

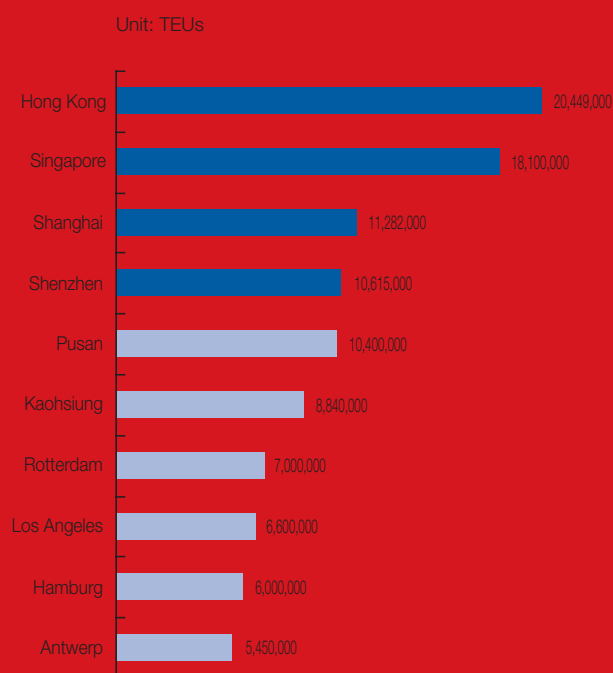
Container Terminal Review



Review of the container terminal market

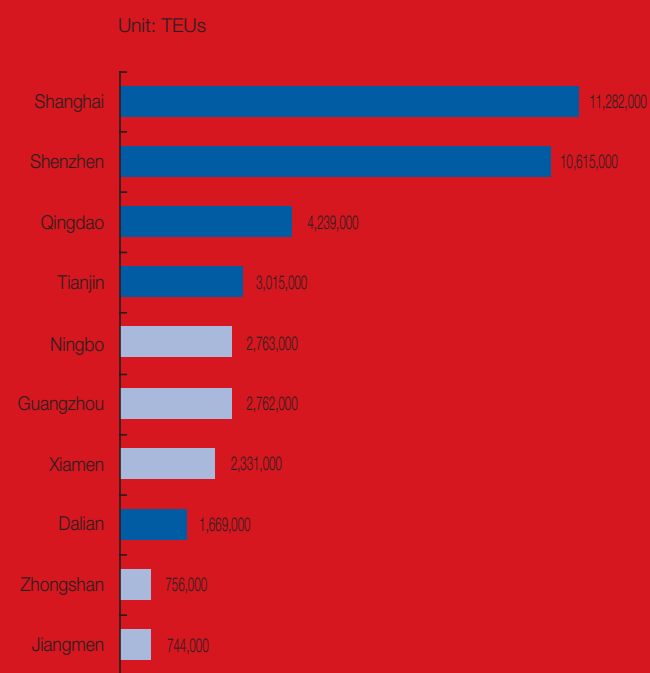
In 2003, the global container terminal market continued its strong growth. In China, container terminal throughput reached 48,000,000 TEUs, a 29.7% increase from 2002, as a result of a 9.1% growth in the economy and a 37.1% growth in foreign trade. The terminals in which the Group has equity interests are located in the Pearl River Delta, Yangtze River Delta and Bohai Rim, where the container terminal sector remains the most concentrated and promising in terms of container throughput. The Group will continue to take advantage of its knowledge of the China market and the support of the container fleet of COSCON to expand its container terminal operations.

Throughput of the world's top ten container ports in 2003



Source: www.snet.com.cn

Throughput of China's top ten container ports in 2003



Source: www.snet.com.cn

Quay Crane



Feeder Tractor

Transport containers between vessels and the yard



Control Tower

Coordinates loading and unloading of containers and the operation of the yard

Loading and unloading of containers



Outgate



Yard Crane



Ingate



Containers to be delivered or collected

Container terminal review

COSCO Pacific is one of the leading terminal operators in the Asian region. It has equity interests in 10 container terminals on the coastal ports of China and 1 container terminal in Singapore, and the total number of berths will increase to 51 (2002: 31 berths) and a total handling capacity of 26,000,000 TEUs (2002: 13,800,000 TEUs). Including the River Trade Terminal which was sold in June 2003, the total throughput for the year amounted to 17,901,012 TEUs (2002: 13,420,639 TEUs), up 33.4% year-on-year.

	Shareholding (%)	Total area (square metres)	No. of berths	Depth alongside (metres)	Annual handling capacity (TEUs)
PEARL RIVER DELTA					
COSCO-HIT	50	300,000	2	15.5	1,800,000
Yantian International Terminals	5	1,180,000	5	14.0 – 15.5	4,500,000
Yantian International Terminals (Phase III)	4.45	900,000	4	16	2,400,000
Shekou Terminals	17.5	234,000	2	14	1,300,000
YANGTZE RIVER DELTA					
Shanghai Terminals	10	830,000	10	9.4 – 10.5	3,500,000
Shanghai Pudong International Terminals	20	500,000	3	12	2,300,000
Zhangjiagang Win Hanverky Terminal	51	200,000	2	11	300,000
BOHAI RIM					
Qingdao Qianwan Terminal	20	2,250,000	11	17.5	6,500,000
Qingdao Cosport International Terminals	50	250,000	1	13.5	600,000
Dalian Port Container Co.	8	726,000	9	12.1 – 14.0	1,800,000
OVERSEAS					
COSCO-PSA Terminal	49	228,000	2	15	1,000,000
Total			51		26,000,000

	2003 ⁽¹⁾	2002 ⁽¹⁾	+/-
Throughput: TEUs			
PEARL RIVER DELTA			
COSCO-HIT	1,513,559	1,526,074	-0.8%
River Trade Terminal ⁽²⁾	1,074,348	1,797,096	-40.2%
Yantian International Terminals (Phases I, II and III) ⁽³⁾	5,258,106	4,181,478	+25.7%
Shekou Terminals	1,323,235	883,572	+49.8%
YANGTZE RIVER DELTA			
Shanghai Terminals	3,400,963	3,049,080	+11.5%
Shanghai Pudong International Terminals ⁽⁴⁾	1,766,351	N/A	N/A
Zhangjiagang Win Hanverky Terminal	247,306	202,348	+22.2%
BOHAI RIM			
Qingdao Qianwan Terminal (Phase II) ⁽⁵⁾	1,332,746	N/A	N/A
Qingdao Cosport International Terminals	244,159	454,528	-46.3%
Dalian Port Container Co.	1,644,409	1,326,463	+24.0%
OVERSEAS			
COSCO-PSA Terminal ⁽⁶⁾	95,830	N/A	N/A
Total throughput	17,901,012	13,420,639	+33.4%

Notes:

- (1) The data represent throughput as from the effective date of acquisition of respective equity interests.
- (2) The 10% equity interest in the River Trade Terminal was disposed of on 27th June 2003.
- (3) The first 2 berths of Yantian International Terminals Phase III became operational in October and November 2003 respectively, with the other 2 berths to be operational in 2004.
- (4) Shanghai Pudong International Terminals officially opened for business on 1st March 2003.
- (5) The acquisition agreement of 20% interest in Qingdao Qianwan Terminal (Phase II) was entered into by the Group in July 2003 and the deal was completed in December 2003. After the restructuring, Qingdao Qianwan Container Terminal Co., Ltd. (include Qingdao Qianwan Terminal Phases II and III) opened for business on 1st January 2004.
- (6) COSCO-PSA Terminal officially opened for business on 1st November 2003. One berth was being operated during the year with planned expansion to two berths prior to 2008.
- (7) Cheer Hero Development Limited ("Cheer Hero Terminal"), a subsidiary of Plangreat Limited which is in turn a wholly owned subsidiary of the Group, registered a throughput of 56,597 TEUs (2002: 65,935 TEUs). Taking this into account, the Group achieved a total throughput of 17,957,609 TEUs in 2003 (2002 : 13,486,574 TEUs) or a 33.2% year-on-year growth.

Pearl River Delta

Yantian International Terminals
(Phases I, II & III)

Shenzhen

Shekou
Terminals

COSCO-HIT

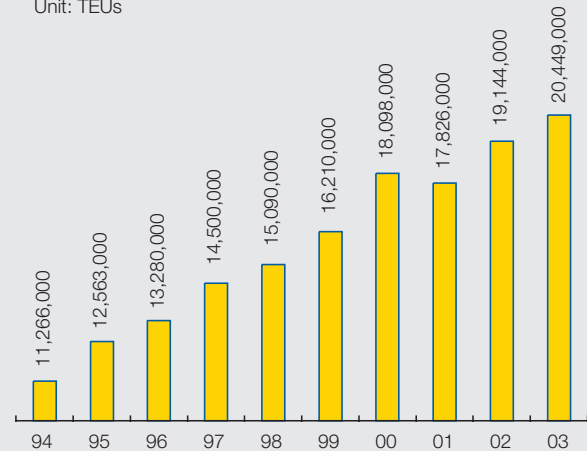
Hong Kong

Hong Kong

Situated at the mouth of the Pearl River and in close proximity to Shenzhen in the southern province of Guangdong, Hong Kong's prime location and deep water harbour have made it the most important entrepot for foreign trade in China. The territory has grown into an international financial, information and transportation centre. In 2003, the annual container throughput of Hong Kong ranked the first in the world at 20,449,000 TEUs, representing a year-on-year increase of 6.8%. Hong Kong is known for its efficiency, superior international route connections and advanced information networks. It plays an important role in complementing the major container terminals of southern China by providing efficient services for the phenomenal growth of container trade and transportation in China.

Container throughput of Hong Kong

Unit: TEUs

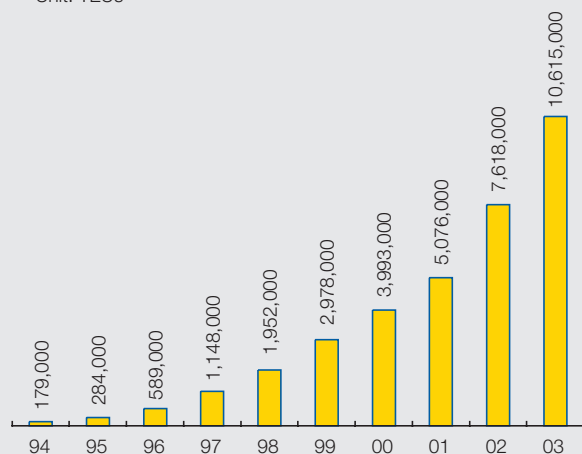


Shenzhen port

In 2003, the total throughput of Shenzhen port reached approximately 10,615,000 TEUs, representing a growth of 39.3% from 2002, making it the second busiest container port in China mainland and the fourth busiest container port in the world. This growth has largely been due to the region's economy and increased trade. In 2003, Guangdong Province as a whole enjoyed a 13.6% increase in economic growth and a 28% increase in trade versus the previous year. Given the strong economy and export industries of the Pearl River Delta Region, as well as the port's enlarged handling capacity due to an increase in the number of berths, the future throughput of Shenzhen is expected to increase further.

Container throughput of Shenzhen port

Unit: TEUs



COSCO-HIT

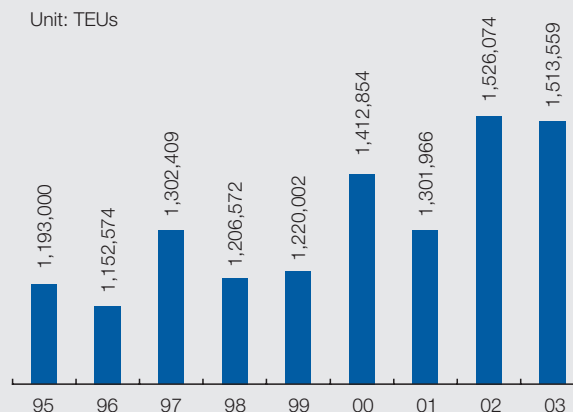
COSCO Pacific has a 50% equity interest in COSCO-HIT Terminals (Hong Kong) Limited (“COSCO-HIT”). Located at Terminal 8 East in Kwai Chung, the terminal occupies an area of 300,000 square metres and has an annual handling capacity of 1,800,000 TEUs. It has a quay length of 640 metres and a depth alongside of 15.5 metres. The berths are equipped with 8 post-panamax quay cranes capable of handling two large container vessels simultaneously. In addition, the terminal is supplemented by a feeder berth of 98 metres and a berth of 350 metres designated for barges. These berths provide dedicated services for river vessels and barges sailing across the Pearl River Delta. The terminal has a yard capacity for 25,000 TEUs and is equipped with 696 reefer points, 32 yard cranes, 3 smaller cranes and other supporting facilities. The terminal operates 24 hours a day and 365 days a year. COSCO-HIT is committed to continuously upgrading its terminal facilities and improving efficiency through the use of advanced computer systems and communications equipment.

In 2003, the throughput of COSCO-HIT decreased slightly by 0.8% to 1,513,559 TEUs (2002: 1,526,074 TEUs), representing a 12.5% market share of the total throughput of the Hong Kong Kwai Chung Terminals (2002: 12.8%).

The slight decrease in the throughput of COSCO-HIT was due to the substantial increase in container handling capacity in the region. Renovation work is in progress at COSCO-HIT to enhance handling capacity to prepare for handling of 8,000 TEU container ships.

Container throughput of COSCO-HIT

Unit: TEUs



Handling and storage of containers

Plangreat Limited, a wholly owned subsidiary of the Company, and its subsidiaries are engaged in the provision of container handling, stevedoring, storage, repairs and transportation services. During the year, despite the increase in the cargo volume at the depot, there was a decrease in utilisation of Cheer Hero Terminal. Hence, the turnover fell slightly to US\$8,761,000 (2002: US\$8,790,000), representing a slight decline of 0.3%.

Yantian International Terminals

The Group has a 5% effective interest in Yantian International Container Terminals Ltd. (“Yantian International Terminals”). The terminal is located at Dapeng Bay in Shenzhen and a major container terminal in southern China. Yantian International Terminals Phases I and II occupy an area of 1,180,000 square metres, with a total of 5 berths, a quay length of 2,350 metres, a depth alongside of 14 to 15.5 metres, and an annual handling capacity of 4,500,000 TEUs.

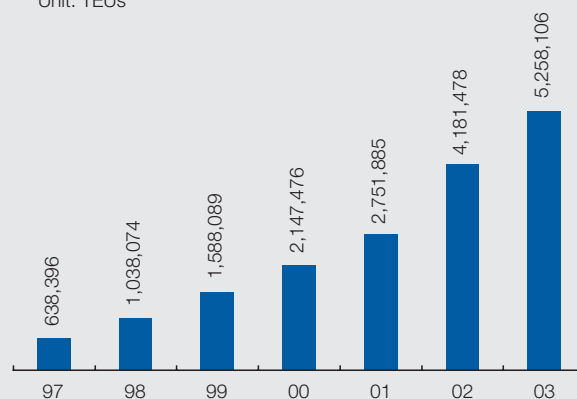
The Group has a 4.45% effective interest in Yantian International Container Terminals (Phase III) Limited (“Yantian International Terminals (Phase III)”). The terminal has 4 berths with an area of 900,000 square metres, a quay length of 1,400 metres and a depth alongside of 16 metres. Two berths were put into operation by the end of 2003 and the additional two berths will commence operation in 2004. Upon completion, the terminal’s annual handling capacity will be 2,400,000 TEUs.

During the year, the total throughput of Phases I, II and III of Yantian International Terminals was 5,258,106 TEUs (2002: 4,181,478 TEUs), representing a growth of 25.7% and accounting for a 49.5% (2002: 54.9%) share of the handling capacity of Shenzhen port.

Yantian port is the largest and most important port in Shenzhen. Due to the tremendous increase in the throughput of the port, Phases I and II of the Yantian International Terminals are operating at close to full capacity. At the end of 2003, two new berths of Yantian International Terminals (Phase III) were put into operation. These new berths enhanced the handling capacity of Yantian port to cater for the increase in throughput.

Container throughput of Yantian International Terminals (Phases I, II & III)

Unit: TEUs



Shekou Terminals

The Group has a 17.5% equity interest in Shekou Container Terminals Ltd. (“Shekou Terminals”). The terminal is located at the southwestern part of the Shenzhen Special Economic Zone with an area of 234,000 square metres. The terminal is an important transportation hub for ships entering the Pearl River Delta and southern China. The terminal is equipped with 2 berths, a quay length of 650 metres and a depth alongside of 14 metres capable of handling 1,300,000 TEUs annually.

During the year, the total throughput of Shekou Terminals was 1,323,235 TEUs (2002: 883,572 TEUs), representing a growth of 49.8% and accounting for a 12.5% (2002: 11.6%) share of the handling capacity of Shenzhen port.

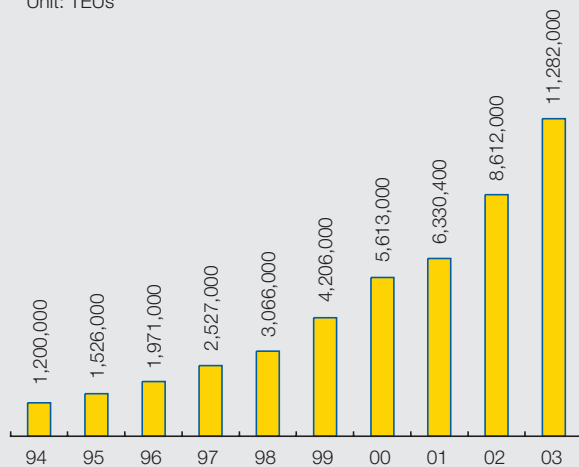
The strong increase in 2003 throughput at Shekou Terminals was due to the rise in containerised transportation of containers in the region, busy operation status of Yantian port as well as the increase in depot capacity of Shekou Terminals during the year.

Shanghai port

Shanghai, China's largest container hub port, is located in the highly developed Yangtze River Delta. The throughput of Shanghai port reached 11,282,000 TEUs in 2003, an increase of 31.0% from last year, making it the third busiest container port in the world. This growth has been largely due to increased economic and trade activities in the Yangtze River Delta. In 2003, the Shanghai economy grew by 11.8% while its foreign trade expanded by 50%. With the tremendous growth in China's foreign trade, Shanghai port is expected to remain the busiest China mainland ports in 2004.

Container throughput of Shanghai port

Unit: TEUs



Zhangjiagang port

Zhangjiagang port is located at the southern shore of Fujiangsha, downstream from the Yangtze River, in Gangquzhen of Zhangjiagang, Suzhou. The port serves the shipping demand of 12 counties and cities in Jiangsu Province including Suzhou, Wuxi, Changzhou, and other counties and cities to the north of the Yangtze River and to the opposite of the port across the river. Zhangjiagang Win Hanverky Terminal is the only terminal with 2 berths in Zhangjiagang.

Yangtze River Delta



Shanghai Terminals

The Group has a 10% equity interest in Shanghai Container Terminals Limited (“Shanghai Terminals”), which has three terminals located in Zhanghuabang, Jungonglu and Baoshan at the entry of Huangpu River in Baoshan District, Shanghai. These terminals have 10 berths with a quay length of 2,281 metres, a depth alongside of 9.4 to 10.5 metres, and an area of 830,000 square metres that can accommodate 54,065 TEUs. The current handling capacity is 3,500,000 TEUs.

During the year, Shanghai Terminals handled 3,400,963 TEUs (2002: 3,049,080 TEUs), an increase of 11.5% from 2002, representing approximately 30.1% (2002: 35.4%) of Shanghai’s overall throughput.

The Shanghai Terminals are river terminals and are subject to certain inherent limitations. Consequently, these terminals are operating almost at full capacity. However, due to efficient management and aggressive efforts to maximise their development potential, the terminals achieved double-digit growth during the year.

Shanghai Pudong International Container Terminals

The Group holds a 20% interest in Shanghai Pudong International Container Terminals Limited (“Shanghai Pudong International Terminals”). The terminal commenced operation on 1st March 2003 and operates Phase I of Shanghai Waigaoqiao Container Terminals.

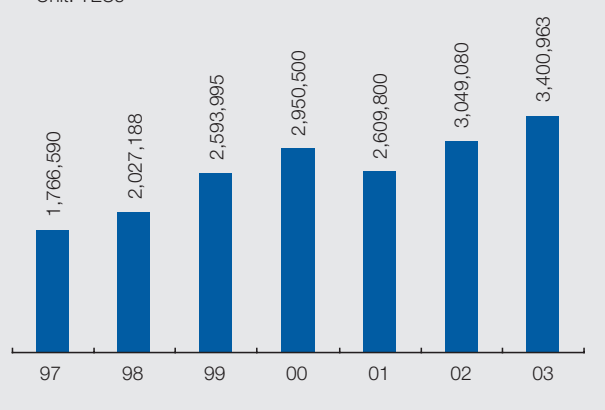
Situated in the Shanghai Waigaoqiao free trade zone area A, the terminal is well-equipped and capable of handling large-sized container vessels. The 3-berth terminal has a 900-metre quay length with a depth alongside of 12 metres, a total area of 500,000 square metres and an annual handling capacity of 2,300,000 TEUs.

In 2003, the terminal handled a cargo volume of 1,766,351 TEUs (2002: N/A), accounting for 15.7% (2002: N/A) of the aggregate throughput of the container terminals in Shanghai. Given their prime location in Shanghai, the terminal has a prosperous future.

Operating at close to full capacity, Shanghai Pudong International Container Terminals won customer confidence with its quality service and efficiency. During the year, its throughput reached a new high. New facilities are being acquired and existing facilities are being modified to increase the handling capacity of the terminals. It is expected that the throughput of the terminals will continue to climb.

Container throughput of Shanghai Terminals

Unit: TEUs



Zhangjiagang Win Hanverky Terminal

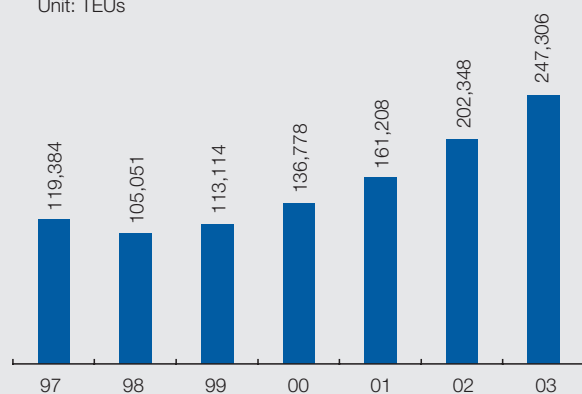
The Group has a 51% equity interest in Zhangjiagang Win Hanverky Terminal Ltd. (“Zhangjiagang Win Hanverky Terminal”). The terminal, which is the only one in the port of Zhangjiagang, has two berths, with a quay length of 505 metres and a depth alongside of 11 metres. It occupies an area of 200,000 square metres, with an annual handling capacity of 300,000 TEUs.

In 2003, the throughput of Zhangjiagang Win Hanverky Terminal increased by 22.2% to 247,306 TEUs (2002: 202,348 TEUs). With increased cargo container shipping along the Yangtze River, the throughput of Zhangjiagang Win Hanverky Terminal is expected to maintain its growth momentum.

The terminal’s throughput is expected to reach a record high due to newly secured shipment orders and approvals to establish a bonded warehouse inside the terminal. Currently, facilities addition and modification are taking place at the terminal. It is expected that the throughput of the terminal will continue to increase.

Container throughput of Zhangjiagang Win Hanverky Terminal

Unit: TEUs



Bohai Rim

Tianjin

Tianjin Five Continents International Container Terminal Co., Ltd.

Dalian Automobile Terminal Co., Ltd.

Dalian

Dalian Port Container Co.

Qingdao

Qingdao Qianwan Terminal

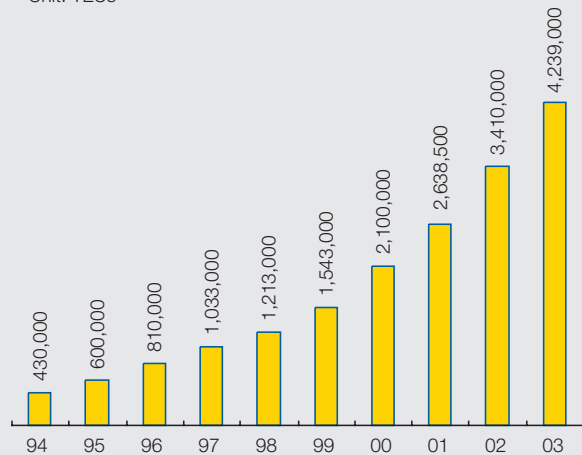
Qingdao Cosport International Terminals

Qingdao port

Qingdao port is located in the Shandong Province, which had economic growth of 13.7% in 2003. The port was ranked the third largest container port in China after Shanghai and Shenzhen. The relocation of the foreign trade container handling facilities at Qingdao port to the western port in Qianwan in 2002 has enhanced the potential for the development of this container terminal. With well established port facilities, efficient management and quality services, Qingdao is expected to become the most important hub ports in northern China with strong future growth potential. The total container throughput for 2003 amounted to approximately 4,239,000 TEUs, up 24.3% year-on-year, mainly attributable to the remarkable economic growth in Shandong Province.

Container throughput of Qingdao port

Unit: TEUs



Dalian port

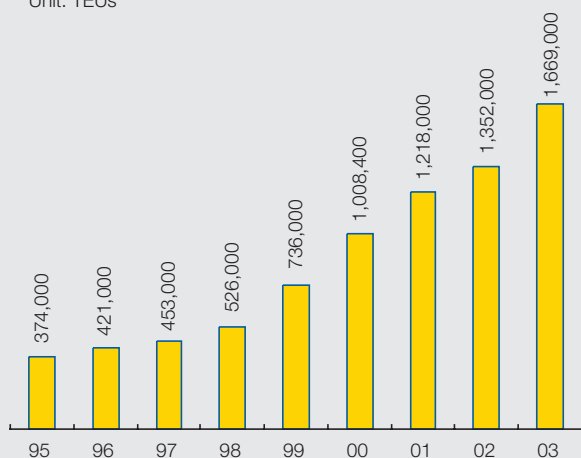
Dalian port is located at the southern end of the Liaoning Eastern Peninsula and is presently one of the largest international container ports in northern China. With northeastern China and eastern Mongolia as its major economic hinterland, the port has been expanded and re-structured continually over the past few years. Dalian has become a large-scale integrated port providing sophisticated services and facilities to its clients. In October 2003, the PRC government announced the policy of “Re-energisation of the Northeastern Region”, initiating rapid development of the northeastern economy. Against this backdrop, there is much room for further development of the port.

Tianjin port

Tianjin port is a major terminal hub along the coastline of northern China and is a principal international trade and container port. Its container throughput has been growing rapidly at a rate of 20% per annum since 1990. During the year, the Tianjin economy grew at a rate of 14.5%, a record high in eight years, resulting in a 25.2% increase in container throughput at the city's port. With several new berths commencing operation, the throughput at Tianjin port is expected to maintain its strong growth momentum.

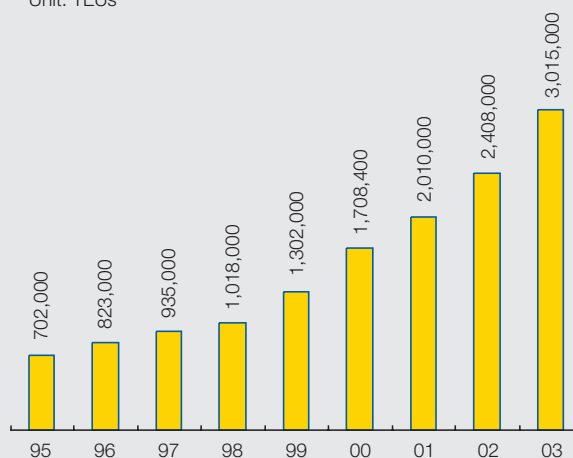
Container throughput of Dalian port

Unit: TEUs



Container throughput of Tianjin port

Unit: TEUs



Qingdao Qianwan Terminal

In July 2003, the Group entered into an agreement to acquire an equity interest in Qingdao Qianwan Terminal Phase II. Subsequently, COSCO Pacific formed a joint venture – Qingdao Qianwan Container Terminal Co., Ltd. (“Qingdao Qianwan Terminal”) with Qingdao Port (Group) Co., Ltd., Denmark’s A.P. Moller and the UK’s P&O Group. The joint venture company officially opened for business on 1st January 2004 operating both Phase II and Phase III. Currently, the Group holds a 20% equity interest in the joint venture company.

The terminal has 11 container berths, eight of which have commenced operation. The terminal spans a quay length of approximately 3,400 metres and a depot covering an area of 2,250,000 square metres. With a depth alongside of 17.5 metres, its berths can handle large container vessels with capacities of 10,000 TEUs. The terminal can handle 6,500,000 TEUs per annum.

During the year, Qingdao Qianwan Terminal Phase II handled a throughput of 1,332,746 TEUs (2002: N/A), accounting for 31.4% (2002: N/A) of the aggregate throughput of the terminals in Qingdao. The substantial increase in throughput is due to the relocation of the foreign trade container handling from the old port area to Qianwan at the end of 2002.

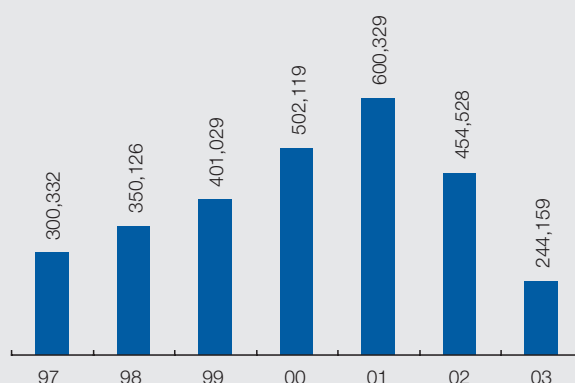
Qingdao Cosport International Terminals

The Group has a 50% equity interest in Qingdao Cosport International Container Terminals Co., Ltd. (“Qingdao Cosport International Terminals”), which is located at no. 47 berth in Qingdao port. The terminal has an area of 250,000 square metres, a quay length of 349 metres and a depth alongside of 13.5 metres. Qingdao Cosport International Terminals is one of the most advanced container terminals in the old port of Qingdao. It provides highly efficient terminal services with an annual handling capacity of 600,000 TEUs.

In 2002, the Qingdao municipal government relocated foreign trade container handling to Qianwan, west of Qingdao. All foreign trade containers are handled by the Qingdao Qianwan Terminal, while all domestic trade containers in Qingdao are now handled by Qingdao Cosport International Terminals. During the year, Qingdao Cosport International Terminals saw a 46.3% decrease in its throughput to 244,159 TEUs (2002: 454,528 TEUs), representing 5.8% (2002: 13.3%) of the aggregate throughput of the terminals in Qingdao.

Container throughput of Qingdao Cosport International Terminals

Unit: TEUs



Dalian Port Container Co.

The Group holds an 8% equity interest in Dalian Port Container Co., Ltd. ("Dalian Port Container Co."), which in turn holds a 51% equity interest in Dalian Container Terminal Co., Ltd., the principal container terminal in the city. Dalian Port Container Co. is also a major shareholder of all other container terminals in Dalian.

During the year, the terminals operated by Dalian Port Container Co. had a throughput of 1,644,409 TEUs (2002: 1,326,463 TEUs), representing a year-on-year increase of 24.0% and accounting for a 98.5% (2002: 98.1%) share of the aggregate throughput of Dalian port. The growth is attributable to the increase in production and transportation of containers in Dalian and an increase in foreign trade shipments.

Dalian Automobile Terminal Co., Ltd.

On 28th December 2003, the Group entered into a joint venture agreement with Dalian Port Group Co., Ltd. and Nippon Yusen Kabushiki Kaisha ("NYK") to set up Dalian Automobile Terminal Co., Ltd., in which the Group has a 30% equity interest. The joint venture was duly incorporated upon completion of its incorporation procedures on 29th January 2004. The terminal has a quay length of 550 metres and is equipped with two berths for roll-on/roll-off vessels. It is expected to commence operation in 2005.

The motor vehicle industry has been growing rapidly in China, and the country has become the fourth largest producer of motor vehicles in the world. In view of this rapid growth, the industry is expected to emerge as one of the major pillars of the domestic economy. However, the supply of motor vehicle terminal services fall far short of demand. Dalian is one of four ports designated for handling motor vehicle imports (the other ports include Tianjin, Shanghai and Guangzhou) and one of the leading ports designated for handling motor vehicle spare parts and component imports. Given the above factors and the fact that the joint venture RoRo shipping operation between COSCO Group and NYK is developing rapidly, considerable business volume is expected to be generated for the terminal.

Tianjin Five Continents International Container Terminal Co., Ltd.

The Group entered into a joint venture agreement with Tianjin Port (Group) Co., Ltd., CSX World Terminal New World (Tianjin) Limited, China Shipping Terminal Development Co., Ltd. and China Merchants International Terminals (Tianjin) Limited on 23rd December 2003 to jointly establish Tianjin Five Continents International Container Terminal Co., Ltd. to invest in, manage and operate terminals in the northern Dongtudi of Tianjin port. The Group holds a 14% equity interest in this joint venture company.

Tianjin Five Continents International Container Terminal Co., Ltd. has 4 berths with a depth alongside of approximately 15.7 metres, spanning a quay length of 1,202 metres. The terminal covers an area of 550,000 square metres. The terminal has a maximum handling capacity of 1,500,000 TEUs.

Overseas

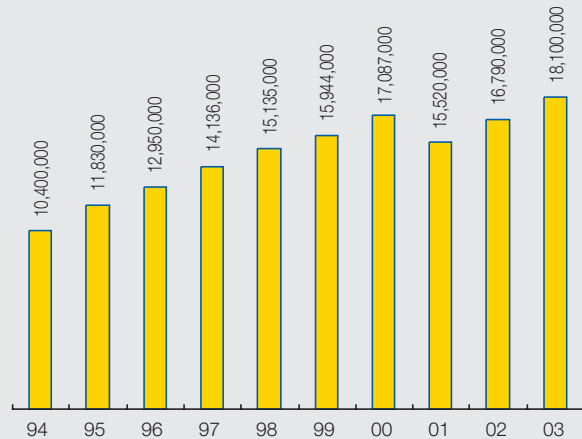


Singapore

Singapore, a major hub in Southeast Asia, is the second largest container port in the world. It is also one of the most efficient ports around the globe. All leading international shipping lines operate shipping routes from or to Singapore. In 2003, the container throughput of Singapore reached 18,100,000 TEUs, an increase of 7.8% over the same period last year. Situated at the centre of the world's primary shipping routes and given the rapid growth and development potential of containerised trading in Southeast Asia, the port of Singapore has promising future potential.

Container throughput of Singapore port

Unit: TEUs



COSCO-PSA Terminal

The Group signed a heads of agreement with PSA Corporation Limited on 30th August 2003 and a formal agreement on 25th October 2003, whereby both parties agreed to establish a joint venture company, COSCO-PSA Terminal Private Limited (“COSCO-PSA Terminal”). The Group holds a 49% equity interest in COSCO-PSA Terminal, which will operate 2 berths in Pasir Panjang Terminals in the port of Singapore in two phases.

The terminal commenced operation in November 2003 with one berth having a quay length of 360 metres and a depth alongside of 15 metres. The berth recorded a throughput of 95,830 TEUs from November to December in 2003. The terminal currently occupies a total area of 114,000 square metres with an annual handling capacity of approximately 500,000 TEUs. By 2008, COSCO-PSA Terminal will be expanded to 2 berths with a quay length of 720 metres. It is equipped with the most advanced terminal facilities in the world, with a total area of about 228,000 square metres and an annual handling capacity of 1,000,000 TEUs.

