



COSCO Pacific Limited

(Incorporated in Bermuda with Limited Liability)

2004 Interim Results

The board of directors of COSCO Pacific Limited (the “Company” or “COSCO Pacific”) is pleased to present the unaudited results of the Company and its subsidiaries (the “Group”) for the six months ended 30th June 2004. The unaudited condensed interim accounts have been reviewed by the Company’s Audit Committee.

The economy in the PRC has witnessed a new era of growth. As a result of the economic reform, the enormous domestic demand in the PRC has become a driving force in the development in the global shipping industry and economic growth. This driving force propelled the further growth of our three core businesses including container leasing, container terminal and logistics businesses. During the period, the PRC government adopted a series of macro-economic controls to regulate certain overheated industries and the global energy prices rose significantly. As the impact of these factors to our businesses was minimal, the Group continued to achieve satisfactory results in its business expansion during the first half of 2004.

- Turnover increased by 3.2% to US\$129,761,000
- Profit attributable to shareholders rose by 26.3% to US\$92,975,000
- Earnings per share grew by 26.0% to US4.3190 cents
- Interim dividend HK17.4 cents (corresponding period of 2003: HK13.8 cents)
- Dividend payout was 51.7% (corresponding period of 2003: 51.6%)
- Container leasing fleet increased by 14.5% to 864,568 TEUs, utilisation rate increased to 96.0% (corresponding period of 2003: 95.1%)
- Total container terminal throughput increased by 41.5% to 10,697,834 TEUs
- Investment in 15 terminals with an aggregate of 63 berths
- With a brand building strategy, the logistics business actively expanded its market share and strengthened its marketing and services network

Financial analysis

Turnover for the first half of 2004 grew by 3.2% to US\$129,761,000 (corresponding period of 2003: US\$125,756,000). Container leasing operation accounted for the majority of such increase, generating approximately US\$120,879,000 (corresponding period of 2003: US\$116,526,000) of turnover that represented an increase of 3.7%.

Profit contributions from jointly controlled entities after goodwill amortisation was US\$19,724,000 (corresponding period of 2003: US\$3,404,000), representing a significant increase of 479.4%. One of the major reasons of this increase was due to the profit contribution generating from new investments including Qingdao Qianwan Container Terminal Co., Ltd., COSCO-PSA Terminal Private Limited, COSCO Logistics and Yangzhou Yuanyang International Ports Co. Ltd.

Profit contributions from associated companies amounted to US\$32,444,000 (corresponding period of 2003: US\$28,663,000), representing an increase of 13.2%. COSCO-HIT Terminals (Hong Kong) Limited achieved a record high throughput of 803,338 TEUs with the cargo mix change during the first half of this year. Its profit contributions grew by 2.1%. Meanwhile, profit contribution from Shanghai Container Terminals Limited and Shanghai Pudong International Container Terminals Limited rose by 22.3% and 70.7% respectively. Liu Chong Hing Bank contributed profit of US\$ 5,019,000 (corresponding period of 2003: US\$4,218,000).

Profit attributable to shareholders during the period was US\$92,975,000, representing an increase of 26.3% when compared with US\$73,608,000 for the corresponding period of last year. Earnings per share rose 26.0% to US4.3190 cents, compared to US\$3.4284 cents in the corresponding period of last year.

Container Leasing

As at 30th June 2004, Florens Container Holdings Limited, a wholly owned subsidiary of the Company and its subsidiaries (“Florens”) owned and operated a container fleet of 864,568 TEUs, up 14.5% over the same period of last year. Excluding 4,815 TEUs of containers under finance leases, Florens was the fifth largest container leasing company with an approximately 9.9% share of the global market (corresponding period of 2003: 9.3%).

Florens purchased 90,372 TEUs during the period, representing approximately 15.0% of the new containers produced for the container leasing industry. While acquiring new containers, Florens also sold 28,247 TEUs (corresponding period of 2003: 13,005 TEUs) of containers returned from COSCON upon expiry of the leases. The average age of the Group’s container fleet was 4.4 years (corresponding period of 2003: 4.6 years).

Container fleet movement	2004 (TEUs)	2003 (TEUs)
Total containers (as at 1st January)	808,825	707,890
New containers purchased	90,372	70,033
Containers returned from COSCON upon expiry of leases		
— Total	(31,820)	(22,038)
— Re-leased	2,102	567
— Disposed of and pending for disposal	(29,718)	(21,471)
Ownership transferred to customers upon expiry of finance leases	(302)	(64)
Defective containers written off	(4,609)	(1,345)
Total containers as at 30th June	864,568*	755,043*

* including 16,665 TEUs of containers managed on behalf of third party (corresponding period of 2003: 5,216 TEUs)

Florens primarily provided a 10-year container leasing service for COSCON, the world's ninth largest container ship operator, and provided both long-term and short-term container leasing services for other international customers ("International Customers"). These International Customers included major global shipping companies. The top 20 International Customers accounted for approximately 75.7% (corresponding period of 2003: 75.9%) of the Group's total container rental income with International Customers while the total number of customers reached 198 (corresponding period of 2003: 183).

As at 30th June 2004, the Group leased a total of 304,088 TEUs (corresponding period of 2003: 306,763 TEUs) to COSCON, which represents 35.2% (corresponding period of 2003: 40.6%) of the entire container fleet. Containers available to International Customers rose to 560,480 TEUs (corresponding period of 2003: 448,280 TEUs), representing 64.8% (corresponding period of 2003: 59.4%) of the total containers. While containers leased to COSCON remained 100% utilised during the period, the overall average utilisation rate of the Group stood at 96.0% (corresponding period of 2003: 95.1%), well above the industry average of approximately 91.6% (corresponding period of 2003: approximately 88.0%).

Container Terminal

The container terminals, in which the Group held various interests, registered a throughput of 10,697,834 TEUs, up 41.5% from the corresponding period of last year. In the first half of this year, the Group entered into agreements to invest in three container terminals in China mainland, namely Tianjin Five Continents International Container Terminal Co., Ltd., Yingkou Container Terminals Company Limited and Zhenjiang Jinyuan Container Terminals Co., Ltd. and to invest in one multi-functional terminal, namely Yangzhou Yuanyang International Ports. Including the terminals mentioned above, the Group holds various interests in a total of 15 terminals as at the end of June in 2004. These terminals strategically located in Pearl River Delta, Yangtze River Delta, Bohai Rim and overseas regions. Meanwhile, the construction of Dalian Automobile

Terminal commenced upon completion of its registration procedures. The acquisition of Yingkou Container Terminals was also completed in August 2004. Among total number of 63 berths of our terminal portfolio, there were 58 container terminal berths, 2 automobile terminal berths and 3 multi-functional terminal berths. With an additional capacity of 2,750,000 TEUs during the first half of this year, the aggregate annual capacity of our terminals will be surged to 28,950,000 TEUs.

Throughput of container terminals	1H2004 (TEUs)	1H2003 (TEUs)	y-o-y
Pearl River Delta			
COSCO-HIT	803,338	702,457	+14.4%
Yantian International Terminals (I, II & III)	2,768,615	2,312,234	+19.7%
Shekou Terminals	509,682	633,549	-19.6%
Sub-total	4,081,635	3,648,240	+11.9%
Yangtze River Delta			
Shanghai Terminals	1,759,440	1,640,200	+7.3%
Shanghai Pudong International Terminals	1,098,955	683,343	+60.8%
Zhangjiagang Win Hanverky Terminal	155,753	123,689	+25.9%
Yangzhou Yuanyang International Ports	37,844	n.a.	n.a.
Sub-total	3,051,992	2,447,232	+24.7%
Bohai Rim			
Qingdao Qianwan Terminal	2,141,078	614,465	+248.4%
Qingdao Cosport Terminals	179,673	128,858	+39.4%
Dalian Port Container Co., Ltd.	969,191	719,483	+34.7%
Sub-total	3,289,942	1,462,806	+124.9%
Overseas region			
COSCO-PSA Terminal	274,265	n.a.	--
Total throughput	10,697,834	7,558,278	+41.5%
Throughput of terminals in China mainland	9,620,231	6,855,821	+40.3%

Logistics

The acquisition of the 49% interests in COSCO Logistics by the Group was completed in January 2004. The operation and development of the three core businesses of COSCO Logistics, namely logistics, shipping agency and freight forwarding, were satisfactory. Through brand name tactics, COSCO Logistics makes considerable efforts to expand the market shares of its logistics operation in sectors of household appliances, automobiles, electricity, chemicals, conventions and exhibitions and retailing markets. Besides, COSCO Logistics continues to maintain the leading position of shipping agency business in China mainland markets. The sales, marketing and services network of freight forwarding business are furthered strengthened.

Other Businesses

Attributable to the surging market demand for containers, the container manufacturing company, in which the Group invested, registered a higher level of productivity over the same period of last year and continued to contribute profits to the Group.

Acquisition of interest in CIMC

On 19th August 2004, COSCO Container Industries Limited, a wholly owned subsidiary of the Company, entered into an agreement with China Ocean Shipping (Group) Company to acquire from COSCO 163,701,456 non-publicly tradable State-owned legal person shares in China International Marine Containers (Group) Co., Ltd. (“CIMC”), representing approximately 16.23% of the issued share capital of CIMC. The consideration for the acquisition amounted to approximately RMB1,056,384,000 (approximately US\$127,240,000). CIMC is the world’s largest container manufacturer.

Investor Relations

COSCO Pacific has won the recognition of institutional investors as it strives to enhance its management mechanism, upgrade governance standards and improve corporate transparency by building a corporate image underpinned by integrity and diligence.

- In March 2004, COSCO Pacific was selected as one of the “Finance Asia 100 Blue Chips” by Finance Asia.
- In the “Best Asia Companies Poll” conducted by Finance Asia and published in its May 2004 edition, COSCO Pacific was among Chinese enterprises with the best dividend policy.
- In June 2004, Institutional Investor Research Group, the most authoritative global research institute, rated COSCO Pacific as a “Conglomerate with the Best Investor Relations in Asia” for the second year in a row.

Corporate Culture

We see a positive corporate culture important in laying a solid foundation for the continuous development of an enterprise. While actively expanding its business, the Group puts much emphasis on building its corporate culture, setting out the guiding principle of “achieving customer satisfaction and creating value to shareholders” for our employees with a view to “maximising return for shareholders”. Having due regard to its employees, shareholders and investors, customers, other stakeholders and the community as a whole and adhering to its corporate value of “integrity, creativity, growth, good communication, understanding, sound management, morality and dedicated services”, the Group takes a people-oriented approach and encourages life-long learning so as to create an environment featuring “integrity, progression, exploration and innovation”.

Prospects

The PRC economy is enjoying steady growth at the moment. Its recent implementation of macro-economic control is not only beneficial to sustained economic prosperity and stability of the PRC and the world, but is also conducive to China's further convergence with the global economy. The sound economic outlook of the PRC and the world furnishes the Group with valuable opportunities to develop its core business.

The growing competitiveness of the Group in container leasing is reflected in the Group's overall average utilisation rate which above industry average and the increasing proportion of revenue accounted for by International Customers. The Group will capitalise on every business opportunity to further expand its container leasing and reinforce its leading position in the global container leasing industry with enhanced economies of scale.

Growth of the Group's container terminal operations will be sustained on the expectation that the terminal operations of China mainland and Hong Kong will benefit from the continual strong growth of China's international trade. The Group will go extra miles to become a leading player in the container terminal industry by persistently applying its stated strategies in container investment and making opportune investments to expand and strengthen its container terminal business.

COSCO Logistics will focus on efforts to expand its logistics operations, refine its shipping agency operations and strengthen its freight forwarding operations, pursuing rapid development in the modern logistics sector with full force as the Group endeavours to play a pivotal role in the logistics industry across China mainland and Hong Kong.

The Company is optimistic about the business environment in the second half of the year in view of the trend of continued growth seen in the PRC and US economies.

COSCO Pacific Limited

8th September 2004, Hong Kong

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Details of the interim results announcement will be available in our website (<http://www.coscopac.com.hk>). It will also be published in Hong Kong Standard and Hong Kong Economic Times on 9th September 2004. Attached please also find our presentation for the press conference today.

For further inquiry, please contact our Mr. Raymond Yuan, General Manager of the Public Relations and Communications Department. (Tel. 2809-8188; Fax: 2907-6088; E-mail: yuanqing@coscopac.com.hk).