> COSCO Pacific Limited (Incorporated in Bermuda with limited liability) >> Annual Report 2001

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The 21st Century Presents Both Opportunities and Challenges

>> COSCO Pacific Limited ("COSCO Pacific" or the "Company") is committed to progressing with times. While strengthening and expanding its existing businesses of container leasing and container terminal operations, COSCO Pacific will expand new profit growth streams to further enhance the Company's profitability. Our development strategies include further strengthening the existing core businesses, namely, container terminal operations and container leasing business, coordinating with the hub port development strategy of our parent China Ocean Shipping (Group) Company ("COSCO") to introduce new projects for expanding the container terminal business, and collaborating with COSCO's core business development strategy to actively explore business opportunities in the logistics sector in order to develop new profit growth streams.

>> China has become a member of the World Trade Organisation ("WTO") and is expected to deregulate its capital markets. This will provide huge opportunities for Chinese enterprises. Moreover, the growth of China trade will be a major driving force to the development of the logistics industry in China. COSCO Pacific has been well positioned to capitalise on these opportunities lying ahead of us and will explore ways to participate in logistics related projects in China and abroad by coordinating with the business development of COSCO.

>> Participating in the logistics and related businesses is part of COSCO Pacific's strategy for generating further growth. As an extension of the Company's core operations, the logistics and related businesses have enormous market potential that we can leverage on our existing competitive advantages. With extensive experience and network in container transportation and its related logistics, the strong support from our parent company, a solid financial position and financial flexibility, COSCO Pacific is well positioned to further increase the market shares of its core businesses and to yield from the economy-of-scale benefits. The Company will take advantage of its favourable position in the capital markets to further strengthen its finance, improve its capital structure and debt portfolio, and increase its asset utilisation, with a view to generating higher returns for shareholders.

Corporate Structure

China Ocean Shipping (Group) Company

100% *

COSCO (Hong Kong) Group Limited

55.07% *

Independent Shareholders

44.93% *

COSCO Pacific Limited

Container Leasing

- Florens Container Holdings Limited (100%)
- Florens Container Services Company Limited (100%)

Offices and branches in:

- Hong Kong (Headquarters)
- San Francisco
- New York
- Sao Paulo
- London
- Hamburg
- Genoa
- Tokyo
- Singapore
- Shanghai (Office)

Container Terminal and Related Businesses

- COSCO-HIT Terminals (Hong Kong) Limited (50%)
- Shanghai Container Terminals Ltd. (10%)
- Qingdao Cosport International Container Terminals Co. Ltd. (50%)
- Zhangjiagang Win Hanverky Container Terminal Co. Ltd. (51%)
- Yantian International Container Terminals Ltd. (5%)
- River Trade Terminal Holdings Limited (10%)
- Shanghai Pudong International Container Terminal Limited (20% – pending for approval)
- Dalian Port Container Co., Ltd. (8%)
- Twinbridge Development Corp. (30%)
- Plangreat Limited (100%)

Container Related Industries

- Shanghai CIMC Reefer Containers Co., Ltd. (20%)
- Shanghai CIMC Far East Container Co., Ltd. (20%)
- Tianjin CIMC North Ocean Container Co., Ltd. (22.5%)
- Shanghai Kansai Paint & Chemical Co., Ltd. (20%)
- Tianjin Kansai Paint and Chemical Co., Ltd. (20%)

Other Investments

- COSCO Pacific (China) Investments Co., Ltd. (100%)
- Liu Chong Hing Bank Limited (20%)

** As at 31st December 2001*

Results Highlights

The board of directors of COSCO Pacific Limited is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31st December 2001. During the year, despite the global economic slowdown brought an unfavourable business environment, the Group's stringent cost control, combined with the disposal of the entire B-share interest in Shanghai Zhenhua Port Machinery Co. Ltd. previously held as long term investment, which generated a profit of US$14,137,000 for the year, helped register an 8.3% increase in the profit attributable to shareholders to US$154,340,000.

	2001 US$	2000 US$	+/-
Turnover	**224,671,000**	217,893,000	+3.1%
Operating profit after finance costs	**98,684,000**	81,479,000	+21.1%
Profit attributable to shareholders	**154,340,000**	142,546,000	+8.3%
Basic earnings per share	**7.2081 cents**	6.6634 cents	+8.2%
Dividends per share	**HK23.50 cents**	HK19.20 cents	+22.4%
Consolidated total assets	**1,738,747,000**	1,568,747,000	+10.8%
Consolidated total liabilities and minority interests	**538,453,000**	467,768,000	+15.1%
Consolidated net assets	**1,200,294,000**	1,100,979,000	+9.0%
Consolidated net debts	**255,429,000**	278,038,000	-8.1%
Net debt-to-equity ratio	**21.3%**	25.3%	-4.0pp
Interest coverage	**7.9 times**	5.1 times	+2.8 times

Corporate Profile

>> With its overall satisfactory business performance, COSCO Pacific has been building a solid foundation so as to further strengthen its container leasing, container terminals and container related businesses, and has achieved steady earnings growth for the past few years. Meanwhile, the senior management dedicates their efforts to improving the quality of management so as to ensure to maximise the returns for shareholders.

Solid Foundations

COSCO, the ultimate holding company of COSCO Pacific, is the largest international shipping enterprise in China, with overseas companies located in major regions of the world. Among these regional companies, COSCO (Hong Kong) Group Limited ("COSCO Hong Kong") is the largest one. It is the intermediary controlling shareholder of COSCO Pacific and holds a 55.07% interest.

Established in 1961, COSCO owns the largest ocean-vessel fleet in China. It has 460 vessels including container ships, bulk carriers, general cargo vessels and liquid cargo carriers, with an aggregate carrying capacity of 18 million dead-weight tonnage. The sales and customer service networks of COSCO span across the world.

COSCO owns COSCO Container Lines Company Limited ("COSCON"), the world's seventh largest container transportation company and the largest customer of COSCO Pacific. COSCON owns and operates 116 container ships with an aggregate carrying capacity of about 240,000 TEUs. COSCO Pacific provides container leasing services to COSCON. As at 31st December 2001, COSCON leased a total of 327,370 TEUs from COSCO Pacific. This accounted for 53.7% of the Company's container leasing fleet.

Focusing on Core Business Development

Established as a company with container leasing as a single business stream back in 1994 when it was listed, COSCO Pacific has grown to become a major enterprise with container leasing and container terminal operations as its core businesses. Other supportive related businesses such as container manufacturing, container storage and transportation have been added over the past few years to maximise the benefits of vertical integration.

With the strong support of the parent company, a clear and focused business development strategy, a quality management team, our commitment to corporate transparency and outstanding investor relations, COSCO Pacific has earned positive remarks from the market and built a good corporate image and business reputation. Due to these favourable attributes, the Group's fund-raising activities have been receiving strong support in the capital markets, which enables the Group to strengthen its finance and reduce its financing costs.

The strong ability to raise funds has enabled the Group to expand its businesses. Following seven years of hard work, our two major core businesses of container leasing and container terminal operations achieved solid developments.

> Container Leasing

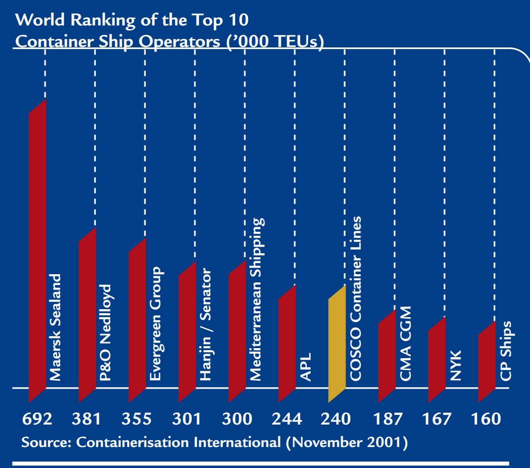
Providing full support to the listing of COSCO Pacific on The Stock Exchange of Hong Kong in 1994, COSCO undertook to lease containers from the Group on a priority basis for a term of 10 years.

In 1997, as part of the measures to increase the economy-of-scale benefits of its container leasing business, COSCO Pacific began actively expanding its customer base by developing international container leasing and providing international customers with short term and long term container leases.

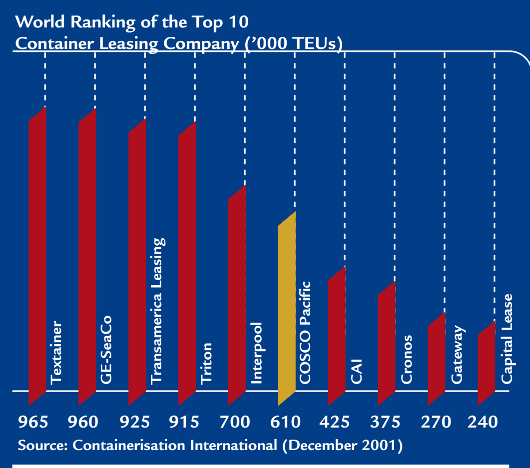
As at 31st December 2001, COSCO Pacific's container leasing fleet comprised 610,019 TEUs, a significant growth compared to 261,570 TEUs at the early period following the listing. Average fleet age was relatively young at 4.3 years while utilisation rate of 91.4% was above the industry average. COSCO Pacific is now the world's sixth largest container leasing company, accounting for 8.4% of the global market share.

The container leasing fleet is operated and managed by a wholly owned subsidiary Florens Container Holdings Limited ("Florens"). Given the sizeable fleet, Florens has employed experienced professionals in the container leasing industry to oversee administration and marketing, and has built up a quality management team and an efficient technology supporting team to provide comprehensive services through its 189 depots located around the world. Recently, Florens has developed an e-commerce platform to provide fast and convenient on-line leasing services for its customers. This has increased the competitiveness of Florens in the container leasing market.

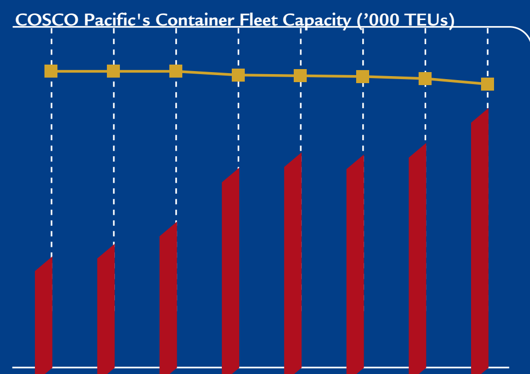
COSCO Pacific provides container leasing services to the worldwide leading container ship operators among which COSCON is our largest customer.



COSCO Pacific further expanded its global market share to 8.4%.

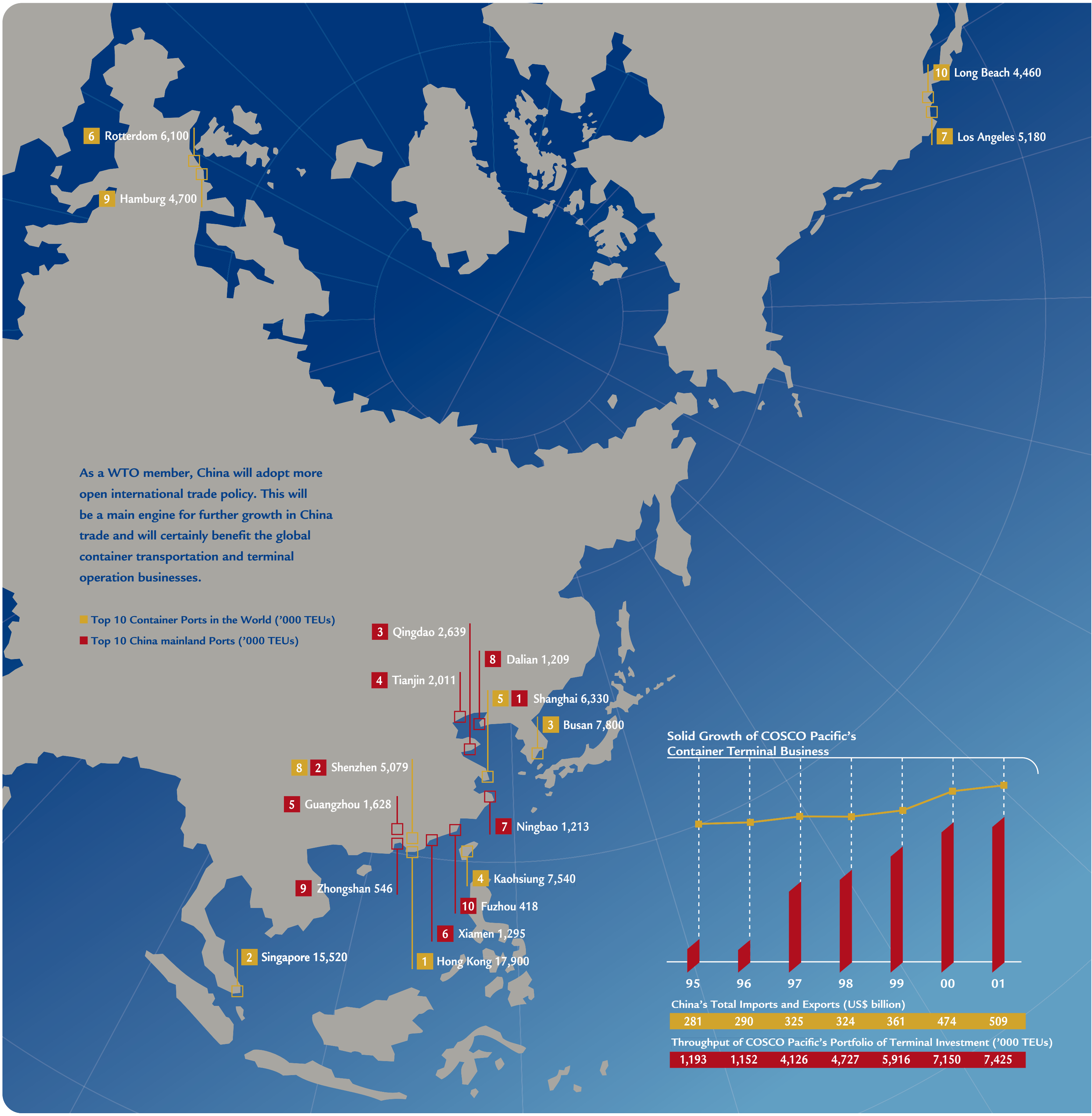


While expanding its fleet capacity, COSCO Pacific has been maintaining its utilisation rate well above the industry average.



	94	95	96	97	98	99	00	01
Utilisation Rate	100%	100%	100%	97.5%	97.0%	96.5%	95.1%	91.4%
Fleet Capacity	262	291	343	470	506	501	528	610

As a WTO member, China will adopt more open international trade policy. This will be a main engine for further growth in China trade and will certainly benefit the global container transportation and terminal operation businesses.



> Container Terminal Business

COSCO Pacific has a container terminal portfolio that comprises high quality assets. The portfolio includes five container terminals that are located in Hong Kong, Shanghai, Qingdao, Shenzhen and Zhangjiagang respectively. While Hong Kong is the world's busiest port, Shanghai, Qingdao and Shenzhen are the three largest hub ports in China mainland, whereas Zhangjiagang is one of the most important ports in the Yangtze River. Strategically located in the major coastal areas that are essential to the import and export trades of China mainland, these five container terminals enjoy huge development potential.

In November 1995, COSCO injected its 50% interest in COSCO-HIT Terminals (Hong Kong) Limited ("COSCO-HIT") into COSCO Pacific, and undertook to provide continuous support to COSCO-HIT, including the use of COSCO-HIT facilities by vessels of COSCO and its associates. COSCO-HIT is jointly operated by COSCO Pacific and Hongkong International Terminals Ltd. The cumulative throughput of the terminal from 1995 to 2001 amounted to 8,791,000 TEUs. Its throughput for 2001 was 1,301,966 TEUs, accounting for about 11.5% of the aggregate throughput of the major container terminals in Kwai Chung, Hong Kong.

In March 1997, COSCO Pacific successfully acquired the interests in four China mainland container terminals from COSCO. These included the 10% interest in Shanghai Container Terminals Ltd., 50% interest in Qingdao Cosport International Container Terminals Co. Ltd., 5% interest in Yantian International Container Terminals Ltd., and 51% interest in Zhangjiagang Win Hanverky Container Terminal Co., Ltd. The acquisition has further increased the Group's market share in the container terminal sector.

The aggregate throughput of the five container terminals amounted to 7,425,188 TEUs in 2001. The significance of these five container terminals lies in their respective strategic locations in northern, central and southern part of the coast of China. In view of the continuing growth of China's import and export trade and growing containerisation, these terminals will make further developments to meet the increasing needs for container terminal services.

Market Ratings

COSCO Pacific has maintained satisfactory business development and earnings growth since its listing. Its development strategy, management policy, and solid financial position have been highly endorsed by the market. The Company is rated as a quality red chip. COSCO Pacific is currently a constituent in the Hang Seng China-Affiliated Corporations Index. With its clear mission and specialisation in container transportation and high representation in the capital markets, COSCO Pacific is extensively included as a constituent in global major indices, such as the MSCI China Free Index and the S&P Asia Pacific 100 Index.

The Company received a number of management awards:

1997

>> Rated as one of the best managed Chinese companies by Asiamoney.

1998

>> Granted the Honourable Mention by the Hong Kong Management Association for the best annual reports.

1999

>> Rated as one of the best managed Chinese companies by The Asset magazine.

>> Granted the Honourable Mention by the Hong Kong Management Association for the best annual reports.

2000

>> Rated as one of the best managed Chinese companies by Asiamoney.

>> Included in the HSBC's Asian 100 leading corporates.

>> Granted the Honourable Mention by the Hong Kong Management Association for the best annual reports.

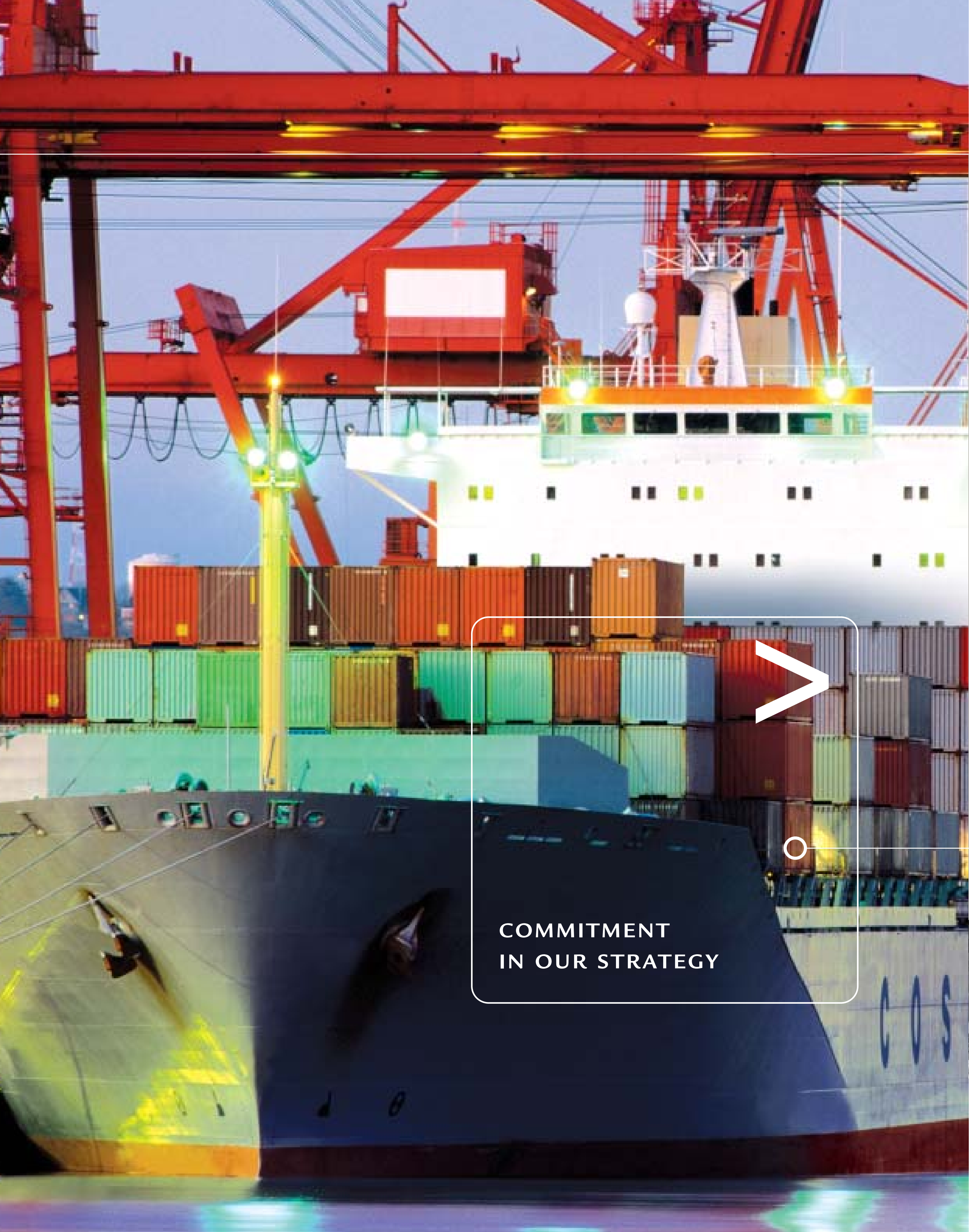
2001

>> Ranked 11th in the best investor relations Chinese companies by Finance Asia in a poll on best managed Asian companies.

>> Included in the "100 Chinese enterprises in the new century" by Capital magazine.

2002

>> Ranked 4th in the best Chinese companies in corporate governance in a research report published by Credit Lyonnais Securities.



COMMITMENT IN OUR STRATEGY

>> While strengthening and expanding its existing businesses of container leasing and container terminal operations, COSCO Pacific will dedicate all its efforts to enhancing the Group's sustainability in profit growth by developing new revenue streams.




Container Leasing Business

- Florens Container Holdings
- Florens Container Services

Container Terminals and Related Businesses

- COSCO-HIT
- Shanghai Terminals
- Qingdao Cosport Int'l Terminals
- Zhangjiagang Win Hanverky Terminal
- Yantian Int'l Terminals
- River Trade Terminal
- Shanghai Waigaoqiao Container Terminal (Phase I) (pending for approval)
- Dalian Port Container
- Twinbridge Development
- Plangreat

Container Related Business

- Shanghai CIMC Reefer Containers
- Shanghai CIMC Far East Container
- Tianjin CIMC North Ocean Container
- Shanghai Kansai Paint & Chemical
- Tianjin Kansai Paint and Chemical

Other Investments

- COSCO Pacific (China) Investments
- Liu Chong Hing Bank

Chairman's Statement

>> I am pleased to report to shareholders that COSCO Pacific maintained a healthy growth in profit attributable to shareholders during 2001. The Group resolves the challenges of the operating environment with satisfaction and successfully maintained solid growth in its businesses. With the strong support of COSCO and other customers, the Group has further expanded the container leasing business and strengthened the container terminal operations.

2001 marked the beginning of the 21st century with utmost significance. The world was focusing on China's entry into the World Trade Organisation ("WTO") and the success of Beijing, the capital of China, to host the Olympics 2008. These two exciting events will have far-reaching positive impact on global economic development in the 21st century.

In recent years, shipping companies have been expanding their cargo transportation capacities in order to meet the expected increase in service demand. By 2001, new vessels were ready to be put into operation. However, the "9.11" event which abruptly took place in New York has caused serious deterioration in the U.S. economy. The recovery of global economy was dragged down. As a result of the global economic slowdown during the year, major industries around the world encountered a more difficult operating environment. These structural factors inevitably affected COSCO Pacific. At the same time, the Company's core businesses were also affected in their further developments given the interrelationships between them and the demand for containers.

Despite the unfavourable operating environment, the Group's overall results and operations were satisfactory in 2001. This can be attributed to the hard work of all staff, the support of the sister companies in COSCO, and the mutual assistance from the business partners. On behalf of the Directors, I would like to extend our most sincere thanks to all of them. Details of the results and operations of COSCO Pacific are described in the Vice Chairman's Statement and other sections of this annual report.

China's economic performance was most distinguished in 2001, with imports and exports totaling US$509.3 billion which was 7.4% higher than the previous year's figure. Although China is expected to face more challenges and external uncertainties in 2002, I remain optimistic towards the country's economic prospects.

The positive effects from China's WTO membership will become increasingly apparent. On the external front, China is seen as having the highest growth potential among world countries and a relatively safer market for investment. It is expected that global capital flow to China will substantially increase in the coming years. Internally, the Chinese government is taking measures to build up an efficient financial system and healthy capital markets in order to provide financing channels and capital for the Chinese enterprises and to increase their competitiveness. These factors will facilitate the growth of the Chinese economy. China's capital markets will gradually open up, which will provide enormous opportunities for Chinese enterprises. In particular, the growth in China trade will be a major driving force to the development of the logistics industry.

Looking ahead, the 21st century presents both opportunities and challenges. COSCO, COSCO Hong Kong and COSCO Pacific will keep abreast of the changing environment. "The fittest the survival." We will take this as our motto to meet the challenges and to seize the opportunities for our business development.

With a history of nearly 41 years, COSCO has nurtured a talented management team that has good knowledge about market economy and is adaptable to competition in the international market. This, coupled with an established global operation network, have provided COSCO with unequalled competitive advantages and capabilities. An important objective adopted by COSCO in its restructuring is "strengthening the shipping business and expanding the logistics business". It will make efforts to ensure the solid growth of its container shipping operations while striving to expand the logistics operations. These efforts will include more intensive training and nurturing of talents for the logistics business.

While strengthening and expanding its existing businesses of container leasing and container terminal operations, COSCO Pacific will expand new profit growth streams to further enhance the Company's profitability. Our development strategies include further strengthening the existing core businesses, namely, container terminal operations and containor leasing business, coordinating with the hub port development strategy of COSCO to introduce new projects for expanding the container terminal business, and collaborating with COSCO's core business development strategy to actively explore business opportunities in the logistics sector in order to develop new profit growth streams.

Participating in the logistics and related businesses is part of COSCO Pacific's strategy for generating further growth. As an extension of the Company's core operations, the logistics and related businesses have enormous market potential that we can leverage on our existing competitive advantages. With extensive experience in container transportation and its related logistics, the strong support from COSCO, a solid financial position, and financial flexibility, COSCO Pacific is well positioned to further increase the market shares of its core businesses and to yield from the economy-of-scale benefits. The Company will take advantage of its favourable position in the capital markets to further strengthen its finance, improve its capital structure and debt portfolio, and increase its asset utilisation, with a view to generating higher returns for shareholders.

I would like to take this opportunity to thank all shareholders for their support to COSCO Pacific. I would also like to extend my most sincere thanks to all staff for their hard work in enabling the Group to meet its development targets.

WEI Jiafu
Chairman

27th March 2002

Awards:

1997

> By "Asiamoney" – One of the best managed Chinese companies

1998

> By HKMA – Honourable mention of the best annual reports

1999

> By "Asset" – One of the best managed Chinese companies

> By HKMA – Honourable mention of the best annual reports

2000

> By "Asiamoney" – One of the best managed Chinese companies

> By "HSBC Securities" – One of the Asian 100 leading corporates

> By HKMA – Honourable mention of the best annual reports

2001

> By "Finance Asia" – One of the best investor relations of Chinese companies

> By "Capital" – One of the 100 Chinese enterprises in the new century

2002

> By "Credit Lyonnaise Securities" – One of the best corporate governance of Chinese companies

>> I strongly believe that by continuously improving the quality of our corporate governance and providing sufficient communication channels to our stakeholders, COSCO Pacific is able to establish a mutual "understanding and trust" relationship between investors and the Company and our senior management as well.

COMMITMENT
IN OUR MANAGEMENT

Vice Chairman's Statement

>> The volatility of the global economy and the "9.11" event in the U.S. have resulted in a significant slowdown in the economic growth of major trading countries in 2001. Consumer confidence plunged and competition intensified across major industries. However, with the strong support from COSCO and our solid business foundation, COSCO Pacific is strong enough to withstand any market risks.

The Company has been able to maintain a healthy financial position and a solid growth in business. Profit attributable to shareholders for 2001 amounted to US$154,340,000, an increase of 8.3% over last year.

Profitability

Due to intensifying market competition, enterprises across the industries need to take effective measures to increase revenue, reduce costs, raise asset utilisation and improve operating profit margin in order to maximise profitability. To achieve this, the prerequisite is to attain economy-of-scale benefits at a considerable level. In addition, corporate development plans should be formulated in line with the operations, cash flows, business practices and financial benchmarks of a particular industry. Expanding the market share is also an essential means to increase the intrinsic value of an enterprise.

COSCO Pacific has been making efforts to improve its profitability ever since it was listed. With the strong support of the parent company, COSCO Pacific has expanded its business, broadened the revenue stream and strengthened the earnings base. As a result, the Company achieved an uninterrupted profit growth between 1994 and 2001, with profit attributable to shareholders recording a compound annual growth rate of 21.2%.

There is still much room for higher profitability in the Company's container leasing business. With its well established teams in administration, marketing, operation and technology, sophisticated computer systems and depot facilities, Florens has the capacity to operate and manage more containers for leasing. By systematically expanding its container leasing fleet while maintaining the utilisation rate above the industry average, Florens' marginal operating income will be higher than its marginal operating cost per container, which will enhance its profitability.

Container leasing is one of the Group's principal sources of income. In order to fully capitalise on the economy-of-scale benefits, the Group has been actively expanding the container leasing business. During the year, the Group's container leasing fleet increased by 15.5% to 610,019 TEUs. Newly purchased containers accounted for 96,953 TEUs, of which 97.0% has been leased. As at 31st December 2001, the Group leased out a total of 539,307 TEUs of containers, with rental income increased by 4.0% to US$208,342,000. Profit contribution to the Group from the container leasing business also increased.

The Group has interests in five container terminals that are located in Hong Kong and China mainland. During the year, the aggregate throughput of these terminals rose 3.9% to 7,425,188 TEUs. This helped the container terminals to increase their profits. The Group's share of profits attributable to shareholders from the container terminals and related businesses accounted for 28.6% of the Group's total profit.

Supported by the sizeable shipping fleet of the parent company, COSCO Pacific has the competitive advantages to expand its market share in the China mainland container terminal sector. In December 2001, the Group joined in to promote and set up Dalian Port Container Co., Ltd. ("JV Co"), a joint stock limited company in China mainland, and subscribed for 8% of the equity interest in the JV Co. The JV Co holds a 51% interest in Dalian Container Terminal Co., Ltd. which owns Dalian's principal container terminal and is a major shareholder of all other container terminals in Dalian. The JV Co has great development potential and plans to seek for a listing on the China mainland stock market.

Market

COSCO Pacific's core businesses are closely interrelated to the container cargo transportation market. In recent years, shipping companies have been actively expanding their fleet. As a result of the economic slowdown in 2001, there was a serious over supply in container cargo transportation capacity, which led to a decline in freight charges. Under these circumstances, shipping companies have tightened their cost controls, and have become more cautious in leasing containers for cargo transport.

In view of this, the Group has adopted a more prudent plan for new container purchase, with 50,000 TEUs - 60,000 TEUs of new containers scheduled for 2002. The Group will closely monitor the market situation. Should the economy or the market conditions recover, the Group will take immediate and appropriate measures to meet the demand of customers.

On the subject of investor relations, economic globalisation and market liberalisation will increase the free flow of capital. The world's capital markets will also gradually link together, and investors will have more choices in asset allocation for their investment portfolios. It is expected that investors will pay closer attention to the China capital markets, which are undergoing a liberalisation process that could become more broadened and deepened in coming years. The rapid development of information technology will enable investors to become more sophisticated in selecting and evaluating investment risks and returns.

The management is committed to improving the quality of investor relations and building up mutual trust with the investors. In order to enable investors to have a full understanding of the Group's intrinsic and market value and to have confidence in the Group's prospects, the management has been actively carrying out corporate promotions, public relations and other activities to build up a good corporate image and to further strengthen investor communications.

Services

With the completion of the second phase of its e-commerce platform on 2nd January 2002, the Group started to provide on-line container leasing as part of the enhancement of its customer service. The Group will continue to improve the service scope and capability of the platform, focusing on the needs of its customers and the market, in order to further enhance its container leasing services. The improvement will also include more intensive training on e-commerce for the staff and strengthening of communications with customers. The further enhancement of the platform will increase the competitiveness of the Group in the container leasing industry.

Management

COSCO Pacific is well renowned in the market for its corporate management and has been adopting prudent financial management as a major guide. Between 1994 and 1997, the peak period of COSCO Pacific's acquisitions, substantial financing was required and the Group's net debt-to-equity ratio reached 88%. After 1997, the Group strived to improve its debt structure. Internal resources were used mainly for the repayment of debts, while new borrowings were mainly at a maturity of over five years. These efforts have alleviated the pressure on annual debt repayment. The Group also diversified its financing markets to include Hong Kong, the U.S. and China mainland, depending on the market environment, financing costs and terms. Various financial instruments were used to increase the flexibility of financing.

As a result, the Group's net debt-to-equity ratio continued to improve, dropping to 21.3% by the end of 2001. This provides the Group with much room in making further financing arrangements for new projects. It will also enable the Group to secure better terms in financing for the future business opportunities.

Corporate governance has become the hottest subject in capital markets. According to the McKinsey & Company 1999 research report, many investors considered corporate governance as a highly important yardstick for their company selections. This especially applied to their investments in the Asian region. In the same survey, when institutional investors were asked about the importance of a company's corporate governance versus its financial position, 75% considered that corporate governance was more or equally important as financial performance when they evaluated companies for investment. This to a great extent reflected the growing importance of corporate governance.

In a research report published by Credit Lyonnais Securities Limited ("Credit Lyonnais Securities") on corporate governance in February 2002, it was pointed out that an enterprise's financial performance was, to a considerable extent, related to its quality of corporate governance. An enterprise with good corporate governance also performed well in its financial results, and was regarded by investors as an enterprise that could increase the values of their investments.

I strongly believe that the quality of corporate governance reflects an enterprise's management and operation qualities. By emphasising prudence in capital expenditure, fairness in financial planning, and efficiency in administration and management, stringent corporate governance can safeguard the proper use of funds and allocation of resources thus protecting shareholders' interests.

The management has been taking a number of measures to strengthen the Group's corporate governance. These measures include adopting the budget system as the crux of financial management and business operations, improving capital management, arrangement and utilisation, reducing capital costs, and carrying out internal audit by the professional staff in the internal audit department based on a set of clear guidelines. The majority of the Group's investee companies have adopted the internal audit system and the internal audit results are submitted to their respective board of directors as a means to improve their corporate governance.

The management of COSCO Pacific places great emphasis on the importance of corporate governance and has been improving the quality. The Company has adopted a systematic and well defined code of practice and a stringent and clear internal control system to protect the interests of shareholders and investors. In the report published by Credit Lyonnais Securities on corporate governance, COSCO Pacific was ranked fourth among the best Chinese companies in corporate governance.

Teamwork

The success of COSCO Pacific is due to the teamwork and outstanding performance of the staff. Despite the unfavourable economic environment, the Group remains committed to providing high quality services for its customers. In order to achieve this, the Group arranges its staff to participate in a variety of training courses, and adopts effective human resources policy to improve its operations. At the same time, the Group offers favourable promotion opportunities and incentives to its staff to maximise the development and employment of their talents.

Prospects

2002 is the first year following China's entry into the WTO. The pace of reform in the China mainland capital markets is set to quicken at full speed. The Chinese government is taking measures to build up an efficient financial system and healthy capital markets in order to provide financing channels and capital for both state owned and private enterprises. Designed to improve corporate governance and management quality, the listing rules have helped to increase the competitiveness of the enterprises. It is expected that the rapidly growing China mainland capital markets will provide Chinese enterprises with another major financing channel in the coming years. The growth of Chinese enterprises will be a major driving force to the China economy in entering into a new era.

Capital magazine, an Asian financial publication, published the "100 Chinese enterprises in the new century " analysis in September 2001, which listed the top 100 Chinese enterprises based on market value. COSCO Pacific was ranked 62nd in market capitalisation, 27th in return on assets, 35th in return on equity, and 62nd in turnover, and was the only Chinese enterprise among the 100 that was closely related to shipping. Listed Chinese enterprises play an important part of role in China economic growth. It is encouraging that COSCO Pacific is included in the top 100.

Market consensus has indicated that the U.S. and European economies may recover in 2002. Should this be the case, it will be a new impetus to China's foreign trade growth. The increase in China's imports and exports will provide COSCO Pacific with a favourable operating environment. COSCO Pacific will capitalise on its advantageous position in the capital markets to further strengthen its operations and increase its market share in the container leasing sector. It will also endeavour to expand its market share in the China mainland container terminal sector. By coordinating with the business developments of COSCO and taking China mainland as its primary market, COSCO Pacific will link its corporate development strategies with the capital market developments in China mainland. These measures will enable the Group to maximise its profits as well as the returns and values for shareholders.

On behalf of the management, Chairman WEI Jiafu and I would like to take this opportunity to express our high appreciation of the outstanding performance and teamwork of all staff. Let us hold our hands together to face the challenges ahead and contribute our best to the Group's future development.

LIU Guoyuan
Vice Chairman

27th March 2002


COMMITMENT
IN OUR SERVICES

>> We are committed to providing customers with quality container leasing services by improving the "functions and services" of our container leasing platform and also by responding to the "customers and market" needs effectively. Meanwhile, we will provide our staff with more intensive training on e-commerce and better communication skills with customers. This further enhancement of the platform will increase the competitiveness of COSCO Pacific in the container leasing industry.




Container Leasing Business

- Florens Container Holdings
- Florens Container Services

Offices and Branches in

- Hong Kong (Headquarters)
- San Francisco
- New York
- Sao Paulo
- London
- Hamburg
- Genoa
- Tokyo
- Singapore
- Shanghai (Office)

No. of Depots in

- Asia Pacific: 70
- Americas: 51
- Europe: 68

Review of Operations

> Turnover increased 3.1% to US$224,671,000

> Profit attributable to shareholders increased 8.3% to US$154,340,000

> Return on equity was 13.4%

> Net assets per share up by 9.0% to HK$4.37

> Container leasing fleet increased by 15.5% to 610,019 TEUs

> Throughput at the five container terminals rose 3.9% to 7,425,188 TEUs.

Operational Highlights

The Group's turnover for the year increased 3.1% to US$224,671,000 (2000: US$217,893,000). This was mainly attributable to the rise in container leasing turnover brought by a higher leasing volume.

During the year, the B-share market in China mainland rallied as a result of liberalised control. The Group took advantage of the favourable environment and sold the entire 18,150,000 B shares of Shanghai Zhenhua Port Machinery Co., Ltd ("Shanghai Zhenhua"). This generated a profit of US$14,137,000 (2000: US$Nil).

Profit contributions from jointly controlled entities and associated companies for the year amounted to US$9,421,000 (2000: US$6,656,000) and US$56,812,000 (2000: US$66,243,000) respectively. Due to the decline in throughput, profit contributions from COSCO-HIT and Shanghai Container Terminals Limited decreased. Liu Chong Hing Bank saw a setback with profit contribution at US$9,007,000 (31st December 2000: US$15,390,000).

Profit attributable to shareholders reached a new high, up 8.3% to US$154,340,000 (2000: US$142,546,000). Earnings per share amounted to US7.2081 cents (2000: US6.6634 cents). As at 31st December 2001, the Company had a total of 2,142,542,298 issued shares (2000: 2,139,228,298 shares).

The directors will recommend the payment of a final cash dividend of HK14.0 cents (2000: HK11.0 cents) per share at the forthcoming annual general meeting. Together with the interim cash dividend of HK9.5 cents (2000: HK8.2 cents) paid on 5th October 2001, this represents a full year cash dividend of HK23.5 cents (2000: HK19.2 cents) per share. Dividend payout ratio raised to 41.8% (2000: 37.0%), reflecting our strong cash position and an increase in return on equity.

Container Leasing

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

The Group has a 10-year container lease agreement with COSCON. The Group also provides long term and short term container leasing services for other international customers ("International Customers"). The total number of customers was 155 (2000: 155).

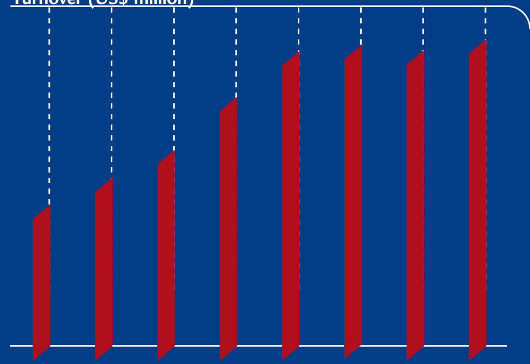
The Group's container leasing business made solid progress during 2001. Turnover rose 3.6% to US$209,343,000 (2000: US$202,143,000). Profit after tax was US$83,618,000 (2000: US$75,578,000), accounting for 54.2% (2000: 53.0%) of the Group's profit attributable to shareholders.

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

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

Our Group's turnover derives mainly from container leasing business.

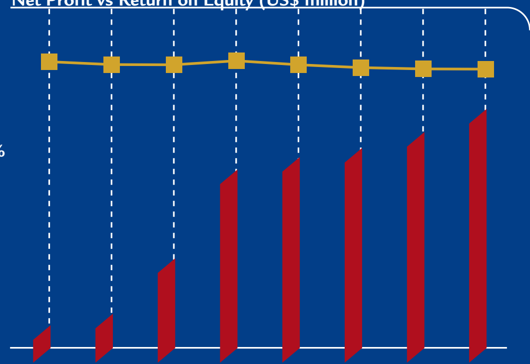
Turnover (US$ million)



94	95	96	97	98	99	00	01
104.2	124.1	144.6	183.5	217.1	220.6	217.9	224.7

The expansion of our Group's businesses allows us to develop new revenue streams and expand our earnings base. We have achieved a 21.2% of compound annual growth in net profit and satisfactory return on equity since our listing in 1994. Profit attributable to shareholders was up 8.3% to US$154,340,000 in 2001.

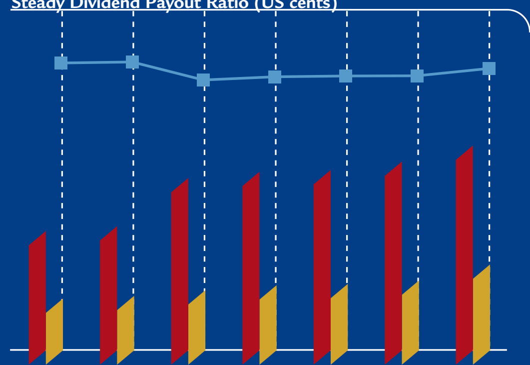
Net Profit vs Return on Equity (US$ million)



	94	95	96	97	98	99	00	01
Profit Attributable to Shareholders	40.3	46.4	75.7	122.7	129.3	134.1	142.5	154.3
Return on Equity	17.3%	15.8%	15.7%	17.8%	15.7%	14.2%	13.5%	13.4%

Dividend payout ratio raised to 41.8%, reflecting our strong cash position and an increase in return on equity.

Steady Dividend Payout Ratio (US cents)



	95	96	97	98	99	00	01
Payout Ratio	43.4%	43.9%	34.9%	36.5%	36.9%	37.0%	41.8%
EPS	4.21	4.38	6.08	6.30	6.36	6.66	7.21
DPS	1.826	1.923	2.123	2.298	2.344	2.465	3.013

> *Container Fleet Analysis*

During the year, the Group's container fleet increased by 15.5% to 610,019 TEUs, with an average container age of 4.3 years (2000: 4.2 years). This has allowed the Group to compete favourably with our competitors and to attract more customers. New containers were acquired while the Group sold or re-leased containers returned by COSCON upon the expiry of 10-year leases ("Returned Containers").

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

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

> *Container Fleet Analysis by Type (based on TEUs)*

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

> *Utilisation Rates*

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

> *Handling of Returned Containers*

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

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

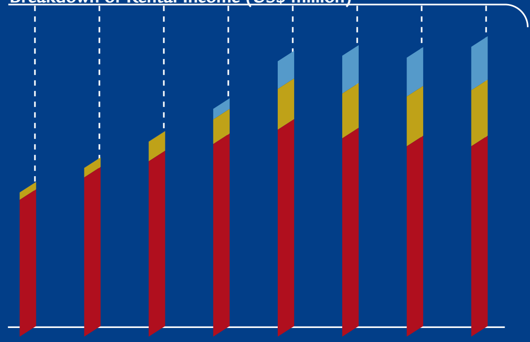
As at 31st December 2001, Returned Containers not yet disposed of numbered 5,671 TEUs (2000: 6,180 TEUs). In 2002, the Group expects to receive Returned Containers of about 14,334 TEUs from COSCON. The Group will continue to dispose of or lease out the remaining Returned Containers.

> *Enhancement of Customer Service*

With the completion of the second phase e-commerce platform on 2nd January 2002, the Group started providing on-line container leasing as part of the enhancement of its customer service. The Group will continue to improve the service scope and capability of the platform, focusing on the needs of its customers and the market, in order to further enhance its container leasing services. The improvement will also include more intensive training on e-commerce for the staff and strengthening of communications with customers. The further enhancement of the platform will increase the competitiveness of the Group in the container leasing industry.

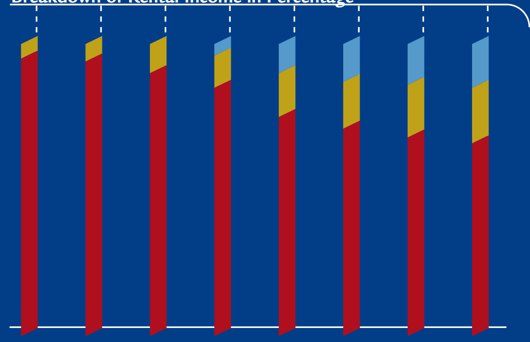
The advantages of expanding the customer base enable the Group to increase its income sources and also to be in a stronger development position during the recovery of the global economy.

Breakdown of Rental Income (US$ million)



	94	95	96	97	98	99	00	01
Int'l Customers Short Term Leasing	–	–	–	7.6	19.9	27.2	27.9	31.9
Int'l Customers Long Term Leasing	5.3	6.8	14.1	17.7	29.3	32.1	35.7	40.4
COSCON	98.3	114.4	126.0	138.4	148.7	142.5	136.8	136.0
Total	103.6	121.2	140.1	163.7	197.9	201.8	200.4	208.3

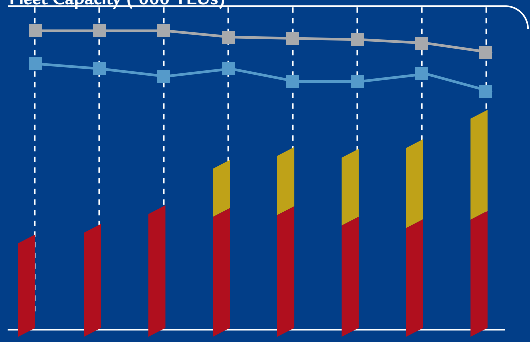
Breakdown of Rental Income in Percentage



	94	95	96	97	98	99	00	01
Int'l Customers Short Term Leasing	–	–	–	4%	10%	13%	14%	15%
Int'l Customers Long Term Leasing	5%	6%	10%	11%	15%	16%	18%	19%
COSCON	95%	94%	90%	85%	75%	71%	68%	66%

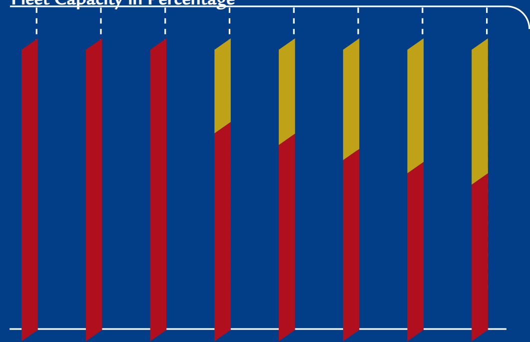
The Group has expanded the international container leasing business while maintaining a satisfactory overall utilisation rate.

Fleet Capacity ('000 TEUs)



	94	95	96	97	98	99	00	01
COSCO Pacific's Overall Utilisation Rate	100.0%	100.0%	100.0%	97.5%	97.0%	96.5%	95.1%	91.4%
Industry Average	87.0%	85.0%	82.0%	85.0%	80.0%	80.0%	83.0%	75.0%
International Customers	–	–	–	134.8	165.6	189.9	224.0	282.6
COSCON	261.6	291.1	343.2	335.1	340.3	311.0	304.0	327.4
Total	261.6	291.1	343.2	469.9	505.9	500.9	528.0	610.0

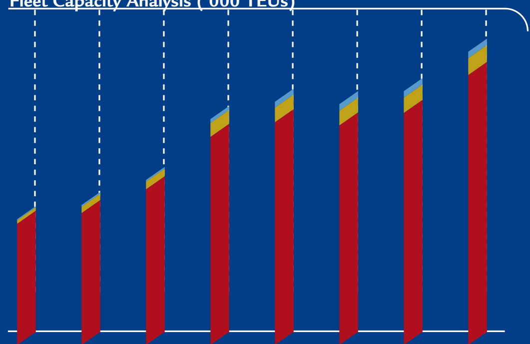
Fleet Capacity in Percentage



	94	95	96	97	98	99	00	01
International Customers	–	–	–	28.7%	32.7%	37.9%	42.4%	46.3%
COSCON	100%	100%	100%	71.3%	67.3%	62.1%	57.6%	53.7%

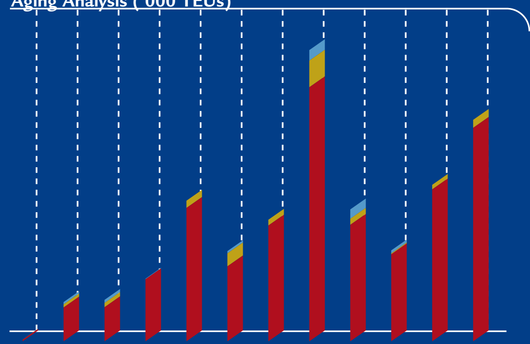
The fleet is mainly composed of dry containers to fit for the market demand. The young fleet age of 4.3 years old is one of our competitive advantages in the container leasing industry.

Fleet Capacity Analysis ('000 TEUs)

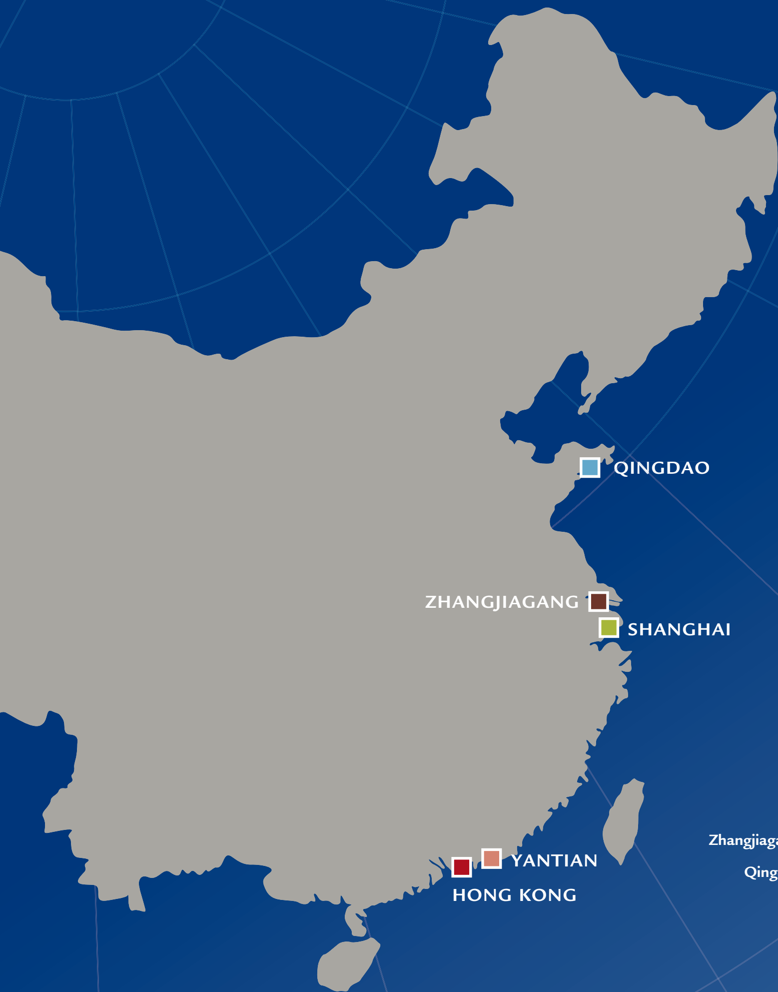


	94	95	96	97	98	99	00	01
Specials	2.4	3.8	3.7	8.3	12.4	13.6	13.6	13.5
Reefer	7.3	13.1	15.8	28.9	30.3	30.8	31.9	35.1
Dry	251.9	274.2	323.7	432.7	463.2	456.5	482.5	561.4
Total	261.6	291.1	343.2	469.9	505.9	500.9	528.0	610.0

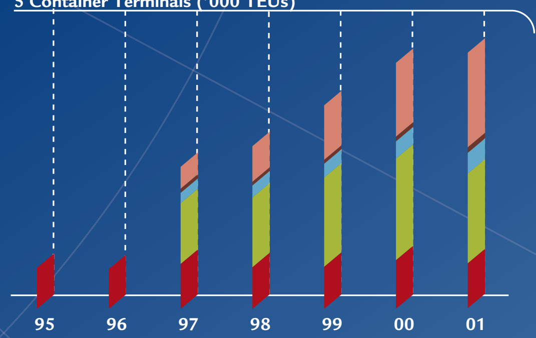
Aging Analysis ('000 TEUs)



	>10	10	9	8	7	6	5	4	3	2	1	<1
Specials	–	1.0	1.3	0.2	–	1.0	–	4.6	4.1	1.3	–	–
Reefer	–	1.4	1.9	–	3.2	5.7	2.5	11.7	2.7	0.5	2.3	3.2
Dry	0.7	14.8	15.0	27.3	58.5	32.9	50.9	111.6	51.1	38.2	66.7	93.7
Total	0.7	17.2	18.2	27.5	61.7	39.6	53.4	127.9	57.9	40.0	69.0	96.9



Throughput of COSCO Pacific's
5 Container Terminals ('000 TEUs)



	95	96	97	98	99	00	01
Yantian Int'l Terminals	–	–	638	1,038	1,588	2,147	2,752
Zhangjiagang Win Hanverky Terminal	–	–	119	105	113	137	161
Qingdao Cosport Int'l Terminals	–	–	300	350	401	502	600
Shanghai Terminals	–	–	1,767	2,027	2,594	2,951	2,610
COSCO-HIT	1,193	1,152	1,302	1,207	1,220	1,413	1,302
Total	1,193	1,152	4,126	4,727	5,916	7,150	7,425

	2001 Throughput (TEUs)	2000 Throughput (TEUs)	+/-	Total Area (sq. metres)	No. of Berth(s)	Length (metres)	Water Depth Alongside (metres)	No. of Quay Cranes	Current Handling Capacity (TEUs)	Location
COSCO-HIT >	1,301,966	1,412,854	-7.8%	300,000	2	640 (for large vessels) 448 (for supplementary)	-15.5	9	1,600,000	Terminal 8 East Kwai Chung Hong Kong
Shanghai Terminals >	2,609,800	2,950,500	-11.5%	830,000	12	2,281	-9.4 to -10.5	16	3,500,000	Baoshan Zhanghuabang and Jungonglu, Shanghai
Qingdao Cosport International Terminals >	600,329	502,119	+19.6%	250,000	1	349	-13.5	4	600,000	No. 47 Berth No. 8 Terminal Qingdao
Zhangjiagang Win Hanverky Terminal >	161,208	136,778	+17.9%	200,000	2	505	-11	3	200,000	Berth 15 & 16 Port Area Zhenjianghai North Zhangjiagang
Yantian International Terminals >	2,751,885	2,147,476	+28.1%	1,180,000	5	2,350	-14 to -15.5	18	3,000,000	Dapeng Bay Shenzhen
Total	7,425,188	7,149,727	+3.9%							

Container Terminal and Related Businesses

The Group's container terminal business continued to grow during the year. Compared with 2000, the aggregate throughput of our five container terminals rose 3.9% to 7,425,188 TEUs. Our four China mainland container terminals - Shanghai Terminals, Qingdao Cosport International Terminals, Zhangjiagang Win Hanverky Terminal and Yantian International Terminals - saw a 6.7% increase in combined throughput to 6,123,222 TEUs.

> COSCO-HIT

COSCO Pacific has a 50% interest in COSCO-HIT Terminals (Hong Kong) Limited ("COSCO-HIT"). Located at Terminal 8 East in Kwai Chung, the terminal occupies an area of 300,000 square metres. It has a quay length of 640 metres and a water depth alongside of 15.5 metres. The berths of the terminal are equipped with 9 post-panamax quay cranes capable of handling two large container vessels simultaneously. Moreover, with berths of 98 metres for river vessels and berths of 350 metres designated for barges, all equipped with quay and harbour cranes, the berths provide dedicated services for river vessels and barges sailing across the Pearl River Delta. The terminal has a yard capacity for 25,000 TEUs, which is equipped with 696 reefer points, 32 yard cranes, 3 smaller cranes and other supporting facilities. The terminal operates 24 hours a day and 365 days a year.

COSCO-HIT has been closely monitoring the development of container terminals around the world and continuously upgrading its terminal facilities and improving its efficiency, including the use of advanced computer systems and communications equipment. These efforts have enabled COSCO-HIT to increase its handling capacity well beyond the original designed level. Throughput at COSCO-HIT reached 1,301,966 TEUs in 2001 (2000: 1,412,854 TEUs), accounting for about 11.5% of the aggregate throughput of the container terminals in Kwai Chung. COSCO-HIT is a well-developed terminal with high utilisation and good returns.

The solid operations and good returns of COSCO-HIT provide a stable source of profit for the Group. It is a successful model of COSCO Pacific in managing its assets. The management experience and profits earned from COSCO-HIT have laid a solid foundation for the Group to grow into a large and cost-efficient terminal operator.

Apart from being an international shipping centre, Hong Kong is also the most important transhipment port for the China mainland. The high growth of China's foreign trade is the major driving force for Hong Kong's throughput increase. Notwithstanding the substantial growth of throughput at the neighbouring Shenzhen port, Hong Kong managed to record a throughput of 17,900,000 TEUs in 2001 and continued to be the busiest container port among the world. This is a good indication that Hong Kong, by maintaining its competitive advantages of high flexibility and efficiency, convenient services and international network of shipping routes, can play a mutually complementary role to the major container ports in southern China and share the growth of China's rapidly growing containerised trade.

> Shanghai Terminals

The Group has a 10% interest in Shanghai Container Terminals Ltd. ("Shanghai Terminals"), which has three terminals located in Zhanghuabang, Jungonglu and Baoshan at the entry of Huangpujiang in Baoshan District, Shanghai. Equipped with 12 berths, Shanghai Terminals has a quay length of 2,281 metres, a water depth alongside of 10 metres, and an area of 830,000 square metres that can accommodate 54,065 TEUs. Its current handling capacity reaches 3,500,000 TEUs of containers.

During the year, Shanghai Terminals handled 2,609,800 TEUs, a decline of 11.5% from 2000, mainly due to the shift of some large vessels to Waigaoqiao terminal. Shanghai Terminals accounted for about 41.2% of the aggregate throughput at the Shanghai port.

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 vast and accessible networks of transportation also attract significant transhipment cargoes. For these reasons, throughput at Shanghai port has been growing rapidly. In 2001, total throughput at Shanghai port reached 6,300,000 TEUs, raising its global ranking to fifth largest from sixth. Looking ahead, Shanghai will continue to be the busiest port in China mainland in 2002, and Shanghai Terminals will benefit from the city's increase in throughput. Since early 2002, throughput at Shanghai Terminals has been increasing.

> Qingdao Cosport International Terminals

The Group has a 50% interest in Qingdao Cosport International Container Terminals Co. Ltd. ("Qingdao Cosport International Terminals"), which is located at no. 47 berth in Qingdao port with an area of 250,000 square metres. The terminal has a berth with a quay length of 349 metres, and a water depth alongside of 13.5 metres. It is one of the most modern and best-equipped terminals in Qingdao port, providing highly efficient services with an annual handling capacity of 600,000 TEUs of containers. In 2001, throughput at Qingdao Cosport International Terminals rose 19.6% to 600,329 TEUs, accounting for about 22.8% of the aggregate throughput at Qingdao port.

In 2001, the total throughput at Qingdao port reached about 2,640,000 TEUs, making Qingdao the third largest container port in China mainland following Shanghai and Shenzhen. With the continued improvements in port facilities, management and services, it is believed that Qingdao Cosport International Terminals will continue to grow.

> Zhangjiagang Win Hanverky Terminal

The Group has a 51% interest in Zhangjiagang Win Hanverky Container Terminal Co. Ltd. ("Zhangjiagang Win Hanverky Terminal"). Located at the down stream of the Yangtze River, the terminal is one of the major ports along the River and ranked third among the river container terminals in 2001. It has two berths, with a quay length of 505 metres and a water depth alongside of 11 metres. It occupies an area of 200,000 square metres with an annual handling capacity of 200,000 TEUs. In 2001, throughput at the terminal increased 17.9% to 161,208 TEUs, accounting for 100% of the aggregate container throughput at Zhangjiagang. With cargo container shipping increasing along the Yangtze River, Zhangjiagang Win Hanverky Terminal is actively expanding the river trade business while continuously benefiting from foreign trade. It is expected that throughput at the terminal will grow further in 2002.

> Yantian International Terminals

The Group has a 5% interest in Yantian International Container Terminals Ltd. ("Yantian International Terminals"), which is located at Dapeng Bay in Shenzhen and is one of the major container terminals in southern China. The first and second phases of Yantian International Terminals occupy a total area of 1,180,000 square metres. There are a total of five berths, with a quay length of 2,350 metres, a water depth alongside of 14 metres, and an annual handling capacity of 3,000,000 TEUs. In 2001, throughput at the terminal further increased by 28.1% to 2,751,885 TEUs.

Driven by the strong economic and export growth in the Pearl River Delta hinterland, Yantian port is expected to make further gains in throughput. For Yantian International Terminals, the cargo transportation along the Guangdong coast and the Pearl River Delta will ensure a significant throughput growth in 2002.

> River Trade Terminal

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 on full completion and a designed annual handling capacity of 4,200,000 TEUs of containers. The terminal provides container and cargo handling and related services for manufacturers transporting cargoes 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 1,262,235 TEUs of containers in 2001, a 28.7% increase over 2000. Its throughput is expected to grow further in 2002.

> Shanghai Waigaoqiao Container Terminal (Phase 1)

The Group has signed an agreement together with other partners to form a joint venture named Shanghai Pudong International Container Terminal Ltd. ("Shanghai Waigaoqiao Terminal"). The joint venture, in which the Group will hold a 20% interest, has received approval from the State Planning Commission for its project proposal and is in the process of registration and formation. The joint venture company is expected to operate in the middle of 2002.

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. Throughput at the terminal amounted to 1,491,280 TEUs in 2001, a 23.4% increase from a year ago. Looking ahead, the terminal is expected to further increase its throughput in 2002.

> Dalian Port Container Co., Ltd.

In December 2001, the Group joined in to promote and set up Dalian Port Container Co., Ltd. ("JV Co"), a joint stock limited company in China mainland, and subscribed for 8% of the equity interest in the JV Co. The JV Co holds a 51% interest in Dalian Container Terminal Co., Ltd, Dalian's principal container terminal, and is a major shareholder of all other container terminals in Dalian. The JV Co has great development potential and plans to seek for a listing on the China mainland stock market. During the year, the aggregate throughput of the terminals owned by the JV Co increased 20.5% to 1,220,000 TEUs.

> *Shanghai Yixian Road Project*

The three toll bridges of Shanghai Yixian Road project, namely Wusong Toll Bridge, Wenchuan Toll Bridge and Jiangyang Toll Bridge, achieved a 5.2% increase in combined vehicle flow to 10,025,019 vehicles (2000: 9,528,395 vehicles), with tariffs income up by 4.1%.

> *Container Handling and Storage*

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

Container Related Industries

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

Affected by the global economic slowdown and the "9.11" event in the U.S., most of these companies recorded a slowdown in output except for the production of Shanghai CIMC Reefer Containers Co., Ltd. and Shanghai Kansai Paint & Chemical Co., Ltd. which mildly increased. Looking ahead, with the gradual recovery of the U.S. economy, the container related business is expected to improve.

Shanghai CIMC Reefer Containers Co., Ltd. ("Shanghai CIMC Reefer") in which the Group holds a 20% interest, produced a total of 25,642 TEUs of refrigerated containers, up 4.6% over 2000.

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 55,357 TEUs of containers, a decrease of 40.8% from 2000, and Tianjin CIMC North Ocean produced 33,382 TEUs of containers, a decline of 46.3% from 2000.

The Group also has a 20% interest in Shanghai Kansai Paint & Chemical Co., Ltd. ("Shanghai Kansai") and Tianjin Kansai Paint and Chemical Co., Ltd. ("Tianjin Kansai") respectively. Both companies are principally engaged in the production of paint for container and vessel uses. Shanghai Kansai produced 13,128 tons of paint in 2001, an increase of 2.5% over 2000, and Tianjin Kansai produced 15,477 tons of paint, down by 23.4% from 2000.

Banking

> *Liu Chong Hing Bank Limited*

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

Other Investments

> *COSCO Pacific (China) Investments Co., Ltd.*

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

PRC Investment Securities

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

Investor Relations

COSCO Pacific has been highly committed to maintaining a higher standard of investor relations practice above regulatory requirement and market practice. The Company systematically provides comprehensive corporate information for investors and maintains close communications with shareholders.

In the capital markets, COSCO Pacific often displays a strong ability to raise funds. While this owes to the strong brand name of COSCO, it can also be attributed to the Company's clear focus on container and related businesses, as well as its efforts to maintain high transparency and good corporate governance. Favourable remarks from the market have enabled COSCO Pacific to attract the interest of international investment funds, institutional investors and investment banks, which in turn has effectively enhanced our work in asset management and corporate development. The Company has used a variety of financing instruments including syndication loan, equity issue, warrant, convertible bond and commercial paper.

With the senior management's strong support to good investor relations, COSCO Pacific has been extensively covered and well researched by securities analysts, many of them make positive recommendations in their investment reports. These reports are important reference materials for international fund managers, institutional investors, bankers and investors to analyse a company's businesses and its management standing. Particularly, when a company places shares, issues bonds or arranges syndication loans, such reports and their recommendations will be among their major references. About 33 securities firms have assigned analysts to closely follow COSCO Pacific, many of them are world famous securities firms.

> *Building up Communication Channels with Investors*

Keeping abreast of capital market developments is a pre-requisite for securing the support and trust of investors. Through roadshows and other promotional activities, senior management initiates meetings with investors to further reinforce their confidence about the Company. Given the growing demand from investors on corporate governance and transparency and the disclosure of more information on financial results, COSCO Pacific has put more efforts to ensure that the information it provides is detailed, accurate and consistent.

The management places great emphasis on maintaining good communications with investors. Various ways of meeting the investors are employed to keep them updated about the Group's operations and developments. Between 1997 and 2001, senior management has met 4,819 investors, or close to 963 investors a year.

	No. of investors				
	2001	2000	1999	1998	1997
Individual meeting	**332**	317	380	538	468
Luncheon meeting / seminars	**72**	91	157	282	164
Roadshow	**340**	552	449	395	282
Total	**744**	960	986	1,215	914

US, European and Singaporean institutional investors currently account for the majority of overseas investors that are shareholders of COSCO Pacific. To earn their continuous support, visits to and dialogues with investors are major activities in our investor relations program. These efforts can reinforce the confidence of these existing shareholders about the Company and enable us to expand our shareholders' base.

In order to expand the shareholder base of institutional investors, the management actively participates in various investor forums organised by international securities firms. Through these efforts, investment value of COSCO Pacific is extensively recognised.

Investor Forums Attended by the Management

January	**The "Hong Kong & China Corporate Day" seminar organised in Singapore by Saloman Smith Barney HK Ltd.**
February	**The "Hong Kong Conference 2001" organised in Hong Kong by Saloman Smith Barney HK Ltd.**
	The "Hong Kong Listed Chinese Companies Seminar" organised in Beijing by the Hong Kong Exchanges and Clearing Limited.
March	**The "Asian Investors Conference" organised in Hong Kong by Credit Suisse First Boston (Hong Kong) Ltd.**
April	**"Asia Pacific Investor Conference" organised in London by Merrill Lynch (Asia Pacific) Ltd.**
May	**"China Forum 2001" organised in Shanghai by CLSA Ltd.**

As at 31st December 2001, COSCO Hong Kong was the largest shareholder holding a 55.07% interest in COSCO Pacific, while the combined interest of institutional investors and other minority shareholders in COSCO Pacific was 44.93%. The high percentage of institutional investors in the free float represents a vote of confidence by professional investors in COSCO Pacific.

In the aftermath of the September 11 terrorist attacks, focus of the investment community has shifted to China, regarding it as a market of the greatest development potential in the world and a relatively safe place for investment. Many securities firms reallocated their investment portfolio recommendations by gradually increasing their weighting in Chinese enterprises. This will bring a significant impact on the global capital flow. COSCO Pacific will further explore the criteria and considerations of international investors in selecting Chinese enterprises to ensure that its investor relations program can meet the needs.

Human Resources

COSCO Pacific has a quality team of employees. Since our listing in 1994, the devotion and expertise of our staff have laid a solid foundation for the Company's business development. As at 31st December 2001, there were around 32 employees in the Company's headquarters, 558 employees in COSCO-HIT and Zhangjiagang Win Hanverky Container Terminal and 95 employees in the container leasing division.

Apart from providing mandatory provident fund, the Group's remuneration policies are formulated on the performance of individual employees and will be reviewed by the management on a regular basis. Share options are also granted to employees to motivate their performance and contribution to the Group.

The success of the Group is due to the teamwork and outstanding performance of the staff. Despite the unfavourable economic environment, the Group remains its commitment to providing high quality services for its customers. In order to achieve this, the Group arranges its staff to participate in a variety of training courses, and adopts effective human resources policy to improve its operations. At the same time, the Group continues to offer favourable promotion opportunities and incentives to its staff to encourage them to fully contribute of their talents.

Major Events

Date	Events
2001.1.9 – 2001.1.12	>> Florens held a management meeting in Guam to discuss the container leasing business.
2001.2.26 – 2001.2.28	>> Florens' management and marketing officers held a global market review meeting in Phuket, Thailand.
2001.3.12 – 2001.3.16	>> Global technology and operation meeting of Florens held in Hong Kong.
2001.3.14	>> Ms HUNG Man was appointed as Company Secretary of COSCO Pacific following Mr LEE Yip Wah, Peter's resignation.
2001.3.26	>> Audit Committee Meeting of COSCO Pacific.
2001.3.29	>> Board Meeting of COSCO Pacific.
2001.3.29	>> 2000 final results announcement (press conference, fund managers and analysts briefings).
2001.4.2	>> Wholly owned subsidiary Florens Containers, Inc. (2001) signed a 6-year US$100,000,000 syndication loan guaranteed by COSCO Pacific.
2001.4.12	>> Mr WANG Zhi was appointed Deputy General Manager of COSCO Pacific following Mr LI Jianxiong's resignation.
2001.4.20	>> COSCO Pacific was included as a constituent of the FTSE/Xinhua China 25.
2001.4	>> COSCO Pacific was ranked the 11th Best Investor Relations Chinese Enterprises in Finance Asia's "2001 Best Management Companies in Asia" poll.
2001.5.22	>> Florens successfully passed the ISO9002 annual audit.
2001.5.25	>> Annual General Meeting of COSCO Pacific.
2001.7.10	>> Florens' fleet capacity reached 600,000 TEUs.
2001.8.22	>> The Group entered into a short term container leasing transaction arrangement with COSCO Group whereby COSCON agreed to lease the 10-year old containers from the Group on a short term basis.
2001.8.29	>> Audit Committee Meeting of COSCO Pacific.
2001.9.6	>> Board Meeting of COSCO Pacific.
2001.9.6	>> 2001 interim results announcement (press conference, fund managers and analysts briefings).
2001.9	>> In the "100 Chinese Enterprises in the New Century" survey published by Capital magazine, COSCO Pacific was ranked 62nd in market capitalisation, 27th in return of assets, 35th in return on equity, and 62nd in turnover.
2001.11.13 – 2001.11.15	>> Florens participated in the Intermodal Exhibition and Convention in Hamburg, Germany and received favourable response from customers for the Group's second phase e-commerce platform.
2001.12.24	>> Wholly owned subsidiary Florens Container Inc. ("FCI") signed a US$140,000,000 direct pay letter of credit facility with a syndicate of 10 international banks for the issue of U.S. commercial papers by FCI to refinance the U.S. commercial papers maturing in May 2002. The facility is guaranteed by COSCO Pacific.
2001.12.28	>> Wholly owned subsidiary COSCO Pacific (China) Investments Co., Ltd. joined in to promote and set up Dalian Port Container Co., Ltd., a joint stock limited company in China mainland, and subscribed for an 8% interest in the joint venture company for a consideration of RMB37,520,000.

Management Discussion and Analysis

>> During the year, the global economic slowdown brought an unfavourable business environment. This inevitably affected the Group's core businesses, which experienced a setback in performance. However, by adopting stringent cost control, the Group was able to maintain steady performance in its overall results.

Financial Review

Turnover

Turnover for 2001 increased by 3.1% to US$224,671,000 (2000: US$217,893,000). The Group's turnover continued to derive from container leasing and container terminal and related businesses. Other operations carried out either through associated companies or jointly controlled entities, the turnover of which is not included in the Group's turnover.

Container leasing turnover rose 3.6% to US$209,343,000 (2000: US$202,143,000). Of the amount, US$135,959,000 (2000: US$136,766,000) was rental income received from COSCON, US$72,383,000 (2000: US$63,656,000) was rental income received from International Customers, and US$1,001,000 (2000: US$1,721,000) was hire purchase income. The increase in rental income from International Customers was due to higher leasing volume. As at 31st December 2001, containers available to International Customers amounted to 282,649 TEUs (2000: 224,004 TEUs).

As for the container terminal and related businesses, Zhangjiagang Win Hanverky Terminal achieved a throughput of 161,208 TEUs (2000: 136,778 TEUs), while its turnover rose by 8.8% to US$5,720,000 (2000: US$5,256,000). Turnover of Plangreat Limited and its subsidiaries from container stevedoring, container transport and storage, dropped 8.4% to US$9,608,000 (2000: US$10,494,000). The decline was due to decreased business volume.

Cost of Sales and Gross Profit

Cost of sales mainly includes depreciation, depot handling fees, maintenance costs and operating expenses. In 2001, cost of sales increased by 9.1% to US$95,395,000 (2000: US$87,453,000), of which depreciation rose 9.6% to US$78,733,000 (2000: US$71,827,000), reflecting mainly the growth in container fleet. Depot handling fees also increased to US$6,631,000 from US$3,564,000, whereas maintenance costs declined to US$1,801,000 from US$3,408,000 last year.

Gross profit margin for 2001 dropped to 57.5% (2000: 59.9%), which was due to increased competition in the container leasing market and the decline in the Group's container utilisation rate, from last year's 95.1% to 91.4%, caused by the global economic slowdown.

First row from left to right:

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

WONG Tin Yau, Kelvin
Deputy Managing Director

SHI Qin
Managing Director

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

Second row from left to right:

HUANG Kegong
Assistant to the General Manager

CHAN Hang, Ken
General Manager of the Corporate Development Department

WANG Zhi
Deputy General Manager

HUNG Man, Michelle
Legal Counsel and Company Secretary

QIU Jincheng
Managing Director of COSCO Container Services Limited

LI Wai Ho, Francis
Financial Controller

Other Revenues

Other revenues mainly included US$6,885,000 (2000: US$17,388,000) from the sale of Returned Containers, and US$5,178,000 (2000: US$12,191,000) of interest income. During the year, less Returned Containers were returned by COSCON compared to the year 2000, and therefore the disposal of Returned Containers fell to 12,151 TEUs (2000: 34,087 TEUs) resulting in the decline of resale revenue.

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

Administrative Expenses

Administrative expenses increased by 3.2% compared to 2000. Staff costs, office expenses and professional fees increased during the year, while travel expenses and depreciation decreased.

Other Operating Income / (Expenses) (Net)

This category recorded a net income of US$8,149,000 in 2001 against net expenses of US$16,144,000 in 2000, which was due to the following factors:

>> During the year, the Group took advantage of the rally in the China mainland stock market driven by liberalised government control and sold the entire 18,150,000 B shares of Shanghai Zhenhua. This generated a profit of US$14,137,000 (2000: US$Nil).

>> In 2001, the Group disposed of 12,151 TEUs (2000: 34,087 TEUs) of Returned Containers, which had a net book value of US$8,350,000 (2000: US$16,894,000).

>> Due to the adoption of new accounting standards effective in 2001, there were a reversal of provision for container repairs and maintenance expense, which amounted to US$6,156,000 (2000: US$Nil), and impairment losses of US$5,680,000 (2000: US$Nil) for certain containers and corporate properties.

>> The Group made a provision of US$3,450,000 (2000: US$4,600,000) against the shareholders' loan to River Trade Terminal.

Finance Costs

2001 saw the U.S. Federal Reserve cutting interest rates by 4.75 percentage point in 11 rounds at a row. Benefitted from the low interest rate environment, the Group's finance costs dropped significantly by 31.5% to US$29,524,000. Average interest cost was 5.35% for the year (2000: 7.47%).

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

Share of profits from jointly controlled entities for the year was US$9,421,000 (2000: US$6,656,000). All the six jointly controlled entities contributed higher profits to the Group, with Shanghai CIMC Reefer and Shanghai Kansai performed particularly well. Share of profits from associated companies decreased by 14.2% to US$56,812,000. Throughput at COSCO-HIT dropped by 7.8% from last year. However, with stringent cost control, the terminal recorded a smaller decline in profit contribution, which reflected its efficient operations. Throughput at Shanghai Terminals fell 11.5% and led to a decline in profit contribution. Liu Chong Hing Bank contributed a profit of US$9,007,000 (2000: US$15,390,000), a decline of 41.5%.

Taxation

The fall in taxation mainly reflected the decline in share of taxation attributable to two associated companies, COSCO-HIT and Liu Chong Hing Bank.

Profit Attributable to Shareholders

Profitable attributable to shareholders for the year reached a new high of US$154,340,000 (2000:US$142,546,000), an increase of 8.3%. Basic earnings per share amounted to US7.2081 cents (2000: US6.6634 cents).

Financial Position

Cash Flow

The cash flow of the Group remained strong. During the year, net cash inflow from operating activities amounted to US$207,558,000 (2000: US$209,463,000). Payment for capital expenditure on fixed assets totalled US$179,963,000 (2000: US$147,086,000), of which, US$175,377,000 (2000: US$143,460,000) was used to purchase new containers. The Group borrowed loans of US$231,197,000 (2000: US$85,185,000) and repaid loans of US$145,304,000 (2000: US$222,319,000). As at 31st December 2001, the Group had cash on hand of US$254,109,000 (2000: US$145,607,000). The increase in cash on hand was mainly due to early repayments for loans of US$98,735,000 in the fourth quarter of 2000. In addition, pending for the approval for Shanghai Waigaoqiao Terminal, the Group has reserved part of the proceeds from the issue of new shares in May 1999 for this project.

Assets and Liabilities

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

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

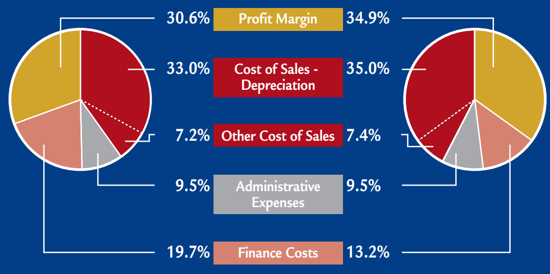
As at 31st December 2001, the Group's bank deposits of US$8,174,000 (2000: US$3,855,000), together with certain fixed assets with an aggregate net book value of US$253,778,000 (2000: US$210,911,000) were pledged to various banks and financial institutions for loans of US$162,532,000 (2000: US$105,349,000).

Contingent Liabilities

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

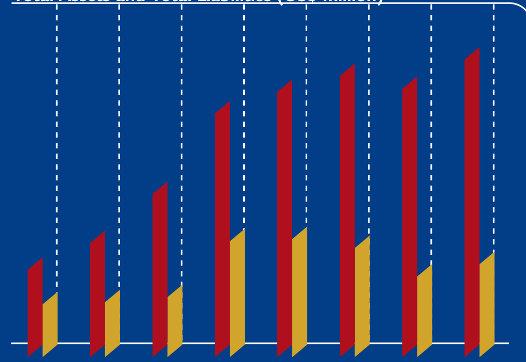
Depreciation and finance costs are the major operating costs of the Group.

Cost Analysis (Percentage of Turnover)



2000		2001
30.6%	Profit Margin	34.9%
33.0%	Cost of Sales - Depreciation	35.0%
7.2%	Other Cost of Sales	7.4%
9.5%	Administrative Expenses	9.5%
19.7%	Finance Costs	13.2%

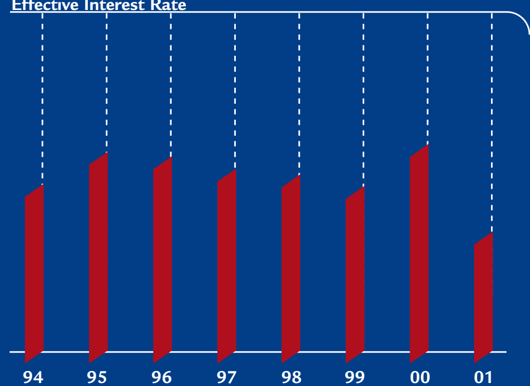
Total Assets and Total Liabilities (US$ million)



	94	95	96	97	98	99	00	01
Total Assets	540	666	947	1,427	1,555	1,642	1,569	1,739
Total Liabilities	306	311	350	673	688	631	468	538

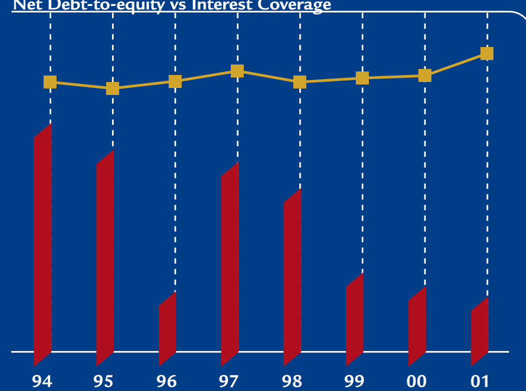
The level of interest in 2001 allowed the reduction of finance costs by US$13,589,000.

Effective Interest Rate



94	95	96	97	98	99	00	01
6.50%	7.28%	7.17%	6.87%	6.73%	6.45%	7.47%	5.35%

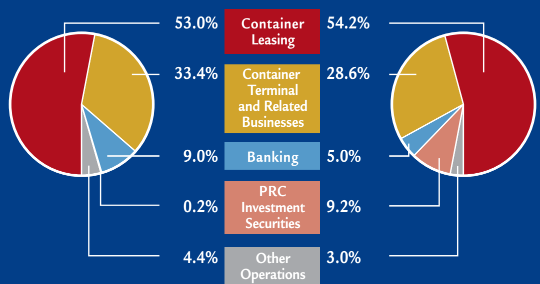
Net Debt-to-equity vs Interest Coverage



	94	95	96	97	98	99	00	01
Interest Coverage (x)	4.3	3.5	4.4	5.7	4.3	4.8	5.1	7.9
Net Debt-to-equity	87.6%	77.4%	23.3%	72.8%	62.7%	30.5%	25.3%	21.3%

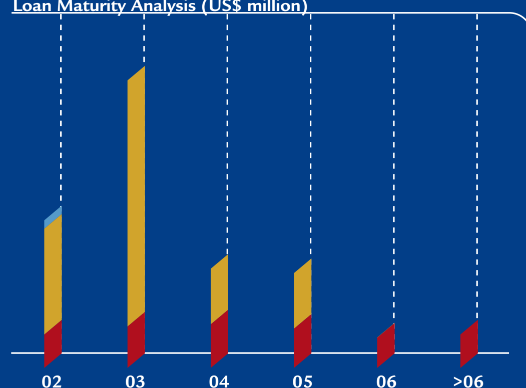
Total profit contribution from leasing and terminal businesses has been always representing more than 80% of the total net profit. The Group will continue to focus on strengthening and expanding these two core businesses, especially on developing the terminal business.

Breakdown of Profit Attributable to Shareholders by Activities



2000		2001
53.0%	Container Leasing	54.2%
33.4%	Container Terminal and Related Businesses	28.6%
9.0%	Banking	5.0%
0.2%	PRC Investment Securities	9.2%
4.4%	Other Operations	3.0%

Loan Maturity Analysis (US$ million)



	02	03	04	05	06	>06
Unsecured-revolver	6.2	–	–	–	–	–
Unsecured	77.8	180.9	40.9	40.9	0.2	–
Secured	24.5	30.4	32.1	28.8	22.2	24.6
Total	108.5	211.3	73.0	69.7	22.4	24.6

Financial Management

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

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

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

As at 31st December 2001, excluding the US$140,000,000 commercial paper facility, the Group had an aggregate amount of US$37,800,000 (2000: US$147,570,000) in committed facilities available from banks. This, together with the Group's cash on hand of US$254,109,000 (2000: US$145,607,000) and the expected cash inflow from operations in 2002, will provide adequate funds for repaying the loans maturing in 2002 and for financing most of the planned capital expenditure.

As at 31st December 2001, the Group's debt maturity profile for the next five years is as follows:

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

The debts comprised:

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

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

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

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

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

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

>> COSCO Pacific has an experienced and professional management team which provides the Company with excellent skills to manage the businesses and financial control efficiently and successfully.

Executive Directors

WEI Jiafu

Mr. WEI, aged 52, is the Chairman of the Company. He is also the President of China Ocean Shipping (Group) Company ("COSCO"), 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 Company Limited, 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 Doctoral degree from Tianjin University. Mr. WEI has 35 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 50, 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, including the General Manager of the Law & Policy Research Department, the Executive Department and the Planning & Program Division, the Senior Commercial Director of COSCO, Senior Deputy Managing Director of Tianjin Ocean Shipping Co. 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 26 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 45, has been a Director of the Company since October 1997. He is also the Vice President of COSCO and a Director of COSCO International. Mr. LI graduated from the University of East London in the United Kingdom with a Master of Business Administration degree. He has more than 19 years of experience in corporate management.

SUN Yueying

Ms. SUN, aged 43, has been a Director of the Company since March 2002. She is also the Chief Accountant of COSCO and a Director of COSCO Hong Kong. Ms. SUN was graduated from Shanghai Maritime Transportation Institute in 1982 majoring in sea transportation, finance and accounting. She had been the Vice Director of the Finance Division of Tianjin Ocean Shipping Co., a Director of the General Affairs Division of COSCO Japan Co., Ltd. and the General Manager of the Finance Division of COSCO. She has extensive experience in financial management.

ZHOU Liancheng

Mr. ZHOU, aged 53, 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 47, is the Managing Director of the Company. He is also a Vice President of COSCO Hong Kong and a Non-executive Director of Liu Chong Hing Bank Limited. Mr. SHI has been with COSCO 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.

KWONG Che Keung, Gordon

Mr. KWONG, aged 52, has been a Director of the Company since May 1998. He is also a Vice President of COSCO Hong Kong, a Director of COSCO International and Independent Non-executive Director of a number of other Hong Kong listed companies. 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.

XU Lirong

Mr. XU, aged 44, 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 59, has been a Director of the Company since September 1994. He is also the Financial Controller of COSCO Hong Kong and a Director of COSCO International. He graduated from Shanghai Maritime Transportation Institute in 1963 and has more than 37 years of experience in financial management and accounting. He is responsible for assisting the Company to formulate financial plans.

LIANG Yanfeng

Mr. LIANG, aged 36, has been a Director of the Company since March 2002. He is also a Director of COSCO Hong Kong and COSCO International, and the General Manager of the Assets Management Division of COSCO. Mr. LIANG was graduated from Tsinghua University with a Master Fellowship in Social Sciences in 1991. He had been the Deputy General Manager of the Personnel Division of COSCO and the General Manager of COSCO Human Resources Development Company. He has extensive experience in corporate management.

WONG Tin Yau, Kelvin

Mr. WONG, aged 41, 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, a member of the Chartered Institute of Marketing 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 17 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.

MENG Qinghui

Mr. MENG, aged 46, has been a Director of the Company since March 2002. He is also a Director of COSCO International and the Managing Director of the Finance Division of COSCO Hong Kong. Mr. MENG was graduated from Changsha Railway University in 1978 and was awarded the professional qualification of Accountant in China. He has 23 years of experience in financial management and accounting and is very familiar with corporate financial planning.

LU Chenggang

Mr. LU, aged 49, has been a Director of the Company since November 1999. He is also the Chairman of Florens Container Services Company Limited. 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, the General Manager of COSCO Equipment Control Centre, the Vice Chairman of China Road Transportation Association and China Warehouse and Storage Association. 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 49, 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 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 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 obtained a diploma in container terminal management from the University of Wales in the United Kingdom.

Independent Non-executive Directors

LI Kwok Po, David

Dr. LI, aged 63, 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, GBS, JP

Mr. LIU, aged 72, has been an Independent Non-executive Director of the Company since September 1996. He is the Chairman and Managing Director of Liu Chong Hing Bank Limited, Chairman of both Liu Chong Hing Investment Limited and Liu Chong Hing Insurance Company Limited. Mr. LIU is also a Director of The Hong Kong and China Gas Company Limited and Asia Commercial Bank Limited. Mr. LIU was a Director of Tung Wah Group of Hospitals, the President of the Hong Kong Chiu Chow Chamber of Commerce (now Permanent Honorary President) and founder and first Chairman of Teochew International Convention (now Permanent Honorary Chairman). Presently he is a Standing Committee Member of The Chinese General Chamber of Commerce, Hong Kong, the Supervisor of Liu Po Shan Memorial College, a Director of New Asia College of the Chinese University of Hong Kong, a founding member of the Court of the Hong Kong Polytechnic University, and the founder and Supervisor of Chiu Chow Association Secondary School. He is a member of the Election Committee for the purpose of election of the Chief Executive & Legislative Council Members in accordance with the Basic Law of the Hong Kong Special Administrative Region of the People's Republic of China. Mr. LIU was appointed a Justice of the Peace in 1975 and awarded the Gold Bauhinia Star by the Government of the Hong Kong SAR in July 2001.

Alexander Reid HAMILTON

Mr. HAMILTON, aged 60, 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, Shangri-La Asia Limited, DBS Kwong On Bank Limited and a number of other Hong Kong listed 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 60, 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 in Hong Kong including Elec & Eltek International (Holdings) Limited and Shenzhen Investment Limited.

Senior Management

WANG Zhi

Mr. WANG, aged 39, has been a Deputy General Manager of the Company since April 2001. He graduated from Jimei Navigation College in 1980 and obtained an International Executive Master of Business Administration degree from International School of Management in France in 2000. He had more than 13 years of working experience in shipping industries with Guangzhou Ocean Shipping Company before he became the Deputy Chief Executive Officer of COSCO (UK) Limited and the Managing Director of Crystal Logistics Ltd. in 1993. He has been the Managing Director of COSCO France S.A. from October 1997 to March 2001. Mr. WANG is now responsible for the management and investment of the container terminals and container-related industrial businesses of the Company.

LI Wai Ho, Francis

Mr. LI, aged 48, 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 32, 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 practising solicitor of the High Court of the Hong Kong Special Administrative Region. She is also qualified in England and Wales. She is responsible for all legal, company secretarial and related matters of the Company.

HUANG Kegong

Mr. HUANG, aged 55, has been the Assistant to the General Manager of the Company since January 2002. He has worked for COSCO for 37 years and has been involved in various shipping operations. From 1986, he began to station and work in Central and South America for 10 years. In 1996, he returned to China mainland and engaged in management of terminal operations. Mr. HUANG is highly experienced with good management skills. He now assists to manage the daily operations and corporate planning of the terminals of the subsidiaries of the Company.

CHAN Hang, Ken

Mr. CHAN, aged 44, is the General Manager of the Corporate Development 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 18 years of working experience in finance, securities, corporate strategic planning and management.

QIU Jincheng

Mr. QIU, aged 39, has been the Managing Director of COSCO Container Services Limited, a subsidiary of the Company, since February 2001. Following his graduation from Dalian Maritime University in 1983, Mr. QIU has been engaging in the storage, transportation and management works concerning goods and containers. He is now responsible for the operations, management and corporate planning of container handling and storage operations businesses within the Group.

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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 2001.

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 performance for the year by business segments and geographical areas is set out in note 2 to the accounts.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December 2001 are set out in the consolidated profit and loss account on page 54 of this annual report.

The directors declared an interim dividend of US1.218 cents (HK9.5 cents) per share, totalling US$26,094,000 (HK$203,533,000), which was paid on 5th October 2001.

The directors recommend the payment of a final dividend of US1.795 cents (HK14.0 cents) per share, totalling US$38,456,000 (HK$299,956,000), payable on or before 5th June 2002.

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 pages 110 and 111 of this annual report.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 22 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 21 to the accounts.

BORROWINGS

Details of the bank loans and other loans of the Group and the Company are set out in note 23 to the accounts.

RETIREMENT BENEFITS 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)*	
Mr. LIU Guoyuan *(Vice Chairman)*	
Mr. LI Jianhong	
Ms. SUN Yueying	(appointed on 12th March 2002)
Mr. ZHOU Liancheng	
Mr. SHI Qin *(Managing Director)*	
Mr. KWONG Che Keung, Gordon	
Mr. XU Lirong	
Mr. LU Zhiming	
Mr. LIANG Yanfeng	(appointed on 12th March 2002)
Mr. WONG Tin Yau, Kelvin	
Mr. MENG Qinghui	(appointed on 12th March 2002)
Mr. LU Chenggang	
Mr. QIN Fuyan	
Mr. YANG Bin	(resigned on 12th March 2002)

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, Ms. SUN Yueying, Mr. LIANG Yanfeng and Mr. MENG Qinghui 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. XU Lirong, Mr. KWONG Che Keung, Gordon, Mr. WONG Tin Yau, Kelvin and Mr. LIU Lit Man 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 38 to 40 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 company 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 2001, 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 (the "Stock Exchange") 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

DIRECTORS' INTERESTS IN SHARES AND SHARE OPTIONS *(continued)*

Interests in share options granted by the Company

On 30th November 1994, a share option scheme (the "Share Option Scheme") was approved by the shareholders of the Company under which the directors of the Company may, at their discretion, grant to any director, executive and/or employee who are in full time employment with any company in the Group, share options to subscribe for the Company's shares, subject to the terms and conditions stipulated therein.

The purpose of the Share Option Scheme is to motivate the employees to enhance their performance and contribution to the Group.

Under the Share Option Scheme, the maximum number of the Company's shares in respect of which options may be granted will not exceed 10 per cent of the issued share capital of the Company from time to time. The maximum number of shares issued to each employee or director in respect of which options may be granted shall not exceed 25 per cent of the total shares in issue or to be issued under the Share Option Scheme.

The period within which an option may be exercised will be determined by the board of directors of the Company in its absolute discretion, save that the exercise period is not more than ten years from the date on which the option is granted. The consideration on acceptance of an option is HK$1.00 payable within 28 days from the offer date. The full amount of the subscription price for the shares must be paid upon exercise of an option.

The exercise price of an option is determined by the board of 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 on the five trading days immediately preceding the date of offer of the share option or the nominal value of the Company's shares, whichever is higher.

The Share Option Scheme will expire on 30th November 2004.

The Stock Exchange amended the requirements for share option schemes under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The new requirements have come into effect from 1st September 2001. The Company is required to comply with the new requirements in granting of new share options under the Share Option Scheme from the said date.

DIRECTORS' INTERESTS IN SHARES AND SHARE OPTIONS *(continued)*

A summary of the movement of directors' share options for the year ended 31st December 2001 is as follows:

		Number of share options				
Name of director	Exercise price HK$	Outstanding at 1st January 2001	Granted during the year	Exercised during the year	Outstanding at 31st December 2001	Note
Mr. LI Jianhong	3.584	250,000	—	—	250,000	(3)
Mr. SHI Qin	3.584	500,000	—	—	500,000	(3)
Mr. KWONG Che Keung, Gordon	3.584	250,000	—	—	250,000	(3)
Mr. XU Lirong	3.584	250,000	—	—	250,000	(3)
Mr. LU Zhiming	5.53	1,500,000	—	—	1,500,000	(1)
	3.584	250,000	—	—	250,000	(3)
Mr. WONG Tin Yau, Kelvin	8.80	5,000,000	—	—	5,000,000	(2)
	3.584	350,000	—	(200,000)	150,000	(3)
Mr. LU Chenggang	3.584	350,000	—	—	350,000	(3)
Mr. QIN Fuyan	5.53	1,500,000	—	—	1,500,000	(1)
	3.584	350,000	—	—	350,000	(3)
Mr. YANG Bin #	3.584	250,000	—	—	250,000	(3)

\# The share options of Mr. YANG Bin were lapsed on 12th March 2002 due to his resignation as a director of the Company on 12th March 2002.

Notes:

(1) The share options were granted on 1st July 1996 under the Share Option Scheme. The options are exercisable 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 any time within ten years from the date of grant, subject to certain conditions as set out in note 21 to the accounts.

(3) The share options were granted on 6th April 2000 under the Share Option Scheme. The options are exercisable 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.

DIRECTORS' INTERESTS IN SHARES AND SHARE OPTIONS *(continued)*

Interests in share options granted by associated corporation

			Number of share options			
Name of director	Name of associated corporation	Exercise price HK$	Outstanding at 1st January 2001	Granted during the year	Exercised during the year	Outstanding at 31st December 2001
Mr. KWONG Che Keung, Gordon	COSCO International Holdings Limited ("COSCO International")	0.656	4,500,000	—	—	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 and were exercisable at any time between the period from 20th March 2001 and 16th January 2002. These options were expired and lapsed on 17th January 2002.

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 2001, 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 2001, according to the register of substantial shareholders kept by the Company under Section 16(1) of the SDI Ordinance , the following companies had notified the Company that they were interested in 10% or more of the issued share capital of the Company:

Name of shareholders	Number of ordinary shares	Percentage of total issued shares
COSCO Investments Limited	220,120,000	10.27%
COSCO (Hong Kong) Group Limited*	1,179,962,411	55.07%
China Ocean Shipping (Group) Company*	1,179,962,411	55.07%

* Since COSCO Investments Limited ("COSCO Investments") is a wholly owned subsidiary of COSCO (Hong Kong) Group Limited ("COSCO Hong Kong") which is in turn a wholly owned subsidiary of China Ocean Shipping (Group) Company ("COSCO"), the interests of COSCO Investments are recorded as the interests of COSCO Hong Kong and in turn the interests of COSCO Hong Kong 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

Movements of the share options, which have been granted under the Share Option Scheme, during the year are set out below:

		Number of share options					
Category	Exercise price HK$	Outstanding at 1st January 2001	Granted during the year	Exercised during the year*	Lapsed during the year	Outstanding at 31st December 2001	Note
Directors #	5.53	3,000,000	—	—	—	3,000,000	(1)
	8.80	5,000,000	—	—	—	5,000,000	(2)
	3.584	2,800,000	—	(200,000)	—	2,600,000	(3)
Continuous contract employees	5.53	80,000	—	—	—	80,000	(1)
	8.80	7,550,000	—	—	—	7,550,000	(2)
	3.584	11,340,000	—	(3,114,000)	(590,000)	7,636,000	(3)

* The weighted average closing price of the shares of the Company immediately before the dates on which the share options were exercised is HK$5.25.

Details of the Directors' interests in the share options are set out in the section "Directors' interests in shares and share options".

Notes:

(1) The share options were granted on 1st July 1996 under the Share Option Scheme. The options are exercisable 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 any time within ten years from the date of grant, subject to certain conditions as set out in note 21 to the accounts.

(3) The share options were granted on 6th April 2000 under the Share Option Scheme. The options are exercisable 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.

(4) As at the date of the annual report, a total of 23,504,000 shares (representing approximately 1.1% of the issued share capital of the Company) are available for issue under the Share Option Scheme.

During the year, no share option was granted nor cancelled.

Particulars and movements of the Company's share options during the year are also set out in note 21 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 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 SUPPLIERS AND LESSEES

The percentage 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	12.6%
Percentage of container purchases attributable to the Group's five largest suppliers	43.2%
Percentage of leasing income attributable to the Group's largest lessee, which is a subsidiary of COSCO	64.9%
Percentage of leasing income attributable to the Group's five largest lessees	73.3%

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

COSCO, the ultimate holding company of the Company, has an equity interest of 21.2% in the shareholding company of the Group's three largest suppliers which attribute 19.6% 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 Listing Rules throughout the year ended 31st December 2001.

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:

(i) Rental of office premises

Pursuant to a tenancy agreement dated 7th March 2001 (the "Tenancy Agreement"), 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$465,023.20, 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.

CONNECTED TRANSACTIONS *(continued)*

(i) Rental of office premises *(continued)*

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 constituted a connected transaction of the Company under the Listing Rules.

(ii) Short term container leasing transaction

On 22nd August 2001, the Group entered into an arrangement with COSCO and its subsidiaries (other than the Group) ("COSCO Group") in respect of short term container leasing transaction whereby the Group agreed to lease the 10-year old containers to COSCO Group on a short term basis (for a term less than 10 years) (the "Short Term Leases") in addition to the existing 10-year leases with effect from 1st January 2002. Such transaction constituted a variation to the Undertaking provided by COSCO to the Company in 1994, in which COSCO undertook to the Group that it would extend any then existing container leasing contracts with the Group to a total term of 10 years and would enter into new container leasing contracts for fixed terms of 10 years (the "Undertaking").

As COSCO Group is a connected person within the meaning of the Listing Rules, a variation to the Undertaking in relation to the Short Term Leases constituted a connected transaction of the Company under the Listing Rules.

Since the Group will continue to enter into Short Term Leases with COSCO Group from time to time in future, the Company has applied to the Stock Exchange for a waiver, and the Stock Exchange has granted a waiver to the Company, subject to certain conditions, from strict compliance with the disclosure requirements as stipulated under Rule 14.25(1) of the Listing Rules in connection with Short Term Leases on each occasion they arise.

(iii) Formation of a joint stock limited company in China mainland

On 28th December 2001, the Company, through its wholly owned subsidiary, COSCO Pacific (China) Investments Co., Ltd. ("CPCI"), entered into a Promoters' Agreement (the "Promoters' Agreement") with China Dalian Ocean Shipping Agency ("DOSA"), an indirect wholly owned subsidiary of COSCO, Port of Dalian Authority, Shanghai Port Container Co. Ltd. and P.G. Logistics Group Co. Ltd. in relation to the promotion and setting up of a joint stock limited company, Dalian Port Container Co., Ltd. (the "JV Co."), in Dalian, China mainland, to engage in container terminal operations, container storage, vanning and devanning, transportation, transhipment, intermodel, freight forwarding, shipping agent and related business in Dalian.

The registered capital of the JV Co. is RMB320 million. The total investment is approximately RMB469 million. CPCI had subscribed for 8% and DOSA had subscribed for 0.5% of the equity interest in the JV Co. at approximately RMB37.52 million and approximately RMB2.35 million respectively.

CONNECTED TRANSACTIONS *(continued)*

(iii) Formation of a joint stock limited company in China mainland (continued)

The promotion and the establishment of the JV Co. and the execution of the Promoters' Agreement and other ancillary documents in relation thereto constituted a connected transaction of the Company as DOSA, an indirect wholly owned subsidiary of COSCO which is a controlling shareholder of the Company, is an associate of a connected person of the Company, and is also a promoter and shareholder of the JV Co.

(iv) Connected transactions with waivers granted by the Stock Exchange

During the year, the following connected transactions have been entered into by the Company and its subsidiaries to which 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	Date 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 2000;

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 2001; 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% throughout the relevant loan borrowing period. As at 31st December 2001, the outstanding loan balances under such covenant included in note 23 to the accounts amounted to US$206,700,000.

AUDIT COMMITTEE

The Company has an audit committee consisting of three independent non-executive directors of the Company. The committee 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 the external auditors and the Group's internal auditor. It met regularly with management, the external auditors and the internal auditor to review the internal and external audit reports and the interim and final financial statements of the Group.

AUDITORS

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

On Behalf of the Board

SHI Qin
Managing Director

Hong Kong, 27th March 2002

Auditors' Report

AUDITORS' REPORT TO THE SHAREHOLDERS OF COSCO PACIFIC LIMITED

(incorporated in Bermuda with limited liability)

We have audited the accounts on pages 54 to 109 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 circumstances of the Company and the Group, 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 2001 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, 27th March 2002

Consolidated Profit and Loss Account

For the year ended 31st December 2001

	Note	2001 US$'000	2000 US$'000
Turnover	2	**224,671**	217,893
Cost of sales		**(95,395)**	(87,453)
Gross profit		**129,276**	130,440
Other revenues	2	**12,114**	30,975
Administrative expenses		**(21,331)**	(20,679)
Other operating income/(expenses) (net)		**8,149**	(16,144)
Operating profit	3	**128,208**	124,592
Finance costs	4	**(29,524)**	(43,113)
Operating profit after finance costs		**98,684**	81,479
Share of profits less losses of			
— jointly controlled entities		**9,421**	6,656
— associated companies		**56,812**	66,243
Profit before taxation		**164,917**	154,378
Taxation	5	**(9,566)**	(10,946)
Profit after taxation		**155,351**	143,432
Minority interests		**(1,011)**	(886)
Profit attributable to shareholders	6, 22	**154,340**	142,546
Dividends	7	**64,576**	52,731
Earnings per share			
Basic earnings per share	8	**US7.2081 cents**	US6.6634 cents
Diluted earnings per share	8	**US7.1984 cents**	US6.6628 cents

Consolidated Balance Sheet

As at 31st December 2001

	Note	2001 US$'000	2000 US$'000
Non-current assets			
Fixed assets	11	**1,013,775**	942,410
Investments in joint ventures	13	**47,091**	42,135
Investments in associated companies	14	**331,756**	330,163
Investment securities	15	**37,299**	46,946
Hire purchase debtors	16	**2,869**	7,261
Restricted bank deposits	17	**8,174**	3,855
		1,440,964	1,372,770
Current assets			
Inventories	18	**3,278**	3,849
Trade and other receivables	19	**43,975**	45,508
Current portion of hire purchase debtors	16	**4,595**	4,868
Time deposits		**236,336**	87,828
Bank balances and cash	17	**9,599**	53,924
		297,783	195,977
Current liabilities			
Trade and other payables	20	**20,093**	35,545
Unsecured short term bank loans		**16,356**	41,162
Current portion of long term liabilities	23	**92,125**	98,207
Tax payable		**1,313**	1,331
		129,887	176,245
Net current assets		**167,896**	19,732
Total assets less current liabilities		**1,608,860**	1,392,502
Representing:			
Share capital	21	**27,476**	27,433
Reserves	22	**1,134,362**	1,043,377
Proposed final dividend	22	**38,456**	30,169
Shareholders' funds		**1,200,294**	1,100,979
Minority interests		**7,509**	7,247
Non-current liabilities			
Long term liabilities	23	**401,057**	284,276
		1,608,860	1,392,502

On behalf of the Board

SHI Qin
Managing Director

WONG Tin Yau, Kelvin
Director

Balance Sheet

As at 31st December 2001

	Note	2001 US$'000	2000 US$'000
Non-current assets			
Investments in subsidiaries	12	**1,060,966**	1,086,464
Current assets			
Trade and other receivables	19	**345**	390
Bank balances and cash		**112,773**	64,231
		113,118	64,621
Current liabilities			
Trade and other payables	20	**273**	323
Unsecured short term bank loans		**—**	23,000
		273	23,323
Net current assets		**112,845**	41,298
Total assets less current liabilities		**1,173,811**	1,127,762
Representing:			
Share capital	21	**27,476**	27,433
Reserves	22	**1,107,879**	1,070,160
Proposed final dividend	22	**38,456**	30,169
Shareholders' funds		**1,173,811**	1,127,762

On behalf of the Board

SHI Qin
Managing Director

WONG Tin Yau, Kelvin
Director

Consolidated Cash Flow Statement

For the year ended 31st December 2001

	Note	2001 US$'000	2000 US$'000
Net cash inflow from operating activities	28(a)	**207,558**	209,463
Returns on investments and servicing of finance			
Interest received		**5,215**	12,328
Interest paid		**(24,123)**	(42,056)
Dividends received from associated companies		**49,167**	36,563
Dividends received from joint ventures		**6,073**	2,544
Dividends received from investment securities		**—**	1,352
Dividends paid		**(56,289)**	(51,452)
Dividends paid to minority shareholders of subsidiaries		**(749)**	(515)
Other incidental borrowing costs paid		**(3,885)**	(5,031)
Net cash outflow from returns on investments and servicing of finance		**(24,591)**	(46,267)
Taxation			
Hong Kong profits tax paid		**(448)**	(337)
China mainland taxation paid		**(97)**	(109)
Overseas tax paid		**(105)**	(155)
Hong Kong profits tax refunded		**—**	115
Net taxation paid		**(650)**	(486)
Investing activities			
Purchase of fixed assets		**(179,963)**	(147,086)
Loans advanced to associated companies and investee companies		**(17,454)**	(3,050)
Capital injection to a jointly controlled company		**(1,823)**	—
Compensation received for loss of containers		**618**	438
Sale of fixed assets		**1,349**	3,108
Sale of investment securities		**21,353**	—
Repayment of loans advanced		**14,689**	14,286
Increase in restricted bank deposits		**(4,319)**	(2,552)
Net cash outflow from investing activities		**(165,550)**	(134,856)
Net cash inflow before financing		**16,767**	27,854
Financing	28(b)		
Loans borrowed		**231,197**	85,185
Repayment of loans		**(145,304)**	(222,319)
Proceeds from new issue of shares		**1,523**	—
Net cash inflow/(outflow) from financing		**87,416**	(137,134)
Increase/(decrease) in cash and cash equivalents		**104,183**	(109,280)
Cash and cash equivalents at 1st January		**141,752**	251,032
Cash and cash equivalents at 31st December	28(c)	**245,935**	141,752

Consolidated Statement of Recognised Gains and Losses

For the year ended 31st December 2001

	Note	2001 US$'000	2000 US$'000
Impairment loss of leasehold land and buildings taken to other properties revaluation reserve	22	**(248)**	–
Share of capital reserve of a jointly controlled entity and a subsidiary	22	**(8)**	–
Share of exchange reserve of an associated company	22	**(3)**	64
Exchange differences arising on translation of accounts of subsidiaries, jointly controlled entities and associated companies	22	**–**	(727)
Net losses not recognised in the profit and loss account		**(259)**	(663)
Profit attributable to shareholders		**154,340**	142,546
Total recognised gains		**154,081**	141,883

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 in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants (the "HKSA"). They have been prepared under the historical cost convention except that, as disclosed in the accounting policies below, certain leasehold land and buildings and investment properties are stated at fair value.

In the current year, the Group adopted the following Statements of Standard Accounting Practice ("SSAP") issued by the HKSA which are effective for accounting periods commencing on or after 1st January 2001:

SSAP 9 (revised) :	Events after the balance sheet date
SSAP 14 (revised) :	Leases (effective for accounting periods commencing on or after 1st July 2000)
SSAP 26:	Segment reporting
SSAP 28:	Provisions, contingent liabilities and contingent assets
SSAP 29:	Intangible assets
SSAP 30:	Business combinations
SSAP 31:	Impairment of assets
SSAP 32:	Consolidated financial statements and accounting for investment in subsidiaries

The effect of adopting these new or revised accounting standards is set out below:

(i) Dividends

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

(ii) Provisions

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

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

1. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(a) Basis of preparation of the accounts *(continued)*

(iii) Impairment of assets

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

The assessment on the carrying amounts of assets has indicated an impairment loss of assets of US$5,928,000. An amount of US$5,680,000 has been charged to consolidated profit and loss account (note 3) and an amount of US$248,000 has been taken to other properties revaluation reserve as a revaluation decrease (note 22).

(b) Group accounting

(i) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st December. Subsidiaries are those entities in which the Group controls the composition of the board of directors, controls more than half of the voting power or holds more than half of the issued share capital. 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.

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

In the Company's balance sheet investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividend income.

(ii) 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 and goodwill (net of accumulated amortisation) on acquisition.

(iii) 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 and goodwill (net of accumulated amortisation) on acquisition.

1. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(b) Group accounting *(continued)*

(iv) Gain or loss on disposal

The gain or loss on the disposal of a subsidiary, a jointly controlled entity or an associated company represents the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortised goodwill, including goodwill previously eliminated against reserves, which was not previously charged or recognised in the consolidated profit and loss account.

(c) Fixed assets

(i) 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.

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.

(ii) Other fixed assets

Fixed assets other than investment properties (note 1(c)(i)) are stated at cost or valuation less accumulated depreciation and impairment losses.

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 80 of SSAP 17 issued by the HKSA, which provides exemption from the need to make regular revaluations for such assets.

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

Land use rights represent amounts paid for use of land in China mainland under operating leases. Land use rights are stated at cost less accumulated impairment losses and are amortised over the unexpired period of lease.

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.

1. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(c) ***Fixed assets*** *(continued)*

(ii) Other fixed assets (continued)

Other fixed assets are depreciated at rates sufficient to write off their cost or valuation less accumulated impairment losses 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.

(iii) Impairment/gain or loss on sale

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that same asset, in which case it is treated as a decrease in revaluation reserve.

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 profits and is shown as a movement in reserves.

(iv) 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.

Costs associated with developing or maintaining computer systems are recognised as an expense as incurred. However, costs that are directly associated with identifiable and unique computer systems controlled by the Group and have probable economic benefit exceeding the cost and beyond one year are recognised as assets. Direct costs include staff costs of the development team, consultancy fees and an appropriate portion of relevant overheads.

1. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(c) Fixed assets *(continued)*

(iv) Capitalisation of fixed assets *(continued)*

Expenditure which enhances or extends the performance of computer systems beyond their original specifications is recognised as a capital improvement and added to the original cost of the computer systems.

Computer development costs recognised as assets are amortised, upon completion of development, using the straight line method over their useful lives, not exceeding a period of 5 years.

(d) Goodwill

Goodwill represents the excess of purchase consideration over the fair value of the Group's share of the net assets of subsidiaries, associated companies and jointly controlled entities acquired at the date of acquisition.

In accordance with SSAP 30, goodwill on acquisitions occurring on or after 1st January 2001 is included in intangible assets and is amortised using the straight line method over its estimated useful life. Goodwill on acquisitions that occurred prior to 1st January 2001 was eliminated against reserves. Where the fair values ascribed to the net assets of subsidiaries, associated companies and jointly controlled entities acquired exceed the purchase consideration, such differences are taken directly to reserves on acquisitions prior to 1st January 2001. This accounting policy has been changed to conform with SSAP 30. The Group has adopted the transitional provisions in SSAP 30 and such change has no effect to the accounts for the year.

Where an indication of impairment exists, the carrying amount of goodwill, including goodwill previously eliminated against reserves, is assessed and written down immediately to its recoverable amount.

(e) Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases.

(i) Assets held for use under operating leases

When the Group leases out assets under operating leases, the assets are included in the balance sheet according to their nature and, where applicable, are depreciated in accordance with the Group's depreciation policies, as set out in note 1(c) above.

Revenue arising from operating leases is recognised in accordance with the Group's revenue recognition policies, as set out in note 1(m) below.

(ii) Operating lease charges

Payments made under 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 periods.

1. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(f) 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. When assets are leased out under a hire purchase contract, the present value of the minimum lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

Revenue on containers under hire purchase contracts is recognised in accordance with the Group's revenue recognition policies, as set out in note 1(m) below.

(g) Investment in securities

(i) Investment securities

Listed and unlisted investments which are held for long term are stated at cost less provision for impairment losses.

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 impairment loss is recognised as an expense in the profit and loss account. This impairment loss is written back to profit and loss account when the circumstances and events that led to the write-downs and write-offs cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

(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.

(h) Inventories

Inventories include spare parts, consumables and resaleable containers.

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

(i) 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.

1. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(j) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks and bank overdrafts.

(k) Contingent liabilities and contingent assets

Contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the accounts when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(l) 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.

(m) 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.

(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.

1. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(m) Revenue recognition *(continued)*

(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

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

(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.

(ix) Income on sale of investment securities

Income on sale of investment securities is recognised when the title to the investments is passed to the purchaser.

(n) 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.

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 benefit 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 benefit 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.

1. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(o) 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.

(p) 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.

(q) 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.

(r) Segment reporting

Unallocated costs represent net corporate expenses and corporate finance costs less corporate interest income. Segment assets consist primarily of fixed assets, inventories, receivables and operating cash, and mainly exclude investment securities, investments in joint ventures and associated companies. Segment liabilities comprise operating liabilities and exclude items such as taxation and certain corporate borrowings. Capital expenditure comprises additions to fixed assets, including additions resulting from acquisitions through purchases of subsidiaries.

2. TURNOVER, REVENUE AND SEGMENT INFORMATION

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

	2001 US$'000	2000 US$'000
Turnover		
Container rentals under operating leases	**208,342**	200,422
Hire purchase income	**1,001**	1,721
Container handling, transportation and storage income, commission and rebate income	**9,608**	10,494
Terminal operation income	**5,720**	5,256
	224,671	217,893
Other revenues		
Sale of inventories	**6,885**	17,388
Interest income	**5,178**	12,191
Gross rental income from investment properties	**51**	44
Dividend income from		
— listed investment	**—**	329
— unlisted investment	**—**	1,023
	12,114	30,975
Total revenues	**236,785**	248,868

2. TURNOVER, REVENUE AND SEGMENT INFORMATION *(continued)*

(a) *Primary reporting format — business segments*

In accordance with the Group's internal financial reporting, the Group has determined that business segments are presented as the primary reporting format. Accordingly, the Group has categorised its businesses into the following segments:

— container leasing
— container terminal and related businesses
— banking
— others

During the year, the PRC investment securities were disposed of.

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

Segment turnover and results

	For the year ended 31st December 2001						
	Container leasing US$'000	Container terminal and related businesses US$'000	Banking US$'000	PRC investment securities US$'000	Other operations US$'000	Corporate US$'000	Total US$'000
Turnover							
External sales	209,343	15,328	—	—	—	—	224,671
Segment results	83,857	1,009	—	14,137	—	—	99,003
Unallocated costs							
— net corporate expenses	—	—	—	—	—	(3,187)	(3,187)
— corporate finance costs	—	—	—	—	—	(743)	(743)
— corporate interest income	—	—	—	—	—	3,611	3,611
Operating profit after finance costs	83,857	1,009	—	14,137	—	(319)	98,684
Share of profits less losses of							
— jointly controlled entities	—	3,801	—	—	5,620	—	9,421
— associated companies	—	47,805	9,007	—	—	—	56,812
Profit before taxation							164,917
Taxation							(9,566)
Profit after taxation							155,351
Minority interests							(1,011)
Profit attributable to shareholders							154,340

2. TURNOVER, REVENUE AND SEGMENT INFORMATION *(continued)*

(a) *Primary reporting format — business segments* *(continued)*

Segment turnover and results

	For the year ended 31st December 2000						
	Container leasing US$'000	Container terminal and related businesses US$'000	Banking US$'000	PRC investment securities US$'000	Other operations US$'000	Corporate US$'000	Total US$'000
Turnover							
Total revenue	202,143	15,846	–	–	–	–	217,989
Inter-segment sales	–	(96)	–	–	–	–	(96)
External sales	202,143	15,750	–	–	–	–	217,893
Segment results	75,826	1,788	–	327	–	–	77,941
Unallocated costs							
– net corporate expenses	–	–	–	–	–	(2,838)	(2,838)
– corporate finance costs	–	–	–	–	–	(853)	(853)
– corporate interest income	–	–	–	–	–	7,229	7,229
Operating profit after finance costs	75,826	1,788	–	327	–	3,538	81,479
Share of profits less losses of							
– jointly controlled entities	–	3,430	–	–	3,226	–	6,656
– associated companies	–	50,853	15,390	–	–	–	66,243
Profit before taxation							154,378
Taxation							(10,946)
Profit after taxation							143,432
Minority interests							(886)
Profit attributable to shareholders							142,546

2. TURNOVER, REVENUE AND SEGMENT INFORMATION *(continued)*

(a) Primary reporting format — business segments *(continued)*

Segment balance sheet and other segment information

	Container leasing US$'000	Container terminal and related businesses US$'000	Banking US$'000	PRC investment securities US$'000	Other operations US$'000	Corporate US$'000	Total US$'000
As at 31st December 2001							
Segment assets	**1,136,689**	**37,366**	**–**	**–**	**–**	**–**	**1,174,055**
Investments in joint ventures	**481**	**25,022**	**–**	**–**	**21,588**	**–**	**47,091**
Investments in associated companies	**–**	**173,506**	**158,250**	**–**	**–**	**–**	**331,756**
Investment securities	**–**	**37,299**	**–**	**–**	**–**	**–**	**37,299**
Unallocated assets							**148,546**
Total assets							**1,738,747**
Segment liabilities	**(509,522)**	**(9,111)**	**–**	**–**	**–**	**–**	**(518,633)**
Minority interests	**–**	**(7,509)**	**–**	**–**	**–**	**–**	**(7,509)**
Unallocated liabilities							**(12,311)**
Total liabilities							**(538,453)**
Capital expenditure	**166,394**	**1,994**	**–**	**–**	**–**	**595**	**168,983**
Depreciation and amortisation	**79,504**	**1,217**	**–**	**–**	**–**	**239**	**80,960**
Impairment loss recognised in							
– profit and loss account	**5,680**	**–**	**–**	**–**	**–**	**–**	**5,680**
– other properties revaluation reserve	**248**	**–**	**–**	**–**	**–**	**–**	**248**
Other non-cash (income)/expenses	**(4,816)**	**–**	**–**	**–**	**–**	**36**	**(4,780)**
As at 31st December 2000							
Segment assets	1,012,716	38,111	–	–	–	–	1,050,827
Investments in joint ventures	(442)	24,772	–	–	17,805	–	42,135
Investments in associated companies	–	174,096	156,067	–	–	–	330,163
Investment securities	–	39,730	–	7,216	–	–	46,946
Unallocated assets							98,676
Total assets							1,568,747
Segment liabilities	(415,448)	(8,111)	–	–	–	–	(423,559)
Minority interests	–	(7,247)	–	–	–	–	(7,247)
Unallocated liabilities							(36,962)
Total liabilities							(467,768)
Capital expenditure	117,644	2,080	–	–	–	157	119,881
Depreciation and amortisation	72,614	1,114	–	–	–	557	74,285
Other non-cash (income)/expenses	376	(18)	–	–	–	–	358

2. TURNOVER, REVENUE AND SEGMENT INFORMATION *(continued)*

(b) Secondary reporting format — geographical segments

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

	2001 **US$'000**	2000 US$'000
Crediting		
Profit on sale of listed investment	**14,137**	—
Reversal of provision for container repairs and maintenance expense	**6,156**	—
Gross rental income under operating sublease	**222**	—
Gain on disposal of fixed assets	**—**	136
Charging		
Cost of inventories sold	**8,350**	16,894
Depreciation and amortisation		
— owned fixed assets leased out under operating leases	**76,826**	71,030
— other owned fixed assets	**4,134**	3,255
Impairment loss of (note 11)		
— containers	**4,377**	—
— leasehold land and buildings	**1,303**	—
Loss on disposal of fixed assets	**215**	—
Loss on compensation for loss of containers from a fellow subsidiary	**228**	55
Outgoings in respect of investment properties	**6**	9
Provision for doubtful debts, net	**514**	144
Provision for an investee company (note 15)	**3,450**	4,600
Provision for inventories	**265**	197
Rental expense under operating leases		
— land and buildings leased from third parties	**2,984**	2,479
— land and buildings leased from a fellow subsidiary	**714**	674
— plant and machinery	**449**	448
Retirement benefit costs (note 9)	**620**	662
Revaluation deficit of investment properties (note 11(b))	**154**	98
Staff costs (including directors' emoluments)	**11,982**	11,705
Auditors' remuneration	**451**	449

4. FINANCE COSTS

	2001 US$'000	2000 US$'000
Interest expense on:		
Bank loans	**16,273**	27,218
Other loans		
— wholly repayable within five years	**6,356**	9,548
— not wholly repayable within five years	**973**	1,124
Loans from a minority shareholder of a subsidiary wholly repayable within five years	**146**	174
Loss/(gain) on interest rate swap contracts	**204**	(51)
Trade payables	**49**	—
Container purchase payables	**—**	69
	24,001	38,082
Other incidental borrowing costs	**5,523**	5,031
	29,524	43,113

5. TAXATION

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

5. TAXATION *(continued)*

Hong Kong profits tax has been provided at a rate of 16% (2000: 16%) on the estimated assessable profit for the year. A substantial portion of the Group's profit neither arises in nor is derived from Hong Kong. Accordingly, that portion of the Group's profit is not subject to Hong Kong profits tax.

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

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

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

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

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

	2001 **US$'000**	2000 US$'000
Accelerated depreciation allowances	**14,470**	13,611
Tax losses	**(11,545)**	(10,503)
Other timing differences	**301**	(81)
	3,226	3,027

Deferred tax on the revaluation surplus and deficit of the leasehold land and buildings and investment properties 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$105,171,000 (2000: US$65,631,000).

7. DIVIDENDS

	2001 US$'000	2000 US$'000
Interim, paid, of US1.218 cents (2000: US1.055 cents) per ordinary share	**26,091**	22,562
Final, proposed, of US1.795 cents (2000: US1.410 cents) per ordinary share (note b)	**38,456**	30,169
Additional dividends paid on shares issued due to the exercise of share options before the closure of register of members		
— 2000 final	**26**	—
— 2001 interim	**3**	—
	64,576	52,731

Notes:

(a) The previously recorded final dividends proposed and declared after the balance sheet date but accrued in the accounts for the years ended 31st December 1999 and 2000 were US$28,890,000 and US$30,169,000 respectively. Under the Group's new accounting policy as described in note 1(a)(i), these have been written back against retained profits as at 1st January 2000 and 2001 respectively as set out in note 22 to the accounts and are now charged in the year in which they were proposed.

(b) At a meeting held on 27th March 2002, the directors declared a final dividend of HK14.0 cents (US1.795 cents) per ordinary share. This proposed dividend is not reflected as a dividend payable in this annual accounts until it has been approved at the Annual General Meeting and will be accounted for as an appropriation of retained profits for the year ending 31st December 2002.

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$154,340,000 (2000: US$142,546,000) and on the weighted average number of 2,141,192,588 (2000: 2,139,228,298) ordinary shares in issue during the year.

(b) Diluted earnings per share

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

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$620,000 (2000: US$662,000). Contributions totalling US$8,000 (2000: US$8,000) were payable to the Retirement Schemes as at 31st December 2001 and are included in trade and other payables. Forfeited contributions totalling US$7,000 (2000:US$60,000) were utilised during the year.

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 directors of the Company during the year are as follows:

	2001 **US$'000**	2000 US$'000
Fees	**231**	211
Salaries, housing and other allowances, benefits in kind	**1,259**	734
Bonuses	**37**	44
Contribution to retirement schemes	**2**	29
	1,529	1,018

The above amounts include directors' fees of US$88,462 (2000: US$84,615) paid to independent non-executive directors.

As at 31st December 2001, 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 2001, 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, subject to certain conditions as set out in note 21 to the accounts.

10. DIRECTORS' AND MANAGEMENT'S EMOLUMENTS *(continued)*

(a) Directors' emoluments *(continued)*

As at 31st December 2001, 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. During the year ended 31st December 2001, one director exercised 200,000 share options granted on 6th April 2000. The options are exercisable at HK$3.584 per share at any time from the first date 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.

The directors' emoluments are analysed as follows:

	Number of directors	
	2001	2000
Emoluments band		
Nil — US$128,205 (Nil — HK$1,000,000)	**13**	17
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
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
US$384,616 — US$448,718 (HK$3,000,001 — HK$3,500,000)	**—**	—
US$448,719 — US$512,821 (HK$3,500,001 — HK$4,000,000)	**—**	—
US$512,822 — US$576,923 (HK$4,000,001 — HK$4,500,000)	**1**	—
	16	19

The above analysis includes three (2000: 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 two (2000: three) individuals whose emoluments were the highest in the Group and have not been included in the directors' emoluments above are set out below:

	2001	2000
	US$'000	US$'000
Salaries, housing and other allowances, benefits in kind	**604**	670
Bonuses	**19**	73
Contributions to retirement schemes	**3**	29
	626	772

The emoluments fell within the following bands:

	Number of individuals	
	2001	2000
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
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
	2	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 2001	21,722	10,454	1,039	1,856	116	1,291,909	1,052	2,001	7,496	13,263	591	1,351,499
Additions	–	–	–	–	1,902	164,988	467	120	502	–	1,004	168,983
Disposals/transfer	–	–	–	–	–	(34,092)	–	–	(182)	–	–	(34,274)
Revaluation deficit (note 11(b))	–	–	(154)	–	–	–	–	–	–	–	–	(154)
Reclassification	–	1,599	–	–	(1,974)	–	–	–	17	375	(17)	–
At 31st December 2001	**21,722**	**12,053**	**885**	**1,856**	**44**	**1,422,805**	**1,519**	**2,121**	**7,833**	**13,638**	**1,578**	**1,486,054**
Accumulated depreciation and impairment losses												
At 1st January 2001	2,903	1,645	–	222	–	393,532	739	1,933	3,124	4,991	–	409,089
Impairment loss recognised in												
– profit and loss account	1,276	27	–	–	–	4,377	–	–	–	–	–	5,680
– other properties revaluation reserve	248	–	–	–	–	–	–	–	–	–	–	248
Charge for the year	534	335	–	74	–	77,749	153	43	1,432	640	–	80,960
Disposals/transfer	–	–	–	–	–	(23,564)	–	–	(134)	–	–	(23,698)
At 31st December 2001	**4,961**	**2,007**	**–**	**296**	**–**	**452,094**	**892**	**1,976**	**4,422**	**5,631**	**–**	**472,279**
Net book value												
At 31st December 2001	**16,761**	**10,046**	**885**	**1,560**	**44**	**970,711**	**627**	**145**	**3,411**	**8,007**	**1,578**	**1,013,775**
At 31st December 2000	18,819	8,809	1,039	1,634	116	898,377	313	68	4,372	8,272	591	942,410

11. FIXED ASSETS *(continued)*

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
The analysis of cost or valuation of the above assets as at 31st December 2001 is as follows:												
At cost	**1,749**	**12,053**	**–**	**1,856**	**44**	**1,422,805**	**1,519**	**2,121**	**7,833**	**13,638**	**1,578**	**1,465,196**
At professional valuation												
– 1994	**19,973**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**19,973**
– 2001	**–**	**–**	**885**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**885**
	21,722	**12,053**	**885**	**1,856**	**44**	**1,422,805**	**1,519**	**2,121**	**7,833**	**13,638**	**1,578**	**1,486,054**
The analysis of cost or valuation of the above assets as at 31st December 2000 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:

	2001 **US$'000**	2000 US$'000
In Hong Kong, held on leases of over 50 years	**17,646**	19,858
Outside Hong Kong, held on leases of between 10 to 50 years	**10,046**	8,809
	27,692	28,667

(b) The investment properties as at 31st December 2001 and 2000 were revalued 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 2001 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 2001 would have been US$14,563,000 (2000: US$16,539,000) had the leasehold land and buildings been carried at cost less accumulated depreciation and impairment losses in the accounts.

(d) The aggregate cost, accumulated depreciation and accumulated impairment losses as at 31st December 2001 of the leased assets other than investment properties, where the Group is the lessor, comprise containers leased to a fellow subsidiary and third parties under operating leases, amounted to US$1,409,540,000 (2000: US$1,268,524,000), US$439,843,000 (2000: US$387,477,000) and US$4,377,000 (2000: US$Nil) respectively.

(e) Certain leasehold land and buildings in Hong Kong and containers with an aggregate net book value of US$253,778,000 as at 31st December 2001 (2000: US$210,911,000) 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$8,044,000 (2000: US$17,606,000) to inventories.

12. INVESTMENTS IN SUBSIDIARIES

	Company 2001 US$'000	2000 US$'000
Unlisted investments, at cost (note b)	**159,654**	164,010
Amounts due from subsidiaries (note a)	**936,950**	951,295
Amounts due to subsidiaries (note a)	**(243)**	(1,040)
Provision	**(35,395)**	(27,801)
	1,060,966	1,086,464

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 (2000: US$897,436) due from a subsidiary which is interest bearing at 8% (2000: 8%) per annum.

(b) Details of the subsidiaries as at 31st December 2001 are as follows:

	Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/ paid-up capital	Group equity interest 2001	2000
*	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, storage and stevedoring	10,000 ordinary shares of HK$10 each	**75%**	75%
	COSCO Container Services Limited	Hong Kong	Hong Kong	Investment holding, depot handling, storage 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	Investment holding and provision of management services	2 ordinary shares of HK$1 each	**100%**	100%

12. INVESTMENTS IN SUBSIDIARIES *(continued)*

	Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/ paid-up capital	Group equity interest 2001	Group equity interest 2000
# *	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	**100%**	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%
#	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%**	100%

12. INVESTMENTS IN SUBSIDIARIES *(continued)*

	Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/ paid-up capital	Group equity interest 2001	Group equity interest 2000
	Florens Container, Inc. (2000)	United States of America	United States of America	Container leasing	100 ordinary shares of US$1 each	**100%**	100%
	Florens Container, Inc. (2001)	United States of America	United States of America	Container leasing	1 ordinary share of US$1	**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%
*	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%

12. INVESTMENTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/ paid-up capital	Group equity interest 2001	Group equity interest 2000
* 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%
Greating Services Limited	Hong Kong	Hong Kong	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	Dormant	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 3.5%, 2.5% and 0.8% (2000: 2.4%, 2.6% and 2.5%) of the Group's net assets, turnover and profit before taxation respectively.

13. INVESTMENTS IN JOINT VENTURES

	Group	
	2001	2000
	US$'000	US$'000
Unlisted investments, at cost	**33,530**	31,707
Capital reserve on acquisition	**1,472**	1,472
Share of undistributed post-acquisition reserves (note a)	**9,608**	9,093
Share of net assets	**44,610**	42,272
Amounts due from jointly controlled entities (note b)	**2,500**	456
Amounts due to jointly controlled entities (note b)	**(19)**	(593)
	47,091	42,135

Notes:

(a) Shanghai CIMC Far East Container Co., Ltd. and Tianjin CIMC North Ocean Container Co., Ltd. ("Tianjin CIMC"), both are the 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 2000 and Tianjin CIMC entered into an amendment to the subcontracting agreement with CIMC during 2001 (collectively the "Agreements").

Pursuant to the Agreements, the operations of these two jointly controlled entities are sub-contracted to CIMC and CIMC, in return, provides guaranteed profits, the amounts of which are stipulated in the 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 two years ended 31st December 2001 is calculated based on the amounts of guaranteed profits as set out in the 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 2001 and 2000. The following is a list of the jointly controlled entities held by its wholly owned subsidiaries as at 31st December 2001.

Name	Place of establishment/ operation	Principal activities	Paid-up capital	Percentage of interest in ownership/voting power/profit sharing 2001	2000
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$31,000,000	**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	US$7,000,000	**20%**	20%
Tianjin Kansai Paint and Chemical Co., Ltd.	PRC	Production of container and marine paints	US$5,000,000	**20%**	20%
Tianjin CIMC North Ocean Container Co., Ltd.	PRC	Container manufacturing	US$16,682,000	**22.5%**	22.5%

14. INVESTMENTS IN ASSOCIATED COMPANIES

	Group 2001 US$'000	Group 2000 US$'000
Investments, at cost		
— unlisted shares	**314,986**	314,986
— shares listed in Hong Kong	**219,189**	219,189
Goodwill on acquisition eliminated against reserves	**(341,597)**	(341,597)
Share of undistributed post acquisition reserves	**91,867**	92,030
Share of net assets	**284,445**	284,608
Loans to associated companies (note a)	**47,306**	45,555
Amount due from an associated company (note a)	**5**	—
	331,756	330,163
Market value of listed shares	**80,308**	100,942

Notes:

(a) Loans to associated companies and amount due from an associated company are unsecured, interest free and have no fixed terms of repayment.

(b) The Company has no directly owned associated company as at 31st December 2001 and 2000. The following is a list of the associated companies held by its wholly owned subsidiaries as at 31st December 2001.

Name	Place of incorporation/ operation	Principal activities	Issued share capital	Group equity interest 2001	Group equity interest 2000
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	
	2001	2000
	US$'000	US$'000
Equity securities		
— unlisted investments in Hong Kong, at cost (note a)	**1**	1
Loans to investee companies (note b)	**48,193**	47,174
Provision (note 3)	**(10,895)**	(7,445)
	37,299	39,730
Listed investment outside Hong Kong, at cost	**—**	7,216
	37,299	46,946
Market value of listed shares	**—**	10,890

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

	2001 Gross receivables US$'000	2001 Unearned finance income US$'000	2001 Present value of minimum lease payment receivable US$'000	2000 Gross receivables US$'000	2000 Unearned finance income US$'000	2000 Present value of minimum lease payment receivable US$'000
Hire purchase debtors						
— long term portion	**3,036**	**(167)**	**2,869**	7,900	(639)	7,261
— current portion	**5,128**	**(533)**	**4,595**	5,825	(957)	4,868
	8,164	**(700)**	**7,464**	13,725	(1,596)	12,129

	2001 US$'000	2000 US$'000
Amounts receivable under hire purchase contracts:		
Not later than one year	**5,128**	5,825
Later than one year and not later than five years	**3,036**	7,900
	8,164	13,725
Less: unearned finance income	**(700)**	(1,596)
Present value of minimum lease payment receivable	**7,464**	12,129
The present value of minimum lease payment receivable is as follows:		
Not later than one year	**4,595**	4,868
Later than one year and not later than five years	**2,869**	7,261
	7,464	12,129

As at 31st December 2001, the Group entered into 15 (2000: 19) hire purchase contracts for leasing of certain containers. The average term of hire purchase contracts is 5 years (2000: 5 years).

The cost of assets acquired for the purpose of letting under hire purchase contracts amounted to US$22,475,000 as at 31st December 2001 (2000: US$29,531,000).

Unguaranteed residual values of assets leased under hire purchase contracts are estimated at approximately US$10,000 (2000: US$13,000).

17. BANK BALANCES AND CASH

	Group 2001 US$'000	2000 US$'000
Bank balance and cash	**17,773**	57,779
Restricted bank deposits included in non-current assets	**(8,174)**	(3,855)
	9,599	53,924

Included in bank balances and cash of the Group are amounts totalling of US$8,174,000 (2000: US$3,855,000) pledged as security for repayment of bank loans of the Group and are restricted for the purpose of the related banking facilities.

18. INVENTORIES

As at 31st December 2001, inventories represent spare parts and consumables of US$274,000 (2000: US$339,000) and resaleable containers of US$3,004,000 (2000: US$3,510,000).

Spare parts and consumables are stated at cost. The carrying amount of resaleable containers that are carried at net realisable value amounted to US$1,954,000 (2000: US$3,227,000).

19. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2001	2000	**2001**	2000
	US$'000	US$'000	**US$'000**	US$'000
Trade receivables, less provision (note a)	**20,542**	19,201	**—**	—
Other receivables, deposits and prepayments	**1,904**	3,129	**345**	390
Amounts due from fellow subsidiaries (note b)	**20,929**	22,460	**—**	—
Amounts due from related companies (note b)	**600**	718	**—**	—
	43,975	45,508	**345**	390

19. TRADE AND OTHER RECEIVABLES *(continued)*

Notes:

(a) The Group grants credit period of 30 to 90 days to its customers.

At 31st December 2001, the age analysis of the trade receivables (net of provision) of the Group was as follows:

	2001	2000
	US$'000	US$'000
Within 30 days	**13,838**	11,933
31-60 days	**3,989**	3,243
61-90 days	**1,574**	1,664
Over 90 days	**1,141**	2,361
	20,542	19,201

(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	
	2001	2000	**2001**	2000
	US$'000	US$'000	**US$'000**	US$'000
Trade payables (note a)	**2,832**	13,322	**—**	—
Other payables and accruals	**14,279**	16,071	**273**	323
Amount due to ultimate holding company (note b)	**49**	—	**—**	—
Amounts due to fellow subsidiaries (note b)	**28**	1,253	**—**	—
Amounts due to related companies (note b)	**136**	2,828	**—**	—
Amounts due to minority shareholders of subsidiaries (note b)	**2,769**	2,071	**—**	—
	20,093	35,545	**273**	323

20. TRADE AND OTHER PAYABLES *(continued)*

Notes:

(a) At 31st December 2001, the age analysis of the trade payables of the Group was as follows:

	2001 **US$'000**	2000 US$'000
Within 30 days	**2,411**	8,082
31-60 days	**232**	3,567
61-90 days	**66**	350
Over 90 days	**123**	1,323
	2,832	13,322

(b) The amounts due to ultimate holding company, 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. SHARE CAPITAL

	2001 **US$'000**	2000 US$'000
Authorised:		
3,000,000,000 ordinary shares of HK$0.10 each	**38,462**	38,462
Issued and fully paid:		
2,142,542,298 (2000: 2,139,228,298) ordinary shares of HK$0.10 each	**27,476**	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 2001	2,139,228,298	27,433
Issued on exercising of share options (note b)	3,314,000	43
At 31st December 2001	**2,142,542,298**	**27,476**

21. SHARE CAPITAL *(continued)*

(b) Share options

Under the Share Option Scheme, the directors of the Company may, at their discretion, grant to any director, executive and/or employee who are 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 board of 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 options 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 3,080,000 share options granted on 1st July 1996 which were exercisable at HK$5.53 per ordinary share as at 1st January 2001. No share option was exercised or lapsed during the year. As at 31st December 2001, 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 12,550,000 share options granted on 20th May 1997 (the "Offer Date") which were exercisable at HK$8.80 per ordinary share as at 1st January 2001. No share option was exercised or lapsed during the year. As at 31st December 2001, 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.

There were 14,140,000 share options granted on 6th April 2000 which were exercisable at HK$3.584 per ordinary share as at 1st January 2001. A total of 3,314,000 share options were exercised and 590,000 share options were lapsed following the resignations of certain employees during the year. As at 31st December 2001, there were 10,236,000 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.

22. 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
At 1st January 2000 as previously reported	556,528	1,127	13	422	2,888	393,247	954,225
Effect of adopting SSAP 9 (revised) (note 7)	–	–	–	–	–	28,890	28,890
At 1st January 2000 as restated	556,528	1,127	13	422	2,888	422,137	983,115
Profit for the year	–	–	–	–	–	142,546	142,546
Transfer of reserves	–	–	–	–	1,468	(1,468)	–
Share of exchange reserve of an associated company	–	–	64	–	–	–	64
Exchange translation differences	–	–	(727)	–	–	–	(727)
Dividends	–	–	–	–	–	(51,452)	(51,452)
At 31st December 2000	556,528	1,127	(650)	422	4,356	511,763	1,073,546
Representing:							
Reserves	556,528	1,127	(650)	422	4,356	481,594	1,043,377
2000 final dividend proposed	–	–	–	–	–	30,169	30,169
	556,528	1,127	(650)	422	4,356	511,763	1,073,546
Retained by:							
Companies and subsidiaries	556,528	1,127	(108)	–	374	414,395	972,316
Jointly controlled entities	–	–	(87)	340	1,151	7,796	9,200
Associated companies	–	–	(455)	82	2,831	89,572	92,030
At 31st December 2000	556,528	1,127	(650)	422	4,356	511,763	1,073,546

22. RESERVES *(continued)*

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
At 1st January 2001 as previously reported	556,528	1,127	(650)	422	4,356	481,594	1,043,377
Effect of adopting SSAP 9 (revised) (note 7)	–	–	–	–	–	30,169	30,169
At 1st January 2001 as restated	556,528	1,127	(650)	422	4,356	511,763	1,073,546
Profit for the year	–	–	–	–	–	154,340	154,340
Premium on issue of shares under the Share Option Scheme	1,480	–	–	–	–	–	1,480
Transfer of reserves	–	–	–	–	1,685	(1,685)	–
Share of capital reserve of a jointly controlled entity and a subsidiary	–	–	–	(8)	–	–	(8)
Share of exchange reserve of an associated company	–	–	(3)	–	–	–	(3)
Impairment loss of leasehold land and buildings	–	(248)	–	–	–	–	(248)
Dividends	–	–	–	–	–	(56,289)	(56,289)
At 31st December 2001	558,008	879	(653)	414	6,041	608,129	1,172,818
Representing:							
Reserves	558,008	879	(653)	414	6,041	569,673	1,134,362
2001 final dividend proposed	–	–	–	–	–	38,456	38,456
	558,008	879	(653)	414	6,041	608,129	1,172,818
Retained by:							
Company and subsidiaries	558,008	879	(108)	–	510	511,947	1,071,236
Jointly controlled entities	–	–	(87)	332	2,528	6,942	9,715
Associated companies	–	–	(458)	82	3,003	89,240	91,867
At 31st December 2001	558,008	879	(653)	414	6,041	608,129	1,172,818

22. RESERVES *(continued)*

Company

	Share premium US$'000	Contributed surplus US$'000	Retained profits US$'000	Total US$'000
At 1st January 2000 as previously reported	556,528	418,570	82,162	1,057,260
Effect of adopting SSAP 9 (revised) (note 7)	—	—	28,890	28,890
At 1st January 2000 as restated	556,528	418,570	111,052	1,086,150
Profit for the year	—	—	65,631	65,631
Dividends	—	—	(51,452)	(51,452)
At 31st December 2000	556,528	418,570	125,231	1,100,329
Representing:				
Reserves	556,528	418,570	95,062	1,070,160
2000 final dividend proposed	—	—	30,169	30,169
At 31st December 2000	556,528	418,570	125,231	1,100,329
At 1st January 2001 as previously reported	**556,528**	**418,570**	**95,062**	**1,070,160**
Effect of adopting SSAP 9 (revised) (note 7)	**—**	**—**	**30,169**	**30,169**
At 1st January 2001 as restated	**556,528**	**418,570**	**125,231**	**1,100,329**
Premium on issue of shares under the Share Option Scheme	**1,480**	**—**	**—**	**1,480**
Release of contributed surplus arising from group reorganisation (note a)	**—**	**(4,356)**	**—**	**(4,356)**
Profit for the year	**—**	**—**	**105,171**	**105,171**
Dividends	**—**	**—**	**(56,289)**	**(56,289)**
At 31st December 2001	**558,008**	**414,214**	**174,113**	**1,146,335**
Representing:				
Reserves	**558,008**	**414,214**	**135,657**	**1,107,879**
2001 final dividend proposed	**—**	**—**	**38,456**	**38,456**
At 31st December 2001	**558,008**	**414,214**	**174,113**	**1,146,335**

Notes:

(a) During the year, the entire equity interest in Fairbreeze Shipping Company Limited ("Fairbreeze"), a directly owned subsidiary, was transferred by the Company to Florens Container Holdings Limited, a wholly owned subsidiary of the Company. The contributed surplus previously arising from the acquisition of Fairbreeze by the Company of US$4,356,000 was released upon the transfer.

(b) The distributable reserves of the Company as at 31st December 2001 amounted to US$588,327,000 (2000: US$543,801,000).

23. LONG TERM LIABILITIES

	Group 2001 US$'000	2000 US$'000
Loans (note c)		
Secured	**162,532**	105,349
Unsecured	**330,650**	277,134
	493,182	382,483
Amounts due within one year included under current liabilities	**(92,125)**	(98,207)
	401,057	284,276

(a) The analysis of the above is as follows:

	Group 2001 US$'000	2000 US$'000
Wholly repayable within five years		
Bank loans	**220,328**	190,777
Other loans (note d)	**143,463**	147,801
Loans from a minority shareholder of a subsidiary (note e)	**1,927**	2,409
Not wholly repayable within five years		
Bank loans	**110,372**	22,430
Other loans	**17,092**	19,066
	493,182	382,483

23. LONG TERM LIABILITIES *(continued)*

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

	Group 2001 US$'000	Group 2000 US$'000
Bank loans		
Within one year	**86,056**	91,413
In the second year	**68,560**	77,796
In the third to fifth years inclusive	**156,182**	41,193
In more than five years	**19,902**	2,805
	330,700	213,207
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	**963**	1,445
	1,927	2,409
Other loans		
Within one year	**5,587**	6,312
In the second year	**142,288**	145,587
In the third to fifth years inclusive	**7,976**	7,405
In more than five years	**4,704**	7,563
	160,555	166,867
	493,182	382,483

(c) Secured bank loans and other loans of US$162,532,000 (2000: US$105,349,000) were pledged by certain leasehold land and buildings in Hong Kong and containers of the Group (note 11(e)). US$141,975,000 (2000: US$78,064,000) out of the total loan amounts were also secured by the assignment of the container lease agreements and the rental income thereon, other assets and shares of certain subsidiaries.

The bank loan of approximately US$2,024,000 (2000: US$1,325,000) was guaranteed by the minority shareholder of a subsidiary.

23. LONG TERM LIABILITIES *(continued)*

(d) US$140 million US commercial notes (the "Notes") were issued in 2000 to investors pursuant to an agreement dated 20th April 2000 (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 commercial notes of the same amount (the "New Notes") on 18th January 2002 pursuant to an agreement dated 24th December 2001. 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 24th December 2001. 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 2004. 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 2001 was 6.21% (2000: 6.21%) per annum.

24. CONTINGENT LIABILITIES

	Group		**Company**	
	2001	2000	**2001**	2000
	US$'000	US$'000	**US$'000**	US$'000
Guarantees executed for securing banking facilities granted to:				
Subsidiaries	**—**	—	**505,586**	396,911
Jointly controlled entities	**585**	748	**—**	—
	585	748	**505,586**	396,911

25. CAPITAL COMMITMENTS

	Group 2001 US$'000	2000 US$'000
Authorised but not contracted for:		
Containers	**48,691**	155,698
Other fixed assets	**—**	2,836
	48,691	158,534
Contracted but not provided for:		
Containers	**3,100**	—
Investments (note a)	**50,270**	45,770
	53,370	45,770

Notes:

(a) As at 31st December 2001, the Group's committed investments represented a 20% equity interest in Shanghai Putong International Container Terminal Limited and a 8% equity interest in a joint stock limited company in Dalian, China mainland, amounted to approximately US$45,770,000 (2000: US$45,770,000) and approximately US$4,500,000 (2000: not applicable) respectively.

(b) As at 31st December 2001 and 2000, there were no capital commitments relating to the Group's interests in the joint ventures included in the above.

As at 31st December 2001 and 2000, there were no capital commitments of the joint ventures themselves not included in the above.

26. LEASE COMMITMENTS

(a) Operating lease commitments — where the Group is the lessor

At 31st December 2001, the Group had future minimum lease payments receivable under non-cancellable leases in total and for each of the following periods:

	2001 US$'000	2000 US$'000
Containers		
— not later than one year	**169,029**	156,166
— later than one year and not later than five years	**479,926**	461,796
— later than five years	**147,277**	170,033
	796,232	787,995
Land and buildings		
— not later than one year	**40**	48
— later than one year and not later than five years	**6**	19
	46	67
	796,278	788,062

26. LEASE COMMITMENTS *(continued)*

(a) *Operating lease commitments – where the Group is the lessor* *(continued)*

The future lease payments receivable under master lease contracts has not been included above as the amount of future lease payments receivable depends on the timing of pick up and drop off of containers by lessees during the lease period of the contracts.

At 31st December 2001, the Group had future minimum sublease payments receivable under non-cancellable leases in total and for each of the following periods.

	2001	2000
	US$'000	US$'000
Land and buildings		
— not later than one year	**381**	—
— later than one year and not later than five years	**32**	—
	413	—

(b) *Operating lease commitments – where the Group is the lessee*

At 31st December 2001, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2001	2000
	US$'000	US$'000
		(Restated)
Land and buildings		
— not later than one year	**2,997**	2,801
— later than one year and not later than five years	**3,681**	4,569
	6,678	7,370
Plant and machinery		
— not later than one year	**384**	290
— later than one year and not later than five years	**383**	10
	767	300
	7,445	7,670

27. DEFERRED TAXATION

The potential deferred tax liability/(asset) as at 31st December 2001 not provided for in the accounts amounts to:

	Group	
	2001	2000
	US$'000	US$'000
Accelerated depreciation allowances	**49,286**	34,816
Tax losses	**(39,243)**	(27,698)
Other timing differences	**63**	(238)
	10,106	6,880

28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2001	2000
	US$'000	US$'000
Operating profit	**128,208**	124,592
Depreciation and amortisation	**80,960**	74,285
Dividend income	**—**	(1,352)
Loss/(gain) on disposal of fixed assets	**443**	(81)
Provision for doubtful debts, net	**514**	144
Provision for an investee company	**3,450**	4,600
Provision for inventories	**265**	197
Revaluation deficit of investment properties	**154**	98
Reversal of provision for container repairs and maintenance expense	**(6,156)**	—
Impairment losses of fixed assets	**5,680**	—
Profit on sale of listed investment	**(14,137)**	—
Increase in amount due from an associated company	**(5)**	—
Decrease in net balance with jointly controlled entities	**(329)**	(398)
Decrease in hire purchase debtors less provision	**4,787**	9,103
Decrease in inventories	**8,350**	16,844
(Increase)/decrease in trade receivables, other receivables, deposits and prepayments	**(667)**	1,631
Decrease/(increase) in amounts due from fellow subsidiaries	**1,531**	(6,448)
Decrease in amounts due from related companies	**118**	432
(Decrease)/increase in trade and other payables and accruals	**(1,412)**	1,901
Increase in amount due to ultimate holding company	**49**	—
Decrease in amounts due to fellow subsidiaries	**(1,225)**	(2,565)
Increase/(decrease) in amounts due to related companies	**1,465**	(2,249)
Increase in amounts due to minority shareholders of subsidiaries	**698**	844
Interest income	**(5,178)**	(12,191)
Effect of foreign exchange rate changes	**(5)**	76
Net cash inflow from operating activities	**207,558**	209,463

28. 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 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
Balance at 1st January 2001	**583,961**	**423,645**	**7,247**
Issue of shares	**1,523**	—	—
Minority interest's share of profit for the year	—	—	**1,011**
Loans borrowed	—	**231,197**	—
Repayment of loans	—	**(145,304)**	—
Dividends paid to minority shareholders	—	—	**(749)**
Balance at 31st December 2001	**585,484**	**509,538**	**7,509**

(c) Analysis of the balances of cash and cash equivalents

	2001 **US$'000**	2000 US$'000
Time deposits	**236,336**	87,828
Bank balances and cash	**9,599**	53,924
	245,935	141,752

(d) Major non-cash transaction

In the prior 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 in the prior year (note 28(b)).

29. 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:

	2001 **US$'000**	2000 US$'000
Container rental income from a fellow subsidiary (note a)	**135,959**	136,766
Income for container terminal handling services rendered by an associated company of the Group to a fellow subsidiary (note b)	**76,172**	85,593
Handling and storage income from fellow subsidiaries (note c)	**7,424**	7,504
Net transportation income from a fellow subsidiary (note c)	**1,777**	2,276
Management fee income from an associated company (note d)	**2,564**	2,581
Container terminal handling fee received from a fellow subsidiary (note e)	**936**	1,104
Container drop-off credit to a fellow subsidiary (note f)	**—**	2,114
Purchase of containers from (note g)		
— associated companies of ultimate holding company	**(50,848)**	(39,251)
— jointly controlled entities of the Group	**(19,498)**	(17,288)
Container freight expenses to (note h)		
— associated companies of ultimate holding company	**(1,763)**	(1,601)
— jointly controlled entities of the Group	**(392)**	(57)
Refurbishment fee to a fellow subsidiary (note i)	**(2,600)**	(3,000)

Notes:

(a) The Group has conducted container leasing business with COSCO Container Lines Company Limited ("COSCON"), a wholly owned subsidiary of China Ocean Shipping (Group) Company ("COSCO") which is the Company's ultimate holding company. During the two years ended 31st December 2001, the Group entered into new long term container leasing arrangements and revised the terms of the existing container leasing contracts.

The Group's container leasing transactions during the year have been conducted based on the average leasing rates quoted from four (2000: four) 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 2001.

(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 (2000: HK$20 million) per annum.

29. RELATED PARTY TRANSACTIONS *(continued)*

(e) 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 the rates as set out by the Ministry of Communications of the PRC.

(f) 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 profit and loss account for that year.

(g) 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.

(h) During the year, the Group paid container freight charges of US$1,763,000 (2000: US$1,601,000) and US$392,000 (2000: US$57,000) to certain associated companies of COSCO and jointly controlled entities of the Group respectively for container repositioning services rendered to the Group.

(i) Pursuant to an addendum of long term lease agreement dated 17th May 2001 entered into between a subsidiary of the Group and COSCON, the subsidiary agreed to pay a container refurbishment fee of US$2,600,000 (2000: US$3,000,000) to COSCON for the year.

(j) On 7th March 2001, a subsidiary of the Group renewed the lease agreement with a fellow subsidiary, Wing Thye Holdings Limited ("Wing Thye"), a subsidiary of COSCO (Hong Kong) Group Limited ("COSCO Hong Kong"), for the lease of the office space 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 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.

(k) On 22nd August 2001, the Group entered into short term container leasing arrangement with COSCON whereby the Group agreed to lease the 10-year old containers to COSCON on a short term basis in addition to the existing 10 year leases with effect from 1st January 2002.

(l) On 28th December 2001, the Group entered into a Promoters' Agreement with China Dalian Ocean Shipping Agency ("DOSA"), an indirect wholly owned subsidiary of COSCO, and three other independent third parties in relation to the establishment of a joint stock limited company which engages in container terminal operations and related business in Dalian, China mainland. Total investment amounted to RMB 469 million. The Group's attributable share of the investment was RMB 37.52 million (approximately US$4.5 million) and the amount was included in the capital commitment as set out in note 25 to the accounts.

30. 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 2001 and 2000 is set out as follows:

(a) COSCO – HIT Terminals (Hong Kong) Limited

	2001	2000
	US$'000	US$'000
Result for the year		
Turnover	**127,168**	136,599
Profit before taxation (note)	**70,000**	73,166
Taxation	**(11,538)**	(12,564)
Profit after taxation	**58,462**	60,602
Group's share of profit before taxation (note)	**35,000**	36,583
Net assets as at 31st December (note)		
Non-current assets	**338,083**	351,086
Current assets	**32,144**	50,671
Current liabilities	**(46,763)**	(51,370)
Long term liabilities	**(206,923)**	(205,128)
Deferred taxation	**(2,535)**	(2,535)
	114,006	142,724

Note:

Adjustments have been made to the deferred borrowing costs included in the accounts of COSCO-HIT Terminals (Hong Kong) Limited ("COSCO-HIT") for the year ended 31st December 2001 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 2001 has been increased by US$196,000 (2000: US$200,000) and the Group's share of net assets of this associated company as at 31st December 2001 has been decreased by US$572,000 (2000: US$768,000).

30. SIGNIFICANT ASSOCIATED COMPANIES *(continued)*

(b) Liu Chong Hing Bank Limited

	2001 US$'000	2000 US$'000
Result for the year		
Net interest income	**102,139**	120,530
Profit before taxation (note)	**45,033**	76,949
Taxation	**(6,213)**	(12,594)
Profit after taxation	**38,820**	64,355
Group's share of profit before taxation (note)	**9,007**	15,390
Assets		
Cash and short term funds	**1,829,467**	1,866,451
Advances and other accounts	**2,427,065**	2,484,669
Tangible fixed assets and other assets (note)	**851,032**	693,762
	5,107,564	5,044,882
Liabilities		
Deposits with customers	**4,190,477**	3,988,282
Certificates of deposit, deposits with other banks and financial institutions	**69,770**	151,554
Other liabilities	**56,067**	124,715
	4,316,314	4,264,551
Net assets as at 31st December	**791,250**	780,331

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 2001 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 2001 has been decreased by US$1,105,000 (2000: increased by US$1,163,000) and the Group's share of net assets of this associated company has been increased by US$9,635,000 (2000: US$9,187,000) respectively.

31. COMPARATIVE FIGURES

The comparative figures of the present value of minimum lease payment receivables under hire purchase contracts and operating leases as set out in notes 16 and 26 to the accounts respectively have been presented or restated as a result of the adoption of SSAP 14 (revised), "Leases".

As disclosed in note 1(a)(i) and note 7 to the accounts, the proposed final dividend previously recorded as a liability as at 31st December 2000 has been reversed to retained profits and is charged in the year in which it was proposed as a result of the adoption of SSAP 9 (revised), "Events after the balance sheet".

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 27th March 2002.

Five-Year Financial Summary

	For the year ended 31st December				
	2001	2000	1999	1998	1997
	US$'000	US$'000	US$'000	US$'000	US$'000
Turnover	**224,671**	217,893	220,638	217,130	183,526
Operating profit after finance costs	**98,684**	81,479	83,384	80,797	85,522
Share of profits less losses of					
— jointly controlled entities	**9,421**	6,656	4,106	4,254	2,593
— associated companies	**56,812**	66,243	54,871	50,639	41,592
Profit before taxation	**164,917**	154,378	142,361	135,690	129,707
Taxation	**(9,566)**	(10,946)	(7,612)	(5,896)	(6,264)
Profit after taxation	**155,351**	143,432	134,749	129,794	123,443
Minority interests	**(1,011)**	(886)	(667)	(497)	(698)
Profit attributable to shareholders	**154,340**	142,546	134,082	129,297	122,745
Dividends	**64,576**	52,731	51,275	47,135	45,066
Basic earnings per share (US cents)	**7.21**	6.66	6.36	6.30	6.08
Dividend per share (US cents)	**3.013**	2.465	2.344	2.298	2.123

	As at 31st December				
	2001	2000	1999	1998	1997
	US$'000	US$'000	US$'000	US$'000	US$'000
		(Restated)	(Restated)	(Restated)	(Restated)
Total assets	**1,738,747**	1,568,747	1,642,051	1,559,876	1,444,045
Total liabilities	**(538,453)**	(467,768)	(631,503)	(687,795)	(673,024)
Net assets	**1,200,294**	1,100,979	1,010,548	872,081	771,021

Notes:

1. The consolidated results, assets and liabilities of the Group for the two years ended 31st December 2001 have been extracted from the audited accounts of the Group as set out on pages 54 and 55 of the annual report.

2. The Company was incorporated in Bermuda under the Companies Act 1981 of Bermuda (as amended) on 26th July 1994.

3. The comparative figures of total liabilities for the four years ended 31st December 2000 have been restated to exclude the proposed final dividend payable previously recorded as a liability as a result of the adoption of Statement of Standard Accounting Practice 2.109 (revised), "Events after the balance sheet date", issued by the Hong Kong Society of Accountants, which became effective for accounting period commencing on or after 1st January 2001.

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, 24th May 2002 at 2:30 p.m. for the following purposes:—

1. To receive and consider the financial statements and the directors' and auditors' reports of the Company for the year ended 31st December 2001.

2. To declare a final dividend for the year ended 31st December 2001.

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

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

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

ORDINARY RESOLUTIONS

A. **"THAT:—**

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

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

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

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

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

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

B. **"THAT:—**

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

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

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

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

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

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

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

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

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

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

SPECIAL RESOLUTION

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

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

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

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

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

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

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

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

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

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

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

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

(f) (i) by deleting the word "and" appearing at the end of Bye-law 161(a);

(ii) by renumbering the existing Bye-law 161(b) as Bye-law 161(c);

(iii) by inserting in place of the period "·" appearing at the end of the new Bye-law 161(c), a semi-colon and the word "and";

(iv) by inserting the following new Bye-law 161(b):—

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

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

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

7. To transact any other business.

By Order of the Board
HUNG Man
Company Secretary

Hong Kong, 27th March 2002

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

Notes:

1. Any member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a member of the Company but must be present in person to represent the member.

2. To be valid, the proxy form, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited at the principal place of business of the Company at 49th Floor, COSCO Tower, 183 Queen's Road Central, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

3. The register of members of the Company will be closed from Tuesday, 21st May 2002 to Friday, 24th May 2002, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all completed transfer forms with share certificates must be lodged with the Company's Hong Kong Registrar and Transfer Office, Secretaries Limited, 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong not later than 4:00 p.m. on Friday, 17th May 2002.

4. An explanatory statement as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in connection with the proposed repurchase mandate under resolution 5A above and proposed amendments to Bye-laws of the Company under resolution 6 above will be despatched to members together with the 2001 Annual Report of the Company.

5. Where there are joint holders of any shares in the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such shares as if he was solely entitled thereto, but if more than one of such joint holders be present at the meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of other holder and, for this purpose, seniority shall be determined by the order in which the names stand in the register in respect of the joint holding.

Brokers Contact List

Company Name	Contact Person	Telephone	Facsimile
ABN AMRO Asia Ltd.	Mr. Osbert TANG	2102 2102	2102 2816
Bear, Stearns & Co. Inc.	Mr. David STRINE	(1 212) 272 7869	(1 212) 272 8187
BNP Paribas Peregrine Securities Ltd.	Mr. Jim WONG	2825 1888	2845 2232
Cazenove Aisa Ltd.	Mr. Jun HE	2526 4211	2868 1411
Celestial Research Ltd.	Ms Serine LI	2287 8888	2820 0646
China Everbright Research Ltd.	Ms Tracy WOO	2537 6689	2537 1065
China Insurance Group Securities Ltd.	Mr. Alan SHUM	2543 4988	2815 1499
CLSA Ltd.	Mr. Jim LAM	(86 21) 5047 1118	(86 21) 5047 5333
Core Pacific — Yamaichi International (H.K.) Ltd.	Mr. Arthur LAW	2109 5500	2536 9916
Credit Suisse First Boston (Hong Kong) Ltd.	Mr. Thomas DENG	2101 6000	2284 6792
Daiwa Institute of Research (H.K.) Ltd.	Mr. Keith LI	2525 0121	2845 2190
DBS Vickers (Hong Kong) Ltd.	Mr. Perry TSEA	2820 4888	2521 1812
Deutsche Bank AG, Hong Kong Branch	Ms Emilie CHAU	2203 8888	2203 6921
G.K. Goh Securities (H.K.) Ltd.	Mr. Alan LAM	2868 0380	2537 1547
Goldman Sachs (Asia) L.L.C.	Mr. Mike WARREN	2978 1383	2978 1346
HSBC Securities (Asia) Ltd.	Mr. Geoffrey CHENG	2843 9111	2845 1593
ICEA Securities Asia Ltd.	Mr. Silas CHU	2115 8888	2115 8613
ING Baring Securities (Singapore) Pte Ltd.	Mr. Peter WILLIAMSON	(65) 535 3688	(65) 535 2809
Jardine Fleming Securities Ltd.	Mr. Song SHEN	2843 8888	2810 8511
JS Cresvale International Ltd.	Ms Keng Lin TAN	2869 7066	2289 0280
Lehman Brothers Asia Ltd.	Mr. Philip TULK	2869 3000	2869 3133
Mansion House Securities (F.E.) Ltd.	Mr. David FOO	2843 1431	2537 8158

Company Name	Contact Person	Telephone	Facsimile
Merrill Lynch (Asia Pacific) Ltd.	Ms Grace MAK	2536 3888	2536 3977
Morgan Stanley	Mr. Henry HO	2848 5200	2537 1701
Nomura International (Hong Kong) Ltd.	Mr. Jason CHEUNG	2536 1111	2536 1820
Salomon Smith Barney Hong Kong Ltd.	Mr. Charles DE TRENCK	2501 2000	2521 5350
SBI E2-Capital Securities Ltd.	Mr. Raymond JOOK	2533 3700	2533 3733
SG Securities (HK) Ltd.	Ms Hui LI	2166 4988	2166 4662
Shenyin Wanguo Securities (H.K.) Ltd.	Ms Linda LIU	2509 8441	2509 0018
South China Research Ltd.	Mr. Jack TSUI	2820 6333	2845 5868
Sun Hung Kai Research Ltd.	Ms Maggie CHOI	2106 8232	2106 8200
Tai Fook Research Ltd.	Mr. Peter PAK	2848 4333	2869 7737
UBS Warburg Asia Ltd. — Shanghai Representative Office	Mr. Henry WU	(86 21) 5292 5556	(86 21) 5292 5557

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. WEI Jiafu *(Chairman)*
Mr. LIU Guoyuan *(Vice Chairman)*
Mr. LI Jianhong
Ms. SUN Yueying
Mr. ZHOU Liancheng
Mr. SHI Qin *(Managing Director)*
Mr. KWONG Che Keung, Gordon
Mr. XU Lirong
Mr. LU Zhiming
Mr. LIANG Yanfeng
Mr. WONG Tin Yau, Kelvin
Mr. MENG Qinghui
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

Coudert Brothers
Holman, Fenwick & Willan
Woo, Kwan, Lee & Lo

PRINCIPAL BANKERS

Bank of America National Trust and Savings Association
Bank of China (Hong Kong) Limited
ING Bank N.V.
Rabobank
The Hongkong and Shanghai Banking Corporation Limited

PRINCIPAL REGISTRAR AND TRANSFER OFFICE IN BERMUDA

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)

Concept and Design
Equus Design Consultants   www.equus-design.com

Production and Printing
Elegance Holdings

COSCO Pacific Limited
(Incorporated in Bermuda with limited liability)

49th Floor, COSCO Tower, 183 Queen's Road Central, Hong Kong
Telephone: (852) 2809 8188 **Facsimile:** (852) 2907 6088 **Web site:** http://www.coscopac.com.hk **E-mail:** info@coscopac.com.hk