Chairman: Mr. Li Kelin

Chairman's Statement

CHAIRMAN'S STATEMENT

After the prosperous shipping year in 2004, year 2005 was still a rather booming year in the shipping industry. Under such operating environment, the Company and its subsidiaries (the "Group") continued to develop at a rapid pace.

During 2005, capturing business opportunities in the shipping industry and relying on the continuous rapid growth in China's economy, and making full use of its strengths in fleet, cost, operation and management, the Group was able to achieve remarkable results again under an operating environment where there was a general increase in operation costs. I am pleased to report that for the year ended 31 December, 2005, the Group recorded a turnover of RMB28,374,680,000, achieving an increase of 26.9% as compared with the same period last year. However, profit before income tax decreased by 8.2% as compared with the same period last year to RMB4,309,263,000 and profit attributable to equity holders decreased by 10.7% as compared with the last year to RMB3,582,782,000 as a result of an increase in operation cost such as fuel price, etc.

The Board recommends the payment of a final dividend of RMB0.12 per share.

OPERATION REVIEW

During 2005, the world economy was in the cycle of stable growth. Growth rate of the global economy for the year was 4.3% (information source: International Monetary Fund forecast of world economy). With the increasing recovery of cross-border investments, world trade developed rapidly with a growth rate of approximately 7%. China's economy still showed strong performance during 2005, achieving an increase of 9.9%. Total amount of imports and exports was more than USD1,400 billion (information source: National Bureau of Statistics of China). As a result, container through-put in China for the year 2005 reached 75.8 million TEU, representing an increase of 23% as compared to 2004 (information source: PRC's Ministry of Communications). Global container through-put for the year 2005 increased by approximately 9.9% as compared to 2004 (information source: Drewry quarterly report). The overall performance of the market is quite prosperous.

However, the rapid growth of global container shipping capacity as well as the continuous rise in the operation cost of fuel price, fleet cost and port charges constituted to a certain extent negative factors in the operation of liner shipping companies.

The Group adopted a series of measures during 2005 according to the complex and fluctuating market situation:

I. The Group continued to optimize fleet structure and improve core competitiveness of the fleet. For the year 2005, 21 large container vessels with a total capacity of 95,113 TEU were added to the fleet. As a result, vessels with capacity of more than 4,000 TEU accounted for 76.7% of total shipping capacity of the Group and the average age of the fleet was 1.95 years old only. The large-scale and modernization of the container fleet had been enhanced to a new level. The fleet structure was further improved.

II. The Group upgraded shipping capacity in the major trade lanes and improved the overall structure of global trade lanes. The Group upgraded the shipping capacity in trade lanes including West America route and Europe/ Mediterranean route to satisfy the demand for capacity due to an increase in market trading volume. The Group newly inaugurated trade lanes including the fifth European route, the third Australian route, the Around The World route, Europe – Mediterranean route and Mediterranean – North Africa route. At the same time, the Group strengthened service network of feeder transportation including regions such as Mediterranean, Southeast Asia and the Yangtse River, etc.

III. The Group strived to explore and expand the market and enhance its ability in soliciting cargo. The Group was able to enlarge the proportion of basic supply of cargo and enhance ability to withstand fluctuation and risks in market through tasks including setting up additional agency network points, supervising port agents to strengthen ability in soliciting cargo as well as contracting with beneficial cargo owners and large customers.

IV. The Group strived to stringently control its operation costs and increase income while reducing expenses. The Group's operation costs had increased rapidly as a result of a relatively large increase in additional capacity and an increasingly improved overall arrangement of trade lanes. Therefore, the Group on the one hand adjusted the surcharge level, on the other hand devoted much efforts to reduce each kind of operation cost including transshipment cost, container control cost and fuel cost, etc.

V. The Group strengthened its cooperation with other liner shipping companies in order to reduce operation cost while expanding the coverage of trade lanes.

VI. The Group rode on its unique advantage and increased income by means of flexible deployment of resources. The Group enhanced utilization of its vessels, saved costs of purchasing feeder services and reduced cost of repositioning containers through measures such as deploying reefer containers to carry dry cargo, carrying feeder cargoes on major trade lanes and carrying both international and domestic cargo on the same vessel, etc.

OUTLOOK

In 2006, the world economy and world trade will continue the current trend of stable growth. It is forecasted by International Monetary Fund that the growth in the world's economy will maintain at the level of approximately 4.3% and trade volume will increase by about 7.4%. It is hopeful that the PRC's foreign trade will increase by about 15% as compared to 2005 to over USD1,600 billion. (information source: Ministry of Commerce of the PRC).

Although the demand for container shipping maintains at a booming state, the concentrated delivery of global new additional capacity in 2006 will result in pressure on the freight rate of major trade lanes in the shipping market. It is forecasted by Drewry that in 2006, the global additional capacity will increase by about 15.7%, which is higher than the increase in container through-put of 9.7%. However, we believe that the pressure on the trade lanes with concentrated capacity will be alleviated as a result of the adjustment of trade lanes of each liner shipping company. Moreover, coverage of trade lanes will be further expanded. New regional feeder services including the Black Sea, Mediterranean and the Caribbean Sea are being developed and major trade lanes are being extended as a result of the growth in the economies in the Middle East, South Asia, Africa, South America and East Europe, etc. Accordingly, certain proportion of newly increased capacity will be digested. In addition, the state of surplus capacity growth over container volume growth will be alleviated to a certain extent as a result of factors including port infrastructure and the trade imbalance between eastbound and westbound.

Under the present operating environment, the Group, always with investors' interests in mind, will make full use of its high level of management and operation skill to pursue excellence.

In 2006, the Group will implement the following strategies and operation programme:

I. To continue to optimize fleet structure and improve core competitiveness of the Group. In 2006, 13 new vessels with a total capacity of 63,992 TEU will be put into operation, of which the super large container vessels with a capacity of 9600 TEU will be delivered and put into operation in trade lanes in Far East/ Europe. It is estimated that the container vessels with capacity of over 4000 TEU will account for 78.6% of the total capacity of the Group by the end of the 2006. Since most of these vessels were ordered during the period between 2001 and 2003, which was the down cycle of the shipping industry, thus the cost is relatively lower than market price. With the deployment of these vessels, the Group will reduce its cost further in the future.

II. To expand the trade lanes coverage and explore the more profitable shipping business between third countries.

   1. The Group has inaugurated many new trade lanes according to the market situation including the route from Far East to Middle East, the route from Far East to the west coast of South America, the route from Middle East to Europe, the route from Europe to the east coast of North America and so on and is planning to inaugurate the trade lanes including route from Europe to the east coast of South America, route 7 to Europe, route 4 to the Mediterranean Sea, the route through Red Sea, the route from Europe to US Gulf, the route from Europe to Latin America and the route from the Mediterranean Sea to the West Africa, etc..

   2. The Group will continue to construct and further improve the local regional networks within the regions in Asia, the Mediterranean Sea, Middle East, Baltic Sea, and Latin Americas, etc, and this will further expand the coverage of its service as well as reduce the transshipment cost.

III. To expand and enhance the cooperation between the trade lanes and the exchange of slots, increase the frequency of the shipping schedules, expand the market, shorten the delivery time, decrease the volume of transshipment as well as increase the efficiency and to reduce cost.

IV. To stabilize freight rates and increase profits. As the market has been improving, all trade lanes have been fully loaded and even overloaded since March, which laid a sound foundation for increasing freight rates. The freight rates for Europe/Mediterranean trade lanes have been increased by US$200/ US$400 (20' GP/40' GP) from 1 April. From 1 May, the freight rates for the west coast of America trade lanes will be increased by US$150/FEU, and inland America will be increased by US$350/FEU and east coast of America will be increased by US$400/FEU. The freight rates for Australian, Middle East and African trade lanes also increased at varying degrees. What's more, the Group has also adjusted fuel surcharge in a timely manner according to the upward trend of the oil price. The fuel surcharge for Europe/Mediterranean trade lanes was increased to US$270/ TEU from US$240/TEU earlier this year. The fuel surcharge for American trade lanes in Q1 has been increased to US$590/FEU from US$455/FEU at the end of last year.

V. To control cost and improve efficiency. The Group has locked in 270,000 tons of fuel. Calculated on the basis of 75,800 tons that have been consumed, the Group has saved about US$1,780,000. Calculated on the basis of the current oil price, savings for the whole year is expected to be around US$10,000,000 by oil price hedging. The Group will continue to pay close attention to changes in the fuel market and lock in fuel in a timely manner and control sailing speed to save costs. In addition, the Group will refine its management on its port charges, containers costs and the costs of inland, transshipment and inland transshipment. For example, to reduce inland expenses by controlling the proportion of inland cargo in North America within 40%.

VI. By relying on the strong growth of China's economy, to continue to expand its market share of China's imports and exports and steadily boost its market share of domestic ports from 10% to 15%. Furthermore, in order to satisfy the expanding demand of its fleet, the Group will also focus on those newly inaugurated third country markets to increase the overseas network of cargo solicitation ports hence to increase its market share of global container shipping market.

VII. To control the investment size appropriately according to the change of shipping market thus to guarantee the investment return and control the gearing ratio in a reasonable range. Meanwhile the Group will continue to pay close attention to the foreign exchange risk (i.e. RMB appreciation), and adopt appropriate measures including timely foreign exchange conversion and financial hedging instruments to mitigate the Group's currency exposure.

VIII. To seek new sources of profit growth; the export and import volume of vehicle in China has been increased rapidly and the Group will enter into the vehicle-shipping business at the appropriate time. Moreover, the Group will also strengthen the strategy research related to the industry development such as terminal and logistics according to the future development of the Company, so as to enhance extended services and increase marginal profit.

The outstanding achievement in 2005 is owed to the efforts of all the employees of the Group and the support from all of the shareholders. I would like to take this opportunity to express my sincere gratitude on behalf of the Group to all of them. Regarding the future, the Group, with full confidence, will return more to the shareholders with the unchanged spirit of professionalism, diligence and commitment.

By order of the Board of Directors

China Shipping Container Lines Company Limited

Li Kelin
Chairman

18 April, 2006