

# Chairman's Statement



In 2005, COSCO International continued to enjoy steady and healthy development. Capitalising on the Company and its subsidiaries' internal network and organisational synergy, we managed to expand its core business. We also achieved remarkable results in improving capital structure and enhancing corporate governance. Looking

**WEI Jiafu**  
*Chairman*

I am pleased to announce to our shareholders that the overall business performance of COSCO International and its subsidiaries has been satisfactory. In line with the Company's goals to create efficiency and values for sustained development, the Company has during the year continued to pursue the strategy to position and implement ship trading and supplying services as its core business, continued to expand its portfolios and also enhanced competitiveness. Through creating synergy, overall efficiency has been improved. For the year ended 31st December 2005, the Company and its subsidiaries' total turnover was HK\$1,510,676,000 (2004: HK\$1,688,374,000), representing a decrease of 11% compared to 2004. Profit attributable to equity holders recorded HK\$496,463,000 (2004: HK\$219,158,000), up 126%. Basic earnings per share was HK\$0.3504 (2004: HK\$0.1554), up 125%.

The directors of board (the "Board"), after discussion, recommended a final dividend of HK\$0.021 (2004: HK\$0.025) per share and a special dividend of HK\$0.014 (2004: Nil) per share for the year ended 31st December 2005. Together with the interim dividend of HK\$0.01 per share, total dividend for the year was HK\$0.045 per share, involving a total amount of HK\$63,820,000.



forward, we will continue to strengthen the competitiveness of its core business. Whilst closely monitoring market changes and developments, we will adopt a long term view to strive to become a global professional and unique ship trading and supplying services provider with competitive advantages.



### **CAPITALISING ON THE INTERNAL NETWORK AND STRENGTHENING CORE BUSINESS**

Whilst in pursuit of the strategy to expand ship trading and supplying services platform, the Company capitalises on the networking advantages within the COSCO Group. Capturing the uniqueness of various ship trading and supplying services, the Company has redeployed the resources of various businesses to achieve organic growth and synergy. In 2005, building on its existing ship trading and supplying services business, the Company further acquired and established a number of joint venture companies. Amongst these include the acquisition of a company engaging in the sales of marine equipment, spare parts, communications and navigation equipment business which is highly profitable and provides the Company with a driver for profit growth. We have restructured its coating business by establishing a joint venture company with an internationally renowned coating manufacturer to expand the coating market in China and have also planned to set up a coating manufacturing plant in Zhuhai Harbour Industrial Zone to broaden our clientele in southern China. In addition, we have established an insurance brokerage company to develop the marine insurance brokerage business in the China Mainland. For the year under review, turnover from ship trading and supplying services accounted for 89% (2004: 57%) of the Company and its subsidiaries' total turnover, up 32 percentage points. This clearly indicates the

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significance of ship trading and supplying services as the Company's core portfolio and that the business is enjoying a healthy development.

#### **WATCHING OVER THE MACRO CLIMATE AND PLANNING FOR THE LONG TERM**

The world economy in 2005 continued on a growing trend and overall economic growth was maintained at 3.2% (2004: 4.0%). China's economy grew at 9.9% (2004: 10.1%) and the United States was 3.5% (2004: 4.2%). During the year, despite the soaring oil prices and interest rates hikes announced by the US Federal Reserve Board, the Asia Pacific region continued to be leading in terms of economic growth. China's overall economic growth continued to be impressive. External trade in China remained strong with a value of more than US\$1,420 billion (2004: US\$1,150 billion), up more than 23% compared to 2004 and ranking the third internationally. China's export value reached US\$760 billion, representing an increase of 28% and imports were valued at US\$660 billion, a growth of 17%.

We believe that the sustained growth in imports and exports is crucial to the flourishing development of China's maritime transportation industry. Demands for shipment of dry bulks, iron ores and coals continue to increase and exhibit a huge potential for future growth. Furthermore, annual ship building production in China has grown from less than 4 million dead weight tonnages in 2000 to over 10 million dead weight tonnages in 2005, accounted for approximately 18% of the total world production and ranked the third in the world. All these factors contributed to the promising development of the ship trading and supplying services business.

#### **PROSPECTS**

Looking ahead, it is anticipated that the world economic growth will remain steady and the momentum in international trade will sustain. Fuelled by a strong domestic demand, the average growth forecast for the China's economic growth in 2006 will maintain higher than 8.5%. In view of the agreement on textile quotas with European Economic Community, China's imports and exports will continue to grow steadily, which will in turn drive the growth in the shipping market.



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The Company will continue to focus on improving efficiency and strengthening its position in ship trading and supplying services, under the strategic target of its ultimate holding company, COSCO, the world’s second largest shipping conglomerate, to achieve “Two-hundred COSCO” and to become a system integrator in shipping and logistics. Meanwhile, the Company will leverage the COSCO Group’s resources and internal network and endeavour to understand the various needs of the ship trading and supplying services business in the shipping industry. We shall actively expand our clientele and provide customized services. We shall also strengthen the management, consolidate and enhance the operations and processes of our various businesses to improve our competitiveness. At the same time, we shall prudently manage our non core businesses, strengthen internal audits and minimize possible risks. Adopting a long term view, we shall strive to become a global, competitive, professional and unique ship trading and supplying services provider, bringing the best values to the Company and the maximum returns to shareholders.

Lastly, on behalf of the Board, I would like to take this opportunity to thank all our customers, partners, banks, suppliers, consultants and shareholders for their support and trust given to the Company. Our sincere gratitude also goes to all management and staff for their dedication and contributions in the past.

**WEI Jiafu**  
*Chairman*

Hong Kong, 30th March 2006