>39,942</u>
Tax expense	<u>23,772</u>	<u>39,942</u>

9 Discontinued operations and assets held for sale

- (a) 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 and for the year ended 31st December 2006 are as follows:

	1st January 2007 to 15th March 2007 HK\$'000	2006 HK\$'000
Turnover		
Building construction	904	11,237
Rental income	160	646
Sale of completed properties	—	282
	1,064	12,165
Cost of completed properties sold	—	(90)
Other operating costs	(1,088)	(12,119)
Gross loss	(24)	(44)
Other income		
Write-back of provision for claims and foreseeable losses on certain construction contracts	1,627	3,422
Write-back of provision for impairment of completed properties held for sale	—	23,319
Claims received	2,807	—
Gain on disposal of property, plant and equipment – net	—	136
Gain on disposal of assets held for sale	—	3,678
Others	25	2,062
	4,459	32,617
Administrative and general expenses	(1,015)	(7,079)
Operating profit	3,420	25,494
Finance income	190	576
Finance costs	(3)	(230)
Finance income – net	187	346
Profit for the period/year	3,607	25,840
Net cash (used in)/generated from operating activities	(6,300)	7,362
Net cash from investing activities	190	28,569
Net cash used in financing activities	(3)	(230)
Total net cash (used in)/from discontinued operations	(6,113)	35,701

(Loss)/profit from discontinued operations is presented separately in the income statement and is analysed as follows:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Profit for the period/year from CICL Group	3,607	25,840
Loss on disposal of CICL Group	(6,434)	—
(Loss)/profit from discontinued operations	<u>(2,827)</u>	<u>25,840</u>

The assets and liabilities of CICL Group were classified as a disposal group held for sale and presented separately in the consolidated balance sheet as at 31st December 2006 as follows:

	2006 <i>HK\$'000</i>
Assets held for sale:	
Associated companies	5,915
Completed properties held for sale	34,400
Gross amounts due from customers for contract work	79
Trade receivables	9,085
Retention receivables	22,293
Deposits, prepayments and other receivables	3,637
Cash and cash equivalents	<u>38,645</u>
	<u>114,054</u>
Liabilities directly associated with assets held for sale:	
Gross amounts due to customers for contract work	69,124
Trade payables	11,625
Retention payables	23,521
Accrued liabilities and other payables	4,126
Amounts due to associated companies	<u>5,702</u>
	<u>114,098</u>

- (b) On 29th December 2006, the Group entered into an agreement with an independent third party to dispose of the entire issued share capital of, and the shareholder's loan to, Wellbase Holdings Limited ("Wellbase"), a wholly-owned subsidiary at a consideration of HK\$31,200,000, subject to adjustment. The disposal was completed in January 2007. The assets and liabilities of Wellbase were classified as a disposal group held for sale and presented separately in the consolidated balance sheet as at 31st December 2006 as follows:

	2006 HK\$'000
Assets held for sale:	
Investment properties	30,997
Property, plant and equipment	673
Trade receivables	17
Deposits, prepayments and other receivables	94
Cash and cash equivalents	19
	<u>31,800</u>
Liabilities directly associated with assets held for sale:	
Accrued liabilities and other payables	<u>306</u>

- (c) At 31st December 2006, assets held for sale and liabilities directly associated with assets held for sale are made up as follows:

	2006 HK\$'000
Assets held for sale:	
CICL Group (note 9(a))	114,054
Wellbase (note 9(b))	31,800
	<u>145,854</u>
Liabilities directly associated with assets held for sale:	
CICL Group (note 9(a))	114,098
Wellbase (note 9(b))	306
	<u>114,404</u>

10 Dividends

	2007 HK\$'000	2006 HK\$'000
Interim dividend paid of HK\$0.01 (2006: HK\$0.01) per ordinary share	14,733	14,463
Final dividend proposed of HK\$0.035 (2006: HK\$0.043) per ordinary share	51,731	62,373
Special dividend proposed of HK\$0.018 (2006: nil) per ordinary share	26,605	–
	<u>93,069</u>	<u>76,836</u>

11 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.

	2007	2006
Profit/(loss) attributable to the equity holders of the Company		
– from continuing operations	HK\$2,575,450,000	HK\$590,749,000
– from discontinued operations	(HK\$2,827,000)	HK\$25,840,000
Weighted average number of ordinary shares in issue	1,462,165,609	1,437,184,579
Basic earnings/(loss) per share		
– from continuing operations	176.14 HK cents	41.10 HK cents
– from discontinued operations	(0.19 HK cent)	1.80 HK cents

- (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.

	2007	2006
Profit/(loss) attributable to the equity holders of the Company		
– from continuing operations	HK\$2,575,450,000	HK\$590,749,000
– from discontinued operations	(HK\$2,827,000)	HK\$25,840,000
Weighted average number of ordinary shares in issue	1,462,165,609	1,437,184,579
Adjustments for assumed issuance of shares on exercise of share options	54,159,426	37,704,911
Weighted average number of ordinary shares for diluted earnings per share	1,516,325,035	1,474,889,490
Diluted earnings/(loss) per share		
– from continuing operations	169.85 HK cents	40.05 HK cents
– from discontinued operations	(0.19 HK cent)	1.75 HK cents

12 Trade and other receivables

As at 31st December 2007, trade and other receivables included trade receivables amounting to HK\$683,685,000 (2006: HK\$623,343,000).

As at 31st December 2007, the ageing analysis of trade receivables after provision is as follows:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Current – 90 days	339,801	321,161
91 – 180 days	245,286	261,574
Over 180 days	98,598	40,608
	683,685	623,343

For sale of coating products, spare parts and navigation equipment, 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.

13 Trade and other payables

As at 31st December 2007, trade and other payables included trade payables amounting to HK\$389,107,000 (2006: HK\$402,062,000).

As at 31st December 2007, the ageing analysis of trade payables is as follows:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Current – 90 days	325,337	305,448
91 – 180 days	50,284	80,668
Over 180 days	13,486	15,946
	389,107	402,062

FINANCIAL REVIEW

Overall Results Analysis

The Company and its subsidiaries' profit attributable to the equity holders was HK\$2,572,623,000, representing an increase of 317% as compared to HK\$616,589,000 in 2006.

The significant increase in the Company and its subsidiaries' profit attributable to the equity holders was due to a substantial gain on deemed disposal of partial interest in Sino-Ocean Land Holdings Limited ("SOLHL") of HK\$1,925,468,000 (2006: a deemed disposal gain of HK\$279,043,000 was recognised as a result of subscription of new shares in Shine Wind Development Limited ("Shine Wind"), a former jointly controlled entity of the Company, by certain independent third party investors) arising on the initial public offering ("IPO") of its shares and listing on the Main Board of The Stock Exchange of Hong Kong Limited ("SEHK"). Excluding this factor and the fair value gains on investment properties of HK\$4,134,000 (2006: HK\$4,932,000), profit attributable to the equity holders reached HK\$643,021,000, still representing an encouraging increase of 93% as compared to HK\$332,614,000 in 2006 on the same basis.

During the year, the Company successfully divested of its non-core investments, namely: entire interests in COSCO International Construction Limited ("CICL") and in Shanghai Kingswell Garden and the 51% interests in Shenyang COSCO Yihe Garden pursuant to the Company's strategic plan to optimise its capital structure and to focus on the development and expansion of shipping services as its core business.

On earnings per share performance, basic earnings per share increased from 42.90 HK cents in 2006 to 175.95 HK cents in 2007. The basic earnings per share from continuing operations rose from 41.10 HK cents in 2006 to 176.14 HK cents in 2007 while the basic earnings per share from discontinued operations fell from 1.80 HK cents in 2006 to a loss of 0.19 HK cents in 2007.

Financial Analysis

Turnover

Aggregate turnover for 2007 reached HK\$2,309,123,000, representing a 24% increase from HK\$1,866,465,000 in 2006. Turnover derived from the shipping services was HK\$2,058,271,000 in 2007 (2006: HK\$1,635,737,000), representing 89% (2006: 88%) of the total turnover. During the year, the Company and its subsidiaries' core business in shipping services recorded considerable growth in turnover of 26% and such growth was attributable to the continuous robust growth in the import and export trade of the People's Republic of China ("PRC"), thriving worldwide shipping markets as well as management's ability to reap from these market opportunities. Despite the divestment of the Company's interests in Shenyang COSCO Yihe Garden and Shanghai Kingswell Garden during the year, the segment of property development and property investment still recorded a 9% growth in turnover.

Gross profit and gross profit margins

In 2007, gross profit of the Company and its subsidiaries was HK\$558,447,000, representing an increase of 18% as compared to HK\$473,816,000 in 2006. Despite the gradual rising cost pressure in Hong Kong and China Mainland, the Company and its subsidiaries had been able to maintain a stable gross profit margin as compared to that of 2006 through enhancing its overall operational efficiency.

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

As a result of the IPO and listing of SOLHL on the SEHK in September 2007 which diluted the Company's shareholding percentage in SOLHL from 30.8% to 20.44%, the Company recorded a substantial gain on deemed disposal of partial interest in SOLHL of HK\$1,925,468,000. In 2006, a deemed disposal gain of HK\$279,043,000 was recognised as a result of subscription of new shares in Shine Wind.

Other income

In 2007, the Company and its subsidiaries recorded other income of HK\$54,020,000, representing a decrease of 11% as compared to HK\$60,826,000 in 2006. Other income included gain on disposal of available-for-sale financial assets of HK\$31,139,000, fair value gains on investment properties of HK\$4,134,000 and gain on the disposal of 100% interests in Success Gate Investments Limited ("Success Gate") (which held 51% interest in Shenyang COSCO Yihe Property Development Co., Ltd. ("Shenyang COSCO Yihe")) of HK\$2,887,000.

Selling, administrative, general and other expenses

During the year, selling, administrative, general and other expenses amounted to HK\$402,808,000 (2006: HK\$333,758,000). Increases were mainly attributable to share option expenses of HK\$17,419,000 recognised in relation to the employee share options granted in March 2007, additional administrative expenses of HK\$9,781,000 incurred for the establishment and operation of the newly commenced coating plant in Zhuhai, the PRC. Excluding the above, selling, administrative, general and other expenses increased by 13% as compared to 2006 and was mainly driven by the increased turnover.

Finance income – net

The Company and its subsidiaries had sufficient cash reserve and had committed to maximising capital returns through cautious investment approach. During the year, interest income was HK\$35,762,000, slightly down by 2% as compared to HK\$36,572,000 in 2006. During the year, the Company and its subsidiaries recorded finance costs of HK\$11,823,000, representing an increase of 181% as compared to HK\$4,211,000 in 2006. The increase in finance costs mainly reflected an increase in the level of borrowing rates for subsidiary companies and increase in short-term borrowings caused by the expanded business volume.

Share of profits of an associated company and jointly controlled entities

Net profit contributions from SOLHL, and other jointly controlled entities amounted to HK\$472,781,000 and HK\$27,020,000 respectively, representing increases of 210% and 120% respectively as compared to 2006. Such significant increases were mainly attributable to the fast growing profit contributions from SOLHL and Jotun COSCO Marine Coatings (HK) Limited (“Jotun COSCO HK”).

Income tax expense

Aggregate income tax expense decreased to HK\$23,772,000 for the year from the level of HK\$39,942,000 in 2006. Such decrease was mainly attributed to deferred tax credits recognised in response to the increase in deferred tax assets which were generated by the increase in corporate income tax rate for foreign invested enterprises in China Mainland and timing differences arising from certain expenses accrued by our PRC subsidiaries.

Profit attributable to the equity holders

Profit attributable to the equity holders amounted to HK\$2,572,623,000, representing an increase of 317% as compared to HK\$616,589,000 in 2006. Included therein was a loss of HK\$2,827,000 (2006: a gain of HK\$25,840,000) from discontinued operations.

FINANCIAL POSITION

Cash Flows

In 2007, the Company and its subsidiaries utilised bank and other loans of HK\$216,816,000 (2006: HK\$78,521,000) and repaid loans of HK\$78,521,000 (2006: HK\$106,660,000). Proceeds from disposals of available-for-sale financial asset and share interests in subsidiary and issuance of new shares resulting from the exercise of options amounted to HK\$131,345,000 (2006: HK\$78,724,000) and HK\$23,585,000 respectively (2006: HK\$26,545,000).

Financing and Standby Facilities

As of 31st December 2007, cash in hand and committed yet unutilised standby facilities of the Company and its subsidiaries were HK\$1,031,344,000 (2006: HK\$862,187,000) and HK\$258,208,000 (2006: HK\$148,781,000) respectively. Cash and cash equivalents held by the Company and its subsidiaries accounted for 47% (2006: 37%) of the current assets of the Company and its subsidiaries.

The Company and its subsidiaries 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 of the Company and its subsidiaries.

Assets and Liabilities

As of 31st December 2007, total assets amounted to HK\$6,225,307,000 (2006: HK\$3,693,025,000). Total liabilities amounted to HK\$1,106,044,000 (2006: HK\$1,245,025,000). Gearing ratio, which represents total borrowings over total assets, was 3% (2006: 2%).

Net assets value was HK\$4,901,746,000. The increase mainly represented retained earnings, exchange difference, fair value gains on available-for-sale financial assets and the value of new shares issued upon the exercise of options. Net assets value per share was HK\$3.32 (2006: HK\$1.52), up 118% over the end of 2006.

The Company and its subsidiaries made net drawdown of bank loans and other loans amounting to HK\$138,295,000 (2006: net repayment of bank loans and other loans amounting to HK\$28,139,000). As of 31st December 2007, total banking facilities available to the Company and its subsidiaries amounted to HK\$475,024,000 (2006: HK\$270,302,000), of which HK\$216,816,000 (2006: HK\$121,521,000) was utilised. As of 31st December 2007, the Company and its subsidiaries did not pledge any assets to banks as security for bank loans (2006: nil). In addition, the Company and its subsidiaries had restricted bank deposits of HK\$8,006,000 (2006: HK\$2,191,000).

The Company and its subsidiaries, therefore, have sufficient financial resources to meet the capital commitments and working capital requirements for future development of its existing business portfolio.

Debt Analysis

	31st December 2007		31st December 2006	
	HK\$'000	%	HK\$'000	%
Classified by maturity:				
– repayable within the 1st year	<u>216,816</u>	<u>100</u>	<u>78,521</u>	<u>100</u>
Classified by type of loan:				
– unsecured	<u>216,816</u>	<u>100</u>	<u>78,521</u>	<u>100</u>
Classified by currency:				
– Renminbi	69,384	32	15,931	20
– United States dollars	<u>147,432</u>	<u>68</u>	<u>62,590</u>	<u>80</u>
	<u>216,816</u>	<u>100</u>	<u>78,521</u>	<u>100</u>

Treasury Policy

The Company and its subsidiaries managed its foreign exchange exposure by conducting borrowings as far as possible in currencies that match functional currencies of the Company and its subsidiaries used for transacting major cash receipts and underlying assets of the Company and its subsidiaries.

At 31st December 2007, borrowings of the Company and its subsidiaries carried interest at rates calculated with reference to the Hong Kong Interbank Offered Rate and the benchmark interest rates announced by the People's Bank of China. The Company and its subsidiaries will consider using forward foreign exchange contracts to hedge its foreign currency exposure should the need arise.

Major Customers and Suppliers

For the year ended 31st December 2007, aggregate sales to the five largest customers accounted for less than 30% (2006: less than 30%) of total turnover for the Company and its subsidiaries, while aggregate purchases from the five largest suppliers accounted for less than 30% (2006: less than 30%) of the total cost of sales for the Company and its subsidiaries.

Employees

As of 31st December 2007, excluding associated company and jointly controlled entities, the Company and its subsidiaries had 610 (2006: 573) employees, of which 104 (2006: 110) are Hong Kong employees. The total number of employees increased by 6% as compared to 573 in 2006. This is mainly attributed to the continuous development of production and sales of coatings by 中遠關西塗料化工（珠海）有限公司 (COSCO Kansai Paint & Chemicals (Zhuhai) Co., Ltd.) ("COSCO Kansai (Zhuhai)", formerly known as 珠海中遠關西塗料化工有限公司 (Zhuhai COSCO Kansai Paint & Chemicals Co., Ltd.)) and the commencement of production of the new coating plant in Zhuhai.

For the year ended 31st December 2007, total staff cost, including directors' emoluments and provident funds, was HK\$132,841,000 (2006: HK\$92,991,000). 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 of the Company (excluding independent non-executive directors) and certain employees of the Company and its subsidiaries 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 of the Company (excluding independent non-executive directors) and certain employees of the Company and its subsidiaries 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 of the Company (excluding independent non-executive directors) and certain employees of the Company, its subsidiaries and associated companies 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.

FINAL AND SPECIAL DIVIDENDS

The Board recommended the payment of a final dividend of 3.50 HK cents per share (2006: 4.30 HK cents) and a special dividend of 1.80 HK cents per share (2006: nil) for the year ended 31st December 2007. The proposed final and special dividends, together with the interim dividend of 1.00 HK cent, gives a total dividend of 6.30 HK cents per share (2006: 5.30 HK cents) for the whole year of 2007.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 21st May 2008 to 23rd May 2008, both days inclusive, during which period no transfer of shares will be effected. To qualify for the proposed final and special dividends, 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 20th May 2008.

It is expected that the relevant dividends will be payable to those entitled on or about 11th June 2008 subject to the shareholders' approval in the annual general meeting of the Company to be held on 23rd May 2008.

BUSINESS REVIEW

During the year, the Company has been continuously implementing its strategic development initiative by positioning its core business in shipping services. The Company has divested its non-core businesses and speeded up the pace in restructuring its businesses. During the year, the Company disposed of its 100% interests in Wellbase Holdings Limited ("Wellbase") which held 100% interests in Shanghai Kingswell Garden, its 100% interests in CICL which held 100% interests in Shun Shing Construction & Engineering Company, Limited and its 100% interests in Success Gate which held 51% interests in Shenyang COSCO Yihe. After the divestment of its non-core businesses, the Company commits to its core businesses in terms of operations, resources and working capital for future development. The formation of COSCO Kansai (Zhuhai) and the commencement of production of the new coating plant in the second half of 2007 further strengthened the competitiveness of the Company's coatings business. The commencement of operation of 深圳中遠保險經紀有限公司 (Shenzhen COSCO Insurance Brokers Limited) ("SZ COSCO Insurance Brokers") provided a platform for the Company to develop an insurance brokerage business in China Mainland. The acquisition of 中遠(北京)海上電子設備有限公司 (COSCO (Beijing) Marine Electronic Equipment Limited) ("COSCO (Beijing) Marine Electronic") in late 2007 further reinforced the business of supplying communications and navigation equipment and marine equipment in China Mainland. All of the above mentioned events have further consolidated the Company's positioning in shipping services and facilitated stable growth of the Company. In addition, the successful listing of shares of SOLHL, an associated company of the Company, on the SEHK on 28th September 2007 contributed significantly in terms of profit and asset value to the Company.

CORE BUSINESS

1. Shipping Services

In 2007, turnover and profits from shipping services of the Company and its subsidiaries showed a steady growth. For the year ended 31st December 2007, turnover of shipping services was HK\$2,058,271,000, representing an increase of 26% as compared with HK\$1,635,737,000 in 2006. This accounted for 89% (2006: 88%) of the total turnover of the Company and its subsidiaries. Segment result was HK\$212,895,000, representing an increase of 26% compared with HK\$168,472,000 in 2006.

In 2007, the global economy recorded a steady growth and the global shipping market continued to grow rapidly. According to statistics from General Administration of Customs of the PRC, China imports and exports trade in 2007 amounted to US\$2,173.8 billion (2006: US\$1,760.6 billion), representing an increase of 23.5% as compared with 2006. Aggregated exports increased by 25.7% and aggregated imports increased by 20.8% as compared with 2006. Trade surplus amounted to US\$262.2 billion, up 47.8% over 2006. China's economy has continued to expand during the year, with robust growth in imports and exports trade served to boost the development of shipping markets. In addition, according to the statistics from Clarkson Research Services Limited, the PRC ranks as one of the three largest shipbuilding countries in the world. China achieved the historical high records in terms of the new built orders and the contracts on hand during 2007. With thriving shipping markets and record high new built ship orders, together with the demand for shipping services of the fleet of 中國遠洋運輸(集團)總公司 (China Ocean Shipping (Group) Company) ("COSCO") and its subsidiaries ("COSCO Group"), such has provided many business opportunities for the Company and its subsidiaries.

1.1 Ship trading agency services

COSCO International Ship Trading Company Limited ("COSCO Ship Trading"), a non wholly-owned subsidiary of the Company, mainly provides exclusive agency services relating to shipbuilding, 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 was paid commissions by shipbuilders according to shipbuilding progress as stipulated in the contracts. As for second-hand vessels, trading commissions were paid according to the contracts after the vendors had delivered vessels to buyers.

During the year, COSCO Ship Trading took full advantage of opportunities arising from thriving of shipbuilding industry during 2007 and the support of COSCO, it achieved the highest records in relation to the transactions consummated for sale and purchase of new vessels. COSCO Ship Trading consummated transactions for the sale and purchase of 107 vessels (2006: 84 vessels), amounting to a total of 6,670,000 dead weight tonnages (2006: 6,140,000 dead weight tonnages). COSCO Ship Trading has been well positioned to secure part of its ship trading commission income for this year through the contracts executed during the preceding years. As a result, COSCO Ship Trading's turnover marked a significant increase to reach HK\$73,821,000 (2006: HK\$53,248,000), representing an increase of 39% year on year.

The shipping industry has experienced a revival in recent years, with an increase in the number of orders for new vessels and bookings for large-scale shipbuilders scheduled beyond 2011. Moreover, the costs and prices of new vessels remain at a high level because of the stringent new international regulations on vessel performance, the soaring cost of shipbuilding materials and marine equipment, and the volatile currency rates in foreign exchange markets. The shipbuilding market is expected to continue to be led by sellers in 2008, with vessel prices remaining high in general. Though the slow down of economy in the United States would pose negative impacts on bankers and financial institutions, which may affect the capital finance for shipbuilding industry, it will have little impact on those new vessels scheduled to be delivered in 2008 and thus the total shipping capacity is expected to increase in 2008. The characteristic of long queue for new ships to be delivered has prompted an increase in the demand for second-hand vessels, which has resulted in a surge in vessel prices.

In response to this market environment, COSCO Ship Trading will capitalise on the business opportunities driven by the expansion of COSCO Group's fleet and the implementation of ship buying and building plans for each COSCO Group shipping company. In addition, COSCO Ship Trading will continue to explore the provision of ship trading agency services for non-COSCO Group customers in order to attain higher operating efficiency.

1.2 Marine insurance brokerage services

COSCO (Hong Kong) Insurance Brokers Limited ("HK COSCO Insurance Brokers"), a wholly-owned subsidiary of the Company, has Lloyd's broker accreditation and mainly operates intermediary businesses in relation to marine insurance and shipowner's liability insurance. In addition, SZ COSCO Insurance Brokers, a non wholly-owned subsidiary of the Company, also launched its insurance brokerage services in China Mainland. During the year, the turnover contributed by the marine insurance brokerage services of HK COSCO Insurance Brokers and SZ COSCO Insurance Brokers (collectively called "COSCO Insurance Brokers") totaled HK\$53,291,000 (2006: HK\$43,005,000), representing an increase of 24% compared with that of 2006. This is mainly attributed to the growth trend of the shipping market and the higher insured sum arising from the increase in the price of vessels.

As the insurance brokerage market in China Mainland has gradually opened up to foreign competitors, there will be keen competition among the players. International insurance companies have been establishing their branches in China Mainland and certain large-scale shipping companies also established their own insurance brokerage businesses. Facing keen competition, COSCO Insurance Brokers will actively develop the hull mutual insurance for registered vessels in China Mainland and expand their marine insurance brokerage services by taking the opportunities arising from COSCO Group fleet in 2008. In addition to providing existing insurance brokerage services, COSCO Insurance Brokers also explore new brokerage services in order to strengthen the market competitiveness. Furthermore, COSCO Insurance Brokers will put more efforts in developing insurance brokerage businesses among potential local shipping companies.

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

Yuantong Marine Service Co. Limited (“Yuantong”), a wholly-owned subsidiary of the Company, is engaged principally in the sales and installation of marine equipment and spare parts for existing and new vessels, as well as oil drilling projects at sea, communications systems, shore-based AIS systems, vessel traffic management systems and information management systems for land users. Yuantong’s turnover during the year was HK\$351,236,000, an increase of 13% as compared with HK\$311,765,000 in 2006. This is mainly attributable to the increase in the new vessels business and increased orders for spare parts, communications and navigation equipment.

Although rapid development of the shipbuilding industry in China Mainland has boosted demand for marine ancillary equipment, keen competition among the distributors arises. In addition, certain large-scale shipping companies have commenced to establish their own internal distribution department (including the supply of marine equipment) which will expedite fierce competition in the market. Yuantong will forge closer relations with suppliers. In particular, Yuantong will establish alliances with large suppliers and enhance communications, networks, promotion and ancillary services, while improving communications with customers, raising operational efficiency, following up orders and responding to the demand for logistics support and information. In addition, Yuantong will seek to increase product sales volumes and enhance profitability by way of acquisitions, alliances, co-operation agreements and establishing and managing cost-efficient sales networks. Following the acquisition of COSCO (Beijing) Marine Electronic in late 2007, Yuantong can integrate its businesses and gradually develop its network.

1.4 Production and sales of coatings

COSCO Kansai Paint & Chemicals (Tianjin) Co., Ltd. (“COSCO Kansai (Tianjin)”, formerly known as Tianjin COSCO Kansai Paint & Chemicals Co., Ltd.), COSCO Kansai Paint & Chemicals (Shanghai) Co., Ltd. (“COSCO Kansai (Shanghai)”, formerly known as Shanghai COSCO Kansai Paint & Chemicals Co., Ltd.) and COSCO Kansai (Zhuhai), (collectively called “COSCO Kansai Companies”) are mainly engaged in the production and sales of container coatings and industrial heavy-duty anti-corrosion coatings. The Company, together with Norwegian international coatings manufacturer Jotun A/S, formed a 50/50 joint venture, Jotun COSCO Marine Coatings (HK) Limited (“Jotun COSCO HK”), which is mainly responsible for production and sales of marine coatings. During the year, the production and sales of coating products segment recorded a turnover of HK\$1,579,923,000 (2006: HK\$1,227,719,000), representing an increase of 29% as compared with that of 2006, which was attributable to the increase in sales volume during the year.

1.4.1 Container coatings

During the year, container coatings sales of COSCO Kansai Companies maintained double digit growth when compared to 2006. This was mainly attributable to the stimulation of sales by giving more discounts to key customers and the increase in sales turnover by rising the selling prices of the product. Total sales volume in 2007 was 63,985 tonnes, representing an increase of 15% as compared to 55,565 tonnes in 2006. COSCO Kansai Companies have been ranked among the best in the container coatings market of China Mainland.

Following the setup of joint venture, COSCO Kansai (Zhuhai) and the new plant in Zhuhai commenced production in the second half of 2007, annual coatings production capacity of the three plants located in Zhuhai, Shanghai and Tianjin owned by COSCO Kansai Companies has been expanded to 100,000 tonnes. The plants are strategically located in three of the areas with the highest economic potential in China Mainland, namely the Pearl River Delta, the Yangtze River Delta and the Pan-Bohai Rim Area, which will facilitate provision of speedy and efficient services to customers of these regions.

Despite the slow down of economy in the United States, the global economy and trade volumes in 2008 remain stable. The growth pace of container shipping capacity is expected to slow down and the global demand for new containers in 2008 is expected to be stable. COSCO Kansai Companies will continue to maintain close relationship with their key customers to secure orders, build a stronger reputation and greater brand awareness in the container manufacturing industry and strive for greater container coatings market share in the PRC. To react the rising cost of raw material and the tax refund policy of the PRC, COSCO Kansai Companies will adjust their operational models, explore substitute of imported raw materials with local materials, strengthen budget management and implement stringent control on the operating cost in order to increase in business profitability.

1.4.2 Marine coatings

Jotun COSCO HK is engaged principally 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 29,440,000 litres (equivalent to 38,272 tonnes), representing a significant increase of 48% compared with 19,945,000 litres (equivalent to 25,929 tonnes) in 2006. Growth in turnover was mainly attributable to the prosperous China shipbuilding and ship repairing markets, the recognition by the customers and the implementation of the measure on the developing of new business during the year.

Whilst the demand for marine coating products in China Mainland is estimated to grow at a steady pace, the cost of raw materials keeps soaring. In response to the rise in the cost of raw material, Jotun COSCO HK will enter into sales contracts of coatings for new vessel with Renminbi instead of United States Dollar in order to minimise the effect of the change in tax refund policy and appreciation of Renmibi, implement stringent control on the operating cost, broaden the business with higher gross profit and promote the high quality energy saving coating products to the shipowners in order to meet shipowners' energy saving requirement and step on the healthy development path.

1.4.3 Industrial heavy-duty anti-corrosion coatings

During the year, sales of industrial heavy-duty anti-corrosion coatings from COSCO Kansai Companies recorded a double digit growth compared with that in 2006. Sales volume amounted to 9,164 tonnes, representing an increase of 31% compared with 6,991 tonnes in 2006. This was mainly due to the increase in the sales volume and the increase in selling price.

Industrial heavy-duty anti-corrosion coatings produced by COSCO Kansai Companies are used mainly in fast-growing industries including nuclear stations, ports, electricity, oil, petrochemical, transportation and municipal government infrastructure. As a result, there is enormous market potential for industrial heavy-duty anti-corrosion coatings. COSCO Kansai Companies will capitalize the opportunities by developing coatings for trailers, monitoring China oil reserve base construction projects and expanding its share of the nuclear power plants market. It will also seize the advantage of the rapid development in the Pan-Bohai Rim Area in order to seek more municipal government infrastructure coating projects and canvass business with oil and port machinery companies. COSCO Kansai Companies will also seek the business opportunities arising from the coming 2010 Shanghai World Expo regarding the demand for the accessories in relation to industrial heavy-duty anti-corrosion coatings.

2. Property Development and Property Investment

In 2007, the turnover of property development and property investment division increased by 9% to HK\$250,852,000 (2006: HK\$230,191,000), accounting for 11% of the total turnover of the Company and its subsidiaries. Comparing with 2006, segment results decreased by 14% to HK\$14,877,000 (2006: HK\$17,361,000) which was mainly due to decrease of rental income from Shanghai Kingswell Garden after its disposal in January 2007.

2.1 *Shanghai Fragrant Garden*

The residential portion of Fragrant Garden, the Company's property development in Shanghai, has been sold and handed over. As of 31st December 2007, a total of 1,841 square metres of retail shops and 193 carparking spaces remained unsold. As the project is close to final stage, Shanghai COSCO Honour Property Development Limited has commenced voluntary liquidation. The Company will adopt a flexible marketing strategy and endeavour to sell the remaining properties before the completion of liquidation.

2.2 *Shenyang COSCO Yihe Garden*

Shenyang COSCO Yihe, which was 51% indirectly owned by the Company through its wholly-owned subsidiary, Top Elegant Investments Limited ("Top Elegant"), owned Shenyang COSCO Yihe Garden, a residential project. On 24th August 2007, Top Elegant entered into a conditional sale and purchase agreement with an independent third party whereby Top Elegant agreed to sell all its equity interest in and shareholder's loan to Success Gate at a consideration of RMB55,667,000 (equivalent to HK\$57,521,000). The transaction was approved by the independent shareholders of the Company on 4th October 2007 and was completed in November 2007.

2.3 *Shanghai Kingswell Garden*

On 29th December 2006, a wholly-owned subsidiary of the Company, Sound Mood Assets Limited (as vendor) (“Sound Mood”) and an independent third party entered into an equity interest transfer agreement whereby Sound Mood agreed to sell all its equity interest in and shareholder’s loan to Wellbase for a consideration of HK\$31,200,000, subject to adjustment. Wellbase’s principal asset is the holding of Block 5 of Kingswell Garden, a hotel-style serviced apartment complex in Shanghai. The transaction was completed in January 2007.

3. Investment in an Associated Company

Sino-Ocean Land Holdings Limited

The Company’s 44% interest in Sino-Ocean Land Limited (“SOLL”, formerly known as Sino Ocean Real Estate Development Co., Ltd.) was swapped for 44% equity interest in Shine Wind at the end of 2006. Subsequently, upon the subscription of shares in Shine Wind by certain independent third party investors, the equity interest in Shine Wind owned by the Company was diluted to 30.8% of the enlarged issued share capital of Shine Wind. In the first half year of 2007, the Company’s 30.8% interest in Shine Wind was then swapped for equity interest in SOLHL which in turn holds 100% interest in SOLL.

SOLL is a well known property developer in China Mainland and it develops medium to high-end residential properties and premium grade office buildings, retail properties, services apartments and hotels. SOLL also explores property development markets in the Pearl River Delta, the Yangtzi River Delta and the Pan-Bohai Rim Area. The Company’s share of profit from SOLHL amounted to HK\$472,781,000 (2006: HK\$152,587,000). Such increase was mainly due to an increase in net profit of SOLHL in 2007. On 28th September 2007, SOLHL was listed on the SEHK. The Company currently holds 20.72% of interest in SOLHL.

4. Other Businesses

To accelerate the divestment of non-core businesses of the Company, COSCO (B.V.I.) Holdings Limited (“COSCO BVI”), an indirect wholly-owned subsidiary of the Company entered into a conditional sale and purchase agreement with a connected person on 5th February 2007, pursuant to which COSCO BVI agreed to sell all its equity interest in and shareholder’s loan to CICL at a total consideration of HK\$2. CICL holds 100% interest in Shun Shing Construction and Engineering Company, Limited. The transaction was approved by independent shareholders of the Company on 15th March 2007 and was completed in March 2007.

PROSPECTS

The Company had attained significant achievements in restructuring its core businesses and will continue to explore new opportunities with the view to strive for better business performance. The Company is now ready for taking up new business challenge and expects to have material development. Despite the slow down in the growth of the global economy and the subprime issue of the United States affecting the world economy, the shipping industry will nevertheless reap the benefit of the strong domestic demand in China Mainland. It is expected that the shipping market condition in 2008 will remain stable and there will be stable demand of shipping services. In relation to the forecast of our core business, the Company believes that the Company will confront challenge due to the slow down in the growth of global economy. Capitalising on the steady development of shipping industry and on the opportunities brought forth by the Central Governments' initiative to develop the shipbuilding and equipment manufacturing industry regarding shipping services, the Company will continue to focus on sustaining continued growth of the Company. COSCO, being one of the largest shipowners in the world and COSCO (Hong Kong) Group Limited are supportive to the Company, as evidenced by injecting shipping services related businesses and assets into the Company. In the future, the Company will take pro-active approach to identify new investment opportunities, capitalise on synergies among various business operations, explore business opportunities for both COSCO Group and non-COSCO Group companies in order to extend our services network and enhance our competitiveness in the shipping services market. The Company aims to build a strong reputation and outstanding brand awareness in shipping services industry and become a specialized and unique global leading shipping services provider.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The financial figures in respect of the preliminary announcement of the Group's results for the year ended 31st December 2007 have been agreed by the Group's auditors, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

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 2007.

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, the Company was awarded for the first time the prize of "Hong Kong Outstanding Enterprise Parade" in 2007 by *Economic Digest*. Nonetheless, the Company will continue to implement measures that 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) although the independent non-executive directors have not been appointed for any specific terms, they 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 Chairman of the Board, was unable to attend the annual general meeting of the Company held on 29th May 2007 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 supervises 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 Company and its subsidiaries for the year ended 31st December 2007. The Company has received from each of the Independent Non-executive Director, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the Independent Non-executive Director 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 Director 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 2007, all Directors confirmed that they have fully complied with the required standard set out in the Securities Code during the year.

BOARD OF DIRECTORS

As at the date hereof, the Board comprises of fourteen Directors of which Mr. Wei Jiafu (Chairman), Mr. Liu Guoyuan (Vice Chairman), Mr. Li Jianhong, Mr. Wang Futian, Mr. Jia Lianjun, Mr. Wang Xiaoming, Mr. Liang Yanfeng (Managing Director), Mr. Meng Qinghui, Mr. Chen Xuewen, Mr. Wang Xiaodong and Mr. Lin Wenjin as executive directors; Mr. Kwong Che Keung, Gordon, Mr. Tsui Yiu Wa, Alec and Mr. Jiang, Simon X. as independent non-executive directors.

By Order of the Board
Liang Yanfeng
Managing Director

Hong Kong, 28th March 2008