



Logistics

In 2005, COSCO Logistics maintained its number one ranking among China's 100 largest logistics providers in China.

During the year, the shipping agency business handled 180,263 vessels, of which 45,482 vessels (2004: 44,510 vessels) were handled by wholly owned agencies. The freight forwarding business handled 100,000,000 tonnes of cargoes (2004: 75,940,000 tonnes), of which 1,600,000 TEUs (2004: 1,077,213 TEUs) were included in sea-freight forwarding business. The net profit contribution from the Group's logistics business rose 7.0% to US\$15,064,000.

On 14th November 2005, COSCO Logistics signed a letter of intent with TNT NV in Beijing to establish a logistics joint venture to further explore the logistics market in the PRC and Asia Pacific. The details are currently under discussion.

COSCO Logistics successfully bid for the following large-scale logistics projects in 2005:

- Chemical logistics: Changzhou Worldbest Radic Co. Ltd.
- Super-scale petrochemical logistics: Saudi Arabia Aramco-Sumitomo Rabigh Petrochemical Project
- Automotive logistics: Beijing Benz-DaimlerChrysler Automotive Corporation, Harbin Hafei Motor Co., Ltd.
- Home appliance logistics: Hisense's sole logistics provider, Changhong's logistics provider
- Extra-large cargo logistics: The CNOOC and Shell Petrochemical Company Limited project.
- Logistic provider: "Genevese Festival 2005 - China Being the Honored Guest" Exhibition and "The 2005 World Exposition, Aichi, Japan"
- Logistic provider: China Nuclear Industry Huaxing Construction Company and China Zhongyuan Engineering Company
- Super-large-scale power plant project logistics: "Pakistan Chashma Nuclear Power Plant Phase II - China Nuclear Industry Huaxing Construction Company and China Zhongyuan Engineering Company", "Dongfang Electric Corporation's India Power Plant Project"

In recognition of its achievements, COSCO Logistics received the following awards in 2005:

- Number one in the 2005 "China Logistics 100" for the second consecutive year. The award is jointly organised by China Communication & Transportation Association, China International Freight Forwarders Association, China Association for Shipping Agency, China Shipowners' Association, China Association of Ports, China Custom Declaration Association, and the Ministry of Railways;
- Number one in the 5A level logistics enterprises ranking, granted by the China Federation of Logistics and Purchasing. There are five standards in total, including A, 2A, 3A, 4A and 5A. 5A is the highest standard, according to the "Logistics Enterprises Classification and Appraisal Guidelines" approved by the Logistics Enterprise Comprehensive Appraisal Committee.

- 12 gold medals at the fourth "China Freight Industry Awards" organised by China Shipping Weekly, Logistics Times and China Shipping Net, comprising:
 - Four gold medals in the "Best Logistics Company" category, including integrated service, process management, capability of response and network coverage
 - Four gold medals in the "Best Shipping Agency" category, including integrated service, on-site service, customer service and operating service
 - Four gold medals in best airfreight forwarding service and sea freight forwarding service appraisal.

Outlook

In 2006, COSCO Logistics is poised to expand all of its core operations, particularly third party logistics. Specifically, through the expansion of overseas businesses of our customers, the logistics for products operated by COSCO logistics will expand into overseas markets. Specialty logistics for products includes services for the home appliance, automobile, chemical and food industries. Industries that require project logistics include power generation, petrochemicals and the convention and exhibition business.

To meet expansion objectives, COSCO Logistics will increase investment in technology, people and management, enhance service capabilities, increase the share of business on existing customers; pursue new customers and business; and identify new earnings drivers. We will also continue to enhance operational flows, strengthen quality control, reduce operating costs and improve efficiency.

The strategic partnership between COSCO Logistics and TNT NV will lead to further expansion into the home appliance logistics business in Asia Pacific, as the Group takes further steps towards becoming a global leader in logistics.