COSCO Pacific Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 1199)

ANNOUNCEMENT OF 2004 FINAL RESULTS ACCELERATING GROWTH

COSCO Pacific Limited ("COSCO Pacific" or the "Company") and its subsidiaries (the "Group") achieved steady growth in overall results in 2004, with excellent performances in its container leasing and container terminal businesses. The year under review saw phenomenal business developments for the Group, underpinned by an expanded container fleet and steady gains in the market share for its container leasing businesses and robust growth in throughput for its container terminal businesses. Meanwhile, the Group took a further step towards its goal of developing into a global business group by exploring new projects and investment-related business.

- **Profit attributable to shareholders rose by 33.7% to US$206,292,000**
- **Full-year dividend payout ratio was 56.5%**
- **Return on total assets was 10.0%, up 1.5 percentage points**
- **Return on shareholders' equity was 14.8%, up 2.8 percentage points**
- **Total container fleet increased by 13.6% to 919,128 TEUs, enhanced the ranking to the fourth largest container leasing company in the world**
- **Total container terminal throughput increased by 39.6% to 23,492,425 TEUs, ranking the fifth among global terminal operators**
- **Aggregate number of container terminal berths will be increased from 51 to 72 with aggregate annual capacity of containers increased by 10,500,000 TEUs to 36,500,000 TEUs.**
- **COSCO Logistics topped the list of "Top 100 PRC Logistics Companies" and "Twenty Most Competitive Logistics Companies in 2004"**
- **CIMC continue to rank the first among container manufacturers in the world in terms of annual production and sales volume**
- **Received five awards on corporate governance and investor relations**

RESULTS

	Note	**2004** **US$'000**	2003 US$'000
Turnover	2	**275,296**	257,495
Cost of sales		**(112,639)**	(112,417)
Gross profit		**162,657**	145,078
Other revenues		**49,307**	33,579
Administrative expenses		**(31,144)**	(27,010)
Other operating expenses (net)		**(24,382)**	(25,511)
Operating profit	3	**156,438**	126,136
Finance costs		**(23,371)**	(17,149)
Operating profit after finance costs		**133,067**	108,987
Share of profits less losses of			
– jointly controlled entities		**41,956**	6,711
– associated companies		**69,497**	64,915
Profit before taxation		**244,520**	180,613
Taxation	4	**(35,784)**	(24,424)
Profit after taxation		**208,736**	156,189
Minority interests		**(2,444)**	(1,858)
Profit attributable to shareholders		**206,292**	154,331
Dividends	5	**117,662**	87,568
Earnings per share			
Basic earnings per share	6	**US9.55 cents**	US7.19 cents
Diluted earnings per share	6	**US9.51 cents**	US7.18 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 Institute of Certified Public Accountants ("HKICPA"). 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.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods beginning on or after 1st January 2005. The Group has not early adopted these new HKFRSs in the accounts for the year ended 31st December 2004. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

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 businesses

(ii) container terminal and related businesses

(iii) freight forwarding, logistics and related businesses

(iv) container manufacturing and related businesses

(v) banking businesses

(vi) corporate and other businesses

	Year ended 31st December 2004						
	Container leasing and related businesses *US$'000*	**Container terminal and related businesses** *US$'000*	**Freight forwarding, logistics and related businesses** *US$'000*	**Container manufacturing and related businesses** *US$'000*	**Banking businesses** *US$'000*	**Corporate and other businesses** *US$'000*	**Total** *US$'000*
Turnover							
— total revenues	257,046	18,255	—	—	—	—	275,301
— inter-segment sales	—	(5)	—	—	—	—	(5)
External sales	257,046	18,250	—	—	—	—	275,296
Segment results	119,776	2,730	(5,122)	(53)	—	—	117,331
Dividend income from unlisted investments	—	21,260	—	—	—	—	21,260
Unallocated costs							
— net corporate expenses	—	—	—	—	—	(5,987)	(5,987)
— corporate finance costs	—	—	—	—	—	(512)	(512)
— corporate interest income	—	—	—	—	—	975	975
Operating profit/(loss) after finance costs	119,776	23,990	(5,122)	(53)	—	(5,524)	133,067
Share of profits less losses of							
— jointly controlled entities	—	19,948	18,738	3,270	—	—	41,956
— associated companies	—	58,014	—	—	11,483	—	69,497
Profit before taxation							244,520
Taxation							(35,784)
Profit after taxation							208,736
Minority interests							(2,444)
Profit attributable to shareholders							206,292

	Year ended 31st December 2003						
	Container leasing and related businesses	Container terminal and related businesses	Freight forwarding, logistics and related businesses	Container manufacturing and related businesses	Banking businesses	Corporate and other businesses	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Turnover							
— total revenues	239,689	17,853	—	—	—	—	257,542
— inter-segment sales	—	(47)	—	—	—	—	(47)
External sales	239,689	17,806	—	—	—	—	257,495
Segment results	91,896	4,288	—	—	—	—	96,184
Dividend income from unlisted investments	—	20,421	—	—	—	—	20,421
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

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

The movements of containers and generator sets under operating leases or finance leases are known through report from the lessees but the Group is not able to control the movements of containers and generator sets except to the degree that the movements are restricted by the terms of the leases or where safety of the containers and generator sets is concerned. It is therefore impracticable to present segment information by geographical areas.

The activities of container terminal and related businesses, freight forwarding, logistics and related businesses, container manufacturing and related businesses, corporate and other businesses are carried out in Hong Kong, China mainland, Belgium and Singapore while that of banking businesses are predominantly carried out in Hong Kong.

3. Operating profit

Operating profit is stated after crediting and charging the following:

	2004 *US$'000*	2003 *US$'000*
Crediting		
Dividend income from unlisted investments	**21,260**	20,421
Revaluation surplus of investment properties	**292**	—
Charging		
Depreciation and amortisation	**102,523**	95,517
Amortisation of goodwill on acquisitions of jointly controlled entities	**2,507**	—
Revaluation deficit of investment properties	**—**	81
Impairment loss of containers (including in other operating expenses)	**474**	9,865
Cost of inventories sold	**23,973**	13,322
Provision for inventories	**295**	155
Write-off of inventories	**285**	—

4. Taxation

	2004 *US$'000*	2003 *US$'000*
Company and subsidiaries		
Current taxation		
— Hong Kong profits tax	**512**	526
— China mainland taxation	**828**	625
— Overseas taxation	**127**	106
— Over provision in prior years	**(46)**	(97)
	1,421	1,160
Deferred taxation relating to the origination and reversal of temporary differences	**16,600**	11,354
Deferred taxation resulting from an increase in Hong Kong profits tax rate	**—**	(12)
	18,021	12,502
Share of taxation attributable to:		
Jointly controlled entities		
— China mainland taxation	**6,565**	659
— Overseas taxation	**(43)**	75
— Deferred taxation	**841**	—
Associated companies		
— Hong Kong profits tax	**8,571**	9,025
— China mainland taxation	**1,820**	1,017
— Deferred taxation	**9**	1,146
	35,784	24,424

Hong Kong profits tax has been provided at a rate of 17.5% (2003: 17.5%) on the estimated assessable profit for the year.

Taxation on profits from a subsidiary operating in China mainland has been calculated at an effective tax rate of 15.0% (2003: 15.0%) on the estimated assessable profit for the year.

Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

5. Dividends

	2004	2003
	US$'000	*US$'000*
Interim, paid, of US2.231 cents (2003: US1.769 cents) per ordinary share	**48,090**	37,986
Final, proposed, of US3.165 cents (2003: US2.308 cents) per ordinary share	**69,111**	49,582
Additional dividends paid on shares issued due to the exercise of share options before the closure of register of members		
— 2003 final	**163**	—
— 2004 interim	**298**	—
	117,662	87,568

At a board meeting held on 4th March 2005, the directors proposed a final dividend of HK24.6 cents (equivalent to US3.165 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, but will be reflected as an appropriation of retained profits for the year ending 31st December 2005.

6. Earnings per share

The calculations of basic and diluted earnings per share are based on the Group's profit attributable to shareholders of US$206,292,000 (2003: US$154,331,000).

The basic earnings per share is based on the weighted average number of 2,160,041,074 (2003: 2,147,340,079) 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 10,080,534 (2003: 926,165) 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 HK24.6 cents (2003: HK18.0 cents) per share, subject to approval by shareholders at the Annual General Meeting to be held on 20th May 2005. The proposed final cash dividend will be payable on or before 2nd June 2005 to shareholders whose names appear on the register of members of the Company on 20th May 2005.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 17th May 2005 to Friday, 20th May 2005, 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 Friday, 13th May 2005.

REVIEW OF OPERATIONS

Overall analysis of results

Turnover of the Group for 2004 rose by 6.9% over last year to US$275,296,000 (2003: US$257,495,000). Profit attributable to shareholders was US$206,292,000, up 33.7% over US$154,331,000 for 2003. Basic earnings per share were US9.55 cents (2003: US7.19 cents). The significant increase of profit attributable to shareholders for the year was mainly attributed to satisfactory results attained by the Group's container leasing and container terminal businesses with the benefit of a continuously robust shipping market and thriving import and export trade in China mainland. Most of the acquisitions and joint venture projects in terminals or logistics businesses entered into in the past two years generated profits in the year.

In the year, the Group sought to boost shareholders' return by increasing borrowings to finance the Group's capital expenditure which increased the return on shareholders' equity and total assets to 14.8% and 10.0% respectively (2003: 12.0% and 8.5% respectively). The Group was in a good financial position with a balanced investment return and liabilities.

FINANCIAL ANALYSIS

Turnover

Increase in turnover for 2004 mainly came from container leasing and related businesses which turnover was US$257,046,000 (2003: US$239,689,000), rose by 7.2%. Rental income from COSCO Container Lines Company Limited ("COSCON") was US$120,805,000 (2003: US$130,567,000). As at 31st December 2004, the number of containers leased by COSCON was 327,845 TEUs (2003: 310,444 TEUs). Rental income from other international customers ("International Customers") was US$135,116,000 (2003: US$108,479,000). As the shipping market had great demand for containers in the year, average utilisation rate rose. Additionally, the Group further developed its market and actively expanded the number of its containers for International Customers to 591,283 TEUs (2003: 498,381 TEUs). Rental income from International Customers surged significantly by 24.6%. Interest income from finance leases increased by 18.4% to US$573,000 (2003: US$484,000), and income from container management was US$207,000 (2003: US$99,000), a surge of 109.1%. The full year income from the leasing of generator sets, a new activity launched in 2003 in response to market demands, was US$345,000 (2003: US$60,000).

By exploring domestic cargo, annual throughput at Zhangjiagang Win Hanverky Container Terminal Co., Ltd. ("Zhangjiagang Win Hanverky Terminal") grew by 32.7% to 328,199 TEUs (2003: 247,306 TEUs), whereas its turnover rose to US$11,050,000 (2003: US$9,045,000).

Plangreat Limited and its subsidiaries despite have a slight increase in the operation of water level berth, there were different degrees of decrease in container storage and drayage dropped at the depots. In 2004, the turnover amounted to US$7,200,000 (2003: US$8,761,000).

Cost of sales

Cost of sales grew slightly by 0.2% to US$112,639,000 in the year (2003: US$112,417,000), mainly comprised of depreciation, depot rental, maintenance and operating expenses. During the year, utilisation rate of containers continued to grow and the related depot rental expenses, lifting and repositioning charges dropped significantly by US$6,469,000. As the container fleet grew, depreciation increased to US$100,066,000 (2003: US$93,050,000), accounting for 88.8% (2003: 82.8%) of the cost of sales.

Other revenues

Other revenues increased by US$15,728,000 to US$49,307,000 (2003: US$33,579,000) in the year. It was mainly attributable to the increase in sales of containers returned from COSCON upon expiry of leases ("Returned Containers"). During the year, 39,488 TEUs (2003: 23,619 TEUs) were sold, generating revenues of US$24,709,000 (2003: US$10,762,000). Yantian International Container Terminals Ltd. ("Yantian International Terminals") declared a dividend of US$15,009,000 (2003: US$14,483,000) for 2004. Shekou Container Terminals Ltd. ("Shekou Terminals") declared a dividend of US$5,668,000 for 2004 (2003: US$5,754,000) and paid an additional dividend of US$398,000 for 2003. Interest income in 2004 was US$3,286,000 (2003: US$2,343,000).

Administrative expenses

Administrative expenses increased by 15.3% over 2003. During the year, human resources, professional consultation and traveling expenses increased as the Group continued to beef up its marketing and new projects development.

Other operating expenses (net)

Other net operating expenses amounted to US$24,382,000 (2003: US$25,511,000). During the year, the sale of Returned Containers increased to 39,488 TEUs (2003: 23,619 TEUs) and the carrying net book value of these containers increased by US$10,651,000 to US$23,973,000 (2003: US$13,322,000). Since the cost of steel stood high, the selling price of old containers continued to rise and the provision for impairment of containers decreased significantly to US$474,000 (2003: US$9,865,000). In addition, the Group recognised a loss of US$2,192,000 from the disposal of its 10% interest in River Trade Terminal Holdings Limited in 2003.

Finance costs

During the year, finance costs increased by 36.3% to US$23,371,000 (2003: US$17,149,000). The Group's average borrowing for 2004 increased to US$609,503,000 (2003: US$370,628,000), the increase of which was partially attributable to the issue of US$300,000,000 10-year fixed rate notes in September 2003. The Group's average loan interest rate, net of gain of US$3,835,000 (2003: loss of US$1,193,000) arising from interest rate swap contracts, was 3.45% (2003: 3.22%). Interest rate started to rise in 2004 when the U.S. Federal Reserve increased the interest rate in the middle of the year. As a result, the cost of borrowing increased gradually.

Share of profits less losses from jointly controlled entities and associated companies

Profit contribution from jointly controlled entities, after goodwill amortisation charge, was US$41,956,000 (2003: US$6,711,000), representing a significant increase of 525.2%. Qingdao Qianwan Container Terminal Co., Ltd. ("Qingdao Qianwan Terminal"), COSCO-PSA Terminal Private Limited ("COSCO-PSA Terminal") and COSCO Logistics Co., Ltd. ("COSCO Logistics") contributed full year profit in 2004. Profits were also contributed by Yangzhou Yuanyang International Ports Co. Ltd. ("Yangzhou Yuanyang International Ports") and Yingkou Container Terminals Company Limited ("Yingkou Terminals"), which were established or acquired by the Group during the year. Shanghai CIMC Reefer Containers Co., Ltd. recorded a drop in profit due to price hikes in raw materials and market competition. Profit contributions from Shanghai CIMC Far East Container Co., Ltd. and Tianjin CIMC North Ocean Container Co., Ltd. increased over 2003. Amortisation of goodwill for 2004 amounted to US$2,508,000 (2003: Nil), comprising of goodwill amortisation arising from the investment in Qingdao Qianwan Terminal, COSCO Logistics and Yingkou Terminals.

Profit contribution from associated companies amounted to US$69,497,000 (2003: US$64,915,000), representing an increase of 7.1%. Efforts of COSCO-HIT Terminals (Hong Kong) Limited ("COSCO-HIT") to explore new sources for business resulted in a record high throughput of 1,697,212 TEUs (2003: 1,513,559 TEUs), but profit contribution was slightly lower than last year due to changes in cargo mix. Throughput of Shanghai Container Terminals Limited ("Shanghai Terminals") rose by 7.3% while the profit contribution increased by 13.8%. Shanghai Pudong International Container Terminals Limited ("Shanghai Pudong International Terminals") which started operations in March last year, achieved a throughput of 2,336,740 TEUs (March to December 2003: 1,765,586 TEUs) in 2004 and reported an increase of 34.4% in profit contribution. Liu Chong Hing Bank Limited ("Liu Chong Hing Bank") contributed profit of US$11,483,000 (2003: US$9,762,000) during the year. Antwerp Gateway NV ("Antwerp Terminal") acquired in 2004 was still under construction and had not yet commenced operation.

Taxation

Aggregate tax amount in 2004 reported US$35,784,000 (2003: US$24,424,000), mainly reflecting the increase in profit of the jointly controlled entities and the further provision for deferred tax in relation to the container leasing and related businesses.

FINANCIAL POSITION

Cashflow

Cash inflows of the Group remained stable. During the year, net cash from operating activities amounted to US$266,188,000 (2003: US$217,757,000). The Group drew bank loans of US$252,950,000 (bank loans drawn and notes issued in 2003: US$387,721,000) and repaid US$78,238,000 (2003: US$330,097,000) during 2004. New shares were issued upon the exercise of share options and net proceed of US$41,508,000 (2003: US$1,101,000) was received. In 2004, the Group participated in a number of major investments, and total cash outflow was US$377,056,000 (2003: US$100,355,000). These projects included COSCO Logistics (US$151,101,000), Qingdao Qianwan Terminal (US$61,131,000) and China International Marine Containers Group Co., Ltd. (US$127,514,000). Major cash outflow investing activities in 2003 included Shanghai Pudong International Terminals (US$45,770,000), Qingdao Qianwan Terminal (US$14,800,000), COSCO-PSA Terminal (US$23,062,000) and Yantian International Container Terminals (Phase III) Limited ("Yantian International Terminals Phase III") (US$16,723,000). During the year, US$272,475,000 (2003: US$193,661,000) was paid for purchasing new containers.

Financing activities and facilities

A subsidiary of the Group completed a six-year club loan of US$205,000,000 which was participated by seven international banks. The all-in costs were calculated at the London Interbank Offered Rate ("LIBOR") plus 60 basis points. The proceeds were used for the purchase of new containers and for general working capital.

Antwerp Terminals, in which the Group had 25% equity interest, arranged to raise funds for development in 2004. A total of €143,400,000 will be raised with repayment term of up to 11 years. The loan agreement will be signed in March 2005.

As at 31st December 2004, the total cash on hand and unutilised bank facilities were US$100,578,000 and US$291,108,000 respectively (2003: US$283,835,000 and US$297,908,000 respectively), which was sufficient for the repayment of loans due in 2005 and meeting all capital commitments to be paid in 2005.

Assets and liabilities

As at 31st December 2004, the total assets of the Group was US$2,239,692,000 (2003: US$1,900,266,000). The total liabilities and minority interest amounted to US$766,885,000 (2003: US$579,102,000). The net assets value increased to US$1,472,807,000 (2003: US$1,321,164,000), mainly due to the increase in retained profits and the proceeds from new shares issued upon the exercise of share options. The net assets value per share was HK$5.261 (2003 HK$4.796), representing an increase of 9.7% over that of the last year.

As at 31st December 2004, cash balances of the Group amounted to US$100,578,000 (2003: US$283,835,000). Total indebtedness of the Group amounted to US$653,323,000 (2003: US$478,360,000), with a net debt-to-equity ratio of 37.5% (2003: 14.7%). Interest coverage was 12.6 times (2003: 16.1 times).

Certain of the Group's fixed assets with an aggregate net book value of US$331,647,000 (2003: US$318,976,000) and bank deposits of US$11,297,000 (2003: US$12,056,000) were pledged to various banks and financial institutions as securities against borrowings totalling US$176,392,000 (2003: US$177,523,000).

Debt analysis

	As at 31st December 2004 US$'000	(%)	As at 31st December 2003 US$'000	(%)
By repayment term				
Within the first year	**38,178**	**5.9**	32,848	6.9
Within the second year	**44,046**	**6.7**	32,608	6.8
Within the third year	**58,609**	**9.0**	41,046	8.6
Within the fourth year	**202,087**	**30.9**	54,108	11.3
Within the fifth year and after	**310,403***	**47.5**	317,750*	66.4
	653,323	**100.0**	478,360	100.0
By type of borrowings				
Secured borrowings	**176,392**	**27.0**	177,523	37.1
Unsecured borrowings	**476,931**	**73.0**	300,837	62.9
	653,323	**100.0**	478,360	100.0
By denomination of borrowings				
US dollar	**649,795**	**99.5**	475,686	99.4
RMB	**3,528**	**0.5**	2,674	0.6
	653,323	**100.0**	478,360	100.0

* Including the US$300,000,000 notes with a maturity date on 3rd October 2013, net of discount.

Contingent liabilities

As at 31st December 2004 and 2003, the Group had no significant contingent liabilities.

Treasury policy

The Group controls its exchange rate risks by raising funds in the denominations of its principal operating assets or cash revenue. The borrowings as well as the principal revenues and expenses of the container leasing and related businesses are denominated in US dollars. Hence, exposure to exchange rate risk is minimal.

In respect of jointly controlled entities and associated companies, such as COSCO-HIT, COSCO-PSA Terminal and Antwerp Terminals, all major borrowings were denominated in their respective local currencies to minimise their exchange rate risks.

The Group exercises stringent control over the use of derivatives for hedging against its interest rate risks. As at 31st December 2004 and 2003, the Group had the following outstanding interest rate swap contracts:

- notional principals of interest rate swap contracts amounted to US$100,000,000 at fixed interest rates ranging from 3.88% to 4.90% per annum payable by the Group.

- notional principals of interest rate swap contracts amounted to US$200,000,000 at floating rates ranging from 6-months' LIBOR plus 105 to 116 basis points payable by the Group.

Through interest rate swap contracts and fixed rate borrowing arrangements, the ratio of fixed and floating rate borrowings is 31.0%: 69.0% as at 31st December 2004 (31st December 2003: 42.0%: 58.0%) of the Group's loan portfolio. The Group monitors the market trend and adjusts the mix of its fixed and floating rate borrowings accordingly.

BUSINESS REVIEW

Container Leasing Business

Review of the container leasing market

In 2004, benefiting from the recovery of the global economy, the container leasing market continued to improve. By keeping its business development abreast of the times, the Group made great efforts to expand its market reach and capture business opportunities through in-depth analysis of market trends and changes as well as ongoing enhancement of services. Despite fierce market competition, the market share of the Group has been on the rise and enhanced the ranking to the fourth largest container leasing company in the world during the year which reinforced the Group's leadership in the container leasing industry.

Driven by the global economic upturn and ongoing economic growth in China mainland, the year under review saw thriving growth in trade as well as the shipping industry with a higher level of additional transportation capacity than a year ago and a strong demand for containers, which was favourable to the development of the container leasing industry. Rental rates of the container leasing industry rose in tandem with their purchase costs during the year as a result of shortage of steel supply and increasing market demand.

In 2004, Florens Container Holdings Limited and its subsidiaries (collectively referred to as "Florens") secured support of its target customer group by solidifying its efforts in market expansion and enhancing customer relationship. In line with customer demand, new containers of 155,526 TEUs (2003: 142,218 TEUs) were ordered and purchased during the year, accounting for approximately 13.0% of the new production of the container leasing industry in 2004 (2003: 12.9%). As at 31st December 2004, Florens had a container fleet of 919,128 TEUs (2003: 808,825 TEUs), accounting for approximately 10.1% (2003: 9.7%) of the global market share, an increase of 0.4 percentage points year-on-year, after deducting 5,380 TEUs under finance leases.

Expansion of customer base

Florens principally provides 10-year container leasing services for COSCON, the PRC's largest and the world's seventh largest container liner operator, and both long term and master lease container leasing services for other International Customers. As at 31st December 2004, the total number of customers of Florens was 218 (2003: 202).

Revenue of the container leasing business

The container leasing and related businesses made solid progress in 2004. Its turnover rose by 7.2% to US$257,046,000 (2003: US$239,689,000).

The container rental income from COSCON was US$120,805,000 (2003: US$130,567,000), accounting for 47.2% (2003: 54.6%) of Florens' container rental income. The container rental income from International Customers was US$135,116,000 (2003: US$108,479,000), representing a 52.8% (2003: 45.4%) of Florens' container rental income, of which long term and master lease rentals were US$88,010,000 (2003: US$64,873,000) and US$47,106,000 (2003: US$43,606,000) respectively. The increase in rental income from International Customers was due to higher leasing volume.

As at 31st December 2004, Florens leased a total of 327,845 TEUs (2003: 310,444 TEUs) to COSCON, representing 35.7% (2003: 38.4%) of Florens' container fleet. Containers available to International Customers rose to 591,283 TEUs (2003: 498,381 TEUs), representing 64.3% (2003: 61.6%) of the container fleet, of which long term and master leases accounted for 436,733 TEUs (2003: 326,608 TEUs) and 128,814 TEUs (2003: 121,959 TEUs) respectively.

Container fleet analysis

In 2004, Florens' container fleet increased by 13.6% to 919,128 TEUs (2003: 808,825 TEUs), with an average age of 4.3 years (2003: 4.3 years). During the year, Florens acquired new containers and sold or re-leased Returned Containers.

TEUs	**2004**	2003
Total number of containers (as at 1st January)	**808,825**	707,890
New containers acquired	**155,526**	142,218
Returned Containers from COSCON		
— Total	**(38,055)**	(27,729)
— Re-leased	**2,436**	3,943
Disposed of and pending for disposal	**(35,619)**	(23,786)
Ownership transferred to customers upon expiry of finance leases	**(508)**	(12,779)
Defective containers written off	**(259)**	(503)
Total loss of containers declared and compensated by customers	**(8,837)**	(4,215)
Total number of containers (as at 31st December)	**919,128***	808,825*

* Including 23,639 TEUs (2003: 16,680 TEUs) managed on behalf of a third party.

Container fleet analysis by container type

31st December 2004	**Total**	**COSCON**	**International Customers**
Total number of containers	919,128	327,845	591,283
Dry	94.7%	92.0%	96.3%
Reefer	4.0%	7.4%	2.1%
Special	1.3%	0.6%	1.6%

31st December 2003	Total	COSCON	International Customers
Total number of 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%

Utilisation rates

During the year, the overall annual average utilisation rate of Florens rose to 97.0% (2003: 95.2%), above the industry average of around 92% (2003: 89%), while the utilisation rate for those containers leased to COSCON remained at 100%. The increase was primarily attributable to a strong demand driven by continued market improvement, as well as Florens' enhanced marketing efforts to capture market opportunities and improve customer service quality, which proved effective in securing the support from customers.

Handling of Returned Containers

Florens stepped up its efforts on handling Returned Containers. For the year ended 31 December 2004, a total of 38,055 TEUs (2003: 27,729 TEUs) of Returned Containers were received from COSCON and 39,488 TEUs (2003: 23,619 TEUs) (including certain Returned Containers received before 2004) were disposed of. Benefiting from robust market demands, prices for new containers was on the rise while selling prices for Returned Containers were also higher year-on-year. Net loss on disposal of the Returned Containers decreased significantly to US$1,635,000 (2003: US$4,349,000). The Company succeeded in mitigating the risks associated with the handling of Returned Containers by achieving solid results in the re-leasing market through enhanced efforts, alongside with the disposal of Returned Containers.

Risk management

During the year, Florens did not have any additional customer with credit problems. Besides, insurance policies for its container fleet were successfully renewed in November 2004. Owing to Florens' good record in risk management in recent years, there was no increase in insurance premium.

At the same time, the management of Florens strengthened the management of its overseas entities by exercising stringent risk control measures. Actions were taken successfully to fulfill the duties and functions of the risk management departments to the fullest extent and to strengthen risk awareness and responsibilities of marketing staff, as improvement was made in the supervision and management of their financial matters. In addition, Florens further enhanced various codes of practices and work procedures to facilitate better management.

Container leasing market outlook

As the trend of containerisation continues to spread rapidly, the outlook for the container leasing market remains optimistic. The container leasing market benefited from the fast growth of additional transportation capacity in container shipping and the enormous demand for containers. The Group will continue to pursue rapid and yet prudent development strategies to cope with the market demands.

Container Terminal and Related Businesses

Development strategies for COSCO Pacific's terminal operations

Operating upon solid foundations in China mainland with full support from its parent company China Ocean Shipping (Group) Company ("COSCO"), the largest shipping group in the nation, COSCO Pacific's profile as an international terminal operator is coming into shape. While the focus of COSCO Pacific's future investment and development remains in China mainland, the most promising country in the world in terms of potential demand for terminal services, the Company will also seize any opportunity presented by the development of the global container terminal industry to increase its investment in major overseas terminals, on the back of the expanding container fleet of COSCO.

COSCO Pacific will ensure stable business volumes with growth potential and prospects for profitability for all terminals in its investment portfolio by enhancing existing partnerships with operators with similar shipping fleet background, thereby capitalising on such advantage.

While continuing with focused development and expansion of container terminals on the back of its own expertise, COSCO Pacific will also explore, on the basis of in-depth research and assured return, the possibility of investing in and operating specialised bulk-cargo terminals with sound business potentials, such as terminals handling minerals, coal and foodstuff etc., utilising fully the privilege of COSCO's versatile shipping fleet.

As a major international terminal operator, COSCO Pacific will continue to reinforce its position in the industry by upgrading its terminal operations and management capabilities in all areas and increasing stakes in partially-owned terminals.

Container Terminal Business Review

During the year, the container terminals gave an excellent performance. The total throughput was 23,492,425 TEUs (2003: 16,825,899 TEUs), representing a year-on-year increase of 39.6%. In particular, the performance of terminals in overseas and Bohai Rim regions was outstanding. They recorded an increase in throughput of 496.7% and 132.3% respectively. Next in the line were terminals in the Yangtze River Delta, which registered an increase in throughput of 18.8%, followed by terminals in the Pearl River Delta with a growth rate of 11.3%. COSCO Pacific was ranked fifth among global terminal operators as at the end of 2004 by Drewry Shipping Consultants Limited.

Terminal throughput (Unit: TEUs)	Shareholding	2004 (Note 1)	2003 (Note 1, 2)	+/–
PEARL RIVER DELTA		**9,006,145**	**8,094,900**	**+11.3%**
COSCO-HIT	50%	1,697,212	1,513,559	+12.1%
Yantian Internatinal Terminals (Phases I, II and III)	4.45%–5%	6,259,515	5,258,106	+19.0%
Shekou Terminals	17.5%	1,049,418	1,323,235	–20.7%
YANGTZE RIVER DELTA		**6,430,443**	**5,413,855**	**+18.8%**
Shanghai Terminals	10%	3,650,319	3,400,963	+7.3%
Shanghai Pudong International Terminals	20%	2,336,740	1,765,586	+32.3%
Zhangjiagang Win Hanverky Terminal	51%	328,199	247,306	+32.7%
Yangzhou Yuanyang International Ports	55.59%	115,185	N/A	N/A
BOHAI RIM		**7,483,974**	**3,221,314**	**+132.3%**
Qingdao Qianwan Terminal	20%	4,532,769	1,332,746	+240.1%
Qingdao Cosport Terminals	50%	385,856	244,159	+58.0%
Dalian Port Container Co.	8%	2,172,252	1,644,409	+32.1%
Yingkou Terminals	50%	393,097	N/A	N/A
OVERSEAS		**571,863**	**95,830**	**+496.7%**
COSCO-PSA Terminal	49%	571,863	95,830	+496.7%
Total throughput		23,492,425	16,825,899	+39.6%

Note 1: The data represents throughput as from the effective date of the Group's acquisitions of respective equity interests.

Note 2: The disposal of a 10% interest in River Trade Terminal Holdings Limited was completed on 27th June 2003.

COSCO-HIT

COSCO Pacific has a 50% equity interest in COSCO-HIT. Located at Terminal 8 East in Kwai Chung, the terminal occupies an area of 292,360 square metres. It has a quay length of 640 metres and a depth alongside of 15.5 metres.

In 2004, the throughput of COSCO-HIT increased by 12.1% to 1,697,212 TEUs (2003: 1,513,559 TEUs), representing a 12.6% (2003: 12.5%) market share of the total throughput of the Hong Kong Kwai Chung Terminals. The increase in throughput was mainly due to the rapid economic growth in southern China, fuelling the increase in the import and export of goods.

Handling and storage of containers

Plangreat Limited, a wholly owned subsidiary of the Company, and its subsidiaries are engaged in the provision of container handling, stevedoring, storage, repairs and transportation services. During the year, despite the slight increase in the operation of the water level berth in Hong Kong, there were different degrees of decrease in the container storage and drayage at the depots in Hong Kong.

Yantian International Terminals

The Group effectively owns a 5% interest in Yantian International Terminals (Phases I and II) and a 4.45% interest in Yantian International Terminals Phase III. The terminals are located at Dapeng Bay in Shenzhen and are major container terminals in southern China.

During the year, the total throughput of Phases I, II and III of Yantian International Terminals was 6,259,515 TEUs (2003: 5,258,106 TEUs), representing a growth of 19.0% and accounting for a 46.0% (2003: 49.5%) share of the handling capacities of the terminals in Shenzhen.

Shekou Terminals

The Group has a 17.5% equity interest in Shekou Terminals located at the southwestern part of the Shenzhen Special Economic Zone.

During the year, the total throughput of Shekou Terminals was 1,049,418 TEUs (2003: 1,323,235 TEUs), representing a year-on-year decrease of 20.7%, and accounting for a 7.7% (2003: 12.5%) share of the handling capacities of terminals in Shenzhen.

Shanghai Terminals

The Group has a 10% equity interest in Shanghai Terminals, which has three terminals located in Zhanghuabang, Jungonglu and Baoshan at the entry of Huangpu River in Baoshan District, Shanghai.

During 2004, Shanghai Terminals handled 3,650,319 TEUs (2003: 3,400,963 TEUs), a year-on-year growth of 7.3% over last year, representing approximately 25.1% (2003: 30.1%) of Shanghai's overall throughput.

Shanghai Pudong International Terminals

The Group holds a 20% interest in Shanghai Pudong International Terminals.

Situated in the Shanghai Waigaoqiao free trade zone area A, the terminal is well-equipped and prestigiously located.

In 2004, the terminal handled a cargo volume of 2,336,740 TEUs (2003: 1,765,586 TEUs), representing a year-on-year growth of 32.3% over last year and accounting for 16.1% (2003: 15.6%) of the aggregate throughput of the container terminals in Shanghai. Given their prime location in Shanghai port, Shanghai Pudong International Terminals has a prosperous future.

Zhangjiagang Win Hanverky Terminal

The Group has a 51% equity interest in Zhangjiagang Win Hanverky Terminal.

During the year, the throughput of Zhangjiagang Win Hanverky Terminal increased by 32.7% to 328,199 TEUs (2003: 247,306 TEUs). With increased container cargo shipping along the Yangtze River, the throughput of Zhangjiagang Win Hanverky Terminal as the only container terminal in Zhangjiagang is expected to maintain its growth momentum.

Yangzhou Yuanyang International Ports

The Group has a 55.59% equity interest in Yangzhou Yuanyang International Ports. The terminal owns and operates four berths with a quay length of 1,046 metres and depth alongside of 11 metres. It occupies a total area of 350,000 square metres.

During the year, Yangzhou Yuanyang International Ports handled a total of 115,185 TEUs and 2,991,926 tonnes of bulk cargo.

Zhenjiang Jinyuan Terminals

COSCO Ports (Zhenjiang) Limited, a wholly owned subsidiary of COSCO Pacific, entered into an agreement on 17th June 2004 to establish Zhenjiang Jinyuan Container Terminals Co., Ltd. ("Zhenjiang Jinyuan Terminals"), which has a total investment amount of RMB132,000,000 (equivalent to approximately US$16,000,000) and registered capital of RMB52,800,000 respectively, and manages and operates a container terminal situated at Zhenjiang, Jiangsu in China within the Yangtze River Delta. The Group has 25% equity interest in Zhenjiang Jinyuan Terminal and the project is pending for the approval from the relevant authorities in the China mainland.

Qingdao Qianwan Terminal

In July 2003, the Group entered into an agreement to acquire an equity interest in Qingdao Qianwan Terminal Phase II. Subsequently, COSCO Pacific formed a joint venture — Qingdao Qianwan Terminal with Qingdao Port (Group) Co., Ltd., Denmark's A.P. Moller and the UK's P&O Group. The company officially opened for business on 1st January 2004 operating both Phase II and Phase III. Currently, the Group holds a 20% equity interest in the joint venture company.

During the year, Qingdao Qianwan Terminal handled a throughput of 4,532,769 TEUs (2003: 1,332,746 TEUs), representing a year-on-year increase of 240.1% and accounting for 88.2% (2003: 31.4%) of the aggregate throughput of the terminals in Qingdao. The substantial increase in throughput was due to the sharp rise in the container throughput at Qingdao port. In addition, Qingdao Qianwan Terminal operated a total of 8 berths at Phases II and III in 2004, compared with only 3 berths were in operations at Phase II in 2003.

Qingdao Cosport Terminals

The Group has a 50% equity interest in Qingdao Cosport International Container Terminals Co., Ltd. ("Qingdao Cosport Terminals"). The terminal is located in the old harbour zone of Qingdao and mostly for handling domestic containers.

During the year, Qingdao Cosport Terminals saw a 58.0% increase in its throughput to 385,856 TEUs (2003: 244,159 TEUs), representing 7.5% (2003: 5.8%) of the aggregate throughput of the terminals in Qingdao.

Dalian Port Container Co.

The Group holds an 8% equity interest in Dalian Port Container Co., Ltd. ("Dalian Port Container Co."), which in turn holds a 51% equity interest in Dalian Container Terminal Co., Ltd.. Dalian Port Container Co. is also a substantial shareholder of Dalian Dagang China Shipping Container Terminal Co., Ltd. and Dalian Port Container Terminal Co., Ltd.

During the year, terminals operated by the joint venture handled a throughput of 2,172,252 TEUs (2003: 1,644,409 TEUs), representing a year-on-year growth of 32.1% and accounting for 98.2% (2003: 98.5%) of the aggregate throughput of terminals in Dalian. The increase is primarily attributable to the growth in production and transportation of container cargoes in Dalian.

Dalian Automobile Terminal

On 29th January 2004, Dalian Automobile Terminal Co., Ltd. ("Dalian Automobile Terminal"), in which the Group has a 30% equity interest, was established by the Group, Dalian Port Group Co., Ltd. and Nippon Yusen Kabushiki Kaisha. The terminal is a vehicle terminal situated at Dayaowan, Dalian and is COSCO Pacific's first investment in a roll-on/roll-off vehicle terminal. It is expected to commence operation in 2005 with an annual handling capacity of 600,000 vehicles.

Dalian Port Terminal

The Group has a 20% equity interest in Dalian Port Container Terminal Co., Ltd. ("Dalian Port Terminal"), the total investment and registered capital of which are RMB720,000,000 and RMB240,000,000 respectively. Dalian Port Terminal will take over two berths from Phase II of the Dalian Dayao Wan Terminal in the first half of 2005. In connection with this, the joint venture will obtain the operating right of such berths by way of a lease. The two berths occupy an area of 250,000 square metres with a quay length of 652 metres, a depth alongside of 13.5 metres, and a handling capacity of 1,000,000 TEUs.

Tianjin Five Continents International Container Terminal Co., Ltd.

On 23rd December 2003, the Group entered into a joint venture contract with Tianjin Port (Group) Co., Ltd., CSX World Terminal New World (Tianjin) Limited, China Shipping Terminal Development Co., Ltd. and China Merchants International Terminals (Tianjin) Limited to establish a joint venture company to invest, manage and operate the Dongtudi container terminal in Tianjin. The Group will hold a 14% equity interest in the joint venture company. Due to changes in the shareholders of the joint venture company, the Group entered into another joint venture contract with Tianjin Port Holdings Co., Ltd., NWS Ports Management Limited, China Shipping Terminal Development Co., Ltd. and China Merchants International Terminals (Tianjin) Limited on 16th December 2004 to form Tianjin Five Continents International Container Terminal Co., Ltd. Except for slight changes in shareholders and a revised total investment amount of RMB2,378,000,000 as compared to the previous contracted amount of RMB2,250,000,000 previously, the terms of the new joint venture contract were substantially the same as joint venture contract dated 23rd December 2003. This project is pending for the approval from the authority concerned in the PRC.

Tianjin Five Continents International Container Terminal Co., Ltd has four berths with a quay length of 1,202 metres and a water depth alongside of 15.7 metres, occupying an area of 516,000 square metres with an designed annual handling capacity of 1,500,000 TEUs.

Yingkou Terminals

The Group entered into an agreement with COSCO on 15th June 2004 regarding the acquisition of 50% interest in Yingkou Terminals for a cash consideration of RMB22,500,000. During the year, the terminal handled a throughput of 393,097 TEUs, accounting for 67.4% of the total throughput of terminals in Yingkou. It is currently the only terminal in Yingkou dedicated exclusively to the handling of containers.

COSCO-PSA Terminal

COSCO-PSA Terminal is a joint venture between the Group and PSA Corporation Limited and the Group holds a 49% equity interest therein. The terminal will operate two berths in Pasir Panjang Terminals in the port of Singapore which divided into two phases. In Phase I, the joint venture will operate one berth. The joint venture company will expand to operate two berths, by which time it will have an annual handling capacity of 1,000,000 TEUs. During the year, the terminal recorded a throughput of 571,863 TEUs (2003: 95,830 TEUs), accounting for 2.7% (2003: 0.5%) of total throughput of terminals in Singapore.

Antwerp Terminal

The Group entered into an agreement with P&O Ports Europe NV on 16th November 2004 to acquire a 25% equity interest in Antwerp Terminal in order to participate in the development and operation of a container terminal situated in the east of Deurganckdock in Antwerp. Antwerp is one of the fastest growing container ports in Europe. It was the third largest port in Europe and the tenth largest in the world. The Antwerp project will be completed in three phases. Upon completion, the terminal will have six berths with an annual handling capacity of approximately 3,500,000 TEUs. Phase I, which includes four berths, is expected to be completed and commence their operations by July 2005.

Logistics Business

Prominent results were accomplished by COSCO Logistics in the area of modern logistics in 2004, as the company carried its exploration of various target logistics markets to further depth while effectively consolidating achievements secured in the past two years. In November 2004, COSCO Logistics ranked first in the "Top 100 PRC Logistics Companies" selected by eight industry associations including China Communications and Transportation Association and China Railway Society. In December 2004, COSCO Logistics topped the list again in the "Twenty Most Competitive Logistics Companies in 2004" selected by China Federation of Logistics and Purchasing.

COSCO Logistics continued to expand its shipping agency and freight forwarding businesses in 2004. The year also proved decisive as COSCO Logistics assumed leadership in the domestic market of logistics services for household appliances, underscoring further expansion of its strategic core customer base that included companies such as Changhong, TCL and Hitachi etc.. Meanwhile, an effective business pattern was initially formed by utilising on a complementary basis both Qingdao Hisense and Attend Logistics Co. Ltd., two major platforms for household appliances logistics.

During the year under review, COSCO Logistics succeeded in expanding its market share in automobile logistics as increasing efforts were being made to develop customised automobile logistics solutions on the back of complementary, asset-based cooperation with renowned domestic car manufacturers, leveraging its edge in overall system resources to capitalise on opportunities presented by China's fast-growing automobile industry.

COSCO Logistics further consolidated its prestigious position in the market of power supply logistics during the year under review by making inroads in the development of power supply logistics solutions through consistent and effective marketing efforts on the back of its expertise in facilitating power supply logistics.

COSCO Logistics also made progress in the chemical sector during the year under review as it succeeded in developing logistics solutions with significant impact both in China and abroad, laying solid foundations for entering the market in 2005 in a more advantageous position.

COSCO Logistics won several tenders in 2004 to provide international logistics solutions in connection with convention and exhibition activities as it continues to aim at raising its corporate profile and increasing public exposure. The professional, efficient and quality services subsequently offered by COSCO Logistics were highly commended by its customers.

As an overall strategy, COSCO Logistics will continue to pursue and achieve the goal of extensive business development with continuous rapid growth in the next five years, with logistics, shipping agency and freight forwarding as its principal businesses.

Container Manufacturing Business and Other Investments

Container manufacturing business

China International Marine Containers (Group) Co., Ltd.

On 19th August 2004, the Group entered into an agreement to acquire an approximately 16.23% equity interest from COSCO in China International Marine Containers (Group) Co., Ltd. ("CIMC"). The transfer procedures of the legal ownership of the shares in the CIMC were completed at the end of 2004.

CIMC, being a listed company on the Shenzhen Stock Exchange, is one of the first container manufacturers and Sino-foreign joint ventures established in the PRC. It is principally engaged in the manufacturing and sale of modern traffic and transport equipment such as containers, modern road transport vehicles and airport ground equipment. CIMC has 18 production bases located in the southern, eastern and northern parts of the China mainland. Since 1996, it has been ranked the first among container manufacturers in the world in terms of annual container output and sales volume. Its customers include world leading shipping companies and container leasing companies.

The above investment in CIMC, the world's largest container manufacturer, is considered beneficial for the Group in strengthening its foothold in the growing container manufacturing and selling industry.

During the year, production of the three jointly controlled entities which engaged in container manufacturing and related businesses (with CIMC as the major shareholder), directly invested in by the Group, all rose from last year due to the increase in market demand.

Container factories	**Shareholding**	**Production volume 2004** *(TEUs)*	**Production volume 2003** *(TEUs)*	**+/–**
Shanghai CIMC Reefer Containers Co., Ltd.	20%	40,320	35,398	+13.9%
Shanghai CIMC Far East Container Co., Ltd.	20%	136,486	124,537	+9.6%
Tianjin CIMC North Ocean Container Co., Ltd.	22.5%	133,968	98,306	+36.3%

Other investments

Liu Chong Hing Bank Limited

The Group has a 20% equity interest in Liu Chong Hing Bank, which contributed US$11,483,000 (2003: US$9,762,000) to the Group's profit before taxation, an increase of 17.6% compared with 2003.

EMPLOYEES AND REMUNERATION POLICIES

The Group regards the building of a team spirit as an important guarantee to the healthy and rapid growth of its business. To fully cope with the expansion of its container leasing, container terminals, logistics as well as container manufacturing and related businesses, the Group has launched initiatives in management training and the recruitment of experts and professionals. With the ardent support of COSCO, the first training course on COSCO terminal management was held in 2004.

The Group is also committed to improving and ensuring the fairness of its remuneration packages and incentive regimes for employees on an ongoing basis. The Remuneration and Appraisal Committee and the Nomination Committee were established under the Board to provide structural assurances for the scientific management of human resources. Apart from the general remuneration and bonus packages, share options were also granted by the Company to provide motivation for greater contribution to the Group's rapid growth in concerted efforts under the corporate mission of "ensuring customer satisfaction and increasing shareholders' value."

As at 31st December 2004, the Group had 422 employees. Total staff remuneration cost for the Group for 2004, including directors' remuneration, amounted to US$17,573,000 (2003: US$15,769,000).

CORPORATE GOVERNANCE

To ensure a higher level of corporate governance, the Board and management of COSCO Pacific will strictly adhere to the major principles of good corporate governance practices. They will act in the long term interests of the shareholders and stakeholders of the Company. In addition, they will endeavour to ensure a reasonable level of investment return for its funding partners in the finance sector.

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.

INVESTOR RELATIONS

Since COSCO Pacific became a constituent stock of the Hang Seng Index ("HSI") on 9th June 2003, its shares outperformed the market and in active trading due to its solid business performance, aggressive expansion strategies and sound relations with investors. As a result, COSCO Pacific's market capitalisation has been on the rise. On 31st December 2004, COSCO Pacific's closing price was HK$16.10 (2003: HK$10.35) and its total number of shares in issue was 2,183,630,298 (2003: 2,148,542,298 shares), making a market capitalisation of approximately HK$35,156,448,000 (2003: HK$22,237,413,000), representing an increase of 58.1% over the end of 2003. Accounting for 0.8% (2003: 0.6%) of the level of HSI then, COSCO Pacific was the 24th (2003: 29th) biggest constituent stock. As for the Red Chips Index ("RCI"), the stock accounted for 3.5% (2003: 2.5%) of its prevailing level then and ranked the fourth (2003: sixth) biggest constituent stock.

COSCO Pacific's shares outperformed the market in 2004. Its average share price was HK$11.85, representing an increase of 42.3% over the average of HK$8.33 in 2003. The closing price of COSCO Pacific as at the end of 2004 was 55.6% above that as at the end of 2003. For the same period, the HSI rose by 13.2% and the RCI was up 9.1%.

In 2004, COSCO Pacific won a number of awards from various well-known international institutions. They include:

(1) Ranked among the "Top 10 Chinese Enterprises with the Best Dividend Policy" in the "Best Asia Companies Poll" conducted by Finance Asia

(2) Rated as a "Conglomerate Enterprise with the Best Investor Relations in Asia" by the Institutional Investor Research Group

(3) Rated as one of the enterprises with the "Best Corporate Governance" among the Hang Seng Index constituent stocks by Standard & Poor's

(4) Mr. LIU Guoyuan, the Vice Chairman of the Company and Mr. WONG Tin Yau, Kelvin, Deputy Managing Director of the Company, were both granted the "Best Investor Relations Officer" award by the IR Magazine

(5) The Company's fifth Honorable Mention in the Best Annual Reports Awards by the Hong Kong Management Association

Investor relation activities are a top priority of COSCO Pacific. In 2004, our investor and stakeholder meetings had an attendance of 1,145, of which 482 were for one-to-one meetings. By category, 18% of such attendance was from fund managers, 15% from analysts, 21% from the securities sector, 23% from bankers, 2% from the media and 21% from other sectors. Besides, 17 roadshows and investor forums were carried out with an attendance of 663 during the year.

CORPORATE CULTURE

In addition to aggressive business expansion, the Group also sees as a top priority the fostering of a corporate culture that helps create a harmonious and forward-looking working environment, so that every employee will have a chance to realise his/her potential fully in the discharge of his/her duties. The Group encourages life-long learning and constant upgrading of knowledge among staff, with a view to improving management and professional standards.

"Ensuring customer satisfaction and increasing shareholders' value" underscores the common belief of our staff. The Group will continue to cultivate corporate values such as "integrity, creativity, growth, communications, understanding, management, virtues and service" to motivate staff dedication to their respective duties at the Company for the maximisation of corporate efficiency and shareholders' value.

PROSPECTS

COSCO Pacific is enjoying strong momentum for growth amid global economic recovery and a thriving international freight forwarding market coupled with robust economic growth in China mainland. Backed by the concerted effort of our management and staff, we believe that COSCO Pacific is well-positioned to achieve new heights in its results.

We will continue to devise development strategies for the long term on the basis of our experience generated in a decade of operation for COSCO Pacific, striving to achieve our goal of developing into an international business group. While consolidating our market share in China, we will make dedicated efforts to tap the vast international market by diligently looking into opportunities for promising new projects. As our core businesses, namely container leasing, container terminal operations, logistics and container manufacturing and related businesses are currently in the stage of solid business growth, COSCO Pacific will capitalise on this opportunity to further develop its logistics and container manufacturing and related businesses and maintain its leadership in the industry by expanding its container terminal operations in China and abroad as well as its container fleet, on the back of effective application of financial resources.

MEMBERS OF THE BOARD

As at the date hereof, the executive directors of the Company are Capt. WEI Jiafu (Chairman), Mr. LIU Guoyuan (Vice Chairman), Mr. ZHANG Fusheng, Mr. WANG Futian, Mr. CHEN Hongsheng, Mr. LI Jianhong, Mr. MA Zehua, Mr. MA Guichuan, Mr. LI Yunpeng, Ms. SUN Yueying, Mr. ZHOU Liancheng, Mr. SUN Jiakang (Managing Director), Mr. XU Lirong, Mr. HE Jiale, Mr. WONG Tin Yau, Kelvin, Mr. MENG Qinghui, Mr. LU Chenggang and Mr. QIN Fuyan; the independent non-executive directors are Dr. LI Kwok Po, David, Mr. LIU Lit Man and Mr. Alexander Reid HAMILTON; and the non-executive director is Mr. KWONG Che Keung, Gordon.

By Order of the Board
SUN Jiakang
Managing Director

Hong Kong, 4th March 2005

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 in force prior to 31st March 2004, which remain applicable to results announcements in respect of accounting periods commencing before 1st July 2004 under the transitional arrangements, will be published on the Company's website and the website of the Stock Exchange in due course.

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