



COSCO PACIFIC LIMITED

(Incorporated in Bermuda with limited liability)

ANNOUNCEMENT OF 2001 FINAL RESULTS

China's economic performance was most distinguished in 2001, with imports and exports totalling US\$509.3 billion that was 7.4% higher than the previous year's figure. China's entry into the WTO and its success to host the Olympics 2008 provide huge opportunities for the global trade and economy. Although the world's economic outlook is still uncertain in 2002, signs of a recovery are emerging, I, together with all our staff, remain optimistic towards the prospects. On the basis of further strengthening and firmly developing the existing core businesses of container leasing and container terminal operations, COSCO Pacific will coordinate with hub port development strategy of COSCO Group to introduce new projects for expanding the container terminal business and collaborate with COSCO Group's core business development strategy to actively explore the entry into the logistics sector and develop the logistics business in order to nurture new growth streams.

WEI Jiafu

President of COSCO Group and Chairman of COSCO Pacific

The "911" event happened in the U.S. has resulted in a significant slowdown in global economic growth in 2001. Despite this, with the strong support of COSCO Group and other customers and a healthy financial position, COSCO Pacific has been able to withstand the risks and generate a solid growth in profit attributable to shareholders. With the gradual recovery of the U.S. and European economies in 2002, COSCO Pacific will enjoy a more favourable operating environment. On behalf of the management, Chairman WEI Jiafu and I would like to take this opportunity to express our high appreciation of the outstanding performance and team work of all staff. Let us hold our hands together to face the challenges ahead and contribute our best to the Group's future development and shareholders' interest.

LIU Guoyuan

President of COSCO (Hong Kong) Group and Vice Chairman of COSCO Pacific

- **Turnover increased 3.1% to US\$224,671,000**
- **Profit attributable to shareholders increased 8.3% to US\$154,340,000**
- **Return on equity was 13.4%**
- **Container leasing fleet increased by 15.5% to 610,019 TEUs**
- **Throughput at the five container terminals rose 3.9% to 7,425,188 TEUs**
- **Financial position remained solid, with net assets per share up by 9.0% to HK\$4.37**

RESULTS

The board of directors (the "Directors") of COSCO Pacific Limited ("COSCO Pacific" or the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31st December 2001, which have been reviewed by the Company's Audit Committee.

	<i>Note</i>	2001 <i>US\$'000</i>	2000 <i>US\$'000</i>
Turnover	2	224,671	217,893
Cost of sales		(95,395)	(87,453)
Gross profit		129,276	130,440
Other revenues		12,114	30,975
Administrative expenses		(21,331)	(20,679)
Other operating income/(expenses) (net)		8,149	(16,144)
Operating profit	3	128,208	124,592
Finance costs		(29,524)	(43,113)
Operating profit after finance costs		98,684	81,479
Share of profits less losses of			
- jointly controlled entities		9,421	6,656
- associated companies		56,812	66,243
Profit before taxation		164,917	154,378
Taxation	4	(9,566)	(10,946)
Profit after taxation		155,351	143,432
Minority interests		(1,011)	(886)
Profit attributable to shareholders		154,340	142,546
Transfer to other reserves		(1,685)	(1,468)
		152,655	141,078
Dividends	5	64,576	52,731
Earnings per share			

Basic earnings per share	6	US7.2081 cents	US6.6634 cents
Diluted earnings per share	6	US7.1984 cents	US6.6628 cents

Notes:

1 Basis of preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with Statements of Standard Accounting Practice ("SSAP") issued by the Hong Kong Society of Accountants (the "HKSA"). They have been prepared under the historical cost convention except that certain land and buildings and investment properties are stated at fair value.

In the current year, the Group adopted all those SSAPs issued by the HKSA which are effective for accounting periods commencing on or after 1st January 2001 and the effect of adopting these new or revised accounting standards is set out as follows:

(i) Dividends

In accordance with the SSAP 9 (revised), the Group no longer recognises dividends proposed or declared after the balance sheet date as a liability at the balance sheet date. This change in accounting policy has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy. As a result, the retained profits at 1st January 2001 has been increased by US\$30,169,000 and the provision of US\$30,169,000 for 2000 proposed final dividend previously recorded as a liability as at 31st December 2000 has been reversed.

(ii) Provisions

In accordance with the SSAP 28, provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

The Group does not have significant provision which does not meet the recognition and measurement criteria of SSAP 28 and has to be adjusted to the opening retained profits as at 1st January 2001.

(iii) Impairment of assets

SSAP 31 requires that the carrying amount of an asset is reduced to reflect the decline in value when the recoverable amount of an asset has declined below its carrying amount. In determining the recoverable amount of assets, expected cash flows are discounted to their present values.

The assessment on the carrying amounts of assets has indicated an impairment loss of assets US\$5,928,000. Amounts of US\$5,680,000 has been charged to consolidated profit and loss account and amount of US\$248,000 has been taken to other properties revaluation reserve as a revaluation decrease.

2 Segment turnover and results

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

	Container leasing <i>US\$'000</i>	Container terminal and related facilities <i>US\$'000</i>	Banking <i>US\$'000</i>	PRC investment securities <i>US\$'000</i>	Other operations <i>US\$'000</i>	Corporate <i>US\$'000</i>	Total <i>US\$'000</i>
For the year ended 31.12. 2001							
Turnover							
External sales	209,343	15,328	-	-	-	-	224,671
Segment results	83,857	1,009	-	14,137	-	-	99,003
Unallocated costs							
- net corporate expenses	-	-	-	-	-	(3,187)	(3,187)
- corporate finance costs	-	-	-	-	-	(743)	(743)
- corporate interest income	-	-	-	-	-	3,611	3,611
Operating profit after finance costs	83,857	1,009	-	14,137	-	(319)	98,684
Share of profits less losses of							
- jointly controlled entities	-	3,801	-	-	5,620	-	9,421
- associated companies	-	47,805	9,007	-	-	-	56,812
Profit before taxation							164,917
Taxation							(9,566)
Profit after taxation							155,351
Minority interests							(1,011)
Profit attributable to shareholders							154,340
For the year ended 31.12.2000							
Turnover							
Total revenue	202,143	15,846	-	-	-	-	217,989
Inter-segment sales	-	(96)	-	-	-	-	(96)
External sales	202,143	15,750	-	-	-	-	217,893
Segment results	75,826	1,788	-	327	-	-	77,941
Unallocated costs							
- net corporate expenses	-	-	-	-	-	(2,838)	(2,838)
- corporate finance costs	-	-	-	-	-	(853)	(853)
- corporate interest income	-	-	-	-	-	7,229	7,229
Operating profit after finance costs	75,826	1,788	-	327	-	3,538	81,479

Share of profits less losses of						
- jointly controlled entities	-	3,430	-	-	3,226	- 6,656
- associated companies	-	50,853	15,390	-	-	- 66,243
Profit before taxation						154,378
Taxation						(10,946)
Profit after taxation						143,432
Minority interests						(886)
Profit attributable to shareholders						142,546

The movements of containers under operating leases or hire purchase contracts are known through reports from the lessees but the Group is not able to control the movements of containers except to the degree that the movements are restricted by the terms of the leases or where safety of the containers is concerned. It is therefore impracticable to present segment information of container leasing by geographical areas.

The activities of container handling and storage and container terminal operations are carried out in Hong Kong and China mainland respectively.

There are no sales or other transactions between the business segments for the year ended 31st December 2001.

3 Operating profit

Operating profit is stated after crediting and charging the following:

	2001	2000
	US\$'000	US\$'000
Crediting:		
Profit on sale of listed investment	14,137	-
Reversal of provision for container repairs and maintenance expense	6,156	-
Interest income	5,178	12,191
Dividend income from		
- listed investment	-	329
- unlisted investment	-	1,023
Charging:		
Depreciation and amortisation	80,960	74,285
Cost of inventories sold	8,350	16,894
Provision for an investee company	3,450	4,600
Provision for inventories	265	197
Impairment loss of		
- containers	4,377	-
- leasehold land and buildings	1,303	-
Revaluation deficit of investment properties	154	98

4 Taxation

	2001 <i>US\$'000</i>	2000 <i>US\$'000</i>
Company and subsidiaries		
Hong Kong profits tax	260	325
China mainland taxation	139	112
Overseas taxation	239	363
Over provision in prior years	(6)	(106)
	632	694
Share of taxation attributable to:		
Jointly controlled entities		
China mainland taxation	1,129	543
Associated companies		
Hong Kong profits tax	7,012	8,800
China mainland taxation	793	909
	9,566	10,946

Hong Kong profits tax has been provided at a rate of 16% (2000: 16%) 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 profits from container terminal operations in China mainland has been calculated at an effective tax rate of 7.5% (2000: 7.5%) on the estimated assessable profit for the year. The subsidiary in China mainland is eligible for a 50% relief from corporate income tax of 15% for five years since 1998.

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.

The Group's profits from container leasing are exempt from income tax in China mainland 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 People's Republic of China (the "PRC") on 12th March 1993.

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

5 Dividends

	2001 <i>US\$'000</i>	2000 <i>US\$'000</i>
Final dividend, proposed, of US1.795 cents (2000: US1.410 cents) per ordinary share (<i>note b</i>)	38,456	30,169

Interim, paid, of US1.218 cents (2000: US1.055 cents) per ordinary share	26,091	22,562
Additional dividend paid on shares issued due to the exercise of share options before the closure of register of members		
- 2000 final	26	-
- 2001 interim	3	-
	64,576	52,731

Notes:

- (a) The previously recorded final dividends proposed and declared after the balance sheet date but accrued in the accounts for the years ended 31st December 1999 and 2000 were US\$28,890,000 and US\$30,169,000 respectively. Under the Group's new accounting policy, these have been written back against opening retained profits as at 1st January 2000 and 2001 and are now charged in the year in which they were proposed.
- (b) At a meeting held on 27th March 2002 the directors declared a final dividend of HK14.0 cents (US1.795 cents) per ordinary share. This proposed dividend is not reflected as a dividend payable in this annual accounts until it has been approved at the Annual General Meeting and will be accounted for as an appropriation of retained profits for the year ending 31st December 2002.

6 Earnings per share

- (a) Basic earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of US\$154,340,000 (2000: US\$142,546,000) and on the weighted average number of 2,141,192,588 (2000: 2,139,228,298) ordinary shares in issue during the year.

- (b) Diluted earnings per share

Diluted earnings per share for the year ended 31st December 2001 is calculated based on the profit attributable to shareholders of US\$154,340,000 (2000: US\$142,546,000) and the weighted average number of 2,141,192,588 (2000: 2,139,228,298) ordinary shares in issue during the year and the 2,886,490 (2000: 199,216) ordinary shares deemed to be issued at no consideration if all outstanding share options have been exercised.

FINAL DIVIDEND

The Directors propose a final cash dividend of HK14.0 cents (2000: HK11.0 cents) per share, subject to the approval by the shareholders at the Annual General Meeting to be held on 24th May 2002. The proposed final cash dividend will be payable on or before 5th June 2002 to shareholders whose names appear on the register of members of the Company on 24th May 2002.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 21st May 2002 to Friday, 24th May 2002, 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 the relevant share certificates must be lodged with the Company's Hong Kong share registrars, Secretaries Limited of 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong, for registration not

later than 4:00 p.m. on Friday, 17th May 2002.

REVIEW OF OPERATIONS

The Group's profit attributable to shareholders for the year amounted to US\$154,340,000, an increase of 8.3% compared to US\$142,546,000 for 2000. The overall performance has been satisfactory. Earnings per share amounted to US\$7.2081 cents (2000: US\$6.6634 cents).

The Directors will recommend the payment of a final cash dividend of HK14.0 cents (2000: HK11.0 cents) per share at the forthcoming Annual General Meeting. Together with the interim cash dividend of HK9.5 cents (2000: HK8.2 cents) paid on 5th October 2001, this represents a full year cash dividend of HK23.5 cents (2000: HK19.2 cents) per share.

During the year, the global economic slowdown brought an unfavourable business environment. This inevitably affected the Group's core businesses, which experienced a setback in performance. However, by adopting stringent cost control, the Group was able to maintain steady performance in its overall results. Furthermore, the disposal of the Group's entire B-share interest in Shanghai Zhenhua Port Machinery Co., Ltd. ("Shanghai Zhenhua") previously held as long term investment also generated a profit of US\$14,137,000 for the year (2000: US\$Nil).

Financial Review

Turnover for 2001 increased by 3.1% to US\$224,671,000 (2000: US\$217,893,000). The increase was mainly due to higher leasing volume which led to increased rental turnover.

Cost of sales mainly includes depreciation, depot handling fees, maintenance costs and operating expenses. In 2001, cost of sales increased by 9.1% to US\$95,395,000 (2000: US\$87,453,000), of which depreciation rose 9.6% to US\$78,733,000 (2000: US\$71,827,000), reflecting mainly the growth in container fleet.

Other revenues mainly included US\$6,885,000 (2000: US\$17,388,000) from the sale of Returned Containers, and interest income of US\$5,178,000 (2000: US\$12,191,000). During the year, less containers were returned by COSCO Container Lines Company Limited ("COSCON") upon the expiry of 10-year leases ("Returned Containers") compared to the year 2000, and therefore the disposal of Returned Containers fell to 12,151 TEUs (2000: 34,087 TEUs), resulting in the decline of resale revenue.

The fall in interest income was due to interest rate reductions during the year, and the smaller average amount of cash on hand in 2001 resulted from early repayment of bank loans at the end of 2000.

The Group recorded a net amount of US\$8,149,000 in other operating income in 2001 (2000: net expenses of US\$16,144,000), which was due to the following factors:

- During the year, the Group took advantage of the rally in the China mainland stock market driven by liberalised government control and sold the entire 18,150,000 B shares of Shanghai Zhenhua. This generated a profit of US\$14,137,000 (2000: US\$Nil).
- In 2001, the Group disposed of 12,151 TEUs (2000: 34,087 TEUs) of Returned Containers, which had a net book value of US\$8,350,000 (2000: US\$16,894,000).
- Due to the adoption of new accounting policies, there were a reversal of provision for container repairs and maintenance expenses, which amounted to US\$6,156,000 (2000: US\$Nil), and impairment losses of US\$5,680,000 (2000: US\$Nil) for certain containers and properties.

- The Group made a provision of US\$3,450,000 (2000: US\$4,600,000) against the shareholders' loans to River Trade Terminal Holdings Limited.

2001 saw the U.S. Federal Reserve cut interest rates by 4.75% in 11 rounds at a row. Under the low interest rate environment, the Group's finance costs dropped significantly by 31.5% to US\$29,524,000 (2000: US\$43,113,000). Average interest cost was 5.35% during the year (2000: 7.47%).

Share of profits from jointly controlled entities for the year was US\$9,421,000 (2000: US\$6,656,000). All the six jointly controlled entities contributed higher profits to the Group. Share of profits from associated companies fell 14.2% to US\$56,812,000 (2000: US\$66,243,000). Throughput at COSCO-HIT Terminals (Hong Kong) Limited ("COSCO-HIT") dropped by 7.8% from last year. However, with stringent cost control, the terminal recorded a smaller decline in profit contribution, which reflected its successful operations. Throughput at Shanghai Terminals fell 11.5% and led to a decline in profit contribution. Liu Chong Hing Bank Limited ("Liu Chong Hing Bank") contributed a profit of US\$9,006,000 (2000: US\$15,390,000), a decline of 41.5%.

Financial Position

The Group continued to maintain prudent financial policies. As at 31st December 2001, total assets amounted to US\$1,738,747,000 (31st December 2000: US\$1,568,747,000), whereas total liabilities and minority interests amounted to US\$538,453,000 (31st December 2000: US\$467,768,000). Net assets amounted to US\$1,200,294,000, an increase of 9.0% from the end of 2000. The increase was mainly the retained profit for the year.

Total cash on hand as at 31st December 2001 amounted to US\$254,109,000 (31st December 2000: US\$145,607,000). Total outstanding borrowings amounted to US\$509,538,000 (31st December 2000: US\$423,645,000). Net debt-to-equity ratio dropped further to 21.3% (31st December 2000: 25.3%). With higher profit for the year, and lower interest expense due to interest rate cuts, interest coverage further strengthened to 7.9 times (2000: 5.1 times).

As at 31st December 2001, the Group's bank deposits of US\$8,174,000 (31st December 2000: US\$3,855,000), together with certain fixed assets with an aggregate net book value of US\$253,778,000 (31st December 2000: US\$210,911,000) were pledged to various banks and financial institutions for loans of US\$162,532,000 (31st December 2000: US\$105,349,000).

During the year, the Group completed financing arrangements for US\$261,440,000 (2000: US\$339,756,000), of which, US\$160,476,000 (2000: US\$205,000,000) was refinancing and the balance was for capital expenditure and as working capital.

The Group signed an agreement in April 2001 for a syndicated loan to finance its purchase of containers in 2001 and in the first half of 2002. The 6-year US\$100,000,000 secured facility was well received. 19 banks joined the syndicate with a total subscription of over two times, reflecting the confidence and support of the banking community to the Group.

In order to further reduce borrowing costs and prepare for the loans maturing in 2002, the Group signed a 2-year agreement with another syndicate in December 2001 for refinancing the US\$140,000,000 commercial paper facility maturing in May 2002. The facility was also well received by the banks and was completed in two months.

As at 31st December 2001, not taking into account the US\$140,000,000 commercial paper facility, the Group had an aggregate amount of US\$37,800,000 (31st December 2000: US\$147,570,000) in

committed facilities available from banks. This together with the Group's cash on hand as at 31st December 2001 of US\$254,109,000 (31st December 2000: US\$145,607,000) and the cash inflow from operations expected for 2002, will ensure that the Group has adequate funds for repaying the loans maturing in 2002 and for financing most of the planned capital expenditure.

As at 31st December 2001, short term loans accounted for 21.3% (31st December 2000: 32.9%) of the Group's total debts. The Group's debt maturity profile for the next five years is as follows:

	2001		2000
Debts maturing in	<i>Amount (US\$)</i>		
Within the first year	108,481,000	21.3%	32.9%
Within the second year	211,330,000	41.5%	52.8%
Within the third year	72,987,000	14.3%	4.1%
Within the fourth year	69,763,000	13.7%	4.2%
Within the fifth year and beyond	46,977,000	9.2%	6.0%
Total	509,538,000	100.0%	100.0%

The debts comprised:

	2001		2000
	<i>Amount (US\$)</i>		
Secured loans	162,532,000	31.9%	24.9%
Unsecured loans	347,006,000	68.1%	75.1%
	509,538,000	100.0%	100.0%

Analysis of the Group's borrowings by denominated currency as at 31st December 2001 is as follows:

	2001		2000
	<i>Amount (US\$)</i>		
U.S. Dollar borrowings	495,470,000	97.2%	96.3%
RMB borrowings	14,068,000	2.8%	3.7%
	509,538,000	100.0%	100.0%

The majority of the Group's borrowings are denominated in U.S. dollars and used primarily for container leasing, while revenues and expenses of the leasing division are mainly in U.S. dollars. Hence, foreign exchange risk is minimal.

The Group only uses derivatives for hedging purpose. As at 31st December 2001, the Group swapped US\$19,825,000 (31st December 2000: US\$54,600,000) floating rate borrowings to fixed rate borrowings through interest rate swap contracts. Excluding this, the Group's fixed interest borrowings amounted to US\$45,671,000 (31st December 2000: US\$59,493,000).

As interest rates have been dropping since early 2001, the Group has taken into account the lower interest rate risk and reduced fixed interest borrowings accordingly. The Group will take advantage of the current low interest rate environment to enter into interest rate swap contracts to reduce the risks of interest rate rises.

Contingent Liabilities

As at 31st December 2001, the Group granted guarantees of US\$585,000 (31st December 2000: US\$748,000) for securing the banking facilities of certain of its jointly controlled entities.

BUSINESS REVIEW

Container Leasing

The Group currently owns the world's sixth largest container leasing fleet, with 610,019 TEUs as at 31st December 2001 (2000: 527,982 TEUs), accounting for 8.4% (2000: 7.2%) of the global market share.

The Group has a 10-year container lease agreement with COSCON, the world's 7th largest container shipping company. The Group also provides long term and short term container leasing services for other international customers ("International Customers"). The total number of customers was 155 (2000: 155).

The Group's container leasing business made solid progress during 2001. Turnover rose 3.6% to US\$209,343,000 (2000: US\$202,143,000). Profit after tax was US\$83,618,000 (2000: US\$75,578,000), accounting for 54.2% (2000: 53.0%) of the Group's profit attributable to shareholders.

Rental income from COSCON was US\$135,959,000 (2000: US\$136,766,000), accounting for 65.3% (2000: 68.2%) of the Group's total container rental income. Whereas the rental income from International Customers was US\$72,383,000 (2000: US\$63,656,000), accounting for 34.7% (2000: 31.8%) of the Group's total container rental income, of which long term leases contributed an amount of US\$40,454,000 (2000: US\$35,770,000) and master/short term leases contributed an amount of US\$31,929,000 (2000: US\$27,886,000). The increase in rental income from International Customers was due to higher leasing volume.

As at 31st December 2001, the Group leased a total of 327,370 TEUs (2000: 303,978 TEUs) to COSCON, which represented 53.7% (2000: 57.6%) of the Group's total container fleet. Containers available to International Customers rose significantly to 282,649 TEUs (2000: 224,004 TEUs), representing 46.3% (2000: 42.4%) of the total container fleet.

	31st December 2001			31st December 2000		
	Total	COSCON	International Customers	Total	COSCON	International Customers
Total containers (TEUs)	610,019	327,370	282,649	527,982	303,978	224,004
Dry containers	92.0%	91.4%	92.8%	91.4%	91.4%	91.5%
Reefers	5.8%	7.5%	3.7%	6.0%	7.4%	4.1%
Specials	2.2%	1.1%	3.5%	2.6%	1.2%	4.4%

Container Fleet Analysis

During the year, the Group's container fleet increased by 15.5% to 610,019 TEUs, with an average container age of 4.3 years (2000: 4.2 years). This has allowed the Group to compete favourably with the competitors and to attract more customers. New containers were acquired while the Group sold Returned Containers received from COSCON. Some of the Returned Containers will be re-leased by COSCON on short term leases.

TEUs	2001	2000
Total containers (as at 1 January)	527,982	500,899
New containers purchased	96,953	69,060
Returned Containers received upon expiry of 10-year leases		
Total	(20,642)	(31,682)
Re-leased out	9,000*	1,000
Disposed of and pending for disposal	(11,642)	(30,682)
Ownership transferred to customers upon expiry of hire purchase contracts	(595)	(9,388)
Defective containers written off	(2,679)	(1,907)
Total containers (as at 31st December)	610,019	527,982

* According to the arrangement entered into between the Group and COSCON on 22nd August 2001, the re-leasing of the 9,000 TEUs of Returned Containers will take effect from 1st January 2002.

Utilisation Rates

While containers leased to COSCON remained 100% utilised, the overall average utilisation rate stood at 91.4% (2000: 95.1%), well above the industry average of about 75% (2000: 83%). The fall in the overall average utilisation rate was mainly due to the slowdown in the global economic growth and the increase in short term leasing with International Customers.

Handling of Returned Containers

In 2001, a total of 20,642 TEUs of Returned Containers was received from COSCON. The Group disposed of 12,151 TEUs of Returned Containers during the year, which included those that were returned by COSCON but remained unsold by the end of 2000. The disposal recorded a net loss of US\$2,476,000 (2000: net profit of US\$946,000). The loss was due to the higher net book value of the Returned Containers and a slight decline in disposal price.

On 22nd August 2001, the Group entered into an arrangement with COSCON in respect of short term container leasing transaction whereby COSCON agreed to lease the 10-year old containers from the Group on a short term basis (for a term less than 10 years) with effect from 1st January 2002.

As at 31st December 2001, Returned Containers not yet disposed of were 5,671 TEUs (2000: 6,180 TEUs). In 2002, the Group expects to receive Returned Containers of about 14,334 TEUs from COSCON. The Group will continue to dispose of or lease out the remaining Returned Containers.

Enhancement of Customer Service

With the completion of the second phase e-commerce platform on 2nd January 2002, the Group started to provide on-line container leasing as part of the enhancement of its customer service. During the year, the platform passed the Group's ISO9002 internal audit as well as the external audit performed by the Det Norske Veritas Hong Kong. The Group will continue to improve the service scope and capability of the platform, focusing on the needs of its customers and the market, in order to further enhance its container leasing services. The improvement will also include more intensive training on e-commerce for the staff and strengthening of communications with customers. The further enhancement of the platform will increase the competitiveness of the Group in the container leasing industry.

Container Terminal and Related Businesses

The Group's container terminal business continued to grow during the year. Compared with 2000, the aggregate throughput of the Group's five container terminals rose 3.9% to 7,425,188 TEUs.

TEUs	2001	+/-	2000
COSCO-HIT	1,301,966	-7.8%	1,412,854
Shanghai Terminals	2,609,800	-11.5%	2,950,500
Qingdao Cosport International Terminals	600,329	+19.6%	502,119
Zhangjiagang Win Hanverky Terminal	161,208	+17.9%	136,778
Yantian International Terminals	2,751,885	+28.1%	2,147,476
Total	7,425,188	+3.9%	7,149,727

COSCO-HIT

The Company has a 50% interest in COSCO-HIT. During the year, the slowdown in global trade affected COSCO-HIT, whose throughput declined by 7.8% to 1,301,966 TEUs, accounting for 11.5% of the aggregate throughput of the container terminals in Kwai Chung, Hong Kong. While the throughput decline led to a decrease in revenue, COSCO-HIT was able to maintain satisfactory results due to the management's stringent cost control measures.

The Four Container Terminals in China Mainland

The aggregate throughput of the Group's four container terminals in China mainland rose 6.7% to 6,123,222 TEUs. Each of Qingdao Cosport International Container Terminals Co., Ltd., Zhangjiagang Win Hanverky Container Terminal Co. Ltd. and Yantian International Container Terminals Ltd. reported a double-digit growth in throughput. Shanghai Container Terminals Limited still provided good returns for the Group despite a decline in throughput due to re-routings by some shipping companies.

River Trade Terminal

The Group has a 10% interest in River Trade Terminal Holdings Limited. The terminal handled 1,262,235 TEUs of containers in 2001, a 28.7% increase over 2000. As the terminal continued to incur a loss, the Group has made a provision of US\$3,450,000 (2000: US\$4,600,000) against the shareholders' loans to the terminal.

Shanghai Waigaoqiao Container Terminal (Phase 1)

The Group has signed an agreement together with other partners to form a joint venture company named Shanghai Pudong International Container Terminal Ltd. ("Shanghai Waigaoqiao Container Terminal"). The joint venture, in which the Group will hold a 20% interest, has received approval from the State Planning Commission for its project proposal and is in the process of registration and formation. The joint venture company is expected to operate in the middle of this year.

Dalian Port Container Co., Ltd.

In December 2001, the Group joined in to promote and set up Dalian Port Container Co., Ltd. ("JV

Co"), a joint stock limited company in China mainland, and subscribed for 8% of the equity interest in the JV Co. The JV Co holds a 51% interest in Dalian Container Terminal Co., Ltd. and is a major shareholder of all other container terminals in Dalian. The JV Co. has great development potential and plans to seek for a listing on the China mainland stock market.

Shanghai Yixian Road Project

Shanghai Yixian Road Project, which comprises Wusong Toll Bridge, Wenchuan Toll Bridge and Jiangyang Toll Bridge, achieved a 5.2% increase in combined vehicle flow to 10,025,019 vehicles (2000: 9,528,395 vehicles) and a 4.1% increase in combined tariff income.

Container Handling and Storage

Our wholly owned subsidiary, Plangreat Limited, and its subsidiaries provide container stevedoring, container storage and container repair and transport services. During the year, their revenues declined as a result of reduced business.

Other Operations

The Group has various interests in Shanghai CIMC Reefer Containers Co., Ltd., Shanghai CIMC Far East Container Co., Ltd., Tianjin CIMC North Ocean Container Co., Ltd., Shanghai Kansai Paint & Chemical Co., Ltd. and Tianjin Kansai Paint and Chemical Co., Ltd. These companies each contributed profits to the Group during the year.

Banking

The Group has a 20% interest in Liu Chong Hing Bank, which contributed US\$7,764,000 to the Group's profit attributable to shareholders, a decrease of 39.7% compared to 2000.

Other Investments

A wholly owned subsidiary of the Company, COSCO Pacific (China) Investments Co., Ltd. ("COSCO Pacific China Investments") was incorporated in Shanghai, the PRC, on 10th January 1999 with the permission of the Ministry of Foreign Trade and Economic Cooperation. It is principally engaged in port and related industrial investments. The establishment of COSCO Pacific China Investments is part of the Company's corporate strategy to strengthen the management and operations of its assets and businesses in China mainland and to further tap the huge PRC market.

PRC Investment Securities

During the year, the Group sold all its shares in Shanghai Zhenhua. The disposal generated a profit of US\$14,137,000 for the Group (2000: US\$Nil).

Prospects

While strengthening and expanding its existing businesses of container leasing and container terminal operations, the Group will increase its efforts in developing new profit growth streams to further enhance the Group's profitability. Concrete strategies include building on the shipping-related core businesses such as container terminal operations to further strengthen the container leasing business, coordinating with the hub port development strategy of China Ocean Shipping (Group) Company ("COSCO Group") to introduce new projects for expanding the container terminal business, and collaborating with COSCO Group's core business development strategy to actively explore the entry into the logistics sector and develop the logistics business in order to nurture new growth streams.

Developing logistics and related businesses is part of the Group's strategy for generating further growth. As an extension of the Company's core operations, the logistics and related businesses have enormous market potential that the Group can tap by capitalising on its existing competitive advantages. With extensive experience in container transportation and related logistics, the strong support of COSCO Group, a solid financial position, and the ability of raising funds for future needs, the Group is well prepared to further increase the market shares of its core businesses and to yield from the economy-of-scale benefits. The Group will take advantage of its favourable position in the capital markets to further strengthen its finance, improve its capital structure and debt portfolio, and increase its asset utilisation, in order to generate higher returns for shareholders.

EMPLOYEES AND REMUNERATION POLICIES

As at 31st December 2001, there were 32 employees in the Company's headquarter, 558 employees in COSCO-HIT and Zhangjiagang Win Hanverky Container Terminal, and 95 employees in the container leasing division. Apart from providing mandatory provident fund, the Group's remuneration policies are formulated on the performance of individual employees and will be reviewed by the management on a regular basis. Share options are also granted to employees to motivate their performance and contribution to the Group. The success of the Group is due to the teamwork and outstanding performance of the staff. Despite the unfavourable economic environment, the Group remains committed to providing high quality services for its customers. In order to achieve this, the Group arranges its staff to participate in a variety of training courses, and adopts effective human resources policy to improve its operations. At the same time, the Group continues to offer favourable promotion opportunities and incentives to its staff to encourage them to fully contribute their talents.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

During the year, the Company has not redeemed any of its listed shares. Neither the Company nor any of its subsidiaries purchased or sold any of the Company's listed shares during the year.

By Order of the Board
SHI Qin
Managing Director

Hong Kong, 27th March 2002

This announcement can also be accessed through the Company's website at <http://www.coscopac.com.hk>.

A detailed results announcement containing all the information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") will be published on the above-mentioned website and the website of the Stock Exchange in due course.



COSCO PACIFIC LIMITED

(Incorporated in Bermuda with limited liability)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting of COSCO Pacific Limited ("the Company") will be held at 49th Floor, COSCO Tower, 183 Queen's Road Central, Hong Kong on Friday, 24th May, 2002 at 2:30 p.m. for the following purposes:-

1. To receive and consider the financial statements and the directors' and auditors' reports of the Company for the year ended 31st December, 2001.
2. To declare a final dividend for the year ended 31st December, 2001.
3. To re-elect the retiring directors and to fix the remuneration of directors.
4. To re-appoint auditors and to authorise the directors to fix their remuneration.
5. 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:-

- (a) 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 (the "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;
- (b) 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

- (c) for the purposes of this Resolution, "Relevant Period" means the period from the passing of this Resolution until whichever is the earliest of:-
 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) 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; or
 - (iii) 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:-

- (a) 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;
- (b) 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;
- (c) 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
- (d) for the purpose of this Resolution, "Relevant Period" means the period from the passing of this Resolution until whichever is the earliest of:-
 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) 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; or
 - (iii) 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.

"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 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)."

C. " **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."

6. As special business, to consider and, if thought fit, to pass with or without amendments the following resolution as a special resolution of the Company:-

SPECIAL RESOLUTION

"**THAT** the existing Bye-laws of the Company be and are hereby amended in the following manner:-

(a) (i) by adding in Bye-law 2(e) after the words "visible form", the words ", and including where the representation takes the form of electronic display, provided that the same is available for download onto a user's computer or for printing through conventional small office equipment and, in each case, the Member concerned (where the relevant provision of these Bye-laws require the delivery or service of any document or notice on him in his capacity as Member) has elected for the receipt of the relevant download or notice through electronic means and both the mode of service of the relevant document or notice and the Member's election comply with all applicable Statutes, rules and regulations";

(ii) by inserting the following new Bye-law 2(k):-

"references to a document being executed include references to it being executed under hand or under seal or by electronic signature or by any other method and references to a notice or document include a notice or document recorded or stored in any digital, electronic, electrical, magnetic or other retrievable form or medium and information in visible form whether having physical substance or not."

(b) by inserting in Bye-law 44 after the words "any other newspapers in accordance with the requirements of any Designated Stock Exchange," the words "or by any means in such manner as may be accepted by the Designated Stock Exchange";

(c) by inserting in Bye-law 51 after the words "any other newspapers in accordance with the requirements of any Designated Stock Exchange," the words "or by any means in such manner as may be accepted by the Designated Stock Exchange";

(d) (i) by inserting the following new Bye-law 153A:-

"153A. To the extent permitted by and subject to due compliance with all applicable

Statutes, rules and regulations, including, without limitation, the rules of the Designated Stock Exchange, and to obtaining all necessary consents, if any, required thereunder, the requirements of Bye-law 153 shall be deemed satisfied in relation to any person by sending to the person in any manner not prohibited by the Statutes and instead of such copies, a summary financial statement derived from the Company's annual accounts and the directors' report which shall be in the form and containing the information required by applicable laws and regulations, provided that any person who is otherwise entitled to the annual financial statements of the Company and the directors' report thereon may, if he so requires by notice in writing served on the Company, demand that the Company sends to him, in addition to a summary financial statement, a complete printed copy of the Company's annual financial statement and the directors' report thereon.";

(ii) by inserting the following new Bye-law 153B:-

"153B. The requirement to send to a person referred to in Bye-law 153 the documents referred to in that article or a summary financial report in accordance with Bye-law 153A shall be deemed satisfied where, in accordance with all applicable Statutes, rules and regulations, including, without limitation, the rules of the Designated Stock Exchange, the Company publishes copies of the documents referred to in Bye-law 153 and, if applicable, a summary financial report complying with Bye-law 153A, on the Company's computer network or in any other permitted manner (including by sending any form of electronic communication), and that person has agreed or is deemed to have agreed to treat the publication or receipt of such documents in such manner as discharging the Company's obligation to send to him a copy of such documents.";

(e) by inserting the following new Bye-law 160 in place of the existing Bye-law 160:-

"160. Any Notice or document (including any "corporate communication" within the meaning ascribed thereto under the rules of the Designated Stock Exchange), whether or not, to be given or issued under these Bye-laws from the Company to a Member shall be in writing or by cable, telex or facsimile transmission message or other form of electronic transmission or communication and any such Notice and document may be served or delivered by the Company on or to any Member either personally or by sending it through the post in a prepaid envelope addressed to such Member at his registered address as appearing in the Register or at any other address supplied by him to the Company for the purpose or, as the case may be, by transmitting it to any such address or transmitting it to any telex or facsimile transmission number or electronic number or address or website supplied by him to the Company for the giving of Notice to him or which the person transmitting the notice reasonably and bona fide believes at the relevant time will result in the Notice being duly received by the Member or may also be served by advertisement in appointed newspapers (as defined in the Act) or in newspapers published daily and circulating generally in the territory of and in accordance with the requirements of the Designated Stock Exchange or, to the extent permitted by the applicable laws, by placing it on the Company's website and giving to the member a notice stating that the notice or other document is available there (a "notice of availability"). The notice of availability may be given to the Member by any of the means set

out above. In the case of joint holders of a share all notices shall be given to that one of the joint holders whose name stands first in the Register and notice so given shall be deemed a sufficient service on or delivery to all the joint holders."; and

- (f) (i) by deleting the word "and" appearing at the end of Bye-law 161(a);
- (ii) by renumbering the existing Bye-law 161(b) as Bye-law 161(c);
- (iii) by inserting in place of the period "*" appearing at the end of the new Bye-law 161(c), a semi-colon and the word "and";
- (iv) by inserting the following new Bye-law 161(b):-

"if sent by electronic communication, shall be deemed to be given on the day on which it is transmitted from the server of the Company or its agent. A notice placed on the Company's website is deemed given by the Company to a Member on the day following that on which a notice of availability is deemed served on the Member;" and

- (v) by inserting the following new Bye-law 161(d):-

"may be given to a Member either in the English language or the Chinese language, subject to due compliance with all applicable Statutes, rules and regulations."

7. To transact any other business.

By Order of the Board
HUNG Man
Company Secretary

Hong Kong, 27th March, 2002

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

Notes:

1. 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 but must be present in person to represent the member.
2. 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.
3. The register of members of the Company will be closed from Tuesday, 21st May, 2002 to Friday, 24th May, 2002, 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 Friday, 17th May, 2002.

4. 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 and proposed amendments to Bye-laws of the Company under resolution 6 above will be despatched to members together with the 2001 Annual Report of the Company.
5. Where there are joint holders of any shares in the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such shares as if he was solely entitled thereto, but if more than one of such joint holders be present at the meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of other holder and, for this purpose, seniority shall be determined by the order in which the names stand in the register in respect of the joint holding.

Please also refer to the published version of this announcement in the South China Morning Post Classified.