



Business Review



■ Ship trading and supplying services

Given astute market foresight and strategic acquisition planning, COSCO International has initially established the businesses comprising ship trading; production and sales of coating; marine equipment and spare parts; parts for machinery and navigation system; marine insurance brokerage services, etc. During 2004, the turnover of ship trading and supplying services accounted for 57% of the Group's total turnover, thus ship trading and supplying services became the Group's core business and which became the Group's major source of revenue, reflecting the initial success of the Group's business positioning.



Xin Liwen
Managing Director of
Yuantong

Geir Boe
General Manager of JOP

Sun Guangcheng
Managing Director of
COSCO Insurance

Huo Conglin
General Manager of
COSCO Kansai Companies

Chen Daming
Managing Director of
COSCO Ship Trading

Ship trading and supplying services

Ship trading and supplying services industry refers to the provision of comprehensive security services for vessels, including the provision of hardware and software services as well as comprehensive security and supporting system for vessel operations. The increase in foreign trade volume has led the shipping industry to enter into a high growth era and tremendously increased the efficiency of loading and unloading at ports and vessel operations, thus a one-stop, standardised and comprehensive supply system of ship trading and supplying services would become the crux for elevating the competitiveness of the fleets. In the future, riding on COSCO Group's leading position and utilising the resources of its current ship trading and supplying services, COSCO International would gradually build up a ship trading and supplying services system with full guarantee of quality, time and pricing. Our objective is to become the first supplier and operator in China to offer one-stop and professional ship trading and supplying services, providing packaged services for the fleets within COSCO Group and worldwide.

- (ii) to negotiate and compile documentation on ship technologies, business and financing aspects;
- (iii) to liaise with chambers of commerce, banks, financial institutions and investors regarding arrangement of loans for ship trading; to conduct analysis on alternatives of financing for users;
- (iv) to provide analysis and regularly publish market reports and research publications on the international ship market, financial market, survey and research on ship building technology;
- (v) to conduct, on behalf of customers, checking on real vessels, ship valuations, consultancy on technologies; to assist in trial-run for ships, handover of ships and handling of commercial problems arising during the building and warranty periods; and
- (vi) to provide customers with ship equipment supplying services and to act as customers' agents for import and export of ship equipment.

Ship trading and supplying services



Ship trading services

Being the 60% owned subsidiary of COSCO International, COSCO International Ship Trading Company Limited ("COSCO Ship Trading") is COSCO Group's sole window company that provides ship trading services and acts as the exclusive agency for all ship trading businesses under COSCO Group. The main businesses of COSCO Ship Trading include:

- (i) to order new vessels on customers' behalf and act as an agency for trading of second-hand vessels and scrap vessels;

During 2004, the development of the shipping industry fared well while the demand for ship building increased, thus COSCO Ship Trading assisted the trading of vessels with a volume reaching 3.41 million tonnes.

With inherent competitive advantages and the unique network resources of its business, COSCO Ship Trading on the one hand provided ship trading agency services



COSCO Ship Trading is the sole window company of ship trading agency within COSCO Group

for all COSCO Group fleets, while maintaining considerable volume of ship trading business and profitable returns each year; on the other, COSCO Ship Trading actively developed non-COSCO Group ship trading business in an effort to expand service scope and market share.

COSCO Ship Trading actively developed markets, strengthened internal management and improved infrastructure to upgrade its service level. With its own business development as foundation and having agency services as its starting point, COSCO Ship Trading utilised its unique competitive advantages and network resources to actively seek opportunities for being agency of other ship trading and supplying services projects. This served to co-ordinate the development of other businesses within the supply system of COSCO International's ship trading and supplying services; exert full synergistic effect; establish an integrated platform for ship trading and supplying services with COSCO Group; and create the greatest efficiency for the Group's overall interests.

Looking forward, the shipping market as a whole would continue to do well. This coupled with the escalating prices for raw materials; prices of vessels are expected to continue to remain at high levels under a tight supply condition. However, it is estimated that the huge amount of orders for new vessels may slacken as compared with that in 2003, while the transaction volume for the second-hand vessel market is expected to continue to remain at relatively higher levels.

Production and sales of coating business

In order to implement the strategic plans of using joint products as the factor for profit growth, COSCO International conducted detailed market research and analysis as well as selected ship products with potential and room for market growth. Apart from being the precious materials with good development foundation and profitability within COSCO Group, coating products are also COSCO International's "double-edged sword" to raise profits stream and expand the ship trading and supplying services. During the year, COSCO International has co-operated with different international coating manufacturers to develop the coating products market in China. After a series of acquisitions, COSCO International's current major coating products include container coatings, marine coatings and anti-corrosion coatings. The production and sales of these three coating products have obtained the best allocation of resources and regions as well as met the objective to optimise corporate effectiveness.

Coating Companies	Equity Percentage	Main business for development
Shanghai/ Tianjin COSCO Kansai Paint & Chemicals Co., Ltd.	63.07%	Container coatings Marine coatings Anti-corrosion coatings
Guangzhou Jotun Ocean Paints Co., Ltd.	49%	Marine coatings
International Paint of Shanghai Co., Ltd.	10%	Marine coatings



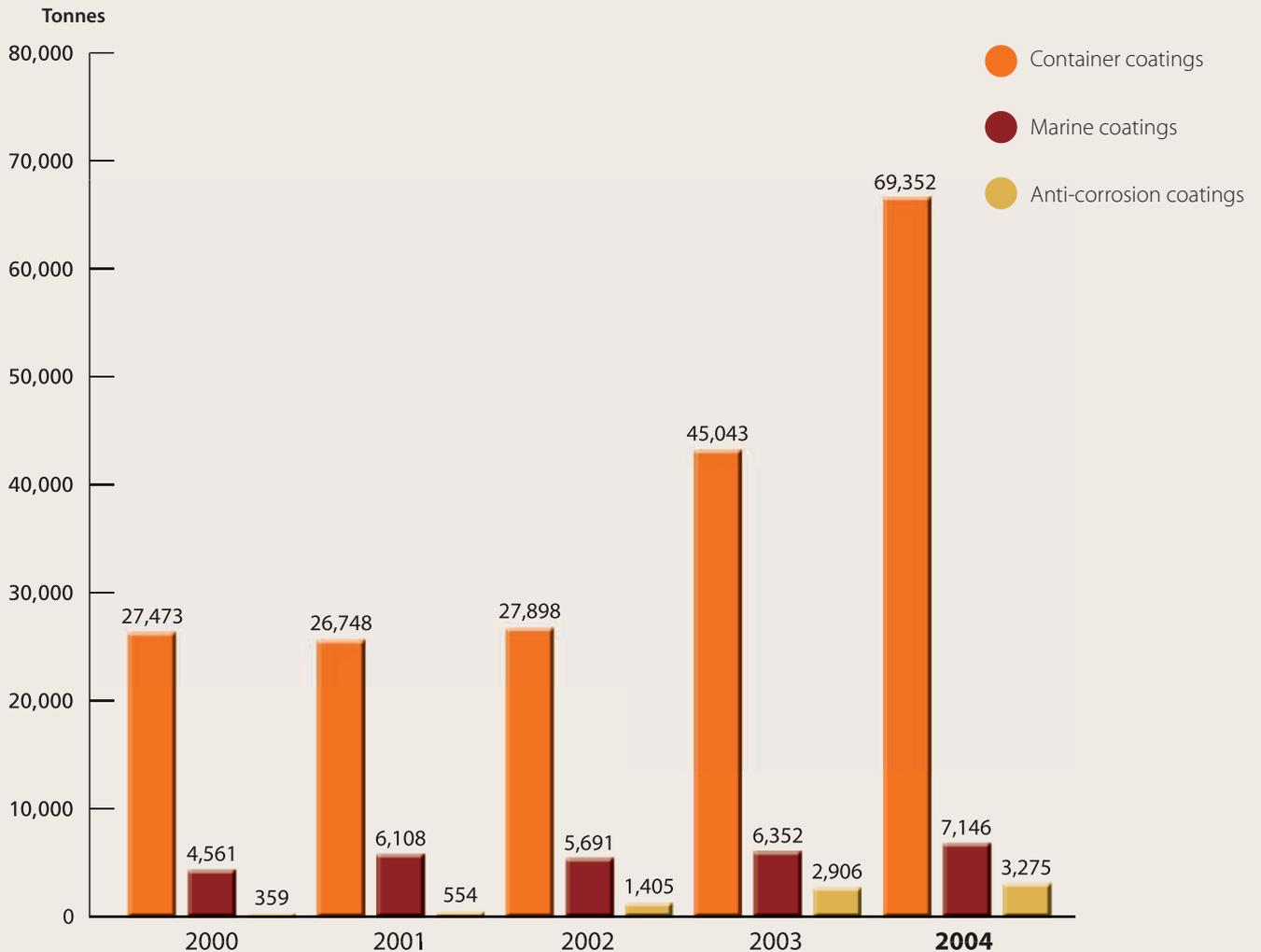
Coating business

Shanghai/Tianjin COSCO Kansai Paint & Chemicals Co., Ltd.

Shanghai COSCO Kansai Paint & Chemicals Co., Ltd. and Tianjin COSCO Kansai Paint & Chemicals Co., Ltd. (collectively known as "COSCO Kansai Companies") officially became the Company's subsidiaries in early January 2004, with 63.07% equity interest in each of them. COSCO Kansai Companies are the joint ventures between the Company and Kansai Paint Co., Ltd. in Japan, a well-known international coating enterprise. The joint ventures are also one of the top 10 coating manufacturers in the China Mainland.

The principal activities of COSCO Kansai Companies are the production and sales of container coatings, marine coatings and anti-corrosion coatings. For the year ended 31st December 2004, COSCO Kansai Companies' sales volume for coating amounted to 80,000 tonnes (2003: 54,100 tonnes), a 47% increase over that of the previous year. The breakdown of COSCO Kansai Companies' customer base was: the demand for container coatings from container producers and container operators; the demand for marine coatings from organisations which build and repair ships; and the major customers for anti-corrosion coating engaging in heavy industries such as nuclear facilities, petrochemicals, etc. In 2004, approximate 10% of COSCO Kansai Companies' customers for container coatings belonged to COSCO Group.

Comparison of sales volume of different coating products in COSCO Kansai Companies (from 2000 to 2004)



COSCO Kansai Companies have set up production factories in Shanghai and Tianjin. These factories are principally engaged in the manufacturing of container coatings which are sold to the markets mainly in southern areas such as Guangdong and Fujian provinces.

COSCO Kansai Companies occupy relatively large market share and possess sophisticated market development experience, while its management executives having extensive technical experience and high efficiency, and they emphasised on enhancing product quality and production efficiency. COSCO Kansai Companies successfully passed the regular appraisal test of ISO9000 conducted by China Classification Society in November 2004, it ensured the implementation of the institutionalisation and systematisation of the company's management system as well as the product quality. In addition, Tianjin COSCO Kansai Paint & Chemicals Co., Ltd. received numerous awards such as "The Company with High Technology," "The Foreign Investment Enterprise with Double Advantages in China" and "One of the Top 100 Enterprises" etc.



COSCO Kansai Companies received numerous awards

Guangzhou Jotun Ocean Paints Co., Ltd.

On 4th November 2004, COSCO International successfully signed a 49% equity transfer agreement for the acquisition of JOP and the special general meeting held on 10th December of the same year passed the resolution regarding the acquisition. In February 2005, JOP officially became COSCO International's associated company.

JOP is the regional production and sales office of the



JOP's factory

Company and Jotun Group in China, a well-known international supplier of marine coatings and one of the top 10 coating producers and suppliers in the world. With huge demand for marine coatings from COSCO Group's vessels coupled with the internationalisation of technologies and network resources of Jotun Group, the Group further developed business opportunities in China's marine coating market while tapping the full advantages of both parties.

International Paint of Shanghai Co., Ltd.

During the year, COSCO International completed the acquisition of 10% equity interest in International Paint of Shanghai Co., Ltd. ("Shanghai International"), which is one of the large coating suppliers in the China Mainland. The controlling shareholder of Shanghai International is Akzo Nobel (c) BV Holdings, an international coating supplier. Shanghai International is principally engaged in the production and sales of marine coatings.



JOP's office

Market Analysis and Outlook

At present, the average growth rate for the global demand for coating is 3.7% per annum and the global demand in 2005 is expected to reach 28.3 million tonnes. As for China, the demand for coating is growing at a rate of 6.6%, which is above the average growth rate in the world. China's demand for coating in 2005 is expected to reach more than 2.5 million tonnes, while the market demand from now till 2007 is expected to reach 2.85 million tonnes.

Container coatings

China is the world's largest container export market and manufacturing base for dry bulk containers. The total volume of containers manufactured in China in 2004 amounted to 90% of that in the world, reaching 2.55 million TEUs, an increase of 15% over that of 2003. The total volume of containers to be manufactured in the world in 2005 is estimated to reach 3 million TEUs, an increase of 17.65% over that of 2004. The number of cargoes to be transported worldwide in 2005 is expected to increase, while the volume of China's cargoes to be exported to the Asian Pacific Region would continue to rise. It is expected that more new modern, large container vessels would be in place, the Group believes that huge production of containers would provide enormous business opportunities for the development of China's coating industry.

Marine coatings

At present, China is the world's third largest ship building country, ranking after Japan and Korea. Although China's ship building technology is yet to be perfect and its market share is relatively smaller than those of the mature ones, the development potential for China's marine coating market is huge given the increasing volume of ship trading in China, which leads to rising orders for new vessels and surging demand for marine coatings. The global demand for building new vessels will continue to increase and the market of ship building in China continues to boom, which will result in the total volume of paint for new building vessels and vessel repairs in the world reaching 672,500 tonnes, while China's portion amounting to about 210,000 tonnes. It reflects that China's coatings industry will have a good prospect in the future.

Anti-corrosion coatings

Although the China Mainland's economic development slowed down in 2004 following the Central Government's implementation of austerity measures, the overall development remained robust. The Central Government and the regional governments carried out a number of infrastructure projects, with large-scaled ones such as transmission of gas from the West to the East, transmission of water from the South to the North and the Railway built from Qinghai to Xizang, etc, thus providing ample development opportunities for the anti-corrosion coatings market. Owing to the increasing market demand for anti-corrosion coatings, COSCO Kansai Companies would actively improve quality of the anti-corrosion coating so as to broaden its application scope, and will result in expanding the room for profit growth.



Anti-corrosion coatings

Marine insurance brokerage service

Marine insurance refers to the provision of insurance for vessels' properties and liabilities, including insurance for hull and machinery, war risks, shipowners' liabilities, charterers' liabilities, loss due to discontinuation of business and interests of lending banks, etc.

COSCO (Hong Kong) Insurance Brokers Limited

In an effort to further expand the business segment of ship trading and supplying services, the Group signed a sale and purchase agreement with COSCO Hong Kong and G.W. Maritime Pte. Ltd. in mid May 2004 to acquire 100% equity interest in COSCO Insurance for a total consideration of HK\$47.24 million. The resolution regarding the acquisition was approved by independent shareholders at the special general meeting held on 24th June 2004. COSCO Insurance officially became the Company's wholly-owned subsidiary on 1st July of the same year. Established in 1995, COSCO Insurance is principally engaged in the brokerage services business for marine insurance and general insurance as well as the provision of insurance-related consultancy services such as claims handling, claims consultancy, risk appraisal, analysis and coverage plans. COSCO Insurance is the only company within COSCO Group acting as an intermediary with the provision of insurance consultancy services. As at 31st December 2004, COSCO Insurance's total premium volume since become subsidiary of the Company amounted to HK\$20.04 million, and more than 90% of the premium was generated from COSCO Group.

In February 2003, COSCO Insurance was approved by Lloyds of London in the United Kingdom to become the first accredited insurance brokerage company under Lloyds in Hong Kong. Being the world's largest insurance organisation, Lloyds of London has been granted an "A Rating" for its financial strength by Standard & Poor's, and it provided a platform for the qualified insurance brokers. As a Lloyds' insurance broker, COSCO Insurance can directly submit the vessels insurance to invitation the Lloyds' market for quotation, obtaining more privileged terms and reliable coverage for shipowners.

Market Analysis and Outlook

Since the occurrence of the "911" incident in the United States in 2001, the premium rate in the international insurance market during the past three years continued to rise dramatically, and the industry practitioners generally reckoned that the premium rate for the majority of various classes insurance in 2005 would slacken. The shipping industry flourished and was well on the uptrend in 2004, coupled with the inherent professional characteristics of marine insurance, the premium rate for the international hull and machinery market in the following year is expected to remain stable with slight increase. Given the demand for shipping is keen, the demand for new vessels and charter boats from most shipping companies is expected to be great, thus providing favourable condition for the market of protection and indemnity insurance, and hull and machinery insurance.

Looking forward, COSCO Insurance will continue to keep close to the market and tap all opportunities, adjust its operational strategies, actively seek and develop non-COSCO Group marine insurance business. In addition, it will strengthen its relationship with large insurance companies, explore the insurance market and seek support from insurance companies in the China Mainland, so as to provide the most privileged insurance brokerage services for its customers, including insurance for new vessels and charterer's boat's liabilities, etc. with a team of staff well-experienced in insurance and knowledgeable in the shipping industry as well as having an extensive network of insurance companies, COSCO Insurance is expected to continue to capitalize on its solid foundation to gain advantageous underwriting terms and premium rates for its customers and bring profitable returns to the Group.



Marine insurance brokerage service help shipowners to obtain privileged terms and reliable coverage

Marine equipment, spare parts and communication and navigation system businesses

Yuantong Marine Services Company Limited

In an effort to further expand the ship trading and supplying services sector, broaden scope for business opportunities and increase profit growth, the Group successfully acquired 100% equity interest in Yuantong on 28th December 2004 from a sister company within COSCO Hong Kong Group for a cash consideration of HK\$53.75 million. The acquisition was approved at the special general meeting held on 24th February 2005. Yuantong's business performance would be reflected in the Group's interim results for 2005.

Yuantong is principally engaged in the supply of all kinds of marine equipment and spare parts; the supply of all kinds of marine communication and navigation equipment and spare parts as well as the provision of after-sale installation, testing and commissioning and repair services, etc.; the supply of accessories for new vessels' equipments and after-sale services; the store supplies and living supplies; and different kinds of navigation supplies, medical supplies, and chemicals supplies for vessels. Yuantong has a quality technical maintenance staff team. It undertakes to underwrite repair services for foreign equipment manufacturers as well as to arrange repair works for vessels stationed in the ports outside of China.

Yuantong has offices in Beijing, Shanghai, Dalian and Shenzhen, the primary function of these offices is to maintain close relationship with customers in their respective areas for business development for Yuantong. Apart from setting up its own offices, Yuantong has formed four companies with COSCO Group's shipping companies in Dalian, Tianjin, Shanghai and Guangzhou, and these companies are COSCO Dalian Electronic Co., Ltd (holding 40% interest); Tianjin Marine Electronic Co., Ltd (holding 25% interests); Shanghai Ocean Radio Co., Ltd (holding 25% interests); Guangzhou Communication and Navigation Co., Ltd. (holding 15% interests) respectively.

Market Analysis and Outlook

According to the estimation derived from the Lloyd's Register of Shipping, the annual capacity for the global supply market of ship accessories and materials (including chemicals and food) is expected to be approximately

US\$5 billion (about one-third are material supplies), while the demand for supplies to ocean vessels are about US\$3.6 billion and to other kinds of vessels are approximately US\$1.5 billion. The annual growth rate for the market is between 3% and 4%. The annual market size for the supply of ship accessories and materials in China (including chemicals and food) is about US\$690 million (about one-third are material supplies), while the annual market size for the supply of long-haul ships is about US\$220 million. The annual growth rate for the overall market will not below 10%.

The demand for the supply of ship equipment and spare parts and the market development potential are expected to increase. Moreover, as the ship building industry continues to thrive, the Group would actively expand the business scope of the provision of new ships equipment and machinery via Yuantong, which also act as agency for high-tech communications products. The Group will also optimise and utilise collaboratively the internal and external resources in COSCO Group's members providing supplying services via COSCO Group's fleets, so that it can provide high quality and high efficiency services for COSCO Group's fleets and other fleets worldwide. The Group aims to enhance technology and business level; enlarge customer base, business scale and sales network; establish a global supply network; and create higher efficiency for the Group.

The distribution of Yuantong's spare parts and communication and navigation businesses & its customers

	For the year ended 31st December 2004	For the year ended 31st December 2003	For the year ended 31st December 2002
Communication and navigation business	20%	15.8%	9.7%
Spare parts business	80%	84.2%	90.3%
COSCO Group	75%	76.9%	84.2%
Non-COSCO Group	25%	23.1%	15.8%



Instruments and equipment in the control room of a vessel is part of marine equipment and spare parts supply business

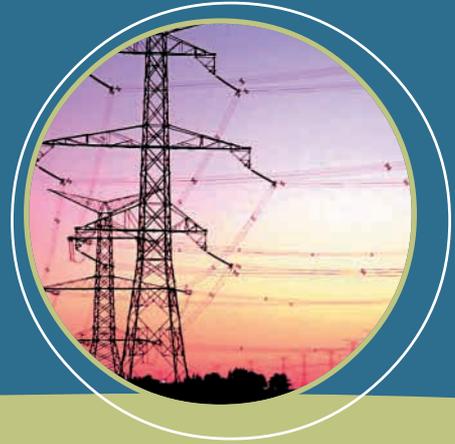


■ Property investment and development

■ Infrastructure investment



■ Building construction



Zhang Yansheng
Managing Director of
SSCE



Zhang Huimin
General Manager of
Henan XZY



Yin Guoping
General Manager of
Shanghai COSCO Honour



Dong Qingbo
General Manager of
Shenyang COSCO



Property investment and development ●●●

Property investment

COSCO Tower in Hong Kong

In Hong Kong, the Group has owned eight floors in COSCO Tower, including 39th floor, 40th floor, 42nd floor, 47th floor to 51st floor, and the total gross floor area involved amounts to 172,660 square feet. These eight floors are for own use and rent to COSCO Hong Kong Group and independent third parties. As at 31st December 2004, the occupancy rate for these eight floors was 81.8%.

In January 2004, the Group signed eleven new tenancy agreements with COSCO Hong Kong Group for five floors, thus providing the Group with stable rental income. During the year, Hong Kong's economy recovered gradually, this coupled with numerous advantageous factors, including the introduction of many lenient policies, the signing of the agreements of the second phase of the "Closer Economic Partnership Arrangement" between the governments of Hong Kong and the China Mainland, the Central Government's relaxation of policies allowing the China Mainland's visitors coming to Hong Kong, and the fact that more enterprises from the China Mainland listed and conducted their businesses in Hong Kong have bolstered the recovery of the local office rental market. A research conducted by international property consultancy firms indicated that the overall Hong Kong property market in 2005 is expected to do well, with the rents of grade A commercial buildings increased by 20% to 30%. The Group will keep abreast of market development and will rent out the remaining vacant units when opportunities arise.



COSCO Tower

Kingswell Garden in Shanghai

In the China Mainland, the Group owns Block 5 of Kingswell Garden, which is a hotel-style service apartment complex along Hung Mei Road in Shanghai, with the gross floor area per unit ranging from 144 to 165 square meters and the total gross floor area being approximately 2,592 square meters.

As at 31st December 2004, the occupancy rate for Block 5 of Kingswell Garden was 93.75% and the average monthly rents per unit ranged from US\$1,500 to US\$1,600.



Block 5, Kingswell Garden in Shanghai

Property Development

Hong Kong

Mei Wo Circuit in Shatin

As the Hong Kong property market gradually recovered during the year, the Group successfully sold out the detached house at No.3 of Mei Wo Circuit in Shatin for a cash consideration of HK\$23 million on 27th August 2004, bringing reasonable returns to the Group.

Shopping arcade and parking lots in Shum Wan

As at 31st December 2004, the Group owns shops with a total gross floor area of 17,405 square feet and 198 parking spaces in Broadview Court, Shum Wan. The Group will continue to keep close eyes on latest market developments and arrange upcoming sales plan.

China Mainland

The booming economic development of the China Mainland has induced the consumer price index and the average earning per capita to rise continuously, while the property market experienced rapid development. The Group has invested and developed property projects in Shanghai, Beijing and Shenyang. In 2004, both the property prices and prices for land transactions in Shenyang and Shanghai surged, making these two cities lodged within the top 10 cities experiencing the highest price rise. The selling prices of houses in Shenyang increased by 12%, while those in Shanghai rose by 10.4%, reflecting active property sales and transactions in these places.

Change in property prices in major cities in the 4th quarter of 2004

(The same quarter of the previous year as the base period)

Region	Prices of houses sold	Rank	Prices of land transaction
Qingdao	19.8	1	2.1
Nanjing	15.2	2	3.8
Jinan	13.7	3	4.4
Hangzhou	13.4	4	16.5
Shenyang	12	5	12.7
Ninbao	11.1	6	11.3
Shanghai	10.4	7	18.8
Xiamen	9.7	8	16.7
Tianjin	9.5	9	12.7
Taiyuan	8.8	10	0.7
Beijing	6.3	21	3.2
Country	10.8	---	10

Sources: The website of "The Peoples' Republic of China National Development and Reform Committee"

Shanghai

The property project that the Group invested and developed in Shanghai, Fragrant Garden, which is held and managed by Shanghai COSCO Honour Property Development Co., Ltd. ("Shanghai COSCO Honour"). The construction of Fragrant Garden started in June 1999 and was developed into in two phases, with a total investment amount of approximately RMB760 million. Fragrant Garden is a small residential region with a total gross floor area of 186,000 square meters. All residential units of Fragrant Garden with a total gross floor area of 167,000 square meters were sold out with a satisfactory sales revenue amounted to RMB957 million in 2004. As at 31st December 2004, the yet-to-be-leased shops and parking lots of Fragrant Garden were 1,841 square meters and approximately 200 respectively, and the Group would continue to tap market changes to devise strategies for sales and lease.



Fragrant Garden in Shanghai

Shenyang

Besides Shanghai, the Group further proceeded the property development business in the north-eastern territory. Since September 2003, Shenyang COSCO Yihe Property Development Co., Ltd. ("Shenyang COSCO") of the Group commenced the construction of COSCO Yihe Garden in Beita Xin Cun of Yu Hung District in Shenyang with a total investment amount of RMB590 million. COSCO Yihe Garden was developed into two phases with an expected construction period of 3.5 years. The project, which had a total gross floor area of 200,000 square meters, comprised 14 blocks of residential units and a club house and provided about 1,400 units of different kinds of style and configuration. The gross floor area per unit ranged from 20 square meters to 200 square meters, costing RMB3,600 per square meter. Pre-sale of the southern region of Phase I was launched in mid May 2004. As at 31st December 2004, a total of 297 units in the southern region, with a total gross floor area of 33,878 square meters, were sold out. The total contracts value amounted to approximately RMB120 million. The construction of the northern region of Phase II had commenced, while the residential units in Phase II were expected to be sold in mid May 2005. The whole project was expected to be substantially completed in 2006.



Phase I, COSCO Yihe Garden in Shenyang

With Shenyang COSCO's extensive experience in property construction and COSCO Yihe Garden's unique garden design, COSCO Yihe Garden had won numerous awards, including "China Landscape Model Residential Building", "2004 Shenyang Most Valuable Property Project for Investment" and "2004 Shenyang Top 10 Leading Enterprises with Outstanding Performance".



Beijing

COSCO Real Estate Development Co., Ltd. ("CRED"), a jointly controlled entity invested by the Group in Beijing, is a famous property development company in the China Mainland and has extensive property development experience. It had constructed many property projects in Beijing, including Ocean Paradise, Ocean Landscape, Ocean Cityscape and Ocean Plaza. At present, CRED participates in the development of numerous property projects including Ocean Paradise, Ocean Landscape, Ocean Express, Ocean Seasons, Ocean Harbour and Chamsunny Plaza, while it also participates in the construction works for the infrastructural facilities located in the Central Business District. Such construction projects had a total gross area of over 4 million square meters and the saleable area amounted to 3.26 million square meters. In 2004, CRED won the "The Top Twelve Property Brands in Beijing" award jointly conferred by several electronic media organisations. Benefiting from the 2008 Beijing Olympics and given the high demand for infrastructural facilities, CRED's business is poised to continue to perform well, bringing the Group reasonable returns.

Infrastructure Investment ● ● ●

Henan Xinzhongyi Electric Power Co., Ltd. ("Henan XZY"), a subsidiary of the Group, invested in and managed Henan Power Plant, an infrastructure project in Henan Province. Henan Power Plant had two 200MW coal-fired power plants supplying power on grid to Henan Province and the central region in the China Mainland. During the year, Henan XZY actively increased power supply and controlled costs. For the year ended 31st December 2004, Henan Power Plant had generated electricity of 2,427 million kWh during the year, an increase of 9.74% over that of the previous year; the power supplied on the grid amounted to 2,177 million kWh, an increase of 8.81% over that of the previous year.

Henan Power Plant made significant achievements in the aspect of cost control, however its overall profit reduced owing to the increase in coal prices, transportation fees as well as fuel charges. The power supply and demand in the China Mainland in 2005 are expected to remain tight, while the volume of electricity to be utilised by the territory would continue to rise over 10.7% and the coal prices for power generation would still increase. Although the Central Government planned to implement a system, whereby the prices of coal and electricity would be adjusted simultaneously, i.e. monitoring the magnitude of the increase in coal prices and electricity. In spite of this, the implementation process is expected to be hard. Nonetheless, the Group intends to increase overall efficiency and power supply by strengthening the management of Henan Power Plant, controlling the costs actively, so as to ensure the normal operation of the plants together with controlling the usage of coal.



Control room in Henan Power Plant

Building Construction ● ● ●

Shun Shing Construction & Engineering Company Limited ("SSCE"), a wholly-owned subsidiary of the Group, is principally engaged in the construction of the Government's projects, including public housing and Home Ownership Scheme housing of Housing Authority, school projects of the Architectural Services Department, and many private construction projects. During the year, SSCE worked in full speed to develop the Sky Tower, a private residential project in Tokwawan, which had a total gross area of 173,075 square meters and the construction project was fully completed in late 2004.

Apart from owning many construction licences, during the year SSCE received the award of "Low Casualty Rate" presented by the Hong Kong Construction Association, in recognition of its contribution to safety management.



The Sky Tower