



中遠國際控股有限公司

COSCO INTERNATIONAL HOLDINGS LIMITED

Press Release

【For Immediate Release】

COSCO International announces 2005 Annual Results (SEHK Code: 0517)

A Continued Growth to Achieve the Mission

Summary

- Turnover was HK\$1,511 million, a decrease of 11%;
- Profit attributable to shareholders reached HK\$496 million, up 126%;
- Basic earnings per share was HK35.04 cents, representing an increase of 125%;
- Gearing ratio was 34%; dropped by 22 percentage points;
- Return on equity ratio was 37%, increased by 15 percentage points;
- Turnover generated by ship trading and supplying services amounted to HK\$1,345million, representing an encouraging growth of 39%, accounted for 89% of the total turnover;
- Core business has been continuously growing, the Company and the subsidiaries acquired the marine equipment and communication and navigation equipment business; set up an insurance brokerage company to explore marine insurance brokerage market in the China Mainland; formed a joint venture to enlarge its market share in China's marine coatings market; confirmed to construct a new coating production plant in Southern China to expand coating business in the region;
- The board of directors recommended a final dividend of HK2.1 cents per share and a special dividend of HK1.4 cents per share. Together with its interim dividend of HK1 cent per share, the total dividend for the year is HK4.5 cents per share.

In 2005, the Company and its subsidiaries achieved a steady performance, turnover for the year amounted to HK\$1,511 million (2004: HK\$1,688 million), a slight decrease of 11% comparing with 2004; profit attributable to shareholders was HK\$496 million (2004: HK\$219 million), an increase of 126% over the previous year. Basic earnings per share was HK35.04 cents (2004: HK15.54 cents), representing an increase of 125%. The Board of the Company recommended a final dividend of HK2.1 cents per share and a special dividend of HK1.4 cents per share. Together with its interim dividend of HK1 cent per share, the total dividend for the year is HK4.5 cents (2004: HK2.5 cents).

While commenting on the Company and its subsidiaries' performance, Mr. Liu Guoyuan, Vice-chairman of COSCO International, says, "In 2005, we developed our core business with a steady pace, capitalizing on advantages and synergy of our system, the Company and its subsidiaries achieved notable results. Attributed to the increase in commission of ship trading and marine insurance brokerage business, as well as the remarkable sales increase in marine spare parts and communications and navigation equipment by the newly acquired Yuantong Marine Services Company Limited ("Yuantong"), we have achieved a substantial growth in ship trading and supplying services business. As the Company and its subsidiaries decided to develop ship trading and supplying services as its core business, turnover of non-core business such as property investment and building construction significantly decreased, resulting in an overall steady growth of the Company and its subsidiaries' business."

Performances of the Company and its subsidiaries' major businesses in 2005 are as follows:

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Ship Trading and Supplying Services Business

For the year ended 31st December 2005, revenue from ship trading and supplying services was HK\$1,345 million, an increase of 39% compared to 2004, accounted for 89% of the total turnover, increased by 32 percentage points than that of 2004 which was 57%. Profit contribution was HK\$127 million, a rise of 2% comparing to 2004.

(1) Ship Trading Services

COSCO International Ship Trading Company Limited (“COSCO Ship Trading”) is the sole window company that provides ship trading services for all subsidiaries within COSCO Group. The total dead weight tonnages of ships in the transactions consummated by COSCO Ship Trading during the year reached 2.73 million tonnes, decreased by 20% compared to 2004. The decrease was mainly attributable to smaller tonnage deals consummated. Despite that, the total transaction prices were higher than that of the previous years and so generated a higher commission income of HK\$54.17million for the Company.

(2) Ship Insurance Brokerage Service

COSCO (Hong Kong) Insurance Brokers Limited (“COSCO Insurance”) is the only insurance brokerage within COSCO Group and is one of the few Lloyds’ insurance brokers based in Hong Kong. In 2005, COSCO Insurance’s brokerage commission income recorded HK\$38.15 million, a slight increase when compared to 2004. With reference to the optimistic shipping market outlook in the first half of 2005 and the continuing unrest situation in the Middle East, COSCO Insurance provided charterers’ liabilities insurance to over 130 vessels and developed business in war insurance against additional risks respectively, bringing favourable returns to the Company. COSCO Insurance also actively expanded business from non COSCO companies, contribution from non COSCO companies to the total commission income increased to 18% in 2005, similar to that of 2004. To further expand its insurance brokerage business in the China Mainland, the Company formed a joint venture company named Shenzhen COSCO Insurance Brokers Limited in late 2005 with Shenzhen Ocean Shipping Co., Ltd., a subsidiary of COSCO Hong Kong.

(3) Marine Equipment, Spare Parts and Communications and Navigation Equipment Business

The Company and its subsidiaries has been considering expanding into the marine equipment, spare parts and communication and navigation equipment business, and further vertically integrating its ship trading and supplying services business. In the first half of 2005, the Company and its subsidiaries completed the acquisition of 100% equity interest in Yuantong. Along with the increasing market demand on marine spare parts and communication and navigation equipment, Yuantong’s performance during the year has been encouraging with a turnover of HK\$350 million.

(4) Coating Production and Sales Business

In 2005, COSCO International grasped market opportunities to expand its coating business in its supply chain and enlarged the operational scale of its coating products. After a series of acquisitions, the Company and its subsidiaries have started implementing its strategic plan of building a production and sales platform of various coating businesses across the regions in China. Shanghai & Tianjin COSCO Kansai Paint & Chemicals Co., Ltd (collectively known as “COSCO Kansai Companies”) are responsible for production and sales of container coatings and industrial anti-corrosion coatings, whilst Jotun COSCO Marine Coatings (Kong Kong) Limited (“Jotun COSCO”), a joint venture company under the Company and its subsidiaries, takes charge of the production and sales of marine coating products. For the year ended 31st December 2005, turnover from coating production and sales business was HK\$903 million, representing a slight increase of 1% comparing to 2004.



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Container Coatings

In 2005, sales volume of the Company and its subsidiaries' container coatings reached 56,119 tonnes, a 19% decrease compared to 2004. Owing to a cyclical adjustment in the shipping market, demand for containers was reduced. The decrease in container coatings orders was attributable to the overwhelming demand during the first half of 2005 whilst the demand slowed down in the second half of the year. Coupled with the soaring oil and raw material prices, the sales of container coatings were heavily impacted. To further enhance the overall operational efficiency, the Company signed an agreement with Japan Kansai Paint Co., Ltd. to form Zhuhai COSCO Kansai Paint & Chemicals Co., Ltd. ("Zhuhai COSCO Kansai") in late 2005. The planned production capacity of the new plant will be 24,000 tonnes per annum. The new production facility will not only implement the strategy to expand the coatings business in southern China, but also will share production loads on the manufacturing plants in Tianjin and Shanghai and so reduce production risks.

Marine Coatings

During the year under review, newly formed Jotun COSCO actively expanded its market share and broke its sales record. The sales volume of coating products for the year was 15.55 million litre (equivalent to 20,215 tonnes).

Industrial Anti-Corrosion Coatings

Taking full advantage of its ample resources and advanced technology, COSCO Kansai Companies being subsidiary of the Company were successful in expanding its industrial anti-corrosion coating market and achieved remarkable results. Sales volume of industrial anti-corrosion coatings in 2005 reached 4,777 tonnes, a 46% increase over 2004. Recently, the PRC Government is planning and implementing a number of large scale infrastructure and railway projects, these projects will boost demands for industrial coatings, bringing in the Company a golden opportunity to expand in such business.

Property Investment and Development

Capitalizing on the opportunity of the recovering economy, the Company and its subsidiaries disposed of its assets in COSCO Tower, a total of eight floors with a combined gross floor area of 172,660 square feet, to COSCO Hong Kong for a total consideration of HK\$1.402 billion in August 2005. The transaction not only lowered the Company's gearing ratio substantially, but also boosted the Company and its subsidiaries' cash reserve for future investment.

COSCO Yihe Garden in Shenyang signed sales contracts totaling 747 residential units as of 31st December 2005 with a gross floor area of 88,000 square meters. In addition, Sino-Ocean Real Estate Development Co., Ltd., a jointly controlled entity of the Company, achieved good results during the year and brought in a profit of more than HK\$59 million to the Company.

When talking about future development of COSCO International, Mr. Liu concluded, "Looking ahead, COSCO International will further leverage on its niche as the subsidiary of COSCO, actively consolidate the positioning of its core business, utilize the internal resources and well developed network of COSCO Group to vertically consolidate our business, aiming to become a professional global ship trading and supplying services provider. Meanwhile, we will further improve our management efficiency and optimize operational efficiency of various businesses to create maximum values for the Company and its subsidiaries, providing better returns to our shareholders."

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Company Background

COSCO International Holdings Limited has been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since February, 1992 (Stock Code: 0517). In recent years, COSCO International announced its strategic business position based on the development of the ship trading and supplying services business and the consolidation of its existing businesses. It aims to become a professional and competitive ship trading and supplying services provider. Its principle activities are ship trading & supplying services, other operations include property investment and development, etc.

Relationship with Parent Company

COSCO International is a listed company owned by COSCO (Hong Kong) Group Limited, a wholly-owned subsidiary of China Ocean Shipping (Group) Company (“COSCO”). COSCO is one of the most recognized multinational conglomerates in the world, which focuses mainly on shipping and logistics businesses as well as other shipping related businesses.

Editorial Note

Announcement of 2005 annual results will be available on Hong Kong Economic Journal and The Standard on 31st March 2006. The announcement and press release will also be available on the website of COSCO International: www.coscointl.com.

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