



The board of directors of COSCO International Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30th June 2000:

**OPERATING RESULTS**

	<i>Note</i>	Six months ended 30.6.2000 HK\$'000	Six months ended 30.6.1999 HK\$'000
<b>TURNOVER</b>	1	1,017,571	749,115
Cost of sales		<u>(929,159)</u>	<u>(681,513)</u>
Gross profit		88,412	67,602
Other revenues	1	15,274	15,153
Other operating income		7,686	3,218
Administrative expenses		(27,990)	(27,362)
Other operating expenses	2	<u>(401)</u>	<u>(38,000)</u>
<b>OPERATING PROFIT</b>		82,981	20,611
Finance costs		(44,528)	(39,894)
Share of results of associated companies		<u>(673)</u>	<u>808</u>
<b>PROFIT/ (LOSS) BEFORE TAXATION</b>		37,780	(18,475)
Taxation	3	<u>(1,717)</u>	<u>(98)</u>
<b>PROFIT / (LOSS) AFTER TAXATION</b>		36,063	(18,573)
Minority interests		<u>(843)</u>	<u>(1,263)</u>
<b>PROFIT/ (LOSS) ATTRIBUTABLE TO SHAREHOLDERS</b>		<u><u>35,220</u></u>	<u><u>(19,836)</u></u>
<b>EARNINGS/ (LOSS) PER SHARE</b>	4		
<b>BASIC</b>		<u><u>2.55 cents</u></u>	<u><u>(1.45 cents)</u></u>
<b>FULLY DILUTED</b>		<u><u>2.48 cents</u></u>	<u><u>Not applicable</u></u>



Notes

1. TURNOVER & REVENUES

The Group is principally engaged in infrastructure investment, property investment and development, building construction and civil engineering services, and high technology and environmental protection investment. Turnover represents the gross billing value of contracting work performed, income from investment in fixed return joint venture, rental income and revenues from pre-sale of properties under development. Turnover and revenues recognised during the period are as follows:

	Six months ended 30.6.2000 HK\$'000	Six months ended 30.6.1999 HK\$'000
<b>Turnover</b>		
Building construction	887,759	651,478
Income from investment in fixed return joint venture	59,904	64,389
Gross rental income	32,392	33,248
Pre-sale of properties under development	37,516	-
	<u>1,017,571</u>	<u>749,115</u>
<b>Other revenues</b>		
Interest income	13,839	13,856
Dividend income from listed investment securities	1,435	1,297
	<u>15,274</u>	<u>15,153</u>
<b>Total revenues</b>	<u><u>1,032,845</u></u>	<u><u>764,268</u></u>

2. OTHER OPERATING EXPENSES

	Six months ended 30.6.2000 HK\$'000	Six months ended 30.6.1999 HK\$'000
Provision for potential claims on certain construction contracts	-	(28,000)
Provision for claim on a completed construction contract	-	(10,000)
Others	(401)	-
	<u>(401)</u>	<u>(38,000)</u>



### 3. TAXATION

No Hong Kong profits tax has been provided as the Group has no assessable profit for the period (1999: Nil). Taxation on profits assessable overseas was calculated at the rates of taxation prevailing in the countries in which the Group operates.

	Six months ended 30.6.2000 HK\$'000	Six months ended 30.6.1999 HK\$'000
Company and subsidiaries		
Current provision for the period		
Hong Kong	–	–
Overseas	(1,717)	(98)
	<u>(1,717)</u>	<u>(98)</u>

### 4. EARNINGS/ (LOSS) PER SHARE

The calculation of basic and fully diluted earnings/ (loss) per share is based on the Group's profit attributable to shareholders of HK\$35,220,000 (1999: loss of HK\$19,836,000).

The basic earnings per share is based on the weighted average of 1,381,364,584 (1999: 1,370,434,591) shares in issue during the period.

The fully diluted earnings per share is based on 1,418,980,439 shares which is the total of the weighted average number of shares in issue during the period and the weighted average of 37,615,855 shares deemed to be issued at no consideration if all outstanding warrants had been exercised. There was no dilutive potential share in existence in 1999.

### INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30th June 2000 (1999: Nil).

### BUSINESS REVIEW

Entering the new millennium, Hong Kong's economy has been back on its track and heading for full recovery. Under the improving business operating environment, the Group has continued its efforts to broaden its business portfolio and profit base. We are pleased to announce that the Group has attained a profitable result for the first half of 2000 following our turnaround from a loss to profit position in 1999. Our core businesses have been steady and continued to contribute satisfactory returns to the Group. The measures undertaken to control the overall operating costs and enhance internal efficiencies have also proved successful.



## **Infrastructure Business**

The 2x200 MW coal fired Henan Power Plant remains as the Group's major infrastructure investment in the People's Republic of China (the "PRC") and has been making substantial contributions to the Group's profitability. The achievement which has been made clearly reflects the commitment of the Power Plant's management and the hard work done by the Group to further strengthen its internal control and enhance the overall efficiencies of the Power Plant.

## **Property Business**

The rental income of the eight floors of the COSCO Tower remains as a stable source of income for the Group. During the period of review, the occupancy rate of the eight floors has been maintaining at a high level of 99%. Following the gradual recovery of Hong Kong's economy, it is forecasted that the commercial property rental market's demand will continue to soar in the year. As a grade A office building situated at a prime location with high quality office units and property management, the COSCO Tower is inevitably a focal point of market's interests.

Construction of the Fragrant Garden, the first residential property project launched by the Group in Shanghai, the PRC, is also progressing well on schedule. The project is jointly developed by the Group and the Shanghai Siping Development and Operation (Group) Co. Ltd., a subsidiary of the Shanghai Hongkou District Government. Comprising of 1,380 units, the Fragrant Garden is being developed in two phases. The construction of Phase I is due for completion by the end of 2000 and Phase II to be completed by 2001. The pre-sale of Phase I has been on-going since the end of 1999 and has created a satisfactory result. The Group will closely monitor the progress of the Fragrant Garden and step up its pre-sale's efforts.

During the period of review, the construction progress of the Shatin Town Lot No. 217 at Mei Wo Circuit was on schedule. It will be developed into two detached houses in September, 2000.

## **Construction Business**

Due to the stringent measures introduced by the Group to strengthen its control of various construction sites of Shun Shing Construction & Engineering Co., Ltd. ("Shun Shing"), a wholly owned subsidiary of the Company, the performance of Shun Shing has been significantly improved during the period of review. The Group has given emphasis to enhancing the qualities of construction workmanship, cost and safety control and overall operational efficiencies. Additionally, Shun Shing has also been putting efforts in exploring and diversifying business opportunities outside the government sector. During the period of review, Shun Shing was awarded a new construction contract by the Architectural Services Department for the construction of a primary school which locates at Sau Mau Ping Estate, Phase 9, Kwun Tong.



As at 30th June, 2000, the total value of Shun Shing's construction contracts on hands was around HK\$4.21 billion, of which around HK\$1.28 billion was total value of outstanding works.

### **High Technology and Environmental Protection Business**

In response to the rapid development of high technology and environmental protection industries, which are expected to flourish, the Group successfully made its first attempt to diversify its businesses into the high technology sector in 1999. The Group's 51% owned joint venture enterprise, Ark Pioneer Microelectronics (Shenzhen) Limited ("Ark Pioneer"), which is engaging in the integrated circuit design business, has made significant progress in developing new products and marketing its products in the period under review. The Group is confident in the prospect of Ark Pioneer.

The Group made a step further in developing high technology business in April, 2000 by acquiring 0.91% interest of COSCO Network Limited ("COSCO Network"), a limited liability company established in Cayman Islands. COSCO Network will engage in developing global transportation and logistics network, internet communications network and logistic settlement network.

In view of the promising prospect of the high technology and environmental protection industries, the Group will continue to commit itself in exploring new investment opportunities with respect to these two sectors.

### **OUTLOOK**

The economy of Hong Kong has been on its path to recovery by recording a substantial increase of 14.3% in gross domestic product in the first quarter of 2000 as compared to the same period of last year. It is anticipated that the economy of Hong Kong will continue to prosper in the second half of 2000.

Positive factors such as the growth in export trade, recovery of retailing businesses, stabilization of property market, and the tremendous business opportunities which are expected to be offered by the imminent entrance of the PRC into the World Trade Organization have all given rise to a favorable business operating environment for local enterprises.

Given an optimistic economic outlook, the Group will continue its strategies of consolidating the development of property business, steadily expanding infrastructure business and improving the performance of construction business, while actively exploring environmental protection and high technology projects.

The new millennium is an era of high technology. In addition to the promising prospects of our investment in Ark Pioneer and COSCO Network, the Group will continue to invest in other high technology and environmental protection projects which have potentials for profit growth. The Group will persist its efforts in enhancing internal control, cost effectiveness and efficiencies, as well as upgrading its asset portfolio and strengthen its profit base.



## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN THE SECURITIES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30th June, 2000, the interests of the Company's directors and chief executives and their associates in the shares and warrants of the Company as recorded in the register required to be kept under Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

Name of Director	Number of shares held Personal Interests	Amount of warrants held Personal Interests (Note)
Mr. Zhu Guangyun	1,478,400	HK\$212,889.60
Mr. Zhang Yongjian	1,478,400	HK\$212,889.60
Mr. Dong Shu Sen	1,500,000	HK\$216,000.00
Mr. Zuo Wei	120,000	HK\$17,280.00

*Note: The Company approved to grant warrants by way of a bonus issue to its shareholders on the basis of one warrant for every five shares held on 28th June, 1999. Each warrant entitled its holder to subscribe for one new fully paid share at any time from 5th July, 1999 to 4th July, 2000 at an initial exercise price of HK\$0.72 per share. Subsequent to 30th June, 2000, no warrant held by the Company's directors was exercised until its expiry on 4th July, 2000.*

Save as disclosed above, none of the directors or chief executives or their associates of the Company had any interests in the securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES

As at 30th June, 2000, the interests of the Company's directors in the share options of the Company and its associated corporations, as recorded in the register required to be kept under Section 29 of the SDI Ordinance were as follows:

### (A) Interests in share options granted by the Company

Name of Director	Number of share options held (Note)
Mr. Dong Jiufeng	1,500,000
Mr. Kwong Che Keung, Gordon	4,500,000
Mr. Zhu Guangyun	1,000,000
Mr. Zhang Yongjian	1,000,000
Mr. Dong Shu Sen	3,500,000
Mr. Zuo Wei	2,500,000

*Note: These share options were granted on 20th March, 2000 and are exercisable at HK\$0.656 per share at any time between 20th March, 2001 and 16th January, 2002.*



**(B) Interests in share options granted by associated corporation**

Name of associated corporation	Name of Director	Number of share options held (Note)
COSCO Pacific Limited	Mr. Dong Jiufeng	500,000
	Mr. Kwong Che Keung, Gordon	250,000

*Note: These share options were granted on 6th April, 2000 and are exercisable at HK\$3.584 per share at any time between 6th April, 2001 and 5th April, 2002.*

Save as disclosed above, at no time during the period was the Company, any of its subsidiaries, holding companies or fellow subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

**SUBSTANTIAL SHAREHOLDERS**

As at 30th June, 2000, the interests of those persons in the share capital of the Company as recorded in the register kept under Section 16(1) of the SDI Ordinance were as follows:

Name of Shareholder	Number of shares held
China Ocean Shipping (Group) Company (“COSCO”)	831,964,511
COSCO (Hong Kong) Group Limited (“COSCO (Hong Kong)”)*	831,964,511
True Smart International Limited*	527,060,904
COSCO Investments Limited*	304,903,607

\* These companies are wholly-owned subsidiaries of COSCO and their interests in the shares of the Company were included in the interests held by COSCO.

**SPECIFIC PERFORMANCE OBLIGATIONS ON CONTROLLING SHAREHOLDER**

Under paragraph 3.7.1 of Practice Note 19 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), the Company discloses the following loan agreements which contain covenants requiring specific performance obligations of the controlling shareholder:

- (1) A HK\$1,129 million secured medium term loan facility was granted by a syndicate of financial institutions with HSBC China Services Limited as agent to Century Metro Development Limited (“Century Metro”), a wholly owned subsidiary of the Company, on 30 March, 1998 to finance the PSPS project at Shum Wan Road, Aberdeen Inland Lot No. 435. The term loan is repayable in the earlier of March 2001 or 3 months after the issuance of the certificate of compliance of the project. The loan is guaranteed unconditionally and irrevocably by COSCO (Hong Kong), an intermediate holding company of the Company, which undertakes amongst other conditions that it will remain the ultimate beneficial owner of at least 51% of the entire issued share capital of Century Metro and Shun Shing, unless consented by the agent acting on the instruction of majority of the syndicate.



- (2) A US\$100 million secured three years term loan facility was granted by Bank of China, Hong Kong Branch to the Company in August 1998 to partly refinance the shareholder's loan advanced by COSCO (Hong Kong) when the Company acquired the beneficial interest in the eight floors of COSCO Tower in April 1998. The loan is guaranteed unconditionally and irrevocably by COSCO (Hong Kong) which undertakes amongst other conditions that:
- (i) it will procure that COSCO will maintain a 100% equity interest, either directly or indirectly, in it and such equity interest remains free from any security interest (save for any of such existing thereon prior to the date of the guarantee);
  - (ii) it will procure that COSCO will maintain an equity interest, either directly or indirectly, of not less than 35% in the Company and such equity interest remains free from any security interest (save for any of such existing thereon prior to the date of the guarantee);
  - (iii) it will maintain an equity interest, either directly or indirectly, of not less than 35% in COSCO Pacific Limited, a fellow subsidiary of the Company, and such equity interest remains free from any security interest (save for any of such existing thereon prior to the date of the guarantee); and
  - (iv) it will maintain an equity interest, either directly or indirectly, of not less than 35% in the Company and such equity interest being the single largest shareholding in the Company.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30th June, 2000.

## **CORPORATE GOVERNANCE**

None of the directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not during the six months ended 30th June, 2000, in compliance with the Code of Best Practice as set out in the Listing Rules.

In addition, the Company has established an Audit Committee for review and supervision of the Group's financial reporting process and internal controls.

By Order of the Board  
**Kwong Che Keung, Gordon**  
*Managing Director*

Hong Kong, 8th September, 2000