



Vice Chairman's Report



The global economic growth benefited COSCO Pacific's container terminal, container leasing and related businesses in 2005.

The Company aims to further strengthen its global container terminal network via organic growth and further investments in terminals in China and overseas. Our carrier-terminal partnership strategy will remain key to our future success. At the same time, COSCO Pacific will endeavour to maintain its market share and industry leadership in container leasing. We view container manufacturing as a complementary business, enhancing quality and ensuring supply of containers to our leasing business. COSCO Pacific continues to target stable growth in its logistics business to underpin the rapid growth projected for the Company overall.

COSCO Pacific's overall strategy of rapid and consistent growth will be supported by each of its business units, and will maintain and enhance its position as a global industry leader.

Container terminals

The Group's container terminal business grew strongly, with throughput up 16.2% to 26,079,612 TEUs. During the year, COSCO Pacific further strengthened its global network both by acquiring new terminals and increasing its investment in existing terminals. The Group's total number of berths increased by 30 to 100 in 2005.

During the year, COSCO Pacific re-adjusted its terminal development strategy in the Pearl River Delta. In order to better integrate its capital and resources in the region, and also to further strengthen its competitiveness there, the company sold its 17.5% equity interest in Shekou Container Terminals Ltd. ("Shekou Terminal") and signed a joint venture contract to acquire a 59% equity interest in Guangzhou Nansha Port Phase II. In the Yangtze River Delta, COSCO Pacific signed a joint venture agreement to acquire a 10% equity interest in Shanghai Yangshan Port Phase II. Overseas, the Company signed a share purchase agreement to acquire a 20% equity interest in Suez Canal Terminal at Port Said, Egypt.

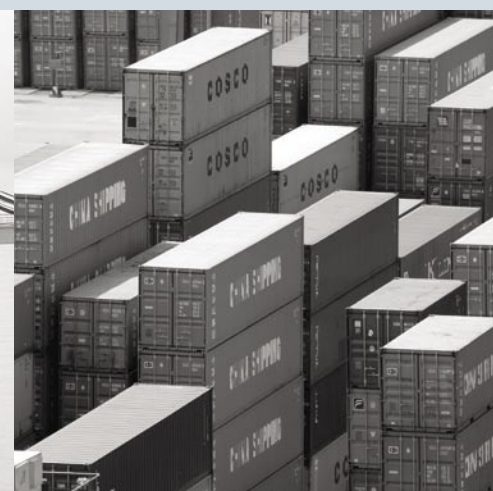
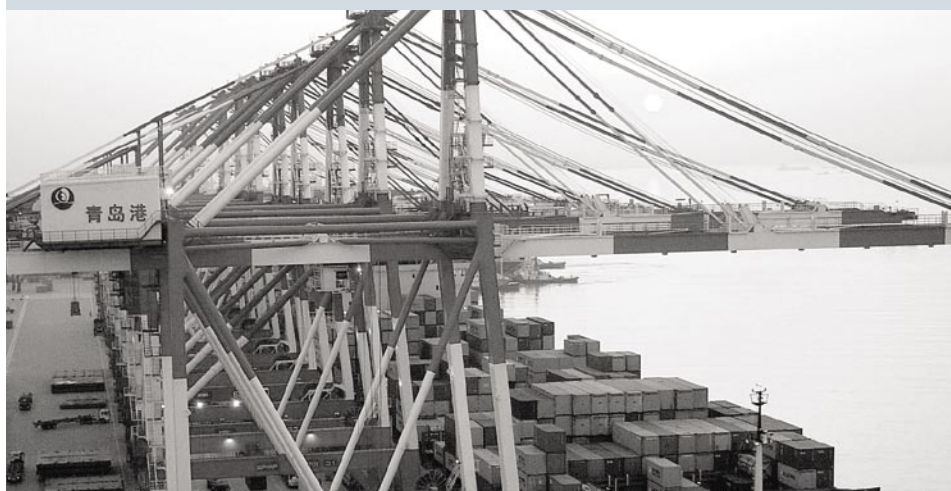
We remain positive on the outlook for COSCO Pacific's operating environment in 2006, with healthy growth predicted for China's foreign trade, both imports and exports. In the Yangtze River Delta, a rapid increase in river transport to support international shipping through Yangshan is expected to boost throughput at the Group's feeder ports in the Yangtze River Delta.

We project container throughput growth to result from newly acquired stakes in terminals already in operation as well as newly built terminals commencing operations. This is in addition to increasing capacity and organic growth at existing terminals.

Container leasing

Ranked third globally, COSCO Pacific's container leasing business continued to flourish last year. Turnover from container leasing rose 7.5% to US\$276,313,000 in 2005. As at 31st December 2005, the Group's container fleet reached 1,042,852 TEUs, up 13.5% on the previous year. COSCO Pacific's container average utilisation rate was approximately 95.5% in 2005 (2004: 97.0%), 4.6 percentage points above the industry average of around 90.9% (2004: 92.0%).

We are positive on the outlook of containerised trade in 2006, with growth of 10.6% forecast by Drewry Shipping Consultants and the expected demand from new ships to be delivered in 2006 and beyond.



Logistics

Net profit contribution from the logistics business rose 7.0% to US\$15,064,000. In 2005, the COSCO Logistics Co., Ltd. ("COSCO Logistics") signed a letter of intent to form a joint venture with TNT NV to expand its businesses into the Asia Pacific region.

In recognition of COSCO Logistics' achievements during the year, the Group was ranked Number 1 in "China's Logistics 100" for the second consecutive year. Looking ahead, our strategy is to continue to grow our logistics business to support the growth of the Group overall.

Container manufacturing

China International Marine Containers (Group) Co., Ltd., of which COSCO Pacific purchased an approximately 16.23% equity stake from COSCO in December 2004, made a profit contribution of US\$55,636,000 in 2005.

We expect steady growth with demand driven by new vessels coming on stream, an increase in the containerisation rate in China, and the replacement of used containers.

Prospects and earnings drivers

Looking ahead for 2006, it is expected that the world economy will maintain sustainable growth. Together with improving logistics for the hinterlands of the Pearl River Delta, the Yangtze River Delta and the Bohai Rim, we view the operating environment as highly positive for COSCO Pacific.

The Group's high-growth, high-return strategy for the container terminal business, with throughput driven by organic growth and new investments, is expected to be the key earnings driver in 2006. We project the container leasing business to contribute stable profit growth, with the main demand drivers being new vessels, an increased containerisation rate in China, and the replacement of used containers. We expect the manufacturing business to benefit from the same drivers as container leasing. Stable growth in logistics is seen as a contributor to the stable, consistent growth to the profits of the Group as a whole.

In line with our mission of creating shareholder value, our management team will strive for rapid and consistent growth, in order to maintain and enhance COSCO Pacific's position as a global industry leader.



SUN Jiakang

Vice Chairman & Managing Director
23rd March 2006