



COSCO Investment (Singapore) Limited
9 Temasek Boulevard Suntec City Tower II
#07-00 Singapore 038989
Tel:65 6885 0888 Fax:65 6336 9006
Telex: RS 23999 COSIN
Email: enquiries@cosco.com.sg

CONTENTS

OUR CHAIRMAN	1
PRESIDENT'S STATEMENT	2
CALENDAR OF KEY EVENTS	5
MANAGEMENT TEAM	6
CORPORATE STRUCTURE	7
COSCO INVESTMENT GROUP'S BUSINESS	8
SHIPPING RELATED BUSINESS	11
ON-SHORE BUSINESS	14
CORPORATE INFORMATION	15
CORPORATE GOVERNANCE	16
FINANCIAL HIGHLIGHTS	24
FINANCIAL STATEMENTS	25

OUR CHAIRMAN



Capt. Wei Jia Fu

Chairman : COSCO Investment (Singapore) Limited

President : China Ocean Shipping (Group) Company

PRESIDENT'S STATEMENT

FY 2002: The Year In Review

FY 2002 it was characterised by political uncertainty in the Middle East and subdued business conditions. The weak global economy resulted in a challenging year for the general shipping industry, which continued to suffer from the aftermath of events of 11 September, 2001. However, the shipment of bulk cargo enjoyed strong demand. The Baltic Dry Index (BDI), a measure of freight rates for bulk cargo, improved significantly from 880 points at the beginning of year 2002 to finish the year at 1730 points.

Shipping and shipping related businesses remained the core activities for the Group. During the year, the Group actively divested some of its non-core businesses and acquired a ship repair company. These deliberate efforts to stay within the core businesses were evident in FY 2002. It was clear that by the close of the financial year, the Group's turnover consisted mainly of shipping and shipping related businesses. The disposal of two non-core trading businesses, Cosco Trading Pte Ltd and Costo Pte Ltd in January 2002 contributed to the 33% decline in FY 2002 group turnover to \$102 million. These disposals were consistent with the Group's restructuring objectives.

The shipping and shipping related subsidiaries, namely COSCO Singapore Pte Ltd (owner of 13 bulk carriers), COSCO (Nantong) Shipyard Co. Ltd (a ship repair and marine engineering company) and Costar Shipping Pte Ltd (a shipping agency) contributed substantially to group operating profit of \$17 million in FY 2002.

The Group profit after tax but before minority interests of S\$ 5.0 million was 64% lower than that achieved in the previous year. The decline resulted mainly from the weakening of the United States dollar against Singapore dollar, the functional currency. Group net profit fell 71% to \$3.9 million. Excluding exchange rate fluctuation, the Group profit after tax but before minority interests for FY 2002 increased 42% as compared to FY 2001. This can be reconciled as follows:

	2002 S\$`000	2001 S\$`000
Profit after tax and before minority interests	5,009	13,923
Adjusting for exchange loss/(gain)	3,851	(7,676)
Profit after tax and before minority interests before exchange loss/(gain)	8,860	6,247

The profit improvement before currency fluctuation was mainly due to:

- A firmer BDI. The shipping operation enjoyed better charter hire rates as new charter hire contracts locked in during the year benefited from the 96.6% improvement in BDI; and
- Excellent profit earned by COSCO (Nantong) Shipyard Co., Ltd (formerly known as Nantong Ocean Shipping Engineering Co., Ltd). The Group's share of profit after tax of S\$ 4.1 million from this associated company was 11.7% higher than the seller's guaranteed profits of RMB 17.5 m or S\$ 3.67million for FY2002, and this represented a 16% p.a. return on investment.

EARNING PER SHARE (EPS)

For FY 2002, the diluted EPS was 0.63 cents, lower than the 2.03 cents achieved in the previous year. Lower EPS is partly due to a total of 67,300,059 new ordinary shares were issued during the year, 65,900,059 new ordinary shares were issued for the payment of the 25% stake in COSCO (Nantong) Shipyard Co Ltd and 1,400,000 new ordinary shares were issued upon the exercise of employees' share options.

NET TANGIBLE ASSET

With the issuance of new shares in FY 2002, the Net Tangible Asset (NTA) per share was diluted. As at 31 December 2002, the Group NTA per share was 29.51 cents, marginally lower than the 31.80 cents in the previous year.

DIVIDENDS

In spite of foreign exchange fluctuations, the group is pleased with its achievements in FY2002. The Group is proposing a dividend payment to reward all shareholders. Subject to the approval by shareholders at the forthcoming Annual General Meeting, the Group is recommending a first and final gross dividend of 0.7 cents or 3.5% per share, 17% higher than the gross dividend of 0.6 cents or 3% per share declared and paid last year.

ONGOING CORPORATE RESTRUCTURING

In FY 2002, as part of the restructuring of divesting non-core businesses, two trading companies and two property holding companies in Shanghai were divested. Acquisitions which added to the core shipping and shipping related businesses included a 50% stake in COSCO (Nantong) Shipyard Co Ltd, and an additional 31.6% in Coslink (M) Sdn. Bhd., increasing the ownership of the shipping agency to 82.6%.

The Group will continue with its restructuring in FY 2003.

Acquisitions

- **Proposed acquisition of 40% of Dalian Cosco Marine Engineering Co., Ltd**
To further demonstrate the Group's commitment in shipping related businesses, the Group entered into a Memorandum of Understanding with Cosco Industrial Investment Ltd in February 2003 to invest in a 40% stake in Dalian COSCO Marine Engineering Co Ltd, a ship repair and marine engineering company. When successfully completed by the first half of 2003, the proposed acquisition will contribute to a strong steady stream of income to the Group.
- **Delivery of new bulk carrier**
MV Cos Lucky, a sister ship to MV Cos Knight was delivered in April 2003, expanding the total fleet size to 14 bulk carriers. The Charter Party had been signed at an attractive charter hire rate prior to the date of her delivery.



PRESIDENT'S STATEMENT

Divestment

- **Revo Technologies Limited**

In February 2003, the Group announced the divestment of Revo Technologies Limited to COSCO Holdings (Singapore) Pte Ltd for S\$ 1. Revo owns a 3.64% equity interest in Cosco Network Ltd. This subsidiary was divested as it is no longer consistent with the Group's core businesses.

CURRENT YEAR PROSPECTS

With the BDI expected to remain firm throughout 2003, the addition of MV Cos Lucky will add to current year shipping income. The renewal of new charter hire agreements during the year will also result in an increase in shipping income. The Group is optimistic that shipping will record higher profits in FY 2003.

Ship repair and engineering contributions to group profits will increase this year with a full year profit contribution from COSCO (Nantong) Shipyard Co Ltd.

Shipping agency businesses will continue to remain a stable source of income for the Group and will improve with the recovery of the global economy.

The Group will continue to explore opportunities to divest non-core businesses when conditions are more favourable, with the intention of reinvesting the divestment proceeds into shipping and shipping related businesses.

The global economy is expected to remain clouded with uncertainties in 2003. With the progress in restructuring, the Group is well positioned to take on the challenges in the current year. Through the divestment of non-core businesses, the new focus on core businesses has sharpened the Group's competitive edge. Barring unforeseen circumstances, I am cautiously optimistic that the operating performance of the Group in FY 2003 is expected to be better than FY 2002.

APPRECIATION

In compliance with the new corporate governance that had taken effect from 1 January 2003, the Group reduced its 11-member Board to a 9-member team in December 2002. This is to comply with the requirement that one third of the Board is to be filled by independent directors.

The Group is pleased to welcome Mr Er Kwong Wah to the Board on 20 December 2002 as the third independent director. Mr Er has also been appointed to assume the Chairmanship of the Remuneration Committee from that date.

On behalf of the management and Board of directors, I would like to take this opportunity to thank all our shareholders, customers and friends for their understanding, trust and support in the past. We will continue to provide quality services to all customers in our continuous efforts to optimize return to our shareholders.

President

Ji Hai Sheng



CALENDAR OF KEY EVENTS

January 2002

Cosco Trading (Singapore) Pte Ltd and Costo (Singapore) Private Ltd were divested on 28 January 2002 for S\$2,250,000 and \$1 respectively. The divestments were in line with the strategy to eliminate non-core businesses in the Group.

February 2002

The acquisition of 50% of the registered share capital of Cosco (Nantong) Shipyard Co. Ltd was completed on 1 February 2002. The purchase consideration of US\$14.4 million was half settled by issuing of new ordinary shares and half by cash.

March 2002

On 1 March 2002, the Group relocated its corporate head office from GB Building, Cecil Street to Suntec City. This move is to improve the corporate image of the group and to house all related companies under one roof for more effective management.

April 2002

A restructuring of the agency business resulted in the purchase of an additional stake in Coslink (M) Sdn. Bhd. The Group increased its stake from 51% to 82.6% for a cash consideration of S\$358,919. Following the purchase, the Group's stronger presence in Malaysia demonstrates its commitment to expand its shipping related businesses in the region.

May 2002

The Group held its EGM on 8 May 2002, immediately following its AGM, to approve and adopt the Employees' Share Option Scheme 2002.

August 2002

The first batch of share options was granted under the new ESOS 2002 Scheme. A total of 5,860,000 share options were granted to 40 employees at an exercise price of 20 cents. These options are valid for ten years and have a vesting period of one year.

October 2002

- **Industrial Building Allowance**
COSCO Marine Engineering Pte Ltd received favourable news from the Comptroller of Income Tax confirming its eligibility to claim its Industrial Building Allowance under the Income Tax Acts. This positive development will benefit the Group through tax savings.
- **Section 44 Tax Credit**
Under the new rule, all Section 44 tax credits will be forfeited by 31 December 2007 if they remain unutilized. The Group has a tax credit of S\$ 2.0 million which would be fully utilized in the next three years under the current dividend policy.

November 2002

MV Cos Knight, a 52,250 dwt newly built handymax bulk carrier was delivered on 1 November 2002. Due to high demand and steady BDI, she was chartered out to a European charterer at an excellent rate before her delivery.

December 2002

On 20 December 2002, an Extraordinary General Meeting was held to approve the divestment of Calzona Pte Ltd and Johnston Investments Pte Ltd to COSCO Holdings (Singapore) Pte Ltd. The divestments were timely as the long-term leases on the properties owned by these two companies were due to expire shortly thereafter.

MANAGEMENT TEAM

We will sincerely continue our efforts to maximize the returns to all shareholders without compromising our quality services to our customers.



Standing from left to right: Ye Bin Lin | Ji Hai Sheng | Yao Hong | Teo Chuan Teck | Li Jian Xiong
Finance Director | President | Vice President | Finance Controller | Vice President

**COSCO INVESTMENT
(SINGAPORE) LIMITED**

COSCO (SINGAPORE) PTE LTD

Serene Sky Shipping Inc.
Greenery Shipping Corporation S.A
Dynamism Shipping Corporation S.A
Cos Glory Shipping Inc.
Hambo Shipping Limited
Sambo Shipping Limited
Cos Knight Shipping Inc.,
Cos Lucky Shipping Inc.,

COSCO (NANTONG) SHIPYARD CO., LTD

COSCO MARINE ENGINEERING (SINGAPORE) PTE LTD

COSCO Engineering Pte Ltd

COSTAR SHIPPING PTE LTD

Costar Agencies (M) Sdn Bhd
CNF Shipping Agencies Pte Ltd
CNF Shipping (M) Sdn Bhd

COSLINK (M) SDN BHD

HARINGTON PROPERTY PTE LTD

COSLAND (SR) Development Pte Ltd

COSEM PTE LTD

COSCO Container Depot Pte Ltd

MARLENE INTERNATIONAL LTD

REVO TECHNOLOGIES LTD