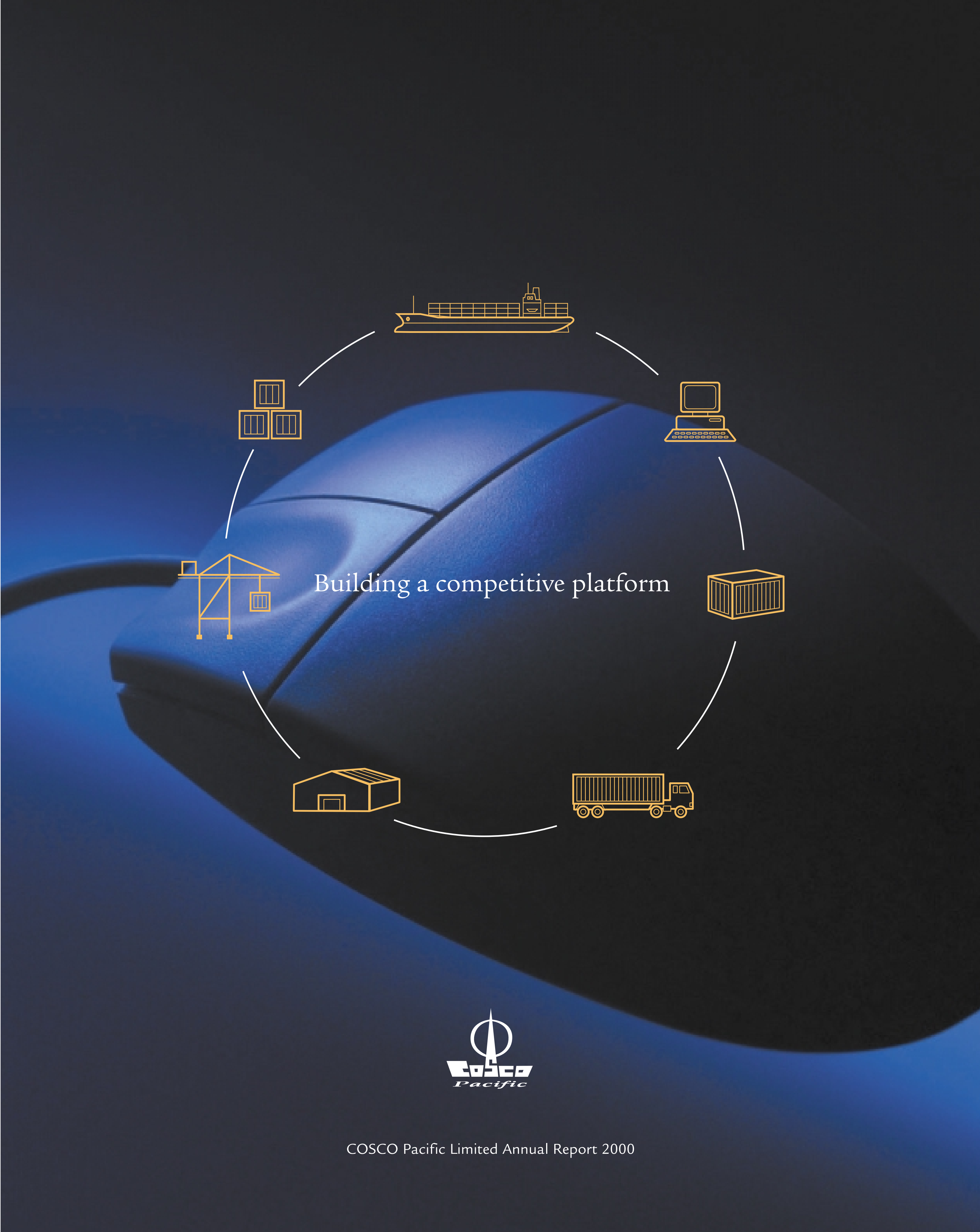

Building a competitive platform

COSCO Pacific Limited Annual Report 2000

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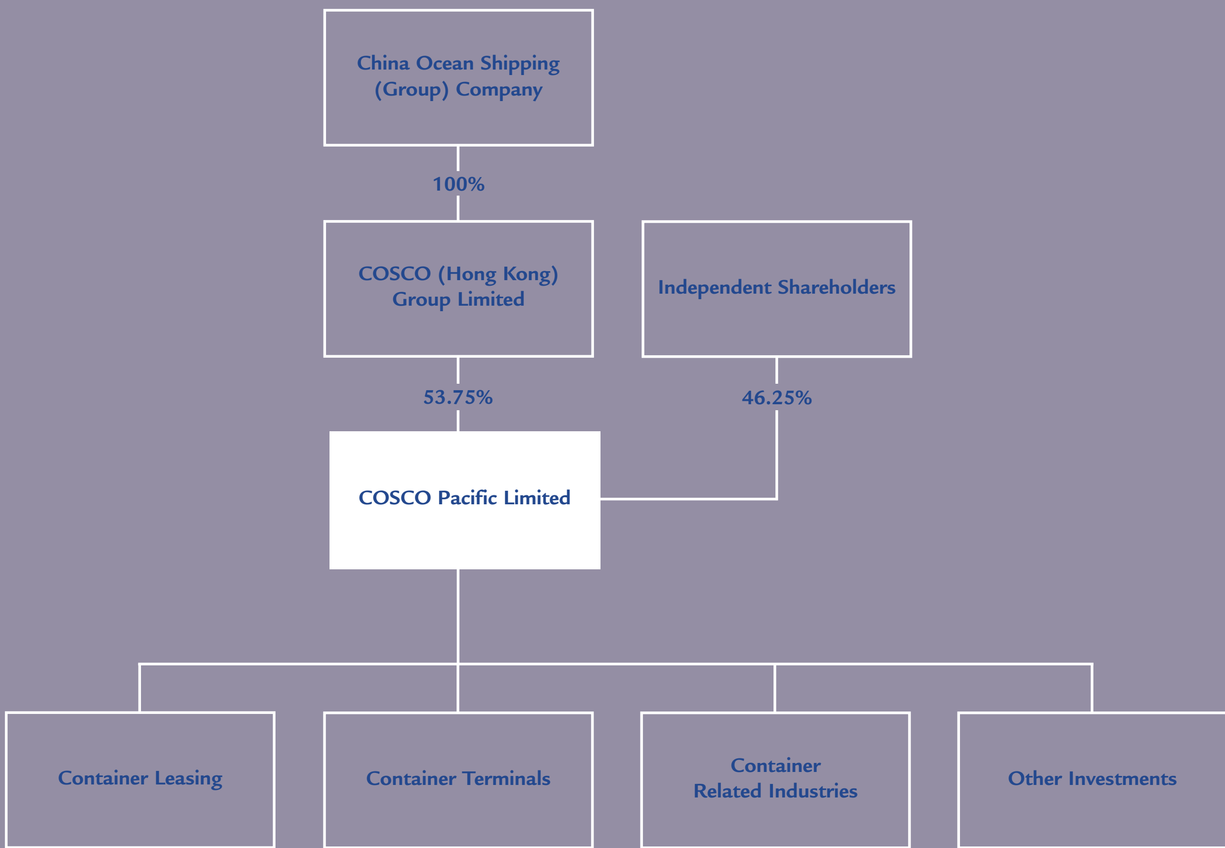
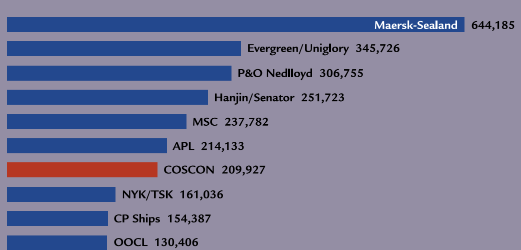
This report is designed to illustrate our management efforts aimed at strengthening communications with our shareholders and investors as well. We endeavour to improve the quality and enrich the contents of our annual reports every year. This report begins with statements from Mr WEI Jiafu, Chairman and Mr LIU Guoyuan, Vice Chairman outlining the Group's management philosophy, development strategies and future prospects. In reviewing the 2000 results, the management analyses the operational and financial performances of the Group. We hope this report will provide a clearer picture of our overall operations.

CORPORATE STRUCTURE

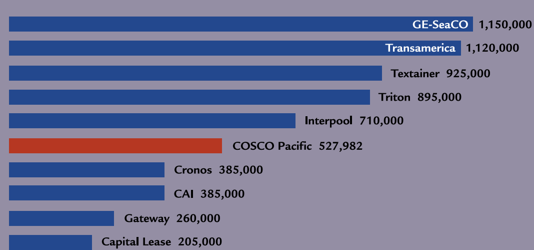


World Ranking of the Top 10 Container Ship Operators (TEUs)



Source: Containerisation International

World Ranking of the Top 10 Container Leasing Company (TEUs)



Source: Containerisation International

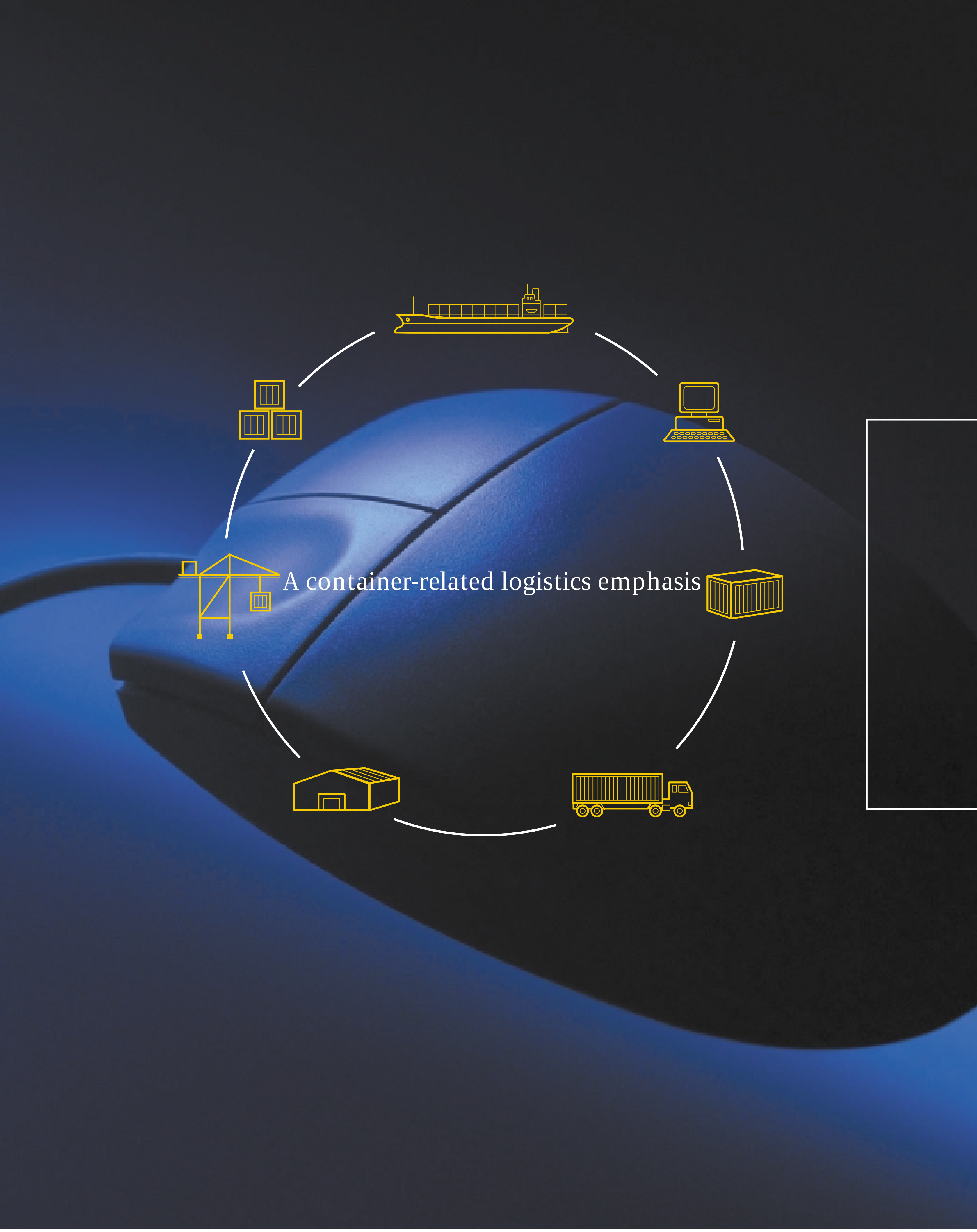
RESULTS HIGHLIGHTS

COSCO Pacific Limited ("COSCO Pacific" or the "Company") had a steady year in 2000, with a focus on improving operational efficiency and strengthening cost controls and competitiveness. The Company and its subsidiaries (the "Group") continued to enjoy increased profits in 2000.

	2000	1999	+/-
Turnover	US$217,893,000	US$220,638,000	-1.2%
Operating Profit after Finance Costs	US$81,479,000	US$83,384,000	-2.3%
Profit Attributable to Shareholders	US$142,546,000	US$134,082,000	+6.3%
Basic Earnings Per Share	US6.6634 cents	US6.3561 cents	+4.8%
Dividend Per Share	HK19.20 cents	HK18.20 cents	+5.5%
Total Assets	US$1,568,747,000	US$1,642,051,000	-4.5%
Total Liabilities	US$497,937,000	US$660,393,000	-24.6%
Net Assets	US$1,070,810,000	US$981,658,000	+9.1%
Net Debt	US$278,038,000	US$308,452,000	-9.9%
Net Debt-to-Equity Ratio	26.0%	31.4%	-5.4pp
Interest Coverage	5.1x	4.8x	+0.3x

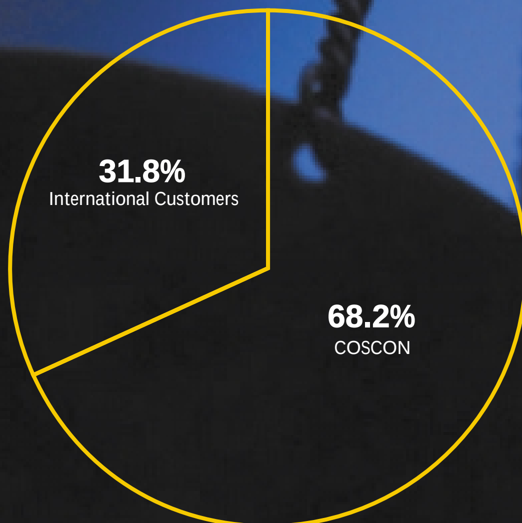
CORPORATE PROFILE

COSCO Pacific Limited is a leading player in the global container transportation business. It provides a chain of container logistics services covering container leasing, container terminals and other container-related industries. As the world's sixth largest container leasing company, COSCO Pacific has depots and sales offices strategically located around the globe. With the integration of the global economy, rising levels of containerization, the trend towards outsourcing of logistics, and China's entry to the WTO, the opportunities presented to the Group are unprecedented. Against this background, we have been building our competitiveness on many fronts, in order to create sustainable earnings growth, and to provide the best returns for our shareholders.

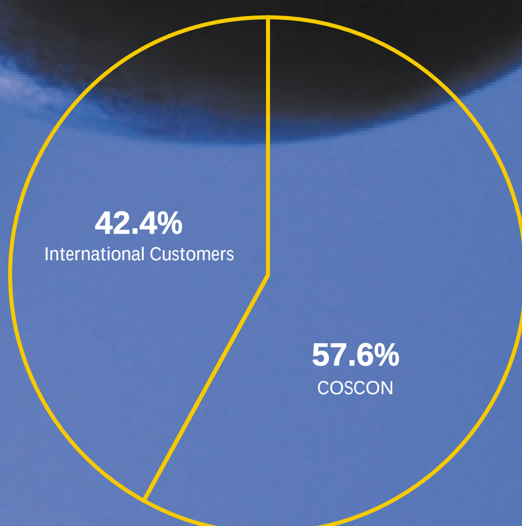

A container-related logistics emphasis

With the accelerating trend toward global outsourcing of logistics by multinational corporations, and the opportunities offered by internet-based technologies in this arena, COSCO Pacific is moving towards the development of a comprehensive container-related logistics business. Utilising e-commerce as a means of maximizing the efficiency of the chain of services we offer, the first phase in our strategy is the e-commerce enabling of our container leasing business. We have invested in an advanced internet-based information and enquiry system, enabling customers to lease and return our containers on-line. The system will be operational in the second half of this year. This will improve the quality and efficiency of our services.

Breakdown of Container Leasing Rental by Customers in 2000



A broader earnings base

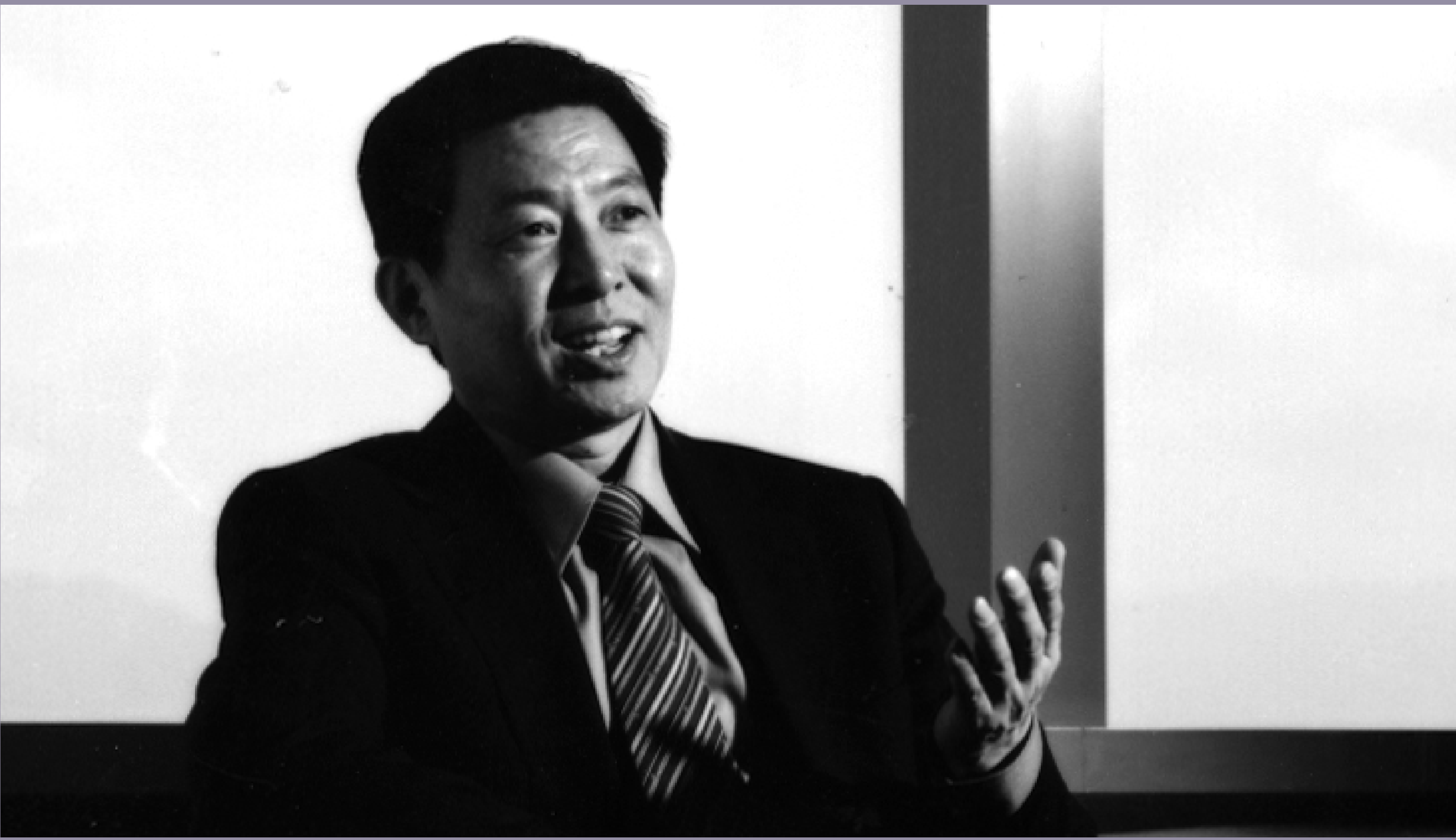


Breakdown of Container Fleet Capacity by Customers in 2000

Our primary focus is on delivering value for our shareholders, and a key objective in this process is to maximize our potential earnings base within the high growth containerized transportation sector. The achievement of this objective will enable us to optimize business opportunities, leveraging our core strengths to identify and develop new profitable growth areas for COSCO Pacific. Integrated logistics management relating to containerized transportation is one such growth area we have been developing. Another growth area we have identified is in attracting other international customers for our leasing business. We are moving aggressively forward in both areas to generate new revenue streams for the Company.

An expanded presence

In our business, increasing competitiveness means expanding our global presence as well as our services. Currently as the world's sixth largest container leasing company, we have already spanned our business network around the globe with eight overseas offices and 200 container depots worldwide. In China, we have unrivalled infrastructural support through the COSCO Group, and have invested in container terminals in Hong Kong and four China Mainland ports. With China's imminent WTO membership, and the accelerating levels of containerization worldwide, we are planning to make further terminal investments, particularly in China. Coupled with the increasing integration of the global economy, we believe the anticipated rise in trade volumes presents us with the best opportunity for growth in our history. COSCO Pacific is ready.



"COSCO Pacific Limited had a steady year in 2000, with a focus on improving operational efficiency and strengthening our competitiveness, in order to secure the best returns for our shareholders."

The first year of the 21st century will present both challenges and opportunities for COSCO Pacific. It will also mark the 40th anniversary of our parent, China Ocean Shipping (Group) Company ("COSCO Group"). As the Chairman of COSCO Pacific and the President of COSCO Group, I am therefore particularly pleased to brief the shareholders about our development strategies and future directions. A detailed analysis of the annual results will be covered in other sections of this report. I will therefore take the opportunity to explain to our shareholders the development of our operational and management philosophy, our business model, strategy and prospects.

OPERATIONAL AND MANAGEMENT PHILOSOPHY

COSCO Pacific's goal is to create the highest value for the Company and maximize return for shareholders. To achieve this, the Company continues to strengthen its market competitiveness by making efficient use of capital and capital resources, building a flexible and efficient corporate structure, strengthening the management skills and improving the use of information technology. Other factors include providing high levels of customer service, maintaining a solid customer base, motivating our employees, recruiting and retaining management staff.

CORPORATE MODEL

We believe high competitiveness requires a simple and efficient corporate structure, a flexible management model and a focused business. We need to understand and capitalise on our strengths and focus on our core businesses in order to increase our competitiveness.

DEVELOPMENT STRATEGIES

By analyzing the macro economic environment and business development, we aim to get a clear picture of the opportunities and challenges in our market and our industry so as to create a suitable business structure and investment plan that will allow us to develop new profit growth areas.

We will continue to focus on our core businesses. In container leasing, we will expand our international customer base and develop e-commerce business. In container terminals, together with COSCO Group, we will expand our investments in potential hub ports while pursuing investment opportunities in other terminals, with the aim of developing a comprehensive container-related logistics business.

OPPORTUNITIES AND CHALLENGES

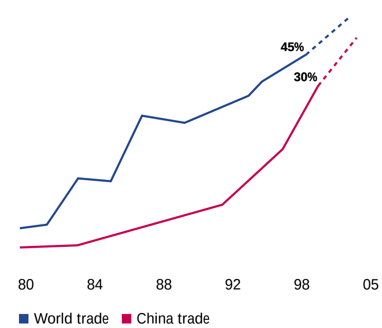
"Opportunities are expected to come with the increasing integration of world trade and China's entry to the World Trade Organization (WTO)."

If 2000 was a year in which we were building a competitive platform, 2001 will be a year of challenges and opportunities. As China enters the WTO and becomes an integral part of the global economic, information and financial systems, it will be the growth engine of Asia and the economic driver of the globalization of world trade. Furthermore, the regional economic integration will play an important role in promoting trade growth. As the communications, co-operations and developments among regional and continental economic organizations are further strengthened, the global trade is expected to grow substantially. As such, China's economic and foreign trade growth outlook should be promising.

"Increasing containerization will provide COSCO Pacific with more growth opportunities."

With the increase in global trade growth, demand for containerized cargo transportation will soar. Meanwhile, demand for container shipping will increase in line with the growth in trade since it is the more economical and efficient means of cargo transportation. In order to cope with this increasing demand, shipping companies will continue to expand their container fleet and equip themselves with more containers. This should result in increased volumes of loading and unloading at terminals. Therefore, increasing containerization will benefit container leasing companies and container terminal operators such as COSCO Pacific.

Trend of Increasing Containerization



"The Internet is a catalyst for global trade growth."

The Internet helps to speed up the trade process, increase trade opportunities, lower operation costs and expand trade growth. It also contributes to the rise in cargo shipment and consequently the rise in demand for container-related services from shipping companies.

The Company will take advantage of these opportunities by focusing on developing its container leasing and terminals businesses, while keeping a close eye on changes in the operational and commercial environment, market information and related technologies that may result from the growing popularity of the Internet. This will enable us to become more proactive in a highly competitive and changing environment.

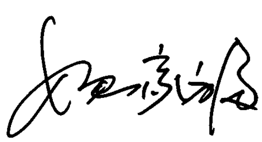
We have an aggressive plan in developing our e-commerce platform for the container leasing business. By closely monitoring the changing logistics systems in our businesses and operations, we will capture the opportunities for quality investment so as to maximize our profit growth. The Company has invested a total of US$6.2 million in an advanced computer system to develop on-line container leasing business that will be an essential element for enhancing our competitiveness in the container leasing industry.

PROSPECTS

The Board of Directors believes the Company, with its clear development strategies, healthy financial position, strong financing ability, professional management and solid experience, and the strong support from the COSCO Group, will be able to strengthen its competitiveness and achieve the best return for its shareholders.

2001 is the first year of China's 10th five-year plan. I believe that with China's imminent entry to the WTO, the next five years will be the most important for China's trade development, bringing opportunities and challenges for COSCO Pacific. We are actively building a competitive platform for our future development.

On behalf of the Board of Directors, I would like to take this opportunity to thank all shareholders for their support and our employees for their dedicated efforts in contributing to the success of the Group.



WEI Jiafu
Chairman

29th March 2001

"As members of COSCO Pacific's new management team, Chairman WEI Jiafu and I aim to introduce new ideas and motivation to support COSCO Pacific's drive to broaden its earnings base."

MARKET

"A company's perennial objective must be on how to develop and explore markets effectively. Companies will lose their competitive edge if their products and services are not in demand or if their market shares are too small. Therefore, a company can succeed only if it continuously monitors the market and grasps the opportunities presented, devising market strategies that are suitable to its own situation."

Looking back on 2000, the Asian economy stabilized, a factor highlighted by China's foreign trade which reached US$474.3 billion, a rise of 31.5% from 1999. The growth of China's economic trade benefited COSCO Pacific's container leasing and terminals businesses. Last year, our container fleet increased by 5.4% to 527,982 TEUs, and throughput at our five container terminals increased by 20.9% to 7,149,727 TEUs.

In the fourth quarter of 2000, the U.S. economic growth began to slow down. The United States is one of the world's leading nations in trade and its economic slowdown therefore affects imports and exports of other countries. However, China's entry to WTO will help stimulate the trade in China and worldwide. There are signs that the European economy is turning more favourable, which should help make global trade more balanced. We therefore remain optimistic about the overall economic environment and plan to expand our core businesses over the next few years.

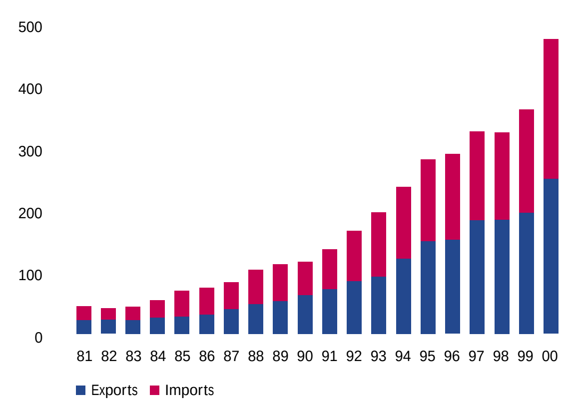
COSCO Pacific's business network spans the world. As the world's sixth largest container leasing company, we have eight overseas offices in the Americas, Europe and Asia with 200 container depots around the world. We have investments in container terminals in China's busiest ports. This global presence helps us obtain accurate market information and bolsters our competitiveness.

China's container terminals will see sustained growth in throughput following the country's entry to WTO, which is expected to lead to growth in China's import and export trade, and rising containerized cargo transportation. Our investment in the four container terminals in China Mainland will therefore be benefited. The Company intends to actively reap the opportunity of the rising market demand by further improving the capabilities and efficiency of its existing terminals and exploring new terminal investments.

PROFITABILITY

"Profitability is the Company's ultimate goal. We have therefore placed it at the core of our business philosophy in order to maximize our efficiency and achieve the best return for our shareholders."

China Trade (US$ Billion)



COSCO Pacific's strategy is to explore profit growth opportunities and to widen its earnings base. Following this strategy, the Company will take the opportunity of the container fleet expansion plan of COSCO Container Lines Company Limited ("COSCON") by providing more new containers for COSCON with 10-year leasing contracts. Meanwhile, capitalizing on its professional management team, COSCO Pacific will also strive to expand leasing with other international customers. In 2001, the Company plans to purchase 35,000 TEUs of new containers for COSCON and another 56,000 TEUs for international customers. This expansion plan will enhance the economy of scale of the container leasing fleet and the profitability of the leasing business.

SERVICE

"Service covers the whole process of production and operation and companies can only be competitive if they provide comprehensive services to their customers. Clients' demands are changing. The rapid rise of the modern logistics industry brought new opportunities and created severe challenges for the traditional shipping industry. Hence, our priorities are to develop new services for clients, win their trust, improve our corporate reputation and competitiveness through the use of technology."

COSCO Pacific provides high quality container leasing and terminal services. We provide different types of leasing and different types of containers to suit our customers needs. Management has also created an overall strategy and job description for the front and back end of our operations, focusing on the needs of clients. The comprehensive and quality services systematically introduced to clients will help maintain customer loyalty and increase our market share. In December 2000, we completed the first phase of our internet-based information and enquiry system which is part of our e-commerce container leasing service to be launched in the second half of 2001. This will mark an important starting point for our comprehensive container-related logistics business.

MANAGEMENT

"Professional management is fundamental to the success of a company. Managing a company is a comprehensive and systematic application of process and procedures. It is a broad and quickly changing science. We aim to improve our management through studying new theories of exploring new profit zones and applying advanced practical management concepts."

The globalization of the capital markets and the development of information are providing more choices for investors. Consequently, there is a need for greater transparency in corporate governance, financial and business information. With investors increasingly rating listed companies based on the quality of corporate governance, it has become a major issue around the world. COSCO Pacific has been focusing on improving corporate governance and transparency and has won high acclaims from investors. We believe good corporate governance not only improves our reputation among investors, strengthens our operational efficiency, financial management and cost controls, but also helps us to establish a solid base for our future development.

TEAMWORK

"To remain in the most favorable competitive position in the industry, a corporation has to possess a high quality and enthusiastic working team. Recruiting quality professionals becomes part of the competition among companies. COSCO Pacific offers excellent working environment and conditions as well as providing further training to existing staff to improve their business skills and their talent. These measures not only enhance our teamwork capability and establish a unique corporate culture but also help attract more quality professionals to join our team."

COSCO Pacific has a high quality professional team. The management team has an average of over 20 years of experience in container leasing and shipping industries and we have the ability to manage the industry lifecycle. Marketing staff in our Hong Kong head office and elsewhere have over 10 years of experience in each field and have built a good relationship with clients all over the world. Supporting departments are also managed by professionals in their related fields. In order to emphasize the importance of teamwork and communications among the staff, regular management and marketing meetings are held every year to facilitate better understanding and to discuss major business issues.

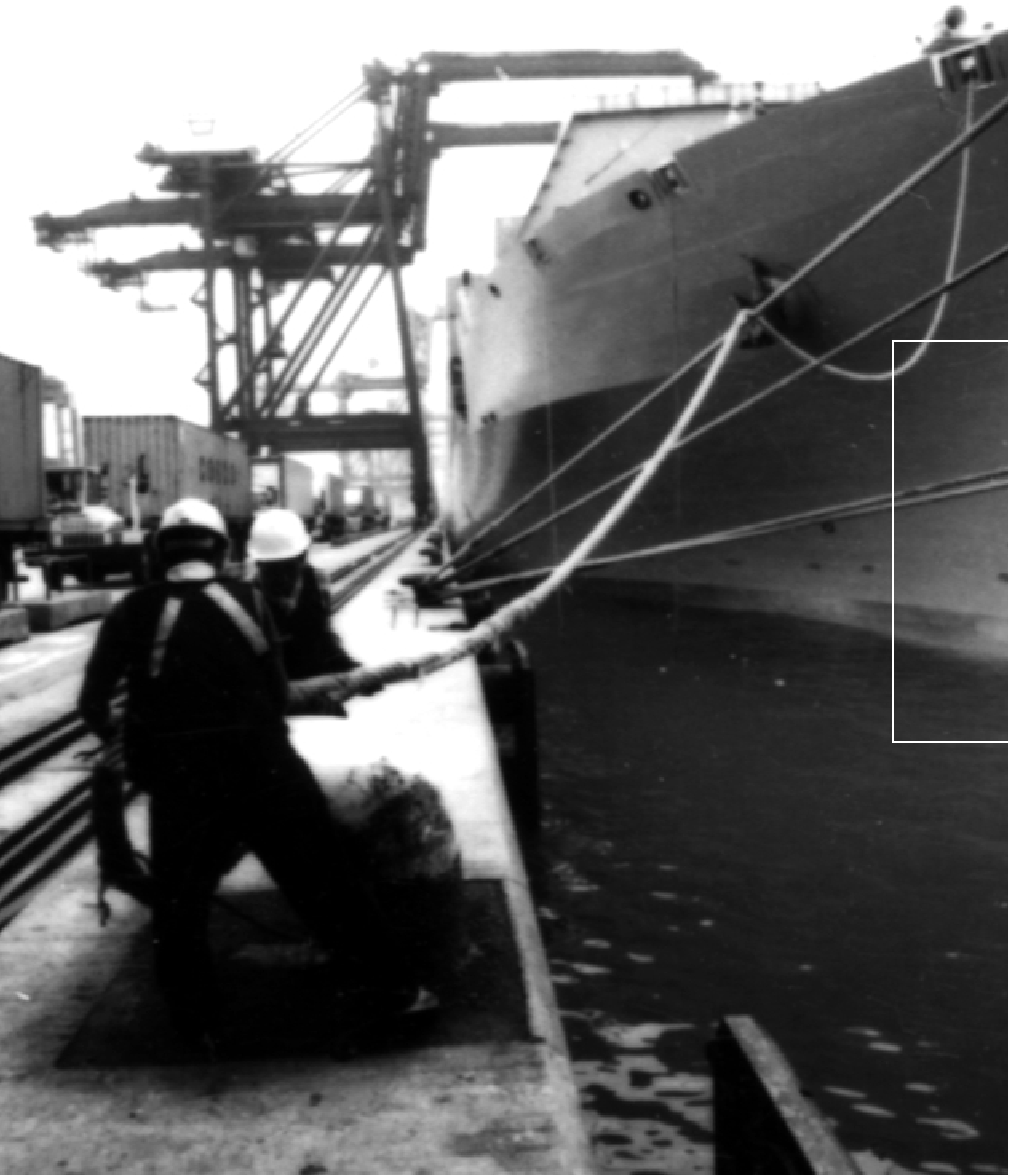
PROSPECTS

The 21st century will be full of challenges. With information technology rapidly developing and competition intensifying, corporations have to continuously increase their competitiveness. COSCO Pacific will build on the strong support from the parent company to develop the core businesses, particularly in investing in China Mainland hub ports and other potential terminals. At the same time, we plan to develop a comprehensive container-related logistics business, and use e-commerce as a means to maximize efficiency of the chain of services we offer.

We intend to bring our new management philosophy to each employee and raise our efficiency, market share, service quality, management and employee development to new levels. I believe, through joint effort and co-operation, COSCO Pacific's business will grow further and create higher value for our shareholders.

LIU Guoyuan
Vice Chairman

29th March 2001



"With a solid performance in all core businesses, the container leasing fleet increased 5.4% to 527,982 TEUs, and throughput at the five container terminals rose 20.9% to 7,149,727 TEUs."

OPERATIONAL HIGHLIGHTS

Although turnover fell 1.2% to US$217,893,000, owing to a moderate decrease in our container leasing turnover, operating profit rose 0.7% to US$124,592,000. Profit contributions from jointly controlled entities and associated companies increased mainly due to satisfactory performances from the container terminal operations and Liu Chong Hing Bank Limited.

Profit attributable to shareholders rose 6.3% to US$142,546,000. Earnings per share were US6.6634 cents, a rise of 4.8% compared to 1999.

The directors will recommend the payment of a final cash dividend of HK11.0 cents (1999: HK10.5 cents) per share at the forthcoming annual general meeting. Together with the interim cash dividend of HK8.2 cents (1999: HK7.7 cents) per share paid on 5th October 2000 to the shareholders whose names appeared on the register of members of the Company on 28th September 2000, this represents a full year cash dividend of HK19.2 cents (1999: HK18.2 cents) per share.

CONTAINER LEASING

COSCO Pacific currently owns the world's sixth largest container leasing fleet, with 527,982 TEUs as at 31st December 2000, accounting for 7.2% of the global market share.

Performance of the Group's container leasing business was stable in 2000, with turnover dipping slightly by 1.4% to US$202,143,000. Profit after tax was US$75,578,000 (1999: US$84,887,000), which accounted for 53.0% (1999: 63.3%) of the profit attributable to shareholders. The main reason for the slight decline in turnover was the decrease in rental income from COSCON which leased less containers during 2000.

The decrease in profit after tax was mainly due to the fall in the profit from the disposal of returned containers.

COSCO Pacific has a 10-year container lease agreement with COSCON, the world's 7th largest container shipping company. The Group also provides long and short term container leasing services for other 155 (1999: 175) international customers ("International Customers").

Rental income from COSCON was US$136,766,000 (1999: US$142,631,000), accounting for 68.2% (1999: 70.6%) of total container rental income. Revenues from long-term container leasing with International Customers reached US$35,770,000 (1999: US$33,593,000), or 17.9% (1999: 16.7%) of the total. Rental income from short-term container leasing amounted to US$27,886,000 (1999: US$25,585,000), or 13.9% (1999: 12.7%) of the total.

As at 31st December 2000, the Group leased a total of 303,978 TEUs (1999: 311,047 TEUs) to COSCON, which represented 57.6% (1999: 62.1%) of our total container fleet. Containers available to International Customers rose to 224,004 TEUs (1999: 189,852 TEUs), representing 42.4% (1999: 37.9%) of the total container fleet.

Container Fleet Analysis

During the year, our container fleet increased by 5.4% to 527,982 TEUs, with an average container age of 4.2 years. This has allowed us to compete more favourably with our competitors and enabled us to attract more customers. New containers were acquired while we sold containers returned from COSCON following the expiry of their 10-year leases.

	31ST DECEMBER 2000			31ST DECEMBER 1999		
	Total	COSCON	International Customers	Total	COSCON	International Customers
Total containers (TEUs)	527,982	303,978	224,004	500,899	311,047	189,852
Dry Containers	91.4%	91.4%	91.5%	91.2%	91.6%	90.3%
Reefers	6.0%	7.4%	4.1%	6.1%	7.2%	4.4%
Specials	2.6%	1.2%	4.4%	2.7%	1.2%	5.3%

TEUs	2000	1999
Total containers (as at 1st January)	500,899	505,954
New containers purchased	69,060	40,094
Containers returned upon expiry of 10-year leases		
Total	(31,682)	(42,300)
Released out	1,000	245
Disposed and pending for disposal	(30,682)	(42,055)
Ownership transferred to customers upon expiry of hire purchase contracts	(9,388)	(166)
Defective containers written off	(1,907)	(2,928)
Total containers (as at 31st December)	527,982	500,899

Utilisation Rates

While containers leased to COSCON remained 100% utilised, the overall average utilisation rate stood high at 95.1% (1999: 96.5%), well above the industry average of about 83% (1999: 80%). The slight fall in the overall average utilisation rate was caused by a fall in the COSCON fleet and the increase in short term leasing with International Customers.

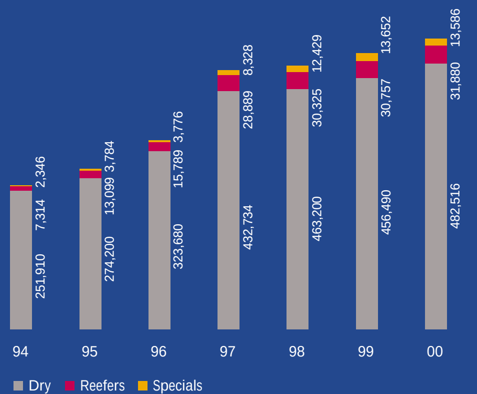
Disposal of Containers

In 2000 we received 31,682 TEUs of returned containers from COSCON upon the expiry of 10-year leases. The Group disposed of 34,087 TEUs at a net profit of US$946,000 (1999: US$7,096,000). The disposal figure included containers returned but remained unsold in 1999. The fall in net profit was due to a decline in container disposal price and high net book value of the returned containers. As at 31st December 2000, containers that had been returned but not yet disposed of numbered 6,180 TEUs (1999:9,089 TEUs). In 2001, the Group expects to receive 20,660 TEUs from COSCON upon the expiry of 10-year leases. The Group will continue to dispose of or lease out the remaining returned containers.

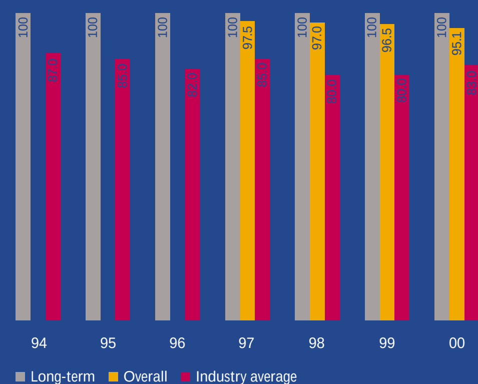
Container Leasing E-commerce Platform

COSCO Pacific has been focusing on international container leasing business. In addition to expanding the container fleet, we are further enhancing our on-line container leasing platform. The first phase of the platform was launched in December 2000, addressing

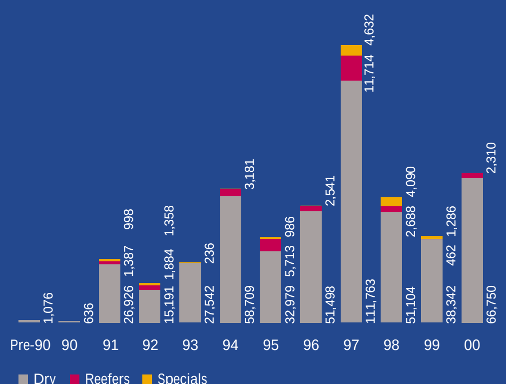
Container Fleet Analysis by Type (TEUs)



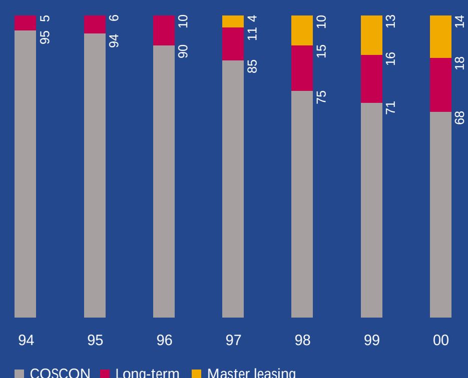
Utilization Rate of Containers (%)



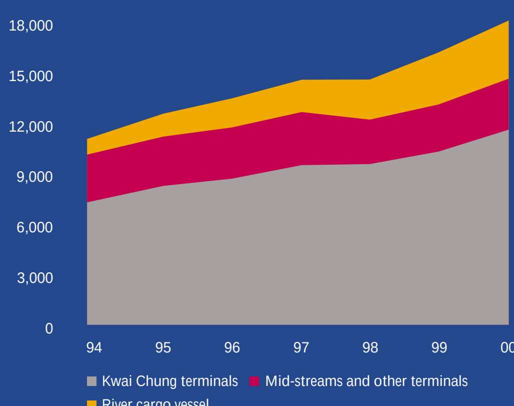
Age Analysis of Containers (TEUs)



Developing New Revenue Streams (%)



Total Container Throughput in Hong Kong ('000 TEUs)



Top 10 Container Terminals in China Mainland ('000 TEUs)

our current customer requirements for container information and enquiries. The second phase is expected to commence operation in the second half of 2001 to provide on-line container leasing services to our major customers. The Group has further improved its computer systems and provided intensive e-commerce training for its staff as well as guidelines for its existing customers. This will further enhance the function of the e-commerce platform and make it highly competitive among those in the industry.

CONTAINER TERMINALS

Our container terminal business continued to grow during the year. Compared with 1999, the aggregate throughput of our five container terminals rose 20.9% to 7,149,727 TEUs. Our four China Mainland container terminals – Shanghai Terminals, Qingdao Cosport International Terminals, Zhangjiagang Win Hanverky Terminal and Yantian International Terminals – saw a 22.2% increase in combined throughput to 5,736,873 TEUs. This was in line with the growth in China foreign trade and the increase in cargo containerization.

Container Terminals in Hong Kong

Hong Kong is a hub port in Asia and an important transhipment port for China trade. The rapid growth of China trade has increased terminal throughput in Hong Kong. Despite throughput at neighbouring Shenzhen terminals increasing rapidly, throughput at Hong Kong still recorded a 12% increase to 18.1 million TEUs in 2000, enabling Hong Kong again to rank as the number one container terminal in the world. With high flexibility and efficiency, convenience and fast service, and access to all major international routes, Hong Kong will be able to maintain its competitiveness. It will grow together with the container terminals in southern China and share the benefit from increasing containerized trade and transportation in China.

Container Terminals in China Mainland

The development of China's container terminals and throughput growth are second to none in the world. This achievement is attributable to the following three factors:

> Improving transportation infrastructure in China economic modernisation leading to rising demand for cargo transportation.

> Use of container is becoming more widespread, leading to the rapid development of container transportation.

> Rapid growth in foreign trade. China's entry to WTO is expected to boost foreign trade further.

China's current containerization rate is lower than that of the world average, pointing to big growth potential. Government efforts to open up Western regions of China will also help boost the economy in that region, leading to a rise in the flow of goods between eastern and western China. This will bring increased container business to ports along the Yangtze River benefiting our Yangtze River container terminals at Shanghai and Zhangjiagang.

Shanghai, Shenzhen and Qingdao have been the top three hub ports in China Mainland for many years. All are located in the most wealthy and prosperous regions with great economic development potential. With their modern handling abilities, throughput at these three ports in 2000 totals 11.7 million TEUs – about half of the China Mainland's total. The Group's interests in the container terminals in these three ports will benefit from the encouraging prospects of the operations.


14


C O S

TEUs	2000	1999	Increase
COSCO-HIT	1,412,854	1,220,002	15.8%
Shanghai Terminals	2,950,500	2,593,995	13.7%
Qingdao Cosport International Terminals	502,119	401,029	25.2%
Zhangjiagang Win Hanverky Terminal	136,778	113,114	20.9%
Yantian International Terminals	2,147,476	1,588,089	35.2%
Total	7,149,727	5,916,229	20.9%

COSCO-HIT

NAME COSCO-HIT Terminals (Hong Kong) Limited
LOCATION Berth No. 11 and 12 of Terminal 8 East at Kwai Chung, Hong Kong
TOTAL AREA 300,000 square metres
BERTH 2
LENGTH 640 metres (for large vessels)
448 metres (supplementary)
WATER DEPTH ALONGSIDE -14.5 metres
QUAY CRANES 9
DESIGNED CAPACITY 900,000 TEUs
CURRENT HANDLING CAPACITY* 1.6 million TEUs

*Actual handling capacity of terminals can be expanded if equipment, depot and logistic efficiencies are improved.

COSCO Pacific has a 50% interest in COSCO-HIT Terminals (Hong Kong) Limited ("COSCO-HIT"), an efficient container terminal located at Kwai Chung, Hong Kong. The terminal is capable of handling two container vessels simultaneously. Since becoming operational in 1995, the efficiency of management and terminal facilities have been continuously improved. The use of advanced computer systems and communications equipment have helped ensure quality service for customers. Throughput at COSCO-HIT reached 1,412,854 TEUs in 2000 (1999: 1,220,002 TEUs), accounting for about 12.2% (1999: 11.8%) of the aggregate throughput of Kwai Chung terminals in Hong Kong. COSCO-HIT achieved satisfactory profit during the year.

Looking ahead, it is expected that throughput of container terminals in Hong Kong will continue to grow as the economy of the Pearl River Delta expands. Economic growth in Guangdong province is forecast to reach 9% this year. Guangdong is one of the most important provinces in China in terms of imports and exports and the province's import and export volumes are expected to remain high this year. This will provide growth opportunity for container terminals in Hong Kong. Taking this growth opportunity, COSCO-HIT's management will continue to improve the operations, equipment and system efficiency of the terminal in order to further increase its handling capacity.

SHANGHAI TERMINALS

NAME Shanghai Container Terminals Ltd.

LOCATION Baoshan, Zhanghuabang and Jungonglu, Shanghai

TOTAL AREA 830,000 square metres

BERTH 12

LENGTH 2,281 metres

WATER DEPTH ALONGSIDE From -9.4 metres to -10.5 metres

QUAY CRANES 16

DESIGN CAPACITY 2.1 million TEUs

CURRENT HANDLING CAPACITY* 3.5 million TEUs

*Actual handling capacity of terminals can be expanded if equipment, depot and logistic efficiencies are improved.

The Group has a 10% interest in Shanghai Container Terminals Ltd. ("Shanghai Terminals"), which has 12 berths located in Baoshan, Zhanghuabang and Jungonglu. During 2000, the terminals handled 2,950,500 TEUs of containers, an increase of 13.7% over 1999.

Shanghai is China Mainland's largest container hub port. The Yangtze River Delta where it is located is one of the most developed areas in the country. The city's shipping centre status and container shipping and handling capabilities also attract significant transhipment cargoes. In 2000, total throughput at the Shanghai port reached 5.6 million TEUs containers, raising its global ranking to sixth largest from seventh. In order to satisfy the rapid increase in demand for container handling and to improve its services, Baoshan terminal has begun upgrading three of its berths. When this project is completed later this year, the terminal will have the additional capacity to serve third and fourth generation container vessels. Looking ahead, throughput at Shanghai Terminals should rise in 2001 owing to an increasing volume of goods transported by containers in the area and the continuous trend of container transport at hub ports.

QINGDAO COSPORT INTERNATIONAL TERMINALS

NAME Qingdao Cosport International Container Terminals Co. Ltd.

LOCATION No. 47 berth, No. 8 Terminal, Qingdao

TOTAL AREA 250,000 square metres

BERTH 1

LENGTH 349 metres

WATER DEPTH ALONGSIDE -13.5 metres

QUAY CRANES 4

DESIGNED CAPACITY 400,000 TEUs

CURRENT HANDLING CAPACITY* 600,000 TEUs

*Actual handling capacity of terminals can be expanded if equipment, depot and logistic efficiencies are improved.

The Group has a 50% interest in Qingdao Cosport International Container Terminals Co. Ltd. ("Qingdao Cosport International Terminals"). In 2000, the terminal's throughput rose 25.2% to 502,119 TEUs in comparison with 1999.

The terminal is located in Qingdao, the largest hub port in northern China. The port of Qingdao is also an important transhipment hub for the Pacific region. The port currently has 30 regular international liner service routes with an average of 300 voyages per month. The terminal is one of the most modern and best equipped terminals in Qingdao Port. The terminal successfully added several new routes in 2000. It is expected that throughput in 2001 will further increase.

ZHANGJIAGANG WIN HANVERKY TERMINAL

NAME Zhangjiagang Win Hanverky Container Terminal Co. Ltd.
LOCATION Berth 15 and 16, Port Area, Zhenjianghai North, Zhangjiagang
TOTAL AREA 200,000 square metres
BERTH 2
LENGTH 505 metres
WATER DEPTH ALONGSIDE -11 metres
QUAY CRANES 3
DESIGNED CAPACITY 200,000 TEUs
CURRENT HANDLING CAPACITY* 200,000 TEUs

*Actual handling capacity of terminals can be expanded if equipment, depot and logistic efficiencies are improved.

The Group has a 51% interest in Zhangjiagang Win Hanverky Container Terminal Co. Ltd. ("Zhangjiagang Win Hanverky Terminal"). In 2000, the terminal's throughput increased 20.9% to 136,778 TEUs.

Located at the down stream of the Yangtze River, Zhangjiagang is one of the major ports along the River and is China's third largest river container terminal. During 2000, the port opened several new international routes which helped boost demand. At the same time, the terminal upgraded its facilities by expanding depots to create more storage space. With cargo container shipping increasing along the Yangtze River, Zhangjiagang Win Hanverky Terminal is forecast to have a promising year in 2001.

YANTIAN INTERNATIONAL TERMINALS

NAME Yantian International Container Terminals Ltd.
LOCATION Dapeng Bay, Shenzhen
TOTAL AREA 1,180,000 square metres
BERTH 5
LENGTH 2,350 metres
WATER DEPTH ALONGSIDE From -14 metres to -15.5 metres
QUAY CRANES 18
DESIGNED CAPACITY 2 million TEUs
CURRENT HANDLING CAPACITY* 2 million TEUs

*Actual handling capacity of terminals can be expanded if equipment, depot and logistic efficiencies are improved.

Yantian International Container Terminals Ltd. ("Yantian International Terminals"), in which the Group has a 5% interest, achieved a 35.2% increase in throughput, reaching 2,147,476 TEUs.

Yantian, located at Dapeng Bay in Shenzhen, is one of the major container terminals in southern China. Driven by economic growth in the Pearl River Delta and its export industry, along with the construction of modern container terminals, Yantian International Terminals' throughput has increased rapidly. Following completion of the second phase and operation of new berths in December 1999, the terminal's handling capability has been increased and the number of routes have been expanded. The terminal is expected to make further progress in the coming year.

RIVER TRADE TERMINAL

NAME River Trade Terminal Holdings Limited
LOCATION District 38, Tuen Mun,Hong Kong
TOTAL AREA 650,000 square metres
BERTH 60
LENGTH 3,000 metres
WATER DEPTH ALONGSIDE From -6 metres to -8 metres
QUAY CRANES 11
DESIGNED CAPACITY 1.3 million TEUs
CURRENT HANDLING CAPACITY* 1.3 million TEUs

*Actual handling capacity of terminals can be expanded if equipment, depot and logistic efficiencies are improved.

The Group has a 10% interest in River Trade Terminal Holdings Limited ("River Trade Terminal"). Located at Tuen Mun, Hong Kong, the terminal has an area of 65 hectares, with 60 berths and a designed capacity of 1,300,000 TEUs of containers and 900,000 tons of goods. The terminal provides container and cargo handling and related services for customers transporting cargos to and from the Pearl River Delta Region via Hong Kong. Its services include cargo loading and unloading, storage, transhipment, vanning and devanning and container maintenance. The terminal handled 980,759 TEUs of containers in 2000, 174% more than in 1999. The terminal's throughput is expected to increase further in 2001.

SHANGHAI WAIGAOQIAO CONTAINER TERMINAL (PHASE I)

The Group has signed an agreement together with other partners to form a joint venture which is named Shanghai Pudong International Container Terminal Ltd. (Shanghai Waigaoqiao Terminal). The joint venture, in which the Group will hold a 20% interest, is in the process of securing final approval from government authorities. Located at Waigaoqiao Bonded Zone, Pudong, Shanghai, the terminal has three berths, with a 900 metre quay length, and a total area of 500,000 square metres. The terminal handled 1.2 million TEUs of containers in 2000, a 30% increase from a year ago. Looking ahead, the terminal is expected to further increase its through-put in 2001.

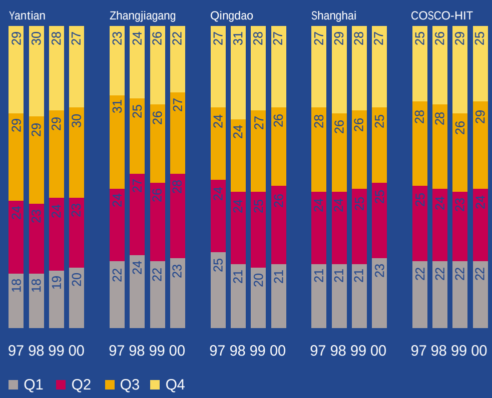
SHANGHAI YIXIAN ROAD

All the construction works of the Yixian Road project in Shanghai were completed in March 2000. This has improved traffic flow in the northern part of the city. Vehicle flow and tariffs on Wusong Toll Bridge, Wenchuan Toll Bridge and Jiangyang Toll Bridge increased during 2000 and the project reported a profit growth.

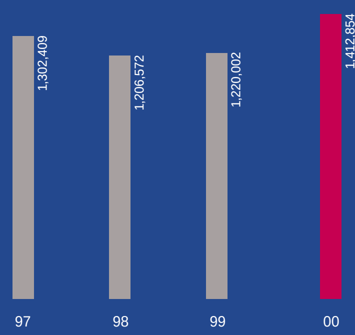
CONTAINER HANDLING AND STORAGE

Our wholly owned subsidiary, Plangreat Limited, and its subsidiaries provide container handling and storage services. It recorded profit growth during the year.

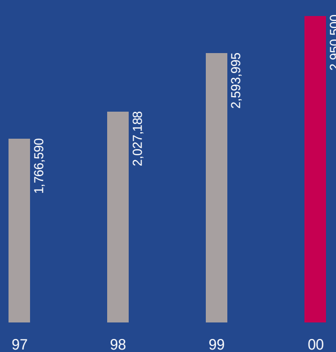
Container Terminals Seasonality Analysis (%)



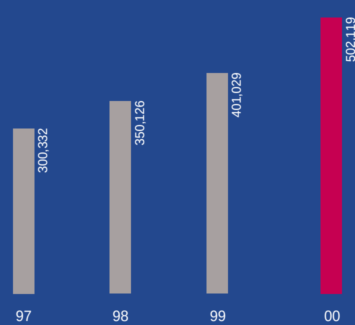
COSCO-HIT (TEUs)



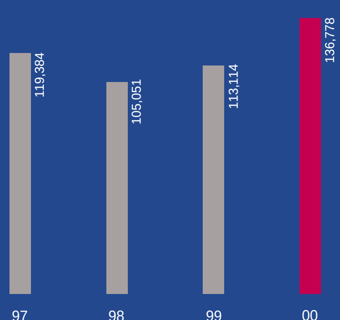
Shanghai Terminals (TEUs)



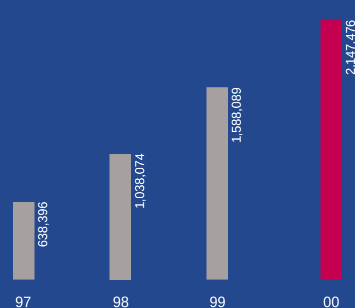
Qingdao Cosport International Terminals (TEUs)



Zhangjiagang Win Hanverkey Terminal (TEUs)



Yantian International Terminals (TEUs)



CONTAINER RELATED INDUSTRIES

Our container related industrial investments provide the Group with further vertical integration and synergies.

Output at the Group's container related industries increased remarkably, owing to a recovery in container market. China now dominates the world's container manufacturing industry, and our container related business in China is expected to further grow in 2001, as a large number of new container ships are scheduled to be delivered and put into operation.

Shanghai CIMC Reefer Containers Co., Ltd. in which the Group holds a 20% interest, produced a total of 24,503 TEUs of refrigerated containers, up 45% over 1999.

The Group also has a 20% interest in Shanghai Kansai Paint & Chemical Co., Ltd. ("Shanghai Kansai") and Tianjin Kansai Paint & Chemicals Co., Ltd. ("Tianjin Kansai") respectively. Shanghai Kansai produced 12,796 tons of paint in 2000, an increase of 10% over 1999 and Tianjin Kansai produced 20,194 tons of paint, up 115% over 1999.

The Group holds a 20% interest in Shanghai CIMC Far East Container Co., Ltd. ("Shanghai CIMC Far East") and a 22.5% interest in Tianjin CIMC North Ocean Container Co., Ltd. ("Tianjin CIMC North Ocean"). During the year, Shanghai CIMC Far East produced 93,551 TEUs of containers, up 41% over 1999, and Tianjin CIMC North Ocean produced 61,000 TEUs of containers, up 61% over 1999.

LIU CHONG HING BANK LIMITED

The Group has a 20% interest in Liu Chong Hing Bank Limited, which contributed US$12,871,000 to the Group's profit attributable to shareholders, an increase of 38.6% compared to 1999.

INVESTOR RELATIONS

Investor relations is a corporate marketing activity combining the disciplines of communications and finance that aims to provide present and potential investors with an accurate portrayal of a company's performance and prospects. Conduct effectively, investor relations can have a positive effect on a company's total value relative to that of the overall market and a company's cost of capital.

COSCO Pacific is actively involved in investor relations activities, participating in investor forums and regularly meeting fund managers and analysts to update the investment community on our operations, enabling them to better understand our strategies and business operations.

Good investor relation requires strict corporate governance. COSCO Pacific has received many positive recommendations in this regard during the year.

13th November 2000: COSCO Pacific received, for the third consecutive year, an honourable mention in the best annual report award, granted by Hong Kong Management Association.

30th November 2000: Listed as one of the “HSBC Asian 100” leading corporations.

December 2000: On Asia Money’s “2000 best managed companies in Asia” poll, COSCO Pacific was ranked 10th on best managed companies, 7th on best investor relations and 3rd on best financial management in China.

Our management maintains close contact and communicates regularly with investors, receiving on average 1,000 visitors from around the world each year. They include fund managers, analysts, investment bankers, rating agencies, stock brokers, commercial bankers and journalists.

We will continue to improve our transparency and corporate governance so as to enhance our intrinsic value and gain favourable access to international capital markets.

HUMAN RESOURCES

COSCO Pacific has a quality team of employees. Since 1994, our staff’s devotion and expertise have laid a solid foundation for the business development of the Company. There are 335 employees in COSCO-HIT, 84 in the container leasing division and 30 in the head quarters of the Company in Hong Kong.

The success of COSCO Pacific is due to the hard work of these staff. In order to improve our services, we encourage our people to participate in a variety of training courses. With our employees spread across the Asia Pacific, the Americas and Europe, it is very important to have good communications. Therefore every year, the Company organizes conferences, meetings, recreational activities and computer training courses, which not only help improve the staff’s skills, but also improve mutual understanding, communications and efficiency.

INCENTIVE SCHEME

In order to award staff for their efforts and performance, the Company granted 15,470,000 share options exercisable at HK$3.584 per share to employees on 6th April 2000 and promoted staff who had outstanding performance. The Company encourages and supports employees to take on-the-job training since the management believes that well trained employees and team spirit are key ingredients for the success of the Company, allowing us to meet future challenges.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MAJOR EVENTS

(1st January 2000 to 29th March 2001)

Year 2000

6 March	Mr JIN Zhongming resigned and Mr YANG Bin and Mr XU Lirong were appointed as Executive Directors of COSCO Pacific.
19 March	COSCO Pacific was listed as one of the constituent stocks of the Morgan Stanley Capital International China Free Index.
27 March	Audit Committee Meeting of COSCO Pacific.
28 March	Board Meeting and 1999 final results announcement of COSCO Pacific.
29 March	COSCO Pacific signed an agreement together with other partners to form a joint venture which is named Shanghai Pudong International Container Terminal Ltd. COSCO Pacific would hold a 20% interest in the joint venture.
20 April	Florens Container Inc. signed a syndicate loan providing US$140 million Letter of Credit back-up for the issue of commercial papers. This facility was guaranteed by COSCO Pacific. The proceeds of funding were mainly for refinancing the commercial papers of US$130 million matured in May 2000.
19 May	Florens Container Services Company Limited ISO 9002 approved
25 May	Annual General Meeting of COSCO Pacific.
28 June	Mr CHEN Zhongbiao resigned and Mr WEI Jiafu was appointed as the Chairman and Executive Director of COSCO Pacific.
31 July	COSCO-HIT handled 139,455 TEUs of containers in July, the highest monthly throughput since its establishment.
25 August	Audit Committee Meeting of COSCO Pacific.
6 September	Board Meeting and 2000 interim results announcement of COSCO Pacific.
12 September	Florens Container, Inc. (2000) signed a US$50 million 6-year term loan.
11 October	Mr DONG Jiufeng resigned and Mr LIU Guoyuan was appointed as Vice Chairman and President of COSCO (Hong Kong) Group Limited ("COSCO (Hong Kong)") . Mr ZHU Guangyun resigned and Mr ZHOU Liancheng was appointed as Vice President of COSCO (Hong Kong). Mr LU Zhiming was appointed as Financial Controller of COSCO (Hong Kong).
1 November	Mr DONG Jiufeng resigned and Mr LIU Guoyuan was appointed as the Vice Chairman and Executive Director of COSCO Pacific. Mr ZHOU Liancheng was appointed as Executive Director of COSCO Pacific. Mr DONG Jiufeng resigned as a Non-Executive Director of Liu Chong Hing Bank Limited.
13 November	The Honourable Mentions of Best Annual Report Award granted by the Hong Kong Management Association to COSCO Pacific. It was the third year in a row.
28 November	Florens Container Corporation S.A., a wholly owned subsidiary of COSCO Pacific, signed a five-year loan agreement with an eight-bank consortium for US$120 million.
29 November	Florens Container Services Company Limited, a wholly owned subsidiary of COSCO Pacific, participated in the Intermodal exhibition held in Genoa, Italy.
30 November	COSCO Pacific was included in the HSBC Asian 100 Leading Corporations.
5 December	The Vice Premier of China's State Council, Mr WU Bangguo, visited COSCO-HIT.
19 December	Sixth anniversary of listing of COSCO Pacific on the Hong Kong Stock Exchange.
27 December	Liu Chong Hing Bank Limited appointed Mr LIU Guoyuan as a Non-Executive Director.
December	In Asia Money's "2000 best managed companies in Asia" poll, COSCO Pacific was ranked as 10th in best managed companies, 7th for best investor relations and 3rd for best financial management in China.

Year 2001

14 March	Mr LEE Yip Wah, Peter resigned and Ms HUNG Man has been appointed as the Company Secretary of COSCO Pacific.
26 March	Audit Committee Meeting of COSCO Pacific.
29 March	Board Meeting and 2000 final results announcement of COSCO Pacific.


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"Prudent financial management has been a consistent principle at COSCO Pacific. Tight control is exercised over all operational and other expenses, to help improve efficiency. This has not only supported current operations, but provides a useful foundation for future development."

FINANCIAL REVIEW

Turnover

The Group's turnover during the year derived from the container leasing division, the Zhangjiagang Win Hanverky Terminal and the Plangreat Limited and its subsidiaries. Other operations were carried out either through associated companies, jointly controlled entities or other investees, the turnover of which is not included in the Group's turnover.

In 2000, COSCO Pacific's core businesses performed steadily. Turnover was US$217,893,000 (1999: US$220,638,000), declined slightly by 1.2% over a year ago.

The container leasing turnover dipped slightly by 1.4% to US$202,143,000. This is due to the decrease in rental income from COSCON which leased less containers during 2000. As at 31st December 2000, containers leased to COSCON was 303,978 TEUs (1999: 311,047 TEUs).

The Zhangjiagang Win Hanverky Terminal achieved a 20.9% throughput growth to 136,778 TEUs in 2000. The container terminal turnover was therefore increased by 14.7% to US$5,256,000.

Turnover of the container handling and storage business decreased by 4.1% to US$10,494,000 due to the decline of handling charges and increased competition in the market.

Cost of Sales and Gross Profit

Cost of sales mainly includes depreciation, depot rental and maintenance expenses, among which, depreciation of containers accounted for 81.2% of cost of sales (1999: 77.9%). The rise in cost of sales was due to the rise in depreciation of containers.

The fall in turnover and increase in cost of sales caused a decline in gross profit with the gross profit margin declining slightly to 59.6% (1999: 60.7%).

Operating Profit

During the year, the Group's operating profit was US$124,592,000 (1999: US$123,690,000), rising by only 0.7% compared with 1999.

The operating profit was mainly affected by the following factors in 2000:

> Net profit from the disposal of containers returned by COSCON upon expiry of 10-year leases decreased US$6,150,000. This fall was due to the decrease in disposal volume, the decline in disposal price and the high net book value of containers.

> The Group has made an additional provision of US$4,600,000 (1999: US$2,845,000) against the shareholders loans to River Trade Terminal.

BREAKDOWN OF TURNOVER	2000 (US$)	1999 (US$)	+/-
Container Leasing	202,143,000	205,115,000	-1.4%
Container Terminal Operations	5,256,000	4,581,000	+14.7%
Container Handling and Storage	10,494,000	10,942,000	-4.1%

> Higher interest income received during the year amounted to US$12,191,000 (1999: US$5,068,000).

> The dividend income from investments and other income also increased.

> The provision for bad and doubtful debts decreased.

Finance costs

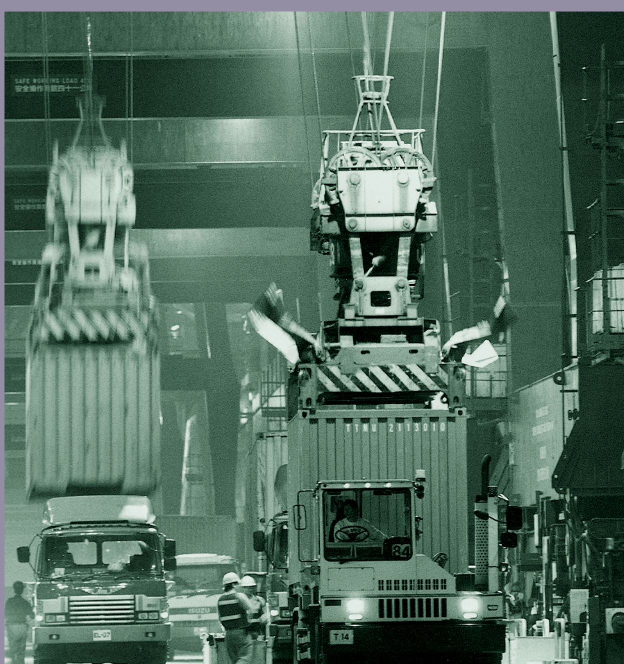
In 2000 interest expense increased by 2.7%. Despite the decrease in average loan balance, interest expense rose to US$38,082,000 mainly due to the increase in the London Interbank Offered Rate. The rise of other incidental borrowing costs was due to more facilities being arranged during 2000.

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

Share of profits less losses of associated companies for the year was US$66,243,000 (1999: US$54,871,000), and that of jointly controlled entities was US$6,656,000 (1999: US$4,106,000). Profit contributions from these companies increased mainly due to satisfactory performances from the container terminal operations, Shanghai Yixian Road project and Liu Chong Hing Bank Limited.

Taxation

The increase in taxation mainly reflected the increased profit from the associated companies and the adjustment of deferred tax made by an associated company in 1999.



Profit attributable to shareholders

Despite the fall in profit from container leasing due to a decrease in rental, increase in container depreciation and drop in profit from disposal of returned containers, other operations including the container terminals and Liu Chong Hing Bank Limited and interest income achieved satisfactory growth. As a result, profit attributable to shareholders rose by 6.3% from a year ago to US$142,546,000.

Assets and Liabilities

As at 31st December 2000, total assets of the Group amounted to US$1,568,747,000, a decrease of 4.5% compared to US$1,642,051,000 a year ago. Total liabilities of the Group were US$497,937,000, a decline of 24.6% compared to US$660,393,000 in 1999.

The Group's net assets amounted to US$1,070,810,000, an increase of 9.1% over 1999. The increase mainly constituted profit retained for the year.

During the fourth quarter of 2000, the Group repaid bank borrowings amounted to US$98,735,000 in order to reduce the interest expenses. Total cash on hand as at 31st December 2000 decreased to US$145,607,000

BREAKDOWN OF PROFIT ATTRIBUTABLE TO SHAREHOLDERS BY ACTIVITIES	2000 (US$)	1999 (US$)	+/-
Container Leasing	75,578,000	84,887,000	-11.0%
Container Terminal Operations	49,544,000	41,825,000	+18.5%
Container Handling and Storage	2,729,000	2,535,000	+7.6%
Container-related Industries	2,685,000	1,657,000	+62.0%
Other Investments	12,871,000	9,287,000	+38.6%
Corporate Finance Costs	(853,000)	(2,514,000)	-66.1%
Net Corporate Expenses	(8,000)	(3,595,000)	-99.8%
Total	142,546,000	134,082,000	+6.3%

(1999: US$ 252,335,000). Total outstanding borrowings fell to US$423,645,000 (1999: US$560,787,000). Net debt-to-equity ratio improved to 26.0%, against 31.4% in 1999. Interest coverage was 5.1 times, against 4.8 times in 1999. These improvements have increased the Group's ability to finance its operations in a flexible manner.

As at 31st December 2000, the Group's bank deposit of US$3,855,000 (1999: US$1,303,000), together with containers and certain leasehold land and buildings in Hong Kong with an aggregate net book value of US$210,911,000 (1999: US$272,302,000) were pledged to banks for loan facilities of US$105,349,000 (1999: US$132,204,000).

Cash Flow

The cash flow of the Group remained strong. The Group's net cash inflow from operating activities was US$209,993,000 (1999: US$207,948,000). Capital expenditure totalled US$122,931,000 (1999: US$83,511,000), of which, US$116,290,000 was used to purchase new containers (1999: US$57,702,000). In addition, the Company has reserved part of the proceeds received from the issue of new shares in May 1999 to invest in container terminals in China Mainland. During the year, the Group borrowed US$85,185,000 (1999: US$144,454,000) and repaid US$222,319,000 (1999: US$218,003,000). As at 31st December 2000, the Group had cash on hand US$145,607,000 (1999: US$252,335,000).

Financing

The Group successfully raised an aggregate of US$340,000,000 (1999: US$142,000,000) in 2000 primarily through the following three major fund-raising exercises. The proceeds were used for the purchase of containers and as working capital.

Month	Amount (US$)	Duration	Type	Purpose
April	140 million	2 years	Commercial Paper	Mainly for the refinancing for commercial papers of US$130 million, due in May 2000
September	50 million	6 years	Syndicated Loan	For the purchase of containers
November	120 million	5 years	Syndicated Loan	For the purchase of containers and as working capital

During the year, the Group took advantages of its favourable conditions in the capital market to arrange fund raising activities with longer maturity and lower interest rates. These loan facilities also allowed the Group to get well prepared for the funding requirement in 2001. As at the end of the year, the Group had committed facilities of US$147,570,000 (1999: nil) available from banks, which will help to meet working capital and part of the capital expenditure requirements for 2001. The Group expects that major capital expenditure will amount to approximately US$201,468,000 in 2001 for the purchase of new containers and as investment in the Shanghai Waigaoqiao Container Terminal (Phase I).

As at 31st Decemeber 2000, short-term loans accounted for 32.9% of the Group's total debts. The Group's debt maturity profile was as follows:

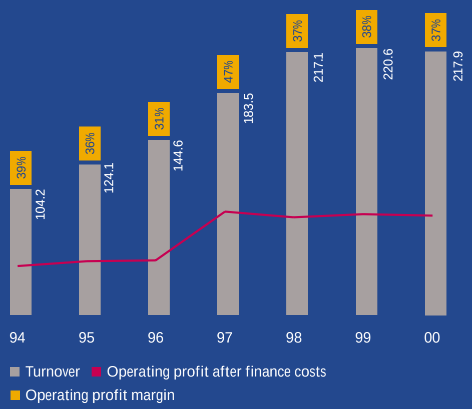
Debt Maturing in	Amount (US$)	% of Total Debt
2001	139,369,000	32.9%
2002	223,865,000	52.8%
2003	17,237,000	4.1%
2004	18,016,000	4.2%
2005 and after	25,158,000	6.0%
Total	423,645,000	100%

Use of Derivatives

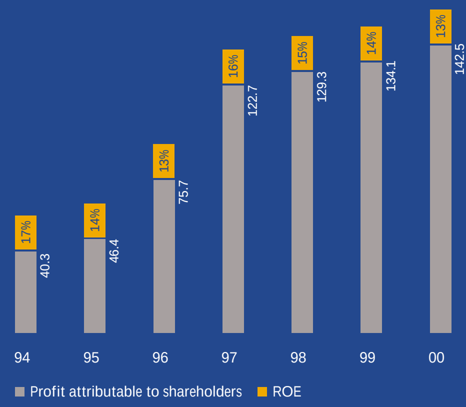
The majority of the Group's borrowings are denominated in U.S. Dollars and used primarily for container leasing, while revenues and expenses of which are mainly in U.S. Dollars. Hence the foreign exchange risk is very minimal.

The Group only uses derivatives for hedging purpose. As at 31st December 2000, the Group swapped US$54,600,000 (1999: US$89,350,000) floating rate borrowings to fixed rate borrowings through interest rate swap contracts. Moreover, the Group's fixed interest borrowings amounted to US$59,493,000 (1999: US$72,600,000).

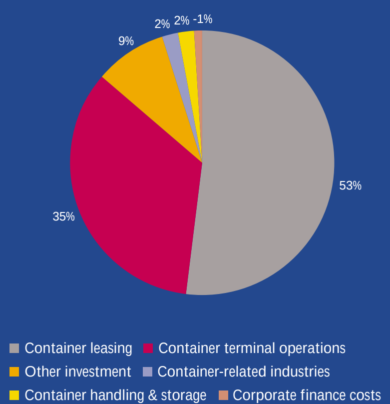
Turnover / Operating Profit Margin (US$ Million)



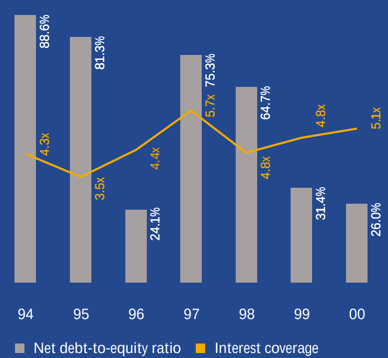
Net Profit vs Return on Equity (US$ Million)



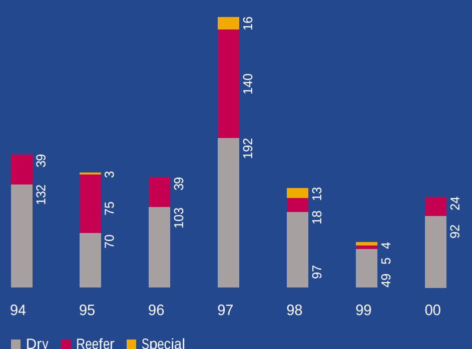
Breakdown of Profit Attributable to Shareholders by Activities (2000)



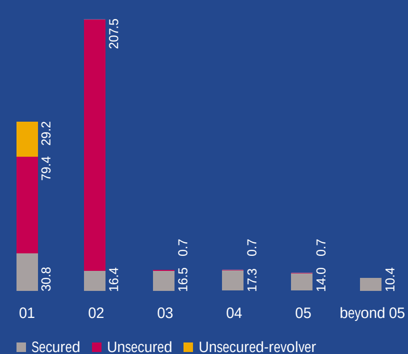
Net Debt-to-Equity Ratio (%) **vs Interest Coverage** (x)



Capital Expenditure on Containers (US$ Million)



Loan Maturity Analysis (US$ Million)



DIRECTORS AND SENIOR MANAGEMENT PROFILES

1	2
3	4
5	6

1 **SHI Qin**
Managing Director

2 **WONG Tin Yau, Kelvin**
Deputy Managing Director

3 **LU Chenggang**
Director (also Chairman of Florens Container Services Company Limited)

4 **QIN Fuyan**
Director (also Deputy General Manager of COSCO-HIT Terminals (Hong Kong) Limited)

5 **LI Jianxiong**
Deputy General Manager

6 **LI Wai Ho, Francis**
Financial Controller






EXECUTIVE DIRECTORS

WEI Jiafu
Mr. WEI, aged 51, is the Chairman of the Company. He is also the President of China Ocean Shipping (Group) Company ("COSCO Group"), the Chairman of COSCO (Hong Kong) Group Limited ("COSCO (Hong Kong)") and COSCO International Holdings Limited ("COSCO International"). He is also the Chairman of COSCO Container Lines Co. Ltd., COSCO Bulk Carrier Co. Ltd., COSCO Property Group Co. Ltd. and COSCO Shipping Co. Ltd. Mr. WEI had been a COSCO ship captain for many years. He is now the Chairman of China Maritime Law Association and the Vice Chairman of China Enterprises Confederation. He obtained his Master of Shipping Management and Engineering degree from Dalian Maritime University and is currently a Ph.D. candidate of Tianjin University. Mr. WEI has 34 years of experience in the shipping industry. He had held various senior positions, including President of COSCO Investment (Singapore) Ltd. and Managing Director of Sino-Tanzanina Joint Shipping Co., Tianjin Ocean Shipping Co. and COSCO Bulk Carrier Co. Ltd. He joined the Company in June 2000 and is responsible for formulating the overall strategy and policy of the Company.

LIU Guoyuan
Mr. LIU, aged 49, is the Vice Chairman of the Company. He is also the Executive Vice Chairman and President of COSCO (Hong Kong) and the Vice Chairman of COSCO International. He graduated from Beijing Foreign Languages University in 1975 and obtained a Master of Laws degree (LL.M) from the Law School of University of Washington in Seattle, the USA in 1982. Since 1984, he had held various senior positions in COSCO Group, including the General Manager of the Law & Policy Research Department, the Executive Department and the Planning & Program Division, the Senior Commercial Director of COSCO Group, Senior Deputy Managing Director of COSCO Tianjin and Vice Chairman and President of COSCO Europe GmbH. In 1992, he was awarded the qualification of senior economist by the Ministry of Communications of the PRC. Since 1993, he has been entitled to the State Technical Specialist Allowance granted by the State Council of the PRC. Mr. Liu has more than 25 years of experience in enterprise management and shipping business management. He joined the Company in November 2000 and is responsible for the Company's strategic planning and major investments.

LI Jianhong
Mr. LI, aged 44, has been a Director of the Company since October 1997. He is the Vice President of COSCO Group. Mr. Li graduated from the University of East London in the United Kingdom with a Master of Business Administration degree. He has more than 18 years of experience in corporate management.

ZHOU Liancheng
Mr. ZHOU, aged 52, has been a Director of the Company since November 2000. He is also a Director and Vice President of COSCO (Hong Kong) and a Director of COSCO International. Mr. ZHOU graduated from Dalian Maritime University. He had been the General Manager of China Ocean Shipping Agency, Nanjing and the Deputy General Manager of COSCO (H.K.) Industry & Trade Holdings Limited and COSCO Asia Development Limited. He has extensive experience in corporate management.

SHI Qin
Mr. SHI, aged 46, is the Managing Director of the Company. He is also a Director and Vice President of COSCO (Hong Kong) and a Non-Executive Director of Liu Chong Hing Bank Limited. Mr. SHI has been with COSCO Group since he graduated from Shanghai Maritime Transportation Institute in 1977 and was then awarded the qualification of senior economist by the Ministry of Communications of the PRC. Mr. SHI has extensive experience in the shipping and cargo forwarding industries and has demonstrated excellent management skills. He joined the Company in July 1996 and is responsible for the strategic planning, corporate development, overall management and administration of the Company.

XU Lirong
Mr. XU, aged 43, has been a Director of the Company since March 2000. He is also the General Manager of COSCO Container Lines Company Limited. Mr. XU graduated from Marine Navigation Department of the Adult Education College in Dalian Maritime University in 1975 and obtained his Master of Business Administration degree from Shanghai Maritime Transportation Institute. Mr. XU had been the Deputy Managing Director of Shanghai Ocean Shipping Company and President of Shanghai Shipping Exchange. He has extensive experience in shipping and corporate management.

LU Zhiming

Mr. LU, aged 58, has been a Director of the Company since September 1994. He is also the Financial Controller of COSCO (Hong Kong). He graduated from Shanghai Maritime Transportation Institute in 1963 and has more than 36 years of experience in financial management and accounting. He is responsible for assisting the financial planning of the Company.

KWONG Che Keung, Gordon

Mr. KWONG, aged 51, has been a Director of the Company since May 1998. He is also a Director and Vice President of COSCO (Hong Kong) and the Managing Director of COSCO International. He is an Independent Non-Executive Director of Tianjin Development Holdings Limited and a Director of Soundwill Holdings Limited. He graduated from The University of Hong Kong in 1972 with a Bachelor of Social Sciences degree. He qualified as a chartered accountant at the Institute of Chartered Accountants in England and Wales in 1977 and was a Partner of Price Waterhouse from July 1984 to April 1998. During the 1990s, he had been a part-time panel member of the Hong Kong Government's Central Policy Unit, an independent member of the Council of The Stock Exchange of Hong Kong Limited and a Director of Hong Kong Securities Clearing Company Limited and Stock Option Clearing House Company Limited.

YANG Bin

Mr. YANG, aged 51, has been a Director of the Company since March 2000. He is also the President of COSCO Europe GmbH. Mr. YANG graduated from Dalian Maritime University in 1976 and obtained his Master of Shipping Management degree from Shanghai Maritime University and was then awarded the qualification of senior engineer. Mr. YANG had been the Deputy General Manager of Tianjin Ocean Shipping Company and the Vice President of COSCO Group. He has extensive experience in shipping and corporate management.

WONG Tin Yau, Kelvin

Mr. WONG, aged 40, is the Deputy Managing Director of the Company. He is also the Assistant to the President of COSCO (Hong Kong). Mr. WONG is an associate member of the Chartered Institute of Bankers, a fellow member of the Hong Kong Institute of Directors, a member of the Hong Kong Securities Institute and a member of the National Investor Relations Institute in the USA. He obtained his Master of Business Administration degree from Andrews University in Michigan, the USA in 1992. He has more than 16 years of working experience in the banking and securities industries. Mr. WONG had held various senior positions in several listed companies in Hong Kong before he joined the Company in July 1996. He is now responsible for the overall management and investor relations of the Company.

LU Chenggang

Mr. LU, aged 48, has been a Director of the Company since November 1999. He is also the Chairman of Florens Container Services Company Limited, the Vice Chairman of China Road Transportation Association and China Warehouse and Storage Association. Mr. LU graduated from Changsha Railway University in 1975. He had further studies in Shanghai Maritime University and obtained a Master of Business Administration degree from Capital Economic and Trade University. He was awarded the qualification of senior economist by the Ministry of Communications of the PRC. He had been the Senior Vice President of COSCO Inc. USA, the Deputy Managing Director of COSCO International Freight Company Limited and the General Manager of COSCO Equipment Control Centre. Mr. LU has extensive experience in the container business and is currently responsible for corporate development, overall management and administration of Florens Container Services Company Limited.

QIN Fuyan

Mr. QIN, aged 48, has been a Director of the Company since March 1996. He is also the Deputy General Manager of COSCO-HIT Terminals (Hong Kong) Limited. Following his graduation from university in 1975, Mr. QIN joined COSCO Group and has been responsible for shipping management. In 1983, he joined the chartering department of Ocean Tramping Company Limited in Hong Kong. He has been serving COSCO Group for over 20 years and has extensive knowledge in shipping management, container terminal development and the worldwide shipping market. Mr. QIN was awarded the qualification of senior economist in shipping management by the Ministry of Communications of the PRC and a diploma in container terminal management by the University of Wales in the United Kingdom.

INDEPENDENT NON-EXECUTIVE DIRECTORS

LI Kwok Po, David
Dr. LI, aged 62, has been an Independent Non-Executive Director of the Company since February 1998. He is the Chairman and Chief Executive of The Bank of East Asia, Limited. He is a member of the Legislative Council of the Hong Kong Special Administrative Region, the Chairman of the Chinese Banks' Association and a Director of Pacific Century CyberWorks Limited. He was a Hong Kong Affairs Adviser to the PRC and a Convenor of the investment committee of the Hong Kong Special Administrative Region Government Land Fund Trust.

LIU Lit Man
Mr. LIU, aged 71, has been an Independent Non-Executive Director of the Company since September 1996. He is the Chairman of the Liu Chong Hing Group and the Chairman and Managing Director of Liu Chong Hing Bank Limited. Mr. LIU is also a Director of The Hong Kong and China Gas Company Limited and Asia Commercial Bank Limited. He is a founder and a permanent honorary chairman of Teochew International Convention in addition to being a standing committee member of The Chinese General Chamber of Commerce, Hong Kong. Mr. LIU also serves as a Director of New Asia College of The Chinese University of Hong Kong and a founding member of the court of The Hong Kong Polytechnic University. Mr. LIU, who was appointed a Justice of the Peace in 1975, was a member of the Consultative Committee for the Basic Law as well as the Selection Committee of the First Government of the Hong Kong Special Administrative Region.

Alexander Reid HAMILTON
Mr. HAMILTON, aged 59, has been an Independent Non-Executive Director of the Company since November 1994. He is also a Director of COSCO International, CITIC Pacific Limited, Esprit Holdings Limited, DBS Kwong On Bank Limited and a number of other Hong Kong companies. He is a member of the Institute of Chartered Accountants of Scotland, a fellow of the Hong Kong Society of Accountants and a fellow member of the Institute of Directors. He was a partner in Price Waterhouse for 16 years and has more than 20 years of audit and accounting experience.

LEE Yip Wah, Peter
Mr. LEE, aged 59, has been an Independent Non-Executive Director of the Company since July 1999. Mr. LEE is a practising solicitor in Hong Kong and a partner of Messrs. Woo, Kwan, Lee & Lo. He is also an Independent Non-Executive Director of a number of public listed companies including Elec & Eltek International (Holdings) Limited and Shum Yip Investment Limited.

SENIOR MANAGEMENT

LI Jianxiong
Mr. LI, aged 41, has been a Deputy General Manager of the Company since June 1997. He is also a Director of River Trade Terminal Holdings Co. Ltd. and the Deputy Managing Director of Crestway Terminal Holdings Limited. Mr. LI graduated from the Qingdao Mariner College in 1986. He was previously the Commercial Manager of COSCO-HIT Terminals (Hong Kong) Limited. Mr. LI has extensive experience and good skills in management of terminal operations. He is currently responsible for the daily operations and corporate planning of the container service and ports of subsidiaries of the Company. He is also responsible for the management of the container-related industrial business within the Group.

LI Wai Ho, Francis
Mr. LI, aged 47, is the Financial Controller of the Company. He is a member of the Chartered Institute of Management Accountants and the Hong Kong Society of Accountants. He had worked for 10 years with an international audit firm and another 10 years with a listed group of companies before he joined the Company in 1998.

HUNG Man, Michelle
Miss HUNG, aged 31, has been the Legal Counsel and Head of the Legal Department of the Company since November 1996 and the Company Secretary of the Company since March 2001. She graduated from The University of Hong Kong with a Bachelor of Laws degree. She is a solicitor of the High Court of the Hong Kong Special Administrative Region and England and Wales. She is responsible for all legal, company secretarial and related matters of the Company.

CHAN Hang, Ken
Mr. CHAN, aged 43, is the General Manager of the Corporate Department of the Company. He obtained his Master of Business Administration degree in Canada in 1985 and continued his education in the University of Washington in the USA. Before he joined the Company in 1998, he had held senior positions in a bank and an international securities firm in Hong Kong. He has more than 15 years of working experience in finance, securities, corporate strategic planning and management.

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REPORT OF THE DIRECTORS

The directors submit their report together with the audited accounts of the Company and its subsidiaries (collectively the "Group") for the year ended 31st December 2000.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in note 12 to the accounts.

An analysis of the Group's turnover and contribution to operating profit after finance costs for the year by principal activities and market is set out in note 2 to the accounts.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December 2000 are set out in the consolidated profit and loss account on page 57 of this annual report.

The directors declared an interim dividend of US1.055 cents (HK8.2 cents) per share, totalling US$22,562,000 (HK$175,417,000) which was paid on 5th October 2000.

The directors recommend the payment of a final dividend of US1.410 cents (HK11.0 cents) per share, totalling US$30,169,000 (HK$235,315,000), payable on or before 8th June 2001.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 109 of this annual report.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 23 to the accounts.

FIXED ASSETS

Details of the movements in fixed assets of the Group are set out in note 11 to the accounts.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are shown in note 22 to the accounts.

BORROWINGS

Details of the bank loans and other loans of the Group and the Company are set out in notes 21 and 24 to the accounts.

RETIREMENT BENEFIT SCHEMES

Details of retirement benefit schemes of the Group are set out in note 9 to the accounts.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive Directors

Mr. WEI Jiafu (Chairman)	(appointed on 28th June 2000)
Mr. LIU Guoyuan (Vice Chairman)	(appointed on 1st November 2000)
Mr. LI Jianhong	
Mr. ZHOU Liancheng	(appointed on 1st November 2000)
Mr. SHI Qin (Managing Director)	
Mr. XU Lirong	(appointed on 6th March 2000)
Mr. LU Zhiming	
Mr. KWONG Che Keung, Gordon	
Mr. YANG Bin	(appointed on 6th March 2000)
Mr. WONG Tin Yau, Kelvin	
Mr. LU Chenggang	
Mr. QIN Fuyan	
Mr. CHEN Zhongbiao	(resigned on 28th June 2000)
Mr. DONG Jiufeng	(resigned on 1st November 2000)
Mr. JIN Zhongming	(resigned on 6th March 2000)

DIRECTORS (Continued)

Independent Non-Executive Directors
Dr. LI Kwok Po, David
Mr. LIU Lit Man
Mr. Alexander Reid HAMILTON
Mr. LEE Yip Wah, Peter

In accordance with Clause 86(2) of the Company's bye-laws, Mr. LIU Guoyuan and Mr. ZHOU Liancheng retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

In accordance with Clause 87(1) and (2) of the Company's bye-laws, Mr. LU Zhiming, Mr. LI Jianhong, Mr. QIN Fuyan and Mr. LI Kwok Po, David retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of directors and senior management as at the date of this report are set out in pages 40 to 44 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Mr. SHI Qin has entered into a service agreement with the Company on 1st July 1996 for a term of three years commencing from 1st July 1996. The agreement is renewable automatically for successive terms of three years subject to termination by either party giving not less than six months' notice in writing to the other party terminating at the end of the initial term or any renewed term of the service agreement.

Mr. WONG Tin Yau, Kelvin has a service agreement with the Company commencing from 22nd July 1996. The agreement is terminable by either party giving to the other party not less than one month's prior notice in writing.

Save as disclosed above, none of the directors has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Company's business to which the Company, its subsidiaries, its fellow subsidiaries or its holding companies was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN SHARES AND SHARE OPTIONS

As at 31st December 2000, the interests of the Company's directors in the share capital and share options of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")) as recorded in the register required to be kept under Section 29 of the SDI Ordinance or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to Section 28 of the SDI Ordinance and the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

Interests in ordinary shares of the Company

Name of directors	Nature of interests	Number of ordinary shares held
Dr. LI Kwok Po, David	Personal	258,000
Mr. LEE Yip Wah, Peter	Personal	100,000

Interests in share options granted by the Company

Name of directors	Number of share options held		
	Note 1	Note 2	Note 3
Mr. CHEN Zhongbiao #	2,000,000	—	500,000
Mr. DONG Jiufeng #	—	—	500,000
Mr. SHI Qin	—	—	500,000
Mr. YANG Bin	—	—	250,000
Mr. LU Zhiming	1,500,000	—	250,000
Mr. LI Jianhong	—	—	250,000
Mr. XU Lirong	—	—	250,000
Mr. KWONG Che Keung, Gordon	—	—	250,000
Mr. WONG Tin Yau, Kelvin	—	5,000,000	350,000
Mr. LU Chenggang	—	—	350,000
Mr. QIN Fuyan	1,500,000	—	350,000

No share option was exercised by the directors to subscribe for shares in the Company during the year ended 31st December 2000.

Interests in share options granted by the Company (Continued)

Notes:

1 The share options were granted on 1st July 1996 under the share option scheme adopted by the Company on 30th November 1994 (the "Share Option Scheme"). The options are exercisable at HK$5.53 per share at any time within ten years from the date of grant.

2 The share options were granted on 20th May 1997 under the Share Option Scheme. The options are exercisable at HK$8.80 per share at any time within ten years from the date of grant.

3 The share options were granted on 6th April 2000 under the Share Option Scheme. The options are exercisable at HK$3.584 per share at any time from the first day of the thirteenth month from the date of grant to the end of the twenty-fourth month from the date of grant.

Mr. CHEN Zhongbiao and Mr. DONG Jiufeng resigned as directors of the Company on 28th June 2000 and 1st November 2000 respectively. The share options granted to Mr. CHEN Zhongbiao and Mr. DONG Jiufeng were lapsed on 28th June 2000 and 1st November 2000 respectively as a result of their resignations.

Interests in share options granted by associated corporation

Name of directors	Name of associated corporation	Number of share options held
CHEN Zhongbiao #	COSCO International Holdings Limited ("COSCO International")	2,000,000
DONG Jiufeng #	COSCO International	1,500,000
KWONG Che Keung, Gordon	COSCO International	4,500,000

The share options were granted on 20th March 2000 under the share option scheme adopted by COSCO International on 17th January 1992. These options are exercisable at HK$0.656 per share at any time between 20th March 2001 and 16th January 2002.

No share option was exercised by the directors to subscribe for shares of COSCO International during the year ended 31st December 2000.

Mr. CHEN Zhongbiao and Mr. DONG Jiufeng resigned as directors of COSCO International on 28th June 2000 and 1st November 2000 respectively. The share options granted to Mr. CHEN Zhongbiao and Mr. DONG Jiufeng were lapsed on 28th September 2000 and 1st February 2001 respectively as a result of their resignations.

Interests in share options granted by associated corporation (Continued)

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries, a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Save as disclosed above, as at 31st December 2000, none of the directors and chief executives had any interests in the share capital of the Company and its associated corporations required to be disclosed pursuant to the SDI Ordinance and the Model Code, and none of the directors and chief executives or their respective spouses or children under 18 years of age, had any right to subscribe for the shares of the Company, or had exercised any such right during the year.

SUBSTANTIAL SHAREHOLDERS

As at 31st December 2000, the interests of every person representing 10% or more of the Company's issued share capital as recorded in the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance were as follows:

Name of shareholders	Number of ordinary shares	Percentage of total issued shares
COSCO (Hong Kong) Group Limited	1,149,866,411	53.75%
China Ocean Shipping (Group) Company*	1,149,866,411	53.75%

* Since COSCO (Hong Kong) Group Limited ("COSCO (Hong Kong)") is a wholly owned subsidiary of China Ocean Shipping (Group) Company ("COSCO"), COSCO (Hong Kong)'s interests are recorded as the interests of COSCO.

Saved as disclosed above, the Company has not been notified of any interests representing 10% or more of the issued share capital of the Company.

SHARE OPTIONS

Particulars and movements of the Company's share options during the year are set out in note 22 to the accounts.

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 listed shares during the year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws although there are no restrictions against such rights under the laws in Bermuda.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

MAJOR LESSEES AND SUPPLIERS

The percentages of the Group's container purchases and leasing income attributable to major suppliers and lessees are as follows:

Percentage of container purchases attributable to the Group's largest supplier	11.7%
Percentage of container purchases attributable to the Group's five largest suppliers	48.4%
Percentage of leasing income attributable to the Group's largest lessee, which is a fellow subsidiary of the Company	67.7%
Percentage of leasing income attributable to the Group's five largest lessees	75.8%

None of the directors or their associates has interests in any of the suppliers or lessees of the Company.

The ultimate holding company has an equity interest of 27.75% in the shareholding company of the Group's two largest suppliers which attribute to 16.4% of container purchases of the Group.

Save as disclosed above, none of the shareholders (which to the knowledge of the directors owns more than 5% of the Company's share capital) has interest in any of the suppliers and lessees of the Company.

CORPORATE GOVERNANCE

The Company has complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31st December 2000.

CONNECTED TRANSACTIONS

Pursuant to Chapter 14 of the Listing Rules, the following connected transactions of the Company require disclosure in the annual report of the Company. Summary of these connected transactions is also set out in note 30 to the accounts.

i **Rental of Office Premises**

Pursuant to a tenancy agreement (the "Tenancy Agreement") dated 7th March 2001, COSCO Pacific Management Company Limited ("COSCO Pacific Management") agreed to rent from Wing Thye Holdings Limited ("Wing Thye") a portion of the premises situate at 49th Floor of COSCO Tower, 183 Queen's Road Central, Hong Kong (the "Property") for a term of three years commencing with retrospective effect from 4th December 2000 at a monthly rental of HK$465,023.02, exclusive of rates and management fees. COSCO (Hong Kong) provided a guarantee in the sum of HK$1,395,069.60 representing rentals for three months to Wing Thye as security for the due payment of rental and other monies by COSCO Pacific Management. The Group takes up the Property as its head office and the principal place of business of the Company in Hong Kong.

The rental payable under the Tenancy Agreement and the terms and conditions of the Tenancy Agreement were arrived at after arm's length negotiations. In negotiating the rental under the Tenancy Agreement, the directors of the Company made reference to an independent opinion given by DTZ Debenham Tie Leung Limited, a professional valuer engaged by the Company, that the rental agreed for the Property is at market level and is fair and reasonable.

Wing Thye is a wholly owned subsidiary of COSCO International. COSCO Pacific Management is a wholly owned subsidiary of the Company. COSCO (Hong Kong) is the controlling shareholder of both COSCO International and the Company. As COSCO (Hong Kong), COSCO International, the Company, Wing Thye and COSCO Pacific Management are all connected persons, the transaction contemplated under the Tenancy Agreement therefore constitutes a connected transaction of the Company under the Listing Rules.

CONNECTED TRANSACTIONS (Continued)

ii Connected transactions with Waivers granted by The Stock Exchange of Hong Kong Limited

During the year, the following connected transactions have been entered into by the Company and its subsidiaries to which The Stock Exchange of Hong Kong Limited (the "Stock Exchange") has, subject to certain conditions, granted waivers to the Company from compliance with the requirements stipulated in Chapter 14 of the Listing Rules to disclose details of such connected transactions by press notice and/or circular and/or to obtain prior independent shareholders' approval (the "Waivers").

Transaction	Parties to the transaction	Dates on which the Waivers were granted by the Stock Exchange
Container leasing	COSCO and its subsidiary and the Group	14th December 1994
Container related services	COSCO (Hong Kong) and/or its subsidiaries and Plangreat Limited and/or its subsidiaries	13th December 1996
Shipping related services	COSCO and its subsidiaries and Zhangjiagang Win Hanverky Container Terminal Co. Ltd.	15th April 1997

The independent non-executive directors of the Company reviewed the above transactions and opined that:

i the container leasing transactions had been conducted in the ordinary course of business of the Group and using average market rates, i.e. based on the average leasing rates quoted from four of the top ten independent container leasing companies;

ii the container related service transactions had been entered into in the ordinary and usual course of business of the Group, on normal commercial terms or on terms no less favourable than terms available to (or from) independent third parties, and the aggregate monetary value of these transactions for the year had not exceeded 3% of the audited book value of the net tangible assets of the Company as disclosed in the audited accounts for the year ended 31st December 1999;

iii the shipping related service transactions had been entered into in accordance with the terms of the agreement governing the transactions and the amount of business of these transactions received therefrom had not exceeded 5% of the gross consolidated turnover of the Group for the year ended 31st December 2000; and

iv all the transactions as set out above were fair and reasonable so far as the independent shareholders of the Company were concerned.

LOAN AGREEMENTS WITH COVENANTS RELATING TO SPECIFIC PERFORMANCE OF THE CONTROLLING SHAREHOLDER UNDER PRACTICE NOTE 19 OF THE LISTING RULES

Pursuant to Practice Note 19 of the Listing Rules, the following disclosures of the Group are required in the annual report of the Company:

The Group has provided undertakings regarding certain loan facilities that equity interest held by its controlling shareholder, COSCO (Hong Kong), in the Company will not be less than 35% or 51% throughout the relevant loan borrowing period. As at 31st December 2000, the outstanding loan balances under such covenants included in note 24 to the accounts amounted to US$273,400,000 and US$11,800,000 respectively.

AUDIT COMMITTEE

The audit committee of the Board reviews the system of internal controls throughout the Group, the completeness and accuracy of its financial statements, and liaises on behalf of the Board with external and internal auditors. The Committee comprises three independent non-executive directors. It met regularly with management and auditors, to review internal and external audit reports and the interim and final financial statements of the Group. In 2000, the Group has set up an internal audit department which reports directly to the chairman of the audit committee.

AUDITORS

The accounts for the year have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

The accounts for the year ended 31st December 1998 were audited by Price Waterhouse. PricewaterhouseCoopers replaced Price Waterhouse in 1999 following its merger with Coopers & Lybrand.

On Behalf of the Board

SHI Qin
Managing Director

Hong Kong, 29th March 2001

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Prince's Building
Central
Hong Kong

AUDITORS' REPORT TO THE SHAREHOLDERS OF COSCO PACIFIC LIMITED

(incorporated in Bermuda with limited liability)

We have audited the accounts on pages 57 to 108 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of accounts which give a true and fair view. In preparing accounts which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion, the accounts give a true and fair view of the state of affairs of the Company and the Group as at 31st December 2000 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29th March 2001

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31st December 2000

	Note	2000 US$'000	1999 US$'000
Turnover	2	217,893	220,638
Cost of sales		(87,983)	(86,667)
Gross profit		129,910	133,971
Other revenues	2	30,975	29,312
Administrative expenses		(20,679)	(20,087)
Other operating expenses (net)		(15,614)	(19,506)
Operating profit	3	124,592	123,690
Finance costs	4	(43,113)	(40,306)
Operating profit after finance costs		81,479	83,384
Share of profits less losses of			
Jointly controlled entities		6,656	4,106
Associated companies		66,243	54,871
Profit before taxation		154,378	142,361
Taxation	5	(10,946)	(7,612)
Profit after taxation		143,432	134,749
Minority interests		(886)	(667)
Profit attributable to shareholders	6	142,546	134,082
Dividends	7	(52,731)	(51,275)
Profit for the year retained	23	89,815	82,807
Profit for the year retained by:			
Company and subsidiaries		66,165	99,655
Jointly controlled entities		3,679	829
Associated companies		19,971	(17,677)
		89,815	82,807
Earnings per share			
Basic earnings per share	8	US6.6634 cents	US6.3561 cents
Diluted earnings per share	8	US6.6628 cents	N/A

CONSOLIDATED BALANCE SHEET

As at 31st December 2000

	Note	2000 US$'000	1999 US$'000
Non-current assets			
Fixed assets	11	942,410	918,238
Investments in joint ventures	13	42,135	32,074
Investments in associated companies	14	330,163	322,298
Investment securities	15	46,946	51,439
Hire purchase debtors	16	7,261	13,380
Restricted bank deposits	17	3,855	1,303
		1,372,770	1,338,732
Current assets			
Inventories	18	3,849	3,284
Trade and other receivables	19	45,508	41,151
Current portion of hire purchase debtors	16	4,868	7,852
Time deposits		87,828	233,694
Bank balances and cash	17	53,924	17,338
		195,977	303,319
Current liabilities			
Trade and other payables	20	35,545	62,717
Short term loans	21	41,162	20,692
Current portion of long term liabilities	24	98,207	241,695
Tax payable		1,331	1,123
Proposed dividend	7	30,169	28,890
		206,414	355,117
Net current liabilities		(10,437)	(51,798)
Total assets less current liabilities		1,362,333	1,286,934
Representing:			
Share capital	22	27,433	27,433
Reserves	23	1,043,377	954,225
Shareholders' funds		1,070,810	981,658
Minority interests		7,247	6,876
Non-current liabilities			
Long term liabilities	24	284,276	298,400
		1,362,333	1,286,934

On behalf of the Board

SHI Qin
Managing Director

WONG Tin Yau, Kelvin
Director

BALANCE SHEET

As at 31st December 2000

	Note	2000 US$'000	1999 US$'000
Non-current assets			
Investments in subsidiaries	12	1,086,464	975,306
Current assets			
Trade and other receivables	19	390	459
Bank balances and cash		64,231	138,216
		64,621	138,675
Current liabilities			
Trade and other payables	20	323	337
Short term loans	21	23,000	—
Tax payable		—	61
Proposed dividend	7	30,169	28,890
		53,492	29,288
Net current assets		11,129	109,387
Total assets less current liabilities		1,097,593	1,084,693
Representing:			
Share capital	22	27,433	27,433
Reserves	23	1,070,160	1,057,260
Shareholders' funds		1,097,593	1,084,693

On behalf of the Board

SHI Qin
Managing Director

WONG Tin Yau, Kelvin
Director

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st December 2000

	Note	2000 US$'000	1999 US$'000
Net cash inflow from operating activities	29a	209,993	207,948
Returns on investments and servicing of finance			
Interest received		12,328	5,037
Interest paid		(42,056)	(37,905)
Dividends received from associated companies		36,563	65,681
Dividends received from joint ventures		2,544	3,596
Dividends received from investment securities		1,352	199
Dividends paid		(51,452)	(48,865)
Dividends paid to minority shareholders of subsidiaries		(515)	(291)
Other incidental borrowing costs paid		(5,031)	(3,241)
Net cash outflow from returns on investments and servicing of finance		(46,267)	(15,789)
Taxation			
Hong Kong profits tax paid		(337)	(461)
China Mainland taxation paid		(109)	(85)
Overseas tax paid		(155)	(240)
Hong Kong profits tax refunded		115	60
10% 1997/98 Hong Kong profits tax rebate received		–	60
Net taxation paid		(486)	(666)
Investing activities			
Purchase of fixed assets		(147,086)	(34,674)
Sale of a subsidiary	29c	–	2,215
Loans advanced to associated companies and investee companies		(3,050)	(20,931)
Compensation received for loss of containers		438	1,615
Sale of fixed assets		2,578	583
Repayment of loans advanced		14,286	44,085
Increase in restricted bank deposits		(2,552)	(1,303)
Net cash outflow from investing activities		(135,386)	(8,410)
Net cash inflow before financing		27,854	183,083
Financing	29b		
Loans borrowed		85,185	144,454
Proceeds from new issue of shares		–	53,926
Share issue expenses		–	(42)
Repayment of loans		(222,319)	(218,003)
Net cash outflow from financing		(137,134)	(19,665)
(Decrease)/increase in cash and cash equivalents		(109,280)	163,418
Cash and cash equivalents at 1st January		251,032	87,614
Cash and cash equivalents at 31st December	29d	141,752	251,032

CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

For the year ended 31st December 2000

	Note	2000 US$'000	1999 US$'000
Exchange differences arising on translation of subsidiaries, jointly controlled entities and associated companies	23	(727)	(689)
Share of capital reserve of a jointly controlled entity	23	–	7
Share of exchange reserve of an associated company	23	64	48
Net losses not recognised in the profit and loss account		(663)	(634)
Profit attributable to shareholders		142,546	134,082
Total recognised gains		141,883	133,448

NOTES TO THE ACCOUNTS

1 PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the consolidated accounts are set out below:

a Basis of preparation of the accounts

The accounts have been prepared under the historical cost convention as modified by the revaluation of certain leasehold land and buildings and investment properties, in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants.

b Basis of consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st December. The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill or capital reserve which was not previously charged or recognised in the consolidated profit and loss account.

Minority interests represents the interests of outside shareholders in the operating results and net assets of subsidiaries.

c Fixed assets

Fixed assets other than investment properties (note 1d) are stated at cost or valuation less accumulated depreciation.

Effective from 30th September 1995 no further revaluations of the Group's leasehold land and buildings have been carried out. The Group places reliance on paragraph 72 of Statement of Standard Accounting Practice 2.117 issued by the Hong Kong Society of Accountants, which provides exemption from the need to make regular revaluations for such assets.

Leasehold land is stated at cost or valuation and is amortised over the remaining period of the lease.

Land use rights are stated at cost and are amortised over the unexpired period of rights granted after the completion of construction work.

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

c Fixed assets (Continued)

Containers are depreciated on a straight line basis over their estimated useful lives of 15 years, after taking into account of the residual value of 10% on cost.

Other fixed assets are depreciated at rates sufficient to write off their cost or valuation over their estimated useful lives to their respective residual values estimated by the directors on a straight line basis. The estimated useful lives of other fixed assets are summarised as follows:

Buildings	25 to 50 years
Motor vehicles	5 years
Leasehold improvements	5 years or the remaining period of the lease, whichever is shorter
Furniture, fixtures and equipment	5 years
Plant and machinery	5 years

No depreciation is provided for computer system under development and construction in progress.

Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss account. Improvements are capitalised and depreciated over the expected useful lives to the Group.

The carrying amounts of fixed assets are reviewed regularly to assess whether their recoverable amounts have declined below their carrying amounts. Expected future cash flows have not been discounted in determining the recoverable amount.

The gain or loss on disposal of a fixed asset other than investment properties is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account. Any revaluation reserve balance remaining attributable to the relevant asset is transferred to retained profit and is shown as a movement in reserves.

d Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties held on leases with unexpired periods greater than 20 years are valued annually by independent valuers. The valuations are on an open market value basis related to individual properties and separate values are not attributed to land and buildings. The valuations are incorporated in the annual accounts. Increases in valuation are credited to the investment properties revaluation reserve. Decreases are first set off against increases on earlier valuations on a portfolio basis and thereafter are debited to the operating profit. Any subsequent increases are credited to the operating profit up to the amount previously debited.

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

d Investment properties (Continued)

Investment properties held on leases with unexpired period of 20 years or less are depreciated over the remaining portion of the leases.

Upon the disposal of an investment property, the relevant portion of the revaluation reserve realised in respect of previous valuations is released from the investment properties revaluation reserve to the profit and loss account.

e Capitalisation of fixed assets

All direct and indirect costs relating to the construction of plant and machinery including interest costs on related borrowed funds during the construction period and operating results prior to the commissioning date are capitalised as fixed assets.

A plant is considered to be commissioned when it is capable of producing saleable quality output in commercial quantities on an ongoing basis.

f Subsidiaries

A company is considered to be a subsidiary if more than 50% of the issued voting capital is held for the long term.

In the Company's balance sheet investments in subsidiaries are stated at cost less provision for diminution in value other than temporary in nature. The results of subsidiaries are accounted for by the Company on the basis of dividends income.

g Associated companies

An associated company is a company, not being a subsidiary, in which an equity interest is held for long term and significant influence is exercised in its management.

The consolidated profit and loss account includes the Group's share of the results of associated companies for the year, and the consolidated balance sheet includes the Group's share of the net assets of the associated companies.

h Joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

The consolidated profit and loss account includes the Group's share of the results of jointly controlled entities for the year, and the consolidated balance sheet includes the Group's share of the net assets of the jointly controlled entities.

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

i Goodwill and capital reserve

Goodwill represents the excess of purchase consideration over the fair values ascribed to the net assets of subsidiaries, associated companies and jointly controlled entities acquired and is eliminated against reserves in the year of acquisition.

Capital reserve represents the excess of the fair values ascribed to the net assets of subsidiaries, associated companies and jointly controlled entities acquired over the purchase consideration and is taken directly to reserves in the year of acquisition.

j Investments in securities

i Investment securities

Listed and unlisted investments which are held for long term are stated at cost less provision for diminution in value other than temporary in nature.

The carrying amounts of individual investments are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such investment is reduced to its fair value. The amount of the reduction is recognised as an expense in the profit and loss account.

ii Other investments

Other investments are carried at fair value. At each balance sheet date, the net unrealised gains or losses arising from the changes in fair value of other investments are recognised in the profit and loss account. Profits or losses on disposal of other investments representing the difference between the net sales proceeds and the carrying amounts, are recognised in the profit and loss account as they arise.

k Hire purchase contracts

Hire purchase contracts for containers are contracts for the lease of containers which contain a provision giving the lessee an option to acquire legal title to the containers upon the fulfilment of certain conditions stated in the contracts.

Amounts due from lessees in respect of hire purchase contracts are accounted for as hire purchase debtors and stated net of unearned income.

l Inventories

Spare parts and consumables are stated at cost, using first-in first-out basis, less provision of obsolescence.

Resaleable containers are stated at lower of cost and net realisable value. Costs are calculated on weighted average basis. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

m Accounts receivable

Provision is made against accounts receivable to the extent that they are considered to be doubtful. Accounts receivable in the balance sheet is stated net of such provision.

n Finance leases

Leases that substantially transfer to the Group all the rewards and risks of ownership of assets, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the fair value of the asset is recorded together with the obligations, excluding the interest elements, to pay future rentals.

Payments to the lessor are treated as consisting of capital and interest elements. Finance charges are debited to the profit and loss account on a straight line basis over the lease term.

o Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Rentals applicable to such operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight line basis over the lease term.

p Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalised as part of the cost of that asset.

All other borrowing costs are charged to the profit and loss account in the year in which they are incurred.

q Off-balance sheet financial instruments

The Group manages interest rate exposure of the loans by interest rate swap contract. Any differential to be paid or received on an interest rate swap contract is recognised as a component of interest expense over the period of the contract.

r Deferred taxation

Deferred taxation is accounted for at the current taxation 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 is expected to be payable or receivable in the foreseeable future.

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

s Translation of foreign currencies

Transactions in currencies other than United States dollars are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in currencies other than United States dollars at the balance sheet date are translated at exchange rates ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

The accounts of subsidiaries, associated companies and jointly controlled entities expressed in currencies other than United States dollars are translated at the exchange rates ruling at the balance sheet date. Exchange differences arising are dealt with as a movement in reserves.

t Retirement benefit costs

The Group contributes to defined contribution retirement schemes which are available to all employees in Hong Kong and the United States of America. The assets of the schemes are held separately from those of the Group in independently administered funds. The Group's contributions to these schemes are expensed as incurred. The Group's contributions for employees in Hong Kong may be reduced by forfeitures from those employees who leave the schemes prior to vesting fully in the contributions.

Pursuant to the relevant regulations of the governments in Germany, Italy, Japan, the United Kingdom, the United States of America and China Mainland, the subsidiaries of the Group in these countries participate in respective government benefit schemes (the "Schemes") whereby the subsidiaries are required to contribute to the Schemes for the retirement benefits of eligible employees. The subsidiaries in Japan and the United Kingdom also contribute to the Schemes for other benefits of eligible employees. Contributions made to the Schemes are calculated either based on certain percentages of the applicable payroll costs or fixed sums that are determined with reference to salary scale, as stipulated under the requirements of the respective countries. The governments of the respective countries are responsible for the entire benefits obligations payable to the retired employees. The only obligation of the Group with respect to the Schemes is to pay the ongoing contributions required by the Schemes. Contributions to the Schemes are charged to the profit and loss account as incurred.

u Revenue recognition

The Group recognises revenue on the following bases:

i Revenue from container leasing

Rental income from containers under operating leases is recognised on a straight line basis over the period of each lease. Direct costs or reimbursements from lessees relating to the lifting and storage of containers are included in cost of sales when incurred or occurred.

Revenue on containers under hire purchase contracts is allocated to accounting period to give a constant periodic rate of return on the Group's net investment in the lease in each period. Direct costs relating to the negotiations and arrangement of a contract are written off in the profit and loss account when incurred.

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

u Revenue recognition (Continued)

ii Revenue from container handling, transportation and storage

Revenue from container handling and transportation is recognised when the services are rendered.

Revenue from container storage is recognised on a straight line basis over the period of storage.

iii Revenue from container terminal operations

Revenue from container terminal operations is recognised when the services rendered are complete and the vessel leaves the berth.

iv Operating lease rental income from investment properties

Operating lease rental income from investment properties is recognised on a straight line basis over the period of each lease.

v Revenue from sale of containers

Revenue from sale of containers is recognised on the transfer of risks and rewards on ownership, which generally coincides with the time when the containers are delivered to customers and title has passed.

vi Commission on demurrage income and container sales

Commission on demurrage income is recognised upon the receipt of demurrage income from agents.

Commission on container sales is recognised when the sale proceeds are received.

vii Interest income

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

viii Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

2 REVENUES AND TURNOVER

The Group is principally engaged in container leasing, container handling and storage and container terminal operations. Revenues recognised during the year are as follows:

	2000 US$'000	1999 US$'000
Turnover		
Container rentals under operating leases	200,422	201,809
Hire purchase income	1,721	3,306
Container handling, transportation and storage income, commission and rebate income	10,494	10,942
Terminal operation income	5,256	4,581
	217,893	220,638
Other revenues		
Sale of inventories	17,388	23,985
Interest income	12,191	5,068
Gross rental income from investment properties	44	60
Dividend income from		
— listed investment	329	199
— unlisted investment	1,023	—
	30,975	29,312
Total revenues	248,868	249,950

An analysis of the Group's turnover and contribution to operating profit after finance costs by principal activities for the year is as follows:

	Turnover		Contribution to operating profit after finance costs	
	2000 US$'000	1999 US$'000	2000 US$'000	1999 US$'000
Container leasing	202,143	205,115	75,826	85,098
Container handling and storage	10,494	10,942	3,297	2,881
Container terminal operations	5,256	4,581	3,217	1,514
Less: Corporate finance costs			(853)	(2,514)
Net corporate expenses			(8)	(3,595)
	217,893	220,638	81,479	83,384

2 REVENUES AND TURNOVER (Continued)

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

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

3 OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	2000 US$'000	1999 US$'000
Crediting		
Gain on disposal of fixed assets	81	—
Charging		
Depreciation and amortisation	74,815	70,551
Cost of inventories sold	16,894	12,808
Loss on disposal of fixed assets	—	157
Outgoings in respect of investment properties	9	1
Provision for an investee company (note 15)	4,600	2,845
Provision for inventories	197	—
Rental expense under operating leases		
— land and buildings	3,153	3,485
— plant and machinery	448	441
Retirement benefit costs (note 9)	662	682
Revaluation deficit of investment properties (note 11b)	98	232
Staff costs	11,705	11,319
Auditors' remuneration	449	314

4 FINANCE COSTS

	2000 US$'000	1999 US$'000
Interest expense on:		
Bank loans	27,218	26,983
Other loans		
— wholly repayable within five years	9,548	8,206
— not wholly repayable within five years	1,124	—
Loans from a minority shareholder of a subsidiary		
— wholly repayable within five years	174	—
— not wholly repayable within five years	—	262
Container purchase payables	69	1,213
(Gain)/loss on interest rate swap contracts	(51)	401
	38,082	37,065
Other incidental borrowing costs	5,031	3,241
	43,113	40,306

5 TAXATION

	2000 US$'000	1999 US$'000
Company and subsidiaries:		
Hong Kong profits tax	325	278
10% 1997/98 Hong Kong profits tax rebate	—	(60)
China Mainland taxation	112	91
Overseas taxation	363	340
Over provision in prior years	(106)	(131)
	694	518
Share of taxation attributable to:		
Jointly controlled entities		
China Mainland taxation	543	227
Associated companies		
Hong Kong profits tax	8,800	7,856
10% 1997/1998 Hong Kong profits tax rebate	—	(472)
China Mainland taxation	909	769
Deferred taxation	—	(1,286)
	10,946	7,612

5 TAXATION (Continued)

Hong Kong profits tax has been provided at a rate of 16% (1999: 16%) on the estimated assessable profit for the year. A substantial portion of the Group's profit neither arises in nor is derived from Hong Kong. Accordingly, that portion of the Group's profit is not subject to Hong Kong profits tax.

Taxation on profits from container terminal operations in China Mainland has been calculated at an effective tax rate of 7.5% (1999: 7.5%) on the estimated assessable profit for the year. The subsidiary in China Mainland is eligible for a 50% relief from corporate income tax of 15% for five years since 1998 .

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

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

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

The deferred tax charge/(credit) for the year has not been provided in respect of the following:

	2000 US$'000	1999 US$'000
Accelerated depreciation allowances	(1,376)	7,229
Other timing differences	—	183
Tax losses	178	(4,810)
	(1,198)	2,602

Deferred tax on the revaluation surplus and deficit of the leasehold land and buildings and investment properties in Hong Kong has not been quantified as this does not constitute a timing difference for deferred taxation purposes.

6 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of US$65,631,000 (1999:US$99,015,000).

7 DIVIDENDS

	2000 US$'000	1999 US$'000
Interim, paid, of US1.055 cents (1999: US0.994 cents) per ordinary share	22,562	21,258
Final, proposed, of US1.410 cents (1999: US1.350 cents) per ordinary share	30,169	28,890
Additional 1998 final dividend paid on shares issued due to the share placement before the closure of the register of members	–	1,127
	52,731	51,275

8 EARNINGS PER SHARE

a Basic earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of US$142,546,000 (1999: US$134,082,000) and on the weighted average number of 2,139,228,298 (1999: 2,109,505,999) ordinary shares in issue during the year.

b Diluted earnings per share

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

As the exercise price of the share options during the year ended 31st December 1999 was greater than the average market price of the Company's share, there was no dilution effect on earnings per share in 1999.

9 RETIREMENT BENEFIT COSTS

The Group contributes to defined contribution retirement schemes which are available to all employees in Hong Kong and the United States of America and to the schemes operated by governments of Germany, Italy, Japan, the United Kingdom, the United States of America and China Mainland (collectively the "Retirement Schemes").

The retirement benefit costs charged to the profit and loss account represent contributions payable by the Group to the Retirement Schemes and amounted to US$662,000 (1999: US$682,000). Contributions totalling US$8,000 (1999: US$Nil) were payable to the Retirement Schemes as at 31st December 2000 and are included in trade and other payables. Forfeited contributions totalling US$60,000 (1999: US$59,000) were utilised during the year leaving US$Nil (1999: US$6,000) available at the year end to reduce future contributions.

The assets of the Retirement Schemes are held separately from those of the Group in independently administered funds.

10 DIRECTORS' AND MANAGEMENT'S EMOLUMENTS

a Directors' emoluments

The aggregate amounts of emoluments paid to the directors of the Company during the year are as follows:

	2000 US$'000	1999 US$'000
Fees	211	205
Salaries, housing and other allowances, benefits in kind	734	648
Bonuses	44	48
Contribution to retirement schemes	29	31
	1,018	932

The above amounts include directors' fees of US$84,615 (1999: US$77,170) paid to independent non-executive directors.

10 DIRECTORS' AND MANAGEMENT'S EMOLUMENTS (Continued)

a Directors' emoluments (Continued)

As at 31st December 2000, two directors of the Company had a total of 3,000,000 share options which were granted by the Company on 1st July 1996 under the share option scheme adopted by the Company on 30th November 1994 (the "Share Option Scheme"). The options are exercisable at HK$5.53 per share at any time within ten years from the date of grant.

As at 31st December 2000, one director of the Company had 5,000,000 share options which were granted by the Company on 20th May 1997 under the Share Option Scheme. The options are exercisable at HK$8.80 per share at any time within ten years from the date of grant.

As at 31st December 2000, nine directors of the Company had a total of 2,800,000 share options which were granted by the Company on 6th April 2000 under the Share Option Scheme. The options are exercisable at HK$3.584 per share at any time from the first day of the thirteenth month from the date of grant to the end of the twenty-fourth month from the date of grant.

The consideration paid for each offer was HK$1.00. No option was exercised by the directors during the year ended 31st December 2000.

The directors' emoluments are analysed as follows:

	Number of directors	
	2000	1999
Emoluments band		
Nil — US$128,205 (Nil — HK$1,000,000)	17	16
US$128,206 — US$192,308 (HK$1,000,001 — HK$1,500,000)	—	—
US$192,309 — US$256,410 (HK$1,500,001 — HK$2,000,000)	1	1
US$256,411 — US$320,513 (HK$2,000,001 — HK$2,500,000)	—	—
US$320,514 — US$384,615 (HK$2,500,001 — HK$3,000,000)	1	1
	19	18

The above analysis includes two (1999: two) individuals whose emoluments were among the five highest in the Group.

10 DIRECTORS' AND MANAGEMENT'S EMOLUMENTS (Continued)

b Management's emoluments

Details of the aggregate emoluments paid to the three (1999: three) individuals whose emoluments were the highest in the Group and have not been included in the directors' emoluments above are set out below:

	2000 US$'000	1999 US$'000
Salaries, housing and other allowances, benefits in kind	670	744
Bonuses	73	57
Contributions to retirement schemes	29	31
	772	832

The emoluments fell within the following bands:

	Number of individuals	
	2000	1999
Emoluments band		
Nil — US$128,205 (Nil — HK$1,000,000)	—	—
US$128,206 — US$192,308 (HK$1,000,001 — HK$1,500,000)	—	—
US$192,309 — US$256,410 (HK$1,500,001 — HK$2,000,000)	2	1
US$256,411 — US$320,513 (HK$2,000,001 — HK$2,500,000)	—	1
US$320,514 — US$384,615 (HK$2,500,001 — HK$3,000,000)	1	1
	3	3

During the year, no emoluments had been paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office. No directors waived or agreed to waive any emoluments during the year.

11 FIXED ASSETS

Group

	Leasehold land and buildings in Hong Kong US$'000	Leasehold land and buildings outside Hong Kong US$'000	Investment properties in Hong Kong US$'000	Land use rights outside Hong Kong US$'000	Construction in progress US$'000	Containers US$'000	Motor vehicles US$'000	Leasehold improvements US$'000	Furniture, fixtures and equipment US$'000	Plant and machinery US$'000	Computer system under development US$'000	Total US$'000
Cost or valuation												
At 1st January 2000	21,722	9,556	1,137	1,856	73	1,255,642	1,003	1,967	6,806	12,544	–	1,312,306
Translation differences	–	–	–	–	–	–	–	–	(1)	(7)	–	(8)
Additions	–	–	–	–	2,031	116,290	72	34	863	–	591	119,881
Disposals	–	–	–	–	–	(80,023)	(23)	–	(188)	(348)	–	(80,582)
Revaluation deficit (note 11b)	–	–	(98)	–	–	–	–	–	–	–	–	(98)
Reclassification	–	898	–	–	(1,988)	–	–	–	16	1,074	–	–
At 31st December 2000	21,722	10,454	1,039	1,856	116	1,291,909	1,052	2,001	7,496	13,263	591	1,351,499
Accumulated depreciation												
At 1st January 2000	2,398	1,336	–	148	–	381,373	634	1,534	1,943	4,702	–	394,068
Translation differences	–	–	–	–	–	–	–	–	–	(6)	–	(6)
Charge for the year	505	309	–	74	–	71,423	125	399	1,357	623	–	74,815
Disposals	–	–	–	–	–	(59,264)	(20)	–	(176)	(328)	–	(59,788)
At 31st December 2000	2,903	1,645	–	222	–	393,532	739	1,933	3,124	4,991	–	409,089
Net book value												
At 31st December 2000	18,819	8,809	1,039	1,634	116	898,377	313	68	4,372	8,272	591	942,410
At 31st December 1999	19,324	8,220	1,137	1,708	73	874,269	369	433	4,863	7,842	–	918,238
The analysis of cost or valuation of the above assets is as follows:												
At cost	1,749	10,454	–	1,856	116	1,291,909	1,052	2,001	7,496	13,263	591	1,330,487
At professional valuation												
– 1994	19,973	–	–	–	–	–	–	–	–	–	–	19,973
– 2000	–	–	1,039	–	–	–	–	–	–	–	–	1,039
	21,722	10,454	1,039	1,856	116	1,291,909	1,052	2,001	7,496	13,263	591	1,351,499

11 FIXED ASSETS (Continued)

Notes:

a The Group's interests in investment properties and leasehold land and buildings at their net book values are analysed as follows:

	Group	
	2000	1999
	US$'000	US$'000
In Hong Kong, held on leases of over 50 years	19,858	20,461
Outside Hong Kong, held on leases of between 10 to 50 years	10,443	9,928
	30,301	30,389

b The investment properties were revalued on 31st December 2000 on an open market value basis by DTZ Debenham Tie Leung Limited, an independent professional property valuer. The revaluation deficit has been accounted for in the profit and loss account (note 3).

c Certain leasehold land and buildings in Hong Kong as at 31st December 2000 were revalued in 1994 on an open market value basis by C.Y. Leung & Company Limited (now known as DTZ Debenham Tie Leung Limited), an independent professional property valuer.

The carrying amount of these leasehold land and buildings as at 31st December 2000 would have been US$16,539,000 (1999: US$16,971,000) had the leasehold land and buildings been carried at cost less accumulated depreciation in the accounts.

d The aggregate cost and accumulated depreciation of containers held for use in operating leases as at 31st December 2000 amounted to US$1,268,524,000 (1999: US$1,228,431,000) and US$387,477,000 (1999: US$375,830,000) respectively.

e Certain leasehold land and buildings in Hong Kong and containers with an aggregate net book value of US$210,911,000 as at 31st December 2000 (1999: US$272,302,000) were pledged as security for loan facilities granted by banks and third parties.

f During the year, the Group transferred containers with an aggregate net book value of US$17,606,000 (1999: US$15,283,000) to inventories.

12 INVESTMENTS IN SUBSIDIARIES

	Company	
	2000	1999
	US$'000	US$'000
Unlisted shares, at cost	164,010	138,510
Amounts due from subsidiaries (note a)	951,295	863,333
Amounts due to subsidiaries (note a)	(1,040)	(15,692)
Provision	(27,801)	(10,845)
	1,086,464	975,306

12 INVESTMENTS IN SUBSIDIARIES (Continued)

Notes:

a The amounts due from/(to) subsidiaries are unsecured and have no fixed terms of repayment. The balances are interest free except for a balance of US$897,436 (1999: US$900,320) due from a subsidiary which is interest bearing at 8% (1999: 8%) per annum.

b Details of the subsidiaries as at 31st December 2000 are as follows:

	Name	Place of incorporation	Place of operation	Principal activities	Issued share capital/ paid-up capital	Group equity interest 2000	Group equity interest 1999
*	Allgood International Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	100%	100%
# *	Bauhinia 97 Ltd.	Cayman Islands	Hong Kong	Investment holding	2 ordinary shares of US$1 each	100%	100%
	Cheer Hero Development Limited	Hong Kong	Hong Kong	Container handling and stevedoring	10,000 ordinary shares of HK$10 each	75%	75%
	COSCO Container Services Limited	Hong Kong	Hong Kong	Investment holding, depot handling and container repairing	2 ordinary shares of HK$1 each	100%	100%
# *	COSCO Pacific (China) Investments Co., Ltd.	PRC	PRC	Investment holding	US$30,000,000	100%	100%
#	COSCO Pacific Management Company Limited	Hong Kong	Hong Kong	Provision of management services	2 ordinary shares of HK$1 each	100%	100%

12 INVESTMENTS IN SUBSIDIARIES (Continued)

	Name	Place of incorporation	Place of operation	Principal activities	Issued share capital/ paid-up capital	Group equity interest 2000	1999
# *	COSCO Pacific Nominees Limited	British Virgin Islands	Worldwide	Provision of nominee services	1 ordinary share of US$1	100%	100%
	COSCO Qingdao Terminal Holdings Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	100%	100%
# *	CPL Treasury Limited	British Virgin Islands	Hong Kong	Dormant	1 ordinary share of US$1	100%	100%
	Crestway International Limited	British Virgin Islands	Hong Kong	Investment holding	50,000 ordinary shares of US$1 each	100%	100%
# *	Elegance Investment Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	100%	100%
#	Fairbreeze Shipping Company Limited	Hong Kong	Hong Kong	Property holding	5,000 ordinary shares of HK$100 each	99.98%	99.98%
*	Famous International Limited	British Virgin Islands	Worldwide	Investment holding and sale of old containers	1 ordinary share of US$1	100%	100%
	Fentalic Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	100%	100%
	Florens Container Corporation S.A.	Panama	Worldwide	Container leasing	100 ordinary shares of US$100 each	100%	100%

12 INVESTMENTS IN SUBSIDIARIES (Continued)

	Name	Place of incorporation	Place of operation	Principal activities	Issued share capital/ paid-up capital	Group equity interest 2000	1999
#	Florens Container Holdings Limited	British Virgin Islands	Hong Kong	Investment holding	22,014 ordinary shares of US$1 each	100%	100%
	Florens Container Inc.	United States of America	United States of America	Container leasing	1 ordinary share of US$1	100%	100%
	Florens Container, Inc. (1998)	United States of America	United States of America	Container leasing	100 ordinary shares of US$1 each	100%	100%
	Florens Container Inc. (1999)	United States of America	United States of America	Container leasing	100 ordinary shares of US$1 each	100%	–
	Florens Container, Inc. (2000)	United States of America	United States of America	Container leasing	100 ordinary shares of US$1 each	100%	–
	Florens Container Services Company Limited	Hong Kong	Worldwide	Provision of container management services	100 ordinary shares of HK$1 each	100%	100%
*	Florens Container Services (Deutschland) GmbH	Germany	Germany	Provision of container management services	2 shares of DM25,000 each	100%	100%
*	Florens Container Services (Italy) S.R.L.	Italy	Italy	Provision of container management services	20,000 quotas of ITL 1,000 each	100%	100%

12 INVESTMENTS IN SUBSIDIARIES (Continued)

	Name	Place of incorporation	Place of operation	Principal activities	Issued share capital/ paid-up capital	Group equity interest 2000	Group equity interest 1999
*	Florens Container Services (Japan) Co. Ltd.	Japan	Japan	Provision of container management services	200 ordinary shares of JPY 50,000 each	100%	100%
	Florens Container Services (UK) Limited	United Kingdom	United Kingdom	Provision of container management services	183,610 ordinary shares of GBP 1 each	100%	100%
*	Florens Container Services (USA), Ltd.	United States of America	United States of America	Provision of container management services	1,000 ordinary shares of US$0.001 each	100%	100%
#	Florens Industrial Holdings Limited	Bermuda	PRC	Investment holding	12,000 ordinary shares of US$1 each	100%	100%
# *	Florens Investments Company Limited	British Virgin Islands	Hong Kong	Dormant	1 ordinary share of US$1	100%	100%
#	Florens Ports Investments Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	100%	100%
	Florens Shipping Corporation Limited	Bermuda	Worldwide	Container leasing	12,000 ordinary shares of US$1 each	100%	100%
*	Florens U.S. Holdings, Inc.	United States of America	United States of America	Investment holding	1 ordinary share of US$1	100%	100%
*	Frosti International Limited	British Virgin Islands	Hong Kong	Investment holding	2 ordinary shares of US$1 each	100%	100%

12 INVESTMENTS IN SUBSIDIARIES (Continued)

	Name	Place of incorporation	Place of operation	Principal activities	Issued share capital/ paid-up capital	Group equity interest 2000	1999
	Greating Services Limited	Hong Kong	Hong Kong	Depot handling, storage and transportation of containers	250,000 ordinary shares of HK$1 each	100%	100%
*	Hero King Limited	British Virgin Islands	Hong Kong	Property holding	1 ordinary share of US$1	100%	100%
*	Plangreat Limited	British Virgin Islands	Hong Kong	Investment holding	100 ordinary shares of US$1 each	100%	100%
# *	Toplink Enterprises Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	100%	100%
# *	Topview Investment Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	100%	100%
	Win Hanverky Investments Limited	Hong Kong	Hong Kong	Investment holding	10,000 ordinary shares of HK$10 each	100%	100%
*	Zhangjiagang Win Hanverky Container Terminal Co. Ltd.	PRC	PRC	Operation of container terminal	US$16,800,000	51%	51%

\# Shares held directly by the Company

* Subsidiaries not audited by PricewaterhouseCoopers

The aggregate net assets, turnover and profit before taxation of subsidiaries not audited by PricewaterhouseCoopers amounted to approximately 2.4%, 2.6% and 2.5% (1999: 1.8%, 2.1% and 2.2%) of the Group's net assets, turnover and profit before taxation respectively.

13 INVESTMENTS IN JOINT VENTURES

	Group	
	2000	1999
	US$'000	US$'000
Unlisted investments, at cost	31,707	31,707
Capital reserve on acquisition	1,472	1,472
Share of undistributed post acquisition reserves (note a)	9,093	5,396
Share of net assets	42,272	38,575
Amounts due from jointly controlled entities (note b)	456	598
Amounts due to jointly controlled entities (note b)	(593)	(7,099)
	42,135	32,074

Notes:

a Shanghai CIMC Far East Container Co., Ltd. and Tianjin CIMC North Ocean Container Co., Ltd., jointly controlled entities of the Group, entered into subcontracting agreements with China International Marine Containers (Group) Ltd. ("CIMC"), one of the venturers of these jointly controlled entities, during the year (the "Subcontracting Agreements"). Pursuant to the Subcontracting Agreements, the operations of these two jointly controlled entities are subcontracted to CIMC and CIMC, in return, provides guaranteed profits, the amounts of which are stipulated in the Subcontracting Agreements, to these jointly controlled entities for five years commencing from 1st January 2000.

The Group's share of profits from these two jointly controlled entities for the year ended 31st December 2000 is calculated based on the amounts of guaranteed profits as set out in the Subcontracting Agreements.

b The amounts due from/(to) jointly controlled entities are unsecured and interest free. Balances in relation to purchases of containers have normal commercial terms of settlement while the other balances have no fixed terms of repayment.

13 INVESTMENTS IN JOINT VENTURES (Continued)

c The Company has no directly owned jointly controlled entities as at 31st December 2000 and 1999. The following is a list of the jointly controlled entities held by its wholly owned subsidiaries as at 31st December 2000:

Name	Place of incorporation/ operation	Principal activities	Paid-up capital	Percentage of interest in ownership/voting power/profit sharing 2000	1999
Qingdao Cosport International Container Terminals Co. Ltd.	PRC	Operation of container terminal	RMB337,868,700	50%	50%
Shanghai CIMC Reefer Containers Co., Ltd.	PRC	Container manufacturing	US$28,000,000	20%	20%
Shanghai CIMC Far East Container Co., Ltd.	PRC	Container manufacturing	US$9,480,000	20%	20%
Shanghai Kansai Paint & Chemical Co., Ltd.	PRC	Production of container and marine paints	RMB58,177,941	20%	20%
Tianjin Kansai Paint & Chemicals Co., Ltd.	PRC	Production of container and marine paints	RMB30,293,460	20%	20%
Tianjin CIMC North Ocean Container Co., Ltd.	PRC	Container manufacturing	US$8,582,000	22.5%	22.5%

14 INVESTMENTS IN ASSOCIATED COMPANIES

	Group 2000 US$'000	Group 1999 US$'000
Investments, at cost		
— unlisted shares	314,986	314,986
— shares listed in Hong Kong	219,189	219,189
Goodwill on acquisition written off	(341,597)	(341,597)
Share of undistributed post acquisition reserves	92,030	72,650
Share of net assets	284,608	265,228
Loans to associated companies (note a)	45,555	57,070
	330,163	322,298
Market value of listed shares	100,942	91,196

Notes:

a The loans to associated companies are unsecured, interest free and have no fixed terms of repayment.

b The Company has no directly owned associated company as at 31st December 2000 and 1999. The following is a list of the associated companies held by its wholly owned subsidiaries as at 31st December 2000:

Name	Place of incorporation/ operation	Principal activities	Issued share capital	Group equity interest 2000	Group equity interest 1999
COSCO-HIT Terminals (Hong Kong) Limited	Hong Kong	Operation, management and development of Container Terminal 8 (East)	2 "A" ordinary shares of HK$10 each and 2 "B" ordinary shares of HK$10 each	50%	50%
Dawning Company Limited	British Virgin Islands/ Hong Kong	Investment holding	200 "A" shares of US$1 each and 800 "B" shares of US$1 each	20%	20%
Liu Chong Hing Bank Limited	Hong Kong	Banking and related financial services	435,000,000 ordinary shares of HK$0.5 each	20%	20%
Twinbridge Development Corp.	British Virgin Islands/PRC	Investment holding	10,000 shares of US$1 each	30%	30%

15 INVESTMENT SECURITIES

	Group 2000 US$'000	Group 1999 US$'000
Equity securities		
Unlisted investments in Hong Kong, at cost (note a)	1	1
Loans to investee companies (note b)	47,174	47,067
Provision (note 3)	(7,445)	(2,845)
	39,730	44,223
Listed investment outside Hong Kong, at cost	7,216	7,216
	46,946	51,439
Market value of listed shares	10,890	4,973

Notes:

a Unlisted investments include a 10% equity interest in River Trade Terminal Holdings Limited ("River Trade Terminal") and a 6.85% equity interest in Sigma Enterprises Limited ("Sigma") which are principally engaged in the management and development of Tuen Mun Area 38 River Trade Terminal in Hong Kong and the management of Yantian International Container Terminal in China Mainland respectively.

b Loans to investee companies represent loans to River Trade Terminal for financing the development of Tuen Mun Area 38 River Trade Terminal and Sigma for financing the operations of Yantian International Container Terminal respectively. These loans are unsecured, interest free and have no fixed terms of repayment.

16 HIRE PURCHASE DEBTORS

	Group 2000 US$'000	Group 1999 US$'000
Hire purchase debtors less provision (note)	12,129	21,232
Amounts due within one year included under current assets	(4,868)	(7,852)
	7,261	13,380

Note:

The cost of assets acquired for the purpose of letting under hire purchase contracts amounted to US$29,531,000 as at 31st December 2000 (1999: US$52,451,000). The aggregate rentals receivable for the year in relation to the hire purchase contracts amounted to US$10,090,000 (1999: US$14,764,000).

17 BANK BALANCES AND CASH

	Group 2000 US$'000	Group 1999 US$'000
Bank balance and cash	57,779	18,641
Restricted bank deposits included in non-current assets	(3,855)	(1,303)
	53,924	17,338

Included in bank balances and cash of the Group are amounts of US$3,855,000 (1999: US$1,303,000) pledged as security for a bank loan of the Group and are restricted for the purpose of the related banking facility.

18 INVENTORIES

As at 31st December 2000, inventories represent spare parts and consumables of US$339,000 (1999: US$333,000) and resaleable containers of US$3,510,000 (1999: US$2,951,000).

Spare parts and consumables are stated at cost. The carrying amount of resaleable containers that are carried at net realisable value amounted to US$3,227,000 (1999: Nil).

19 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2000	1999	2000	1999
	US$'000	US$'000	US$'000	US$'000
Trade receivables, less provision (note a)	19,201	20,669	—	—
Other receivables, deposits and prepayments	3,129	3,573	390	459
Amounts due from fellow subsidiaries (note b)	22,460	15,759	—	—
Amounts due from related companies (note b)	718	1,150	—	—
	45,508	41,151	390	459

Notes:

a The Group grants various credit periods to its customers and the analysis of the credit periods by principal activities is as follows:

— container leasing : 60 days
— container handling and storage : 30 to 90 days
— container terminal operations : 90 days

As at 31st December 2000, the age analysis of the trade receivables (net of provision) of the Group was as follows:

	Group	
	2000	1999
	US$'000	US$'000
Current	11,933	11,644
30 — 60 days	3,243	4,050
60 — 90 days	1,664	2,300
Over 90 days	2,361	2,675
	19,201	20,669

b The amounts due from fellow subsidiaries and related companies are unsecured and interest free. Trading balances have normal commercial terms of settlement while other balances have no fixed terms of repayment.

20 TRADE AND OTHER PAYABLES

	Group		Company	
	2000	1999	2000	1999
	US$'000	US$'000	US$'000	US$'000
Trade payables (note a)	13,322	13,165	—	—
Other payables	821	1,178	60	224
Accruals and provisions	15,250	18,148	263	113
Amounts due to fellow subsidiaries (note b)	1,253	3,818	—	—
Amounts due to related companies (note b)	2,828	25,181	—	—
Amounts due to minority shareholders of subsidiaries (note b)	2,071	1,227	—	—
	35,545	62,717	323	337

Notes:

a As at 31st December 2000, the age analysis of the trade payables of the Group was as follows:

	Group	
	2000	1999
	US$'000	US$'000
Current	8,082	2,607
30 — 60 days	3,567	273
60 — 90 days	350	88
Over 90 days	1,323	10,197
	13,322	13,165

b The amounts due to fellow subsidiaries, related companies and minority shareholders of subsidiaries are unsecured and interest free. Balances in relation to purchases of containers have normal commercial terms of settlement while the other balances have no fixed terms of repayment.

21 SHORT TERM LOANS

	Group		Company	
	2000	1999	2000	1999
	US$'000	US$'000	US$'000	US$'000
Unsecured bank loans	41,162	20,692	23,000	—

Unsecured bank loan of the Group of approximately US$1,686,000 as at 31st December 1999, which was guaranteed by a fellow subsidiary of the Company, was repaid during the year.

22 SHARE CAPITAL

	2000 US$'000	1999 US$'000
Authorised:		
3,000,000,000 ordinary shares of HK$0.10 each	38,462	38,462
Issued and fully paid:		
2,139,228,298 ordinary shares of HK$0.10 each	27,433	27,433

a The movements of the issued share capital of the Company are summarised as follows:

	Number of ordinary shares	Nominal value US$'000
At 1st January 1999	2,051,826,531	26,305
Issued on private placement (note b)	87,311,767	1,127
Issued on exercising of share options	90,000	1
At 31st December 1999 and 31st December 2000	2,139,228,298	27,433

b Pursuant to the placing agreement dated 22nd April 1999 entered into between COSCO (Hong Kong) Group Limited ("COSCO (Hong Kong)") and its placing agents, COSCO (Hong Kong) sold through placing agents a total of 167,599,752 shares (the "Placing Shares") of the Company to independent professional and institutional investors at a price (the "Placing Price") of HK$4.78 per share (the "Placing").

Pursuant to the subscription agreement on the same date, COSCO (Hong Kong) subscribed for 87,311,767 new shares (the "Subscription Shares") at a price equal to the Placing Price (the "Subscription") less an amount of attributable expenses incurred in respect of the Placing and Subscription. The premium of US$52,735,000 arising on the issue of the Subscription Shares by the Company was accounted for in the share premium in 1999 (note 23).

22 SHARE CAPITAL (Continued)

c Share options

Under the Share Option Scheme, the directors of the Company may, at their discretion, grant to any executive and/or employee of the Group, including any director in full time employment with any company in the Group, share options to subscribe for the Company's shares. The subscription price for the Company's shares under the Share Option Scheme is determined by the directors of the Company and will not be less than 80% of the average of the closing prices of the Company's shares on The Stock Exchange of Hong Kong Limited on the five trading days immediately preceding the date of offer of the option or the nominal value of the Company's shares, whichever is higher. The maximum number of shares over which options may be outstanding may not exceed 10% of the ordinary share capital in issue from time to time.

There were 6,580,000 share options granted on 1st July 1996 which were exercisable at HK$5.53 per ordinary share as at 1st January 2000. No share option was exercised but 3,500,000 share options were forfeited following the death of a former director and resignation of a former director during the year. As at 31st December 2000, there were 3,080,000 share options outstanding which are exercisable at any time within ten years from the date of the options granted.

There were 13,600,000 share options granted on 20th May 1997 (the "Offer Date") which were exercisable at HK$8.80 per ordinary share as at 1st January 2000. No share option was exercised but 1,050,000 share options were forfeited following resignations of certain employees during the year. As at 31st December 2000, there were 12,550,000 share options outstanding which are exercisable at any time within ten years from the date of the options granted subject to the following conditions:

i For those grantees who have completed one year full-time service in the Group may exercise a maximum of 20% of share options granted in each of the first five anniversary year from the Offer Date.

ii For those grantees who have not completed one year full-time service in the Group as at the Offer Date, a maximum of 20% of options granted may be exercisable in each of the first five anniversary years of the Offer Date after completion of one year full-time service.

On 6th April 2000, a total of 15,470,000 share options were granted. 1,330,000 share options were forfeited following the resignations of two former directors and certain employees during the year. As at 31st December 2000, there were 14,140,000 share options outstanding which are exercisable at HK$3.584 per ordinary share at any time from the first day of the thirteenth month from the date of grant to the end of the twenty-fourth month from the date of grant.

For those share options granted on 1st July 1996 and 20th May 1997, all grantees may reserve their rights to exercise and accumulate their share options exercisable during their employment with the Group.

23 RESERVES

Group

	Share premium US$'000	Other properties revaluation reserve US$'000	Exchange reserve US$'000	Capital reserve US$'000	Other reserves US$'000	Retained profits US$'000	Total US$'000
Companies and subsidiaries	503,772	1,127	11	–	196	218,584	723,690
Jointly controlled entities	–	–	(105)	333	–	4,439	4,667
Associated companies	–	–	748	82	–	90,109	90,939
At 1st January 1999	503,772	1,127	654	415	196	313,132	819,296
Premium on issue of shares under the Share Option Scheme	63	–	–	–	–	–	63
Premium on issue of new shares through a private placement (note 22b)	52,735	–	–	–	–	–	52,735
Share issue expenses	(42)	–	–	–	–	–	(42)
Transfer of reserves	–	–	–	–	2,692	(2,692)	–
Share of reserves of an associated company and a jointly controlled entity	–	–	48	7	–	–	55
Exchange translation differences	–	–	(689)	–	–	–	(689)
Retained profit for the year	–	–	–	–	–	82,807	82,807
At 31st December 1999	556,528	1,127	13	422	2,888	393,247	954,225
Retained by:							
Company and subsidiaries	556,528	1,127	(17)	–	264	318,171	876,073
Jointly controlled entities	–	–	(105)	340	785	4,483	5,503
Associated companies	–	–	135	82	1,839	70,593	72,649
	556,528	1,127	13	422	2,888	393,247	954,225
At 1st January 2000	556,528	1,127	13	422	2,888	393,247	954,225
Transfer of reserves	–	–	–	–	1,468	(1,468)	–
Share of reserve of an associated company	–	–	64	–	–	–	64
Exchange translation differences	–	–	(727)	–	–	–	(727)
Retained profit for the year	–	–	–	–	–	89,815	89,815
At 31st December 2000	556,528	1,127	(650)	422	4,356	481,594	1,043,377
Retained by:							
Companies and subsidiaries	556,528	1,127	(108)	–	374	384,226	942,147
Jointly controlled entities	–	–	(87)	340	1,151	7,796	9,200
Associated companies	–	–	(455)	82	2,831	89,572	92,030
	556,528	1,127	(650)	422	4,356	481,594	1,043,377

23 RESERVES (Continued)

Company

	Share premium US$'000	Contributed surplus US$'000	Retained profits US$'000	Total US$'000
At 1st January 1999	503,772	418,570	34,422	956,764
Premium on issue of shares under the Share Option Scheme	63	—	—	63
Premium on issue of new shares through a private placement (note 22b)	52,735	—	—	52,735
Share issue expenses	(42)	—	—	(42)
Retained profit for the year	—	—	47,740	47,740
At 31st December 1999	556,528	418,570	82,162	1,057,260
At 1st January 2000	556,528	418,570	82,162	1,057,260
Retained profit for the year	—	—	12,900	12,900
At 31st December 2000	556,528	418,570	95,062	1,070,160

The distributable reserves of the Company as at 31st December 2000 amounted to US$513,632,000 (1999: US$500,732,000).

24 LONG TERM LIABILITIES

	Group	
	2000	1999
	US$'000	US$'000
Loans (note c)		
Secured	105,349	132,204
Unsecured	277,134	407,891
	382,483	540,095
Amounts due within one year included under current liabilities	(98,207)	(241,695)
	284,276	298,400

Notes:

a The analysis of the above is as follows:

	Group	
	2000	1999
	US$'000	US$'000
Wholly repayable within five years		
Bank loans	213,207	339,875
Other loans (note d)	147,801	142,074
Loans from a minority shareholder of a subsidiary (note e)	2,409	—
Not wholly repayable within five years		
Bank loans	—	55,255
Other loans (note f)	19,066	—
Loans from a minority shareholder of a subsidiary (note e)	—	2,891
	382,483	540,095

24 LONG TERM LIABILITIES (Continued)

b The maturity of the long term liabilities is as follows:

	Group 2000 US$'000	Group 1999 US$'000
Bank loans		
Within one year	91,413	106,938
In the second year	77,796	104,595
In the third to fifth years inclusive	41,193	177,813
In more than five years	2,805	5,784
	213,207	395,130
Loans from a minority shareholder of a subsidiary		
Within one year	482	482
In the second year	482	482
In the third to fifth years inclusive	1,445	1,446
In more than five years	—	481
	2,409	2,891
Other loans		
Within one year	6,312	134,275
In the second year	145,587	4,336
In the third to fifth years inclusive	7,405	3,463
In more than five years	7,563	—
	166,867	142,074
	382,483	540,095

24 LONG TERM LIABILITIES (Continued)

c Secured bank loans and other loans of US$105,349,000 (1999: US$132,204,000) were pledged by certain leasehold land and buildings in Hong Kong and containers of the Group (note 11e).

The bank loan of approximately US$1,325,000 (1999: US$Nil) was guaranteed by the minority shareholder of a subsidiary.

d US$130 million US commercial notes (the "Notes") were issued in 1998 to investors pursuant to an agreement dated 9th May 1998 (the "Agreement"). The Notes were backed by a letter of credit issued by a bank (the "LOC") and guaranteed by the Company. The Notes were fully replaced by the issuance of US$140 million US commercial notes (the "New Notes") in 2000 pursuant to an agreement dated 20th April 2000. The New Notes are backed by a letter of credit issued by a bank (the "New LOC") and guaranteed by the Company. Each New Note bears interest at prevailing market rates with a stated maturity date not exceeding 270 days. The New Notes will be redeemed and reissued upon their respective maturity dates until the expiry of the New LOC. The stated termination date of the New LOC is two years from 8th May 2000, the effective date of the New Notes. On this basis, the directors of the Company regard the New Notes as non-current liabilities.

e Loans from a minority shareholder of a subsidiary are unsecured and repayable in various annual instalments up to December 2005. Annual interest rate is calculated at prevailing market rate quoted by the State Development Bank of the PRC at the end of every preceding year. The interest rate for 2000 was 6.21% (1999: 8.01%) per annum.

f Other loans not wholly repayable within five years as at 31st December 2000 are repayable by instalments from 7th July 2000 to 4th July 2008. Interest is charged on the outstanding balances at the London Interbank Offered Rate plus a margin of 1.125% per annum.

25 CONTINGENT LIABILITIES

	Group		Company	
	2000	1999	2000	1999
	US$'000	US$'000	US$'000	US$'000
Guarantees executed in favour of banks				
for securing banking facilities granted to				
Subsidiaries	—	—	396,911	555,986
Jointly controlled entities	748	2,518	—	—
Investee company	—	33,158	—	33,158
	748	35,676	396,911	589,144

26 CAPITAL COMMITMENTS

	Group		Company	
	2000	1999	2000	1999
	US$'000	US$'000	US$'000	US$'000
Authorised but not contracted for				
Containers	155,698	92,507	—	—
Other fixed assets	2,836	—	—	—
	158,534	92,507	—	—
Contracted but not provided for				
Containers	—	7,493	—	—
Capital contribution to a subsidiary	—	—	—	25,500
Investment (note a)	45,770	—	—	—
	45,770	7,493	—	25,500

Notes:

a As at 31st December 2000, the Group's commitment in respect of an investment in a 20% equity interest in Shanghai Putong International Container Terminal Limited amounted to US$45,770,000.

b As at 31st December 2000 and 1999, there were no capital commitments relating to the Group's interests in the joint ventures included in the above.

As at 31st December 2000 and 1999, there were no capital commitments of the joint ventures themselves not included in the above.

27 LEASE COMMITMENTS

At 31st December 2000 the Group had commitments to make payments in the next twelve months under operating leases which expire as follows:

	Group	
	2000	1999
	US$'000	US$'000
Land and buildings		
Expiring in the first year	512	1,478
Expiring in the second to fifth years inclusive	2,289	1,009
	2,801	2,487
Plant and machinery		
Expiring in the first year	286	—
Expiring in the second to fifth years inclusive	—	301
Expiring after the fifth year	3	116
	3,090	2,904

28 DEFERRED TAXATION

The potential deferred tax liability/(asset) as at 31st December 2000 not provided for in the accounts amounts to:

	Group	
	2000	1999
	US$'000	US$'000
Accelerated depreciation allowances	13,254	14,630
Tax losses	(11,874)	(12,052)
	1,380	2,578

29 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

a Reconciliation of operating profit to net cash inflow from operating activities

	2000 US$'000	1999 US$'000
Operating profit	124,592	123,690
Depreciation and amortisation	74,815	70,551
Dividend income	(1,352)	(199)
(Gain)/loss on disposal of fixed assets	(81)	157
Loss on disposal of a subsidiary	—	2
Provision for an investee company	4,600	2,845
Revaluation deficit of investment properties	98	232
Decrease in net balance with jointly controlled entities	(398)	(291)
Decrease in hire purchase debtors less provision	9,103	11,427
Decrease in inventories	17,041	12,781
Decrease/(increase) in trade receivables less provision, other receivables, deposits and prepayments	1,775	(8,596)
Decrease in net amount due from ultimate holding company	—	7,986
Increase in amounts due from fellow subsidiaries	(6,448)	(13,159)
Decrease in amounts due from related companies	432	3,635
Increase/(decrease) in trade and other payables and accruals and provisions	1,901	(1,077)
Decrease in amount due to immediate holding company	—	(5)
(Decrease)/increase in amounts due to fellow subsidiaries	(2,565)	3,802
Decrease in amounts due to related companies	(2,249)	(1,131)
Increase in amounts due to minority shareholders of subsidiaries	844	401
Interest income	(12,191)	(5,068)
Effect of foreign exchange rate changes	76	(35)
Net cash inflow from operating activities	209,993	207,948

29 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

b Analysis of changes in financing during the year

	Share capital (including share premium) US$'000	Loans US$'000	Minority interests US$'000
Balance at 1st January 1999	530,077	634,336	6,500
Issue of shares, net of expenses	53,884	—	—
Minority interest's share of profit for the year	—	—	667
Loans borrowed	—	144,454	—
Repayment of loans	—	(218,003)	—
Dividends paid to minority shareholders	—	—	(291)
Balance at 31st December 1999	583,961	560,787	6,876
Balance at 1st January 2000	583,961	560,787	6,876
Effect of foreign exchange rate changes	—	(8)	—
Minority interest's share of profit for the year	—	—	886
Loans borrowed	—	85,185	—
Repayment of loans	—	(222,319)	—
Dividends paid to minority shareholders	—	—	(515)
Balance at 31st December 2000	583,961	423,645	7,247

29 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

c Sale of a subsidiary

	1999 US$'000
Net assets disposed of	
Fixed assets	2,217
Loss on disposal	(2)
	2,215
Satisfied by	
Cash	2,215

The subsidiary disposed of in 1999 did not contribute significant cash flows to the Group.

d Analysis of the balances of cash and cash equivalents

	2000 US$'000	1999 US$'000
Time deposits	87,828	233,694
Bank balances and cash	53,924	17,338
	141,752	251,032

e Major non-cash transaction

During the year, US$140 million US commercial notes were issued. US$130 million out of the US$140 million US commercial notes was used to replace the US$130 million US commercial notes issued in 1998 and matured in 2000. The Group received a net cash inflow of US$10 million which was included in loans borrowed during the year (note 29b).

30 RELATED PARTY TRANSACTIONS

The following is a summary of significant related party transactions, in addition to those disclosed elsewhere in the accounts, which were carried out in the normal course of the Group's business:

	2000 US$'000	1999 US$'000
Container rental income from a fellow subsidiary (note a)	136,766	142,631
Income for container terminal handling services rendered by an associated company of the Group to a fellow subsidiary (note b)	85,593	78,893
Handling and storage income from fellow subsidiaries (note c)	7,504	7,227
Net transportation income from fellow subsidiaries (note c)	2,276	2,487
Management fee income from an associated company (note d)	2,581	2,581
Compensation for loss of containers from a fellow subsidiary (note e)	691	1,615
Container terminal handling fee received from a fellow subsidiary (note f)	1,104	820
Service income from an associated company of ultimate holding company (note g)	565	—
Container drop-off credit to a fellow subsidiary (note h)	2,114	(2,114)
Purchase of containers from (note i)		
— associated companies of ultimate holding company	(39,251)	(32,462)
— jointly controlled entities of the Group	(17,288)	(14,683)
Container freight charges to (note j)		
— associated companies of ultimate holding company	(1,601)	—
— a jointly controlled entity of the Group	(57)	—
— a fellow subsidiary	—	(718)
Refurbishment fee to a fellow subsidiary (note k)	(3,000)	(3,000)
Property rental expense paid to a fellow subsidiary under operating lease (note l)	(674)	(677)
Maintenance fee for refrigerated containers to a fellow subsidiary (note m)	—	(2,700)

30 RELATED PARTY TRANSACTIONS (Continued)

Notes:

a The Group has conducted container leasing business with COSCO Container Lines Company Limited ("COSCON"), a wholly owned subsidiary of the China Ocean Shipping (Group) Company ("COSCO") which is the Company's ultimate holding company. During the two years ended 31st December 2000 the Group entered into new container leasing arrangements and revised the terms of the existing container leasing contracts.

The Group's container leasing transactions with COSCON during the year have been conducted based on the average leasing rates quoted from four (1999: three) of the top ten independent container leasing companies and in the ordinary and normal course of the business of the Group.

b COSCO-HIT Terminals (Hong Kong) Limited ("COSCO-HIT"), an associated company of the Group, provided handling and storage services to COSCON for cargoes shipped to Container Terminal 8 (East) in Hong Kong. The services rendered were charged at terms pursuant to agreements entered into by COSCO-HIT with COSCON for the year ended 31st December 2000.

c The handling and storage income and the transportation income received from fellow subsidiaries were conducted at terms no less favourable than terms available to independent third parties.

d The Group provided advisory and management services to COSCO-HIT during the year. Management fee was charged and agreed at HK$20 million (1999: HK$20 million) per annum.

e During the year, the Group had compensation received and receivable of US$691,000 from COSCON (1999: US$1,615,000) for the loss of containers under operating leases, resulting in a loss of US$55,000 (1999: gain of US$213,000).

f During the year, the Group provided handling and storage services to a fellow subsidiary for cargoes shipped to Zhangjiagang port. The tariff rates charged by the Group were referenced to rates as set out by the Ministry of Communications of the PRC.

g Pursuant to an agreement entered into between China International Marine Containers (Hong Kong) Limited ("CIMC HK"), an associated company of the ultimate holding company, and a subsidiary of the Group on 20th January 2000 (the "Service Agreement"), the Group provides CIMC HK with consultancy services for a term of 5 years at fees as stipulated in the Service Agreement.

30 RELATED PARTY TRANSACTIONS (Continued)

h In 1999, the Group agreed to pay a container drop-off credit of US$2,114,000 to COSCON for delivery of old containers returned from COSCON to the Group's designated depots in connection with the disposal of these containers. However, upon the settlement of this expense in 2000, COSCON finally agreed to waive the container drop-off credit and accordingly this expense payable was credited to the operating profit for the year.

i The purchases of containers from associated companies of COSCO and jointly controlled entities of the Group were conducted in the normal course of the business at terms no less favourable than the purchases of containers from other third party suppliers of the Group.

j During the year, the Group paid container freight charges of US$1,601,000 and US$57,000 to associated companies of COSCO and a jointly controlled entity of the Group respectively for container repositioning services rendered to the Group. Last year, the Group paid a container freight charge of US$717,600 to COSCON.

k Pursuant to an addendum of long term lease agreement dated 21st August 2000 entered into between a subsidiary of the Group and COSCON, the subsidiary agreed to pay a container refurbishment fee of US$3,000,000 to COSCON for the year (1999: US$3,000,000).

l A subsidiary of the Group entered into a lease agreement with a fellow subsidiary, Wing Thye Holdings Limited ("Wing Thye"), a subsidiary of COSCO (Hong Kong), to lease office space for a period of 3 years commencing on 4th December 1997 at a monthly rental of HK$476,707. The lease agreement was renewed on 7th March 2001 for a period of 3 years commencing with retrospective effect from 4th December 2000 at a monthly rental of HK$465,023, exclusive of rates and management fees, which was determined by reference to an independent opinion given by DTZ Debenham Tie Leung Limited, a professional valuer. COSCO (Hong Kong) also provided a guarantee in the sum of HK$1,395,069, representing rentals for three months to Wing Thye as security for due payment of rental and other monies by the subsidiary.

m Pursuant to an addendum of long term lease agreement dated 7th July 1999, the Group agreed to pay to COSCON for maintenance services rendered for certain refrigerated containers at a fee of US$2,700,000 for the year of 1999.

31 SIGNIFICANT ASSOCIATED COMPANIES

A summary of the audited financial information of COSCO-HIT Terminals (Hong Kong) Limited and Liu Chong Hing Bank Limited, two significant associated companies of the Group, after making adjustments by directors of the Company to conform with the Group's principal accounting policies, for the two years ended 31st December 2000 and 1999 is set out as follows:

a COSCO-HIT Terminals (Hong Kong) Limited

	2000 US$'000	1999 US$'000
Result for the year		
Turnover	136,599	120,637
Profit before taxation (note)	73,166	66,151
Taxation	(12,564)	(7,524)
Profit after taxation	60,602	58,627
Group's share of profit before taxation (note)	36,583	33,075
Net assets as at 31st December (note)		
Non-current assets	351,086	364,744
Current assets	50,671	35,060
Current liabilities	(51,370)	(24,200)
Long term liabilities	(205,128)	(231,511)
Deferred taxation	(2,535)	(2,543)
	142,724	141,550

Note:

Adjustments have been made to the deferred borrowing costs included in the accounts of COSCO-HIT Terminals (Hong Kong) Limited for the year ended 31st December 2000 to conform with the Group's principal accounting policies. As a result, the Group's share of profit before taxation of this associated company for the year ended 31st December 2000 has been increased by US$200,000 (1999: decreased by US$968,000) and the Group's share of net assets in this associated company as at 31st December 2000 has been decreased by US$768,000 (1999: US$968,000).

31 SIGNIFICANT ASSOCIATED COMPANIES (Continued)

b Liu Chong Hing Bank Limited

	2000 US$'000	1999 US$'000
Result for the year		
Net interest income	120,530	103,682
Profit before taxation (note)	76,949	55,930
Taxation	(12,594)	(9,494)
Profit after taxation	64,355	46,436
Group's share of profit before taxation (note)	15,390	11,186
Assets		
Cash and short-term funds	1,866,451	1,294,305
Advances and other accounts	2,484,669	2,541,399
Tangible fixed assets and other assets (note)	693,762	820,583
	5,044,882	4,656,287
Liabilities		
Deposits with customers	3,988,282	3,643,445
Certificates of deposit, deposits with other banks and financial institutions	151,554	174,637
Other liabilities	124,715	95,073
	4,264,551	3,913,155
Net assets as at 31st December	780,331	743,132

Note:

Adjustments have been made to the tangible fixed assets and investments in securities included in the accounts of Liu Chong Hing Bank Limited for the year ended 31st December 2000 to conform with the Group's principal accounting policies. As a consequence, the Group's share of profit before taxation of this associated company for the year ended 31st December 2000 has been increased by US$1,163,000 (1999: US$108,000) and the Group's share of net assets in this associated company has been increased by US$9,187,000 (1999: US$9,977,000) respectively.

32 ULTIMATE HOLDING COMPANY

The directors regard China Ocean Shipping (Group) Company, a state-owned enterprise established in the People's Republic of China, as being the ultimate holding company.

33 APPROVAL OF ACCOUNTS

The accounts were approved by the Board of Directors on 29th March 2001.

FIVE-YEAR FINANCIAL SUMMARY

For the year ended 31st December

	2000 US$'000	1999 US$'000	1998 US$'000	1997 US$'000	1996 US$'000
Turnover	217,893	220,638	217,130	183,526	144,588
Operating profit after finance costs	81,479	83,384	80,797	85,522	45,192
Share of profits less losses of					
Jointly controlled entities	6,656	4,106	4,254	2,593	(40)
Associated companies	66,243	54,871	50,639	41,592	31,210
Profit before taxation	154,378	142,361	135,690	129,707	76,362
Taxation	(10,946)	(7,612)	(5,896)	(6,264)	(661)
Profit after taxation	143,432	134,749	129,794	123,443	75,701
Minority interests	(886)	(667)	(497)	(698)	–
Profit attributable to shareholders	142,546	134,082	129,297	122,745	75,701
Dividends	52,731	51,275	47,135	45,066	36,897
Basic earnings per share (US cents)	6.66	6.36	6.30	6.08	4.38
Dividend per share (US cents)	2.465	2.344	2.298	2.123	1.923

As at 31st December

	2000 US$'000	1999 US$'000	1998 US$'000	1997 US$'000	1996 US$'000
Total assets	1,568,747	1,642,051	1,559,876	1,444,045	959,147
Total liabilities	(497,937)	(660,393)	(714,275)	(698,180)	(372,365)
Net assets	1,070,810	981,658	845,601	745,865	586,782

Notes:

1 The consolidated results, assets and liabilities of the Group for the two years ended 31st December 2000 have been extracted from the audited accounts of the Group as set out on pages 57 and 58 of the annual report.

2 The Company was incorporated in Bermuda under the Companies Act 1981 of Bermuda (as amended) on 25th July 1994.

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, 25th May 2001 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 2000.

2 To declare a final dividend for the year ended 31st December 2000.

3 To re-elect the retiring directors and to fix the remuneration of directors.

4 To re-appoint auditors and to authorise the directors to fix their remuneration.

5 As special business, to consider and, if thought fit, to pass with or without amendments the following resolutions as ordinary resolutions of the Company:—

ORDINARY RESOLUTIONS

A "**THAT**:—

a subject to paragraph (b) below, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase shares of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") or on any other stock exchange on which the shares of the Company may be listed and recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or of any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;

b the aggregate nominal amount of the shares of the Company which the Company is authorised to repurchase pursuant to the approval in paragraph (a) above shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing this Resolution and the said approval shall be limited accordingly; and

c for the purposes of this Resolution, "Relevant Period" means the period from the passing of this Resolution until whichever is the earliest of:—

i the conclusion of the next annual general meeting of the Company;

ii the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company or any applicable law to be held; and

iii the date on which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting.”

B “**THAT**:—

a subject to paragraph (c) below, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options (including bonds, warrants and debentures convertible into shares of the Company) which would or might require the exercise of such power be and is hereby generally and unconditionally approved;

b the approval in paragraph (a) above shall authorise the directors of the Company during the Relevant Period (as hereinafter defined) to make or grant offers, agreements and options (including bonds, warrants and debentures convertible into shares of the Company) which would or might require the exercise of such powers after the end of the Relevant Period;

c the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the directors of the Company pursuant to the approval in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); (ii) an issue of shares as scrip dividends pursuant to the bye-laws of the Company from time to time; or (iii) an issue of shares under any option scheme or similar arrangement for the time being adopted for the grant or issue to employees of the Company and/or any of its subsidiaries of shares or rights of the Company, shall not exceed 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing this Resolution and the said approval shall be limited accordingly; and

d for the purpose of this Resolution, “Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of:—

i the conclusion of the next annual general meeting of the Company;

ii the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company or any applicable law to be held; and

iii the date on which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting.

"Rights Issue" means an offer of shares open for a period fixed by the directors of the Company to the holders of shares of the Company on the register on a fixed record date in proportion to their then holdings of such shares as at that date (subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognized regulatory body or any stock exchange in, any territory outside Hong Kong applicable to the Company)."

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

6 To transact any other business.

By Order of the Board
HUNG Man
Company Secretary

Hong Kong, 29th March 2001.

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.

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 Monday, 21st May 2001 to Friday, 25th May 2001, 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 of 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong not later than 4:00 p.m. on Friday, 18th May 2001.

4 An explanatory statement as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in connection with the proposed repurchase mandate under resolution 5A above will be despatched to members together with the 2000 Annual Report of the Company.

BROKERS CONTACT LIST

Company Name	Contact Person	Telephone	Facsimile
ABN AMRO Asia Ltd	Mr Osbert T K TANG	2102 2102	2102 2816
Bear, Stearns & Co. Inc.	Mr David STRINE	(1 212) 272 7869	(1 212) 272 8187
BNP Prime Peregrine Securities Ltd	Mr Jim K B WONG	2825 1888	2845 2232
Cazenove Aisa Ltd	Mr Jun HE	2526 4211	2868 1411
Celestial Research Ltd	Ms Serine Y P LI	2287 8888	2820 0646
China Everbright Research Ltd	Mr Eddie H K TAM	2537 6689	2537 1065
CLSA Ltd	Ms Karen CHAN	2600 8888	2501 0903
Core Pacific-Yamaichi International (H.K.) Ltd.	Mr Arthur LAW	2826 0700	2536 9916
Credit Suisse First Boston (Hong Kong) Ltd	Mr Chong LEONG	2101 6000	2284 7179
Daiwa Institute of Research (H.K.) Ltd	Mr Keith K Y LI	2525 0121	2845 2190
Dao Heng Securities Ltd	Mr Raymond K T CHONG	2218 2828	2285 3144
DBS Secutities Hong Kong Ltd	Mr James LAM	2526 2002	2868 3392
Deutsche Bank AG, Hong Kong Branch	Ms Emilie CHAU	2203 8888	2203 6921
G.K. Goh Securities (H.K.) Ltd	Mr Alfred C S CHOW	2868 0368	2537 1547
Goldman Sachs (Singapore) Pte.	Mr Jean-Louis MORISOT	(65) 2288466	(65) 2288474
HSBC Securities Asia Ltd	Mr Geoffrey CHENG	2843 9111	2845 1593
ICEA Securities Ltd	Mr Silas CHU	2115 8888	2115 8613
Indosuez W.I.Carr Securities Ltd	Dr. Peter K K SO	2820 7373	2524 0119
ING Baring Securities (Hong Kong) Ltd	Mr Neil PAYNE	2848 8488	2810 6127

Company Name	Contact Person	Telephone	Facsimile
J & A Securities (Hong Kong) Ltd	Mr Dennis LEUNG	2509 9118	2509 0030
JPMorganChase	Mr Vincent TSE	2843 8888	2810 8511
KGI Asia Ltd	Mr Chi Ho, Jecko CHENG	2878 6888	2878 6790
Kim Eng Securities (Hong Kong) Ltd	Mr Gideon LO	2810 7755	2877 0104
Kleinwort Benson Securities (Asia) Ltd	Mr Johnny K. M. WONG	2238 8888	2521 7862
Lehman Brothers Asia Ltd	Mr Philip TULK	2869 3000	2869 3133
Mansion House Securities (F. E.) Ltd	Mr David K W FOO	2843 1431	2537 8158
Merrill Lynch (Asia Pacific) Ltd	Mr Guohua WANG	2536 3888	2536 3977
Morgan Stanley Asia Ltd	Mr Jing-Feng YOU	2848 5200	2537 1701
Nomura International (HK) Ltd	Mr Jason CHEUNG	2536 1111	2536 1820
Prudential-Bache Securities (Hong Kong) Ltd	Mr Martin H M CHING	2822 6888	2822 6916
Salomon Smith Barney HK Ltd	Mr Charles DE TRENCK	2501 2000	2521 5350
Sassoon Securities Ltd	Mr Jason T.M. YIU	2843 2100	2810 0300
SG Securities (HK) Ltd	Mr Lawrence LAU	2166 4988	2166 4662
South China Research Ltd	Mr Jack TSUI	2820 6333	2845 5868
Tai Fook Research Ltd	Mr Peter PAK	2877 3532	2869 7737
UBS Warburg	Mr Joe ZHANG	2971 8888	2971 8542

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Mr. WEI Jiafu (Chairman)
Mr. LIU Guoyuan (Vice Chairman)
Mr. LI Jianhong
Mr. ZHOU Liancheng
Mr. SHI Qin (Managing Director)
Mr. XU Lirong
Mr. LU Zhiming
Mr. KWONG Che Keung, Gordon
Mr. YANG Bin
Mr. WONG Tin Yau, Kelvin
Mr. LU Chenggang
Mr. QIN Fuyan

Independent Non-Executive Directors
Dr. LI Kwok Po, David
Mr. LIU Lit Man
Mr. Alexander Reid HAMILTON
Mr. LEE Yip Wah, Peter

COMPANY SECRETARY

Ms. HUNG Man

AUDIT COMMITTEE

Mr. Alexander Reid HAMILTON
(Committee Chairman)
Dr. LI Kwok Po, David
Mr. LEE Yip Wah, Peter

PLACE OF INCORPORATION

Bermuda

REGISTERED OFFICE

Clarendon House
Church Street, Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

49th Floor, COSCO Tower
183 Queen's Road Central
Hong Kong

AUDITORS

PricewaterhouseCoopers
Certified Public Accountants
22nd Floor, Prince's Building
Hong Kong

SOLICITORS

Holman, Fenwick & Willan
Woo, Kwan, Lee & Lo
Herbert Smith
Conyers, Dill & Pearman
Coudert Brothers

PRINCIPAL BANKERS

Bank of China, Hong Kong Branch

The Hongkong and Shanghai Banking Corporation Limited

Bank of America National Trust and Savings Association

ING Lease (Ireland) B.V.

Societe Generale, Hong Kong Branch

Barclays Bank PLC

PRINCIPAL REGISTRAR AND TRANSFER OFFICE

The Bank of Bermuda Limited
6 Front Street, Hamilton HM11
Bermuda

HONG KONG REGISTRAR AND TRANSFER OFFICE

Secretaries Limited
5th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

LISTING INFORMATION

The Stock Exchange of Hong Kong Limited

Ordinary shares (Code : 1199)

Designed by Equus

COSCO Pacific Limited
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