



# COSCO Pacific Limited

(Incorporated in Bermuda with limited liability)

## 2000 FINAL RESULTS ANNOUNCEMENT

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

- The container leasing fleet increased 5.4% to 527,982 TEUs
- Throughput at the five container terminals rose 20.9% to 7,149,727 TEUs

- Profit attributable to shareholders up 6.3% to US\$142,546,000
- Net debt-to-equity ratio further reduced to 26.0%

### RESULTS

The board of directors (the "Directors") of the Company is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31st December, 2000, together with the comparative figures for the previous year, as follows:

|                                      | Note | 2000<br>US\$'000 | 1999<br>US\$'000 |
|--------------------------------------|------|------------------|------------------|
| Turnover                             | 2    | 217,893          | 220,638          |
| Cost of sales                        |      | (87,983)         | (86,667)         |
| Gross profit                         |      | 129,910          | 133,971          |
| Other revenues                       | 2    | 30,975           | 29,312           |
| Administrative expenses              |      | (20,679)         | (20,087)         |
| Other operating expenses (net)       |      | (15,614)         | (19,506)         |
| Operating profit                     | 3    | 124,592          | 123,690          |
| Finance costs                        | 4    | (43,113)         | (40,306)         |
| Operating profit after finance costs |      | 81,479           | 83,384           |
| Share of profits less losses of      |      |                  |                  |
| Jointly controlled entities          |      | 6,656            | 4,106            |
| Associated companies                 |      | 66,243           | 54,871           |
| Profit before taxation               |      | 154,378          | 142,361          |
| Taxation                             | 5    | (10,946)         | (7,612)          |
| Profit after taxation                |      | 143,432          | 134,749          |
| Minority interests                   |      | (886)            | (667)            |
| Profit attributable to shareholders  |      | 142,546          | 134,082          |
| Dividends                            | 6    | (52,731)         | (51,275)         |
| Transfer to other reserve            |      | (1,468)          | (2,692)          |
| Profit for the year retained         |      | 88,347           | 80,115           |
| Earnings per share                   |      |                  |                  |
| Basic earnings per share             | 7    | US6.6634 cents   | US6.3561 cents   |
| Diluted earnings per share           | 7    | US6.6628 cents   | N/A              |

### Notes:

#### 1. Principal activities and geographical analysis of operations

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

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

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

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

#### 2. Turnover and other revenues

|   | 2000<br>US\$'000 | 1999<br>US\$'000 |
|---|------------------|------------------|
| Turnover  | 200,422          | 201,899          |
| Container rentals under operating leases  | 1,721            | 3,306            |
| Hire purchase income  | 10,494           | 10,942           |
| Container handling, transportation and storage income, commission and rebate income | 5,256            | 4,581            |
| Terminal operation income   | 217,893          | 220,638          |
| Other revenues  |                  |                  |
| Sale of inventories   | 17,388           | 23,985           |
| Interest income   | 12,191           | 5,068            |
| Gross rental income from investment properties                                      | 44               | 60               |
| Dividend income from listed investment  | 329              | 199              |
| Dividend income from unlisted investment  | 1,023            | —                |
|   | 30,975           | 29,312           |
|   | 248,868          | 249,950          |

#### 3. Operating profit

|  | 2000<br>US\$'000 | 1999<br>US\$'000 |
|--|------------------|------------------|
| Operating profit is stated after charging the following: |                  |                  |
| Depreciation and amortisation                            | 74,815           | 70,551           |
| Cost of inventories sold                                 | 16,894           | 12,808           |

#### 4. Finance costs

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

#### 5. Taxation

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

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

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

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 exempted 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.

#### 6. Dividends

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

#### 7. Earnings per share

##### (a) Basic earnings per share

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

##### (b) Diluted earnings per share

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

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

### RESULTS HIGHLIGHTS

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

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

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

### FINANCIAL REVIEW

As at 31st December, 2000, the Group's consolidated net asset value was US\$1,070,810,000, an increase of 9.1% from a year ago. Cash on hand was US\$145,607,000 (1999: US\$252,335,000). Net debt-to-equity ratio further improved to 26.0% (1999: 31.4%). Interest coverage was 5.1 times, against 4.8 times by the end of 1999. This has increased the Group's ability to finance its operations in a flexible manner.

During the year, major capital expenditure amounted to US\$122,931,000 (1999: US\$83,511,000), of which US\$116,290,000 (1999: US\$57,703,000) was for the purchase of new containers.

The Group successfully raised an aggregate of US\$340 million loans in 2000 primarily through the following three major fund-raising exercises.

| Month     | Amount          | Duration   | Type              | Purpose  |
|-----------|-----------------|------------|-------------------|--|
| April     | US\$140 million | Two years  | Commercial papers | Refinancing for commercial papers of US\$130 million, due in May, 2000 |
| September | US\$50 million  | Six years  | Syndicated loans  | For the purchase of containers   |
| November  | US\$120 million | Five years | Syndicated loans  | For the purchase of containers and as working capital                  |

As at 31st December 2000, the Group's net borrowings further reduced to US\$278,038,000 (1999: US\$308,451,000). Interest expenses increased 2.7% to US\$38,082,000 compared to 1999 mainly due to the increase in the London Interbank Offered Rate. Other borrowing costs increased due to more facilities being arranged during 2000.

### CONTAINER LEASING

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

Performance of the container leasing business was stable in 2000, with turnover dipped slightly by 1.4% to US\$202,143,000. Profit after tax was US\$75,578,000 (1999: US\$84,887,000), which accounted for 53.0% (1999: 63.3%) of the profit attributable to shareholders. The main reason for the slight decline in turnover was the decrease in rental income from COSCO Container Lines Company Limited ("COSCON") which leased less containers during 2000. The decrease in profit after tax was mainly due to fall in the profit from the disposal of returned containers.

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

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

#### Container Fleet Analysis

|                            | 31.12.2000 |         |                         | 31.12.1999 |         |                         |
|----------------------------|------------|---------|-------------------------|------------|---------|-------------------------|
|                            | Total      | COSCON  | International Customers | Total      | COSCON  | International Customers |
| Total containers (in TEUs) | 527,982    | 303,978 | 224,004                 | 500,899    | 311,047 | 189,852                 |
| — Dry containers           | 91.4%      | 91.4%   | 91.2%                   | 91.2%      | 91.6%   | 90.3%                   |
| — Reefers                  | 6.0%       | 7.4%    | 4.1%                    | 6.1%       | 7.2%    | 4.4%                    |
| — Specials                 | 2.6%       | 1.2%    | 4.4%                    | 2.7%       | 1.2%    | 5.3%                    |

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

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

#### Utilisation Rates

While containers leased to COSCON remained 100% utilised, the overall average utilisation rate stood high at 95.1% (1999: 96.5%), well above the industry average of about 83.0% (1999: 80.0%). The slight fall in the overall average utilisation rate was caused by a fall in COSCON fleet and the increase in short term leasing with International Customers.

### Disposal of Containers

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

### Container Leasing E-commerce Platform

COSCO Pacific has been focusing on international container leasing business. In addition to expanding the container fleet, we are further enhancing our on-line container leasing platform. The first phase of the platform was launched in December 2000, addressing our current customers' requirements for container information and enquiries. The second phase is expected to commence operation in the second half of 2001 to provide on-line container leasing services to our major customers. The Group has further improved its computer systems and provided intensive e-commerce training for its staff as well as guidelines for its existing customers. This will further enhance the function of the e-commerce platform and make it highly competitive among those in the industry.

### CONTAINER TERMINALS

Container terminal business continued to grow satisfactorily during the year. When compared with 1999, the aggregate throughput of our five container terminals rose 20.9% to 7,149,727 TEUs.

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

### COSCO-HIT

The Group has a 50% interest in COSCO-HIT Terminals (Hong Kong) Limited ("COSCO-HIT"). Throughput at COSCO-HIT grew 15.8% to 1,412,854 TEUs in 2000 (1999: 1,220,002 TEUs), accounting for about 12.2% (1999: 11.8%) of the aggregate throughput of the Kwai Chung container terminals in Hong Kong. As a result of increased business volume and successful cost-control measures, COSCO-HIT also achieved satisfactory profit during the year despite increased interest costs.

### Four China Mainland Container Terminals

Throughput at our four container terminals in China Mainland was satisfactory, reaching 5,736,873 TEUs, a 22.2% increase over 1999. This was in line with the continued growth in China's foreign trade and the increase in cargo containerisation. The four terminals recorded satisfactory profits in 2000.

### River Trade Terminal

The Group has a 10% interest in River Trade Terminal Holdings Limited ("River Trade Terminal"). The terminal provides container and cargo handling and related services for customers transporting cargoes to and from the Pearl River Delta region via Hong Kong. The terminal handled 980,759 TEUs of containers in 2000, 174% more than in 1999. Performance of the terminal was unsatisfactory due to fierce market competition. In the 2000 financial statements, the Group has made a provision of US\$4,600,000 (1999: US\$2,845,000) against the shareholders' loans to River Trade Terminal.

### Shanghai Waigaoqiao Container Terminal (Phase I)

The Group has signed an agreement together with other partners to form a joint venture which is named Shanghai Pudong International Container Terminal Ltd (Shanghai Waigaoqiao Terminal). The joint venture, in which the Group will hold a 20% interest, is in the process of securing final approval from government authorities.

### SHANGHAI YIXIAN ROAD

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

### CONTAINER HANDLING AND STORAGE

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

### CONTAINER RELATED INDUSTRIES

Our container related industrial investments registered satisfactory results.

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

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

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

### LIU CHONG HING BANK LIMITED

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

### PROSPECTS

2001 is the first year of China's 10th five-year plan. With China's imminent entry to the World Trade Organization (the "WTO"), the next five years will be the most important stage of China's trade development. COSCO Pacific has been actively preparing for the opportunities and challenges.

The recent slowdown of U.S. economy will affect imports and exports of other countries. However, China's entry to the WTO will help stimulate China and global trade. Therefore, we remain optimistic about the overall economic environment and plan to expand our core businesses over the next few years.

In view of the further integration of the global economy, rising levels of containerisation and China's entry to the WTO, the Group has been actively expanding its container fleet and increasing its stakes in container terminals so as to increase its competitiveness and market share. These moves will pave way for the Group's further growth in future, thereby achieving the best return for shareholders.

### FINAL DIVIDEND

The Directors propose a final cash dividend of HK11.0 cents (1999: HK10.5 cents) per share subject to approval of the shareholders at the annual general meeting to be held on 25th May, 2001. The proposed final dividend is payable on or before 8th June, 2001, to shareholders whose names appear on the register of members of the Company on 25th May, 2001.