



# COSCO International Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 0517)

## ANNOUNCEMENT OF 2007 INTERIM RESULTS

The board of directors (the “Board” or the “Director”) of COSCO International Holdings Limited (the “Company”) is pleased to present the unaudited consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30th June 2007. The unaudited consolidated interim results have been reviewed by the audit committee of the Company.

### CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June 2007

|                                                 |             | <b>Unaudited</b>        |                 |
|-------------------------------------------------|-------------|-------------------------|-----------------|
|                                                 |             | <b>Six months ended</b> |                 |
|                                                 |             | <b>30th June</b>        |                 |
|                                                 |             | <b>2007</b>             | <b>2006</b>     |
|                                                 | <i>Note</i> | <i>HK\$'000</i>         | <i>HK\$'000</i> |
| Turnover                                        | 2           | <b>1,139,115</b>        | 874,411         |
| Cost of sales                                   |             | <b>(857,608)</b>        | (662,979)       |
| <b>Gross profit</b>                             |             | <b>281,507</b>          | 211,432         |
| Other income                                    |             | <b>7,895</b>            | 8,387           |
| Selling, administrative and general expenses    |             | <b>(173,548)</b>        | (124,580)       |
| Other expenses                                  |             | <b>(22,709)</b>         | (3,829)         |
| <b>Operating profit</b>                         | 3           | <b>93,145</b>           | 91,410          |
| Finance income                                  | 4           | <b>16,683</b>           | 17,188          |
| Finance costs                                   | 4           | <b>(4,511)</b>          | (1,147)         |
| Finance income – net                            | 4           | <b>12,172</b>           | 16,041          |
| Share of profits of jointly controlled entities |             | <b>342,651</b>          | 36,566          |

|                                                                                                                                   |             | <b>Unaudited</b>        |                       |
|-----------------------------------------------------------------------------------------------------------------------------------|-------------|-------------------------|-----------------------|
|                                                                                                                                   |             | <b>Six months ended</b> |                       |
|                                                                                                                                   |             | <b>30th June</b>        |                       |
|                                                                                                                                   |             | <b>2007</b>             | <b>2006</b>           |
|                                                                                                                                   | <i>Note</i> | <i>HK\$'000</i>         | <i>HK\$'000</i>       |
| <b>Profit before income tax</b>                                                                                                   |             | <b>447,968</b>          | 144,017               |
| Income tax expense                                                                                                                | 5           | <u>(21,559)</u>         | <u>(22,584)</u>       |
| Profit from continuing operations                                                                                                 |             | <b>426,409</b>          | 121,433               |
| (Loss)/profit from discontinued operations                                                                                        | 6           | <u>(2,827)</u>          | <u>1,245</u>          |
| <b>Profit for the period</b>                                                                                                      |             | <b><u>423,582</u></b>   | <b><u>122,678</u></b> |
| <b>Profit attributable to:</b>                                                                                                    |             |                         |                       |
| Equity holders of the Company                                                                                                     |             | <b>400,297</b>          | 99,770                |
| Minority interests                                                                                                                |             | <b><u>23,285</u></b>    | <u>22,908</u>         |
|                                                                                                                                   |             | <b><u>423,582</u></b>   | <b><u>122,678</u></b> |
| <b>Dividend</b>                                                                                                                   | 7           | <b><u>14,585</u></b>    | <b><u>14,374</u></b>  |
| <b>Earnings per share from continuing operations attributable to the equity holders of the Company during the period</b>          |             |                         |                       |
| – basic, HK cents                                                                                                                 | 8(a)        | <u><b>27.73</b></u>     | <u>6.90</u>           |
| – diluted, HK cents                                                                                                               | 8(b)        | <u><b>27.19</b></u>     | <u>6.82</u>           |
| <b>(Loss)/earnings per share from discontinued operations attributable to the equity holders of the Company during the period</b> |             |                         |                       |
| – basic, HK cent                                                                                                                  | 8(a)        | <u><b>(0.19)</b></u>    | <u>0.09</u>           |
| – diluted, HK cent                                                                                                                | 8(b)        | <u><b>(0.19)</b></u>    | <u>0.09</u>           |

# CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th June 2007

|                                                       |      | Unaudited<br>30th June<br>2007<br>HK\$'000 | Audited<br>31st December<br>2006<br>HK\$'000 |
|-------------------------------------------------------|------|--------------------------------------------|----------------------------------------------|
|                                                       | Note |                                            |                                              |
| <b>ASSETS</b>                                         |      |                                            |                                              |
| <b>Non-current assets</b>                             |      |                                            |                                              |
| Investment properties                                 |      | 6,599                                      | 6,564                                        |
| Intangible asset                                      |      | 79,616                                     | 79,616                                       |
| Property, plant and equipment                         |      | 96,860                                     | 80,544                                       |
| Prepaid premium for land leases                       |      | 16,607                                     | 16,609                                       |
| Jointly controlled entities                           | 9    | 1,412,382                                  | 1,137,946                                    |
| Available-for-sale financial assets                   |      | 96,825                                     | 57,617                                       |
|                                                       |      | <u>1,708,889</u>                           | <u>1,378,896</u>                             |
| <b>Current assets</b>                                 |      |                                            |                                              |
| Completed properties held for sale                    |      | 19,504                                     | 79,687                                       |
| Properties under development for sale                 |      | –                                          | 220,674                                      |
| Inventories                                           |      | 306,369                                    | 279,979                                      |
| Trade and other receivables                           | 10   | 925,412                                    | 723,760                                      |
| Financial assets at fair value through profit or loss |      | 1,078                                      | 616                                          |
| Current income tax recoverable                        |      | –                                          | 1,372                                        |
| Cash and cash equivalents                             |      | 894,203                                    | 862,187                                      |
|                                                       |      | <u>2,146,566</u>                           | <u>2,168,275</u>                             |
| Assets held for sale                                  | 11   | 253,254                                    | 145,854                                      |
|                                                       |      | <u>2,399,820</u>                           | <u>2,314,129</u>                             |
| <b>Total assets</b>                                   |      | <u>4,108,709</u>                           | <u>3,693,025</u>                             |

|                                                                          |             | Unaudited<br>30th June<br>2007<br>HK\$'000 | Audited<br>31st December<br>2006<br>HK\$'000 |
|--------------------------------------------------------------------------|-------------|--------------------------------------------|----------------------------------------------|
|                                                                          | <i>Note</i> |                                            |                                              |
| <b>EQUITY</b>                                                            |             |                                            |                                              |
| <b>Capital and reserves attributable to the Company's equity holders</b> |             |                                            |                                              |
| Share capital                                                            |             | 145,848                                    | 145,052                                      |
| Reserves                                                                 |             | 2,487,467                                  | 1,993,875                                    |
| Proposed dividend                                                        |             | –                                          | 62,373                                       |
| Interim dividend declared                                                |             | 14,585                                     | –                                            |
|                                                                          |             | <u>2,647,900</u>                           | <u>2,201,300</u>                             |
| <b>Minority interests</b>                                                |             | <u>197,864</u>                             | <u>246,700</u>                               |
| <b>Total equity</b>                                                      |             | <u>2,845,764</u>                           | <u>2,448,000</u>                             |
| <b>LIABILITIES</b>                                                       |             |                                            |                                              |
| <b>Non-current liability</b>                                             |             |                                            |                                              |
| Deferred income tax liability                                            |             | 46                                         | 85                                           |
| <b>Current liabilities</b>                                               |             |                                            |                                              |
| Trade and other payables                                                 | 12          | 877,644                                    | 1,033,331                                    |
| Current income tax liabilities                                           |             | 21,890                                     | 18,684                                       |
| Short-term borrowing                                                     |             | 156,268                                    | 78,521                                       |
|                                                                          |             | <u>1,055,802</u>                           | <u>1,130,536</u>                             |
| Liabilities directly associated with assets held for sale                | 11          | 207,097                                    | 114,404                                      |
|                                                                          |             | <u>1,262,899</u>                           | <u>1,244,940</u>                             |
| <b>Total liabilities</b>                                                 |             | <u>1,262,945</u>                           | <u>1,245,025</u>                             |
| <b>Total equity and liabilities</b>                                      |             | <u>4,108,709</u>                           | <u>3,693,025</u>                             |
| <b>Net current assets</b>                                                |             | <u>1,136,921</u>                           | <u>1,069,189</u>                             |
| <b>Total assets less current liabilities</b>                             |             | <u>2,845,810</u>                           | <u>2,448,085</u>                             |

Notes:

## 1 Basis of preparation and accounting policies

The unaudited condensed interim financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The accounting policies and methods used in the preparation of the unaudited condensed interim financial statements are consistent with those set out in the 2006 annual financial statements except that the Group has adopted the following new standards, interpretations and amendments to existing standards (collectively “New Standards”) issued by the HKICPA which are effective for accounting periods beginning on or after 1st January 2007.

|                    |                                                           |
|--------------------|-----------------------------------------------------------|
| 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 these New Standards in the current period did not have any material impact on the unaudited condensed interim financial statements nor result in any substantial changes in the Group’s significant accounting policies.

The following new standards, interpretations and amendments have been issued by the HKICPA but are not yet effective for accounting periods beginning on or after 1st January 2007 and these have not been early adopted by the Group.

|                   |                                                 |
|-------------------|-------------------------------------------------|
| HK (IFRIC)-Int 11 | HKFRS 2 – Group and Treasury Share Transactions |
| HK (IFRIC)-Int 12 | Service Concession Arrangements                 |
| HKFRS 8           | Operating Segments                              |
| HKAS 23 (Revised) | Borrowing Costs                                 |

The Group is in the process of assessing the impact of these new standards, interpretations and amendments on its results of operations and financial position.

The unaudited condensed interim financial statements should be read in conjunction with the 2006 annual financial statements.

## 2 Turnover and segment information

Primary reporting format – business segments

| Six months ended 30th June 2007                                       |                                                          |                                                                   |                                 |                   | Discontinued<br>operations<br>(note 6) |
|-----------------------------------------------------------------------|----------------------------------------------------------|-------------------------------------------------------------------|---------------------------------|-------------------|----------------------------------------|
| Continuing operations                                                 |                                                          |                                                                   |                                 |                   |                                        |
|                                                                       | Ship trading<br>and<br>supplying<br>services<br>HK\$'000 | Property<br>development<br>and property<br>investment<br>HK\$'000 | Other<br>operations<br>HK\$'000 | Total<br>HK\$'000 | HK\$'000                               |
| Segment turnover                                                      | <u>1,033,334</u>                                         | <u>105,781</u>                                                    | <u>–</u>                        | <u>1,139,115</u>  | <u>1,064</u>                           |
| Segment results                                                       | <u>110,502</u>                                           | <u>(5,991)</u>                                                    | <u>1,787</u>                    | <u>106,298</u>    | <u>3,420</u>                           |
| Unallocated corporate expenses,<br>net of income                      |                                                          |                                                                   |                                 | <u>(13,153)</u>   | <u>–</u>                               |
| Operating profit                                                      |                                                          |                                                                   |                                 | <u>93,145</u>     | <u>3,420</u>                           |
| Finance income                                                        |                                                          |                                                                   |                                 | <u>16,683</u>     | <u>190</u>                             |
| Finance costs                                                         |                                                          |                                                                   |                                 | <u>(4,511)</u>    | <u>(3)</u>                             |
| Finance income – net                                                  |                                                          |                                                                   |                                 | <u>12,172</u>     | <u>187</u>                             |
| Share of profits of jointly<br>controlled entities (note (a))         | <u>14,585</u>                                            | <u>328,066</u>                                                    | <u>–</u>                        | <u>342,651</u>    | <u>–</u>                               |
| Profit before income tax                                              |                                                          |                                                                   |                                 | <u>447,968</u>    | <u>3,607</u>                           |
| Income tax expense                                                    |                                                          |                                                                   |                                 | <u>(21,559)</u>   | <u>–</u>                               |
|                                                                       |                                                          |                                                                   |                                 | <u>426,409</u>    | <u>3,607</u>                           |
| Loss on disposal of discontinued<br>operations                        |                                                          |                                                                   |                                 | <u>–</u>          | <u>(3,976)</u>                         |
| Exchange reserve realised upon<br>disposal of discontinued operations |                                                          |                                                                   |                                 | <u>–</u>          | <u>(2,458)</u>                         |
| Profit/(loss) for the period                                          |                                                          |                                                                   |                                 | <u>426,409</u>    | <u>(2,827)</u>                         |

## Six months ended 30th June 2006

|                                                               | Continuing operations                                           |                                                                          |                                        |                          | Discontinued operations<br>(note 6) |
|---------------------------------------------------------------|-----------------------------------------------------------------|--------------------------------------------------------------------------|----------------------------------------|--------------------------|-------------------------------------|
|                                                               | Ship trading<br>and<br>supplying<br>services<br><i>HK\$'000</i> | Property<br>development<br>and property<br>investment<br><i>HK\$'000</i> | Other<br>operations<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> | <i>HK\$'000</i>                     |
| Segment turnover                                              | <u>689,232</u>                                                  | <u>184,842</u>                                                           | <u>337</u>                             | <u>874,411</u>           | <u>3,858</u>                        |
| Segment results                                               | <u>68,583</u>                                                   | <u>29,793</u>                                                            | <u>4,719</u>                           | 103,095                  | 1,095                               |
| Fair value gains on<br>investment properties                  |                                                                 |                                                                          |                                        | 700                      | –                                   |
| Unallocated corporate expenses,<br>net of income              |                                                                 |                                                                          |                                        | <u>(12,385)</u>          | <u>–</u>                            |
| Operating profit                                              |                                                                 |                                                                          |                                        | <u>91,410</u>            | <u>1,095</u>                        |
| Finance income                                                |                                                                 |                                                                          |                                        | 17,188                   | 158                                 |
| Finance costs                                                 |                                                                 |                                                                          |                                        | <u>(1,147)</u>           | <u>(8)</u>                          |
| Finance income – net                                          |                                                                 |                                                                          |                                        | <u>16,041</u>            | <u>150</u>                          |
| Share of profits of jointly<br>controlled entities (note (a)) | 3,500                                                           | 33,066                                                                   | –                                      | <u>36,566</u>            | <u>–</u>                            |
| Profit before income tax                                      |                                                                 |                                                                          |                                        | 144,017                  | 1,245                               |
| Income tax expense                                            |                                                                 |                                                                          |                                        | <u>(22,584)</u>          | <u>–</u>                            |
| Profit for the period                                         |                                                                 |                                                                          |                                        | <u>121,433</u>           | <u>1,245</u>                        |

*Note:*

- (a) These represent the Group's share of unaudited net profits of (i) Jotun COSCO Marine Coatings (HK) Limited of HK\$14,585,000 (2006: HK\$3,500,000) and (ii) Sino-Ocean Land Holdings Limited of HK\$328,066,000 (for six months ended 30th June 2006, the share of unaudited net profits of Sino Ocean Real Estate Development Co., Ltd. of HK\$33,066,000).

Secondary reporting format – geographical segments

|                                                  | Segment turnover |                | Segment results  |                |
|--------------------------------------------------|------------------|----------------|------------------|----------------|
|                                                  | Six months ended |                | Six months ended |                |
|                                                  | 30th June        |                | 30th June        |                |
|                                                  | 2007             | 2006           | 2007             | 2006           |
|                                                  | HK\$'000         | HK\$'000       | HK\$'000         | HK\$'000       |
| Continuing operations:                           |                  |                |                  |                |
| Hong Kong                                        | 206,289          | 182,509        | 41,090           | 36,223         |
| China Mainland                                   | 932,826          | 691,902        | 65,208           | 67,572         |
|                                                  | <u>1,139,115</u> | <u>874,411</u> | <u>106,298</u>   | <u>103,795</u> |
| Discontinued operations:                         |                  |                |                  |                |
| Hong Kong                                        | 1,064            | 3,858          | 3,420            | 1,095          |
|                                                  | <u>1,140,179</u> | <u>878,269</u> | <u>109,718</u>   | <u>104,890</u> |
| Unallocated corporate expenses,<br>net of income |                  |                | (13,153)         | (12,385)       |
| Operating profit                                 |                  |                | <u>96,565</u>    | <u>92,505</u>  |

### 3 Operating profit

Operating profit is arrived after crediting and charging the following:

|                                                                                                                                                    | Six months ended |                |
|----------------------------------------------------------------------------------------------------------------------------------------------------|------------------|----------------|
|                                                                                                                                                    | 30th June        |                |
|                                                                                                                                                    | 2007             | 2006           |
|                                                                                                                                                    | HK\$'000         | HK\$'000       |
| Crediting                                                                                                                                          |                  |                |
| Net rental income                                                                                                                                  | 45               | 766            |
| Fair value gains on investment properties                                                                                                          | –                | 700            |
| Fair value gains on financial assets at fair value through profit or loss                                                                          | 462              | 328            |
| Write-back of provision for capital gains tax                                                                                                      | 4,042            | –              |
| Write-back of provision for bad and doubtful debts                                                                                                 | 239              | 506            |
| Dividend income from financial assets                                                                                                              | <u>1,325</u>     | <u>6,069</u>   |
| Charging                                                                                                                                           |                  |                |
| Depreciation, net of amount capitalised in inventory<br>totalling HK\$459,000 (2006: HK\$587,000)                                                  | 4,622            | 3,929          |
| Amortisation of prepaid premium for land leases                                                                                                    | 253              | 215            |
| Staff costs (including employee share option benefits),<br>net of amount capitalised in inventory totalling HK\$3,968,000<br>(2006: HK\$3,102,000) | 62,066           | 44,101         |
| Pension costs                                                                                                                                      | 6,058            | 2,575          |
| Loss on disposal of a subsidiary                                                                                                                   | 31               | –              |
| Provision for impairment loss on properties under development for sale                                                                             | 13,744           | –              |
| Provision for bad and doubtful debts                                                                                                               | 4,440            | 2,469          |
| Cost of inventories sold                                                                                                                           | 769,832          | 515,324        |
| Cost of properties sold                                                                                                                            | <u>87,686</u>    | <u>147,240</u> |

#### 4 Finance income – net

|                                                                                 | Six months ended<br>30th June |                  |
|---------------------------------------------------------------------------------|-------------------------------|------------------|
|                                                                                 | 2007<br>HK\$'000              | 2006<br>HK\$'000 |
| Interest income from bank deposits                                              | 16,357                        | 17,188           |
| Interest income from a jointly controlled entity                                | 326                           | –                |
|                                                                                 | <u>16,683</u>                 | <u>17,188</u>    |
| Interest expenses on bank and other loans<br>wholly repayable within five years | (3,759)                       | (3,066)          |
| Other borrowing costs                                                           | (752)                         | (758)            |
|                                                                                 | <u>(4,511)</u>                | <u>(3,824)</u>   |
| Total borrowing costs incurred                                                  | –                             | 2,677            |
| Capitalised in properties under development for sale                            | <u>(4,511)</u>                | <u>(1,147)</u>   |
| Finance income – net                                                            | <u>12,172</u>                 | <u>16,041</u>    |

#### 5 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 period.

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

The amount of income tax charged for the period to the condensed consolidated income statement represents:

|                           | Six months ended<br>30th June |                  |
|---------------------------|-------------------------------|------------------|
|                           | 2007<br>HK\$'000              | 2006<br>HK\$'000 |
| Current income tax        |                               |                  |
| – Hong Kong profits tax   | 6,645                         | 6,738            |
| – China Mainland taxation | 14,955                        | 15,846           |
| Deferred income tax       | (41)                          | –                |
| Income tax expense        | <u>21,559</u>                 | <u>22,584</u>    |

On 16th March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "PRC") (the new "CIT Law"). The new CIT Law reduces (increases) the corporate income tax rate for domestic enterprises (foreign invested enterprises) from 33% (15% or 24%) to 25% with effect from 1st January 2008. The new CIT Law also provides for preferential tax rates, tax incentives for prescribed industries and activities, and grandfathering provisions as well as determination of taxable profit. As at the date of approval of the unaudited condensed interim financial statements for issue, detailed measures concerning these items have yet to be issued by the State Council. Consequently, the Company is not in a position to assess the impact, if any, to the carrying value of deferred tax assets and liabilities as at 30th June 2007. The Company will continue to evaluate the impact as more detailed regulations are announced.

## 6 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 ("COSCO Construction"), a wholly-owned subsidiary, to COSCO (H.K.) Property Development Limited, a fellow subsidiary at a consideration of HK\$2. The principal activity of COSCO Construction and its subsidiaries ("COSCO Construction 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 in March 2007.

The results of COSCO Construction Group for the six months ended 30th June 2007 and 2006 are as follows:

|                                                                                                | <b>Six months ended<br/>30th June</b> |                 |
|------------------------------------------------------------------------------------------------|---------------------------------------|-----------------|
|                                                                                                | <b>2007</b>                           | <b>2006</b>     |
|                                                                                                | <b>HK\$'000</b>                       | <b>HK\$'000</b> |
| Turnover                                                                                       |                                       |                 |
| Building construction                                                                          | <b>904</b>                            | 3,555           |
| Rental income                                                                                  | <b>160</b>                            | 303             |
|                                                                                                | <b>1,064</b>                          | 3,858           |
| Operating costs                                                                                | <b>(1,088)</b>                        | (4,023)         |
| Gross loss                                                                                     | <b>(24)</b>                           | (165)           |
| Other income                                                                                   |                                       |                 |
| Write-back of provision for claims and foreseeable losses<br>on certain construction contracts | <b>1,627</b>                          | –               |
| Claims received                                                                                | <b>2,807</b>                          | –               |
| Gain on disposal of property, plant and equipment – net                                        | <b>–</b>                              | 802             |
| Gain on disposal of assets held for sale                                                       | <b>–</b>                              | 3,678           |
| Others                                                                                         | <b>25</b>                             | 1,281           |
|                                                                                                | <b>4,459</b>                          | 5,761           |
| Administrative and general expenses                                                            | <b>(1,015)</b>                        | (4,501)         |
| Operating profit                                                                               | <b>3,420</b>                          | 1,095           |
| Finance income                                                                                 | <b>190</b>                            | 158             |
| Finance costs                                                                                  | <b>(3)</b>                            | (8)             |
| Finance income – net                                                                           | <b>187</b>                            | 150             |
| Profit for the period                                                                          | <b>3,607</b>                          | 1,245           |

(Loss)/profit from discontinued operations is presented separately in the income statement with the 2006 comparatives restated accordingly and is analysed as follows:

|                                                     | <b>Six months ended<br/>30th June</b> |                 |
|-----------------------------------------------------|---------------------------------------|-----------------|
|                                                     | <b>2007</b>                           | <b>2006</b>     |
|                                                     | <b>HK\$'000</b>                       | <b>HK\$'000</b> |
| Profit for the period from COSCO Construction Group | <b>3,607</b>                          | 1,245           |
| Loss on disposal of COSCO Construction Group        | <b>(3,976)</b>                        | –               |
| Exchange reserve realised upon disposal             | <b>(2,458)</b>                        | –               |
|                                                     | <hr/>                                 | <hr/>           |
| (Loss)/profit from discontinued operations          | <b>(2,827)</b>                        | 1,245           |
|                                                     | <hr/>                                 | <hr/>           |

## 7 Dividend

|                                                                             | <b>Six months ended<br/>30th June</b> |                 |
|-----------------------------------------------------------------------------|---------------------------------------|-----------------|
|                                                                             | <b>2007</b>                           | <b>2006</b>     |
|                                                                             | <b>HK\$'000</b>                       | <b>HK\$'000</b> |
| Interim dividend, declared, of HK\$0.01 (2006: HK\$0.01) per ordinary share | <b>14,585</b>                         | 14,374          |
|                                                                             | <hr/>                                 | <hr/>           |

*Notes:*

- (a) At the board meeting held on 11th April 2007, the directors proposed a final dividend of HK\$0.043 per ordinary share for the year ended 31st December 2006, which was paid on 12th June 2007 and has been reflected as an appropriation of retained profit for the six months ended 30th June 2007.
- (b) At the board meeting held on 19th September 2007, the directors declared an interim dividend of HK\$0.01 per ordinary share for the six months ended 30th June 2007. This dividend is not reflected as dividend payable in the unaudited condensed financial statements, but will be reflected as an appropriation of retained profit for the year ending 31st December 2007.

## 8 Earnings/(loss) per share

- (a) Basic earnings/(loss) per share is calculated by dividing the profit attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

|                                                                 | <b>2007</b>            | <b>2006</b>    |
|-----------------------------------------------------------------|------------------------|----------------|
| Profit/(loss) attributable to the equity holders of the Company |                        |                |
| – from continuing operations                                    | <b>HK\$403,124,000</b> | HK\$98,525,000 |
| – from discontinued operations                                  | <b>(HK\$2,827,000)</b> | HK\$1,245,000  |
| Weighted average number of ordinary shares in issue             | <b>1,453,699,976</b>   | 1,428,032,451  |
| Basic earnings/(loss) per share                                 |                        |                |
| – from continuing operations                                    | <b>27.73 HK cents</b>  | 6.90 HK cents  |
| – from discontinued operations                                  | <b>(0.19 HK cent)</b>  | 0.09 HK cent   |
|                                                                 | <hr/>                  | <hr/>          |

- (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                                    | <b>HK\$403,124,000</b> | HK\$98,525,000 |
| – from discontinued operations                                  | <b>(HK\$2,827,000)</b> | HK\$1,245,000  |
| Adjusted weighted average number of ordinary shares in issue    | <b>1,482,502,020</b>   | 1,443,609,095  |
| Diluted earnings/(loss) per share                               |                        |                |
| – from continuing operations                                    | <b>27.19 HK cents</b>  | 6.82 HK cents  |
| – from discontinued operations                                  | <b>(0.19 HK cent)</b>  | 0.09 HK cent   |

## 9 Jointly controlled entities

As at 30th June 2007, jointly controlled entities represent mainly the Group's share of unaudited net assets of Jotun COSCO Marine Coatings (HK) Limited and Sino-Ocean Land Holdings Limited. Details of jointly controlled entities as at 31st December 2006 are provided in the 2006 annual financial statements.

## 10 Trade and other receivables

At 30th June 2007, trade and other receivables included trade receivables amounting to HK\$859,916,000 (31st December 2006: HK\$623,343,000). The ageing analysis of trade receivables, net of provision for bad and doubtful debts is as follows:

|                   | 30th June<br>2007<br>HK\$'000 | 31st December<br>2006<br>HK\$'000 |
|-------------------|-------------------------------|-----------------------------------|
| Current – 90 days | <b>497,305</b>                | 321,161                           |
| 91 – 180 days     | <b>248,010</b>                | 261,574                           |
| Over 180 days     | <b>114,601</b>                | 40,608                            |
|                   | <b>859,916</b>                | 623,343                           |

For sale of coating products, the majority of sales are on credit terms from 30 days to 180 days. Revenues from sale of properties and other operating revenue are billed according to the terms of the relevant contracts governing the transactions.

## 11 Assets held for sale

On 24th August 2007, 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, Success Gate Investments Limited ("Success Gate"), a wholly-owned subsidiary at a total consideration of RMB55,667,000 (approximately HK\$57,521,000). 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 operations of Success Gate and its subsidiary are included under property development and property investment for segment reporting purpose. The assets and liabilities of Success Gate and its subsidiary have been classified as held for sale and presented separately in the condensed consolidated balance sheet. The disposal is expected to be completed by the end of 2007.

The assets and liabilities of Success Gate and its subsidiary are classified as held for sale as follows:

**30th June  
2007**  
*HK\$'000*

Assets held for sale:

|                                             |         |
|---------------------------------------------|---------|
| Property, plant and equipment               | 866     |
| Completed properties held for sale          | 61,104  |
| Properties under development for sale       | 134,399 |
| Deposits, prepayments and other receivables | 20,081  |
| Cash and cash equivalents                   | 36,804  |
|                                             | <hr/>   |
|                                             | 253,254 |

Liabilities directly associated with assets held for sale:

|                                        |         |
|----------------------------------------|---------|
| Accrued liabilities and other payables | 145,141 |
| Current income tax liabilities         | 1,049   |
| Minority interests                     | 60,907  |
|                                        | <hr/>   |
|                                        | 207,097 |

## 12 Trade and other payables

At 30th June 2007, trade and other payables included trade payables amounting to HK\$487,291,000 (31st December 2006: HK\$402,062,000). The ageing analysis of trade payables is as follows:

|                   | <b>30th June<br/>2007</b><br><i>HK\$'000</i> | 31st December<br>2006<br>HK\$'000 |
|-------------------|----------------------------------------------|-----------------------------------|
| Current – 90 days | <b>352,979</b>                               | 305,448                           |
| 91 – 180 days     | <b>109,654</b>                               | 80,668                            |
| Over 180 days     | <b>24,658</b>                                | 15,946                            |
|                   | <hr/>                                        | <hr/>                             |
|                   | <b>487,291</b>                               | 402,062                           |

## MANAGEMENT DISCUSSION AND ANALYSIS

### Results

For the six months ended 30th June 2007, the Company and its subsidiaries recorded a turnover of HK\$1,139,115,000 (2006: HK\$874,411,000), increased by 30.3% as compared to the same period of last year. Unaudited profit attributable to equity holders for the period reached HK\$400,297,000 (2006: HK\$99,770,000), substantially increased by 301.2% as compared to the same period of last year. Basic earnings per share from the continuing and discontinued operations was 27.54 HK cents (2006: 6.99 HK cents), substantially increased by 294% compared to the same period of last year.

### Dividend

The Board has declared an interim dividend of 1 HK cent per share (2006: 1 HK cent per share) for the six months ended 30th June 2007.

The register of members of the Company will be closed from 22nd October 2007 to 24th October 2007, both days inclusive, during which no transfer of shares of the Company will be effected. To qualify for the interim dividend, all transfer documents 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 18th October 2007.

It is expected that the relevant dividends will be payable on or about 2nd November 2007 to those shareholders of the Company whose names appear on the register of members of the Company on 24th October 2007.

### Business Review

In the first half of 2007, the gross domestic product in China Mainland is approximately RMB10,680 billion, representing an increase of 11.5% as compared with the corresponding period of last year according to the economic data released by the State Statistics Bureau of the PRC. The rapid economic growth has made China the fourth largest economy in the world and also led to a robust growth in imports and exports trade. Such growth further stimulates the positive development in shipping industry. The ship trading and supplying services continued to benefit from the favourable external economic environment. During the period, the results of the Company and its subsidiaries in ship trading and supplying services were encouraging.

#### *1. Ship Trading and Supplying Services*

In the first half of 2007, the turnover of the Company and its subsidiaries in ship trading and supplying services recorded HK\$1,033,334,000 (2006: HK\$689,232,000), representing an increase of 49.9% as compared to the corresponding period of last year. This accounted for 90.7% (2006: 78.8%) of the total turnover of the Company and its subsidiaries. Segment result was HK\$110,502,000 (2006: HK\$68,583,000), representing an increase of 61.1% as compared to the corresponding period of last year.

### *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 ship building, trading and chartering for fleet of China Ocean Shipping (Group) Company (“COSCO”) and its subsidiaries (“COSCO Group”), as well as similar agency services to non-COSCO Group shipping companies.

Having benefited from the continuous growth in global shipping market, the sale and purchase of new vessels and second-hand vessels were active in the first half of 2007. COSCO Ship Trading consummated transactions for the sale and purchase of 47 vessels, amounting to a total of 3,278,000 dead weight tonnages (2006: 3,137,000 dead weight tonnages), representing an increase of 4.5% as compared to the corresponding period of last year. During the period, the turnover of COSCO Ship Trading was HK\$25,604,000 (2006: HK\$25,393,000), basically maintained the same when compared to the corresponding period of last year. Due to the thriving ship building industry, it was expected that more vessels would be delivered in the future. The Company is optimistic about the overall global shipping market in the second half of 2007 and expects that the market for new vessels will maintain good.

### *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, Shenzhen COSCO Insurance Brokers Limited (“SZ COSCO Insurance Brokers”), a non wholly-owned subsidiary of the Company, provides insurance brokerage service to China Mainland registered vessels. During the period, the turnover of HK COSCO Insurance Brokers and SZ COSCO Insurance Brokers amounted to HK\$24,305,000 (2006: HK\$20,527,000, representing an increase of 18.4% as compared to the corresponding period of last year. This was attributed to the continuous efforts of HK COSCO Insurance Brokers in diversifying its customer base and SZ COSCO Insurance Brokers in broadening its customer base in China Mainland through the provision of quality services to customers.

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

Yuantong Marine Service Co Limited (“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.

Yuantong continued to be benefited from the rapid development of shipbuilding industry on one hand and actively explored the non-COSCO customers on the other hand. The result of Yuantong during the period was highly satisfactory and it recorded a turnover of HK\$165,134,000 (2006: HK\$144,955,000), representing an increase of 13.9% as compared to the corresponding period of last year. Yuantong will continue to seize the market opportunities when they arise, strengthen the relationship with shipowners and shipbuilders and keep on the external expansion so as to retain the impressive growth.

## *1.4 Production and sales of coatings*

Shanghai COSCO Kansai Paint & Chemicals Co., Ltd and Tianjin COSCO Kansai Paint & Chemicals Co., Ltd (collectively “COSCO Kansai Companies”), being non wholly-owned subsidiaries of the Company, are mainly engaged in the production and sales of container coatings and industrial heavy-duty anti-corrosion coatings. The Company, together with the Norwegian international coatings manufacturer Jotun A/S, formed a 50/50 joint venture, Jotun COSCO Marine Coatings (HK) Limited (“Jotun COSCO”), which is mainly responsible for production and sales of marine coatings. During the period, the production and sales of coating products segment recorded a turnover of HK\$818,291,000 (2006: HK\$498,357,000) representing a significant increase of 64.2% as compared to the corresponding period of last year.

### *1.4.1 Container coatings*

During the period, the total sales volume for container coatings of COSCO Kansai Companies was 36,514 tonnes (2006: 25,919 tonnes), representing an increase of 40.9% over the corresponding period of last year. The significant growth was mainly attributable to the successful seizure of market opportunities and the maintenance of good relationship with the existing VIP container owners and container manufacturers so as to achieve considerably business transactions. At the same time, the Company successfully explored new customers in order to achieve new business growth. Following the formation of Zhuhai COSCO Kansai Paint & Chemicals Co., Limited (“Zhuhai Kansai”) and the commencement of production of the new plant in the second half of 2007, annual coatings production capacity of COSCO Kansai Companies together with Zhuhai Kansai will be expanded to 100,000 tonnes. The plants in Shanghai, Tianjin and Zhuhai are respectively located in three of the areas with the highest economic potential in China Mainland, namely the Yangtze River Delta, Pan-Bohai Rim area and Pearl River Delta, which will facilitate provision of speedy and efficient service to customers.

### *1.4.2 Marine coatings*

Jotun COSCO is engaged principally in the production and sales of marine coatings in China (including Hong Kong and Macau Special Administrative Region). Benefited from the robust development of shipbuilding and ship repairing industries, the marine coatings market in China followed the good trend in previous year and during the period the marine coatings sales volume for Jotun COSCO amounted to 13,031,000 litres (equivalent to 16,940 tonnes) (2006: 8,640,000 litres (equivalent to 11,234 tonnes)), representing a significant increase of approximately 50.8% as compared to the corresponding period of last year. It is expected that the constant increasing demand of the shipbuilding industry will boost the continuous strong growth in demand for marine coating products. Jotun COSCO will continue to maintain close relationship with the VIP customers, improve its product quality, enhance service levels and actively explore market in China Mainland in order to raise the profitability.

### 1.4.3 Industrial heavy-duty anti-corrosion coatings

During the period, COSCO Kansai Companies recorded a sales volume in industrial heavy-duty anti-corrosion coatings of 4,650 tonnes (2006: 3,148 tonnes), representing an increase of 47.7% as compared to the corresponding period of last year. It was mainly due to the increase in demand for industrial heavy-duty anti-corrosion coatings from the construction, transportation, infrastructure and energy sectors, coupled with a ramping up of marketing activities by COSCO Kansai Companies.

## 2. *Property Development and Property Investment*

In the first half of 2007, the turnover of property development and property investment segment recorded HK\$105,781,000 (2006: HK\$184,842,000), representing a decrease of 42.8% as compared to the corresponding period of last year and accounting for 9.3% of the total turnover of the Company and its subsidiaries. Segment results recorded a loss of HK\$5,991,000 (2006: profit of HK\$29,793,000). The loss was mainly attributed to: (i) slowdown of sales progress and the decrease in saleable area of Shenyang COSCO Yihe Garden as the sales are in the final stage; and (ii) the provision for impairment of approximately HK\$13,744,000 on certain unsold properties of Shenyang COSCO Yihe Garden.

### 2.1 *Shenyang COSCO Yihe Garden*

The real estate market in China Mainland experienced a slight slowdown in investment activities due to the introduction of national economic adjustment measures during the period but property prices still have room to rise. With continuous economic growth and improvement of living standards in China Mainland, demand for residential property in cities is still expected to be high, leading a steady development of the real estate market.

During the period, the Company indirectly owns 51% of Shenyang COSCO Yihe Property Development Co., Ltd. (“Shenyang COSCO Yihe”), sold a total area of approximately 14,466 square metres (2006: 29,220 square metres) of Shenyang COSCO Yihe Garden, representing a decrease of 50.5% as compared to the same period last year. The decrease in the area sold was mainly attributable to the decrease in saleable area of Shenyang COSCO Yihe Garden as the sales are in the final stage, coupled with the type of remaining units of Shenyang COSCO Yihe Garden available for sale placed greater pressure on sales. On 24th August 2007, Top Elegant Investments Limited (“Top Elegant”), a wholly-owned subsidiary of the Company 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 Investments Limited (“Success Gate”) at a consideration of RMB55,667,000 (equivalent to HK\$57,521,000) (“Disposal”). The expected gain of the Disposal to the Company is approximately HK\$2,008,000. Success Gate’s principal asset is the holding of 51% equity interest in Shenyang COSCO Yihe. Details of such Disposal were disclosed in the announcement and the circular of the Company dated 24th August 2007 and 14th September 2007 respectively.

### 2.2 *Shanghai Fragrant Garden*

All the residential units of Fragrant Garden, the Company’s property development in Shanghai, had been sold and handed over. As at 30th June 2007, a total of 1,841 square metres of retail shops and 193 carparking spaces remained unsold.

### *2.3 Shanghai Kingswell Garden*

On 29th December 2006, Sound Mood Assets Limited (“Sound Mood”), a wholly-owned subsidiary of the Company, entered into an equity interest transfer agreement with an independent third party whereby Sound Mood agreed to sell all its equity interest in and shareholder’s loan to Wellbase Holdings Limited (“Wellbase”) at 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 jointly controlled entity***

#### *Sino-Ocean Land Holdings Limited*

The Company’s 44% interest in Sino-Ocean Land Limited (formerly known as Sino Ocean Real Estate Development Co., Ltd.) (“SOLL”) was swapped for 44% equity interest in Shine Wind Development Limited (“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 Sino-Ocean Land Holdings Limited (“SOLHL”) which in turn holds 100% interest in SOLL.

SOLL is a renowned property developer in China Mainland and has won numerous awards for property development projects in Beijing. SOLL’s properties currently under development in China Mainland include 遠洋山水 (Ocean Landscape), 遠洋自然 (Ocean Seasons), 遠洋光華國際 (Ocean Office Park), 遠洋新幹綫 (Ocean Express) in Beijing and 海河新天地 (Haihe New Skyline) in Tianjin. SOLL is engaged mainly in developing medium to high-end residential properties and premium grade office buildings. In addition to major development in Beijing, SOLL also explores markets in the Pan-Bohai Rim and the Pearl River Delta Region. SOLL has investments in Tianjin, Dalian, Shenyang and Zhongshan. The Company and its subsidiaries’ share of profit from SOLHL amounted to HK\$328,066,000 (2006: HK\$33,066,000). Such increase was mainly due to an increase in net profit of SOLHL in the first half of 2007. On 14th September 2007, SOLHL published a prospectus whereby 1,505,540,000 new shares (including an over-allotment option of 232,680,000 shares) (“Offering”) will be offered for subscription. Assuming the over-allotment option is exercised in full, the shareholding of the Company in SOLHL will be diluted from 30.8% to 20.44% immediately upon completion of the Offering. In the event that the Initial Public Offer of SOLHL (“IPO”) is successfully completed on 28th September 2007 and on the basis (a) the offer price for SOLHL’s share is fixed at HK\$7.7, being at the high end of the price range as stated in the prospectus of SOLHL; (b) the over allotment option granted to the underwriters of the IPO is exercised and (c) share of unaudited net assets of SOLHL as at 30th June 2007, the Company expects to recognise a deemed disposal gain of approximately HK\$1,941,000,000 for the financial year ending 31st December 2007. Such gain will, however, be non-recurring in nature and will not have any additional cash impact to the Company.

### **4. *Other Investments***

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 COSCO International Construction Limited at a total consideration of HK\$2. The transaction was completed in March 2007.

## **Prospect**

With the continuous support of COSCO and COSCO (Hong Kong) Group Limited and after a series of business restructuring exercises, the Company further divests its non-core business in pursuit of implementing the strategic development in ship trading and supplying services as its core business. Even though the Company and its subsidiaries achieved an encouraging results during the period, continuous efforts shall be put in the second half of 2007 to ensure a sustainable and steady development path in its core business by enhancing competitive advantage, capitalising on synergies among various operations, exploring markets diligently for both COSCO Group and non-COSCO Group companies, consolidating customer network and relationship and stepping up continued internal improvements which include technical innovations, product developments and cost reductions.

Looking forward, the momentum of growth of ship trading and supplying services is expected to continue in the second half of 2007, the Company and its subsidiaries will strictly adhere to this year's directive thinking "assuring safety, boosting efficiency and reinforcing management", further broaden income base, tighten cost control and strengthen management to ensure achievement of better results in 2007.

## **Financial Review**

For the six months ended 30th June 2007, the Company and its subsidiaries achieved a turnover of HK\$1,139,115,000 (2006: HK\$874,411,000), a 30.3% increase as compared with the same period of last year. Gross profit increased by 33.1% to HK\$281,507,000 (2006: HK\$211,432,000).

The Company and its subsidiaries achieved an operating profit of HK\$93,145,000 (2006: HK\$91,410,000), a 1.9% increase as compared with the same period of last year.

Profit attributable to equity holders for the period was HK\$400,297,000 (2006: HK\$99,770,000). Included in the results was the Company and its subsidiaries' share of profit of a jointly controlled entity, SOLHL, of HK\$328,066,000 (2006: HK\$33,066,000).

## **Financial Resources and Liquidity**

As at 30th June 2007, equity holders' funds of the Company and its subsidiaries increased by 20% to HK\$2,647,900,000 (31st December 2006: HK\$2,201,300,000).

The Company and its subsidiaries had a net draw down of bank loans in the amount of HK\$77,747,000 (2006: net repayment of HK\$48,375,000) during the period. As at 30th June 2007, total banking facilities available to the Company and its subsidiaries amounted to HK\$343,165,000 (31st December 2006: HK\$270,302,000), of which HK\$156,268,000 (31st December 2006: HK\$121,521,000) had been utilised. The increase in utilisation of banking facilities was mainly attributable to the financial needs for the rapid expansion of coating business. The gearing ratio, which represents total borrowings over total assets, was approximately 3.8% (31st December 2006: 2%).

As at 30th June 2007, borrowings of the Company and its subsidiaries were denominated in Renminbi and United States dollars and 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 had no financial instruments for hedging purposes.

## **Foreign Exchange Exposure**

The Company and its subsidiaries conduct operations principally in Hong Kong and China Mainland. Sales revenues are mainly transacted in United States dollars and Hong Kong dollars, the Company and its subsidiaries also receive revenues in Renminbi. The Company and its subsidiaries' exposure to exchange rate fluctuations results primarily from the sales of product in United States dollars and Hong Kong dollars and purchase of raw materials in Renminbi. The Company and its subsidiaries have actively matched the foreign currency revenue and expenditure in order to eliminate the potential foreign currency risk.

## **Employees**

As at 30th June 2007, excluding jointly controlled entities of the Company, the Company and its subsidiaries had 628 (31st December 2006: 573) employees of which 104 (31st December 2006: 110) employees are employed in Hong Kong. During the period, total staff costs, including directors' emoluments and provident funds amounted to approximately HK\$68,124,000 (31st December 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 is determined with reference to market conditions and individual performance. During the period, all the Hong Kong employees have participated in the Mandatory Provident Fund Scheme.

On 26th November 2003, the Directors (excluding independent non-executive Directors) and 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, the Directors (excluding independent non-executive Directors) and 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, the 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, the Directors (excluding independent non-executive Directors) and employees of the Company, its subsidiaries and associates 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 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.

## **PURCHASE, SALE OR REDEMPTION OF SHARES**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30th June 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.

The audit committee, which comprises three independent non-executive Directors, has reviewed the unaudited interim results of the Company for the six months ended 30th June 2007.

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 contained in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (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 confirms that, having made specific enquiry of all Directors, the Directors have complied with the required standards set out in the Securities Code for the six months ended 30th June 2007.

The Board believed that the Company during the first half of 2007 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.

As at the date of this announcement, the Board comprises fifteen 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. Lin Libing, Mr. Wang Xiaodong and Mr. Lin Wenjin are executive Directors; and Mr. Kwong Che Keung, Gordon, Mr. Tsui Yiu Wa, Alec and Mr. Jiang, Simon X. are independent non-executive Directors.

By Order of the Board  
**COSCO International Holdings Limited**  
**Liang Yanfeng**  
*Managing Director*

Hong Kong, 19th September 2007