

The Board has pleasure in presenting the Report of the Directors for the year 2005 together with the audited financial statements of the Group for the year ended 31 December 2005.

Principal Activities

The Group is engaged in providing integrated container shipping services, including container shipping business, container terminals business, container leasing business, freight forwarding and shipping agency services as well as logistics services. The Company is an investment holding company and details of the principal activities of the Company's principal subsidiaries as at 31 December 2005 are set out in note 41 to the consolidated financial statements.

Results of the Group

The Group's results for the year ended 31 December 2005 as prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRS") are set out on page 87 of this report.

Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last four financial years are set out in the section headed "Financial Summary" of this report.

Profit Appropriation and Dividends

According to the "Regulation Relating to Corporate Reorganisation of Enterprises and the Related Management of State-owned Capital and Financial Treatment" notice issued by the Ministry of Finance and the reorganisation agreement entered into by the Company and COSCO on 9 June 2005, the increase in net assets (excluding the undistributed portion of COSCO Pacific) as a result of the profits generated by the Group during the period between 30 June 2004 (date of valuation) and 3 March 2005 (date of the establishment of the Company) ("initial profit period") shall be payable to COSCO.

Pursuant to the shareholders' resolution approved by shareholders of the Company on 9 June 2005, the increase in net assets of RMB1,695,121,000 as a result of the profits generated by the Group (excluding COSCO Pacific) during the period between the date of valuation and 31 December 2004 and a final dividend of RMB299,423,000 for 2004 by COSCO Pacific attributable to the COSCO, totalling RMB1,994,544,000, were paid to COSCO before listing.

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As regards the portion of the net assets increased during the period between 1 January 2005 and 3 March 2005 (“remaining period of the initial profit period”) payable to COSCO, BDO Reanda Certified Public Accountants Co., Ltd. appointed by the Company, has conducted a special audit of the Company’s financial statements prepared in accordance with the relevant accounting principles and financial regulations applicable to PRC companies (“PRC GAAP”) and of changes in combined shareholders’ equity. As far as the net assets increased during the remaining period of the initial profit period, the Company determined, after making necessary adjustments, the amount payable to COSCO is RMB826,096,000, including an interim dividend for 2005 by COSCO Pacific attributable to COSCO calculated based on the number of days payable to COSCO. As regards the unpaid portion of the net assets increased during the remaining period of the initial profit period, it is retained as a special reserve which amounted to RMB279,422,000, the benefit of which is solely attributable to COSCO pursuant to the “Reply in respect to Relevant Issues concerning the Handling of Net Assets in the Reorganisation of the Core Shipping Business of China Ocean Shipping (Group) Company for Overseas Listing” (Guo Zi Chan Quan [2005] No. 571) issued by the State-owned Assets Supervision and Administration Commission. The amount will be converted into domestic shares of the Company held by COSCO at the offer price of HK\$4.25 per share within three years following the listing of the Company’s shares.

Pursuant to the shareholders’ resolution approved by shareholders of the Company on 9 June 2005, the audited profit after tax of the Company for the period from the date of establishment (excluding the day) to the date on which foreign investors hold the shares of the Company according to law and their names are registered in the register of members (excluding the day) (“subsequent profit period”), will be distributed to COSCO in full as a special distribution in accordance with the principle of the lower of profits attributable to equity holders of the Company under the PRC GAAP and the HKFRSs, following the appropriation of 10% each for the statutory surplus reserve, discretionary surplus reserve and statutory public welfare fund and after making necessary adjustments. BDO Reanda Certified Public Accountants Co., Ltd. and PricewaterhouseCoopers, who were engaged by the Company, have conducted special audits of the consolidated income statement of the Group prepared in accordance with the PRC GAAP and the HKFRSs respectively. According to the special audit results, based on the consolidated net profit realised during the period as determined under the PRC GAAP, and after the appropriation of 10% each for statutory surplus reserve fund, statutory public welfare fund and discretionary surplus reserve, the profit to be distributed by the Company to COSCO for that period is RMB967,926,000, including an interim dividend for 2005 by COSCO Pacific Limited attributable to COSCO calculated based on the number of days for that period.

The Board recommended the payment of a final dividend of RMB0.13 per share (pre-tax) to the equity holders whose names appear on the register of shareholders on 15 June 2006.

Use of Proceeds from the Company's Initial Public Offering

The net proceeds from the Company's issue of new shares at the time of its listing on the Stock Exchange in June 2005 amounted to approximately RMB8,817,797,000. As of 31 December 2005, the net proceeds were used, as stated in the prospectus of the Company, for capital expenditures, enhancing the Group's "door-to-door" services systems, repayment of loans, and as working capital and general corporate purposes.

Major Suppliers and Customers

For the year ended 31 December 2005, the Group's purchases attributable to the Group's five largest suppliers were less than 30% of the Group's total purchases, and the aggregate sales attributable to the Group's five largest customers were less than 30% of the Group's total sales.

Reserves

Details of movements in the reserves of the Company and the Group during the year and details of the distributable reserves of the Company as at 31 December 2005 are set out in note 22 to the consolidated financial statements prepared in accordance with the HKFRS contained herein.

Statutory Reserve Funds

Details of the statutory reserve funds are set out in note 22(b) to the consolidated financial statements prepared in accordance with the HKFRS contained herein.

Property, Plant and Equipment and Investment Properties

During the year, the Group incurred approximately RMB5,680,710,000 on acquisition of property, plant and equipment for expansion of its shipping capacity. Details of movements in property, plant and equipment and investment properties of the Group and the Company during the year are set out in notes 6 and 7 to the consolidated financial statements.

The properties interests of the Group including the interests in certain of the above properties that are attributable to the Group, together with those of its jointly-controlled entities in which the Group held equity interests of more than 50%, were valued by Sallmanns (Far East) Limited, an independent property valuer as at 31 March 2005 amounted to RMB2,687,624,000 and RMB1,254,261,000, respectively. The net revaluation surplus as disclosed in the Company's prospectus, representing the excess of market value of the properties over their book value, was approximately RMB189,529,000. In accordance with the Group's accounting policy, all properties are stated at cost less accumulated depreciation and impairment losses. As such, the net revaluation surplus arising from the valuation has not been recognised in the Company's consolidated financial statements for the year ended 31 December 2005. Had the properties been stated at such valuation, an additional depreciation of RMB6,040,000 would have been incurred for the year ended 31 December 2005.

Employees' Retirement Plan

Details of the employees' retirement plans are set out in note 25(b) to the consolidated financial statements prepared in accordance with the HKFRS contained herein.

Directors' Report

Directors and Supervisors

The directors of the Company during the year were as follows:

Name	Date of Appointment as Director
Executive director	
WEI Jiafu (<i>Chairman and CEO</i>)	7 March 2005
CHEN Hongsheng (<i>President</i>)	7 March 2005
Non-executive director	
ZHANG Fusheng (<i>Vice Chairman</i>)	7 March 2005
WANG Futian	7 March 2005
LI Jianhong	7 March 2005
MA Zehua	7 March 2005
MA Guichuan	7 March 2005
SUN Yueying	7 March 2005
LIU Guoyuan	7 March 2005
Independent non-executive director	
LI Boxi	9 June 2005
TSAO Wen King, Frank	9 June 2005
HAMILTON Alexander Reid	9 June 2005
CHENG Mo Chi	9 June 2005

The supervisors of the Company during the year were as follows:

Name	Position	Date of Appointment as Supervisor
LI Yunpeng	Chairman of Supervisory Committee	3 March 2005
WU Shuxiong	Supervisor	3 March 2005
LI Zonghao	Supervisor	3 March 2005
YU Shicheng	Independent supervisor	9 June 2005
KOU Wenfeng	Independent supervisor	9 June 2005

Independence of the Independent Non-executive Directors

The Company has received the letter of annual confirmation issued by each of the independent non-executive directors of the Company as to his/her independence pursuant to Rule 3.13 of the Listing Rules. All of the four independent non-executive directors of the Company are considered by the Company as independent persons.

Biography of Directors, Supervisors and Members of the Senior Management

Biography of directors, supervisors and members of the senior management as at the date hereof are set out on pages 28 to 36 of this report.

Connected Transactions

Pursuant to Chapter 14A of the Listing Rules, the following connected transactions of the Company require disclosures in the annual report of the Company:

1. Non-exempt continuing connected transactions under subsisting agreements

(1) Sub-leasing of time charters from COSCO to COSCON

Seven independent vessel owners had entered into seven bareboat charters with COSCO Maritime (UK) Limited, a wholly-owned subsidiary of COSCO, in relation to seven vessels. By providing seaman services and vessel management services, COSCO sub-leases these seven vessels to COSCON under seven sub-time charter agreements, which were entered into between COSCO and COSCON during the period from 25 July 2001 to 24 April 2002. Set out below is the information on these seven charter agreements:

Name of vessel	Date of charter agreement	Term of charter agreement	Date of delivery of vessel pursuant to charter agreement	Vessel Capacity (TEU)
COSCO Antwerp	27 September 2001	From date of delivery to 14 January 2008 (lessee has an option to extend the term from one year to 12 years)	27 September 2001	5,446
COSCO Hamburg	10 October 2001	From date of delivery to 14 January 2008 (lessee has an option to extend the term from one year to 12 years)	10 October 2001	5,446
COSCO Rotterdam	13 February 2002	From date of delivery to 14 October 2008 (lessee has an option to extend the term from one year to 12 years)	13 February 2002	5,446

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Name of vessel	Date of charter agreement	Term of charter agreement	Date of delivery of vessel pursuant to charter agreement	Vessel Capacity (TEU)
COSCO Felixstowe	24 April 2002	From date of delivery to 14 October 2008 (lessee has an option to extend the term from one year to 12 years)	24 April 2002	5,446
COSCO Hong Kong	17 April 2002	From date of delivery to 14 October 2008 (lessee has an option to extend the term from one year to 12 years)	17 April 2002	5,446
COSCO Shanghai	25 July 2001	From date of delivery to 14 January 2008 (lessee has an option to extend the term from one year to 12 years)	25 July 2001	5,446
COSCO Singapore	12 December 2001	From date of delivery to 14 January 2008 (lessee has an option to extend the term from one year to 12 years)	12 December 2001	5,446

The term of each of the four out of the seven sub-time charters run from the date of delivery of the vessels to 14 January 2008, while the term of each of the other three sub-time charters run from the date of delivery of the vessels to 14 October 2008.

The Group paid a total of RMB450,416,000 as sub-time charter hire fees in respect of the sub-time charters mentioned above for the year ended 31 December 2005.

(2) *Sub-time charters from COSCO to COSCON*

SG Almond Inc., SG Gondola Inc. and SG Pacmar Inc., the respective owners of the three vessels, COSCO Sakura, COSCO Ran and COSCO Kiku, had entered into the three bareboat charters with each of River Aquamarine Maritime Inc., River Nereid Maritime Inc. and River Azure Maritime Inc., wholly-owned subsidiaries of COSCO. By providing seaman services and vessel management services, COSCO then sub-leases these three vessels to COSCON under time-charter arrangements. Three time charter agreements were entered into between COSCO, Pan Asia and COSCON in March 2005 in view of the recent establishment of Pan-Asia in 2004. Set out below is the information on these three charter agreements.

Name of vessel	Date of charter agreement	Term of charter agreement	Date of delivery of vessel pursuant to charter agreement	Vessel Capacity (TEU)
COSCO Sakura	31 March 2005	77 calendar months after the delivery date (lessee has an option to extend the term for 60 calendar months)	31 August 2001	542
COSCO Kiku	31 March 2005	82 calendar months after the delivery date (lessee has an option to extend the term for 60 calendar months)	31 January 2002	542
COSCO Ran	28 March 2005	80 calendar months after the delivery date (lessee has an option to extend the term for 60 calendar months)	28 November 2001	542

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COSCO had further entered into three new time charter agreements with COSCON in 2005 and the arrangement of which is similar to those for COSCO Sakura, COSCO Ran and COSCO Kiku as mentioned above. South New Shipping Inc., South Great Shipping Inc. and South China Shipping Inc., the respective owners of the three vessels, COSCO Tianjin, COSCO Dalian and COSCO Xiamen, had entered into three bareboat charters with each of COSCO Tianjin Maritime Inc., COSCO Dalian Maritime Inc., and COSCO Xiamen Maritime Inc., wholly-owned subsidiaries of COSCO. COSCO then subleases the three vessels to COSCON under time-charter arrangement. Three time charter agreements were entered into between COSCO and COSCON in February and March 2005, and the underlying key terms are substantially the same. The sub-time charter hire fees charged against COSCON were determined based on market prices. Set out below is the information on these three charter agreements:

Name of vessel	Date of charter agreement	Term of charter agreement	Date of delivery of vessel pursuant to charter agreement	Vessel Capacity (TEU)
COSCO Xiamen	25 February 2005	144 calendar months after the delivery date (lessee has an option to extend the term for 24 calendar months)	28 February 2005	5,816
COSCO Dalian	31 March 2005	144 calendar months after the delivery date (lessee has an option to extend the term for 24 calendar months)	31 March 2005	5,816
COSCO Tianjin	31 March 2005	144 calendar months after the delivery date (lessee has an option to extend the term for 24 calendar months)	6 June 2005	5,816

The Group paid a total of RMB158,127,000 as sub-time charter hire fees in respect of the sub-time charters mentioned above for the year ended 31 December 2005.

(3) *Financial services transactions*

COSCO Finance, a non-wholly-owned subsidiary of COSCO, is a non-bank finance entity established with the approval of the People's Bank of China. COSCO Finance has served as a financial agency through which the Group manages its current account settlements between members of the COSCO Group and the Group.

Pursuant to the financial services agreement entered into between COSCO Finance and the Company dated 9 June 2005, COSCO Finance has agreed to provide the Group (excluding COSCO Pacific and its subsidiaries) with a range of financial services, primarily including deposit services, settlement services and loan.

The pricing policy of COSCO Finance is subject to the People's Bank of China's guidelines, including base lending rates and foreign exchange rates, as well as guidelines published by the PRC self-regulatory bodies, such as associations of finance companies. If the People's Bank of China has not specified a fee or charge for a particular service, then the services will be provided by COSCO Finance on terms no less favourable than the terms available from commercial banks in China.

The maximum daily outstanding balance of deposits (including accrued interest) placed by the Group (excluding COSCO Pacific and its subsidiaries) with COSCO Finance and the maximum daily outstanding balance of loans (including accrued interest) granted by COSCO Finance to the Group (excluding COSCO Pacific and its subsidiaries) for the year ended 31 December 2005 are RMB259,308,000 and RMB350,000,000 respectively.

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2. Non-exempt continuing connected transactions under master agreements

The Group (except COSCO Pacific and its subsidiaries) and the relevant connected persons of the Company have entered into the following eight master agreements. Each of the master agreements contains binding principles, guidelines and terms and conditions pursuant to which any and all products and services contemplated therein are to be provided by the relevant provider to the relevant recipient. The eight master agreements are titled as follows:

- (1) Master General Services Agreement
- (2) Master Vessel Services Agreement
- (3) Master Overseas Agency Services Agreement
- (4) Master Container Services Agreement
- (5) Master Solicitation Activities Agreement
- (6) Master Port Services Agreement
- (7) Master Vessel Management Agreement
- (8) Master Seamen Leasing Agreement

Further information in respect of the above master agreements are set out in the prospectus of the Company dated 20 June 2005. The general terms of the master agreements are summarised below:

General principles, price and terms

The master agreements require, in general terms, that: (a) the prices of the products and services to be provided must be fair and reasonable; and (b) the terms and conditions of the products and services to be provided should not be less favourable to the Group than those (i) available from or to (as appropriate) the relevant connected persons, their subsidiaries and/or associates to or from (as appropriate) independent third parties; and (ii) available from or to (as appropriate) independent third parties to or from (as appropriate) the Group.

Price determination

Each of the master agreements provides that each relevant product or service must be provided in accordance with the following general pricing principles:

- (a) at State-prescribed prices, being the price set by the relevant laws, regulations and other governmental regulatory documents issued by the relevant authorities of the Chinese government; or
- (b) where there is no State-prescribed price, then according to relevant market prices (that is the price at which the same or comparable type of products or services are provided from or to (as appropriate) independent third parties in the same area in the ordinary course of business); or
- (c) where there is no relevant market price, then according to the actual cost incurred in providing such products or services plus a margin.

Term and termination

The initial term of each of the master agreements shall expire on 31 December, 2007. Upon the expiration of such initial term, each of the master agreements shall automatically continue for a term to be agreed by the parties, unless at any time any relevant party gives at least 30 days' prior written notice of termination to the other party or parties of such master agreements.

Execution agreements

The master agreements are framework agreements which provide the mechanism for the operation of the connected transactions described above. It is envisaged that from time to time and as required, individual execution agreements may be required to be entered into between the Group, the relevant connected persons, their subsidiaries and/or associates, as appropriate.

Each execution agreement will set out the specific products and services requested by the relevant party and any detailed technical and other specifications which may be relevant to those products or services. The execution agreements may only contain provisions which are in all material respects consistent with the binding principles, guidelines, terms and conditions in accordance with which such products and services are required to be provided as contained in the relevant master agreement.

As the execution agreements are simply further elaboration on the provision of products and services as contemplated by each of the mater agreements, they do not constitute new categories of connected transactions.

Actual figures for the year ended 31 December 2005 relating to the eight master agreements are set out in the next section, together with the annual caps granted by the Stock Exchange with respect to each master agreement.

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3. Summary of the annual caps and actual figures in respect of the continuing connected transactions under subsisting agreements and master agreements

Transaction	Annual Cap for the year ended 31 December 2005 (RMB '000)	Actual Figure for the year ended 31 December 2005 (RMB '000)
<i>Non-exempt continuing connected transactions for which a waiver from the independent shareholders' approval and disclosure requirements has been granted by the Stock Exchange</i>		
1. Sub-leasing of time charters from COSCO to COSCON	460,000	450,416
2. Sub-time charters from COSCO to COSCON	204,000	158,127
3. Financial services transactions:		
— Maximum daily outstanding balance of deposits (including accrued interest) placed by the Group (excluding COSCO Pacific and its subsidiaries) with COSCO Finance	400,000	259,308
— Maximum daily outstanding balance of loans (including accrued interest) granted by COSCO Finance to the Group (excluding COSCO Pacific and its subsidiaries)	400,000	350,000
4. Transactions under the Master Vessel Services Agreement	5,480,000	4,757,392
5. Transactions under the Master Overseas Agency Services Agreement	365,000	262,532
6. Transaction under the Master Container Services Agreement	603,000	399,235
7. Transactions under the Master Solicitation Activities Agreement	1,320,000	750,162
8. Transactions under the Master Port Services Agreement	1,760,000	1,265,664
9. Transactions under the Master Seamen Leasing Agreement	750,000	603,433
<i>Non-exempted continuing connected transactions for which a waiver from the disclosure requirement has been granted by the Stock Exchange</i>		
10. Transactions under the Master General Services Agreement	100,000	58,115
11. Transactions under the Master Vessel Management Agreement	90,000	75,248

The independent non-executive directors of the Company, Ms. LI Boxi, Mr. TSAO Wen King, Frank, Mr. HAMILTON Alexander Reid and Mr. CHENG Mo Chi have reviewed the above continuing connected transactions and confirm that these transactions have been entered into:

- (1) in the ordinary and usual course of business of the Group;
- (2) on normal commercial terms or on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and
- (3) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

For the purpose of Rule 14.38 of the Listing Rules, the auditors of the Company, PricewaterhouseCoopers, have performed certain agreed-upon procedures on the above continuing connected transactions (the “Transactions”) in accordance with Hong Kong Standard on Related Services 4400 “Engagements to Perform Agreed-upon Procedures Regarding Financial Information” issued by the Hong Kong Institute of Certified Public Accountants and reported as below:

- (1) the Transactions received the approval of the Company’s board of directors;
- (2) in relation to those Transactions involving provisions of goods and services by the Group (for the samples selected), their pricing was in accordance with the pricing policies of the Group;
- (3) the pricing of the Transactions (for the samples selected) was in accordance with the terms of the relevant agreements governing the transactions or the invoices issued if an agreement was not available; and
- (4) the accumulated amounts of the Transactions did not exceed the relevant annual caps.

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Disclosure of Significant Events

On 16 April, COSCO Pacific signed a joint venture heads of agreement to establish a joint venture to construct and operate a container terminal at Nansha Port Phase II.

On 30 April, COSCON signed a construction contract for four of the world's largest container vessels (10,000 TEUs) with Nantong COSCO KHI Ship Engineering Co., Ltd.. The first vessel is expected to be delivered in 2008.

On 28 May, COSCO Pacific signed a joint venture contract to acquire a 20% equity interest in Nanjing Longtan Container Limited. The joint venture company commenced operation on 26 August.

On 18 August, Shanghai Pan Asia Shipping Company Limited signed a building contract in relation to nine 200 TEUs container vessels with Chongqing Dongfeng Ship Industry Company involving an amount of RMB118,620,000.

On 15 September, COSCO Pacific signed an agreement with Ningbo Port Group Ltd. to form joint venture company to develop Berth Number 7 of Beilun Container Terminal Phase IV. COSCO Pacific owns 20% of the equity interest in the joint venture.

On 20 September, COSCON and COSCO International Freight Co., Ltd. (COSFRE) jointly invested and incorporated COSCO South-China International Freight Co., Ltd. in Shenzhen to consolidate the marketing entities in the Southern China region and Hong Kong. It is responsible for the sale, operation, barge service, equipment and financial management in the region.

On 19 December, COSCO Pacific signed a joint venture agreement to acquire a 10% interest in Phase II of Shanghai Yangshan Port.

On 19 December, COSCO Pacific signed an agreement to acquire a 20% interest in the Suez Canal Container Terminal S.A.E. in Egypt.

Details of the significant events after the balance sheet date of the Group are set out in note 43 to the consolidated financial statements.

Material Litigation and Arbitration

The Group did not engage in any material litigation or arbitration during the year.

Pre-emptive Rights

The Articles of Association of the Company and the laws of the PRC contain no provision for any pre-emptive rights, requiring the Company to offer new shares to shareholders on a pro-rata basis to their shareholdings.

Share Capital

Details of the share capital of the Company are set out in the note 21 to the consolidated financial statement prepared in accordance with the HKFRS contained herein.

Substantial Interests in the Shares and Underlying Shares of the Company

So far as was known to any director of the Company, as at 31 December 2005, shareholders who had interests or short positions in the shares and underlying shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (the "SFO"), or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name	Capacity	Number of ordinary shares/Percentage of total issued share capital of the Company's H Shares						Note
		Long position	%	Short position	%	Lending pool	%	
Temasek Holdings (Private) Limited	Interest of controlled corporation	306,741,500	13.67	—	—	—	—	(1)
Temasek Capital (Private) Limited	Interest of controlled corporation	306,741,500	13.67	—	—	—	—	(1)
Seletar Investments Pte Ltd	Interest of controlled corporation	306,741,500	13.67	—	—	—	—	(1)
Singapex Investments Pte Ltd	Beneficial owner	272,536,000	12.15	—	—	—	—	(2)
Mr. Li Ka-Shing	Founder of discretionary trusts and interest of controlled corporations)	275,294,000	12.27	—	—	—	—	(3)
Li Ka-Shing Unity Trustee Company Limited ("TUT1")	Trustee	275,294,000	12.27	—	—	—	—	(3)
Li Ka-Shing Unity Corporation Company Limited ("TDT1")	Trustee and beneficiary of a trust	275,294,000	12.27	—	—	—	—	(3)

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Number of ordinary shares/Percentage of total issued share capital of the Company's H Shares

Name	Capacity	Long		Short		Lending		Note
		position	%	position	%	pool	%	
Li Ka-Shing Unity Trustcorp Limited ("TDT2")	Trustee and beneficiary of a trust	275,294,000	12.27	—	—	—	—	(3)
Cheung Kong (Holdings) Limited ("CKH")	Interest of controlled corporation	275,294,000	12.27	—	—	—	—	(3)
Hutchison Whampao Limited ("HWL")	Interest of controlled corporation	275,294,000	12.27	—	—	—	—	(3)
Hutchison International Limited ("HIL")	Interest of controlled corporation	275,294,000	12.27	—	—	—	—	(3)
Hutchison Whampao Properties Limited ("HWPL")	Interest of controlled corporation	275,294,000	12.27	—	—	—	—	(3)
Cactus Holdings Limited ("Cactus")	Interest of controlled corporation	275,294,000	12.27	—	—	—	—	(3)
Northpier Enterprises Limited ("Northpier")	Interest of controlled corporation	137,647,000	6.13	—	—	—	—	(3)
Vember Lord Limited ("Vember Lord")	Beneficial owner	137,647,000	6.13	—	—	—	—	(3)
Yanter Services Limited ("Yanter")	Interest of controlled corporation	137,647,000	6.13	—	—	—	—	(3)
Rhine Office Investments Limited ("Rhine Office")	Beneficial owner	137,647,000	6.13	—	—	—	—	(3)

Notes:

- (1) The three references to 306,741,500 shares relate to the same block of shares in the Company comprising:
 - (a) 272,536,000 shares held by Singapex Investments Pte Ltd, a wholly owned subsidiary of Temasek Holdings (Private) Limited, Temasek Capital (Private) Limited and Seletar Investments Pte Ltd; and
 - (b) 34,205,500 shares held by Aranda Investments, a wholly owned subsidiary of Temasek Holdings (Private) Limited, Temasek Capital (Private) Limited and Seletar Investments Pte Ltd.

Each of Temasek Holdings (Private) Limited, Temasek Capital (Private) Limited and Seletar Investments Pte Ltd is taken to have a duty of disclosure in relation to the said shares of the Company by virtue of their deemed interests in the shares under the SFO.

- (2) This relates to 137,647,000 shares in the Company directly and beneficially held by Singapex Investments Pte Ltd as described in Note (1)(a) above.
- (3) The nine references to 275,294,000 shares relate to the same block of shares in the Company comprising 137,647,000 shares directly held by each of Vember Lord and Rhine Office.

Li Ka-Shing Unity Holdings Limited ("Unity Holdings"), of which each of Mr. Li Ka-Shing, Mr. Li Tzar Kuoi, Victor and Mr. Li Tzar Kai, Richard is interested in one-third of the entire issued share capital, owns the entire issued share capital of TUT1. TUT1 as trustee of The Li Ka-Shing Unity Trust ("UT1"), together with certain companies which TUT1 as trustee of UT1 is entitled to exercise or control the exercise of more than one-third of the voting power at their general meetings, hold more than one-third of the issued share capital of CKH. Certain subsidiaries of CKH are entitled to exercise or control the exercise of more than one-third of the voting power at the general meetings of HWL.

In addition, Unity Holdings also owns the entire issued share capital of TDT1 as trustee of the Li Ka-Shing Unity Discretionary Trust ("DT1") and TDT2 as trustee of another discretionary trust ("DT2"). Each of TDT1 and TDT2 holds units in UT1.

HWL holds the entire issued share capital of HIL, HIL holds the entire issued share capital of HWPL, which in turn holds the entire issued share capital of Cactus, which in turn holds the entire issued capital of Rhine Office and Vember Lord indirectly, through Yanter and Northpier respectively.

By virtue of the SFO, each of Mr. Li Ka-Shing (being the settler and may be regarded as founder of DT1 and DT2 for the purpose of the SFO), TDT1, TDT2, TUT1, CKH, HWL, HIL, HWPL, Cactus, Yanter and Northpier is deemed to be interested in the share capital of the Company held by Rhine Office and Vember Lord as a substantial shareholder of the Company.

Save as disclosed above, as at 31 December 2005, the Company has not been notified of any other interests or short positions in the shares or underlying shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

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Legal person shareholders with shareholding of 10% or more

As at 31 December 2005, COSCO held 3,896,000,000 state-owned legal person shares of the Company, representing 63.5% of the total share capital of the Company.

COSCO, a state-owned enterprise established in the People's Republic of China, is a controlling shareholder of the Company. Its legal representative is Mr. Wei Jiafu and its registered capital as at 31 December 2005 was RMB1,900,000,000. It is principally engaged in integrated shipping business.

Sufficiency of Public Float

As at the date of this report, the total share capital of the Company consisted of 6,140,000,000 shares, of which 2,244,000,000 shares were H shares, representing 36.5% of the Company's total share capital, all of which were held by the public.

Share Appreciation Rights Plan

A Share Appreciation Rights Plan was adopted by the Company, which was designed to align the interests of directors, supervisors and senior management with the Company's operating results and the Company's share value. The issuance of share appreciation rights does not involve any issuance of new shares, nor does it have any dilutive effect on the shareholders.

On 16 December 2005, the Board had resolved to grant share appreciation rights to certain directors, supervisors and senior management officers of the Company and its subsidiaries, and other personnel designated by the Board, including nine directors and three supervisors of the Company at an exercise price of HK\$3.195 each under the Share Appreciation Rights Plan. The share appreciation rights granted to these nine directors and three supervisors represent 7,400,000 shares of the Company or approximately 0.33% of the Company's total issued H Shares.

Details of the grant and the movements of the share appreciation rights during the year are set out below:

Name of director/ Supervisor	Capacity	Nature of Interest	Exercise price	Number of units of share appreciation rights			approximate % of issued share capital of the Company's H Shares	Note
				Granted during the year	Exercised during the year	Outstanding at 31st December 2005		
Wei Jiafu	Beneficial Owner	Personal	HK\$3.195	900,000	—	900,000	0.04%	(1)
Zhang Fusheng	Beneficial Owner	Personal	HK\$3.195	800,000	—	800,000	0.04%	(1)
Chen Hongsheng	Beneficial Owner	Personal	HK\$3.195	700,000	—	700,000	0.03%	(1)
Wang Futian	Beneficial Owner	Personal	HK\$3.195	600,000	—	600,000	0.03%	(1)
Li Jianhong	Beneficial Owner	Personal	HK\$3.195	600,000	—	600,000	0.03%	(1)
Ma Zehua	Beneficial Owner	Personal	HK\$3.195	600,000	—	600,000	0.03%	(1)
Ma Guichuan	Beneficial Owner	Personal	HK\$3.195	600,000	—	600,000	0.03%	(1)
Sun Yueying	Beneficial Owner	Personal	HK\$3.195	600,000	—	600,000	0.03%	(1)
Liu Guoyuan	Beneficial Owner	Personal	HK\$3.195	600,000	—	600,000	0.03%	(1)
Li Yunpeng	Beneficial Owner	Personal	HK\$3.195	600,000	—	600,000	0.03%	(1)
Wu Shuxiong	Beneficial Owner	Personal	HK\$3.195	500,000	—	500,000	0.02%	(1)
Li Zhonghao	Beneficial Owner	Personal	HK\$3.195	300,000	—	300,000	0.01%	(1)

Notes:

- (1) The share appreciation rights were granted by the Company in units with each unit representing one H share of the Company pursuant to the Share Appreciation Rights Plan. As of each of the last day of the third, fourth, fifth and sixth anniversary of the date of grant (i.e. 16 December 2005), the total number of the share appreciation rights exercisable will not exceed 25%, 50%, 75% and 100%, respectively, of each of the total share appreciation rights granted.
- (2) During the year, no share appreciation rights mentioned above were lapsed or cancelled.

Directors' Report

Share Option Schemes of COSCO Pacific

As at 31 December 2005, there are outstanding share options in relation to two share option schemes of COSCO Pacific, one of which was adopted by its shareholders on 30 November 1994 (the "1994 Share Option Scheme") and the other was adopted on 23 May 2003 (the "2003 Share Option Scheme").

- (i) Movements of the options, which have been granted under the 1994 Share Option Scheme, during the year are set out below:

Category	Exercise price HK\$	Number of share options				Outstanding at 31 December 2005	Percentage of total issued share capital	Note
		Outstanding at 1 January 2005	Exercised during the year	Lapsed during the year	Outstanding at 31 December 2005			
A director of COSCO Pacific	8.80	1,800,000	(900,000)	—	900,000	0.04%	(1),(3),(4)	
Employees ⁽²⁾	8.80	902,000	(648,000)	—	254,000	0.01%	(1),(4)	
		<u>2,702,000</u>	<u>(1,548,000)</u>	<u>—</u>	<u>1,154,000</u>			

Notes:

- (1) The share options were granted on 20th May 1997 (the "Offer Date") under the 1994 Share Option Scheme. The share options are exercisable at any time within ten years from the date of grant (i.e. on or before 19th May 2007), subject to the following conditions:
- (a) For those grantees who have completed one year full-time service in the group companies of COSCO Pacific may exercise a maximum of 20% of share options granted in each of the first five anniversary years from the Offer Date.
- (b) For those grantees who have not completed one year full-time service in the Group as at the Offer Date, a maximum of 20% of share options granted may be exercisable on each of the first five anniversary years of the Offer Date after completion of one year full-time service.
- (2) These category comprises management of the subsidiaries of COSCO Pacific.
- (3) These share options represent personal interests held by the relevant director as beneficial owner.
- (4) The weighted average closing price of the shares of COSCO Pacific ("COSCO Pacific Shares") immediately before the dates on which the share options were exercised was HK\$15.73.

During the year, no share options were cancelled under the 1994 Share Option Scheme.

(ii) Movements of the share options, which have been granted under the 2003 Share Option Scheme, during the year are set out below:

Category	Exercise price HK\$	Number of share options				Outstanding as at 31 December 2005	Percentage of total issued share capital	Exercisable period	Note
		Outstanding as at 1 January 2005	Granted during the year	Exercised during the year	Lapsed during the year				
Directors									
WEI Jiafu	9.54	1,000,000	—	(500,000)	—	500,000	0.02%	30.10.2003-29.10.2013	(1),(4),(5)
	13.75	1,000,000	—	—	—	1,000,000	0.05%	03.12.2004-02.12.2014	(2),(4)
ZHANG Fusheng	9.54	800,000	—	(400,000)	—	400,000	0.02%	29.10.2003-28.10.2013	(1),(3),(4)
	13.75	1,000,000	—	—	—	1,000,000	0.05%	03.12.2004-02.12.2014	(2),(3),(4)
CHEN Hongsheng	9.54	800,000	—	(400,000)	—	400,000	0.02%	28.10.2003-27.10.2013	(1),(4),(5)
	13.75	1,000,000	—	—	—	1,000,000	0.05%	03.12.2004-02.12.2014	(2),(4)
WANG Futian	9.54	800,000	—	(400,000)	—	400,000	0.02%	29.10.2003-28.10.2013	(1),(3),(4)
	13.75	1,000,000	—	—	—	1,000,000	0.05%	03.12.2004-02.12.2014	(2),(3),(4)
LI Jianhong	9.54	800,000	—	(400,000)	—	400,000	0.02%	29.10.2003-28.10.2013	(1),(4),(5)
	13.75	1,000,000	—	—	—	1,000,000	0.05%	02.12.2004-01.12.2014	(2),(4)
MA Zehua	9.54	800,000	—	(400,000)	—	400,000	0.02%	30.10.2003-29.10.2013	(1),(3),(4)
	13.75	1,000,000	—	—	—	1,000,000	0.05%	03.12.2004-02.12.2014	(2),(3),(4)

Directors' Report

- (ii) Movements of the share options, which have been granted under the 2003 Share Option Scheme, during the year are set out below: (Continued)

Category	Exercise price HK\$	Number of share options				Outstanding as at 31 December 2005	Percentage of total issued share capital	Exercisable period	Note
		Outstanding as at 1 January 2005	Granted during the year	Exercised during the year	Lapsed during the year				
MA Guichuan	9.54	800,000	—	(400,000)	—	400,000	0.02%	29.10.2003-28.10.2013	(1),(3),(4)
	13.75	1,000,000	—	—	—	1,000,000	0.05%	03.12.2004-02.12.2014	(2),(3),(4)
SUN Yueying	9.54	800,000	—	(400,000)	—	400,000	0.02%	29.10.2003-28.10.2013	(1),(4),(5)
	13.75	1,000,000	—	—	—	1,000,000	0.05%	03.12.2004-02.12.2014	(2),(4)
LIU Guoyuan	9.54	100,000	—	(100,000)	—	—	—	28.10.2003-27.10.2013	(1),(3),(4),(5)
	13.75	1,000,000	—	—	—	1,000,000	0.05%	29.11.2004-28.11.2014	(2),(3),(4)
Supervisor									
LI Yunpeng	9.54	800,000	—	(400,000)	—	400,000	0.02%	29.10.2003-28.10.2013	(1),(3),(4)
	13.75	1,000,000	—	—	—	1,000,000	0.05%	03.12.2004-02.12.2014	(2),(3),(4)
Others⁽⁶⁾	9.54	12,990,000	—	(4,092,000)	—	8,898,000	0.40%	(refer to note 1)	(1),(5)
	13.75	53,740,000	—	(5,896,000)	—	47,844,000	2.17%	(refer to note 2)	(2),(5)
		<u>84,230,000</u>	<u>—</u>	<u>(13,788,000)</u>	<u>—</u>	<u>70,442,000</u>			

- (ii) Movements of the share options, which have been granted under the 2003 Share Option Scheme, during the year are set out below: (Continued)

Notes:

- (1) The share options were granted during the period from 28 October 2003 to 6 November 2003 under the 2003 Share Option Scheme at an exercisable price of HK\$9.54. The options are exercisable at any time within ten years from the date on which an offer is accepted or deemed to be accepted by the grantee pursuant to the 2003 Share Option Scheme (the "Commencement Date"). The Commencement Date of the options of the grantees was from 28 October 2003 to 6 November 2003.
- (2) The share options were granted during the period from 25 November 2004 to 16 December 2004 under the 2003 Share Option Scheme at an exercisable price of HK\$13.75. The options are exercisable at any time within ten years from the Commencement Date. The Commencement Date of the options of the grantees was from 25 November 2004 to 16 December 2004.
- (3) During the year, Mr. LIU Goyuan, Mr. ZHANG Fusheng, Mr. WANG Futian, Mr. MA Zehua, Mr. MA Guichuan and Mr. LI Yunpeng resigned as executive directors of COSCO Pacific with effect from 9 June 2005.
- (4) These share options represent personal interest held by the relevant director as beneficial owner.
- (5) The weighted average closing price of the COSCO Pacific Shares immediately before the dates on which the options were exercised was HK\$15.74.
- (6) This category comprises, inter alia, continuous contract employees and ex-directors of COSCO Pacific.

During the year, no share options were cancelled under the 2003 Share Option Scheme.

Directors' Report

Directors' and Supervisors' Interests in Shares, Underlying Shares and Debentures

As at 31 December 2005, the interests of the Company's directors and supervisors in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

(a) Long positions in shares, underlying shares and debentures of the Company

NAME OF DIRECTOR	CAPACITY	NATURE OF INTEREST	NUMBER OF ORDINARY SHARES HELD	PERCENTAGE OF TOTAL ISSUED H SHARES
Mr. TSAO Wen King, Frank	Beneficial owner	Family	150,000	0.007%

(b) Long positions in shares of associated corporation

NAME OF ASSOCIATED CORPORATION	NAME OF DIRECTOR	CAPACITY	NATURE OF INTEREST	NUMBER OF ORDINARY SHARES	PERCENTAGE OF TOTAL ISSUED SHARE CAPITAL
COSCO Pacific	Tsao Wen King, Frank	Beneficial owner	Personal	50,000	0.002%
COSCO Corporation (Singapore) Limited	Wei Jiafu	Beneficial owner	Personal	1,400,000	0.13%
COSCO Corporation (Singapore) Limited	Li Jianhong	Beneficial owner	Personal	950,000	0.09%
COSCO Corporation (Singapore) Limited	Sun Yueying	Beneficial owner	Personal	1,000,000	0.09%

(c) Long positions in underlying shares of equity derivatives of associated corporation

Movement of the share options granted to the directors or supervisors of the Company by an associated corporation during the year is set out below:

Name of associated corporation	Name of director/supervisor	Capacity	Nature of interest	Exercise Price	Number of share options				Outstanding as at 31 December 2005	Percentage of total issued share capital of associated corporation	Note
					Outstanding as at 1 January 2005	Granted during the year	Exercised during the year	Lapsed during the year			
COSCO Pacific Limited	WEI Jiafu	Beneficial owner	Personal	HK\$9.54	1,000,000	—	(500,000)	—	500,000	0.02%	(1)
		Beneficial owner	Personal	HK\$13.75	1,000,000	—	—	—	1,000,000	0.05%	(1)
	ZHANG Fusheng	Beneficial owner	Personal	HK\$9.54	800,000	—	(400,000)	—	400,000	0.02%	(1)
		Beneficial owner	Personal	HK\$13.75	1,000,000	—	—	—	1,000,000	0.05%	(1)
	CHEN Hongsheng	Beneficial owner	Personal	HK\$9.54	800,000	—	(400,000)	—	400,000	0.02%	(1)
		Beneficial owner	Personal	HK\$13.75	1,000,000	—	—	—	1,000,000	0.05%	(1)
	WANG Futian	Beneficial owner	Personal	HK\$9.54	800,000	—	(400,000)	—	400,000	0.02%	(1)
		Beneficial owner	Personal	HK\$13.75	1,000,000	—	—	—	1,000,000	0.05%	(1)
	LI Jianhong	Beneficial owner	Personal	HK\$9.54	800,000	—	(400,000)	—	400,000	0.02%	(1)
		Beneficial owner	Personal	HK\$13.75	1,000,000	—	—	—	1,000,000	0.05%	(1)
	MA Zehua	Beneficial owner	Personal	HK\$9.54	800,000	—	(400,000)	—	400,000	0.02%	(1)
		Beneficial owner	Personal	HK\$13.75	1,000,000	—	—	—	1,000,000	0.05%	(1)
	MA Guichuan	Beneficial owner	Personal	HK\$9.54	800,000	—	(400,000)	—	400,000	0.02%	(1)
		Beneficial owner	Personal	HK\$13.75	1,000,000	—	—	—	1,000,000	0.05%	(1)
	SUN Yueying	Beneficial owner	Personal	HK\$9.54	800,000	—	(400,000)	—	400,000	0.02%	(1)
		Beneficial owner	Personal	HK\$13.75	1,000,000	—	—	—	1,000,000	0.05%	(1)
	LIU Guoyuan	Beneficial owner	Personal	HK\$9.54	100,000	—	(100,000)	—	—	—	(1)
		Beneficial owner	Personal	HK\$13.75	1,000,000	—	—	—	1,000,000	0.02%	(1)
	LI Yunpeng	Beneficial owner	Personal	HK\$9.54	800,000	—	(400,000)	—	400,000	0.02%	(1)
		Beneficial owner	Personal	HK\$13.75	1,000,000	—	—	—	1,000,000	0.05%	(1)

Directors' Report

(c) Long positions in underlying shares of equity derivatives of associated corporation (Continued)

Name of associated corporation	Name of director/supervisor	Capacity	Nature of interest	Exercise Price	Number of share options				Outstanding as at 31 December 2005	Percentage of total issued share capital of associated corporation	Note
					Outstanding as at 1 January 2005	Granted during the year	Exercised during the year	Lapsed during the year			
COSCO International Holdings Limited	WEI Jiafu	Beneficial owner	Personal	HK\$0.57	1,800,000	—	—	—	1,800,000	0.13%	(2), (3)
		Beneficial owner	Personal	HK\$1.37	1,200,000	—	—	—	1,200,000	0.08%	(2), (4)
	LI Jianhong	Beneficial owner	Personal	HK\$0.57	1,800,000	—	—	—	1,800,000	0.13%	(2), (3)
		Beneficial owner	Personal	HK\$1.37	1,200,000	—	—	—	1,200,000	0.08%	(2), (4)
	LIU Guoyuan	Beneficial owner	Personal	HK\$0.57	1,800,000	—	—	—	1,800,000	0.13%	(2), (3)
		Beneficial owner	Personal	HK\$1.37	1,200,000	—	—	—	1,200,000	0.08%	(2), (4)
COSCO Corporation (Singapore) Limited	WEI Jiafu	Beneficial owner	Personal	S\$0.2	350,000	—	(350,000)	—	—	—	(5)
		Beneficial owner	Personal	S\$0.2	350,000	—	(350,000)	—	—	—	(6)
		Beneficial owner	Personal	S\$0.735	700,000	—	(700,000)	—	—	—	(7)
		Beneficial owner	Personal	S\$1.614	—	450,000	—	—	450,000	0.04	(8)
	LI Jianhong	Beneficial owner	Personal	S\$0.2	200,000	—	(200,000)	—	—	—	(5)
		Beneficial owner	Personal	S\$0.2	250,000	—	(250,000)	—	—	—	(6)
		Beneficial owner	Personal	S\$0.735	500,000	—	(500,000)	—	—	—	(7)
		Beneficial owner	Personal	S\$1.614	—	300,000	—	—	300,000	0.03%	(8)
	SUN Yueying	Beneficial owner	Personal	S\$0.2	250,000	—	(250,000)	—	—	—	(5)
		Beneficial owner	Personal	S\$0.2	250,000	—	(250,000)	—	—	—	(6)
		Beneficial owner	Personal	S\$0.735	500,000	—	(500,000)	—	—	—	(7)
		Beneficial owner	Personal	S\$1.614	—	300,000	—	—	300,000	0.03%	(8)

(c) Long positions in underlying shares of equity derivatives of associated corporation (Continued)

Notes:

- (1) The share options were granted by COSCO Pacific. For further information, please refer to the section headed "Share Options Scheme of COSCO Pacific".
- (2) The share options were granted by COSCO International Holdings Limited ("COSCO International"), an associated corporation of the Company.
- (3) These share options were granted on 26 November 2003 pursuant to the share option scheme approved by shareholders of COSCO International on 17 May 2002 (the "Share Option Scheme of COSCO International") and can be exercised at HK\$0.57 per share at any time between 23 December 2003 and 22 December 2008.
- (4) These share options were granted on 2 December 2004 pursuant to the Share Option Scheme of COSCO International and can be exercised at HK\$1.37 per share at any time between 29 December 2004 and 28 December 2014.
- (5) The share options were granted by COSCO Corporation (Singapore) Limited ("COSCO Corporation (Singapore)"), an associated corporation of the Company, on 12 August 2002 and can be exercised at any time between 12 August 2003 and 11 August 2007.
- (6) The share options were granted by COSCO Corporation (Singapore) on 1 April 2003 and can be exercised at any time between 1 April 2004 and 31 March 2008.
- (7) The share options were granted by COSCO Corporation (Singapore) on 24 May 2004 and can be exercised at any time between 24 May 2005 and 23 May 2009.
- (8) The share options were granted by COSCO Corporation (Singapore) on 6 April 2005 and can be exercised at any time between 6 April 2006 and 5 April 2010.

Save as disclosed above, as at 31 December 2005, none of the directors, supervisors or chief executives of the Company had any interests or short positions in any shares or underlying shares or interests in debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Directors' Report

Arrangements to purchase shares or debentures

At no time during the year was the Company, its subsidiaries, its fellow subsidiaries or its holding company a party to any arrangements to enable the directors, supervisors or senior management of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors', Supervisors' and Five Highest Paid Individuals' Remunerations

Details of the remunerations of the directors and the supervisors of the Company and the five highest paid individuals of the Group are set out in note 36 to the consolidated financial statements prepared in accordance with the HKFRS contained herein.

There were no arrangements under which a director or supervisor of the Company had waived or agreed to waive any remuneration in respect of the year ended 31 December 2005.

Service Contracts of Directors and Supervisors

Each of the directors and supervisors of the Company has entered into a service contract with the Company. No director or supervisor of the Company has entered into any service contract with the Company, which is not terminable by the Company within one year without payment of compensation (other than statutory compensation).

Interests of Directors and Supervisors in Contracts

None of the directors or supervisors of the Company had a material interest, whether directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year ended 31 December 2005.

Disclosure under Rule 13.22 of Chapter 13 of the Listing Rules

In relation to the financial assistance granted by COSCO Pacific, a listed subsidiary of the Company, to certain of its affiliated companies, a proforma combined balance sheet of its affiliated companies as at 31 December 2005 required to be disclosed under Rule 13.22 of Chapter 13 of the Listing Rules is set out below:

	RMB'000
Non-current assets	6,796,367
Current assets	382,955
Current liabilities	(1,319,558)
Non-current liabilities	<u>(2,961,925)</u>
Net assets	<u>2,897,839</u>
Share capital	2,026,298
Reserves	<u>871,541</u>
Capital and reserves	<u>2,897,839</u>

As at 31 December 2005, the Group's share of net assets of these affiliated companies amounted to RMB1,020,412,000.

Board Committees

The Company has established an audit committee, a remuneration committee and a nomination committee a strategic development committee and a risk management committee. For details regarding the board committees, please refer to the relevant section in the Corporate Governance Report on pages 74 to 78 of this report.

Directors' Report

Corporate Governance

The Company is committed to fulfilling its responsibilities to shareholders by ensuring that the proper processes for oversight and management of its businesses are in place, in operation and are regularly reviewed. For details, please refer to the relevant section in the Corporate Governance Report on pages 69 to 80 of this report.

Employees and Remuneration Policies

The Group always considers that staff team is the key pillar for its continuous steady growth. Throughout history, the Group has consistently regarded the team spirit building activities as one of the most important long-term development plans. To fully cope with the business expansion of its container shipping, container terminal, container leasing, freight forwarding and shipping agency businesses, the Group strives to provide professional training to the management and attract competent expertise. The Group endeavours to cultivate harmonious working atmosphere with the aims of promoting enthusiasm and achieving a co-operative, respectful and faithful relationship.

The Group has continued to improve the remuneration packages for its employees based on fair principles. The management reviews the remuneration policies on a regular basis to formulate more reasonable incentives and appraisal measures. As at 31 December 2005, there were 8,579 employees in the Group. Total staff costs of the Group for the year, including directors' remuneration, totalled approximately RMB2,504,271,000.

Repurchase, Sale or Redemption of the Shares of the Company

During this reporting period, the Company did not redeem any of its shares. Neither the Company and its subsidiaries repurchased or sold any shares of the Company during the year.

Donations

Donations made by the Group during the year amounted to RMB2,921,000.

Corporate Culture

The Company sees a positive corporate culture important in laying a solid foundation for the continuous development of an enterprise. While actively expanding its business, the Group puts much emphasis on building its corporate culture, setting out the guiding principle of “achieving customer satisfaction and creating value to shareholders” for our employees with a view to “maximizing return for shareholders”. Having due regard to its employees, shareholders, customers, other stakeholders and the community as a whole and adhering to its corporate value of “integrity, creativity, growth, good communication, understanding, sound management, morality and dedicated services”, the Group takes a people-oriented approach and encourages life-long learning so as to create an environment featuring “integrity, progression, exploration and innovation”.

Annual General Meeting

The notice of the annual general meeting of the Company is set out on pages 81 to 82 of this report.

Auditors

The Company has appointed PricewaterhouseCoopers and BDO Reanda Certified Public Accountants as the international and PRC auditors of the Company for the year ended 31 December 2005. PricewaterhouseCoopers has conducted the audit of the Group’s financial statements which are prepared in accordance with HKFRS. PricewaterhouseCoopers and BDO Reanda Certified Public Accountants have been engaged by the Company since its listing date. Resolutions for re-appointments of PricewaterhouseCoopers and BDO Reanda Certified Public Accountants as the international and PRC auditors of the Company will be proposed at the forthcoming shareholders’ annual general meeting on 15 June 2006.

By order of the Board of Directors

Wei Jiafu

Chairman

Beijing, the PRC

11 April 2006