
# STRENGTHENED 做強做大 BUSINESS MODELS

Interim Report 07 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)

Stock Code 股份代號：1199

# Contents

# Interim Results

The board of directors (the "Directors") of COSCO Pacific Limited (the "Company" or "COSCO Pacific") is pleased to present the interim report, including the unaudited condensed consolidated interim financial information of the Company and its subsidiaries (collectively the "Group") for the six months ended 30th June 2007. The interim report has been reviewed by the Company's Audit Committee.

The Group's unaudited condensed consolidated interim financial information as set out on pages 3 to 28 has also been reviewed by the Company's independent auditor, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), except that the scope of their review did not extend to the Group's share of net assets and results of two listed associates, China International Marine Containers (Group) Co., Ltd. ("CIMC") and Chong Hing Bank Limited ("Chong Hing Bank"). Accordingly, the independent review report issued by the Company's auditor has been qualified in this respect.

The Group's shares of net assets and results of CIMC and Chong Hing Bank which have been accounted for under equity method based on their published interim financial information have been disclosed in notes 4(a) and 4(b) respectively to the unaudited condensed consolidated interim financial information.

# Unaudited Condensed Consolidated Balance Sheet

*As at 30th June 2007*

| | Note | As at 30th June 2007 US$'000 | As at 31st December 2006 US$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 5 | **1,354,962** | 1,108,852 |
| Investment properties | | **1,540** | 1,540 |
| Leasehold land and land use rights | | **36,309** | 34,401 |
| Intangible assets | | **3,568** | 3,839 |
| Jointly controlled entities | | **534,110** | 476,764 |
| Associates | | **652,238** | 619,590 |
| Available-for-sale financial assets | | **501,000** | 376,589 |
| Finance lease receivables | | **2,380** | 2,989 |
| Deferred income tax assets | | **591** | 162 |
| Restricted bank deposits | 6 | **150** | 158 |
| | | **3,086,848** | 2,624,884 |
| **Current assets** | | | |
| Inventories | | **2,152** | 3,553 |
| Trade and other receivables | 7 | **157,009** | 133,629 |
| Available-for-sale financial assets | | **16,631** | — |
| Derivative financial assets | 8 | **44** | 579 |
| Bank balances and cash | 6 | **240,343** | 224,510 |
| | | **416,179** | 362,271 |
| **Current liabilities** | | | |
| Trade and other payables | 9 | **243,209** | 172,728 |
| Derivative financial liabilities | 8 | **44,552** | 55,181 |
| Current income tax liabilities | | **10,745** | 7,676 |
| Current portion of long term borrowings | 10 | **177,617** | 2,421 |
| Short term bank loans | | **24,489** | 10,245 |
| | | **500,612** | 248,251 |
| **Net current (liabilities)/assets** | | **(84,433)** | 114,020 |
| **Total assets less current liabilities** | | **3,002,415** | 2,738,904 |
| **Non-current liabilities** | | | |
| Derivative financial liabilities | 8 | **8,479** | 4,362 |
| Deferred income tax liabilities | | **1,000** | 2,202 |
| Long term borrowings | 10 | **513,832** | 518,932 |
| Other long term liability | | **4,463** | 5,207 |
| | | **527,774** | 530,703 |
| **Net assets** | | **2,474,641** | 2,208,201 |
| **Capital and reserves attributable to the equity holders of the Company** | | | |
| Share capital | 11 | **28,736** | 28,583 |
| Reserves | | **2,338,179** | 2,051,627 |
| Proposed final dividend | | **—** | 92,424 |
| Interim dividend declared | | **71,388** | — |
| | | **2,438,303** | 2,172,634 |
| **Minority interests** | | **36,338** | 35,567 |
| **Total equity** | | **2,474,641** | 2,208,201 |

# Unaudited Condensed Consolidated Income Statement

*For the six months ended 30th June 2007*

| | Note | Six months ended 30th June 2007 US$'000 | 2006 US$'000 |
|---|---|---|---|
| Revenue | | **147,331** | 169,187 |
| Cost of sales | | **(80,256)** | (75,341) |
| **Gross profit** | | **67,075** | 93,846 |
| Other income | | **10,920** | 9,587 |
| Administrative expenses | | **(30,714)** | (16,020) |
| Other operating income | | **14,664** | 29,823 |
| Other operating expenses | | **(3,169)** | (7,400) |
| Profit on disposal of containers | 12 | **6,034** | 84,454 |
| Initial recognition of put options granted in connection with share reform of an associate | 13 | **—** | (140,064) |
| Fair value gain on put options granted | 13 | **10,629** | 75,777 |
| | | **10,629** | (64,287) |
| **Operating profit** | 14 | **75,439** | 130,003 |
| Finance income | 15 | **4,501** | 3,316 |
| Finance costs | 15 | **(18,976)** | (26,242) |
| Operating profit after finance income and costs | | **60,964** | 107,077 |
| Share of profits less losses of | | | |
| — jointly controlled entities | | **44,335** | 40,898 |
| — associates | | **48,459** | 40,501 |
| **Profit before income tax** | | **153,758** | 188,476 |
| Income tax expenses | 16 | **(2,410)** | (50,453) |
| **Profit for the period** | | **151,348** | 138,023 |
| Profit attributable to: | | | |
| Equity holders of the Company | | **148,517** | 136,404 |
| Minority interests | | **2,831** | 1,619 |
| | | **151,348** | 138,023 |
| Dividends | | | |
| — interim | 17 | **71,388** | 78,213 |
| — special interim | 17 | **—** | 26,042 |
| | | **71,388** | 104,255 |
| Earnings per share for profit attributable to the equity holders of the Company | | | |
| — basic | 18 | **US6.64 cents** | US6.18 cents |
| — diluted | 18 | **US6.60 cents** | US6.14 cents |

# Unaudited Condensed Consolidated Statement of Changes in Equity

*For the six months ended 30th June 2007*

| | 2007 US$'000 | 2006 US$'000 |
|---|---|---|
| **Total equity at 1st January** | **2,208,201** | 1,890,343 |
| Exchange differences on translation of financial statements of foreign subsidiaries, jointly controlled entities and associates | **20,088** | 5,054 |
| Fair value gain on available-for-sale financial assets | **136,828** | 14,531 |
| Reserve realised upon disposal of an available-for-sale financial asset | **(133)** | — |
| Share of reserves of a jointly controlled entity and associates | | |
| — revaluation reserve | **28,009** | 5,299 |
| — hedging reserve | **649** | — |
| — other reserves | **(5,148)** | 18 |
| **Net gain recognised directly in equity** | **180,293** | 24,902 |
| Profit for the period | **151,348** | 138,023 |
| Total income recognised for the period | **331,641** | 162,925 |
| | **2,539,842** | 2,053,268 |
| Equity share options issued *(note 11(b))* | **11,190** | — |
| Issue of shares on exercise of share options | **18,790** | 32,065 |
| Dividends paid to | | |
| — equity holders of the Company | **(92,207)** | (79,524) |
| — minority shareholders of subsidiaries | **(2,974)** | (2,488) |
| **Total equity at 30th June** | **2,474,641** | 2,003,321 |

# Unaudited Condensed Consolidated Cash Flow Statement

*For the six months ended 30th June 2007*

| | Six months ended 30th June | |
|---|---|---|
| | **2007 US$'000** | 2006 US$'000 |
| Net cash from operating activities | **124,030** | 164,812 |
| Net cash (used in)/from investing activities | **(202,101)** | 747,155 |
| Net cash from/(used in) financing activities | **93,929** | (96,828) |
| Effect of foreign exchange rate changes | **(25)** | 535 |
| Net increase in cash and cash equivalents | **15,833** | 815,674 |
| Cash and cash equivalents at 1st January | **224,510** | 157,337 |
| Cash and cash equivalents at 30th June | **240,343** | 973,011 |
| Analysis of balances of cash and cash equivalents: | | |
| Time deposits | **91,765** | 56,216 |
| Bank balances and cash | **148,578** | 916,795 |
| | **240,343** | 973,011 |

# Notes to the Unaudited Condensed Consolidated Interim Financial Information

## 1. GENERAL INFORMATION

COSCO Pacific Limited (the "Company") and its subsidiaries (collectively the "Group") are principally engaged in the businesses of managing and operating container terminals, container leasing and management, logistics, container manufacturing and their related businesses. The Company is a limited liability company incorporated in Bermuda and its registered office is Clarendon House, Church Street, Hamilton HM11, Bermuda.

The intermediate holding company of the Company is China COSCO Holdings Company Limited ("China COSCO"), a company established in the People's Republic of China (the "PRC") and listed in Hong Kong. The parent company of China COSCO is China Ocean Shipping (Group) Company ("COSCO"), a state-owned enterprise established in the PRC.

The condensed consolidated interim financial information of the Group for the six months ended 30th June 2007 (the "Unaudited Condensed Consolidated Interim Financial Information") have been approved for issue by the Board of Directors on 23rd August 2007.

## 2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The Unaudited Condensed Consolidated Interim Financial Information has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the HKICPA.

The Unaudited Condensed Consolidated Interim Financial Information should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31st December 2006 (the "2006 Annual Financial Statements") which were prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRS") issued by the HKICPA.

### Adoption of new/revised HKFRSs

The accounting policies and methods of computation used in the preparation of the Unaudited Condensed Consolidated Interim Financial Information are consistent with those used in the 2006 Annual Financial Statements, except that the Group has adopted the following new standards, interpretations and amendments to published standards (collectively the "new/revised HKFRSs") issued by the HKICPA which are relevant to the Group's operations and mandatory for the financial year ending 31st December 2007:

| | |
|---|---|
| HKAS 1 (Amendment) | Presentation of Financial Statements: Capital Disclosures |
| HKFRS 7 | Financial Instruments: Disclosures |
| HK(IFRIC)-Int 8 | Scope of HKFRS 2 |
| HK(IFRIC)-Int 9 | Reassessment of Embedded Derivatives |
| HK(IFRIC)-Int 10 | Interim Financial Reporting and Impairment |

The adoption of the above new/revised HKFRSs in the current period did not have any significant effect on the Unaudited Condensed Consolidated Interim Financial Information or result in any substantial changes in the Group's significant accounting policies.

## 2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Certain new standards, amendments and interpretations to existing standards have also been published by the HKICPA which are mandatory for the Group's accounting periods beginning on or after 1st January 2008 or later periods and may be relevant to the Group's operations as follows:

| | | Effective for accounting periods beginning on or after |
|---|---|---|
| HK(IFRIC)-Int 12 | Service Concession Arrangements | 1st January 2008 |
| HKFRS 8 | Operating Segments | 1st January 2009 |
| HKAS 23 (Revised) | Borrowing Costs | 1st January 2009 |

The Group has not early adopted the above new standards, amendments and interpretations in the Unaudited Condensed Consolidated Interim Financial Information but has already commenced an assessment of the related impact to the Group. The Group is not yet in a position to state whether any substantial changes to the Group's significant accounting policies and presentation of the financial statements will be resulted.

## 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### 3.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### (a) Impairment of containers

Containers represent the Group's major operating assets. The Group tests whether the containers have suffered any impairment whenever events or changes in circumstances indicate that the carrying amounts of the containers may not be recoverable. The recoverable amounts of containers have been determined based on value-in-use calculations. These calculations require the use of estimates on the projections of cash inflows from the continual use of containers (including the amount to be received for the disposal of containers) and discount rate.

#### (b) Useful lives and residual values of containers

Management determines the estimated useful lives of containers by reference to the Group's business model, its assets management policy and industry practice. The change in these factors can significantly affect the estimation of useful lives of containers and depreciation expense will change when useful lives are different from the previous estimates.

Management determines the residual values of containers based on all relevant factors (including the use of the current scrap value of steel in an active market as a reference value) at each measurement date. The depreciation expenses will change where the residual values are different from the previous estimates.

## 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

### 3.1 Critical accounting estimates and assumptions (Continued)

(c) Fair value estimation

The fair values of the Group's financial assets and liabilities are determined by reference to the methods below:

— the quoted market price when the related instrument is traded in an active market;

— valuation techniques (including pricing models or discounted cash flow models); and

— the price for similar recent transactions, with adjustment for the difference in market conditions and circumstances.

For major unlisted investments, the Group will determine the fair value of available-for-sale financial assets by reference to valuation report of an independent professional valuer.

The fair value of the Put Options (note 13) have been determined based on quotes from independent third parties for the price to settle the related liability.

The fair value of interest rate swap contracts is calculated as the present value of the estimated future cash flows.

(d) Impairment of goodwill and other assets

The Group tests at least annually whether goodwill has suffered any impairment. Other assets are reviewed for impairment annually or whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset or a cash generating unit is determined based on value-in-use calculations which require the use of assumptions and estimates.

### 3.2 Critical judgement in applying the Group's accounting policies

Income taxes

Deferred income tax liabilities have not been established for the withholding taxation that would be payable on the undistributed earnings of certain subsidiaries in the United States of America (the "US") as the directors consider that the timing of the reversal of related temporary differences can be controlled (note 16).

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

## 4. SEGMENT INFORMATION

### Primary reporting format — business segments

In accordance with the Group's internal financial reporting, the Group has determined that business segments are presented as the primary reporting format.

Unallocated costs represent net corporate expenses and finance costs less interest income.

Segment assets consist primarily of property, plant and equipment, investment properties, leasehold land and land use rights, intangible assets, inventories, derivative financial assets and receivables, and mainly exclude deferred income tax assets, jointly controlled entities, associates, available-for-sale financial assets and cash and cash equivalents.

Segment liabilities comprise operating liabilities and derivative financial liabilities, and exclude items such as current and deferred income tax liabilities, borrowings and related hedging derivatives.

Capital expenditure comprises additions to property, plant and equipment, investment properties, leasehold land and land use rights and intangible assets, including additions resulting from business combinations.

Segment assets, liabilities and other segment information

| | Container terminal and related businesses US$'000 | Container leasing, container management and related businesses US$'000 | Logistics and related businesses US$'000 | Container manufacturing and related businesses US$'000 | Corporate and other businesses US$'000 | Total US$'000 |
|---|---|---|---|---|---|---|
| **As at 30th June 2007** | | | | | | |
| Segment assets | **236,906** | **1,310,959** | **4,799** | **1,479** | **—** | **1,554,143** |
| Jointly controlled entities | **296,353** | **—** | **213,377** | **24,380** | **—** | **534,110** |
| Associates *(note a)* | **184,369** | **—** | **—** | **290,152** | **177,717** | **652,238** |
| Available-for-sale financial assets | **501,000** | **—** | **—** | **—** | **16,631** | **517,631** |
| Unallocated assets | | | | | | **244,905** |
| | | | | | | **3,503,027** |
| Segment liabilities | **9,010** | **231,937** | **—** | **44,552** | **—** | **285,499** |
| Unallocated liabilities | | | | | | **742,887** |
| | | | | | | **1,028,386** |
| As at 31st December 2006 | | | | | | |
| Segment assets | 203,256 | 1,075,532 | — | 3 | — | 1,278,791 |
| Jointly controlled entities | 250,743 | — | 202,186 | 23,835 | — | 476,764 |
| Associates *(note a)* | 188,918 | — | — | 255,729 | 174,943 | 619,590 |
| Available-for-sale financial assets | 368,000 | — | — | — | 8,589 | 376,589 |
| Unallocated assets | | | | | | 235,421 |
| | | | | | | 2,987,155 |
| Segment liabilities | 9,948 | 153,042 | 7 | 55,181 | — | 218,178 |
| Unallocated liabilities | | | | | | 560,776 |
| | | | | | | 778,954 |

## 4. SEGMENT INFORMATION (Continued)

### Primary reporting format — business segments (Continued)

Segment revenue, results and other segment information

| | Container terminal and related businesses US$'000 | Container leasing, container management and related businesses US$'000 | Logistics and related businesses US$'000 | Container manufacturing and related businesses US$'000 | Corporate and other businesses US$'000 | Total US$'000 |
|---|---|---|---|---|---|---|
| **Six months ended 30th June 2007** | | | | | | |
| Revenue — external sales | 23,956 | 123,375 | — | — | — | 147,331 |
| Segment results *(note c)* | 10,188 | 46,594 | (1) | (151) | (7,798) | 48,832 |
| Dividend income from | | | | | | |
| — a listed investment | — | — | — | — | 127 | 127 |
| — unlisted investments | 10,768 | — | — | — | — | 10,768 |
| Profit on disposal of containers *(note 12)* | — | 6,034 | — | — | — | 6,034 |
| Fair value gain on put options granted *(note 13)* | — | — | — | 10,629 | — | 10,629 |
| Unallocated costs | | | | | | |
| — finance income | | | | | | 3,550 |
| — finance costs | | | | | | (18,976) |
| Operating profit after finance income and costs | | | | | | 60,964 |
| Share of profits less losses of | | | | | | |
| — jointly controlled entities | 31,200 | — | 11,114 | 2,021 | — | 44,335 |
| — associates *(note b)* | 13,074 | — | — | 27,756 | 7,629 | 48,459 |
| Profit before income tax | | | | | | 153,758 |
| Income tax expenses | | | | | | (2,410) |
| Profit for the period | | | | | | 151,348 |
| Capital expenditure | 67,163 | 347,748 | — | — | 47 | 414,958 |
| Depreciation and amortisation | 3,178 | 36,207 | — | — | 215 | 39,600 |
| Share-based compensation *(notes c and 11(b))* | — | — | — | — | 11,190 | 11,190 |
| Other non-cash expenses | — | 629 | — | — | 212 | 841 |

## 4. SEGMENT INFORMATION (Continued)

### Primary reporting format — business segments (Continued)

#### Segment revenue, results and other segment information (Continued)

| | Container terminal and related businesses US$'000 | Container leasing, container management and related businesses US$'000 | Logistics and related businesses US$'000 | Container manufacturing and related businesses US$'000 | Corporate and other businesses US$'000 | Total US$'000 |
|---|---|---|---|---|---|---|
| Six months ended 30th June 2006 | | | | | | |
| Revenue | | | | | | |
| — total revenue | 10,681 | 158,507 | — | — | — | 169,188 |
| — inter-segment sales | (1) | — | — | — | — | (1) |
| External sales | 10,680 | 158,507 | — | — | — | 169,187 |
| Segment results | 4,494 | 99,383 | — | — | (3,116) | 100,761 |
| Dividend income from | | | | | | |
| — a listed investment | — | — | — | — | 476 | 476 |
| — an unlisted investment | 9,087 | — | — | — | — | 9,087 |
| Profit on disposal of containers *(note 12)* | — | 84,454 | — | — | — | 84,454 |
| Initial recognition of put options granted in connection with share reform of an associate *(note 13)* | — | — | — | (140,064) | — | (140,064) |
| Fair value gain on put options granted *(note 13)* | — | — | — | 75,777 | — | 75,777 |
| Unallocated costs | | | | | | |
| — finance income | | | | | | 2,828 |
| — finance costs | | | | | | (26,242) |
| Operating profit after finance income and costs | | | | | | 107,077 |
| Share of profits less losses of | | | | | | |
| — jointly controlled entities | 26,374 | — | 9,321 | 5,203 | — | 40,898 |
| — associates *(note b)* | 7,331 | — | — | 26,843 | 6,327 | 40,501 |
| Profit before income tax | | | | | | 188,476 |
| Income tax expenses | | | | | | (50,453) |
| Profit for the period | | | | | | 138,023 |
| Capital expenditure | 75,880 | 186,175 | — | — | 2,010 | 264,065 |
| Depreciation and amortisation | 759 | 56,003 | — | — | 193 | 56,955 |
| Other non-cash expenses | 81 | 3,924 | 91 | 39 | 211 | 4,346 |

Notes:

(a) As at 30th June 2007, the Group's share of the unaudited net assets of CIMC and Chong Hing Bank, listed associates of the Group, amounted to US$290,152,000 (31st December 2006: US$255,729,000) and US$177,717,000 (31st December 2006: US$174,943,000) respectively.

(b) For the six months ended 30th June 2007, the Group's share of unaudited profits (net of income tax expenses) of CIMC and Chong Hing Bank amounted to US$27,756,000 (2006: US$26,843,000) and US$7,629,000 (2006: US$6,327,000) respectively.

(c) The segment results of the corporate and other businesses segment for the period included the share-based compensation expense of US$11,190,000 (2006: N/A) (note 11(b)) which has not been allocated to the respective relevant business segments.

## 4. SEGMENT INFORMATION (Continued)

### Secondary reporting format — geographical segments

In respect of container leasing, container management and related businesses, the movements of containers and generator sets of the Group and those managed on behalf of third parties 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 and generator sets except to the degree that the movements are restricted by the terms of the leases or where safety of the containers and generator sets is concerned. It is therefore impracticable to present segment revenue and results by geographical areas for the related business.

The Group's segment assets are primarily dominated by its containers and generator sets. The directors consider that the nature of the Group's business precludes a meaningful allocation of containers and generator sets and their related capital expenditure to specific geographical segments as defined under HKAS 14 "Segment Reporting". These containers and generator sets are primarily utilised across geographical markets for shipment of cargoes throughout the world. Accordingly, it is also impractical to present segment assets and capital expenditure by geographical areas.

The activities of the container terminal and related businesses as conducted by certain subsidiaries of the Group are predominantly carried out in Mainland China and Hong Kong.

The activities of the Group's jointly controlled entities and associates are predominantly carried out in the following geographical areas:

| **Business segments** | **Geographical areas** |
|---|---|
| Container terminal and related businesses | Mainland China, Hong Kong, Singapore and Belgium |
| Logistics and related businesses | Mainland China |
| Container manufacturing and related businesses | Mainland China |

## 5. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30th June 2007, the Group acquired property, plant and equipment of US$353,698,000 (2006: US$186,631,000) and disposed of property, plant and equipment with net book value of US$71,884,000 (2006: US$790,646,000) (including the Sold Containers as mentioned in note 12 of US$40,493,000 (2006: US$762,070,000)).

## 6. CASH AND CASH EQUIVALENTS

| | As at 30th June 2007 US$'000 | As at 31st December 2006 US$'000 |
|---|---|---|
| Total time deposits, bank balances and cash *(note)* | **240,493** | 224,668 |
| Restricted bank deposits included in non-current assets | **(150)** | (158) |
| | **240,343** | 224,510 |
| Representing: | | |
| Time deposits | **91,765** | 160,561 |
| Bank balances and cash | **148,578** | 63,949 |
| | **240,343** | 224,510 |

Note:

As at 30th June 2007, cash and cash equivalents of US$18,077,000 (31st December 2006: US$15,834,000) were denominated in Renminbi and United States dollars which are held by certain subsidiaries of the Group with bank accounts operating in the PRC where exchange controls apply.

## 7. TRADE AND OTHER RECEIVABLES

| | As at 30th June 2007 US$'000 | As at 31st December 2006 US$'000 |
|---|---|---|
| Trade receivables *(notes a and b)* | | |
| — third parties | **28,488** | 19,927 |
| — fellow subsidiaries *(note c)* | **22,581** | 24,375 |
| — jointly controlled entities | **141** | — |
| — related companies | **344** | 185 |
| | **51,554** | 44,487 |
| Less: provision for impairment | **(3,787)** | (4,477) |
| | **47,767** | 40,010 |
| Other receivables, deposits and prepayments | **7,054** | 15,731 |
| Rent receivable collected on behalf of owners of managed containers *(note d)* | **34,545** | 36,459 |
| Current portion of finance lease receivables | **1,308** | 1,442 |
| Amounts due from *(note a)* | | |
| — jointly controlled entities *(note e)* | **65,474** | 30,072 |
| — associates | **861** | 845 |
| — an investee company *(note e)* | **—** | 9,070 |
| | **157,009** | 133,629 |

## 7. TRADE AND OTHER RECEIVABLES (Continued)

Notes:

(a) The balances are unsecured and interest free. Trading balances have credit periods ranging from 30 to 90 days while other balances have no fixed terms of repayment.

(b) The ageing analysis of the trade balances (net of provision) due from third parties, fellow subsidiaries, jointly controlled entities and related companies was as follows:

| | **As at 30th June 2007 US$'000** | As at 31st December 2006 US$'000 |
|---|---|---|
| Within 30 days | **18,313** | 18,573 |
| 31–60 days | **21,465** | 15,764 |
| 61–90 days | **5,816** | 3,825 |
| Over 90 days | **2,173** | 1,848 |
| | **47,767** | 40,010 |

(c) The balance mainly represented container leasing income receivable from fellow subsidiaries and included a receivable balance from COSCO Container Lines Company Limited ("COSCON"), a fellow subsidiary, of US$18,904,000 (out of which US$18,888,000 was aged less than 60 days) (31st December 2006: US$21,779,000 (the entire balance was aged less than 60 days)).

(d) The balance represented the unsettled billings to be collected by the Group in respect of the leases of those containers managed on behalf of third parties.

(e) The balances primarily represented dividend receivable from jointly controlled entities and an investee company of the Group.

## 8. DERIVATIVE FINANCIAL INSTRUMENTS

| | **As at 30th June 2007** | | As at 31st December 2006 | |
|---|---|---|---|---|
| | **Assets US$'000** | **Liabilities US$'000** | Assets US$'000 | Liabilities US$'000 |
| Interest rate swap contracts | | | | |
| — cash flow hedges *(note a)* | **44** | **—** | 579 | — |
| — fair value hedges *(note b)* | **—** | **8,479** | — | 4,362 |
| Put options *(note 13)* | **—** | **44,552** | — | 55,181 |
| Total | **44** | **53,031** | 579 | 59,543 |
| Less: non-current portion | | | | |
| Interest rate swap contracts | | | | |
| — fair value hedges | **—** | **(8,479)** | — | (4,362) |
| | **44** | **44,552** | 579 | 55,181 |

Notes:

(a) The notional principal amounts of the related interest rate swap contracts amounted to US$20,000,000 (31st December 2006: US$100,000,000) which was committed with fixed interest rate at 4.90% (2006: ranging from 3.88% to 4.90%) per annum. These derivative financial instruments do not qualify for hedge accounting.

(b) The notional principal amount of the related interest rate swap contracts amounted to US$200,000,000 (31st December 2006: US$200,000,000) which were committed with the interest rates ranging from 1.05% to 1.16% (2006: 1.05% to 1.16%) per annum above the London Interbank Offered Rate. These interest rate swap contracts had been designated as a hedge of the fair value of the notes issued by the Group (note 10).

## 9. TRADE AND OTHER PAYABLES

| | As at 30th June 2007 US$'000 | As at 31st December 2006 US$'000 |
|---|---|---|
| Trade payables *(notes a and b)* | | |
| — third parties | **56,127** | 39,774 |
| — jointly controlled entities *(note c)* | **14,220** | 2,935 |
| — a minority shareholder of a subsidiary | **26** | 36 |
| — subsidiaries of an associate *(note c)* | **58,908** | 30,024 |
| — related companies | **7** | 14 |
| | **129,288** | 72,783 |
| Other payables and accruals | **79,322** | 62,083 |
| Payable to owners of managed containers *(note d)* | **32,799** | 34,909 |
| Current portion of other long term liability | **1,488** | 1,488 |
| Dividend payable | **23** | 20 |
| Amounts due to *(note a)* | | |
| — fellow subsidiaries | **164** | 270 |
| — minority shareholders of subsidiaries | **125** | 1,175 |
| | **243,209** | 172,728 |

Notes:

(a) The balances are unsecured and interest free. Trading balances have similar credit periods granted as those of other third party suppliers while the other balances have no fixed terms of repayment.

(b) The ageing analysis of trade balances due to third parties, jointly controlled entities, a minority shareholder of a subsidiary, subsidiaries of an associate and related companies was as follows:

| | As at 30th June 2007 US$'000 | As at 31st December 2006 US$'000 |
|---|---|---|
| Within 30 days | **26,718** | 1,192 |
| 31–60 days | **39,075** | 15,347 |
| 61–90 days | **57,445** | 45,155 |
| Over 90 days | **6,050** | 11,089 |
| | **129,288** | 72,783 |

(c) The balance represented the amounts payable to jointly controlled entities and subsidiaries of an associate of the Group in respect of the purchases of containers (note 21(a)(vi)).

(d) The balance represented the rental income of the managed containers collected, net of the direct operating expenses of the managed containers paid by the Group on behalf of third parties and the management fee income.

## 10. LONG TERM BORROWINGS

| | As at 30th June 2007 US$'000 | As at 31st December 2006 US$'000 |
|---|---|---|
| Borrowings | | |
| Secured *(note c)* | **500** | 500 |
| Unsecured | **690,949** | 520,853 |
| | **691,449** | 521,353 |
| Amounts due within one year included under current liabilities | **(177,617)** | (2,421) |
| | **513,832** | 518,932 |

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

| | As at 30th June 2007 US$'000 | As at 31st December 2006 US$'000 |
|---|---|---|
| Bank loans wholly repayable within five years | **216,354** | 221,395 |
| Not wholly repayable within five years | | |
| — Bank loans | **189,005** | 10,245 |
| — Notes | **286,090** | 289,713 |
| | **475,095** | 299,958 |
| | **691,449** | 521,353 |

(b) The maturity of borrowings is as follows:

| | As at 30th June 2007 US$'000 | As at 31st December 2006 US$'000 |
|---|---|---|
| Bank loans | | |
| Within one year | **177,617** | 2,421 |
| Between one and two years | **17,273** | 189,840 |
| Between two and five years | **97,010** | 30,927 |
| Over five years | **113,459** | 8,452 |
| | **405,359** | 231,640 |
| Notes | | |
| Over five years | **286,090** | 289,713 |
| | **691,449** | 521,353 |

## 10. LONG TERM BORROWINGS (Continued)

(c) As at 30th June 2007, bank loan of US$500,000 (31st December 2006: US$500,000) was secured by certain land use right of a subsidiary.

(d) The Group established a non-wholly owned subsidiary (the "Subsidiary") with a third party (the "Partner") in August 2006. For the establishment of the Subsidiary, the Partner had injected certain assets and liabilities to the Subsidiary, including bank loans. As of 31st December 2006, the necessary procedures for changing the Subsidiary as the borrower of the bank loans of US$16,648,000 (the "Procedures") had not yet been completed. As the Subsidiary has undertaken these bank loans with effect from the date of its establishment, the directors accounted for the related loans as the Group's bank loans as at 31st December 2006. The aforesaid Procedures were subsequently completed during the period.

## 11. SHARE CAPITAL

| | **As at 30th June 2007 US$'000** | As at 31st December 2006 US$'000 |
|---|---|---|
| Authorised:<br>3,000,000,000 (31st December 2006: 3,000,000,000) ordinary shares of HK$0.10 each | **38,462** | 38,462 |
| Issued and fully paid:<br>2,240,669,298 (31st December 2006: 2,228,684,298) ordinary shares of HK$0.10 each | **28,736** | 28,583 |

Notes:

(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 2007 | 2,228,684,298 | 28,583 |
| Issued on exercising of share options | 11,985,000 | 153 |
| At 30th June 2007 | 2,240,669,298 | 28,736 |

## 11. SHARE CAPITAL (Continued)

(b) Share options

Movements of the share options, which have been granted under the share option schemes adopted by the Company on 30th November 1994 and 23rd May 2003 respectively, during the period are set out below:

| | | Number of share options | | | |
|---|---|---|---|---|---|
| **Category** | **Exercise price** HK$ | **Outstanding as at 1st January 2007** | **Granted during the period** | **Exercised during the period** | **Outstanding as at 30th June 2007** |
| Directors | 8.80 | 300,000 | — | (300,000) | — |
| | 9.54 | 2,100,000 | — | (1,300,000) | 800,000 |
| | 13.75 | 6,900,000 | — | (400,000) | 6,500,000 |
| | 19.30 | — | 2,300,000 | — | 2,300,000 |
| Continuous contract employees | 8.80 | 22,000 | — | (22,000) | — |
| | 9.54 | 3,978,000 | — | (1,753,000) | 2,225,000 |
| | 13.75 | 20,198,000 | — | (3,504,000) | 16,694,000 |
| | 19.30 | — | 15,300,000 | (40,000) | 15,260,000 |
| Others | 9.54 | 1,000,000 | — | (950,000) | 50,000 |
| | 13.75 | 7,360,000 | — | (3,716,000) | 3,644,000 |
| | | 41,858,000 | 17,600,000 | (11,985,000) | 47,473,000 |

The share options granted on 23rd March 2007 under the share option scheme as adopted by the Company on 23rd May 2003 are exercisable at any time within ten years from the date on which an offer is accepted or deemed to be accepted by the grantee from 17th April 2007 to 19th April 2007. The fair value of these options granted during the period, determined by using Black-Scholes valuation model, was approximately HK$4.97 per option (2006: N/A). By reference to the fair value of these options, an aggregate share-based compensation expense of US$11,190,000 (2006: N/A) was charged to the condensed consolidated income statement for the current period.

## 12. DISPOSAL OF CONTAINERS

In June 2007, the Group disposed of containers with an aggregate net book value of US$40,493,000 (2006: US$762,070,000) (the "Sold Containers") to an independent third party for a cash consideration of approximately US$46,527,000 (2006: US$846,524,000) (the "Disposal"). The gain on Disposal before taxes amounted to US$6,034,000 (2006: US$84,454,000).

In respect of the disposal of containers in June 2006, the Group had also received a finder fee income of approximately US$15,240,000 in respect of its services rendered prior to the completion the entire disposal transaction. The finder fee had been recognised and included as other operating income in the condensed consolidated income statement for the prior period.

## 13. SHARE REFORM

On 25th May 2006, the Company issued 424,106,507 put options (the "Put Options") to holders of the A-Shares not having trading restrictions (the "CIMC Tradable A-Shares") of CIMC, an associate of the Group listed on the Shenzhen Stock Exchange, as consideration for the former's approval of the removal of the trading restrictions on the CIMC shares held by the Group. The Put Options are listed on the Shenzhen Stock Exchange. The holders of the Put Options are entitled to require the Company to buy from them 1.370 CIMC Tradable A-Shares at an exercise price of RMB7.302 per share during the 5 trading days immediately prior to and including 23rd November 2007.

If all the Put Options are exercised in full, the Company will have to pay a total sum of approximately RMB4,241,000,000 (equivalent to approximately US$549,424,000) in cash and the Group's equity interest in CIMC will be increased from 16.23% to approximately 37% after the acquisition.

The Put Options are derivative financial instruments as defined under HKAS 39 "Financial Instruments: Recognition and Measurement" and are carried in the condensed consolidated balance sheet at their fair value. Resulting from the decrease in fair value of the Put Options, a fair value gain of approximately US$10,629,000 has been recognised in the condensed consolidated income statement for the period. The fair value of the Put Options has been determined based on quotes from independent third parties for the price to settle the related liability.

## 14. OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

| | Six months ended 30th June | |
|---|---|---|
| | **2007** | 2006 |
| | **US$'000** | US$'000 |
| **Crediting** | | |
| Dividend income from | | |
| — a listed investment | **127** | 476 |
| — unlisted investments | **10,768** | 9,087 |
| Fair value gain on interest rate swap contracts not qualified for hedge accounting | **71** | 775 |
| Gain on disposal of an available-for-sale financial asset | **744** | — |
| Profit on disposal of property, plant and equipment (excluding the Sold Containers as set out in note 12) | **550** | 278 |
| Reversal of provision for impairment of trade receivables, net | **558** | 1,146 |
| **Charging** | | |
| Depreciation and amortisation | **39,600** | 56,955 |
| Provision for impairment of | | |
| — inventories | **8** | 174 |
| — property, plant and equipment | **400** | — |

## 15. FINANCE INCOME AND COSTS

| | Six months ended 30th June | |
|---|---|---|
| | **2007** | 2006 |
| | **US$'000** | US$'000 |
| **Finance income** | | |
| Interest income on | | |
| — bank balances and deposits | **3,550** | 2,828 |
| — loans to a jointly controlled entity and associates | **951** | 488 |
| | **4,501** | 3,316 |
| **Finance costs** | | |
| Interest expenses on | | |
| — bank loans | **8,857** | 13,622 |
| — other loans | **—** | 8 |
| — notes not wholly repayable within five years | **9,798** | 8,386 |
| Amortised amount of | | |
| — discount on issue of notes | **103** | 108 |
| — transaction costs on bank loans and notes | **311** | 3,629 |
| | **19,069** | 25,753 |
| Less: amount capitalised in construction in progress | **(113)** | — |
| | **18,956** | 25,753 |
| Other incidental borrowing costs and charges | **20** | 489 |
| | **18,976** | 26,242 |

## 16. INCOME TAX EXPENSES

| | Six months ended 30th June | |
|---|---|---|
| | **2007** | 2006 |
| | **US$'000** | US$'000 |
| Current income tax | | |
| — Hong Kong profits tax | **111** | 121 |
| — Mainland China taxation | **327** | 547 |
| — Overseas taxation | **3,603** | 124,087 |
| — Over provision in prior years | **—** | (555) |
| | **4,041** | 124,200 |
| Deferred income tax credit | **(1,631)** | (73,747) |
| | **2,410** | 50,453 |

The Group's share of income tax expenses of jointly controlled entities and associates of US$6,152,000 (2006: US$6,044,000) and US$2,942,000 (2006: US$3,017,000) are included in the Group's share of profits less losses of jointly controlled entities and associates respectively.

## 16. INCOME TAX EXPENSES (Continued)

Hong Kong profits tax has been provided at a rate of 17.5% (2006: 17.5%) on the estimated assessable profit for the period.

Taxation on overseas profits 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 overseas taxation charged for the prior period primarily included the estimated capital gain tax provision in connection with the disposal of the Sold Containers as set out in note 12.

On 16th March 2007, the National People's Congress approved the Corporate Income Tax Law of the PRC (the new "CIT Law"). The new CIT Law reduces or increases the corporate income tax rate for domestic enterprises and foreign invested enterprises from 33% and 15% or 24% respectively to 25% with effect from 1st January 2008. The new CIT Law provides that further detailed measures and regulations on the determination of taxable profit, tax incentives and grandfathering provisions will be issued by the State Council in due course. The Company will then assess the related impact and account for any change in accounting estimate prospectively.

Deferred taxation is calculated in full on temporary differences under the liability method using tax rates substantively enacted by the balance sheet date. The deferred income tax liabilities associated with the Sold Containers as mentioned in note 12 have been written back and credited to the condensed consolidated income statement upon the disposal of the related containers.

As at 30th June 2007, deferred income tax liabilities of US$60,282,000 (31st December 2006: US$58,750,000) have not been established for the withholding taxation that would be payable on the unremitted earnings of certain subsidiaries totalling US$200,940,000 (31st December 2006: US$195,833,000) as the directors considered that the timing of the reversal of the related temporary differences can be controlled and accordingly the related temporary difference will not be reversed in the foreseeable future.

## 17. DIVIDENDS

| | **Six months ended 30th June** | |
|---|---|---|
| | **2007 US$'000** | 2006 US$'000 |
| Interim dividend, declared, of US3.186 cents (2006: US3.526 cents) per ordinary share | **71,388** | 78,213 |
| 2006 special interim dividend, declared, of US1.174 cents per ordinary share | **—** | 26,042 |
| | **71,388** | 104,255 |

## 17. DIVIDENDS (Continued)

Notes:

(a) At a meeting held on 22nd March 2007, the directors proposed a final dividend of HK32.2 cents (equivalent to US4.147 cents) per ordinary share for the year ended 31st December 2006, which was paid on 1st June 2007 and has been reflected as an appropriation of retained profits for the six months ended 30th June 2007.

(b) At a meeting held on 23rd August 2007, the directors declared an interim dividend of HK24.9 cents (equivalent to US3.186 cents) per ordinary share. The interim dividend declared is not reflected as dividend payable in the Unaudited Condensed Consolidated Interim Financial Information, but will be reflected as an appropriation of retained profits for the year ending 31st December 2007.

## 18. EARNINGS PER SHARE

### Basic

Basic earnings per share is calculated by dividing the profit attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

| | Six months ended 30th June | |
|---|---|---|
| | **2007** | 2006 |
| Profit attributable to the equity holders of the Company | **US$148,517,000** | US$136,404,000 |
| Weighted average number of ordinary shares in issue | **2,237,470,044** | 2,208,054,243 |
| Basic earnings per share | **US6.64 cents** | US6.18 cents |

### Diluted

Diluted earnings per share is calculated based on the profit attributable to the equity holders of the Company and the weighted average number of ordinary shares in issue during the period, after adjusting for the number of dilutive potential ordinary shares deemed to be issued at no considerations as if all outstanding share options granted by the Company had been exercised.

| | Six months ended 30th June | |
|---|---|---|
| | **2007** | 2006 |
| Profit attributable to the equity holders of the Company | **US$148,517,000** | US$136,404,000 |
| Weighted average number of ordinary shares in issue | **2,237,470,044** | 2,208,054,243 |
| Adjustments for assumed conversion of share options | **11,315,285** | 11,800,816 |
| Weighted average number of ordinary shares for diluted earnings per share | **2,248,785,329** | 2,219,855,059 |
| Diluted earnings per share | **US6.60 cents** | US6.14 cents |

## 19. FINANCIAL GUARANTEE CONTRACTS

| | As at 30th June 2007 US$'000 | As at 31st December 2006 US$'000 |
|---|---|---|
| Bank guarantee to an associate, at face value | **24,970** | 25,304 |

The directors of the Company consider that it is not probable for a claim to be made against the Group as at the balance sheet date and accordingly the above bank guarantee was not provided for in the Unaudited Condensed Consolidated Interim Financial Information.

## 20. CAPITAL COMMITMENTS

Except as disclosed elsewhere in the Unaudited Condensed Consolidated Interim Financial Information, the Group has the following significant capital commitments as at 30th June 2007:

| | As at 30th June 2007 US$'000 | As at 31st December 2006 US$'000 |
|---|---|---|
| Authorised but not contracted for | | |
| Containers | **98,679** | 474,592 |
| Generator sets | **—** | 2,448 |
| Computer system under development | **824** | 946 |
| Other property, plant and equipment | **63,382** | 1,264 |
| | **162,885** | 479,250 |
| Contracted but not provided for | | |
| Investments *(note)* | **711,774** | 727,118 |
| Containers | **84,051** | 39,346 |
| Generator sets | **191** | — |
| Other property, plant and equipment | **24,084** | 27,729 |
| | **820,100** | 794,193 |
| The Group's share of capital commitments of the jointly controlled entities themselves not included in the above are as follows: | | |
| Authorised but not contracted for | **52,902** | 32,221 |
| Contracted but not provided for | **10,942** | 20,320 |
| | **63,844** | 52,541 |

## 20. CAPITAL COMMITMENTS (Continued)

Note:

The Group's contracted investments as at 30th June 2007 are as follows:

| | As at 30th June 2007 US$'000 | As at 31st December 2006 US$'000 |
|---|---|---|
| Investments in | | |
| Qingdao Qianwan Container Terminal Co., Ltd | **64,997** | 77,817 |
| Antwerp Gateway NV | **86,892** | 86,294 |
| Dalian Port Container Terminals Co., Ltd | **94,015** | 91,546 |
| COSCO Ports (Nansha) Limited | **133,451** | 165,902 |
| Ningbo Yuan Dong Terminals Ltd | **21,304** | — |
| Others | **65,053** | 64,410 |
| | **465,712** | 485,969 |
| Terminal projects | | |
| Tianjin Port Euroasia Terminal | **141,816** | 138,307 |
| Shanghai Yangshan Port Phase II | **52,525** | 51,225 |
| Suez Canal Terminal at Port Said, Egypt | **47,500** | 47,500 |
| Others | **4,221** | 4,117 |
| | **246,062** | 241,149 |
| | **711,774** | 727,118 |

## 21. RELATED PARTY TRANSACTIONS

The Group is controlled by China COSCO which owns 51.06% of the Company's shares as at 30th June 2007. The parent company of China COSCO is COSCO.

COSCO is a state-owned enterprise and is controlled by the PRC government, which also owns a significant portion of the productive assets in the PRC. In accordance with HKAS 24 "Related Party Disclosures" issued by the HKICPA, other state-owned enterprises and their subsidiaries (other than COSCO group companies), directly or indirectly controlled by the PRC government, are also defined as related parties of the Group. On that basis, related parties include COSCO and its subsidiaries, other state-owned enterprises and their subsidiaries directly or indirectly controlled by PRC government, other entities and corporations in which the Company is able to control or exercise significant influence and key management personnel of the Company and COSCO as well as their close family members.

For the purpose of related party transaction disclosures, the Group has identified to the extent practicable its customers and suppliers as to whether they are state-owned enterprises. Nevertheless, the directors believe that meaningful information relating to related party transactions has been adequately disclosed.

In addition to those disclosed elsewhere in the Unaudited Condensed Consolidated Interim Financial Information, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties during the period.

## 21. RELATED PARTY TRANSACTIONS (Continued)

### (a) Sales/purchases of goods and services

| | Six months ended 30th June | |
|---|---|---|
| | **2007 US$'000** | 2006 US$'000 |
| Container rental income from *(note i)* | | |
| — a fellow subsidiary | **65,835** | 63,212 |
| — other state-owned enterprises | **11** | 77 |
| Handling, storage and net transportation income from *(note ii)* | | |
| — a fellow subsidiary | **3,768** | 3,586 |
| — a jointly controlled entity | **230** | — |
| Management fee and service fee income from *(note iii)* | | |
| — jointly controlled entities | **1,537** | 1,446 |
| — associates | **498** | 190 |
| — an investee company | **40** | 19 |
| Container terminal handling and storage income received from fellow subsidiaries and an associate of a parent company *(note iv)* | **3,176** | 1,707 |
| Approved continuous examination program fee to a fellow subsidiary *(note v)* | **(550)** | (550) |
| Purchase of containers from *(note vi)* | | |
| — subsidiaries of CIMC | **(99,464)** | (62,362) |
| — jointly controlled entities | **(20,227)** | (23,765) |

Notes:

(i) The Group has conducted container leasing business with COSCON and other state-owned enterprises. The container rental income was charged based on terms agreed between the Group and the respective parties in concern.

(ii) The handling, storage and net transportation income received from a fellow subsidiary and a jointly controlled entity were conducted at terms as set out in the agreements entered into between the Group and the respective parties in concern.

(iii) The Group provided advisory and management services to COSCO-HIT Terminals (Hong Kong) Limited, a jointly controlled entity of the Group, during the period. Management fee was charged and agreed at HK$20,000,000 (equivalent to approximately US$2,562,000) (2006: HK$20,000,000) (equivalent to approximately US$2,575,000) per annum.

Other management fee and service fee income charged to jointly controlled entities, associates and an investee company was agreed between the Group and the respective parties in concern.

(iv) The Group provided container terminal handling and storage services to fellow subsidiaries and an associate of COSCO in respect of the cargoes shipped from/to Zhangjiagang port and Quanzhou ports. The tariff rates charged by the Group have been made reference to the rates as set out by the Ministry of Communications of the PRC.

(v) An approved continuous examination program fee for the period of US$550,000 (2006: US$550,000) to COSCON in connection with the containers leased to COSCON on a long term basis was agreed between the Group and COSCON.

(vi) The purchases of containers from certain subsidiaries of CIMC and jointly controlled entities of the Group were conducted at terms as set out in the agreements entered into between the Group and the respective parties in concern.

## 21. RELATED PARTY TRANSACTIONS (Continued)

(b) Balances with state-owned banks

| | As at 30th June 2007 US$'000 | As at 31st December 2006 US$'000 |
|---|---|---|
| Bank deposits balances | | |
| — in Mainland China | **18,064** | 15,384 |
| — outside Mainland China | **125,473** | 96,084 |
| | **143,537** | 111,468 |
| Long term loans | | |
| — in Mainland China | **52,237** | 57,232 |
| — outside Mainland China | **174,622** | 174,409 |
| | **226,859** | 231,641 |
| Short term loans | | |
| — in Mainland China | **4,489** | 10,245 |
| — outside Mainland China | **20,000** | — |
| | **24,489** | 10,245 |

The deposits and loans with state-owned banks were in accordance with the terms as set out in the respective agreements or as mutually agreed between the parties in concern.

(c) Balances with other state-owned enterprises

| | As at 30th June 2007 US$'000 | As at 31st December 2006 US$'000 |
|---|---|---|
| Other payable to state-owned enterprises | **3,604** | 5,682 |

The balance represented the port construction levy collected by subsidiaries of the Group on the behalf the port authorities in Zhangjiagang and Quanzhou pursuant to a notice issued by the Ministry of Communications of the PRC. The balance is unsecured, interest free and has no fixed terms of repayment.

## 21. RELATED PARTY TRANSACTIONS (Continued)

(d) Key management compensation

| | Six months ended 30th June | |
|---|---|---|
| | **2007** **US$'000** | 2006 US$'000 |
| Salaries, bonuses and other allowances | **1,188** | 1,147 |
| Contribution to retirement benefit schemes | **2** | 3 |
| | **1,190** | 1,150 |

Key management includes directors of the Company and three (2006: three) senior management members of the Group.

## 22. EVENTS AFTER THE BALANCE SHEET DATE

At a meeting held on 23rd August 2007, the directors approved for the disposal of the Group's entire 20% equity interest in Chong Hing Bank to a fellow subsidiary, COSCO (Hong Kong) Group Limited ("COSCO HK"). The completion of the disposal transaction is subject to the terms and conditions as set out in the sale and purchase agreement to be entered into between the Group and COSCO HK. The directors anticipated that the Group will derive a gain from this disposal.

## 23. COMPARATIVE FIGURES

The comparative figures for revenue, cost of sales, other income, other operating income and other operating expenses as set out in the condensed consolidated income statement and the related notes thereto have been reclassified to conform with the current period's presentation.

# Report on Review of Interim Financial Information

## To the Board of Directors of COSCO Pacific Limited

### INTRODUCTION

We have reviewed the interim financial information set out on pages 3 to 28, which comprises the condensed consolidated balance sheet of COSCO Pacific Limited (the "Company") and its subsidiaries (collectively the "Group") as at 30th June 2007 and the related condensed consolidated statements of income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes (the "Interim Financial Information"). The Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") ("HKAS 34"). The directors of the Company are responsible for the preparation and presentation of this Interim Financial Information in accordance with HKAS 34. Our responsibility is to express a conclusion on this Interim Financial Information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### SCOPE OF REVIEW

Except as explained in the following paragraph, we conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### BASIS OF QUALIFIED CONCLUSION

The scope of our review did not extend to the Group's shares of net assets and results of two listed associates, China International Marine Containers (Group) Co., Ltd and Chong Hing Bank Limited, which were accounted for under the equity method on the basis of their published interim financial information because either the associate did not engage its auditor to perform review or the auditor of the associate has not provided review report to us. Had we been able to perform review procedures on the Group's shares of net assets and results of the aforesaid two listed associates, matters might have come to our attention indicating that adjustments might be necessary to the Interim Financial Information.

### QUALIFIED CONCLUSION

Except for any adjustments to the Interim Financial Information that we might have become aware of had the above-mentioned limitation of scope not existed, based on our review, nothing has come to our attention that causes us to believe that the Interim Financial Information is not prepared, in all material respects, in accordance with HKAS 34.

**PricewaterhouseCoopers**
*Certified Public Accountants*

Hong Kong, 23rd August 2007

## DIVIDENDS

The directors have declared an interim cash dividend of HK24.9 cents per share (2006: an interim cash dividend of HK27.4 cents per share and a special interim cash dividend of HK9.1 cents per share) for the six months ended 30th June 2007. The interim dividend will be payable on 21st September 2007 to shareholders whose names appear on the register of members of the Company on 13th September 2007.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 10th September 2007 to Thursday, 13th September 2007, both days inclusive, during which no transfer of shares will be registered. In order to be qualified for the interim dividend, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong share registrars, Tricor Secretaries Limited of 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong, for registration no later than 4:00 p.m. on Friday, 7th September 2007.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

#### Overall analysis of results

The profit attributable to the equity holders of the Group was US$148,517,000 (2006: US$136,404,000), a rise of 8.9% when compared with the corresponding period last year. With the continuous robust growth in China's import and export trade and the global shipping market, the throughput of the Group's container terminals reached 18,417,429 TEUs (2006: 14,974,748 TEUs) in the first half of 2007, a rise of 23.0% over the corresponding period last year. Accordingly, the net profit from container terminal operations for the period amounted to US$62,010,000 (2006: US$44,901,000), representing a significant increase of 38.1% when compared with the same period last year.

After the disposal of containers of 600,082 TEUs in June last year (the "Disposal"), the container fleets directly owned by the Group dropped to 741,116 TEUs as at 30th June 2007 (Prior to the Disposal in 2006: 1,076,762 TEUs). Net profit from container leasing and container management businesses in the first half of 2007 was US$50,232,000 (2006: US$68,519,000, excluding the non-recurring net gain on the Disposal and finder fee income associated with the Disposal of approximately US$65 million in aggregate), a drop of 26.7% over the corresponding period last year.

Logistics business contributed to the Group a net profit of US$11,113,000 (2006: US$9,321,000) in the first half of the year, an increase of 19.2% over the same period last year.

For the first half of 2007, net profit from container manufacturing business, excluding the financial effect of the CIMC Put Options associated with the CIMC Share Reform, was US$29,626,000 (2006: US$32,046,000), representing a decrease of 7.6% as compared with the corresponding period last year.

### Financial Analysis

#### Revenue

Revenue decreased by 12.9% to US$147,331,000 (2006: US$169,187,000) for the first half of 2007. The decrease was mainly due to the strategic disposal of 600,082 TEUs of containers in June last year, resulting in a decrease in container leasing income to US$81,597,000 (2006: US$138,474,000). Revenue from container management was US$3,524,000 (2006: US$220,000), a rise of US$3,304,000. Revenue from leasing of reefer-container generator sets was US$804,000 (2006: US$656,000), representing an increase of 22.6%. In addition to leasing income, revenue from the disposal of returned containers during the period was US$37,248,000 (2006: US$18,901,000), an increase of 97.1% over the corresponding period last year. This increase was mainly attributable to the rise in the number of returned containers sold from 20,698 TEUs for the corresponding period last year to 36,453 TEUs for the period.

Revenue from container terminal operations showed a strong growth for the period. With the commencement of operation of Quanzhou Pacific Container Terminal Co., Ltd. ("Quanzhou Pacific Terminal") since September last year, the terminal recorded throughput of 385,051 TEUs and revenue of US$10,655,000 (2006: N/A) for the period. With the newly acquired berth No. 17 commencing its operation in October 2006 and with the continuous efforts to explore new business opportunities and improve operational efficiency, Zhangjiagang Win Hanverky Container Terminal Co., Ltd. ("Zhangjiagang Win Hanverky Terminal") achieved a significant growth of 37.9% in its throughput to 300,389 TEUs (2006: 217,843 TEUs) as compared with the corresponding period in 2006. Its revenue also recorded a 31.6% increase to US$9,118,000 (2006: US$6,926,000).

With increased business of container handling, storage, repairs and drayage operations, the revenue of Plangreat Limited and its subsidiaries for the period amounted to US$3,960,000 (2006: US$3,754,000), a rise of 5.5% over the corresponding period last year.

### Cost of sales

Cost of sales, mainly comprising depreciation, net book value of disposed returned containers, depot expenses, repairs and maintenance and operating expenses, was US$80,256,000 (2006: US$75,341,000), an increase of 6.5% over the same period last year. The strategic disposal of containers last year resulted in a reduction in depreciation of containers to US$35,572,000 (2006: US$55,422,000), representing a drop of 35.8%. Since the number of returned containers sold increased to 36,453 TEUs from 20,698 TEUs in 2006, net book value of returned containers disposed of was US$32,973,000 (2006: US$13,250,000), an increase of 148.9%. Furthermore, operating expenses increased upon the commencement of operation of Quanzhou Pacific Terminal since September last year.

### Other income

Other income, comprising mainly dividend income, increased by 13.9% to US$10,920,000 (2006: US$9,587,000). In respect of the first half of 2007, Yantian International Container Terminals Ltd. ("Yantian Terminal") declared cash dividend of US$9,293,000 (2006: US$9,087,000). Tianjin Five Continents International Container Terminal Co., Ltd. ("Tianjin Five Continents Terminal") declared and paid a cash dividend in respect of year 2006 of US$1,475,000 (2006: Nil) during the period.

### Administrative expenses

Administrative expenses were US$30,714,000 (2006: US$16,020,000). The increase was mainly due to the grant of share options to the continuous contract employees of the Group and certain directors of the Company. According to HKFRS 2 "Share-based payment" issued by the HKICPA, all share options granted were recognised as share-based compensation expense at fair value. Therefore, the share-based compensation expense of US$11,190,000 (2006: N/A) was recognised for the period.

### Other net operating income

Other net operating income for the period amounted to US$11,495,000 (2006: US$22,423,000), representing a year-on-year decrease of 48.7%. The difference was mainly attributable to the other operating income of approximately US$15,000,000 in connection with the service provided for the completion of the disposal of 600,082 TEUs of containers last year.

### Profit on disposal of containers

Profit before tax generated from disposal of 31,352 TEUs of containers (which the Group will provide after-sales management services) during the period amounted to approximately US$6,034,000 (2006: profit before tax generated from the disposal of 600,082 TEUs of containers was approximately US$84,454,000).

### Finance costs

Finance costs for the first half of 2007 reduced by 27.7% to US$18,976,000 (2006: US$26,242,000) was mainly due to a fall in the Group's average borrowing to US$595,541,000 (2006: US$808,041,000). The Group's average borrowing cost, including the amortisation of transaction costs of bank loans and notes, but before the write-off of unamortised transaction costs for early repayment of bank loans in the prior period, was based on average 6-month London Interbank Offered Rate ("LIBOR") plus 100 basis points (2006: an average 6-month LIBOR plus 138 basis points).

### Share of profits less losses of jointly controlled entities and associates

Net profit from jointly controlled entities for the first half of 2007 amounted to US$44,335,000 (2006: US$40,898,000), representing a rise of 8.4% over the same period last year. The replacement of four quay cranes of COSCO-HIT Terminals (Hong Kong) Limited ("COSCO-HIT Terminal") last year resulted in higher operational efficiency. Its throughput for the first half of 2007 increased by 10.1% to 906,589 TEUs (2006: 823,493 TEUs). Its net profit attributable to the Group amounted to US$12,435,000 (2006: US$9,974,000), marking a significant increase of 24.7% over the corresponding period of 2006. Throughput of Qingdao Qianwan Container Terminal Co., Ltd. ("Qingdao Qianwan Terminal") for the first half of the year increased by 27.6% to 4,026,677 TEUs (2006: 3,155,907 TEUs), and its net profit amounted to US$15,862,000 (2006: US$12,596,000), an increase of 25.9% as compared to the previous year. Throughput of Nanjing Port Longtan Container Co., Ltd. ("Nanjing Longtan Terminal") for the first half of the year increased by 52.3% to 426,895 TEUs (2006: 280,389 TEUs) and net profit increased by 38.7%. Growth in net profit of Yingkou Container Terminals Company Limited ("Yingkou Terminal") as well as Yangzhou Yuanyang International Ports Co., Ltd. ("Yangzhou Yuanyang Terminal") picked up momentum. Throughput of Yingkou Terminal and Yangzhou Yuanyang Terminal for the first half of the year increased by 40.7% and 29.1% to 545,516 TEUs (2006: 387,793 TEUs) and 138,871 TEUs (2006: 107,562 TEUs) respectively. Net profit from Yingkou Terminal and Yangzhou Yuanyang Terminal for the period increased by 60.7% and 27.2% respectively.

Upon the respective commencement of operation of Ningbo Yuan Dong Terminals Limited ("Ningbo Yuan Dong Terminal") and Guangzhou South China Oceangate Container Terminal Company Limited ("Guangzhou South China Oceangate Terminal") at the beginning of 2007, loss of US$625,000 (2006: N/A) and US$1,665,000 (2006: N/A) was recorded in the first half of the year respectively. As a result, the growth of the profit of jointly controlled entities for the first half of 2007 slowed down slightly. In addition, profit from Tianjin CIMC North Ocean Container Co., Ltd. and Shanghai CIMC Reefer Containers Co., Ltd. decreased due to the continuous price hike of raw materials. Net profit from COSCO Logistics Co., Ltd. ("COSCO Logistics") for the period was US$11,114,000 (2006: US$9,321,000), representing a rise of 19.2%.

Net profit from associates amounted to US$48,459,000 (2006: US$40,501,000) for the first half of the year, an increase of 19.6% over the same period last year. Throughput of Shanghai Pudong International Container Terminals Limited ("Shanghai Pudong Terminal") increased by 9.2% to 1,357,173 TEUs (2006: 1,242,515 TEUs) for the period. After completion of the Group's acquisition of additional 10% equity interests in Shanghai Pudong Terminal in June last year, net profit from Shanghai Pudong Terminal increased to US$11,423,000 (2006: US$5,635,000), an increase of 102.7% as compared with the corresponding period last year. Throughput of Shanghai Container Terminals Limited ("Shanghai Terminal") decreased by 16.7% to 1,618,337 TEUs (2006: 1,941,717 TEUs). Its net profit was US$2,453,000 (2006: US$3,665,000), a drop of 33.1% as compared with 2006. Antwerp Gateway NV ("Antwerp Terminal"), which was acquired at the end of 2004, recorded a loss of US$519,000 (2006: US$1,339,000) for the period, representing a year-on-year decrease in loss of 61.2% over the corresponding period last year. Net profit from China International Marine Containers (Group) Co., Ltd. ("CIMC") for the period was US$27,756,000 (2006: US$26,843,000), a rise of 3.4% over the corresponding period in 2006. Net profit from Chong Hing Bank Limited ("Chong Hing Bank") increased to US$7,629,000 (2006: US$6,327,000), a rise of 20.6% during the period.

### Income tax expenses

Aggregate income tax expenses amounted to US$2,410,000 (2006: US$50,453,000) for the period, a substantial decrease of 95.2% over the corresponding period in 2006. The decrease was mainly due to the relative provision for capital gain tax in relation to the disposal of 600,082 TEUs of containers net of the write back of related deferred tax liabilities last year.

## Financial Position

### Cash flow

Cash inflow of the Group remained steady. During the period, net cash from operating activities amounted to US$124,030,000 (2006: US$164,812,000). The Group drew bank loans of US$242,869,000 (2006: US$494,000,000) and repaid US$55,484,000 (2006: US$516,379,000) during the first half of the year. During the period, the total cash outflow for major terminal investments of the Group amounted to US$60,548,000, comprising US$37,213,000 in Guangzhou South China Oceangate Terminal, US$12,821,000 in Qingdao Qianwan Terminal, US$9,293,000 in Yantian Terminal (Phase III) and US$1,221,000 in Ningbo Yuan Dong Terminal. Major capital investments for the same period last year comprised US$57,973,000 for acquisition of additional 10% equity interests in Shanghai Pudong Terminal, US$10,695,000 in Qingdao Qianwan Terminal, US$9,087,000 in Yantian Terminal (Phase III) and US$930,000 in Antwerp Terminal. During the period, an amount of US$281,059,000 (2006: US$93,243,000) was paid in cash for purchase of property, plant and equipment, of which US$270,935,000 (2006: US$89,388,000) was for the purchase of new containers.

### Financing and credit facilities

A wholly owned subsidiary of the Group completed a US$500,000,000 club loan in May 2007, of which the amount of US$300,000,000 was for the purchase of new containers in 2007 and the amount of US$200,000,000 was for general working capital purpose. A total of 17 banks were involved in the loan for a term of six years and all-in-cost were LIBOR plus 38 basis points. With its preferential terms, the financing arrangement optimised the Group's debt structure.

As at 30th June 2007, cash balances and banking facilities committed but undrawn amounted to US$240,493,000 and US$350,505,000 respectively (31st December 2006: US$224,668,000 and US$40,000,000 respectively).

### Assets and liabilities

As at 30th June 2007, the Group's total assets amounted to US$3,503,027,000 (31st December 2006: US$2,987,155,000) and total liabilities amounted to US$1,028,386,000 (31st December 2006: US$778,954,000). Net assets increased to US$2,474,641,000 from US$2,208,201,000 at the end of 2006, mainly attributable to the increase in retained profits, increased investment revaluation reserve arising from available-for-sale financial assets and the increased share capital from the issuance of new shares upon the exercise of the share options. Net asset value per share was US110.44 cents (31st December 2006: US99.08 cents), representing a 11.5% increase from the end of last year.

The cash balances of the Group amounted to US$240,493,000 as at 30th June 2007 (31st December 2006: US$224,668,000). Total outstanding borrowings amounted to US$715,938,000 (31st December 2006: US$531,598,000). Net debt to equity ratio slightly increased to 19.2% from 13.9% at the end of previous year, and the interest cover was 9.1 times, as compared to 8.2 times in the same period last year.

Land use rights with an aggregate net book value of US$1,672,000 (31st December 2006: US$1,645,000) were pledged to a bank by the Group to secure a loan of US$500,000 (31st December 2006: US$500,000).

### Debt analysis

| | As at 30th June 2007 | | As at 31st December 2006 | |
|---|---|---|---|---|
| | **US$** | **%** | US$ | % |
| **By repayment term** | | | | |
| Within the first year | **202,106,000** | **28.2** | 12,666,000 | 2.4 |
| Within the second year | **17,273,000** | **2.4** | 189,840,000 | 35.7 |
| Within the third year | **25,414,000** | **3.6** | 10,821,000 | 2.0 |
| Within the fourth year | **29,424,000** | **4.1** | 11,526,000 | 2.2 |
| Within the fifth year and beyond | **441,721,000** | **61.7** | 306,745,000 | 57.7 |
| | **715,938,000*** | **100.0** | 531,598,000* | 100.0 |
| **By type of borrowings** | | | | |
| Secured borrowings | **500,000** | **0.1** | 500,000 | 0.1 |
| Unsecured borrowings | **715,438,000** | **99.9** | 531,098,000 | 99.9 |
| | **715,938,000** | **100.0** | 531,598,000 | 100.0 |
| **By denomination of borrowings** | | | | |
| US Dollar | **660,262,000** | **92.2** | 464,622,000 | 87.4 |
| RMB | **55,676,000** | **7.8** | 66,976,000 | 12.6 |
| | **715,938,000** | **100.0** | 531,598,000 | 100.0 |

* *Net of unamortised discount on notes and transaction costs on borrowings and notes.*

### Financial guarantees and contingent liabilities

As at 30th June 2007, the Group provided guarantees on a loan facility granted to an associate of US$24,970,000 (31st December 2006: US$25,304,000) and the Group did not have any significant contingent liabilities.

### Treasury policy

The Group manages its foreign exchange risk by matching the currencies of its loans with the Group's functional currency of major cash receipts and underlying assets as far as possible. Borrowings for the container leasing business are mainly denominated in US dollar which is the same currency of its revenue and expenses so as to minimise potential foreign exchange exposure.

The financing activities of jointly controlled entities and associates were denominated in their respective functional currencies. Their hedging policies are devised accordingly.

The Group continued to exercise stringent control over the use of financial derivatives to hedge against its interest rates exposure. As at 30th June 2007, outstanding interest rates swap contracts comprised:

- Notional principals of contracts amounting to US$200,000,000 (31st December 2006: US$200,000,000) in total whereby the Group agreed to pay the banks interest at floating rates ranging from 105 basis points to 116 basis points above 6-month LIBOR in return for receiving interests from the banks at a fixed interest rate of 5.875% per annum.

- Notional principals of contracts amounting to US$20,000,000 (31st December 2006: US$100,000,000) in total whereby the Group agreed to pay fixed interest rate of 4.90% (31st December 2006: ranging from 3.88% to 4.90%) per annum in return for receiving interest from the bank at 3-month LIBOR.

As at 30th June 2007, after adjustment of the fixed rate borrowings for the interest rates swap contracts, 13.6% (31st December 2006: 35.7%) of the Group's total borrowings were fixed rate. The Group continued to monitor and regulate its fixed and floating debt portfolio from time to time in light of market conditions, with a view to minimising its potential interest rate exposure.

## Review of Operations

China's economy maintained its growth momentum in the first half of 2007. The increase in import and export trade supported a strong demand for container transportation, boosting the performance in all core business operations of COSCO Pacific.

### Terminal and Related Operations

During the period, China's container throughput maintained a robust growth. National-scale terminals recorded aggregate throughput of 52,530,000 TEUs, representing an increase of 24.1% as compared with the corresponding period last year. Of the throughput, 48,760,000 TEUs were achieved by coastal terminals, an increase of 23.7% as compared with that of last year, while 3,770,000 TEUs were recorded from inland river terminals, an increase of 30.4% as compared with the corresponding period last year.

The Group's terminal and related operations recorded satisfactory results. During the period, container terminal throughput amounted to 18,417,429 TEUs, representing an increase of 23.0% from the corresponding period last year.

Terminals in the Bohai Rim recorded an outstanding performance, with aggregate throughput of 8,181,025 TEUs, representing an increase of 33.9%. As at 30th June 2007, throughput of Qingdao Qianwan Terminal rose steadily by 27.6% to 4,026,677 TEUs. Throughput of Dalian Port Container Terminal Co., Ltd. ("Dalian Port Container Terminal"), which commenced operation in August 2005, doubled to 414,210 TEUs due to the commencement of operation of 2 new berths since last October as well as additional routes of shipping companies. Throughput of Dalian Port Container Co., Ltd. increased by 35.1% to 1,749,367 TEUs. Tianjin Five Continents Terminal recorded throughput of 952,673 TEUs, representing an increase of 29.2% as compared with the corresponding period last year. Yingkou Terminal maintained an efficient operation, with its throughput increasing by 40.7% to 545,516 TEUs.

Total throughput of the terminals in the Yangtze River Delta region rose by 2.4% to 3,881,561 TEUs over the same period last year. Shanghai Pudong Terminal, an additional 10% equity interest in which was acquired by the Group in June last year, maintained a steady growth with its throughput increased by 9.2% from the corresponding period last year to 1,357,173 TEUs. Shanghai Terminal handled a throughput of 1,618,337 TEUs, decreased by 16.7% due to reallocation of shipping routes. Berth No. 7 of Beilun phase IV at the port of Ningbo, operated and managed by Ningbo Yuan Dong Terminal, commenced operation in March this year, recorded throughput of 39,896 TEUs for the first half of the year. Throughput of Zhangjiagang Win Hanverky Terminal surged by 37.9% to 300,389 TEUs after the commencement of operation of Berth No. 17 in October 2006. Nanjing Longtan Terminal recorded a robust growth with its throughput surging by 52.3% to 426,895 TEUs. Throughput of Yangzhou Yuanyang Terminal increased by 29.1% to 138,871 TEUs upon the addition of an operating berth in the first half of 2006.

Terminals in the Pearl River Delta and the southeast coastal region recorded satisfactory results, with an increase of total throughput of 22.9% to 5,588,253 TEUs over the corresponding period last year. Throughput of COSCO-HIT Terminal for the first half of the year recorded an increase of 10.1% to 906,589 TEUs over the corresponding period last year. Its monthly throughput in May reached a record high of 171,610 TEUs in thirteen years since its commencement of operation. Berth No. 5 and No. 6 of Guangzhou South China Oceangate Terminal, which commenced operation in March this year, recorded throughput of 131,678 TEUs for the period. Throughput of Quanzhou Pacific Terminal, whose 71.43%

equity interest is held by the Group, rose steadily since its commencement of operation in September 2006 and amounted to 385,051 TEUs for the first half of the year. Throughput of Yantian Terminal Phases I, II and III, with the commencement of operation of 2 additional berths in the second half of 2006, recorded an increase of 11.9% to 4,164,935 TEUs over the corresponding period last year.

As for overseas terminals, with the increased throughput in Singapore port as well as the enhanced capacity of shipping companies, throughput of COSCO-PSA Terminal Private Limited ("COSCO-PSA Terminal") recorded an increase of 40.5% to 400,117 TEUs over the corresponding period last year. Throughput of Antwerp Terminal increased by 51.4% to 366,473 TEUs as compared with the corresponding period last year.

Throughput of container terminals

| | 1H 2007 TEUs | 1H 2006 TEUs | Changes over the corresponding period |
|---|---|---|---|
| **Bohai Rim** | **8,181,025** | 6,110,855 | +33.9% |
| Qingdao Qianwan Terminal | **4,026,677** | 3,155,907 | +27.6% |
| Qingdao Cosport International Container Terminals Co., Ltd. | **492,582** | 400,382 | +23.0% |
| Dalian Port Container Co., Ltd. | **1,749,367** | 1,294,558 | +35.1% |
| Dalian Port Container Terminal | **414,210** | 134,844 | +207.2% |
| Tianjin Five Continents Terminal | **952,673** | 737,371 | +29.2% |
| Yingkou Terminal | **545,516** | 387,793 | +40.7% |
| **Yangtze River Delta** | **3,881,561** | 3,790,026 | +2.4% |
| Shanghai Terminal | **1,618,337** | 1,941,717 | -16.7% |
| Shanghai Pudong Terminal | **1,357,173** | 1,242,515 | +9.2% |
| Ningbo Yuan Dong Terminal | **39,896** | — | N/A |
| Zhangjiagang Win Hanverky Terminal | **300,389** | 217,843 | +37.9% |
| Yangzhou Yuanyang Terminal | **138,871** | 107,562 | +29.1% |
| Nanjing Longtan Terminal | **426,895** | 280,389 | +52.3% |
| **Pearl River Delta & southeast coastal region** | **5,588,253** | 4,547,135 | +22.9% |
| COSCO-HIT Terminal | **906,589** | 823,493 | +10.1% |
| Yantian Terminal (Phases I, II and III) | **4,164,935** | 3,723,642 | +11.9% |
| Guangzhou South China Oceangate Terminal | **131,678** | — | N/A |
| Quanzhou Pacific Terminal | **385,051** | — | N/A |
| **Overseas region** | **766,590** | 526,732 | +45.5% |
| COSCO-PSA Terminal | **400,117** | 284,750 | +40.5% |
| Antwerp Terminal | **366,473** | 241,982 | +51.4% |
| **Total throughput** | **18,417,429** | 14,974,748 | +23.0% |
| **Total throughput of terminals in Mainland China** | **16,744,250** | 13,624,523 | +22.9% |

### Expansion of terminals

The Group held various equity interests in 24 terminal joint ventures as at 30th June 2007, with a total of 119 berths (2006: 104 berths), including 113 container berths, 2 automobile berths and 4 multipurpose berths. In August 2006, the Group acquired 71.43% equity interest in Quanzhou Pacific Terminal which operates and develops 6 berths. In January 2007, Qingdao Qianwan Terminal acquired operating rights of 4 container berths from DP World. At the end of 2006, Ningbo Yuan Dong Terminal signed a memorandum of understanding with Ningbo Port (Group) Limited and acquired the right to build 4 berths in the phase V of Beilun at the port of Ningbo. At the end of 2006, Yangzhou Yuanyang Terminal planned to construct one additional berth, making an increase of 15 berths for the Group. The annual handling capacity recorded an increase of 10.3% to 63,000,000 TEUs (2006: 57,100,000 TEUs) when compared with the corresponding period last year.

Among 119 berths under the Group's terminal portfolio, 83 berths were in operation (2006: 66 berths), representing an increase of 17 berths, including 78 container berths, 2 automobile berths and 3 multipurpose berths. The annual container handling capacity of operating berths increased by 24.9% to 39,600,000 TEUs (2006: 31,700,000 TEUs).

## Terminal portfolio and information

| | Shareholding | No. of berths | Depth alongside (Metres) | Quay length (Metres) | Annual handling capacity (TEUs) |
|---|---|---|---|---|---|
| **Bohai Rim** | | **42** | | | **20,600,000** |
| Qingdao Qianwan Terminal | 20% | 15 | 15–17.5 | 4,720 | 8,500,000 |
| Qingdao Cosport International Container Terminals Co., Ltd. | 50% | 1 | 13.5 | 349 | 600,000 |
| Dalian Port Container Co., Ltd. | 8.13% | 9 | 8.9–14.0 | 2,335 | 3,000,000 |
| Dalian Port Container Terminal | 20% | 6 | 13.5–17.8 | 2,096 | 4,200,000 |
| Dalian Automobile Terminal Co., Ltd. | 30% | 2 | 11 | 550 | 600,000 (vehicles) |
| Tianjin Five Continents Terminal | 14% | 4 | 15.7 | 1,202 | 1,500,000 |
| Tianjin Port Euroasia International Container Terminal Co., Ltd. | 30% | 3 | 15.5 | 1,100 | 1,800,000 |
| Yingkou Terminal | 50% | 2 | 14 | 576 | 1,000,000 |
| **Yangtze River Delta** | | **36** | | | **14,200,000** |
| Shanghai Terminal | 10% | 10 | 9.4–10.5 | 2,281 | 3,700,000 |
| Shanghai Pudong Terminal | 30% | 3 | 12 | 940 | 2,300,000 |
| Shanghai Xiangdong International Container Terminal Company Limited | 10% | 4 | 15 | 1,400 | 3,200,000 |
| Ningbo Yuan Dong Terminal | 20% | 5 | 15 | 1,610 | 2,100,000 |
| Zhangjiagang Win Hanverky Terminal | 51% | 3 | 10 | 722 | 1,000,000 |
| Yangzhou Yuanyang Terminal | 55.59% | 2 | 11 | 1,346 | 700,000 |
| | | 3 | | | 4,700,000 (tonnes of breakbulk cargo) |
| Nanjing Longtan Terminal | 20% | 5 | 12 | 910 | 1,000,000 |
| Zhenjiang Jinyuan Container Terminals Co., Ltd. | 25% | 1 | 13 | 233 | 200,000 |
| **Pearl River Delta & southeast coastal region** | | **29** | | | **21,500,000** |
| COSCO-HIT Terminal | 50% | 2 | 15.5 | 1,086 | 1,800,000 |
| Yantian Terminal (Phases I and II) | 5% | 5 | 14.0–15.5 | 1,650 | 4,500,000 |
| Yantian Terminal (Phase III) | 4.45% | 10 | 16 | 3,297 | 9,000,000 |
| Guangzhou South China Oceangate Terminal | 39% | 6 | 14.5 | 2,100 | 4,200,000 |
| Quanzhou Pacific Terminal | 71.43% | 5 | 10.0–15.0 | 1,475 | 2,000,000 |
| | | 1 | | | 1,000,000 (tonnes of breakbulk cargo) |
| **Overseas region** | | **12** | | | **6,700,000** |
| COSCO-PSA Terminal | 49% | 2 | 15 | 720 | 1,000,000 |
| Antwerp Terminal | 20% | 6 | 17 | 2,450 | 3,500,000 |
| Suez Canal Terminal | 20% | 4 | 16.5 | 1,200 | 2,200,000 |
| **Total number of berths** | | **119** | | | |
| **Total number of container berths/annual handling capacity** | | **113** | | | **63,000,000** |
| **Total number of automobile berths/annual handling capacity** | | **2** | | | **600,000 (vehicles)** |
| **Total number of multipurpose berths/annual handling capacity** | | **4** | | | **5,700,000 (tonnes of breakbulk cargo)** |

## Signing three letters of intent

*Jiangdu port in Jiangsu Province*

On 12th April 2007, Yangzhou Yuanyang Terminal, whose 55.59% equity interest is held by the Group, signed a letter of intent and related agreements with Jiangdu Municipal Government of Jiangsu Province regarding a strategic investment in the port of Jiangdu. Yangzhou Yuanyang Terminal will invest in and operate Berth No. 1 and 2 and have the rights to use and develop the adjacent land of approximately 1,330,000 $m^2$ and the ancillary facilities of the port of Jiangdu. Yangzhou Yuanyang Terminal was also granted the right of first refusal for the development of new berths in the port. The port of Jiangdu, located in Jiangsu Province of China, is in the vicinity of the port of Yangzhou.

Berth No. 1, which is in operation, measures 135 metres in quay length with a depth of 7.5 metres at the front end throughout the year. The area of the berth is approximately 60,000 $m^2$ and the designed annual capacity is 750,000 tonnes. Berth No. 2 is 275 metres in quay length with a depth of 13 metres at the front end throughout the year. The area of the berth is approximately 240,000 $m^2$ and the designed annual capacity is 1,100,000 tonnes. These two berths are designed for handling bulk cargoes.

*Qiongbei port in Hainan Province*

On 20th April 2007, China Ocean Shipping (Group) Company, the ultimate holding company of the Group, entered into a Cooperative Agreement with Haikou Municipal Government of Hainan Province, pursuant to which the parties agreed to establish a joint venture by the Group and Hainan Harbor & Shipping Holding Co., Ltd. (“Hainan Harbor & Shipping”), in which the Company will hold the controlling equity interest, to operate the core business of Hainan Harbor & Shipping and develop Qiongbei port area into a hub port in Hainan Province. Hainan Harbor & Shipping is the biggest state-owned port and shipping enterprise in Hainan Province.

Based on current planning of the joint venture, Phase I of port development will have a total of 21 berths including 2 container berths, 9 breakbulk cargo berths and multi-purpose berths and 10 ferry terminal berths. Participating in this joint venture project marked a significant milestone for COSCO Pacific in the process of expanding investment in ports and terminals as well as participating in diversified terminal investments and operations.

*Fuzhou Port Group*

On 20th April 2007, the Group entered into a letter of intent with Fujian Provincial Communication Transportation (Shareholding) Co., Ltd. (“Fujian Transportation”), pursuant to which, COSCO Pacific will acquire approximately 29% equity interest in Fuzhou Port Group Co., Ltd. (“Fuzhou Port Group”).

Fuzhou Port Group, a wholly owned subsidiary of Fujian Transportation, is mainly engaged in the operation of container, coal and ore terminals and other terminal-related businesses. Fuzhou Port, the operating base of Fuzhou Port Group located in Fujian Province, is a major coastal port in China and one of the ports designated by the Ministry of Communications for trial run of direct transportation between the mainland China and Taiwan.

The 49 berths of Fuzhou Port Group are mainly located in the port areas of Minjiang and Jiangyin and Luoyuan Bay. Fuzhou Port Group mainly develops container transport business in the deep-water port area in Jiangyin and provides comprehensive logistics services to the industries within the vicinity. In 2006, Fuzhou Port Group recorded cargo throughput of 43,000,000 tonnes, representing an increase of 34.4% as compared with the corresponding period last year and a 50% market share of the port of Fuzhou. Its container throughput was 1,000,000 TEUs, representing an increase of 25.0% as compared with the corresponding period last year and the majority market share of the port of Fuzhou.

### Container Leasing and Management

As at 30th June 2007, Florens Container Holdings Limited, a wholly owned subsidiary of the Company, and its subsidiaries (collectively the "Florens") owned and managed a container fleet of 1,397,952 TEUs (2006: 1,111,336 TEUs), representing an increase of 25.8% over the corresponding period last year. Florens ranked as the third largest marine container leasing company (2006: the third) and accounted for approximately 13.0% market share (2006: approximately 10.7%). Average age of the Group's total container fleet was 3.99 years (2006: 4.38 years).

The Group disposed of 600,082 TEUs of containers last year and provided administrative and management services for these containers. The Group continued to expand its container fleets. During the period, Florens purchased 184,931 TEUs of new containers (2006: 106,082 TEUs), representing an increase of 74.3% from the corresponding period last year.

During the period, a total of 31,597 TEUs (2006: 28,406 TEUs) of containers were returned from COSCO Container Lines Company Limited ("COSCON") upon the expiry of the 10-year leases, representing an increase of 11.2%, including 4,983 TEUs which should have been returned on or before 2006 and 26,614 TEUs returned in 2007. During the period, the Group disposed of 36,453 TEUs of returned containers (2006: 20,698 TEUs), representing an increase of 76.1%. Included in the disposal were 34,099 TEUs of returned containers (2006: 20,614 TEUs) from COSCON upon expiry of the 10-year leases on or before 2007. Net profit on disposal of returned containers was US$3,637,000 (2006: US$4,889,000).

#### Fleet capacity movement

| | **2007 TEUs** | 2006 TEUs | y-o-y % |
|---|---|---|---|
| Fleet capacity as at 1st January | **1,250,609** | 1,042,852 | +19.9 |
| New containers purchased | **184,931** | 106,082 | +74.3 |
| Containers returned from COSCON upon expiry of the leases | | | |
| — Total | **(31,597)** | (28,406) | +11.2 |
| — Re-leased | **58** | 335 | -82.7 |
| — Disposal of and pending for disposal | **(31,539)** | (28,071) | +12.4 |
| Ownership transferred to customers upon expiry of finance leases | **(15)** | (140) | -89.3 |
| Defective containers written off | **—** | (11) | -100.0 |
| Total loss of containers declared and compensated by customers | **(6,034)** | (9,376) | -35.6 |
| Fleet capacity as at 30th June | **1,397,952** | 1,111,336 | +25.8 |

Besides providing 10-year leased containers to COSCON, the world's seventh largest container ship operator (according to "CI Online" dated 1st July 2007), the Group also provided long term and short term container leasing services to other international customers ("International Customers"), included major global shipping companies. For the six months ended 30th June 2007, the top 20 International Customers accounted for approximately 85.7% (2006: 71.5%) of the Group's total container rental income from International Customers. The total number of customers were 258 (2006: 246).

As at 30th June 2007, the Group leased a total of 502,529 TEUs of containers (2006: 416,270 TEUs) to COSCON, representing an increase of 20.7% as compared with the same period last year and accounting for 35.9% (2006: 37.5%) of the total number of containers. Containers available to International Customers were 238,587 TEUs in total (2006: 60,410 TEUs), representing an increase of 294.9% as compared with the same period last year and accounting for 17.1% (2006: 5.4%) of the total number of containers. There was a total of 656,836 TEUs of management containers (2006: 634,656 TEUs), representing an increase of 3.5% over the corresponding period last year and accounting for 47.0% (2006: 57.1%) of the total number of containers.

### Disposal of containers

In June 2007, the Group completed the sale of marine containers of 31,352 TEUs (2006: 600,082 TEUs) and together with the container leasing agreements of those containers. After the disposal, the Group continued to provide the administrative and management services and receive an annual administrative fee. Sale proceeds of US$46,527,000 was received from the buyer. Profit before tax on the disposal amounted to US$6,034,000.

### Fleet capacity breakdown by type of containers

| **As at 30th June 2007** | | **Total** | **COSCON** | **International Customers** | **Management containers** |
|---|---|---|---|---|---|
| | TEUs | **1,397,952** | **502,529** | **238,587** | **656,836** |
| | % | **100.0** | **35.9** | **17.1** | **47.0** |
| Dry | % | **96.3** | **94.2** | **99.0** | **97.0** |
| Reefers | % | **2.9** | **5.4** | **0.6** | **1.8** |
| Specials | % | **0.8** | **0.4** | **0.4** | **1.2** |

| As at 30th June 2006 | | Total | COSCON | International Customers | Management containers |
|---|---|---|---|---|---|
| | TEUs | 1,111,336 | 416,270 | 60,410 | 634,656 |
| | % | 100.0 | 37.5 | 5.4 | 57.1 |
| Dry | % | 95.5 | 93.1 | 98.0 | 96.9 |
| Reefers | % | 3.5 | 6.5 | 0.3 | 1.9 |
| Specials | % | 1.0 | 0.4 | 1.7 | 1.2 |

### Fleet capacity breakdown

| | | **As at 30th June 2007** | As at 30th June 2006 | y-o-y |
|---|---|---|---|---|
| COSCON | TEUs | **502,529** | 416,270 | +20.7% |
| | % | **35.9** | 37.5 | -1.6pp |
| International Customers | TEUs | **238,587** | 60,410 | +294.9% |
| | % | **17.1** | 5.4 | +11.7pp |
| Management containers | TEUs | **656,836** | 634,656 | +3.5% |
| | % | **47.0** | 57.1 | -10.1pp |
| Total | TEUs | **1,397,952** | 1,111,336 | +25.8% |

While containers leased to COSCON remained 100% utilised during the period, the overall average utilisation rates of the Group was 94.6% (2006: 96.0%), well above the industry average of approximately 92.8% (2006: approximately 91.8%).

### Logistics Operations

During the first half of 2007, with the rapid and stable growth of China's economy and its internal growth, the business segments of COSCO Logistics, such as third-party logistics and shipping agency, freight forwarding, were also on a rapid and steady upward track and recorded a significant increase as compared with the corresponding period last year.

Operations of each business segment of COSCO Logistics during the first half of 2007 are set out below:

| | **1H 2007** | 1H 2006 | Changes over the corresponding period |
|---|---|---|---|
| Third Party Logistics | | | |
| Product Logistics | | | |
| Home appliance (pieces in thousand) | **17,734** | 13,617 | +30.2% |
| Automobile (unit) | **197,991** | 233,879 | -15.3% |
| Chemical (tonne) | **1,339,832** | 293,937 | +355.8% |
| Project Logistics (RMB in million) | **428** | 322 | +32.9% |
| Shipping Agency (voyage) | **63,497** | 62,508 | +1.6% |
| Freight Forwarding | | | |
| Sea Freight Forwarding | | | |
| Bulk Cargo (tonne) | **70,762,066** | 64,330,800 | +10.0% |
| Container Cargo (TEU) | **1,039,453** | 905,101 | +14.8% |
| Air Freight Forwarding (tonne) | **52,044** | 45,140 | +15.3% |

Net profit from the logistics business of the Group increased by 19.2% to US$11,113,000 (2006: US$9,321,000).

### Container Manufacturing

Due to sustained demand on containers in the first half of 2007, production and sales performed better than the same period last year. Net profit from CIMC during the period rose by 3.4% to US$27,756,000 (2006: US$26,843,000).

In addition, Shanghai CIMC Reefer Containers Co., Ltd. and Tianjin CIMC North Ocean Container Co., Ltd. provided the Group with a total profit of US$2,021,000 (2006: US$5,203,000) for the period, representing a decrease of 61.2% as compared with the same period last year.

### Other Investments

Chong Hing Bank, in which the Group holds a 20% equity interests, made a net profit of US$7,629,000 (2006: US$6,327,000), representing an increase of 20.6% from the same period last year.

## SHARE OPTIONS

At a special general meeting of the Company held on 23rd May 2003, the shareholders of the Company approved the adoption of a new share option scheme (the "2003 Share Option Scheme") and the termination of the share option scheme adopted by the shareholders of the Company on 30th November 1994 (the "1994 Share Option Scheme"). No further options would thereafter be offered under the 1994 Share Option Scheme but the share options which had been granted during its life shall continue to be valid and exercisable in accordance with their terms of issue and in all other respects the provisions of the 1994 Share Option Scheme shall remain in full force and effect.

(a) Movements of the share options, which have been granted under the 1994 Share Option Scheme, during the period are set out below:

| | | Number of share options | | | | |
|---|---|---|---|---|---|---|
| **Category** | **Exercise price HK$** | **Outstanding at 1st January 2007** | **Exercised during the period** | **Outstanding at 30th June 2007** | **% of total issued share capital** | **Note** |
| **Director** | | | | | | |
| Mr. WONG Tin Yau, Kelvin | 8.80 | 300,000 | (300,000) | — | — | (1), (2) |
| **Continuous contract employees** | 8.80 | 22,000 | (22,000) | — | — | (1) |
| | | 322,000 | (322,000) | — | | |

Notes:

(1) The share options were granted on 20th May 1997 (the "Offer Date") under the 1994 Share Option Scheme. The share options are exercisable at any time within ten years from the date of grant (i.e. on or before 19th May 2007), 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 years 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 share 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.

(2) These share options represent personal interests held by the relevant director as beneficial owner.

(3) The weighted average closing price of the shares of the Company immediately before the dates on which the share options were exercised was HK$20.09.

(4) During the period, no options were cancelled or lapsed under the 1994 Share Option Scheme.

(b) Movements of the options, which have been granted under the 2003 Share Option Scheme, during the period are set out below:

| Category | Exercise price HK$ | Number of share options: Outstanding at 1st January 2007 | Granted during the period | Exercised during the period | Outstanding at 30th June 2007 | % of total issued share capital | Exercisable period | Note |
|---|---|---|---|---|---|---|---|---|
| **Directors** | | | | | | | | |
| Dr. WEI Jiafu | 9.54 | 400,000 | — | (400,000) | — | — | 30.10.2003–29.10.2013 | (1), (4) |
| | 13.75 | 1,000,000 | — | — | 1,000,000 | 0.045% | 3.12.2004–2.12.2014 | (2), (4) |
| Mr. CHEN Hongsheng | 9.54 | 300,000 | — | (300,000) | — | — | 28.10.2003–27.10.2013 | (1), (4) |
| | 13.75 | 1,000,000 | — | — | 1,000,000 | 0.045% | 3.12.2004–2.12.2014 | (2), (4) |
| Mr. LI Jianhong | 9.54 | 300,000 | — | (300,000) | — | — | 29.10.2003–28.10.2013 | (1), (4) |
| | 13.75 | 1,000,000 | — | — | 1,000,000 | 0.045% | 2.12.2004–1.12.2014 | (2), (4) |
| Ms. SUN Yueying | 9.54 | 300,000 | — | (300,000) | — | — | 29.10.2003–28.10.2013 | (1), (4) |
| | 13.75 | 1,000,000 | — | — | 1,000,000 | 0.045% | 3.12.2004–2.12.2014 | (2), (4) |
| Mr. XU Minjie | 19.30 | — | 800,000 | — | 800,000 | 0.036% | 19.4.2007–18.4.2017 | (3), (4) |
| Dr. SUN Jiakang | 13.75 | 1,000,000 | — | (300,000) | 700,000 | 0.031% | 1.12.2004–30.11.2014 | (2), (4) |
| Mr. WONG Tin Yau, Kelvin | 9.54 | 800,000 | — | — | 800,000 | 0.036% | 28.10.2003–27.10.2013 | (1), (4) |
| | 13.75 | 1,000,000 | — | — | 1,000,000 | 0.045% | 2.12.2004–1.12.2014 | (2), (4) |
| | 19.30 | — | 500,000 | — | 500,000 | 0.022% | 18.4.2007–17.4.2017 | (3), (4) |
| Mr. WANG Zhi | 13.75 | 700,000 | — | (100,000) | 600,000 | 0.027% | 29.11.2004–28.11.2014 | (2), (4) |
| | 19.30 | — | 500,000 | — | 500,000 | 0.022% | 18.4.2007–17.4.2017 | (3), (4) |
| Mr. QIN Fuyan | 13.75 | 200,000 | — | — | 200,000 | 0.009% | 29.11.2004–28.11.2014 | (2), (4) |
| | 19.30 | — | 500,000 | — | 500,000 | 0.022% | 19.4.2007–18.4.2017 | (3), (4) |
| | | 9,000,000 | 2,300,000 | (1,700,000) | 9,600,000 | | | |
| **Continuous contract employees** | 9.54 | 3,978,000 | — | (1,753,000) | 2,225,000 | 0.099% | (refer to note 1) | (1) |
| | 13.75 | 20,198,000 | — | (3,504,000) | 16,694,000 | 0.745% | (refer to note 2) | (2) |
| | 19.30 | — | 15,300,000 | (40,000) | 15,260,000 | 0.681% | (refer to note 3) | (3) |
| **Others** | 9.54 | 1,000,000 | — | (950,000) | 50,000 | 0.002% | (refer to note 1) | (1) |
| | 13.75 | 7,360,000 | — | (3,716,000) | 3,644,000 | 0.163% | (refer to note 2) | (2) |
| | | 32,536,000 | 15,300,000 | (9,963,000) | 37,873,000 | | | |
| | | 41,536,000 | 17,600,000 | (11,663,000) | 47,473,000 | | | |

Notes:

(1) The share options were granted during the period from 28th October 2003 to 6th November 2003 under the 2003 Share Option Scheme at an exercise price of HK$9.54. The options are exercisable at any time within ten years from the commencement date which is the date on which an offer is accepted or deemed to be accepted by the grantee pursuant to the 2003 Share Option Scheme (the "Commencement Date"). The Commencement Date of the options of the grantees was from 28th October 2003 to 6th November 2003.

(2) The share options were granted during the period from 25th November 2004 to 16th December 2004 under the 2003 Share Option Scheme at an exercise price of HK$13.75. The options are exercisable at any time within ten years from the Commencement Date. The Commencement Date of the options of the grantees was from 25th November 2004 to 16th December 2004.

(3) The share options were granted during the period from 17th April 2007 to 19th April 2007 under the 2003 Share Option Scheme at an exercise price of HK$19.30, which represents the average closing prices of the shares of the Company as dated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date on which an option is offered. The closing prices of the shares of the Company immediately before the dates on which the options were granted were in the range of HK$19.44 to HK$19.92. The options are exercisable at any time within ten years from the Commencement Date. The Commencement Date of the options of the grantees was from 17th April 2007 to 19th April 2007.

    The Company adopted Black-Scholes Options Pricing Model (a common valuation methodology for option) to calculate the value of share options. The fair value of the options was approximately HK$4.97 at the dates of grant with assumptions as follows:

    (i) Interest rate of 10-year Exchange Fund Notes of 4.08% per annum as the risk-free interest rate;

    (ii) Expected life of 6 years (by reference to the pattern of the options exercised by the grantees in prior years);

    (iii) Expected dividend yield of 3.84% (being the average dividend yield of the Company for the previous five years); and

    (iv) Expected volatility of 33.59% (being the historical volatility of the closing price of the Company's shares from 22nd March 2006 to 23rd March 2007).

    The value of the share options is subject to a number of assumptions and with regard to the limitation of the model. Therefore the value may be subjective and difficult to determine.

(4) These share options represent personal interests held by the relevant directors as beneficial owners.

(5) The weighted average closing price of the shares of the Company immediately before the dates on which the options were exercised was HK$19.78.

(6) During the period, no share options were lapsed or cancelled under the 2003 Share Option Scheme.

## DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30th June 2007, the interests of the Company's directors in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

### (a) Long positions in shares of the Company

| Name of director | Capacity | Nature of interest | Number of ordinary shares held | Percentage of total issued share capital of the Company |
|---|---|---|---|---|
| Dr. LI Kwok Po, David | Beneficial owner | Personal | 258,000 | 0.012% |
| Mr. Timothy George FRESHWATER | Beneficial owner | Personal | 30,000 | 0.001% |

### (b) Long positions in underlying shares of equity derivatives of the Company

Share options were granted to certain directors of the Company pursuant to the 1994 Share Option Scheme and the 2003 Share Option Scheme. Details of the directors' interests in share options granted by the Company are set out under the section headed "Share Options" of this report.

### (c) Long positions in shares of associated corporations

| Name of associated corporation | Name of director | Capacity | Nature of interest | Number of H shares held | % of total issued H share capital of the associated corporation |
|---|---|---|---|---|---|
| China COSCO Holdings Company Limited | Mr. WONG Tin Yau, Kelvin | Beneficial owner | Personal | 273,875 | 0.011% |

| Name of associated corporation | Name of director | Capacity | Nature of interest | Number of ordinary shares held | % of total issued share capital of the associated corporation |
|---|---|---|---|---|---|
| COSCO Corporation (Singapore) Limited | Dr. WEI Jiafu | Beneficial owner | Personal | 1,900,000 | 0.085% |
| | Mr. LI Jianhong | Beneficial owner | Personal | 1,300,000 | 0.058% |
| | Ms. SUN Yueying | Beneficial owner | Personal | 1,400,000 | 0.063% |

Note:

Adjustments were made to the number of shares held by these directors as the sub-division of every 1 ordinary share of S$0.20 each divided into 2 ordinary shares of S$0.10 each was approved by the shareholders of COSCO Corporation (Singapore) Limited on 17th January 2006.

## (d) Long positions in underlying shares of equity derivatives of associated corporations

Movements of the share options granted to the directors of the Company by associated corporations during the period are set out below:

| Name of associated corporation | Name of director | Capacity | Nature of interest | Exercise price | Number of share options: Outstanding at 1st January 2007 | Granted during the period | Exercised during the period | Outstanding at 30th June 2007 | % of total issued share capital of the relevant associated corporation | Note |
|---|---|---|---|---|---|---|---|---|---|---|
| COSCO International Holdings Limited | Dr. WEI Jiafu | Beneficial owner | Personal | HK$0.57 | 1,800,000 | — | — | 1,800,000 | 0.123% | (1) |
| | | | | HK$1.37 | 1,200,000 | — | — | 1,200,000 | 0.082% | (2) |
| | Mr. LI Jianhong | Beneficial owner | Personal | HK$0.57 | 1,800,000 | — | — | 1,800,000 | 0.123% | (1) |
| | | | | HK$1.37 | 1,200,000 | — | — | 1,200,000 | 0.082% | (2) |
| | Dr. SUN Jiakang | Beneficial owner | Personal | HK$0.57 | 900,000 | — | (300,000) | 600,000 | 0.041% | (1) |
| | | | | HK$1.37 | 800,000 | — | — | 800,000 | 0.055% | (2) |
| | Mr. WONG Tin Yau, Kelvin | Beneficial owner | Personal | HK$0.57 | 800,000 | — | — | 800,000 | 0.055% | (1) |
| | | | | HK$1.37 | 500,000 | — | — | 500,000 | 0.034% | (2) |
| COSCO Corporation (Singapore) Limited | Dr. WEI Jiafu | Beneficial owner | Personal | S$1.23 | 1,100,000 | — | — | 1,100,000 | 0.049% | (4) |
| | Mr. LI Jianhong | Beneficial owner | Personal | S$1.23 | 700,000 | — | — | 700,000 | 0.031% | (4) |
| | Mr. XU Lirong | Beneficial owner | Personal | S$0.807 | 400,000 | — | — | 400,000 | 0.018% | (3) |
| | Ms. SUN Yueying | Beneficial owner | Personal | S$1.23 | 700,000 | — | — | 700,000 | 0.031% | (4) |

Notes:

(1) The share options were granted by COSCO International Holdings Limited ("COSCO International"), an associated corporation of the Company and a company listed on the Stock Exchange, on 26th November 2003 pursuant to the share option scheme approved by the shareholders of COSCO International on 17th May 2002 (the "Share Option Scheme of COSCO International"). The share options are exerciseable at an exercise price of HK$0.57 per share at any time between 23rd December 2003 and 22nd December 2008.

(2) The share options were granted by COSCO International on 2nd December 2004 pursuant to the Share Option Scheme of COSCO International. The share options are exerciseable at an exercise price of HK$1.37 per share at any time between 29th December 2004 and 28th December 2014.

(3) The share options were granted by COSCO Corporation (Singapore) Limited ("COSCO Corporation (Singapore)"), an associated corporation of the Company and a company listed on the Singapore Exchange Securities Trading Limited, on 6th April 2005 and are exerciseable at any time between 6th April 2007 and 31st December 2007. Adjustments were made to the exercise price and the number of share options held by the director as the sub-division of every 1 ordinary share of S$0.20 each divided into 2 ordinary shares of S$0.10 each was approved by the shareholders of COSCO Corporation (Singapore) on 17th January 2006. In this respect, the exercise price was adjusted from S$1.614 to S$0.807 and the number of share options of Mr. XU Lirong was adjusted from 200,000 to 400,000 with effect from 17th January 2006.

(4) The share options were granted by COSCO Corporation (Singapore) on 21st February 2006 and are exerciseable at any time between 21st February 2007 and 20th February 2011.

(5) During the period, no share options mentioned above were lapsed or cancelled.

Movements of the share appreciation rights granted to the directors of the Company by an associated corporation during the period are set out below:

| Name of associated corporation | Name of director | Capacity | Nature of interest | Exercise price | Number of H share appreciation rights: Outstanding at 1st January 2007 | Granted during the period | Exercised during the period | Outstanding at 30th June 2007 | % of total issued H share capital of the associated corporation | Note |
|---|---|---|---|---|---|---|---|---|---|---|
| China COSCO Holdings Company Limited | Dr. WEI Jiafu | Beneficial owner | Personal | HK$3.195 | 900,000 | — | — | 900,000 | 0.035% | (1) |
| | | | | HK$3.588 | 900,000 | — | — | 900,000 | 0.035% | (2) |
| | | | | HK$9.540 | — | 880,000 | — | 880,000 | 0.034% | (3) |
| | Mr. CHEN Hongsheng | Beneficial owner | Personal | HK$3.195 | 700,000 | — | — | 700,000 | 0.027% | (1) |
| | | | | HK$3.588 | 700,000 | — | — | 700,000 | 0.027% | (2) |
| | | | | HK$9.540 | — | 680,000 | — | 680,000 | 0.026% | (3) |
| | Mr. LI Jianhong | Beneficial owner | Personal | HK$3.195 | 600,000 | — | — | 600,000 | 0.023% | (1) |
| | | | | HK$3.588 | 600,000 | — | — | 600,000 | 0.023% | (2) |
| | | | | HK$9.540 | — | 580,000 | — | 580,000 | 0.022% | (3) |
| | Mr. XU Lirong | Beneficial owner | Personal | HK$3.195 | 500,000 | — | — | 500,000 | 0.019% | (1) |
| | | | | HK$3.588 | 500,000 | — | — | 500,000 | 0.019% | (2) |
| | | | | HK$9.540 | — | 580,000 | — | 580,000 | 0.022% | (3) |
| | Ms. SUN Yueying | Beneficial owner | Personal | HK$3.195 | 600,000 | — | — | 600,000 | 0.023% | (1) |
| | | | | HK$3.588 | 600,000 | — | — | 600,000 | 0.023% | (2) |
| | | | | HK$9.540 | — | 580,000 | — | 580,000 | 0.022% | (3) |
| | Mr. XU Minjie | Beneficial owner | Personal | HK$3.195 | 100,000 | — | — | 100,000 | 0.004% | (1) |
| | | | | HK$3.588 | 90,000 | — | — | 90,000 | 0.003% | (2) |
| | Dr. SUN Jiakang | Beneficial owner | Personal | HK$3.195 | 500,000 | — | — | 500,000 | 0.019% | (1) |
| | | | | HK$3.588 | 500,000 | — | — | 500,000 | 0.019% | (2) |
| | | | | HK$9.540 | — | 480,000 | — | 480,000 | 0.019% | (3) |

Notes:

(1) The share appreciation rights were granted by China COSCO Holdings Company Limited ("China COSCO") (incorporated on 3rd March 2005), an associated corporation of the Company and a company listed on the Stock Exchange and Shanghai Stock Exchange, in units with each unit representing one H share of China COSCO, on 16th December 2005 pursuant to the share appreciation rights plan adopted by China COSCO (the "Plan"). Under the Plan, no shares will be issued. The share appreciation rights are exercisable at HK$3.195 per unit at any time between 16th December 2007 and 15th December 2015.

(2) The share appreciation rights were granted by China COSCO in units with each unit representing one H share of China COSCO on 5th October 2006 pursuant to the Plan. Under the Plan, no shares will be issued. The share appreciation rights are exercisable at HK$3.588 per unit at any time between 5th October 2008 and 4th October 2016.

(3) The share appreciation rights were granted by China COSCO in units with each unit representing one H share of China COSCO on 4th June 2007 pursuant to the Plan. Under the Plan, no shares will be issued. The share appreciation rights are exercisable at HK$9.540 per unit at any time between 4th June 2009 and 3rd June 2017.

(4) During the period, no share appreciation rights mentioned above were lapsed or cancelled.

Save as disclosed above, as at 30th June 2007, none of the directors or chief executives of the Company had any interests or short positions in any shares or underlying shares or interests in debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

## SUBSTANTIAL INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

As at 30th June 2007, the interests of shareholders in the shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

| | | | Number of ordinary shares/percentage of total issued share capital | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Name** | **Capacity** | **Nature of interests** | **Long positions** | **%** | **Short positions** | **%** | **Lending pool** | **%** | **Note** |
| COSCO Investments Limited | Beneficial owner | Beneficial interest | 200,120,000 | 8.93 | — | — | — | — | (1) |
| COSCO Pacific Investment Holdings Limited | Beneficial owner and interest of controlled corporation | Beneficial interest and corporate interest | 1,144,166,411 | 51.06 | — | — | — | — | (1) |
| China COSCO Holdings Company Limited | Interest of controlled corporation | Corporate interest | 1,144,166,411 | 51.06 | — | — | — | — | (1) |
| China Ocean Shipping (Group) Company | Interest of controlled corporation | Corporate interest | 1,144,166,411 | 51.06 | — | — | — | — | (1) |
| J.P. Morgan Chase & Co. | Beneficial owner, investment manager and custodian corporation/ approved lending agent | Beneficial interest and corporate interest | 111,912,346 | 4.99 | — | — | 93,325,464 | 4.17 | (2) |

Notes:

(1) The 1,144,166,411 shares relate to the same batch of shares in the Company. COSCO Investments Limited ("COSCO Investments") is a wholly owned subsidiary of COSCO Pacific Investment Holdings Limited ("COSCO Pacific Investment"). Accordingly, the 200,120,000 shares of the Company held by COSCO Investments are also included as part of the COSCO Pacific Investment's interests in the Company. COSCO Pacific Investment is a wholly owned subsidiary of China COSCO Holdings Company Limited ("China COSCO") and it itself holds 944,046,411 shares of the Company beneficially. Accordingly, COSCO Pacific Investment's interests in relation to the 1,144,166,411 shares of the Company are also recorded as China COSCO's interests in the Company. China Ocean Shipping (Group) Company ("COSCO") holds 51.07% interest of the issued share capital of China COSCO as at 30th June 2007, and accordingly, COSCO is deemed to have the interests of 1,144,166,411 shares of the Company held by COSCO Pacific Investment.

(2) The corporate interest of J.P. Morgan Chase & Co. was attributable on account through a number of its wholly owned subsidiaries and non-wholly owned subsidiaries, including, J.P. Morgan Securities Ltd. (98.95% control) and J.P. Morgan Chase International Holdings Limited (97.58% control).

Save as disclosed above, as at 30th June 2007, the Company has not been notified of any other interests or short positions in the shares and underlying shares of the Company which had been recorded in the register required to be kept under Section 336 of the SFO.

## DISCLOSURE UNDER RULE 13.22 OF CHAPTER 13 OF THE LISTING RULES

In relation to the financial assistance granted by the Group to certain affiliated companies, a proforma combined balance sheet of the affiliated companies as at 30th June 2007 required to be disclosed under Rule 13.22 of Chapter 13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") is set out below:

| | US$'000 |
|---|---|
| Non-current assets | 1,692,514 |
| Current assets | 275,115 |
| Current liabilities | (685,072) |
| Non-current liabilities | (797,384) |
| Net assets | 485,173 |
| Share capital | 325,710 |
| Reserves | 159,463 |
| Capital and reserves | 485,173 |

As at 30th June 2007, the Group's consolidated attributable interest in these affiliated companies amounted to US$216,888,000.

## CODE ON CORPORATE GOVERNANCE PRACTICES

The Company continues to achieve high standards of corporate governance so as to ensure better transparency and protection of shareholders' interest as a whole. The Company has complied with the provisions of the Code on Corporate Governance Practices set out in Appendix 14 of the Listing Rules throughout the six months ended 30th June 2007.

## BOARD COMMITTEES

### Audit Committee

The Audit Committee of the Company comprises four independent non-executive directors. The Audit Committee has reviewed, in the presence of the internal and external auditors, the Group's principal accounting policies and the 2007 interim report.

### Remuneration Committee

The Remuneration Committee comprises five members, a majority of whom are independent non-executive directors. The Committee formulates the Group's remuneration policy of directors and senior management, reviews and determines their remuneration packages and makes recommendations to the Board on the remuneration of directors.

### Other Board Committees

In addition to the above committees, the Board has also established various committees which include Executive Committee, Investment and Strategic Planning Committee, Corporate Governance Committee, Risk Management Committee and Nomination Committee. Each committee has its defined scope of duties and terms of reference. The terms of reference of the above committees have been posted on the Company's website: www.coscopac.com.hk.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as the Company's code of conduct and rules governing dealings by all directors in the securities of the Company. Having made specific enquiries of all directors of the Company, they all confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30th June 2007.

## PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

The Company has not redeemed any of its listed shares during the six months ended 30th June 2007. 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 2007.

## INVESTOR RELATIONS

COSCO Pacific strongly believes that good investor relations play an essential role in enhancing corporate values. Management of the Company strives to ensure better corporate transparency and corporate governance standards. The Company has been greatly inspired by the various awards granted during the period and will continue to improve its quality of investor relations and corporate governance standards.

### Company Awards

- Awarded "Best Investor Relations 2006" by IR magazine;
- Ranked 1706 among "The Forbes Global 2000" published by Forbes, a financial magazine in the US, and on list for three consecutive years;
- Won "Best Corporate Governance Award 2007" from The Asset, a financial magazine;
- Won "Corporate Governance Asia Recognition Awards 2007" from Corporate Governance Asia magazine;
- Upon winning the award of "Directors of the Year Awards 2006" from Hong Kong Institute of Directors last year, the Company was invited to be the lead sponsor for "Directors of the Year Awards 2007" to promote the significance of good corporate governance and specialised duties of directors.

## CORPORATE CULTURE

### Team Building

As at 30th June 2007, COSCO Pacific had a team of 1,066 employees in China, Asia, America, Europe and Australia.

The Company's business expansion provides its staff with a good opportunity for continuous professional development. The Company encourages life-long learning and organises various training programmes to enhance the professional standards and management skills of executives as well as staff in general. The Company is committed to ongoing improvement of its remuneration and bonus regime on the basis of equality and fairness. The continuous granting of share options in recent years has been pivotal in enhancing staff passion for work, and the COSCO Pacific team is growing into a globalised contingent that pursues efficiency and excellence in concerted efforts.

### Social Responsibilities

COSCO Pacific seeks to contribute to society by actively participating in community welfare and social services.

During the first half of 2007, the Company and COSCO-HIT Terminal welcomed visitors from about 20 companies, government departments and other organisations. In June, all the staff of COSCO Pacific in Hong Kong participated in "Lifeline Express Raffle Tickets" Charity Sales of 2007 and made donation to help poor cataract patients in rural areas of China to restore eyesight. The Company also continued its active involvement in "Project CLEAN AIR", led by the Hong Kong General Chamber of Commerce and the Hong Kong Business Coalition on the Environment. Besides, we sponsored activities of "Directors of the Year Awards 2007" organised by Hong Kong Institute of Directors as the Lead Sponsor.

COSCO Pacific is committed to carrying out our corporate social responsibilities so as to strive for the improvement in the society and the environment in which we are serving.

## PROSPECTS

In the second half of this year, the Group is dedicated to increasing terminal profit contribution by strengthening and expanding terminal business. We will also further enhance the profitability of terminal business by increasing the terminal investment with controlling rights as well as diversifying terminal portfolio. Meanwhile, we will continue to expand our container leasing fleets, optimise the operating models of container leasing and management and strengthen marketing and cost control to expand the sources of profit.

It is expected that the economy and international trade of China will show strong growth impetus along the steady upward track of the global economy. The growth of the global GDP and the import and export trade will remain relatively high, which can further enhance the container trade volume. In view of this, the management of COSCO Pacific will seize opportunity of the robust economic development in China. By timely adjusting our existing businesses and capital structure, we will concentrate our resources on advantageous businesses and investments and make more effort to gear up the development of our core businesses to enhance corporate values. Meanwhile, we are dedicated to maintaining sustainable development and actively seeking business development to further expand the Company and consolidate our leading position in the industry, so as to further increase our profitability and hence, shareholders' returns.

## MEMBERS OF THE BOARD

As at the date of this report, the Board comprises Dr. WEI Jiafu[2] (Chairman), Mr. CHEN Hongsheng[1], Mr. LI Jianhong[1], Mr. XU Lirong[2], Ms. SUN Yueying[1], Mr. XU Minjie[1] (Vice Chairman & Managing Director), Dr. SUN Jiakang[2], Mr. WONG Tin Yau, Kelvin[1], Mr. WANG Zhi[1], Mr. QIN Fuyan[1], Dr. LI Kwok Po, David[3], Mr. LIU Lit Man[3], Mr. CHOW Kwong Fai, Edward[3] and Mr. Timothy George FRESHWATER[3].

[1] *Executive Director*
[2] *Non-executive Director*
[3] *Independent Non-executive Director*

By Order of the Board
**COSCO Pacific Limited**
**XU Minjie**
*Vice Chairman & Managing Director*

Hong Kong, 23rd August 2007

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