

Terminal and related businesses

Review of the container terminal industry The strong growth momentum in China's foreign trade brought about a substantial increase in the number of new containers used in outward-bound transportation. The robust growth in foreign trade, coupled with an improved trade environment, ensured a steady increase in the demand for container transportation. According to statistics released by China's Ministry of Communications, the volume of 2004 container transportation of China accounted for approximately 25% of the world's total, with China capturing a market share of 48% in exports via Asian and European routes. The container throughput of China's ports accounted for 12.5% of the world's total. In 2004, the total container throughput of the China mainland ports was 61,800,000 TEUs, representing a year-on-year growth of 27%. Driven by the buoyant trade and container transportation in China, container terminals around the globe showed strong performance in 2004. In particular, major ports in the US and Europe registered record-high throughput.

Business strategies

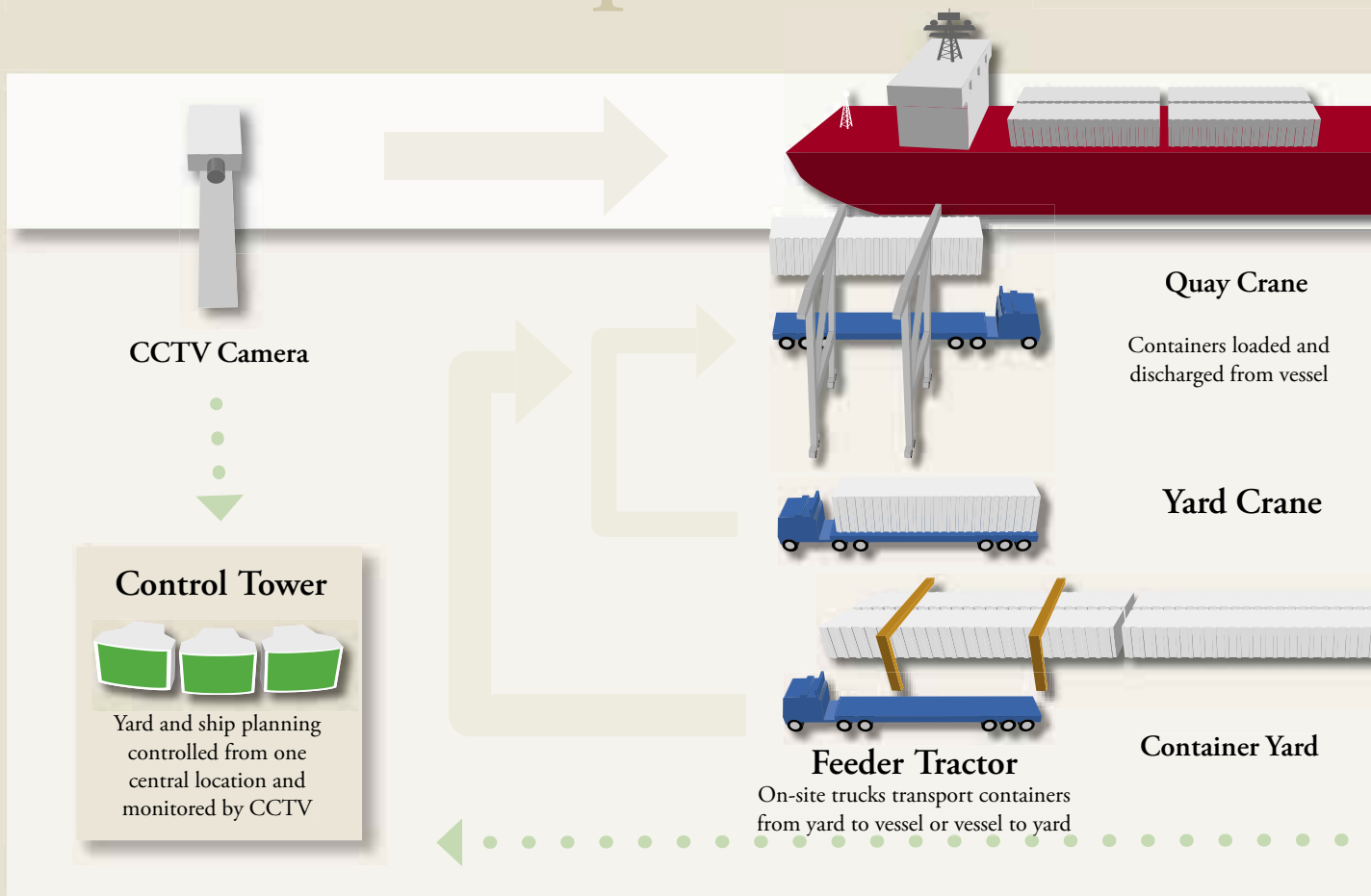
Operating upon solid foundations in China with full support from its parent company, COSCO, the largest shipping group in China, COSCO Pacific's goal as an international terminal operator has been coming into shape. While the focus of COSCO Pacific's future investment and development remains in China, the most promising country in the world in terms of potential demand for terminal services, the Company will also seize any opportunity presented by the development of the global container terminal industry to increase its investment in major overseas terminals, on the back of the expanding container shipping fleet of COSCO and other major shipping liners.

COSCO Pacific will ensure stable business volumes with growth potential and prospects for profitability for all terminals in its investment portfolio by enhancing existing partnerships with other major operators, including major liners, thereby capitalising on the complementary advantage.

While continuing with focused development and expansion of container terminals on the back of its expertise, COSCO Pacific will also explore, on the basis of in-depth research with an aim to secure return, the possibility of investing in and operating specialised bulk-cargo terminals with good business potentials, such as terminals that handle mineral ore, coal and grain, etc., thereby capitalising on the support of COSCO's versatile shipping fleet.

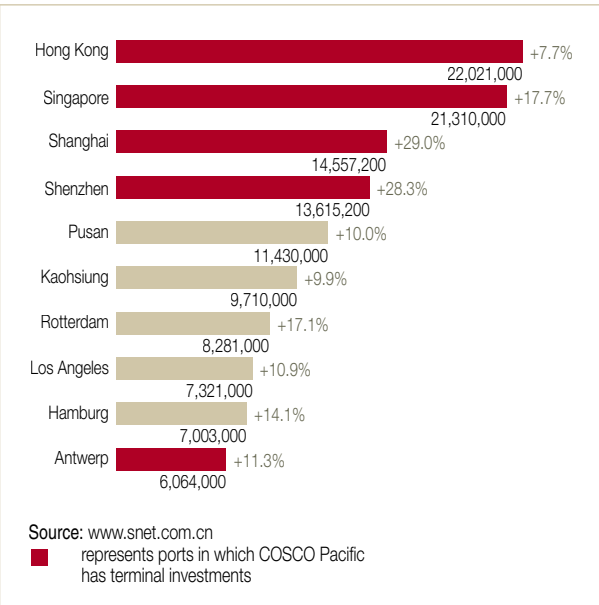
As a major international terminal operator, COSCO Pacific will continue to reinforce its position in the industry by upgrading its terminal operations and management capabilities in all areas.

Terminal operation



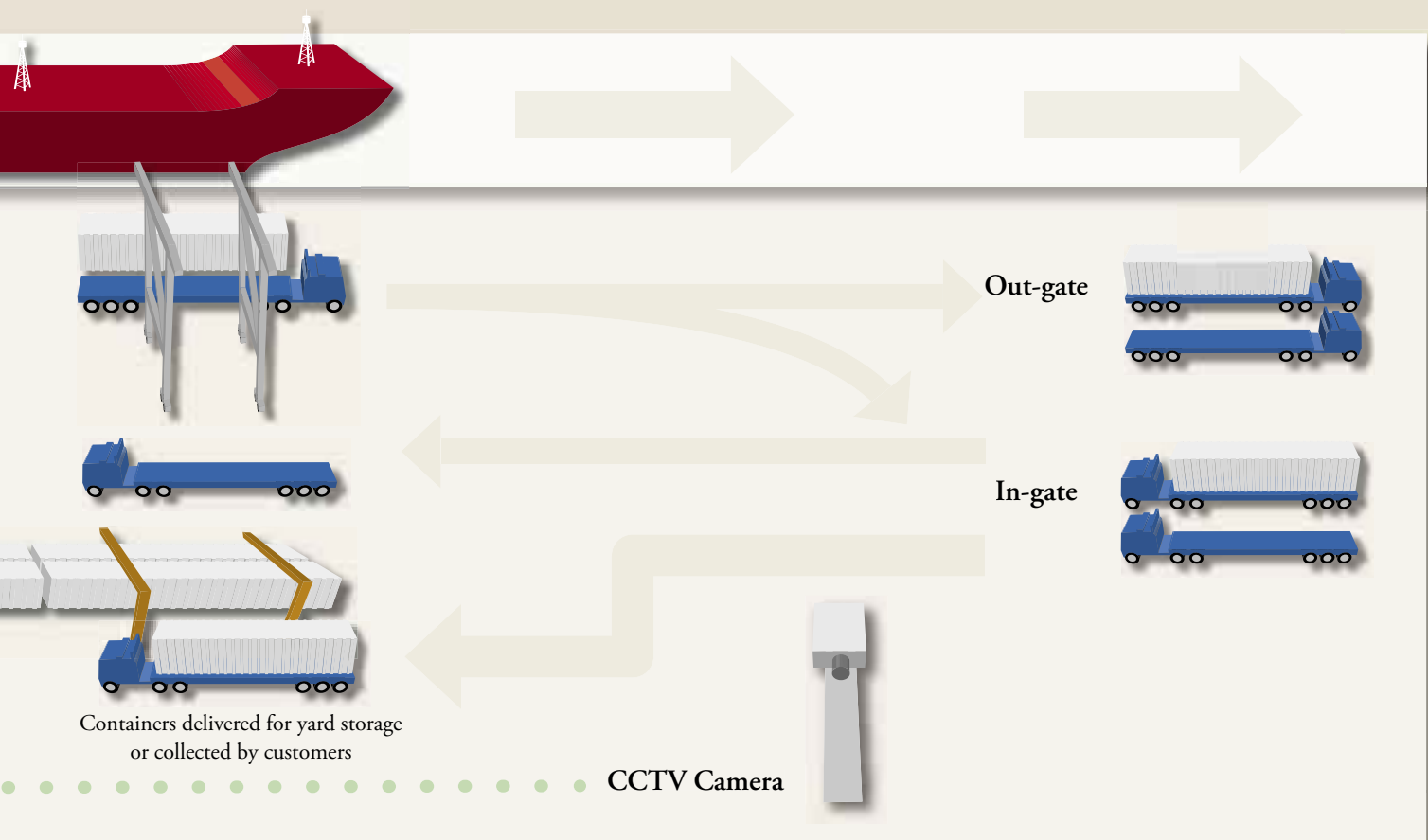
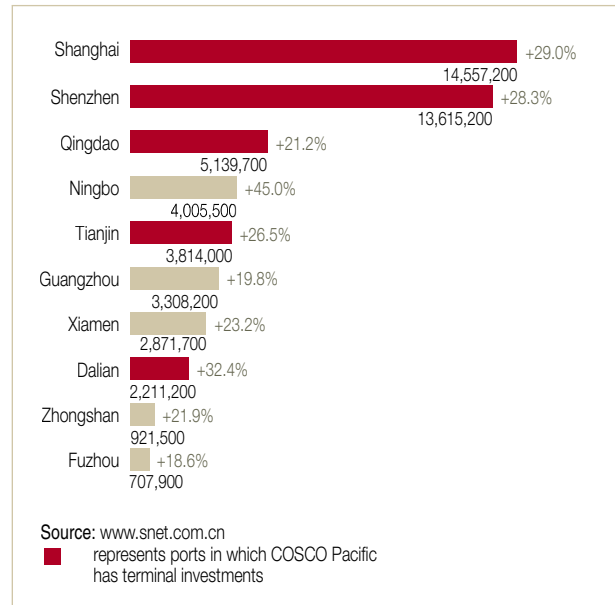
Throughput of the world's top ten container ports in 2004

Unit: TEUs



Throughput of China's top ten container ports in 2004

Unit: TEUs



	Shareholding	Total area (square metres)	No. of berths (metres)	Quay length (metres)	Depth alongside (metres)	Annual handling capacity (TEUs)
PEARL RIVER DELTA			13			11,200,000
COSCO-HIT	50%	292,360	2	640+446*	15.5	1,800,000
Yantian International Terminal (Phase I, II)	5%	1,180,000	5	1,650+700*	14.0-15.5	4,500,000
Yantian International Terminal (Phase III)	4.45%	900,000	4	1,400	16	3,600,000
Shekou Terminals	17.5%	204,027	2	650	14	1,300,000
YANGTZE RIVER DELTA			20			7,200,000
Shanghai Terminals	10%	830,000	10	2,281	9.4-10.5	3,700,000
Shanghai Pudong International Terminals	20%	500,000	3	900	12	2,300,000
Zhangjiagang Win Hanverky Terminal	51%	251,585	2	505	10	500,000
Yangzhou Yuanyang International Ports	55.59%	350,000	4**	931+115*	11	500,000 4,700,000 tonnes bulk cargoes
Zhenjiang Jinyuan Terminals***	25%	105,000	1	233	13	200,000
BOHAI RIM			31			13,600,000
Qingdao Qianwan Terminal	20%	2,250,000	11	3,400	17.5	6,500,000
Qingdao Cosport Terminals	50%	186,800	1	349	13.5	600,000
Dalian Port Container Co.	8%	710,000	9	2,335	8.9-14.0	3,000,000
Dalian Automobile Terminal	30%	540,000	2	640	11	600,000 vehicles
Dalian Port Terminal	20%	250,000	2	652	13.5	1,000,000
Tianjin Five Continents International Terminal***	14%	516,000	4	1,202	15.7	1,500,000
Yingkou Terminals	50%	426,000	2	576	14	1,000,000
OVERSEAS			8			4,500,000
COSCO-PSA Terminal	49%	228,000	2	720	15	1,000,000
Antwerp Terminal	25%	1,263,000	6	2,450	17	3,500,000
Total number of berths in container terminals			67			36,500,000
Number of berths in the automobile terminal			2			600,000 vehicles
Number of berths in the multipurpose terminal			3			4,700,000 tonnes bulk cargoes

* : barges berth
** : 3 of them are multipurpose berths
*** : these projects are pending for approval by relevant authorities in the PRC

Business review

During the year, container terminal business achieved an excellent 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 terminals in overseas and Bohai Rim regions were outstanding. They recorded an increase of

496.7% and 132.3% respectively. The next best performers were terminals in the Yangtze River Delta, which registered an increase in throughput of 18.8%, followed by terminals in the Pearl River Delta with a growth rate of 11.3%. COSCO Pacific was expected to rank the fifth among global terminal operators as at the end of 2004 by Drewry Shipping Consultants Limited.

Throughput of Container Terminals ^(Note 1)

(Unit: TEUs)	Shareholding	2004	2003	+/-
PEARL RIVER DELTA ^(Note 2)		9,006,145	8,094,900	+11.3%
COSCO-HIT	50%	1,697,212	1,513,559	+12.1%
Yantian International Terminals (Phase I, II and III)	4.45%-5%	6,259,515	5,258,106	+19.0%
Shekou Terminals	17.5%	1,049,418	1,323,235	-20.7%
YANGTZE RIVER DELTA		6,430,443	5,413,855	+18.8%
Shanghai Terminals	10%	3,650,319	3,400,963	+7.3%
Shanghai Pudong International Terminals	20%	2,336,740	1,765,586	+32.3%
Zhangjiagang Win Hanverky Terminal	51%	328,199	247,306	+32.7%
Yangzhou Yuanyang International Ports	55.59%	115,185	N/A	N/A
BOHAI RIM		7,483,974	3,221,314	+132.3%
Qingdao Qianwan Terminal	20%	4,532,769	1,332,746	+240.1%
Qingdao Cosport Terminals	50%	385,856	244,159	+58.0%
Dalian Port Container Co.	8%	2,172,252	1,644,409	+32.1%
Yingkou Terminals	50%	393,097	N/A	N/A
OVERSEAS		571,863	95,830	+496.7%
COSCO-PSA Terminal	49%	571,863	95,830	+496.7%
Total throughput		23,492,425	16,825,899	+39.6%

Note 1: The data represents container throughput as from the effective date of the Group's acquisition of the respective equity interests.

Note 2: The disposal of a 10% equity interest in River Trade Terminal Holdings Limited ("RTT") was completed on 27th June 2003 and throughput of RTT in 2003 was not included above.

Pearl River Delta

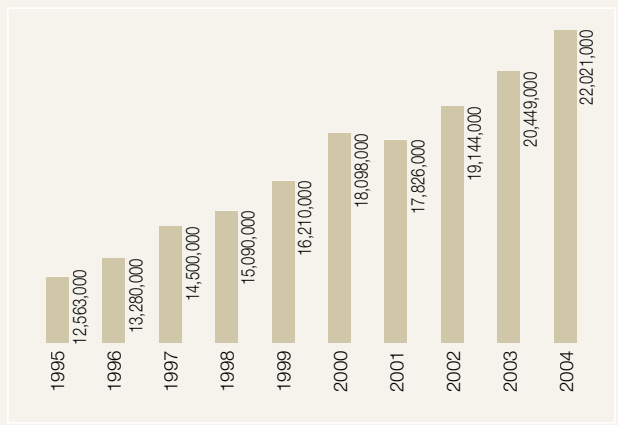


Hong Kong

Situated at the mouth of the Pearl River and in close proximity to Shenzhen in the southern province of the Guangdong Province, Hong Kong's prime location and deep water harbour have made it the most important gateway for foreign trade into and out of China. The territory has grown into an international financial, information and shipping centre. In 2004, the annual container throughput of Hong Kong ranked the first in the world at 22,021,000 TEUs, representing a year-on-year increase of 7.7%. Known for its efficiency, superior international route connections and advanced information networks, Hong Kong continues to play an important role among the major container terminals in the southern China by providing efficient services for its phenomenal growth in container trade.

Container throughput of Hong Kong

Unit: TEUs

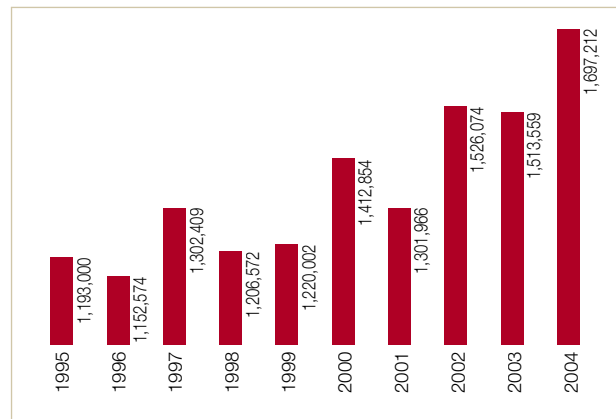


COSCO-HIT

In 2004, the throughput of COSCO-HIT Terminals (Hong Kong) Limited ("COSCO-HIT") increased by 12.1% to 1,697,212 TEUs (2003: 1,513,559 TEUs), representing a 12.6% (2003: 12.5%) market share of the total throughput of the Hong Kong Kwai Chung Terminals. The increase in throughput was mainly due to the rapid economic growth in southern China which in turn fueled an increase in the import and export of goods.

Container throughput of COSCO-HIT

Unit: TEUs



Handling and storage of containers

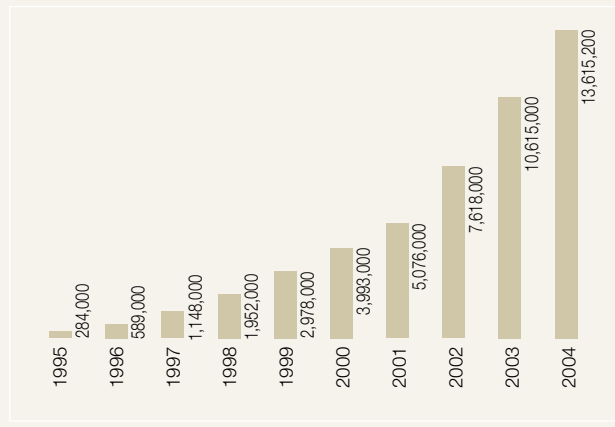
Plangreat Limited, a wholly owned subsidiary of the Company, and its subsidiaries are engaged in the provision of container handling, stevedoring, storage, repairs and transportation services. During the year, despite the slight increase in the wharf operation in Hong Kong, there was different degrees of decrease in the container storage and drayage at the depots in Hong Kong.

Shenzhen port

In 2004, the total throughput of Shenzhen port reached 13,615,200 TEUs, representing a year-on-year growth of 28.3% over 2003, making it the second busiest container port in China and the fourth busiest in the world. This growth has largely been due to the rapid economic growth in southern China and the resulting increase in imports and exports.

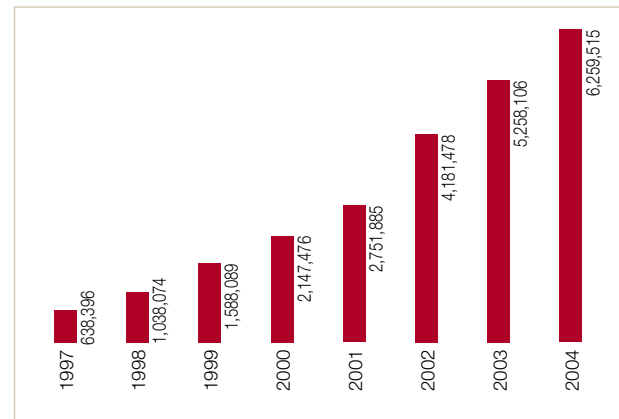
Container throughput of Shenzhen port

Unit: TEUs



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

Unit: TEUs



Shekou Terminals

During the year, the total throughput of Shekou Container Terminals Ltd. ("Shekou Terminals") was 1,049,418 TEUs (2003: 1,323,235 TEUs), representing a year-on-year decrease of 20.7% and accounting for 7.7% (2003: 12.5%) share of the total throughput of Shenzhen port.

Yantian International Terminals

During the year, the total throughput of Phase I, II and III of Yantian International Container Terminals Limited ("Yantian International Terminals") was 6,259,515 TEUs (2003: 5,258,106 TEUs), representing a growth of 19.0% and accounting for 46.0% (2003: 49.5%) share of the total throughput of Shenzhen port.

Yangtze River Delta

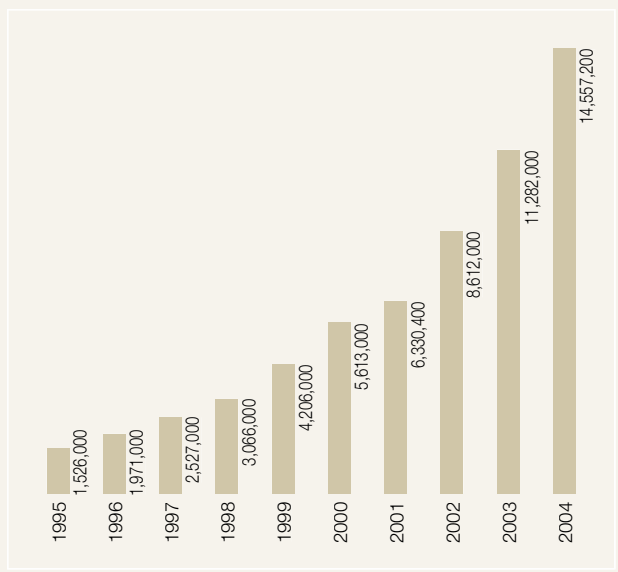


Shanghai port

In 2004, the throughput of Shanghai port reached 14,557,200 TEUs, a year-on-year growth of 29.0% over last year, making it the third busiest container port in the world. This growth was largely due to rapid economic growth in the Yangtze River Delta. Stimulated by the robust economy and trade, the throughput of Shanghai port increased rapidly and reached another record high.

Container throughput of Shanghai Port

Unit: TEUs

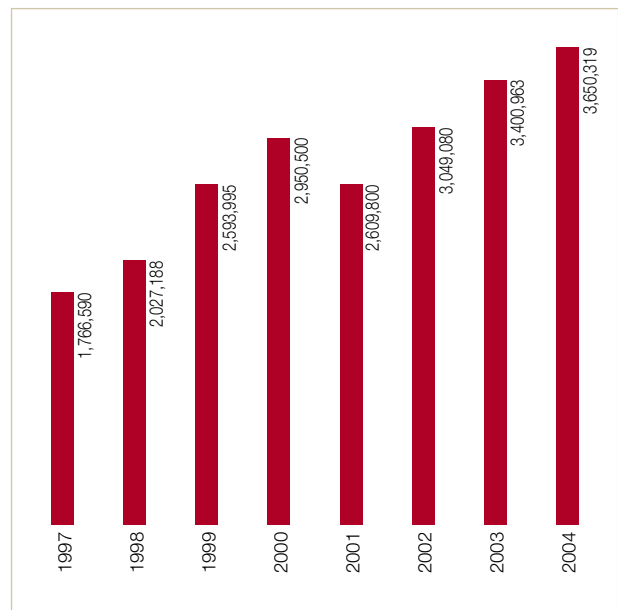


Shanghai Terminals

During 2004, Shanghai Container Terminals Limited ("Shanghai Terminals") handled 3,650,319 TEUs (2003: 3,400,963 TEUs), a year-on-year growth of 7.3% over last year, representing approximately 25.1% (2003: 30.1%) of Shanghai's overall throughput.

Container throughput of Shanghai Terminals

Unit: TEUs



Shanghai Pudong International Terminals

In 2004, Shanghai Pudong International Container Terminals Limited ("Shanghai Pudong International Terminals") handled a throughput 2,336,740 TEUs (2003: 1,765,586 TEUs), representing a year-on-year growth of 32.3% over last year and accounting for 16.1% (2003: 15.6%) of the aggregate throughput of the container terminals in Shanghai. Given its prime location in Shanghai, Shanghai Pudong International Terminals has a prosperous future.

Zhangjiagang port

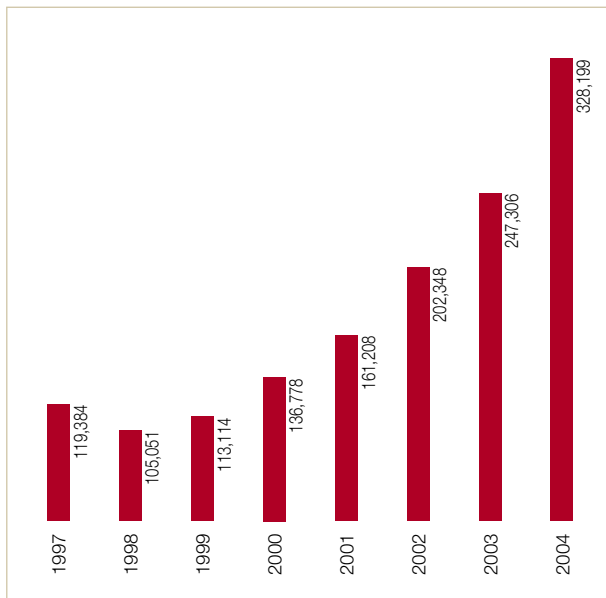
Zhangjiagang port is located at the southern shore of Fujiangsha, downstream from the Yangtze River, in Zhangjiagang, City of Suzhou. The port serves the shipping needs of 12 counties and 3 cities in Jiangsu Province including Suzhou, Wuxi, Changzhou, and other counties and cities to the north of the Yangtze River and to the opposite of the port across the river. Zhangjiagang Win Hanverky Terminal is the only container terminal in Zhangjiagang.

Zhangjiagang Win Hanverky Terminal

Zhangjiagang Win Hanverky Container Terminal Co., Ltd. ("Zhangjiagang Win Hanverky Terminal") has two container berths. During the year, the throughput of Zhangjiagang Win Hanverky Terminal increased by 32.7% to 328,199 TEUs (2003: 247,306 TEUs). With increased container cargo shipping along the Yangtze River, Zhangjiagang Win Hanverky Terminal's throughput is expected to maintain its growth momentum.

Container throughput of Zhangjiagang Win Hanverky Terminal

Unit: TEUs



Yangzhou port

Yangzhou port is 12 kilometres away from Yangzhou City, 305 kilometres east from Shanghai and 87 kilometres west from Nanjing. It is situated at the intersection of two major waterways, the Yangtze River and the Beijing-Hangzhou Grand Canal. Yangzhou port directly serves Yangzhou City and its seven counties, while it indirectly serves northern Jiangsu, Anhui, Henan and certain regions in Shandong. The port is equipped with three multi-purpose berths owned by Yangzhou Yuanyang International Ports with a combined capacity of handling over 10,000 tonnes of vessels and 4,700,000 tonnes of bulk cargo. A new berth is under construction which will be able to handle 300,000 TEUs throughput annually.

Yangzhou Yuanyang International Ports

During the year, Yangzhou Yuanyang International Ports Co. Ltd. ("Yangzhou Yuanyang International Ports") handled a total of 115,185 TEUs and 2,991,926 tonnes of bulk cargo. Since its commencement of operation, Yangzhou Yuanyang International Ports has handled all containers and bulk cargoes in Yangzhou Port.

Zhenjiang port

Zhenjiang port is at Dagang District, which is 25 kilometres away from the urban area. The port directly serves Zhenjiang City and those cities in Jiangsu lying along the Beijing-Hangzhou Grand Canal, including Changzhou, Yangzhou, Huaiyang, and western Yancheng. The port indirectly serves the areas along Dan River, Jing River, Li River and Cao River, southern Anhui, the basin of Huai River and all provinces lying along Yangtze River. The port currently has one container berth.

Zhenjiang Jinyuan Terminals

COSCO Ports (Zhenjiang) Limited, a wholly owned subsidiary of COSCO Pacific, entered into an agreement on 17th June 2004 to take up 25% equity interest in Zhenjiang Jinyuan Container Terminals Co., Ltd. ("Zhenjiang Jinyuan Terminals"). Zhenjiang Jinyuan Terminals will have a total investment and registered capital of RMB132,000,000 and RMB52,800,000 respectively and will manage and operate a container terminal situated at Zhenjiang, Jiangsu in the Yangtze River Delta. This project is currently pending for approval from relevant authorities in the PRC.

Bohai Rim



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 with Qingdao Port (Group) Co., Ltd., Denmark's A.P. Moller and the UK's P&O Group. The company officially opened for business on 1st January 2004 for both Phase II and Phase III. The Group holds 20% equity interest in the joint venture company.

During the year, Qingdao Qianwan Terminal handled a throughput of 4,532,769 TEUs (2003: 1,332,746 TEUs), representing a year-on-year increase of 240.1% and accounting for 88.2% (2003: 31.4%) of the aggregate throughput of the terminals in Qingdao. The substantial increase in throughput was due to the sharp rise in the container throughput at Qingdao port. In addition, Qingdao Qianwan Terminal operated a total of 8 berths in Phase II and III in 2004, compared with only 3 berths in Phase II in 2003.

Qingdao port

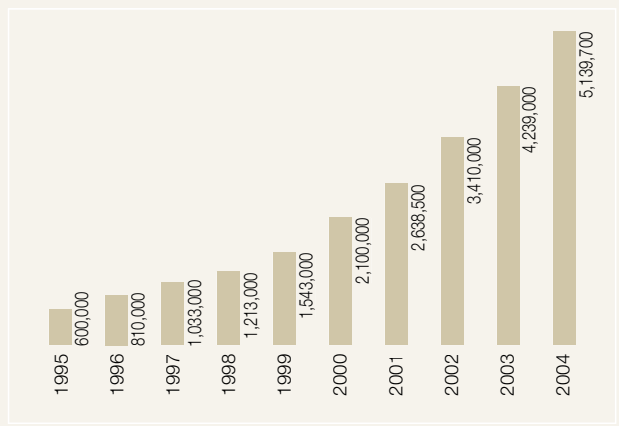
Qingdao port was ranked the third largest container port in China after Shanghai and Shenzhen. With well established port facilities, efficient management and quality services, Qingdao is one of the most important hub ports in northern China with strong future growth potential. The total container throughput for 2004 amounted to approximately 5,139,700 TEUs, a year-on-year growth of 21.2%, mainly attributable to the remarkable economic growth in Shandong Province. In 2004, the province registered a year-on-year increase of 36.1% in both imports and exports. This has driven the increase in the container throughput of Qingdao port.

Qingdao Cosport Terminals

During the year, Qingdao Cosport International Container Terminals Co., Ltd. ("Qingdao Cosport Terminals") saw a 58.0% increase in its throughput to 385,856 TEUs (2003: 244,159 TEUs), representing 7.5% (2003: 5.8%) of the aggregate throughput in Qingdao.

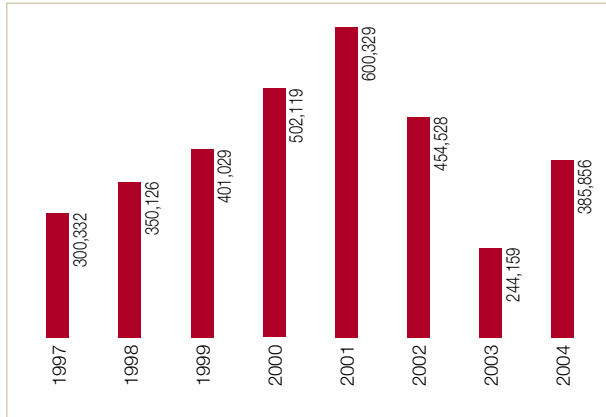
Container throughput of Qingdao Port

Unit: TEUs



Container throughput of Qingdao Cosport Terminals

Unit: TEUs

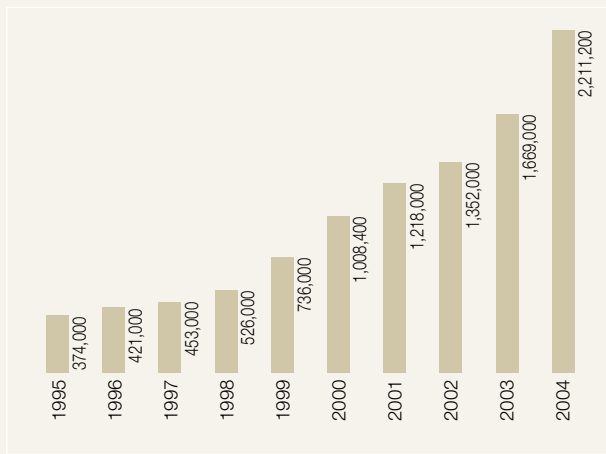


Dalian port

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 restructured over the past few years. Dalian has become a large-scale integrated port providing sophisticated services and facilities. 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 huge room for further development of the port. Dalian Port is also recognised as "Shipping Centre of Northeast Asia" by the State Council of the PRC.

Container throughput of Dalian Port

Unit: TEUs



Dalian Port Container Co.

During the year, the terminals operated by Dalian Port Container Co., Ltd. ("Dalian Port Container Co.") handled a throughput of 2,172,252 TEUs (2003: 1,644,409 TEUs), representing a year-on-year growth of 32.1% and accounting for 98.2% (2003: 98.5%) of the aggregate throughput of Dalian port. The increase is primarily attributable to the growth in production and transportation volume of containers in Dalian. The new foreign trade shipping services launched during the year are expected to facilitate further throughput growth of the joint venture terminals in the years to come. The Group holds 8% equity interest in Dalian Port Container Co., Ltd., which in turn holds 51% equity interest in Dalian Container Terminal Co., Ltd. and is also a substantial shareholder of Dalian Dagang China Shipping Container Terminal Co., Ltd. and Dalian Container Terminal Co., Ltd.

Dalian Automobile Terminal

On 29th January 2004, Dalian Automobile Terminal Co., Ltd. ("Dalian Automobile Terminal"), in which the Group has 30% equity interest, was established as a joint venture with Dalian Port Group Co., Ltd. and Nippon Yusen Kabushiki Kaisha. This terminal, situated at Dayaowan of Dalian, is COSCO Pacific's first investment in a roll-on/roll-off vehicle terminal. It is expected to commence operation at the end of 2005 with an annual handling capacity of 600,000 vehicles.

Dalian Port Terminal

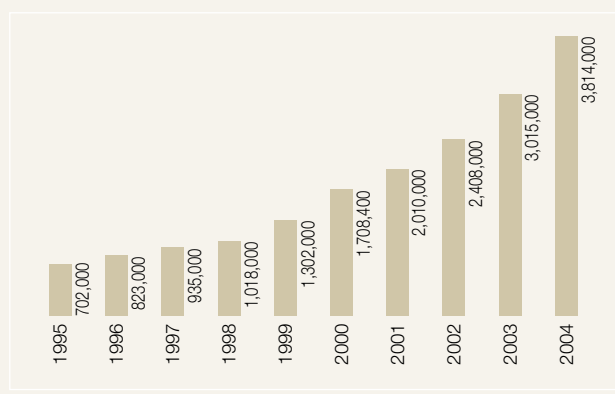
The Group has 20% equity interest in Dalian Port Container Terminal Co., Ltd. ("Dalian Port Terminal") which has a total investment of RMB720,000,000 and a registered capital of RMB240,000,000. Dalian Port Container Co. will take over two berths from Phase II of the Dalian Dayao Wan Terminal in the first half of 2005. In connection with this, Dalian Port Terminal will obtain the operating rights of these berths by way of a lease.

Tianjin port

Tianjin port is a major terminal hub along the coastline of northern China and is a major international trade and container port. Its container throughput has been growing rapidly since 1990. During the year, the port recorded a 26.5% increase in container throughput. With the expected economic growth and increased business development resulting from the 2008 Beijing Olympic Games, the throughput at Tianjin port is expected to maintain its strong growth momentum.

Container throughput of Tianjin Port

Unit: TEUs



Tianjin Five Continents International Terminal

On 23rd December 2003, the Group entered into a joint venture contract 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 to jointly invest, manage and operate the Dongtudi Container Terminal in Tianjin. The Group holds 14% equity interest in the joint venture company. Due to changes in the shareholders of the joint venture company, the Group signed a revised joint venture contract with Tianjin Port Holdings Co., Ltd., NWS Ports Management Limited, China Shipping Terminal Development Co., Ltd. and China Merchants International Terminals (Tianjin) Limited on 16th December 2004 to form Tianjin Five Continents International Container Terminal Co., Ltd. ("Tianjin Five Continents International Terminal"). Except for slight changes in shareholders and a revised total investment amount of RMB2,378,000,000 as compared

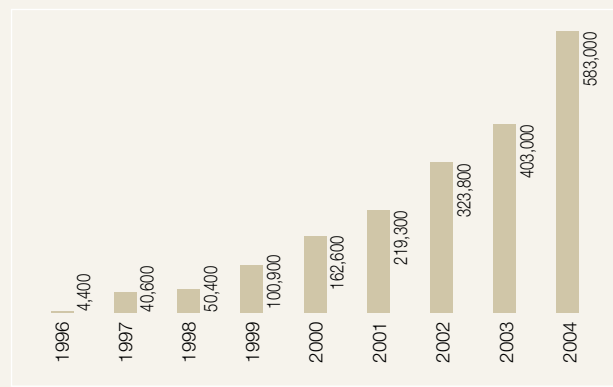
to RMB2,250,000,000 previously, the terms of the new joint venture contract were substantially the same as the 2003 joint venture contract. This project is pending for the approval from the relevant government authorities.

Yingkou port

Yingkou port is one of the most convenient ports in the north eastern China region. It is also one of the 20 major ports along the coast of China. It plays an essential role as a transportation hub in the PRC and enjoys unparalleled geographic advantages. Currently, Yingkou port's container throughput in respect of domestic trade ranks first among ports in north eastern China. As the trend of containerisation becomes more and more widespread in north eastern China, Yingkou port is expected to expand its container business. In 2004, the throughput of Yingkou port was 583,000 TEUs, an increase of 44.7% year on year.

Container throughput of Yingkou Port

Unit: TEUs



Yingkou Terminals

COSCO Pacific entered into an agreement with COSCO on 15th June 2004 regarding the acquisition of 50% equity interest in Yingkou Container Terminals Co., Ltd. ("Yingkou Terminals") for a cash consideration of RMB22,500,000. During the year, the terminal handled a throughput of 393,097 TEUs, accounting for 67.4% of the aggregate throughput of Yingkou port. It is currently the only terminal in Yingkou dedicated exclusively to the handling of container cargoes.

Overseas

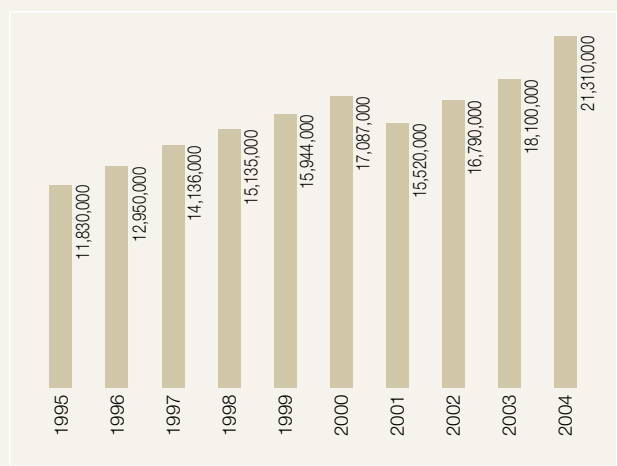


Singapore Port

Singapore, a major hub in Southeast Asia, has been maintaining its position as the second busiest container port in the world for many years. 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 2004, the container throughput of Singapore reached 21,310,000 TEUs, a year-on-year growth of 17.7% over 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 prospects.

Container throughput of Singapore Port

Unit: TEUs



COSCO-PSA Terminal

COSCO-PSA Terminal Private Limited ("COSCO-PSA Terminal") is a joint venture between the Group and PSA Corporation Limited. The terminal will operate 2 berths in Pasir Panjang Terminals in the port of Singapore in two phases. The joint venture is currently operating one berth. The joint venture company will expand to operate two berths with a total annual handling capacity of 1,000,000 TEUs. During the year, the terminal recorded a throughput of 571,863 TEUs (2003: 95,830 TEUs), accounting for 2.7% (2003: 0.5%) of Singapore's total container throughput.



Antwerp, Belgium

Antwerp is one of the fastest growing container ports in Europe. It ranks as the third largest port in Europe and the tenth largest in the world. The total container throughput for 2004 amounted to 6,064,000 TEUs (2003: 5,450,000 TEUs), a year-on-year growth of 11.3%.

Antwerp Terminal

The Group entered into an agreement with P&O Ports Europe NV on 16th November 2004 to acquire 25% equity interest in Antwerp Gateway NV ("Antwerp Terminal") in order to participate in the development and operation of a container terminal situated in the east of Deurganckdock in Antwerp.

The project will be completed in three phases. Upon final completion, the terminal will have 6 berths providing an annual handling capacity of approximately 3,500,000 TEUs. Phase I, which includes 4 berths, is expected to be completed and commence operations by July 2005.