COSCO Pacific Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 1199)

ANNOUNCEMENT OF 2006 FINAL RESULTS

RESULTS HIGHLIGHTS

- Profit before income tax (excluding the Put Options Non-cash Expense) increased by 10.7% to US$398,835,000
- Profit before income tax (including the Put Options Non-cash Expense) dropped by 4.6% to US$343,654,000
- Profit attributable to equity holders of the Company (excluding the Put Options Non-cash Expense) increased by 3.4% to US$346,263,000
- Profit attributable to equity holders of the Company (including the Put Options Non-cash Expense) dropped by 13.1% to US$291,082,000
- Propose a final dividend of US4.147 cents (2005: US3.583 cents)
- Full-year dividend was US8.847 cents (2005: US8.650 cents) with payout ratio (excluding the Put Options Non-cash Expense) of 56.6% (2005: 56.6%)
- Net debt to equity ratio reduced to 13.9% (2005: 34.7%)
- Total container terminal throughput rose by 25.7% to 32,791,713 TEUs, ranking as the fifth largest container terminal operator in the world
- Total number of terminal berths increased from 100 to 115 and aggregate annual capacity to be increased to 61,000,000 TEUs (2005: 54,900,000 TEUs)
- Total container leasing and management fleet increased by 19.9% to 1,250,609 TEUs, ranking as the third largest container leasing company in the world
- Further improved business operation model and optimised capital structure by the sale of 600,082 TEUs of containers while maintaining management role in the sold assets subsequent to the disposal
- The Board was awarded the "Directors of the Year Awards 2006" by the Hong Kong Institute of Directors
- COSCO Pacific was selected as one of the "Hong Kong Outstanding Enterprises" by the Economic Digest

STRENGTHENED BUSINESS MODELS

Our mission is to create long-term and sustainable value for our shareholders by providing superior services to our customers through a well-balanced portfolio and network with a major focus on ports and terminals. Our vision is to transform our business model by becoming a leading global port operator and focusing on ports as the principal earnings driver, through further investments by taking majority stakes, thereby maximising enterprise value on the basis of controlling rights, and further improving our business model by converting container leasing into an asset light business. In 2006, COSCO Pacific Limited (the "Company" or "COSCO Pacific") bolstered its global business network by further expanding its presence in China and worldwide. This clear and consistent strategy, supported by our enhanced business models, efficient capital investment, rigorous value-management and strict corporate governance, allows us to provide more comprehensive services to our customers and to create long-term enterprise value. For both customers and investors alike, COSCO Pacific is building a larger platform for future growth based on its strengthened business models.

FINAL RESULTS

The board of directors (the "Board") of COSCO Pacific is pleased to announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31st December 2006. The following financial information, including comparative figures, has been prepared in accordance with Hong Kong Financial Reporting Standards.

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December 2006

	Note	**2006**	2005
		US$'000	*US$'000*
Revenues	2	**253,960**	295,648
Cost of sales		**(100,686)**	(115,551)
Gross profit		**153,274**	180,097
Other income		**19,747**	16,593
Administrative expenses		**(33,806)**	(31,424)
Other operating income	3	**78,817**	35,344
Other operating expenses		**(46,181)**	(25,392)
Profit on disposal of containers	4	**84,454**	—
Profit on disposal of an available-for-sale financial asset	5	**—**	61,875
Initial recognition of put options granted in connection with share reform of an associate	6	**(140,064)**	—
Fair value gain on put options granted	6	**84,883**	—
		(55,181)	—
Operating profit	7	**201,124**	237,093
Finance income	8	**12,621**	4,361
Finance costs	8	**(44,203)**	(36,362)
Operating profit after finance income and costs		**169,542**	205,092
Share of profits less losses of			
— jointly controlled entities		**85,070**	72,969
— associates		**89,042**	82,320
Profit before income tax		**343,654**	360,381
Income tax expenses	9	**(49,196)**	(22,426)
Profit for the year		**294,458**	337,955
Profit attributable to:			
Equity holders of the Company		**291,082**	334,937
Minority interests		**3,376**	3,018
		294,458	337,955
Dividends	10	**197,370**	190,333
Earnings per share for profit attributable to equity holders of the Company			
— basic	11	**US13.14 cents**	US15.28 cents
— diluted	11	**US13.07 cents**	US15.19 cents

CONSOLIDATED BALANCE SHEET

At 31st December 2006

	Note	**2006** **US$'000**	2005 US$'000
Non-current assets			
Property, plant and equipment		**1,108,852**	1,400,120
Investment properties		**1,540**	1,383
Leasehold land and land use rights		**34,401**	16,597
Intangible assets		**3,839**	3,803
Jointly controlled entities		**476,764**	403,486
Associates		**619,590**	483,514
Deferred income tax assets		**162**	246
Available-for-sale financial assets		**376,589**	275,595
Finance lease receivables		**2,989**	3,747
Restricted bank deposits		**158**	21,978
		2,624,884	2,610,469
Current assets			
Inventories held for sale		**3,553**	2,336
Trade and other receivables	12	**133,629**	84,283
Derivative financial assets		**579**	725
Bank balances and cash		**224,510**	157,337
		362,271	244,681
Current liabilities			
Trade and other payables	13	**172,728**	53,628
Derivative financial liabilities		**55,181**	—
Current income tax liabilities		**7,676**	820
Current portion of long term borrowings		**2,421**	84,558
Short term bank loans — unsecured		**10,245**	2,478
		248,251	141,484
Net current assets		**114,020**	103,197
Total assets less current liabilities		**2,738,904**	2,713,666
Non-current liabilities			
Derivative financial liabilities		**4,362**	2,007
Deferred income tax liabilities		**2,202**	72,699
Long term borrowings		**518,932**	748,617
Other long term liabilities		**5,207**	—
		530,703	823,323
Net assets		**2,208,201**	1,890,343

	Note	**2006**	2005
		US$'000	*US$'000*
Capital and reserves attributable to the equity holders of the Company			
Share capital		**28,583**	28,200
Reserves		**2,051,627**	1,772,959
Proposed final dividend		**92,424**	78,789
		2,172,634	1,879,948
Minority interests		**35,567**	10,395
Total equity		**2,208,201**	1,890,343

NOTES

1. BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The consolidated financial statements have been prepared under the historical cost convention except that, available-for-sale financial assets, derivative financial instruments and investment properties are carried at fair value and certain buildings are carried at valuation as at 31st December 1994 less accumulated depreciation and impairment losses.

Adoption of new and revised HKFRSs

The HKICPA has issued certain new and revised HKFRSs which are mandatory for the Group's accounting periods on or after 1st January 2006 (the "New HKFRSs"). Except for the change in the accounting policy in respect of financial guarantees, the adoption of the New HKFRSs in the current year did not result in any significant changes to the Group's principal accounting policies and the presentation of the Group's financial statements. Details of the change in the accounting policy in respect of financial guarantees are as follows:

In prior years, financial guarantees issued by the Group were only disclosed as contingent liabilities and no provisions were made in respect of these guarantees unless it was more likely than not that the guarantee would be called upon. Upon the adoption of the Amendments to Hong Kong Accounting Standard ("HKAS") 39 and HKFRS 4 "Financial Guarantee Contracts" (the "Amendments"), financial guarantees are accounted for as financial liabilities under HKAS 39 "Financial Instruments: Recognition and Measurement" and measured initially at fair value and subsequently stated at the higher of (i) the amount initially recognised less accumulated amortisation; and (ii) the amount of the provision, if any, that should be recognised in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets". The adoption of the Amendments did not have any material impact on the financial statements of the Group for the years ended 31st December 2006 and 2005.

New or revised HKFRSs and interpretations that are not yet effective

The HKICPA has issued the following new or revised HKFRSs and interpretations which are not yet effective for the year ended 31st December 2006 and may be relevant to the Group's operations:

		Effective for accounting periods beginning on or after
HK(IFRIC)-Int 8	Scope of HKFRS 2	1st May 2006
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives	1st June 2006
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment	1st November 2006
HKFRS 7	Financial Instruments: Disclosures	1st January 2007
HKAS 1 (Amendments)	Presentation of Financial Statements: Capital Disclosures	1st January 2007

The Group has not early adopted the above new or revised HKFRSs and interpretations in the consolidated financial statements for the year ended 31st December 2006. The Group has already commenced an assessment of the related impact to the Group but is not yet in a position to state whether any substantial changes to Group's accounting policies and presentation of the consolidated financial statements will be resulted.

2. SEGMENT INFORMATION

(a) Primary reporting format — business segments

In accordance with the Group's internal financial reporting, the Group has determined that business segments are presented as the primary reporting format.

Unallocated costs represent net corporate expenses and corporate finance costs less corporate interest income. Segment assets consist primarily of property, plant and equipment, investment properties, leasehold land and land use rights, intangible assets, inventories held for sale, receivables and operating cash, and mainly exclude deferred income tax assets and investments in jointly controlled entities, associates and available-for-sale financial assets.

Segment liabilities comprise operating liabilities and primarily exclude items such as current and deferred income tax liabilities and corporate borrowings.

Capital expenditure comprises additions to property, plant and equipment, investment properties, leasehold land and land use rights and intangible assets, including additions resulting from acquisitions through business combinations.

Segment revenues, results and other information

	Year ended 31st December 2006						
	Container terminal and related businesses *US$'000*	**Container leasing, container management and related businesses** *US$'000*	**Logistics and related businesses** *US$'000*	**Container manufacturing and related businesses** *US$'000*	**Banking businesses** *US$'000*	**Corporate and other businesses** *US$'000*	**Total** *US$'000*
Revenues							
— total revenues	28,474	225,487	—	—	—	—	253,961
— inter-segment sales	(1)	—	—	—	—	—	(1)
External sales	28,473	225,487	—	—	—	—	253,960
Segment results	(36)	129,245	(7,215)	3,106	—	—	125,100
Dividend income from							
— a listed investment	—	—	—	—	—	476	476
— unlisted investments	19,227	—	—	—	—	—	19,227
Profit on disposal of containers *(note 4)*	—	84,454	—	—	—	—	84,454
Initial recognition of put options granted in connection with share reform of an associate *(note 6)*	—	—	—	(140,064)	—	—	(140,064)
Fair value gain on put options granted *(note 6)*	—	—	—	84,883	—	—	84,883
Unallocated costs							
— net corporate expenses	—	—	—	—	—	(9,571)	(9,571)
— corporate interest income	—	—	—	—	—	5,037	5,037
Operating profit/(loss) after finance income and costs	19,191	213,699	(7,215)	(52,075)	—	(4,058)	169,542
Share of profits less losses of							
— jointly controlled entities	57,837	—	18,351	8,882	—	—	85,070
— associates	18,537	—	—	57,727	12,778	—	89,042
Profit before income tax							343,654
Income tax expenses							(49,196)
Profit for the year							294,458
Capital expenditure	131,350	483,557	—	—	—	2,312	617,219
Depreciation and amortisation	2,880	84,832	—	—	—	407	88,119
Impairment loss of:							
— containers	—	2,533	—	—	—	—	2,533
— trade receivables, net	16	1,369	—	—	—	—	1,385
Amortised amount of discount on issue of notes and transaction costs on bank loans and notes	207	3,741	154	56	—	—	4,158

	Year ended 31st December 2005						
	Container terminal and related businesses *US$'000*	Container leasing, container management and related businesses *US$'000*	Logistics and related businesses *US$'000*	Container manufacturing and related businesses *US$'000*	Banking businesses *US$'000*	Corporate and other businesses *US$'000*	Total *US$'000*
Revenues							
— total revenues	19,338	276,313	—	—	—	—	295,651
— inter-segment sales	(3)	—	—	—	—	—	(3)
External sales	19,335	276,313	—	—	—	—	295,648
Segment results	4,765	137,233	(5,899)	(2,540)	—	—	133,559
Dividend income from							
— a listed investment	—	—	—	—	—	768	768
— unlisted investments	15,769	—	—	—	—	—	15,769
Profit on disposal of an available-for-sale financial asset *(note 5)*	61,875	—	—	—	—	—	61,875
Unallocated costs							
— net corporate expenses	—	—	—	—	—	(9,162)	(9,162)
— corporate finance costs	—	—	—	—	—	(15)	(15)
— corporate interest income	—	—	—	—	—	2,298	2,298
Operating profit/(loss) after finance income and costs	82,409	137,233	(5,899)	(2,540)	—	(6,111)	205,092
Share of profits less losses of							
— jointly controlled entities	54,825	—	15,064	3,080	—	—	72,969
— associates	16,658	—	—	55,636	10,026	—	82,320
Profit before income tax							360,381
Income tax expenses							(22,426)
Profit for the year							337,955
Capital expenditure	4,435	337,333	—	—	—	49	341,817
Depreciation and amortisation	1,313	105,938	—	—	—	415	107,666
Impairment loss of:							
— containers	—	2,327	—	—	—	—	2,327
— trade receivables, net	—	1,375	—	—	—	—	1,375
Amortised amount of discount on issue of notes and transaction costs on bank loans and notes	160	1,555	190	82	—	11	1,998

Segment assets and liabilities

	Container terminal and related businesses *US$'000*	Container leasing, container management and related businesses *US$'000*	Logistics and related businesses *US$'000*	Container manufacturing and related businesses *US$'000*	Banking businesses *US$'000*	Corporate and other businesses *US$'000*	Total *US$'000*
At 31st December 2006							
Segment assets	218,191	1,149,465	—	80	13	—	1,367,749
Jointly controlled entities	250,743	—	202,186	23,835	—	—	476,764
Associates	188,918	—	—	255,729	174,943	—	619,590
Available-for-sale financial assets	368,000	—	—	—	—	8,589	376,589
Unallocated assets							146,463
							2,987,155
Segment liabilities	224,876	334,860	109,769	94,623	—	—	764,128
Unallocated liabilities							14,826
							778,954
At 31st December 2005							
Segment assets	52,403	1,554,198	—	14	—	—	1,606,615
Jointly controlled entities	201,266	—	183,980	18,240	—	—	403,486
Associates	120,224	—	—	193,343	169,947	—	483,514
Available-for-sale financial assets	264,523	—	—	—	—	11,072	275,595
Unallocated assets							85,940
							2,855,150
Segment liabilities	127,692	578,132	127,725	55,000	—	—	888,549
Unallocated liabilities							76,258
							964,807

(b) Secondary reporting format — geographical segments

In respect of container leasing, container management and related businesses, the movements of containers and generator sets under operating leases or finance leases are known through report from the lessees but the Group is not able to control the movements of containers and generator sets except to the degree that the movements are restricted by the terms of the leases or where safety of the containers and generator sets is concerned. It is therefore impracticable to present segment revenues by geographical areas for the related business.

The Group's segment assets are primarily dominated by its containers and generator sets. The directors consider that the nature of the Group's business precludes a meaningful allocation of containers and generator sets and their related capital expenditure to specific geographical segments as defined under HKAS 14 "Segment Reporting". These containers and generator sets are primarily utilised across geographical markets for shipment of cargoes throughout the world. Accordingly, it is impractical to present segment assets and capital expenditure by geographical areas.

The activities of the container terminal and related businesses as conducted by certain subsidiaries of the Group are predominantly carried out in China mainland and Hong Kong.

The activities of the Group's jointly controlled entities and associates are predominantly carried out in the following geographical areas:

Business segments	**Geographical areas**
Container terminal and related businesses	Hong Kong, China mainland, Singapore and Belgium
Logistics and related businesses	China mainland
Container manufacturing and related businesses	China mainland
Banking businesses	Hong Kong

3. OTHER OPERATING INCOME

	2006	2005
	US$'000	*US$'000*
Proceeds from sale of inventories	**43,513**	22,618
Finder fee *(note 4)*	**15,240**	—
Profit on disposal of a jointly controlled entity	**5,470**	—
Management fee and other service income	**6,300**	3,184
Others	**8,294**	9,542
	78,817	35,344

4. DISPOSAL OF CONTAINERS

In June 2006, the Group disposed of containers with an aggregate net book value of approximately US$762,070,000 (the "Sold Containers") to a third party (the "Purchaser") for a cash consideration of approximately US$846,524,000 (the "Disposal"). The gain on Disposal before income taxes amounted to approximately US$84,454,000.

The Group has also received a finder fee from the Purchaser of approximately US$15,240,000 in respect of its services rendered for the entire transaction prior to the completion of the Disposal. The finder fee has been recognised and included in the consolidated income statement as other operating income.

5. PROFIT ON DISPOSAL OF AN AVAILABLE-FOR-SALE FINANCIAL ASSET

The amount recognised in the prior year represented the gain on disposal of the 17.5% equity interest in Shekou Container Terminals Ltd. to China Merchants Holdings (International) Limited in March 2005.

6. SHARE REFORM

On 25th May 2006, the Company issued 424,106,507 put options (the "Put Options") to holders of the A-shares not having trading restrictions (the "CIMC Tradeable A-Shares") of China International Marine Containers (Group) Co., Ltd. ("CIMC"), an associate of the Group listed on the Shenzhen Stock Exchange, as consideration for the former's approval of the removal of the trading restrictions on the CIMC shares held by the Group. The Put Options are listed on the Shenzhen Stock Exchange. The holders of the Put Options are entitled to require the Company to buy from them 1.128 CIMC Tradable A-Shares at an exercise price of RMB8.868 per share during the 5 trading days immediately prior to, but not including, 23rd November 2007. If all the Put Options are exercised in full, the Company will have to pay a total sum of approximately RMB4,241,000,000 (equivalent to approximately US$543,112,000) in cash and the Group's equity interest in CIMC will be increased from 16.23% to approximately 37% after the acquisition.

The Put Options are derivative financial instruments as defined under HKAS 39. Accordingly, upon issuance of the Put Options, the Group recognised a liability in the amount of US$140,064,000, the fair value of the Put Options, and recognised a debit of the same amount in the consolidated income statement. The Put Options have been carried in the balance sheet at their fair value in accordance with HKAS 39. The subsequent decrease in fair value of the Put Options of US$84,883,000 from the initial recognition of US$140,064,000 to that of US$55,181,000 as at 31st December 2006, has been credited to the consolidated income statement for the current year.

7. OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	2006	2005
	US$'000	*US$'000*
Crediting		
Dividend income from listed and unlisted investments	**19,703**	16,537
Fair value gain on interest rate swap contracts not qualified as hedges	**605**	3,984
Profit on disposal of property, plant and equipment (excluding the Sold Containers *(note 4)*)	**632**	1,664
Profit on disposal of		
— a jointly controlled entity	**5,470**	—
— partial interest in an associate	**—**	178
Revaluation surplus of investment properties	**157**	501
Reversal of provision for impairment of trade receivables	**1,676**	14
Charging		
Depreciation and amortisation	**88,119**	107,666
Impairment loss of containers	**2,533**	2,327
Cost of inventories sold	**32,965**	15,836
Outgoing in respect of investment properties	**6**	4
Provision for impairment of trade and finance lease receivables	**3,061**	1,389
Provision for inventories	**143**	—

8. FINANCE INCOME AND COSTS

	2006	2005
	US$'000	*US$'000*
Finance income		
Interest income on		
— bank balances and deposits	**11,480**	3,623
— loans to a jointly controlled entity and associates	**1,141**	738
	12,621	4,361
Finance costs		
Interest expense on		
— bank loans	**20,795**	17,041
— other loans wholly repayable within five years	**8**	378
— notes not wholly repayable within five years	**18,547**	16,222
— amount due to a minority shareholder of a subsidiary	**658**	—
Amortised amount of discount on issue of notes	**214**	227
Amortised amount of transaction costs on bank loans and notes	**3,944**	1,771
	44,166	35,639
Less: amount capitalised in construction in progress	**(789)**	—
	43,377	35,639
Other incidental borrowing costs and charges	**826**	723
	44,203	36,362

9. INCOME TAX EXPENSES

	2006	2005
	US$'000	*US$'000*
Company and subsidiaries		
Current income tax		
— Hong Kong profits tax	**230**	187
— China mainland taxation	**1,332**	989
— Overseas taxation	**117,912**	598
— Under/(over) provision in prior years	**135**	(176)
	119,609	1,598
Deferred income tax (credit)/charge	**(70,413)**	20,828
	49,196	22,426

The Group's shares of income tax expenses of jointly controlled entities and associates of US$12,243,000 (2005: US$12,384,000) and US$4,717,000 (2005: US$3,505,000) are included in the Group's shares of profits less losses of jointly controlled entities and associates respectively.

Hong Kong profits tax has been provided at a rate of 17.5% (2005: 17.5%) on the estimated assessable profit for the year.

Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates. The overseas taxation charged for the current year included the estimated capital gain tax provision in connection with the disposal of containers as set out in note 4.

Deferred income tax is provided in full on temporary differences under the liability method using tax rates substantively enacted by the balance sheet date. The deferred tax liabilities previously recognised for the Sold Containers were written back and credited to the consolidated income statement upon the disposal of the Sold Containers.

10. DIVIDENDS

	2006	2005
	US$'000	*US$'000*
Interim, paid, of US3.526 cents (2005: US3.614 cents) per ordinary share	**78,213**	79,253
Special interim dividend, paid, of US1.174 cents (2005: US1.453 cents) per ordinary share	**26,042**	31,871
Final, proposed, of US4.147 cents (2005: US3.583 cents) per ordinary share	**92,424**	78,789
Additional dividends paid on shares issued due to the exercise of share options before the closure of register of members:		
— 2005/2004 final	**668**	72
— 2006/2005 interim	**17**	253
— 2006/2005 special interim	**6**	95
	197,370	190,333

Note:

At a meeting held on 22nd March 2007, the directors proposed final dividend of HK32.2 cents (equivalent to US4.147 cents) per ordinary share. This proposed dividend is not reflected as dividend payable in these consolidated financial statements until it has been approved at the annual general meeting, but will be reflected as an appropriation of retained profits for the year ending 31st December 2007.

11. EARNINGS PER SHARE

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2006	2005
Profit attributable to equity holders of the Company	**US$291,082,000**	US$334,937,000
Weighted average number of ordinary shares in issue	**2,214,684,013**	2,192,078,336
Basic earnings per share	**US13.14 cents**	US15.28 cents

Diluted

Diluted earnings per share is calculated based on the profit attributable to equity holders of the Company and the weighted average number of ordinary shares in issue during the year, after adjusting for the number of dilutive potential ordinary shares deemed to be issued at no considerations as if all outstanding share options granted by the Company had been exercised.

	2006	2005
Profit attributable to equity holders of the Company	**US$291,082,000**	US$334,937,000
Weighted average number of ordinary shares in issue	**2,214,684,013**	2,192,078,336
Adjustments for assumed issuance of shares on exercise of share options	**11,604,078**	13,180,650
Weighted average number of ordinary shares for diluted earnings per share	**2,226,288,091**	2,205,258,986
Diluted earnings per share	**US13.07 cents**	US15.19 cents

12. TRADE AND OTHER RECEIVABLES

	2006 *US$'000*	2005 *US$'000*
Trade receivables (net of provision)	**40,010**	63,153
Other receivables, deposits and prepayments	**15,731**	12,706
Rent receivable collected on behalf of owners of managed containers	**36,459**	—
Current portion of finance lease receivable	**1,442**	1,283
Amounts due from		
— jointly controlled entities	**30,072**	7,071
— associates	**845**	70
— an investee company	**9,070**	—
	133,629	84,283

	2006	2005
	US$'000	*US$'000*
The ageing analysis of the trade receivables (net of provision) was as follows:		
Within 30 days	**18,573**	31,132
31–60 days	**15,764**	25,869
61–90 days	**3,825**	5,340
Over 90 days	**1,848**	812
	40,010	63,153

13. TRADE AND OTHER PAYABLES

	2006	2005
	US$'000	*US$'000*
Trade payables	**72,783**	24,201
Other payables and accruals	**62,083**	29,059
Payable to owners of managed containers	**34,909**	—
Current portion of other long term liabilities	**1,488**	—
Dividend payable	**20**	18
Amounts due to		
— fellow subsidiaries	**270**	350
— minority shareholders of subsidiaries	**1,175**	—
	172,728	53,628

	2006	2005
	US$'000	*US$'000*
The ageing analysis of the trade payables was as follows:		
Within 30 days	**1,192**	6,179
31–60 days	**15,347**	312
61–90 days	**45,155**	17,670
Over 90 days	**11,089**	40
	72,783	24,201

Other payables and accruals include an amount of US$36,049,000 (2005: US$871,000) accrued for purchase of containers which were delivered to the Group prior to the year end date. The amount has not been included in the ageing analysis above.

14. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current year's presentation.

The financial figures above in respect of the Announcement of 2006 Final Results (the "Announcement") have been agreed by the Company's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year ended 31st December 2006. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by PricewaterhouseCoopers on the Announcement.

FINAL DIVIDEND

The directors recommended the payment of a final cash dividend of HK32.2 cents (2005: HK27.8 cents) per share, subject to approval by shareholders at the Annual General Meeting to be held on 17th May 2007. The proposed final cash dividend will be payable on or before 31st May 2007 to shareholders whose names appear on the register of members of the Company on 17th May 2007.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 14th May 2007 to Thursday, 17th May 2007, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final cash dividend, all transfer documents, accompanied by relevant share certificates must be lodged with the Company's Hong Kong Registrar and Transfer Office, Secretaries Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong, not later than 4:00 p.m. on Friday, 11th May 2007.

FINANCIAL REVIEW

Overall analysis of results

The Group's profit attributable to equity holders (excluding the non-cash effect of the Put Options associated with the CIMC Share Reform *(note)*) would have reached US$346,263,000, a 3.4% increase from the US$334,937,000 recorded in 2005. Although the disposal of containers of 600,082 TEUs in June 2006 had reduced the Group's revenues to US$253,960,000 for the year, a 14.1% drop from US$295,648,000 in 2005, the disposal combined with the replenishment of new containers was considered as a strategic action in that the Group had re-deployed its container fleet to optimise the business model and capital structure of its container leasing operation, while expanding business opportunities by providing its container management expertise to clients to help them manage their container portfolio. Furthermore, the disposal had contributed a non-recurring net profit of approximately US$65 million for the year which consisted of approximately US$50 million as gain on disposal and approximately US$15 million as finder fee income (which was related to services rendered for the entire transaction prior to the completion of the disposal). With such profit contribution from the strategic disposal, the net profit contribution from the container leasing and container management businesses amounted to US$166,353,000, a 43.7% increase over the amount of US$115,733,000 in 2005.

Note: The Group granted 424,106,507 Put Options to the CIMC Tradable A-Share Shareholders in May 2006 in connection with the conversion of the CIMC non-tradable shares held by the Group into tradable A-Shares of CIMC. The Put Options will expire on 23rd November 2007.

With the continuous robust growth in China's import and export trade and the worldwide shipping market, the Group was able to reap the benefits of its strategic efforts to expand the container terminal location network in China and other parts of the world either through investments in joint ventures or establishing subsidiaries with controlling stakes. Net profit contributions from container terminal operations for the year increased by 2.8% to US$90,520,000 as compared to the last year's profit contribution of US$88,089,000 (excluding the non-recurring item of the profit amount of US$61,875,000 on disposal of the 17.5% equity interest in Shekou Container Terminals Ltd. ("Shekou Terminal") in 2005). This was due to the Group's strategic investment in the terminal location network, which began to show profit generation momentum, despite a drop in profit contribution from COSCO-HIT Terminals (Hong Kong) Limited ("COSCO-HIT Terminal") for the year, which was caused by the replacement of four quay cranes.

The acquisition of a 16.23% equity interest in CIMC in 2004 provided the Group with a steady and growing stream of profits for both 2005 and 2006. Taking out the exceptional effect caused by the Put Options during the year, the net profit contribution from container manufacturing business should be US$69,715,000, a 24.1% increase over the net profits of US$56,176,000 in 2005. Although the net profit contribution from CIMC dropped temporarily for the first half-year period as compared to 2005, the subsequent business pick-up triggered by improved market conditions fueled growth in profit streams from this business segment. However, due to the CIMC Share Reform in which the Group had granted 424,106,507 Put Options to the CIMC Tradable A-Share Shareholders, the net effect of the Put Options to the Group's consolidated income statement in 2006 was an exceptional net charge of US$55,181,000.

Both the logistics business and banking business provided the Group with very satisfactory net profit contributions for the year and the combined total of which amounted to US$23,914,000 in 2006, an increase of 24.6% from US$19,191,000 in 2005.

After taking into account the exceptional effect caused by the Put Options, the net profit contribution for the Group was US$291,082,000 for the year, a 13.1% drop from US$334,937,000 in 2005. With the continuous efforts to achieve a high return on capital through strategic acquisitions and repositioning the Group's business portfolio, the Group achieved a return on equity holders of 14.4% as compared to 20.0% in 2005. The return on net assets was 14.2% versus 19.8% in 2005. The drops in return on equity holders and return on net assets were mainly due to the exceptional effect of the Put Options, which caused a net charge of US$55,181,000 against the consolidated income statement for the year and thus lowered both the return on equity holders and the return on net assets by 2.7 percentage points. In addition, the strategic disposal of containers of 600,082 TEUs during the year brought in total cash proceeds of US$869,203,000 out of which approximately US$340 million were applied for repaying bank loans, payment of capital gain tax of approximately US$112 million and remaining balance was invested in acquisitions of new containers and new terminal projects. Such newly made investments either require a time-gap before the newly purchased containers can be made available for generating leasing income, or require a ramp-up period before the full scale of operation can be achieved for the newly invested container terminals.

New investments were made in the Ningbo Yuan Dong Terminals Ltd. ("Ningbo Yuan Dong Terminal"), Tianjin Port Euroasia International Container Terminal Co., Ltd. ("Tianjin Port Euroasia Terminal") and Quanzhou Pacific Container Terminal Co., Ltd. ("Quanzhou Pacific Container Terminal") during the year. Quanzhou Pacific Container Terminal only commenced operations in September 2006 while Guangzhou South China Oceangate Container Terminal Company Limited ("Guangzhou South China Oceangate Container Terminal") and Ningbo Yuan Dong Terminal are still in the preparatory stage. Nevertheless, as the newly purchased containers gradually start to contribute their leasing income and the newly invested container terminals begin their operations, it would be expected that the business performance will gradually improve.

Revenues

Revenues of the Group were US$253,960,000 for the year, down by 14.1% from US$295,648,000 in 2005. The drop in revenues was mainly due to the decrease in container leasing revenue after the disposal of containers of 600,082 TEUs in June 2006. Although the container leasing revenue dropped for the year by US$54,910,000 or 20.0% down to US$219,566,000 as a result of the strategic deployment action, the drop was considered as temporary since the container replenishment action will continue in 2007 in order to gradually increase the revenue base for container leasing in subsequent years. Meanwhile, revenue from container management rose dramatically to US$4,061,000 (2005: US$342,000) for the year as a result of migrating into the asset light business model triggered by the strategic deployment action. Taking the self-owned and management containers together, the Group's container fleet rose by 19.9% to 1,250,609 TEUs from 1,042,852 TEUs in 2005. Average utilisation rate increased by 0.7 percentage point to 96.2%. Revenue from leasing of reefer-container generator sets also increased significantly to US$1,368,000, which was a 42.1% increase over US$963,000 in 2005. In addition to rental income from leasing, the interest income from finance leases amounted to US$492,000 for the year and was comparable with the figures in 2005 of US$532,000.

Revenue from container terminal operations showed very strong growth for the year. With the operational commencement of Quanzhou Pacific Container Terminal in September 2006, the newly acquired terminal contributed throughput volume of 241,272 TEUs and revenue of US$5,867,000 for the year. In addition, Zhangjiagang Win Hanverky Container Terminal Co., Ltd. ("Zhangjiagang Win Hanverky Terminal"), with the newly acquired additional berth no. 17 to commence operation during the year and with the continuous efforts in exploring new business opportunities and improving operational efficiency, achieved a significant growth of 20.9% in its throughput volume to 455,946 TEUs as compared with 377,121 TEUs in 2005. Its revenue recorded a corresponding increase to US$15,048,000, a 20.4% rise over US$12,496,000 in 2005.

Business volume of the container handling, storage, repairs and drayage operations, which were handled by Plangreat Limited and its subsidiaries, increased during the year with revenue achieved at US$7,558,000 for the current year versus US$6,839,000 in 2005.

Cost of sales

Cost of sales, mainly comprising depreciation, depot expenses, repairs and maintenance and operating expenses, was US$100,686,000, a drop of 12.9% from US$115,551,000 in 2005. The drop was mainly due to the strategic disposal of containers, which resulted in a reduction in depreciation of US$19,694,000 for the year, a 18.6% drop from US$105,933,000 in 2005. The depreciation expense accounted for 85.7% of cost of sales versus 91.7% in 2005. Other cost of sales rose by 50.2% to US$14,447,000 from US$9,618,000 in 2005. The operational commencement of Quanzhou Pacific Container Terminal in September 2006 and the increased business throughput volume handled by Zhangjiagang Win Hanverky Terminal drove up the operating expenses.

Other income

Other income, comprising mainly dividend income, increased by 19.0% or US$3,154,000 over 2005 to US$19,747,000. Among others, Yantian International Container Terminals Ltd. ("Yantian Terminal") declared dividend of US$18,154,000, a rise of 20.4% or US$3,082,000 as compared to US$15,072,000 in 2005. In addition, Dalian Port Container Co., Ltd declared dividend of US$1,073,000 for 2006 (2005: US$186,000).

Administrative expenses

Administrative expenses were US$33,806,000, an increase of 7.6% or US$2,382,000 over the 2005 total of US$31,424,000. Increases were mainly on human resources, traveling and office rental expenses. Also, commencement of Quanzhou Pacific Container Terminal's operation in September 2006 had also triggered additional administrative expenses.

Net other operating income

Net other operating income was US$32,636,000 for the year, a significant increase of US$22,684,000 or 227.9% over the amount of US$9,952,000 in 2005. The increase mainly comprised a finder fee income of approximately US$15 million, which were related to the services provided to complete the strategic disposal of containers of 600,082 TEUs. Increase in the net profit on disposal of containers returned from COSCO Container Lines Company Limited ("COSCON") upon the expiry of leases also helped increase the net other operating income by US$2,672,000. The number of containers returned by COSCON upon expiry of lease and disposed of during the year was 47,624 TEUs as compared to 26,838 TEUs in 2005. Furthermore, the sale of Shanghai CIMC Far East Container Co., Ltd. ("Shanghai CIMC Far East") contributed a gain of approximately US$5,470,000 as other operating income.

Profit on disposal of containers

The Group completed the disposal of containers of 600,082 TEUs (excluding the disposal of containers returned from COSCON upon the expiry of leases) in June 2006 (the "Disposal"), which generated profit before taxes of approximately US$84,454,000.

Profit on disposal of an available-for-sale financial asset

There was no disposal of such category of asset in the current year whereas in 2005, the disposal of the 17.5% equity interest in Shekou Terminal which was accounted for as an available-for-sale financial asset resulted in a profit of US$61,875,000 for the prior year.

Finance income

Finance income principally represented interest income. During the year, the disposal of containers of 600,082 TEUs, increased the cash balances and therefore earning more interest income. As a result, interest income increased significantly to US$12,621,000 for the year, up 189.4% from US$4,361,000 in 2005.

Finance costs

Finance costs increased to US$44,203,000 from US$36,362,000 of 2005, a rise of 21.6%, which was mainly due to persistent increase in interest rate. The Group's average borrowing for the year amounted to US$664,431,000, a decrease of 10.1% from the average borrowing amount of US$731,565,000 in 2005. The Group's average cost of borrowing, including amortisation of transaction costs on bank loans and notes but before the write-off of unamortised transaction cost upon the early repayment of bank loans, was an average 6-month London Interbank Offer Rate ("LIBOR") plus 100 basis points as compared to the 2005 average of LIBOR plus 120 basis points.

Share of profits less losses of jointly controlled entities and associates

Net profit contribution from jointly controlled entities amounted to US$85,070,000 in 2006, an increase of 16.6% or US$12,101,000 from US$72,969,000 in 2005. Continuous efforts in improving operational efficiency to cope with the robust growth in business volume delivered improved profit performance as evidenced by the result achievements in various terminal locations.

Throughput at Qingdao Qianwan Container Terminal Co., Ltd. ("Qingdao Qianwan Terminal") increased by 24.4% to 6,770,003 TEUs, as compared to the 2005 level of 5,443,086 TEUs, and the net profit contribution increased to US$26,429,000, which was 24.5% higher than that of 2005. Throughput of Nanjing Port Longtan Container Co., Ltd. ("Nanjing Longtan Terminal") increased dramatically by 291.8% to 700,098 TEUs, as compared to the 2005 level of 178,686 TEUs, driving a performance turnaround to have profit contribution for the year from a loss in 2005. An improvement occurred in Qingdao Cosport International Container Terminals Co., Ltd., and its throughput increased by 22.9% to 744,276 TEUs from the 2005 level of 605,791 TEUs.

Similar growth momentum in net profit contributions occurred at Yingkou Container Terminals Company Limited ("Yingkou Terminal") as well as at COSCO-PSA Terminal Private Limited ("COSCO-PSA Terminal"). Throughput at Yingkou Terminal increased by 32.2% to 837,574 TEUs from the level of

633,573 TEUs in 2005. This resulted in a corresponding increase in profit contributions by 38.8% over 2005. Although the throughput of COSCO-PSA Terminal only increased by 2.8% to 627,894 TEUs as compared to the 2005 level of 611,013 TEUs, net profit contributions increased significantly by 29.0% over that in 2005 due to the rise in average revenue per container handled.

Due to the necessity of replacing four quay cranes in COSCO-HIT Terminal during the year in order to accommodate the super vessels and strive for better operational efficiency, its throughput dropped by 8.3% to 1,688,697 TEUs from the 2005 level of 1,841,193 TEUs. Net profit contribution amounted to US$23,751,000, a 15.1% drop from US$27,981,000 in 2005 as a result of the interruptions to operations caused by the quay crane replacements.

Net profit contribution for the COSCO Logistics Co., Ltd ("COSCO Logistics") increased to US$18,351,000 in 2006, a growth of 21.8% over that of 2005. The shipping agency handled 135,087 vessels in 2006, an increase of 0.2% over 2005, freight forwarding registered 128,763,073 tons, a rise of 25.7% over the previous year. Third party logistics (3PL) — Home appliance handled 30,716,640 units, and 3PL-Motor handled 562,484 vehicles, a growth rate of 36.0% and 433.2% respectively over 2005.

Net profit contribution from associates amounted to US$89,042,000 for the year, an increase of 8.2% or US$6,722,000 from the 2005 level of US$82,320,000. At the beginning of 2006, sales volume and prices of containers were low as the container manufacturing plant remained exposed to market factors subsisting at the end of 2005. Subsequently, the rebound of the container manufacturing market helped CIMC increase slightly its profit contribution to the Group at US$57,727,000, a 3.8% increase over US$55,636,000 in 2005. Throughput at Shanghai Pudong International Container Terminals Limited ("Shanghai Pudong Container Terminal") increased to 2,650,007 TEUs, a 7.2% increase from the 2005 level of 2,471,840 TEUs. Combined with the Group's action of acquiring an additional 10% equity interest during the year, the profit contributions from Shanghai Pudong Container Terminal amounted to US$15,439,000 which increased dramatically by 55.0% or US$5,476,000 from the 2005 level of US$9,963,000.

Although the throughput of Shanghai Container Terminals Limited ("Shanghai Container Terminal") achieved an increase of 1.6% at the level of 3,703,460 TEUs for the year as compared to 3,646,732 TEUs in 2005, its profit contribution dropped by 22.5% to US$6,831,000 from the 2005 level of US$8,815,000 as a result of volume mix changes. Antwerp Gateway NV ("Antwerp Terminal"), being acquired at the end of 2004, recorded a loss for the year as its operations are still in the start-up phase despite throughput increasing to 599,170 TEUs for the year from the 2005 level of 70,084 TEUs. On the other hand, Chong Hing Bank Limited ("Chong Hing Bank") increased its net profit contribution by 27.4% during the year to US$12,778,000 from US$10,026,000 in 2005.

Income tax expenses

Aggregate income tax expenses increased to US$49,196,000 for the year from the 2005 level of US$22,426,000. The increase mainly represented a net charge which arose from the capital gain tax in relation to the Disposal and the write back of related deferred tax liabilities.

FINANCIAL POSITION

Cash flow

The Disposal increased the cash inflow of the Group significantly. During the year, net cash from operating activities amounted to US$210,318,000 (2005: US$276,382,000). The Group drew bank loans of US$517,103,000 (2005: US$321,119,000) and repaid US$889,986,000 (2005: US$128,385,000) in 2006. Net proceeds from new shares issued upon the exercise of share options amounted to US$49,085,000 (2005: US$21,823,000). During the year, cash outflow for major terminal investments of the Group totalled US$143,891,000 (2005: US$89,125,000), including US$57,973,000 for additional 10% equity interests in Shanghai Pudong Container Terminal, US$34,336,000 in Guangzhou South China Oceangate

Container Terminal, US$20,195,000 in Qingdao Qianwan Terminal, US$9,087,000 in Yantian International Container Terminals (Phase III) Limited ("Yantian Terminal's Phase III"), US$9,196,000 in Dalian Port Container Co., Ltd. ("Dalian Port Container"), US$9,827,000 in Ningbo Yuan Dong Terminal and US$3,277,000 in Antwerp Terminal. In 2005, the cash outflow for major terminal investments included US$20,781,000 in Nanjing Longtan Terminal, US$12,082,000 in Qingdao Qianwan Terminal, US$19,516,000 in Tianjin Five Continents International Container Terminal Co., Ltd. ("Tianjin Five Continents Terminal"), US$15,894,000 in Antwerp Terminal, US$15,052,000 in Yantian Terminal's Phase III and US$5,800,000 in Dalian Automobile Terminal Co., Ltd. ("Dalian Automobile Terminal") . During the year, cash payments for property, plant and equipment amounted to US$438,923,000 (2005: US$350,785,000), out of which US$391,813,000 (2005: US$342,200,000) was for new container purchases. In addition, capital injection in the subsidiaries of the Group — Quanzhou Pacific Container Terminal and Zhangjiagang Win Hanverky Terminal were US$35,644,000 and US$10,200,000 respectively.

Financing and credit facilities

In June 2006, the Group entered into a short-term bridging bank loan contract of US$500,000,000 with a bank for a term of six months and the costs were LIBOR plus 37 basis points. This short-term bridging bank loan expired in December 2006.

As at 31st December 2006, cash balances and banking facilities available but unused amounted to US$224,668,000 and US$40,000,000 respectively (2005: US$179,315,000 and US$320,000,000 respectively) and taking into account the Group's operating cash flow and sound borrowing capacity, the Group is expected to have sufficient funding to cover all the payables that fall due in 2007.

Assets and liabilities

As at 31st December 2006, total assets of the Group were US$2,987,155,000 (2005: US$2,855,150,000). Total liabilities amounted to US$778,954,000 (2005: US$964,807,000). Net asset value increased to US$2,208,201,000 from US$1,890,343,000 a year ago, mainly due to an increase in retained profits and proceeds from new shares issued upon the exercise of share options. The net asset value per share was US99.08 cents (2005: US85.97 cents) representing an increase of 15.3% over last year.

As at 31st December 2006, cash balances of the Group amounted to US$224,668,000 (2005: US$179,315,000). After the Disposal, part of the sales proceeds was used to repay bank loans of approximately US$340,000,000, thus total indebtedness of the Group as at 31st December 2006 decreased to US$531,598,000 from US$835,653,000 a year ago. Net debt to equity ratio decreased from 34.7% to 13.9% and interest coverage was 8.8 times as compared with 11.1 times last year.

Certain land use rights with a net book value of US$1,645,000 (2005: property, plant and equipment and land use rights of US$512,957,000) were pledged to banks and financial institutions by the Group to secure loans with an aggregate amount of US$500,000 (2005: US$345,618,000). As the secured loans had been substantially repaid during the year, the majority of pledged bank deposits in relation thereto were released and the pledged balance reduced to US$158,000 (2005: US$21,978,000).

Debt analysis

	As at 31st December 2006		As at 31st December 2005	
	US$	*(%)*	*US$*	*(%)*
By repayment term				
Within the first year	**12,666,000**	**2.4**	87,036,000	10.4
Within the second year	**189,840,000**	**35.7**	79,167,000	9.5
Within the third year	**10,821,000**	**2.0**	233,908,000	28.0
Within the fourth year	**11,526,000**	**2.2**	62,956,000	7.5
Within the fifth year and after	**306,745,000**	**57.7**	372,586,000	44.6
	531,598,000*	**100.0**	835,653,000*	100.0
By type of borrowings				
Secured borrowings	**500,000**	**0.1**	345,618,000	41.4
Unsecured borrowings	**531,098,000**	**99.9**	490,035,000	58.6
	531,598,000	**100.0**	835,653,000	100.0
By denomination of borrowings				
US dollar	**464,622,000**	**87.4**	830,326,000	99.4
RMB	**66,976,000**	**12.6**	5,327,000	0.6
	531,598,000	**100.0**	835,653,000	100.0

* Net of unamortised discount on notes and transaction costs on borrowings and notes.

Financial guarantees and contingent liabilities

As at 31st December 2006, the Group provided guarantees on a loan facility granted to an associate of US$25,304,000 (2005: US$21,920,000) and the Group did not have any significant contingent liabilities.

Treasury policy

The Group contained foreign exchange risk by conducting borrowings as far as possible in currencies that match the Group's functional currency used for transacting the Group's major cash receipts and underlying assets. Borrowings for the container leasing business were conducted mainly in US dollars, which match with the US dollar revenue and expenses of the Group's container leasing business, minimising any potential foreign exchange exposure.

In regard to the financing activities of jointly controlled entities and associates, such as COSCO-HIT Terminal, COSCO-PSA Terminal and Antwerp Terminal, all material borrowings were denominated in the respective functional currencies, with corresponding hedging policies being effected.

The Group continued to exercise stringent control over the use of financial derivatives to hedge against its interest rate exposure. As at 31st December 2006 and 2005, outstanding interest rate swap contracts comprised:

- Notional principals of contracts amounting to US$200,000,000 in total, whereby the Group agreed to pay floating interest rates ranging from 105 basis points to 116 basis points above 6-month LIBOR to the banks in return for receiving from the banks a fixed interest rate of 5.875% per annum.
- Notional principal of contracts amounting to US$100,000,000 in total, whereby the Group agreed to pay fixed interest rates ranging from 3.88% to 4.90% per annum to banks for the receipts of interest at 3-month LIBOR.

As at 31st December 2006, after adjusting the fixed rate borrowings for the effect of the interest rate swap contracts, the Group's ratio of fixed rate to floating rate borrowings was 35.7%: 64.3% (2005: 22.9%: 77.1%). The Group continued to monitor and adjust its fixed and floating debt portfolio from time to time in light of market conditions, the objective of which is to reduce potential interest rate risk exposure.

BUSINESS REVIEW

Container Terminal

In 2006, China was once more at the forefront of global economic growth, registering 10.7% rise in GDP. China's total exports and imports reached US$1,761 billion, a 23.8% rise from the previous year. During the year, COSCO Pacific continued to strengthen its investments in the major ports along the coastal areas of China, including Qingdao, Dalian, Tianjin, Shanghai, Ningbo, Shenzhen, Guangzhou, and Quanzhou. Moreover, we captured the opportunities offered by the rapid increase in China's river trade through our existing investments in a number of feeder ports, including Zhangjiagang, Yangzhou and Nanjing. Our container terminal investments in China performing very well registered a 26.8% increase over the previous year with an aggregate container throughput of 29,875,952 TEUs.

According to "Annual Review of Global Container Terminal Operators 2006" published by Drewry Shipping Consultants, COSCO Pacific ranked as the world's fifth largest container terminal operator with a 3.7% global market share. COSCO Pacific further bolstered its global network by acquiring interests in new terminals and increasing its investment in existing terminals. As at 31st December 2006, the Group's total number of berths increased by 15 to 115 in 2006, of which its annual handling capacity rose from 54,900,000 TEUs to 61,000,000 TEUs.

During the year, the Group's container terminal business continued to grow strongly with throughput up 25.7% to 32,791,713 TEUs. Net profit contribution from the terminal and related businesses (excluding profit on disposal of Shekou Terminal of US$61,875,000 in 2005) rose 2.8% to US$90,520,000 during the year.

Container Terminals (As of 31st December 2006)	**2006 (TEUs)**	2005 (TEUs)	+/-
Bohai Rim	**13,431,338**	**9,370,361**	**+43.3%**
Qingdao Qianwan Container Terminal Co., Ltd.	**6,770,003**	5,443,086	+24.4%
Qingdao Cosport International Container Terminals Co., Ltd.	**744,276**	605,791	+22.9%
Dalian Port Container Co., Ltd.	**2,885,276**	2,467,465	+16.9%
Dalian Port Container Terminal Co., Ltd.	**421,068**	132,984	+216.6%
Tianjin Five Continents International Container Terminal Co., Ltd.	**1,773,141**	87,462	+1,927.3%
Yingkou Container Terminals Company Limited	**837,574**	633,573	+32.2%
Yangtze River Delta	**7,732,423**	**6,831,502**	**+13.2%**
Shanghai Container Terminals Limited	**3,703,460**	3,646,732	+1.6%
Shanghai Pudong International Container Terminals Limited	**2,650,007**	2,471,840	+7.2%
Zhangjiagang Win Hanverky Container Terminal Co., Ltd.	**455,946**	377,121	+20.9%
Yangzhou Yuanyang International Ports Co. Ltd.	**222,912**	157,123	+41.9%
Nanjing Port Longtan Container Co., Ltd.	**700,098**	178,686	+291.8%
Pearl River Delta	**10,400,888**	**9,196,652**	**+13.1%**
COSCO-HIT Terminals (Hong Kong) Limited	**1,688,697**	1,841,193	–8.3%
Yantian International Container Terminals Ltd. (Phase I, II, III)	**8,470,919**	7,355,459	+15.2%
Quanzhou Pacific Container Terminal Co., Ltd.	**241,272**	—	—
Overseas	**1,227,064**	**681,097**	**+80.2%**
COSCO-PSA Terminal Private Limited	**627,894**	611,013	+2.8%
Antwerp Gateway NV	**599,170**	70,084	+754.9%
Total Throughput in China	**29,875,952**	**23,557,322**	**+26.8%**
Total Throughput	**32,791,713**	**26,079,612**	**+25.7%**

Bohai Rim

The Group's terminal business in Bohai Rim region performed very well, with aggregate container terminal throughput rose by 43.3% to 13,431,338 TEUs. Boosted by the growing economy of the region, throughput of Qingdao Qianwan Terminal achieved an year-on-year growth by 24.4% to 6,770,003 TEUs. Throughput of Dalian Port Container Co., Ltd. increased 16.9% to 2,885,276 TEUs. At Yingkou Terminal, throughput increased 32.2% to 837,574 TEUs. Following commencement of operations at Tianjin Five Continents Terminal in November 2005, throughput reached 1,773,141 TEUs for the full year operation in 2006.

Yangtze River Delta

In the Yangtze River Delta, the Group's terminal business achieved outstanding performance. Aggregate container terminal throughput growth was 13.2% on year-to-year basis to 7,732,423 TEUs. Both Shanghai Container Terminal and Shanghai Pudong Container Terminal continued to operate at full capacity. With the purchase of another 10% shareholding in the Shanghai Pudong Container Terminal that increased the Company's shareholding from 20% to 30%, the terminal's profit are set to increase. At Zhangjiagang Win Hanverky Terminal, throughput rose 20.9% to 455,946 TEUs. At Yangzhou Yuanyang International Ports Co. Ltd. ("Yangzhou Yuanyang Terminal"), throughput rose 41.9% to 222,912 TEUs. Nanjing Longtan Terminal's throughput surged 291.8% to 700,098 TEUs largely due to a significant demand of transportation along the Yangtze River.

Pearl River Delta

In the Pearl River Delta, the Group's terminal business performed satisfactorily. Aggregate throughput growth was up 13.1% on year-to-year basis to 10,400,888 TEUs. Throughput at Yantian Terminal Phases I, II and III increased by 15.2% to 8,470,919 TEUs with new operational berths added in Phase III. At COSCO-HIT Terminal in Hong Kong, throughput decreased by 8.3%. It was mainly affected by the construction and replacement of four quay cranes during the first half of the year which disrupted the terminal's normal operation for a certain period of time. The situation had been improved in the second half of the year. The replacement of the cranes have enhanced the terminal to be capable to handle larger and more sophisticated vessels with capacity of over 8,000 TEUs.

Overseas

The aggregate container terminal throughput of overseas rose 80.2% on year-to-year basis to 1,227,064 TEUs. COSCO-PSA Terminal in Singapore recorded throughput growth of 2.8% to 627,894 TEUs. In Europe, Antwerp Terminal saw growth of throughput of 754.9% to 599,170 TEUs for the full year operation in 2006 after commencing operations in September 2005.

Acquisitions in 2006

In the **Bohai Rim**, Tianjin Port Euroasia Terminal, for which the Group signed a joint venture agreement in 2006 for a 30% interest, is currently under construction with a total of three berths and will commence operation in 2008. Therefore a total of three berths will be added in this region.

In the **Yangtze River Delta**, the Company purchased another 10% shareholding in the Shanghai Pudong Container Terminal at a cost of RMB465,000,000 to increase the Group's shareholding from 20% to 30%. In addition, the Group signed a joint venture agreement to construct, operate and manage five berths of Ningbo Yuan Dong Terminal, in which COSCO Pacific holds a 20% interest. Together with the expansion of one berth in Yangzhou Yuanyang Terminal, a total of six berths will be added in this region.

In the **Pearl River Delta**, the Company signed a joint venture agreement to build, manage and operate six berths of Quanzhou Pacific Container Terminal in which COSCO Pacific holds a 71.43% interest. Four berths are already operating.

Overseas, COSCO Pacific is committed to enhancing its global network. In line with this strategy, the Group entered into an agreement to acquire a 20% interest in the Suez Canal Terminal at Port Said, Egypt in December 2005. The Egyptian government agreed in principle with the purchase of shares in December 2006. The acquisition has tremendous potential for future growth due to the terminal's excellent location at the northern entrance of the Suez Canal and on all major shipping lanes between Asia and Europe via the Mediterranean.

Container Leasing and Management

During the year, our container leasing and management businesses achieved satisfactory performance by enhancing our business model and capital structure. The Group continued to focus on long-term leases, to expand market share and to find the optimum balance between ownership and management of our containers. Successful marketing and increasing flexibility of management enabled us to further strengthen our container leasing and management business model in 2006.

COSCO Pacific's container leasing and management businesses are operated and managed by Florens Container Holdings Limited, a wholly owned subsidiary of the Company, and its subsidiaries (collectively referred to as "Florens"), which is ranked third in the world, continued to perform well this year. As at 31st December 2006, the Group's container fleet (including management containers) reached 1,250,609 TEUs, up 19.9% on the previous year. Florens' container average utilisation rate rose to 96.2% in 2006 (2005: 95.5%), well above the industry average of around 91.8% (2005: around 90.9%). Net profit contribution for container leasing and management business rose by 43.7% to US$166,353,000 in 2006.

	2006 (TEUs)	2005 (TEUs)	+/-
Fleet capacity as of 1st January	**1,042,852**	919,128	+13.5%
New containers purchased	**268,236**	168,592	+59.1%
Containers returned from COSCON upon expiry of leases			
— Total	**(43,981)**	(26,354)	+66.9%
— Re-leased	**648**	344	+88.4%
— Disposed of and pending for disposal	**(43,333)**	(26,010)	+66.6%
Ownership transferred to customers upon expiry of finance leases	**(172)**	(629)	–72.7%
Defective containers written off	**(11)**	(4)	+175.0%
Total loss of containers declared and compensated by customers	**(16,963)**	(18,225)	–6.9%
Fleet capacity as of 31st December	**1,250,609**	1,042,852	+19.9%

As at 31st December 2006, Florens leased 456,877 TEUs (2005: 377,324 TEUs) to COSCON and 163,851 TEUs (2005: 630,925 TEUs) to international customers. The drop of leasing containers to international customers was due to the disposal of containers of 600,082 TEUs to "AD ACTA" 634, Vermögensverwaltungsgesellschaft MBH in June 2006. The total number of management containers rose significantly from 34,603 TEUs at the year end of 2005 to 629,881 TEUs at the year end of 2006 and Florens maintained the management role in these containers sold.

By category of various types, 95.9% of the fleet was dry containers, 3.3% was reefer containers and 0.8% was specialised containers such as open-tops and flat racks. The fleet age remained young at an average of 4 years old.

31st December 2006	**Total**	**COSCON**	**International Customers**	**Management containers**
Total number of containers	**1,250,609**	**456,877**	**163,851**	**629,881**
		(36.5%)	**(13.1%)**	**(50.4%)**
Dry (%)	**95.9**	**93.2**	**99.3**	**96.9**
Reefer (%)	**3.3**	**6.5**	**0.1**	**1.9**
Special (%)	**0.8**	**0.3**	**0.6**	**1.2**

31st December 2005	Total	COSCON	International Customers	Management containers
Total number of containers	1,042,852	377,324	630,925	34,603
		(36.2%)	(60.5%)	(3.3%)
Dry (%)	95.3	92.8	96.5	100.0
Reefer (%)	3.6	6.8	2.0	—
Special (%)	1.1	0.4	1.5	—

During the year, Florens was the largest buyer and purchased 268,236 TEUs of new containers, representing approximately 24.6% of the total purchases of 1,090,000 TEUs in the container leasing industry. As a result of this, our market share rose approximately from 10.9% in 2005 to 11.9% in 2006. Most of our new containers were under long-term leases to COSCON and other global container carriers. The number of customers amounted to 270 as at 31st December 2006 (2005: 256).

Disposal of Returned Containers

During the year, COSCON returned a total of 43,981 TEUs (2005: 26,354 TEUs) of containers upon expiry of the leases ("Returned Containers"). Florens disposed of 47,624 TEUs (2005: 26,838 TEUs) of Returned Containers and the disposal generated a net profit of US$8,794,000 (2005: US$6,122,000).

Strategic disposal of containers

In June 2006, Florens completed the sale of containers of 600,082 TEUs together with container leasing agreements covering those containers ("Sold Assets") to "AD ACTA" 634, Vermögensverwaltungsgesellschaft MBH ("Buyer") and the total amount received from the Buyer amounted to US$869,203,000.

Upon completion of transferring ownership of the Sold Assets to the Buyer, Florens retained a managerial role in respect of the Sold Assets under an administrative services agreement. Florens will receive annual administrative fee from the Buyer based on the rates as follows:

(1) 4% of net operating income under the contracts for long-term leases

(2) 8% of net operating income under the contracts for master leases

(3) 2% of net sales proceeds for resale of containers

(4) 2% of net operating income under contracts for finance leases and other leases

The aggregate amount received from the Buyer of US$869,203,000 included the net book value of the Sold Assets as at 30th June 2006 plus a premium of 12% totalled US$846,524,000, an upfront administration fee of US$7,439,000 and a finder fee of US$15,240,000.

Logistics

The Group has 49% interest in COSCO Logistics while China COSCO Holdings Company Limited holds the other 51% of interest. With the dynamic economic environment continuing to fuel the rapid growth of foreign and domestic enterprises in China, the domestic logistics market is developing further in terms of internationalisation, professionalism and standardisation. COSCO Logistics is actively expanding its third party logistics in the fields of home appliances, automobiles, power supply, petrochemical, convention and exhibition services.

The shipping agency handled 135,087 vessels in 2006, an increase of 0.2% over 2005, freight forwarding registered 128,763,073 tons, a rise of 25.7% over the previous year. Third party logistics (3PL) — Home appliance handled 30,716,640 units, and 3PL-Motor handled 562,484 vehicles, a growth rate of 36.0% and 433.2% respectively over 2005. Net profit contribution for the logistics business rose 21.5% to US$11,136,000 in 2006.

COSCO Logistics was ranked Number 1 in "China's Logistics 100" for the third consecutive year. It publicly confirms the Group's achievements in logistics sector of China. For the future, our strategy remains to grow our logistics business to support the growth of the Group as a whole.

Container Manufacturing

The Group has 16.23% interest in CIMC, 20% interest in Shanghai CIMC Reefer Containers Co., Ltd. and 22.5% interest in Tianjin CIMC North Ocean Container Co., Ltd..

At the beginning of 2006, sales volume and prices of containers were low as the container manufacturing plant remained exposed to market factors subsisting at the end of 2005. Subsequently, the rebound of the container manufacturing market helped CIMC maintain a profit contribution of US$57,727,000 to the Group. The sale of Shanghai CIMC Far East, due to environmental reasons, generated a profit of US$5,470,000. The net profit contribution from our container manufacturing business (excluding the CIMC Put Options Non-cash Expense) increased by 24.1% to US$69,715,000 in 2006.

Other investments

The Group has 20% equity interest in Chong Hing Bank, which contributed net profit of US$12,778,000 to the Group, an increase of 27.4% from last year.

CORPORATE GOVERNANCE

Compliance with the Code on Corporate Governance Practices

The Company continues to achieve high standards of corporate governance so as to ensure better transparency and protection of shareholders' interest in general. The Company has complied with the code provisions of the Code on Corporate Governance Practices (the "Corporate Governance Code") in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31st December 2006, except for the following deviation:

Code provision E.1.2

The code provision E.1.2 of the Corporate Governance Code provides that the Chairman of the Board shall attend the annual general meeting of the Company. Due to other business commitments, Dr. WEI Jiafu, the Chairman of the Board who resides in Beijing, was unable to attend the Annual General Meeting of the Company held on 18th May 2006 in Hong Kong. This constitutes a deviation from the code provision E.1.2 of the Corporate Governance Code.

BOARD COMMITTEES

Audit Committee

The Audit Committee comprises four independent non-executive directors of the Company. The Audit Committee has reviewed, in the presence of the internal and external auditors, the Group's principal accounting policies and the consolidated financial statements for the year ended 31st December 2006.

Remuneration Committee

The Remuneration Committee comprises five members, a majority of whom are independent non-executive directors. The Committee formulates the Group's remuneration policy of directors and senior management, reviews and determines their remuneration packages and makes recommendations to the Board regarding the remuneration of directors.

Other Board Committees

In addition to the above committees, the Board has also established various committees which include Executive Committee, Investment and Strategic Planning Committee, Corporate Governance Committee, Risk Management Committee and Nomination Committee. Each committee has its defined scope of duties and terms of reference. The terms of reference of the above committees have been posted on the Company's website: www.coscopac.com.hk.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as the Company's code of conduct and rules governing dealings by all directors in the securities of the Company. Having made specific enquiry of all directors of the Company, they all confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31st December 2006.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries purchased or sold any of the Company's shares during the year ended 31st December 2006.

INVESTOR RELATIONS AND MARKET RECOGNITION

During the year, COSCO Pacific continued its pursuit of the highest standards of transparency and professionalism. While being committed to maximising shareholders' value and improving corporate profitability, the Company is also determined to ensure the highest standards of corporate governance, transparency and accountability.

In 2006, the Company was the proud recipient of awards granted in recognition of our well-governed and well-managed operations. The Board of COSCO Pacific was honoured to be presented the "Directors of the Year Awards 2006" organised by the Hong Kong Institute of Directors. The Company was awarded the "Hong Kong Outstanding Enterprises" by the Economic Digest for the second consecutive year. Moreover, the Company was cited as one of the "Forbes 2000 leading companies in the world", one of the "China Shipping Gazette top 10 enterprises" and was nominated as a Finalist in the "Shipping In-House Team of the Year" in the ALB Hong Kong Law Awards organised by Asian Legal Business, a widely circulated magazine amongst the legal professional in 2006. The Company was also proud to receive the highly commended award of "Best Investor Relations" from IR Asia magazine.

These awards endorse the public's confidence in us, and this confidence in turn motivates us to set yet higher standards in our operations. The Company espouses the core principles of corporate governance, which are based on the checks and balances system, and seeks to maximise shareholders' investment returns through balancing the interests of our shareholders. The Board and the management of COSCO Pacific will continue to follow these principles and to act in the long-term interests of its shareholders and stakeholders.

CORPORATE CULTURE

Team Building

As of 28th February 2007, COSCO Pacific had 1,028 employees in China, Asia, America, Europe and Australia.

The Company is committed to providing continual professional development opportunities for its staff by organising various communication activities and training sessions to enhance the professional and management standards of executives, as well as to inspire their innovative perspectives, thus to boost the business development of the Company.

The Company firmly believes that reasonable and competitive remuneration policy is quintessential to success of an enterprise, and has established a remuneration and bonus mechanism on the basis of equity and fairness. The issue of share options to the staff in recent years has been pivotal in strengthening their sense of belonging.

Social Responsibilities

COSCO Pacific is highly aware of its responsibilities for the society and environment. While striving to bring value for its shareholders, it also seeks to reward the society by actively participating in social welfare activities.

In March 2006, COSCO Pacific donated an amount of RMB2 million to Beijing Huayu Education Fund through COSCO Charity to assist the underprivileged students in China to continue their higher education. In 2006, COSCO Pacific participated in the "Business for CLEAN AIR" campaign co-organised by the Hong Kong General Chamber of Commerce and the Hong Kong Business Coalition on the Environment. Besides, COSCO Pacific also participated in the "School-Company Partnership Programme" organised by the Hong Kong Young Entrepreneurs Development Council. Also, in the same year, members of the senior management of COSCO Pacific continued to give lectures and engage students at universities in both mainland China and Hong Kong. Meanwhile, at our offices and port facilities, COSCO Pacific welcomed guests from high schools and all sectors who would like to learn about and exchange views on our business.

COSCO Pacific is committed to carrying out our civil duties as a corporate entity, focusing on such public welfare work as environmental protection and community culture, and actively support and participate in public welfare activities, so as to help improve the society and environment in which we are living.

PROSPECTS

We have a positive outlook for 2007 based on the continuing recovery of the shipping industry, lower oil prices and a potential reduction of interest rates in U.S., which will likely provide a favourable position for the business environment. The rising demand driven by domestic consumption in China will boost its imports to achieve a greater growth rate in 2007. Moreover, it is expected that China's economic growth remains strong and the global economy is to sustain a more impressive growth over 2006. This continued strength of the global economy is positive for all of our businesses including container terminal, container leasing and management, logistics and container manufacturing.

The Chinese Central Government's 11th Five-Year Plan underlined the powerhouse role of the Pearl River Delta, Yangtze River Delta and Bohai Rim for the development of the hinterland. The Bohai Rim shows the highest development potential, with dynamic economic growth expected to continue, particularly foreign trade. At Qingdao Qianwan Terminal, three more berths became operational in 2006. Two more berths at Dalian Port Container Terminal Co., Ltd. commenced operations in 2006, joining the two new ones that came on stream in 2005. Dalian Automobile Terminal came on stream in 2006 with two new berths. Tianjin Five Continents Terminal commenced full operations in 2006. As a result, handling capacity at the Group's terminal in the Bohai Rim is set to steadily grow. In addition, the business performance and profitability of our terminal investments in this region are expected to accelerate its growth in the coming years.

Dynamic economic growth in the Yangtze River Delta is driving a dramatic increase in transportation demand along the river, especially following the opening of operations of terminals at port of Yangshan in Shanghai. There is no doubt that transport to and from Yangshan along the Yangtze River is more cost effective and provides better value than land transport. This is already driving rapid growth in throughput at feeder ports such as Nanjing Longtan Terminal, Zhangjiagang Win Hanverky Terminal and Yangzhou Yuanyang Terminal. Nanjing Longtan Terminal has great potential. Among which, Nanjing Longtan is the only one container terminal in the port of Nanjing which is the largest river port in the Yangtze River Delta.

In the Pearl River Delta, container throughput is forecast to show sustainable growth. Due to rising demand of terminal services, the new berths at Yantian Terminal Phase III commenced operation in 2006. Container throughput is set to rise at Yantian Terminal. Meanwhile, a stable growth is expected at COSCO-HIT Terminal. The Pearl River Delta is a dominant manufacturing centre in China. The manufacturers will choose to ship their goods through Nansha Port which is located at a prominent position in this region. It is likely that Nansha will become a major port in the Western Pearl River Delta. Therefore, the Group believes that our terminal investment in the Guangzhou South China Oceangate Container Terminal will have a prosperous future. The terminal commenced its trial run in December 2006.

In overseas operations, the rapid rise in container throughput in Antwerp Terminal has already begun following the launch of our operations there in September 2005. We continue to forecast stable growth of throughput at COSCO-PSA Terminal in Singapore. Following the potential acquisition by the end of 2007 of a second berth located hereby the existing operation one, the terminal should be able to achieve a stronger throughput growth. The Group's purchase of a 20% shareholding in the Suez Canal Container Terminal at Port Said should be completed in 2007 and we are confident that this terminal has significant growth potential due to its excellent location in Egypt.

With the growth of shipping fleets, massive new shipbuilding orders, further industry consolidation and a positive outlook for containerised trade in 2007, we continue to be confident of the future prospects of our container leasing and management operations. The Group will continue to expand our market share by purchasing new containers for leasing business. Meanwhile, we will also consider increasing our container management business so as to further expand our revenue stream. While strengthening the business relationship with our top 20 international customers, we will expand our customer network in Eastern Europe, Russia, India and Vietnam. Moreover, we project our market share and container leasing business in China will be further expanded on the back of an increased containerisation rate in the region. We are confident of the solid performance of our container leasing and management division.

The main engine for the growth of COSCO Pacific will be led by accumulating profit growth momentum of our terminal business and supported by the stable yield of container leasing and management businesses. Our container manufacturing and logistics businesses are set to contribute the growth of the Group profits as a whole. With our well-balanced portfolio and strengthened business models, our management team will continue to build on our value creation platform in order to support and enhance COSCO Pacific's position as a global industry leader.

MEMBERS OF THE BOARD

As at the date of this announcement, the Board comprises Dr. WEI Jiafu[2] (Chairman), Mr. CHEN Hongsheng[1], Mr. LI Jianhong[1], Ms. SUN Yueying[1], Mr. XU Lirong[2], Mr. XU Minjie[1] (Vice Chairman & Managing Director), Dr. SUN Jiakang[2], Mr. WONG Tin Yau, Kelvin[1], Mr. WANG Zhi[1], Mr. QIN Fuyan[1], Dr. LI Kwok Po, David[3], Mr. LIU Lit Man[3], Mr. CHOW Kwong Fai, Edward[3] and Mr. Timothy George FRESHWATER[3].

1 Executive Director

2 Non-executive Director

3 Independent Non-executive Director

By Order of the Board
COSCO Pacific Limited
XU Minjie
Vice Chairman & Managing Director

Hong Kong, 22nd March 2007

*Please also refer to the published version of this announcement in **The Standard.***