Frequently Asked Questions

General:

Q: What were COSCO Pacific's main achievements in 2005?

A: The Group continued to pursue fast and consistent growth during the year. We delivered strong revenue and earnings growth to our shareholders, consistent with our stated strategy.

In terminal operations, we expanded our global network through investments and strategic partnerships. We ranked as the world's fifth largest container terminal operator with 3.7% market share, according to Drewry Shipping Consultants. Our throughput rose 16.2% from last year to reach 26,079,612 TEUs.

During the year, we further strengthened our 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. Among the acquisitions was the purchase of a 20% equity interest in Suez Canal Terminal at Port Said, Egypt, a location that complements our network and offers great potential for growth.

Container leasing business continued to contribute substantially to the Group's profits in 2005. Florens ranked as the world's third largest container leasing company, up from the fourth place in the previous year, according to Containerisation International Market Analysis. Our global market share increased from 10.1% to 10.9% in 2005. The customer base grew from 218 to 256, and container fleet capacity increased by 13.5% to 1,042,852 TEUs.

CIMC made net profit contribution of US$55,636,000 to COSCO Pacific for the year.

COSCO Logistics maintained its ranking as China's number one logistics business. To expand our logistics operations in the Asia Pacific region, we signed a letter of intent in November 2005 to form a joint venture with TNT NV. We were also able to successfully bid for a number of large-scale projects in different markets. In 2005, COSCO Logistics came first in the "China Logistics 100" for the second consecutive year, and received a string of other awards and accolades.

Q: What are COSCO Pacific's main competitive advantages?

A: Firstly, COSCO Pacific's global network creates commercial synergies by offering increased flexibility and a comprehensive service for our clients. Secondly, we are an industry leader in all of our core businesses: container terminals, container leasing, logistics and container manufacturing. In addition, COSCO Pacific is expected to benefit from the strategic cooperation with its parent company, China COSCO, with expansion of the scale of its container fleet and the increasing demands for terminal and container leasing services.

Terminal business:

Q: What is the outlook for the container terminal business? What was behind the rapid growth in throughput in 2005 and will it continue?

A: In 2005, our throughput increased 16.2% to 26,079,612 TEUs, and we expect to see continued fast growth from our terminal portfolio.

Driven by continued strong growth in global trade, demand for terminal services worldwide is constantly increasing. In China, the main drivers will be sustainable foreign trade growth, some major ports reaching full capacity, and more room to increase handling charges. Overseas terminals are also gaining momentum, providing a profusion of new expansion opportunities for the Company, as a terminal operator that has strong support from shipping liners.

One of the Group's key strategies to increase our throughput is by accelerating our investment in a global network, while strengthening our position as a major terminal operator in the three major regions of China: the Pearl River Delta, the Yangtze River Delta and the Bohai Rim. We believe that this extensive global network further enhances the continuous development of the Group's terminals business, and will give us the advantage in attracting and retaining clients by providing a more flexible and comprehensive service.

Our confidence also stems from our unique approach in partnering with global leading shipping liners and terminal operators, and in exercising direct control over, or participating in, day-to-day operations and management of all the terminals in which we have invested. Therefore, we believe that the prospects for the terminals business are very good, with strong potential for increased momentum. This should enable us to capitalise on growing economies around the world.

Q: What is your view on the current trend of consolidation within the port industry?

A: Mergers and acquisitions in the port industry reflect the market's anticipation of industry's potential. Our view is that the terminals industry is riding on the growth in trade and the global economy. However, the value of the terminals business in the long run lies in terminal operators' competitiveness and in the quality of service provided. For our part, we will continue to focus on building our global network with the main goal of creating a stronger service offering while at the same time delivering business growth and earnings growth.

Q: Is there an oversupply of port facilities in China? How competitive is the market?

A: According to the Chinese Ministry of Communications, China's total throughput in 2005 was 75,000,000 TEUs and is forecast to reach 140,000,000 TEUs by 2010. With many ports reaching full capacity, there is tremendous growth potential in China.

Q: Some reports have said that there may be a slowdown in China's foreign trade growth in 2006. How would this affect your business?

A: We believe that in the medium to long term, trade growth in China will continue to be sustained and robust. China will continue to enjoy a highly competitive position as US and European companies increasingly procure goods from China due to lower labour costs, efficient logistics systems and an abundance of manufacturing facilities. At the same time, global trade will continue to ride on the robust growth of domestic consumption in China and other emerging markets such as India. We therefore expect to see continued fast growth in our ports portfolio.

Q: What is your acquisition strategy and how do you ensure that investments will bear good returns? Will your strategy focus on China or other parts of the world?

A: As one of the world's major terminal operators, we will continue to leverage on our expanding global network, management systems, experience and support from shipping liners to further expand our business by forming strategic partnerships with the world's top shipping liners and port operators. We will look at acquisition opportunities in China and other parts of the world, in particular ports in strategic locations with high trade growth and other competitive strengths.

Container leasing business:

Q: What is the outlook for the container leasing business?

A: COSCO Pacific is optimistic about the prospects for the container leasing business. China trade and the global economy are expected to continue to grow. The increasing demand for larger container fleets, increasing containerisation in China and a higher utilisation rate will become the main drivers of our container leasing business.

Q: What is your strategy to remain competitive in the container leasing business?

A: As we grow our terminals business, we are also committed to expanding our fleet through investments in major ports and the establishment of strategic partnerships with key shipping companies and terminal operators. In 2005, the container fleet grew by 13.5% from 2004 to reach 1,042,852 TEUs. In 2006, we plan to purchase 180,000 TEUs to expand our fleet size and maintain a relatively low average age of fleet. In addition to expanding our market share with existing customers, we will explore new opportunities in thriving markets such as Russia and India to broaden the customer base. We have a team of competent employees and an extensive global depot network to enhance our competitiveness, and will continue to provide premium services to our customers.

Logistics business:

Q: What is the outlook for the logistics business?

A: We expect strong growth in our logistics business on the back of continued robust growth of international trade. In the long run, we believe that our company's development into a leading global logistics company will be the natural result of several factors.

First, COSCO Logistics signed a letter of intent to form an important joint venture with TNT NV in 2005, which will result in a range of synergies as we expand in the Asia Pacific.

Second, we see many of our customers expanding overseas, with an increasing volume of exports and other developments that require international logistics services.

Third, logistics services will be a natural complement to the Group's growing worldwide network of port facilities.

Container manufacturing business:

Q: What is the outlook for the container manufacturing business?

A: CIMC continues to be the world's largest container manufacturer and has a market share of over 50%. According to the Containerisation Yearbook, China's containerisation rate was around 55% in 2004, but was still below the world average of 70%. We therefore believe that there is considerable scope for growth. The container manufacturing business is expected to return to normal in 2006, with demand and supply in balance. Container prices declined in 2005, but we expect them to stabilise at the current level, given stable corten steel prices so far in the first quarter of 2006. As well as a rise in China's containerisation rate, we also expect demand to be driven by increased foreign trade, the replacement cycle of containers, and the commissioning of new vessels.

Financial:

Q: The Group has achieved strong growth in recent years. Can rapid earnings growth be maintained over the next five years? What are the growth drivers?

A: We view the continued strength of the global economy as positive for all of our businesses. In the container terminal business, we project high growth that will result in commensurate returns.

The Company's strategy is to invest in a superior network of terminals that will lead to increased flexibility and a comprehensive service offering for clients. Expansion both in China and overseas will continue to be a dominant theme in 2006. Another major strategic differentiator is the Group's philosophy and practice of partnership with leading global shipping lines and port operators.

We view container leasing as a generator of strong and highly recurrent cashflow. The container manufacturing business is expected to return to normal in 2006, with demand and supply in balance.

The main drivers of both container leasing revenue and manufacturing will be sustainable growth in both global trade and container trade, increased containerisation in China and a higher utilisation rate among competitors. Demand will also come from the commissioning of new vessels. Box prices are expected to be stable. We expect rapid growth from logistics.

Q: Will COSCO Pacific maintain its stable dividend policy?

A: The Group plans to continue to maintain its dividend payout policy, which reflects good corporate governance and allows better and more transparent use of cash flow.