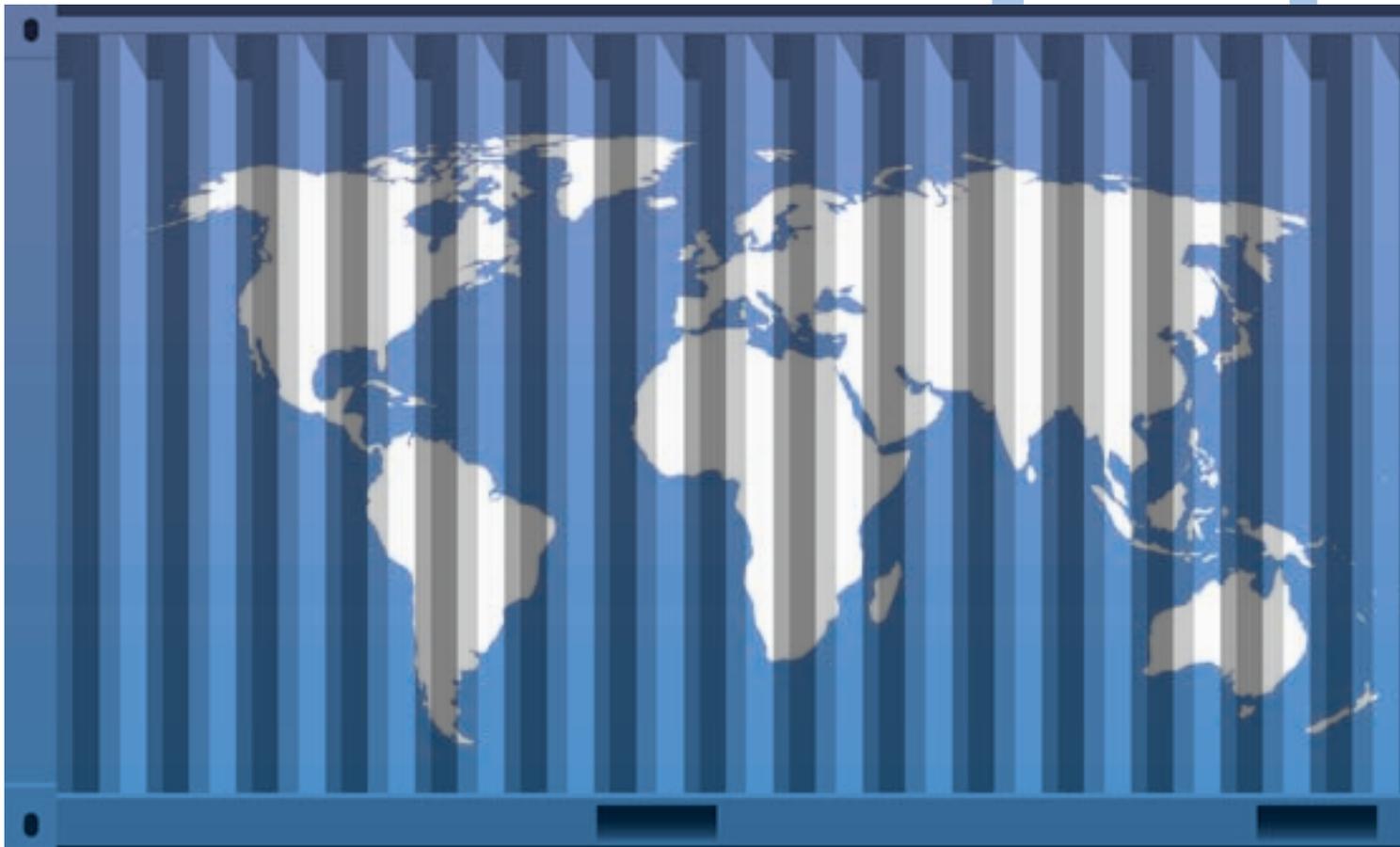




COSCO Pacific Limited
中遠太平洋有限公司



Interim Report
中期報告 **2012**



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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 2012. 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 2 to 32 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, except that the scope of their review did not extend to the Group’s shares of net assets and results of a listed associate, China International Marine Containers (Group) Co., Ltd. (“CIMC”) because CIMC did not engage its auditor to perform a review. Accordingly, the independent review report has been qualified in this respect.

The Group’s shares of net assets and results of CIMC, which have been accounted for under equity method based on its published interim financial information, have been disclosed in notes 5.1(a) and 5.1(b) respectively to the unaudited condensed consolidated interim financial information.

Unaudited Condensed Consolidated Balance Sheet

As at 30th June 2012

	Note	As at 30th June 2012 US\$'000	As at 31st December 2011 US\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	3,358,765	3,155,865
Investment properties		7,560	7,571
Land use rights		220,641	223,870
Intangible assets		8,996	9,231
Jointly controlled entities		533,584	537,700
Loan to a jointly controlled entity		5,661	–
Associates		1,529,897	1,550,030
Loan to an associate		28,127	28,930
Available-for-sale financial asset		24,000	17,000
Finance lease receivables		14,409	15,259
Deferred income tax assets		347	1,690
Derivative financial instruments	7	10,274	13,948
Other non-current assets	8	67,092	60,668
		5,809,353	5,621,762
Current assets			
Inventories		10,090	9,332
Trade and other receivables	9	250,990	259,991
Current income tax recoverable		–	30
Restricted bank deposits	10	111	111
Cash and cash equivalents	10	787,180	580,958
		1,048,371	850,422
Total assets		6,857,724	6,472,184
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	11	34,805	34,805
Reserves		3,640,719	3,531,763
Proposed final dividend		–	60,744
Interim dividend declared		71,591	–
		3,747,115	3,627,312
Non-controlling interests		259,528	252,847
Total equity		4,006,643	3,880,159

Unaudited Condensed Consolidated Balance Sheet

As at 30th June 2012

	Note	As at 30th June 2012 US\$'000	As at 31st December 2011 US\$'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		42,477	45,455
Long term borrowings	12	1,720,587	1,573,470
Loans from non-controlling shareholders of subsidiaries	13	121,178	169,812
Other long term liabilities		3,544	3,564
		1,887,786	1,792,301
Current liabilities			
Trade and other payables	14	399,647	201,470
Current income tax liabilities		5,723	3,730
Current portion of long term borrowings	12	459,742	420,131
Short term bank loans	12	98,183	174,393
		963,295	799,724
Total liabilities		2,851,081	2,592,025
Total equity and liabilities		6,857,724	6,472,184
Net current assets		85,076	50,698
Total assets less current liabilities		5,894,429	5,672,460

The accompanying notes on pages 8 to 32 are an integral part of the unaudited condensed consolidated interim financial information.

Unaudited Condensed Consolidated Income Statement

For the six months ended 30th June 2012

	Note	Six months ended 30th June	
		2012 US\$'000	2011 US\$'000
Revenue		367,355	278,667
Cost of sales		(201,885)	(159,356)
Gross profit		165,470	119,311
Administrative expenses		(41,643)	(38,354)
Other operating income		9,829	13,794
Other operating expenses		(7,773)	(7,251)
Operating profit	15	125,883	87,500
Finance income	16	2,716	2,420
Finance costs	16	(35,963)	(26,845)
Operating profit after finance income and costs		92,636	63,075
Share of profits less losses of			
– jointly controlled entities		49,351	49,241
– associates		57,853	120,347
Gain on disposal of a jointly controlled entity, net of tax	17	–	12,557
Gain on release of exchange reserve upon reclassification from a jointly controlled entity to a subsidiary	25	–	11,841
Profit before income tax		199,840	257,061
Income tax expenses	18	(12,935)	(16,545)
Profit for the period		186,905	240,516
Profit attributable to:			
Equity holders of the Company		178,925	237,041
Non-controlling interests		7,980	3,475
		186,905	240,516
Interim dividend	19	71,591	94,804
Earnings per share for profit attributable to equity holders of the Company			
– basic	20	US6.60 cents	US8.74 cents
– diluted	20	US6.60 cents	US8.73 cents

The accompanying notes on pages 8 to 32 are an integral part of the unaudited condensed consolidated interim financial information.

Unaudited Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30th June 2012

	Six months ended 30th June	
	2012 US\$'000	2011 US\$'000
Profit for the period	186,905	240,516
Other comprehensive income		
Exchange differences from retranslation of financial statements of subsidiaries, jointly controlled entities and associates	(8,969)	55,504
Fair value gain/(loss) on an available-for-sale financial asset	7,000	(5,000)
Release of reserves upon disposal of a jointly controlled entity	–	(6,838)
Release of exchange reserve upon reclassification of a jointly controlled entity to a subsidiary	–	(11,841)
Share of reserves of jointly controlled entities and associates	1,382	4,215
Other comprehensive (loss)/income for the period	(587)	36,040
Total comprehensive income for the period	186,318	276,556
Total comprehensive income attributable to:		
Equity holders of the Company	179,637	267,058
Non-controlling interests	6,681	9,498
	186,318	276,556

The accompanying notes on pages 8 to 32 are an integral part of the unaudited condensed consolidated interim financial information.

Unaudited Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June 2012

	Capital and reserves attributable to the equity holders of the Company US\$'000	Non- controlling interests US\$'000	Total US\$'000
Total equity at 1st January 2012	3,627,312	252,847	3,880,159
Total comprehensive income for the period	179,637	6,681	186,318
Share of reserves of an associate	910	–	910
Dividend paid to equity holders of the Company	(60,744)	–	(60,744)
	119,803	6,681	126,484
Total equity at 30th June 2012	3,747,115	259,528	4,006,643
Total equity at 1st January 2011	3,348,121	145,741	3,493,862
Total comprehensive income for the period	267,058	9,498	276,556
Issue of shares on exercising of share options	451	–	451
Capital contribution from a non-controlling shareholder of a subsidiary	–	2,967	2,967
Reclassification of a jointly controlled entity to a subsidiary	–	71,385	71,385
Share of reserve of an associate	1,897	–	1,897
Dividends paid to			
– equity holders of the Company	(67,377)	–	(67,377)
– non-controlling shareholders of subsidiaries	–	(3,634)	(3,634)
	202,029	80,216	282,245
Total equity at 30th June 2011	3,550,150	225,957	3,776,107

The accompanying notes on pages 8 to 32 are an integral part of the unaudited condensed consolidated interim financial information.

Unaudited Condensed Consolidated Statement of Cash Flows

For the six months ended 30th June 2012

	Six months ended 30th June	
	2012 US\$'000	2011 US\$'000
Net cash generated from operating activities	207,872	155,010
Net cash (used in)/generated from investing activities	(80,999)	27,666
Net cash generated from/(used in) financing activities	76,702	(29,193)
Net increase in cash and cash equivalents	203,575	153,483
Cash and cash equivalents at 1st January	580,958	524,274
Effect of foreign exchange rate changes	2,647	2,173
Cash and cash equivalents at 30th June	787,180	679,930
Analysis of balances of cash and cash equivalents:		
Time deposits	516,083	374,398
Bank balances and cash	271,097	305,532
	787,180	679,930

The accompanying notes on pages 8 to 32 are an integral part of the 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 2012 (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 of directors on 27th August 2012.

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 Hong Kong Institute of Certified Public Accountants (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 2011 (the “2011 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 2011 Annual Financial Statements, except that the Group has adopted the following revised standards or amendments to existing standards (collectively the “new HKFRSs”) issued by the HKICPA which are mandatory for the financial year ending 31st December 2012:

HKAS 12 Amendment	Deferred tax: Recovery of underlying assets
HKFRS 1 Amendment	Severe hyperinflation and removal of fixed dates for first-time adopters
HKFRS 7 Amendment	Disclosure – Transfers of financial assets

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.

2 Basis of preparation and significant accounting policies (Continued)

The HKICPA has issued certain new and revised standards, interpretations and amendments which are not yet effective for the financial year ending 31st December 2012 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 Critical accounting estimates

The preparation of Unaudited Condensed Consolidated Interim Financial Information requires management to make judgments, 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 the Unaudited Condensed Consolidated Interim Financial Information, the significant judgments 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 2011 Annual Financial Statements with the exception of changes in estimates that are required in determining the residual values of containers.

Management reviewed the residual values and useful lives of property, plant and equipment as at 1st January 2012. The depreciation charge of containers for the six months ended 30th June 2012 was calculated based on the revised estimated residual values. This represents a change in an accounting estimate and has been accounted for prospectively. The overall effect of this change is a decrease in depreciation charge by approximately US\$2,005,000 and an increase in deferred income tax charge by approximately US\$22,000 for the six months ended 30th June 2012.

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 does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the 2011 Annual Financial Statements of the Group.

Compared to 31st December 2011, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

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:

	As at 30th June 2012 Level 2 US\$'000	As at 31st December 2011 Level 2 US\$'000
Available-for-sale financial asset	24,000	17,000
Derivatives financial instruments	10,274	13,948
Borrowings under fair value hedge	211,170	213,707

For the six months ended 30th June 2012, 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 2012, 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 2012, there were no reclassifications of financial assets of the Group.

5 Segment information

5.1 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 businesses:

- (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, and intangible assets.

Segment assets

	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	Inter-segment elimination US\$'000	Total US\$'000
At 30th June 2012							
Segment assets	3,638,358	1,957,839	764,896	6,361,093	649,800	(153,169)	6,857,724
Segment assets include:							
Jointly controlled entities	533,584	-	-	533,584	-	-	533,584
Associates (note a)	765,001	-	764,896	1,529,897	-	-	1,529,897
Available-for-sale financial asset	24,000	-	-	24,000	-	-	24,000
At 31st December 2011							
Segment assets	3,563,538	1,722,943	777,379	6,063,860	517,601	(109,277)	6,472,184
Segment assets include:							
Jointly controlled entities	537,700	-	-	537,700	-	-	537,700
Associates	772,651	-	777,379	1,550,030	-	-	1,550,030
Available-for-sale financial asset	17,000	-	-	17,000	-	-	17,000

5 Segment information (Continued)

5.1 Operating segments (Continued)

Segment revenue, results and other information

	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	Total US\$'000
Six months ended 30th June 2012							
Revenue – total sales	197,806	170,569	–	368,375	–	(1,020)	367,355
Segment profit/(loss) attributable to equity holders of the Company	97,841	72,766	29,751	200,358	(21,433)	–	178,925
Segment profit/(loss) attributable to equity holders of the Company includes:							
Finance income	474	339	–	813	3,928	(2,025)	2,716
Finance costs	(27,038)	(5,798)	–	(32,836)	(6,274)	3,147	(35,963)
Share of profits less losses of							
– jointly controlled entities	49,351	–	–	49,351	–	–	49,351
– associates (note b)	28,102	–	29,751	57,853	–	–	57,853
Income tax expenses	(4,785)	(1,481)	–	(6,266)	(6,669)	–	(12,935)
Depreciation and amortisation	(27,766)	(51,389)	–	(79,155)	(1,081)	–	(80,236)
Provision for impairment of property, plant and equipment	–	(98)	–	(98)	–	–	(98)
Other non-cash expenses	(17)	(1,665)	–	(1,682)	(1)	–	(1,683)
Additions to non-current assets	(180,371)	(119,921)	–	(300,292)	(277)	–	(300,569)

5 Segment information (Continued)

5.1 Operating segments (Continued)

Segment revenue, results and other information (Continued)

	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	Total US\$'000
Six months ended 30th June 2011							
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
Gain 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:

- As at 30th June 2012, the Group's share of the unaudited net assets of China International Marine Containers (Group) Co., Ltd. ("CIMC"), a listed associate of the Group, amounted to US\$764,896,000.
- For the six months ended 30th June 2012, the Group's share of unaudited profit (net of income tax expenses) of CIMC amounted to US\$29,751,000.

5 Segment information (Continued)

5.2 Geographical information

(a) Revenues

In respect of terminal and related businesses, revenues are based on the geographical areas in which the business operations are located.

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 financial information by geographical areas and thus the revenues of which are presented as unallocated revenues.

	Six months ended 30th June	
	2012	2011
	US\$'000	US\$'000
Terminal and related businesses		
– Mainland China (excluding Hong Kong)	126,842	100,184
– Europe	69,545	47,595
– Others	1,408	1,725
Unallocated	169,560	129,163
	367,355	278,667

(b) Non-current assets

The Group's non-current assets, other than financial instruments and deferred income tax assets ("Geographical Non-Current Assets"), consist of property, plant and equipment, investment properties, land use rights, intangible assets, jointly controlled entities, associates and other non-current assets.

The containers and generator sets (included in property, plant and equipment) are primarily utilised across geographical markets for shipment of cargoes throughout the world. Accordingly, it is impractical to present the locations of the containers and generator sets by geographical areas and thus the containers and generator sets are presented as unallocated non-current assets.

In respect of the terminal non-current assets and the remaining Geographical Non-Current Assets, they are presented based on the geographical areas in which the business operations/assets are located.

5 Segment information (Continued)

5.2 Geographical information (Continued)

(b) Non-current assets (Continued)

Other than container leasing, management, sale and related businesses, the activities of the Group, its jointly controlled entities and associates are predominantly carried out in the following geographical areas:

Operating segments	Geographical areas	
Terminal and related businesses	Mainland China, Greece, Belgium, Hong Kong, Singapore and Egypt	
Container manufacturing and related businesses	Mainly Mainland China	
	As at 30th June 2012 US\$'000	As at 31st December 2011 US\$'000
Mainland China (excluding Hong Kong)	3,776,826	3,724,076
Europe	251,824	196,738
Others	212,893	199,347
Unallocated	1,484,992	1,424,774
	5,726,535	5,544,935

6 Property, plant and equipment

During the six months ended 30th June 2012, the Group acquired property, plant and equipment of US\$299,834,000 (2011: US\$341,689,000). The Group also disposed of property, plant and equipment with net book value of US\$8,418,000 (2011: US\$200,470,000) and transferred property, plant and equipment to inventories with net book value of US\$5,936,000 (2011: US\$2,508,000).

7 Derivative financial instruments

	As at 30th June 2012 US\$'000	As at 31st December 2011 US\$'000
Interest rate swap contracts – fair value hedges (note)	10,274	13,948

Note:

The notional principal amount of the related interest rate swap contracts amounted to US\$200,000,000 (31st December 2011: US\$200,000,000) which were committed with the interest rates ranging from 1.05% to 1.16% (31st December 2011: 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 12).

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 2012 US\$'000	As at 31st December 2011 US\$'000
Trade receivables (note a)		
– third parties	69,221	50,881
– fellow subsidiaries (notes b and c)	29,599	28,870
– a non-controlling shareholder of a subsidiary (note b)	4,623	2,809
– related companies (note b)	771	470
	104,214	83,030
Less: provision for impairment	(4,329)	(3,446)
	99,885	79,584
Other receivables, deposits and prepayments	68,000	78,124
Rent receivable collected on behalf of owners of managed containers (note d)	32,117	30,594
Current portion of finance lease receivables	1,731	1,663
Amounts due from (note b)		
– fellow subsidiaries	199	197
– jointly controlled entities (note e)	18,108	46,151
– associates (note e)	30,907	23,665
– a non-controlling shareholder of a subsidiary	39	13
– related companies	4	–
	250,990	259,991

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) is as follows:

	As at 30th June 2012 US\$'000	As at 31st December 2011 US\$'000
Within 30 days	53,725	44,329
31-60 days	33,543	28,109
61-90 days	7,952	5,855
Over 90 days	4,665	1,291
	99,885	79,584

9 Trade and other receivables (Continued)

Notes: (Continued)

- (b) The amounts due from fellow subsidiaries, jointly controlled entities, associates, a non-controlling shareholder of a subsidiary and related companies 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\$24,186,000 (31st December 2011: US\$22,210,000). During the six months ended 30th June 2012, the container leasing income from COSCON and the other fellow subsidiaries amounted to US\$68,438,000 (2011: US\$61,177,000) and US\$3,000 (2011: US\$4,000) 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 jointly controlled entities and associates.

10 Cash and cash equivalents

	As at 30th June 2012 US\$'000	As at 31st December 2011 US\$'000
Total time deposits, bank balances and cash (note)	787,291	581,069
Restricted bank deposits included in current assets	(111)	(111)
	787,180	580,958
Representing:		
Time deposits	516,083	264,283
Bank balances and cash	271,097	316,675
	787,180	580,958

Note:

As at 30th June 2012, cash and cash equivalents of US\$134,057,000 (31st December 2011: US\$176,636,000) of the Group 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.

11 Share capital

	As at 30th June 2012 US\$'000	As at 31st December 2011 US\$'000
Authorised: 4,000,000,000 (31st December 2011: 4,000,000,000) ordinary shares of HK\$0.10 each	51,282	51,282
Issued and fully paid: 2,711,783,573 (31st December 2011: 2,711,783,573) ordinary shares of HK\$0.10 each	34,805	34,805

Note:

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 2012
		Outstanding as at 1st January 2012	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	1,000,000	–	1,000,000	–	2,000,000
	19.30	1,000,000	–	–	–	1,000,000
Continuous contract employees	9.54	1,511,000	–	(100,000)	(30,000)	1,381,000
	13.75	12,412,000	–	(680,000)	(584,000)	11,148,000
	19.30	12,900,000	–	(330,000)	(410,000)	12,160,000
Others	9.54	50,000	–	100,000	–	150,000
	13.75	7,630,000	–	(320,000)	–	7,310,000
	19.30	800,000	–	330,000	–	1,130,000
		38,103,000	–	–	(1,024,000)	37,079,000

12 Borrowings

	As at 30th June 2012 US\$'000	As at 31st December 2011 US\$'000
Long term borrowings		
– secured (note a)	161,020	130,682
– unsecured	2,019,309	1,862,919
	2,180,329	1,993,601
Amounts due within one year included under current liabilities	(459,742)	(420,131)
	1,720,587	1,573,470
Short term bank loans – unsecured	98,183	174,393

Notes:

- (a) As at 30th June 2012, certain other property, plant and equipment with an aggregate net book value of US\$18,349,000 (31st December 2011: US\$19,277,000) 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\$14,445,000 (31st December 2011: US\$12,108,000) would be pledged as securities for a banking facility granted to the Group. As at 30th June 2012 and 31st December 2011, 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 2012 US\$'000	As at 31st December 2011 US\$'000
Wholly repayable within five years		
– Bank loans	1,435,682	1,299,323
– Notes	311,053	313,541
	1,746,735	1,612,864
Bank loans not wholly repayable within five years	433,594	380,737
	2,180,329	1,993,601

12 Borrowings (Continued)

Notes: (Continued)

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

	As at 30th June 2012 US\$'000	As at 31st December 2011 US\$'000
Bank loans		
Within one year	459,742	420,131
Between one and two years	425,845	419,322
Between two and five years	594,494	493,797
Over five years	389,195	346,810
	1,869,276	1,680,060
Notes		
Between one and two years	311,053	313,541
	2,180,329	1,993,601

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.

13 Loans from non-controlling shareholders of subsidiaries

Loans from non-controlling shareholders of subsidiaries are unsecured. Balances of US\$63,242,000 (31st December 2011: US\$63,483,000) bear interest at 6.77% per annum and repayable in 2014. Balances of US\$7,936,000 (31st December 2011: US\$56,329,000) bear interest at 0.6% above 1-year LIBOR per annum and repayable in 2014. Balance of US\$50,000,000 (31st December 2011: US\$50,000,000) is interest-free and not repayable within next twelve months. The carrying values of the loans approximate their fair values.

14 Trade and other payables

	As at 30th June 2012 US\$'000	As at 31st December 2011 US\$'000
Trade payables (note a)		
– third parties	51,248	28,452
– fellow subsidiaries (note b)	363	33
– non-controlling shareholders of subsidiaries (note b)	1,962	2,741
– subsidiaries of an associate (notes b and c)	39,524	34
– related companies (note b)	27	1
	93,124	31,261
Other payables and accruals	129,262	103,055
Payable to owners of managed containers (note d)	37,466	37,802
Current portion of other long term liabilities	77	78
Dividend payable	60,781	37
Loan from a jointly controlled entity (note e)	23,739	23,832
Loan from a non-controlling shareholder of a subsidiary (note f)	48,393	–
Amounts due to (note b)		
– fellow subsidiaries	97	65
– non-controlling shareholders of subsidiaries	6,707	5,339
– related companies	1	1
	399,647	201,470

Notes:

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

	As at 30th June 2012 US\$'000	As at 31st December 2011 US\$'000
Within 30 days	39,172	17,399
31-60 days	37,262	1,504
61-90 days	1,730	998
Over 90 days	14,960	11,360
	93,124	31,261

(b) The amounts due to fellow subsidiaries, non-controlling shareholders of subsidiaries, subsidiaries of an associate and related companies are unsecured and interest free. Trading balances have similar credit periods granted as those of other third party suppliers, the remaining balances have no fixed terms of repayment.

14 Trade and other payables (Continued)

Notes: (Continued)

- (c) The balances represented the amounts payable to subsidiaries of an associate of the Group in respect of the purchases of containers (note 24(a)(ix)).
- (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.
- (e) Loan from a jointly controlled entity is unsecured, bears interest at 3.5% per annum and is repayable within twelve months.
- (f) Loan from a non-controlling shareholder of a subsidiary is unsecured, bears interest at 0.6% above 1-year LIBOR per annum and repayable in June 2013.

15 Operating profit

Operating profit is stated after crediting and charging the following:

	Six months ended 30th June	
	2012	2011
	US\$'000	US\$'000
Crediting		
Dividend income from an unlisted investment	1,826	1,628
Rental income from investment properties	186	51
Write back of provision for impairment of trade receivables, net	–	760
Gain on disposal of property, plant and equipment	214	526
Revaluation surplus of an investment property	–	171
Charging		
Depreciation and amortisation	80,236	68,687
Loss on disposal of property, plant and equipment	212	3,942
Rental expenses under operating leases of		
– buildings leased from fellow subsidiaries	776	710
– buildings leased from a jointly controlled entity	16	17
– land use rights leased from non-controlling shareholders of subsidiaries	539	436
– Concession (note 8)	18,198	18,577
Provision for impairment of property, plant and equipment	98	–
Provision for impairment of trade receivables, net	909	–

16 Finance income and costs

	Six months ended 30th June	
	2012	2011
	US\$'000	US\$'000
Finance income		
Interest income on		
– bank balances and deposits	1,872	1,551
– loans to a jointly controlled entity and an associate	844	869
	2,716	2,420
Finance costs		
Interest expenses on		
– bank loans	(34,358)	(26,302)
– notes wholly repayable within five years	(4,644)	(4,543)
– loans from non-controlling shareholders of subsidiaries (notes 13 and 14(f))	(2,610)	(954)
– loan from a jointly controlled entity (note 14(e))	(421)	(175)
Fair value loss on derivative financial instruments	(3,673)	(1,848)
Fair value adjustment of notes attributable to interest rate risk	2,636	2,514
	(1,037)	666
Amortised amount of		
– discount on issue of notes	(76)	(80)
– transaction costs on bank loans and notes	(883)	(612)
	(44,029)	(32,000)
Less: amount capitalised in construction in progress	8,980	5,783
	(35,049)	(26,217)
Other incidental borrowing costs and charges	(914)	(628)
	(35,963)	(26,845)
Net finance costs	(33,247)	(24,425)

17 Gain on disposal of a jointly controlled entity, net of tax

On 10th March 2011, the Group entered into an agreement with Qingdao Port (Group) Co., Ltd., the remaining shareholder of Qingdao Cosport International Container Terminals Co., Ltd. ("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 with a gain after tax of US\$12,557,000 recorded in 2011.

18 Income tax expenses

	Six months ended 30th June	
	2012 US\$'000	2011 US\$'000
Current income tax		
– China mainland taxation	12,083	7,179
– Overseas taxation	2,255	452
– Under provision in prior years	226	6
	14,564	7,637
Deferred income tax (credit)/charge	(1,629)	8,908
	12,935	16,545

The Group's shares of income tax expenses of jointly controlled entities and associates of US\$6,993,000 (2011: US\$7,596,000) and US\$18,725,000 (2011: US\$37,403,000) 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 (2011: 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 2012, deferred income tax liabilities of US\$6,125,000 (31st December 2011: US\$9,707,000) 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\$32,876,000 (31st December 2011: US\$45,888,000) 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.

19 Interim dividend

	Six months ended 30th June	
	2012 US\$'000	2011 US\$'000
Interim dividend, declared of US2.640 cents (2011: US3.496 cents) per ordinary share	71,591	94,804

Notes:

- (a) At a meeting held on 27th March 2012, the directors recommended the payment of a final dividend of HK17.4 cents (equivalent to US2.240 cents) per ordinary share with a scrip dividend alternative for the year ended 31st December 2011. The final dividend, which was approved at the annual general meeting of the Company held on 17th May 2012, was paid on 20th July 2012 and had been reflected as an appropriation of retained profits for the year ending 31st December 2012.
- (b) At a meeting held on 27th August 2012, the directors declared an interim dividend of HK20.5 cents (equivalent to US2.640 cents) per ordinary share. The dividend will be payable in cash and with a scrip dividend alternative. The interim dividend declared is not reflected as dividend payable in the Unaudited Condensed Consolidated Interim Financial Information, but will be reflected as an appropriation of retained profits for the year ending 31st December 2012.

20 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	
	2012	2011
Profit attributable to equity holders of the Company	US\$178,925,000	US\$237,041,000
Weighted average number of ordinary shares in issue	2,711,783,573	2,711,726,755
Basic earnings per share	US6.60 cents	US8.74 cents

20 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	
	2012	2011
Profit attributable to equity holders of the Company	US\$178,925,000	US\$237,041,000
Weighted average number of ordinary shares in issue	2,711,783,573	2,711,726,755
Adjustments for assumed issuance of shares on exercise of dilutive share options	276,009	2,371,442
Weighted average number of ordinary shares for diluted earnings per share	2,712,059,582	2,714,098,197
Diluted earnings per share	US6.60 cents	US8.73 cents

21 Financial guarantee contracts

	As at 30th June 2012 US\$'000	As at 31st December 2011 US\$'000
Bank guarantees to an associate	24,599	27,513

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.

22 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 (ADK) has claimed approximately Euro 5,800,000 (equivalent to approximately US\$7,300,000) 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\$38,000) against the plaintiff. 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.

23 Capital commitments

The Group had the following significant capital commitments as at 30th June 2012:

	As at 30th June 2012 US\$'000	As at 31st December 2011 US\$'000
Authorised but not contracted for:		
– Containers	150,462	757,566
– Computer system under development	815	798
– Other property, plant and equipment	220,947	189,680
	372,224	948,044
Contracted but not provided for:		
– Containers	130,095	8,730
– Investments (note)	426,993	409,671
– Other property, plant and equipment	269,793	358,458
	826,881	776,859
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	7,977	14,418
Contracted but not provided for	130	8,520
	8,107	22,938

23 Capital commitments (Continued)

Note:

The capital commitments in respect of investments of the Group as at 30th June 2012 are as follows:

	As at 30th June 2012 US\$'000	As at 31st December 2011 US\$'000
Contracted but not provided for investments in:		
– Qingdao Qianwan Container Terminal Co., Ltd.	64,997	64,997
– Antwerp Gateway NV	56,037	57,637
– Dalian Port Container Terminal Co., Ltd.	46,167	46,343
– Tianjin Port Euroasia International Terminal Co., Ltd.	110,990	111,412
– Others	80,478	60,697
	358,669	341,086
Terminal projects in:		
– Shanghai Yangshan Port Phase II	63,242	63,483
– Others	5,082	5,102
	68,324	68,585
	426,993	409,671

24 Related party transactions

The Group is controlled by China COSCO which owns 42.71% of the Company's shares as at 30th June 2012. 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 certain of those transactions which are individually or collectively not significant, and 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.

24 Related party transactions (Continued)

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

	Six months ended 30th June	
	2012 US\$'000	2011 US\$'000
Container rental income from fellow subsidiaries (note i)	68,441	61,181
Compensation for loss of containers from a fellow subsidiary (note ii)	166	316
Handling, storage and transportation income from fellow subsidiaries (note iii)	1,198	1,324
Management fee and service fee income from (note iv)		
– jointly controlled entities	2,009	2,181
– associates	76	61
– an investee company	67	64
Terminal handling and storage income from (note v)		
– fellow subsidiaries	24,354	31,289
– an associate of the parent company	–	637
– a non-controlling shareholder of a subsidiary	19,431	4,939
Container freight charges to subsidiaries of CIMC (note vi)	(441)	–
Container handling and logistics services fee to non-controlling shareholders of subsidiaries (note vii)	(5,713)	(4,003)
Electricity and fuel expenses to (note viii)		
– a fellow subsidiary	(377)	–
– non-controlling shareholders of subsidiaries	(4,633)	(3,745)
Purchase of containers from subsidiaries of an associate (note ix)	(57,829)	(190,144)
Handling, storage and maintenance expenses to fellow subsidiaries (note x)	(698)	(74)
Port construction fee and high-frequency communication fee to non-controlling shareholders of subsidiaries (note xi)	(57)	(3,750)
Refund of port construction fee from a non-controlling shareholder of a subsidiary (note xii)	–	1,023

24 Related party transactions (Continued)

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

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\$166,000 (2011: US\$316,000) from COSCON for the loss of containers under operating leases, resulting in a profit of US\$19,000 (2011: US\$38,000).
- (iii) The handling, storage and transportation income received from fellow subsidiaries of the Group were conducted at terms as set out in the agreements entered into between the Group and these fellow subsidiaries.
- (iv) The Group provided advisory and management services to COSCO-HIT Terminals (Hong Kong) Limited ("COSCO-HIT Terminal"), a jointly controlled entity of the Group, during the period. Management fee was charged and agreed at HK\$20,000,000 (equivalent to US\$2,577,000) (2011: HK\$20,000,000 (equivalent to US\$2,570,000)) 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.

- (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 freight charges paid to subsidiaries of CIMC for container repositioning services rendered to the Group were charged at rates mutually agreed.
- (vii) The container handling and logistics service fee paid to non-controlling shareholders of subsidiaries was charged at rates as mutually agreed.
- (viii) Electricity and fuel expenses paid to a fellow subsidiary and non-controlling shareholders of subsidiaries were charged at rates as mutually agreed.
- (ix) The purchases of containers from subsidiaries of 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.
- (x) Handling, storage and maintenance expenses paid to fellow subsidiaries were charged at rates as mutually agreed.
- (xi) Port construction fee and high-frequency communication fee paid to non-controlling shareholders of subsidiaries were charged at rates as mutually agreed.
- (xii) Refund of port construction fee from a non-controlling shareholder of a subsidiary was charged at amounts as mutually agreed.

24 Related party transactions (Continued)

(b) Balances with state-owned banks

	As at 30th June 2012 US\$'000	As at 31st December 2011 US\$'000
Bank deposits balances		
– in China mainland	134,051	176,636
– outside China mainland	550,464	356,432
Long term bank loans		
– in China mainland	794,589	811,013
– outside China mainland	513,020	504,682
Short term bank loans		
– in China mainland	95,021	99,393
Committed and undrawn bank borrowings facilities		
– in China mainland	622,924	875,111
– outside China mainland	109,443	147,502

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

(c) Balances with other government related entities

	As at 30th June 2012 US\$'000	As at 31st December 2011 US\$'000
Other payables to other government related entities	9,819	10,092

The balances 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 balances are unsecured, interest free and have no fixed terms of repayment.

24 Related party transactions (Continued)

(d) Key management compensation

	Six months ended 30th June	
	2012 US\$'000	2011 US\$'000
Salaries, bonuses and other allowances	1,938	1,773
Contributions to retirement benefit schemes	5	4
	1,943	1,777

Key management includes directors of the Company and five (2011: five) senior management members of the Group.

25 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 operating and financial 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 six months ended 30th June 2011, 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.

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 2 to 32, which comprises the condensed consolidated balance sheet of COSCO Pacific Limited (the “Company”) and its subsidiaries (collectively the “Group”) as at 30th June 2012 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” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The directors of the Company are responsible for the preparation and presentation of this Interim Financial Information in accordance with HKAS 34. Our responsibility is to express a conclusion on this Interim Financial Information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Basis of Qualified Conclusion

The scope of our review did not extend to the Group’s shares of net assets and result of a listed associate, China International Marine Containers (Group) Co., Ltd, which was accounted for under the equity method on the basis of its published interim financial information, because the associate did not engage its auditor to perform a review. Had either a review been conducted by its auditor or we been able to perform alternative review procedures on the underlying net assets and result of the aforesaid listed associate, matters might have come to our attention indicating that adjustments might be necessary to the Interim Financial Information.

Qualified Conclusion

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27th August 2012

INTERIM DIVIDEND

The directors have declared an interim dividend of HK20.5 cents per share (corresponding period of 2011: HK27.2 cents) for the six months ended 30th June 2012, with an option to receive new fully paid shares in lieu of cash (“Scrip Dividend Scheme”).

The interim dividend will be payable to shareholders whose names appear on the register of members of the Company on 14th September 2012. The Scrip Dividend Scheme is conditional upon the granting of the listing of and permission to deal in the new shares to be issued under the Scrip Dividend Scheme by the Listing Committee of The Stock Exchange of Hong Kong Limited. Dividend warrants and share certificates for new shares to be issued under the Scrip Dividend Scheme will be despatched by ordinary mail on or about Wednesday, 24th October 2012.

Details of the Scrip Dividend Scheme and the election form will be sent to shareholders on or about Friday, 28th September 2012.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 12th September 2012 to Friday, 14th September 2012, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all completed 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 Tuesday, 11th September 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Profit attributable to equity holders for the first half of 2012 was US\$178,925,000 (corresponding period of 2011: US\$237,041,000), a 24.5% decrease compared with the corresponding period of last year. Excluding non-recurring items, profit attributable to equity holders for the first half of 2012 was US\$178,925,000 (corresponding period of 2011: US\$212,643,000), a 15.9% decrease compared with last year. The Group recorded a decrease in profit in the first half of 2012 due to a relatively significant decline in the share of profit of CIMC during the period. The decrease was partly offset by growths in the terminal business and container leasing business in the first half of 2012 compared with last year. The Group has not recorded any non-recurring items in the first half of 2012. Non-recurring items in the first half of 2011 included gain of US\$11,841,000 on release of exchange reserve upon reclassification of Guangzhou South China Oceangate Terminal from a jointly controlled entity to a subsidiary and a gain of US\$12,557,000 on the disposal of Qingdao Cosport Terminal.

Profit from terminal business for the first half of 2012 was US\$97,841,000 (corresponding period of 2011: US\$96,662,000), a slight increase of 1.2% compared with the corresponding period of last year. Excluding the gain of US\$12,557,000 on the disposal of Qingdao Cosport Terminal in 2011, profit from terminal business for the first half of 2012 increased by 16.3% compared with last year. In the first half of 2012, the throughput of container terminals reached 26,876,860 TEUs (corresponding period of 2011: 24,249,265 TEUs), a 10.8% increase compared with last year. Piraeus Terminal in Greece and Guangzhou South China Oceangate Terminal continued to show strong performance during the period, recording a profit of US\$11,828,000 (corresponding period of 2011: US\$1,710,000) and US\$3,335,000 (corresponding period of 2011: US\$691,000) respectively in the first half of 2012, a rise by 5.9 times and 3.8 times respectively compared with last year, driving the overall profit growth of terminal business. However, the increase in the profit from terminal business was partly offset by the initial loss of Xiamen Ocean Gate Container Terminal Co., Ltd. ("Xiamen Ocean Gate Terminal"), a subsidiary of the Group which commenced operation in May 2012.

With regard to container leasing business, a profit of US\$72,766,000 (corresponding period of 2011: US\$56,195,000) was recorded for the period, a 29.5% increase compared with the corresponding period of last year. As at 30th June 2012, the container fleet size of the Group increased to 1,797,377 TEUs (30th June 2011: 1,713,872 TEUs), a 4.9% increase compared with last year.

With regard to container manufacturing business, the first quarter of 2012 was an off-season for containers, with weaker demand than usual, resulting in a relatively significant decline in the results compared with last year. The Group's share of profit of CIMC decreased to US\$29,751,000 (corresponding period of 2011: US\$91,290,000) for the first half of 2012, a decrease of 67.4% compared with last year.

Financial Analysis

Revenue

Revenue of the Group for the first half of 2012 was US\$367,355,000 (corresponding period of 2011: US\$278,667,000), a 31.8% increase compared with last year. The revenue was primarily derived from terminal business of US\$197,806,000 (corresponding period of 2011: US\$149,504,000) and container leasing, management and sale businesses of US\$170,569,000 (corresponding period of 2011: US\$129,275,000).

The total revenue from terminal business for the first half of 2012 increased by 32.3% compared with last year, which was mainly derived from Piraeus Terminal and Guangzhou South China Oceangate Terminal. The throughput of Piraeus Terminal reached 1,053,259 TEUs (corresponding period of 2011: 484,280 TEUs) in the first half of 2012, contributing a revenue of US\$69,545,000 (corresponding period of 2011: US\$47,595,000) to the Group during the period, a 46.1% increase compared with last year. The throughput of Guangzhou South China Oceangate Terminal was 2,077,014 TEUs (corresponding period of 2011: 1,685,432 TEUs) in the first half of 2012, and its revenue increased to US\$59,333,000 (corresponding period of 2011: US\$41,347,000), a 43.5% increase compared with last year.

Revenue from container leasing, management and sale businesses primarily included container leasing income and revenue from disposal of returned containers. As at 30th June 2012, the fleet capacity of owned containers and sale-and-leaseback containers reached 907,685 TEUs and 229,283 TEUs respectively (30th June 2011: 798,638 TEUs and 229,283 TEUs respectively). Revenue from container leasing for the period was US\$137,686,000 (corresponding period of 2011: US\$114,335,000), a 20.4% increase compared with last year. On the other hand, the number of returned containers disposed of during the first half of 2012 was 19,522 TEUs (corresponding period of 2011: 4,777 TEUs). As a result, the revenue from sale of returned containers was US\$26,843,000 (corresponding period of 2011: US\$9,518,000).

Cost of sales

Cost of sales mainly comprised depreciation charges on owned containers, net carrying amount of returned containers disposed of, rental expenses of sale-and-leaseback containers and operating expenses of the terminal companies with controlling stakes. Cost of sales in the first half of 2012 was US\$201,885,000 (corresponding period of 2011: US\$159,356,000), a 26.7% increase compared with last year. Of this, cost of sales of terminal business was US\$125,549,000 (corresponding period of 2011: US\$103,120,000), a 21.8% increase compared with last year. The increase was mainly attributable to a rise in the related cost of sales resulted from an increase in the throughput of terminals with controlling stakes. Cost of sales of container leasing, management and sale businesses was US\$76,347,000 (corresponding period of 2011: US\$56,236,000) in the first half of 2012, a 35.8% increase compared with last year. Of this, depreciation charges for containers increased to US\$50,056,000 (corresponding period of 2011: US\$41,930,000) as a result of increased container fleet size. In addition, the net carrying amount of disposed returned containers increased to US\$10,759,000 (corresponding period of 2011: US\$5,664,000) as a result of the increase in the number of returned containers disposed of.

Administrative expenses

Administrative expenses in the period were US\$41,643,000 (corresponding period of 2011: US\$38,354,000), an 8.6% increase compared with last year. In the first half of 2012, the Group further enhanced project development and increased the marketing efforts, resulting in higher administrative expenses. Moreover, Xiamen Ocean Gate Terminal commenced operation in May 2012, which also caused an increase in the related administrative expenses.

Other operating income, net

Net other operating income in the first half of 2012 was US\$2,056,000 (corresponding period of 2011: US\$6,543,000), which included a net exchange loss of US\$2,521,000 (corresponding period of 2011: a net exchange gain of US\$5,354,000), a net gain on disposal of property, plant and equipment of US\$2,000 (corresponding period of 2011: net loss of US\$3,416,000) and a dividend income of US\$1,826,000 (corresponding period of 2011: US\$1,628,000) declared by Tianjin Five Continents International Container Terminal Co., Ltd. in the first half of 2012.

Finance costs

The Group's finance costs in the first half of 2012 were US\$35,963,000 (corresponding period of 2011: US\$26,845,000), a 34.0% increase compared with last year. Finance costs included interest expenses and the amortisation of transaction costs over bank loans and notes. The rise in finance costs was primarily due to an increase in the average balance of bank loans of the Group to US\$2,233,602,000 (corresponding period of 2011: US\$2,040,814,000), a 9.4% increase compared with last year. In addition, the successive upward adjustment of the benchmark interest rate for RMB loans in the PRC last year was fully reflected in the first half of 2012, which also led to increased finance costs. Taking into account capitalised interest, the average cost of bank borrowings in the first half of 2012, including the amortisation of transaction costs over bank loans and notes, was 3.75% (corresponding period of 2011: 3.09%).

Share of profits less losses of jointly controlled entities and associates

The profit contribution from jointly controlled entities and associates amounted to US\$107,204,000, representing a 36.8% decrease compared with US\$169,588,000 of the corresponding period of last year. The decrease was mainly due to a 67.4% decrease in the profit attributable from CIMC. In the first half of 2011, CIMC achieved record high earnings for its container business, which was attributable to abundant orders fully taking up its production capacity, coupled with rising prices. However, the first quarter of 2012 was an off-season for containers, with a weaker demand than usual. Despite relatively strong demand witnessed in the second quarter, the results for the period decreased significantly compared with last year due to the exceptionally large base of last year. The Group's share of profit of CIMC decreased to US\$29,751,000 (corresponding period of 2011: US\$91,290,000) in the first half of 2012, a significant decrease of 67.4% compared with last year.

As for the terminals in which the Group has equity interests, the throughput of Qingdao Qianwan Container Terminal Co., Ltd. ("Qingdao Qianwan Terminal") rose by 12.9% to 7,076,924 TEUs (corresponding period of 2011: 6,269,091 TEUs) in the first half of 2012. Therefore, the Group's share of profit of Qingdao Qianwan Terminal increased to US\$18,370,000 (corresponding period of 2011: US\$17,475,000) for the period, a 5.1% increase compared with last year. The increase in throughput of COSCO-PSA Terminal Private Limited ("COSCO-PSA Terminal") led an increase in its revenue. The Group's share of profit of COSCO-PSA Terminal was US\$1,756,000 (corresponding period of 2011: US\$153,000). The throughput of Yantian International Container Terminals Co., Ltd. ("Yantian Terminal") rose by 1.9% to 4,824,317 TEUs (corresponding period of 2011: 4,734,794 TEUs) in the first half of 2012. The Group's share of profit of Yantian Terminal was slightly decreased by 0.9% to US\$23,178,000 (corresponding period of 2011: US\$23,382,000). The throughput of COSCO-HIT Terminal rose by 6.4% to 874,455 TEUs (corresponding period of 2011: 821,851 TEUs). However, due to increased operating costs including fuel expenses and depreciation during the period, the Group's share of profit of COSCO-HIT Terminal decreased to US\$11,979,000 (corresponding period of 2011: US\$12,594,000) for the first half of 2012, a 4.9% decrease compared with last year. The throughput of Shanghai Pudong International Container Terminals Limited ("Shanghai Pudong Terminal") decreased by 10.5% to 1,045,154 TEUs (corresponding period of 2011: 1,167,619 TEUs) during the period. The Group's share of profit of Shanghai Pudong Terminal was US\$10,853,000 (corresponding period of 2011: US\$12,616,000) for the first half of 2012, a 14.0% decrease compared with last year.

Gain on disposal of a jointly controlled entity

To optimise the Group's terminal business structure, the Group completed the disposal of 50% equity interest in Qingdao Cosport Terminal on 28th April 2011, making a gain after tax of US\$12,557,000 in the first half of 2011. No such gain was recorded in the first half of 2012.

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

Guangzhou South China Oceangate Terminal was previously 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 Guangzhou South China Oceangate Terminal, the joint control of Guangzhou South China Oceangate Terminal expired on 31st December 2010. Accordingly, the Group has accounted for Guangzhou South China Oceangate Terminal as a subsidiary from 1st January 2011 and a gain of US\$11,841,000 on release of exchange reserve was recorded in the corresponding period of last year. No such gain was recorded in the first half of 2012.

Income tax expenses

During the period, income tax expenses amounted to US\$12,935,000 (corresponding period of 2011: US\$16,545,000). This included a provision of approximately US\$6,133,000 (corresponding period of 2011: US\$13,020,000) for withholding income tax in respect of the profit distribution by certain investments of the Group in the PRC.

Financial Position

Cash flow

Cash inflow of the Group remained steady in the first half of 2012. During the period, net cash from operating activities amounted to US\$207,872,000 (corresponding period of 2011: US\$155,010,000). The Group borrowed bank loans of US\$492,778,000 (corresponding period of 2011: US\$272,064,000) and repaid US\$368,680,000 (corresponding period of 2011: US\$223,450,000) in the first half of 2012.

During the period, an amount of US\$228,083,000 (corresponding period of 2011: US\$310,508,000) was paid in cash for the expansion of berths and purchase of property, plant and equipment, of which US\$59,337,000 (corresponding period of 2011: US\$238,326,000) was for the purchase of containers. In addition, the total cash outflow for capital investment and shareholders' loan by the Group amounted to US\$25,793,000 in the first half of 2012, mainly comprising US\$19,744,000 used for capital injection in Ningbo Yuan Dong Terminals Limited ("Ningbo Yuan Dong Terminal") and US\$6,049,000 used for providing a shareholders' loan by Piraeus Terminal to its jointly controlled entity, Piraeus Consolidation and Distribution Centre S.A.

Financing and credit facilities

As at 30th June 2012, the Group's total outstanding borrowings and cash balance amounted to US\$2,278,512,000 (31st December 2011: US\$2,167,994,000) and US\$787,291,000 (31st December 2011: US\$581,069,000) respectively. Banking facilities available but unused amounted to US\$748,178,000 (31st December 2011: US\$1,041,658,000).

Assets and liabilities

As at 30th June 2012, the Group's total assets and total liabilities increased to US\$6,857,724,000 (31st December 2011: US\$6,472,184,000) and US\$2,851,081,000 (31st December 2011: US\$2,592,025,000) respectively. Net assets were US\$4,006,643,000, an increase of 3.3% as compared with that of US\$3,880,159,000 as at the end of 2011. Net current assets as at 30th June 2012 amounted to US\$85,076,000 (31st December 2011: US\$50,698,000). As at 30th June 2012, net asset value per share of the Company was US\$1.48 (31st December 2011: US\$1.43).

As at 30th June 2012, net debt-to-total equity ratio of the Group was 37.2% (31st December 2011: 40.9%), and the interest coverage was 6.6 times (corresponding period of 2011: 10.6 times). As at 30th June 2012, certain of the Group's property, plant and equipment with an aggregate net book value of US\$18,349,000 (31st December 2011: US\$19,277,000) were pledged as securities against bank borrowings of US\$161,020,000 (31st December 2011: US\$130,682,000).

Debt analysis

	As at 30th June 2012		As at 31st December 2011	
	US\$	(%)	US\$	(%)
By repayment term				
Within the first year	557,925,000	24.5	594,524,000	27.4
Within the second year	736,898,000	32.3	732,863,000	33.8
Within the third year	383,290,000	16.8	328,158,000	15.1
Within the fourth year	65,261,000	2.9	48,307,000	2.2
Within the fifth year and after	535,138,000	23.5	464,142,000	21.5
	2,278,512,000*	100.0	2,167,994,000*	100.0
By category				
Secured borrowings	161,020,000	7.1	130,682,000	6.0
Unsecured borrowings	2,117,492,000	92.9	2,037,312,000	94.0
	2,278,512,000*	100.0	2,167,994,000*	100.0
By denominated currency				
US dollar borrowings	1,269,099,000	55.7	1,175,832,000	54.3
RMB borrowings	848,393,000	37.2	861,480,000	39.7
Euro borrowings	161,020,000	7.1	130,682,000	6.0
	2,278,512,000*	100.0	2,167,994,000*	100.0

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

Financial guarantee contracts

As at 30th June 2012, the Group provided guarantees on a loan facility granted to an associate of US\$24,599,000 (31st December 2011: US\$27,513,000).

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 (ADK) has claimed approximately Euro 5,800,000 (equivalent to approximately US\$7,300,000) 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\$38,000) against the plaintiff. 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 dollars, 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 2012, outstanding interest rate swap contracts comprised nominal principal amounting to US\$200,000,000 (31st December 2011: 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 2011: 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 2011: 5.875%).

As at 30th June 2012, after adjustment of the fixed rate borrowings for the interest rate swap contracts, 4.4% (31st December 2011: 4.6%) 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.

Operational Review

In the first half of 2012, China's trade growth was affected by the continued slowdown in the global economic growth amid the intensifying Eurozone sovereign debt crisis in the second half of 2011. According to the statistics from the Ministry of Commerce of the PRC, the year-on-year growth of China's import and export trade slowed down to 6.7% and 9.2% respectively in the first half of 2012. The growth of China's port container throughput also lost momentum as a result. According to the statistics of the Ministry of Transport of the PRC, container throughput at China's ports increased by 8.8% in the first half of 2012 compared with last year. The Group's principal activities including terminal business and container leasing, management and sale businesses still recorded robust performance during the period.

Terminals

The terminal business of COSCO Pacific achieved solid results during the period. Excluding the gain of US\$12,557,000 on the disposal of Qingdao Cosport Terminal in the first half of 2011, the Group's profit from the terminal business grew by 16.3% to US\$97,841,000 (corresponding period of 2011: US\$84,105,000). This growth was mainly attributable to a rise of 16.2% in equity throughput. In line with the Group's expectation, Piraeus Terminal and Guangzhou South China Oceangate Terminal continued to drive the growth of the Group's terminal business. Benefited from the new shipping routes opened in 2011, the throughput of these two terminals increased by 117.5% and 23.2% respectively in the first half of 2012, leading to an increase in profit contribution by 591.7% and 382.6% to US\$11,828,000 (corresponding period of 2011: US\$1,710,000) and US\$3,335,000 (corresponding period of 2011: US\$691,000) respectively, reflecting continuous improvement in operational leverage.

Revenue of Piraeus Terminal and Guangzhou South China Oceangate Terminal increased by 46.1% and 43.5% to US\$69,545,000 (corresponding period of 2011: US\$47,595,000) and US\$59,333,000 (corresponding period of 2011: US\$41,347,000) respectively, driving a growth in the revenue of terminal business by 32.3% to US\$197,806,000 (corresponding period of 2011: US\$149,504,000).

The total container throughput of COSCO Pacific recorded a satisfactory growth in the first half of 2012 with an increase of 10.8% to 26,876,860 TEUs (corresponding period of 2011: 24,249,265 TEUs). The terminal companies in China (excluding Hong Kong) handled 22,302,104 TEUs in aggregate (corresponding period of 2011: 20,305,010 TEUs), a 9.8% increase, outperforming China's national average growth rate of 8.8%. Piraeus Terminal and Guangzhou South China Oceangate Terminal showed a rapid growth in throughput, driving a growth in the Group's equity throughput by 16.2% to 7,581,363 TEUs (corresponding period of 2011: 6,521,928 TEUs).

Regional breakdown of total throughput

	1H 2012 (TEUs)	y-o-y change (%)	% of total throughput
Bohai Rim	10,673,045	+12.1	39.7
Yangtze River Delta	3,928,777	+8.1	14.6
Pearl River Delta and Southeast Coast	8,574,737	+7.6	31.9
China (including Hong Kong)	23,176,559	+9.7	86.2
Overseas	3,700,301	+18.5	13.8
Total throughput	26,876,860	+10.8	100.0

Regional breakdown of equity throughput (calculated according to the shareholding proportion of the Group)

	1H 2012 (TEUs)	y-o-y change (%)	% of total throughput
Bohai Rim	2,138,684	+6.7	28.2
Yangtze River Delta	1,132,568	+6.6	15.0
Pearl River Delta and Southeast Coast	2,535,542	+10.5	33.4
China (including Hong Kong)	5,806,794	+8.3	76.6
Overseas	1,774,569	+52.9	23.4
Total equity throughput	7,581,363	+16.2	100.0

Throughput of terminal companies

Terminal companies	1H 2012 (TEUs)	1H 2011 (TEUs)	y-o-y change (%)
Bohai Rim	10,673,045	9,522,797	+12.1
Qingdao Qianwan Container Terminal Co., Ltd. ^{Note 1}	7,076,924	6,269,091	+12.9
Dalian Port Container Terminal Co., Ltd.	983,401	945,716	+4.0
Tianjin Five Continents International Container Terminal Co., Ltd.	1,048,546	976,863	+7.3
Tianjin Port Euroasia International Container Terminal Co., Ltd.	745,138	649,091	+14.8
Yingkou Container Terminals Company Limited	819,036	682,036	+20.1
Yangtze River Delta	3,928,777	3,634,691	+8.1
Shanghai Pudong International Container Terminals Limited	1,045,154	1,167,619	-10.5
Ningbo Yuan Dong Terminals Limited	1,196,903	1,035,691	+15.6
Zhangjiagang Win Hanverky Container Terminal Co., Ltd.	558,732	484,687	+15.3
Yangzhou Yuanyang International Ports Co., Ltd.	194,128	191,964	+1.1
Nanjing Port Longtan Container Co., Ltd.	933,860	754,730	+23.7
Pearl River Delta and Southeast Coast	8,574,737	7,969,373	+7.6
COSCO-HIT Terminals (Hong Kong) Limited	874,455	821,851	+6.4
Yantian International Container Terminals Co., Ltd.	4,824,317	4,734,794	+1.9
Guangzhou South China Oceangate Container Terminal Company Limited	2,077,014	1,685,432	+23.2
Xiamen Ocean Gate Container Terminal Co., Ltd. ^{Note 2}	33,540	–	N/A
Quan Zhou Pacific Container Terminal Co., Ltd.	599,708	576,799	+4.0
Jinjiang Pacific Ports Development Co., Ltd.	165,703	150,497	+10.1
Overseas	3,700,301	3,122,404	+18.5
Piraeus Container Terminal S.A.	1,053,259	484,280	+117.5
Suez Canal Container Terminal S.A.E.	1,435,435	1,516,733	-5.4
COSCO-PSA Terminal Private Limited	661,731	513,758	+28.8
Antwerp Gateway NV	549,876	607,633	-9.5
Total throughput	26,876,860	24,249,265	+10.8

Note 1: Throughput of Qingdao Qianwan Terminal includes the throughput of Qingdao Qianwan United Container Terminal Co., Ltd. ("Qingdao Qianwan United Terminal") and Qingdao Qianwan United Advance Container Terminal Co., Ltd. ("Qingdao Qianwan United Advance Terminal") and these two terminals are jointly controlled entities of Qingdao Qianwan Terminal. The throughput of Qingdao Qianwan United Terminal in the first half of 2012 was 1,478,984 TEUs. Qingdao Qianwan United Advance Terminal started operation in July 2011 and its throughput in the first half of 2012 was 526,099 TEUs.

Note 2: Xiamen Ocean Gate Terminal started official operation in May 2012.

Note 3: The total throughput of break-bulk cargo in the first half of 2012 was 11,450,486 tonnes (corresponding period of 2011: 12,945,477 tonnes), a decrease of 11.5%. The throughput of Dalian Automobile Terminal Co., Ltd. reached 107,102 vehicles (corresponding period of 2011: 79,302 vehicles), an increase of 35.1%.

During the period, the throughput of the Bohai Rim region reached 10,673,045 TEUs (corresponding period of 2011: 9,522,797 TEUs), representing an increase of 12.1% and accounting for 39.7% of the Group's total throughput. The increase primarily derived from Qingdao Qianwan Terminal, four new berths of which were put into operation in 2011, driving a growth in throughput by 12.9% in the first half of 2012.

The throughput of the Yangtze River Delta reached 3,928,777 TEUs (corresponding period of 2011: 3,634,691 TEUs), representing an increase of 8.1% and accounting for 14.6% of the total throughput. During the period, Ningbo Yuan Dong Terminal opened a number of new shipping routes, driving an increase in the throughput by 15.6%.

The throughput of the Pearl River Delta and Southeast Coast reached 8,574,737 TEUs (corresponding period of 2011: 7,969,373 TEUs), representing an increase of 7.6% and accounting for 31.9% of the total throughput. Guangzhou South China Oceangate Terminal experienced an increase in throughput of 23.2% in the first half of 2012 as a major customer increased shipping routes at this terminal in 2011.

The throughput of overseas terminals reached 3,700,301 TEUs (corresponding period of 2011: 3,122,404 TEUs), representing an increase of 18.5% and accounting for 13.8% of the total throughput. Piraeus Terminal handled 1,053,259 TEUs (2011: 484,280 TEUs), an increase of 117.5%. Two international shipping companies have increased berthing and commenced calls at the terminal respectively since 2011, driving a rapid growth in the business.

As of 30th June 2012, there were 95 berths (corresponding period of 2011: 88) under the Group's operating container terminals, with a total annual handling capacity of 56,850,000 TEUs (corresponding period of 2011: 52,367,500 TEUs). There were eight operating break-bulk berths (corresponding period of 2011: 8), with a total annual handling capacity of 9,050,000 tonnes (corresponding period of 2011: 9,050,000 tonnes). The upgrading of Pier 2 at Piraeus Terminal was completed in June 2012, which increased the annual handling capacity from 1,600,000 TEUs to 2,600,000 TEUs, leading to continuous business growth. Xiamen Ocean Gate Terminal started trial operation at the end of November 2011 and commenced formal operation in May 2012. The terminal has two berths put into operation, with an annual handling capacity of 1,400,000 TEUs.

The Group estimates that additional annual handling capacity provided by its new operations in the second half of 2012 will reach 2,750,000 TEUs. The new capacity will come from Dalian Port Container Terminal Co., Ltd. (850,000 TEUs), Jinjiang Pacific Ports Development Co., Ltd. (500,000 TEUs), Yangzhou Yuanyang International Ports Co., Ltd. ("Yangzhou Yuanyang Terminal") (200,000 TEUs) and Ningbo Yuan Dong Terminal (1,200,000 TEUs).

Container Leasing, Management and Sale

In line with the Group's expectation, the market of new containers and container leasing began to show a rapid recovery in late March following weak demand witnessed in the first quarter of 2012, with the price of new containers and the rental of containers rebounding. The overall average utilisation rate of the Group's containers began to recover in April.

The Group's container leasing, management and sale businesses, operated and managed by the Group's wholly owned subsidiary, Florens Container Holdings Limited and its subsidiaries, achieved satisfactory performance in the first half of 2012. Profit increased by 29.5% to US\$72,766,000 (corresponding period of 2011: US\$56,195,000), mainly driven by the growth in the total container fleet size and the number of returned containers disposed of.

The Group's container leasing business maintains an optimal balance of leases, with containers leased mainly on a long-term basis so as to maintain a relatively high utilisation rate and provide a stable source of income. Revenue from long-term leases accounted for 94.6% (corresponding period of 2011: 93.2%) of the revenue of the container leasing in the first half of 2012 while master leases accounted for 5.4% (corresponding period of 2011: 6.8%). The overall average utilisation rate of the Group's containers was 95.2% (corresponding period of 2011: 96.8%), which was slightly higher than the industry average of approximately 94.7% (corresponding period of 2011: approximately 95.5%).

Total revenue generated from container leasing, management and sale businesses of the Group amounted to US\$170,569,000 (corresponding period of 2011: US\$129,275,000), representing an increase of 31.9%. The growth was mainly attributable to increased revenue from container leasing and substantial growth in revenue from returned containers disposal of. Of this, the revenue from container leasing rose by 20.4% to US\$137,686,000 (corresponding period of 2011: US\$114,335,000), mainly attributable to an increase of 10.6% in the fleet capacity of owned containers and sale-and-leaseback containers to 1,136,968 TEUs (corresponding period of 2011: 1,027,921 TEUs). The revenue from container leasing accounted for 80.7% (corresponding period of 2011: 88.4%) of the total revenue of the container leasing, management and sale businesses. Meanwhile, the number of returned containers disposed of increased by 308.7% to 19,522 TEUs (corresponding period of 2011: 4,777 TEUs). Of this, the number of containers returned from COSCON upon expiry of 10-year leases was 19,498 TEUs (corresponding period of 2011: 4,084 TEUs), driving a substantial increase in the revenue from returned containers disposal of by 182.0% to US\$26,843,000 (corresponding period of 2011: US\$9,518,000), accounting for 15.7% (corresponding period of 2011: 7.4%) of the total revenue. The fleet size of managed containers decreased by 3.7% to 660,409 TEUs (corresponding period of 2011: 685,951 TEUs), resulting in a drop in the revenue from container management by 12.9% to US\$3,630,000 (corresponding period of 2011: US\$4,169,000), accounting for 2.1% (corresponding period of 2011: 3.2%) of the total revenue.

Breakdown of revenue from container leasing, management and sale businesses

	1H 2012 (US\$)	y-o-y change (%)	% of total revenue
Container leasing	137,686,000	+20.4	80.7
Disposal of returned containers	26,843,000	+182.0	15.7
Container management	3,630,000	-12.9	2.1
Others	2,410,000	+92.3	1.5
Total revenue	170,569,000	+31.9	100.0

Fleet capacity movement

	2012 (TEUs)	2011 (TEUs)	y-o-y change (%)
Fleet capacity as at 1st January	1,777,792	1,631,783	+8.9
New containers purchased	47,642	102,598	-53.6
Containers returned from COSCON upon expiry of leases			
– Total	(12,859)	(1,184)	+986.1
– Re-leased	1,052	78	+1,248.7
– Disposal of and pending for disposal	(11,807)	(1,106)	+967.5
Ownership transferred to customers upon expiry of finance leases	–	(3,498)	-100.0
Defective containers written off	(9)	(56)	-83.9
Loss and damage of containers declared and compensated by customers	(16,241)	(15,849)	+2.5
Fleet capacity as at 30th June	1,797,377	1,713,872	+4.9

As of 30th June 2012, the Group's container fleet size had reached 1,797,377 TEUs (corresponding period of 2011: 1,713,872 TEUs), representing a 4.9% increase. The Group remained the world's third largest container leasing company, with a global market share of approximately 12.2% (corresponding period of 2011: approximately 13.0%). The average age of container fleet was 6.40 years (corresponding period of 2011: 5.71 years).

In the first half of the year, the Group ordered approximately 103,000 TEUs of new containers (corresponding period of 2011: 118,000 TEUs). New containers received by the Group amounted to 47,642 TEUs (corresponding period of 2011: 102,598 TEUs). Among these, 16,000 TEUs (corresponding period of 2011: 41,098 TEUs) were purchased for COSCON, accounting for 33.6% (corresponding period of 2011: 40.1%) of the total received new containers, while 31,642 TEUs (corresponding period of 2011: 61,500 TEUs) were for international customers, representing 66.4% (corresponding period of 2011: 59.9%) of the total received new containers. The capital expenditure for the purchase of containers was US\$119,443,000 (corresponding period of 2011: US\$272,907,000).

During the period, the number of containers returned from COSCON upon expiry of 10-year leases was 12,859 TEUs (corresponding period of 2011: 1,184 TEUs), representing an increase of 986.1%.

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

As at 30th June	Leasing Customers	2012 (TEUs)	2011 (TEUs)	y-o-y change (%)
Owned containers	COSCON	320,761	309,113	+3.8
Owned containers	International customers	586,924	489,525	+19.9
Sale-and-leaseback containers	COSCON	229,283	229,283	–
Managed containers	International customers	660,409	685,951	–3.7
Total		1,797,377	1,713,872	+4.9

As at 30th June	Leasing Customers	2012 % of total	2011 % of total	y-o-y change (pp)
Owned containers	COSCON	17.8	18.0	–0.2
Owned containers	International customers	32.7	28.6	+4.1
Sale-and-leaseback containers	COSCON	12.8	13.4	–0.6
Managed containers	International customers	36.7	40.0	–3.3
Total		100.0	100.0	–

As at 30th June 2012, the owned container fleet reached 907,685 TEUs (as at 30th June 2011: 798,638 TEUs), which represented 50.5% (as at 30th June 2011: 46.6%) of the total container fleet. The sale-and-leaseback container fleet size amounted to 229,283 TEUs (as at 30th June 2011: 229,283 TEUs), which represented 12.8% (as at 30th June 2011: 13.4%) of the total container fleet. The managed container fleet size amounted to 660,409 TEUs (as at 30th June 2011: 685,951 TEUs), representing 36.7% (as at 30th June 2011: 40.0%) of the total container fleet.

Classified by customers, COSCON leased 550,044 TEUs (as at 30th June 2011: 538,396 TEUs), while international customers took up 1,247,333 TEUs (as at 30th June 2011: 1,175,476 TEUs), which represented 30.6% (as at 30th June 2011: 31.4%) and 69.4% (as at 30th June 2011: 68.6%) of the total container fleet respectively.

Container Manufacturing

The Group holds 21.8% stake in CIMC, the world's largest container manufacturer. Since the fourth quarter of 2011, the global container market experienced an off-season as a result of slower-than-expected economic recovery and a downturn in the shipping market. The first quarter of 2012 was still an off-season for containers, with weaker demand than usual. Despite relatively strong demand witnessed in the second quarter, the results decreased significantly compared with last year as a result of exceptionally large base of last year. The Group's profit contribution from container manufacturing business for the period decreased by 67.4% to US\$29,751,000 (corresponding period of 2011: US\$91,290,000).

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 2012	% of total issued share capital	Exercisable period	Note
		Outstanding at 1st January 2012	Granted during the period	Exercised during the period	Transfer (to)/ from other categories during the period	Lapsed during the period				
Directors										
Mr. Li Yunpeng	13.75	N/A	-	-	1,000,000	-	1,000,000	0.037%	3.12.2004-2.12.2014	(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)
		2,800,000	-	-	1,000,000	-	3,800,000			
Continuous contract employees	9.54	1,511,000	-	-	(100,000)	(30,000)	1,381,000	0.051%	(refer to note 1)	(1)
	13.75	12,412,000	-	-	(680,000)	(584,000)	11,148,000	0.411%	(refer to note 2)	(2)
	19.30	12,900,000	-	-	(330,000)	(410,000)	12,160,000	0.448%	(refer to note 3)	(3)
Others	9.54	50,000	-	-	100,000	-	150,000	0.006%	(refer to note 1)	(1)
	13.75	7,630,000	-	-	(320,000)	-	7,310,000	0.270%	(refer to note 2)	(2), (5), (6)
	19.30	800,000	-	-	330,000	-	1,130,000	0.042%	(refer to note 3)	(3)
		35,303,000	-	-	(1,000,000)	(1,024,000)	33,279,000			
		38,103,000	-	-	-	(1,024,000)	37,079,000			

Notes:

- (1) The share options were granted during the period from 28th October 2003 to 6th November 2003 under the 2003 Share Option Scheme at an exercise price of HK\$9.54. The options are exercisable at any time within ten years from the commencement date which is the date on which an offer is accepted or deemed to be accepted by the grantee pursuant to the 2003 Share Option Scheme (the "Commencement Date"). The Commencement Date of the options was from 28th October 2003 to 6th November 2003.
- (2) The share options were granted during the period from 25th November 2004 to 16th December 2004 under the 2003 Share Option Scheme at an exercise price of HK\$13.75. The options are exercisable at any time within ten years from the Commencement Date. The Commencement Date of the options was from 25th November 2004 to 16th December 2004.
- (3) The share options were granted during the period from 17th April 2007 to 19th April 2007 under the 2003 Share Option Scheme at an exercise price of HK\$19.30. 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.
- (4) These share options represent personal interests held by the relevant directors as beneficial owners.
- (5) Mr. Li Yunpeng was appointed as Chairman of the Board and a non-executive director of the Company on 24th February 2012. In this respect, the options granted to Mr. Li Yunpeng were re-classified from the category of "others" to the category of "directors".
- (6) The 320,000 share options transferred to the category of "others" is the net amount of the 1,000,000 share options reclassified from the category of "others" to the category of "directors" (refer to note 5 above) and the 680,000 share options transferred from the category of "continuous contract employees" to the category of "others".
- (7) 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 2012, 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. WANG Xingru	Beneficial owner	Personal	120,000	0.004%
Dr. WONG Tin Yau, Kelvin	Beneficial owner	Personal	500,000	0.018%
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	Mr. WAN Min	Beneficial owner	Personal	2,000	0.0001%
	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 A shares held	% of total issued A share capital of the relevant associated corporation
China COSCO Holdings Company Limited	Mr. LI Yunpeng	Interest of spouse	Family	3,000	0.00004%
	Mr. WAN Min	Beneficial owner	Personal	35,000	0.0005%

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. WANG Xingru	Beneficial owner	Personal	100,000	0.007%
	Dr. WONG Tin Yau, Kelvin	Beneficial owner	Personal	203,529	0.013%

(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 2012	% of total issued share capital of the relevant associated corporation	Note
					Outstanding at 1st January 2012	Granted during the period	Exercised during the period	Lapsed during the period			
COSCO International Holdings Limited	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:

- (1) 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.
- (2) 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 2012	% of total issued share capital of the relevant associated corporation	Note
					Outstanding at 1st January 2012	Granted during the period	Exercised during the period	Lapsed during the period			
COSCO Corporation (Singapore) Limited	Dr. WANG Xingru	Beneficial owner	Personal	2.48	700,000	-	-	-	700,000	0.031%	(1)
		Beneficial owner	Personal	2.95	700,000	-	-	-	700,000	0.031%	(2)

Notes:

- (1) The share options were granted by COSCO Corporation (Singapore) Limited ("COSCO Singapore"), an associated corporation of the Company listed on the Main Board of the Singapore Exchange, on 5th February 2007 and are exercisable at any time between 5th February 2008 and 13th July 2012.
- (2) The share options were granted by COSCO Singapore on 24th March 2008 and are exercisable at any time between 24th March 2009 and 13th July 2012.
- (3) 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 2012	Granted during the period	Exercised during the period	Outstanding at 30th June 2012		
China COSCO Holdings Company Limited	Mr. LI Yunpeng	Beneficial owner	Personal	3.195	N/A	-	-	450,000	0.017%	(1),(4)
				3.588	N/A	-	-	600,000	0.023%	(2),(4)
				9.540	N/A	-	-	580,000	0.022%	(3),(4)
	Mr. WAN Min	Beneficial owner	Personal	3.195	75,000	-	-	75,000	0.003%	(1)
				3.588	280,000	-	-	280,000	0.011%	(2)
				9.540	260,000	-	-	260,000	0.010%	(3)
	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. 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. FENG Bo	Beneficial owner	Personal	3.195	N/A	-	-	75,000	0.003%	(1),(4)
				3.588	N/A	-	-	90,000	0.003%	(2),(4)
				9.540	N/A	-	-	85,000	0.003%	(3),(4)
	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. WANG Wei	Beneficial owner	Personal	3.195	N/A	-	-	75,000	0.003%	(1),(4)
				3.588	N/A	-	-	65,000	0.003%	(2),(4)
				9.540	N/A	-	-	60,000	0.002%	(3),(4)
	Mr. YIN Weiyu	Beneficial owner	Personal	3.195	100,000	-	-	100,000	0.004%	(1)
				3.588	65,000	-	-	65,000	0.003%	(2)
Ex-directors										
	Mr. XU Lirong	Beneficial owner	Personal	3.195	375,000	-	-	N/A	N/A	(1),(5)
				3.588	500,000	-	-	N/A	N/A	(2),(5)
				9.540	580,000	-	-	N/A	N/A	(3),(5)
	Mr. WANG Zenghua	Beneficial owner	Personal	3.195	100,000	-	-	N/A	N/A	(1),(5)
				3.588	90,000	-	-	N/A	N/A	(2),(5)
				9.540	85,000	-	-	N/A	N/A	(3),(5)
	Mr. GAO Ping	Beneficial owner	Personal	3.195	100,000	-	-	N/A	N/A	(1),(5)
				3.588	90,000	-	-	N/A	N/A	(2),(5)
				9.540	85,000	-	-	N/A	N/A	(3),(5)

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. LI Yunpeng was appointed as Chairman of the Board and a non-executive director of the Company, Mr. FENG Bo was appointed as an executive director of the Company and Mr. WANG Wei was appointed as a non-executive director of the Company on 24th February 2012.
- (5) Mr. XU Lirong resigned as Chairman of the Board and a non-executive director of the Company, Mr. WANG Zenghua resigned as an executive director of the Company and Mr. GAO Ping resigned as a non-executive director of the Company on 24th February 2012.
- (6) During the period, no share appreciation rights mentioned above were lapsed or cancelled.

Save as disclosed above, as at 30th June 2012, 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

So far as is known to any directors or chief executive of the Company, as at 30th June 2012, 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, or as otherwise notified to the Company and the Stock Exchange were as follows:

Name	Capacity	Nature of interests	Number of ordinary shares/ % of total issued share capital						Note
			Long positions	%	Short positions	%	Lending pool	%	
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	42.71	-	-	-	-	(1)
China COSCO Holdings Company Limited	Interest of controlled corporation	Corporate interest	1,158,303,338	42.71	-	-	-	-	(1)
China Ocean Shipping (Group) Company	Interest of controlled corporation	Corporate interest	1,158,303,338	42.71	-	-	-	-	(1)
JPMorgan Chase & Co.	Beneficial owner, investment manager and custodian corporation/ approved lending agent	Beneficial interest and corporate interest	243,994,200	8.99	34,000	0.00	141,881,091	5.23	(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 2012, 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 subsidiaries and a non-wholly owned subsidiary (J.P. Morgan Securities Ltd. (98.95% control)).

Save as disclosed above, as at 30th June 2012, 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 2011 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. HE Jiale	<ul style="list-style-type: none"> Appointed as an executive director of COSCO International Holdings Limited ("COSCO International"), a company listed on The Stock Exchange of Hong Kong Limited, with effect from 10th April 2012 Appointed as a non-executive director of Chong Hing Bank Limited, a company listed on The Stock Exchange of Hong Kong Limited, with effect from 22nd May 2012
Mr. WANG Wei	<ul style="list-style-type: none"> Appointed as a director of COSCO Shipping Co., Ltd., a company listed on the Shanghai Stock Exchange, with effect from 30th March 2012 Appointed as a non-executive director of COSCO International with effect from 10th April 2012 Acted as a supervisor of the State-owned Enterprise Supervisory Committee appointed by the State Council to China Ocean Shipping (Group) Company
Dr. WONG Tin Yau, Kelvin	<ul style="list-style-type: none"> Appointed as a board director of Hong Kong Sports Institute Limited Resigned as a board director of Business Environment Council
Mr. CHOW Kwong Fai, Edward	<ul style="list-style-type: none"> Retired as an independent director of China Merchants Bank Co., Ltd., a company listed on The Stock Exchange of Hong Kong Limited and the Shanghai Stock Exchange, with effect from 9th July 2012
Mr. Timothy George FRESHWATER	<ul style="list-style-type: none"> Appointed as an independent non-executive director of Hong Kong Exchanges and Clearing Limited, a company listed on The Stock Exchange of Hong Kong Limited, with effect from 23rd April 2012 Resigned as a Vice Chairman of Goldman Sachs (Asia) L.L.C.
Mr. Adrian David LI Man Kiu	<ul style="list-style-type: none"> Appointed as a vice president of the Council of The Hong Kong Institute of Bankers

Subsequent to the date of this report and prior to the print, the Company was notified of the following change in biographical details by a director:

Name of director	Details of change
Mr. Adrian David LI Man Kiu	<ul style="list-style-type: none"> Appointed as a member of the Advisory Committee of the Hong Kong Baptist University's School of Business

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 2012 required to be disclosed under Rule 13.22 of Chapter 13 of the Listing Rules is set out below:

	US\$'000
Non-current assets	7,212,353
Current assets	2,016,719
Current liabilities	(2,705,020)
Non-current liabilities	(2,440,444)
Net assets	4,083,608
Share capital	502,259
Reserves	1,913,880
Non-controlling interests	1,667,469
Capital and reserves	4,083,608

As at 30th June 2012, the Group's attributable interests in these affiliated companies amounted to US\$863,262,000.

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 for the period from 1st January 2012 to 31st March 2012 and the Corporate Governance Code and Corporate Governance Report (the "Corporate Governance Code") for the period from 1st April 2012 to 30th June 2012 set out in Appendix 14 of the Listing Rules throughout the six months ended 30th June 2012, except the following deviation:

Code Provision A.6.7

The code provision A.6.7 of the Corporate Governance Code provides that independent non-executive directors and other non-executive directors, as equal board members as other directors, should attend general meetings of the company. Due to business commitment, Mr. WAN Min, a non-executive director of the Company, was unable to attend the annual general meeting of the Company held on 17th May 2012.

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 2012 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.

Nomination Committee

The Nomination Committee of the Company comprises four members, a majority of whom are independent non-executive directors. The Committee reviews the structure, size and composition of the Board and identifies individuals suitably qualified to become Board members and make recommendations to the Board.

Other Board Committees

In addition to the above committees, the Board has also established various committees which include the Executive Committee, the Investment and Strategic Planning Committee, the Corporate Governance Committee and the 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.

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 2012.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

The Company has not redeemed any of its shares during the six months ended 30th June 2012. 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 2012.

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 development strategies and the latest business conditions of the Company. During the period, the Company participated in four investor conferences organised by investment banks and conducted two roadshows. The Company met with a total of 230 investors, analysts and media representatives through one-on-one and group meetings. It also arranged four visits to its terminals for investors. The Company's management is committed to improving corporate governance performance. During the period, the Company was greatly encouraged by winning the Corporate Governance Asia Recognition Award given by Corporate Governance Asia magazine for the sixth consecutive year, which reflected the recognition and appreciation of COSCO Pacific's corporate governance and investor relations from institutional investors. In addition, the Company received the Outstanding China Enterprise Award from Capital magazine.

CORPORATE SUSTAINABLE DEVELOPMENT

Hang Seng Indexes Company Limited announced the results of its review of the Hang Seng Family of Indexes on 10th August 2012. COSCO Pacific is included as a constituent of Hang Seng Corporate Sustainability Benchmark Index, effective from 10th September 2012. The Company's efforts in corporate governance, environmental protection, community care and employee relations gain market recognition.

Environmental Protection

COSCO Pacific upholds measures and policies to protect and improve the environment. We have taken environmental protection into account during the course of our business development. We are committed to embodying the awareness of environmental protection in both business operation and employee activities, with a view to minimising the impact of our daily operation on the environment. The Group encourages and supports its subsidiaries to apply innovative technologies. Guangzhou South China Oceangate Terminal, Zhangjiagang Win Hanverky Container Terminal Co., Ltd., Yangzhou Yuanyang Terminal, Quan Zhou Pacific Container Terminal Co., Ltd. ("Quan Zhou Pacific Terminal"), Xiamen Ocean Gate Terminal and Piraeus Terminal have adopted technologies switching from fuel-powered to electrical equipment or directly utilised electrical equipment, with a view to reducing carbon emission and noise pollution.

Caring for the Community

The Group and its subsidiaries in different regions embrace their corporate citizenship actively. On one hand, we take an active part in local economic development, contributing to the economic development of the regions in which they operate. On the other hand, we actively participate in social welfare and community services, maintain close contact and communication with local social groups and organisations, and assist in the affairs of local communities through various means. Quan Zhou Pacific Terminal has helped local villages develop fisherman's wharf, and sponsored and assisted in organising the Maritime Day of China as well as cultural and sports activities. These moves have been recognised and honoured by local social organisations. Terminal companies in regions including Yangzhou, Zhangjiagang and Jinjiang have also actively sponsored, supported and participated in community activities, including public welfare activities such as making monetary and in-kind donations to local educational and welfare institutions and organising the staff to donate blood. Preference will be given to local residents of the same qualification with others in recruitment. These efforts have made positive contribution to the development of a harmonious community characterised by sustainable development as well as shared prosperity of enterprises and society.

Employee-Oriented Philosophy

As of 30th June 2012, COSCO Pacific had 3,014 employees.

COSCO Pacific believes that employees are its most valuable asset and is committed to building a team of dedicated staff in pursuit of excellence. The expansion of the Group's businesses translates into valuable and sustainable career development opportunities for its employees. In the first half of 2012, the Group focused on improving its incentive scheme, optimised its staff assessment system, implemented the internal job rotation scheme and enhanced employee development, aimed at bringing the potential of its staff into full play. The Group encourages its employees to further their educational development and thus, the Group has arranged a wide range of training programmes and various activities. The Group is also committed to promoting the integration of different cultures, creating a harmonious working environment, enhancing the overall quality of personnel and continuous improvement of staff relationship.

The Group is committed to providing employees with a safe working environment. The Group launched an activity namely "Safety Production Month" at its terminals in June 2012, promoting the awareness of occupational health and safety among its employees through safety education and drills. Meanwhile, the Group has improved its safety management system and allocated resources to provide staff with adequate safety and health protection.

Corporate Culture

The Group is committed to developing a corporate culture that is built on a harmonious and all-embracing culture and the pursuit of excellence, with a view to increasing the momentum to continuous growth of the Group. The Corporate Culture Department has been established under COSCO Pacific (China) Investments Co., Ltd., a subsidiary of the Company, for the purpose of developing corporate culture. In the first half of 2012, the Company has renovated its website to provide more information about its business and showcase its image. The Company has also enriched the content of its magazine "COSCO PACIFIC" to provide the staff with a platform for learning and communication.

Efforts to Enhance Corporate Sustainability Performance

In an effort to enhance its corporate sustainability performance, the Company has engaged the Business Environment Council Limited ("BEC") to assess its environmental, social and governance performance in 2011. BEC completed the assessment report on the corporate sustainability performance of the Company in May 2012. As remarked by BEC, the Company has shown its commitment to corporate social responsibility in its operational strategies, as well as its commitment to minimise the adverse environmental impact of its businesses and implement best practice in health and safety aspects. BEC recommended that the Company should adopt a more proactive approach in identifying strategies to enhance its corporate sustainability performance and undertake more on the sustainability front than it regularly discloses.

The Company will further optimise its strategies for sustainable development with a focus on areas of environment, society and governance that have significant influence on its businesses, so as to support its development strategies. We will set the direction of development, establish a mechanism to measure progress and include sustainable development into the daily management of COSCO Pacific while enhancing the communication between the Company and its stakeholders.

PROSPECTS

As for the terminal business, despite the continued slowdown in the global economic growth in the first half of the year, the Group recorded total throughput growth of 10.8% for the half year, higher than the projected full-year growth rate of 5% to 10% expected by the management at the beginning of 2012. The global economy remains clouded by the Eurozone sovereign debt crisis in the second half of the year, but the Group will be committed to meeting the full-year target for throughput growth in 2012. The management believes that a balanced geographical distribution of the Group's terminal portfolio is relatively well positioned to withstand economic uncertainties and lend relative stability to its terminal business. Accordingly, the throughput growth is expected to remain relatively steady in the second half of the year.

As for the container leasing, management and sale businesses, the Group has a cautiously optimistic outlook for the container leasing business. The container leasing market had recovered rapidly in the second quarter, with the price of new containers and the rental of containers rebounding. The overall average utilisation rate of the Group's containers began to recover in April, and is expected to remain at a relatively high level in the second half of the year. All of the approximately 103,000 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 Group expects that the sale of returned containers will continue to benefit from sustainable demand and stable selling price in the second half of the year.

As the global economic outlook remains uncertain, the Group has made prudent capital expenditure plans subject to the market conditions. Meanwhile, the Group will continue to adopt a prudent business strategy, strictly control operating costs, maintain a close focus on risk management and take precautionary measures as necessary in order to ensure the sustainable development of its businesses.

MEMBERS OF THE BOARD

As at the date of this report, the board of directors of the Company comprises Mr. LI Yunpeng² (Chairman), Dr. WANG Xingru¹ (Vice Chairman and Managing Director), Mr. WAN Min², Mr. HE Jiale¹, Mr. FENG Jinhua¹, Mr. FENG Bo¹, Mr. WANG Haimin², Mr. WANG Wei², Dr. WONG Tin Yau, Kelvin¹, Mr. YIN Weiyu¹, Mr. CHOW Kwong Fai, Edward³, Mr. Timothy George FRESHWATER³, Dr. FAN HSU Lai Tai, Rita³ and Mr. Adrian David LI Man Kiu³.

¹ Executive Director

² Non-executive Director

³ Independent Non-executive Director

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

Hong Kong, 27th August 2012

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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