

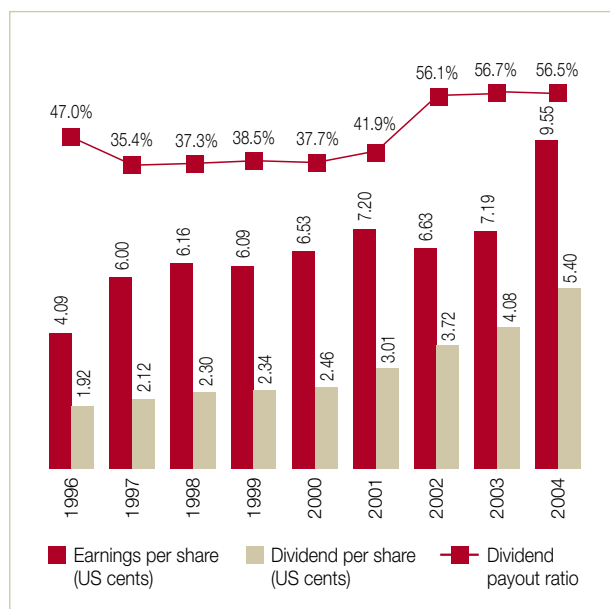
Vice Chairman's report



Vice Chairman's report In 2004, the shipping market continued its growth momentum on the back of the rapid recovery and globalisation of the world economy. This has provided a favourable operating environment for the Company's container leasing, terminal operation and related businesses.

The Company is committed to enhancing its enterprise value and providing a sustainable return to its shareholders. While a company's share price should reflect its enterprise value, the cash dividend forms an essential part of the investment return for shareholders. The Board recommended the payment of a final cash dividend of HK24.6 cents per share (2003: HK18.0 cents). Taking into account the interim dividend of HK17.4 cents per share paid in cash on 8th October 2004, the total cash dividend for 2004 would be HK42.0 cents per share (2003: HK31.8 cents), representing a dividend payout ratio of 56.5% (2003: 56.7%). As a result of its commitment in maintaining a stable dividend payout ratio, the Company has been recognised by Finance Asia as one of the "Top 10 Chinese Enterprises with the Best Dividend Policy". The Company will continue to leverage on its capital strength to enhance the investment return for shareholders.

Maintaining a steady dividend payout policy



Container leasing

Container leasing business made a substantial contribution to COSCO Pacific's profits in 2004. During the year, its turnover was US\$257,046,000 (2003: US\$239,689,000), representing an increase of 7.2% from the previous year. The increase was primarily due to growth of trading market globally, especially the PRC.

Florens has aggressively pursued the market development as well as stepped up its efforts to handle returned containers. At the end of 2004, a total of 38,055 TEUs of returned containers were received from COSCON and 39,488 TEUs (including certain returned containers upon expiry of their leases received before 2004) were disposed of.

Terminals

Currently COSCO Pacific has equity interests in 18 terminals. (Tianjin Five Continents International Container Terminal Co., Ltd. and Zhenjiang Jinyuan Container Terminals Co., Ltd. are pending for approval by relevant authorities in the PRC), of which 13 are in operation, with a total of 72 berths, including 2 for vehicles and 3 multi-purpose berths. During the year, the terminal business achieved strong performance. The total throughput was

23,492,425 TEUs (2003: 16,825,899 TEUs), representing a year-on-year increase of 39.6%. In particular, the performances of the Company's overseas terminals and those in the Bohai Rim region were outstanding, with these terminals recording an increase in throughput of 496.7% and 132.3% respectively. Terminals in the Yangtze River Delta registered an increase in throughput of 18.8%, while terminals in the Pearl River Delta achieved a growth in throughput of 11.3%.

Leveraging the extensive shipping route network of COSCON, COSCO Pacific will seize opportunities to invest in major overseas hub ports. In November 2004, the Company entered into an agreement to acquire 25% equity interest in Antwerp Terminal in Belgium. This marked the extension of COSCO Pacific's overseas terminal network into Europe.

Logistics

In January 2004, COSCO Pacific completed the acquisition of 49% equity interest in COSCO Logistics. During the year, both the business volume and revenue of COSCO Logistics increased significantly from 2003. This investment provided profit contribution of US\$14,073,000 to COSCO Pacific in 2004, representing a growth of 24% when comparing with the pro-forma profit of 2003.

With its well-established brandname, business network and long operating history, COSCO Logistics will further develop its logistics business for a higher profit contribution.

Capital expenditure and financing

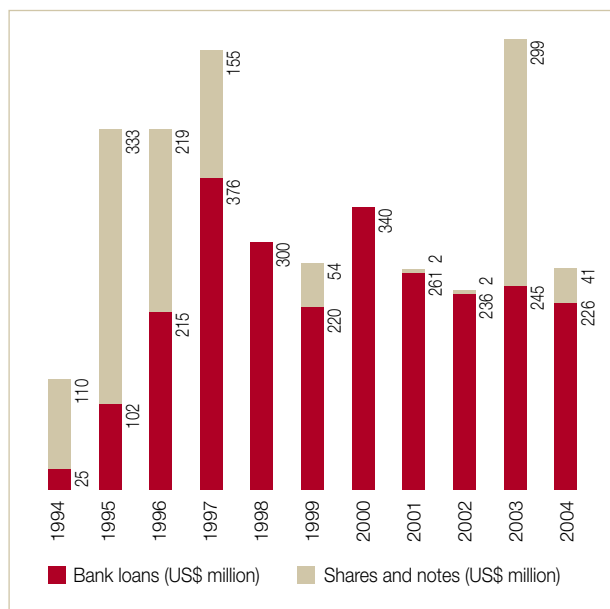
In 2004, COSCO Pacific made a total investment of US\$676,101,000 (2003: US\$300,764,000), including US\$270,947,000 (2003: US\$195,606,000) for the purchase of 155,526 TEUs (2003: 142,218 TEUs) of new containers, US\$98,497,000 (2003: US\$100,355,000) for investment in terminals, US\$160,079,000 (2003: Nil) for the acquisition of 49% equity interest in COSCO Logistics and US\$127,514,000 (2003: Nil) for the acquisition of approximately 16.23% equity interest in CIMC.

Two major fund raising exercises were undertaken during the year. A subsidiary of Florens raised a loan of US\$205,000,000 on a club deal basis to finance the purchase of new containers and for general working capital.

In November 2004, the Company entered into an agreement to acquire 25% equity interest in Antwerp Terminal which is now in the course of arranging a loan of €143,400,000. This loan agreement will be signed in March 2005.

2004 saw an upward trend in the US interest rates and it is expected that the US Federal Reserve will continue to increase the interest rates in 2005. Currently, fixed rate loans account for 31.0% of the total outstanding loans of COSCO Pacific. The Company will continue to review market trends and will undertake interest rate swaps when necessary to control relevant risks.

Fund raising activities



Prospects

On the back of the strong growth of China's economy in 2004, the global shipping market is expected to maintain its pace of expansion in 2005. Capitalising on its established business strengths, COSCO Pacific will take an aggressive approach to enhance profitability through further expanding its market share in container leasing, terminals, logistics and container manufacturing sectors.

COSCO Pacific will further promote the growth and profitability of its container related business by expanding its asset base. In line with its current development strategies, COSCO Pacific will further expand its container leasing operation as well as open up more income streams by developing terminals and logistics services to meet changing market demands.

Given our aim of creating value for shareholders, I am confident that our management team will continue to explore new projects and improve COSCO Pacific's competitiveness and management efficiency, thereby further enhancing the operating efficiency and corporate value of the Company.

LIU Guoyuan
Vice Chairman
4th March 2005