

Corporate Information

Directors

Executive Directors

Mr. Chen Zhongbiao (Chairman)
Mr. Dong Jiufeng (Vice-Chairman)
Mr. Kwong Che Keung, Gordon
(Managing Director)
Mr. Zhu Guangyun
Mr. Zhang Yongjian
Mr. Dong Shu Sen
Mr. Zuo Wei

Independent Non-Executive Directors

Mr. Chan Cheong Foon, Andrew
Mr. Alexander Reid Hamilton

Company Secretary

Ms. Wai Ching Sum

Audit Committee

Mr. Chan Cheong Foon, Andrew
(Committee Chairman)
Mr. Alexander Reid Hamilton

Auditors

PricewaterhouseCoopers

Solicitors

Woo, Kwan, Lee & Lo
Conyers, Dill & Pearman

Principal Bankers

The Hongkong and Shanghai Banking
Corporation Limited
Bank of China, Hong Kong Branch

Principal Registrars

Westbroke Limited
Clarendon House
Church Street
Hamilton HM11
Bermuda

Hong Kong Branch Registrars

Abacus Share Registrars Limited
2401 Prince's Building
Central
Hong Kong

Registered Office

Clarendon House
Church Street
Hamilton HM11
Bermuda

Head Office and Principal Place of Business in Hong Kong

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

Listing Information

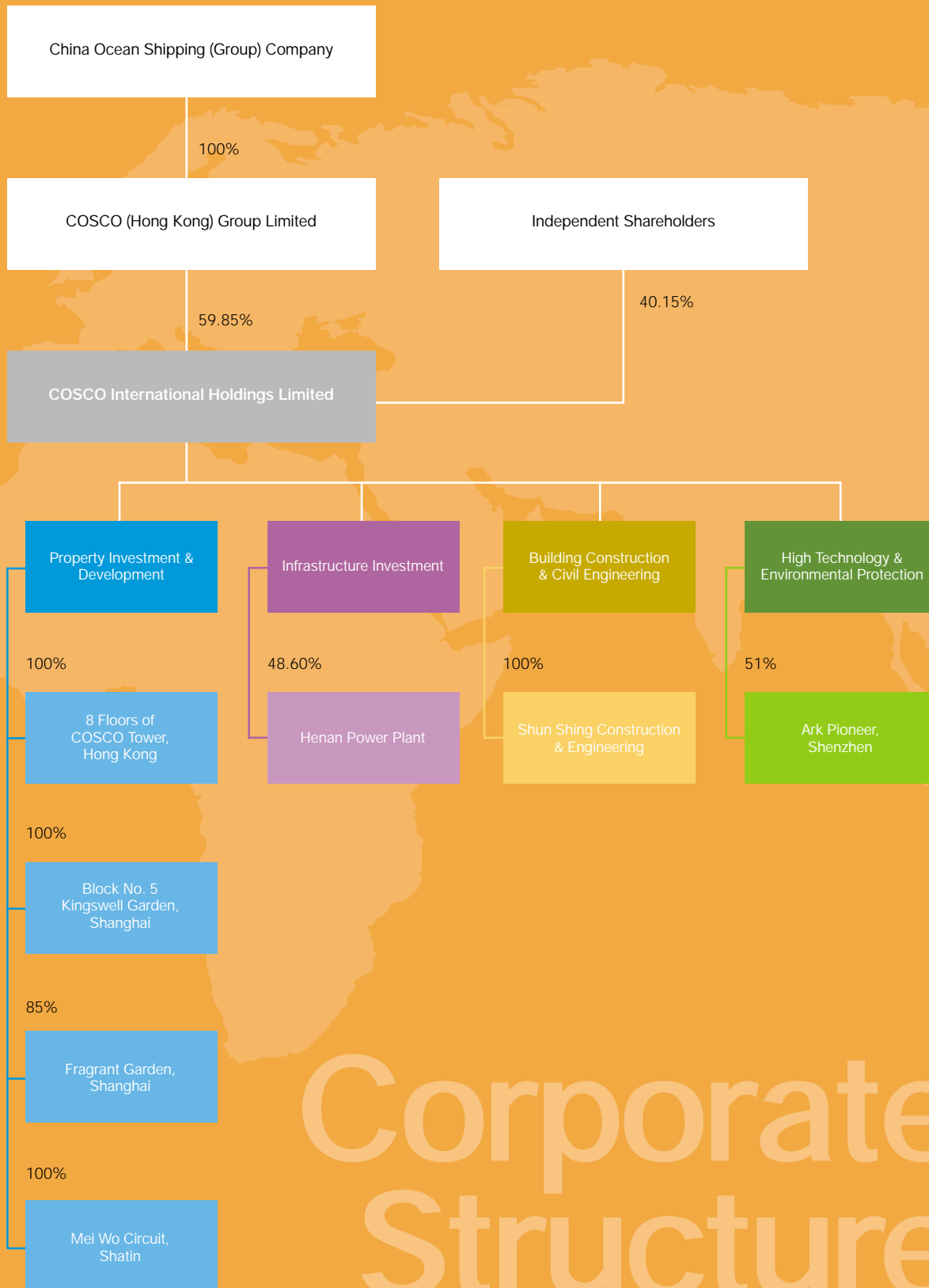
The Code of The Stock Exchange of Hong
Kong Limited
Ordinary shares 0517
Warrants to be expired in 2000 1129

Investors Relations

For further information about the Company,
please contact:
Public Relations and Company Secretarial
Department
47th Floor, COSCO Tower
183 Queen's Road Central
Hong Kong
Telephone: (852) 2809 7888
Facsimile: (852) 2907 6107
Website: <http://www.coscointl.com>
E-mail: info@coscointl.com

Contents

	Corporate Information
2	Corporate Structure
3	Chairman's Statement
6	Vice-Chairman's Report
13	Management Discussion and Analysis
16	Directors' Report
23	Profile of Directors and Senior Management
26	Auditors' Report
27	Consolidated Profit and Loss Account
28	Consolidated Balance Sheet
29	Balance Sheet
30	Consolidated Cash Flow Statement
32	Statement of Recognised Gains and Losses
33	Notes to the Accounts
67	List of Major Properties
69	Five-year Financial Summary
72	Notice of Annual General Meeting



Corporate Structure

Chairman's Statement

On a solid foundation, the Group strives for innovation and aims at refining its asset portfolio, improving income base, and raising return on capital.



Mr. Chen Zhongbiao,
Chairman



Review of Results

Although Hong Kong's economy has begun climbing out of its trough during 1999, the business environment in Hong Kong was still harsh as the impact of the Asia financial turmoil was intense and extensive in various perspectives. Under this environment, COSCO International Holdings Limited (the "Company") together with its subsidiaries (the "Group") have carried on its businesses on the strategy of consolidating the development of property, steadily expanding infrastructure and improving the performance of construction while actively exploring environmental protection and high-technology projects.

With the hard work of the whole staff team, the Group has been able to achieve a turnaround from a loss to profit position. For the year ended 31st December, 1999, the Group recorded a profit attributable to shareholders of HK\$17,096,000, which is a turnaround from attributable loss of HK\$ 715,216,000 last year.

The board of directors of the Company (the "Board") does not recommend the payment of a final dividend (1998: Nil) for the year ended 31st December, 1999.

Major Events

During the year, the Group has placed emphasis on consolidating its foundation, strengthening its overall operational management and internal controls. These measures have achieved remarkable success. We are glad to achieve a turnaround result.

In the meantime, the Group continues to explore for new projects. Construction work for Fragrant Garden, a residential project in Shanghai, the People's Republic of China (the "PRC"), jointly developed by the Group and the Shanghai Hongkou District Government, commenced in June 1999, and the pre-sale launched at the end of 1999 was successful. Development of the land at Shatin Town Lot No. 217 Mei Wo Circuit into two detached houses commenced during the year and is scheduled to be completed by the second half of 2000. The PSPS Project on Shum Wan Road is progressing on schedule.

In addition, a sino-foreign joint venture enterprise, Ark Pioneer Microelectronics (Shenzhen) Limited was established by the Group and Ark Microelectronics (Shenzhen) Limited, a private enterprise in Shenzhen, the PRC, in which the Group owns 51% interest. Taking advantage of the strengths of both parties, we will work together to develop the integrated circuit design business. It is the first step for the Group to explore high technology business.

Prospects

Along with the economic recovery of Hong Kong and the PRC's entry into the World Trade Organization ("WTO"), the Group is confident in the economic prospects of the PRC and Hong Kong.

Recently, the unemployment rate in Hong Kong has lowered, the property and securities markets have become active again, the Hang Seng Index has recorded a peak and the Government of the Hong Kong Special Administrative Region ("HKSAR") expects an economic growth of up to 5% for the year 2000. All of these factors indicate an improved business environment which is favorable for the Group to explore new investments. The economic structure of Hong Kong is changing quickly in the new millennium, many enterprises in Hong Kong have commenced diversification into high-technology and environmental protection businesses. The Group is moving in the same direction.

For the economy in the PRC, positive stimulation and impact are expected following the PRC's entry into the WTO. It is believed that the reform of state-owned enterprises will achieve success. With the opening of the economic market, development in the PRC will be speeded up. Based on the close relationship between Hong Kong and the PRC, the Group will grasp every business opportunity available to build up its own distinctive strength and to explore new businesses in the PRC, so as to achieve steady growth.

On this solid foundation, the Group strives for innovation and aims at refining its asset portfolio, improving income base, and raising return on capital. With support from the ultimate holding company, China Ocean Shipping (Group) Company ("COSCO"), together with the active worldwide business environment, the Group has confidence and ability to meet with challenge, and to move ahead in line with the world pace into the new century.

Finally, on behalf of the Board, I would like to thank our management and staff for their dedication and hard work. I would also like to thank our shareholders for their continuous support and express my full confidence in the Group's future prospect.

Chen Zhongbiao

Chairman

Beijing, 28th April, 2000

Vice-Chairman's Report



Mr. Dong Jiufeng,
Vice-Chairman

The Group will strive for the profit growth momentum from its development in high technology and environmental protection industries.



Review of Operations

During the year, the management has followed a philosophy of "Identify with current situation; Remain positive and confident; Surge ahead through difficulties; Achieve steady development", and has successfully consolidated the Group's foundation and strengthened its overall operational management and internal controls. The operating costs of the Group were controlled at the target level and the business performance efficiency was increased steadily.

Infrastructure Business

Henan Power Plant

Since its acquisition in 1998, Henan Power Plant has provided steady income to the Group. The operation environment of the power plant was challenging during the year. The Group has put much effort in different aspects, including persistently upgrading its internal management, enhancing its financial monitoring system and succeeding in cost control. Eventually, we were able to maintain the same level of return from the power plant as that of last year.



Property Business

COSCO Tower, Hong Kong

COSCO Tower remains one of the main sources of income for the Group. Occupancy rate for the eight floors has been maintained at a high level of 99%.

During the year of review, while the office rental benchmark was still lingering at a low level, the office building market in Hong Kong was stabilised. Most of the tenancy agreements for the eight floors of COSCO Tower were entered into at the end of 1997 with an average tenancy period of 3 years. Therefore, the sluggish market has not affected the Group. Upholding the principle of prioritizing the needs of customers as the basis of business, the Group will keep reinforcing communications with tenants in order to maintain a satisfactory occupancy rate for COSCO Tower in future.





Fragrant Garden, Shanghai

With the full implementation of the Housing Reform Policies and the execution of various supplementary measures by the Central Government, the demand for residential units in the PRC has increased sharply. It provides the Group with better choices and more opportunities to develop quality residential projects in the PRC. Construction work for Fragrant Garden, an urban redevelopment project in Hongkou District, Shanghai jointly operated by the Group and Shanghai Siping Development and Operation (Group) Co. Ltd., a subsidiary of the Shanghai Hongkou District Government, commenced in June 1999 and is progressing well on schedule.

Fragrant Garden with a site area of 35,000 square meters and total construction floor area of approximately 183,000 square meters will be developed in two phases. The tentative completion dates for Phase I and Phase II are the end of 2000 and the middle of 2001 respectively. There will be 7 blocks of residential buildings comprising of 1,380 units with gross floor area ranging from 80 to 220 square meters and a usable rate of over 80%.



A three-in-one high-technology intelligent management system will be installed in the Garden, including satellite TV, worldwide internet, video-recording monitoring system, visual telecom, in-house security alarm and background music broadcast system. Furthermore, there is a huge central podium garden with over 43% of greenery coverage. The residents' clubhouse offers different facilities including tennis court, swimming pool, gymnasium, teahouse, coffee shop, and children's game room. Targeting at the middle class of Shanghai residents, pre-sale of Fragrant Garden commenced at the end of 1999 and was very successful. Further phases of the pre-sale will be available for promotion in 2000. It is expected the project will bring satisfactory return to the Group.



Mei Wo Circuit, Shatin

Following the gradual stabilising property market in Hong Kong, the Group commenced the property development project at lot no. 217, Shatin in August 1999. Two detached houses will be built by Shun Shing Construction and Engineering Co., Ltd., a wholly owned subsidiary of the Group. The tentative completion date of the project is the second half of 2000.

Building Construction Business

The Group continues to strengthen control measures for various work sites of Shun Shing Construction & Engineering Co., Ltd. ("SSCE") in order to improve construction work quality, safety control and project progress. The Group also devotes effort to explore advanced construction technology to improve construction work quality and efficiency. As at 31st December, 1999, the total value of SSCE's construction contracts on hand and outstanding construction works were HK\$ 4,191 million and HK\$2,334 million respectively.

**Major construction contracts completed by SSCE for the year ended 31st December, 1999**

Construction Contract	% Owned	Awarded By	Contract Value (HK\$ million)
Chung Hau Street	100	Housing Society	291
Yan Chai Hospital Multi-services Complex	100	Yan Chai Hospital Board	263
Tseung Kwan O Area 59 Phase V	100	Housing Authority	536
Hung Hum Estate Phase I	100	Housing Authority	290
Sai Ying Pun Market	100	Architectural Services Department	110
Total			1,490

Contracts in progress of SSCE for the year ended 31st December, 1999

Construction Contract	% Owned	Awarded By	Contract Value (HK\$ million)
Yan Chai Hospital Extension Phase IV-B	100	Yan Chai Hospital Board	47
Tsz Ching Estate Phase II	100	Housing Authority	818
Shum Wan Road PSPS Project	100	Development Project of the Group	728
Tin Shui Wai Area 102 Phase I	100	Housing Authority	713
Tin Shui Wai Area 102 Phase II	100	Housing Authority	762
Aldrich Bay Phase II	100	Housing Authority	882
Tai Lam Correctional Institute	100	Architectural Services Department	229
Mei Wo Circuit, Shatin	100	Development Project of the Group	12
Total			4,191



High Technology and Environmental Protection Business

Ark Pioneer

At the end of 1999, a sino-foreign joint venture enterprise, Ark Pioneer Microelectronics (Shenzhen) Limited ("Ark Pioneer"), was established by the Group and Ark Microelectronics (Shenzhen) Limited - a private enterprise in Shenzhen, the PRC to engage in the integrated circuit design business. The Group owns 51% interest in this joint venture which is now actively exploring the market for its products.

Ark Pioneer is the first PRC company who succeeds in the design of 32Kx8, 16Kx8 and 8Kx8 Dual Port SRAM. In the PRC, these types of ICs currently rely very much on foreign import. Study has shown that there is a tangible market capacity for these types of ICs in the PRC. In addition, the design of 8-bit micro-controller chip is nearly completed. The chip is widely used in audio-video products, household-appliances, IC cards, telephone sets, toys, DVD etc.

Future Outlook and Strategies

High Technology and Environmental Protection Business

Entering the 21st century, high technology and environmental protection industries are expected to flourish. The large population and vast territory of the PRC has created tremendous potential for these industries. Furthermore, the Central Government has promulgated a series of favorable policies and measures to encourage participation of foreign investors in order to boost the development of environmental protection and high technology industries. The Group will strive for the profit growth momentum from its development in these industries.

Ark Pioneer is an established company with a unique core business in the design of integrated circuit. Management is actively marketing its products. We are very confident of the future prospects of this company and at the appropriate time, consideration will be made to list this company in the Hong Kong GEM board.

In April, 2000, the Group has entered into agreement to subscribe for 0.91% interest in COSCO Network Limited, a limited liability company established in Cayman Islands. COSCO Network Limited, which will be 65.46% interest beneficially held by COSCO upon completion of the subscription, will be principally engaged in global transportation and logistics network, global internet communications network and global logistic settlement network. The Board considers that it is a good opportunity to diversify into the high technology industry which could provide the Group with new growth momentum.

In the coming year, we will grasp every opportunity to further build up our investments in high-technology and environmental protection businesses which have sound foundation and strong prospects. We expect to be able to finalise the negotiations of a number of investment projects in these areas in the near future.

Property Business

Following the recovery of the economy of Hong Kong, the property market and rental of office buildings have stabilised. In the long run, Hong Kong property market is still expected to thrive continuously, particularly the potential demand for residential units is substantial, despite the fact that the boom market and high profit margins experienced in the time before the return of Hong Kong's sovereignty to the PRC is unlikely to happen again in the near future. To tackle the difficulties of severe competition and unstable business growth in the property market, the Group will grasp opportunities to add to our land reserves cautiously at reasonable prices, in order to contribute profit growth in the future.

Implementing housing reform policies such as monetised welfare housing, home mortgage, and commercialization of welfare housing, the Central Government has boosted a healthy growth of the residential property market in the PRC. At the same time, increasing demand in residential and commercial properties from foreign investors is expected following the opening of markets after the PRC's entry into the WTO. Taking advantage of the experience in developing Fragrant Garden, Shanghai, the Group will grasp the opportunity of developing quality residential projects in major cities, mainly Shanghai, Beijing and Guangzhou.

Construction Business

The economy of Hong Kong has recovered from the worst. Different economic indexes rebound. Results of land sales resumed by the HKSAR Government have been satisfactory. Large-scale infrastructure developments in Hong Kong have been announced. All these contribute to an improvement in the operational environment in Hong Kong. However, the construction industry is still in vigorous competition, as users become more demanding on the quality of housing.

On the other hand, the intensive pressure is partially released by demand on the low price level generated by an increase in population size, encouraging policies of the HKSAR Government in respect of the property market – like the variety of loans and mortgages available, the establishment of the Urban Renewal Authority to boost the redevelopment of old urban areas and the concrete plans for developing large-scale infrastructure in the northwest area of Hong Kong. The strategies adopted by the Group to develop its construction business are to consolidate the existing scale, expand properly, and explore project diversification. With regards to management, SSCE will proactively upgrade computerization in tendering, sub-contracting, and financial management systems. Various newly accredited quality-control systems will be implemented to enhance safety standards of construction sites, construction quality and operation efficiency, in order to increase our competitive edge. The Group will emphasize on the Hong Kong market, meanwhile looking for projects from the private sector rather than from the HKSAR Government. To expand its income source, the Group will also explore other higher profit margin businesses like interior decoration, mechanical installation and civil engineering.

Dong Jiufeng

Vice-Chairman

Hong Kong, 28th April, 2000

Management Discussion and Analysis

Financial Review

The Group recorded a turnover of HK\$1,986,181,000 for the year ended 31st December, 1999, representing an increase of 148% compared with the previous year. The growth is attributable to the increase in turnover of the building construction business. The contract revenues of several construction projects which had not attained a completion level at which turnover could be recognised last year under the accounting policy adopted by the Group, was accounted for in 1999. Moreover, the turnover for this year included a full year revenue from Henan Power Plant and rental income from COSCO Tower which were acquired during 1998.

The Group's profit before taxation for 1999 achieved a significant turnaround to a profit of HK\$19,873,000 from a loss of HK\$712,165,000 last year. Apart from provisions totaling HK\$25,992,000 made in 1999 against revaluation of an investment property and potential claims on certain construction contracts which were completed and handed over to employer in 1999, having considered the various underlying conditions and the carrying values of the Group's other assets and investments, the directors do not suggest any further provision for diminution in their values in the current year as provisions totaling HK\$719,009,000 was made last year for diminution in value of certain investments, properties and potential claims on certain construction contracts. Furthermore, the attributable profit from the increased turnover in the construction business has contributed to the good performance for the year.

The profit attributable to the shareholders increased to HK\$17,096,000 from a loss of HK\$715,216,000 in the previous year.

Liquidity and Financial Resources

As at 31st December, 1999, shareholders' funds of the Group increased by 1.5% to HK\$1,670,271,000. During the year, warrant holders of HK\$6,871,910 exercised their rights to subscribe for 9,544,320 new shares of the Company at HK\$0.72 per share.

For the year ended 31st December, 1999, the Group solicited a total of HK\$328,000,000 new banking facilities. As at 31st December, 1999, total banking facilities available to the Group amounted to HK\$2,748,000,000 of which HK\$1,678,000,000 were utilised.

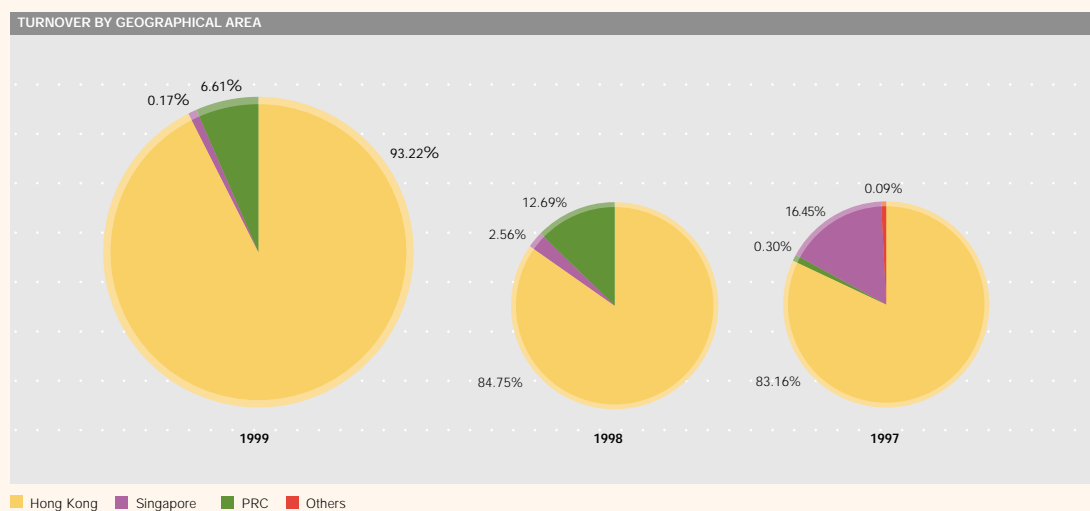
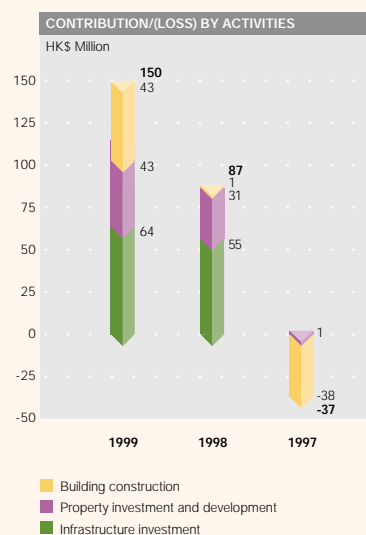
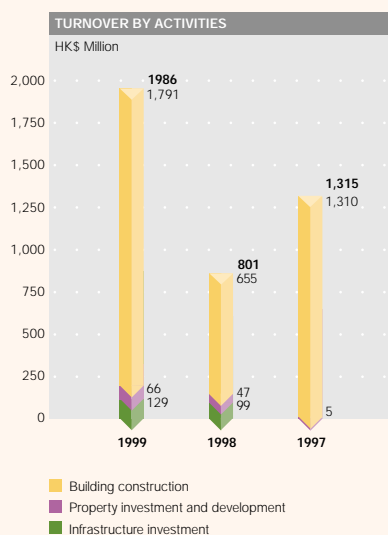
Cash and bank balances amounted to HK\$388,572,000 and accounted for 22% of the current assets.

With its strong cash position and the available banking facilities, the Group has adequate resources for its ongoing operations and future development.

Shareholders' Funds and Long-term Borrowings



Analysis of Operations



Note:

- The analysis represents the operations for 12 months ended 31st December except the analysis of 1997 represents the operations for 16 months ended 31st December, 1997.

Major Customers and Suppliers

For the year ended 31st December, 1999, the Group's five largest customers accounted for 96% of the Group's turnover and the largest customer included therein accounted for 81% which was represented by Hong Kong Housing Authority.

Purchases from the five largest suppliers accounted for 76% of the total purchases of the Group for the year and purchases from the largest supplier included therein accounted for 30%.

None of the Company's directors, their associates, or any shareholders of the Company (which to the knowledge of the Company's directors owned more than 5% of the Company's issued shares) had a beneficial interest in any of the Group's five largest customers or five largest suppliers.

Employees

The Group's development relies on the collaboration, dedication and loyalty of its employees. The Group commits to organising various training programmes to elevate staff work efficiency and offers reasonable salaries and staff welfare. Through the execution of several staff motivation measures and the arrangement of recreational activities, employees are greatly enhanced with high team spirit and sense of belonging. Facing the 21st century and the revolution of high technology new era, the Group emphasises on the training and application of new high technology knowledge for its staff. The Group believes human resources is the prominent asset which can generate an edged competitive advantage.

The "Year 2000" Issue

Details of the Group's assessment of the Year 2000 ("Y2K") Issue, structure and progress of the compliance project and contingency plans have been disclosed in the Interim and Annual Report 1998 and Interim Report 1999. The Group was Y2K compliant in accordance with the original plan. The total costs of the Y2K project which amounted to HK\$994,000 have been expensed to the consolidated profit and loss account. The Group has no further commitments in respect of the Y2K project.

To date, the Group has not experienced any Y2K non-compliance issues. Accordingly, the Group's contingency plans such as switching activity currently managed by computerized system to manual operation, have not been required to be put into use. However, the Group is mindful that the Y2K Issue may still persist into the year, especially on critical dates, and there is still a possibility that a disruption to operations may result. In addition, there is no assurance that equipment or services used by third parties with which the Group does business, will be Y2K compliant throughout the year 2000. However, the Group does not anticipate that its operation or services will experience any material interruption or disruption as a result of any such failure, and any such disruption will be insignificant because, as a contingency plan, any activity that is currently handled by a computerised system can be handled manually without much difficulty or any significant additional costs.

Directors' Report

The directors have pleasure in presenting their report together with the audited accounts of the Company and the Group for the year ended 31st December, 1999.

Principal Activities

The principal activity of the Company is investment holding. The principal activities of the Group are infrastructure investment, property investment and development, building construction and civil engineering, high technology and environmental protection.

The turnover and contribution to operating profit by principal activities and by geographical areas are analysed as follows:

	Turnover <i>HK\$'000</i>	Contribution to operating profit <i>HK\$'000</i>
By activities:		
Infrastructure investment	128,778	64,091
Property investment and development	65,813	42,766
Building construction and civil engineering	1,791,590	42,690
	<u>1,986,181</u>	<u>149,547</u>
Add : Other revenues and operating income		34,454
Less : Administrative expenses		(56,868)
Less : Other operating expenses		(26,584)
		<u>100,549</u>
By geographical areas:		
Hong Kong	1,851,520	84,017
People's Republic of China	131,373	65,530
Singapore	3,288	-
	<u>1,986,181</u>	<u>149,547</u>
Add : Other revenues and operating income		34,454
Less : Administrative expenses		(56,868)
Less : Other operating expenses		(26,584)
		<u>100,549</u>

Results

The results of the Group for the year ended 31st December, 1999 and the state of affairs of the Company and the Group as at that date are set out in the accounts on pages 27 to 66.

Dividend

The Board does not recommend the payment of a final dividend (1998: Nil) for the year ended 31st December, 1999.

Share Capital

Details of the movements in share capital during the year are set out in note 21 to the accounts.

Fixed Assets

Details of the movements in fixed assets during the year are set out in note 9 to the accounts.

Borrowings, Interest and Other Borrowing Costs Capitalised

Borrowings repayable on demand or within one year are classified under current liabilities. Details of the long-term borrowings are set out in note 23 to the accounts. Interest and other borrowing costs capitalised by the Group during the year are set out in note 4 to the accounts.

Reserves

Details of movements in reserves during the year are set out in note 22 to the accounts.

Donations

The donations made by the Group during the year amounted to HK\$37,000 (1998: HK\$745,000).

Five-Year Financial Summary

A five-year financial summary of the Group is set out on pages 69 to 71.

Directors

The directors of the Company during the year and up to date of this report were:

Executive Directors

Mr. Chen Zhongbiao (*Chairman*)

Mr. Dong Jiufeng (*Vice-Chairman*) (appointed on 19th March, 1999)

Mr. Kwong Che Keung, Gordon (*Managing Director*)

Mr. Zhu Guangyun

Mr. Zhang Yongjian

Mr. Dong Shu Sen

Mr. Zuo Wei

Mr. Zhang Dachun (resigned on 19th March, 1999)

Ms. Chen Wenzhen (passed away on 27th December, 1999)

Mr. Tse Lai Leung, Jimmy (resigned on 15th January, 1999)

Independent Non-Executive Directors

Mr. Chan Cheong Foon, Andrew

Mr. Alexander Reid Hamilton

Mr. Kwok Shiu Keung, Ernest (retired on 28th June, 1999)

In accordance with Bye-laws 99 and 102B of the Company's Bye-laws, all the remaining directors of the Company retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

Directors' Interests in Contracts

None of the directors of the Company had any beneficial interests, whether direct or indirect, in any significant contract to which the Company, any of its subsidiaries, holding companies or fellow subsidiaries was a party at the balance sheet date or at any time during the year.

Connected Transactions

Pursuant to Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"), the following connected transactions of the Group entered in the year of 1999 require disclosure in the annual report of the Company. A summary of connected transactions is also set out in note 27 of the accounts.

1. Unsecured loan amounted to RMB46 million with interest rate not less than the financial institutes' basic lending rate officially announced by People's Bank of China was granted by Glorious World International Limited, a wholly-owned subsidiary of the Company, to Shanghai COSCO Honour Property Development Limited, a 85% owned subsidiary of the Company, during the year of 1999 to finance a property development project, Fragrant Garden in Shanghai. The loan is repayable on demand.

Connected Transactions (cont'd)

2. The Stock Exchange granted to the Company conditional waivers on 22nd July, 1999 and subsequently amended on 3rd December, 1999 from strict compliance with connected transactions provisions of the Listing Rules to the transactions (the "Transactions") entered into between Shun Shing Construction and Engineering Company, Limited ("SSCE"), a wholly owned subsidiary of the Company, and Kwok & Chu, Solicitors in respect of the provision of legal services by Kwok & Chu, Solicitors to SSCE and which were of a regular and continuing nature. Mr. Kwok Shiu Keung, Ernest, an ex-independent non-executive director of the Company, is the senior partner of Kwok & Chu, Solicitors. Provision of legal services for the year 1999 amounted to HK\$4,436,000.

The independent non-executive directors of the Company reviewed the Transactions and opined that:

- (a) the Transactions have been:
- (i) carried out in the ordinary and usual course of business of the Group and were on normal commercial terms and fair and reasonable in so far as the shareholders of the Company were concerned; and
 - (ii) carried out on terms no less favorable than those available from independent third parties;
- (b) the aggregate value of the Transactions for the financial year ended 31st December, 1999 did not exceed HK\$6 million.

Specific Performance Obligations on Controlling Shareholder

Under paragraph 3.7.1 of Practice Note 19 of the Listing Rules, the Company discloses the following loan agreements which contain covenants requiring specific performance obligations of the controlling shareholder:

- (a) A HK\$1,129 million secured medium term loan facility was granted by a syndicate of financial institutions with HSBC China Services Limited as agent to Century Metro Development Limited ("Century Metro"), a wholly owned subsidiary of the Company, on 30th March, 1998 to finance the PSPS project at Shum Wan Road, Aberdeen Inland Lot No. 435. The term loan is repayable on the earlier of March 2001 or 3 months after the issuance of the certificate of compliance of the project. The loan is guaranteed unconditionally and irrevocably by COSCO (Hong Kong) Group Limited ("COSCO (Hong Kong)"), an intermediate holding company of the Company, which undertakes amongst other conditions that it will remain the ultimate beneficial owner of at least 51% of the entire issued share capital of Century Metro and SSCE, unless consented by the agent acting on the instruction of majority of the syndicate.

Specific Performance Obligations on Controlling Shareholder (cont'd)

- (b) A US\$100 million secured three years term loan facility was granted by Bank of China, Hong Kong Branch to the Company in August 1998 to partly refinance the shareholder's loan advanced by COSCO (Hong Kong) when the Company acquired the beneficial interest in eight floors of COSCO Tower in April 1998. The loan is guaranteed unconditionally and irrevocably by COSCO (Hong Kong) which undertakes amongst other conditions that:
- (i) it will procure that the ultimate holding company will maintain a 100% equity interest, either directly or indirectly, in it and such equity interest remains free from any security interest (save for any of such existing thereon prior to the date of the guarantee);
 - (ii) it will procure that the ultimate holding company will maintain an equity interest, either directly or indirectly, of not less than 35% in the Company and such equity interest remains free from any security interest (save for any of such existing thereon prior to the date of the guarantee);
 - (iii) it will maintain an equity interest, either directly or indirectly, of not less than 35% in COSCO Pacific Limited, a fellow subsidiary of the Company, and such equity interest remains free from any security interest (save for any of such existing thereon prior to the date of the guarantee); and
 - (iv) it will maintain an equity interest, either directly or indirectly, of not less than 35% in the Company and such equity interest being the single largest shareholding in the Company.

Directors' Interests in Shares and Warrants

As at 31st December, 1999, the interests of the Company's directors and chief executives and their associates in the shares and warrants of the Company as recorded in the register required to be kept under Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

Name of Director	Number of shares held Personal Interests	Amount of warrants held Personal Interests <i>(Note)</i>
Mr. Zhu Guangyun	1,478,400	HK\$212,889.60
Mr. Zhang Yongjian	1,478,400	HK\$212,889.60
Mr. Dong Shu Sen	1,500,000	HK\$216,000.00
Mr. Zuo Wei	120,000	HK\$17,280.00

Note: The Company has approved to grant warrants by way of a bonus issue to its shareholders on the basis of one warrant for every five shares held on 28th June 1999. Each warrant entitles its holder to subscribe for one new fully paid share at any time from 5th July 1999 to 4th July 2000 at an initial exercise price of HK\$0.72 per share.

Save as disclosed above, none of the directors or chief executives or their associates of the Company had any interests in the securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

Directors' Rights to Acquire Shares

(A) Interests in share options granted by the Company

As at 31st December, 1999, no share options has been granted under the share option scheme ("Share Option Scheme") approved by the shareholders on 17th January, 1992.

Subsequent to the balance sheet date, share options were granted on 20th March, 2000 under the Share Option Scheme to the directors of the Company and are exercisable at HK\$0.656 per share at any time between 20th March, 2001 and 16th January, 2002 as follows:

Name of Director	Number of share options held
Mr. Chen Zhongbiao	2,000,000
Mr. Dong Jiufeng	1,500,000
Mr. Kwong Che Keung, Gordon	4,500,000
Mr. Zhu Guangyun	1,000,000
Mr. Zhang Yongjian	1,000,000
Mr. Dong Shu Sen	3,500,000
Mr. Zuo Wei	2,500,000

(B) Interests in share options granted by associated corporation

Name of associated corporation	Name of Director	Number of share options held	
		Note 1	Note 2
COSCO Pacific Limited	Mr. Chen Zhongbiao	2,000,000	500,000
	Mr. Dong Jiufeng	–	500,000
	Mr. Kwong Che Keung, Gordon	–	250,000

Notes:

- These share options were granted on 1st July, 1996 and are exercisable at HK\$5.53 per share at any time within ten years from the date of grant.
- These share options were granted on 6th April, 2000 and are exercisable at HK\$3.584 per share at any time between 6th April, 2001 and 5th April, 2002.

Save as disclosed above, at no time during the year was the Company, any of its subsidiaries, holding companies or fellow subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Management Contracts

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

Substantial Shareholders

As at 31st December, 1999, the interests of those persons in the share capital of the Company as recorded in the register kept under Section 16(1) of the SDI Ordinance were as follows:

Name of Shareholder	Number of shares held
China Ocean Shipping (Group) Company ("COSCO")	826,032,511
COSCO (Hong Kong) Group Limited*	826,032,511
True Smart International Limited*	527,060,904
COSCO Investments Limited*	298,971,607

* These companies are wholly-owned subsidiaries of COSCO and their interests in the shares of the Company were included in the interests held by COSCO.

Corporate Governance

The Company has complied throughout the year ended 31st December, 1999 with the Code of Best Practice as set out in the Appendix 14 of the Listing Rules.

In addition, the Company has established an Audit Committee for review and supervision of the Group's financial reporting process and internal controls to protect the interests of the shareholders of the Company.

Purchase, Sale or Redemption of Listed Securities

During the year, there was no purchase, sale or redemption by the Company, or any of its subsidiaries of any listed securities of the Company.

Pre-emptive Rights

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

Auditors

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

The accounts for the sixteen months ended 31st December, 1997 and for the year ended 31st December, 1998 were audited by Price Waterhouse. PricewaterhouseCoopers replaced Price Waterhouse in 1999 following their merger with Coopers & Lybrand.

On behalf of the Board

Kwong Che Keung, Gordon

Managing Director

Hong Kong, 28th April, 2000

Profile of Directors and Senior Management

DIRECTORS

Mr. CHEN Zhongbiao, aged 62, is the Chairman of the Company. He is also the Chairman of China Ocean Shipping (Group) Company ("COSCO"), COSCO (Hong Kong) Group Limited ("COSCO (Hong Kong)") and COSCO Pacific Limited. Graduated from Dalian Maritime University in 1964, he has more than 36 years of extensive experience in the shipping industry. He has been the President of COSCO from April 1992 to November 1998 and the China Shipowners' Association since April 1992. He joined the Company in April 1997 and is responsible for the formulation of the Group's overall strategy and business policy.

Mr. DONG Jiufeng, aged 60, is the Vice-Chairman of the Company. He is also the Executive Vice-Chairman and President of COSCO (Hong Kong), the Vice-Chairman of COSCO Pacific Limited and the Council member of The Hong Kong General Chamber of Commerce. Graduated from Dalian Maritime University in 1963, Mr. Dong has held important positions of Vice President of COSCO and the President of China Classification Society. Mr. Dong had also been the Chairman of International Association of Classification Society and the President of COSCO Americas Inc. Mr. Dong has more than 36 years of experience in international navigation management and was entitled senior engineer (professor). When Mr. Dong was the Vice-President of COSCO, he was in-charge of ship purchasing and construction and had made every endeavour to foster the modernization of shipping industry. During his presidency in China Classification Society, he had been the host in pioneering a system named "Hai Hong Zhi Cai", which was a software for designing and monitoring the shipping structure and had a leading standard in the industry. During his presidency in COSCO Americas Inc and COSCO (Hong Kong), he has introduced the Office Automation System successfully. Mr. Dong also endeavours to foster the core businesses electronically and leads his subordinates to develop the e-commerce. He joined the Company in March 1999 and is responsible for the Group's strategic planning and major investments.

Mr. KWONG Che Keung, Gordon, aged 50, joined the Company as the Managing Director in May 1998. He is also an Executive Director and Vice-President of COSCO (Hong Kong) and an Executive Director of COSCO Pacific Limited, an Independent Non-Executive Director of Tianjin Development Holdings Limited and a Director of Soundwill Holdings Limited. Mr. Kwong graduated from the University of Hong Kong in 1972 with a Bachelor of Social Sciences Degree. After graduation, he joined an international firm of accountants to begin his professional career which took him to England from 1973 to 1979. He qualified as a chartered accountant of the Institute of Chartered Accountants in England & Wales in 1977. In 1979, he joined Price Waterhouse Hong Kong and gained admission as a partner of the firm in 1984. In the 1990s, he has acted as a part-time panel member of the Hong Kong Government's Central Policy Unit, an independent member of the Council of The Stock Exchange of Hong Kong Limited, Director of Hong Kong Clearing Co., Limited and Stock Options Clearing House Co. Limited, and Convenor of the Hong Kong Stock Exchange's Compliance Committee and Listing Committee.

Mr. ZHU Guangyun, aged 56, joined the Company in April 1997. He is a Director and Vice-President of COSCO (Hong Kong). Mr. Zhu has pursued a career in enterprise management for more than 32 years.

Mr. ZHANG Yongjian, aged 48, joined the Company in September 1997. He is also an Assistant to President and the General Manager of the Strategic Planning Division of COSCO (Hong Kong). He graduated from the Maritime University in 1976 and also obtained a Degree of Master of Law (Maritime Law) from Dalian Maritime University in 1984. He joined COSCO in 1976 and has been the Deputy General Manager of COSCO Dalian and the General Manager of its Shipping Department.

Mr. DONG Shu Sen, aged 56, joined the Company in December 1997, is the Executive Deputy Managing Director of the Company. He graduated from the University of International Business & Economics in Beijing. He joined COSCO in 1968 and has since served professionally in sea transportation, shipbuilding, container transportation, external affairs and administration management as well as property management.

Mr. ZUO Wei, aged 40, joined the Company in May 1997, is the Deputy Managing Director of the Company. He graduated from Zhejiang University in 1983. He joined COSCO in 1983 and has worked in manufacturing of vessels, trading of marine machinery, international trade and risk management of debt finance. He has extensive experience in shipbuilding management, finance and corporate management.

Mr. CHAN Cheong Foon, Andrew, aged 62, has been an Independent Non-Executive Director of the Company since December 1991. He is the senior partner of Wong Brothers & Co., Certified Public Accountants. He has over 30 years of experience in public accounting practice and is a fellow member of both the Australian Society of Certified Practising Accountants and the Hong Kong Society of Accountants.

Mr. Alexander Reid HAMILTON, aged 58, has been an Independent Non-Executive Director of the Company since August 1997. He is also a Non-Executive Director of COSCO Pacific Limited, CITIC Pacific Limited, Esprit Holdings Limited, Kwong On Bank Limited and a Director of a number of other Hong Kong companies. He is a member of the Institute of Chartered Accountants of Scotland, a fellow member of the Hong Kong Society of Accountants and a fellow member of the Institute of Directors. He was a partner in Price Waterhouse for 16 years and has over 20 years of audit and accounting experience.

SENIOR MANAGEMENT

Mr. WONG Shiu Kee, aged 36, joined the Company in July 1997, is the Financial Controller of the Company. With over 14 years of experience in financial management, he is a fellow member of both the Association of Chartered Certified Accountants and the Hong Kong Society of Accountants, and an associate member of the Institute of Chartered Secretaries and Administrators.

Ms. ZHAO Zhuochu, aged 45, is the Managing Director of Shun Shing Construction & Engineering Company, Limited ("SSCE"). She joined SSCE in May 1997. She graduated from Wuhan Transportation University and is also a senior shipbuilding engineer.

Mr. ZHANG Huimin, aged 49, joined the Company in December 1997, is the Manager of the Infrastructure and Investment Department of the Company. He graduated from Hangzhou University in 1976 majoring in foreign languages. From 1977 to 1996, he worked for Shanghai Ocean Shipping Company in the areas of shipping and shipping economic management and held the positions of Division Chief, Deputy Division Chief and Deputy Manager. He has also been awarded the Certificate for Senior Economist by the Ministry of Communications of the PRC. During Mr. Zhang's management in the investment enterprise of the PRC, he has been awarded an honorary designation of "Forerunner of Foreign Investment Enterprise Management" by the provincial government of the PRC.

Mr. KU Shing Pan, aged 54, is the Manager of the Real Estate Department of the Company. He joined the Company in July 1998. He graduated from Zhejiang University and has about 18 years of working experience in the PRC. Mr. Ku came to work in Hong Kong in 1984 and had been the head of investment development and the head of development department in other two groups. He has over 15 years of experience in project investment and property development in the PRC.

Mr. WONG Ping Hang, aged 47, joined the Company in July 1997, is the Manager of the Internal Audit Department of the Company. He graduated from the Brigham Young University, United States of America, majoring in Accounting and has over 22 years of banking and corporate working experience.

Ms. WAI Ching Sum, aged 32, joined the Company in February 1999, is the Company Secretary of the Company. She is a qualified chartered secretary designated as ACIS, ACS and holds a Master of Science Degree in Financial Economics. Before joining the Company, she had been the Company Secretary of other listed companies in Hong Kong.

Auditors' Report

AUDITORS' REPORT TO THE SHAREHOLDERS OF COSCO INTERNATIONAL HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

We have audited the accounts set out on pages 27 to 66 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Company's directors are responsible for the preparation of accounts which give a true and fair view. In preparing accounts which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the accounts give a true and fair view, in all material respects, of the state of affairs of the Company and the Group as at 31st December, 1999 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28th April, 2000

Consolidated Profit and Loss Account for the year ended 31st December, 1999

	Note	1999 HK\$'000	1998 HK\$'000
TURNOVER	2	1,986,181	801,307
Cost of sales		(1,836,634)	(714,439)
Gross profit		149,547	86,868
Other revenues	2	27,091	51,055
Other operating income		7,363	2,790
Administrative expenses		(56,868)	(60,715)
Other operating expenses		(26,584)	(726,561)
OPERATING PROFIT/(LOSS)	3	100,549	(646,563)
Finance costs	4	(79,812)	(70,192)
Share of results of associated companies		(864)	4,590
PROFIT/(LOSS) BEFORE TAXATION		19,873	(712,165)
Taxation	5	(149)	(1,075)
PROFIT/(LOSS) AFTER TAXATION		19,724	(713,240)
Minority interests		(2,628)	(1,976)
PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS	6 & 22	17,096	(715,216)
EARNINGS/(LOSS) PER SHARE	7		
BASIC		1.25 cents	(55.00 cents)
FULLY DILUTED		1.23 cents	Not applicable

Consolidated Balance Sheet

as at 31st December, 1999

	Note	1999 HK\$'000	1998 HK\$'000
FIXED ASSETS	9	1,479,051	1,511,839
ASSOCIATED COMPANIES	11	9,041	6,978
FIXED RETURN JOINT VENTURE	12	407,372	472,059
INVESTMENT SECURITIES	13	215,673	240,259
NON-CURRENT ASSETS	18	55,980	–
CURRENT ASSETS			
Properties under development for sale	14	934,041	617,091
Trade and other receivables	15	398,630	341,749
Other investments	17	41,019	6,068
Cash and bank balances	18	388,572	680,153
		<u>1,762,262</u>	<u>1,645,061</u>
CURRENT LIABILITIES			
Trade and other payables	19	552,335	424,621
Loan from an intermediate holding company		–	247,556
Current portion of long-term bank loans	23	45,667	–
Taxation		4,047	4,034
Bank loans	20		
Secured		–	40,679
Unsecured		241,000	261,000
		<u>843,049</u>	<u>977,890</u>
NET CURRENT ASSETS		<u>919,213</u>	<u>667,171</u>
		<u>3,086,330</u>	<u>2,898,306</u>
Financed by:			
SHARE CAPITAL	21	137,997	137,043
RESERVES	22	1,532,274	1,508,625
SHAREHOLDERS' FUNDS		1,670,271	1,645,668
LONG-TERM BANK LOANS	23	1,391,682	1,230,850
MINORITY INTERESTS		24,377	21,788
		<u>3,086,330</u>	<u>2,898,306</u>

Kwong Che Keung, Gordon
Managing Director

Dong Shu Sen
Executive Deputy Managing Director

Balance Sheet

as at 31st December, 1999

	Note	1999 HK\$'000	1998 HK\$'000
FIXED ASSETS	9	7,000	9,235
SUBSIDIARIES	10	2,299,467	2,061,361
INVESTMENT SECURITIES	13	20,684	20,684
CURRENT ASSETS			
Other receivables		5,648	5,150
Other investments	17	11,019	–
Cash and bank balances		86,709	329,707
		103,376	334,857
CURRENT LIABILITIES			
Other payables	19	6,291	7,034
Taxation		1,264	1,264
		7,555	8,298
NET CURRENT ASSETS		95,821	326,559
		2,422,972	2,417,839
Financed by:			
SHARE CAPITAL	21	137,997	137,043
RESERVES	22	1,510,125	1,505,946
SHAREHOLDERS' FUNDS		1,648,122	1,642,989
LONG-TERM BANK LOAN	23	774,850	774,850
		2,422,972	2,417,839

Kwong Che Keung, Gordon
Managing Director

Dong Shu Sen
Executive Deputy Managing Director

Consolidated Cash Flow Statement for the year ended 31st December, 1999

	Note	1999 HK\$'000	1998 HK\$'000
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES	28(a)	(170,817)	29,602
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		25,585	50,574
Interest paid		(116,626)	(113,278)
Dividend received		1,418	705
Income from investment in fixed return joint venture received		128,778	67,159
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		39,155	5,160
TAXATION			
Hong Kong profits tax paid		(133)	(27)
Overseas profits tax paid		-	(564)
TAX PAID		(133)	(591)
INVESTING ACTIVITIES			
Purchase of fixed assets		(6,609)	(22,331)
Advances (to)/from associated companies		(2,920)	17,897
Increase in restricted bank deposits and bank deposits with maturity after three months from the date of placement		(59,854)	-
Investment in an associated company		-	(100)
Purchase of investment securities		-	(1,672)
Purchase of subsidiaries		-	(990,948)
Proceeds from disposal of fixed assets		-	946
Proceeds from disposal of subsidiaries		-	57,187
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(69,383)	(939,021)
NET CASH OUTFLOW BEFORE FINANCING ACTIVITIES		(201,178)	(904,850)

	Note	1999 HK\$'000	1998 HK\$'000
NET CASH OUTFLOW BEFORE FINANCING ACTIVITIES		(201,178)	(904,850)
FINANCING ACTIVITIES			
Issue of shares upon the exercise of warrants		6,872	–
Expenses incurred on issue of shares for non-cash consideration		–	(6,706)
Drawdown of bank loans		206,499	881,529
Repayment of bank loans		(40,679)	(58,424)
Loan from an intermediate holding company		(247,556)	247,556
Contribution by minority shareholders		–	12,643
NET CASH (OUTFLOW)/INFLOW FROM FINANCING ACTIVITIES	28(b)	(74,864)	1,076,598
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(276,042)	171,748
Cash and cash equivalents at beginning of year		660,153	487,429
Changes in exchange rates		587	976
CASH AND CASH EQUIVALENTS AT END OF YEAR		384,698	660,153
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	18	444,552	680,153
Restricted bank deposits and bank deposits with maturity after three months from the date of placement		(59,854)	–
Short-term bank loans with maturity within three months from the date of drawdown		–	(20,000)
		384,698	660,153

Statement of Recognised Gains and Losses for the year ended 31st December, 1999

	Note	1999 HK\$'000	1998 HK\$'000
Exchange differences arising on translation of subsidiaries	22	635	6,776
GAINS NOT RECOGNISED IN THE PROFIT AND LOSS ACCOUNT			
Profit/(loss) for the year	22	17,096	(715,216)
TOTAL RECOGNISED GAINS AND LOSSES		17,731	(708,440)
Capital reserve on consolidation taken directly to reserves	22	-	56,683
		17,731	(651,757)

Notes to the Accounts

1. Principal Accounting Policies

The accounts have been prepared in accordance with generally accepted accounting principles in Hong Kong. The accounts are prepared under the historical cost convention as modified by the revaluation of investment properties.

(a) Basis of presentation

The presentation and classification of certain comparative figures have been adjusted or extended to conform with the current year's presentation as a result of the adoption of the Statement of Standard Accounting Practice ("SSAP") 2.101 "Presentation of financial statements", which was issued by the Hong Kong Society of Accountants and became effective for accounting period commencing on 1st January, 1999. The adoption of SSAP 2.101 has no effect on the profit attributable to shareholders and the shareholders' funds of the Group and the Company.

(b) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st December. The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill or capital reserve which was not previously charged or recognised in the consolidated profit and loss account.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

(c) Goodwill and capital reserve

Goodwill represents the excess of purchase consideration over the fair values ascribed to the net assets of subsidiaries and associated companies acquired and is taken to reserves in the year of acquisition. Capital reserve represents the excess of the fair values ascribed to the net assets of subsidiaries and associated companies acquired over the purchase consideration and is taken directly to reserves.

1. Principal Accounting Policies (cont'd)

(d) Subsidiaries

A company is a subsidiary if more than 50% of the voting capital is held for the long term or if the composition of the board of directors is controlled by the Group. In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision, if necessary, for any permanent diminution in value.

The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(e) Associated companies

An associated company is a company, not being a subsidiary, in which an equity interest is held for the long term and significant influence is exercised in its management.

The consolidated profit and loss account includes the Group's share of the results of associated companies for the year, and the consolidated balance sheet includes the Group's share of the net assets of the associated companies.

(f) Joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

(i) *Jointly controlled operations*

The Group's interests in jointly controlled operations are accounted for in the consolidated accounts on the following bases:

- (1) the assets that the Group controls and the liabilities that the Group incurs; and
- (2) the expenses that the Group incurs and its share of the income that it earns from services rendered by these joint ventures.

(ii) *Fixed return joint venture*

Fixed return joint venture is carried at cost less accumulated amortisation. Amortisation is provided to write off the investment cost of joint venture over the joint venture period on a basis whereby the annual investment income less amortisation for the year would produce a constant periodic rate of return on the carrying amount of the investment in the joint venture. Provision is made when, in the opinion of the Company's directors, there is a permanent diminution in value of the investment in the joint venture.

1. Principal Accounting Policies (cont'd)

(g) Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties held on leases with unexpired periods greater than twenty years are valued at intervals of not more than three years by independent valuers; in each of the intervening years valuations are undertaken by either independent professional valuers or professionally qualified executives of the Group. The valuations are on an open market value basis related to individual properties and separate values are not attributed to land and buildings. The valuations are incorporated in the annual accounts. Increases in valuation are credited to the investment properties revaluation reserve. Decreases in valuation are first set off against increases on earlier valuations on a portfolio basis and thereafter are debited to profit and loss account. Any subsequent increases are credited to profit and loss account up to the amount previously debited.

Investment properties held on leases with unexpired periods of 20 years or less are depreciated over the remaining portion of the leases.

Upon the disposal of an investment property, the relevant portion of the revaluation reserve realised in respect of previous valuations is released from the investment properties revaluation reserve to the profit and loss account.

(h) Property, plant and equipment

Other tangible fixed assets are stated at cost less accumulated depreciation.

Leasehold land is depreciated over the period of the lease while other tangible fixed assets are depreciated at rates sufficient to write off their costs over their estimated useful lives on a straight line basis. The principal annual rates are as follows:

Buildings	2 %
Machinery	16 2/3 %
Equipment and motor vehicles	20%-33 1/3 %
Leasehold improvements	20%-33 1/3 %
Furniture and fixtures	20%-33 1/3%

1. Principal Accounting Policies (cont'd)

(h) Property, plant and equipment (cont'd)

Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss account. Improvements are capitalised and depreciated over their expected useful lives to the Group.

The carrying amounts of fixed assets are reviewed regularly to assess whether their recoverable amounts have declined below their carrying amounts. Expected future cash flows have been discounted in determining the recoverable amount.

The gain or loss on disposal of a fixed asset other than investment properties is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

(i) Investments in securities

(i) *Held-to-maturity securities*

Held-to-maturity securities are stated in the balance sheet at cost plus/less any discount/premium amortised to date. The discount or premium is amortised over the period to maturity and included as interest income/expense in the profit and loss account.

The carrying amounts of held-to-maturity securities are reviewed at the balance sheet date in order to assess the credit risk and whether the carrying amounts are expected to be recovered. Provisions are made when carrying amounts are not expected to be recovered and are recognised in the profit and loss account.

(ii) *Investment securities*

Investment securities are stated at cost less any provision for diminution in value.

The carrying amounts of individual investments are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such securities should be reduced to its fair value. The amount of the reduction is recognised as an expense in the profit and loss account.

Provision against the carrying amounts of individual investments should be written back to profit and loss account when the circumstances and events that led to the write-downs cease to exist and there is evidence that the new circumstances and events will persist for the foreseeable future. The amount written back should not exceed the amount of the write-downs.

1. Principal Accounting Policies (cont'd)

(i) Investments in securities (cont'd)

(iii) *Other investments*

Other investments are carried at fair value. At each balance sheet date, the net unrealised gains or losses arising from the changes in fair value of other investments are recognised in the profit and loss account. Profits or losses on disposal of other investments, representing the differences between the net sales proceeds and the carrying amounts, are recognised in the profit and loss account as they arise.

The adoption of accounting for other investments in accordance with SSAP 2.124 "Accounting for investments in securities" represents a change in accounting policy. This change in accounting policy has no material effect on the accounts.

(j) Properties under development for sale

Properties under development for sale are included in current assets and stated at cost plus attributable profits taken to date, less provisions for any foreseeable losses and sales instalments received and receivable. Cost includes the cost of land, development expenditure, other attributable expenses and borrowing costs capitalised.

The accounting policy for recognition of revenue from sale of development properties is set out in note 1(q)(ii)(1).

(k) Construction contracts in progress

Construction contracts in progress are stated at cost plus attributable profits less allowances for foreseeable losses and progress payments received and receivable. Contract costs comprise direct materials, direct labour, sub-contracting charges and an appropriate portion of construction overheads. Where progress billings received and receivable on construction contracts exceed contract costs incurred to date plus recognised profits less recognised losses, the net amount is treated as amounts due to customers for contract work. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings received and receivable on construction contracts, the net amount is treated as amounts due from customers for contract work.

The accounting policy for recognition of contract revenue is set out in note 1(q)(i).

1. Principal Accounting Policies (cont'd)

(l) Assets under operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessors are accounted for as operating leases. Rentals applicable to such operating leases are charged to the profit and loss account on a straight line basis over the lease term.

(m) Deferred taxation

Deferred taxation is accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or asset is expected to be payable or recoverable in the foreseeable future.

(n) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

The accounts of subsidiaries and associated companies expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Exchange differences arising therefrom are dealt with as a movement in reserves.

(o) Borrowing costs

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

All other borrowing costs are charged to the profit and loss account in the year in which they are incurred.

(p) Pensions and retirement benefits

The Group operates a defined contribution scheme which is available to certain employees in Hong Kong. Under this scheme, eligible employees of the Group are required to make contributions to the scheme calculated at 5% of the individual employee's monthly basic salaries. The Group's contributions are based on 5% to 10% of the individual employee's monthly basic salaries depending upon the length of service. The Group's contributions to this scheme are expensed as incurred and may be reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. The assets of the scheme are held separately from those of the Group in independently administered funds.

1. Principal Accounting Policies (cont'd)

(q) Revenue recognition

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

(i) *Construction revenue*

Revenue from construction contract is recognised based on the stage of completion of the contract when the outcome of contract can be ascertained with reasonable certainty. The stage of completion of a contract is established by reference to the gross billing value of contracting work to date as certified by qualified architects and /or engineers as compared to the total sum under the contract.

(ii) *Sale of properties*

(1) Properties under development for sale

Revenue and profit from the pre-sale of properties under development for sale are recognised when a legally binding contract of sale has been executed. The revenue and profit recognised in a year are a proportion of the total revenue and profit expected on completion, the proportion used being the percentage of the construction costs incurred at the end of the year to the estimated total construction costs on completion (with due allowance for contingencies). The profit so recognised is restricted to the amount of instalments received.

(2) Completed properties held for sale

Revenue from sale of completed properties held for sale is recognised upon completion of the sale and purchase contracts.

(iii) *Income from investment in fixed return joint venture*

Income from investment in fixed return joint venture is recognised when the right to receive investment income is established.

1. Principal Accounting Policies (cont'd)

(q) Revenue recognition (cont'd)

(iv) Rental income

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

(v) Interest income

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

(vi) Dividend income

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

2. Revenues and Turnover

The Group is principally engaged in infrastructure investment, property investment and development, building construction and civil engineering services. Turnover represents the gross billing value of contracting work performed, income from investment in fixed return joint venture and rental income. Revenues and turnover recognised during the year are as follows:

	1999 HK\$'000	1998 HK\$'000
Turnover		
Building construction	1,791,590	655,266
Income from investment in fixed return joint venture	128,778	99,353
Gross rental income	65,813	46,688
	<u>1,986,181</u>	<u>801,307</u>
Other revenues		
Interest income	25,673	50,350
Dividend income from listed investment securities	1,418	705
	<u>27,091</u>	<u>51,055</u>
Total revenues	<u>2,013,272</u>	<u>852,362</u>

3. Operating Profit/(Loss)

Operating profit/(loss) is arrived at after crediting and charging the following:

	1999	1998
	HK\$'000	HK\$'000
Crediting:		
Net rental income (note (a))	64,144	45,437
Net realised and unrealised gains on other investments	3,591	2,124
Charging:		
Depreciation (note (b))	26,162	18,960
Operating lease rental expense (note (c))	211	3,863
Auditors' remuneration	946	920
Amortisation of the investment cost of fixed return joint venture (note 12)	64,687	43,941
Loss on disposal/write-off of fixed assets	592	1,378
Staff costs (note (d))	38,337	40,400
Provision for doubtful debt	–	6,174
* Deficit on revaluation of investment properties	6,743	219,700
* Provision for potential claim on certain construction contracts	19,249	52,309
* Provision for diminution in value of		
Investment securities	–	385,000
Property development project engaged by an associated company	–	37,000
Property under development	–	25,000

* The Group has adopted the revised SSAP 2.102 "Net profit or loss for the period, fundamental errors and changes in accounting policies" and accordingly the provisions in 1998 totalling HK\$719,009,000, which were previously accounted for as exceptional items separately, have been reclassified to other operating expenses to conform with the current year's presentation.

3. Operating Profit/(Loss) (cont'd)

(a) Net rental income

	1999 HK\$'000	1998 HK\$'000
Gross rental income from		
Investment properties	26,027	18,818
Other properties	39,786	27,870
	<u>65,813</u>	<u>46,688</u>
Outgoings	(1,669)	(1,251)
	<u>64,144</u>	<u>45,437</u>

(b) Depreciation

	1999 HK\$'000	1998 HK\$'000
Charge for the year	32,062	23,147
Capitalised in construction contracts in progress	(5,900)	(4,187)
	<u>26,162</u>	<u>18,960</u>

(c) Operating lease rental expense

	1999 HK\$'000	1998 HK\$'000
Land and buildings	467	3,863
Plant and machinery	4,366	3,323
	<u>4,833</u>	<u>7,186</u>
Capitalised in construction contracts in progress	(3,157)	(3,323)
Capitalised in properties under development for sale	(1,465)	-
	<u>211</u>	<u>3,863</u>

3. Operating Profit/(Loss) (cont'd)

(d) Staff costs

	1999 HK\$'000	1998 HK\$'000
Staff costs	91,423	108,872
Capitalised in construction contracts in progress	(43,355)	(65,072)
Capitalised in properties under development for sale	(9,731)	(3,400)
	38,337	40,400

The staff costs include the Group's contribution of HK\$301,000 (1998: HK\$805,000) to the Group's employee retirement scheme after offsetting forfeited contributions of HK\$47,000 (1998: HK\$30,000). At 31st December, 1999, forfeited contributions amounting to HK\$21,000 (1998: Nil) were available to reduce the Group's future contributions to the employee retirement scheme.

4. Finance Costs

	1999 HK\$'000	1998 HK\$'000
Interest on bank loans wholly repayable within five years	113,601	81,453
Interest on loan from an intermediate holding company (note 27(a))	2,700	28,701
Interest on loan from a fellow subsidiary	-	5,661
Other borrowing costs	6,940	12,453
	123,241	128,268
Capitalised in construction contracts in progress	(2,496)	(10,740)
Capitalised in properties under development for sale	(40,933)	(47,336)
	79,812	70,192

5. Taxation

No Hong Kong profits tax has been provided as there is no estimated assessable profit for the year (1998:16% on the estimated assessable profit).

Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged to the consolidated profit and loss account represents:

	1999	1998
	HK\$'000	HK\$'000
Company and subsidiaries		
Current – provision for the year		
Hong Kong	–	511
Overseas	149	564
	149	1,075

6. Profit/(Loss) Attributable to Shareholders

The profit/(loss) attributable to shareholders is dealt with in the accounts of the Company to the extent of a loss of HK\$1,739,000 (1998: loss of HK\$832,375,000).

7. Earnings/(Loss) Per Share

The calculation of basic and fully diluted earnings/(loss) per share is based on the Group's profit attributable to shareholders of HK\$17,096,000 (1998: loss of HK\$715,216,000).

The basic earnings per share is based on the weighted average of 1,371,198,122 (1998:1,300,489,491) shares in issue during the year.

The fully diluted earnings per share is based on 1,394,544,593 shares which is the total of the weighted average number of shares in issue during the year and the weighted average of 23,346,471 shares deemed to be issued at no consideration if all outstanding warrants had been exercised. There was no dilutive potential share in existence in 1998.

8. Emoluments of Directors and Senior Management

(a) Directors' emoluments

Details of the emoluments paid and payable to the directors are as follows:

	1999	1998
	HK\$'000	HK\$'000
Fees	370	662
Salaries and other emoluments	8,040	8,152
	8,410	8,814

Emoluments paid and payable to independent non-executive directors amounted to HK\$370,000 (1998: HK\$520,000) during the year.

The emoluments of the directors fell within the following bands:

Emoluments bands	Number of directors	
	1999	1998
HK\$Nil - HK\$1,000,000	10	9
HK\$1,500,001 - HK\$2,000,000	2	3
HK\$3,000,001 - HK\$3,500,000	-	1
HK\$4,500,001 - HK\$5,000,000	1	-
	13	13

The above analysis includes three (1998: three) individuals whose emoluments were among the five highest in the Group.

8. Emoluments of Directors and Senior Management (cont'd)

(b) Senior management

Details of the emoluments paid to the two (1998: two) individuals, whose emoluments were among the five highest in the Group and have not been included in the directors' emoluments mentioned above are as follows:

	1999 HK\$'000	1998 HK\$'000
Salaries and other emoluments	<u>3,259</u>	<u>4,562</u>

The emoluments of the two (1998: two) individuals fell within the following bands:

Emolument bands	Number of individuals	
	1999	1998
HK\$1,000,001 - HK\$1,500,000	1	-
HK\$1,500,001 - HK\$2,000,000	-	1
HK\$2,000,001 - HK\$2,500,000	1	-
HK\$2,500,001 - HK\$3,000,000	-	1
	<u>2</u>	<u>2</u>

9. Fixed Assets

Group

	Investment properties	Other properties	Machinery, equipment and motor vehicles	Leasehold improve- ments	Furniture and fixtures	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost or valuation						
At 1st January, 1999	433,743	1,055,965	56,766	9,872	8,021	1,564,367
Additions	-	-	6,105	-	504	6,609
Revaluation	(6,743)	-	-	-	-	(6,743)
Write-off	-	-	(1,411)	(4)	(746)	(2,161)
Disposals	-	-	(1,665)	-	-	(1,665)
At 31st December, 1999	427,000	1,055,965	59,795	9,868	7,779	1,560,407
Accumulated depreciation						
At 1st January, 1999	-	15,802	30,413	3,203	3,110	52,528
Charge for the year	-	21,120	7,326	1,721	1,895	32,062
Write-off	-	-	(916)	(1)	(652)	(1,569)
Disposals	-	-	(1,665)	-	-	(1,665)
At 31st December, 1999	-	36,922	35,158	4,923	4,353	81,356
Net book value						
At 31st December, 1999	427,000	1,019,043	24,637	4,945	3,426	1,479,051
At 31st December, 1998	433,743	1,040,163	26,353	6,669	4,911	1,511,839

The analysis of the cost or valuation at 31st December, 1999 of the above assets is as follows:

At cost	-	1,055,965	59,795	9,868	7,779	1,133,407
At 1999 professional valuation	427,000	-	-	-	-	427,000
	427,000	1,055,965	59,795	9,868	7,779	1,560,407

9. Fixed Assets (cont'd)

The Group's interests in investment properties and other properties at their cost or valuation are analysed as follows:

	1999 HK\$'000	1998 HK\$'000
In Hong Kong, held on leases of between 10 and 50 years	1,450,965	1,450,965
Outside Hong Kong, held on leases of over 50 years	32,000	38,743
	<u>1,482,965</u>	<u>1,489,708</u>

The investment properties were revalued at 31st December, 1999 on the basis of their open market value by an independent firm of Chartered Surveyors, DTZ Debenham Tie Leung Limited.

Investment properties in Hong Kong of HK\$395,000,000 (1998: HK\$395,000,000) and other properties in Hong Kong of HK\$1,008,446,000 (1998: HK\$1,029,326,000) are pledged as security to a bank in respect of certain banking facilities granted to the Group.

The cost and accumulated depreciation of other properties leased to an intermediate holding company and certain fellow subsidiaries are HK\$891,410,000 (1998: HK\$886,423,000) and HK\$30,357,000 (1998: HK\$12,459,000) respectively.

Company

	Machinery, equipment and motor vehicles HK\$'000	Leasehold improve- ments HK\$'000	Furniture and fixtures HK\$'000	Total HK\$'000
Cost				
At 1st January, 1999	3,087	7,203	1,101	11,391
Additions	35	–	10	45
At 31st December, 1999	<u>3,122</u>	<u>7,203</u>	<u>1,111</u>	<u>11,436</u>
Accumulated depreciation				
At 1st January, 1999	503	1,433	220	2,156
Charge for the year	619	1,440	221	2,280
At 31st December, 1999	<u>1,122</u>	<u>2,873</u>	<u>441</u>	<u>4,436</u>
Net book value				
At 31st December, 1999	<u>2,000</u>	<u>4,330</u>	<u>670</u>	<u>7,000</u>
At 31st December, 1998	<u>2,584</u>	<u>5,770</u>	<u>881</u>	<u>9,235</u>

10. Subsidiaries

	Company	
	1999 HK\$'000	1998 HK\$'000
Unlisted shares, at cost	–	–
Amounts due from	3,323,660	3,004,217
Amount due to	(81,337)	–
	3,242,323	3,004,217
Provision for diminution in value	(942,856)	(942,856)
	2,299,467	2,061,361

Particulars of the principal subsidiaries which, in the opinion of the directors, affect the results or assets of the Group at 31st December, 1999 are set out in note 29 to the accounts.

11. Associated Companies

	Group	
	1999 HK\$'000	1998 HK\$'000
Share of net assets	8,805	9,653
Amount due from, less provision	4,920	2,000
Amounts due to	(4,684)	(4,675)
	9,041	6,978

Particulars of the principal associated company which, in the opinion of the directors, affects the results or assets of the Group at 31st December, 1999, are set out as follows:

Name	Place of incorporation	Principal activities	Percentage of interest held
International Precast Systems Limited	Hong Kong	Manufacture and marketing of precast concrete products	49.12

12. Fixed Return Joint Venture

	Group	
	1999	1998
	HK\$'000	HK\$'000
Cost		
At 1st January	634,454	–
Carried by acquired subsidiary	–	634,454
At 31st December	<u>634,454</u>	<u>634,454</u>
Accumulated amortisation		
At 1st January	162,395	–
Carried by acquired subsidiary	–	118,454
Charge for the year	64,687	43,941
At 31st December	<u>227,082</u>	<u>162,395</u>
	<u>407,372</u>	<u>472,059</u>

New Central International Enterprises Company, Limited ("New Central"), a 90% indirectly owned subsidiary of the Group, holds a 54 % interest in the registered capital of Henan Xin Zhong Yi Electric Power Company, Limited ("Xinzhongyi"), a sino-foreign co-operative joint venture which owns the operating right of Xinxiang Power Plant in Henan Province, the People's Republic of China ("PRC").

Xinzhongyi was established on 23rd February, 1995 with a joint venture period of 20 years and commenced its operations in October 1995. Pursuant to the joint venture agreement dated 8th September, 1994 entered into by New Central with other joint venture partners (the "Xinzhongyi Contract"), New Central, up to 30th September, 2001, is entitled to receive 60% of the after tax profit of Xinzhongyi which is equal to or below RMB229.97 million; all profit exceeding such amount will be attributable to the PRC joint venture partner. From 1st October, 2001 until the end of the joint venture period, New Central will receive 30% of the after tax profit of Xinzhongyi which is equal to or below RMB160 million; all profit exceeding such amount will be shared amongst all of the joint venture partners in accordance with their respective proportional interests in the registered capital of Xinzhongyi.

Upon the termination of the joint venture period, all the remaining assets of Xinzhongyi will revert to the PRC joint venture partner in accordance with the Xinzhongyi Contract.

COSCO (Hong Kong) Group Limited ("COSCO (Hong Kong)"), an intermediate holding company of the Company, and COSCO Industrial Investments Limited, a fellow subsidiary of the Company, have jointly and severally undertaken and guaranteed, unconditionally and irrevocably, to the Group that the return of New Central from Xinzhongyi within the period from 1st January, 1998 to 30th September, 2001 will not be less than 16% per annum on the consideration of HK\$545,000,000 paid by the Group in 1998.

13. Investment Securities

	Group		Company	
	1999 HK\$'000	1998 HK\$'000	1999 HK\$'000	1998 HK\$'000
Listed equity securities in Hong Kong, at cost	514,123	623,709	20,684	20,684
Listed held-to-maturity debt securities outside Hong Kong, at cost	1,550	1,550	–	–
	515,673	625,259	20,684	20,684
Provision for diminution in value	(300,000)	(385,000)	–	–
	215,673	240,259	20,684	20,684
Market value of listed securities	49,495	82,997	10,148	13,502

Included in listed equity securities in Hong Kong is an amount of HK\$436,556,000 (1998: HK\$436,556,000) which represents the Group's 6.5% (1998: 9.0%) interest in the issued shares of Soundwill Holdings Limited, a company incorporated in Bermuda whose principal activities are property investment and development.

14. Properties Under Development for Sale

	Group	
	1999 HK\$'000	1998 HK\$'000
Properties under development for sale, cost less provision	936,060	617,091
Sales instalments received	(2,019)	–
	934,041	617,091

Included in properties under development for sale are properties amounting to HK\$704,578,000 (1998: HK\$498,264,000) which are pledged as security to banks in respect of certain banking facilities granted to the Group.

15. Trade and Other Receivables

	Group	
	1999 HK\$'000	1998 HK\$'000
Net amounts due from customers for contract work (note 16)	2,368	21,593
Amounts due from fellow subsidiaries	9,608	2,986
Trade receivable	228,004	184,801
Retention receivable	90,729	77,680
Deposits, prepayments and other receivables	67,921	54,689
	<u>398,630</u>	<u>341,749</u>

16. Construction Contracts in Progress

	Group	
	1999 HK\$'000	1998 HK\$'000
Contract costs incurred to date plus recognised profits less recognised losses to date	3,151,732	2,359,853
Progress billings received and receivable	(3,296,579)	(2,422,303)
	<u>(144,847)</u>	<u>(62,450)</u>
Represented by:		
Net amounts due from customers for contract work included in trade and other receivables	2,368	21,593
Net amounts due to customers for contract work included in trade and other payables	(147,215)	(84,043)
	<u>(144,847)</u>	<u>(62,450)</u>

17. Other Investments

	Group		Company	
	1999 HK\$'000	1998 HK\$'000	1999 HK\$'000	1998 HK\$'000
Debt securities, listed outside Hong Kong	-	4,808	-	-
Equity securities, listed in Hong Kong	30,000	1,260	-	-
in the PRC	11,019	-	11,019	-
Market value of listed investments	<u>41,019</u>	<u>6,068</u>	<u>11,019</u>	<u>-</u>

18. Cash and Bank Balances

	Group	
	1999 HK\$'000	1998 HK\$'000
Cash and bank balances	444,552	680,153
Restricted bank deposits included in non-current assets	(55,980)	-
	<u>388,572</u>	<u>680,153</u>

The Group's bank deposits of approximately HK\$9,000,000 (1998: HK\$54,000,000) are pledged as security to banks in respect of certain short-term banking facilities granted to the Group, and approximately HK\$55,980,000 (1998: Nil) are restricted for the purpose of a long-term banking facility granted to the Group.

19. Trade and Other Payables

	Group		Company	
	1999 HK\$'000	1998 HK\$'000	1999 HK\$'000	1998 HK\$'000
Net amounts due to customers for contract work (note 16)	147,215	84,043	-	-
Trade payable	370,882	301,952	-	-
Accrued liabilities and other payables	34,195	37,845	6,291	6,875
Amounts due to fellow subsidiaries	43	781	-	159
	<u>552,335</u>	<u>424,621</u>	<u>6,291</u>	<u>7,034</u>

20. Bank Loans

As at 31st December, 1999, bank loans of HK\$241,000,000 (1998: HK\$261,000,000) are guaranteed by COSCO (Hong Kong).

Subsequent to the balance sheet date, a four year term bank loan of HK\$170,000,000 has been granted to the Company to refinance the same amount of the above-mentioned bank loans. COSCO (Hong Kong) remains as the guarantor to this refinanced bank loan.

21. Share Capital

	1999		1998	
	Number of shares	HK\$'000	Number of shares	HK\$'000
Authorised:				
Shares of HK\$0.10 each	3,000,000,000	300,000	3,000,000,000	300,000
Issued and fully paid:				
Shares of HK\$0.10 each				
At 1st January	1,370,434,591	137,043	1,100,239,384	110,024
Issue of shares upon the exercise of warrants	9,544,320	954	–	–
Issue of new shares	–	–	270,195,207	27,019
At 31st December	1,379,978,911	137,997	1,370,434,591	137,043

Pursuant to a special resolution of the Company passed at a special general meeting held on 28th June, 1999, a bonus issue of warrants (the "Warrants") was made on the basis of one warrant for every five shares of the Company held by shareholders of the Company whose names appear on the register of members on 28th June, 1999. The Warrants carry the rights to subscribe for 274,086,918 new shares of the Company and the Company will receive proceeds totalling HK\$197,342,581 before expenses upon the exercise of all subscription rights under the Warrants at an initial subscription price of HK\$0.72 (subject to adjustment) which are exercisable during the period from 5th July, 1999 to 4th July, 2000, both days inclusive.

During the year, warrants of HK\$6,871,910 were exercised to subscribe for 9,544,320 shares of the Company. At 31st December, 1999, the Company has outstanding warrants of HK\$190,470,671 and exercise of the outstanding warrants in full would result in the issue of 264,542,598 shares of the Company.

Under the terms of the Company's share option scheme approved by the shareholders on 17th January, 1992, the board of directors may at its discretion invite employees, including directors, of the Company and its subsidiaries to take up options to subscribe for shares of the Company. No share options has been granted up to the balance sheet date. Subsequent to the balance sheet date, share options carrying rights to subscribe for 37,400,000 shares of the Company at an exercise price of HK\$0.656 per share at any time between 20th March, 2001 and 16th January, 2002 were granted to certain employees and directors of the Company and its subsidiaries.

22. Reserves

Group

	Share premium HK\$'000	Capital reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1st January, 1998	1,192,767	-	(9,845)	(172,270)	1,010,652
Exchange differences	-	-	6,776	-	6,776
Premium on issue of shares	1,156,436	-	-	-	1,156,436
Share issue expenses	(6,706)	-	-	-	(6,706)
Acquisition of subsidiaries	-	56,683	-	-	56,683
Loss for the year (note (a))	-	-	-	(715,216)	(715,216)
At 31st December, 1998	<u>2,342,497</u>	<u>56,683</u>	<u>(3,069)</u>	<u>(887,486)</u>	<u>1,508,625</u>
Company and subsidiaries	2,342,497	56,683	(3,069)	(880,605)	1,515,506
Associated companies	-	-	-	(6,881)	(6,881)
	<u>2,342,497</u>	<u>56,683</u>	<u>(3,069)</u>	<u>(887,486)</u>	<u>1,508,625</u>
At 1st January, 1999	2,342,497	56,683	(3,069)	(887,486)	1,508,625
Exchange differences	-	-	635	-	635
Premium on issue of shares upon the exercise of warrants	5,918	-	-	-	5,918
Profit for the year (note (a))	-	-	-	17,096	17,096
At 31st December, 1999	<u>2,348,415</u>	<u>56,683</u>	<u>(2,434)</u>	<u>(870,390)</u>	<u>1,532,274</u>
Company and subsidiaries	2,348,415	56,683	(2,434)	(862,645)	1,540,019
Associated companies	-	-	-	(7,745)	(7,745)
	<u>2,348,415</u>	<u>56,683</u>	<u>(2,434)</u>	<u>(870,390)</u>	<u>1,532,274</u>

22. Reserves (cont'd)

Company

	Share premium HK\$'000	Contributed surplus HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1st January, 1998	1,192,767	83,770	(87,946)	1,188,591
Premium on issue of shares	1,156,436	–	–	1,156,436
Share issue expenses	(6,706)	–	–	(6,706)
Loss for the year	–	–	(832,375)	(832,375)
	<u>2,342,497</u>	<u>83,770</u>	<u>(920,321)</u>	<u>1,505,946</u>
At 31st December, 1998	2,342,497	83,770	(920,321)	1,505,946
At 1st January, 1999	2,342,497	83,770	(920,321)	1,505,946
Premium on issue of shares upon the exercise of warrants	5,918	–	–	5,918
Loss for the year	–	–	(1,739)	(1,739)
At 31st December, 1999	<u>2,348,415</u>	<u>83,770</u>	<u>(922,060)</u>	<u>1,510,125</u>

- (a) Profit for the year of HK\$17,096,000 (1998: loss of HK\$715,216,000) included a loss of HK\$864,000 (1998: profit of HK\$4,590,000) attributable to associated companies.
- (b) The contributed surplus of the Company arose in 1992 when the Company issued shares in exchange for the shares of companies being acquired, and represents the difference between the nominal value of the Company's shares issued and the value of net assets of the companies acquired.
- (c) Under the Companies Act 1981 of Bermuda, the Company's contributed surplus is currently not distributable. Accordingly, the Company had no reserves available for distribution at 31st December, 1999.

23. Long-term Bank Loans

	Group		Company	
	1999 HK\$'000	1998 HK\$'000	1999 HK\$'000	1998 HK\$'000
Bank loans				
Secured	1,378,349	1,191,850	774,850	774,850
Unsecured	59,000	39,000	–	–
	1,437,349	1,230,850	774,850	774,850
Amount repayable within one year included in current liabilities	(45,667)	–	–	–
	1,391,682	1,230,850	774,850	774,850
(a) The bank loans are repayable as follows:				
Within one year	45,667	–	–	–
In the second year	1,391,682	39,000	774,850	–
In the third to fifth year	–	1,191,850	–	774,850
	1,437,349	1,230,850	774,850	774,850

- (b) The Group's long-term bank loans of HK\$117,999,000 (1998: Nil) and HK\$1,319,350,000 (1998: HK\$1,230,850,000) are guaranteed by China Ocean Shipping (Group) Company, the ultimate holding company of the Company, and COSCO (Hong Kong) respectively.

The Company's bank loan of HK\$774,850,000 (1998: HK\$774,850,000) is guaranteed by COSCO (Hong Kong).

24. Deferred Taxation

The potential deferred taxation not provided for in the accounts amounts to:

	Group	
	1999 HK\$'000	1998 HK\$'000
Tax losses	(58,576)	(59,484)
Accelerated depreciation allowances	5,683	2,960
Other timing differences	–	(9,481)
	(52,893)	(66,005)

25. Commitments

	Group		Company	
	1999 HK\$'000	1998 HK\$'000	1999 HK\$'000	1998 HK\$'000
(a) Operating lease commitments				
At 31st December, the Group and the Company had commitments to make payments in the next twelve months under operating leases which expire as follows:				
Land and buildings				
Within one year	–	160	5,556	–
In the second to fifth years inclusive	167	–	–	6,136
	167	160	5,556	6,136
Plant and machinery				
Within one year	–	1,100	–	–
In the second to fifth years inclusive	–	200	–	–
	–	1,300	–	–
	167	1,460	5,556	6,136

(b) At 31st December, 1999, the Group had commitment to provide financing in the form of registered capital of approximately HK\$67,000,000 (1998: HK\$142,000,000) in respect of the development of a residential and commercial property in Shanghai, the PRC.

(c) At 31st December, 1999, the Group had commitment to contribute to the registered capital of Ark Pioneer Microelectronics (Shenzhen) Limited ("Ark Pioneer"), a company in which the Group has 51% interest, amounting to approximately HK\$4,800,000 (1998: Nil), which had been fully contributed on 9th March, 2000. Ark Pioneer was established in Shenzhen, the PRC, and its principal activities are the development and design of integrated circuit.

26. Contingencies

	Group		Company	
	1999 HK\$'000	1998 HK\$'000	1999 HK\$'000	1998 HK\$'000
Guarantees for banking facilities granted to subsidiaries	–	–	1,186,000	1,225,409
Performance bonds in respect of performance and completion of construction contracts	106,634	137,422	–	–

27. Related Party Transactions

The following is a summary of significant related party transactions carried out in the normal course of the Group's business during the year:

	Group	
	1999 HK\$'000	1998 HK\$'000
Interest expense paid to		
An intermediate holding company (note (a))	2,700	28,701
A fellow subsidiary	–	5,661
Legal and professional fees paid/payable to Kwok & Chu, Solicitors (note (b))	4,436	3,096
Purchases of building materials from an associated company (note (c))	26,842	13,761
Rental income received from		
An intermediate holding company (note (d))	3,114	2,188
Fellow subsidiaries (note (d))	36,672	25,682

27. Related Party Transactions (cont'd)

- (a) The loan from an intermediate holding company was unsecured, interest bearing at prevailing market rate and wholly repaid in March 1999.
- (b) Mr Kwok Shiu Keung, Ernest, an ex-independent non-executive director of the Company who retired on 28th June 1999, has beneficial interest in Kwok & Chu, Solicitors. The legal and professional fees paid/payable were based on the time spent by Kwok & Chu, Solicitors on the Group's affairs.
- (c) During the year, a subsidiary of the Group purchased building materials from an associated company. The prices were set at terms no less favorable than terms available from independent third parties.
- (d) Ten tenancy agreements were entered into between certain subsidiaries of the Company as landlords, and COSCO (Hong Kong) or subsidiaries of COSCO (Hong Kong) as tenants, for the leasing of certain properties of the Group at COSCO Tower at average monthly rental of approximately HK\$37 per square feet. The terms of the tenancy agreements have been determined with reference to the advice of a firm of professional surveyors.

28. Notes to the Consolidated Cash Flow Statement

(a) Reconciliation of profit/(loss) before taxation to net cash (outflow)/inflow from operating activities

	1999 HK\$'000	1998 HK\$'000
Profit/(loss) before taxation	19,873	(712,165)
Deficit on revaluation of investment properties	6,743	219,700
Share of results of associated companies	864	(4,590)
Provision for diminution in value of		
Investment securities	–	385,000
Property development project engaged by an associated company	–	37,000
Property under development	–	25,000
Loss on disposal of subsidiaries	–	31
Finance costs, net of amount capitalised	79,812	70,192
Interest income	(25,673)	(50,350)
Depreciation of fixed assets, net of amount capitalised	26,162	18,960
Amortisation of investment in fixed return joint venture	64,687	43,941
Loss on disposal/write-off of fixed assets	592	1,378
Dividend income	(1,418)	(705)
Income from fixed return joint venture	(128,778)	(99,353)
Increase in properties under development for sale	(282,957)	(156,560)
Decrease in construction contracts in progress	90,793	19,006
(Increase)/decrease in trade receivable, retention receivable, deposits, prepayments and other receivables	(69,396)	86,688
Increase in other investments	(10,365)	(703)
Increase in trade payable, accrued liabilities and other payables	65,604	156,422
Increase in amounts due from fellow subsidiaries	(6,622)	(2,986)
Decrease in amounts due to fellow subsidiaries	(738)	(6,304)
Net cash (outflow)/inflow from operating activities	(170,817)	29,602

28. Notes to the Consolidated Cash Flow Statement (cont'd)

(b) Analysis of changes in financing during the year

	Loan from an intermediate holding company HK\$'000	Bank loans HK\$'000	Minority interests HK\$'000	Share capital and premium HK\$'000	Total HK\$'000
At 1st January, 1998	-	696,765	8,234	1,302,791	2,007,790
Net cash inflow/(outflow) from financing activities	247,556	823,105	12,643	(6,706)	1,076,598
Shares issued for non-cash consideration	-	-	-	1,183,455	1,183,455
Disposal of subsidiaries	-	(7,341)	(8,234)	-	(15,575)
Acquisition of subsidiaries	-	-	7,129	-	7,129
Changes in exchange rates	-	-	40	-	40
Minority interests' share of profit for the year	-	-	1,976	-	1,976
At 31st December, 1998	<u>247,556</u>	<u>1,512,529</u>	<u>21,788</u>	<u>2,479,540</u>	<u>4,261,413</u>
At 1st January, 1999	247,556	1,512,529	21,788	2,479,540	4,261,413
Net cash (outflow)/inflow from financing activities	(247,556)	165,820	-	6,872	(74,864)
Changes in exchange rates	-	-	(39)	-	(39)
Minority interests' share of profit for the year	-	-	2,628	-	2,628
At 31st December, 1999	<u>-</u>	<u>1,678,349</u>	<u>24,377</u>	<u>2,486,412</u>	<u>4,189,138</u>

29. Principal Subsidiaries

Name	Place of incorporation	Particulars of issued/registered share capital	Percentage of equity interest attributable to the Group	Principal activities
Operated in Hong Kong				
99 Prove Finance Ltd.	British Virgin Islands	1 ordinary share of US\$1	100	Property holding
Capital Properties Limited #	Hong Kong	2 ordinary shares of HK\$1 each	100	Provision of nominee services
Cash In Hand Inc.	British Virgin Islands	1 ordinary share of US\$1	100	Property investment
Century Metro Development Limited	Hong Kong	10,000 ordinary shares of HK\$1 each	100	Property development
COSCO International Industry Limited	Hong Kong	2 ordinary shares of HK\$1 each	100	Investment holding
COSCO International Infrastructure Limited	Hong Kong	2 ordinary shares of HK\$1 each	100	Investment holding
COSCO International Land Limited	Hong Kong	2 ordinary shares of HK\$1 each	100	Investment holding
COSCO International Trade Limited	Hong Kong	2 ordinary shares of HK\$1 each	100	Investment holding
COSCO Project Management Limited	Hong Kong	2 ordinary shares of HK\$1 each	100	Investment holding
Gwee Brothers Limited	British Virgin Islands	1 ordinary share of US\$1	100	Property investment
Malayan Corporations Limited	British Virgin Islands	1 ordinary share of US\$1	100	Property investment
Shun Shing Construction (China) Company Limited	Hong Kong	2 ordinary shares of HK\$1 each	100	Project management

29. Principal Subsidiaries (cont'd)

Name	Place of incorporation	Particulars of issued/registered share capital	Percentage of equity interest attributable to the Group	Principal activities
Shun Shing Construction & Engineering Company, Limited	Hong Kong	2,742,000 ordinary shares of HK\$100 each 120,000 non-voting deferred shares of HK\$100 each	100	Building construction, maintenance and civil engineering
Tian Lee Property Limited	British Virgin Islands	1 ordinary share of US\$1	100	Property holding
Velu Exports Limited	British Virgin Islands	1 ordinary share of US\$1	100	Property holding
Waily Development Limited	Hong Kong	2 ordinary shares of HK\$1 each	100	Investment holding
Wealth Nice Investment Limited	Hong Kong	2 ordinary shares of HK\$1 each	100	Property development
Wing Thye Holdings Limited	British Virgin Islands	1 ordinary share of US\$1	100	Property holding
Year Of The Rat Corp.	British Virgin Islands	1 ordinary share of US\$1	100	Property holding
Operated in British Virgin Islands				
Cash Rich Enterprises Limited	British Virgin Islands	10,000 ordinary shares of US\$1 each	85.85	Investment holding
COSCO (B.V.I.) Holdings Limited #	British Virgin Islands	1 ordinary share of US\$1	100	Investment holding
COSCO International Construction Limited	British Virgin Islands	100 ordinary shares of US\$1 each	100	Investment holding
COSCO International Infrastructure (BVI) Holdings Limited	British Virgin Islands	1 ordinary share of US\$1	100	Investment holding

29. Principal Subsidiaries (cont'd)

Name	Place of incorporation	Particulars of issued/registered share capital	Percentage of equity interest attributable to the Group	Principal activities
COSCO International Land (B.V.I.) Limited	British Virgin Islands	1 ordinary share of US\$1	100	Investment holding
Graceful Nice Limited	British Virgin Islands	1 ordinary share of US\$1	100	Investment holding
Modern Capital Investment Limited	British Virgin Islands	1 ordinary share of US\$1	100	Investment holding
Monoland Assets Limited	British Virgin Islands	2 ordinary shares of US\$1 each	100	Investment holding
Raycle Match Development Ltd.	British Virgin Islands	1 ordinary share of US\$1	100	Investment holding
Trinity Developments Limited	British Virgin Islands	1 ordinary share of US\$1	100	Investment holding
Uppermost Corporation #	British Virgin Islands	1 ordinary share of US\$1	100	Investment holding
Operated in the PRC				
New Central International Enterprises Co., Limited	Hong Kong	1,000,000 ordinary shares of HK\$1 each	90	Investment holding
Shanghai COSCO Honour Property Development Ltd.	PRC	RMB232,238,926	85	Property development
Wellbase Holdings Limited	Hong Kong	2 ordinary shares of HK\$1 each	100	Property investment
Xiang Li Yuan (Shanghai) Property Management Co. Ltd.	PRC	US\$500,000	100	Property management

shares held directly by the Company

30. Joint Venture-Jointly Controlled Operations

The Group has engaged into two jointly controlled operations to undertake certain construction contracts. At 31st December, 1999, the aggregate amounts of assets, liabilities, turnover and results for the year recognised in the accounts in relation to the jointly controlled operations are as follows:

	Group	
	1999 HK\$'000	1998 HK\$'000
Assets	12,646	15,745
Liabilities	(9,143)	(7,791)
Turnover	-	14,029
Loss for the year	<u>(3,503)</u>	<u>(566)</u>

31. Holding Companies

The intermediate holding company is COSCO (Hong Kong) Group Limited, a company incorporated in Hong Kong.

The ultimate holding company is China Ocean Shipping (Group) Company, a State-owned enterprise established in the PRC.

32. Approval of the Accounts

The accounts were approved by the board of directors on 28th April, 2000.

List of Major Properties

Properties Under Development For Sale

Description	Use	Approximate area	Stage of completion	Percentage of attributable interest to the Group
(1) Aberdeen Inland Lot No. 435, Shum Wan Road, Hong Kong	Residential, commercial and car parking spaces	Site area 15,855 sq.m. Estimated gross floor area Residential 88,800 sq.m. Commercial 1,790 sq.m. Car park 319 units	Construction of superstructure	100
(2) Shatin Town Lot No. 217, Mei Wo Circuit, Area 41A, Shatin, New Territories	Residential	Site area 1,307 sq.m. Estimated gross floor area 542 sq.m.	Construction of superstructure	100
(3) Between Yuezhou Road, Hallaer Road, Tongzhou Road and Gaoyang Road at Hongkou District, Shanghai, People's Republic of China	Residential, commercial and car parking spaces	Site area 35,000 sq.m. Estimated gross floor area 183,000 sq.m.	Construction of superstructure	85

Other Properties

Description	Use	Approximate area	Lease term	Percentage of attributable interest to the Group
(1) 47/F-51/F COSCO Tower, 183 Queen's Road Central, Hong Kong	Commercial	Gross floor area 106,400 sq.ft.	From 25th June, 1997 to 30th June, 2047	100

Investment Properties

Description	Use	Approximate area	Lease term	Percentage of attributable interest to the Group
(1) 39/F, 40/F and 42/F COSCO Tower, 183 Queen's Road Central, Hong Kong	Commercial	Gross floor area 66,260 sq.ft.	From 25th June, 1997 to 30th June, 2047	100

Five-Year Financial Summary

Consolidated Results

	Year ended 31st December, 1999 HK\$'000	1998 HK\$'000	Sixteen months ended 31st December, 1997 HK\$'000	Year ended 31st August, 1996 1995 HK\$'000 HK\$'000	
Turnover	1,986,181	801,307	1,314,792	819,257	1,173,961
Operating profit/(loss) after finance costs	20,737	(716,755)	605	(234,427)	(40,841)
Share of results of associated companies	(864)	4,590	883	(7,868)	(13,426)
Profit/(loss) before taxation	19,873	(712,165)	1,488	(242,295)	(54,267)
Taxation (charge)/credit	(149)	(1,075)	(2,076)	(929)	4,557
Profit/(loss) after taxation	19,724	(713,240)	(588)	(243,224)	(49,710)
Minority interests	(2,628)	(1,976)	108	431	560
Profit/(loss) attributable to shareholders	17,096	(715,216)	(480)	(242,793)	(49,150)

Consolidated Assets And Liabilities

	As at 31st December, 1999 HK\$'000	As at 31st December, 1998 HK\$'000	As at 31st December, 1997 HK\$'000	As at 31st August ,	
				1996 HK\$'000	1995 HK\$'000
Fixed assets	1,479,051	1,511,839	51,093	41,522	31,373
Associated companies	9,041	6,978	71,244	72,219	59,566
Fixed return joint venture	407,372	472,059	-	-	-
Investment securities	215,673	240,259	623,587	-	-
Non-current assets	55,980	-	20,894	21,600	16,169
Current assets	1,762,262	1,645,061	1,388,200	393,113	577,089
TOTAL ASSETS	3,929,379	3,876,196	2,155,018	528,454	684,197
Current liabilities	843,049	977,890	630,293	485,481	432,246
Long-term liabilities	1,391,682	1,230,850	395,815	39,497	4,841
Deferred taxation	-	-	-	-	242
Minority interests	24,377	21,788	8,234	8,323	8,782
TOTAL LIABILITIES	2,259,108	2,230,528	1,034,342	533,301	446,111
NET ASSETS/(LIABILITIES)	1,670,271	1,645,668	1,120,676	(4,847)	238,086

Per Share Data

	Year ended 31st December, 1999 HK\$ cents	Year ended 31st December, 1998 HK\$ cents	Sixteen months ended 31st December, 1997 HK\$ cents	Year ended 31 st August, 1996 HK\$ cents	1995 HK\$ cents
Earnings/(loss) per share	1.25	(55.00)	(0.05)	(30.11)	(6.09)
Net asset/(liability) value per share	121.04	120.08	101.86	(0.60)	29.52

The financial data of the five-year financial summary have been adjusted to take into account the bonus issue of shares made during the period ended 31st December, 1997 and the prior period adjustments for the year ended 31st December, 1998.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at 49th Floor, COSCO Tower, 183 Queen's Road Central, Hong Kong on Friday, 23rd June, 2000 at 10:00 a.m. for the following purposes:

1. To receive and consider the Audited Accounts for the year ended 31st December, 1999 together with the Directors' Report and the Auditors' Report thereon.
2. To re-elect the Directors and to fix their remuneration.
3. To re-appoint Auditors and to authorise the Directors to fix their remuneration.

By Order of the Board

WAI Ching Sum

Company Secretary

Hong Kong, 28th April, 2000

Notes:

1. A member entitled to attend and vote is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy. A proxy need not also be a member of the Company.
2. To be valid the proxy form together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited with the Company's Branch Share Registrars in Hong Kong, Abacus Share Registrars Limited at 2401 Prince's Building, Central, Hong Kong not less than 48 hours before the time fixed for holding the meeting and adjourned meeting.



COSCO INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

PROXY FORM FOR ANNUAL GENERAL MEETING TO BE HELD ON 23RD JUNE, 2000

I/We¹ (name)
of (address)
being a member/members of² shares of HK\$0.10 each
in the capital of COSCO International Holdings Limited (the "Company") hereby appoint³ the Chairman of the Meeting
or (name) of
..... (address)
as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at 49th Floor,
COSCO Tower, 183 Queen's Road Central, Hong Kong on Friday, 23rd June, 2000 at 10:00 a.m., and at any adjournment
thereof on the undermentioned resolutions as indicated:

		For ⁴	Against ⁴
1.	To receive and consider the Audited Accounts for the year ended 31 st December, 1999 together with the Directors' Report and the Auditors' Report thereon.		
2.	(i) To re-elect Mr. Chen Zhongbiao as a Director.		
	(ii) To re-elect Mr. Dong Jiufeng as a Director.		
	(iii) To re-elect Mr. Kwong Che Kwong, Gordon as a Director.		
	(iv) To re-elect Mr. Zhu Guangyun as a Director.		
	(v) To re-elect Mr. Zhang Yongjian as a Director.		
	(vi) To re-elect Mr. Dong Shu Sen as a Director.		
	(vii) To re-elect Mr. Zuo Wei as a Director.		
	(viii) To re-elect Mr. Chan Cheong Foon, Andrew as a Director.		
	(ix) To re-elect Mr. Alexander Reid Hamilton as a Director.		
	(x) To fix the Directors' remuneration.		
3.	To re-appoint PricewaterhouseCoopers as auditors of the Company and to authorise the Directors to fix their remuneration.		

Dated this day of 2000

Signature⁵

Notes:

1. Full name(s) and address(es) to be inserted in BLOCK CAPITALS.
2. Please insert the number of shares registered in your name(s). If no number is inserted, this form of proxy will be deemed to relate to all the shares in the capital of the Company registered in your name(s).
3. If any proxy other than the Chairman of the meeting is preferred, please strike out the words "the Chairman of the meeting or" and insert the name and address of the proxy desired in the space provided.
4. IMPORTANT, IF YOU WISH TO VOTE FOR THE RESOLUTIONS, TICK IN THE BOX MARKED "For". IF YOU WISH TO VOTE AGAINST THE RESOLUTIONS, TICK IN THE BOX MARKED "Against". Failure to tick a box will entitle your proxy to cast your vote at his/her discretion. Your proxy will also be entitled to vote at his/her discretion on any resolution properly put to the meeting other than that referred to in the notice convening the meeting.
5. This proxy form must be signed by you or your attorney duly authorised in writing.
6. To be valid this proxy form together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited at the Company's Branch Registrars in Hong Kong, Abacus Share Registrars Limited at 2401 Prince's Building, Central, Hong Kong, not less than 48 hours before the time fixed for holding the meeting or adjourned meeting.
7. A member entitled to attend and vote is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy. A proxy need not be a member of the Company.
8. Any alteration made to this proxy form must be initialled by the person who signs it.