



COSCO Pacific Limited

(Incorporated in Bermuda with limited liability)

1999 FINAL RESULTS ANNOUNCEMENT

By tightening up the cost control and further improving the operational efficiency, COSCO Pacific Limited ("COSCO Pacific" or the "Company") and its subsidiaries (the "Group") were able to strengthen their businesses and report another year of stable profit growth.

- Turnover up 1.6% to US\$220,638,000.
- Profit attributable to shareholders up 3.7% to US\$134,082,000.
- Combined throughput of the 5 container terminals up 25.2% to 5,916,229 TEUs.
- Container fleet capacity slightly shrank 1.0% to 500,899 TEUs.

RESULTS

The board of directors (the "Directors") of the Company is pleased to announce the audited consolidated results of the Group for the year ended 31st December, 1999, together with the comparative figures for the previous year, as follows:

	1999 US\$000	1998 US\$000	Increase/(Decrease) %
Turnover (Note 1)	220,638	217,130	1.6
Operating profit after finance costs	83,384	80,797	3.2
Share of profits less losses of: Associated companies	54,871	50,639	8.4
Jointly controlled entities	4,106	4,254	(3.5)
Profit before taxation	142,361	135,690	4.9
Taxation (Note 2)	7,612	5,896	29.1
Profit after taxation	134,749	129,794	3.8
Minority interests	667	497	34.2
Profit attributable to shareholders	134,082	129,297	3.7
Dividends (Note 3)	51,275	47,135	8.8
Profit for the year retained	82,807	82,162	0.8
Earnings per share (Note 4)			
Basic earnings per share	US\$6.36 cents	US\$6.30 cents	1.0
Fully diluted earnings per share	N/A	N/A	

Notes:

1. Turnover

Turnover represents gross income from container leasing, container handling and storage, and container terminal operations.

	1999 US\$000	1998 US\$000
Container leasing	205,115	202,071
Container handling and storage	10,942	10,804
Container terminal operations	4,581	4,255
	<u>220,638</u>	<u>217,130</u>

2. Taxation

	1999 US\$000	1998 US\$000
Company and subsidiaries:		
Hong Kong profits tax	278	323
10% 1997/98 Hong Kong profits tax rebate	(60)	—
Overseas taxation	431	292
Over provision in prior years	(131)	(488)
	<u>518</u>	<u>127</u>
Share of taxation attributable to: Jointly controlled entities:		
Overseas taxation	227	184
Associated companies:		
Hong Kong profits tax	7,856	6,598
10% 1997/98 Hong Kong profits tax rebate	(472)	—
Overseas taxation	769	278
Deferred taxation	(1,286)	(1,291)
	<u>7,612</u>	<u>5,896</u>

Hong Kong profits tax has been provided at a rate of 16 percent (1998: 16 percent) on the estimated assessable profit for the year. A substantial portion of the Group's profit neither arises in nor is derived from Hong Kong. Accordingly, that portion of the Group's profit is not subject to Hong Kong profits tax.

Taxation on overseas profit 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.

Profit attributable to shareholders for the year was US\$134,082,000, an increase of 3.7% from the previous year. Earnings per share were just up by 1.0% to US 6.36 cents due to the placement of 87,311,767 new shares during the year.

At the forthcoming annual general meeting, the Directors will recommend a final dividend of HK 10.5 cents (1998: HK 10.0 cents) per share payable in cash. Combined with the interim dividend of HK 7.7 cents per share paid on 4th October, 1999, this provides an annual dividend of HK 18.2 cents (1998: HK 17.8 cents) per share.

PRUDENT FINANCIAL MANAGEMENT

During the year, in light of the uncertainties in Asia, the Group continued to exercise prudent control over its debt level. Capital expenditure for 1999 totalled US\$83,511,000 (1998: US\$162,969,000), mainly for the purchase of new containers and the final payment for the Shanghai Yixian Road project.

As at 31st December, 1999, the Group's consolidated net asset value was US\$981,658,000, a 16.1% increase from 1998. Cash on hand amounted to US\$252,335,000 (1998: US\$87,614,000). Net debt-to-equity ratio was significantly reduced to 31.4% from 64.7% in 1998. Interest coverage stood comfortably at 4.8 times against 4.3 times a year ago. These underscore our strengthened financial position as well as our improved capability to arrange new financing.

CONTAINER LEASING

As at 31st December, 1999, the Group has a container fleet of 500,899 TEUs and is the world's 6th largest container leasing operator with an approximately 8% share of the global container leasing market.

Our container leasing business remained strong throughout 1999. Turnover rose to US\$205,115,000, a 1.5% increase over the previous year. The business accounted for 63.3% (1998: 67.3%) of the Group's profit attributable to shareholders.

As China Ocean Shipping (Group) Company ("COSCO Group"), our principal customer, has undergone business reorganisation, all container transportation businesses have been assigned to its wholly-owned subsidiary COSCO Container Lines Company Limited ("COSCON") since the beginning of 1999.

During the year, we leased an aggregate of 311,047 TEUs (1998: 340,344 TEUs) containers to COSCON, which accounted for 62.1% (1998: 67.3%) of our total container fleet. Containers available to other international customers rose to 189,852 TEUs (1998: 165,610 TEUs), representing 37.9% (1998: 32.7%) of our total fleet.

Continuous efforts have been made to improve our corporate management, business competitiveness and profitability. To fully utilize our container fleet and to maximize the economies of scale, we have expanded our other international customer base to 175 (1998: 150).

COSCON AND OTHER INTERNATIONAL CUSTOMERS LEASING ANALYSIS BY TYPE (IN TEU)

	1999		1998	
	COSCON	OTHER INTERNATIONAL CUSTOMERS	COSCO Group	OTHER INTERNATIONAL CUSTOMERS
Total Containers	311,047	189,852	340,344	165,610
Dry Containers	91.6%	90.3%	92.3%	89.9%
Reefers	7.2%	4.4%	6.6%	4.8%
Specials	1.2%	5.3%	1.1%	5.3%

CONTAINER FLEET ANALYSIS

During the year, our container fleet slightly shrank 1.0% to 500,899 TEUs. New purchases were fully netted by the return of used containers from COSCON following the expiry of 10-year leases.

(TEUs)	1999	1998
Balance b/f	505,954	469,951
New containers purchased	40,094	58,009
Containers returned upon the expiry of 10-year leases pending for disposal	(42,055)	(20,673)
Defective containers written off	(3,094)	(1,333)
Total fleet size at year end	<u>500,899</u>	<u>505,954</u>

COSCO-HIT

The Group has a 50% interest in COSCO-HIT Terminals (Hong Kong) Limited ("COSCO-HIT"). Throughput at COSCO-HIT in 1999 amounted to 1,220,002 TEUs (1998: 1,206,572 TEUs). Notwithstanding the moderate growth in throughput of only 1.1%, COSCO-HIT achieved a more than satisfactory growth in profit due to effective cost control and lowered interest expenses during the year.

4 PRC CONTAINER TERMINALS

During the year, our four container terminals in the PRC continued to operate smoothly and recorded satisfactory profits. Combined throughput amounted to 4,696,227 TEUs, a gain of 33.4% from 1998. The strong growth was attributed to the increase in Mainland exports and the upward trend of cargo containerization. As the PRC's three largest container ports, Shanghai, Qingdao and Yantian enjoy fast-growing demand for container handling services. To cope with the rising demand, our container terminals have improved their existing facilities, developed new berths, upgraded the computer systems and developed new operations. With their enhanced operational efficiency, the terminals are fully ready to attain new heights.

River Trade Terminal

The Group has a 10% interest in River Trade Terminal Holdings Limited ("River Trade Terminal"). This terminal located in Tuen Mun, Hong Kong is an integrated facility providing manufacturers in the Pearl River Delta with an efficient and cost-effective way to ship cargo. The terminal is designed for housing 60 berths to serve more than 100 river-borne vessels simultaneously. Construction works were largely completed in 1999 and the first-year throughput is slightly below expectation. However, some improvement in throughput has been seen since late 1999.

CONTAINER HANDLING AND STORAGE

The Group also engages in provision of container handling and storage services with satisfactory results during the year despite unfavourable market conditions.

CONTAINER RELATED INDUSTRIES

During the year, our container related industrial investments continued to record profits.

Shanghai CIMC Reefer Containers Co., Ltd. produced 16,914 TEUs refrigerated containers, a gain of 52.5% from 1998. Container production at Shanghai CIMC Far East Container Co., Ltd. rose 10.5% to 66,361 TEUs, whereas Tianjin CIMC North Ocean Container Co., Ltd. saw a decline of 2.7% to 37,948 TEUs. Tianjin Kansai Paint and Chemicals Co., Ltd. produced 9,386 tonnes of paint, up 27.6% on 1998, while Shanghai Kansai Paint & Chemical Co., Ltd. increased its production by 18.9% to 11,633 tonnes.

SHANGHAI YIXIAN ROAD

The elevated road at Yixian Road in Shanghai was completed and opened for traffic in May 1999. The vehicle flow and tariffs for the Wusang Toll Bridge and Wenchang Toll Bridge increased during the year. As such, the project continued to report a profit. Jiangyang Toll Bridge was also completed and opened for traffic in March 2000.

LIU CHONG HING BANK

The Group has a 20% interest in Liu Chong Hing Bank Limited, which contributed US\$9,287,000 to the Group's profit attributable to shareholders, an increase of 3.4% from 1998.

Y2K COMPUTER COMPLIANCE

As at 31st December, 1999, the Group's Year 2000 compliance programme has been completed on schedule with all the critical systems being Year 2000 compliant. Over the millennium change and various relevant dates in the year 2000, the Group carried out various tests and close monitoring on the performance of all major systems. No business disruption has been encountered by the Group at the dates thereof.

Further details on the Group's Year 2000 readiness will be set out in the 1999 Annual Report.

2000 PROSPECTS

The undisputed Asian economic recovery has reinforced the general belief that the global economy will continue to grow in 2000. Against this background, the Group has formulated development strategies that take advantage of its strong links with COSCON to actively develop its container leasing and container terminal businesses and to pursue investment opportunities in other major container terminals in the PRC.

Hong Kong profits tax has been provided at a rate of 16 percent (1998:16 percent) on the estimated assessable profit for the year. A substantial portion of the Group's profit neither arises in nor is derived from Hong Kong. Accordingly, that portion of the Group's profit is not subject to Hong Kong profits tax.

Taxation on overseas profit 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.

No provision for income tax in the People's Republic of China ("PRC") has been made as the Group's profits from container leasing are exempt in accordance with a notice granting temporary exemption of income tax on rental payments made to foreign container leasing companies operating in international transportation (Guo Shui Fa (1993) No. 49) issued by the State Tax Bureau of the PRC on 12th March, 1993.

The Group is also exempt from business tax on its rental income and interest income earned in the PRC in accordance with a notice granting exemption from business tax for foreign enterprises earning such income but having no establishment in the PRC (Guo Shui Fa (1997) No. 35) issued by the State Tax Bureau of the PRC on 14th March, 1997.

	1999 US\$000	1998 US\$000
3. Dividends		
Interim dividend, paid, of US 0.994 cents (HK 7.7 cents) (1998: US 1.007 cents) per ordinary share	21,258	20,655
Final dividend, proposed, of US 1.350 cents (HK 10.5 cents) (1998: US 1.291 cents) per ordinary share	28,890	26,480
Additional 1998 final dividend paid on shares issued due to the share placement before the closure of the register of members	1,127	—
	<u>51,275</u>	<u>47,135</u>

4. Earnings per Share	1999	1998
(a) Basic earnings per share is calculated based on the profit attributable to shareholders of US\$134,082,000 (1998: US\$129,297,000) and on the weighted average number of 2,109,505,999 (1998: 2,051,826,526) shares in issue during the year.		
(b) As the exercise price of the share options outstanding during the year ended 31st December, 1999 was greater than the average market price of the Company's share, there was no dilution effect on earnings per share.		

HIGHLIGHTS OF RESULTS

Turnover of the Group for 1999 rose 1.6% to US\$220,638,000, primarily reflecting the stable operations of the container leasing business and the continued satisfactory performance of the container terminal division. Operating profit after finance costs for the year amounted to US\$83,384,000, up 3.2% from 1998.

(TEUs)	1999	1998
Balance b/f	505,954	469,951
New containers purchased	40,094	58,009
Containers returned upon the expiry of 10-year leases pending for disposal	(42,055)	(20,673)
Defective containers written off	(3,094)	(1,333)
Total fleet size at year end	<u>500,899</u>	<u>505,954</u>

CONTAINER FLEET ANALYSIS BY TYPE (IN TEU)

	1999	1998
Dry containers	91.2%	91.5%
Reefers	6.1%	6.0%
Specials	2.7%	2.5%

HIGH UTILIZATION RATE

Whilst COSCON's utilization remained at 100%, overall utilization rate stood high at 96.5% (1998: 97.0%), well above the industry average of about 80% (1998: 80%).

DISPOSAL OF CONTAINERS

In 1999, we received 42,055 TEUs containers from COSCON upon the expiry of 10-year leases, of which 40,319 TEUs were disposed of at a gross profit of US\$11,177,000 (1998: US\$9,219,000). About 28,647 TEUs 10-year containers are scheduled to be returned by COSCON in 2000 when the leases expire.

MASTER LEASING AND E-COMMERCE

During the year, we have made further improvements in our container leasing operation in respect of the management system, computer systems and staff training, perfecting the operational and financial systems. Not only have the new computer systems in use this year strengthened our global network of sales offices and depots but also provided an essential platform for our development of e-commerce.

CONTAINER TERMINALS

During the year, our container terminal business continued to grow satisfactorily. The combined throughput of the 5 container terminals rose 25.2% to 5,916,229 TEUs.

	1999 TEU	1998 TEU	%
COSCO-HIT	1,220,002	1,206,572	+1.1
Shanghai	2,593,995	2,027,188	+28.0
Qingdao	401,029	350,126	+14.5
Zhangjiagang	113,114	105,051	+7.7
Yantian	1,588,089	1,038,074	+53.0

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting of the Company will be held at 49th Floor, COSCO Tower, 183 Queen's Road Central, Hong Kong on Thursday, 25th May, 2000 at 2:30 p.m. for the following purposes:

- To receive and consider the financial statements and the directors' and auditors' reports of the Company for the year ended 31st December, 1999.
- To declare a final dividend for the year ended 31st December, 1999.
- To re-elect the retiring directors and to fix the remuneration of directors.
- To re-appoint auditors and to authorise the directors to fix their remuneration.
- As special business, to consider and, if thought fit, to pass with or without amendments the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

A. "THAT:

- subject to paragraph (b) below, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase shares of the Company on The Stock Exchange of Hong Kong Limited ("Stock Exchange") or on any other stock exchange on which the shares of the Company may be listed and recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or of any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;
- the aggregate nominal amount of the shares of the Company which the Company is authorised to repurchase pursuant to the approval in paragraph (a) above shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing this Resolution and the said approval shall be limited accordingly; and
- for the purposes of this Resolution, "Relevant Period" means the period from the passing of this Resolution until whichever is the earliest of:
 - the conclusion of the next annual general meeting of the Company;
 - the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company or any applicable law to be held; and
 - the date on which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting."

B. "THAT:

- subject to paragraph (c) below, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options (including bonds, warrants and debentures convertible into shares of the Company) which would or might require the exercise of such power be and is hereby generally and unconditionally approved;
- the approval in paragraph (a) above shall authorise the directors of the Company during the Relevant Period (as hereinafter defined) to make or grant offers, agreements and options (including bonds, warrants and debentures convertible into shares of the Company) which would or might require the exercise of such powers after the end of the Relevant Period;
- the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the directors of the Company pursuant to the approval in paragraph (a) above, otherwise than pursuant to: (i) a Rights Issue (as hereinafter defined); (ii) an issue of shares as scrip dividends pursuant to the bye-laws of the Company from time to time; or (iii) an issue of shares under any option scheme or similar arrangement for the time being adopted for the grant or issue to employees of the Company and/or any of its subsidiaries of shares or rights of the Company, shall not exceed 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing this Resolution and the said approval shall be limited accordingly; and
- for the purpose of this Resolution, "Relevant Period" means the period from the passing of this Resolution until whichever is the earliest of:
 - the conclusion of the next annual general meeting of the Company;
 - the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company or any applicable law to be held; and
 - the date on which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting; and

"Rights Issue" means an offer of shares open for a period fixed by the directors of the Company to the holders of shares of the Company on the register on a fixed record date in proportion to their then holdings of such shares as at that date (subject to such

Report.

2000 PROSPECTS

The undisputed Asian economic recovery has reinforced the general belief that the global economy will continue to grow in 2000. Against this background, the Group has formulated development strategies that take advantage of its strong links with COSCON to actively develop its container leasing and container terminal businesses and to pursue investment opportunities in other major container terminals in the PRC.

At the same time, the Group will expand into logistics businesses that employ information technology and skills to manage a full chain of distribution services. Our strategy is to form alliances with major distribution enterprises in the PRC and overseas and to establish strategic partnerships with international logistics operators that facilitate our entry into the new businesses.

The Company is also expecting greater opportunities given the PRC's imminent entry into the World Trade Organization, the sustained growth of Mainland trade, the global upward trend of cargo containerization, and the increasing demand for and hence opportunities available in the logistics sector. The Group has been actively investigating potential investments in integrated logistics businesses with a view to develop new revenue streams and to maximize returns for our shareholders. The management is confident to achieve another year of solid performance in 2000.

FINAL DIVIDEND

The Directors propose a final dividend of HK10.5 cents (1998:HK10.0 cents) per share subject to approval of the shareholders at the annual general meeting to be held on 25th May, 2000. The proposed final dividend is payable on or before 8th June, 2000, to shareholders whose names appear on the register of members of the Company on 25th May, 2000.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 19th May, 2000 to Thursday, 25th May, 2000, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all completed transfer forms with share certificates must be lodged with the Company's Hong Kong Registrar and Transfer Office, Secretaries Limited, 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong not later than 4:00 p.m. on Thursday, 18th May, 2000.

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 shares of the Company during the year.

By Order of the Board
SHI Qin
Managing Director

Hong Kong, 28th March, 2000

exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognized regulatory body or any stock exchange in, any territory outside Hong Kong applicable to the Company).

- "THAT subject to the passing of Ordinary Resolutions Nos.5A and 5B set out in the notice convening this meeting, the general mandate granted to the directors of the Company to allot, issue and deal with additional shares pursuant to Ordinary Resolution No.5B set out in the notice convening this meeting be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of shares in the capital of the Company repurchased by the Company under the authority granted pursuant to Ordinary Resolution No.5A set out in the notice convening this meeting, provided that such amount of shares shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing the said Resolution."

- To transact any other business.

By Order of the Board
Peter LEE Yip Wah
Secretary

Hong Kong, 28th March, 2000.

Principal place of business:
49th Floor,
COSCO Tower,
183 Queen's Road Central,
Hong Kong.

Notes:

- Any member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a member of the Company.
- To be valid, the proxy form, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited at the principal place of business of the Company at 49th Floor, COSCO Tower, 183 Queen's Road Central, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
- The register of members of the Company will be closed from Friday, 19th May, 2000 to Thursday, 25th May, 2000, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all completed transfer forms with share certificates must be lodged with the Company's Hong Kong Registrar and Transfer Office, Secretaries Limited, 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong not later than 4:00 p.m. on Thursday, 18th May, 2000.
- An explanatory statement as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in connection with the proposed repurchase mandate under Resolution 5A above will be despatched to members together with the 1999 Annual Report of the Company.