

Our mission Our mission is to build value for our shareholders and to provide superior service to our customers. The trust they both place in us is our motivation to succeed. We know what we want to be: our vision is to be a highly profitable, effectively managed, strategically balanced, independent, socially responsible and environmentally friendly enterprise, with leadership positions in all our core businesses.



a **leading** player in
global container leasing

707,890 TEUs
Container fleet

93.4%
Utilisation

US\$225,004,000
Container leasing turnover

Our three objectives The objectives of COSCO Pacific are threefold: to be the global leader in container leasing, to be the regional leader in container terminal operations, and to be the leading logistics service provider in China mainland and Hong Kong. We believe our future success, in a competitive and changing environment, will be a direct result of our focus on these objectives, and our dedication to our customers' needs. To pursue these objectives, we will constantly analyse our markets, our services, and the regions we serve in order to strengthen our position.



a **leading** regional container terminal operator

13,420,639 TEUs

Terminal throughput

Pearl River Delta

5 Container Terminal operations*

Yangtze River Delta

3 Container Terminal operations*

Northern China

2 Container Terminal operations*

* COSCO Pacific holds various equity interests

Our goal We will continually monitor and improve our existing businesses to generate superior performance, and seek to acquire new businesses which will expand our capabilities within our core industries, and offer outstanding opportunities to grow profit. To achieve this goal, we will build our presence in the markets in which we already have strong competitive advantages. Our geographic and market expansion will be within Asia, particularly in China where COSCO Pacific, via our ultimate parent, COSCO, has a strong market position.



a **leading** team
of experienced and
committed professionals

368

Employees

7

Countries

11

Points of presence

Our people Our success is built upon people. Our commitment to provide quality service to our customers is delivered through their professionalism. We have the team and the presence to achieve our goals. We recognise the importance of human resources as a strategic resource in the continued growth of our businesses. In order to maintain their professionalism and motivation, COSCO Pacific is dedicated to providing its employees with rewarding scheme, training and continuing opportunities for personal growth.

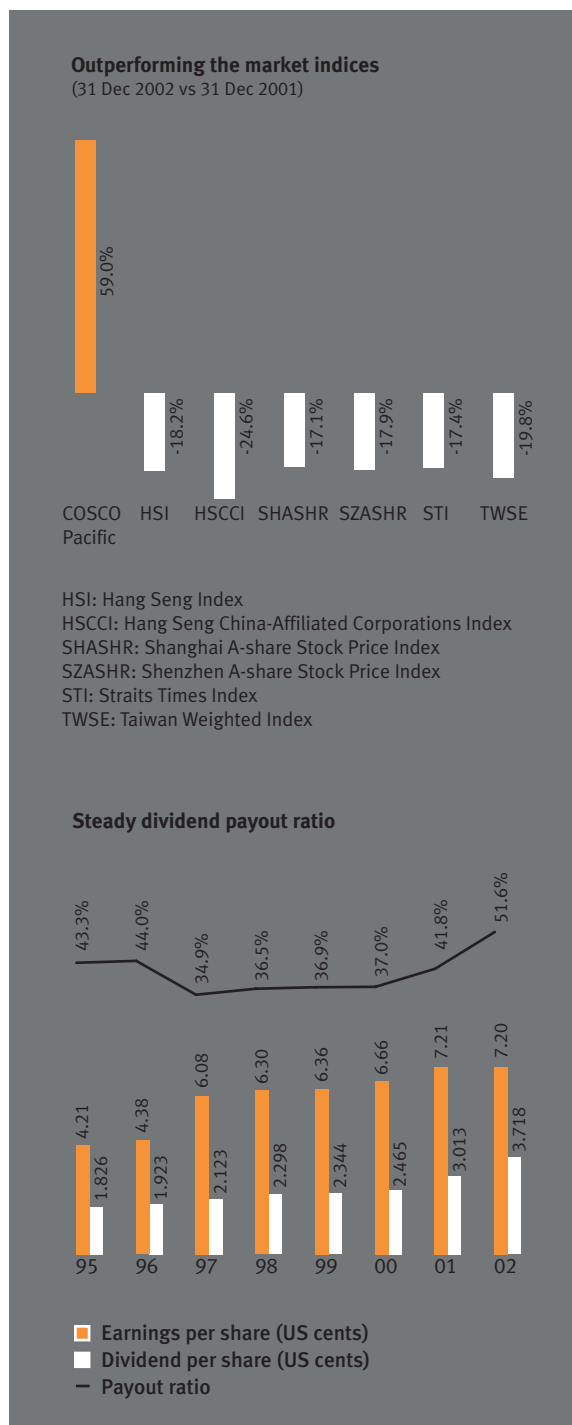


WEI Jiafu
Chairman

“I believe that the confidence and trust that we have built in our relationships with all our stakeholders have been fundamental to our ability to deliver solid performance consistently year after year, in both good and bad times.”

Chairman's statement I am very pleased to report to shareholders that COSCO Pacific delivered solid results in 2002, with outstanding performances achieved in both container leasing and container terminal businesses. The year was nevertheless both challenging and eventful. However, COSCO Pacific achieved a recorded net profit of US\$154,560,000. After excluding the major non-recurring profit items in 2002 and 2001, the net profit increased by 4.9% over 2001. I am proud of the performance of the COSCO Pacific team in such a challenging environment.

Chairman's statement



Our share price reflected our strong performance during the year and achieved a 59.0% increase at the end of year over 2001. Its was mentioned as “stella performance” in Asia Pacific conglomerates universe.

We believe that the value created by the Company will be reflected both in the increase in share price and yearly dividends paid. Therefore, the board of directors propose a final cash dividend this year of HK18.0 cents (2001: HK14.0 cents) per share at the forthcoming annual general meeting. Together with the interim cash dividend of HK11.0 cents, this represents a full year cash dividend of HK29.0 cents (2001: HK23.5 cents) per share in 2002. The dividend payout ratio rose to 51.6% (2001: 41.8%). The Company has always been maintaining a stable dividend payout ratio for its long term interests. We propose a higher dividend payout ratio for the financial year to reflect our strong cash position, our confidence towards a prosperous future and our efforts to increase return on equity.

The details of the 2002 results will be covered in the Vice Chairman's report and the following sections of this annual report. However, the story behind our success is worth telling.

While the dramatic global slowdown has inevitably affected the shipping industry, I am proud to say that we have managed to navigate through these volatile economic times thanks to the initiatives we have taken since our inception and our core competencies.

One of those competitive strengths lies in COSCO, our ultimate holding company, who has been providing unrelenting support to COSCO Pacific since its establishment in 1994. It is on this solid foundation that we established our global container leasing network for international customers in 1997, and the growing number of container terminals in Hong Kong and China mainland we operate and have investments in reflects this heritage. But just as importantly, I believe that the confidence and trust we have built in our relationships with all our stakeholders – be they investors, customers, business partners, employees or the public – have been

fundamental to our ability to deliver solid performance consistently year after year, in both good and bad times.

HOW ARE WE BUILDING TRUST?

Although once established, trust and performance can be a virtuous circle. There are three reasons why we have been able to build trust in the first place – our strategies, our governance, and our professionalism.

Strategically balanced

First of all, we have maintained focused and well-balanced corporate strategies over the years. This is important because it reflects the fundamental principles guiding COSCO Pacific and the way it is being managed. Senior management gives top priority to protect the long term interests of the Company and its shareholders without compromising the concerns of its stakeholders and interested parties including employees, customers, suppliers, bankers and the public interests. This approach is fundamental to establishing mutual trust.

Well governed

Secondly, we have always been striving for practising good corporate governance. In 1998, an audit committee composed of three independent non-executive directors was established. The role of this committee is to review and monitor integral financial and business strategies, including all significant corporate actions initiated by the Company to assure the long term interests of shareholders. Prior to that, COSCO Pacific has already been maintaining a relatively high level of transparency and disclosure of corporate information over the years. Our quality of investor

relations has been regarded as one of the best managed among Chinese companies by institutional investors. This transparency and our well governed operations reinforce investors' trust in us.

Professionally managed

Thirdly, COSCO Pacific has a professional management team and talented staff who work cohesively together in the pursuit of both value growth and customer satisfaction. The senior management have consistently initiated effective business strategies designed to improve productivity and increase the transparency, accountability and efficiency of the Company and its subsidiaries, and our staff have been dedicated in executing them. We believe in our employees and they return that trust. This symbiosis between all levels of our employees is what lies behind our recognition as one of the best managed Chinese companies, and this in turn instills confidence in investors who are assured that we can run our businesses effectively.

WHY ARE WE TRUSTWORTHY?

COSCO Pacific has been building mutual trust with its stakeholders since its inception, which explains why we have been enjoying a good reputation in the capital market. This in turn enable us to raise capital as and when we need it. Since listing of the company in 1994, we have raised approximately US\$2,950,000,000, both as working capital and as funding for the purchase of containers, the acquisition of container terminals, and other businesses. This has provided the necessary impetus to the development of COSCO Pacific, and has helped the Company achieve stable growth in the past.

	1994	1995	1996	1997	1998	1999	2000	2001	2002	CAGR
Turnover (US\$'000)	104,210	124,084	144,588	183,526	217,130	220,638	217,893	224,671	241,644	11.1%
Profit attributable to shareholders (US\$'000)	40,261	46,360	75,701	122,745	129,297	134,082	142,546	154,340	154,560	18.3%
Dividend payout ratio (%)	–	43.3	44.0	34.9	36.5	36.9	37.0	41.8	51.6	N/A

CAGR: Compound Annual Growth Rate

Awards

We have been the proud recipients of many awards, granted in recognition of our well-managed operations. Each award endorses the public's confidence in us, and this confidence in turn motivates us to set yet higher standards in our operations. But we do not take it for granted the trust our stakeholders place in us. We have therefore set ourselves new benchmarks in our accountability to shareholders and in our responsibility to the community around us which we believe will continue to build that trust.

OUR CONCRETE PLAN TO BUILDING TRUST

To be a leader in good corporate governance

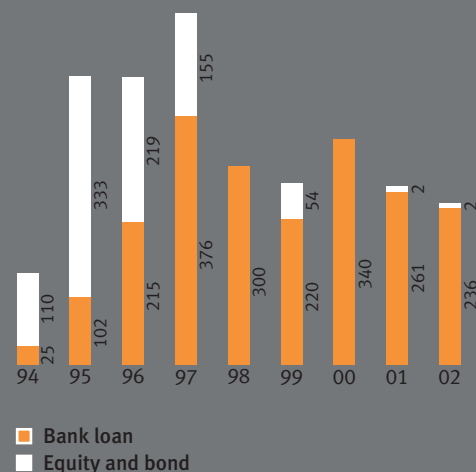
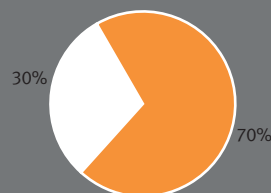
Corporate governance can be described as the way a company manages itself in order to generate fair and equitable returns to its stakeholders. It also refers to rules and incentives by which shareholders control and influence a company's management so as to maximise profits and the value of a corporation. Therefore, maintaining a high standard of corporate governance is crucial for improving both the quality of management and the value of the Company.

AWARDS

1997	Asiamoney One of Best Managed Chinese Companies
1998	HKMA Honourable Mention of Best Annual Report
1999	The Asset One of Best Managed Chinese Companies HKMA Honourable Mention of Best Annual Report
2000	Asiamoney One of Best Managed Chinese Companies HKMA Honourable Mention of Best Annual Report HSBC One of the HSBC's Asian 100 Leading Corporates
2001	Finance Asia One of the Best Chinese Companies in Investor Relations
2002	CLSA One of the Best Chinese Companies in Corporate Governance
2003	Finance Asia One of the Best Chinese Companies in • Most Committed to Creating Shareholder Value • Best Corporate Governance • Best Financial Management

HKMA = Hong Kong Management Association
HSBC = HSBC Securities (Asia) Ltd.
CLSA = CLSA Ltd.

FUND RAISING ACTIVITIES (US\$MILLION)



Hence, the Board and its management are fully committed to ensuring a proactive culture of exemplary corporate governance practice. Maintaining sound corporate governance practices ensures that we secure respect from stakeholders and interested parties, and this invariably reassures stakeholders that we are operating our businesses to their best interest and benefit. We will make every effort to strengthen our Board's efficiency and its oversight of the management in terms of transparency, accountability, responsibility and fairness.

Improving board efficiency

Three committees have recently been established to further improve board efficiency, namely, the Investment and Strategic Planning Committee, the Corporate Governance Committee and the Risk Management Committee. Members of these committees include executive directors of the Board and respective professionals from our senior management team. We are also considering the establishment of a nomination committee and a remuneration committee to further strengthen the independence of the Board.

A commitment to social responsibility

We believe that a successful and well-respected company should commit to maintaining a high social responsibility, and this duty is an integral part of management's concerns. Our commitment to social responsibility is seen in our requirements to manufacturers regarding the standard and quality of containers being leased to customers. The container boxes have to be built in accordance with the international ISO approved standard. Our commitment is also reflected in the safety processes and the environmental regulations of container terminal operations.

In addition, we have been proactive about participating in charity and environmental activities within the community. On 19th December 2002, we held a tree plantation ceremony, Greening for the Chest, to celebrate our 8th anniversary of listing on The Stock

Exchange of Hong Kong Limited. This event reflects our commitment and dedication to the well being of our environment. It also nurtures our staff the importance of social responsibility and environmental protection issues.

Outlook

The global economy experienced a mild slowdown in 2001, but despite terrorists' attacks in various countries, the global economy actually recovered to 2.8% in 2002. This recovery is expected to rise to 3.7% in 2003. Asia weathered the slowdown better than other regions and growth among the Asian industrialised countries (excluding Japan) is estimated to be 4.7% last year. This is anticipated to grow further to between 3.5% and 6% in 2003. China's vigorous growth performance, averaging between 7% and 8% in recent years, is expected to continue.

While grave concerns have been cast on geopolitical tensions that may derail global recovery and force oil prices to catastrophic heights, there are also reasons for optimism. These include the rebound of inventories; the continuing positive news about productivity growth; and the substantial monetary stimulus among major central bankers and the IMF.

Moreover, China's emergence as a major player in international trade and its accession to WTO is an important step forward for economic integration in the region. Reliance on trade has helped Asia immensely over the past two decades and we expect Asia to play an even more important role in trade, both beyond and within the region. While most Asian countries are maintaining an outward orientation as a core component of future development strategy, domestic demand is emerging in the region. This inward-oriented trade pattern will certainly play a more supportive role in trade growth which will generate sizeable benefits for both China and its trading partners. We are confident that we will be able to capitalise on the opportunities this represents, and therefore we remain cautiously optimistic about the year ahead of us.

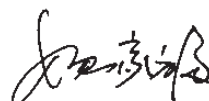
Looking ahead, with strong support from our parent company, we believe that the strategic initiatives we have put in place will position COSCO Pacific well for long term growth. Furthermore, we will continue to implement a set of principles that will place COSCO Pacific at the leading edge of governance and transparency in our industry. Beyond achieving a set of financial goals, we will also incorporate environmental and social responsibilities that will ultimately help to shape our definition of success.

We are in the process of building a trustworthy, professional and promising enterprise that will maintain our record of long term growth through industry and economic cycles. The support we have received from our shareholders, customers, business partners, and talented and dedicated work force is our motivation to achieve the next level of success in the year ahead.

Our vision is to become a highly profitable, independent, large, effectively managed, strategically balanced, socially responsible and environmentally friendly enterprise, with leadership position in all our core businesses.

Our mission is to build value for our shareholders and to provide superior service to our customers. The trust they both place in us is our motivation to succeed. Our fundamental objectives are to maximise shareholder value over the long term through improving efficiency and maximising enterprise value, and to serve our customers better in order to turn trust into performance.

I look at the future with great optimism. Tough times and high standards nurture great companies. Taking this opportunity, I would like to thank all of our stakeholders for their support and to express my special thanks to my colleagues for their commitment and effort during this significant year.



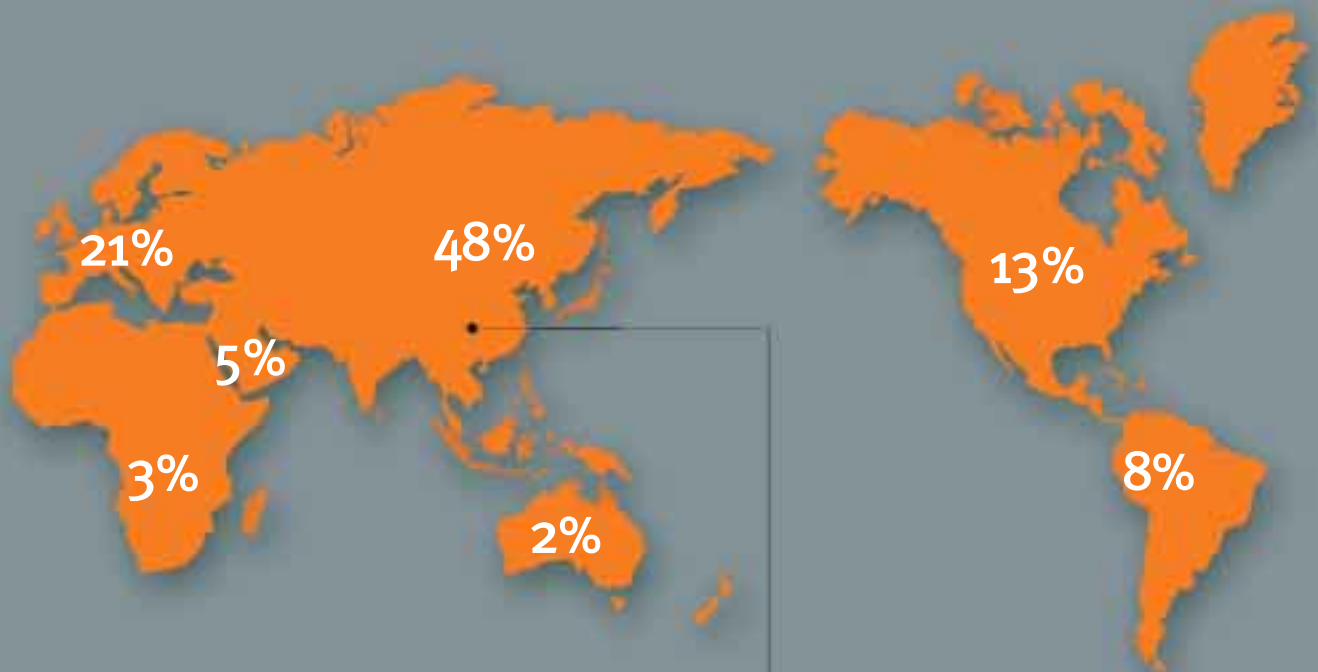
WEI Jiafu, Chairman
26th March 2003

Our objectives

To be the leading global player in the container leasing industry

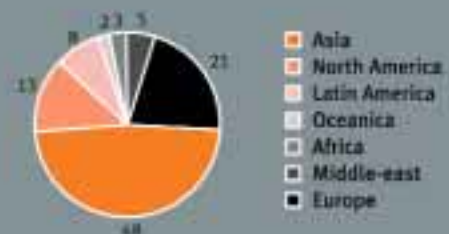
To be a regional leader in container terminal operations

To be a leading logistics service provider in China mainland and Hong Kong



Asia is the dominant region in regard to container port handling representing almost half of the world's total in 2002. China is expected to remain a high growth country within Asia.

Global container port handling 2002 (%)



Source: Drewry Shipping Consultants