

Chairman's Statement

The robust Chinese economy and strong international trade in 2007 drove growth of global containerised shipping and provided a favourable environment for COSCO Pacific to grow our terminal, container leasing, management and sale, logistics and container manufacturing businesses. Particularly the terminal business has already become our key earnings growth driver.

I am pleased to report to our shareholders that COSCO Pacific delivered a satisfactory performance in 2007. Profit attributable to equity holders of the Company was US\$427,768,000, representing an increase of 47.0% compared to the previous year. Net profit from the terminal business was US\$128,267,000, representing an increase of 27.5% compared to the previous year and accounting for 45.5% of the profit attributable to equity holders ^{Note} compared with 29.0% for 2006. Against this

background, we further expanded our terminal business in three main ways; strengthening our presence in the global network through increased investment in new terminal operations, increasing controlling rights in our terminal investments and diversifying our investment in break bulk cargo terminals.

China factor

The US economy has been slowing down since the third quarter of 2007 in the aftermath of concerns over subprime mortgages. This does of course have some impact on global economy. However, I firmly believe that the China factor will play an increasingly positive role in the global economy and that China will further evolve from the 'world's factory' into one of its key consumer markets. This will ensure strong trade flows both in and out, which will help drive our business. We therefore end the year in a strong position; but we are restless to become stronger still.



Note: The profit attributable to equity holders of the Company excluded the CIMC Put Options financial effect of US\$55,181,000 and net profit from disposal of 20% equity interest in Chong Hing Bank of US\$90,742,000.

Excellent growth in China's port industry

In China, 2007 GDP growth reached 11.5% with import and export trade value totalling US\$2,174 billion, up 23.5% year on year. The impact of this on global containerised cargo volume was to drive growth of around 10% in 2007. Meanwhile, the throughput of ports in mainland China grew substantially with a total of 112.7 million TEUs of containers handled in 2007, increasing by 21.2% and accounting for approximately 23.0% of the total containers handled worldwide, up 1.8 percentage points compared to 2006.

We expect that the efficiency of port infrastructure, enhancement of port facilities, increase in cargo flow, and improving quality of port management and information technology will be developed rapidly in the coming years. However competition is also expected to intensify. Opportunities and challenges always co-exist, so we will seize every opportunity for quality investment. Ports are valuable and scarce assets and their value will continue to rise due to the restricted quay length along the coastal line of China which has limited capacity for extension.

Global surge in investments in port assets

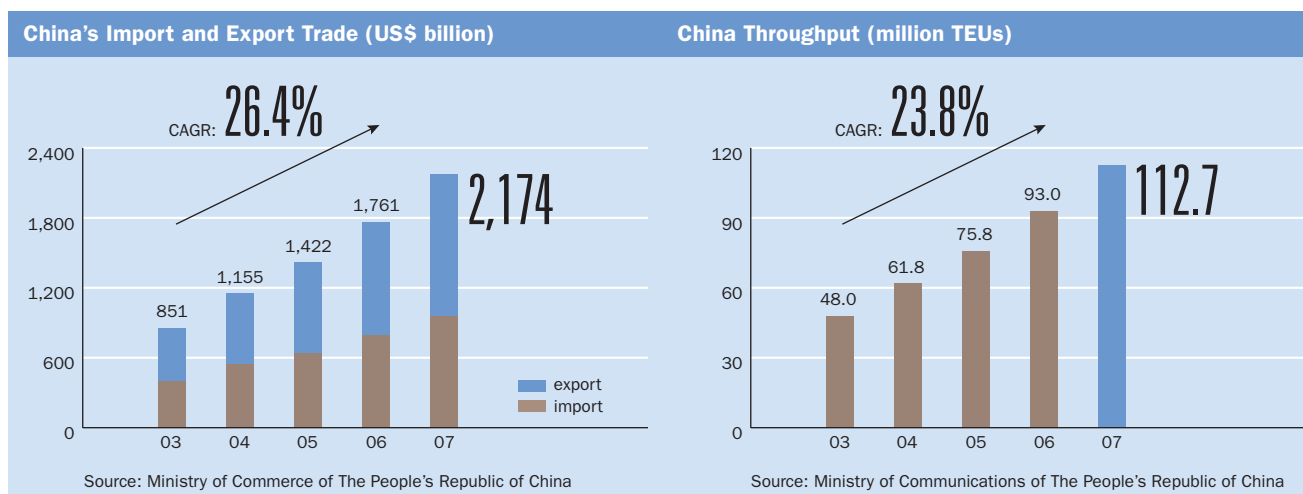
Container terminal operators are seeking greater expansion in various ways. Apart from increasing the scale of investments in China, they are also investing worldwide by way of mergers and

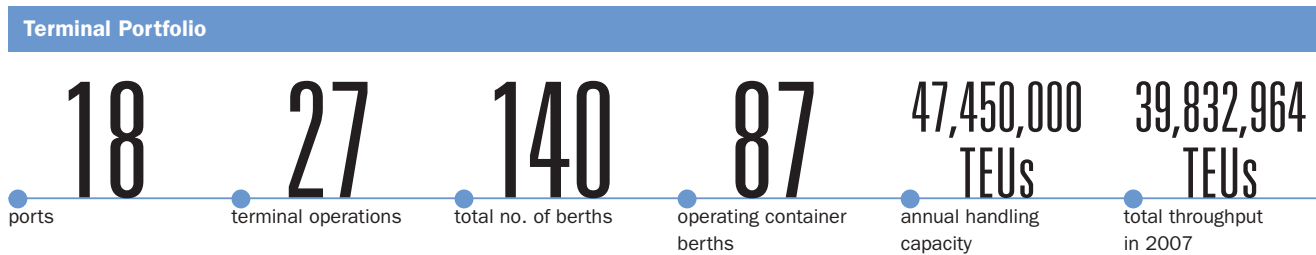
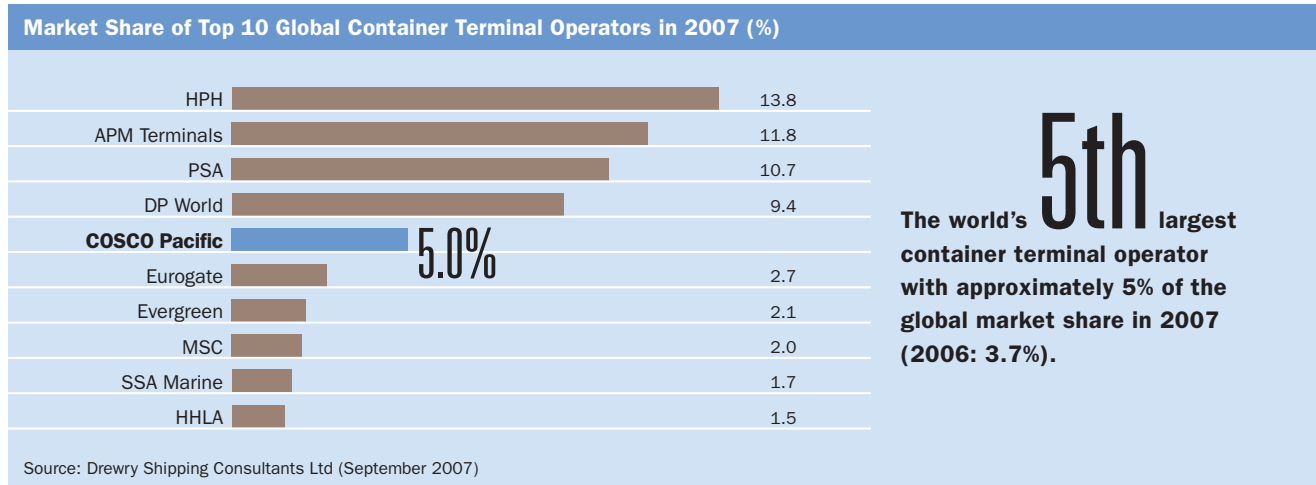
acquisitions. Even private equity funds and investment banks join in the competition for port acquisitions. With the new surge of investments flowing in the port industry, the value of the port assets keeps rising. The strong support of large shipping fleet of our parent company provides COSCO Pacific with competitive advantages to expand our terminal portfolio and strengthen our ability to grow the business.

A global port operator with strategy for growth

COSCO Pacific is the fifth largest terminal operator in the world and had approximately 5% of the global market share in 2007 (2006: 3.7%). As at 31st December 2007, COSCO Pacific had various equity interests in 27 terminal operations which invested in, operated and managed a total of 140 berths at 18 ports in China and overseas. Of these, 87 container berths are operational and capable of handling 47,450,000 TEUs per annum. In 2007, a total of 39,832,964 TEUs were handled by the operating berths, up 21.5% compared to 2006.

In addition to our organic investment, strengthening port management, we also endeavour to enhance marketing performance and profitability of new terminals. Moreover, we have been dedicating our efforts to seeking opportunities to invest further in new ports and terminals.





In 2007, we established our four strategies for transforming our terminal portfolio:

- CONTROL** To move from an investment-based model to a controlling rights model
- GLOBALISE** To move from a China focus to be a global player with a primary focus on China
- DIVERSIFY** To move from a container terminals business to a diversified terminals portfolio
- REVALUE** To move from a focus on maximising profit to maximising enterprise value

Expanded terminal portfolio in 2007

In 2007, COSCO Pacific invested in Qingdao New Qianwan Terminal, Xiamen Yuanhai Terminal, Jinjiang Pacific Terminal and a terminal at Jiangdu port area of Yangzhou in China. A total of 16 container berths and 5 break-bulk cargo berths were added to our portfolio with an increase of annual handling capacity of 9,600,000 TEUs and 6,050,000 tons.

As for overseas terminals, a concession agreement was signed between Suez Canal Terminal and the Egyptian government for

the development of terminal phase II located at Port Said in Egypt. This phase II will manage and operate four container berths with an annual handling capacity of 2,550,000 TEUs.

The above terminal developments added a total of 20 container berths and five break bulk cargo berths to our terminal portfolio with an increase of annual capacity by 12,150,000 TEUs and 6,050,000 tons respectively.

CONTROL: Strengthening controlling rights

By acquiring a 70% equity interest in Xiamen Yuanhai Terminal and an 80% equity interest in Jinjiang Pacific Terminal, COSCO Pacific took substantial interests in terminals in the Southeast Coast, which will be developed as the fourth largest economic development zone in China.

GLOBALISE: Expanding the global network with a primary focus on China

Qingdao Qianwan Terminal, entered into a joint venture with Pan Asia International Shipping Ltd. to establish the Qingdao New Qianwan Terminal, in which Qingdao Qianwan Terminal owns an 80% equity interest. Qingdao New Qianwan Terminal will build,

operate and manage ten berths in Phase IV of Qianwan. The annual handling capacity is 6,000,000 TEUs. Together with Phases II and III operated by Qingdao Qianwan Terminal, the total annual capacity of three phases will be 12,500,000 TEUs with a total of 21 berths. The investment in this international hub port at Qingdao Qianwan further enhanced the momentum of our earnings growth in future.

In addition to four berths at Phase I of the Port Said of Suez Canal Terminal in Egypt, in which COSCO Pacific has a 20% equity interest, the new investment in Phase II will bring the total number of berths to eight, with the total annual handling capacity of 5,100,000 TEUs. Situated at one of the most prominent ports in the eastern Mediterranean, this terminal is located as a pivot of Asian, European and Mediterranean key routes of container liners shipping through the Suez Canal.

DIVERSIFY: Diversifying the portfolio

We diversified our terminal portfolio by acquiring a total of five break bulk cargo berths in 2007. Yangzhou Yuanyang Terminal, in which COSCO Pacific holds a 55.59% equity interest, acquired two break bulk cargo berths at the port of Jiangdu in Yangzhou, which is the second largest port

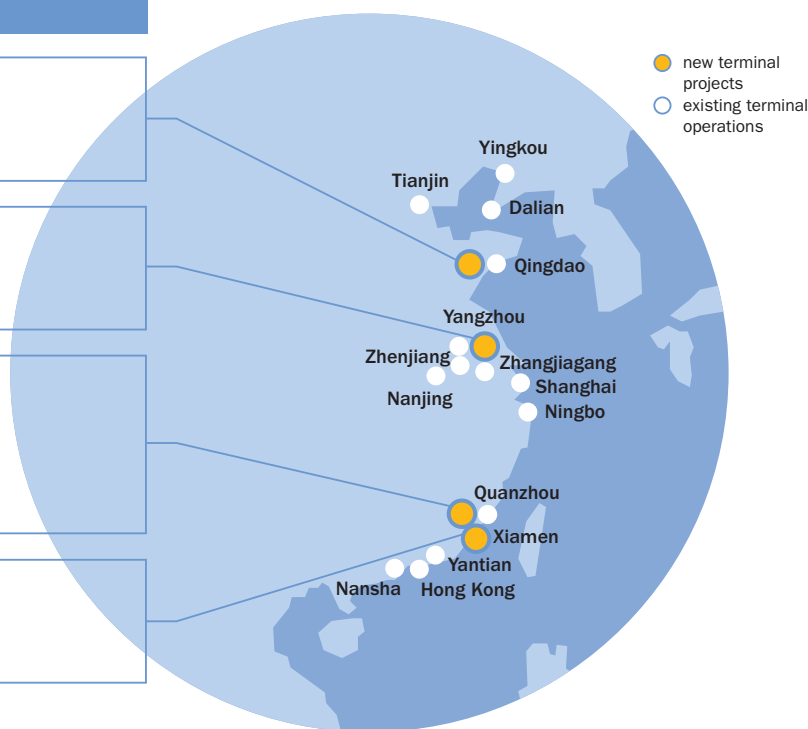
for handling imports of lumbers in China. In addition to three break bulk cargo berths at the port of Jinjiang in Quanzhou, COSCO Pacific acquired five break bulk cargo berths, thus increasing our annual handling capacity of bulk cargo to 6,050,000 tons.

REVALUE: Building on our strong track record of value creation

COSCO Pacific had a market capitalisation of HK\$46.7 billion as of 31st December 2007. Profit attributable to equity holders of the Company have increased 28.7% annually over the past five years.

Our senior management strongly believe that the strategic initiatives we have put in place will position COSCO Pacific well for highly profitable, long-term growth, enabling us to continue to build enterprise value for our shareholders. We have set our goals to increase the total number of our berths to be more than 200 in the coming three years, to acquire more terminal investments with controlling stakes and to expand our presence in overseas terminal operations. The terminal business is expected to contribute over 50% of total profit and to make up over 50% of the total assets by 2010.

Terminal Investments in China in 2007	
Qingdao New Qianwan Terminal	
Shareholding	16%
No. of berths	10
Annual handling capacity	6,000,000 TEUs
Yangzhou Yuanyang Terminal	
Shareholding	55.59%
No. of break-bulk cargo berths	2
Annual handling capacity	1,850,000 Tons
Jinjiang Pacific Terminal	
Shareholding	80%
No. of berths	2
Annual handling capacity	800,000 TEUs
No. of break-bulk cargo berths	3
Annual handling capacity	4,200,000 Tons
Xiamen Yuanhai Terminal	
Shareholding	70%
No. of berths	4
Annual handling capacity	2,800,000 TEUs



Ensuring trust

Sound corporate governance is the key for optimised business management and COSCO Pacific is dedicated to maintaining an effective corporate governance structure to assure transparency and safeguard shareholders' interests. We believe in having a mechanism in place to balance all shareholders' interests, and help maximise shareholder returns. The management team attaches great importance to assessing risks, including operational, financial and legal, in connection with the Company's business. The Corporate Governance Committee and the Risk Control Committee jointly formulated criteria for internal control and risk assessment as a step towards more efficient and better governance.

In 2007, COSCO Pacific engaged in many activities aimed at encouraging better corporate governance standards in the market. We were the lead sponsor of the Directors of the Year Awards 2007 organized by Hong Kong Institute of Directors. Our efforts to improve corporate governance were acknowledged by the industry and the capital markets. We were received several recognitions including "Forbes Global 2000" for the 3rd consecutive year and awarded "Hong Kong Outstanding Enterprises" by Economic Digest for three consecutive year; the Company also won "Best Corporate Award" by The Asset magazine and "Corporate Governance Asia Recognition Awards" by Corporate Governance Asia magazine. The Company was awarded "Hong Kong In-House Team of the Year" and "Shipping In-House Team of the Year" by Asian Legal Business (ALB), a well recognized professional magazine. We also won the "Best Investor Relations Award" from IR magazine.

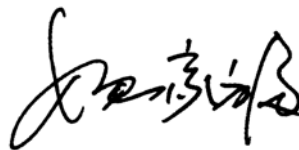
As environmental protection and climate change have become significant global issues, COSCO Pacific is committed to a responsible approach to environmental protection. In 2007, we became a Council Member of the Hong Kong Business Environment Council. Apart from attending the council's various meetings and conferences, we dedicated our efforts to promotion of environmental protection awareness among our employees. At the same time, we also joined the Hong Kong Business Coalition on the Environment, which is tasked to improve the air quality in Pearl River Delta region, promoting the "Business for Clean Air" charter and campaign.

Outlook

The year 2008 will be a year full of challenges and opportunities. Global economic growth will be further slowed by the deteriorating US economy. However, the Chinese economy will still be stimulated by strong growth in domestic consumption and China's import trade is expected to maintain a solid upward trend. As a result, we expect domestic cargo volume to increase and containerised shipping is likely to increase amid such favourable conditions. Meanwhile, Chinese economic growth will remain healthy under proper control by the government's macro-economic tightening policies. All told, the China factor will definitely provide excellent opportunities for the further development of COSCO Pacific.

While intensifying our effort to accelerate the growth of port and terminal business, we continue to strengthen our container leasing business and expand our container management services with our asset light approach, tying up less capital while continuing to develop as a market leader. Our fundamental objective is to maximize shareholder value over the long term through improving efficiency and maximizing enterprise value.

Tough times and high standards nurture great companies. I am confident for the future. I would like to take this opportunity to express my heartfelt thanks to all shareholders, business partners and the business community for your great support to our company. Also I would like to thank to all of our employees for their efforts and contributions to the company.



WEI Jiafu

Chairman

7th April 2008