



Chairman's Statement





Creating Efficiency and Values for Sustainable Development

COSCO International will continue on reinforcing its positioning on ship trading and supplying services as its core business, consolidating and expanding its business to build a one-stop ship trading and supplying services platform. We will endeavour to grow into a professional and unique worldwide ship trading and supplying services supplier with leading edges.

Mr. WEI Jiafu
Chairman

I am pleased to report to our shareholders that the overall business performances of the Group have achieved fruitful results for the year ended 31st December 2004. Through the adoption of the development strategy of "Betterment of Asset Quality and Efficiency", the Group has succeeded in expanding its core business, resolving its historical problems and turning the results from loss to profit; improving the quality of its assets, strengthening its funds management, enhancing the standard of corporate governance; and increasing its profitability. The Group's efforts in laying down a solid foundation of ship trading and supplying services as its core positioning have won both the Shareholders' and investors' recognition. 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.

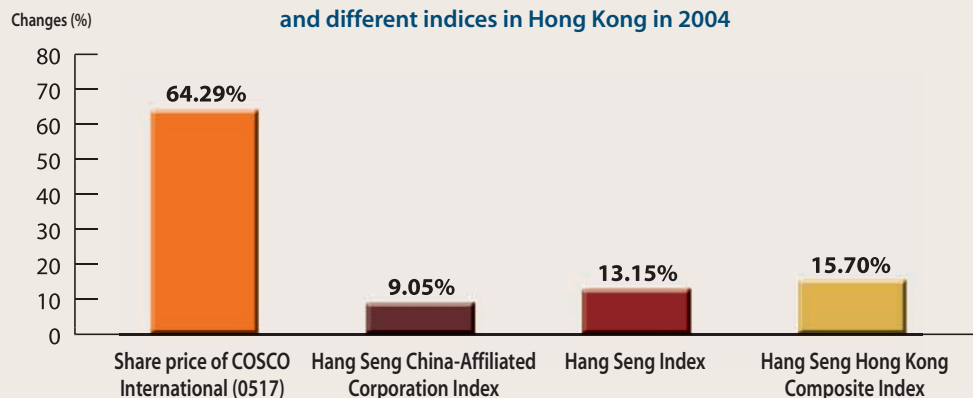
After discussion, the board of directors of the Company (the "Board") proposed to pay a final dividend of HK 2.5 cents per share for the year ended 31st December 2004 (2003: nil).

Restructuring Assets to Create Greater Efficiency and Values

As I mentioned in the 2003 annual report, COSCO International has been dealing with the adverse impacts of the Asian financial turmoil in 1997 and other historical problems. 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 losses of HK\$1,680 million, we received shareholders' approval at the special general meeting held

Comparison of the growth of COSCO International's share price and different indices in Hong Kong in 2004



Rewarding Shareholders with Remarkable Business Performance

During 2004, COSCO International achieved tremendous progress in its business restructuring. Its overall business performance was impressively well, with the total turnover surging 80% to reach HK\$1,688 million (2003: HK\$940 million) compared with the previous year; the profit attributable to shareholders amounted to HK\$219 million (2003: loss of HK\$117 million), and basic earnings per share was HK 15.54 cents (2003: loss of HK 8.37 cents).

on 3rd June 2004, offsetting the accumulated losses by applying the credit amount of HK\$2.35 billion share premium and transferring the remaining credit balance of the share premium account to the contributed surplus account of the Company. Since then, COSCO International has embarked on a path of healthy development again, and hence has built a solid foundation to create greater economic benefits and values for the Group. Upon considering the interest of shareholders and the need for long-term sustainable development of the Group, the Board has formulated a dividend payout policy to cater

for the interests of various parties, enabling the Group to maintain sufficient working capital while sharing the fruits with our shareholders.

Expanding the Core Business with Development as the Fundamental Principle

Based on the development strategy laid down by COSCO, COSCO International earnestly realised 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 the China Mainland. The ship related services, such as ship trading and supplying services business, grew rapidly coupled with the thriving shipping market. With the joint efforts and supports from COSCO and other members of COSCO Group, COSCO International successfully acquired numerous ship trading and supplying services related companies, and gradually formed a ship trading and supplying services platform, comprising ship trading, marine insurance brokerage, coatings, marine equipment and spare parts supply. (Please refer to the Vice-chairman's Statement and Business Review for details of the acquisitions, which will not be repeated here.) During the year under review, the turnover of ship trading and supplying services



Marine spare parts and equipment service is one of the major developments of the Group

accounted for 57% of the total turnover of the Group. It reflected our objective of positioning on ship trading and supplying services business has been successfully achieved.

Strengthening Funds Management and Upgrading Corporate Governance

During the year, COSCO International capitalised on its advantages as a listed company while putting its core business positioning into practice. In addition to receiving the attention of market investors, we also attracted the



Demand for ship related services increases with enormous ship freight

attention of market investors and fund managers. We successfully negotiated with banks for better terms of banking facilities with higher credit limits and lower interest rates. This signified that COSCO International has gradually won market recognition. With a pool of ample capital funds, the Group has secured strong support for its continual business expansion.

COSCO International has always put great emphasis on enhancing 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 their independent



Enhancing corporate governance is one of the main tasks of the Board

opinions to the Board on connected transactions and other important issues. The Board approved the formation of Remuneration Committee, Nomination Committee, Executive Committee, Risk Management Committee and Investment Committee of the Company, to maintain efficient corporate governance with high standards and ensure sustainable capabilities to create value by strengthening the overall management structure of the Company, improving various rules and regulations and establishing an institutionalised management system.

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 relationship. During the year, we have taken the initiative to approach several funds managers and analysts individually and participated in a roadshow organized by a securities company. Through our devoted efforts during the year, COSCO International has gradually won market recognition. Looking forward, we will continue 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 compliance with the requirements of the Listing Rules in accordance with the principle of transparency, impartiality and fairness

and to protect the best interests of the shareholders and investors.

While expanding our businesses, the Group has also put great emphasis on cultivating its corporate culture and the fostering and development of talent. The Group advocates a corporate culture underpinned by unity, progressive spirit, professionalism and innovation, in line with the COSCO's corporate spirit and management



An outstanding team of staff can help facilitate the continual development of the Company

philosophy. A unique corporate culture regime has been established through publishing a staff handbook, implementing staff reward and regulatory mechanisms and organising various kinds of corporate culture activities. Moreover, the Group has formulated the mission statements and performance assessments for and granted long-term share options to the senior management so as to enhance their initiative. By aligning the financial interests of the management and other employees with the Company's business performance, staff's participation and enthusiasm towards work has been greatly improved.

Prospects

According to the United Nations' latest statistical data, in 2005 the economic growth rate of the world, China Mainland and the United States will be 3.25%, 9.2% and



COSCO International strives to provide comprehensive ship trading and supplying services for COSCO's fleets

4% respectively. 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 will still continue to take the lead in terms of economic growth. The Group believes that the shipping related business in ship trading and supplying services businesses will continue to benefit along with the prosperity of foreign trade.

Looking ahead, the Group is committed to reinforcing its strategic positioning on ship trading and supplying services as our core business, consolidating and expanding its business to build a one-stop ship trading and supplying services platform. We will endeavour to grow into a professional and unique worldwide ship trading and supplying services supplier with leading edges.



Competitiveness of fleets enhanced with efficient services

On behalf of the Board, I would like to take this opportunity to thank all our clients, partners, banks, vendors, consultants and shareholders for their support and trust given to COSCO International as well as express our gratitude to the management and staff for all their dedication and contributions over the past years.

WEI Jiafu
Chairman

Hong Kong, 3rd March 2005