



Interim Report 2002 中期報告



COSCO Pacific Limited
(中遠太平洋有限公司)

(Incorporated in Bermuda with limited liability)
(於百慕達註冊成立之有限公司)

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INTERIM RESULTS

The board of directors of COSCO Pacific Limited (the "Company" or "COSCO Pacific") is pleased to present the interim report including the condensed accounts of the Company and its subsidiaries (the "Group") for the six months ended 30th June 2002. This interim report has been reviewed by the Company's Audit Committee. The consolidated profit and loss account, consolidated cash flow statement and consolidated statement of changes in equity of the Group for the six months ended 30th June 2002 and the consolidated balance sheet as at 30th June 2002 of the Group, all of which are unaudited and condensed, along with selected explanatory notes, are set out on pages 1 to 20 of this report.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE SIX MONTHS ENDED 30TH JUNE 2002

	Note	Unaudited Six months ended 30th June	
		2002 US\$'000	2001 US\$'000
Turnover	2	116,004	108,351
Cost of sales		(50,723)	(46,597)
Gross profit		65,281	61,754
Other revenues		10,139	7,238
Administrative expenses		(11,272)	(9,958)
Other operating (expenses) / income (net)		(9,498)	14,262
Operating profit	3	54,650	73,296
Finance costs	4	(8,090)	(16,031)
Operating profit after finance costs		46,560	57,265
Share of profits less losses of			
– jointly controlled entities		4,925	4,965
– associated companies		26,921	27,251
Profit before taxation		78,406	89,481
Taxation	5	(4,653)	(5,002)
Profit after taxation		73,753	84,479
Minority interests		(837)	(550)
Profit attributable to shareholders		72,916	83,929
Transfer to other reserves		(662)	(962)
Profit for the period retained		72,254	82,967
Proposed interim dividend	6	30,278	26,091
Basic earnings per share	7	US3.399 cents	US3.922 cents
Diluted earnings per share	7	N/A	US3.915 cents

**CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30TH JUNE 2002**

	Note	Unaudited As at 30th June 2002 US\$'000	Audited As at 31st December 2001 US\$'000
Non-current assets			
Fixed assets	8	1,046,980	1,013,775
Investments in joint ventures	11	38,847	47,091
Investments in associated companies		332,762	331,756
Investment securities		41,391	37,299
Finance lease receivables		1,001	2,869
Restricted bank deposits	10	7,215	8,174
		<u>1,468,196</u>	<u>1,440,964</u>
Current assets			
Inventories		2,262	3,278
Trade and other receivables	9	47,959	43,975
Current portion of finance lease receivables		4,221	4,595
Time deposits	10	220,127	236,336
Bank balances and cash	10	9,991	9,599
		<u>284,560</u>	<u>297,783</u>
Current liabilities			
Trade and other payables	11	59,698	20,093
Unsecured short term bank loans		15,056	16,356
Current portion of long term liabilities	13	50,636	92,125
Tax payable		1,264	1,313
		<u>126,654</u>	<u>129,887</u>
Net current assets		<u>157,906</u>	<u>167,896</u>
Total assets less current liabilities		<u>1,626,102</u>	<u>1,608,860</u>
Representing:			
Share capital	12	27,533	27,476
Share premium		560,003	558,008
Other reserves		7,186	6,681
Retained profits		611,569	569,673
Proposed dividend		30,278	38,456
Shareholders' funds		<u>1,236,569</u>	<u>1,200,294</u>
Minority interests		8,186	7,509
Non-current liabilities			
Long term liabilities	13	381,347	401,057
		<u>1,626,102</u>	<u>1,608,860</u>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30TH JUNE 2002**

	Note	Unaudited	
		Six months ended 30th June	
		2002	2001
		US\$'000	US\$'000
			(Restated)
Net cash from operating activities		106,920	101,581
Net cash used in investing activities		(15,928)	(66,130)
Net cash used in financing activities		(106,809)	(19,883)
Net (decrease) / increase in cash and cash equivalents		(15,817)	15,568
Cash and cash equivalents at 1st January		245,935	141,752
Cash and cash equivalents at 30th June	10	230,118	157,320
Analysis of balances of cash and cash equivalents:			
Time deposits		220,127	147,415
Bank balances and cash		9,991	9,905
		230,118	157,320

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30TH JUNE 2002**

	Unaudited	
	Six months ended 30th June	
	2002	2001
	US\$'000	US\$'000
Shareholders' funds as at 1st January	1,200,294	1,100,979
Share of capital reserve in a jointly controlled entity	8	–
Impairment loss of leasehold land and buildings taken to other properties revaluation reserve	(165)	–
Net loss not recognised in the consolidated profit and loss account	(157)	–
Profit attributable to shareholders	72,916	83,929
2001/2000 final dividend paid	(38,536)	(30,195)
Issue of shares upon exercise of share options	2,052	1,361
Shareholders' funds as at 30th June	<u>1,236,569</u>	<u>1,156,074</u>

NOTES TO CONDENSED INTERIM ACCOUNTS

1 Basis of preparation and principal accounting policies

These unaudited consolidated condensed interim accounts (“Interim Accounts”) are prepared in accordance with Statement of Standard Accounting Practice 2.125, “Interim Financial Reporting”, issued by the Hong Kong Society of Accountants, 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 2001 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 2001 except that the Group has changed certain of its accounting policies following the adoption of the following Statements of Standard Accounting Practice (“SSAPs”) issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1st January 2002:

SSAP 1 (revised):	Presentation of financial statements
SSAP 11 (revised):	Foreign currency translation
SSAP 15 (revised):	Cash flow statements
SSAP 25 (revised):	Interim financial reporting
SSAP 33 :	Discontinuing operations
SSAP 34 :	Employee benefits

The adoption of these new or revised accounting standards did not have material impact to the Interim Accounts for the six months ended 30th June 2002 except for the reclassification of the condensed consolidated cash flow statement into operating, investing and financing activities and the presentation of condensed consolidated statement of changes in equity.

2 Turnover and segment information

(a) Primary reporting format – business segments

Segment turnover and results

	Six months ended 30th June 2002							
	Container terminal		Banking	Other operations	Corporate	PRC		Total
	Container leasing	and related businesses				investment securities		
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	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 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	4,188	-	-	-	26,921	
Profit before taxation							78,406	
Taxation							(4,653)	
Profit after taxation							73,753	
Minority interests							(837)	
Profit attributable to shareholders							72,916	

2 Turnover and segment information (Continued)

(a) Primary reporting format – business segments (Continued)

Segment turnover and results (Continued)

	Six months ended 30th June 2001							Total US\$'000
	Container terminal		Banking	Other operations	Corporate	PRC investment securities		
	Container leasing	and related businesses						
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000		
Turnover								
External sales	100,736	7,615	–	–	–	–	108,351	
Segment results	42,047	935	–	–	–	14,137	57,119	
Unallocated costs								
– net corporate expenses	–	–	–	–	(1,481)	–	(1,481)	
– corporate finance costs	–	–	–	–	(454)	–	(454)	
– corporate interest income	–	–	–	–	2,081	–	2,081	
Operating profit after finance costs	42,047	935	–	–	146	14,137	57,265	
Share of profits less losses of								
– jointly controlled entities	–	1,660	–	3,305	–	–	4,965	
– associated companies	–	21,799	5,452	–	–	–	27,251	
Profit before taxation							89,481	
Taxation							(5,002)	
Profit after taxation							84,479	
Minority interests							(550)	
Profit attributable to shareholders							83,929	

2 Turnover and segment information (Continued)

(a) Primary reporting format – business segments (Continued)

Segment balance sheet and other segment information

	As at 30th June 2002						
		Container				PRC	
	Container	terminal		Other	Corporate	investment	Total
	leasing	and related	Banking	operations	US\$'000	securities	US\$'000
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Segment assets	1,159,329	38,690	-	-	-	-	1,198,019
Investments in joint ventures	(9,161)	23,447	-	24,561	-	-	38,847
Investments in							
associated companies	-	174,220	158,542	-	-	-	332,762
Investment securities	-	41,391	-	-	-	-	41,391
Unallocated assets							141,737
Total assets							1,752,756
Segment liabilities	(481,883)	(9,394)	-	-	-	-	(491,277)
Minority interests	-	(8,186)	-	-	-	-	(8,186)
Unallocated liabilities							(16,724)
Total liabilities							(516,187)
Capital expenditure	85,785	468	-	-	18	-	86,271
Depreciation and amortisation	41,874	592	-	-	142	-	42,608
Impairment loss recognised in							
– profit and loss account	5,058	-	-	-	-	-	5,058
– other properties							
revaluation reserve	165	-	-	-	-	-	165
Other non-cash expenses	550	1,850	-	-	-	-	2,400

2 Turnover and segment information (Continued)

(a) Primary reporting format – business segments (Continued)

Segment balance sheet and other segment information (Continued)

	As at 31st December 2001						
	Container terminal		Banking	Other operations	Corporate	PRC investment securities	Total
	Container leasing	and related businesses					
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Segment assets	1,136,689	37,366	-	-	-	-	1,174,055
Investments in joint ventures	481	25,022	-	21,588	-	-	47,091
Investments in							
associated companies	-	173,506	158,250	-	-	-	331,756
Investment securities	-	37,299	-	-	-	-	37,299
Unallocated assets							148,546
Total assets							<u>1,738,747</u>
Segment liabilities	(509,522)	(9,111)	-	-	-	-	(518,633)
Minority interests	-	(7,509)	-	-	-	-	(7,509)
Unallocated liabilities							(12,311)
Total liabilities							<u>(538,453)</u>
Capital expenditure	166,394	1,994	-	-	595	-	168,983
Depreciation and amortisation	79,504	1,217	-	-	239	-	80,960
Impairment loss recognised in							
– profit and loss account	5,680	-	-	-	-	-	5,680
– other properties revaluation reserve	248	-	-	-	-	-	248
Other non-cash (income) / expenses	(4,816)	3,450	-	-	36	-	(1,330)

(b) Secondary reporting format – geographical segments

The movements of containers under operating leases or finance lease contracts are known through reports from the lessees and 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 are carried out in Hong Kong and China mainland while that of banking operation is predominantly carried out in Hong Kong.

3 Operating profit

Operating profit is stated after crediting and charging the following:

	Six months ended 30th June	
	2002	2001
	US\$'000	US\$'000
Crediting		
Dividend income from unlisted investment	5,003	–
Sale of inventories	3,347	4,218
Interest income	1,763	2,991
Recovery of bad and doubtful debts	415	40
Profit on sale of listed investment	–	14,137
Reversal of provision for container repairs and maintenance expense	–	6,156
Charging		
Depreciation and amortisation	42,608	39,317
Cost of inventories sold	4,241	4,819
Impairment loss of containers	4,117	2,847
Impairment loss of leasehold land and buildings	941	–
Provision for loan to an investee company	1,862	1,800
Provision for bad and doubtful debts	707	676
Revaluation deficit of investment properties	233	–
Provision for inventories	137	152

4 Finance costs

	Six months ended 30th June	
	2002	2001
	US\$'000	US\$'000
Interest expense on		
– bank loans	5,695	8,691
– other loans wholly repayable within five years	1,298	3,966
– other loans not wholly repayable within five years	248	591
– loan from a minority shareholder of a subsidiary wholly repayable within five years	57	79
Loss/(gain) on interest rate swap contracts	559	(40)
	7,857	13,287
Other incidental borrowing costs	233	2,744
	8,090	16,031

5 Taxation

	Six months ended 30th June	
	2002 US\$'000	2001 US\$'000
Company and subsidiaries		
Hong Kong profits tax	112	183
China mainland taxation	126	73
Overseas taxation	59	114
Over provision in prior years	(13)	–
	<u>284</u>	<u>370</u>
Share of taxation attributable to:		
Jointly controlled entities		
China mainland taxation	568	605
Associated companies		
Hong Kong profits tax	3,479	3,549
China mainland taxation	322	419
Deferred taxation	–	59
	<u>4,653</u>	<u>5,002</u>

Hong Kong profits tax has been provided at a rate of 16% (2001: 16%) on the estimated assessable profit for the period. 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% (2001: 7.5%) on the estimated assessable profit for the period. The subsidiary in China mainland is eligible for a 50% relief from corporate income tax of 15% for five years since 1998.

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

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

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

6 Proposed interim dividend

	Six months ended 30th June	
	2002	2001
	US\$'000	US\$'000
2002 interim, proposed, of US1.410 cents (2001: US1.218 cents) per ordinary share	<u>30,278</u>	<u>26,091</u>

At a meeting held on 5th September 2002 the directors declared an interim dividend of HK11 cents (US1.410 cents) per ordinary share. This proposed dividend is not reflected as a dividend payable in these Interim Accounts, but will be reflected as an appropriation of retained profits for the year ending 31st December 2002.

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\$72,916,000 (2001: US\$83,929,000) and on the weighted average number of 2,145,292,475 (2001: 2,139,907,116) ordinary shares in issue during the period.

(b) Diluted earnings per share

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 period, there was no dilution effect on earnings per share for the six months ended 30th June 2002.

Diluted earnings per share for the six months ended 30th June 2001 was calculated based on the profit attributable to shareholders of US\$83,929,000 and the weighted average number of ordinary shares in issue of 2,139,907,116 shares during the period plus the ordinary shares of 4,017,131 shares deemed to be issued at no consideration if outstanding share options which are exercisable at HK\$3.584 had been exercised.

8 Fixed assets

During the six months ended 30th June 2002, the Group acquired fixed assets of US\$86,271,000 (2001: US\$129,344,000) and disposed of fixed assets with net book value of US\$5,002,000 (2001: US\$4,600,000).

9 Trade receivables

The Group grants various credit periods of 30 to 90 days to its customers.

As at 30th June 2002, the ageing analysis of trade balances due from third parties (net of provision), fellow subsidiaries, related companies and jointly controlled entities is as follows:

	As at 30th June 2002 US\$'000	As at 31st December 2001 US\$'000
Within 30 days	22,517	21,082
31-60 days	14,083	15,888
61-90 days	2,288	3,318
Over 90 days	1,499	1,183
	<u>40,387</u>	<u>41,471</u>
Included under trade and other receivables	40,387	41,263
Included under investments in joint ventures	–	208
	<u>40,387</u>	<u>41,471</u>

10 Cash and cash equivalents

	As at 30th June 2002 US\$'000	As at 31st December 2001 US\$'000
Total time deposits, bank balances and cash	237,333	254,109
Restricted bank deposits included in non-current assets (note a)	(7,215)	(8,174)
	<u>230,118</u>	<u>245,935</u>
Representing:		
Time deposits	220,127	236,336
Bank balances and cash	9,991	9,599
	<u>230,118</u>	<u>245,935</u>

10 Cash and cash equivalents (Continued)

Notes:

- (a) Restricted bank deposits are deposits pledged as securities for repayment of bank loans of the Group and are restricted for the purpose of the related banking facilities.
- (b) Cash and cash equivalents of US\$35,790,000 (31st December 2001: US\$34,365,000) are held by certain subsidiaries of the Group which operate in the PRC where exchange controls apply.

11 Trade payables

As at 30th June 2002, the ageing analysis of trade balances due to third parties, ultimate holding company, fellow subsidiaries, related companies and jointly controlled entities is as follows:

	As at 30th June 2002 US\$'000	As at 31st December 2001 US\$'000
Within 30 days	45,869	7,954
31-60 days	5,237	232
61-90 days	3,948	66
Over 90 days	3,262	123
	<u>58,316</u>	<u>8,375</u>
Included under trade and other payables	49,155	8,356
Included under investments in joint ventures	9,161	19
	<u>58,316</u>	<u>8,375</u>

12 Share capital

	As at 30th June 2002 US\$'000	As at 31st December 2001 US\$'000
Authorised:		
3,000,000,000 ordinary shares of HK\$0.10 each	<u>38,462</u>	38,462
Issued and fully paid:		
2,147,012,298 (31st December 2001: 2,142,542,298) ordinary shares of HK\$0.10 each	<u>27,533</u>	27,476

(a) The movements of the issued share capital of the Company are summarised as follows:

	Number of ordinary shares	Nominal value US\$'000
At 1st January 2002	2,142,542,298	27,476
Issued upon exercise of share options	<u>4,470,000</u>	57
At 30th June 2002	<u>2,147,012,298</u>	27,533

(b) Share options

During the period, there was no movement for those share options granted on 1st July 1996.

As at 1st January 2002, there were outstanding 12,550,000 share options granted on 20th May 1997 which are exercisable at HK\$8.80 per ordinary share. During the period, 750,000 share options were lapsed following resignation of an employee.

As at 1st January 2002, there were outstanding 10,236,000 share options granted on 6th April 2000 which are exercisable at HK\$3.584 per ordinary share. During the period, 4,470,000 share options were exercised and 250,000 share options were lapsed following resignation of a director of the Company. 5,516,000 share options remained unexercised on the last date of the exercisable period were lapsed on 6th April 2002.

13 Long term liabilities

	As at 30th June 2002 US\$'000	As at 31st December 2001 US\$'000
Loans		
Secured (note c)	162,229	162,532
Unsecured	269,754	330,650
	431,983	493,182
Amounts due within one year included under current liabilities	(50,636)	(92,125)
	381,347	401,057

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

	As at 30th June 2002 US\$'000	As at 31st December 2001 US\$'000
Wholly repayable within five years		
Bank loans	203,135	220,328
Other loans	141,178	143,463
Loans from a minority shareholder of a subsidiary	1,686	1,927
Not wholly repayable within five years		
Bank loans	69,934	110,372
Other loans	16,050	17,092
	431,983	493,182

13 Long term liabilities (Continued)

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

	As at 30th June 2002 US\$'000	As at 31st December 2001 US\$'000
Bank loans		
Within one year	47,013	86,056
In the second year	74,802	68,560
In the third to fifth years inclusive	147,759	156,182
In more than five years	3,495	19,902
	273,069	330,700
Loans from a minority shareholder of a subsidiary		
Within one year	241	482
In the second year	482	482
In the third to fifth years inclusive	963	963
	1,686	1,927
Other loans		
Within one year	3,382	5,587
In the second year	142,375	142,288
In the third to fifth years inclusive	8,277	7,976
In more than five years	3,194	4,704
	157,228	160,555
	431,983	493,182

(c) Secured bank loans and other loans of US\$162,229,000 (31st December 2001: US\$162,532,000) were pledged by certain containers of the Group. US\$145,000,000 (31st December 2001: US\$141,975,000) out of the total loans were also secured by the assignment of the container lease agreements and the rental income thereon, other assets and shares of certain subsidiaries.

Bank loans of approximately US\$1,831,000 (31st December 2001: US\$2,024,000) were guaranteed by the minority shareholder of a subsidiary.

14 Contingent liabilities

	As at 30th June 2002 US\$'000	As at 31st December 2001 US\$'000
Guarantee executed for securing banking facility granted to a jointly controlled entity	–	585

15 Capital commitments

	As at 30th June 2002 US\$'000	As at 31st December 2001 US\$'000
Authorised but not contracted for		
– other fixed assets	1,896	–
– containers	–	48,691
	<u>1,896</u>	<u>48,691</u>
Contracted but not provided for		
– other fixed assets	195	–
– containers	9,786	3,100
– investments	83,445	50,270
	<u>93,426</u>	<u>53,370</u>

Notes:

- (a) As at 30th June 2002 and 31st December 2001, there were no capital commitments relating to the Group's interests in the joint ventures included in the above.
- (b) As at 30th June 2002 and 31st December 2001, there were no capital commitments of the joint ventures themselves not included in the above.

16 Related party transactions

The following is a summary of significant related party transactions, which were carried out in the normal course of the Group's business:

	Six months ended 30th June	
	2002 US\$'000	2001 US\$'000
Container rental income from a fellow subsidiary (note a)	67,234	66,087
Income for container terminal handling services rendered by an associated company of the Group to a fellow subsidiary (note b)	33,363	37,667
Handling and storage income from fellow subsidiaries (note c)	3,654	3,731
Net transportation income from a fellow subsidiary (note c)	881	962
Management fee income from an associated company (note d)	1,282	1,282
Container terminal handling and storage income from a fellow subsidiary (note e)	686	481
Purchase of containers from (note f)		
– associated companies of ultimate holding company	(24,943)	(46,495)
– jointly controlled entities of the Group	(9,732)	(15,412)
Container freight charge to (note g)		
– associated companies of ultimate holding company	(1,098)	(568)
– jointly controlled entities of the Group	(178)	(87)
Approved Continuous Examination Program fee to a fellow subsidiary (note h)	(1,100)	(1,300)

Notes:

- (a) The Group has conducted container leasing business with COSCO Container Lines Company Limited ("COSCON"), a wholly owned subsidiary of the China Ocean Shipping (Group) Company ("COSCO") which is the Company's ultimate holding company. The container rental income was charged based on terms as set out in the agreements entered into between the Group and COSCON.
- (b) COSCO-HIT Terminals (Hong Kong) Limited ("COSCO-HIT"), an associated company of the Group, provided handling and storage services to COSCON for cargoes shipped to Container Terminal 8 (East) in Hong Kong. The services rendered were charged at terms pursuant to agreements entered into by COSCO-HIT with COSCON.
- (c) The handling and storage income and the transportation income received from fellow subsidiaries were conducted at terms pursuant to agreements entered into by the mutual parties.

16 Related party transactions (Continued)

- (d) The Group provided advisory and management services to COSCO-HIT during the period. Management fee was charged and agreed at HK\$20,000,000 (2001: HK\$20,000,000) per annum.
- (e) During the period, the Group provided handling and storage services to a fellow subsidiary for cargoes shipped to Zhangjiagang port. The tariff rates charged by the Group were referenced to the rates as set out by the Ministry of Communications of the PRC.
- (f) The purchases of containers from associated companies of COSCO and jointly controlled entities of the Group were conducted in the normal course of the business at terms pursuant to agreements entered into by the mutual parties.
- (g) During the period, the Group paid container freight charges of US\$1,098,000 (2001: US\$568,000) and US\$178,000 (2001: US\$87,000) to certain associated companies of COSCO and jointly controlled entities of the Group respectively for container repositioning services rendered to the Group.
- (h) The Group has agreed to pay an annual Approved Continuous Examination Program fee of US\$2,200,000 (2001: US\$2,600,000) to COSCON for the year ending 31st December 2002.

17 Off-balance sheet financial instruments

The Group has employed interest rate swaps to manage its interest rate exposure. These instruments are used solely to reduce or eliminate the interest rate risk associated with the Group's borrowings and not for trading or speculation purposes.

The notional principal amounts of the outstanding interest rate swap contracts at 30th June 2002 were US\$100,000,000 (31st December 2001: US\$19,825,000).

At 30th June 2002 the fixed interest rates under the outstanding interest rate swap contracts vary from 3.88% to 4.9% (31st December 2001: 5.7% to 5.8%) per annum.

18 Subsequent event

On 30th June 2002, Twinbridge Development Corp. ("Twinbridge Corp."), a 30% associated company of the Group, entered into an agreement to transfer its interest in Shanghai Yixian Road & Bridge Development Co., Ltd., a co-operative joint venture which was granted the exclusive rights to operate three toll bridges, namely Wusong Toll Bridge, Wenchuan Toll Bridge and Jiangyang Toll Bridge in Shanghai. Upon the completion of the transfer, Twinbridge Corp. will receive a net amount of RMB1,930,000,000. The profit has not been accounted for by the Group in the Interim Accounts as the transfer was subsequently approved by the relevant PRC authorities on 26th August 2002.

INTERIM DIVIDEND

The directors have declared an interim cash dividend of HK11.0 cents per share for the six months ended 30th June 2002 (2001: HK9.5 cents per share). The interim dividend will be payable on 4th October 2002 to shareholders whose names appear on the register of members of the Company on 26th September 2002.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 23rd September 2002 to Thursday, 26th September 2002, 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 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong, for registration not later than 4:00 p.m. on Friday, 20th September 2002.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

Overall Results

Profit attributable to shareholders of COSCO Pacific for the six months ended 30th June 2002 amounted to US\$72,916,000, representing a decrease of 13.1% compared with US\$83,929,000 for the corresponding period in the previous year. However, profit for the corresponding period in the previous year included a profit of US\$14,137,000 from the disposal of investment securities. Excluding this non-recurring profit, profit attributable to shareholders for the first half of the year would have been increased by 4.5% over the corresponding period in the previous year. During the period, the core businesses of the Group made steady progress on the whole.

Financial Review

Turnover for the first half of 2002 amounted to US\$116,004,000, up 7.1% from the corresponding period in the previous year, which was mainly due to an increase of 6.8% in turnover of the container leasing business to US\$107,558,000. During the period, the number of containers leased to international customers continued to increase. Turnover of Zhangjiagang Win Hanverky Container Terminal Co., Ltd. increased by 38.4% to US\$3,780,000 as a result of satisfactory increase in throughput, whereas the turnover from container handling and storage businesses recorded a slight decline.

Cost of sales mainly comprised depreciation, depot rental and maintenance expenses, among which, depreciation accounted for 81.8% of the cost of sales for the first half of the year (corresponding period of 2001: 82.2%). Cost of sales during the period increased by US\$4,126,000, mainly due to increase in depreciation of containers.

Other revenues increased by US\$2,901,000, mainly due to the dividend received from Yantian International Container Terminals Ltd. of US\$5,003,000 (corresponding period of 2001: US\$Nil), while decreases were recorded in interest income and sales of returned containers from COSCO Container Lines Company Limited.

Administrative expenses increased by US\$1,314,000 a year ago. During the period, staff costs, travel expenses and depreciation increased while office expenses and professional fees decreased as compared with the corresponding period in the previous year.

Other net operating expenses amounted to US\$9,498,000 against other net operating income of US\$14,262,000 in the corresponding period of the previous year. Such difference was mainly attributed to the gain from disposal of 18,150,000 B shares of Shanghai Zhenhua Port Machinery Co., Ltd. of US\$14,137,000 and the reversal of provision for container repairs and maintenance expense amounting to US\$6,156,000 in 2001. Furthermore, impairment loss of fixed assets for the first half of 2002 amounted to US\$5,058,000, representing an increase of US\$2,211,000 from the corresponding period of the previous year.

Finance costs decreased by 49.5% as interest rate fell substantially following 11 consecutive interest rate cuts by the US Federal Reserve commencing early last year. Interest rate had no major changes during this year but remained at a lower level. The Group's loans were financed at an average interest rate of 3.52% during the period (corresponding period of 2001: 6.29%). The average loan amount was slightly higher than the corresponding period in the previous year.

During the period, the Group's associated companies contributed profit of US\$26,921,000 (corresponding period of 2001: US\$27,251,000) while profit contribution from its jointly controlled entities amounted to US\$4,925,000 (corresponding period of 2001: US\$4,965,000). The lower profit contribution from associated companies were mainly due to the decrease in profit contribution from Liu Chong Hing Bank Limited, Shanghai Container Terminals Limited and the Shanghai Yixian Road Project. Nevertheless, COSCO-HIT Terminals (Hong Kong) Limited ("COSCO-HIT") recorded a relatively satisfactory profit contribution as a result of increase in throughput and savings in interest expenses.

FINANCIAL POSITION

Assets and Liabilities

The Group continued to maintain a healthy balance sheet. As at 30th June 2002, total assets amounted to US\$1,752,756,000 (31st December 2001: US\$1,738,747,000), whereas total liabilities and minority interests amounted to US\$516,187,000 (31st December 2001: US\$538,453,000). Net assets amounted to US\$1,236,569,000, an increase of 3.0% from the end of 2001. The increase was mainly a result of the retained profit for the period. Net asset value per share reached HK\$4.49, up 2.7% from the end of last year.

As at 30th June 2002, total cash on hand was US\$237,333,000 (31st December 2001: US\$254,109,000), of which 98.3% (31st December 2001: 98.2%) is denominated in US dollars and HK dollars. Total outstanding borrowings amounted to US\$447,039,000 (31st December 2001: US\$509,538,000). Net debt-to-equity ratio reduced to 17.0% (31st December 2001: 21.3%). Interest coverage was 11.0 times, against 7.7 times in the corresponding period of the previous year.

As at 30th June 2002, the Group's bank deposits of US\$7,215,000 (31st December 2001: US\$8,174,000), together with certain fixed assets with net book value of US\$261,692,000 (31st December 2001: US\$253,778,000) were pledged to various banks and financial institutions to secure borrowings totalling US\$162,229,000 (31st December 2001: US\$162,532,000).

Cash Flow

Net cash inflow from operating activities during the period amounted to US\$106,920,000 (corresponding period of 2001: US\$101,581,000). Payment for the purchase of fixed assets totalled US\$37,778,000 (corresponding period of 2001: US\$107,206,000), of which US\$36,725,000 (corresponding period of 2001: US\$105,446,000) was used to purchase new containers. A total of US\$18,467,000 of loan facilities was utilised by the Group (corresponding period of 2001: US\$141,698,000) while loan repayments amounted to US\$80,966,000 (corresponding period of 2001: US\$117,438,000).

Contingent Liabilities

As at 30th June 2002, the Group had no contingent liabilities (31st December 2001: guarantee provided by the Group for securing banking facility for a jointly controlled entity amounted to US\$585,000).

Financing

During the period, the Group embarked on two major financing exercises, one of which was completed in July, whereby the Group entered into an agreement with a banking consortium for a 5.5-year secured facility of US\$90,000,000. US\$63,027,000 of the loan facility was primarily used to purchase containers and the balance of US\$26,973,000 was utilised to refinance certain existing borrowings so as to reduce the funding cost. The fund raising exercise was well received and had exceeded its target, which further demonstrated the confidence and support of the banking sector to the Group.

In addition, COSCO-HIT, an associated company of the Group, engaged four underwriting bankers for the arrangement of a syndicated loan of HK\$2 billion, which was mainly intended for refinancing of its existing loan and repayment of shareholders' loans. The loan agreement was signed on 9th August 2002 and will be instrumental for COSCO-HIT to reduce its borrowing cost and to generate cash proceeds for its shareholders.

Excluding the above financing, as at 30th June 2002, the Group had an aggregate amount of US\$32,658,000 (31st December 2001: US\$116,703,000) in committed facilities available from banks.

Debt analysis:

	30th June 2002		31st December 2001	
	US\$	%	US\$	%
By repayment term:				
within the first year	65,692,000	14.7	108,481,000	21.3
within the second year	217,659,000	48.7	211,330,000	41.5
within the third year	84,707,000	18.9	72,987,000	14.3
within the fourth year	50,085,000	11.2	69,763,000	13.7
within the fifth year and beyond	28,896,000	6.5	46,977,000	9.2
	447,039,000	100.0	509,538,000	100.0
By type of loan:				
secured	162,229,000	36.3	162,532,000	31.9
unsecured	284,810,000	63.7	347,006,000	68.1
	447,039,000	100.0	509,538,000	100.0
By denomination of loan:				
in US\$	428,466,000	95.8	495,470,000	97.2
in RMB	18,573,000	4.2	14,068,000	2.8
	447,039,000	100.0	509,538,000	100.0

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 operations 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. During the first half of 2002 with interest rate being maintained at a low level, the Group entered into interest rate swap contracts for US\$100,000,000 to contain the risk of rising interest rate. As at 30th June 2002, the notional principal amounts of the outstanding interest rate swap contracts amounted to US\$100,000,000 (31st December 2001: US\$19,825,000) and fixed rate borrowings of the Group amounted to US\$46,231,000 (31st December 2001: US\$45,671,000). The aforesaid interest rate swap contracts and fixed rate borrowing arrangement accounted for 32.7% (31st December 2001: 12.9%) of the Group's total borrowings.

BUSINESS REVIEW

Container Leasing

Benefited by the growth in China's import and export trade, container leasing business of the Group posted a growth which is higher than expected during the period. As at 30th June 2002, Florens Container Holdings Limited, a wholly owned subsidiary of the Company, owned and operated a container fleet of 669,265 TEUs, up 12.8% from a year ago, and accounted for approximately 8.8% of the global container leasing market (corresponding period of 2001: 8.0%).

The Group has a 10-year container lease agreement with COSCO Container Lines Company Limited ("COSCON"), the world's seventh largest container carrier, 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 71.2% (corresponding period of 2001: 70.0%) of the Group's leasing turnover with International Customers while the total number of customers amounted to 173 (corresponding period of 2001: 148).

As at 30th June 2002, the Group leased a total of 325,129 TEUs (corresponding period of 2001: 321,166 TEUs) to COSCON, which represents 48.6% (corresponding period of 2001: 54.2%) of the entire container fleet. Containers available to International Customers rose to 344,136 TEUs (corresponding period of 2001: 271,932 TEUs), representing 51.4% (corresponding period of 2001: 45.8%) of the total containers.

Container fleet analysis

	30th June 2002		31st December 2001		30th June 2001	
	COSCON	International Customers	COSCON	International Customers	COSCON	International Customers
Total containers (TEUs)	325,129	344,136	327,370	282,649	321,166	271,932
– Dry containers	91.4%	94.1%	91.4%	92.8%	91.4%	92.6%
– Reefers	7.5%	3.1%	7.5%	3.7%	7.5%	3.7%
– Specials	1.1%	2.8%	1.1%	3.5%	1.1%	3.7%

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 4.47 years (corresponding period of 2001: 4.32 years).

<i>TEUs</i>	2002	2001
Total containers (as at 1st January)	610,019	527,982
New containers purchased (from 1st January to 30th June)	74,388	77,125
Containers returned from COSCON upon expiry of leases		
Total	(11,576)	(7,808)
Re-leased	1,321	50
Disposed of and pending disposal	(10,255)	(7,758)
Ownership transferred to customers upon expiry of finance leases	(3,438)	(3,122)
Defective containers written off	(1,449)	(1,129)
Total containers (as at 30th June)	669,265	593,098

Utilisation rates

While containers leased to COSCON remained 100% utilised during the period, the overall average utilisation rate of the Group stood at 91.9% (corresponding period of 2001: 91.9%), still well above the industry average of approximately 80% (corresponding period of 2001: approximately 78%).

Handling of returned containers

During the period, a total of 11,576 TEUs (corresponding period of 2001: 7,808 TEUs) were received from COSCON. The Group disposed of 7,161 TEUs (corresponding period of 2001: 7,488 TEUs) of containers returned upon expiry of leases, which included those returned by COSCON on or before 31st December 2001 and remained unsold totalling 1,620 TEUs. The loss on disposal of the returned containers was US\$1,912,000 (corresponding period of 2001: US\$1,092,000), which was mainly due to a decline in disposal price and the increase in the direct selling costs.

Container leasing e-commerce platform

Starting from 2nd January 2002, the Group provides customers with on-line leasing services. Customer service has been further enhanced, which helps to increase the competitiveness in the container leasing market.

Container Terminal and Related Businesses

With better performance in the import and export trade in China, container terminal and related businesses of the Group reported relatively good performance as a whole. The container terminals in which the Group has interests, including Dalian Port Container Co., Ltd. in which the Group became a shareholder in February 2002, had a combined throughput of 4,713,927 TEUs, an increase of 20.2% from the corresponding period of the previous year.

Throughput (TEUs)	First six months of 2002	First six months of 2001	+/-
COSCO-HIT Terminals (Hong Kong) Limited	671,331	624,218	+7.5%
Shanghai Container Terminals Limited	1,324,300	1,280,300	+3.4%
Qingdao Cosport International Container Terminals Co., Ltd.	267,347	261,849	+2.1%
Zhangjiagang Win Hanverky Container Terminal Co., Ltd.	107,028	78,179	+36.9%
Yantian International Container Terminals Ltd.	1,773,087	1,135,944	+56.1%
Dalian Port Container Co., Ltd.	570,834	542,807	+5.2%
Combined throughput	4,713,927	3,923,297	+20.2%
Combined throughput of China mainland terminals	4,042,596	3,299,079	+22.5%

COSCO-HIT

COSCO Pacific has a 50% interest in COSCO-HIT. During the period, COSCO-HIT has benefited from the growth in China's import and export trade and has consolidated and broadened its customer base through its commitment in providing quality services to customers. Throughput at the terminal increased 7.5% during the first six months of 2002 and a total of 671,331 TEUs were handled (corresponding period of 2001: 624,218 TEUs), and its performance is considered satisfactory.

The container terminals in China mainland

The container terminals in which the Group has interests all recorded growth in throughput compared with the corresponding period in the previous year. During the period, a total of 4,042,596 TEUs were handled, representing an increase of 22.5% from the corresponding period of the previous year. Among them, Zhangjiagang Win Hanverky Container Terminal Co., Ltd. benefited from the growth of the foreign and domestic trade in the Yangtze River Delta and the number of containers handled by it increased 36.9% as compared with the corresponding period in the previous year. In addition, supported by the growth in shipping volume in the Pearl River Delta, Yantian International Container Terminals Ltd. recorded a rise in throughput by 56.1% as compared with the corresponding period of last year.

River Trade Terminal

The terminal handled a total of 820,791 TEUs during the period, representing a growth of 38.2% over the corresponding period in the previous year. However, the terminal continued to record a loss due to intense competition. Accordingly, the Group made further provisions for shareholders' loans of US\$1,862,000 (corresponding period of 2001: US\$1,800,000).

Shanghai Waigaoqiao Container Terminal (Phase 1)

The Group signed an agreement for the establishment of Shanghai Pudong International Container Terminal Ltd. in which the Group shall have a 20% interest. The joint venture is now pending final approval by the government authority.

Shanghai Yixian Road

Twinbridge Development Corp. ("Twinbridge Corp."), in which COSCO Pacific has a 30% interest since 1997, participated in the Shanghai Yixian Road Project through a co-operative joint venture, Shanghai Yixian Road & Bridge Development Co., Ltd. ("SYRBL"), and was granted the exclusive rights to collect toll on three toll bridges, namely Wusong Toll Bridge, Wenchuan Toll Bridge and Jiangyang Toll Bridge.

As part of the urban transportation network in Shanghai which is under rapid development, the outer ring road and its tunnel will be completed and fully operational towards the end of 2002. Meanwhile, other roads and bridges in Shanghai are now toll-free. The People's Government of Baoshan District, Shanghai, indicated its intention to terminate the exclusive operating rights for Shanghai Yixian Road. Following negotiations between Twinbridge Corp. and the People's Government of Baoshan District, Shanghai, it was agreed the exclusive operating rights for Shanghai Yixian Road Project will be terminated. On 30th June 2002, an agreement was signed for disposal of the interests in SYRBL (the "Interests Assignment Agreement").

The interests assignment involves a transaction amount of RMB2,126,000,000, of which RMB1,930,000,000 being the investment recovered by and the compensation awarded to Twinbridge Corp., RMB26,000,000 as payments for all the taxes arising from the termination of the exclusive operating rights and RMB170,000,000 for repayment of bank loans due from SYRBL.

The profit arising from the interests assignment has not been accounted for by the Group in the Interim Accounts as the Interests Assignment Agreement was approved by the relevant authorities on 26th August 2002. During the first six months of the year, the combined traffic flow of Wusong Toll Bridge, Wenchuan Toll Bridge and Jiangyang Toll Bridge increased by 2.0% over the corresponding period of the previous year.

Container handling and storage

Plangreat Limited, a wholly owned subsidiary of the Company, and its subsidiaries provide container stevedoring, storage, repair and transportation services. During the period, turnover of Plangreat Limited and its subsidiaries amounted to US\$4,666,000 (corresponding period of 2001: US\$4,883,000).

Other Operations

Shanghai CIMC Reefer Containers Co., Ltd., Shanghai CIMC Far East Container Co., Ltd., Tianjin CIMC North Ocean Container Co., Ltd. and Tianjin Kansai Paint and Chemical Co., Ltd., in which the Group has an interest, recorded growth in their production volumes during the period. Shanghai Kansai Paint & Chemical Co., Ltd., in which the Group also has an interest, recorded a modest decline in its production volume. The above five jointly controlled entities continued to contribute to the Group's profit.

Banking

The Group has a 20% interest in Liu Chong Hing Bank Limited, which contributed US\$3,638,000 to the Group's profit, a decrease of 18.6% compared with the corresponding period in the previous year.

PROSPECTS

Looking into the second half of the year, as there are still uncertainties faced by the global economy, competition in the container transportation and leasing markets will remain intense and excess supply of services has yet to be improved. Nevertheless, cargo volume has increased since March this year resulting in rising demand for container leasing and container terminal services from shipping companies.

The Group has budgeted to purchase a total of 90,000 TEUs of new containers within 2002, of which 74,388 TEUs were already acquired during the first half of the year. The overall average utilisation rate of the container fleet outperformed the market, reflecting the increasing competitiveness of the Group's container leasing business. It is an integral part of the Group's ongoing process of core business consolidation and development to benefit from further economies of scale by expanding its container leasing business.

As to container terminal business, the Group expects a sustained growth for 2002. It is forecast that the import and export trade of China would continue to grow for the rest of the year, which would in turn contribute positively to the terminal operations in Hong Kong and China mainland. With the firm support of China Ocean Shipping (Group) Company ("COSCO"), it is of high priority for the Group to develop a strong and sizable line of container terminal business.

Logistics is a new area to explore in the Group's business development. In developing its logistics venture, the Group will collaborate with COSCO's core business development strategy to actively explore the entry into the logistics sector and develop the logistics business in order to nurture new growth streams.

Building on its initiative in business development, the Group attaches great importance to the upkeep of corporate governance and quality of management. While committing itself to creating better corporate and shareholder value, the Group will also strive to preserve the interests of its shareholders.

EMPLOYEES AND REMUNERATION POLICIES

As at 30th June 2002, there were around 370 employees in the Group. The Group offers remuneration packages based on the performance of individual employees and also provides mandatory provident fund to its Hong Kong employees. Remuneration policies are regularly reviewed by the management. Besides, share options were granted by the Company to the employees to motivate them to enhance their performance and contribution to the Group.

Staff quality and team spirits are among the key factors for the success of the Group. In spite of the unfavourable economic situation, the Group will continue to assure its customers of high quality services. To this end, the Group maintains various training programmes for its staff and implements effective human resources policies. The Group will continue to motivate its staff and make the best of their potential by providing them with career advancement opportunities.

DIRECTORS' INTERESTS IN SHARES AND SHARE OPTIONS

As at 30th June 2002, the interests of the Company's directors in the share capital and share options of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")) as recorded in the register required to be kept under Section 29 of the SDI Ordinance or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to Section 28 of the SDI Ordinance and the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

Interests in ordinary shares of the Company

Name of director	Nature of interests	Number of ordinary shares held
Mr. KWONG Che Keung, Gordon	Personal	250,000
Mr. WONG Tin Yau, Kelvin	Personal	50,000
Dr. LI Kwok Po, David	Personal	258,000
Mr. LEE Yip Wah, Peter	Personal	100,000

Interests in share options granted by the Company

On 30th November 1994, a share option scheme (the "Share Option Scheme") was approved by the shareholders of the Company under which the directors of the Company may, at their discretion, grant to any director, executive and/or employee who are in full time employment with any company in the Group, share options to subscribe for the Company's shares, subject to the terms and conditions stipulated therein. A summary of the movement of directors' share options for the six months ended 30th June 2002 is as follows:

Name of director	Number of share options						
	Exercise price HK\$	Outstanding	Granted	Outstanding		Note	
		at 1st January 2002	during the period	Exercised during the period	Lapsed during the period		at 30th June 2002
Mr. LI Jianhong	3.584	250,000	-	-	(250,000)	-	(3)
Mr. SHI Qin	3.584	500,000	-	-	(500,000)	-	(3)
Mr. KWONG Che Keung, Gordon	3.584	250,000	-	(250,000)	-	-	(3)
Mr. XU Lirong	3.584	250,000	-	-	(250,000)	-	(3)
Mr. LU Zhiming	5.53	1,500,000	-	-	-	1,500,000	(1)
	3.584	250,000	-	-	(250,000)	-	(3)
Mr. WONG Tin Yau, Kelvin	8.80	5,000,000	-	-	-	5,000,000	(2)
	3.584	150,000	-	(150,000)	-	-	(3)
Mr. LU Chenggang	3.584	350,000	-	-	(350,000)	-	(3)
Mr. QIN Fuyan	5.53	1,500,000	-	-	-	1,500,000	(1)
	3.584	350,000	-	-	(350,000)	-	(3)
Mr. YANG Bin #	3.584	250,000	-	-	(250,000)	-	(3)

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

Notes:

- (1) The share options were granted on 1st July 1996 under the Share Option Scheme. The options are exercisable at any time within ten years from the date of grant.
- (2) The share options were granted on 20th May 1997 (the "Offer Date") under the Share Option Scheme. The options are exercisable at any time within ten years from the date of grant, subject to the following conditions:
 - (i) For those grantees who have completed one year full-time service in the Group may exercise a maximum of 20% of share options granted in each of the first five anniversary year from the Offer Date.
 - (ii) For those grantees who have not completed one year full-time service in the Group as at the Offer Date, a maximum of 20% of options granted may be exercisable in each of the first five anniversary years of the Offer Date after completion of one year full-time service.
- (3) The share options were granted on 6th April 2000 under the Share Option Scheme. The options were exercisable at any time from the first day of the thirteenth month from the date of grant to the end of the twenty-fourth month from the date of grant. These options, which were remained unexercised on the last day of the exercisable period, were lapsed on 6th April 2002.

Interests in share options granted by associated corporation

Number of director	Name of associated corporation	Exercise price HK\$	Number of share options				Outstanding at 30th June 2002
			Outstanding at 1st January 2002	Granted during the period	Exercised during the period	Lapsed during the period	
Mr. KWONG Che Keung, Gordon	COSCO International Holdings Limited	0.656	4,500,000	-	-	(4,500,000)	-

The share options were granted on 20th March 2000 under the share option scheme adopted by COSCO International Holdings Limited on 17th January 1992 and were exercisable at any time between the period from 20th March 2001 and 16th January 2002. These options, which were remained unexercised on the last day of the exercisable period, were lapsed on 16th January 2002.

Save as disclosed above, at no time during the period was the Company or any of its subsidiaries, a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Save as disclosed above, as at 30th June 2002, none of the directors and chief executives had any interests in the share capital of the Company and its associated corporations required to be disclosed pursuant to the SDI Ordinance and the Model Code, and none of the directors and chief executives or their respective spouses or children under 18 years of age, had any right to subscribe for the shares of the Company, or had exercised any such right during the period.

SHARE OPTIONS

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

Category	Number of share options						Note
	Exercise price HK\$	Outstanding	Granted	Outstanding		at 30th June 2002	
		at 1st January 2002	during the period	Exercised during the period*	Lapsed during the period		
Directors #	5.53	3,000,000	-	-	-	3,000,000	(1)
	8.80	5,000,000	-	-	-	5,000,000	(2)
	3.584	2,600,000	-	(400,000)	(2,200,000)	-	(3)
Continuous contract employees	5.53	80,000	-	-	-	80,000	(1)
	8.80	7,550,000	-	-	(750,000)	6,800,000	(2)
	3.584	7,636,000	-	(4,070,000)	(3,566,000)	-	(3)

* The weighted average closing price of the shares of the Company immediate before the dates on which the share options were exercised is HK\$4.895.

Details of the Directors' interests in the share options are set out in the section "Directors' Interests in Shares and Share Options".

Notes:

- (1) The share options were granted on 1st July 1996 under the Share Option Scheme. The options are exercisable at any time within ten years from the date of grant.
- (2) The share options were granted on 20th May 1997 (the "Offer Date") under the Share Option Scheme. The options are exercisable at any time within ten years from the date of grant, subject to the following conditions:
 - (i) For those grantees who have completed one year full-time service in the Group may exercise a maximum of 20% of share options granted in each of the first five anniversary year from the Offer Date.
 - (ii) For those grantees who have not completed one year full-time service in the Group as at the Offer Date, a maximum of 20% of options granted may be exercisable in each of the first five anniversary years of the Offer Date after completion of one year full-time service.
- (3) The share options were granted on 6th April 2000 under the Share Option Scheme. The options are exercisable at any time from the first day of the thirteenth month from the date of grant to the end of the twenty-fourth month from the date of grant. These options, which were remained unexercised on the last day of the exercisable period, were lapsed on 6th April 2002.

During the period, no share option was cancelled.

Particulars and movements of the Company's share options during the period are also set out in note 12 to the condensed interim accounts.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30th June 2002, according to the register of substantial shareholders kept by the Company under Section 16(1) of the SDI Ordinance, the following companies had notified the Company that they were interested in 10% or more of the issued share capital of the Company:

Name of shareholder	Number of ordinary shares	Percentage of total issued shares
COSCO Investments Limited	220,120,000	10.25%
COSCO (Hong Kong) Group Limited *	1,178,166,411	54.87%
China Ocean Shipping (Group) Company *	1,178,166,411	54.87%

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

Save as disclosed above, the Company has not been notified of any other interests representing 10% or more of the issued share capital of the Company as at 30th June 2002.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

The Company has not redeemed any of its listed shares during the six months ended 30th June 2002. 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 2002.

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 with external auditors and the Group's internal auditor. It met regularly with management, the external auditors and the internal auditor to review the internal and external audit reports and the interim and 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 2002, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

By Order of the Board
SHI Qin
Managing Director

Hong Kong, 5th September 2002

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