

Excellence in Global Shipping and Logistics: COSCO's Story
Speech at the 10th world Chinese Entrepreneurs Convention, Manila, the
Philippines
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(About 30 minutes)

Good morning ladies and gentlemen,

It is my great honor to attend the 10th world Chinese entrepreneurs convention. Since its inauguration, we have seen this convention become more influential and dedicated to connecting all Chinese entrepreneurs around the world. It is also encouraging to see that in this vital moment of addressing world economy crisis, the 10th convention provides us a great opportunity to pool our talents, and help ease the worldwide economic hardship.

I thank the organizers for your great efforts, and wish this convention great success.

In this community of the world economic globalization, shipping becomes a major component of international trade, taking 75% of international cargo volume.

More than 90% Chinese international trade chooses shipping transportation. In recent years, China has become world largest country in container throughputs and iron ore imports, and third largest importer for

crude oil. In order to secure foreign trade and strategic goods transportation, shipping industry, nonetheless plays a vital role in Chinese social economy development.

Since its foundation in 1961, COSCO Group has been developing into a leading shipping company in China. It achieved a great- leap-forward development in last decade by precisely seizing the boom of shipping industry, and implementing scientific outlook theories. Nowadays, COSCO Group has become a transnational shipping giant with cross-logistics-chain business and global networks. It also develops into a rising power in international shipping, terminal operation, ship building and repairing with the transformation from a cross-border business player to a multinational corporate.

Cosco group now owns and operates 820 modern vessels with total tonnage of 52 million DWT, ranking the second position in terms of its tonnage in the world. Specifically speaking, our container fleet ranks 6th in the world and our bulk fleet is 1st in the world. Our breakbulk vessel fleet, multipurpose vessel fleet, dedicated vessel fleet and tanker fleet are also on the top of its kind in the world.

Cosco Logistics stayed firmly the top in Chinese market for consecutively 4 years. We also have extends our business chain into ship repairing and building. This company is the only qualified company providing total solution of transporting nuclear materials wastes and equipment for nuclear power station. It also provides value added service for customers in automobile, chemical products, electric plants, exhibition transportation.

Our terminal operator Cosco Pacific's annual throughputs ranks 5th in the world today. By this public listed company, COSCO invests 33 terminal projects including 158 births covering 23 ports around the world. Our presence goes into port of Singapore, Shanghai, Hongkong, Piaures, etc.

COSCO has established quite a few shipyards in Dalian, Zhoushan, Nantong, Guangzhou, Shanghai, and Lianyungang, with services of ship repairing, ship building, offshore industry. Nantong COSCO KHI Ship Engineering Co., Ltd ranks 1st in the world in its productivity, per capita profit and tax, and shipbuilding efficiency. COSCO Shipyard has realized great leap and is marching forward a world first-class enterprise in its domain.

Incorporated with headquarter in Beijing, COSCO has established a global network with regional offices in Hong Kong, America, Europe, Singapore, Japan, Australia, South Korea, West Asia and Africa, having more than 1000 branches with over 400 staff working overseas and over 4000 foreign employees. Its overseas assets and income have reached more than half of its total, with business networks improving gradually and global resource allocation capability enhancing greatly.

So far, COSCO has controlled shares and equity participation in 8 listed companies at home and abroad including China COSCO, COSCO Pacific, COSCO International, COSCO Singapore, COSCO Shipping, CIMC, China Merchants Bank, and Sino-Ocean Land. Among them, China COSCO was one of the largest IPOs in global shipping industry, and realized its smooth return

to A-share market in 2007. At present, COSCO Group's assets in the listed companies have accounted for over 75% of its total, showing a preliminary landscape of Capital COSCO. According to statistics in late 2007, the market cap of the COSCO's flagship listed company China--COSCO once reached more than 500 billion yuan, boasting the highest market cap in the world's shipping market.

COSCO has invested billions to information technology construction, and absorbed the latest achievements. It has involved in the development and application of the IRIS-2, SAP, office automation, ship-shore electronic information systems, ship technical management, ship operation management, and customer service system. In 2008, COSCO Group ranked 2nd among top 500 Information-based Chinese Enterprises .

From 2005 to 2008, COSCO Sustainable Development Report was awarded as exemplified reports by the UN for 4 consecutive years. In 2006, COSCO won the title of China's most responsible company, and in 2007, it won the China Charity Award. In view of COSCO's eminence in fulfilling Global Compact, UN Secretary-General Ban Ki-moon personally wrote to invite me to attend the United Nations "Global Compact" summit held in Geneva, Switzerland, in July 2007, and deliver a speech on behalf of Chinese enterprises. Lately , COSCO was awarded as Winner of 2009 Asia-Pacific Chinese Enterprises with Great Sense of Social Responsibility by APCE Media.

From 1998 to 2007, COSCO's annual revenue increased from 32.5 to 158.5 billion yuan, with an increase of nearly 4 times; its annual profit grew from

over 500 million yuan to 34 billion yuan, with an increase of more than 6 times. Particularly it is noteworthy that in 2008, COSCO gained over 190 billion yuan income and over 17 billion yuan profit against the negative impact of the sharp decline in the shipping market in the fourth quarter. In Fortune Global 500, COSCO jumped from ranking 488th, the first entry into the ranking in 2007, to the 327th this year. Among the four short-listed international shipping enterprises, COSCO ranked 2nd in revenue, profits and return on assets.

From 2004 to 2009, COSCO successfully held "International Shipping (China) Annual Summit known as the Maritime Davos, for sixth consecutive years, which further enhances the leadership of COSCO, and fully reflects the leading position in the international shipping industry.

With COSCO as the leader, the development of China's shipping companies improves China's reputation in international shipping community, while providing guarantee for transportation of China's energy, raw materials, and other important materials to guarantee national economic security. Since China's success in election to one of the eight A-level council members from 155 maritime countries to the International Maritime Organization (IMO), it has been for 10 consecutive sessions, thus to participate in the world's maritime rules and decision making, playing an increasingly important role in the international maritime industry.

When we look back to the rise of world powers, with no exception, is all related with developed maritime shipping. I believe, in the process of China's peaceful development and the rejuvenation of the Chinese nation, China's

shipping companies will certainly shoulder their important historic mission!

Ladies and Gentlemen, since 2008, the global financial and economic crisis triggered by the U.S. sub-prime crisis has imposed severe impact on the world's economic and trade development. Shipping industry, as the barometer of the world economy and trade, the shrinking of the world's economy and trade is directly reflected in the international shipping market. From the second half of last year, the global shipping market dived rapidly, and BDI, the dry bulk market index, slumped 94% from 11793, the historical high on May 29, 2008 to 663 on Dec.5, 2008; the average BDI from January to October this year was only 2404 points.

In view of such shipping market changes, COSCO strives to make early research and early response, taking the following measures to address the crisis to achieve long-term sustainable development:

Firstly, take precautions against possible troubles.

From the second half of 2003 to the first half of last year, the international shipping market ushered in a rare five-year super-cycle. During the market peak period, we made full use of all resources to seek benefits and development, and on the other hand, we are vigilant for early prevention and risk control from the possible market volatility.

For instance, when the U.S. sub-prime crisis just revealed in the second half of 2007, we took early and swift measures to set up a U.S. sub-prime crisis special study team in COSCO. I was the leader, and we make six major

decisions on addressing the future crisis which made us initiative in coping with the subsequent economic crisis and severe market changes.

Secondly, seeking continuous innovation, and working to be a leading player.

Economic crisis and market changes, first of all, damage and destroy the original business and operating models of enterprises. Therefore, to address the crisis and overcome the crisis will inevitably require continuous innovation and renovation, which is the real road to success!

At the Boao Forum for Asia held in April this year, I made special mention of the three strategic choices for enterprises to "live through the winter" in the context of the economic crisis: the first is passively waiting and "staying dormant"; the second is "winter swimming" without a direction; the third is "winter training" by body building. COSCO chose winter training, whose essence is continuous innovation, and its contents include:

We have made significant achievements by using the latest information from the sharp changes in the market, re-assessing the market trend, and timely adjusting the company's future development strategy, and actively promoting business, management and technological innovation, so as to constantly improve differentiated competitiveness, reduce cost and promote efficiency.

One of the purposes of the "Winter training" is to choose opportunity for countercyclical operation, and meanwhile, we make careful follow-up research for bottom-fishing, "buy 5 pm fish" – not 10 am fish.

Thirdly, strengthen cooperation, and eye on win-win situation.

In the face of the raging economic crisis, no country or enterprise can stay aloof. To address and ultimately overcome the crisis, a cross-border cooperation is particularly needed.

Therefore, I spared no efforts to advocate win-win cooperation and mutual benefit at the World Shipping (China) Summit organized by COSCO, and at various occasions sponsored by the China Association of Trade in Services and the China Ship-owners Association. In March 2009, I went to the US to accept the Commodore Award by Connecticut Maritime Association, and joined the 30th anniversary of China-US shipping restoration; recently, I have led a delegation of China Association of Trade in Services to make a successful visit to the US, and on many occasions, I proposed on cooperation, and mutual prospects between China-US business community.

As our successful win-win cooperation practice, we have taken an important step forward with the Greece and the US governments in terminal cooperation. Last November, COSCO won 35-year concession agreement of the Port of Piraeus. President Hu Jintao witnessed our signing ceremony, and Premier Wen Jiabao praised the COSCO's successful development as China's large-sized enterprises in European developed countries, and he said that it is a "diplomatic economy" approach, and a mode to implement the primary strategic partnership between Greece and China.

In view of our win-win practice in US soil, on July, US Senate House passed a resolution handed by senator John Kerry to honor me the great

contribution to US-China business ties. And on Oct 20th, in a speech by Congressman Stephen Lynch, he entitled me as People`s Ambassador to US, This speech has been recorded permanently in the files of the US House of Representatives.

COSCO is the first foreign shipping company that meets the requirements of the US Department of Homeland Security for container transport. Moreover, COSCO is the Chinese-funded enterprise that employs the largest number of US local employees. In recent years, COSCO has been praised by the ports of Long Beach, Seattle, New York, Boston and other ports of the US for several times.

Ladies and Gentlemen, I have learned that Chinese enterprises also encountered turbulence in this financial crisis. And we are highly admire any efforts and wisdoms our Chinese colleagues have made in addressing this crisis. As we share a same root of Chinese culture, we somehow realized that dealing with current world affairs and challenges, it is an effective way to search into our Chinese culture, like the theory of harmony. In addressing world financial crisis, I believe we can also look into our own culture.

This answer is a Chinese character Ying. Each part of Ying tells us many.

The first one is “Wang”, and it means “to die”. It stands for risk analysis. You need to know how your company and your management can die. Then you take measures to block all the possibilities, so that you shall have chance to survive and thrive.

Under the “Wang” is “Kou”, and it means “mouth”. Let others know what you want, and you need tell your senior management, then your stuff, then public the strategy, the future plan, or the challenges your company encounters.

The left part is “ Yue”, and it means “Time”. Very strict, timing is very important. It tells us accumulation of profit need timing and schedule.

In the middle “ Bei” means treasure, the profit and money of your company. We a business organization, and we must maximize profit, market value and shareholder return. You also need cash to survive.

Last part “ Fan” means “Normal, and Common”. It tells us no matter victory or failure, we need a common sense, a level headed mind to deal with, to risk the future, and seek the potential.

Ladies and Gentlemen, with this win theory, with joint efforts between Chinese entrepreneurs and supports from each governments and business communities, we are fully confident to prevail in this crisis. And I also believe we will have a bright future!

Again, I thank you for everyone, and wish this convention success!