



COSCO International Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 0517)

ANNOUNCEMENT OF 2004 FINAL RESULTS

Creating Efficiency and Values for Sustainable Development

Highlights of 2004 Annual Results

- The Board of Directors recommended to pay a final dividend per share of HK\$2.5 cents, achieving the goal of returning to our shareholders
- Turnover recorded a substantial increase of 80%, amounted to HK\$1,688,374,000
- Operating profit before other income/other charges amounted to HK\$213,388,000, increased by 241% as compared with that of last year. The profit contributed from ship trading and supplying services accounted for 58% of the total operating profit
- Profit attributable to shareholders was HK\$219,158,000
- Basic earning per share was HK\$15.54 cents
- Turnover from ship trading and supplying services amounted to HK\$967,579,000, representing 57% of the total turnover, in which the commission income from ship trading and insurance brokerage amounted to HK\$73,837,000; sales of paint products amounted to HK\$893,742,000

Prospects

In 2004, the Group marked a significant progress in all aspects. The Group will continue to strive to expand our core business, establishing a comprehensive ship trading and supplying services platform. We will devote our efforts to become a professional and unique worldwide ship trading and supplying services supplier.

The Board of Directors (the "Board") of COSCO International Holdings Limited (the "Company") is pleased to present the audited results of the Company and its subsidiaries (the "Group") for the year ended 31st December 2004 as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 31st December 2004

	Note	2004 HK\$'000	2003 HK\$'000
TURNOVER	2	1,688,374	939,680
Cost of sales		(1,270,912)	(835,885)
Gross profit		417,462	103,795
Other revenues		6,561	4,934
Selling and distribution expenses		(109,094)	—
Other operating income		10,549	23,058
Other income/(charges)		102,653	(136,414)
Administrative expenses		(92,068)	(67,139)
Other operating expenses		(20,022)	(2,120)
OPERATING PROFIT/(LOSS)		316,041	(73,886)
Finance costs		(15,610)	(25,556)
Share of results of a jointly controlled entity		30,835	9,880
PROFIT/(LOSS) BEFORE TAXATION		331,266	(89,562)
Taxation	3	(68,350)	(18,525)
PROFIT/(LOSS) AFTER TAXATION		262,916	(108,087)
Minority interests		(43,758)	(8,619)
PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS		219,158	(116,706)
DIVIDEND			
Proposed final dividend	4	34,950	—
EARNING/(LOSS) PER SHARE			
— BASIC	5	15.54 cents	(8.37 cents)
— FULLY DILUTED		15.22 cents	Not Applicable

Notes:

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The measurement basis used in the preparation of the financial statements is historical cost except that certain investment properties and short-term investments are stated at fair values.

The Hong Kong Institute of Certified Public Accountants had issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods beginning on or after 1st January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31st December 2004. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have significant impact on its results of operations and financial position.

2. TURNOVER AND SEGMENT INFORMATION

Primary reporting format — business segments

	Ship trading and supplying services 2004 HK\$'000	Property development 2004 HK\$'000	Building construction 2004 HK\$'000	Property investment 2004 HK\$'000	Infrastructure investment 2004 HK\$'000	Other operations 2004 HK\$'000	Group 2004 HK\$'000
Segment turnover	967,579	375,345	306,814	32,186	3,479	2,971	1,688,374
Segment results	124,174	89,624	(19,146)	168,884	(23,431)	(5,559)	334,546
Unallocated corporate expenses, net of income							(18,505)
Operating profit							316,041
Finance costs							(15,610)
Share of results of a jointly controlled entity		30,835					30,835
Profit before taxation							331,266
Taxation							(68,350)
Profit after taxation							262,916
Minority interests							(43,758)
Profit attributable to shareholders							219,158

The segment results have been arrived at after (crediting)/charging the followings:

	Ship trading and supplying services 2004 HK\$'000	Property development 2004 HK\$'000	Building construction 2004 HK\$'000	Property investment 2004 HK\$'000	Infrastructure investment 2004 HK\$'000	Other operations 2004 HK\$'000	Group 2004 HK\$'000
Depreciation and amortisation (net)	8,838	660	1,662	16,361	3,479	—	31,000
Write back of deficit on revaluation of investment properties	—	—	—	(155,966)	—	—	(155,966)
Provision for diminution in value of investment securities	—	—	—	—	—	9,677	9,677
Write back of provision for claims and foreseeable losses on certain construction contracts	—	—	(452)	—	—	—	(452)
Legal costs in respect of litigation on certain construction contract	—	—	7,011	—	—	—	7,011
Provision for completed properties held for sale	—	13,646	—	—	—	—	13,646
Impairment loss on other investment in a joint venture	—	—	—	—	23,431	—	23,431
Capital expenditure	4,370	1,151	246	—	—	—	5,767
Segment turnover	41,749	217,134	601,589	54,852	22,839	1,517	939,680
Segment results	20,471	13,851	(69,368)	(28,309)	42	3,360	(59,953)
Unallocated corporate expenses, net of income							(13,933)
Operating loss							(73,886)
Finance costs							(25,556)
Share of results of jointly controlled entities		9,880					9,880
Loss before taxation							(89,562)
Taxation							(18,525)
Loss after taxation							(108,087)
Minority interests							(8,619)
Loss attributable to shareholders							(116,706)

The segment results have been arrived at after charging the followings:

	Ship trading and supplying services 2004 HK\$'000	Property development 2004 HK\$'000	Building construction 2004 HK\$'000	Property investment 2004 HK\$'000	Infrastructure investment 2004 HK\$'000	Other operations 2004 HK\$'000	Group 2004 HK\$'000
Depreciation and amortisation	2,736	479	2,232	16,625	21,378	—	43,450
Deficit on revaluation of investment properties	—	—	—	70,966	—	—	70,966
Impairment loss on fixed assets	—	—	2,855	—	—	—	2,855
Provision for diminution in value of investment securities	—	—	—	—	—	8,893	8,893
Provision for claims and foreseeable losses on certain construction contracts	—	—	27,899	—	—	—	27,899
Legal costs in respect of litigation on certain construction contracts	—	—	14,530	—	—	—	14,530
Provision for completed properties held for sale	—	11,271	—	—	—	—	11,271
Capital expenditure	576	925	636	—	—	—	2,137

Secondary reporting format — geographical segments

	Turnover 2004 HK\$'000	Segment results 2004 HK\$'000	Turnover 2003 HK\$'000	Segment results 2003 HK\$'000
Hong Kong	435,132	185,309	685,773	(102,354)
China Mainland	1,253,242	149,237	253,907	42,401
	<u>1,688,374</u>	<u>334,546</u>	<u>939,680</u>	<u>(59,953)</u>
Unallocated corporate expenses, net of income		(18,505)		(13,933)
Operating profit/(loss)		<u>316,041</u>		<u>(73,886)</u>

3 TAXATION

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) on the estimated assessable profit for the year.

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

The amount of taxation charged for the year to the consolidated income statement represents:

	2004 HK\$'000	2003 HK\$'000
The Company and subsidiaries:		
— Hong Kong profits tax	5,947	2,928
— China Mainland taxation	<u>44,456</u>	<u>9,549</u>
	50,403	12,477
Share of taxation of a jointly controlled entity		
— China Mainland taxation	<u>17,947</u>	<u>6,048</u>
Taxation charges	<u>68,350</u>	<u>18,525</u>

4 FINAL DIVIDEND

The Board recommended the payment of a final cash dividend of HK2.5 cents (2003: nil) per share, subject to approval by shareholders at the Annual General Meeting to be held on 5th May 2005. The proposed final cash dividend will be payable on or before 31st May 2005 to shareholders whose names appear on the register of members of the Company on 5th May 2005.

5 EARNING/(LOSS) PER SHARE

The calculation of earning per share is based on the Group's profit attributable to shareholders of HK\$219,158,000 (2003: loss of HK\$116,706,000) and the weighted average number of 1,410,080,624 (2003: 1,394,389,291) ordinary shares in issue during the year.

The calculation of diluted earning per share for the year ended 31st December 2004 is based on the consolidated profit attributable to shareholders of HK\$219,158,000 and the diluted weighted average number of 1,440,135,287 shares in issue after adjusting for the potential dilutive effect in respect of outstanding share options. Diluted loss per share is not presented for the year ended 31st December 2003 because the effect is anti-dilutive.

6 TRANSFER TO RESERVE

During the year, the profit of certain subsidiaries in China Mainland amounted to HK\$5,936,000 (2003: HK\$3,131,000) was transferred to capital reserve account.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 3rd May, 2005 to Thursday, 5th May 2005, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final cash dividend, all transfer documents, accompanied by relevant share certificates must be lodged with the Company's branch share registrars in Hong Kong, Abacus Share Registrars Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 p.m. on Friday, 29th April 2005.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the year ended 31st December 2004, the Group recorded a turnover of HK\$1,688,374,000 (2003: HK\$939,680,000), representing a substantial increase of 80% as compared to the prior year despite the decrease in turnover of building construction, property investment and infrastructure investment segments. The significant increase was mainly attributable to the turnover from the paint business which was accounted for during the year after the completion of acquisition of a 63.07% equity interest in Shanghai COSCO Kansai Paint & Chemicals Co., Ltd and Tianjin COSCO Kansai Paint & Chemicals Co., Ltd., (collectively "COSCO Kansai Companies") in January 2004 and the turnover from the insurance brokerage business which was accounted for in the second half of the year after the completion of acquisition of 100% equity interest in COSCO (Hong Kong) Insurance Brokers Limited ("COSCO Insurance Brokers") in July 2004. The commencement of sales of Phase I of Shenyang Yihe Garden also accounted for the increase in turnover during the year.

The gross profit increased by 302% to HK\$417,462,000 (2003: HK\$103,795,000). The increase was mainly due to the contributions of the gross profit of HK\$214,431,000 and HK\$20,043,000 from the newly acquired COSCO Kansai Companies and COSCO Insurance Brokers respectively. The increase in selling prices of Phase II of Fragrant Garden in Shanghai and the sales of Phase I of Shenyang Yihe Garden also resulted in increase of gross profit of property development segment by HK\$74,700,000.

The Group achieved an operating profit of HK\$316,041,000 for the year (2003: loss of HK\$73,886,000). The great turnaround was partly due to the write-back of deficit on revaluation of investment properties of HK\$155,966,000 (2003: deficit of HK\$70,966,000) in 2004 which offset provisions made comprising of provisions for claims with related legal costs and foreseeable loss on certain construction contracts of HK\$6,559,000 (2003: HK\$42,429,000), the provision for completed properties held for sale in Hong Kong of HK\$13,646,000 (2003: HK\$11,271,000); provision for diminution in value of investment securities of HK\$9,677,000 (2003: HK\$8,893,000); impairment loss on other investment in a joint venture of HK\$23,431,000 (2003: impairment loss on fixed assets of HK\$2,855,000). Excluding the above write-back of provisions and provisions made, the Group achieved an operating profit of HK\$213,388,000 (2003: HK\$62,528,000). The increase in operating profit was mainly attributable to contribution of the newly acquired COSCO Kansai Companies and COSCO Insurance Brokers and the increase in ship trading commission income which increased operating profit of the ship trading and supplying services segment by HK\$103,703,000. The increase in selling prices of Phase II of Fragrant Garden in Shanghai and the sales of Phase I of Shenyang Yihe Garden also accounted for an increase of HK\$67,728,000 in operating profit during the year.

As a result, the Group attained a profit attributable to shareholders of HK\$219,158,000 (2003: loss of HK\$116,706,000).

Financial Resources and Liquidity

As at 31st December 2004, shareholders' funds of the Group increased by 26% to HK\$1,117,319,000 resulting from the profit generated during the year. As at 31st December 2003, the shareholders' funds decreased by 12% to HK\$887,072,000 as a result of the loss attributable to shareholders of HK\$116,706,000.

For the year ended 31st December 2004, the Group had a net draw down of bank loans in the amount of HK\$29,770,000 (2003: net repayment of HK\$171,161,000). As at 31st December 2004, total banking facilities available to the Group amounted to HK\$1,222,999,000 (2003: HK\$1,296,897,000) of which HK\$964,890,000 (2003: HK\$935,120,000) were utilised. The increase in utilisation of banking facilities was primarily attributable to the bank loans from the paint business which was accounted for during the year after the completion of acquisition of a 63.07% equity interest in COSCO Kansai Companies in January 2004. The gearing ratio, which represents total bank loans over total assets, was approximately 32% (2003: 40%).

As at 31st December 2004, the Group's borrowings were denominated in Hong Kong dollar, United States dollar and Renminbi and carry interests at rates calculated with reference to Hong Kong Interbank Offered Rate, London Interbank Offered Rate and the Base Rates announced by the People's Bank of China. The Group did not have any financial instruments used for hedging purpose.

The maturity and currency profiles of the outstanding bank loans as at 31st December 2004 are analysed as follows:

	2004 HK\$'000		2003 HK\$'000	
Maturity profiles:				
Bank loans repayable				
— Within one year	122,619	13%	257,220	28%
— In the second year	12,825	1%	19,230	2%
— In the third to fifth year	<u>829,446</u>	<u>86%</u>	<u>658,670</u>	<u>70%</u>
	<u>964,890</u>	<u>100%</u>	<u>935,120</u>	<u>100%</u>
Secured	677,676	70%	697,130	75%
Unsecured	<u>287,214</u>	<u>30%</u>	<u>237,990</u>	<u>25%</u>
	<u>964,890</u>	<u>100%</u>	<u>935,120</u>	<u>100%</u>
Currency profiles:				
Hong Kong dollar	598,600	62%	916,330	98%
United States dollar	287,214	30%	—	—
Renminbi	<u>79,076</u>	<u>8%</u>	<u>18,790</u>	<u>2%</u>
	<u>964,890</u>	<u>100%</u>	<u>935,120</u>	<u>100%</u>

As at 31st December 2004, investment properties in Hong Kong of HK\$398,000,000 (2003: HK\$242,034,000), other properties in Hong Kong of HK\$706,291,000 (2003: HK\$722,549,000) and certain properties under development in China Mainland of HK\$194,634,000 (2003: nil) were pledged as securities to banks in respect of certain banking facilities granted to the Group.

Cash and bank balances amounted to HK\$562,870,000 (2003: HK\$554,930,000) as at 31st December 2004 and accounted for 39% (2003: 56%) of the current assets of the Group. Nil bank balances (2003: HK\$4,392,000) has been restricted by a bank for the purpose of granting banking facilities to the Group. During the year, the Group had no material exposure to exchange rate fluctuations. With its strong cash position and the available banking facilities, the Group has adequate resources for its ongoing operations and future development.

Major Customers and Suppliers

For the year ended 31st December 2004, the Group's five largest customers accounted for 38% of the Group's turnover and the largest customer included therein accounted for 16%. During the year, the aggregate amount of purchases from the five largest suppliers accounted for less than 30% of the total cost of sales of the Group.

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 suppliers and customers.

Contingencies

	2004 HK\$'000	2003 HK\$'000
Performance bonds in respect of performance and completion of construction contracts	<u>10,271</u>	<u>10,271</u>
Guarantee and counter-indemnity to bank guarantees in respect of due performance of management and remedial cost of a property undertaken by the Group	<u>43,000</u>	<u>43,000</u>
Guarantee to mortgage loans in respect of property development projects (Note)	<u>172,736</u>	<u>213,517</u>

Note: The Group provides guarantees to the mortgage loans granted by certain banks to buyers of property development projects in China Mainland. Pursuant to the terms of the guarantees, upon default in loan repayments by the buyers, the Group is responsible to repay the outstanding loan principals together with accrued interest and penalty owed by the defaulted buyers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The directors consider that in case of default, the net realisable value of the related properties can cover the repayment of outstanding loan principals together with the accrued interest and penalty and therefore no provision has been made in the financial statements for the guarantee.

Subsequent events

- On 4th November 2004, the Group entered into a conditional share transfer agreements for the acquisition of 49% equity interest in Guangzhou Jotun Ocean Paint Co. Ltd. from Guangzhou Economy & Technology Development Zone COSCO Marine Service Co. Limited, a wholly owned subsidiary of China Ocean Shipping (Group) Company for a cash consideration of RMB17,310,000 (approximately HK\$16,263,000). The acquisition was completed in February of 2005 when the conditions precedent were fulfilled.
- On 28th December 2004, the Group entered into a conditional sales and purchase agreement with COSCO Trading and Supply Investments Limited, a wholly-owned subsidiary of COSCO (Hong Kong) Group Limited, for the acquisition of 100% equity interest of Yuantong Marine Service Company Limited for a cash consideration of HK\$53,750,000. The acquisition will be completed in the midst of 2005 when the conditions precedent are fulfilled.

Employees

As at 31st December 2004, excluding associated companies and jointly controlled entities, the Group had approximately 664 (2003: 269) employees of whom approximately 137 (2003: 134) employees were in Hong Kong. The number of employees increased upon the completion of the acquisition of COSCO Kansai Companies in January 2004 and 100% equity interest in COSCO Insurance Brokers in July 2004. For the year ended 31st December 2004, employees costs including directors' emoluments and pension costs totaled HK\$95,924,000 (2003: HK\$57,772,000). During the year, all Hong Kong employees participated in the Mandatory Provident Fund scheme.

On 26th November 2003, the directors and employees of the Group were granted certain share options to subscribe for a total of 44,800,000 shares at a price of HK\$0.57 per share. The share options are exercisable at any time from 23rd December 2003 to 22nd December 2008. On 2nd December 2004, the directors and employees of the Group were granted certain share options to subscribe for a total of 32,650,000 shares at a price of HK\$1.37 per share. The share options are exercisable at any time from 29th December 2004 to 28th December 2014.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee"), consists of three Independent Non-executive Directors in which two of them are Hong Kong Certified Public Accountants. The Audit Committee is chaired by an independent non-executive Director. The Audit Committee reviews important accounting policies and supervising the Company's financial reporting process, risk management system; monitoring the performance of both the internal and external auditors; assisting the Board in reviewing and examining the effectiveness of the Company's financial reporting procedures and internal controls; ensuring compliance with applicable statutory accounting and reporting requirements, legal and regulatory requirements, and internal rules and procedures approved by the Board. The Audit Committee had reviewed the audited financial statements of the Group for the year ended 31st December 2004.

CODE OF BEST PRACTICE

The Company has adopted a code of conduct regarding securities transactions of directors and employees (the "Code") no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). To ensure directors' dealing in the securities of the Company are conducted in accordance with the Model Code, a committee (the "Committee") comprising the Chairman, the Vice-chairman, the Managing Director and the Deputy Managing Directors was set up to deal with such transactions. Prior to any dealing in the securities of the Company, a Director is required to notify the Chairman or the Vice Chairman in writing and obtain a written acknowledgement from the Committee. The Company has made specific enquiry of all Directors regarding any non-compliance with the Code during the year ended 31st December 2004 and all Directors confirmed that they have fully complied with the required standard set out in the Model Code during the year. None of the Directors is aware of information that would reasonably indicate that the Company is not, or was not at any time during the year ended 31st December 2004 in compliance with the Code of Best Practice in Appendix 14 to the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 31st December 2004, the Company or any of its subsidiaries had not redeemed, purchased or sold any of the Company's shares.

PUBLICATION OF RESULTS ON THE STOCK EXCHANGE'S WEBSITE

A detailed results announcement containing all the information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules will be published on the website (<http://www.hkex.com.hk>) of the Stock Exchange in due course.

BOARD OF DIRECTORS

As at the date hereof, the Board comprises fourteen directors of which Mr. Wei Jiafu (Chairman), Mr. Liu Guoyuan (Vice-Chairman), Mr. Li Jianhong, Mr. Zhou Liancheng, Mr. Liu Hanbo (Managing Director), Mr. He Jiale, Mr. Guo Huawei, Mr. Chen Pisen, Mr. Meng Qinghui, Mr. Zhao Kaiji and Mr. Lin Libing as Executive Directors; and Mr. Chan Cheong Foon, Andrew, Mr. Kwong Che Keung, Gordon and Mr. Tsui Yiu Wa, Alec as Independent Non-executive Directors.

By Order of the Board
Liu Hanbo
Managing Director

Hong Kong, 3rd March 2005

This announcement is also available on following websites:

<http://www.coscointl.com>
<http://www.cosco.com.hk>

CHAIRMAN'S STATEMENT

I am pleased to report to our shareholders that the overall business performances of COSCO International and its subsidiaries have achieved fruitful results for the year ended 31st December 2004. By adopting the development strategy of "Betterment of Asset Quality and Efficiency", COSCO International has actively expanded its core business, successfully loaded down its historical burden and turned the results from loss to profit; improved the quality of its assets; strengthened its funds management, enhanced the standard of corporate governance; and increased its profitability. By laying ship trading and supplying services as the foundation of our core business, we have won the full affirmation and recognition from both shareholders and investors in the capital market. We deeply believe that COSCO International is marching on the path for healthy growth, and anticipate that the Company will continue to show its vitality in the future, thus creating higher efficiency and yielding greater returns for the shareholders.

Remarkable Business Performance Rewarding Shareholders

During 2004, COSCO International's business restructuring has recorded tremendous progress. The overall business performance was remarkably good, with the total turnover reaching HK\$1,688,374,000 (2003: HK\$939,680,000) which recorded a rise of 80% in compare with last year; the profit attributable to shareholders amounted to HK\$219,158,000 (2003: loss of HK\$116,706,000) and basic earning per share was HK15.54 cents (2003: loss of HK8.37 cents).

After discussion, the board of directors of the Company proposed to pay a final dividend of HK2.5 cents for the year ended 31st December 2004 (2003: Nil).

Restructuring Assets to Create Higher Efficiency and Values

As mentioned in the 2003 annual report, COSCO International has been dealing with the historical problems and the adverse impacts of the Asian financial turmoil since 1997. We had made provisions for certain businesses according to fluctuations in the market values. Today, I am pleased to declare that the historical problems troubling the Group have now been completely resolved. Moreover, in dealing with COSCO International's accumulated loss of HK\$1.68 billion, we have sought shareholders' approval at the special general meeting held on 3rd June 2004 to offset the accumulated loss by applying the credit amount of HK\$2.35 billion share premium and transferred the remaining credit balance to the contributed surplus account. This action enabled COSCO International to move forward on a path of healthy development again, and hence to create higher efficiency and higher values for the Company. Upon considering the interest of shareholders and the need for long-term sustainable development of the Group, the Board has formulated a dividend policy to cater for the interests of various parties, enabling the Group to maintain rapid business growth while sharing the fruits with our shareholders.

Expanding the Core Business with Development as the Fundamental Principle

Based on the development strategy of China Ocean Shipping (Group) Company ("COSCO"), COSCO International earnestly realized its core business positioning and endeavoured to develop its ship trading and supplying services business. In 2004, with the gradual recovery of the global economy and the robust economic growth of China Mainland, the shipping market thrived. The ship related services, such as ship trading and supplying services business, also grew rapidly. With the joint effort and support from COSCO and other members of COSCO Group, COSCO International successfully acquired numerous ship trading and supplying services related companies, and step by step formed a ship trading and supplying services platform, basically comprising ship trading, marine insurance brokerage, coatings, marine equipment and spare parts. During the year under review, the turnover of ship trading and supplying services represented 57% of the total turnover of the Group. It reflected our corporate positioning strategy focused on ship trading and supplying services business has initially achieved success.

Strengthening Funds Management and Upgrading Corporate Governance

During the year, COSCO International capitalized on its advantages as a listed company while putting its core business positioning into practice. In addition to not only receiving the attention of market investors, we even attracted the focus and recognition of the funds managers and banks. We had successfully negotiated better terms of bank facilities, higher credit limits but lower interest rates from the banks. This signified that COSCO International's strength has gradually been affirmed by the market. A pool of ample capital funds has become the Group's strong support for continual business expansion.

COSCO International has always put great emphasis on corporate governance and strived to upgrade its management standard to suit the needs and changes of the market environment. In response to the Stock Exchange's amendments to the Listing Rules, COSCO International amended its Bye-laws and having three Independent Non-executive Directors with extensive experience and professional expertise to act on behalf of the public shareholders, expressing fair and objective opinions on connected transactions and important issues to the Board. The Board approved the formation of Remuneration Committee, Nomination Committee, Executive Committee, Risk Management Committee and Investment Committee, so as to strengthen the overall management structure of the Company, to streamline various regulatory systems, to establish an institutional management system, to maintain a high efficient and quality management standard and to ensure a sustainable capability creating better efficiency.

Developing Investor Relations and Building Corporate Culture

To dovetail with the Group's strategic positioning and its future business development, while maintaining good communication with the media, the Group has improved investor relations. During the year, we have approached many funds managers and analysts individually and participated in the roadshows organized by securities company. Through our devoted efforts during the year, the market has gradually affirmed the business positioning of COSCO International. Looking forward, we will work even harder to maintain a close relationship and good communication with the media, analysts and funds managers. We will also promptly and accurately disclose COSCO International's latest news and information through various channels in accordance with the requirements of the Listing Rules, so as to protect the best interests of the shareholders and investors under an open, just and fair principle.

While expanding our businesses, the Group also put great emphasis on cultivating the corporate culture and the fostering and development of talent. While adopting COSCO's corporate spirit and management philosophy, the Group also advocate a united, progressive, professional and innovative corporate culture and establish a unique corporate culture system through providing a staff handbook, implementing talent inspiration and regulatory mechanisms and organizing various kinds of corporate culture activities. Moreover, the Group have formulated the mission statements and performance assessments, as well as granted long-term share options to the senior management to enhance their initiative. By aligning the financial interests of the management and other employees with the business performance, the staff's participation and enthusiasm towards works.

Prospects

According to United Nations' latest statistical data, in 2005 the world's economic growth rate will be 3.25%, China Mainland will be 9.2% and United States will be 4%. Though affected by the factors like high crude oil prices and the United States Federal Reserve Bureau's decisions to raise the interest rates, it is expected that global economic development in 2005 will slacken slightly. Nevertheless, China Mainland will still continue to take the lead in terms of economic growth. With the implementation of the "Closer Economic Partnership Arrangement" and the policy to allow individual China Mainland travelers to visit Hong Kong, the economy of Hong Kong will enjoy a steady and healthy growth. The Group believe that the shipping related ship trading and supplying services businesses will continue to benefit along with the prosperity of foreign trade.

Looking forward, the Group will carry on reinforcing its strategic positioning on ship trading and supplying services as our core business, consolidating and expanding to pursue building a one-stop ship trading and supplying services platform. We will endeavour to establish a professional and unique worldwide ship trading and supplying services supplier with leading edges.

Finally, I would take this opportunity to thank all our clients, partners, banks, vendors, consultants and shareholders for their consistent support and trust given to COSCO International as well as express our gratitude to the management and staff for all of their hard work and contributions made in the past.

WEI Jiafu
Chairman

Hong Kong, 3rd March 2005

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 Thursday, 5th May 2005 at 10:00 a.m. for the following purposes:

- To receive and consider the audited financial statements for the year ended 31st December 2004 together with the directors' report and the auditors' report thereon.
- To declare a final dividend for the year ended 31st December 2004.
- To re-elect the retiring directors and to fix their remuneration.
- To re-appoint retiring auditors and to authorise the directors to fix their remuneration.
- To transact any other business.

By Order of the Board
WAI Ching Sum
Company Secretary

Hong Kong, 3rd March 2005

Notes:

- A member of the Company entitled to attend and vote at the meeting 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 in the capital of the Company may appoint more than one proxy. A proxy need not be a member of the Company.
- 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 registrar in Hong Kong, Abacus Share Registrars Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not less than 48 hours before the time fixed for holding the meeting and adjourned meeting.
- The register of members of the Company will be closed from Tuesday, 3rd May 2005 to Thursday, 5th May 2005, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final cash dividend, all completed transfer forms with share certificates must be lodged with the Company's branch share registrar in Hong Kong, Abacus Share Registrars Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, not later than 4:00 pm on Friday, 29th April 2005.
- Where there are joint holders of any share in the Company, any one of such joint holders may vote at the meeting, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at the meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of other holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
- The resolutions to be considered at the meeting will be decided by poll. On voting by poll, each shareholder of the Company shall have vote for each share held on the Company.
- An explanatory statement as required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited in connection with the profiles of all the retiring directors to be re-elected under resolution No. 3 above will be dispatched to members together with the 2004 Annual Report of the Company.