



COSCO Pacific Limited

(Incorporated in Bermuda with limited liability)

ANNOUNCEMENT OF 2002 FINAL RESULTS

2002 was another year full of challenges and events. COSCO Pacific delivered solid results with outstanding performance in container leasing and container terminals operations despite the volatile economy, the sluggish development of the global shipping market and the highly competitive market condition. The profit attributable to shareholders for the year was US\$154,560,000 (2001: US\$154,340,000). After excluding the material non-recurring items in 2002 and 2001, the net profit of the Company increased by 4.9% over 2001. I am proud of the performance of the COSCO Pacific team which under the leadership of the board has achieved such satisfactory results against the unfavorable environment and the tough market conditions. Taking this opportunity, I would like to express my most heartfelt appreciation and gratitude to all our customers, shareholders and business partners for their support, and to all our staff for their hard work and contributions to the Company during the year.

WEI Jiafu

President of COSCO Group and Chairman of COSCO Pacific

We are striving for nurturing COSCO Pacific into a trustworthy, progressing and professional enterprise, which is sufficiently equipped to achieve the long-term goals for the Company under any unfavorable economy and market condition. We uphold the philosophy of operating a market-oriented enterprise with high efficiency and quality service on the basis of strong management and team spirit to continuously enhance our strength and competitiveness. With the support of our customers, shareholders, business partners, and the active contributions of all our staff, we are confident that COSCO Pacific would achieve even better business results. We will seize every opportunity and keep abreast of time in order to improve our enterprise value and reward for our shareholders and business partners who have been supporting us for all times.

LIU Guoyuan

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

- **Owns the world's fifth largest container leasing company**
- **Average container leasing utilisation rate for the year rose to 93.4%**
- **Container leasing fleet increased by 16.0% to 707,890 TEUs**
- **Total container terminal throughput rose 26.2% to 13,420,639 TEUs**
- **Net debt-to-equity ratio decreased to 14.3%**
- **Dividend payout ratio for the year increased to 51.6% to (2001: 41.8%)**

RESULTS

The board of 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 2002, which have been reviewed by the Company’s Audit Committee.

	<i>Note</i>	2002 <i>US\$’000</i>	2001 <i>US\$’000</i>
Turnover	2	241,644	224,671
Cost of sales		(102,520)	(95,395)
Gross profit		139,124	129,276
Other revenues		15,900	12,114
Administrative expenses		(23,220)	(21,331)
Other operating (expenses)/income (net)		(22,223)	8,149
Operating profit	3	109,581	128,208
Finance costs		(18,019)	(29,524)
Operating profit after finance costs		91,562	98,684
Share of profits less losses of			
– jointly controlled entities		8,751	9,421
– associated companies		67,461	56,812
Profit before taxation		167,774	164,917
Taxation	4	(11,515)	(9,566)
Profit after taxation		156,259	155,351
Minority interests		(1,699)	(1,011)
Profit attributable to shareholders		154,560	154,340
Transfer to other reserves		(847)	(1,685)
		<u>153,713</u>	<u>152,655</u>
Dividends	5	<u>79,904</u>	<u>64,576</u>
Earnings per share			
Basic earnings per share	6	<u>US7.2017 cents</u>	<u>US7.2081 cents</u>
Diluted earnings per share	6	<u>US7.2014 cents</u>	<u>US7.1984 cents</u>

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 (“HKSSAPs”) issued by the Hong Kong Society of Accountants. They have been prepared under the historical cost convention except that, certain leasehold buildings are stated at valuation as at 31st December 1994 less accumulated depreciation and impairment losses and investment properties are stated at fair value.

In the current year, the Group adopted all those new or revised HKSSAPs which are effective for accounting periods commencing on or after 1st January 2002. The adoption of these accounting standards did not have significant impact to the accounts for the year ended 31st December 2002.

2 Segment turnover and results

(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. Accordingly, the Group has categorised its businesses into the following segments:

- (i) container leasing
- (ii) container terminal and related businesses
- (iii) banking
- (iv) other operations
- (v) corporate
- (vi) PRC investment securities

There are no sales or other transactions between the business segments for the years ended 31st December 2002 and 2001.

	For the year ended 31st December 2002						Total US\$'000
	Container leasing US\$'000	Container terminal and related businesses US\$'000	Banking operations US\$'000	Other operations US\$'000	Corporate US\$'000	PRC investment securities US\$'000	
Turnover							
External sales	<u>225,004</u>	<u>16,640</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>241,644</u>
Segment results	<u>86,358</u>	<u>6,641</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>92,999</u>
Unallocated costs							
– net corporate expenses	-	-	-	-	(3,498)	-	(3,498)
– corporate finance costs	-	-	-	-	(638)	-	(638)
– corporate interest income	-	-	-	-	2,699	-	2,699
Operating profit/(loss) after finance costs	<u>86,358</u>	<u>6,641</u>	<u>-</u>	<u>-</u>	<u>(1,437)</u>	<u>-</u>	<u>91,562</u>
Share of profits less losses of							
– jointly controlled entities	-	2,890	-	5,861	-	-	8,751
– associated companies	-	59,005	8,456	-	-	-	67,461
Profit before taxation							<u>167,774</u>
Taxation							<u>(11,515)</u>
Profit after taxation							<u>156,259</u>
Minority interests							<u>(1,699)</u>
Profit attributable to shareholders							<u>154,560</u>

For the year ended 31st December 2001

	Container leasing US\$'000	Container terminal and related businesses US\$'000	Banking US\$'000	Other operations US\$'000	Corporate US\$'000	PRC investment securities US\$'000	Total US\$'000
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/(loss) after finance costs	83,857	1,009	-	-	(319)	14,137	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

(b) Secondary reporting format – geographical segments

The movements of containers under operating leases or finance leases 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 terminal and related businesses, other operations and corporate are carried out in Hong Kong and China mainland while that of banking operation is predominantly carried out in Hong Kong.

3 Operating profit

Operating profit is stated after crediting and charging the following:

	2002 US\$'000	2001 US\$'000
<i>Crediting</i>		
Dividend income from an unlisted investment	5,003	-
Profit on sale of a listed investment	-	14,137
Reversal of provision for container repairs and maintenance expense	-	6,156
<i>Charging</i>		
Depreciation and amortisation		
- owned fixed assets leased out under operating leases	83,884	76,826
- other owned fixed assets	3,798	4,134
Total finance costs	18,019	29,524
Impairment losses of (including in other operating expenses)		
- containers	15,056	4,377
- leasehold land and buildings	941	1,303
Cost of inventories sold	8,929	8,350
Provision for loan to an investee company	3,296	3,450

4 Taxation

	2002 US\$'000	2001 US\$'000
Company and subsidiaries		
Hong Kong profits tax	723	260
China mainland taxation	257	139
Overseas taxation	106	239
Over provision in prior years	(15)	(6)
	<u>1,071</u>	<u>632</u>
Share of taxation attributable to:		
Jointly controlled entities		
China mainland taxation	1,049	1,129
Associated companies		
Hong Kong profits tax	8,505	7,012
China mainland taxation	890	793
	<u>11,515</u>	<u>9,566</u>

Hong Kong profits tax has been provided at a rate of 16% (2001: 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% (2001: 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 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.

5 Dividends

	2002 US\$'000	2001 US\$'000
Interim, paid, of US1.410 cents (2001: US1.218 cents) per ordinary share	30,278	26,091
Final, proposed, of US2.308 cents (2001: US1.795 cents) per ordinary share	49,546	38,456
Additional dividends paid on shares issued due to the exercise of share options before the closure of register of members		
– 2001/2000 final	80	26
– 2001 interim	–	3
	<u>79,904</u>	<u>64,576</u>

Note: At a meeting held on 26th March 2003, the directors declared a final dividend of HK18 cents (US2.308 cents) per ordinary share. This proposed dividend is not reflected as a dividend payable in these 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 2003.

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\$154,560,000 (2001: US\$154,340,000) and on the weighted average number of 2,146,159,454 (2001: 2,141,192,588) ordinary shares in issue during the year.

(b) Diluted earnings per share

Diluted earnings per share for the year ended 31st December 2002 is calculated based on the profit attributable to shareholders of US\$154,560,000 (2001: US\$154,340,000) and the weighted average number of 2,146,159,454 (2001: 2,141,192,588) ordinary shares in issue during the year and the 80,810 (2001: 2,886,490) ordinary shares deemed to be issued at no consideration if all outstanding dilutive share options had been exercised.

FINAL DIVIDEND

The directors propose a final cash dividend of HK18 cents (2001: HK14 cents) per share, subject to the approval by the shareholders at the Annual General Meeting to be held on 23rd May 2003. The proposed final cash dividend will be payable on or before 5th June 2003 to shareholders whose names appear on the register of members of the Company on 23rd May 2003.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 20th May 2003 to Friday, 23rd May 2003, 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 Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Monday, 19th May 2003.

FINANCIAL REVIEW

Turnover

Turnover for 2002 increased by 7.6% over last year to US\$241,644,000 (2001: US\$224,671,000). The Group's turnover includes turnover from container leasing, Zhangjiagang Win Hanverky Terminal Co., Ltd. ("Zhangjiagang Win Hanverky Terminal") and Plangreat Limited and its subsidiaries which provide container stevedoring, transportation and storage services. Turnover from associated companies or jointly controlled entities is not included in the Group's turnover.

Performance of container leasing business was satisfactory, which rose by 7.5% to US\$225,004,000 (2001: US\$209,343,000). Rental income from COSCO Container Lines Company Limited ("COSCON") was US\$136,110,000 (2001: US\$135,959,000), whereas the rental income from other international customers ("International Customers") was US\$88,330,000 (2001: US\$72,383,000). The interest income from finance lease was US\$545,000 (2001: US\$1,001,000), and the income from the new activity, container management, was US\$19,000 (2001: US\$Nil). Although average leasing rates had dropped during the year, rental income received from International Customers has risen significantly by 22% as the Group actively expanded its container fleet for International Customers to 378,862 TEUs (2001: 282,649 TEUs).

Benefited from the growth of China's trade and transportation, annual throughput at Zhangjiagang Win Hanverky Terminal rose by 25.5% to 202,348 TEUs (2001: 161,208 TEUs), whereas its turnover rose to US\$7,850,000 (2001: US\$5,720,000). Turnover of Plangreat Limited and its subsidiaries amounted to US\$8,790,000 (2001: US\$9,608,000). The cargo volume at its depot slightly decreased due to shortage of empty containers.

Cost of Sales and Gross Profit

Cost of sales for the year amounted to US\$102,520,000 (2001: US\$95,395,000), mainly comprised depreciation, depot handling fees, maintenance costs and operating expenses. During the year, depreciation increased to US\$85,393,000 (2001: US\$78,733,000), representing 83.3% of cost of sales (2001: 82.5%). The increase was due to the expansion of container fleet. Other cost of sales rose by 2.8% only to US\$17,127,000 (2001: US\$16,662,000), which was resulted from the cost reduction programs carried out by the Group during the year and the reduction in direct expenses resulting from the increase in container utilisation rate.

Gross profit margin for 2002 rose slightly by 0.1% to 57.6% (2001: 57.5%).

Other Revenues

Other revenues mainly included US\$7,048,000 (2001: US\$6,885,000) of sales revenue of containers returned by COSCON upon expiry of leases (“Returned Containers”), US\$3,794,000 (2001: US\$5,178,000) of interest income and US\$5,003,000 (2001: US\$ Nil) of dividend income.

During the year, the disposal of Returned Containers from COSCON was 15,710 TEUs, against 12,151 TEUs in 2001, and therefore the sale revenue increased. The decrease in interest income was due to the low interest rate environment in 2002. Performance of Yantian International Container Terminals Ltd. (“Yantian International Terminal”) in which the Group has a 5% equity interest was satisfactory. The company declared a dividend during the year and our share was US\$5,003,000 (2001: US\$ Nil).

Administrative Expenses

Administrative expenses increased by 8.9% over 2001, mainly attributable to staff costs. During the year, the Group employed additional staff to strengthen the marketing and project development teams. Furthermore, travelling expenses increased while professional fees decreased.

Other Operating (Expenses)/Income (net)

Other net operating expenses amounted to US\$22,223,000 in 2002 against other net operating income of US\$8,149,000 in 2001, which was due to the following factors:

- Impairment losses of certain containers and corporate properties charged to profit and loss account increased from US\$5,680,000 in 2001 to US\$15,997,000 in accordance with the requirements of HKSSAP 31.
- During the year, the net book value of the disposed Returned Containers from COSCON increased by US\$579,000 to US\$8,929,000 (2001: US\$8,350,000).
- At the end of 2002, the provision for Returned Containers pending disposal increased by US\$832,000.
- During the year, bad debt recovered amounted to US\$2,999,000 (2001: US\$41,000), while the net provision for bad and doubtful debts made for 2002 was US\$1,142,000 (2001: US\$514,000).
- In 2001, the Group recognised a profit of US\$14,137,000 from the disposal of the B shares in Shanghai Zhenhua Port Machinery Co., Ltd. and the reversal of provision for container repairs and maintenance expenses was US\$6,156,000.

Furthermore, the Group continued to make a provision of US\$3,296,000 (2001: US\$3,450,000) against the shareholders’ loan to River Trade Terminal Holdings Limited (“River Trade Terminal”).

Finance Costs

Finance costs decreased by 39.0%. In 2001, interest rate reduced successively and remained at low level in 2002. The U.S. Federal Reserve cut interest rate by a further 0.5% in the second half year. The Group’s average borrowing cost (including the loss of US\$1,454,000 (2001 : US\$204,000) incurred by interest rate swap contracts) was 3.40% for the year (2001: 5.35%). During the year, the early repayment of loans which carried high interest rates also helped to reduce interest expense.

Share of Profits Less Losses from Jointly Controlled Entities and Associated Companies

Contribution of profits from the six jointly controlled entities for the year was US\$8,751,000 (2001: US\$9,421,000). The contribution of profits from Shanghai CIMC Far East Container Co., Ltd. and Tianjin CIMC North Ocean Container Co., Ltd. were recognised according to the sub-contracting agreements signed in 2000 and 2001 and their profit contributions increased when compared with those of 2001. Due to intense market competition, there was a decline in the profit contributions from Shanghai Kansai Paint & Chemical Co., Ltd and Tianjin Kansai Paint and Chemical Co., Ltd, the two companies which produce special paints for containers and vessels. Although the production volume of Shanghai CIMC Reefer Containers Co., Ltd. increased by 31.0% in 2002, the profit contribution remained the same as last year due to the increase in price of raw materials and the decrease in selling price. Throughput and profit of Qingdao Cosport International Container Terminal Co., Ltd. (“Qingdao Cosport International Terminals”) dropped due to the relocation of export trade cargo.

As for associated companies, the profit contribution for the year rose 18.7% to US\$67,461,000 (2001: US\$56,812,000). Throughput of COSCO-HIT Terminals (Hong Kong) Limited (“COSCO-HIT”) made a record high in 2002. Its profit contribution increased significantly by 18.8%. Twinbridge Development Corp. (“Twinbridge Corp.”) sold its interests in Shanghai Yixian Road & Bridge Development Co., Ltd (“SYRBL”) during the year. Therefore, its profit contribution from operation decreased, but the disposal of interests in SYRBL generated a one time profit of US\$7,474,000. Throughput of Shanghai Container Terminals Ltd. (“Shanghai Terminals”) rose by 16.8%. However, the profit declined due to the decrease in tariff rates. Liu Chong Hing Bank Limited contributed a profit of US\$8,455,000 (2001: US\$9,007,000), a decline of 6.1%.

Taxation

The increase in taxation mainly reflected the increase in profit of COSCO-HIT and Zhangjiagang Win Hanverky Terminal.

Profit Attributable to Shareholders

Profit attributable to shareholders for the year increased to US\$154,560,000 (2001: US\$154,340,000). Basic earnings per share amounted to US7.2017 cents (2001: US7.2081 cents).

FINANCIAL POSITION

Cash Flow

The cash flow of the Group remained strong. During the year, net cash inflow from operating activities amounted to US\$220,537,000 (2001: US\$212,123,000). In 2002, the Group made every endeavour to develop its core business and its payment for capital expenditure amounted to US\$162,579,000 (2001: US\$179,963,000). Major payment included the purchase of new containers of US\$135,022,000 (2001: US\$175,377,000) and investments of US\$4,519,000 and US\$19,941,000 in acquiring a 8% interest in Dalian Port Container Co., Ltd. and 17.5% interest of Shekou Container Terminals Ltd (“Shekou Terminal”) respectively. The Group borrowed loans of US\$95,604,000 (2001: US\$231,197,000) and repaid loans of US\$184,468,000 (2001: US\$145,304,000) during the year. As at 31st December 2002, the Group had cash of US\$236,121,000 (2001: US\$254,109,000), of which US\$30,000,000 was part of the proceeds from the issue of new shares in May 1999. This amount was remitted to the Shanghai Pudong International Container Terminal Limited in February 2003 as part of the investment of the Group for 20% interest in that company.

Assets and Liabilities

The Group continued to maintain a healthy policy in financial management. As at 31st December 2002, total assets amounted to US\$1,755,376,000 (2001: US\$1,738,747,000), whereas total liabilities and minority interests amounted to US\$467,474,000 (2001: US\$538,453,000). Net assets amounted to US\$1,287,902,000 (2001: US\$1,200,294,000), representing an increase of 7.3%. The increase was mainly the retained profit for the year.

Cash balance as at 31st December 2002 amounted to US\$236,121,000 (2001: US\$254,109,000). Total borrowings amounted to US\$420,674,000 (2001: US\$509,538,000). Net debt-to-equity ratio further reduced to 14.3% (2001: 21.3%). With lower interest expenses due to continuous interest rate cuts, interest coverage expanded to 11.8 times (2001: 7.9 times).

As at 31st December 2002, the Group’s bank deposits of US\$7,817,000 (2001: US\$8,174,000), together with certain containers with an aggregate net book value of US\$278,378,000 (2001: US\$253,778,000) were pledged to various banks and financial institutions to secure borrowings of US\$156,578,000 (2001: US\$162,532,000).

Contingent Liabilities

As at 31st December 2002, the Group had no significant contingent liabilities (2001: the Group granted guarantee of US\$585,000 for securing the banking facility of its jointly controlled entity).

FINANCIAL MANAGEMENT

During the year, the Group completed two major financing exercises. In July 2002, the Group entered into an agreement with a syndicate for a 5.5 years secured loan of US\$90,000,000. US\$63,027,000 of the loan facility was used to purchase containers and the balance was utilised to refinance an early repayment of a fixed rate borrowing which had a higher interest rate. The fund raising exercise was well received and had exceeded its target, which further demonstrated the confidence and support of the banking sector to the Group.

COSCO-HIT, an associated company of the Group, engaged four underwriting banks for the arrangement of a syndicated loan of HK\$2,000,000,000, which was intended for refinance and working capital. The loan agreement was signed in August 2002. It was instrumental for COSCO-HIT to reduce its interest expenses.

As at 31st December 2002, the Group had an aggregate amount of US\$96,329,000 (2001: US\$37,800,000) in committed but unutilised facilities available from banks. In January 2003, the Group arranged with banks for a 5-year syndication loan facilities which was intended for working capital and refinance. The syndication was also well received and had exceeded its target. The loan agreement of US\$175,000,000 was signed on 17th February 2003.

Through the above financing arrangement, together with the Group's cash of US\$236,121,000 at the end of the year (2001: US\$254,109,000) and the expected cash inflow from operations in 2003, the Group will have adequate funds for repaying loans maturing in 2003 and for financing part of the planned capital expenditure. The Group will consider other finance plans to increase the cash reserve in due course.

As at 31st December 2002, debt analysis is as follows:

	At 31st December 2002		At 31st December 2001	
	<i>Amount(US\$)</i>	<i>(%)</i>	<i>Amount(US\$)</i>	<i>(%)</i>
By repayment term:				
Within the first year	210,189,000	50.0	108,481,000	21.3
Within the second year	67,410,000	16.0	211,330,000	41.5
Within the third year	67,839,000	16.1	72,987,000	14.3
Within the fourth year	31,314,000	7.5	69,763,000	13.7
Within the fifth year and after	43,922,000	10.4	46,977,000	9.2
	<u>420,674,000</u>	<u>100.0</u>	<u>509,538,000</u>	<u>100.0</u>
By type of loans:				
Secured loans	156,578,000	37.2	162,532,000	31.9
Unsecured loans	264,096,000	62.8	347,006,000	68.1
	<u>420,674,000</u>	<u>100.0</u>	<u>509,538,000</u>	<u>100.0</u>
By denomination of loan:				
U.S. Dollar	416,579,000	99.0	495,470,000	97.2
RMB	4,095,000	1.0	14,068,000	2.8
	<u>420,674,000</u>	<u>100.0</u>	<u>509,538,000</u>	<u>100.0</u>

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 operation are mainly in U.S. dollars. Hence, foreign exchange risk is minimal.

The Group exercises stringent control over the use of derivatives for hedging purpose. During the year, the Group entered into interest rate swap contracts for US\$100,000,000 to contain the risk of rising interest rate. As at 31st December 2002, the notional principal amounts of outstanding interest rate swap contracts amounted to US\$100,000,000 (31st December 2001: US\$19,825,000), with the fixed annual interest rates ranged from 3.88% to 4.90% (31st December 2001: 5.70% to 5.80%). Besides, the Group made early repayment for part of the fixed rate borrowings which carried higher interest rates. As at 31st December 2002, fixed rate borrowings of the Group amounted to US\$4,095,000 (31st

December 2001: US\$45,671,000). The aforesaid interest rate swap contracts and fixed rate borrowing arrangement accounted for 24.7% (31st December 2001: 12.9%) of the Group's total borrowings.

REVIEW OF OPERATIONS

Container Leasing

COSCO Pacific owns the world's fifth largest container leasing company, Florens Container Holdings Limited, with an owned and managed fleet size of 707,890 TEUs as at 31st December 2002 (2001: 610,019 TEUs), accounting for approximately 9.3% (2001: 8.4%) of the global market share.

COSCO Pacific provides mainly 10-year container leasing services to COSCON, the world's 6th largest container ship operator and provides both long-term and short-term container leasing services for International Customers. The total number of customers was 176 (2001: 155).

The Group's container leasing business made solid progress during 2002. Turnover rose by 7.5% to US\$225,004,000 (2001: US\$209,343,000). Profit after tax was US\$85,720,000 (2001: US\$83,618,000), accounting for 55.5% (2001: 54.2%) of the Group's profit attributable to shareholders.

Rental income from COSCON was US\$136,110,000 (2001: US\$135,959,000), accounting for 60.6% (2001: 65.3%) of the Group's container rental income. Rental income from International Customers was US\$88,330,000 (2001: US\$72,383,000), accounting for 39.4% (2001: 34.7%) of the Group's container rental income, of which long-term leases contributed an amount of US\$49,158,000 (2001: US\$40,454,000) and short-term leases contributed an amount of US\$39,172,000 (2001: US\$31,929,000). The increase in rental income from International Customers was due to higher leasing volume.

As at 31st December 2002, the Group leased a total of 329,028 TEUs of containers (2001: 327,370 TEUs) to COSCON, which represented 46.5% (2001: 53.7%) of the Group's total container fleet. Containers available to International Customers rose significantly to 378,862 TEUs (2001: 282,649 TEUs), representing 53.5% (2001: 46.3%) of the total container fleet.

Container Fleet Analysis

During the year, the Group's container fleet increased by 16.0% to 707,890 TEUs, with an average container age of 4.4 years (2001: 4.3 years). During the year, the Group purchased new containers and sold containers returned from COSCON following the expiry of the leases.

TEUs	2002	2001
Total containers (as at 1st January)	610,019	527,982
New containers purchased	119,466	96,953
Returned Containers from COSCON		
Total	(14,334)	(20,642)
Re-leased	695	9,000
Disposed of and pending disposal	(13,639)	(11,642)
Ownership transferred to customers upon expiry of finance leases	(5,178)	(595)
Defective containers written off	(2,778)	(2,679)
Total containers (as at 31st December)	<u>707,890*</u>	<u>610,019</u>

* Including 5,218 TEUs (2001: Nil) of containers managed on behalf of a third party.

Container Fleet Analysis by Type (based on TEUs)

	At 31st December 2002			At 31st December 2001		
	Total	COSCON	International Customers	Total	COSCON	International Customers
Total containers	707,890	329,028	378,862	610,019	327,370	282,649
Dry	92.9%	91.0%	94.5%	92.0%	91.4%	92.8%
Reefer	5.2%	7.9%	2.9%	5.8%	7.5%	3.7%
Special	1.9%	1.1%	2.6%	2.2%	1.1%	3.5%

Utilisation Rates

The overall annual average utilisation rate rose to 93.4% (2001: 91.4%), well above the industry average of about 83% (2001: 75%) while containers leased to COSCON remained 100% utilised. The rise was due to the improvement of market and the enhanced marketing effort made by the Group to capture the business opportunities. In addition, we raised the level of customer service quality so as to gain the support from the International Customers.

Handling of Returned Containers

In 2002, a total of 14,334 TEUs of Returned Containers was received from COSCON. The Group disposed of 15,710 TEUs of Returned Containers during the year, which included those that were returned by COSCON but remained unsold by the end of 2001. The net loss on disposal of the Returned Containers was US\$4,384,000 (2001: US\$2,476,000). The loss was due to the high net book value of the Returned Containers and a decline in disposal price.

In 2003, the Group expects to receive Returned Containers of about 27,504 TEUs from COSCON. The Group will continue to dispose of or re-lease the remaining Returned Containers.

Container Terminal and Related Businesses

Benefited from the growth of the China trade, throughput of ports in Hong Kong and China mainland had increased. On the whole, the Group recorded satisfactory growth for the container terminal businesses. The container terminals in which COSCO Pacific has interests had a combined throughput of 13,420,639 TEUs, an increase of 26.2%.

Throughput of Terminal

Unit: TEUs

	2002	2001	+/-
COSCO-HIT Terminals (Hong Kong) Limited	1,526,074	1,301,966	+17.2%
Shanghai Container Terminals Ltd.	3,049,080	2,609,800	+16.8%
Qingdao Cosport International Terminals Co., Ltd.	454,528	600,329	-24.3%
Zhangjiagang Win Hanverky Terminal Co., Ltd.	202,348	161,208	+25.5%
Yantian International Container Terminals Ltd.	4,181,478	2,751,885	+51.9%
Shekou Container Terminals Ltd.	883,572	750,689	+17.7%
Dalian Port Container Co., Ltd.	1,326,463	1,198,076	+10.7%
River Trade Terminal Holdings Limited	1,797,096	1,262,235	+42.4%
Total	13,420,639	10,636,188	+26.2%

COSCO-HIT Terminals (Hong Kong) Limited

COSCO Pacific has a 50% interest in COSCO-HIT. In 2002, throughput of COSCO-HIT rose by 17.2% to 1,526,074 TEUs (2001: 1,301,966 TEUs), while the total throughput of the Hong Kong Kwai Chung Container Terminals grew 5% as compared to the corresponding period of last year. The market share of COSCO-HIT in Kwai Chung Container Terminals rose to 12.9% in 2002 (2001: 11.5%). Growth in China trade is the major impetus fostering the increase in throughput of COSCO-HIT. The terminal's effort to improve quality of service has earned recognised trusts and support from customers. COSCO-HIT has a bright prospect.

COSCO-HIT, Hongkong International Terminals Limited and Modern Terminals Limited formed a joint venture, OnePort Limited, in February 2003, in which COSCO-HIT has a 10% interest. The establishment of OnePort Limited is a major collaboration in the terminal industry of Hong Kong as it is committed to providing customers with logistics related electronic information services, which will boost the competitiveness of the industry.

Shanghai Container Terminals Limited

The Group has a 10% interest in Shanghai Terminals. During the year, Shanghai Terminals handled 3,049,080 TEUs, an increase of 16.8% from 2001, accounting for 35.4% of the total throughput in Shanghai Port. The rise in throughput is mainly due to the position of Shanghai as the trading and shipping centre which benefits from the rapid growth of China's import and export trade. This strengthens its status as China mainland's hub port.

Shanghai Pudong International Container Terminals Ltd.

Shanghai Pudong International Container Terminals Ltd. ("SPICT") is a joint venture company formed by COSCO Pacific (China) Investments Co., Ltd., Shanghai Waigaoqiao Free Trade Zone Stevedoring Company, Hutchison Ports Pudong Ltd. and S. I. Infrastructure Holdings Limited, which operates Shanghai Waigaoqiao Container Terminal (Phase I). The joint venture project had been approved by the authorities of the People's Republic of China and was officially opened on 1st March 2003. COSCO Pacific (China) Investments Co., Ltd., a wholly owned subsidiary of COSCO Pacific, has invested about US\$46,000,000 from its internal fund for a 20% interest in SPICT. In 2002, SPICT handled 1,790,000 TEUs, which represented a 24% increase over 2001. Located at an infrastructurally-privileged position in Shanghai port, Shanghai Waigaoqiao Container Terminal (Phase I) is a terminal with prosperous future.

Qingdao Cosport International Container Terminals Co. Ltd.

The Group has a 50% interest in Qingdao Cosport International Terminals. During the year, owing to the decision by the Qingdao municipal government to relocate Qingdao Port's foreign trade cargo berthing to the new Qianwan area, Qingdao Cosport International Terminals is now repositioned as the terminal handling domestic containers. In 2002, throughput of the terminal dropped by 24.3% to 454,528 TEUs. Starting from 2003, all domestic container businesses in Qingdao port are designated to Qingdao Cosport International Terminals.

Zhangjiagang Win Hanverky Container Terminal Co., Ltd.

The Group has a 51% interest in Zhangjiagang Win Hanverky Terminal. In 2002, throughput at the terminal increased 25.5% to 202,348 TEUs. As cargo container shipping is increasing along the Yangtze River, the throughput of Zhangjiagang Win Hanverky Terminal will continue to grow steadily.

Dalian Port Container Co., Ltd.

In December 2001, the Company joined in to promote and set up Dalian Port Container Co., Ltd. ("JV Co") and subscribed for 8% of the equity interest in the JV Co. The JV Co was officially opened in March 2002. During the year, the aggregate throughput of the terminals owned by the JV Co increased by 10.7% to 1,326,463 TEUs.

Yantian International Container Terminals Ltd.

The Group has a 5% interest in Yantian International Terminals. During the year, throughput at the terminal continues to grow to 4,181,478 TEUs, a 51.9% increase from 2001.

Yantian International Container Terminals (Phase III) Limited

The Group has a 4.45% interest in Yantian International Container Terminals (Phase III) Limited, which will own a terminal capable of handling 2,400,000 TEUs annually. 2 berths are expected to be put into operation in 2003 while another 2 berths will be completed in 2004 and 2005 respectively.

Shekou Container Terminals Ltd.

The Group has a 17.5% interest in Shekou Terminals. During the year, its throughput reached 883,572 TEUs, a 17.7% increase from 2001.

River Trade Terminal Holdings Limited

The Group has a 10% interest in River Trade Terminal. The terminal handled 1,797,096 TEUs in 2002, representing an increase of 42.4% over 2001. Due to the keen market competition, the terminal continues to record a loss. The Group has made additional provision amounting to US\$3,296,000 (2001: US\$3,450,000) in respect of its shareholders' loan.

Container Handling and Storage

Our wholly owned subsidiary, Plangreat Limited, and its subsidiaries provide container handling, stevedoring, storage and repairing and transporting services. Its turnover for the year decreased due to the shortage of empty containers in Hong Kong and the declining market demand for depot.

Shanghai Yixian Road

Twinbridge Development Corp. ("Twinbridge Corp."), in which COSCO Pacific has a 30% interest since 1997, participated in the Shanghai Yixian Road Project through a co-operative joint venture, Shanghai Yixian Road & Bridge Development Co., Ltd. ("SYRBL"), and was granted the exclusive operating rights on three toll bridges, namely Wusong Toll Bridge, Wenchuan Toll Bridge and Jiangyang Toll Bridge.

As the urban transportation network in Shanghai is under rapid development, the outer ring road and its tunnel have been completed and fully operational at the end of 2001. Meanwhile, other roads and bridges in Shanghai are now toll-free. The People's Government of Baoshan District of Shanghai has indicated its intention to terminate the exclusive operating rights for Shanghai Yixian Road. Following negotiations between Twinbridge Corp. and the People's Government of Baoshan District of Shanghai, it was agreed that the exclusive operating rights of Shanghai Yixian Road would be terminated. On 30th June 2002, a transfer agreement was signed for the disposal of interests in SYRBL (the "Interests Transfer Agreement").

The interests transfer involved a transaction amount of RMB2,126,000,000, of which RMB1,930,000,000 being the investment recovered by and the compensation awarded to shareholders of Twinbridge Corp., RMB26,000,000 for the payment of all the payable taxes in China arising from the termination of the exclusive operating rights on behalf of SYRBL and RMB170,000,000 for repayment of bank loans due from SYRBL.

The Interests Transfer Agreement was approved by relevant authorities on 26th August 2002. The one-time profit of US\$7,474,000 arising from the the transfer of interests was recorded in the Group's accounts of 2002. In the first half of 2002, the combined traffic flow of Wusong Toll Bridge, Wenchuan Toll Bridge and Jiangyang Toll Bridge increased by 2.0% over the corresponding period of 2001.

Container Related Industry

Owing to the increase in demand for container purchase, the production volume of container related manufacturing companies, in which the Group held interests, increased from that of 2001.

Other Investment

Banking

The Group has a 20% interest in Liu Chong Hing Bank Limited which contributed US\$6,848,000 to the Group's profit, representing a decrease of 11.8% compared to 2001.

EMPLOYEES AND REMUNERATION POLICIES

The Group considers that staff quality is among the key factors for its operations, and sees our team of staff as our most precious asset. Therefore, the Group attaches great importance to our staff and their management and training. To this end, the Group organises seminars on modern management theory and practice given by internationally renowned management and consultative experts, maintains and subsidises various training programmes on team building, arranges its staff to participate in a variety of professional training courses or overseas training courses. These will enhance the overall qualification of our staff, enrich and update their knowledge structure and make the best of their potential. As they become more capable to complete their tasks creatively, the Group's competitive edge will be enhanced.

As at 31st December 2002, there were 368 employees in the Group. The Group continue to improve the remuneration packages for its employees based on fair and equitable principles. The management will review the remuneration policies on a regular basis to formulate more reasonable incentives and appraisal measures. Apart from the general remuneration and bonus packages, share options were granted by the Group to the employees to motivate their performance and contribution to the Group's continuous growth. Total staff cost of the Group for the year ended 31st December 2002, including directors' remuneration, totalled US\$13,506,000.

CORPORATE GOVERNANCE

The Board of Directors and senior management of the Company are committed to maintaining a high standard of corporate governance and it is always the Company's top priority. In order to enhance corporate governance and strengthen the mechanism of the Board of Directors, the Company has established three board committees, namely, (1) Investment and Strategic Plan Committee, (2) Corporate Governance Committee and (3) Risk Management Committee.

In Finance Asia Magazine's "Asia's Best Companies 2003 – China" survey, COSCO Pacific was ranked as one of the "Most Committed to Creating Shareholder Value", "Best Corporate Governance" and "Best Financial Management" Chinese enterprises.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

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

PROSPECTS

With China's accession into the WTO and her important role in international trade, China will undoubtedly become an essential part of the Asian economy. In the past two decades, economic activities in Asia largely depended on the development trend of international trade. A change of this trend is expected because the role of Asian countries in the development of international trade are more important now. While all Asian countries are striving hard to develop overseas markets, internal demand has also increased drastically. These will assist in promoting economic development as a whole and further facilitate the economic growth of China and its trading partners. Looking ahead, we are still cautiously optimistic towards the prospect of global economic recovery in 2003 and we believe both opportunities and challenges are lying ahead for us.

While focusing on further improving operational efficiency of our container leasing and terminal businesses, the COSCO Pacific management team always upholds a professional and progressive attitude so as to realise substantial profit growth in the future. At the same time, the Company will try its best to seek for opportunities to invest in quality logistics projects in order to further strengthen the Group's ability to attain higher profit in the future.

Self-strengthening is the key to nurture an outstanding enterprise. Building on our equal, fair and independent corporate governance structure, COSCO Pacific is determined to become an excellent enterprise with proper scale, efficiency and high level of social responsibility at the same time. We will strive to maximise corporate efficiency, corporate values and shareholders' return as well. With such, we are totally confident towards our future.

By Order of the Board
SUN Jiakang
Managing Director

Hong Kong, 26th March 2003

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 website and the website of the Stock Exchange in due course.

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, 23rd May, 2003 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, 2002.
2. To declare a final dividend for the year ended 31st December, 2002.
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. To transact any other business.

By Order of the Board
HUNG Man
Company Secretary

Hong Kong, 26th March, 2003

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, 20th May, 2003 to Friday, 23rd May, 2003, 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, Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 19th May, 2003.
4. Where there are joint holders of any share in the Company, any one of such joint holders may vote at the meeting, either in person or by proxy, in respect of such share as if he were 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 holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

“Please also refer to the published version of this announcement in the South China Morning Post”