

MANAGING DIRECTOR'S REPORT

COSCO International Holdings Limited (the "Company") and its subsidiaries (the "Group") is pleased to announce that the Group continued to attain a profitable result for the first half of 2001. Our core businesses have been steady and continued to contribute satisfactory returns to the Group for the period.

Business Review

Infrastructure

Henan Xinzhongyi Electric Power Co., Ltd. ("Henan Power Plant") is the major infrastructure investment of the Group. The overall performance of Henan Power Plant was good and continued to provide a steady income to the Group. Although competition was keen, its electricity production output increased by 12.9% in the first half of 2001 compared to the same period of last year.

Properties

The occupancy rate for the eight floors of COSCO Tower was maintained at 99% during the period. The rental income generated remained a major source of income for the Group.

The Phase I Zone I of Fragrant Garden, a jointly developed property development project in Shanghai with Shanghai Siping Development and Operation (Group) Co., Ltd., a company which is under the Shanghai Hongkou District Government, has been completed for occupation in June 2001. More than 90% of the Phase I Zone I units have been sold. Following such a promising result, pre-sale for the Phase I Zone II has been launched in June 2001. It is expected that the construction work of Phase II will commence in the second half of 2001. The Group will continue to reinforce its sale efforts on the Fragrant Garden.

On 29th June, 2001, the Group entered into a conditional agreement with COSCO Real Estate Development Company, upon completion of which the Group will own a 49% equity interest in a newly formed sino-foreign equity joint venture company, Beijing Tian Lin Property Development Co. Ltd. ("Tian Lin"). The total investment amount for Tian Lin is expected to be approximately Rmb640 million to develop two real estate development projects in Beijing – Ocean Prospect and Shenghuayuan Phase II.

The development project of two detached houses at Shatin Town Lot No. 217 Mei Wo Circuit has been completed and launched for sale.

Building Construction

Shun Shing Construction & Engineering Company, Limited ("SSCE"), a wholly-owned subsidiary of the Group has recorded a positive result for the period. The Private Sector Participation Scheme ("PSPS") Project at Shum Wan, Hong Kong named Broadview Court was launched for sale under the Home Ownership Scheme Phase 22B earlier this year. All the residential units have been sold. The shopping mall and car park will be available on the market at the end of this year.

For the six months ended 30th June, 2001, the value of construction contracts completed by SSCE amounted to HK\$1,475 million and the value of construction work in progress amounted to HK\$1,409 million.

High Technology

Ark Pioneer Microelectronics (Shenzhen) Limited 深圳艾科創新微電子有限公司 ("Ark Pioneer"), 51% owned by the Group, is engaged in the integrated circuits design business. During the period, the product development of three kinds of DualPort SRAM and 64-bit RISC processor were completed. With the successful launching of the products in Mainland China's market, the current situation of relying on foreign import will change. The potential market for Ark Pioneer's products is huge and management is aggressively building its market share.

Outlook

The Group will continue to sustain and strengthen its present operations and to actively seek investment opportunities that are related to the core businesses of the ultimate holding company, China Ocean Shipping (Group) Company ("COSCO"), which have good prospects.

Beijing has successfully bid for the hosting of Olympic Games in 2008. The Central Government will invest substantial amount of money and resources in infrastructure, property and other facilities in Beijing in the coming years. The two property projects of Tian Lin in Beijing invested by the Group will benefit from this.

China is coming to enter into the World Trade Organisation. This will bring ample business opportunities and Hong Kong's economy will benefit. We expect to see a more positive sentiment in business environment.

Appreciation

On behalf of the board of directors of the Company (the "Board"), I would like to take this opportunity to extend my sincere thanks to our business partners, bankers, clients, suppliers and shareholders for their support and trust extended to the Group. I also express my deepest thanks to all staff for their devotion and hard work.

On behalf of the Board
KWONG Che Keung, Gordon
Managing Director

Hong Kong, 7th September, 2001