

Part A Strategies and General Information

Part I Statement of the President and Strategies

I. Statement of the President

In 2008, global economic situation has changed abruptly. In this year, the influences of global financial crisis on economic entity became obvious, growth rate of international trade slowed down, and shipping market faced great fluctuation. In the face of severe situation, COSCO Group has implemented and carried out the scientific development outlook in an in-depth manner to cope with the crisis. It has grasped the market opportunities, deepened the internal reform, enhanced the management and made new achievements in reform and development. It continued to outperform other enterprises in terms of production ability. Its operational benefits maintained stable and its income and profits took a lead among global shipping enterprises. In 2008, COSCO Group ranked the 327th in Fortune 500 List, an elevation of 78 places from the 405th in 2007, fulfilling three leap-forward developments in three years and further elevating its position and image.



Seeking for sustainable development in financial crisis is an important content for COSCO Group's efforts to implement and act in the scientific outlook of development. In face of possible risks brought by market changes, COSCO Group has attached great importance to market researches, improved its market prediction level, changed operational ideas, changed the operation methods in market growth to operation method to cope with economic slowdown rapidly, and tried to adapt to market recession in terms of operational ideas and marketing methods. With an aim to cope with the impacts of financial crisis effectively, COSCO Group has taken many preventative measures timely. It has taken the strategy of "giving top priority to cash", controlled the investment scope, paid attention to risk control of investment and made investment decisions cautiously. It has adjusted the growth structure of carrying capacity of fleet, further reduced the investment scale of main businesses, avoided investing into non-main business and strictly controlled administrative expenditure. Large-sized conferences were held in form of video conference to save business trip expenditure greatly. Besides, it has promoted economic shipping speed of vessels to save energies and reduce emissions. It has negotiated with ports on articles of cooperation agreement to reduce port expenditure, and carried out vessel rent re-negotiation with foreign ship-owners actively to reduce costs of chartered-in ships. It has implemented safety production responsibility system to further enhance the safety supervision, eliminate potential safety risks and ensure safe navigation of ships and safety production in lands.

As a leading enterprise in Global Compact initiative, COSCO Group has actively supported and taken part in activities relating to Global Compact. It is the first Chinese enterprise who signed the Statement of Caring for Climate Changes and the Declaration on World Human Rights. It has insisted on performing its social responsibilities with world thinking and global perspective, showed its charms as a leading comprehensive shipping company in the world and shouldered the globalization social responsibilities of a world-class transnational company.

COSCO Group actively implemented the Guiding Opinions for Central Enterprises to Perform Social Responsibilities issued by SASAC under the State Council, the Notice of Shanghai Stock Exchange on Promoting Listed Companies to Shoulder Social Responsibilities and the Release of Shanghai Stock Exchange's Guidelines on Disclosure of Environmental Information of Listed Companies (No. 1277 Document of Shangzheng Shanghan [2008]), the Notice on Doing a Better Job in Disclosure of Report on Performance of Social Responsibilities of Listed Companies in 2008 and Internal Control Self-evaluation Report as well as other requirements of related parties. Development of COSCO Group has followed the scientific outlook of development advocated by the Chinese Government. It has insisted on reviewing the development of enterprises, leading management innovation, establishing resource-saving and harmonious enterprises and fulfilling sustainable development of the enterprise under the guidance of four major contents namely human-orientation, comprehensive, coordinative and sustainable development.

In 2008, COSCO Group actively performed the Global Compact and social responsibilities, and its key

social responsibilities include:

1. Actively responded to the recall of Central Committee of the CPC and the State Council, carefully attended and deployed the activities to fight against rain, snow, ice and frozen disasters, relieved earthquake disaster, ensured safe and smooth holding of the Beijing Olympics as well as aided people in poverty or in Tibet, so as to ensure the transportation of electricity, coal and disaster-relief materials. Besides, it also transported a large batch of materials to earthquake disaster-stricken areas according to the requirements and tried to be a leader in performing corporate social responsibilities with practical behaviors.
2. COSCO Charity Foundation donated 141.25 million yuan in the whole year.
3. Successfully held the 5th World Shipping (China) Summit and built up its image of a responsible enterprise.
4. COSCO Group actively promoted the direct shipping across the strait of Taiwan. As a first shipping enterprise, it opened Xingang-Kaohsiung, Yangshan-Kaohsiung shipping lines, making positive contribution to cross-strait peace and co-existence.

COSCO Group determined the risk levels based on sustainable development of various business units, and made overall planning and three-year implementation plans for comprehensive performance of Global Compact, performance of social responsibilities and fulfillment of sustainable development. From 2005 to 2007, it has completed the upgrade and expansion from the pilot company of COSCON to COSCO bulk, logistics and terminal companies. COSCO Group's first sustainable development report released in 2006 was appraised as notable COP of United Nations Global Compact, making COSCO Group the first enterprise that wins this honor in China and the first shipping enterprise in the world listed in notable COPs. Since then, COSCO Group's sustainable development report had been appraised as notable COP of United Nations Global Compact for three years in succession, making COSCO the only enterprise in Asia that wins such honorable titles for three years in succession. The COSCO Group Sustainable Development Report 2007 received A+ rating in review of COSCO GRI Sustainable Development Guidelines. COSCO Group has started the implementation of its second three-year implementation plan since 2008, and has completed the strategic improvement of sustainable development in three years.

COSCO Group has established sustainable development management system and business process restructuring in 7 years, making the system an important cornerstone for its growth. Under the sustainable development management system of COSCO Group, the sustainable development management and organization system, the sustainable development culture system, the management, measurement and supervision system as well as the information management platform had supported with each other, making the sustainable development strategy a part of the company's value concept.

In the future, COSCO Group will continue to perform the Global Compact, actively participate and support the important activities of Global Compact's network in China and try to be a leader in corporate social responsibility sector of the industry with practical behaviors.



June 25, 2009

II. Strategy

COSCO Group has established long- and medium-term sustainable development strategy. The COSCO Group Sustainable Development Report 2008 uses the analytical method of six-sigma “strategic mapping” to analyze and demonstrate the development strategy of COSCO Group.



Sustainable development strategy of COSCO Group			
<p><u>Mission statement</u></p> <p>Gradually develop to become a world leader in international shipping, logistics services, and ship-building and ship-repairing by maintaining trustworthy relationships with our customers, employees and partners, yielding best returns for shareholders, society and environment.</p>			
<p>Value concept: Harmonious development, welfare of mankind</p>			
<p><u>Development strategies</u></p> <p>Perform the duties as a corporate citizen by taking technology as a tool and benefits as the core while adhering to the human-oriented and market-oriented principles; stick to the two-pronged drivers of production operation and capital operation; make international shipping business stronger, expand logistics business and terminal operation, develop the ship-building and ship-repairing businesses; With shipping business as the basis, propel COSCO Group's transformation from a global shipping carrier to a global logistics operator and international shipping logistics system integrator from a cross-border business player to a transnational company and global conglomerate; build COSCO a harmonious and everlasting group and fulfill its healthy, fast and sustainable development.</p>			
<p>Development strategies of four transformations</p>			
The transformation from periodical development to sustainable development	The transformation from combination of software and hardware with hardware as the emphasis to the combination of software and hardware with software as the emphasis	The transformation from possessing and controlling the resources to allocating social resources.	The transformation from obtaining benefits mainly from production business to obtaining benefits from both production business and capital operation
<p><u>Development objectives</u></p> <p>“Generating 10 billion yuan of revenue and building up century-old COSCO” (double-hundred strategy)</p>			
<p><u>Development thoughts and objectives during the 11th Five-Year Plan period</u></p> <p>As a leading enterprise in China's shipping industry, COSCO Group has insisted on scientific development outlook, attached great importance to the harmony of corporate development and the environment and society, been dedicated to key issues highly concerned by international community such as climate and human right, and promoted the coordinated and sustainable development of the industry and the society. According to the general requirements on central enterprises' implementation of stock system and entry into capital market of the SASAC under the State Council, COSCO Group has deepened the system reform and established the three-layered modern enterprise system with clear management and governance structure in a comprehensive manner.</p>			

<p>Make overall planning, implement related strategies in steps and accelerate the entry of major businesses into the capital market with China COSCO as the flagship for building up of capital-based COSCO and fulfill the capital structure of "5:4:1"; raise capitals through the capital market, propel the mechanism reform and system establishment, regulate the operation and management procedures and constantly enhance the enterprise's sustainable development ability; promote industry optimization and restructuring depending on the core businesses, improve overseas operation and management mechanisms, and expand overseas business presence;</p>	<p>Stably expand the scale of vessel fleet owned and controlled by the group, scientifically adjust the fleet structure, make great efforts to develop the container vessel fleet, oil tanker fleet and costal bulk carrier fleet, speed up the development of specialized vessel fleet, systematically control the scale of bulk cargo vessel fleet, establish new bulk cargo ship operation system and mechanism through reconstruction and integration, improve the continuous profitability of shipping companies;</p>	<p>Develop logistics, cargo transport and ship agency businesses with COSCO Logistics as the platform for development of modern logistics business, expand overseas logistics business based on domestic market and form COSCO Group's competitive advantages in global logistics industry as soon as possible; fulfill the transformation form a strategic investor to an operator and manager, from container terminal operator to diversified terminal operator with container terminal as the major business, and from regional investment to global development based in China, form a unified industry management system with COSCO Pacific as the pillar, and build up COSCO Group's terminal brand;</p>	<p>Grasp the opportunity to sensibly expand the scale of ship-building and ship-repairing business, and constantly improve the competitiveness and profitability of the company; optimally develop the financial and IT industries, making them important pillars for development of main businesses;</p>
<p>Boost construction of corporate cultures and employee teams, protect the fundamental and long-term rights and interests of employees, improve the harmonious mechanism for mutual development of both enterprises and employees, and build up a harmonious enterprise based on development, reform, stability, innovation, justice and culture;</p>			
<p>Keep the vessel fleet scale in a leading position in the world, the internationalized operation indicator at United Nation's indicators for Top Global 100 Companies, and the sales income at Fortune Global 500; primarily realize the transformation from a global shipping carrier to a global logistics operator and an international shipping logistics system integrator depending on shipping businesses, from a multinational business operator to a multinational and global company, and lay solid foundations for building of harmonious and long-lived COSCO Group.</p>			
<p>Fully recognize the important meaning for performance of Global Compact, cultivate and deepen social responsibility sense, release sustainable development report to the international community on an annual basis, voluntarily accept supervision of the society and be a responsible corporate citizen. Make coordinated planning and carefully implement and comprehensively perform the responsibilities of Global Compact. All units shall integrate the implementation of commitments as specified in the Global Compact, in particular various principles with respect to environmental protection, labor, human rights and anti-corruption, with various work of the unit, segment them into feasible and detailed measures, and change them into voluntary actions of each employee. The annual sustainable development report within planning period of COSCO Group shall be compiled to submit an internationally advanced report to the United Nations. Works for release and promotion of the report</p>			

should be done well to further improve the image of COSCO Group. With an aim to ensure that the sustainable development work of COSCO Group can be carried out in a continuously and orderly manner, the Sustainable Development Committee of COSCO Group shall be established, under which, committees of various companies shall be set up. Stable teams of promoting personnel, indicator information collectors, internal auditors and report compiling personnel shall be established. According to the commitment of COSCO Group in the Sustainable Development Report 2006, companies in the group shall be organized to implement Global Compact and social responsibilities as well as sustainable development management system. According to the requirements of the SASAC, the annual sustainable development reports released by central enterprises will become a regular work. Related companies shall establish and improve the COSCO Group sustainable development management system according to the requirements and realize process-based, systematic and standardized management.

Policies

Management policies	Environmental protection policies	Safety policies	Quality policies
Through correct decisions, scientific management and high-quality services, establish harmonious enterprise, implement comprehensive risk management and Global Compact, and realize the coordinative and sustainable development of corporate value, human environment and natural resources.	COSCO Group's environmental protection criteria include comprehensive management, resources cherishing and environmental protection. In the production and operation process, COSCO Group has been dedicated to environmental protection and has cherished resources of the earth. It has supported and attended the ecological protection activities as a "social responsibility undertaker" and voluntarily improved ecological environment of the enterprises.	Insist on the concept of "human-orientation, safety development and construction of harmonious COSCO" and reduce dangerous influences with prevention as the main measure.	Safe, convenient and high-quality products and services.

Management methods

Apply modernized management tools to build up "digitalized COSCO"

Balance score card for sustainable development work

Economic performance	Product performance/environmental performance/social performance	Company governance	Labor performance and human rights performance
Financial performance	Stakeholders	Internal control procedures	Study and growth
Direct economic value	Consumer health and	Decision-making	Staff employment

created	safety	mechanism	
Financial inputs for climate changes	Product and service logo	Communication mechanism	Relations between labors and management team
Retirement plan coverage rate	Customer satisfaction	Supervision mechanism	Occupational health & safety
Key financial supports provided by the government	Marketing and publicizing	Evaluation mechanism	Training and education
Minimum salary and comparison with the standards	Consumer privacy	Internal control and risk management mechanism	Diversifications
Procurement and suppliers	Law compliance	Improvement mechanism	Investment and procurement behaviors
Proportion of local senior executives employed in important operational places	Raw materials		Non-discrimination
Infrastructure investment and services for public welfares by providing materials or free professional services through commercial activities and the influences	Energy		Freedom of association and collective bargaining
Indirect economic influences	Water resources		Child labor
	Bio-diversity		Enforced and compelled labors
	Exhaust gas, sewage and waste		Safety and security work
	Products and services		Rights of indigenous people
	Regulations		
	Traffic transportation		
	Community		
	Anti-corruption		
	Public policies		
	Anti-competitive practices		
	Anti-trust and monopoly		
	Conformity with laws and regulations		

So far, the description of sustainable development strategy blueprint has been completed, and in the next step, the division and operation of three-layered indicators of balance scoring card will be completed.

III. Analysis on primary influences, risks, opportunities and countermeasures of sustainable development

COSCO Group has formulated the COSCO Group Development Planning in 11th Five-year Period according to the planning of 11th Five-year Period of the State. It has insisted on using the scientific development outlook in all kinds of work, systematically analyzed the primary influences, risks, opportunities and countermeasures of sustainable development of COSCO Group with SWOT analytical method of lean six-sigma, correctly identified advantages, disadvantages, opportunities and threats, and made countermeasures corresponding based on possible combination of these advantages, disadvantages, opportunities and threats, thus making correct decisions and planning for sustainable development of COSCO Group.

Sustainable development strategy

SWOT Analysis

Advantages

- Expansion of fleet size and company scale;
- Improved brand recognition;
- Higher market shares;
- Better service quality;
- Complete transportation network;
- Powerful upper stream supply chain;
- Shouldering of social responsibilities with the identity of world citizenship;

Disadvantages

- Authenticity and severity for market transformation: "large vessel is difficult to change the direction";
- "High-cost" lease of vessels;
- FFA risks;
- Contracts signed before may be breached or terminated under the circumstance that the freight drops directly;

Opportunities

- World economy is expected to develop and market space is expected to expand continuously;
- China's objective to construct a well-off society in an all-round way in 2020 provides development forces for sustainable development of enterprises;
- The sustainable development outlook of international community and scientific development outlook of the Chinese Government have created environment and consistent development forces for construction of harmonious COSCO and century-old COSCO;

So strategies:

- Transformation from profit-making through production and operation activities to profit-making through production and operation activities and capital operation;
- Enhancement and expansion of market shares;
- Increase brand value;
- Bring functions of headquarters for dry and bulk cargo operation into full play, form cohesive forces and make vigorous efforts to turn the situation;
- Establishment of vessel service chain with special characteristics;

Wo strategies

- Transformation from owning and controlling of resources to allocation of social resources;
- Comprehensive inspection on leased vessels and FFA agreements to reduce agreement-breaching and operational risks to the maximum extents;
- Reorganization with domestic logistics enterprises through alliance and acquisition with capital market;

Threats

- Imbalance and uncertainty of world economy and trade development;
- In-depth drop of shipping market;
- Great fluctuation of international and domestic capital and financial market as well as prices of resources and energies;
- Increased safety and environmental protection costs;

St strategies:

- Transformation from the strategies of paying equal attentions to software and hardware with hardware as the dominant, to the strategies of paying equal attentions to software and hardware with software as the dominant;
- Adjustment of investment and operation strategies, increase operational income to the maximum extents and speed up market responding speed;
- Enhancement of customer relationship management;
- Establishment of strategic partnership alliance with large customers;
- Increase scientific inputs and speed up informationization process;

Wt strategies

- Transformation from periodic development to sustainable development;
- Improvement of operation efficiency;
- Enhancement of management and effective control of costs;
- Making reasonable arrangement and improving anti-risk ability
- Establishment of prediction mechanism;
- Paying great attention to safety and stability work in difficult time.

Analysis on primary influences of sustainable development

Influences on the company	Influences on the industry	Influences on the brand	Influences on the business	Influences on investment	Influences on the employees	Influences on the society
Development of COSCO Group greatly promotes the development of China's national economy and foreign trade, provides guarantees for transport of important materials such as energies and resources, and ensures the national economic safety.	COSCO Group greatly improves China's ability and position in participating international maritime affairs. China has been rated the A-category member of United Nations' International Maritime Organization for 9 times in a row, participating in the formulation of the world's maritime rules and the decisions of the international maritime affairs.	Ships and containers with COSCO log shuttle between over 1,500 ports in more than 160 countries and regions, bringing active influences in promoting prosperity of global trade and economy.	COSCO Group is focusing on sharpening the comprehensive competitiveness of several vessel fleets including container ships, dry bulk carriers, oil tankers and specialized cargo carriers in a horizontal perspective, while improving the competitiveness of the supply chain from shipping to door-to-door logistics, terminals and ship-building/ship-repairing sectors. COSCO Group's development has important impacts on promoting the stable development of the global logistics supply chain and industry chain.	By constantly improving the competitiveness of its shipping business, COSCO expands its business presence in modern logistics industry, build up the core capability to surpass its competitors and pursue the goals of three maximizations, namely the maximization of enterprise's benefits, value and return to shareholders.	COSCO has committed itself to creating a platform for operators and employees to show off their talents and realize their dreams, while giving all employees the returns matching their contributions to the company.	As an international shipping company, COSCO Group features high safety and environmental protection risks as well as heavy social responsibilities. As a result, COSCO Group is speeding up to build a resource-saving and environment-friendly enterprise.
As a spearhead of China's shipping industry and a global shipping group, whether COSCO Group can achieve the sustainable development is of great significance and has important impacts on the domestic and international economy and trade development, its shareholders, employees, customers and partners, the industry, the society, the environment, etc.						

Analysis on primary risks and opportunities of sustainable development

Challenges	External perspective	In-depth downturn of international shipping market since second half of 2008; drastic fluctuation of global and domestic capital and financial markets as well as energy prices, in particular oils; increased security and environmental protection costs.	COSCO Group should establish a stable and sustainable operation mode, carry out the scientific development outlook and fulfill the comprehensive, harmonious and sustainable development of the enterprise. It has been proved by the experience of the international shipping development that it is hard to fulfill such a development status under a market downturn. The unstable and fluctuating development status or development pattern may be transformed into a stable and coordinated development pattern only by grasping the development opportunities and carrying out comprehensive reform and adjustments.
	Internal perspective	Establishment of a stable and sustainable operation mode that will not substantially fluctuate with the drastic fluctuation of the market. COSCO Group should focus its efforts to build such an operation mode, with which, it can make higher profits than its rivals under favorable market situation, and can reduce the losses compared with its rivals or be free from the losses under unfavorable market situation. When the market fluctuates greatly, COSCO Group can maintain its operation more efficient and make its returns more stable.	
Opportunities	In recent few years	COSCO Group successfully grasps the important opportunities of speeding up the development and transforming development or operation models.	<p>Accelerate the establishment of strategic partnerships with VIP customers to lay a solid foundation of cargo sources for successful establishment of a stable and sustainable operation model.</p> <p>Speed up the paces to enter the international and domestic capital markets to provide constant funds for the enterprise's development and propel the enterprise's "system transformation and establishment".</p> <p>Accelerate the adjustment and the optimization in such aspects as industry structure, asset structure, fleet structure and staff structure.</p>
	In longer period of time	The approach of the corporate citizen era will lay a long-term and solid foundation on market and environment for COSCO Group's successful establishment of a stable and sustainable operation pattern, and to fulfill the sustainable development.	<p>The world's economy and trade is expected to maintain stable and continuous growth at least in the foreseeable early 21st century, namely in the first 30 years. This will provide stable and continuously growing market spaces for the global shipping, logistics and related industries.</p> <p>The objectives of building a well-off society in an all-round way by 2020 decide the growth speed and size of China's shipping, logistics and related businesses and will provide the driving forces for continuous development of China's shipping and logistics enterprises including COSCO Group for a long period of time in the future.</p> <p>The sustainability concept is being deepened. The corporate social responsibility campaign is in the ascendancy. Establish and implement the scientific development outlook, establish a harmonious socialist society and construct a harmonious enterprise.</p>
Risks		Since the second half of 2008, the global financial and economic crisis caused by sub-prime mortgage crisis had resulted in downturn of international shipping market, bringing impacts to operation of shipping enterprises including COSCO Group. Profitability of enterprises was reduced and risks were increased.	<p>Market risks. For a certain period of time at present and in the future, supplies and demands of international shipping market will change reversely. The situation that supply falls short of demand will change into the situation that the supply exceeds demands. The market entered into low-valley and adjustment period rapidly from peak period.</p> <p>Operation risks. Based on operational situation of fleets of COSCO Group, the operation risks mainly include ship-leasing risk, FFA risk, ethnic risk, benefit risk, etc.</p> <p>Management risks. Under the circumstance that the market is in downturn and economic benefits decrease, risks on security and stability will be exaggerated due to various factors such as tight capital and unstable hearts.</p> <p>Countermeasure risks. Under current market situation, countermeasure risks of two extremes may appear. One</p>

controlled by it is a listed company), and 13 fully-owned or shareholding on-land companies.

COSCO Guangzhou currently owns and operates 138 special ships and multi-purpose ships, with the total carrying capacity of 2.399 million DWTs. With all kinds of special ships including semi-submersible ships, heavy lift ships, multi-purpose ships, ro-ro ships, timber ships, asphalt ships, bulk cargo ships and general cargo ships not only, COSCO Guangzhou takes leading positions in many professional transport sectors. After years of operation in international shipping market, COSCO Guangzhou has formed the global business network based in China and with Hong Kong, Japan, South Korea, Singapore, U.S., Europe, Australia, Africa and Western Asia as the radiating points. Shipping-tracks of the vessel fleet of COSCO Guangzhou cover 1,562 ports in 159 countries and regions. COSCO Guangzhou also forms stable, reliable and competitive liner transport ability in Far East to Mediterranean, North/West Europe, Persian Gulf, South/North America and Africa. Besides general bulk cargos, the company also transports special, uncontainerable and super-large equipment, super-heavy and long cargos such as drilling platform, naval ships, locomotives, dredgers, bridge cranes and complete set of equipment, as well as cargos having special loading/unloading requirements such as asphalts.

5. COSCO Shipping Co., Ltd

COSCO Shipping Co., Ltd (COSCO Shipping) was jointly established by Guangzhou Ocean Shipping Company, COSCO Guangzhou Marine Service Co., Ltd, Guangzhou Ocean Shipping Agency Co., Ltd, Shenzhen Ocean Shipping Company and COSCO Guangzhou International Freight Co., Ltd on Dec. 8, 1999. The company was listed at the Shanghai Stock Exchange on April 18, 2002 (Stock code: 600428).



Nature: Limited liability company	Investment proportion: 50.13% (held by COSCO Guangzhou)
Total assets: RMB 7.125 billion	Employee number: 4,701
Business revenue: RMB 6.901 billion	
Main businesses: Ocean shipping and coastal shipping, intermodal transport by rail, sea and air (upon business license), crew labor service, wholesale and retail trading (excluding commodities controlled and managed solely by the State), ship agency, leasing, trading, repairing and building, loading and unloading services; storage (dangerous goods excluded), labor service, product information service, communication equipment repairing, and import/export goods shipment and agency; cargo import and export, technical import and export (except for items prohibited by laws and administrative regulations; licenses shall be obtain before operation of items limited by laws and administrative regulations); dispatch of laborers to overseas countries (including seafarers, valid period: ended on May 13, 2014); post introduction, labor information service, labor guarantee consultation (valid period: ended on April 30, 2009)	
Subsidiaries: NYKCOS Car Carrier Co., Ltd, COSCO Shipping (Hong Kong) Investment, Tianjin Ocean Shipping Company (COSCO Tianjin).	
With the total registered capitals of 1.3104 billion yuan in 2008, COSCO Shipping owns and operates 84 ships including heavy lift ships, semi-submersible ships, ro-ro ships, multi-purpose ships and general cargo ships. These ships have the average age of 21.1 years and the totally carrying capacity of 1.35 million DWTs. COSCO Shipping is mainly engaged in special general cargo ocean shipping and costal shipping, specializing in transport of super-long, heavy, large and uncontainerable cargos and cargos that have special transport and loading/unloading requirements. It also provides irregular transport services to customers. COSCO Shipping mainly operates Far East-Bengal line, Far East-West African line, and lines from Southeast Asia and Far East eastward to Persian Gulf, the Red Sea, Mediterranean Sea, North and West Europe and North America, forming worldwide ocean shipping network for special general cargos.	

1 1	COSCO Shipping	4	9	1	4	4	4	4	4	4	4	1	1	4	4	4	Append ix of the annual report
1 2	COSCO Shipbuilding Industry	4	4	4	4	4	4	4	9	4	4	9	9	4	4	4	Group report
1 3	COSCO Shipyard	4	4	4	4	4	4	4	9	4	4	9	9	4	4	4	Group report
1 4	China Maritime Bunker	4	4	1	4	4	4	4	4	4	4	4	4	4	4	4	Group report
1 5	Hainan Boao COSCO	1	1	4	1	9	4	4	4	4	4	1	9	4	9	4	Group report
1 6	China Ocean Shipping Tally	1	1	1	4	4	1	1	4	4	4	1	1	4	4	4	Group report
1 7	COSCO Human Resources/COSC O Manning	1	1	4	1	1	1	1	4	9	4	4	1	4	4	4	Group report

COSCO Guangzhou	4	4	4	4	4	4	4	320
COSCO Xiamen	4	4	4	4	4	4	4	320
China Maritime Bunker	4	4	4	4	4	4	4	320
COSCO U.K.	4	4	4	4	4	4	4	320
COSCO Finance	4	4	1	1	1	1	4	128
China Ocean Shipping Tally	1	4	1	1	4	1	4	44
China Ocean Shipping News	4	1	1	1	1	1	1	20
Maritime China Magazine	4	1	1	1	1	1	1	20
Hainan Boao COSCO	1	1	4	4	4	1	4	17
COSCO Human Resources/C OSCO Manning	1	1	1	1	4	4	4	15

COSCO Group makes management innovation with ISO9000 Quality Management System as basic building blocks, quality, environment and safety management systems as the base, and the sustainable development and risk management as the main contents, and forms an indicator-based sustainable development management system to implement all sustainable development requirements and indicators to processes and posts. The third party certification of the management system effectively ensures the reliability of report data.

COSCO Group establishes the COSCO Group sustainable development information management system and establishes information safety management system based on ISO27000 information safety management standards to ensure the authenticity, integration and accuracy of data in the report, and to improve the substantiality, integrity, comparability, accuracy and reliability of the sustainable development report continuously.

COSCO Group invites senior responsible persons in charge of social responsibilities of major stakeholders home and abroad to form a COSCO Group sustainable development expert committee to supervise the entire process of sustainable development work of COSCO Group, including Global Compact China Network Center Office, regulatory institute of the State, supervision department, R&D department, transnational companies, strategic partners, suppliers, customers, media, academic circle and related persons.

To ensure the authenticity and reliability, COSCO Group has submitted the report to the Det Norske Veritas (DNV) for review and evaluation according to the Reviewing Procedure of Sustainable Development Report, with an independent audit report to be provided.

In addition, COSCO Group invited stakeholders and media to offer suggestions in a move to urge COSCO Group to make constant improvements on the report.

Please visit COSCO Group's official website at <http://www.cosco.com> for more information about COSCO Group's strategic objectives and the economic, environmental and social influences of its operation and production activities.



3. Serial trainings on sustainable development

Since there were more than 20 COSCO companies implementing the Global Compact in 2008, COSCO Group adopted the method of batch construction to save time and cost. The trainings were organized by COSCO Group headquarters, divided into stages (one round a year), carried out separately, directed with emphasis, assessed uniformly and compiled and reported concentratedly.

No.	Stage of training	Content	Objectives	Task
1	Training on indicator collection and improvement	Indicator system	Implementation of first stage	Collect indicators
2	Training on material collection and improvement	Material Compilation	Implementation of second stage	Collect materials
3	Training on information management platform	Report system	Implementation of third stage	Installation and improvement of system
4	Training on report framework and compilation	Report framework	Implementation of fourth stage	Report compilation
5	Training on first draft of report and improvement	First draft of report	Implementation of fifth stage	Amendment by compiling team
6	Training on report improvement	Discussion of each section	Implementation of sixth stage	Opinion collection and improvement
7	Training of internal auditors	System assessment	Implementation of seventh stage	Internal audit
8	Training on management assessment	Management assessment	Implementation of eighth stage	Management assessment
9	Training on management system improvement	Management system	Implementation of ninth stage	System improvement
10	Training of all employees	Increase awareness	Requirements for implementation	Plan for the next year

In 2008, COSCO Group organized nine training courses on Global Compact and sustainable development work in stages, including indicator compilation, material preparation, internal audit, etc. Staff members participating in the trainings discussed and interpreted the requirements of the Global Compact and sustainable development work according to the uniform requirements of GRI standards and the Group, combining with the actual situation of their companies. After the trainings, some participants volunteered to disseminate the knowledge about the significance and basic requirements of the Global Compact and sustainable development through the companies' intranet and electronic publications, etc. The competent authorities for Global Compact and sustainable development in COSCO Group joint hands with DNV