COSCO Pacific Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 1199)

ANNOUNCEMENT OF 2003 FINAL RESULTS

GATEWAY TO CHINA

2003 heralded a year of fruitful harvest for COSCO Pacific Limited ("COSCO Pacific" or the "Company") with a healthy growth in its overall results while achieving improvements in its business expansion, project development, capital management and corporate governance, all of which laid a solid foundation for future profit growth. As a PRC shipping related enterprise, COSCO Pacific not only earns the affinity and supports from its customers for a long period of time, but also the full supports from China Ocean Shipping (Group) Company ("COSCO Group"), COSCO (Hong Kong) Group Limited and our sister companies and the adherence to honesty and diligence of all our staff in actively expanding business and enhancing corporate governance. These have combined to secure market recognition for its management with added impetus to our mission of striving for creating wealth for our shareholders. Development of the PRC economy remains buoyant and stellar with unleashing swift development. Massive market demands for containerisation of freight transportation are beneficial to the development of container leasing, container terminal operations and logistics businesses of COSCO Pacific and its subsidiaries (the "Group"). We firmly believe that the driving force of our business development will primarily evolve from the highly potential PRC market.

- **Profit attributable to shareholders rose by 8.5% to US$154,331,000**
- **Proposed final cash dividend of HK18 cents per share**
- **Return on shareholders' equity was 12.0%**
- **Total container leasing fleet up 14.3% to 808,825 TEUs**
- **Total container terminal throughput increased by 33.4% to 17,901,012 TEUs**
- **Acquisition of various interests in 2 China mainland terminals and 1 overseas terminal respectively and another China mainland terminal started operation, resulting in an increase in our total container berths from 31 to 51 and an aggregate annual handling capacity increased by 12,200,000 TEUs to 26,000,000 TEUs**
- **Acquisition of a 49% interest in COSCO Logistics Co., Ltd.**
- **Issued US$300,000,000 of 10-year fixed rates notes**
- **Admitted as a constituent stock of the Hang Seng Index**
- **Received 6 awards in corporate governance and investor relations**

RESULTS

	Note	**2003**	2002
		US$'000	*US$'000*
			(Restated)
Turnover	2	**257,495**	241,644
Cost of sales		**(112,417)**	(102,520)
Gross profit		**145,078**	139,124
Other revenues		**33,579**	15,900
Administrative expenses		**(27,010)**	(23,220)
Other operating expenses (net)		**(25,511)**	(22,223)
Operating profit	3	**126,136**	109,581
Finance costs		**(17,149)**	(18,019)
Operating profit after finance costs		**108,987**	91,562
Share of profits less losses of			
– jointly controlled entities		**6,711**	8,751
– associated companies		**64,915**	67,461
Profit before taxation		**180,613**	167,774
Taxation	4	**(24,424)**	(23,886)
Profit after taxation		**156,189**	143,888
Minority interests		**(1,858)**	(1,699)
Profit attributable to shareholders		**154,331**	142,189
Transfer to other reserves		**(1,650)**	(847)
Dividends	5	**87,568**	79,904
Earnings per share			
Basic earnings per share	6	**US7.1871 cents**	US6.6253 cents
Diluted earnings per share	6	**US7.1840 cents**	US6.6250 cents

Notes:

1. Basis of Preparation of the Accounts

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants (the "HKSA"). They have been prepared under the historical cost convention except that investment properties are stated at fair value and certain leasehold land and buildings are carried at valuation as at 31st December, 1994 less accumulated depreciation and impairment losses.

In the current year, the Group changed its accounting policy following the adoption of new Statement of Standard Accounting Practice ("SSAP") 12 "Income Taxes" issued by the HKSA which is effective for accounting periods commencing on or after 1st January, 2003.

In accordance with the new SSAP 12, deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Tax rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising from investments in subsidiaries, associated companies and jointly controlled entities, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

In prior years, deferred taxation was accounted for at the current tax rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future.

The adoption of the new SSAP 12 resulted in a change to the Group's accounting policy on deferred taxation as mentioned above and such change has been applied retrospectively so that the comparative figures presented have been restated to conform to the changed policy. The effect of the adoption of the new SSAP 12 is to decrease the opening retained profits as at 1st January, 2003 and 2002 by US$34,854,000 and US$22,483,000 respectively and to decrease the profit attributable to shareholders for the year ended 31st December, 2002 by US$12,371,000.

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 and related business

(ii) container terminal and related businesses

(iii) banking

(iv) other operations

(v) corporate

Segment turnover and results

	Year ended 31st December, 2003					
	Container leasing and related business *US$'000*	**Container terminal and related businesses** *US$'000*	**Banking** *US$'000*	**Other operations** *US$'000*	**Corporate** *US$'000*	**Total** *US$'000*
Turnover						
– total revenue	**239,689**	**17,853**	**—**	**—**	**—**	**257,542**
– inter-segment sales	**—**	**(47)**	**—**	**—**	**—**	**(47)**
External sales	**239,689**	**17,806**	**—**	**—**	**—**	**257,495**
Segment results	**91,896**	**24,709**	**—**	**—**	**—**	**116,605**
Unallocated costs						
– net corporate expenses	**—**	**—**	**—**	**—**	**(5,543)**	**(5,543)**
– corporate finance costs	**—**	**—**	**—**	**—**	**(3,160)**	**(3,160)**
– corporate interest income	**—**	**—**	**—**	**—**	**1,085**	**1,085**
Operating profit/(loss) after finance costs	**91,896**	**24,709**	**—**	**—**	**(7,618)**	**108,987**
Share of profits less losses of						
– jointly controlled entities	**—**	**511**	**—**	**6,200**	**—**	**6,711**
– associated companies	**—**	**55,153**	**9,762**	**—**	**—**	**64,915**
Profit before taxation						**180,613**
Taxation						**(24,424)**
Profit after taxation						**156,189**
Minority interests						**(1,858)**
Profit attributable to shareholders						**154,331**

	Year ended 31st December, 2002 (Restated)					
	Container leasing and related business	**Container terminal and related businesses**	**Banking**	**Other operations**	**Corporate**	**Total**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Turnover						
External sales	225,004	16,640	—	—	—	241,644
Segment results	86,358	6,641	—	—	—	92,999
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	86,358	6,641	—	—	(1,437)	91,562
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						167,774
Taxation						(23,886)
Profit after taxation						143,888
Minority interests						(1,699)
Profit attributable to shareholders						142,189

(b) ***Secondary reporting format — geographical segments***

The movements of containers and generator sets under operating leases or finance leases are known through reports from lessees but the Group is unable to control the movements of containers and generator sets except to the degree that the movements are restricted by the terms of the leases or where safety of the containers and generator sets is concerned. It is therefore impracticable to present segment information by geographical areas.

The activities of container terminal and related businesses, other operations and corporate segments are carried out in Hong Kong, China mainland and Singapore 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:

	2003	2002
	US$'000	*US$'000*
Crediting		
Dividend income from unlisted investments	**20,421**	5,003
Charging		
Depreciation and amortisation	**95,517**	87,682
Impairment losses (included in other operating expenses)		
– containers	**9,865**	15,056
– leasehold land and buildings	**—**	941
Finance costs	**17,149**	18,019
Cost of inventories sold	**13,322**	8,929
Provision for loan to an investee company	**—**	3,296

4. Taxation

	2003	2002
	US$'000	*US$'000*
		(Restated)
Company and subsidiaries		
Current taxation		
Hong Kong profits tax	**526**	723
China mainland taxation	**625**	257
Overseas taxation	**106**	106
Over provision in prior years	**(97)**	(15)
	1,160	1,071
Deferred taxation relating to the origination and reversal of temporary differences	**11,354**	9,858
Deferred taxation resulting from an increase in tax rate	**(12)**	—
	12,502	10,929
Share of taxation attributable to:		
Jointly controlled entities		
China mainland taxation	**659**	1,049
Overseas taxation	**75**	—
Associated companies		
Hong Kong profits tax	**9,025**	8,505
China mainland taxation	**1,017**	890
Deferred taxation	**1,146**	2,513
	24,424	23,886

Hong Kong profits tax has been provided at a rate of 17.5% (2002: 16.0%) 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 15.0% (2002: 7.5%) on the estimated assessable profit for the year. The subsidiary in China mainland was eligible for a 50% relief from corporate income tax of 15.0% for five years since 1998 and up to 2002.

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.

5. Dividends

	2003	2002
	US$'000	*US$'000*
Interim, paid, of US1.769 cents (2002: US1.410 cents) per ordinary share	**37,986**	30,278
Final, proposed, of US2.308 cents (2002: US 2.308 cents) per ordinary share	**49,582**	49,546
Additional 2001 final dividends paid on shares issued due to the exercise of share options before the closure of register of members	**—**	80
	87,568	79,904

Note:

At a board meeting held on 25th March, 2004, the directors proposed a final dividend of HK18 cents (equivalent to US2.308 cents) per ordinary share. This proposed dividend is not reflected as a dividend payable in the accounts, but will be reflected as an appropriation of retained profits for the year ending 31st December, 2004.

6. Earnings Per Share

The calculation of basic and diluted earnings per share are based on the Group's profit attributable to shareholders of US$154,331,000 (2002: US$142,189,000, as restated)

The basic earnings per share is based on the weighted average number of 2,147,340,079 (2002: 2,146,159,454) ordinary shares in issue during the year. The diluted earnings per share is based on the weighted average number of ordinary shares in issue during the year plus the weighted average of 926,165 (2002: 80,810) ordinary shares deemed to be issued at no consideration if all outstanding share options had been exercised.

FINAL DIVIDEND

The directors recommended the payment of a final cash dividend of HK18 cents (2002: HK18 cents) per share, subject to approval by shareholders at the Annual General Meeting to be held on 21st May, 2004. The proposed final cash dividend will be payable on or before 3rd June, 2004 to shareholders whose names appear on the register of members of the Company on 21st May, 2004.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 18th May, 2004 to Friday, 21st May, 2004, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final cash dividend, all transfer documents, accompanied by relevant share certificates must be lodged with the Company's Hong Kong Registrar and Transfer Office, Secretaries Limited, Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, not later than 4:00 p.m. on Monday, 17th May, 2004.

REVIEW OF OPERATIONS

Overall Results

Turnover of the Group for 2003 rose by 6.6% over last year to US$257,495,000 (2002: US$241,644,000). Profit attributable to shareholders was US$154,331,000, up 8.5% over US$142,189,000 for 2002. Earnings per share were US7.1871 cents (2002: US6.6253 cents, as restated). Excluding major non-recurring items (2003: loss of US$2,192,000 on disposal of its 10% interest in River Trade Terminal Holdings Limited ("River Trade Terminal"); 2002: profit of US$7,474,000 arising from disposal of the Shanghai Yixian Road Project), profit attributable to shareholders in 2003 saw a year-on-year increase of 16.2%.

Financial Review

Turnover

Turnover of container leasing and related business for 2003 rose by 6.5% to US$239,689,000 (2002: US$225,004,000). Rental income from COSCO Container Lines Company Limited ("COSCON") was US$130,567,000 (2002: US$136,110,000). During the year, the number of containers leased by COSCON was 310,444 TEUs (2002: 329,028 TEUs) as the number of containers returned by COSCON upon expiry of leases ("Returned Containers") exceeded the number of containers under new leases. Rental income from other international customers ("International Customers") was US$108,479,000 (2002: US$88,330,000). The Group further developed its market and actively expanded the size of its container fleet for International Customers to 498,381 TEUs (2002: 378,862 TEUs). Despite declines in average achieved rental income per TEU, rental income from International Customers has surged significantly by 22.8% with growth in the utilisation rate. Interest income from finance leases was US$484,000 (2002: US$545,000), and income from container management, a new activity since 2002, was US$99,000 (2002: US$19,000). Income from the leasing of generator sets, a new activity in 2003 in response to market demands, was US$60,000 (2002: nil).

Annual throughput at Zhangjiagang Win Hanverky Container Terminal Co., Ltd. ("Zhangjiagang Win Hanverky Terminal") grew by 22.2% to 247,306 TEUs (2002: 202,348 TEUs), whereas its turnover rose to US$9,045,000 (2002: US$7,850,000).

Plangreat Limited together with its subsidiaries generated a turnover of US$8,761,000 (2002: US$8,790,000), a slight drop from last year, with an increase in container storage at its depots and the drayage but the operation at the terminal declined.

Cost of Sales and Gross Profit

Cost of sales amounted to US$112,417,000 in 2003 (2002: US$102,520,000), mainly comprised depreciation, depot rental, maintenance and operating expenses. During the year, as a result of the expansion of container fleet, depreciation rose by US$7,657,000 to US$93,050,000 (2002: US$85,393,000). Depreciation accounted for 82.8% (2002: 83.3%) of cost of sales. Other cost of sales rose by US$2,240,000 to US$19,367,000 (2002: US$17,127,000), primarily because of the Group's strategy in repositioning 20,669 TEUs (2002: 14,819 TEUs) containers from Europe and the America to satisfy demands from the Asian market. Accordingly, repositioning expenses increased to US$4,932,000 (2002: US$3,500,000). Gross profit margin was 56.3% (2002: 57.6%).

Other Revenues

Other revenues mainly included US$20,421,000 (2002: US$5,003,000) of dividend income, US$10,762,000 (2002: US$7,048,000) of sales revenue of the Returned Containers and US$2,343,000 (2002: US$3,794,000) of interest income.

Performance of Yantian International Container Terminals Ltd. ("Yantian International Terminals"), Shekou Container Terminals Ltd. ("Shekou Terminals") and Dalian Port Container Co., Ltd., in which the Group held beneficial interests, were satisfactory. Dividends were declared by these investee companies during the year and the Group's share of these dividends declared amounted to US$20,421,000 (2002: US$5,003,000 of dividend declared by Yantian International Terminals), a three-fold increase. During the year, sales revenue of the Returned Containers increased as the disposal of Returned Containers increased to 23,619 TEUs (2002: 15,710 TEUs). Reduction in interest income was the result of deposit interest rate being lower than that of 2002 and the reduction in the Group's cash balances due to early repayments of some of its bank loans during the year.

Administrative Expenses

Administrative expenses increased by 16.3% over 2002. During the year, human resources, marketing, office, professional consultation, entertainment and travelling expenses rose as the Group continued to strengthen its marketing and new project development.

Other Operating Expenses (net)

Other net operating expenses amounted to US$25,511,000 (2002: US$22,223,000) and included the following:

- Impairment losses of certain containers and corporate properties charged to the profit and loss account decreased from US$15,997,000 in 2002 to US$9,865,000.
- During the year, net book value of the Returned Containers disposed of increased by US$4,393,000 to US$13,322,000 (2002: US$8,929,000).
- During the year, bad debt recovered amounted to US$1,047,000 (2002: US$2,999,000), while net provision for bad and doubtful debts made in 2003 was US$1,370,000 (2002: US$1,142,000).
- In June 2003, the Company recognised a loss of US$2,192,000 from the disposal of its 10% interest in River Trade Terminal whereas a provision of US$3,296,000 was made against shareholders' loan advanced to the said project in 2002.

Finance Costs

Finance costs improved by US$870,000, of which interest expenses reduced by US$3,541,000 and incidental borrowing costs rose by US$2,671,000. Interest rate remained at low levels in 2003 with a further cut of 0.25% by the U.S. Federal Reserve in June 2003. The Group's average borrowing costs (including net loss of US$1,193,000 (2002: US$1,454,000) arising from interest rate swap contracts) were 3.22% (2002: 3.40%).

Incidental borrowing costs rose primarily as a result of larger financing facilities being arranged in 2003 (including the issue of US$300,000,000 notes). In accordance with the Group's accounting policy, incidental borrowing costs were charged against the profit and loss account in the year when incurred.

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

Profit contributions from jointly controlled entities were US$6,711,000 (2002: US$8,751,000). The decline was primarily due to the shift in handling Qingdao Port's trade cargo from exports to domestic since 2003 by Qingdao Cosport International Container Terminals Co., Ltd. ("Qingdao Cosport Terminals"). As a result, throughput reduced to 244,159 TEUs (2002: 454,528 TEUs). Production volume of Shanghai CIMC Reefer Containers Co., Ltd. ("Shanghai CIMC Reefer Containers") went up by 5.4% in 2003 whereas profit contribution declined when compared to last year due to increases in raw material prices and intense market competition. Profit contributions from Shanghai CIMC Far East Container Co., Ltd. ("Shanghai CIMC Far East Container") and Tianjin CIMC North Ocean Container Co., Ltd., ("Tianjin CIMC North Ocean Container"), which were accounted for according to the sub-contracting agreements signed in 2000 and 2001, are both increased over 2002. Throughput and performance of the newly established COSCO-PSA Terminal Private Limited ("COSCO-PSA Terminal"), which became operational since November 2003, were better than expected with contribution in profit. There was no profit contribution from Qingdao Qianwan Container Terminal Co., Ltd. ("Qingdao Qianwan Terminal") in 2003 as the Group's investment was not in place until late December 2003.

In respect of the associated companies, profit contributions in 2003 declined by 3.8% to US$64,915,000 (2002: US$67,461,000). As Twinbridge Development Corp. had disposed of its interests in Shanghai Yixian Road Project in 2002, there was no profit contribution for 2003 (2002: share of operating profit and gain on disposal of interest totalled US$9,095,000). Throughput of COSCO-HIT Terminals (Hong Kong) Limited ("COSCO-HIT") fell by 0.8% over 2002, its profit contribution declined by 5.6% due to changes in cargo mix. Throughput and performance of the Group's 20% equity interest, Shanghai Pudong International Container Terminals Limited ("Shanghai Pudong International Terminals") which has commenced operation since March 2003, were satisfactory. Profit contribution from Shanghai Container Terminals Limited ("Shanghai Terminals") rose as a result of and 11.5% increase in throughput. Liu Chong Hing Bank Limited ("Liu Chong Hing Bank") contributed a profit of US$9,762,000 in 2003 (2002: US$8,455,000).

Taxation

Taxation aggregated US$24,424,000 for 2003 (2002: US$ 23,886,000, as restated). In accordance with the requirements of the new SSAP 12, provisions in respect of deferred tax liabilities and assets were made by the Group. Net deferred tax provision was US$12,488,000 for 2003 (2002: US$12,371,000).

Profit Attributable to Shareholders

Profit attributable to shareholders for the year amounted to US$154,331,000 (2002: US$142,189,000, as restated). Basic earnings per share was US7.1871 cents (2002: US6.6253 cents, as restated).

FINANCIAL POSITION

Cash Flow and Available Facility

Cash inflows of the Group remained steady. During the year, net cash inflow from operating activities amounted to US$217,757,000 (2002: US$220,540,000), coupled with net proceeds of US$298,101,000 (2002: nil) from the issuance of the US$300,000,000 10-year notes. The Group accelerated its efforts in investments in 2003. On the terminal side, investments included a 20% interest in Shanghai Pudong International Terminals, a 20% interest in Qingdao Qianwan Terminal, a 49% interest in COSCO-PSA Terminal and a beneficial interest of 4.45% in Yantian International Container Terminals (Phase III) Limited ("Yantian International Terminals Phase III"), involving cash injections of US$45,770,000, US$14,800,000, US$23,062,000 and US$16,723,000 respectively in 2003 (2002: US$4,519,000 for subscribing an 8% interest in Dalian Port Container Co., Ltd. and US$19,941,000 for acquiring a 17.5% interest of Shekou Terminals). The acquisition of Shanghai Pudong International Terminals was partly funded by US$30,000,000 derived from proceeds from issuance of new shares in May 1999. During the year, cash payments of fixed assets amounted to US$198,410,000 (2002: US$137,998,000), of which US$193,661,000 (2002: US$135,022,000) were for new containers. The Group drew US$89,620,000 (2002: US$95,604,000) bank loans and repaid US$330,097,000 (2002: US$184,468,000) of bank loans during the year. As at 31st December, 2003, the Group held cash balances of US$283,835,000 (2002: US$236,121,000).

As at 31st December, 2003, the Group had committed but unutilised bank loan facilities of US$297,908,000 (2002: US$ 96,329,000). Cash balances and banking facilities held by the Group as at the end of 2003 amounted to US$581,743,000 (2002: US$332,450,000). These were adequate to meet all of the debts due in 2004 and capital commitments contracted for prior to 31st December, 2003. In January 2004, the Group further injected US$61,131,000 into Qingdao Qianwan Terminal, with balances of the investment amount payable in the next few years in accordance with the construction schedule of the terminal. Formalities and procedures in respect of the acquisition of the Group's 49% equity investment in COSCO Logistics Co., Ltd. ("COSCO Logistics") were also completed in January 2004, and the Group injected RMB1,180,410,000 in equivalent US dollars as agreed.

Assets and Liabilities

The Group continued to implement a healthy policy in financial management. As at 31st December, 2003, total assets amounted to US$1,900,266,000 (2002: US$1,743,797,000, as restated), whereas total liabilities and minority interests amounted to US$579,102,000 (2002: US$490,749,000, as restated). Net assets amounted to US$1,321,164,000 (2002: US$1,253,048,000, as restated), representing an increase of 5.4% which was primarily attributable to retained profit for the year.

Cash balances as at 31st December, 2003 amounted to US$283,835,000 (2002: US$236,121,000). Total indebtedness amounted to US$478,360,000 (2002: US$420,674,000), with a net gearing ratio of 14.7% (2002: 14.7%). As interest rates continued to stay at low levels with average borrowings being reduced, interest coverage further expanded to 16.1 times (2002: 11.8 times). Our debt maturity profile was significantly improved through the issuance of the 10-year notes. Total debts due in 2004 will amount to US$32,848,000 only.

In view of the fact that the Group's indebtedness stood at a relatively low level with strong repayment capability, the Group will continue to resort to increasing its indebtedness principally for financing capital expenditure in 2004. It is expected that the increase in the Group's net gearing ratio should enhance return on shareholders' equity.

As at 31st December, 2003, debt analysis was as follows:

	At 31st December, 2003		At 31st December, 2002	
	Amount		Amount	
	(US$)	*(%)*	*(US$)*	*(%)*
By maturity:				
Within the first year	**32,848,000**	**6.9**	210,189,000	50.0
Within the second year	**32,608,000**	**6.8**	67,410,000	16.0
Within the third year	**41,046,000**	**8.6**	67,839,000	16.1
Within the fourth year	**54,108,000**	**11.3**	31,314,000	7.5
Within the fifth year and over	**317,750,000***	**66.4**	43,922,000	10.4
	478,360,000	**100.0**	420,674,000	100.0
By type:				
Secured borrowings	**177,523,000**	**37.1**	156,578,000	37.2
Unsecured borrowings	**300,837,000**	**62.9**	264,096,000	62.8
	478,360,000	**100.0**	420,674,000	100.0
By denomination:				
US$	**475,686,000**	**99.4**	416,579,000	99.0
RMB	**2,674,000**	**0.6**	4,095,000	1.0
	478,360,000	**100.0**	420,674,000	100.0

* inclusive of the US$300,000,000 notes less discount maturing on 3rd October, 2013.

As at 31st December, 2003, certain of the Group's containers with an aggregate net book value of US$318,976,000 (2002: US$278,378,000) and bank deposits of US$12,056,000 (2002: US$7,817,000) were pledged to various banks and financial institutions as security against borrowings totalling US$177,523,000 (2002: US$156,578,000).

Contingent Liabilities

As at 31st December, 2003 and 2002, the Group had no significant contingent liabilities.

FINANCIAL MANAGEMENT

Issuance of 10-year Notes

The global low interest rates environment in 2003 prompted bond investors to fright for premium quality investments in view of surplus funds available in the international bond market. Capitalising on such opportunity, the Company appointed three investment banks, ABN AMRO Bank N.V., Citigroup Global Markets Limited and Goldman Sachs (Asia) L.L.C., as joint book-runners in arranging the issuance of 10-year fixed rate notes of US$300,000,000 in September 2003. No credit ratings have been sought for in respect of the notes. The notes were offered and sold outside the United States in accordance with Regulation S under the United States Securities Act of 1933. Responses from investors in Europe, Hong Kong, China mainland, Singapore and other Asian countries were overwhelming with total subscriptions in excess of US$1,620,000,000, or 5.4 times of the issued amount.

At an issue price of 99.367% and a coupon rate of 5.875%, the notes carried an interest yield of 5.96% (i.e. an equivalent of 10-year US Treasury Bill yield plus 185 basis points). The issue was well sought for by international investors with interest spreads narrowed in the secondary market, demonstrating investors' confidence in the creditworthiness of the Company.

Net proceeds of the notes, after deducting issuance expenses, were primarily deployed as investments in new terminal projects and for refinancing. Such fund raising exercise hallmarked the Company's success in exploring the international bond market as financing channels, diversifying its sources of funds and enhancing its debt structure by extending the average maturity period from less than 3 years to 7.4 years. This has laid solid foundation for the Company's sustainable development and will help the Group in obtaining more favourable terms in future from the capital market.

Other Financing

During the year, the Group secured a total of US$245,000,000 of committed bank loan facilities. A subsidiary of the Group entered into an agreement with a banking syndicate on 17th February, 2003 for a 5-year term loan facility of US$175,000,000 that was designated for working capital and refinancing. Apart from being oversubscribed with very favourable terms at finance costs of London Interbank Offered Rate ("LIBOR") plus 65 basis points, this fund raising exercise further reflected the Group's sound creditstanding and its supports from the banking community.

Treasury Policy

The Group monitors its exchange rate risks by raising funds in the denominations of its principal operating assets or cash revenue.

Most of the Group's borrowings were denominated in U.S. dollars, a majority of which was primarily used for container leasing operation that had its revenues and expenses mainly in U.S. dollars. Hence, exposure to exchange rate risk is minimal.

In respect of associated companies and jointly controlled entities, such as COSCO-HIT and COSCO-PSA Terminal, all material borrowings were denominated in Hong Kong and Singapore dollars respectively, with corresponding hedging being effected.

The Group exercises stringent control over the use of derivatives for hedging against its interest rate risks and monitors its debt portfolio of fixed and floating interests regularly to reflect market trends. During the year, the Group entered into interest rate swap contracts to swap US$200,000,000 of its 10-year notes into floating rates at average rates of 6-month LIBOR plus 112.5 basis points for 10 years.

In addition, as at 31st December, 2003, notional principals of outstanding interest rate swap contracts amounted to US$100,000,000 (2002: US$100,000,000), at fixed interest rates ranging from 3.88% to 4.90% per annum (2002: 3.88% to 4.90% per annum). Through aforesaid interest rate swap contracts and fixed rate borrowing arrangements, the ratio of fixed- to floating-rate borrowings stood at 42.0% : 58.0% as at 31st December, 2003 (31st December, 2002: 24.7% : 75.3%) of the Group's debt portfolio.

REVIEW OF OPERATIONS

Container Leasing

2003 was a year of challenges and opportunities for container leasing market. Amidst a market environment of intense competition, the Group fully leveraged on its strength in seizing market opportunities, capitalising chances, capturing markets and maintaining industry leadership by monitoring changes in market and global economy closely with in-depth analysis and understanding. COSCO Pacific owns the world's fifth largest container leasing company which is operated and managed by its wholly owned subsidiary, Florens Container Holdings Limited and its subsidiaries (collectively referred to as "Florens").

In 2003, Florens secured supports of its target customer group by solidifying its efforts in market expansion and enhancing customer relationship. In line with customer demands, during the year, new containers of 142,218 TEUs (2002: 119,466 TEUs) were ordered and purchased, accounting for approximately 12.9% of the container leasing industry new production in 2003 (2002: 12.9%). As at 31st December, 2003, Florens had a container fleet of 808,825 TEUs (2002: 707,890 TEUs), accounting for approximately 9.7% (2002: 9.3%) of the global market share, an increase of 0.4% year-on-year, after deducting 4,997 TEUs (2002: 13,733 TEUs) under finance leases.

Florens principally provides 10-year container leasing services for COSCON, the PRC's largest and the world's seventh largest container ship operator, and both long term and master lease container leasing services for International Customers. As at 31st December, 2003, total number of customers of Florens was 202 (2002: 176).

Revenue of Container Leasing

The Group's container leasing business made solid progress in 2003. Turnover rose by 6.5% to US$239,689,000 (2002: US$225,004,000), of which container rental income amounted to US$239,046,000 (2002: US$224,440,000). Rental income from COSCON was US$130,567,000 (2002: US$136,110,000), accounting for 54.6% (2002: 60.6%) of the Group's container rental income. Rental income from International Customers was US$108,479,000 (2002: US$88,330,000), accounting for 45.4% (2002: 39.4%) of the Group's container rental income, of which long term and master lease rentals were US$64,873,000 (2002: US$49,158,000) and US$43,606,000 (2002: US$39,172,000) respectively. Increase in rental income from International Customers was due to higher leasing volume.

As at 31st December, 2003, the Group leased a total of 310,444 TEUs (2002: 329,028 TEUs) to COSCON, representing 38.4% (2002: 46.5%) of the Group's total container fleet. Containers available to International Customers rose significantly to 498,381 TEUs (2002: 378,862 TEUs), representing 61.6% (2002: 53.5%) of the total container fleet, of which long term and master lease were 326,608 TEUs (2002: 221,063 TEUs) and 121,959 TEUs (2002: 116,178 TEUs) respectively.

Container Fleet Analysis

In 2003, the Group's container fleet increased by 14.3% to 808,825 TEUs (2002: 707,890 TEUs) with an average ageing of 4.3 years (2002: 4.4 years). During the year, Florens purchased new containers and disposed of or re-leased Returned Containers.

	2003	2002
	TEUs	TEUs
Total containers (as at 1st January)	**707,890**	610,019
New containers purchased	**142,218**	119,466
Containers returned from COSCON upon expiry of leases		
– Total	**(27,729)**	(14,334)
– Re-leased	**3,943**	695
– Disposed of and pending for disposal	**(23,786)**	(13,639)
Ownership transferred to customers upon expiry of finance leases	**(12,779)**	(5,178)
Defective containers written off	**(4,718)**	(2,778)
Total containers (as at 31st December)	**808,825***	707,890*

* Inclusive of 16,680 TEUs (2002: 5,218 TEUs) managed on behalf of a third party.

Container Fleet Analysis by Type (in TEUs)

	Total	**COSCON**	**International Customers**
At 31st December, 2003			
Total containers	**808,825**	**310,444**	**498,381**
Dry	**93.8%**	**91.1%**	**95.5%**
Reefer	**4.6%**	**8.0%**	**2.5%**
Special	**1.6%**	**0.9%**	**2.0%**

	Total	COSCON	International Customers
At 31st December, 2002			
Total containers	707,890	329,028	378,862
Dry	92.9%	91.0%	94.5%
Reefer	5.2%	7.9%	2.9%
Special	1.9%	1.1%	2.6%

Utilisation Rates

Overall annual average utilisation rate of Florens further increased to 95.2% (2002: 93.4%), well above the industry average of about 89% (2002: 83%) while containers leased by COSCON remained 100% utilised. The increase was primarily attributable to market improvement and the Group's enhanced marketing effort to capture market opportunities and improve quality level of customer service in securing supports from International Customers.

Handling of Returned Containers

In 2003, a total of 27,729 TEUs (2002: 14,334 TEUs) of Returned Containers was received from COSCON with 23,619 TEUs (2002: 15,710 TEUs) being disposed of during the year, including the containers returned in 2003 and those brought forward from the end of 2002 respectively. Net loss on disposal of the Returned Containers in 2003 amounted to US$4,349,000 (2002: US$4,384,000) was due to high carrying amount of the Returned Containers.

In 2004, the Group is expected to receive Returned Containers of about 60,000 TEUs (2003: 27,729 TEUs) from COSCON. Florens will continue to renew, dispose of or re-lease the remaining Returned Containers.

Container Terminal and Related Businesses

In 2003, our global container terminal business sustained its growth trend. In particular, driven by both economic and trade growth of 9.1% and 37.1% respectively in the PRC, container terminals in China mainland registered a throughput of 48,000,000 TEUs, an increase of 29.7% over 2002. Terminals in which the Group held interests located in the regions of Pearl River Delta, Yangtze River Delta and Bohai Rim, the most concentrated areas of container throughput in China mainland with highest potential, where the pace of growth in demands for containers were most spectacular. Leveraging on its competitive advantages in the PRC market, the Group fostered the development of its container terminal projects in China mainland and became one of the front-runners in terminal operation in Asia.

COSCO Pacific holds differing interests in 10 container terminals on the coastal ports of China and in one container terminal operation in Singapore, total berths will increase from 31 in 2002 to 51 and total throughput capacity of 26,000,000 TEUs (2002: 13,800,000 TEUs). Together with the River Trade Terminal, which was disposed of in June 2003, total throughput during the year amounted to 17,901,012 TEUs (2002: 13,420,639 TEUs), an increase of 33.4% over last year.

	Share-holding %	**Total area (sq.m.)**	**Number of berths**	**Water depth of berth (m.)**	**Annual capacity (TEUs)**
COSCO-HIT	50	300,000	2	15.5	1,800,000
Yantian International Terminals Phase I & II	5	1,180,000	5	14.0–15.5	4,500,000
Yantian International Terminals Phase III	4.45	900,000	4	16	2,400,000
Shekou Terminals	17.5	234,000	2	14	1,300,000
Shanghai Terminals	10	830,000	10	9.4–10.5	3,500,000
Shanghai Pudong International Terminals	20	500,000	3	12	2,300,000
Zhangjiagang Win Hanverky Terminal	51	200,000	2	11	300,000
Qingdao Qianwan Terminal	20	2,250,000	11	17.5	6,500,000
Qingdao Cosport Terminals	50	250,000	1	13.5	600,000
Dalian Port Container Co., Ltd.	8	726,000	9	12.1–14.0	1,800,000
COSCO-PSA Terminal	49	228,000	2	15	1,000,000
Total			51		26,000,000

	2003[1] Throughput (TEUs)	2002[1] Throughput (TEUs)	+/–
COSCO-HIT	1,513,559	1,526,074	–0.8%
River Trade Terminal in Tuen Mun, Hong Kong[2]	1,074,348	1,797,096	–40.2%
Yantian International Terminals Phase I, II, III[3]	5,258,106	4,181,478	+25.7%
Shekou Terminals	1,323,235	883,572	+49.8%
Shanghai Terminals	3,400,963	3,049,080	+11.5%
Shanghai Pudong International Terminals[4]	1,766,351	N/A	N/A
Zhangjiagang Win Hanverky Terminal	247,306	202,348	+22.2%
Qingdao Qianwan Terminal (Phase II)[5]	1,332,746	N/A	N/A
Qingdao Cosport Terminals	244,159	454,528	–46.3%
Dalian Port Container Co., Ltd.	1,644,409	1,326,463	+24.0%
COSCO-PSA Terminal[6]	95,830	N/A	N/A
Total throughput	17,901,012	13,420,639	33.4%

Notes:

(1) The data represent throughput as from the effective date of acquisition of respective equity interests.

(2) The 10% equity interest in the River Trade Terminal was disposed of on 27th June, 2003.

(3) The first 2 berths of Yantian International Terminals Phase III became operational in October and November 2003 respectively, with the other 2 berths to be operational in 2004.

(4) Shanghai Pudong International Terminals officially opened for business on 1st March, 2003.

(5) The acquisition agreement of 20% interest in Qingdao Qianwan Terminal (Phase II) was entered into by the Group in July 2003 and the deal was completed in December 2003. After the restructuring, Qingdao Qianwan Container Terminal Co. Ltd. (include Qingdao Qianwan Terminal Phase II and III) opened for business on 1st January, 2004.

(6) COSCO-PSA Terminal officially opened for business on 1st November, 2003. One berth was being operated during the year with planned expansion to two berths prior to 2008.

(7) Cheer Hero Development Limited ("Cheer Hero Terminal"), a subsidiary of Plangreat Limited which is in turn a wholly owned subsidiary of the Group, registered a throughput of 56,597 TEUs (2002: 65,935 TEUs). Taking this into account, the Group achieved a total throughput of 17,957,609 TEUs in 2003 (2002: 13,486,574 TEUs) or a 33.2% year-on-year growth.

COSCO Pacific achieved distinguished results in developing terminal projects. During the year, the following 3 new terminal projects have been acquired by COSCO Pacific and the other terminal project started operation:

Investments	**Date operational**	**Berths**	**Annual capacity (TEUs)**
Shanghai Pudong International Terminals	March 2003	3	2,300,000
Yantian International Terminals Phase III (started operation)	October 2003	4	2,400,000
COSCO-PSA Terminal	November 2003	2	1,000,000
Qingdao Qianwan Terminal	January 2004	11	6,500,000
Total		20	12,200,000

Qingdao Qianwan Terminal

The agreement to acquire 20% interest in Qingdao Qianwan Terminal (Phase II), which was entered into in July 2003 was completed in December 2003. The Qingdao Qianwan Container Terminal Co., Ltd., a jointly controlled entity in which the Group committed to inject approximately US$180,000,000 and holds a 20% interest, officially opened for business on 1st January, 2004. The Company operates Qingdao Qianwan Terminal Phases II and III with 11 berths, of which 8 have commenced operations.

Dalian Automobile Terminal Co., Ltd.

On 28th December, 2003, COSCO Pacific entered into a joint venture agreement with Dalian Port Group Co., Ltd. and Nippon Yusen Kabushiki Kaisha for a joint investment in Dalian Automobile Terminal Co., Ltd., in which the Group injected approximately US$2,900,000 and holds a 30% equity interest. The joint venture was duly incorporated upon completion of its incorporation procedures on 29th January, 2004.

Tianjin Five Continents International Container Terminal Co., Ltd.

On 23rd December, 2003, the Group and Tianjin Port (Group) Co., Ltd., CSX World Terminals New World (Tianjin) Limited, China Shipping Terminal Development Co., Ltd. and China Merchants International Terminals (Tianjin) Limited entered into a joint venture agreement in Tianjin to form Tianjin Five Continents International Container Terminal Co., Ltd. (the "JV Company"), which will be established to invest, manage and operate Tianjin Dongtudi Container Terminal. The Group committed to inject approximately US$19,000,000 and holds a 14% equity interest in the JV Company.

Investment in Terminals Abroad

Apart from its focus on expanding and operating container terminals in the PRC, the Group also strives for identifying potential container terminals, particularly where the terminal service demand of the COSCO fleet is significant, in major hub ports worldwide in an attempt to tap the strong growth of global container transportation, expand and strengthen its terminal network and boost its competitiveness.

Given the key hub port role of Singapore in South-east Asia and its status as the second largest container port worldwide, the Group established COSCO-PSA Terminal, a jointly controlled entity in which it holds a 49% equity interest, with PSA Corporation Limited. The first berth under the joint venture officially opened for business on 1st November, 2003, which hallmarked the first step of COSCO Pacific to expand its terminal business investment and operations abroad and to become a leading operator in container terminals in Asia.

Container Handling and Storage

Plangreat Limited, a wholly owned subsidiary of the Company, and its subsidiaries are principally engaged in container handling, stevedoring, storage, repairs and drayage services. During the year, drayage and container storage at its depots increased while operation at Cheer Hero Terminal declined. Turnover in 2003 was US$8,761,000 (2002: US$8,790,000), slightly down by 0.3% over last year.

Logistics

On 22nd September, 2003, COSCO Group and COSCO Pacific entered into an agreement to acquire a 49% interest in COSCO Logistics, a wholly owned subsidiary of COSCO Group. The said agreement was approved by a special general meeting of COSCO Pacific held on 29th October, 2003. Acquiring COSCO Logistics not only provides a sound opportunity for COSCO Pacific to access the buoyant logistics industry developing in China mainland, but also to fully capitalise on the brand name effect of COSCO Group and to create synergies between container transportation and modern logistics industries.

Total consideration of RMB1,180,410,000 paid by COSCO Pacific for acquiring a 49% equity interest of COSCO Logistics represented implied pre- and post-consideration price earnings multiples of approximately 9.1 times and 13.1 times of the pro forma combined net profit of COSCO Logistics for the year ended 31st December, 2002. The acquisition comprised a cash payment of RMB446,410,000 to COSCO Group for part of the equity interest in COSCO Logistics and a direct cash contribution of RMB734,000,000 to COSCO Logistics. COSCO Pacific further agreed to pay COSCO Group an additional amount of RMB50,000,000 if the pro forma combined net profit of COSCO Logistics and its subsidiaries for the year ended 31st December, 2003 exceeded RMB200,000,000. The acquisition was subsequently completed in January 2004 and the consideration of RMB1,180,410,000 had been paid by the Company. Up to the date of this announcement, the payment of the additional amount of RMB50,000,000 is still pending for the completion of the examination of the aforesaid pro forma combined net profit.

With a nationwide service network through which it has established its leading position in shipping agency, freight forwarding, third party logistics and supporting services relating to the aforesaid services, COSCO Logistics offers its customers a wide range of comprehensive logistics services that spans the major coastal and economic areas in China mainland.

COSCO Pacific believes that the transaction can create synergies that benefit COSCO Logistics and the Group. Given that the Group already holds significant equity interests in container terminals located along major coastal areas in China mainland, COSCO Logistics can enhance its competitive advantages by partnering with these container terminals to provide better logistics services. Through investing in COSCO Logistics, the Group can enhance the attractiveness of its container terminals by offering integrated logistics services to its customers. The Group firmly believes that this investment will endow our shareholders with returns and will assist us in our target of becoming a leading logistics service provider in both China mainland and Hong Kong.

Container Production

In view of the increase in demand for containers, production volume of container related production companies, in which the Group invested, increased over that of 2002.

Container/Paint Factories	**Share-holding %**	**2003 Production Volume (Estimated)**	2002 Production Volume	+/-
Shanghai CIMC Reefer Containers	20	35,398 TEUs	33,582 TEUs	+5.4%
Shanghai CIMC Far East Container	20	124,537 TEUs	97,174 TEUs	+28.2%
Tianjin CIMC North Ocean Container	22.5	98,306 TEUs	79,506 TEUs	+23.6%
Shanghai COSCO Kansai Paint Factory	20	36,024 tonnes	20,641 tonnes	+74.5%
Tianjin COSCO Kansai Paint Factory	20	27,659 tonnes	24,233 tonnes	+14.1%

On 25th November, 2003, the Group entered into agreements to dispose of its equity interests of 20% each in Shanghai COSCO Kansai Paint & Chemicals Co., Ltd. ("Shanghai COSCO Kansai Paint Factory") and Tianjin COSCO Kansai Paint & Chemicals Co., Ltd. ("Tianjin COSCO Kansai Paint Factory") respectively to COSCO International Holdings Limited, a fellow subsidiary, and all procedures relating to the disposals were completed in January 2004.

Other Investment

Banking

Liu Chong Hing Bank, in which the Group held a 20% interest, made a pre-tax profit contribution of US$9,762,000 (2002: US$8,455,000), an increase of 15.5%.

EMPLOYEES AND REMUNERATION POLICIES

The Group considers that talent is one of the key factors for corporate development, and sees our staff team as our most precious asset. Therefore, being people-oriented, the Group strives for providing good working environment and room for personal development with particular emphasis on training of staff and the management. To this end, the Group organises different kinds of seminars and subsidises staff to study various courses related to our operations in order to enhance the overall quality of our staff, enrich and update their knowledge structure to the extent that their potential could be activated. By presenting harmonious working atmosphere through various team spirit building activities and training should motivate our staff to fully exploit their creativeness in completing their work thereby enhancing the competitive edge of the Group.

As at 31st December, 2003, there were 380 employees in the Group. The Group continues to set employee remuneration packages based on fair and equitable principles by taking into account individual work performance and market features. The management will also review remuneration policies regularly and enhance incentive and appraisal mechanisms continuously. Apart from salaries and bonuses, share options were granted by the Company to employees to motivate them to upgrade their level of services to customers and create values for the Group. Total staff cost of the Group for the year ended 31st December, 2003, including directors' remuneration, totalled US$15,769,000 (2002: US$13,506,000).

CORPORATE GOVERNANCE

In order to ensure that the Group attains a higher standard of corporate governance, the Board and the senior management of the Company are committed to implementing consistently all key principles of corporate governance in the long term interest of shareholders and stakeholders by assuring that our financial services partners who provide funds for the Group will secure reasonable investment returns. Save for complying to the rules and regulations of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") continuously, the following measures were adopted by the Group during the year:

(i) We strive for enhancing the efficiency of the Board and strengthen the monitoring of the management over different aspects of fairness, transparency, explanation and accountability. The Board has established various committees, including Investment and Strategic Planning Committee, Corporate Governance Committee, Risk Management Committee, Nomination Committee as well as Remuneration and Assessment Committee. Together with the long established Audit Committee, there are a total of six specialised committees monitoring the operation of the Group.

(ii) Heads of COSCO Group have joined the Board as executive directors to provide full support to the business development of COSCO Pacific.

(iii) At least four board meetings are scheduled each year in order to strengthen the functions of the Board.

(iv) On the basis of delivering two results announcements annually, we take further initiatives in enhancing transparency by conducting quarterly meetings as well as discussion meetings with analysts to brief the operations of the Group and to consolidate our institutional investor base as well as to upgrade our competitiveness in capital markets.

(v) An information disclosure system whereby monthly throughput of all terminals are posted in our website.

INVESTOR RELATIONS

On the basis of its sound business performance and positive as well as aggressive development strategy, coupled with good investor relations, COSCO Pacific was admitted as constituent stock of major indices, including the admission to the Hang Seng Index on 9th June, 2003. During the year, our stock price outperformed the market with active trading volumes and continuous surges in market capitalisation. Closing price of the stock as at 31st December, 2003 was HK$10.35, an increase of 61.7% over 2002. Market capitalisation stood at HK$22,237,413,000.

We firmly believe that effective investor relations is beneficial for both investors and related parties to fully appreciate the intrinsic value of an enterprise, the market value of which will be reflected in its share price. Sound investor relations will not only benefit us in securing favourable financing channels amongst our peers, but also further create value for shareholders. COSCO Pacific strives for enhancing its management mechanism, upgrading governance standard and improving corporate transparency by establishing an honest and diligent corporate image for the attention of institutional investors.

2003 was a year of harvest for COSCO Pacific as it was endowed with 6 awards:

(i) In Finance Asia's "Asia's Best Companies 2003" survey announced in March 2003, COSCO Pacific was ranked as one of the "Most Commitment to Shareholder Value", "Best Corporate Governance" and "Best Financial Management" enterprises in China.

(ii) In CLSA's Corporate Governance Research Report published in April 2003, COSCO Pacific was once again assessed as one of the "Best Corporate Governance" PRC enterprises.

(iii) In the most authoritative global Institutional Investor Research Group's annual report on Asian Equity Investment Report published in June 2003, COSCO Pacific was accredited as "The Conglomerate Enterprise with the Best Investor Relations in Asia".

(iv) The Group's wholly owned subsidiary, COSCO Pacific (China) Investment Co., Ltd. was accredited by the PRC Ministry of Commerce as one of the "Top 100 Model Units of China Foreign Trade Enterprises in Creditability System Construction".

(v) In the "Best Corporate Governance Disclosure Awards" released by Hong Kong Society of Accountants on 11th November, 2003, COSCO Pacific became the first PRC company to have won the "Significant Improvement Award" in the Hang Seng Index Category.

(vi) COSCO Pacific's 2002 Annual Report was awarded "Honourable Mention of the Best Annual Reports Awards" by the Hong Kong Management Association for the fourth time.

During the year, the Company arranged 3 site visits for fund managers, analysts and media in its projects in Beijing, Shanghai, Qingdao and Xiamen in order to foster investors' understanding of COSCO Pacific's terminal and logistics development. As such activities were well acclaimed by the participants, the Company intends to organise more visits of this kind so as to maintain closer communications with investors and related parties. One of our focuses for 2004 is to sustain and solidify our work on investor relations.

SOCIAL RESPONSIBILITY AND OBLIGATIONS

Apart from continual improvement in profitability, we believe that the success of a company also lies in protection of the environment as well as fulfilling its corporate social responsibility. During the commemorative activities for the eighth anniversary of COSCO Pacific's public listing in December 2002, all staff were mobilised to plant seedlings at Taipo Waterfront Park to enlighten our staff's consensus of environmental protection. We donated HK$500,000 in May 2003 for insurance coverage urgently required by frontline medical personnel in Beijing for their fight against SARS. In 2003, a number of internship positions were offered to students from various universities in Hong Kong. In the same year, some of our senior management members were invited to hold professional training and teaching sessions gratis for certain universities in the PRC and Hong Kong.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

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

PROSPECTS

Global economic and trade recovery is set to accelerate in 2004, while China's economy and foreign trade are expected to sustain rapid growth. Likewise, a continuous growth trend is expected for the international shipping market. China is expecting an economic growth of approximately 7% for 2004. Driven by growing demand for shipping as China's foreign trade begins to pick up on the back of domestic economic growth and global economic recovery, together with the increasing investment in China by transnational corporations. China's container cargo volume is expected to grow steadily.

COSCO Pacific is determined to give full play to the notion of "going global". It will on the one hand make every effort to procure cooperation with international partners in constructing and promoting China's economic development leveraging on its strong presence in the Chinese market, and on the other hand seek international business development opportunities in a timely manner to further develop its three core operations, namely container leasing, container terminal operation and logistics business in full utilisation of possible financing available from international capital markets, striving to achieve new benchmarks in management and performance in the capital market in a bid to create value for shareholders and live up to expectations for the Company.

By Order of the Board
SUN Jiakang
Managing Director

Hong Kong, 25th March, 2004

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 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 the Company will be held at 49th Floor, COSCO Tower, 183 Queen's Road Central, Hong Kong on Friday, 21st May, 2004 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, 2003.
2. To declare a final dividend for the year ended 31st December, 2003.
3. To re-elect the retiring directors and to fix the amount of 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, 25th March, 2004

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, 18th May, 2004 to Friday, 21st May, 2004, 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 4:00 p.m. on Monday, 17th May, 2004.
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)***