COSCO Pacific Limited

(Incorporated in Bermuda with limited liability)

ANNOUNCEMENT OF 2003 INTERIM RESULTS

RESULTS HIGHLIGHTS

- **Turnover up 8.4% to US$125,756,000**
- **Profit attributable to shareholders up 5.4% to US$73,608,000**
- **Return on equity being 11.6%**
- **Container leasing business total volume up 12.8% to 755,043 TEUs**
- **Aggregate throughput of container terminal business up 24.4% to 8,334,461 TEUs**
- **Healthy financial position, net gearing further reduced to 12.3% from 14.7%**

Results

The board of directors (the "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 2003. The unaudited interim results have been reviewed by the Company's Audit Committee.

	Note	Unaudited Six months ended 30th June 2003 US$'000	2002 US$'000 (Restated)
Turnover	3	**125,756**	116,004
Cost of sales		**(55,030)**	(50,723)
Gross profit		**70,726**	65,281
Other revenues		**14,422**	10,139
Administrative expenses		**(12,621)**	(11,272)
Other operating expenses (net)		**(11,161)**	(9,498)
Operating profit	4	**61,366**	54,650
Finance costs	5	**(7,331)**	(8,090)
Operating profit after finance costs		**54,035**	46,560
Share of profits less losses of			
– jointly controlled entities		**3,404**	4,925
– associated companies		**28,663**	27,176
Profit before taxation		**86,102**	78,661
Taxation	6	**(11,473)**	(7,981)
Profit after taxation		**74,629**	70,680
Minority interests		**(1,021)**	(837)
Profit attributable to shareholders		**73,608**	69,843
Transfer to other reserves		**(946)**	(662)
Interim dividend	7	**37,986**	30,278
Basic earnings per share	8	**US3.4284 cents**	US3.2556 cents
Diluted earnings per share	8	**US3.4272 cents**	N/A

COSCO Pacific Limited

Consolidated Balance Sheet

	Unaudited As at 30th June 2003 ***US$'000***	As at 31st December 2002 *US$'000* (Restated)
Non-current assets		
Fixed assets	**1,087,244**	1,048,158
Joint ventures	**42,549**	46,052
Associated companies	**275,727**	284,570
Investment securities	**56,973**	66,876
Finance lease receivables	**4,894**	197
Restricted bank deposits	**9,835**	7,817
Deferred tax assets	**329**	262
	1,477,551	1,453,932
Current assets		
Inventories	**2,621**	2,648
Trade and other receivables	**69,726**	56,152
Tax prepaid	**43**	65
Current portion of finance lease receivables	**1,452**	2,696
Time deposits	**103,840**	202,224
Bank balances and cash	**31,225**	26,080
	208,907	289,865
Current liabilities		
Trade and other payables	**67,903**	36,999
Unsecured short term bank loans	**–**	482
Current portion of long term liabilities	**166,150**	209,707
Tax payable	**992**	817
	235,045	248,005
Net current (liabilities)/assets	**(26,138)**	41,860
Total assets less current liabilities	**1,451,413**	1,495,792
Representing:		
Share capital	**27,533**	27,533
Share premium	**560,057**	560,057
Other reserves	**8,368**	7,284
Retained profits	**643,304**	608,628
Proposed final dividend	**–**	49,546
Interim dividend declared	**37,986**	–
Shareholders' funds	**1,277,248**	1,253,048
Minority interests	**9,174**	8,314
Non-current liabilities		
Deferred tax liabilities	**29,130**	23,945
Long term liabilities	**135,861**	210,485
	1,451,413	1,495,792

Notes:

1. Basis of preparation

The unaudited consolidated condensed interim accounts (the "Interim Accounts") are prepared in accordance with Statement of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants (the "HKSA"), and Appendix 16 of the Listing Rules of The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Interim Accounts should be read in conjunction with the 2002 annual accounts.

The accounting policies and methods of computation used in the preparation of the Interim Accounts are consistent with those used in the annual accounts for the year ended 31st December 2002 except that the Group has changed an accounting policy following its adoption of revised SSAP 12 "Income Taxes" issued by the HKSA which is effective for accounting periods commencing on or after 1st January 2003.

2. Adoption of a revised accounting standard

In accordance with revised SSAP 12, deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, joint ventures and associated companies, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

In prior years, deferred taxation was 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 was expected to be payable or recoverable in the foreseeable future. The adoption of the revised SSAP12 represents a change in accounting policy, which has been applied retrospectively so that the comparative figures presented have been restated to conform to the changed policy.

The effect of initial adoption of the revised SSAP 12 is to decrease the profit attributable to shareholders for the six months ended 30th June 2002 by US$3,073,000 and to decrease the opening retained profits as at 1st January 2002 and 2003 by US$22,483,000 and US$34,854,000 respectively.

3. Turnover and segment information

(a) Primary reporting format – business segments

Segment turnover and results

	Six months ended 30th June 2003					
	Container leasing *US$'000*	**Container terminal and related businesses** *US$'000*	**Banking** *US$'000*	**Other operations** *US$'000*	**Corporate** *US$'000*	**Total** *US$'000*
Turnover						
– total revenue	**116,526**	**9,268**	**–**	**–**	**–**	**125,794**
– inter-segment sales	**–**	**(38)**	**–**	**–**	**–**	**(38)**
External sales	**116,526**	**9,230**	**–**	**–**	**–**	**125,756**
Segment results	**47,835**	**8,541**	**–**	**–**	**–**	**56,376**
Unallocated costs						
– net corporate expenses	**–**	**–**	**–**	**–**	**(2,844)**	**(2,844)**
– corporate interest income	**–**	**–**	**–**	**–**	**503**	**503**
Operating profit/(loss) after finance costs	**47,835**	**8,541**	**–**	**–**	**(2,341)**	**54,035**
Share of profits less losses of						
– jointly controlled entities	**–**	**16**	**–**	**3,388**	**–**	**3,404**
– associated companies	**–**	**24,445**	**4,218**	**–**	**–**	**28,663**
Profit before taxation						**86,102**
Taxation						**(11,473)**
Profit after taxation						**74,629**
Minority interests						**(1,021)**
Profit attributable to shareholders						**73,608**

	Six months ended 30th June 2002 (Restated)					
	Container leasing *US$'000*	Container terminal and related businesses *US$'000*	Banking *US$'000*	Other operations *US$'000*	Corporate *US$'000*	Total *US$'000*
Turnover						
External sales	107,558	8,446	–	–	–	116,004
Segment results	41,628	5,918	–	–	–	47,546
Unallocated costs						
– net corporate expenses	–	–	–	–	(1,936)	(1,936)
– corporate finance costs	–	–	–	–	(384)	(384)
– corporate interest income	–	–	–	–	1,334	1,334
Operating profit/(loss) after finance costs	41,628	5,918	–	–	(986)	46,560
Share of profits less losses of						
– jointly controlled entities	–	1,593	–	3,332	–	4,925
– associated companies	–	22,733	4,443	–	–	27,176
Profit before taxation						78,661
Taxation						(7,981)
Profit after taxation						70,680
Minority interests						(837)
Profit attributable to shareholders						69,843

(b) Secondary reporting format – geographical segments

The movements of containers under operating leases or finance leases are known through report from the lessees but the Group is not able to control the movements of containers 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 terminal and related businesses, other operations and corporate segments are carried out in Hong Kong and China mainland while that of banking operation is predominantly carried out in Hong Kong.

4. Operating profit

Operating profit is stated after crediting and charging the following:

	Six months ended 30th June	
	2003 *US$'000*	2002 *US$'000*
Crediting		
Dividend income from unlisted investments	**7,511**	5,003
Sale of inventories	**5,909**	3,347
Interest income	**977**	1,763
Recovery of bad and doubtful debts	**941**	415
Charging		
Depreciation and amortisation	**46,518**	42,608
Cost of inventories sold	**7,385**	4,241
Impairment loss of containers	**2,598**	4,117
Loss on disposal of an unlisted investment	**2,192**	–
Provision for bad and doubtful debts	**1,238**	707
Revaluation deficit of investment properties	**90**	233
Provision for loan to an investee company	**–**	1,862
Impairment loss of leasehold land and buildings	**–**	941
Provision for inventories	**–**	137

5. Finance costs

	Six months ended 30th June	
	2003	2002
	US$'000	*US$'000*
Interest expense on		
– bank loans	**2,365**	5,695
– other loans wholly repayable within five years	**1,020**	1,298
– other loans not wholly repayable within five years	**177**	248
– loan from a minority shareholder of a subsidiary wholly repayable within five years	**41**	57
Loss on interest rate swap contracts	**1,407**	559
	5,010	7,857
Other incidental borrowing costs	**2,321**	233
	7,331	8,090

6. Taxation

	Six months ended 30th June	
	2003	2002
	US$'000	*US$'000*
		(Restated)
Company and subsidiaries		
Current taxation		
– Hong Kong profits tax	**195**	112
– China mainland taxation	**345**	126
– Overseas taxation	**39**	59
– Over provision in prior years	**–**	(13)
	579	284
Deferred taxation	**5,118**	3,253
	5,697	3,537
Share of taxation attributable to:		
Jointly controlled entities		
Current taxation		
– China mainland taxation	**406**	568
Associated companies		
Current taxation		
– Hong Kong profits tax	**3,976**	3,734
– China mainland taxation	**412**	322
Deferred taxation	**982**	(180)
	5,776	4,444
	11,473	7,981

Hong Kong profits tax has been provided at a rate of 17.5% (2002: 16.0%) on the estimated assessable profit for the period. In 2003, Hong Kong government enacted a change in the profits tax rate from 16% to 17.5% for the fiscal year 2003/2004. Basis of provision for current taxation is not disclosed here as all the relevant details have been set out in the 2002 annual accounts.

7. Interim dividend

	Six months ended 30th June	
	2003	2002
	US$'000	*US$'000*
2003 interim, declared, of US1.769 cents (2002: US1.410 cents) per ordinary share	**37,986**	30,278

At a meeting held on 22nd September 2003, the directors declared an interim dividend of HK13.8 cents (US1.769 cents) per ordinary share. This dividend declared is not reflected as a dividend payable in the Interim Accounts, but will be reflected as an appropriation of retained profits for the year ending 31st December 2003.

8. Earnings per share

(a) *Basic earnings per share*

The calculation of basic earnings per share for the six months ended 30th June 2003 is based on the Group's profit attributable to shareholders of US$73,608,000 (2002: US$69,843,000) and on the weighted average number of 2,147,012,298 (2002: 2,145,292,475) ordinary shares in issue during the period.

(b) *Diluted earnings per share*

Diluted earnings per share for the six months ended 30th June 2003 was calculated based on the profit attributable to shareholders of US$73,608,000 and the weighted average number of 2,147,012,298 ordinary shares in issue during the period plus weighted average number of 746,795 ordinary shares deemed to be issued at no consideration if all outstanding dilutive options had been exercised.

As the exercise price of the share options outstanding on 30th June 2002 was greater than the average market price of the Company's share during the prior period, there was no dilutive effect on earnings per ordinary share for the six months ended 30th June 2002.

9. Comparative figures

Certain comparative figures have been restated as a result of the change in an accounting policy for deferred taxation as set out in note 2.

INTERIM DIVIDEND

The directors have declared an interim cash dividend of HK13.8 cents per share for the six months ended 30th June 2003 (2002: HK11.0 cents per share). The interim dividend will be payable on 23rd October 2003 to shareholders whose names appear on the register of members of the Company on 16th October 2003.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 13th October 2003 to Thursday, 16th October 2003, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers, accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrars, Secretaries Limited of Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Friday, 10th October 2003.

REVIEW OF OPERATIONS

Overall Results

Profit attributable to shareholders for the six months ended 30th June 2003 amounted to US$73,608,000, representing an increase of 5.4% compared with US$69,843,000 for the corresponding period in the previous year. Earnings per share were US3.4284 cents compared with US3.2556 cents for the corresponding period in the previous year. The change in accounting policy on deferred taxation as a result of the adoption of the revised SSAP 12 during the period resulted in provision for net deferred taxation charge of US$6,100,000 for the six months ended 30th June 2003 (corresponding period of 2002: US$3,073,000). During the period, the outbreak of SARS affected the economic growth in individual areas but the Group was not seriously affected. The Group's container leasing and container terminal businesses performed satisfactorily.

Financial Review

Turnover for the first half of 2003 amounted to US$125,756,000 (corresponding period of 2002: US$116,004,000), up 8.4%, which was mainly due to an increase of 8.3% in turnover of the container leasing business to US$116,526,000 (corresponding period of 2002: US$107,558,000). During the period, container fleet increased by 12.8% to 755,043 TEUs (corresponding period of 2002: 669,265 TEUs). Turnover of Zhangjiagang Win Hanverky Container Terminal Co., Ltd. increased 21.2% to US$4,581,000 (corresponding period of 2002: US$3,780,000) as a result of increase in throughput of 15.6% to 123,689 TEUs, whereas the turnover from container handling and storage businesses amounted to US$4,649,000 (corresponding period of 2002: US$4,666,000).

Cost of sales, mainly comprising depreciation, depot rental, repositioning and maintenance expenses, increased by US$4,307,000 to US$55,030,000 (corresponding period of 2002: US$50,723,000). Among which depreciation accounted for 82.4% (corresponding period of 2002: 81.8%) has been increased by US$3,855,000. During the period, the Group strategically reallocated containers from Europe and America to cater for the increasing demand in Asia, thus an increase in repositioning cost by US$1,363,000 over the corresponding period in the previous year.

Other revenues increased by US$4,283,000, mainly due to the dividend declared during the period by Shekou Container Terminals Ltd. for the first half of the year amounting to US$2,191,000 (corresponding period of 2002: Nil) and the increase in disposal of returned containers from COSCO Container Lines Company Limited ("COSCON"), a fellow subsidiary of the Company. Interest income for the period decreased by US$786,000. The dividend income from Yantian International Container Terminals Ltd. was US$5,135,000 (corresponding period of 2002: US$5,003,000).

Administrative expenses increased by 12.0% to US$12,621,000 compared with the corresponding period in the previous year (corresponding period of 2002: US$11,272,000). During the period, the Group increased its marketing efforts for new projects, hence higher staff costs and marketing expenses were incurred.

Other net operating expenses amounted to US$11,161,000 for the first half of the year (corresponding period of 2002: US$9,498,000). During the period, the carrying value of the returned containers sold increased by US$3,144,000 and the provision for impairment of fixed assets amounted to US$2,598,000 (corresponding period of 2002: US$5,058,000), a decrease of US$2,460,000. In addition, the Company disposed of its 10% interest in River Trade Terminal Holdings Limited ("River Trade Terminal") and incurred a loss of US$2,192,000. During the first half of 2002, a provision of US$1,862,000 was made for the shareholder's loan to River Trade Terminal.

During the period, finance costs decreased by 9.4%. Interest rates remained low in the first half of 2003. At the end of June 2003, the US Federal Reserve further reduced the interest rate by 0.25%. The average borrowing cost of the Group (including a loss of US$1,407,000 arising on interest rate swap contracts (corresponding period of 2002: US$559,000)) was 3.03% (corresponding period of 2002: 3.52%) and the average loan amount decreased to US$330,458,000 (corresponding period of 2002: US$445,882,000).

Profit contribution from jointly controlled entities amounted to US$3,404,000 (corresponding period of 2002: US$4,925,000), representing a decrease of 30.9%. Profit contributions increased from Shanghai CIMC Far East Container Co., Ltd., Tianjin CIMC North Ocean Container Co., Ltd., Shanghai COSCO Kansai Paint & Chemicals Co., Ltd. (formerly known as Shanghai Kansai Paint & Chemical Co., Ltd.) and Tianjin COSCO Kansai Paint & Chemicals Co., Ltd. (formerly known as Tianjin Kansai Paint and Chemical Co., Ltd.) while that from Shanghai CIMC Reefer Containers Co., Ltd. decreased due to the decrease in both sales volume and unit price of containers and increase in the cost of raw materials. Starting from 2003, Qingdao Cosport International Container Terminals Co., Ltd. shifted its business from handling foreign trade containers to domestic cargoes. The throughput handled in the first half of the year decreased and as a result the terminal recorded a moderate profit.

Profit contributions from associated companies for the period amounted to US$28,663,000 (corresponding period of 2002: US$27,176,000). The increase in profit contribution was mainly due to the profit contribution from Shanghai Pudong International Container Terminals Limited ("SPICT") in which the Group holds 20% interest. SPICT commenced operation in March 2003 and had recorded satisfactory performance in throughput and results. The throughput of COSCO-HIT Terminals (Hong Kong) Limited ("COSCO-HIT") increased by 4.6% and its profit contribution was US$17,775,000 (corresponding period of 2002: US$17,697,000). Profit contribution from Shanghai Container Terminals Ltd. was satisfactory as a result of the increase in its throughput by 23.9%. Profit contribution from Liu Chong Hing Bank Limited for the period was US$4,218,000 (corresponding period of 2002: US$4,443,000). The Shanghai Yixian Road Project was sold by an associated company of the Group, Twinbridge Development Corp., in the first half of 2002 and thus no profit contribution was recorded for the period (corresponding period of 2002: US$1,500,000).

Taxation for the period amounted to US$11,473,000 (corresponding period of 2002: US$7,981,000). Pursuant to the revised SSAP 12, the Group had made provision for its deferred tax assets and liabilities. Provision for net deferred taxation charge for the first half of the year amounted to US$6,100,000 and the provision for the corresponding period in 2002 has been restated to US$3,073,000.

FINANCIAL POSITION

Assets and Liabilities

As at 30th June 2003, the balances of deferred tax assets and liabilities dealt with in the consolidated balance sheet amounted to US$329,000 (31st December 2002: US$262,000) and US$29,130,000 (31st December 2002: US$23,945,000) respectively.

Total assets amounted to US$1,686,458,000 (31st December 2002: US$1,743,797,000), whereas total liabilities and minority interests amounted to US$409,210,000 (31st December 2002: US$490,749,000). Net assets amounted to US$1,277,248,000, an increase of 1.9% from the end of 2002. Net asset value per share was HK$4.64, up 1.9% from the end of last year.

Cash balance of the Group was US$144,900,000 (31st December 2002: US$236,121,000). Total outstanding borrowings amounted to US$302,011,000 (31st December 2002: US$420,674,000). During the period, the Group had early repaid syndicated loan of US$120,000,000 in order to minimise interest expenses. This resulted in a decrease in both cash balance and total outstanding borrowings. Net debt-to-equity ratio was 12.3% (31st December 2002: 14.7%). Interest coverage increased to 18.2 times, against 11.0 times in the corresponding period of the previous year.

The Group's bank deposits of US$9,835,000 (31st December 2002: US$7,817,000), together with certain fixed assets with net book value of US$293,561,000 (31st December 2002: US$278,378,000) were pledged to various banks and financial institutions to secure borrowings totalling US$158,832,000 (31st December 2002: US$156,578,000).

Cash Flow

Net cash inflow from operating activities during the period amounted to US$96,170,000 (corresponding period of 2002: US$106,920,000). During the period, the Group strengthened its development efforts and invested US$45,908,000 in the acquisition of a 20% interest in SPICT and US$63,533,000 in purchase of new containers. A total of US$19,768,000 of loan facilities was utilised by the Group (corresponding period of 2002: US$18,467,000) while loan repayments amounted to US$138,431,000 (corresponding period of 2002: US$80,966,000).

Contingent Liabilities

As at 30th June 2003 and 31st December 2002, the Group had no significant contingent liabilities.

FINANCIAL MANAGEMENT

Financing

During the period, the Group completed a major financing exercise. A subsidiary of the Group entered into an agreement with a banking consortium on 17th February 2003 for a 5-year loan facility of US$175,000,000 which was used as working capital and refinancing. The fund raising exercise had exceeded its target with favourable terms, which further demonstrated the strong credit standing of the Group and the support from the banking sector to the Group.

As at 30th June 2003, the Group had an aggregate amount of US$277,960,000 (31st December 2002: US$96,329,000) in committed but unutilised facilities available from banks.

Debt Analysis

	30th June 2003		31st December 2002	
	US$	***%***	*US$*	*%*
By repayment term:				
within the first year	**166,150,000**	**55.0**	210,189,000	50.0
within the second year	**29,479,000**	**9.8**	67,410,000	16.0
within the third year	**32,914,000**	**10.9**	67,839,000	16.1
within the fourth year	**41,176,000**	**13.6**	31,314,000	7.5
within the fifth year and beyond	**32,292,000**	**10.7**	43,922,000	10.4
	302,011,000	**100.0**	420,674,000	100.0
By type of loan:				
secured	**158,832,000**	**52.6**	156,578,000	37.2
unsecured	**143,179,000**	**47.4**	264,096,000	62.8
	302,011,000	**100.0**	420,674,000	100.0
By denomination of loan:				
in US$	**298,831,000**	**98.9**	416,579,000	99.0
in RMB	**3,180,000**	**1.1**	4,095,000	1.0
	302,011,000	**100.0**	420,674,000	100.0

Foreign Exchange and Interest Rate Risks Management

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

The Group exercises stringent control over the use of derivatives for hedging purpose. As at 30th June 2003, the notional principal amounts of the outstanding interest rate swap contracts amounted to US$100,000,000 (31st December 2002: US$100,000,000), with the fixed interest rates ranged from 3.88% to 4.90% per annum (31st December 2002: 3.88% to 4.90%). Fixed rate borrowings of the Group amounted to US$3,180,000 (31st December 2002: US$4,095,000). The aforesaid interest rate swap contracts and fixed rate borrowing arrangement accounted for 34.2% (31st December 2002: 24.7%) of the Group's total borrowings.

Business and Investment Risks Management

COSCO Pacific maintains a positive and prudent approach to its control over business development and investment risks. The Company's operations focus on container leasing, container terminals and logistics businesses, where it has competitive strengths. An investment examination mechanism was established and indicators of economic effectiveness on its business and investment projects were formulated and these were strictly complied with by the Company. Investment and Strategic Planning Committee and Risk Management Committee have been established under the Board to monitor closely the implementation of business and investment risks management.

BUSINESS REVIEW

Container Leasing

Benefiting from the growth in China's import and export trade, container leasing business of the Group grew faster than expected during the period. As at 30th June 2003, Florens Container Holdings Limited, a wholly owned subsidiary of the Company, owned and operated a container fleet of 755,043 TEUs, up 12.8% from a year ago, and accounted for approximately 9.3% of the global market share (corresponding period of 2002: 8.8%).

The Group primarily provides 10-year container leasing service for COSCON, the world's seventh largest container liner operator, and provides both long term and short term container leasing services for other international customers ("International Customers"). These International Customers include major global shipping companies. The top 20 International Customers accounted for approximately 75.9% (corresponding period of 2002: 71.2%) of the Group's total container rental income with International Customers while the total number of customers reached 183 (corresponding period of 2002: 173).

As at 30th June 2003, the Group leased a total of 306,763 TEUs (corresponding period of 2002: 325,129 TEUs) to COSCON, which represents 40.6% (corresponding period of 2002: 48.6%) of the entire container fleet. Containers available to International Customers rose to 448,280 TEUs (corresponding period of 2002: 344,136 TEUs), representing 59.4% (corresponding period of 2002: 51.4%) of the total containers.

Container fleet analysis

	30th June 2003		31st December 2002		30th June 2002	
	COSCON	**International Customers**	COSCON	International Customers	COSCON	International Customers
Total containers (in TEUs)	**306,763**	**448,280**	329,028	378,862	325,129	344,136
– Dry containers	**91.0%**	**95.1%**	91.0%	94.5%	91.4%	94.1%
– Reefers	**8.1%**	**2.7%**	7.9%	2.9%	7.5%	3.1%
– Specials	**0.9%**	**2.2%**	1.1%	2.6%	1.1%	2.8%

During the period, the Group purchased new containers and sold containers returned from COSCON following the expiry of the leases. The average age of the Group's container fleet was 4.58 years (corresponding period of 2002: 4.47 years).

	2003	2002
	TEUs	*TEUs*
Total containers as at 1st January	**707,890**	610,019
New containers purchased	**70,033**	74,388
Containers returned from COSCON upon expiry of leases		
– Total	**(22,038)**	(11,576)
– Re-leased	**567**	1,321
– Disposed of and pending for disposal	**(21,471)**	(10,255)
Ownership transferred to customers upon expiry of finance leases	**(64)**	(3,438)
Defective containers written off	**(1,345)**	(1,449)
Total containers as at 30th June	**755,043***	669,265

* Including 5,216 TEUs (corresponding period of 2002: Nil) of containers managed on behalf of a third party

Utilisation rates

While containers leased to COSCON remained 100% utilised during the period, the overall average utilisation rate of the Group stood at 95.1% (corresponding period of 2002: 91.9%), still well above the industry average of approximately 88% (corresponding period of 2002: approximately 80%).

Handling of returned containers

During the period, a total of 22,038 TEUs (corresponding period of 2002: 11,576 TEUs) were returned from COSCON upon expiry of leases. The Group disposed of 13,005 TEUs (corresponding period of 2002: 7,161 TEUs) including 2,973 TEUs of containers previously returned by COSCON but have not yet been disposed of on or before 31st December 2002 (corresponding period of 2002: 1,620 TEUs). The loss on disposal of the returned containers including other direct costs was US$2,289,000 (corresponding period of 2002: US$1,912,000), which was mainly due to the fact that the carrying value of the returned containers is higher than the average disposal price.

Container Terminal and Related Businesses

Fuelled by the strong performance in the China trade during the period, container terminal and related businesses of the Group reported relatively good performance as a whole. The container terminals, in which the Group has interests, achieved a combined throughput of 8,334,461 TEUs, representing an increase of 24.4% from the corresponding period of the previous year. According to the latest ranking by Drewry Shipping Consultant, a renowned shipping research institute, COSCO Pacific ranked eighth among the world's top ten leading port operators.

Throughput (in TEUs)	First six months of 2003	2002	+/-
COSCO-HIT Terminals (Hong Kong) Limited	**702,457**	671,331	+4.6%
River Trade Terminal	**1,074,348**	820,791	+30.9%
Yantian International Container Terminals Ltd.	**2,312,234**	1,773,087	+30.4%
Shekou Container Terminals Ltd.	**633,549**	347,078	+82.5%
Shanghai Container Terminals Limited	**1,640,200**	1,324,300	+23.9%
Shanghai Pudong International Container Terminals Limited	**999,643***	817,200*	+22.3%
Zhangjiagang Win Hanverky Container Terminal Co., Ltd.	**123,689**	107,028	+15.6%
Qingdao Cosport International Container Terminals Co., Ltd.	**128,858**	267,347	-51.8%
Dalian Port Container Co., Ltd.	**719,483**	570,834	+26.0%
Combined throughput	**8,334,461**	6,698,996	+24.4%
Combined throughput of China mainland terminals	**6,557,656**	5,206,874	+25.9%

* The figures represent the throughput of Shanghai Waigaoqiao Container Terminal Phase 1 for the 1st half year of 2002 and 2003 respectively. SPICT was incorporated on 1st March 2003 and has the right to operate Waigaoqiao Container Terminal Phase 1 since then.

COSCO-HIT Terminals (Hong Kong) Limited

COSCO Pacific has a 50% interest in COSCO-HIT. During the period, COSCO-HIT has benefited from the growth in China trade and has consolidated and broadened its customer base through its commitment in providing quality services to customers. Throughput at the terminal increased 4.6% during the first six months of 2003 and a total of 702,457 TEUs were handled (corresponding period of 2002: 671,331 TEUs), and its performance is satisfactory.

Container Terminals in China mainland

During the period, the container terminals in China mainland in which the Group has interests all recorded a total throughput of 6,557,656 TEUs representing an increase of 25.9% from the corresponding period of the previous year.

Shanghai Pudong International Container Terminals Limited

SPICT commenced operation officially on 1st March 2003. This company was formed by the Company's wholly owned subsidiary, COSCO Pacific (China) Investments Co., Ltd., Shanghai Waigaoqiao Free Trade Zone Stevedoring Company, Hutchison Ports Pudong Ltd., and S. I. Infrastructure Holdings Limited.

COSCO Pacific (China) Investments Co., Ltd. has invested US$45,908,000 in cash for a 20% interest in SPICT. The capital contribution is funded by internal resources. SPICT manages and operates Phase I of the Shanghai Waigaoqiao Container Terminals.

Located at Waigaoqiao free trade zone area A, the terminal is a well-equipped container terminal in Shanghai, capable of handling larger-sized container vessels. The 3-berth terminal has a 900-metre quay length. The terminal covers a whole land area of 500,000 square metres, of which 238,000 square metres are attributable to the depot area. Twelve international container shipping companies which operate 16 international container transportation routes use this terminal to load, unload and handle their containers. From March to June of 2003, the terminal handled 683,343 TEUs, a 21.4% increase over same period of 2002.

River Trade Terminal

To meet the fleet development of COSCO Group, COSCO Pacific disposed of its entire 10% interest in the River Trade Terminal in June 2003 and resulted in a loss of US$2,192,000.

Container Handling and Storage

Plangreat Limited, a wholly owned subsidiary of the Company, and its subsidiaries provide container stevedoring, storage, repairs and transportation services. During the period, turnover of Plangreat Limited and its subsidiaries amounted to US$4,649,000 (corresponding period of 2002: US$4,666,000).

Other Operations

During the period, the production volume of Shanghai CIMC Far East Container Co., Ltd. and Tianjin CIMC North Ocean Container Co., Ltd. recorded a 94.8% increase; the production volume of Shanghai COSCO Kansai Paint & Chemicals Co., Ltd. and Tianjin COSCO Kansai Paint & Chemicals Co., Ltd. recorded a 47.7% increase and that of Shanghai CIMC Reefer Containers Co., Ltd. recorded a 4.8% decrease. The above five jointly controlled entities continued to contribute to the Group's profit.

The Group has a 20% interest in Liu Chong Hing Bank Limited, which contributed US$4,218,000 to the Group's pre-tax profit, a decrease of 5.1% compared with the corresponding period in the previous year.

NEW DEVELOPMENTS

Qingdao Qianwan Container Terminal Co., Ltd.

On 18th July 2003, an equity transfer agreement was entered into in Beijing by COSCO Ports (Qianwan) Limited, a wholly owned subsidiary of COSCO Pacific, and Qingdao Port (Group) Co., Ltd., pursuant to which COSCO Ports (Qianwan) Limited agreed to acquire a 20% interest of Qingdao Qianwan Container Terminal Co., Ltd. ("QQCT") from Qingdao Port (Group) Co., Ltd.. QQCT operates three berths at Qingdao Qianwan Container Terminals Phase II and handled approximately 800,000 TEUs in 2002.

QQCT held a signing ceremony of the co-operation agreement in Beijing on 21st July 2003 which was witnessed by China's Premier Wen Jiabao and Tony Blair, Prime Minister of the United Kingdom. The agreement extended the scope of the joint venture to Qingdao Qianwan Container Terminals Phase III. In Qingdao Qianwan Container Terminals Phase III, three berths are in operation and two other berths will be put into operation towards the end of the year. Three more berths will be built in the coming two years. Upon completion of Phase III, QQCT will have 11 berths, spanning a coastline of approximately 3,400 metres. The depot will cover an area of approximately 2,250,000 square metres. Berth depth will reach 17.5 metres, capable of handling a mega container vessel with a capacity of 10,000 TEUs. Its annual handling capacity will be over 6,500,000 TEUs.

COSCO Ports (Qianwan) Limited will invest approximately US$180,000,000 in QQCT with a total of 11 berths.

COSCO-PSA Terminal Private Limited

On 30th August 2003, COSCO Pacific signed Heads of Agreement with PSA Corporation Limited whereby both parties agreed to set up a joint venture company for the operation of two container berths in the port of Singapore. The project will be undertaken in two phases with annual designed throughput of 500,000 TEUs for each berth.

COSCO Logistics Co., Ltd.

On 22nd September 2003, COSCO Pacific Logistics Company Limited ("CPLCL"), a wholly owned subsidiary of the Company, entered into agreements with China Ocean Shipping (Group) Company ("COSCO") to effect, subsequent to the fulfillment of certain conditions precedent, a capital increase and transfer of equity interest transaction for the acquisition of a 49% equity interest in COSCO Logistics Co., Ltd. ("COSCO LOGISTICS"), a wholly owned subsidiary of COSCO, at a total consideration of RMB1,180,410,000 (approximately US$142,769,000). CPLCL further agreed to pay COSCO an additional amount of RMB50,000,000 (approximately US$6,047,000) if the pro forma combined net profit of COSCO LOGISTICS and its subsidiaries for the year ending 31st December 2003 exceeds RMB200,000,000 (approximately US$24,190,000). COSCO LOGISTICS and its subsidiaries operate businesses including shipping agency, freight forwarding, third party logistics services and supporting services. For details of the transaction, please refer to the Company's announcement published in accordance with the requirements of the Listing Rules in South China Morning Post and Hong Kong Economic Times on 23rd September 2003.

Issuance of 10-year bonds

The Company has appointed three investment banks to act as Joint Bookrunners for the proposed debt issuance of approximately US$300,000,000 fixed rate bonds with 10-year maturity. The bonds will be offered outside the United States in accordance with Regulation S under the United States Securities Act of 1933. The proceeds will be mainly used for financing of new port acquisitions and for refinancing purposes. This financing will diversify the Company's fund raising channels and will improve its debt maturity profile. It is expected that the issuance will be completed by October this year subject to market conditions.

EMPLOYEES AND REMUNERATION POLICIES

The Group considers that staff quality is among the key factors for its success, and regards its team of staff as the most precious asset. Therefore, the Group attaches great importance to its staff and their management on training. To this end, the Group organises seminars on modern management theory and practice given by internationally renowned management and consultative experts, maintains and subsidises various training programmes on team building, arranges its staff to participate in a variety of professional training courses or overseas training courses. These will enhance the overall qualification of our staff, enrich and update their knowledge to the extent that their potential could be maximised. As they become more capable to complete their tasks creatively, the Group's competitive edge will be enhanced.

As at 30th June 2003, there were 363 employees in the Group. The Group continues to improve the remuneration packages for its employees based on fair principles and competitive market conditions. The management will review the remuneration policies on a regular basis to formulate more reasonable incentives and appraisal measures. Apart from the general remuneration and bonus packages, share options were granted by the Group to the employees to motivate their performance and contribution to the Group's continuous growth. Total staff cost of the Group for the first half of the year, including directors' remuneration, totalled US$6,926,000 (corresponding period of 2002: US$6,522,000).

AUDIT COMMITTEE

The Company has an audit committee consisting of three independent non-executive directors of the Company. The committee reviews the systems of internal controls throughout the Group, the completeness and accuracy of its financial statements and liaises on behalf of the board of directors (the "Board") with external auditors and the Group's internal auditors. The committee members meet regularly with management, external and internal auditors and reviewed the internal and external audit reports and the interim and annual financial statements of the Group.

CORPORATE GOVERNANCE

None of the directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the period for the six months ended 30th June 2003, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

To enhance the Company's corporate governance standard, during the board meeting held on 26th March 2003, the Board approved the establishment of three board committees, namely, (i) Investment and Strategic Planning Committee, (ii) Corporate Governance Committee and (iii) Risk Management Committee. These three committees have started operation.

Two new board committees, namely, (i) Nomination Committee and (ii) Remuneration and Assessment Committee were established by the Company at the board meeting held on 22nd September 2003.

In April 2003, COSCO Pacific was awarded by CLSA Ltd. as one of the Best Chinese Companies in Corporate Governance, which was the third consecutive year for the Company in receiving such honour. In its survey and research report, CLSA Ltd. highly appraised COSCO Pacific for its focused business, persistently creating shareholders' value and high transparency; in particular, it noted that COSCO Pacific was the only Chinese enterprise that has formed its own Corporate Governance Committee.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

The Company has not redeemed any of its listed shares during the six months ended 30th June 2003. Neither the Company nor any of its subsidiaries purchased or sold any of the Company's listed shares during the six months ended 30th June 2003.

INVESTOR RELATIONS

In June 2003, COSCO Pacific was accredited as "The Asian Conglomerate Enterprise with the Best Investor Relations" by the globally renowned Institutional Investor Research Group. With active participation of institutional investors in the poll, the ranking can better represent the impression of institutional investors on investor relations of listed companies. The poll was marked by 200 analysts in total. Classified as an Asian Conglomerate Enterprise, COSCO Pacific received the highest score from analysts by industry category, and ranked top in the Best Investor Relations.

COSCO Pacific is glad to have achieved such excellent award, which is investors' affirmation of the long term efforts made by COSCO Pacific. In keeping abreast with the times, COSCO Pacific will continue to raise its standard of corporate governance and transparency, and strive for excellence in investor relations over its counterparts, so as to enhance its market value and generate wealth for its shareholders.

PROSPECTS

On 9th June 2003, COSCO Pacific became a constituent stock of the Hang Seng Index, representing the first PRC shipping related company ever incorporated into the index. This has proved that our performance and efforts are widely recognised. We will continue to strengthen investors' confidence through our good management and sound corporate governance. It is one of our committed long term goals to become a highly profitable and effectively managed conglomerate.

Looking into the second half of the year, business sentiment should improve on the back of a recovering US economy and a relaxed global monetary regime. However, as structural imbalance still exists in the world's major economies, we remain cautiously optimistic in the longer term, in anticipation of a moderate and uneven economic recovery. China's economy is set to benefit from its accession to the World Trade Organisation, the hosting of the 2008 Beijing Olympic Games and the 2010 Shanghai World Expo. Meanwhile, Hong Kong's economy will be revitalised by the signing of Mainland-Hong Kong Closer Economic Partnership Arrangement.

The overall utilisation rate of the Group's container fleet in the first half of the year was higher than the industry's average. Business proportion of International Customers continued to grow, an evidence that the Group's container leasing business is increasingly competitive. The Group will rise to any opportunities to further expand its container leasing business so as to exploit economies of scale and strengthen its world leading position in container leasing.

It is expected that the China's import and export trade will maintain its growth momentum, which should benefit container terminal operations in China mainland and Hong Kong. To this end, the Group's container terminal business will continue to grow in the second half of the year. The Group will adhere to its investment strategy in seizing suitable opportunities of container terminal investment so as to strengthen its container terminal business and command a leading position in the industry in Asia.

The Group will capitalise on the positioning of its core business laid down by its parent company and expand into logistics and other operations so as to cultivate new sources of profit and become a leading logistics service provider in China mainland and Hong Kong.

As a constituent stock of the Hang Seng Index, the Group has attached great importance to better corporate governance and transparency and is committed to creating shareholders' value and providing customers with quality services.

By Order of the Board
SUN Jiakang
Managing Director

Hong Kong, 22nd September 2003

This announcement can also be accessed through the Company's internet at http://www.coscopac.com.hk.

A detailed interim results announcement containing all the information required by paragraphs 46(1) to 46(6) of Appendix 16 of the Listing Rules will be published on the same website and the website of The Stock Exchange of Hong Kong Limited in due course.

Please also refer to the published version of this announcement in South China Morning Post dated on 23-9-2003.