



COSCO (H.K.) SHIPPING CO., LIMITED

中遠(香港)航運有限公司

COSCO (H.K.) SHIPPING CO., LIMITED (CHS), as one of the core enterprises of the COSCO (HONG KONG) GROUP LIMITED, is the biggest specialized company pursuing global dry bulk transportation in the COSCO GROUP. Founded upon the merging and reconstruction of Ocean Tramping Company Limited and Yick Fung Shipping and Enterprises Company Limited in 1996, CHS has developed into Hong Kong's leading dry bulk shipping management company with nearly 100 bulk ships aggregating to 5 million tons deadweight.

Operating in a difficult environment and a fluctuating shipping market, CHS focuses on creating value for its customers in accordance with the development blueprint and management visions of the COSCO GROUP. CHS's policy of shipping operation and management is to provide services required by the customers on the premise of safety and environmental protection. By focusing on the objectives of "meeting customers' requirements" and "safety and environment protection", CHS is in pursuit of Quality management. It has won the support and loyalty of its customers, which empower the company to compete in the market.

The management team nurtures an enterprising culture of "mutual trust and open-mindedness" to cultivate the initiative and potential of all the staff. Quality management is aimed at every aspect of business so as to ensure the company's business development and good results.

In recent years, the company has renewed the fleet's structure and always endeavoured to improve management quality, striving for the goal of "becoming the leading global dry bulk transportation enterprise".

Leadership and Strategic Planning

Facing fierce market competition, the CHS management team well understands that shipping operation and management is like "sailing against the current", either you forge ahead or you fall behind. It would land in a passive position unless there are clear and explicit strategic direction and objectives, with market opportunities being seized and key customers being maintained.

For this purpose, CHS identifies the company's mission as "becoming the leading global dry bulk transportation enterprise". To achieve this mission, CHS has enacted a

development plan and operational strategic plan both of five-year and of yearly term through SWOT analysis on the basis of market investigation and analysis of customers' requirements.

In respect of hardware, it includes the scale of the fleet, replacement and restructure, increase of computer and satellite communication facilities etc. In respect of software, the strategic plan includes improving the quality of the staff, expanding the market and soliciting customers, analysis of information technology and business process management and so forth.

Along with the special characteristics of the shipping industry, CHS pays much attention to the safety and environmental protection of marine transportation. It passed the certification of "dual standards" in 1996, starting the quality and safety system of ISO 9002/ISM CODE. The policy of quality, safety and environmental protection has been put into effect on every vessel, every post and every crew member through implementation of effective systems and procedures, which are as follows:

- Multi-channel communications and guidance ensure that all the staff understand and follow the company's objective with one heart and one mind;
- KPIs are in place for tracking the progress of achieving the company's five-year plan and yearly plan;
- By restructuring the organization and re-engineering its processes, customer service has been improved and new business opportunities have been identified;
- Through the application of computer and information technology, an information analysis system has been effectively set up to monitor and evaluate the progress at regular intervals with a feedback mechanism for improvement;
- The company promotes the humanistic view of management culture, through mutual trust open-mindedness among the staff and it has introduced an internal stimulus mechanism, which develops staff potential, encourages and arranges staff training and continuously enhances staff quality;
- The company improves and perfects the monitoring system to ensure the promise of quality, safety and environmental protection to the public; and
- The company actively participates in trade association events and activities to promote the shipping industry of Hong Kong and give back to society.

Customer and Market Focus

The focus of competition is the market and the subject of the market is the customer. CHS aims to focus on the customers and provide the customers with satisfactory service. Unlike other service industries which generally cater for the public, the characteristic of dry bulk transportation business is that lot size is large with fewer types or kinds of goods, constantly being concentrated on some major customers. As regards market exploitation and customer service, CHS pursues the following two respects:

- strengthening the existing relationship with old customers by means of establishing a customer management process; knowing the business development and needs of the customers and the changing market; meeting the new requirements of existing customers, and providing honest and Quality service to obtain existing customers' loyalty.
- cultivating the relationship with new customers by way of striving to meet customers' changing requirements for good business opportunities, which are always created by today's economic integration, the changing trade patterns and reorganization of customers' network

CHS values follow-up facilities and measures for the service so as to meet the needs of the customers and the market, including due replacement and transformation of the fleet, chartering-in business service and customizing specific services for smaller customers. With the above channels as well as surveys through both the company's website and questionnaires, the information regarding customers' satisfaction level can be obtained. In addition, a systematic Complaint Management Process is in place to ensure that feedback, treatment, and improvement turn into action in due course so as to enhance the relationship with customers and expand the market.

Information and Analysis

In accordance with the business development and the global operation of its fleet, CHS has set up information management systems, including functional, operational and marketing. They cover all the business areas in this company. A comprehensive IT system is in place to provide reliable data for the company's management team to analyze and review the market and the overall performance of the company. A special evaluation and analysis mechanism is instituted and a system of "monthly meetings", "economic value analysis" and special topic meetings have been set up, with performance

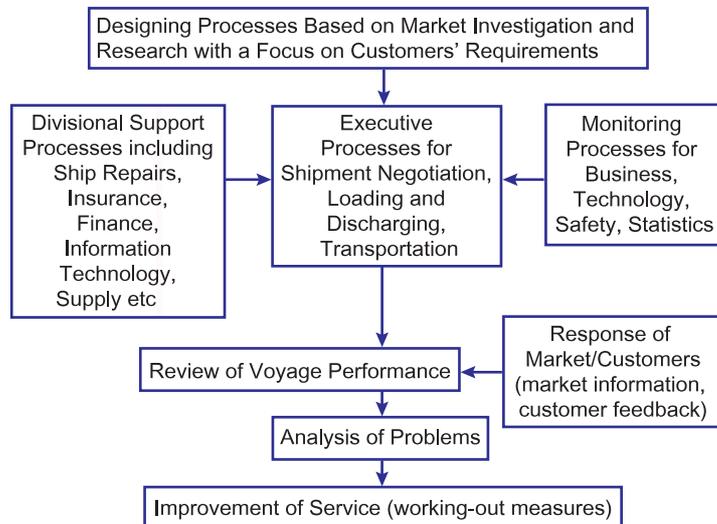
reviews and analysis being conducted monthly, quarterly, half-yearly and annually and performance against KPIs being tracked, analyzed and improved. In line with developments in information technology, the company is improving the internal network, OA and ships' remote control management systems, and making use of enterprise resource planning (ERP) system to fully upgrade the company's information management system and ensure effective operational management.

Human Resource Focus

Market competition is, after all, the competition of talents. The key to the success of enterprises depends on quality and devoted personnel. Manpower needs for a shipping enterprise require not only skilled talent, but also people who are service conscious and are dedicated to the company. CHS insists on making its staff the foundation and encourages its staff to participate in the company's development. In addition, attention is given to establishing the staff incentive scheme such as reasonable job assignment, satisfactory fringe benefit and work environment, a vigorous training scheme as well as performance reviews and rewards, to ensure the good opportunities for keen and hard-working staff. Furthermore, a system is in place to identify training needs and implement appropriate programmes, followed by a training effectiveness evaluation process. Through the above measures, the company seeks to improve staff quality and keep talented staff in order to meet with the needs of the company's development.

Process Management

CHS designs and manages business processes with a focus on value for customers. A diagrammatic summary of the basic processes is shown below:



As to management of the main business processes, with the implementation of its “quality and safety management” system, the company strengthens the management process according to links in the management chains and lays special stress on enacting and carrying out management measures. At the same time, trans-division committees or special groups are established to monitor and improve the related items, e.g. safety, quality etc, with a full assurance obtained from support processes, so as to drive improvements of service quality thoroughly.

Business Results

In 1999, the company had experienced the worst market condition in twelve years. However, through effective management and turning challenges into opportunities, development never stopped. The company met the targets of its first five-year plan on time. These include:

- Fleet expansion: The company has built up a modernized dry bulk fleet. Through replacement and transformation of the ships, the average fleet age has been lowered; the fleet structure and servicing conditions have been improved and modernized. Thus, the capability of service and competitive capacity of the fleet have been strengthened.
- Business development: In accordance with the different characteristics and requirements of the dry bulk shipping service, the company has enlarged the carrying capacity by increasing chartering-in operations, opening partial cargo sea routes among the Far East, Europe and America, therefore ensuring the expansion of market share. As a result, annual turnover increased by two-digit percentage points on the average.
- Customer loyalty: Consolidation and development of a stable supply of goods have increased the number of major customers annually and long-term contracts significantly in number.
- Quality management: CHS is the sole shipping company in Hong Kong dually certified as meeting with the standards of ISO 9002/ISM CODE both by ABS and by CCS.
- The production run of CHS is safe and steady, fulfilling the company’s promise of quality, safety and environmental protection.

The acronym CHS also means **C**apability, **H**onesty and **S**atisfaction. CHS wishes to commit itself again “to accept the challenges of the new century and to provide the best service to its customers by ceaseless innovative learning and advancing in a pioneering spirit”.