



COSCO Pacific Limited  
中遠太平洋有限公司

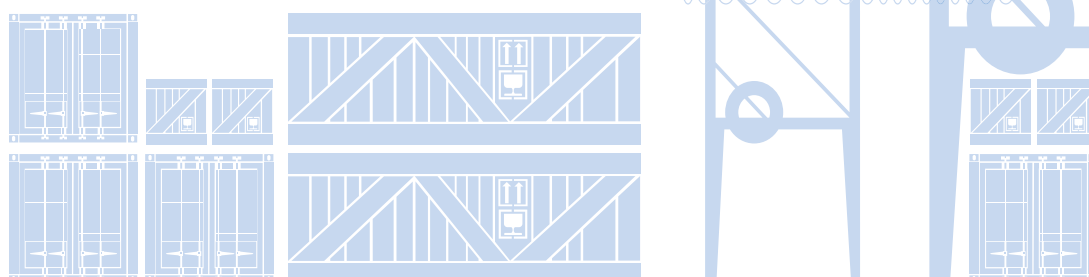
2011 中期報告  
Interim Report



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## INTERIM RESULTS

The board of directors (the "Board") 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 2011. 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 34 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").

# Unaudited Condensed Consolidated Balance Sheet

As at 30th June 2011

		As at 30th June 2011 US\$'000	As at 31st December 2010 US\$'000
	Note		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	<b>2,897,551</b>	2,127,307
Investment properties		<b>7,063</b>	4,742
Land use rights		<b>220,310</b>	141,736
Intangible assets		<b>9,609</b>	7,593
Jointly controlled entities		<b>507,933</b>	460,898
Loans to jointly controlled entities		<b>39,166</b>	131,342
Associates		<b>1,493,774</b>	1,460,370
Loan to an associate		<b>30,909</b>	28,500
Available-for-sale financial asset		<b>20,000</b>	25,000
Finance lease receivables		<b>15,247</b>	1,418
Deferred income tax assets		<b>3,258</b>	3,477
Derivative financial instruments	7	<b>17,684</b>	19,532
Other non-current assets	8	<b>69,018</b>	64,466
		<b>5,331,522</b>	4,476,381
<b>Current assets</b>			
Inventories		<b>10,528</b>	13,553
Trade and other receivables	9	<b>273,109</b>	214,771
Current income tax recoverable		<b>974</b>	860
Cash and cash equivalents	10	<b>679,930</b>	524,274
		<b>964,541</b>	753,458
Asset held for sale	11	-	22,078
		<b>964,541</b>	775,536
<b>Total assets</b>		<b>6,296,063</b>	5,251,917

# Unaudited Condensed Consolidated Balance Sheet (Continued)

As at 30th June 2011

		As at 30th June 2011 US\$'000	As at 31st December 2010 US\$'000
	<i>Note</i>		
<b>EQUITY</b>			
<b>Capital and reserves attributable to the equity holders of the Company</b>			
Share capital	12	34,805	34,801
Reserves		3,420,541	3,245,993
Proposed final dividend		–	67,327
Interim dividend declared		94,804	–
		<b>3,550,150</b>	3,348,121
<b>Non-controlling interests</b>		<b>225,957</b>	145,741
<b>Total equity</b>		<b>3,776,107</b>	3,493,862
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income tax liabilities		38,126	29,814
Long term borrowings	13	1,647,911	1,389,646
Loan from a non-controlling shareholder of a subsidiary	14	47,732	–
Other long term liabilities		3,510	2,425
		<b>1,737,279</b>	1,421,885
<b>Current liabilities</b>			
Trade and other payables	15	283,051	162,370
Current income tax liabilities		4,067	4,691
Current portion of long term borrowings	13	384,172	136,045
Short term bank loans	13	111,387	33,064
		<b>782,677</b>	336,170
<b>Total liabilities</b>		<b>2,519,956</b>	1,758,055
<b>Total equity and liabilities</b>		<b>6,296,063</b>	5,251,917
<b>Net current assets</b>		<b>181,864</b>	439,366
<b>Total assets less current liabilities</b>		<b>5,513,386</b>	4,915,747

The accompanying notes on pages 10 to 34 are an integral part of these unaudited condensed consolidated interim financial information.

# Unaudited Condensed Consolidated Income Statement

For the six months ended 30th June 2011

		<b>Six months ended 30th June</b>	
		<b>2011</b>	2010
		<b>US\$'000</b>	US\$'000
	<i>Note</i>		
<b>Continuing operations:</b>			
Revenue		<b>278,667</b>	222,658
Cost of sales		<b>(159,356)</b>	(152,887)
<b>Gross profit</b>		<b>119,311</b>	69,771
Investment income		<b>1,679</b>	1,537
Administrative expenses		<b>(38,354)</b>	(24,654)
Other operating income		<b>12,115</b>	14,005
Other operating expenses		<b>(7,251)</b>	(5,605)
<b>Operating profit</b>	16	<b>87,500</b>	55,054
Finance income	17	<b>2,420</b>	2,763
Finance costs	17	<b>(26,845)</b>	(14,448)
Operating profit after finance income and costs		<b>63,075</b>	43,369
Share of profits less losses of			
– jointly controlled entities		<b>49,241</b>	33,846
– associates		<b>120,347</b>	31,574
Profit on disposal of a jointly controlled entity, net of tax	11	<b>12,557</b>	–
Gain on release of exchange reserve upon reclassification from a jointly controlled entity to a subsidiary	26	<b>11,841</b>	–
<b>Profit before income tax from continuing operations</b>		<b>257,061</b>	108,789
Income tax expenses	18	<b>(16,545)</b>	(1,345)
<b>Profit for the period from continuing operations</b>		<b>240,516</b>	107,444
<b>Discontinued operation:</b>			
<b>Profit for the period from discontinued operation</b>			
– profit on disposal of a jointly controlled entity, net of tax	19	–	84,710
<b>Profit for the period</b>		<b>240,516</b>	192,154
Profit attributable to:			
Equity holders of the Company		<b>237,041</b>	189,938
Non-controlling interests		<b>3,475</b>	2,216
		<b>240,516</b>	192,154
Dividends			
– interim	20	<b>94,804</b>	47,696
– special interim	20	–	38,666
		<b>94,804</b>	86,362

# Unaudited Condensed Consolidated Income Statement (Continued)

For the six months ended 30th June 2011

		<b>Six months ended 30th June</b>	
		<b>2011</b>	2010
		<i>Note</i>	
<b>Earnings per share for profit attributable to equity holders of the Company</b>			
Basic			
– from continuing operations	21	<b>US8.74cents</b>	US4.41cents
– from discontinued operation	21	–	US3.55cents
		<b>US8.74cents</b>	US7.96cents
Diluted			
– from continuing operations	21	<b>US8.73cents</b>	US4.41cents
– from discontinued operation	21	–	US3.55cents
		<b>US8.73cents</b>	US7.96cents

The accompanying notes on pages 10 to 34 are an integral part of these unaudited condensed consolidated interim financial information.

# Unaudited Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30th June 2011

	Six months ended 30th June	
	2011 US\$'000	2010 US\$'000
<b>Profit for the period</b>	<b>240,516</b>	192,154
<b>Other comprehensive income</b>		
Exchange differences arising on translation of financial statements of foreign subsidiaries, jointly controlled entities and associates	<b>55,504</b>	(10,637)
Fair value loss on an available-for-sale financial asset	<b>(5,000)</b>	(2,000)
Release of investment revaluation reserve upon reclassification of an available-for-sale financial asset to an associate	–	(237,023)
Share of reserves upon reclassification of an available-for-sale financial asset to an associate	–	48,385
Release of reserves upon disposal of a jointly controlled entity	<b>(6,838)</b>	(46,364)
Release of reserves upon disposal of an available-for-sale financial asset	–	(7,020)
Release of exchange reserve upon reclassification of a jointly controlled entity to a subsidiary	<b>(11,841)</b>	–
Share of reserves of jointly controlled entities and associates	<b>4,215</b>	(14,175)
<b>Other comprehensive income for the period</b>	<b>36,040</b>	(268,834)
<b>Total comprehensive income for the period</b>	<b>276,556</b>	(76,680)
<b>Total comprehensive income attributable to:</b>		
Equity holders of the Company	<b>267,058</b>	(79,574)
Non-controlling interests	<b>9,498</b>	2,894
	<b>276,556</b>	(76,680)

The accompanying notes on pages 10 to 34 are an integral part of these unaudited condensed consolidated interim financial information.



# Unaudited Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June 2011

	<b>Capital and reserves attributable to the equity holders of the Company</b>	<b>Non-controlling interests</b>	<b>Total</b>
	US\$'000	US\$'000	US\$'000
<b>Total equity at 1st January 2011</b>	<b>3,348,121</b>	<b>145,741</b>	<b>3,493,862</b>
Total comprehensive income for the period	<b>267,058</b>	<b>9,498</b>	<b>276,556</b>
Issue of shares on exercising of share options	<b>451</b>	–	<b>451</b>
Capital contribution from a non-controlling shareholder of a subsidiary	–	<b>2,967</b>	<b>2,967</b>
Reclassification of a jointly controlled entity to a subsidiary	–	<b>71,385</b>	<b>71,385</b>
Share of reserve of an associate	<b>1,897</b>	–	<b>1,897</b>
Dividends paid to			
– equity holders of the Company	<b>(67,377)</b>	–	<b>(67,377)</b>
– non-controlling shareholders of subsidiaries	–	<b>(3,634)</b>	<b>(3,634)</b>
	<b>202,029</b>	<b>80,216</b>	<b>282,245</b>
<b>Total equity at 30th June 2011</b>	<b>3,550,150</b>	<b>225,957</b>	<b>3,776,107</b>
<b>Total equity at 1st January 2010</b>	2,742,293	116,058	2,858,351
Total comprehensive income for the period	(79,574)	2,894	(76,680)
Placement of shares	601,481	–	601,481
Share issue expenses	(17,358)	–	(17,358)
Capital contribution from a non-controlling shareholder of a subsidiary	–	21,482	21,482
Dividends paid to			
– equity holders of the Company	(32,482)	–	(32,482)
– non-controlling shareholders of subsidiaries	–	(3,921)	(3,921)
	472,067	20,455	492,522
<b>Total equity at 30th June 2010</b>	<b>3,214,360</b>	<b>136,513</b>	<b>3,350,873</b>

The accompanying notes on pages 10 to 34 are an integral part of these unaudited condensed consolidated interim financial information.

# Unaudited Condensed Consolidated Statement of Cash Flows

For the six months ended 30th June 2011

	Six months ended 30th June	
	2011 US\$'000	2010 US\$'000
Net cash generated from operating activities	<b>155,010</b>	103,221
Net cash generated from/(used in) investing activities	<b>27,666</b>	(339,842)
Net cash (used in)/generated from financing activities	<b>(29,193)</b>	501,191
Net increase in cash and cash equivalents	<b>153,483</b>	264,570
Cash and cash equivalents at 1st January	<b>524,274</b>	405,740
Effect of foreign exchange rate changes	<b>2,173</b>	(3,354)
Cash and cash equivalents at 30th June	<b>679,930</b>	666,956
Analysis of balances of cash and cash equivalents:		
Time deposits	<b>374,398</b>	491,651
Bank balances and cash	<b>305,532</b>	175,305
	<b>679,930</b>	666,956

The accompanying notes on pages 10 to 34 are an integral part of these unaudited condensed consolidated interim financial information.

# 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 terminals, container leasing, management and sale, container manufacturing, and their related businesses. The Company is a limited liability company incorporated in Bermuda with its shares listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, 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”) with its H-Shares and A-Shares listed on the Main Board of the Stock Exchange and the Shanghai Stock Exchange respectively. The parent company of China COSCO is China Ocean Shipping (Group) Company (“COSCO”), a state-owned enterprise established in the PRC.

The unaudited condensed consolidated interim financial information of the Group for the six months ended 30th June 2011 (the “Unaudited Condensed Consolidated Interim Financial Information”) is presented in United States (“US”) dollar, unless otherwise stated and has been approved for issue by the Board on 24th August 2011.

## 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 audited consolidated financial statements for the year ended 31st December 2010 (the “2010 Annual Financial Statements”), which have been prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRS”) issued by the HKICPA.

### Adoption of new 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 2010 Annual Financial Statements, except that the Group has adopted the following revised standards, amendments or improvements to existing standards (collectively the “new HKFRSs”) issued by the HKICPA which are mandatory for the year ending 31st December 2011:

HKAS 32 Amendment	Classification of Rights Issue
HKFRS 1 Amendment	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
HK(IFRIC)-Int 14 Amendment	Prepayments of a Minimum Funding Requirement
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments

### Improvements to existing standards

HKAS 1 (Revised) Amendment	Presentation of Financial Statements
HKAS 27 (Revised) Amendment	Consolidated and Separate Financial Statements
HKAS 34 Amendment	Interim Financial Reporting
HKFRS 1 Amendment	First-time Adoption of Hong Kong Financial Reporting Standards
HKFRS 3 (Revised) Amendment	Business Combinations
HKFRS 7 Amendment	Financial Instruments: Disclosures
HK(IFRIC)-Int 13 Amendment	Customer Loyalty Programmes

# Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)

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

The adoption of the above new 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 except for certain revised presentation and disclosures in the Unaudited Condensed Consolidated Interim Financial Information.

The HKICPA has issued certain new and revised standards, interpretations and amendments which are not yet effective for the six months ended 30th June 2011 and have not been early adopted by the Group. The Group will apply these standards, interpretations and amendments as and when they become effective. The Group has already commenced an assessment of the related impact to the Group and it is not yet in a position to state whether any substantial changes to the Group's significant accounting policies and presentation of the financial information will be resulted.

## 3 ESTIMATES

The preparation of Unaudited Condensed Consolidated Interim Financial Information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these Unaudited Condensed Consolidated Interim Financial Information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the 2010 Annual Financial Statements.

## 4 FINANCIAL RISK MANAGEMENT

### 4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk.

The Unaudited Condensed Consolidated Interim Financial Information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the 2010 Annual Financial Statements.

Compared to 31st December 2010, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

# Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)

## 4 FINANCIAL RISK MANAGEMENT (Continued)

### 4.2 Fair value estimation

The Group's financial instruments that are measured at fair value are disclosed by levels of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's financial instruments that are measured at fair value:

	<b>As at 30th June 2011 Level 2 US\$'000</b>	As at 31st December 2010 Level 2 US\$'000
Available-for-sale financial assets	<b>20,000</b>	25,000
Derivatives financial instruments	<b>17,684</b>	19,532
Borrowings under fair value hedge	<b>217,243</b>	219,652

For the six months ended 30th June 2011, there were no transfers of financial instruments of the Group between different levels of the fair value hierarchy.

For the six months ended 30th June 2011, there were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial assets and financial liabilities.

For the six months ended 30th June 2011, there were no reclassifications of financial assets of the Group.

# Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)

## 5 SEGMENT INFORMATION

### (a) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments. The operating segments were determined based on the reports reviewed by management. The following operating segments were identified in accordance with the Group's continuing operations:

- (i) terminal and related businesses including terminal operation, container handling, transportation and storage;
- (ii) container leasing, management, sale and related businesses; and
- (iii) container manufacturing and related businesses.

The performance of the operating segments were assessed based on their segment profit/loss attributable to equity holders of the Company and segment assets, which is measured in a manner consistent with that in the Unaudited Condensed Consolidated Interim Financial Information.

Additions to non-current assets comprise additions to property, plant and equipment, land use rights, intangible assets and other non-current assets.

### Segment assets

	Continuing operations						
	Terminal and related businesses US\$'000	Container leasing, management, sale and related businesses US\$'000	Container manufacturing and related businesses US\$'000	Segment total US\$'000	Corporate US\$'000	Elimination of inter-segment loans US\$'000	Total US\$'000
<b>At 30th June 2011</b>							
Segment assets	3,447,182	1,710,541	746,507	5,904,230	627,766	(235,933)	6,296,063
Segment assets include:							
Jointly controlled entities	507,933	-	-	507,933	-	-	507,933
Associates	747,267	-	746,507	1,493,774	-	-	1,493,774
Available-for-sale financial asset	20,000	-	-	20,000	-	-	20,000
<b>At 31st December 2010</b>							
Segment assets	2,589,021	1,685,327	671,831	4,946,179	595,114	(289,376)	5,251,917
Segment assets include:							
Jointly controlled entities	460,898	-	-	460,898	-	-	460,898
Associates	788,539	-	671,831	1,460,370	-	-	1,460,370
Available-for-sale financial asset	25,000	-	-	25,000	-	-	25,000
Asset held for sale	22,078	-	-	22,078	-	-	22,078

# Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)

## 5 SEGMENT INFORMATION (Continued)

### (a) Operating segments (Continued)

#### Segment revenue, results and other information

	Continuing operations						Total US\$'000
	Terminal and related businesses US\$'000	Container leasing, management, sale and related businesses US\$'000	Container manufacturing and related businesses US\$'000	Segment total US\$'000	Corporate US\$'000	Elimination of inter-segment (revenue) and finance (income)/costs US\$'000	
<b>Six months ended 30th June 2011</b>							
Revenue - total sales	149,504	129,275	-	278,779	-	(112)	278,667
Segment profit/(loss) attributable to equity holders of the Company	96,662	56,195	91,290	244,147	(7,106)	-	237,041
Segment profit/(loss) attributable to equity holders of the Company includes:							
Finance income	319	642	-	961	4,688	(3,229)	2,420
Finance costs	(21,687)	(3,696)	-	(25,383)	(4,914)	3,452	(26,845)
Share of profits less losses of							
- jointly controlled entities	49,241	-	-	49,241	-	-	49,241
- associates	29,057	-	91,290	120,347	-	-	120,347
Profit on disposal of a jointly controlled entity, net of tax	12,557	-	-	12,557	-	-	12,557
Income tax expenses	(1,950)	(1,030)	-	(2,980)	(13,565)	-	(16,545)
Depreciation and amortisation	(24,591)	(43,101)	-	(67,692)	(995)	-	(68,687)
Other non-cash expenses	(438)	(4,050)	-	(4,488)	(157)	-	(4,645)
Additions to non-current assets	(69,119)	(273,666)	-	(342,785)	(31)	-	(342,816)
Additions arising from business combination	(735,394)	-	-	(735,394)	-	-	(735,394)

# Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)

## 5 SEGMENT INFORMATION (Continued)

### (a) Operating segments (Continued)

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

	Continuing operations						Discontinued operation	
	Terminal and related businesses US\$'000	Container leasing, management, sale and related businesses US\$'000	Container manufacturing and related businesses US\$'000	Segment total US\$'000	Corporate US\$'000	Elimination of inter-segment finance (income)/ costs US\$'000	Total US\$'000	Logistics and related businesses US\$'000
<b>Six months ended 30th June 2010</b>								
Revenue - external sales	103,266	119,392	-	222,658	-	-	222,658	-
Segment profit/(loss) attributable to equity holders of the Company	39,566	47,993	26,943	114,502	(9,274)	-	105,228	84,710
Segment profit/(loss) attributable to equity holders of the Company includes:								
Finance income	161	1,042	-	1,203	4,623	(3,063)	2,763	-
Finance costs	(7,345)	(3,914)	-	(11,259)	(6,252)	3,063	(14,448)	-
Share of profits less losses of								
- jointly controlled entities	33,846	-	-	33,846	-	-	33,846	-
- associates	4,631	-	26,943	31,574	-	-	31,574	-
Profit on disposal of a jointly controlled entity, net of tax	-	-	-	-	-	-	-	84,710
Income tax credit/(expenses)	1,558	(390)	-	1,168	(2,513)	-	(1,345)	-
Depreciation and amortisation	(11,211)	(40,061)	-	(51,272)	(878)	-	(52,150)	-
Provision for impairment of property, plant and equipment	-	(565)	-	(565)	-	-	(565)	-
Other non-cash expenses	(19)	(571)	-	(590)	(166)	-	(756)	-
Additions to non-current assets	(43,547)	(102,678)	-	(146,225)	(3,535)	-	(149,760)	-



# Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)

## 5 SEGMENT INFORMATION (Continued)

### (b) Geographical information

In respect of container leasing, management, sale and related businesses, the movements of containers and generator sets of the Group 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 geographical information on revenue of these related businesses.

The Group's non-current assets mainly include containers and generator sets. 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 the geographical information of these non-current assets.

Other than container leasing, management, sale and related businesses, the Group's activities are predominantly carried out in the following geographical areas:

Operating segments	Geographical areas
Terminal and related businesses	Mainland China, Greece, Hong Kong, Singapore, Belgium and Egypt
Container manufacturing and related businesses	Mainland China, America and Europe

## 6 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30th June 2011, the Group acquired property, plant and equipment of US\$341,689,000 (2010: US\$144,790,000). The Group also disposed of property, plant and equipment with net book value of US\$200,470,000 (2010: US\$190,000) and transferred property, plant and equipment to inventories with net book value of US\$2,508,000 (2010: US\$14,678,000).

## 7 DERIVATIVE FINANCIAL INSTRUMENTS

	As at 30th June 2011 US\$'000	As at 31st December 2010 US\$'000
Interest rate swap contracts - fair value hedges (note)	<b>17,684</b>	19,532

Note:

The notional principal amount of the related interest rate swap contracts amounted to US\$200,000,000 (2010: US\$200,000,000) which were committed with the interest rates ranging from 1.05% to 1.16% (2010: 1.05% to 1.16%) per annum above the London Interbank Offered Rate ("LIBOR"). These interest rate swap contracts have been designated as a hedge of the fair value of the notes issued by the Group (note 13).

# Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)

## 8 OTHER NON-CURRENT ASSETS

Other non-current assets of the Group mainly represent prepaid operating lease payments, which include the unamortised upfront concession fee incurred in respect of the concession agreement with Piraeus Port Authority S.A. for the concession of Piers 2 and 3 of the Piraeus Port in Greece for a term of 35 years (the "Concession"). The Concession commenced on 1st October 2009.

## 9 TRADE AND OTHER RECEIVABLES

	As at 30th June 2011 US\$'000	As at 31st December 2010 US\$'000
Trade receivables (note a)		
– third parties	<b>54,877</b>	39,571
– fellow subsidiaries (notes b and c)	<b>32,334</b>	21,391
– a jointly controlled entity (note b)	<b>1</b>	170
– a related company (note b)	<b>–</b>	483
– a non-controlling shareholder of a subsidiary (note b)	<b>3,324</b>	–
	<b>90,536</b>	61,615
Less: provision for impairment	<b>(3,013)</b>	(3,852)
	<b>87,523</b>	57,763
Other receivables, deposits and prepayments	<b>57,597</b>	67,983
Rent receivable collected on behalf of owners of managed containers (note d)	<b>34,072</b>	32,743
Current portion of finance lease receivables	<b>1,465</b>	534
Amounts due from (note b)		
– fellow subsidiaries	<b>333</b>	172
– jointly controlled entities (note e)	<b>46,951</b>	33,644
– associates (note e)	<b>43,441</b>	21,819
– an investee company (note e)	<b>1,488</b>	–
– non-controlling shareholders of subsidiaries	<b>239</b>	113
	<b>273,109</b>	214,771

# Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)

## 9 TRADE AND OTHER RECEIVABLES (Continued)

Notes:

- (a) The Group grants credit periods of 30 to 90 days to its customers. The ageing analysis of the trade receivables (net of provision) was as follows:

	<b>As at 30th June 2011 US\$'000</b>	As at 31st December 2010 US\$'000
Within 30 days	<b>44,372</b>	27,517
31-60 days	<b>27,914</b>	23,593
61-90 days	<b>13,173</b>	5,504
Over 90 days	<b>2,064</b>	1,149
	<b>87,523</b>	57,763

- (b) The amounts due from fellow subsidiaries, jointly controlled entities, associates, an investee company, a related company and non-controlling shareholders of subsidiaries 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.
- (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\$21,469,000 (31st December 2010: US\$19,634,000). During the six months ended 30th June 2011, the container leasing income from COSCON and the other fellow subsidiaries amounted to US\$61,177,000 (2010: US\$60,717,000) and US\$4,000 (2010: US\$10,000) respectively.
- (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 amounts receivable mainly represented dividend and interest receivable from the jointly controlled entities, associates and an investee company.

## 10 CASH AND CASH EQUIVALENTS

	<b>As at 30th June 2011 US\$'000</b>	As at 31st December 2010 US\$'000
Total time deposits, bank balances and cash (note)	<b>679,930</b>	524,274
Representing:		
Time deposits	<b>374,398</b>	245,856
Bank balances and cash	<b>305,532</b>	278,418
	<b>679,930</b>	524,274

Note:

As at 30th June 2011, cash and cash equivalents of US\$173,317,000 (31st December 2010: US\$124,979,000) of the Group which were denominated in Renminbi and US dollar were held by certain subsidiaries of the Group with bank accounts operating in the PRC where exchange controls apply.

# Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)

## 11 ASSET HELD FOR SALE

	As at 30th June 2011 US\$'000	As at 31st December 2010 US\$'000
A jointly controlled entity	–	22,078

As at 31st December 2010, the Group intended to dispose of its 50% equity interest in Qingdao Cosport International Container Terminals Co., Ltd. ("Qingdao Cosport Terminal"), a jointly controlled entity. Accordingly, this investment was reclassified as an asset held for sale as at 31st December 2010.

On 10th March 2011, the Group entered into an agreement with Qingdao Port (Group) Co., Ltd. ("Qingdao Port Group"), the remaining shareholder of Qingdao Cosport Terminal, to dispose of the aforesaid equity interest at a consideration of RMB184,000,000 (equivalent to approximately US\$28,000,000). The disposal was completed on 28th April 2011 with a profit after tax of US\$12,557,000.

## 12 SHARE CAPITAL

	As at 30th June 2011 US\$'000	As at 31st December 2010 US\$'000
Authorised: 4,000,000,000 (31st December 2010: 3,000,000,000) ordinary shares of HK\$0.10 each	<b>51,282</b>	38,462
Issued and fully paid: 2,711,783,573 (31st December 2010: 2,711,525,573) ordinary shares of HK\$0.10 each	<b>34,805</b>	34,801

Notes:

- (a) On 16th May 2011, an ordinary resolution was passed to increase the authorised share capital to HK\$400,000,000 (equivalent to approximately US\$51,282,000).
- (b) The movements of the issued share capital of the Company are summarised as follows:

	Number of share capital	Nominal value US\$'000
At 1st January 2011	<b>2,711,525,573</b>	<b>34,801</b>
Issued on exercising of share options (note c)	<b>258,000</b>	<b>4</b>
At 30th June 2011	<b>2,711,783,573</b>	<b>34,805</b>

# Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)

## 12 SHARE CAPITAL (Continued)

### (c) Share options

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

Category	Exercise price HK\$	Number of share options				Outstanding as at 30th June 2011
		Outstanding as at 1st January 2011	Exercised during the period	Transfer (to)/from other categories during the period	Lapsed during the period	
Directors	9.54	800,000	–	–	–	800,000
	13.75	1,700,000	–	–	–	1,700,000
	19.30	1,800,000	–	–	–	1,800,000
Continuous contract employees	9.54	1,519,000	(8,000)	–	–	1,511,000
	13.75	12,632,000	(200,000)	–	–	12,432,000
	19.30	13,120,000	–	(20,000)	(60,000)	13,040,000
Others	9.54	50,000	–	–	–	50,000
	13.75	7,480,000	(50,000)	–	(500,000)	6,930,000
	19.30	340,000	–	20,000	(340,000)	20,000
		39,441,000	(258,000)	–	(900,000)	38,283,000

## 13 BORROWINGS

	As at 30th June 2011 US\$'000	As at 31st December 2010 US\$'000
Long term borrowings		
– secured (note a)	102,958	64,180
– unsecured	1,929,125	1,461,511
	2,032,083	1,525,691
Amounts due within one year included under current liabilities	(384,172)	(136,045)
	1,647,911	1,389,646
Short term bank loans - unsecured	111,387	33,064

# Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)

## 13 BORROWINGS (Continued)

Notes:

- (a) As at 30th June 2011, certain other property, plant and equipment with an aggregate net book value of US\$22,059,000 (31st December 2010: US\$20,896,000) were pledged as securities for a banking facility granted to the Group.

Under the circumstances that the terms and conditions as included in the loan agreement were not met, bank balances of US\$21,553,000 (31st December 2010: US\$12,629,000) would be pledged as securities for a banking facility granted to the Group. As at 30th June 2011 and 31st December 2010, there was no violation of the terms and conditions of this loan and thus such bank balances were not pledged.

- (b) The analysis of long term borrowings is as follows:

	As at 30th June 2011 US\$'000	As at 31st December 2010 US\$'000
Wholly repayable within five years		
– Bank loans	1,350,963	935,416
– Notes	317,025	319,382
	<b>1,667,988</b>	1,254,798
Bank loans not wholly repayable within five years	<b>364,095</b>	270,893
	<b>2,032,083</b>	1,525,691

- (c) The maturity of long term borrowings is as follows:

	As at 30th June 2011 US\$'000	As at 31st December 2010 US\$'000
Bank loans		
Within one year	384,172	136,045
Between one and two years	535,254	297,490
Between two and five years	487,816	561,801
Over five years	307,816	210,973
	<b>1,715,058</b>	1,206,309
Notes		
Between two and five years	317,025	319,382
	<b>2,032,083</b>	1,525,691

Notes with principal amount of US\$300,000,000 were issued by a subsidiary of the Company to investors on 3rd October 2003. The notes carried a fixed interest yield of 5.96% per annum and were issued at a price of 99.367 per cent of their principal amount with a fixed coupon rate of 5.875% per annum, resulting in a discount on issue of US\$1,899,000. The notes bear interest from 3rd October 2003, payable semi-annually in arrear on 3rd April and 3rd October of each year, commencing on 3rd April 2004. The notes are guaranteed unconditionally and irrevocably by the Company and listed on the Singapore Exchange Limited.

Unless previously redeemed or repurchased by the Company, the notes will mature on 3rd October 2013 at their principal amount. The notes are subject to redemption in whole, at their principal amount, together with accrued interest, at the option of the Company at any time in the event of certain changes affecting the taxes of certain jurisdictions.

# Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)

## 14 LOAN FROM A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY

The balance is unsecured, interest bearing at 0.6% per annum above US dollar LIBOR and is wholly repayable on or before 30th June 2013.

## 15 TRADE AND OTHER PAYABLES

	<b>As at 30th June 2011 US\$'000</b>	As at 31st December 2010 US\$'000
Trade payables (note a)		
– third parties	<b>39,415</b>	36,298
– fellow subsidiaries (note b)	<b>23</b>	72
– a jointly controlled entity (note b)	<b>958</b>	59
– non-controlling shareholders of subsidiaries (note b)	<b>1,095</b>	1,054
– subsidiaries of an associate (notes b and c)	<b>45,065</b>	2,334
	<b>86,556</b>	39,817
Other payables and accruals	<b>88,627</b>	75,414
Payable to owners of managed containers (note d)	<b>46,767</b>	40,730
Current portion of other long term liabilities	<b>76</b>	812
Dividend payable	<b>36</b>	36
Amounts due to (note b)		
– fellow subsidiaries	<b>19</b>	11
– a jointly controlled entity	<b>23,178</b>	–
– non-controlling shareholders of subsidiaries	<b>37,788</b>	5,521
– a subsidiary of an associate	<b>–</b>	25
– related companies	<b>4</b>	4
	<b>283,051</b>	162,370

# Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)

## 15 TRADE AND OTHER PAYABLES (Continued)

Notes:

(a) The ageing analysis of the trade payables was as follows:

	As at 30th June 2011 US\$'000	As at 31st December 2010 US\$'000
Within 30 days	29,614	36,189
31-60 days	36,485	776
61-90 days	5,486	138
Over 90 days	14,971	2,714
	<b>86,556</b>	39,817

- (b) The amounts due to fellow subsidiaries, jointly controlled entities, non-controlling shareholders of subsidiaries, subsidiaries of an associate and related companies are unsecured, except for an amount due to a jointly controlled entity of US\$23,178,000 (31st December 2010: US\$Nil) which bears interest at 3% per annum and repayable in September 2011, and an amount due to a non-controlling shareholder of a subsidiary of US\$30,904,000 (31st December 2010: US\$Nil) which bears interest at 4.074% per annum and repayable in September 2011 and trading balances have similar credit periods granted as those of other third party suppliers, the remaining balances are interest free and have no fixed terms of repayment.
- (c) The balances represented the amounts payable to subsidiaries of an associate of the Group in respect of the purchases of containers (note 25(a)(viii)).
- (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 entitled by the Group.

## 16 OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	Six months ended 30th June	
	2011 US\$'000	2010 US\$'000
<b>Crediting</b>		
Dividend income from an unlisted investment	1,628	1,485
Rental income from investment properties	51	52
Write back of provision for impairment of trade receivables, net	760	598
Profit on disposal of property, plant and equipment	526	1,274
Revaluation surplus of an investment property	171	–
Profit on disposal of an available-for-sale financial asset	–	7,020
Write back of provision for inventories	–	340
<b>Charging</b>		
Depreciation and amortisation	68,687	52,150
Loss on disposal of property, plant and equipment	3,942	6
Rental expense under operating leases of		
– buildings leased from a fellow subsidiary	710	710
– buildings leased from a jointly controlled entity	17	17
– land use rights leased from non-controlling shareholders of subsidiaries	436	722
– Concession (note 8)	18,577	15,284
Provision for impairment of property, plant and equipment	–	565



# Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)

## 17 FINANCE INCOME AND COSTS

	Six months ended 30th June	
	2011 US\$'000	2010 US\$'000
<b>Finance income</b>		
Interest income on		
– bank balances and deposits	<b>1,551</b>	1,080
– loans to a jointly controlled entity and associates	<b>869</b>	1,683
	<b>2,420</b>	2,763
<b>Finance costs</b>		
Interest expenses on		
– bank loans	<b>(26,302)</b>	(13,387)
– amount due to a jointly controlled entity	<b>(175)</b>	–
– loan from and amount due to non-controlling shareholders of subsidiaries	<b>(954)</b>	–
– notes wholly repayable within five years	<b>(4,543)</b>	(4,712)
Fair value (loss)/gain on derivative financial instruments	<b>(1,848)</b>	4,215
Fair value adjustment of notes attributable to interest rate risk	<b>2,514</b>	(4,616)
	<b>666</b>	(401)
Amortised amount of		
– discount on issue of notes	<b>(80)</b>	(85)
– transaction costs on bank loans and notes	<b>(612)</b>	(652)
	<b>(32,000)</b>	(19,237)
Less: amount capitalised in construction in progress	<b>5,783</b>	5,069
	<b>(26,217)</b>	(14,168)
Other incidental borrowing costs and charges	<b>(628)</b>	(280)
	<b>(26,845)</b>	(14,448)
Net finance costs	<b>(24,425)</b>	(11,685)

# Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)

## 18 INCOME TAX EXPENSES

	<b>Six months ended 30th June</b>	
	<b>2011</b>	2010
	<b>US\$'000</b>	US\$'000
Current income tax		
– China mainland taxation	<b>7,179</b>	3,623
– Overseas taxation	<b>452</b>	347
– Under/(over) provision in prior years	<b>6</b>	(120)
	<b>7,637</b>	3,850
Deferred income tax charge/(credit)	<b>8,908</b>	(2,505)
	<b>16,545</b>	1,345

The Group's shares of income tax expenses of jointly controlled entities and associates of US\$7,596,000 (2010: US\$5,647,000) and US\$37,403,000 (2010: US\$5,964,000) are included in the Group's shares of profits less losses of jointly controlled entities and associates respectively.

No Hong Kong profits tax has been provided as the Group does not have estimated assessable profit for the period (2010: US\$Nil).

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.

Deferred income tax is calculated in full on temporary differences under the liability method using tax rates substantively enacted by the balance sheet date.

As at 30th June 2011, deferred income tax liabilities of US\$6,249,000 (31st December 2010: US\$6,119,000) have not been established for the withholding taxation that would be payable on the undistributed earnings of certain subsidiaries in certain tax jurisdictions totaling US\$33,986,000 (31st December 2010: US\$33,674,000) as the directors considered that the timing of the reversal of the related temporary differences can be controlled and accordingly the temporary difference will not be reversed in the foreseeable future.

# Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)

## 19 PROFIT ON DISPOSAL OF A JOINTLY CONTROLLED ENTITY, NET OF TAX

On 27th August 2009, COSCO Pacific Logistics Company Limited ("CP Logistics"), a wholly owned subsidiary of the Company, entered into an equity transfer agreement with China COSCO, pursuant to which CP Logistics conditionally agreed to sell and China COSCO conditionally agreed to purchase CP Logistics' 49% equity interest in COSCO Logistics Co., Ltd. ("COSCO Logistics"), a jointly controlled entity of the Group, at a cash consideration of RMB2,000,000,000 (equivalent to approximately US\$292,900,000). Apart from the aforesaid cash consideration, CP Logistics is entitled to receive a special distribution of an additional cash amount equivalent to 273/365 (representing the first nine months of year 2009) of 49% of 90% of the audited consolidated net profit after tax and non-controlling interest of COSCO Logistics for the year ended 31st December 2009 as shown in the audited consolidated financial statements of COSCO Logistics for the year ended 31st December 2009 prepared in accordance with the accounting standards generally accepted in the PRC. The disposal of COSCO Logistics was completed in March 2010, and the profit on disposal was set out as follows:

	Six months ended 30th June 2010 US\$'000
Profit on disposal (net of direct expenses)	98,081
Tax on profit on disposal	(13,371)
Profit on disposal (net of direct expenses and tax)	<u>84,710</u>

## 20 DIVIDENDS

	Six months ended 30th June	
	2011 US\$'000	2010 US\$'000
Interim dividend, declared, of US3.496 cents (2010: US1.759 cents) per ordinary share	<b>94,804</b>	47,696
2010 special interim dividend, declared, of US1.426 cents per ordinary share	-	38,666
	<b>94,804</b>	<u>86,362</u>

Notes:

- (a) At a meeting held on 23rd March 2011, the directors recommended the payment of a final cash dividend of HK19.3 cents (equivalent to US2.483 cents) per ordinary share for the year ended 31st December 2010. The final cash dividend, which was approved at the annual general meeting of the Company held on 16th May 2011, was paid on 31st May 2011 and had been reflected as an appropriation of retained profits for the year ending 31st December 2011.
- (b) At a meeting held on 24th August 2011, the directors declared an interim cash dividend of HK27.2 cents (equivalent to US3.496 cents) per ordinary share. The interim cash 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 2011.

# Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)

## 21 EARNINGS PER SHARE

### (a) Basic

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

	Six months ended 30th June	
	2011	2010
Profit from continuing operations attributable to equity holders of the Company	<b>US\$237,041,000</b>	US\$105,228,000
Profit from discontinued operation attributable to equity holders of the Company	–	US\$84,710,000
	<b>US\$237,041,000</b>	US\$189,938,000
Weighted average number of ordinary shares in issue	<b>2,711,726,755</b>	2,386,558,722
Basic earnings per share		
– from continuing operations	<b>US8.74 cents</b>	US4.41 cents
– from discontinued operation	–	US3.55 cents
	<b>US8.74 cents</b>	US7.96 cents

# Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)

## 21 EARNINGS PER SHARE (Continued)

### (b) Diluted

Diluted earnings per share is calculated based on the profit attributable to 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 dilutive share options granted by the Company had been exercised.

	Six months ended 30th June	
	2011	2010
Profit from continuing operations attributable to equity holders of the Company	<b>US\$237,041,000</b>	US\$105,228,000
Profit from discontinued operation attributable to equity holders of the Company	–	US\$84,710,000
	<b>US\$237,041,000</b>	US\$189,938,000
Weighted average number of ordinary shares in issue	<b>2,711,726,755</b>	2,386,558,722
Adjustments for assumed issuance of shares on exercise of dilutive share options	<b>2,371,442</b>	351,534
Weighted average number of ordinary shares for diluted earnings per share	<b>2,714,098,197</b>	2,386,910,256
Diluted earnings per share		
– from continuing operations	<b>US8.73 cents</b>	US4.41 cents
– from discontinued operation	–	US3.55 cents
	<b>US8.73 cents</b>	US7.96 cents

## 22 FINANCIAL GUARANTEE CONTRACTS

	As at 30th June 2011 US\$'000	As at 31st December 2010 US\$'000
	Bank guarantee to an associate	<b>30,835</b>

The directors of the Company consider that it is not probable for a claim to be made against the Group under the above guarantee as at the balance sheet date.

The fair value of the guarantee contracts was not material and has not been recognised.

# Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)

## 23 CONTINGENT LIABILITIES

A statement of claim was issued on 19th October 2009 by Aronis-Drettas-Karlaftis Consultant Engineers S.A. ("ADK") against the Company and Piraeus Container Terminal S.A. ("Piraeus Terminal"), a wholly owned subsidiary of the Company, in a civil claim at the Court of First Instance of Athens in Greece alleging non-payment of fees for design services and project management services. The plaintiff has claimed approximately Euro 5,800,000 (equivalent to approximately US\$8,400,000) in total. The Company and Piraeus Terminal have defended all material claims at the trial hearing held on 30th November 2010.

The Court of First Instance of Athens has issued (pronounced) judgment on the case and has dismissed the aforementioned statement of claim in its entirety both as regards the Company and as regards Piraeus Terminal, and has awarded to the Company and Piraeus Terminal part of the legal expenses in the amount of Euro 30,000 (equivalent to approximately US\$44,000) against the plaintiff (ADK). The plaintiff has filed an appeal against the judgment of the Court of First Instance of Athens before the Court of Appeals of Athens according to Greek procedural law. The hearing of this appeal has been set to take place before the Court of Appeals of Athens on 13th November 2012. The directors and management of the Company, having taken legal advice, are of the view that the Company and Piraeus Terminal have good rebuttal to the arguments set forth in the appeal document. Nonetheless, it is still not possible to predict the final outcome of this litigation with certainty. No provision has been made for the claims.

## 24 CAPITAL COMMITMENTS

The Group had the following significant capital commitments as at 30th June 2011:

	As at 30th June 2011 US\$'000	As at 31st December 2010 US\$'000
Authorised but not contracted for:		
– Containers	<b>75,609</b>	249,621
– Computer system under development	<b>1,216</b>	756
– Other property, plant and equipment	<b>197,975</b>	141,298
	<b>274,800</b>	391,675
Contracted but not provided for:		
– Containers	<b>38,366</b>	138,470
– Investments (note)	<b>413,478</b>	583,977
– Other property, plant and equipment	<b>274,339</b>	287,502
	<b>726,183</b>	1,009,949
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	<b>14,333</b>	11,936
Contracted but not provided for	<b>3,899</b>	3,282
	<b>18,232</b>	15,218

# Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)

## 24 CAPITAL COMMITMENTS (Continued)

Note:

The capital commitments in respect of investments of the Group as at 30th June 2011 are as follows:

	<b>As at 30th June 2011 US\$'000</b>	As at 31st December 2010 US\$'000
Investments in:		
– Qingdao Qianwan Container Terminal Co., Ltd.	<b>64,997</b>	64,997
– Antwerp Gateway NV	<b>64,600</b>	59,561
– Dalian Port Container Terminal Co., Ltd.	<b>45,120</b>	44,091
– COSCO Ports (Nansha) Limited	–	183,545
– Tianjin Port Euroasia International Terminal Co., Ltd.	<b>108,474</b>	105,999
– Others	<b>63,511</b>	60,532
	<b>346,702</b>	518,725
Terminal projects in:		
– Shanghai Yangshan Port Phase II	<b>61,809</b>	60,398
– Others	<b>4,967</b>	4,854
	<b>66,776</b>	65,252
	<b>413,478</b>	583,977

## 25 RELATED PARTY TRANSACTIONS

The Group is controlled by China COSCO which owns 42.71% of the Company's shares as at 30th June 2011. The parent company of China COSCO is COSCO.

COSCO is controlled by the PRC government, which also owns a significant portion of the productive assets in the PRC. In accordance with HKAS 24 (Revised) "Related Party Disclosures" issued by the HKICPA, government related entities and their subsidiaries, directly or indirectly controlled, jointly controlled or significantly influenced by the PRC government, are also defined as related parties of the Group. On that basis, related parties include COSCO and its subsidiaries, other government related entities and their subsidiaries, 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 the related party transaction disclosures, the Directors believe that it is meaningful to disclose the related party transactions with COSCO group companies for the interests of financial statements' users, although those transactions are exempted from disclosure upon adoption of HKAS 24 (Revised). The Directors believe that the information of related party transactions has been adequately disclosed in the Unaudited Condensed Consolidated Interim Financial Information.

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.

# Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)

## 25 RELATED PARTY TRANSACTIONS (Continued)

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

	Six months ended 30th June	
	2011 US\$'000	2010 US\$'000
Container rental income from fellow subsidiaries (note i)	<b>61,181</b>	60,727
Compensation for loss of containers from a fellow subsidiary (note ii)	<b>316</b>	1,478
Handling, storage and transportation income from (note iii)		
– fellow subsidiaries	<b>1,324</b>	1,058
– a jointly controlled entity	<b>–</b>	741
Management fee and service fee income from (note iv)		
– jointly controlled entities	<b>2,181</b>	2,115
– associates	<b>61</b>	53
– an investee company	<b>64</b>	50
Terminal handling and storage income from (note v)		
– fellow subsidiaries	<b>31,289</b>	5,654
– an associate of the parent company	<b>637</b>	506
– a non-controlling shareholder of a subsidiary	<b>4,939</b>	–
Container handling and logistics services fee to non-controlling shareholders of subsidiaries (note vi)	<b>(4,003)</b>	(2,367)
Electricity and fuel expenses to non-controlling shareholders of subsidiaries (note vii)	<b>(3,745)</b>	(780)
Purchase of containers from subsidiaries of an associate (note viii)	<b>(190,144)</b>	(72,763)
Handling, storage and maintenance expenses to fellow subsidiaries (note ix)	<b>(74)</b>	(297)
Port construction fee and high-frequency communication fee to non-controlling shareholders of subsidiaries (note x)	<b>(3,750)</b>	(1,203)
Refund of port construction fee from a non-controlling shareholder of a subsidiary (note xi)	<b>1,023</b>	–
Proceeds on disposal of a jointly controlled entity to intermediate holding company (note 19)	<b>–</b>	314,167

Notes:

- (i) The Group has conducted container leasing business with COSCON, other fellow subsidiaries of COSCO 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) During the period, the Group had compensation received and receivable of US\$316,000 (2010: US\$1,478,000) from COSCON for the loss of containers under operating leases, resulting in a profit of US\$38,000 (2010: US\$291,000).
- (iii) The handling, storage and transportation income received from fellow subsidiaries and a jointly controlled entity of the Group were conducted at terms as set out in the agreements entered into between the Group and these fellow subsidiaries and the jointly controlled entity.
- (iv) 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 US\$2,570,000) (2010: HK\$20,000,000 (equivalent to US\$2,574,000)) per annum.

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



# Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)

## 25 RELATED PARTY TRANSACTIONS (Continued)

### (a) Sales/purchases of goods, services and investments (Continued)

- (v) The terminal handling and storage income received from fellow subsidiaries, an associate of COSCO and a non-controlling shareholder of a subsidiary in relation to the cargoes shipped from/to Zhangjiagang, Yangzhou, Quanzhou and Nansha were conducted by the Group by reference to rates as set out by the Ministry of Communications of the PRC.
- The container terminal handling and storage income received from fellow subsidiaries in relation to the cargoes shipped from/to Piraeus Terminal were conducted by the Group with rates as mutually agreed.
- (vi) The container handling and logistics service fee paid to non-controlling shareholders of subsidiaries was charged at rates as mutually agreed.
- (vii) Electricity and fuel expenses paid to non-controlling shareholders of subsidiaries were charged at rates as mutually agreed.
- (viii) The purchases of containers from subsidiaries of China International Marine Containers (Group) Co., Ltd. ("CIMC"), a listed associate, were conducted at terms as set out in the agreements entered into between the Group and the respective parties in concern.
- (ix) Handling, storage and maintenance expenses paid to fellow subsidiaries were charged at rates as mutually agreed.
- (x) Port construction fee and high-frequency communication fee paid to non-controlling shareholders of subsidiaries were charged at rates as mutually agreed.
- (xi) Refund of port construction fee from a non-controlling shareholder of a subsidiary was charged at amounts as mutually agreed.

### (b) Balances with state-owned banks

	As at 30th June 2011 US\$'000	As at 31st December 2010 US\$'000
Bank deposits balances		
– in China mainland	173,317	124,979
– outside China mainland	404,967	235,844
Long term bank loans		
– in China mainland	802,664	297,582
– outside China mainland	498,958	471,180
Short term bank loans		
– in China mainland	111,387	33,064
Committed and undrawn bank borrowings facilities		
– in China mainland	1,025,352	634,241
– outside China mainland	208,817	223,292

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 parts in concern.

# Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)

## 25 RELATED PARTY TRANSACTIONS (Continued)

### (c) Balances with other state-owned enterprises

	<b>As at 30th June 2011 US\$'000</b>	As at 31st December 2010 US\$'000
Other payable to state-owned enterprises	<b>10,324</b>	7,144

The balance represented the port construction levies collected by subsidiaries of the Group on behalf of the port authorities in Zhangjiagang and Nansha 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.

### (d) Key management compensation

	<b>Six months ended 30th June</b>	
	<b>2011 US\$'000</b>	2010 US\$'000
Salaries, bonuses and other allowances	<b>1,773</b>	1,604
Contribution to retirement benefit schemes	<b>4</b>	4
	<b>1,777</b>	1,608

Key management includes directors of the Company and five (2010: five) senior management members of the Group.

# Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)

## 26 BUSINESS COMBINATION

COSCO Ports (Nansha) Limited ("CP Nansha") was a jointly controlled entity of the Group. By virtue of the clause in an agreement entered into by the Group and the other shareholder of CP Nansha, the joint control of CP Nansha expired on 31st December 2010 and the Group has the power to govern the financial and operating policies of CP Nansha and its subsidiary, Guangzhou South China Oceangate Container Terminal Company Limited ("Guangzhou South China Oceangate Terminal"), from then onwards. Accordingly, the Group has accounted for CP Nansha as a subsidiary since 1st January 2011. During the period, the Group recorded a gain on release of exchange reserve upon reclassification from a jointly controlled entity to a subsidiary of US\$11,841,000.

	US\$'000
Purchase consideration	–
Fair value of equity interest in and loan to CP Nansha before the business combination	76,691
	<u>76,691</u>

The assets and liabilities arising from the reclassification were as follows:

	Fair value US\$'000
Property, plant and equipment	667,021
Investment properties	2,864
Land use rights	64,166
Intangible assets	1,343
Trade and other receivables	21,272
Cash and cash equivalents	9,517
Long term borrowings	(386,101)
Loan from a non-controlling shareholder	(47,732)
Trade and other payables	(27,668)
Current income tax liabilities	(325)
Short term bank loans	(126,082)
Current portion of long term borrowings	(30,199)
	<u>148,076</u>
Total identifiable net assets	148,076
Non-controlling interests	(71,385)
	<u>76,691</u>

For the six months ended 30th June 2011, CP Nansha contributed revenue of US\$41,347,000 and profit of US\$54,000 to the Group.

# REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

## **TO THE BOARD OF DIRECTORS OF COSCO PACIFIC LIMITED**

(incorporated in Bermuda with limited liability)

### **Introduction**

We have reviewed the interim financial information set out on pages 3 to 34, which comprises the condensed consolidated balance sheet of COSCO Pacific Limited (the "Company") and its subsidiaries (together, the "Group") as at 30th June 2011 and the related condensed consolidated statements of income, comprehensive 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 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**

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.

### **Conclusion**

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, 24th August 2011

## INTERIM DIVIDEND

The directors have declared an interim cash dividend of HK27.2 cents per share (corresponding period of 2010: an interim cash dividend of HK13.7 cents per share and a special interim cash dividend of HK11.1 cents per share) for the six months ended 30th June 2011. The interim cash dividend will be payable on 21st September 2011 to shareholders whose names appear on the register of members of the Company on 15th September 2011.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 9th September 2011 to Thursday, 15th September 2011, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim cash dividend, all transfer documents, accompanied by relevant share certificates, must be lodged with the Company's Hong Kong Registrar and Transfer Office, Tricor Secretaries Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 8th September 2011.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Review

All business segments of the Group recorded a satisfactory performance in the first half of 2011. Profit attributable to equity holders in the first half of 2011 was US\$237,041,000 (corresponding period of 2010: US\$189,938,000), a 24.8% increase compared with the corresponding period of last year. Excluding non-recurring items, profit attributable to equity holders in the first half of 2011 was US\$212,643,000 (corresponding period of 2010: US\$98,208,000), representing a significant increase of 116.5% compared with the corresponding period of last year. Non-recurring items included gain of US\$11,841,000 on release of exchange reserve upon reclassification of CP Nansha from a jointly controlled entity to a subsidiary in 2011, profit of US\$12,557,000 on the disposal of Qingdao Cosport Terminal in 2011, profit of US\$84,710,000 on the disposal of COSCO Logistics in 2010 and profit of US\$7,020,000 on the disposal of Dalian Port Container Co., Ltd. ("Dalian Port Container") in 2010.

Taking into account the non-recurring items of profits on the disposal of Qingdao Cosport Terminal in 2011 and Dalian Port Container in 2010, profit from terminal business in the first half of 2011 was US\$96,662,000 (corresponding period of 2010: US\$39,566,000), a 144.3% increase compared with the corresponding period of last year. Excluding these two non-recurring items, profit from terminal business in the first half of 2011 was US\$84,105,000 (corresponding period of 2010: US\$32,546,000), representing a significant increase of 158.4% compared with the corresponding period of last year.

For the first half of 2011, throughput of container terminals reached 24,249,265 TEUs (corresponding period of 2010: 20,251,095 TEUs), a 19.7% increase compared with the corresponding period of last year. The completion of the Group's acquisition of an approximately 10% additional equity interest in Yantian International Container Terminals Co., Ltd. ("Yantian Terminal") in June 2010 further intensified profit from COSCO Pacific's terminal business. In addition, the performance of Piraeus Terminal during the period continued to improve and a maiden profit was recorded in the first half of 2011. Moreover, the increase in terminal throughput such as Qingdao Qianwan Container Terminal Co., Ltd. ("Qingdao Qianwan Terminal") and Ningbo Yuan Dong Terminals Limited ("Ningbo Yuan Dong Terminal") also boosted the overall profit from terminals during the period.

With regard to container leasing business, a profit of US\$56,195,000 was recorded in the first half of 2011 (corresponding period of 2010: US\$47,993,000), a 17.1% increase compared with the corresponding period of last year. As at 30th June 2011, container fleet size increased by 7.3% to 1,713,872 TEUs (corresponding period of 2010: 1,597,779 TEUs) compared with that as at 30th June 2010.

Driven by the strong demand for new containers, CIMC maintained relatively high sales volume and profitability in the first half of 2011. During the period, COSCO Pacific's profit attributable from CIMC rose to US\$91,290,000 (corresponding period of 2010: US\$26,943,000), a 238.8% increase compared with the corresponding period of last year.

With regard to the discontinued logistics business, the Group completed the disposal of its 49% equity interest in COSCO Logistics on 30th March 2010. In the first half of 2010, a profit after tax of US\$84,710,000 on the disposal of the equity interest in COSCO Logistics was recognised.

## Financial Analysis

### Revenue

Revenue of the Group in the first half of 2011 was US\$278,667,000 (corresponding period of 2010: US\$222,658,000), a 25.2% increase over the corresponding period of last year. The revenue was primarily derived from terminal business of US\$149,504,000 (corresponding period of 2010: US\$103,266,000) and container leasing, management and sale businesses of US\$129,275,000 (corresponding period of 2010: US\$119,392,000) before elimination of inter-segment revenue. In the first half of 2011, total revenue from terminal business increased by 44.8% over the corresponding period of last year, which was mainly attributable to the reclassification of CP Nansha and its subsidiary, Guangzhou South China Oceangate Terminal, from jointly controlled entities to subsidiaries since 1st January 2011, resulting in an increased total terminal revenue in the first half of 2011. Throughput of Guangzhou South China Oceangate Terminal was 1,685,432 TEUs, recording a revenue of US\$41,347,000 for the current period. In addition, throughput of Piraeus Terminal rose to 484,280 TEUs (corresponding period of 2010: 376,727 TEUs) in the first half of 2011, contributing a revenue of US\$47,595,000 (corresponding period of 2010: US\$46,640,000) to the Group during the period.

Revenue from container leasing, management and sale businesses primarily included container leasing income and revenue from disposal of returned containers. As at 30th June 2011, the fleet capacity of owned containers and sale-and-leaseback containers reached 798,638 TEUs and 229,283 TEUs respectively (30th June 2010: 773,328 TEUs and 118,094 TEUs respectively). Revenue from container leasing during the period was US\$114,335,000 (corresponding period of 2010: US\$96,933,000), an 18.0% increase over the corresponding period of last year. In the first half of 2011, market demand for containers remained strong while return of containers by shipping lines reduced. During the period, the number of returned containers disposed of was 4,777 TEUs (corresponding period of 2010: 18,288 TEUs), revenue from sale of returned containers was US\$9,518,000 (corresponding period of 2010: US\$17,947,000).

## Cost of sales

Cost of sales mainly comprised depreciation charges on owned containers, net carrying amounts of returned containers disposed of, container rental expenses and operating expenses of the terminal companies with controlling stakes. Cost of sales for terminals in the first half of 2011 was US\$103,120,000 (corresponding period of 2010: US\$92,468,000), an increase of 11.5% over the corresponding period of last year. The increase was mainly attributable to the consolidation of the cost of sales incurred by Guangzhou South China Oceangate Terminal starting from 1st January 2011. On the other hand, the Group fully took over Piraeus Terminal in June 2010, which resulted in a significant decrease in related operating cost. For container leasing, depreciation charges for containers were US\$41,930,000 (corresponding period of 2010: US\$38,933,000) during the period. The number of returned containers sold was 4,777 TEUs (corresponding period of 2010: 18,288 TEUs) and the net carrying amount of disposed returned containers was US\$5,664,000 (corresponding period of 2010: US\$13,440,000).

## Investment income

Investment income, comprising mainly dividend income, was US\$1,679,000 (corresponding period of 2010: US\$1,537,000), a 9.2% increase over the corresponding period of last year. The amount was primarily a dividend of US\$1,628,000 declared by Tianjin Five Continents International Container Terminal Co., Ltd. in the first half of 2011 (corresponding period of 2010: US\$1,485,000).

## Administrative expenses

Administrative expenses during the period were US\$38,354,000 (corresponding period of 2010: US\$24,654,000), an increase of 55.6% as compared with the corresponding period of last year. The increase was mainly attributable to the over-provision of the professional services fee accrued for the project regarding the disposal of COSCO Logistics was reversed in the first half of 2010. No such reversal was recorded during the corresponding period of this year. In addition, the increase in general administrative expenses and the consolidation of administrative expenses incurred by Guangzhou South China Oceangate Terminal during the current period also caused an increase in administrative expenses.

## Other operating income/expense, net

For the first half of 2011, net other operating income was US\$4,864,000 (corresponding period of 2010: US\$8,400,000). No provision for impairment of containers was recorded during the period (corresponding period of 2010: US\$565,000). Furthermore, a reversal of net provision for bad debt of US\$760,000 (corresponding period of 2010: US\$598,000) was recorded in the first half of 2011.

## Finance costs

The Group's finance costs in the first half of 2011 were US\$26,845,000 (corresponding period of 2010: US\$14,448,000), an increase of 85.8% from the corresponding period of last year. Finance costs included interest expenses and the amortisation of transaction costs over bank loans and notes. The increase in finance costs was primarily due to the consolidation of Guangzhou South China Oceangate Terminal, resulting in an increase in average balance of borrowings to US\$2,040,814,000 (corresponding period of 2010: US\$1,594,926,000), an increase of 28.0% as compared with the corresponding period of last year. In addition, the upward adjustment of the benchmark interest rate for RMB loans in the PRC led to an increased finance costs during the period. The average cost of borrowing in the first half of 2011, including the amortisation of transaction costs over bank loans and notes, increased to 2.63% (i.e. an average 6-month LIBOR of approximately 0.44% plus 219 basis points), while that for last year was 1.81% (i.e. an average 6-month LIBOR of approximately 0.52% plus 129 basis points).

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

Profits contribution from jointly controlled entities and associates amounted to US\$169,588,000, an increase of 159.2% from US\$65,420,000 in the corresponding period of last year. The increase was primarily attributable to CIMC and the additional interest acquired in Yantian Terminal last year. Among them, after the Group acquired the additional interest in Yantian Terminal in June 2010, the Group's investment in Yantian Terminal was reclassified from an available-for-sale financial asset to an associate and is accounted for using the equity method, resulting in an increase in its share of associate's profit by US\$23,382,000 during the period. Moreover, the throughput of Qingdao Qianwan Terminal also increased markedly in the first half 2011 to 6,269,091 TEUs (corresponding period of 2010: 4,982,054 TEUs). During the period, a share of profit from Qingdao Qianwan Terminal amounting to US\$17,475,000 (corresponding period of 2010: US\$10,496,000) was recorded. The throughput of Shanghai Pudong International Container Terminals Limited ("Shanghai Pudong Terminal") was 1,167,619 TEUs (corresponding period of 2010: 1,083,764 TEUs) during the period, representing an increase of 7.7% over the corresponding period of last year. Shanghai Pudong Terminal successfully obtained tax benefit on business tax in January 2011, which increased the Group's share of profit of Shanghai Pudong Terminal to US\$12,616,000 (corresponding period of 2010: US\$10,175,000), an increase of 24.0% compared with the corresponding period of last year. CP Nansha was a jointly controlled entity of COSCO Pacific. Starting from 1st January 2011, COSCO Pacific has accounted for CP Nansha as a subsidiary in its financial statements. In 2011, the profit of CP Nansha was not stated as share of jointly controlled entities, while CP Nansha stated as share of a jointly controlled entity in the corresponding period of last year recorded a loss of US\$3,001,000. With regard to container manufacturing business, the dry container business of CIMC was basically suspended in 2009 as a result of the global financial crisis. In the second half of 2010, orders of dry container started to pick up and a surge in price was recorded. In the first half of 2011, CIMC maintained relatively high sales turnover and profitability. The Group's share of the profit of CIMC increased significantly to US\$91,290,000 (corresponding period of 2010: US\$26,943,000) during the period, an increase of 238.8% as compared with the corresponding period of last year.

### Gain on release of exchange reserve upon reclassification from a jointly controlled entity to a subsidiary

CP Nansha was a jointly controlled entity of the Group. By virtue of the clause in an agreement entered into by the Group and the other shareholder of CP Nansha, the joint control of CP Nansha expired on 31st December 2010 and COSCO Pacific has the power to govern the financial and operating policies of CP Nansha and its subsidiary, Guangzhou South China Oceangate Terminal, from then onwards. Accordingly, the Group has accounted for CP Nansha as a subsidiary from 1st January 2011. During the period, a gain of US\$11,841,000 on release of exchange reserve was recorded upon reclassification from a jointly controlled entity to a subsidiary.

### Profit on disposal of a jointly controlled entity, net of tax

To optimise the Group's terminal business structure, on 10th March 2011, the Group entered into an agreement with Qingdao Port Group, the remaining shareholder of Qingdao Cosport Terminal, to dispose of its 50% equity interest in Qingdao Cosport Terminal at a consideration of RMB184,000,000 (equivalent to approximately US\$28,000,000). The disposal was completed on 28th April 2011, generating a profit after tax of US\$12,557,000.

### Income tax expenses

During the period, income tax expenses amounted to US\$16,545,000 (corresponding period of 2010: US\$1,345,000). This included a provision of approximately US\$13,020,000 (corresponding period of 2010: US\$2,362,000) for withholding income tax in respect of the profit distribution by certain investments of the Group in the PRC.



## Profit from discontinued operation

Profit from discontinued operation represents the profit generated from the disposal of COSCO Logistics. In March 2010, the Group completed the disposal of COSCO Logistics which resulted in a profit (net of direct expenses and tax) of US\$84,710,000. No profit was recorded in this regard in the first half of 2011.

## Financial Position

### Cash flow

Cash inflow of the Group remained steady in the first half of 2011. During the period, net cash from operating activities amounted to US\$155,010,000 (corresponding period of 2010: US\$103,221,000). The Group borrowed bank loans of US\$272,064,000 (corresponding period of 2010: US\$50,339,000) and repaid US\$223,450,000 (corresponding period of 2010: US\$95,385,000) in the first half of 2011.

During the period, an amount of US\$310,508,000 (corresponding period of 2010: US\$86,088,000) was paid in cash for the expansion of berths and purchase of property, plant and equipment, of which US\$238,326,000 (corresponding period of 2010: US\$49,458,000) was for the purchase of new containers. In addition, during the corresponding period of last year, the total cash outflow for investments of COSCO Pacific amounted to US\$539,434,000, mainly comprising US\$520,000,000 used for the acquisition of an approximate 10% equity interest in Yantian Terminal, US\$9,053,000 used for capital injection in Nanjing Port Longtan Container Co., Ltd., US\$7,030,000 used for capital injection in Dalian Automobile Terminal Co., Ltd. ("Dalian Automobile Terminal") and US\$3,351,000 used for provision of shareholders loan to Antwerp Gateway NV ("Antwerp Terminal").

### Financing and credit facilities

As at 30th June 2011, the Group's total outstanding borrowings and cash balance amounted to US\$2,143,470,000 (31st December 2010: US\$1,558,755,000) and US\$679,930,000 (31st December 2010: US\$524,274,000) respectively. Banking facilities available but unused amounted to US\$1,234,169,000 (31st December 2010: US\$1,099,127,000).

### Assets and liabilities

As at 30th June 2011, the Group's total assets and total liabilities increased to US\$6,296,063,000 (31st December 2010: US\$5,251,917,000) and US\$2,519,956,000 (31st December 2010: US\$1,758,055,000) respectively as a result of the consolidation of Guangzhou South China Oceangate Terminal into COSCO Pacific during the period. Net assets were US\$3,776,107,000, an increase of 8.1% as compared with that of US\$3,493,862,000 as at the end of 2010. Net current assets as at 30th June 2011 amounted to US\$181,864,000 (31st December 2010: US\$439,366,000). As at 30th June 2011, net asset value per share of the Company was US\$1.39 (31st December 2010: US\$1.29).

As at 30th June 2011, net debt-to-equity ratio was 38.8% (31st December 2010: 29.6%), and the interest coverage was 10.6 times (corresponding period of 2010: 8.5 times). As at 30th June 2011, certain of the Group's property, plant and equipment with an aggregate net book value of US\$22,059,000 (31st December 2010: US\$20,896,000) were pledged as securities against bank borrowings of US\$102,958,000 (31st December 2010: US\$64,180,000).

## Debt analysis

	As at 30th June 2011		As at 31st December 2010	
	US\$	(%)	US\$	(%)
<b>By repayment term</b>				
Within the first year	<b>495,559,000</b>	<b>23.1</b>	169,109,000	10.8
Within the second year	<b>535,254,000</b>	<b>25.0</b>	297,490,000	19.1
Within the third year	<b>697,681,000</b>	<b>32.5</b>	668,458,000	42.9
Within the fourth year	<b>46,888,000</b>	<b>2.2</b>	173,001,000	11.1
Within the fifth year and after	<b>368,088,000</b>	<b>17.2</b>	250,697,000	16.1
	<b>2,143,470,000*</b>	<b>100.0</b>	1,558,755,000*	100.0
<b>By category</b>				
Secured borrowings	<b>102,958,000</b>	<b>4.8</b>	64,180,000	4.1
Unsecured borrowings	<b>2,040,512,000</b>	<b>95.2</b>	1,494,575,000	95.9
	<b>2,143,470,000*</b>	<b>100.0</b>	1,558,755,000*	100.0
<b>By denominated currency</b>				
US dollar borrowings	<b>1,186,628,000</b>	<b>55.4</b>	1,165,404,000	74.8
RMB borrowings	<b>853,884,000</b>	<b>39.8</b>	329,171,000	21.1
Euro borrowings	<b>102,958,000</b>	<b>4.8</b>	64,180,000	4.1
	<b>2,143,470,000*</b>	<b>100.0</b>	1,558,755,000*	100.0

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

## Financial guarantee contracts

As at 30th June 2011, the Group provided guarantees on a loan facility granted to an associate of US\$30,835,000 (31st December 2010: US\$29,505,000).

## Contingent liabilities

A statement of claim was issued on 19th October 2009 by ADK against the Company and Piraeus Terminal, a wholly owned subsidiary of the Company, in a civil claim at the Court of First Instance of Athens in Greece alleging non-payment of fees for design services and project management services. The plaintiff has claimed approximately Euro 5,800,000 (equivalent to approximately US\$8,400,000) in total. The Company and Piraeus Terminal have defended all material claims at the trial hearing held on 30th November 2010.

The Court of First Instance of Athens has issued (pronounced) judgment on the case and has dismissed the aforementioned statement of claim in its entirety both as regards the Company and as regards Piraeus Terminal, and has awarded to the Company and Piraeus Terminal part of the legal expenses in the amount of Euro 30,000 (equivalent to approximately US\$44,000) against the plaintiff (ADK). The plaintiff has filed an appeal against the judgment of the Court of First Instance of Athens before the Court of Appeals of Athens according to Greek procedural law. The hearing of this appeal has been set to take place before the Court of Appeals of Athens on 13th November 2012. The directors and management of the Company, having taken legal advice, are of the view that the Company and Piraeus Terminal have good rebuttal to the arguments set forth in the appeal document. Nonetheless, it is still not possible to predict the final outcome of this litigation with certainty. No provision has been made for the claims.

#### 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 container leasing business are mainly denominated in US dollar, which is the same currency as the majority 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 so as to minimise foreign exchange exposure in investments.

The Group continues to exercise stringent control over the use of financial derivatives to hedge against its interest rates exposure. As at 30th June 2011, outstanding interest rate swap contracts comprised nominal principal amounting to US\$200,000,000 (31st December 2010: 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 (31st December 2010: 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 (31st December 2010: 5.875%).

As at 30th June 2011, after adjustment of the fixed rate borrowings for the interest rate swap contracts, 4.7% (31st December 2010: 6.4%) of the Group's total borrowings were in fixed rate. The Group continues to monitor and regulate its fixed and floating rate debt portfolio from time to time in light of the market conditions, with a view to minimising its potential interest rate exposure.

## Business Review

In the first half of 2011, China's economic growth continued its momentum with its GDP growing by 9.6% as compared with the corresponding period of last year. According to the statistics of the Ministry of Commerce of the PRC, China's import and export trade in the first half of 2011 recorded a growth of 27.6% and 24.0% respectively as compared with the corresponding period of last year. According to the forecast by Drewry Shipping Consultants Limited in June 2011, global container traffic and container port throughput increased by 8.5% and 8.3% respectively in the first half of 2011. During the period, COSCO Pacific's terminal business, container leasing, management and sale businesses and container manufacturing business continued to benefit from the steady growth of the global container shipping volume and recorded solid results.

### Terminals

Terminal business of the Group recorded a profit of US\$96,662,000 (corresponding period of 2010: US\$39,566,000), representing an increase of 144.3%, and revenue of US\$149,504,000 (corresponding period of 2010: US\$103,266,000), representing an increase of 44.8%, which was primarily a result of the reclassification of Guangzhou South China Oceangate Terminal from a jointly controlled entity to a subsidiary beginning from 1st January 2011. The significant increase in the profit of terminal business was driven by an increase of 31.0% in equity throughput, an upward adjustment in the tariff of terminals, the acquisition of an approximately 10% additional stake in Yantian Terminal in 2010 and the inclusion of the profit contribution from Yantian Terminal using the equity method beginning from 30th June 2010, a return to profitability or significant reduction in the loss of loss-making terminals in operation, and the profit on disposal of Qingdao Cosport Terminal. During the period, Yantian Terminal contributed a profit of US\$23,382,000 (corresponding period of 2010: Nil). Piraeus Terminal recorded a profit contribution of US\$1,710,000 (corresponding period of 2010: loss of US\$10,665,000), which was attributable to a strong throughput growth of 28.5% and significant reduction in operating cost. Guangzhou South China Oceangate Terminal contributed a profit of US\$691,000 (corresponding period of 2010: loss of US\$3,001,000), thanks to an increase of 22.5% in throughput and an upward adjustment to tariff. The loss of the Antwerp Terminal narrowed down to US\$120,000 (corresponding period of 2010: loss of US\$1,848,000) on the back of a significant increase of 68.3% in throughput as a result of one more shipping line calling the terminal.

On 10th March 2011, the Group entered into an agreement for the disposal of its 50% equity interest in Qingdao Cosport Terminal to the remaining shareholder, Qingdao Port Group, for a total consideration of RMB184,000,000 (equivalent to approximately US\$28,000,000). The transaction was completed on 28th April 2011, and the profit on disposal was US\$12,557,000 (profit on disposal of Dalian Port Container in the corresponding period of 2010 was US\$7,020,000). The disposal could help optimise the Group's terminal business structure.

According to the statistics of the Ministry of Transport of the PRC, China's container ports throughput increased by 12.9% to 77,695,600 TEUs in the first half of 2011 compared with the corresponding period of last year. Of the top 10 container ports in Mainland China, ports in the Bohai Rim region recorded outstanding results, while the throughput growth of Shenzhen Port and Shanghai Port were below the national average growth rate due to the effect of a slowdown economic recovery in Europe and the United States.

COSCO Pacific's total container throughput recorded a satisfactory growth in the first half of 2011 with an increase of 19.7% (corresponding period of 2010: +18.7%) to 24,249,265 TEUs (corresponding period of 2010: 20,251,095 TEUs <sup>Note 1</sup>). The terminal companies in China handled 21,126,861 TEUs in aggregate (corresponding period of 2010: 17,584,080 TEUs <sup>Note 1</sup>), representing an increase of 20.1% (corresponding period of 2010: +16.4%) which was much higher than the average growth rate of 12.9% of the China ports. In 2010, the Group acquired approximately 10% additional equity interest in Yantian Terminal, which intensified the Group's equity throughput growth by 31.0% to 6,537,508 TEUs (corresponding period of 2010: 4,991,142 TEUs <sup>Note 1</sup>).

## Regional breakdown of total throughput

	1H 2011 (TEUs)	y-o-y change (%)	% of total (%)
Bohai Rim <sup>Note 1</sup>	9,522,797	+31.8	39.2
Yangtze River Delta <sup>Note 1</sup>	3,634,691	+22.1	15.0
Pearl River Delta and Southeast Coast	7,969,373	+8.0	32.9
China <sup>Note 1</sup>	21,126,861	+20.1	87.1
Overseas	3,122,404	+17.1	12.9
<b>Total <sup>Note 1</sup></b>	<b>24,249,265</b>	<b>+19.7</b>	<b>100.0</b>

## Regional breakdown of equity throughput <sup>Note 2</sup>

	1H 2011 (TEUs)	y-o-y change (%)	% of total (%)
Bohai Rim <sup>Note 1</sup>	2,003,472	+33.7	30.6
Yangtze River Delta <sup>Note 1</sup>	1,062,273	+21.1	16.3
Pearl River Delta and Southeast Coast	2,310,868	+42.5	35.3
China <sup>Note 1</sup>	5,376,613	+34.5	82.2
Overseas	1,160,895	+16.7	17.8
<b>Total <sup>Note 1</sup></b>	<b>6,537,508</b>	<b>+31.0</b>	<b>100.0</b>

Note 1: The Group disposed of its 50% equity interest in Qingdao Cosport Terminal on 28th April 2011, and Shanghai Container Terminals Limited ("Shanghai Terminal") commenced to change its business model and stopped handling containers from January 2011. When calculating the year-on-year changes for the year 2011, the throughput in the first half of 2010 adopted as part of the base excluded the throughput of these two terminal companies. The throughput of these two terminal companies in the first half of 2010 amounted to 628,811 TEUs and 1,548,142 TEUs respectively.

Note 2: Equity throughput is calculated according to the shareholding proportion of the Group.

## Throughput of terminal companies

Terminal companies	1H 2011 (TEUs)	1H 2010 (TEUs)	y-o-y change (%)
<b>Bohai Rim</b>	<b>9,522,797</b>	7,224,112 <sup>Note 1</sup>	<b>+31.8</b>
Qingdao Qianwan Container Terminal Co., Ltd. <sup>Note 2</sup>	<b>6,269,091</b>	4,982,054	<b>+25.8</b>
Dalian Port Container Terminal Co., Ltd.	<b>945,716</b>	787,558	<b>+20.1</b>
Tianjin Five Continents International Container Terminal Co., Ltd.	<b>976,863</b>	909,696	<b>+7.4</b>
Tianjin Port Euroasia International Container Terminal Co., Ltd.	<b>649,091</b>	–	<b>N/A</b>
Yingkou Container Terminals Company Limited	<b>682,036</b>	544,804	<b>+25.2</b>
<b>Yangtze River Delta</b>	<b>3,634,691</b>	2,977,905 <sup>Note 1</sup>	<b>+22.1</b>
Shanghai Pudong International Container Terminals Limited	<b>1,167,619</b>	1,083,764	<b>+7.7</b>
Ningbo Yuan Dong Terminals Limited	<b>1,035,691</b>	780,544	<b>+32.7</b>
Zhangjiagang Win Hanverky Container Terminal Co., Ltd.	<b>484,687</b>	397,267	<b>+22.0</b>
Yangzhou Yuanyang International Ports Co., Ltd.	<b>191,964</b>	141,492	<b>+35.7</b>
Nanjing Port Longtan Container Co., Ltd.	<b>754,730</b>	574,838	<b>+31.3</b>
<b>Pearl River Delta &amp; Southeast Coast</b>	<b>7,969,373</b>	7,382,063	<b>+8.0</b>
COSCO-HIT Terminals (Hong Kong) Limited	<b>821,851</b>	765,177	<b>+7.4</b>
Yantian International Container Terminals Co., Ltd.	<b>4,734,794</b>	4,597,521	<b>+3.0</b>
Guangzhou South China Oceangate Container Terminal Company Limited	<b>1,685,432</b>	1,376,392	<b>+22.5</b>
Quan Zhou Pacific Container Terminal Co., Ltd.	<b>576,799</b>	496,404	<b>+16.2</b>
Jinjiang Pacific Ports Development Co., Ltd.	<b>150,497</b>	146,569	<b>+2.7</b>
<b>Overseas</b>	<b>3,122,404</b>	2,667,015	<b>+17.1</b>
Piraeus Container Terminal S.A.	<b>484,280</b>	376,727	<b>+28.5</b>
Suez Canal Container Terminal S.A.E.	<b>1,516,733</b>	1,378,881	<b>+10.0</b>
COSCO-PSA Terminal Private Limited	<b>513,758</b>	550,437	<b>-6.7</b>
Antwerp Gateway NV	<b>607,633</b>	360,970	<b>+68.3</b>
<b>Total throughput</b>	<b>24,249,265</b>	20,251,095 <sup>Note 1</sup>	<b>+19.7</b>

Note 1: Total throughput in 2010 excluded the throughput of Qingdao Cosport Terminal and Shanghai Terminal. The Group disposed of its 50% equity interest in Qingdao Cosport Terminal on 28th April 2011, and Shanghai Terminal commenced to change its business model and stopped handling containers from January 2011. The throughput of these two terminal companies in the first half of 2010 amounted to 628,811 TEUs and 1,548,142 TEUs respectively.

Note 2: Qingdao Qianwan United Container Terminal Co., Ltd. ("Qingdao Qianwan United Terminal") is a jointly controlled entity held by Qingdao Qianwan Terminal. The throughput of Qingdao Qianwan Terminal included the throughput of Qingdao Qianwan United Terminal. The throughput of Qingdao Qianwan United Terminal in the first half of 2011 amounted to 933,291 TEUs.

Note 3: Total break-bulk cargo throughput in the first half of 2011 amounted to 12,945,477 tons (corresponding period of 2010: 11,747,101 tons), an increase of 10.2%. The throughput of Dalian Automobile Terminal amounted to 79,302 vehicles (corresponding period of 2010: 64,097 vehicles), an increase of 23.7%.

During the period, throughput in the Bohai Rim region accounted for 39.2% of the total throughput, reaching 9,522,797 TEUs (corresponding period of 2010: 7,224,112 TEUs) with a growth of 31.8% (corresponding period of 2010: +9.4%) and outperformed the Yangtze River Delta region and Pearl River Delta region. The increase was primarily driven by Qingdao Qianwan Container Terminal and Tianjin Port Euroasia International Container Terminal Co., Ltd. ("Tianjin Euroasia Terminal"). During the period, throughput of Qingdao Qianwan Container Terminal grew by 25.8% as a result of additional new routes. Tianjin Euroasia Terminal started operation in July 2010.

Throughput in the Yangtze River Delta region accounted for 15.0% of the total throughput, reaching 3,634,691 TEUs (corresponding period of 2010: 2,977,905 TEUs) with an increase of 22.1% (corresponding period of 2010: +16.0%). The increase was primarily driven by Ningbo Yuan Dong Terminal, which had a new berth put into operation in the second quarter of 2010 and recorded a throughput growth of 32.7% during the period.

Throughput in the Pearl River Delta region and the Southeast Coast region accounted for 32.9% of the total throughput, reaching 7,969,373 TEUs (corresponding period of 2010: 7,382,063 TEUs) with an increase of 8.0% (corresponding period of 2010: +25.1%). Guangzhou South China Oceangate Terminal recorded a strong throughput growth of 22.5% as a result of an increase in the calls at the terminal by Maersk Line, a major customer of the terminal.

Throughput of overseas terminals accounted for 12.9% of the total throughput, reaching 3,122,404 TEUs (corresponding period of 2010: 2,667,015 TEUs) with a growth of 17.1% (corresponding period of 2010: +39.7%). Throughput of Antwerp Terminal increased significantly by 68.3% as a result of one more shipping line calling the terminal. Piraeus Terminal handled 484,280 TEUs in the first half of the year (corresponding period of 2010: 376,727 TEUs), representing an increase of 28.5%. Piraeus Terminal recorded a significant increase in the volume of transshipment cargo as its major customer increased the calls at the terminal since May. The upgrading work of Pier 2 of Piraeus Terminal commenced in the second quarter of 2010. After three new super post-panamax quay cranes were commissioned at the end of September of 2010, all of the eight newly-acquired rail-mounted gantry cranes were also put into operation in April this year. Another three new super post-panamax quay cranes are expected to be put into use in October. With the new equipment being put into use, the efficiency and handling capacity of Piraeus Terminal will be further enhanced. It is expected that the upgrading work of Pier 2 will be completed by the end of this year ahead of schedule.

As at 30th June 2011, the Group had an aggregate of 88 (corresponding period of 2010: 92) container berths in operation, with a total annual handling capacity of 52,367,500 TEUs (corresponding period of 2010: 52,160,000 TEUs) and eight (corresponding period of 2010: eight) break-bulk cargo berths in operation, with a total annual handling capacity of 9,050,000 tons (corresponding period of 2010: 9,050,000 tons). In the first half of 2011, Qingdao Qianwan United Terminal commenced the operation of two berths, with an annual handling capacity of 1,170,000 TEUs.

It is expected that eight new berths will commence operations in the second half of 2011, among them, Xiamen Ocean Gate Container Terminal Co., Ltd. will commence trial operation in the fourth quarter and its two berths will commence operation with an annual handling capacity of 1,400,000 TEUs. Other new berths include one new berth of Yangzhou Yuanyang International Ports Co., Ltd., two new berths of Qingdao Qianwan United Advance Container Terminal Co., Ltd. and three new berths of Suez Canal Container Terminal S.A.E. with annual handling capacities of 200,000 TEUs, 1,300,000 TEUs and 1,912,500 TEUs respectively.

Shanghai Terminal is a joint venture company established by Shanghai International Port (Group) Co., Ltd. ("SIPG") and Hutchison Ports Shanghai Limited ("Hutchison Ports Shanghai"), a company in which the Group holds a 10% effective interest. Shanghai Terminal started to change its business model and stopped handling containers from January 2011. Hutchison Ports Shanghai leads the ongoing discussion and planning with SIPG in relation to the change of business model of Shanghai Terminal.

## Container Leasing, Management and Sale

With the strong demand in 2010, container leasing market recorded a satisfactory growth in the first half of 2011. On the back of strong demand, most shipping lines were able to commit their container leasing plans for the whole 2011. The demand for container leasing service remained strong. The Group's overall average utilisation rate during the first half of the year was 96.8%, which remained at a relatively high level. The Group recorded a growth in rental income in the first half of 2011, which was driven by the purchase of 111,625 TEUs of new containers in 2010.

During the period, profit contribution from container leasing, management and sale businesses increased by 17.1% to US\$56,195,000 (corresponding period of 2010: US\$47,993,000), which was attributable to high utilisation rate and an increase in total fleet size. Total revenue generated from container leasing, management and sale businesses of the Group amounted to US\$129,275,000 (corresponding period of 2010: US\$119,392,000), representing an increase of 8.3% (corresponding period of 2010: 4.4%). The fleet size of owned and sale-and-leaseback containers grew by 15.3% to 1,027,921 TEUs (corresponding period of 2010: 891,422 TEUs), resulting in an increase of 18.0% in the revenue from container leasing to US\$114,335,000 (corresponding period of 2010: US\$96,933,000). Revenue from container leasing accounted for 88.4% (corresponding period of 2010: 81.2%) of the total revenue of container leasing, management and sale businesses. Since the number of returned containers disposed of by the Group decreased to 4,777 TEUs as a result of the reduction of containers returned by shipping lines, revenue from the disposal of returned containers decreased by 47.0% to US\$9,518,000 (corresponding period of 2010: US\$17,947,000), accounting for 7.4% (corresponding period of 2010: 15.0%) of the total revenue. Although the fleet size of the managed containers decreased by 2.9% to 685,951 TEUs (corresponding period of 2010: 706,357 TEUs), revenue from managed containers increased by 24.8% to US\$4,169,000 (corresponding period of 2010: US\$3,341,000), accounting for 3.2% (corresponding period of 2010: 2.8%) of the total revenue. The increase was due to the increase in net operating income as a result of the increase in the utilisation rate and the reduction in the operating expenses of managed containers.

The Group's wholly owned subsidiary, Florens Container Holdings Limited and its subsidiaries, continued to rank as the third largest container leasing company in the world, capturing approximately 13.0% (corresponding period of 2010: approximately 14.4%) of the global market. As at 30th June 2011, total fleet size was 1,713,872 TEUs (corresponding period of 2010: 1,597,779 TEUs). Leases of owned containers of the Group were mainly long-term leases, and the utilisation rate had been maintained at a relatively high level. Rental income from long-term leases accounted for 93.2% (corresponding period of 2010: 92.5%) of the revenue from container leasing, while that of master leases accounted for 6.8% (corresponding period of 2010: 7.5%). The overall average utilisation rate was 96.8% (corresponding period of 2010: 95.4%), slightly higher than the industry average of about 95.5% (corresponding period of 2010: about 95.0%). The average fleet age was 5.71 years (corresponding period of 2010: 5.43 years).

### Fleet Capacity Movement

	2011 (TEUs)	2010 (TEUs)	y-o-y change (%)
<b>Fleet capacity as at 1st January</b>	<b>1,631,783</b>	1,582,614	<b>+3.1</b>
New containers purchased	<b>102,598</b>	49,056	<b>+109.1</b>
Containers returned from COSCON upon expiry of leases			
– Total	<b>(1,184)</b>	(17,126)	<b>–93.1</b>
– Re-leased	<b>78</b>	2,894	<b>–97.3</b>
– Disposal of and pending for disposal	<b>(1,106)</b>	(14,232)	<b>–92.2</b>
Ownership transferred to customers upon expiry of finance leases	<b>(3,498)</b>	(125)	<b>+2,698.4</b>
Defective containers written off	<b>(56)</b>	(2)	<b>+2,700.0</b>
Total loss of containers declared and compensated by customers	<b>(15,849)</b>	(19,532)	<b>–18.9</b>
<b>Fleet capacity as at 30th June</b>	<b>1,713,872</b>	1,597,779	<b>+7.3</b>



The Group ordered 118,000 TEUs of new containers in the first half of the year, of which 90% have been booked by shipping lines. New containers received by the Group totaled 102,598 TEUs (corresponding period of 2010: 49,056 TEUs). Among them, 41,098 TEUs (corresponding period of 2010: 11,000 TEUs) were purchased for lease to COSCON, accounting for 40.1% (corresponding period of 2010: 22.4%) of the total; 61,500 TEUs (corresponding period of 2010: 38,056 TEUs) were purchased for lease to international customers, accounting for 59.9% (corresponding period of 2010: 77.6%) of the total. Capital expenditure on container purchase was US\$272,907,000 (corresponding period of 2010: US\$102,138,000).

During the first half of 2011, market demand for containers remained strong and hence return of containers by shipping lines reduced. During the period, the number of containers returned by COSCON upon expiry of their 10-year lease decreased to 1,184 TEUs (corresponding period of 2010: 17,126 TEUs). The returned containers disposed of by the Group decreased to 4,777 TEUs (corresponding period of 2010: 18,288 TEUs) accordingly.

### Breakdown of owned, managed and sale-and-leaseback containers

As at 30th June	Leasing Customers	2011 (TEUs)	2010 (TEUs)	y-o-y change (%)
Owned Containers	COSCON	309,113	401,256	-23.0
Owned Containers	International customers	489,525	372,072	+31.6
Sale-and-leaseback Containers	COSCON	229,283	118,094	+94.2
Managed Containers	International customers	685,951	706,357	-2.9
<b>Total</b>		<b>1,713,872</b>	1,597,779	<b>+7.3</b>

As at 30th June	Leasing Customers	2011 % of total	2010 % of total	y-o-y change (pp)
Owned Containers	COSCON	18.0	25.1	-7.1
Owned Containers	International customers	28.6	23.3	+5.3
Sale-and-leaseback Containers	COSCON	13.4	7.4	+6.0
Managed Containers	International customers	40.0	44.2	-4.2
<b>Total</b>		<b>100.0</b>	100.0	-

As at 30th June 2011, the Group's fleet size was 1,713,872 TEUs (corresponding period of 2010: 1,597,779 TEUs), an increase of 7.3% over the corresponding period of last year.

The fleet size of owned containers was 798,638 TEUs (corresponding period of 2010: 773,328 TEUs), accounting for 46.6% (corresponding period of 2010: 48.4%) of the total fleet. The size of sale-and-leaseback container fleet was 229,283 TEUs (corresponding period of 2010: 118,094 TEUs), representing 13.4% (corresponding period of 2010: 7.4%) of the total fleet. The size of managed container fleet was 685,951 TEUs (corresponding period of 2010: 706,357 TEUs), representing 40.0% (corresponding period of 2010: 44.2%) of the total fleet.

The fleet size of containers leased to COSCON was 538,396 TEUs (corresponding period of 2010: 519,350 TEUs) and that for the international customers was 1,175,476 TEUs (corresponding period of 2010: 1,078,429 TEUs), representing 31.4% (corresponding period of 2010: 32.5%) and 68.6% (corresponding period of 2010: 67.5%) of the total fleet respectively.

In May 2011, the Group completed the disposal of 111,189 TEUs of containers to Orchid Container Finance 2011 Limited, a jointly controlled entity established by ING Bank and DBS Bank, for a consideration equivalent to the net book value at the date of disposal. Those containers were leased back from the same company upon the completion of the transaction and continued to be leased to COSCON. The cash consideration of the disposal of those containers was US\$198,000,000. The transaction increased the cash flows of the Group and allowed the Group to reduce its gearing ratio. Furthermore, leasing back those containers allowed the Group to retain its commercial control over the containers and sublease to its customer, which would help the Group earn and retain the profit from the sublease of containers over the lease term.

#### Container Manufacturing

The Group holds a 21.8% stake in CIMC, the world's largest container manufacturer. The production of dry cargo containers of CIMC basically ceased in 2009 due to the effect of the global financial crisis. Since the second half of 2010, CIMC has been receiving sufficient orders for dry cargo containers and the price has increased significantly. In the first half of 2011, CIMC maintained a high sales volume and profitability. CIMC's profit contribution to the Group increased by 238.8% to US\$91,290,000 (corresponding period of 2010: US\$26,943,000) in the first half of 2011.

## 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.

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 30th June 2011	% of total issued share capital	Exercisable period	Note
		Outstanding at 1st January 2011	Granted during the period	Exercised during the period	Transfer (to)/ from other categories during the period	Lapsed during the period				
<b>Directors</b>										
Mr. XU Minjie	19.30	800,000	-	-	-	-	800,000	0.030%	19.4.2007-18.4.2017	(3), (4),(5)
Dr. SUN Jiakang	13.75	700,000	-	-	-	-	700,000	0.026%	1.12.2004-30.11.2014	(2), (4),(5)
Dr. WONG Tin Yau, Kelvin	9.54	800,000	-	-	-	-	800,000	0.030%	28.10.2003-27.10.2013	(1), (4)
	13.75	1,000,000	-	-	-	-	1,000,000	0.037%	2.12.2004-1.12.2014	(2), (4)
	19.30	500,000	-	-	-	-	500,000	0.018%	18.4.2007-17.4.2017	(3), (4)
Mr. YIN Weiyu	19.30	500,000	-	-	-	-	500,000	0.018%	19.4.2007-18.4.2017	(3), (4)
		4,300,000	-	-	-	-	4,300,000			
<b>Continuous contract employees</b>										
	9.54	1,519,000	-	(8,000)	-	-	1,511,000	0.056%	(refer to note 1)	(1)
	13.75	12,632,000	-	(200,000)	-	-	12,432,000	0.458%	(refer to note 2)	(2)
	19.30	13,120,000	-	-	(20,000)	(60,000)	13,040,000	0.481%	(refer to note 3)	(3)
<b>Others</b>										
	9.54	50,000	-	-	-	-	50,000	0.002%	(refer to note 1)	(1)
	13.75	7,480,000	-	(50,000)	-	(500,000)	6,930,000	0.256%	(refer to note 2)	(2)
	19.30	340,000	-	-	20,000	(340,000)	20,000	0.001%	(refer to note 3)	(3)
		35,141,000	-	(258,000)	-	(900,000)	33,983,000			
		39,441,000	-	(258,000)	-	(900,000)	38,283,000			

Notes:

- 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 was from 28th October 2003 to 6th November 2003.
- 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 was from 25th November 2004 to 16th December 2004.
- 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. The options are exercisable at any time within ten years from the Commencement Date. The Commencement Date of the options was from 17th April 2007 to 19th April 2007.
- These options represent personal interests held by the relevant directors as beneficial owners.
- Mr. XU Minjie resigned as Vice Chairman and Managing Director and an executive director of the Company on 11th July 2011. Dr. SUN Jiakang resigned as a non-executive director of the Company on 9th August 2011.
- During the period, no share options were granted or cancelled under the 2003 Share Option Scheme.

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

As at 30th June 2011, 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 Part XV 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") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

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

Name of director	Capacity	Nature of interest	Number of ordinary shares held	% of total issued share capital of the Company
Dr. WONG Tin Yau, Kelvin	Beneficial owner	Personal	450,000	0.017%
Dr. LI Kwok Po, David	Beneficial owner	Personal	1,000,000	0.037%
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 by the Company to certain directors of the Company pursuant to 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 relevant associated corporation
China COSCO Holdings Company Limited	Dr. FAN HSU Lai Tai, Rita	Beneficial owner	Personal	10,000	0.0004%

Name of associated corporation	Name of director	Capacity	Nature of interest	Number of shares held	% of total issued share capital of the relevant associated corporation
COSCO International Holdings Limited	Dr. WONG Tin Yau, Kelvin	Beneficial owner	Personal	203,529	0.013%
COSCO Shipping Co., Ltd.	Mr. WANG Zenghua	Beneficial owner	Personal	46,800	0.003%

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

- (i) 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 HK\$	Number of share options			Outstanding at 30th June 2011	% of total issued share capital of the relevant associated corporation	Note
					Outstanding at 1st January 2011	Granted during the period	Exercised during the period			
COSCO International Holdings Limited	Dr. SUN Jiakang	Beneficial owner	Personal	1.37	800,000	-	-	800,000	0.053%	(1), (2)
	Mr. HE Jiale	Beneficial owner	Personal	1.37	1,200,000	-	-	1,200,000	0.079%	(1)
	Dr. WONG Tin Yau, Kelvin	Beneficial owner	Personal	1.37	500,000	-	-	500,000	0.033%	(1)

Notes:

- The share options were granted by COSCO International Holdings Limited ("COSCO International"), an associated corporation of the Company listed on the Stock Exchange, on 2nd December 2004 pursuant to the share option scheme of COSCO International adopted on 17th May 2002 and amended by the shareholders of COSCO International at the special general meeting held on 5th May 2005. The share options are exercisable at an exercise price of HK\$1.37 per share at any time between 29th December 2004 and 28th December 2014.
- Dr. SUN Jiakang resigned as a non-executive director of the Company on 9th August 2011.
- During the period, no share options mentioned above were lapsed or cancelled.

Name of associated corporation	Name of director	Capacity	Nature of interest	Exercise price S\$	Number of share options			Outstanding at 30th June 2011	% of total issued share capital of the relevant associated corporation	Note
					Outstanding at 1st January 2011	Granted during the period	Exercised during the period			
COSCO Corporation (Singapore) Limited	Mr. FENG Jinhua	Beneficial owner	Personal	2.48	300,000	-	-	300,000	0.013%	(1)

Notes:

- The share options were granted by COSCO Corporation (Singapore) Limited, an associated corporation of the Company listed on the Singapore Exchange, on 5th February 2007 and are exercisable at any time between 5th February 2008 and 27th September 2011.
- During the period, no share options mentioned above were lapsed or cancelled.

- (ii) Movements of the share appreciation rights granted to the directors of the Company by an associated corporation during the year are set out below:

Name of associated corporation	Name of director	Capacity	Nature of interest	Exercise price HK\$	Number of units of share appreciation rights				% of total issued H share capital of the relevant associated corporation	Note
					Outstanding at 1st January 2011	Granted during the period	Exercised during the period	Outstanding at 30th June 2011		
China COSCO Holdings Company Limited	Mr. XU Lirong	Beneficial owner	Personal	3,195	375,000	-	-	375,000	0.015%	(1)
				3,588	500,000	-	-	500,000	0.019%	(2)
				9,540	580,000	-	-	580,000	0.022%	(3)
	Mr. XU Minjie	Beneficial owner	Personal	3,195	75,000	-	-	75,000	0.003%	(1),(4)
				3,588	90,000	-	-	90,000	0.003%	(2),(4)
	Dr. SUN Jiakang	Beneficial owner	Personal	3,195	375,000	-	-	375,000	0.015%	(1),(4)
				3,588	500,000	-	-	500,000	0.019%	(2),(4)
				9,540	480,000	-	-	480,000	0.019%	(3),(4)
	Mr. HE Jiale	Beneficial owner	Personal	3,195	375,000	-	-	375,000	0.015%	(1)
				3,588	500,000	-	-	500,000	0.019%	(2)
				9,540	480,000	-	-	480,000	0.019%	(3)
	Mr. WANG Zenghua	Beneficial owner	Personal	3,195	100,000	-	-	100,000	0.004%	(1)
				3,588	90,000	-	-	90,000	0.003%	(2)
				9,540	85,000	-	-	85,000	0.003%	(3)
	Mr. FENG Jinhua	Beneficial owner	Personal	3,195	100,000	-	-	100,000	0.004%	(1)
				3,588	90,000	-	-	90,000	0.003%	(2)
				9,540	85,000	-	-	85,000	0.003%	(3)
	Mr. WANG Haimin	Beneficial owner	Personal	3,195	57,000	-	-	57,000	0.002%	(1)
				3,588	90,000	-	-	90,000	0.003%	(2)
				9,540	75,000	-	-	75,000	0.003%	(3)
	Mr. GAO Ping	Beneficial owner	Personal	3,195	100,000	-	-	100,000	0.004%	(1)
				3,588	90,000	-	-	90,000	0.003%	(2)
				9,540	85,000	-	-	85,000	0.003%	(3)
	Mr. YIN Weiyu	Beneficial owner	Personal	3,195	100,000	-	-	100,000	0.004%	(1)
				3,588	65,000	-	-	65,000	0.003%	(2)

Notes:

- (1) The share appreciation rights were granted by China COSCO Holdings Company Limited ("China COSCO"), an associated corporation of the Company and a company listed on the Stock Exchange and the 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 of China COSCO 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 of China COSCO 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 of China COSCO 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) Mr. XU Minjie resigned as Vice Chairman and Managing Director and an executive director of the Company on 11th July 2011. Dr. SUN Jiakang resigned as a non-executive director of the Company on 9th August 2011.
- (5) During the period, no share appreciation rights mentioned above were lapsed or cancelled.

Save as disclosed above, as at 30th June 2011, none of the directors or chief executive 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 2011, 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:

Name	Capacity	Nature of interests	Number of ordinary shares / % of total issued share capital						
			Long positions	%	Short positions	%	Lending pool	%	Note
COSCO Investments Limited	Beneficial owner	Beneficial interest	202,592,613	7.47	-	-	-	-	(1)
COSCO Pacific Investment Holdings Limited	Beneficial owner and interest of controlled corporation	Beneficial interest and corporate interest	1,158,303,338	42.72	-	-	-	-	(1)
China COSCO Holdings Company Limited	Interest of controlled corporation	Corporate interest	1,158,303,338	42.72	-	-	-	-	(1)
China Ocean Shipping (Group) Company	Interest of controlled corporation	Corporate interest	1,158,303,338	42.72	-	-	-	-	(1)
JPMorgan Chase & Co.	Beneficial owner, investment manager and custodian corporation / approved lending agent	Beneficial interest and corporate interest	218,478,878	8.06	43,000	0.00	58,428,677	2.15	(2)

Notes:

- (1) The 1,158,303,338 shares relate to the same batch of shares of the Company. COSCO Investments Limited ("COSCO Investments") is a wholly owned subsidiary of COSCO Pacific Investment Holdings Limited ("COSCO Pacific Investment"). Accordingly, the 202,592,613 shares of the Company held by COSCO Investments are also included as part of COSCO Pacific Investment's interests in the Company. COSCO Pacific Investment is a wholly owned subsidiary of China COSCO and it itself held 955,710,725 shares of the Company beneficially. Accordingly, COSCO Pacific Investment's interests in relation to the 1,158,303,338 shares of the Company are also recorded as China COSCO's interests in the Company. China Ocean Shipping (Group) Company ("COSCO") held 52.80% interest of the issued share capital of China COSCO as at 30th June 2011, and accordingly, COSCO is deemed to have the interests of 1,158,303,338 shares of the Company held by COSCO Pacific Investment.
- (2) The corporate interest of JPMorgan Chase & Co. was attributable on account through a number of its wholly owned and non-wholly owned subsidiaries.

Save as disclosed above, as at 30th June 2011, 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.

## CHANGES IN DIRECTORS' BIOGRAPHICAL DETAILS

Changes in directors' biographical details since the date of the 2010 annual report of the Company and up to the date of this report, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below:

Name of director	Details of changes
Mr. WANG Xingru	<ul style="list-style-type: none"> <li>Resigned as a non-independent and non-executive director of COSCO Corporation (Singapore) Limited, a company listed on the Singapore Exchange, with effect from 14th July 2011</li> <li>Appointed as a director of China International Marine Containers (Group) Co., Ltd., a company listed on the Shenzhen Stock Exchange, with effect from 11th August 2011</li> </ul>
Mr. WANG Zenghua	<ul style="list-style-type: none"> <li>Resigned as a general manager of the Strategic Planning Division (General Counsel Office) of China COSCO Holdings Company Limited ("China COSCO"), a company listed on The Stock Exchange of Hong Kong Limited and the Shanghai Stock Exchange, with effect from 25th July 2011</li> <li>Appointed as a vice managing director of Dalian Ocean Shipping Company</li> </ul>
Dr. WONG Tin Yau, Kelvin	<ul style="list-style-type: none"> <li>Appointed as an independent non-executive director and the chairman of the audit committee of Xinjiang Goldwind Science &amp; Technology Co., Ltd., a company listed on The Stock Exchange of Hong Kong Limited, with effect from 25th June 2011</li> </ul>
Dr. LI Kwok Po, David	<ul style="list-style-type: none"> <li>CaixaCorp, S.A., a company listed on the Spanish Stock Exchange and of which Dr. LI Kwok Po, David acts as a director, was renamed as CaixaBank, S.A.</li> </ul>
Dr. FAN HSU Lai Tai, Rita	<ul style="list-style-type: none"> <li>Appointed as an independent non-executive director of China COSCO with effect from 17th May 2011</li> </ul>

Subsequent to the date of this report and prior to the printing, the Company was notified of the following changes in biographical details by the directors:

Name of director	Details of changes
Mr. XU Lirong	<ul style="list-style-type: none"> <li>Resigned as a non-executive director of China COSCO with effect from 25th August 2011</li> <li>Resigned as an executive vice president of China Ocean Shipping (Group) Company</li> <li>Appointed as a director, president and party committee member of China Shipping (Group) Company</li> </ul>
Mr. WANG Xingru	<ul style="list-style-type: none"> <li>Appointed as an executive vice president of China COSCO with effect from 25th August 2011</li> </ul>
Mr. WAN Min	<ul style="list-style-type: none"> <li>Appointed as an executive vice president of China COSCO with effect from 25th August 2011</li> </ul>

Save as disclosed above, there is no other changes in the directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.



## 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 2011 required to be disclosed under Rule 13.22 of Chapter 13 of the Listing Rules is set out below:

	US\$'000
Non-current assets	7,137,951
Current assets	2,009,333
Current liabilities	(4,308,993)
Non-current liabilities	(1,372,939)
Net assets	3,465,352
Share capital	498,603
Reserves	1,437,310
Non-controlling interests	1,529,439
Capital and reserves	3,465,352

As at 30th June 2011, the Group's attributable interests in these affiliated companies amounted to US\$916,702,000.

## CORPORATE GOVERNANCE

The Company continues to maintain high standards of corporate governance so as to promote transparency and ensure better protection of shareholders' interest as a whole. The Company has complied with the code provisions of the Code on Corporate Governance Practices (the "Corporate Governance Code") set out in Appendix 14 of the Listing Rules throughout the six months ended 30th June 2011, except for the following deviation:

### Code Provision E.1.2

The code provision E.1.2 of the Corporate Governance Code provides that the chairman of the board shall attend the annual general meeting of the company. Due to business commitment, Mr. XU Lirong, the Chairman of the Board, was unable to attend the annual general meeting of the Company held on 16th May 2011. This constituted a deviation from the code provision E.1.2 of the Corporate Governance Code.

## **BOARD COMMITTEES**

### **Audit Committee**

The Audit Committee of the Company comprises four independent non-executive directors of the Company. The Audit Committee has reviewed, in the presence of the internal and external auditors, the Group's principal accounting policies and the 2011 interim report.

### **Remuneration Committee**

The Remuneration Committee of the Company 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 regarding the remuneration of directors.

### **Other Board Committees**

In addition to the above committees, the Board has also established various committees which include Executive Committee, Nomination Committee, Investment and Strategic Planning Committee, Corporate Governance Committee and Risk Management 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 at [www.coscopac.com.hk](http://www.coscopac.com.hk).

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code as the Company's code of conduct and rules governing dealings by all directors in the securities of the Company. Having made specific enquiry 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 2011.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SHARES**

The Company has not redeemed any of its shares during the six months ended 30th June 2011. 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 2011.

## INVESTOR RELATIONS

COSCO Pacific has always regarded investor relations as an important aspect of corporate governance and has been seeking to further improve the quality of corporate information disclosure to make available to the market the latest business conditions and development strategies of the Company. The Company's management is committed to improving corporate governance. During the period, the Company was greatly encouraged by winning the Corporate Governance Asia Recognition Award given by Corporate Governance Asia magazine for the fifth consecutive year, which reflected the recognition and appreciation of COSCO Pacific's corporate governance and investor relations from institutional investors.

During the period, the Company participated in three investor conferences organised by investment banks and conducted one roadshow. The Company met with a total of 286 investors, analysts and media representatives through one-on-one and group meetings. It also arranged two visits to its terminals for the investment community.

## CORPORATE CULTURE

### Employee Relations

As at 30th June 2011, COSCO Pacific had 2,766 employees based in China and other regions of Asia, Americas, Europe and Australia.

COSCO Pacific is committed to building a team of dedicated staff in pursuit of excellence. The expansion of the Group's businesses translates into sustainable career development opportunities for its employees, while the growth and evolution of the COSCO Pacific team also lay a solid foundation for the Group's future business development. In the first half of 2011, the Group focused on building a professional operation and management team for its core business in terminal operation. In addition to its continued efforts in selecting and nurturing new entrants, the Group has implemented an internal job rotation scheme and on-the-job training to bring the potential of its staff members into full play.

The Group encourages its employees to work diligently and proactively by arranging a wide range of training programmes designed to enhance the management skills and professionalism of its management team and staff force. The Group continued to adopt a fair and competitive remuneration and incentive scheme and organized various activities to enrich the life of its staff members during leisure time. During the period, the Group awarded the staff members who made outstanding contributions to its operational management. An incentive staff tour was organized for better understanding of different cultures. All these initiatives have greatly enhanced the team spirit, passion and sense of belonging of its staff.

## Social Responsibility

The Company is committed to embracing its corporate citizenship through active participation in social welfare and community services, support to environmental protection initiatives, as well as contribution to the community. The Company also plays an active role in promoting the awareness of environmental protection and supporting the sustainable development of society.

The Company's active support to community construction and participation in community activities demonstrate its genuine concerns about community development. In May 2011, the Company sponsored the Greece Special Olympics. The Company also made donations to Qingdao Ocean Shipping Mariners College as a sponsor to the college's 35th anniversary celebration. Subsidiary companies also made various forms of contribution in support of local schools and other social organisations.

The Group attaches great importance to its corporate responsibilities for environmental protection. Since joining the Hong Kong Business Environment Council in 2007, COSCO Pacific has been committed to promoting the project for the enhancement of the environment. In mid-2011, the council was engaged as the Group's corporate sustainable development consultant for further enhancement and implementation of its sustainable development efforts. Meanwhile, the Group encourages its terminals to use environmentally friendly technology, such as switching from fuel-powered to electrical equipment.

## PROSPECTS

As for the terminal business, the Group expects a steady growth of container throughput in the second half of the year and that the terminal companies with outstanding performance in the first half of the year will continue to drive the growth of total throughput. In addition, the terminal tariff of Mainland China ports has been adjusted upwards in the first half of the year. The management is confident that the terminal business will continue to achieve satisfactory results in the second half of the year.

As for the container leasing, management and sale businesses, the Group expects that the overall average utilisation rate will continue to stand at a high level in the second half of the year. 90% of the 118,000 TEUs of new containers ordered in the first half of the year have been booked by shipping lines and delivered to generate rental income for the Group. In addition, the 111,625 TEUs of new containers purchased by the Group in 2010 will contribute full-year rental income in 2011. As such, the Group is expected to record a steady growth in rental income in the second half of the year.

Despite the uncertainties in the global economic outlook, the Group will continue to benefit from its business portfolio which largely tailors the basic need of consumers. Meanwhile, the Group will continue to implement prudent business strategies, strictly control operating costs and attach great importance to risk management and prevention measures so as to maintain sustainable business growth.

## MEMBERS OF THE BOARD

As at the date of this report, the board of directors of the Company comprises Mr. XU Lirong<sup>2</sup> (Chairman), Mr. WANG Xingru<sup>1</sup> (Vice Chairman and Managing Director), Mr. WAN Min<sup>2</sup>, Mr. HE Jiale<sup>1</sup>, Mr. WANG Zenghua<sup>1</sup>, Mr. FENG Jinhua<sup>1</sup>, Mr. WANG Haimin<sup>2</sup>, Mr. GAO Ping<sup>2</sup>, Dr. WONG Tin Yau, Kelvin<sup>1</sup>, Mr. YIN Weiyu<sup>1</sup>, Dr. LI Kwok Po, David<sup>3</sup>, Mr. CHOW Kwong Fai, Edward<sup>3</sup>, Mr. Timothy George FRESHWATER<sup>3</sup> and Dr. FAN HSU Lai Tai, Rita<sup>3</sup>.

<sup>1</sup> Executive Director

<sup>2</sup> Non-executive Director

<sup>3</sup> Independent Non-executive Director

By Order of the Board  
**COSCO Pacific Limited**  
**WANG Xingru**  
*Vice Chairman & Managing Director*

Hong Kong, 24th August 2011

# COSCO Pacific Limited

## 中遠太平洋有限公司

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

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