COSCO Pacific Limited
中遠太平洋有限公司

Interim Report 2010
2010年中期報告

Contents

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 2010. The interim report has been reviewed by the Company's Audit Committee.

The Group's unaudited condensed consolidated interim financial information as set out on pages 3 to 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 (the "HKICPA"), 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 3(a) and 3(b) respectively to the unaudited condensed consolidated interim financial information.

Unaudited Condensed Consolidated Balance Sheet

As at 30th June 2010

	Note	As at 30th June 2010 US$'000	As at 31st December 2009 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	*4*	**1,917,334**	1,834,079
Investment properties		**4,169**	4,169
Leasehold land and land use rights		**149,748**	148,237
Intangible assets		**7,404**	5,719
Jointly controlled entities		**453,892**	431,132
Loans to jointly controlled entities		**160,525**	160,147
Associates	*5*	**1,376,310**	730,102
Loans to associates		**24,763**	32,440
Available-for-sale financial assets		**24,000**	320,000
Finance lease receivables		**899**	1,051
Deferred income tax assets		**4,005**	1,980
Derivative financial instruments	*6*	**20,771**	16,556
Other non-current assets	*7*	**60,124**	71,511
		4,203,944	3,757,123
Current assets			
Inventories		**6,759**	9,821
Trade and other receivables	*8*	**199,271**	182,315
Current income tax recoverable		**916**	1,355
Notes receivable	*9*	**70,000**	–
Available-for-sale financial assets		**–**	20,581
Restricted bank deposits	*10*	**14**	14
Cash and cash equivalents	*10*	**666,956**	405,740
		943,916	619,826
Assets held for sale under discontinued operation	*11*	**–**	258,363
		943,916	878,189
Total assets		**5,147,860**	4,635,312
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	*12*	**34,801**	29,018
Reserves		**3,093,197**	2,686,147
Proposed final dividend		**–**	27,128
Interim and special interim dividends declared		**86,362**	–
		3,214,360	2,742,293
Non-controlling interests		**136,513**	116,058
Total equity		**3,350,873**	2,858,351

As at 30th June 2010

	Note	**As at 30th June 2010 US$'000**	As at 31st December 2009 US$'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**19,567**	19,603
Long term borrowings	*13*	**1,390,196**	1,410,671
Other long term liabilities		**–**	744
		1,409,763	1,431,018
Current liabilities			
Trade and other payables	*14*	**208,376**	148,000
Current income tax liabilities		**3,623**	4,329
Current portion of long term borrowings	*13*	**84,530**	83,051
Short term bank loans	*13*	**90,695**	110,563
		387,224	345,943
Total liabilities		**1,796,987**	1,776,961
Total equity and liabilities		**5,147,860**	4,635,312
Net current assets		**556,692**	532,246
Total assets less current liabilities		**4,760,636**	4,289,369

The accompanying notes on pages 9 to 32 are an integral part of these unaudited condensed consolidated interim financial information.

Unaudited Condensed Consolidated Income Statement

For the six months ended 30th June 2010

	Note	Six months ended 30th June 2010 US$'000	2009 US$'000 (Restated)
Continuing operations:			
Revenue		**222,658**	159,028
Cost of sales		**(152,887)**	(86,019)
Gross profit		**69,771**	73,009
Investment income		**1,537**	12,925
Administrative expenses		**(24,654)**	(28,480)
Other operating income		**14,005**	6,262
Other operating expenses		**(5,605)**	(6,164)
Operating profit	*15*	**55,054**	57,552
Finance income	*16*	**2,763**	3,136
Finance costs	*16*	**(14,448)**	(22,997)
Operating profit after finance income and costs		**43,369**	37,691
Share of profits less losses of			
– jointly controlled entities		**33,846**	25,614
– associates		**31,574**	27,898
Profit on disposal of a jointly controlled entity	*17*	**–**	5,516
Profit before income tax from continuing operations		**108,789**	96,719
Income tax expenses	*18*	**(1,345)**	(7,608)
Profit for the period from continuing operations		**107,444**	89,111
Discontinued operation:			
Profit on disposal of a jointly controlled entity, net of tax	*11*	**84,710**	–
Share of profit of a jointly controlled entity	*11*	**–**	17,020
Profit for the period from discontinued operation		**84,710**	17,020
Profit for the period		**192,154**	106,131
Profit attributable to:			
Equity holders of the Company		**189,938**	104,509
Non-controlling interests		**2,216**	1,622
		192,154	106,131
Dividends			
– interim	*19*	**47,696**	41,802
– special interim	*19*	**38,666**	–
		86,362	41,802
Earnings per share for profit attributable to equity holders of the Company			
Basic			
– from continuing operations	*20*	**US4.41 cents**	US3.90 cents
– from discontinued operation	*20*	**US3.55 cents**	US0.76 cents
		US7.96 cents	US4.66 cents
Diluted			
– from continuing operations	*20*	**US4.41 cents**	US3.90 cents
– from discontinued operation	*20*	**US3.55 cents**	US0.76 cents
		US7.96 cents	US4.66 cents

The accompanying notes on pages 9 to 32 are an integral part of these unaudited condensed consolidated interim financial information.

Unaudited Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30th June 2010

	Six months ended 30th June	
	2010	2009
	US$'000	US$'000
Profit for the period	**192,154**	106,131
Other comprehensive income		
Exchange differences arising on translation of financial statements of foreign subsidiaries, jointly controlled entities and associates	**(10,637)**	5,146
Net fair value loss on available-for-sale financial assets	**(2,000)**	(7,093)
Release of investment revaluation reserve upon reclassification of an available-for-sale financial asset to an associate	**(237,023)**	–
Share of reserves upon reclassification of an available-for-sale financial asset to an associate	**48,385**	–
Release of reserves upon disposal of an available-for-sale financial asset	**(7,020)**	(85)
Release of reserves upon disposal of a jointly controlled entity	**(46,364)**	–
Fair value adjustment upon transfer from property, plant and equipment to investment properties	**–**	294
Share of reserves of jointly controlled entities and associates		
– revaluation reserve	**(7,748)**	(13,609)
– hedging reserve	**(584)**	(326)
– exchange reserve	**(5,861)**	1,039
– other reserves	**18**	(806)
Other comprehensive loss for the period	**(268,834)**	(15,440)
Total comprehensive (loss)/income for the period	**(76,680)**	90,691
Total comprehensive (loss)/income attributable to:		
Equity holders of the Company	**(79,574)**	88,971
Non-controlling interests	**2,894**	1,720
	(76,680)	90,691

The accompanying notes on pages 9 to 32 are an integral part of these unaudited condensed consolidated interim financial information.

Unaudited Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June 2010

	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 2010	**2,742,293**	**116,058**	**2,858,351**
Total comprehensive (loss)/income for the period	**(79,574)**	**2,894**	**(76,680)**
Placement of shares	**601,481**	**–**	**601,481**
Share issue expenses	**(17,358)**	**–**	**(17,358)**
Capital contribution from a non-controlling shareholder of a subsidiary	**–**	**21,482**	**21,482**
Dividends paid to			
– equity holders of the Company	**(32,482)**	**–**	**(32,482)**
– non-controlling shareholders of subsidiaries	**–**	**(3,921)**	**(3,921)**
	472,067	**20,455**	**492,522**
Total equity at 30th June 2010	**3,214,360**	**136,513**	**3,350,873**
Total equity at 1st January 2009	2,551,865	94,438	2,646,303
Total comprehensive income for the period	88,971	1,720	90,691
Capital contribution from a non-controlling shareholder of a subsidiary	–	21,461	21,461
Dividends paid to			
– equity holders of the Company	(31,026)	–	(31,026)
– non-controlling shareholders of subsidiaries	–	(5,057)	(5,057)
	57,945	18,124	76,069
Total equity at 30th June 2009	2,609,810	112,562	2,722,372

The accompanying notes on pages 9 to 32 are an integral part of these unaudited condensed consolidated interim financial information.

Unaudited Condensed Consolidated Statement of Cash Flows

For the six months ended 30th June 2010

	Six months ended 30th June	
	2010	2009
	US$'000	US$'000
Net cash generated from operating activities	**103,221**	86,165
Net cash used in investing activities	**(339,842)**	(56,579)
Net cash generated from financing activities	**501,191**	37,418
Net increase in cash and cash equivalents	**264,570**	67,004
Cash and cash equivalents at 1st January	**405,740**	351,606
Effect of foreign exchange rate changes	**(3,354)**	(484)
Cash and cash equivalents at 30th June	**666,956**	418,126
Analysis of balances of cash and cash equivalents:		
Time deposits	**491,651**	200,692
Bank balances and cash	**175,305**	217,434
	666,956	418,126

The accompanying notes on pages 9 to 32 are an integral part of these unaudited condensed consolidated interim financial information.

1 GENERAL INFORMATION

COSCO Pacific Limited (the "Company") and its subsidiaries (collectively the "Group") are principally engaged in the businesses of managing and operating container terminals, container leasing, 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, 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 2010 (the "Unaudited Condensed Consolidated Interim Financial Information") has been approved for issue by the Board on 24th August 2010.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

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

The Unaudited Condensed Consolidated Interim Financial Information should be read in conjunction with the annual audited consolidated financial statements for the year ended 31st December 2009 (the "2009 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 2009 Annual Financial Statements, except that the Group has adopted the following new and revised standards, amendments or improvements to existing standards (collectively the "new HKFRSs") issued by the HKICPA which are relevant to the Group's operations and mandatory for the financial year ending 31st December 2010:

HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 Amendment	Financial Instruments: Recognition and Measurement – Eligible Hedged Items
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards
HKFRS 1 Amendment	Additional Exemptions for First-time Adopters
HKFRS 2 Amendment	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Improvements to existing standards

HKAS 1 Amendment	Presentation of Financial Statements
HKAS 7 Amendment	Statement of Cash Flows
HKAS 17 Amendment	Leases
HKAS 18 Amendment	Revenue
HKAS 36 Amendment	Impairment of Assets
HKAS 38 Amendment	Intangible Assets
HKAS 39 Amendment	Financial Instruments: Recognition and Measurement
HKFRS 2 Amendment	Share-based Payments
HKFRS 5 Amendment	Non-current Assets Held for Sale and Discontinued Operations
HKFRS 8 Amendment	Operating Segments
HK(IFRIC)-Int 9 Amendment	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 16 Amendment	Hedges of a Net Investment in a Foreign Operation

Except that the adoption of HKAS 27 (Revised), HKFRS 3 (Revised) and HKAS 17 Amendment had resulted in a change in accounting policies as described below, the adoption of the other 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:

- HKAS 27 (Revised) required the effects of all transactions with non-controlling interests to be recorded in equity if there was no change in control. These transactions would no longer result in goodwill or gains and losses. When control over a previous subsidiary was lost, any remaining interest in the entity was re-measured to fair value and the resulting gain or loss was recognised in the income statement.

- HKFRS 3 (Revised) continued to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business were to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There was a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. When a business combination was achieved in stages, the acquirer should re-measure its previously held interest in the acquiree at its fair value at the date of control is obtained, recognising a gain or loss in the income statement. All acquisition-related costs should be expensed.

  The changes in the accounting policy in respect of the adoption of HKAS 27 (Revised) and HKFRS 3 (Revised) had been applied prospectively to transactions during the year ending 31st December 2010. It was not expected to have any significant effect on the Unaudited Condensed Consolidated Interim Financial Information.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Improvements to existing standards (Continued)

- HKAS 17 Amendment removed the specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating using the general principles of the standard.

  The change in the accounting policy in respect of the adoption of HKAS 17 Amendment had been applied prospectively as the effect of the reclassification in prior years was insignificant to the Unaudited Condensed Consolidated Interim Financial Information.

The HKICPA has issued certain new and revised standards, interpretations and amendments which are not yet effective for the year ending 31st December 2010 and have not been early adopted by the Group. The Group will apply these standards, interpretations and amendments in the Unaudited Condensed Consolidated Interim Financial Information 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 SEGMENT INFORMATION

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

(i) container 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, leasehold land and land use rights, intangible assets and other non-current assets.

3 SEGMENT INFORMATION (Continued)

Segment assets

	Continuing operations							Discontinued operation
	Container terminal and related businesses US$'000	Container leasing, management, sale and related businesses US$'000	Container manufacturing and related businesses US$'000	Segment total US$'000	Corporate US$'000	Elimination of inter-segment loans US$'000	Total US$'000	Logistics and related businesses US$'000
At 30th June 2010								
Segment assets	**2,428,811**	**1,741,485**	**601,636**	**4,771,932**	**733,600**	**(357,672)**	**5,147,860**	**–**
Segment assets include:								
Jointly controlled entities	**453,892**	**–**	**–**	**453,892**	**–**	**–**	**453,892**	**–**
Associates (note a)	**774,674**	**–**	**601,636**	**1,376,310**	**–**	**–**	**1,376,310**	**–**
Available-for-sale financial assets	**24,000**	**–**	**–**	**24,000**	**–**	**–**	**24,000**	**–**
At 31st December 2009								
Segment assets	2,014,962	1,689,028	595,996	4,299,986	335,788	(258,825)	4,376,949	258,363
Segment assets include:								
Jointly controlled entities	431,132	–	–	431,132	–	–	431,132	–
Associates (note a)	134,106	–	595,996	730,102	–	–	730,102	–
Available-for-sale financial assets	340,581	–	–	340,581	–	–	340,581	–
Asset held for sale under discontinued operation	–	–	–	–	–	–	–	258,363

3 SEGMENT INFORMATION (Continued)

Segment revenue, results and other information

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

3 SEGMENT INFORMATION (Continued)

Segment revenue, results and other information (Continued)

	Continuing operations							Discontinued operation
	Container terminal and related businesses US$'000	Container leasing, management, sales and related businesses US$'000	Container manufacturing and related businesses US$'000	Segment total US$'000	Corporate US$'000	Elimination of inter-segment finance (income)/costs US$'000	Total US$'000	Logistics and related businesses US$'000
Six months ended 30th June 2009								
Revenue – external sales	44,623	114,405	–	159,028	–	–	159,028	–
Segment profit/(loss) attributable to equity holders of the Company	44,662	37,049	29,322	111,033	(23,544)	–	87,489	17,020
Segment profit/(loss) attributable to equity holders of the Company includes:								
Finance income	286	79	–	365	6,596	(3,825)	3,136	–
Finance costs	(6,637)	(6,756)	–	(13,393)	(13,429)	3,825	(22,997)	–
Share of profits less losses of								
– jointly controlled entities	25,614	–	–	25,614	–	–	25,614	17,020
– associates (note b)	4,092	–	23,806	27,898	–	–	27,898	–
Profit on disposal of a jointly controlled entity	–	–	5,516	5,516	–	–	5,516	–
Income tax expenses	(170)	(183)	–	(353)	(7,255)	–	(7,608)	–
Depreciation and amortisation	(8,176)	(39,667)	–	(47,843)	(230)	–	(48,073)	–
Provision for impairment of property, plant and equipment	–	(3,040)	–	(3,040)	–	–	(3,040)	–
Other non-cash expenses	(2)	(455)	–	(457)	(409)	–	(866)	–
Additions to non-current assets	(138,143)	(47,259)	–	(185,402)	(9)	–	(185,411)	–

3 SEGMENT INFORMATION (Continued)

Segment revenue, results and other information (Continued)

Notes:

(a) As at 30th June 2010, the Group's share of the unaudited net assets of CIMC, a listed associate of the Group, amounted to US$601,636,000 (31st December 2009: US$595,996,000).

(b) For the six months ended 30th June 2010, the Group's share of unaudited profit (net of income tax expenses) of CIMC amounted to US$26,943,000 (2009: US$23,806,000).

(c) Geographical information

In respect of container leasing, management, sale and related businesses, the movements of containers and generator sets of the Group and those managed on behalf of third parties under operating leases or finance leases are known through report from the lessees but the Group is not able to control the movements of containers and generator sets except to the degree that the movements are restricted by the terms of the leases or where safety of the containers and generator sets is concerned. It is therefore impracticable to present geographical information on revenue of these related businesses.

The Group's non-current assets mainly included containers and generator sets. These containers and generator sets are primarily utilised across geographical markets for shipment of cargoes throughout the world. Accordingly, it is also impractical to present the geographical information of these non-current assets.

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

Business segments	**Geographical areas**
Container terminal and related businesses	Mainland China, Greece, Hong Kong, Singapore, Belgium and Egypt
Container manufacturing and related businesses	Mainland China

4 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30th June 2010, the Group acquired property, plant and equipment of US$144,790,000 (2009: US$97,140,000). The Group also disposed of property, plant and equipment with net book value of US$190,000 (2009: US$21,000) and transferred property, plant and equipment to inventories with net book value of US$14,678,000 (2009: US$7,746,000).

5 ASSOCIATES

On 11th June 2010, the Group completed the acquisition of additional 9.64% equity interest in Sigma Enterprises Limited ("Sigma"), previously an available-for-sale financial asset of the Group, and 5.12% equity interest in Wattrus Limited ("Wattrus"), a shareholder with 79.4% interest in Sigma, and shareholders' loans to Sigma and Wattrus at a total consideration of US$520,000,000. After the acquisition, the Group held 16.49% equity interest in Sigma and 5.12% equity interest in Wattrus, representing an effective equity interest of 20.55% in Sigma. The Group has significant influence over Sigma and Wattrus through its representatives on the boards of directors of Sigma and Wattrus and therefore has classified Sigma and Wattrus as associates as at 30th June 2010.

6 DERIVATIVE FINANCIAL INSTRUMENTS

	As at 30th June 2010 US$'000	As at 31st December 2009 US$'000
Interest rate swap contracts – fair value hedges (note)	**20,771**	16,556

Note:

The notional principal amount of the related interest rate swap contracts amounted to US$200,000,000 (2009: US$200,000,000) which were committed with the interest rates ranging from 1.05% to 1.16% (2009: 1.05% to 1.16%) per annum above the London Interbank Offered Rate. These interest rate swap contracts have been designated as a hedge of the fair value of the notes issued by the Group (note 13).

7 OTHER NON-CURRENT ASSETS

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

8 TRADE AND OTHER RECEIVABLES

	As at 30th June 2010 US$'000	As at 31st December 2009 US$'000
Trade receivables (note a)		
– third parties	**40,179**	32,179
– fellow subsidiaries (notes b and c)	**39,400**	60,056
– jointly controlled entities (note b)	**128**	517
– related companies (note b)	**627**	340
	80,334	93,092
Less: provision for impairment	**(3,591)**	(4,206)
	76,743	88,886
Other receivables, deposits and prepayments	**70,264**	56,337
Rent receivable collected on behalf of owners of managed containers (note d)	**36,937**	35,117
Current portion of finance lease receivables	**853**	931
Amounts due from (note b)		
– fellow subsidiaries	**176**	51
– jointly controlled entities (note e)	**5,344**	980
– associates (note e)	**7,610**	12
– an investee company (note e)	**1,344**	–
– related companies	**–**	1
	199,271	182,315

8 TRADE AND OTHER RECEIVABLES (Continued)

Notes:

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

	As at 30th June 2010 US$'000	As at 31st December 2009 US$'000
Within 30 days	**25,294**	22,262
31-60 days	**23,433**	19,595
61-90 days	**8,026**	16,755
Over 90 days	**19,990**	30,274
	76,743	88,886

(b) The amounts due from fellow subsidiaries, jointly controlled entities, associates, an investee company 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$36,161,000 (31st December 2009: US$57,986,000). During the six months ended 30th June 2010, the container leasing income from COSCON and the other fellow subsidiaries amounted to US$60,717,000 (2009: US$67,131,000) and US$10,000 (2009: US$6,000) respectively.

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

(e) The amounts receivable mainly represented dividend and interest receivable from the jointly controlled entities, associates and an investee company.

9 NOTES RECEIVABLE

Notes receivable of the Group represented notes issued by a bank which are unsecured, interest bearing at variable rates dependent to the credit quality of PRC government bonds, and repayable within one year.

10 CASH AND CASH EQUIVALENTS

	As at 30th June 2010 US$'000	As at 31st December 2009 US$'000
Total time deposits, bank balances and cash (note)	**666,970**	405,754
Restricted bank deposits included in current assets	**(14)**	(14)
	666,956	405,740
Representing:		
Time deposits	**491,651**	100,361
Bank balances and cash	**175,305**	305,379
	666,956	405,740

Note:

As at 30th June 2010, cash and cash equivalents of US$117,279,000 (31st December 2009: US$46,015,000) of the Group which were denominated in Renminbi and United States dollar were held by certain subsidiaries of the Group with bank accounts operating in the PRC where exchange controls apply.

11 ASSET HELD FOR SALE UNDER DISCONTINUED OPERATION

	As at 30th June 2010 US$'000	As at 31st December 2009 US$'000
A jointly controlled entity	**–**	258,363

On 27th August 2009, COSCO Pacific Logistics Company Limited ("CP Logistics"), a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with China COSCO, pursuant to which CP Logistics conditionally agreed to sell and China COSCO conditionally agreed to purchase CP Logistics' 49% equity interest in COSCO Logistics Co., Ltd. ("COSCO Logistics"), a jointly controlled entity of the Group, at a cash consideration of RMB2,000,000,000 (equivalent to approximately US$292,900,000). Apart from the aforesaid cash consideration, CP Logistics is entitled to receive a special distribution of an additional cash amount equivalent to 273/365 (representing the first nine months of year 2009) of 49% of 90% of the audited consolidated net profit after tax and non-controlling interests of COSCO Logistics for the year ended 31st December 2009 as shown in the audited consolidated financial statements of COSCO Logistics for the year ended 31st December 2009 prepared in accordance with the accounting standards generally accepted in the PRC. In October 2009, the disposal was approved by the independent shareholders of the Company. Accordingly, this investment was reclassified as an asset held for sale under discontinued operation and the Group's share of profit of COSCO Logistics for the six months ended 30th June 2009 was reclassified as profit for the period under discontinued operation in the unaudited condensed consolidated income statement.

11 ASSET HELD FOR SALE UNDER DISCONTINUED OPERATION (Continued)

The disposal of COSCO Logistics was completed on 30th March 2010, and the profit on disposal was set out as follows:

	US$'000
Profit on disposal (net of direct expenses)	**98,081**
Tax on profit on disposal	**(13,371)**
Profit on disposal (net of direct expenses and tax)	**84,710**

12 SHARE CAPITAL

	As at 30th June 2010 US$'000	As at 31st December 2009 US$'000
Authorised:		
3,000,000,000 (31st December 2009: 3,000,000,000) ordinary shares of HK$0.10 each	**38,462**	38,462
Issued and fully paid:		
2,711,525,573 (31st December 2009: 2,262,525,573) ordinary shares of HK$0.10 each	**34,801**	29,018

Notes:

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

	Number of ordinary shares	**Nominal value US$'000**
At 1st January 2010	2,262,525,573	29,018
Placement of shares	449,000,000	5,783
At 30th June 2010	2,711,525,573	34,801

During the period, 449,000,000 new shares of HK$0.10 each were issued at HK$10.4 per share for cash to strengthen the Company's balance sheet and cash resources and support the acquisition of Sigma and Wattrus.

12 SHARE CAPITAL (Continued)

(b) Share options

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

Category	Exercise price HK$	Number of share options: Outstanding as at 1st January 2010	Exercised during the period	Transfer (to)/from other categories during the period	Lapsed during the period	Outstanding as at 30th June 2010
Directors	9.54	800,000	–	–	–	800,000
	13.75	4,700,000	–	–	–	4,700,000
	19.30	1,800,000	–	–	–	1,800,000
Continuous contract employees	9.54	1,519,000	–	–	–	1,519,000
	13.75	13,482,000	–	–	(510,000)	12,972,000
	19.30	13,910,000	–	–	(400,000)	13,510,000
Others	9.54	50,000	–	–	–	50,000
	13.75	4,790,000	–	–	–	4,790,000
	19.30	660,000	–	–	–	660,000
		41,711,000	–	–	(910,000)	40,801,000

13 BORROWINGS

	As at 30th June 2010 US$'000	As at 31st December 2009 US$'000
Long term borrowings – unsecured	**1,474,726**	1,493,722
Amounts due within one year included under current liabilities	**(84,530)**	(83,051)
	1,390,196	1,410,671
Short term bank loans – unsecured	**90,695**	110,563

13 BORROWINGS (Continued)

Notes:

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

	As at 30th June 2010 US$'000	As at 31st December 2009 US$'000
Wholly repayable within five years		
– Bank loans	**944,716**	988,014
– Notes	**319,957**	315,175
	1,264,673	1,303,189
Not wholly repayable within five years		
– Bank loans	**210,053**	190,533
	1,474,726	1,493,722

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

	As at 30th June 2010 US$'000	As at 31st December 2009 US$'000
Bank loans		
Within one year	**84,530**	83,051
Between one and two years	**175,486**	143,053
Between two and five years	**741,147**	808,530
Over five years	**153,606**	143,913
	1,154,769	1,178,547
Notes		
Between two and five years	**319,957**	315,175
	1,474,726	1,493,722

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.

14 TRADE AND OTHER PAYABLES

	As at 30th June 2010 US$'000	As at 31st December 2009 US$'000
Trade payables (note a)		
– third parties	**35,524**	29,421
– fellow subsidiaries (note b)	**326**	337
– non-controlling shareholders of subsidiaries (note b)	**1,675**	1,855
– subsidiaries of an associate (notes b and c)	**43,686**	14,695
– related companies (note b)	**15**	2
	81,226	46,310
Other payables and accruals	**74,036**	55,618
Payable to owners of managed containers (note d)	**42,831**	38,542
Current portion of other long term liabilities	**1,789**	2,178
Dividend payable	**36**	35
Amounts due to (note b)		
– fellow subsidiaries	**15**	152
– non-controlling shareholders of subsidiaries	**8,398**	5,103
– subsidiaries of an associate	**43**	55
– related companies	**2**	7
	208,376	148,000

Notes:

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

	As at 30th June 2010 US$'000	As at 31st December 2009 US$'000
Within 30 days	**51,191**	37,388
31-60 days	**22,479**	3,563
61-90 days	**1,275**	1,422
Over 90 days	**6,281**	3,937
	81,226	46,310

(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 while the other balances have no fixed terms of repayment.

(c) The balances represented the amounts payable to subsidiaries of an associate of the Group in respect of the purchases of containers (note 24(a)(viii)).

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

15 OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	Six months ended 30th June	
	2010	2009
	US$'000	US$'000
Crediting		
Dividend income from unlisted investments	**1,485**	12,889
Rental income from investment properties	**52**	36
Profit on disposal of an available-for-sale financial asset	**7,020**	85
Profit on disposal of property, plant and equipment	**1,274**	330
Write back of provision for impairment of trade receivables, net	**598**	42
Write back of provision for inventories	**340**	–
Charging		
Depreciation and amortisation	**52,150**	48,073
Provision for impairment of property, plant and equipment	**565**	3,040
Rental expenses under operating leases of		
– buildings leased from fellow subsidiaries	**710**	712
– buildings leased from a jointly controlled entity	**17**	17
– leasehold land and land use rights leased from non-controlling shareholders of subsidiaries	**722**	944

16 FINANCE INCOME AND COSTS

	Six months ended 30th June	
	2010	2009
	US$'000	US$'000
Finance income		
Interest income on		
– bank balances and deposits	**1,080**	544
– loans to a jointly controlled entity and associates	**1,683**	2,592
	2,763	3,136
Finance costs		
Interest expenses on		
– bank loans	**(13,387)**	(15,294)
– notes	**(4,712)**	(8,157)
Fair value gain/(loss) on derivative financial instruments	**4,215**	(8,080)
Fair value adjustment of notes attributable to interest rate risk	**(4,616)**	7,639
	(401)	(441)
Amortised amount of		
– discount on issue of notes	**(85)**	(90)
– transaction costs on bank loans and notes	**(652)**	(86)
	(19,237)	(24,068)
Less: amount capitalised in construction in progress	**5,069**	1,617
	(14,168)	(22,451)
Other incidental borrowing costs and charges	**(280)**	(546)
	(14,448)	(22,997)
Net finance costs	**(11,685)**	(19,861)

17 PROFIT ON DISPOSAL OF A JOINTLY CONTROLLED ENTITY

A wholly owned subsidiary of the Group entered into a sale and purchase agreement to dispose of its 20% shareholding interest in Shanghai CIMC Reefer Containers Co., Ltd. ("Shanghai CIMC Reefer"), a then jointly controlled entity, at a consideration of US$16,400,000 to CIMC, an associate. The transaction was complete in January 2009, resulting in a profit of US$5,516,000.

18 INCOME TAX EXPENSES

	Six months ended 30th June	
	2010	2009
	US$'000	US$'000
Current income tax		
– China mainland taxation	**3,623**	3,933
– Overseas taxation	**347**	353
– Over provision in prior years	**(120)**	–
	3,850	4,286
Deferred income tax (credit)/charge	**(2,505)**	3,322
	1,345	7,608

The Group's shares of income tax expenses of jointly controlled entities and associates of US$5,647,000 (2009: US$8,671,000) and US$5,964,000 (2009: US$7,558,000) 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 (2009: 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 2010, deferred income tax liabilities of US$6,141,000 (31st December 2009: US$6,041,000) have not been established for the withholding taxation that would be payable on the undistributed earnings of certain subsidiaries in certain tax jurisdiction totaling US$34,227,000 (31st December 2009: US$34,121,000) 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 AND SPECIAL INTERIM DIVIDENDS

	Six months ended 30th June	
	2010	2009
	US$'000	US$'000
Interim dividend, declared, of US1.759 cents (2009: US1.862 cents) per ordinary share	**47,696**	41,802
Special interim dividend, declared, of US1.426 cents (2009: Nil) per ordinary share	**38,666**	–
	86,362	41,802

19 INTERIM AND SPECIAL INTERIM DIVIDENDS (Continued)

Notes:

(a) At a meeting held on 30th March 2010, the directors recommended the payment of a final cash dividend of HK9.3 cents (equivalent to US1.199 cents) per ordinary share for the year ended 31st December 2009. The final cash dividend, which was approved at the annual general meeting of the Company held on 25th May 2010, was paid on 10th June 2010 and had been reflected as an appropriation of retained profits in year 2010.

(b) At a meeting held on 24th August 2010, the directors declared an interim cash dividend of HK13.7 cents (equivalent to US1.759 cents) per ordinary share and a special interim cash dividend of HK11.1 cents (equivalent to US1.426 cents) per ordinary share. These interim cash dividend and special interim cash dividend declared are not reflected as dividends payable in the Unaudited Condensed Consolidated Interim Financial Information, but will be reflected as appropriations of retained profits for the year ending 31st December 2010.

(c) Additional 2009 final dividend paid on shares issued due to the placing of 449,000,000 new shares completed on 12th May 2010 and before the closure of register of members for 2009 final dividend amounted to US$5,354,000.

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	
	2010	2009
Profit from continuing operations attributable to equity holders of the Company	**US$105,228,000**	US$87,489,000
Profit from discontinued operation attributable to equity holders of the Company	**US$84,710,000**	US$17,020,000
	US$189,938,000	US$104,509,000
Weighted average number of ordinary shares in issue	**2,386,558,722**	2,245,029,298
Basic earnings per share		
– from continuing operations	**US4.41 cents**	US3.90 cents
– from discontinued operation	**US3.55 cents**	US0.76 cents
	US7.96 cents	US4.66 cents

20 EARNINGS PER SHARE (Continued)

(b) Diluted

For the six months ended 30th June 2010, diluted earnings per share was 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 2010
Profit from continuing operations attributable to equity holders of the Company	**US$105,228,000**
Profit from discontinued operation attributable to equity holders of the Company	**US$84,710,000**
	US$189,938,000
Weighted average number of ordinary shares in issue	**2,386,558,722**
Adjustments for assumed issuance of shares on exercise of dilutive share options	**351,534**
Weighted average number of ordinary shares for diluted earnings per share	**2,386,910,256**
Diluted earnings per share	
– from continuing operations	**US4.41 cents**
– from discontinued operation	**US3.55 cents**
	US7.96 cents

The outstanding share options granted by the Company did not have any dilutive effect on the earnings per share for the six months ended 30th June 2009, and the diluted earnings per share is equal to the basic earnings per share for the six months ended 30th June 2009.

21 FINANCIAL GUARANTEE CONTRACTS

	As at 30th June 2010 US$'000	As at 31st December 2009 US$'000
Bank guarantee to an associate	**27,116**	31,788

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 in Greece alleging non-payment of fees for design services and project management services. The plaintiff has claimed for approximately Euro 5,800,000 (equivalent to approximately US$7,000,000) in total.

The directors and management of the Company, having taken legal advice, are of the view that the Company and Piraeus Terminal have good defences to all material claims. The Company will therefore contest the claims vigorously. However, at this stage, it is not possible to predict the outcome of this litigation with certainty. Hence, no provision has been made for the claims.

23 CAPITAL COMMITMENTS

The Group had the following significant capital commitments at 30th June 2010:

	As at 30th June 2010 US$'000	As at 31st December 2009 US$'000
Authorised but not contracted for:		
– Containers	**–**	130,005
– Computer system under development	**1,214**	807
– Other property, plant and equipment	**84,100**	57,449
	85,314	188,261
Contracted but not provided for:		
– Investments (note)	**566,735**	580,465
– Containers	**102,398**	1,820
– Other property, plant and equipment	**306,050**	219,817
	975,183	802,102
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	**16,845**	8,965
Contracted but not provided for	**2,634**	5,662
	19,479	14,627

23 CAPITAL COMMITMENTS (Continued)

Note:

The capital commitments in respect of investments of the Group as at 30th June 2010 are as follows:

	As at 30th June 2010 US$'000	As at 31st December 2009 US$'000
Investments in:		
– Qingdao Qianwan Container Terminal Co., Ltd.	**64,997**	64,997
– Antwerp Gateway NV	**56,089**	69,466
– Dalian Port Container Terminal Co., Ltd.	**42,999**	42,764
– COSCO Ports (Nansha) Limited	**178,999**	178,021
– Tianjin Port Euroasia International Terminal Co., Ltd.	**103,374**	102,809
– Others	**56,642**	59,120
	503,100	517,177
Terminal projects in:		
– Shanghai Yangshan Port Phase II	**58,902**	58,581
– Others	**4,733**	4,707
	63,635	63,288
	566,735	580,465

24 RELATED PARTY TRANSACTIONS

The Group is controlled by China COSCO which owns 42.72% of the Company's shares as at 30th June 2010. The parent company of China COSCO is COSCO.

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

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 and services

	Six months ended 30th June	
	2010	2009
	US$'000	US$'000
Container rental income from (note i)		
– fellow subsidiaries	**60,727**	67,137
– other state-owned enterprises	**350**	162
Compensation for loss of containers from a fellow subsidiary (note ii)	**1,478**	516
Handling, storage and transportation income from (note iii)		
– fellow subsidiaries	**1,058**	1,928
– a jointly controlled entity	**741**	514
Management fee and service fee income from (note iv)		
– jointly controlled entities	**2,115**	1,938
– associates	**53**	53
– an investee company	**50**	26
Container terminal handling and storage income from fellow subsidiaries and an associate of the parent company (note v)	**6,160**	3,817
Logistics services fees to a non-controlling shareholder of a subsidiary (note vi)	**(2,367)**	(509)
Electricity and fuel expenses to a non-controlling shareholder of a subsidiary (note vii)	**(780)**	(537)
Purchase of containers from subsidiaries of CIMC (note viii)	**(72,763)**	(19,854)
Handling, storage and maintenance expenses to fellow subsidiaries (note ix)	**(297)**	(444)
Port construction fee to a non-controlling shareholder of a subsidiary (note x)	**(1,203)**	–
Proceeds on disposal of a jointly controlled entity to intermediate holding company (note 11)	**314,167**	–
Proceeds on disposal of a jointly controlled entity to CIMC (note 17)	**–**	16,400

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$1,478,000 (2009: US$516,000) from COSCON for the loss of containers under operating leases, resulting in a profit of US$291,000 (2009: US$90,000).

(iii) The handling, storage and transportation income received from fellow subsidiaries and a jointly controlled entity of the Group were conducted at terms as set out in the agreements entered into between the Group and these fellow subsidiaries and the jointly controlled entity.

(iv) The Group provided advisory and management services to COSCO-HIT Terminals (Hong Kong) Limited, a jointly controlled entity of the Group, during the period. Management fee was charged and agreed at HK$20,000,000 (equivalent to US$2,574,000) (2009: HK$20,000,000 (equivalent to US$2,580,000)) 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.

24 RELATED PARTY TRANSACTIONS (Continued)

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

(v) The container terminal handling and storage income received from fellow subsidiaries and an associate of COSCO in relation to the cargoes shipped from/to Zhangjiagang, Yangzhou and Quanzhou 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 logistics service fee paid to a non-controlling shareholder of a subsidiary was charged at rates as mutually agreed.

(vii) Electricity and fuel expenses paid to a non-controlling shareholder of a subsidiary were charged at rates as mutually agreed.

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

(ix) Handling, storage and maintenance expenses paid to fellow subsidiaries were charged at rates as mutually agreed.

(x) Port construction fee paid to a non-controlling shareholder of a subsidiary was charged at rates as mutually agreed.

(b) Balances with state-owned banks

	As at 30th June 2010 US$'000	As at 31st December 2009 US$'000
Bank deposits balances		
– in China mainland	**117,261**	46,015
– outside China mainland	**487,805**	295,533
Long term bank loans		
– in China mainland	**277,588**	290,725
– outside China mainland	**430,288**	429,000
Short term bank loans		
– in China mainland	**81,860**	101,044

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.

24 RELATED PARTY TRANSACTIONS (Continued)

(c) Balances with other state-owned enterprises

	As at 30th June 2010 US$'000	As at 31st December 2009 US$'000
Other payable to state-owned enterprises	**7,009**	6,090

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

(d) Key management compensation

	Six months ended 30th June	
	2010 US$'000	2009 US$'000
Salaries, bonuses and other allowances	**1,604**	1,848
Contribution to retirement benefit schemes	**4**	4
	1,608	1,852

Key management includes directors of the Company and five (2009: five) senior management members of the Group.

TO THE BOARD OF DIRECTORS OF COSCO PACIFIC LIMITED
(incorporated in Bermuda with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 3 to 32, which comprises the condensed consolidated balance sheet of COSCO Pacific Limited (the "Company") and its subsidiaries (collectively the "Group") as at 30th June 2010 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes (the "Interim Financial Information"). The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") ("HKAS 34"). The directors of the Company are responsible for the preparation and presentation of this Interim Financial Information in accordance with HKAS 34. Our responsibility is to express a conclusion on this Interim Financial Information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

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, 24th August 2010

INTERIM AND SPECIAL INTERIM DIVIDENDS

The directors have declared an interim cash dividend of HK13.7 cents (corresponding period of 2009: HK14.4 cents) per share and a special interim cash dividend of HK11.1 cents (corresponding period of 2009: Nil) per share for the six months ended 30th June 2010. The interim cash dividend and special interim cash dividend will be payable on 20th September 2010 to shareholders whose names appear on the register of members of the Company on 14th September 2010.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 9th September 2010 to Tuesday, 14th September 2010, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim cash dividend and special interim cash dividend, all transfer documents, accompanied by relevant share certificates, must be lodged with the Company's Hong Kong Registrar and Transfer Office, Tricor Secretaries Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Wednesday, 8th September 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Driven by the economic recovery, COSCO Pacific showed a growth in its terminal and container leasing businesses in the first half of the year. However, some of the terminals were still in their early phases of ramping up and resulting in initial losses. Moreover, Yantian International Container Terminals Co., Ltd. did not declare its 2010 interim dividend during the period (corresponding period of 2009: US$9,363,000). Hence, profit generated from terminal business was affected. For the first half of 2010, profit attributable to equity holders was US$189,938,000 (corresponding period of 2009: US$104,509,000), an 81.7% increase compared with the same period of last year. Excluding profits in relation to the discontinued logistics business, profit attributable to equity holders was US$105,228,000 in the first half of 2010 (corresponding period of 2009: US$87,489,000), a 20.3% increase compared with the same period of last year.

For the first half of 2010, throughput of the container terminals was 22,428,048 TEUs (corresponding period of 2009: 18,892,252 TEUs), an 18.7% increase compared with the same period of last year. However, since some of the terminals were incurring losses during their early phases of operation, profit from terminal business dropped to US$39,566,000 during the period (corresponding period of 2009: US$44,662,000), a decrease of 11.4% compared with the same period of last year.

Container leasing and related businesses yielded a profit of US$47,993,000 (corresponding period of 2009: US$37,049,000), a 29.5% increase compared with the same period of last year. As at 30th June 2010, the total container fleet of the Group was 1,597,779 TEUs (30th June 2009: 1,605,963 TEUs), among which 773,328 TEUs were owned containers (30th June 2009: 745,185 TEUs), 118,094 TEUs were sale-and-leaseback containers (30th June 2009: 118,094 TEUs), and 706,357 TEUs were managed containers (30th June 2009: 742,684 TEUs).

During the period, profit from container manufacturing business dropped to US$26,943,000 (corresponding period of 2009: US$29,322,000), an 8.1% decrease compared with the same period of last year. Profit from container manufacturing business in the corresponding period of last year included profit attributable from CIMC, as well as the profit of US$5,516,000 from the disposal of the 20% stake in Shanghai CIMC Reefer in the first half of 2009.

With regard to the logistics business, the Group completed the disposal of its 49% stake of COSCO Logistics on 30th March 2010, realising a profit (net of tax and direct expenses) of US$84,710,000 in the period. For the first half of 2009, the profit attributable from COSCO Logistics to the Group was US$17,020,000. No related profit was attributable in 2010.

Financial Analysis

Revenue

Revenue of the Group in the first half of 2010 was US$222,658,000 (corresponding period of 2009: US$159,028,000), a 40.0% increase over the same period of last year. Revenue was mainly derived from container leasing, management and sale businesses and container terminal business with US$119,392,000 (corresponding period of 2009: US$114,405,000) and US$103,266,000 (corresponding period of 2009: US$44,623,000) respectively. Revenue from container leasing, management and sale businesses primarily included container leasing income and revenue from disposal of returned containers. The increase in revenue was due to the increase in the number of returned containers disposed of to 18,288 TEUs during the period (corresponding period of 2009: 10,124 TEUs), causing the revenue from disposal of returned containers to increase to US$17,947,000 (corresponding period of 2009: US$10,596,000). For revenue from container leasing, the fleet capacity of owned containers and sale-and-leaseback containers amounted to 773,328 TEUs and 118,094 TEUs respectively as at 30th June 2010 (corresponding period of 2009: 745,185 TEUs and 118,094 TEUs respectively). Revenue from container leasing was US$96,933,000 (corresponding period of 2009: US$99,098,000), a slight drop of 2.2% over the same period of last year.

For the container terminal and related businesses with controlling stakes, total revenue from container terminal and related businesses amounted to US$103,266,000 in the first half of 2010 (corresponding period of 2009: US$44,623,000), a significant increase of 131.4% as compared with the same period last year. The increase was primarily contributed from Piraeus Terminal. On 1st October 2009, the Group officially took over the operation of Pier 2 of the Piraeus Port in Greece. Piraeus Terminal achieved a throughput of 376,727 TEUs (corresponding period of 2009: Nil) in the first half of 2010, contributing revenue of US$46,640,000 to the Group during the period. Throughput of Yangzhou Yuanyang International Ports Co., Ltd. ("Yangzhou Yuanyang Terminal") amounted to 141,492 TEUs and 10,121,010 tons of break-bulk cargo (corresponding period of 2009: 93,973 TEUs and 5,647,634 tons of break-bulk cargo). The significant increase in break-bulk cargo throughput resulted in a rise in revenue of Yangzhou Yuanyang Terminal to US$14,367,000 (corresponding period of 2009: US$9,250,000), an increase of 55.3% over the same period of last year. The throughput of Quan Zhou Pacific Container Terminal Co., Ltd. ("Quan Zhou Pacific Terminal") was 496,404 TEUs and 814,423 tons of break-bulk cargo (corresponding period of 2009: 439,734 TEUs and 608,236 tons of break-bulk cargo) and its revenue increased to US$20,749,000 in the period (corresponding period of 2009: US$16,587,000), representing a rise of 25.1%. Zhangjiagang Win Hanverky Container Terminal Co., Ltd. recorded a rise of throughput to 397,267 TEUs (corresponding period of 2009: 301,513 TEUs) and a 22.3% increase in revenue from last year to US$9,731,000 (corresponding period of 2009: US$7,959,000). Jinjiang Pacific Ports Development Co., Ltd. achieved a throughput of 146,569 TEUs and 811,668 tons of break-bulk cargo in the first half of 2010 (corresponding period of 2009: 129,770 TEUs and 886,203 tons of break-bulk cargo) and recorded a revenue of US$9,640,000 (corresponding period of 2009: US$8,190,000), an increase of 17.7% as compared with the same period of last year.

Cost of sales

Cost of sales mainly comprised depreciation charges on owned containers, net carrying amounts of returned containers disposed of, container rental expense and operating expenses of the terminal companies. Cost of sales in the first half of 2010 was US$152,887,000 (corresponding period of 2009: US$86,019,000), an increase of 77.7% over the corresponding period of last year. The increase was mainly from the cost of sales incurred by Piraeus Terminal in Greece in the period. In addition, the rise in the containers and break-bulk cargo throughput of terminals with controlling stakes also led to the rise in the related cost of sales. The total operating expenses of the container terminal business increased to US$92,468,000 in the first half of 2010 (corresponding period of 2009: US$27,289,000). For container leasing, the depreciation charges for containers were US$38,933,000 (corresponding period of 2009: US$38,550,000). The number of returned containers disposed of increased to 18,288 TEUs (corresponding period of 2009: 10,124 TEUs) and the net carrying amount of disposed returned containers rose to US$13,440,000 (corresponding period of 2009: US$9,320,000).

Investment income

Investment income, comprising mainly dividends income, was US$1,537,000 (corresponding period of 2009: US$12,925,000), a drop of 88.1% over the same period of last year. The decrease was mainly because Yantian International Container Terminals Co., Ltd. did not declare its 2010 interim dividend in the first half of 2010. In addition, the Group completed the disposal of its stake in Dalian Port Container Co., Ltd. in January 2010. Accordingly, no relevant dividend from Yantian International Container Terminals Co., Ltd. and Dalian Port Container Co., Ltd. were recorded in the period (corresponding period of 2009: declared US$9,363,000 and US$1,493,000 respectively). Tianjin Five Continents International Container Terminal Co., Ltd. declared dividends of US$1,485,000 in the first half of 2010 (corresponding period of 2009: US$2,033,000).

Administrative expenses

Administrative expenses were US$24,654,000 (corresponding period of 2009: US$28,480,000), a decrease of 13.4% as compared with the same period of last year. Though the administrative expenses increased due to the commencement of new terminals in the period, the Company continued to implement the cost control policies. In addition, the excess part of the professional services fee provided for the project regarding the disposal of COSCO Logistics was reversed. As a result, the overall administrative expenses decreased in the first half of 2010 as compared with the same period of last year.

Other operating income/expense, net

Net other operating income in the first half of 2010 was US$8,400,000 (corresponding period of 2009: US$98,000). In January 2010, the Group completed the transaction in regard to the disposal of equity interest in Dalian Port Container Co., Ltd. and recognised a profit of US$7,020,000. Besides, the provision for impairment of containers reduced to US$565,000 in the period (corresponding period of 2009: US$3,040,000). Therefore, the overall net other operating income increased significantly in the first half of 2010.

Finance costs

The Group's finance costs in the first half of 2010 was US$14,448,000 (corresponding period of 2009: US$22,997,000), a decrease of 37.2% from the same period of last year. Finance costs included interest expenses and the amortisation of transaction costs over bank loans and notes. Changes in finance costs were primarily due to the increase in average balance of borrowings to US$1,594,926,000 during the period (corresponding period of 2009: US$1,450,237,000), an increase of 10.0% as compared with the corresponding period of last year. However, the increase was more than offset by the decrease in London Interbank Offer Rate ("LIBOR") and the reduction of benchmark interest rate for RMB loans in the PRC. Average cost of borrowings during the period, including the amortisation of transaction costs over bank loans and notes, was an average 6-month LIBOR of approximately 0.52% plus 129 basis points (i.e. 1.81%). The average cost of borrowings for the first half of 2009 was an average 6-month LIBOR of approximately 1.55% plus 163 basis points (i.e. 3.18%).

Share of profits less losses of jointly controlled entities and associates

Net profit contribution from jointly controlled entities and associates amounted to US$65,420,000, an increase of 22.3% from US$53,512,000 over the corresponding period of last year. Among them, the throughput of COSCO-PSA Terminal Private Limited ("COSCO-PSA Terminal") increased to 550,437 TEUs (corresponding period of 2009: 362,379 TEUs) during the period, and recorded a profit of US$773,000 in the first half of 2010 (corresponding period of 2009: a loss of US$1,772,000). During the period, throughput of COSCO-HIT Terminals (Hong Kong) Limited and Ningbo Yuan Dong Terminals Limited ("Ningbo Yuan Dong Terminal") were 765,177 TEUs and 780,544 TEUs respectively (corresponding period of 2009: 657,451 TEUs and 494,794 TEUs respectively), and recorded profits of US$10,838,000 and US$2,701,000 respectively (corresponding period of 2009: US$8,863,000 and US$786,000 respectively), representing increases of 22.3% and approximately 2.4 times respectively. Guangzhou South China Oceangate Container Terminal Company Limited showed significant improvement in the throughput in the first half of 2010 with a significant increase of 55.7% to 1,376,392 TEUs as compared with the same period of last year (corresponding period of 2009: 884,220 TEUs). Its loss reduced to US$3,001,000 during the period (corresponding period of 2009: a loss of US$6,476,000). Qingdao Qianwan Container Terminal Co., Ltd. ("Qingdao Qianwan Terminal") achieved a throughput of 4,982,054 TEUs (corresponding period of 2009: 4,427,379 TEUs), representing a 12.5% increase. However, the gradual certification and commencement of production of terminal equipment led to an increase in depreciation and interest charges in Qingdao Qianwan Terminal. The overall profit of Qingdao Qianwan Terminal fell to US$10,496,000 (corresponding period of 2009: US$12,353,000), a 15.0% decrease over the same period of last year. On the other hand, due to the increase in demand and the price of containers, the performance of dry cargo containers plants of CIMC marked improvement and thus recurring profits increased. Although CIMC realised profit from the disposal of securities of China Merchants Bank in the corresponding period of 2009, its profit contribution to the Group rose to US$26,943,000 in the first half of 2010, an increase of 13.2% as compared with the same period last year (corresponding period of 2009: US$23,806,000).

Profit on disposal of a jointly controlled entity

In order to concentrate on the development of our core businesses such as terminal business and container leasing business, the Group completed the disposal of its 20% equity interest in Shanghai CIMC Reefer in the first half of 2009, which generated a profit of US$5,516,000. No relevant profit was recognised in the corresponding period of 2010.

Income tax expenses

During the period, income tax expenses amounted to US$1,345,000 (corresponding period of 2009: US$7,608,000). It included the provision for deferred tax assets of Piraeus Terminal incurred in the period, and a provision of US$2,362,000 (corresponding period of 2009: US$6,955,000) for withholding tax that applied to certain PRC investments of the Group under the Corporate Income Tax Law of the PRC.

Profit from discontinued operation

Profit from discontinued operation represents the profit generated from COSCO Logistics. On 27th August 2009, the Company entered into an equity transfer agreement with China COSCO in respect of the transfer of 49% equity interest in COSCO Logistics to China COSCO at a cash consideration of RMB2,000,000,000. Apart from the aforesaid cash consideration, the Group is entitled to receive a special distribution of an additional cash amount of RMB143,218,000, which is equivalent to 273/365 (representing the first nine months of year 2009) of 49% of 90% of the consolidated net profit after tax and non-controlling interests of COSCO Logistics. On 30th March 2010, the Group completed the disposal of COSCO Logistics which resulted in a profit (net of tax and direct expenses) of approximately US$84,710,000. Share of profit of COSCO Logistics amounted to US$17,020,000 was recognised in the first half of 2009 and no profit was recorded in this regard in the first half of 2010.

Financial Position

Cash flow

Cash inflow remained steady in the first half of 2010. During the period, net cash from operating activities amounted to US$103,221,000 (corresponding period of 2009: US$86,165,000). The Group drew bank loans of US$50,339,000 (corresponding period of 2009: US$86,042,000) and repaid US$95,385,000 (corresponding period of 2009: US$38,481,000) in the first half of 2010. On the other hand, after deduction of commission and expenses of the placing of 449,000,000 new shares, the net proceeds from the placing amounted to approximately US$584,000,000.

During the period, the total cash outflow for investments of the Group amounted to US$539,434,000, mainly comprising US$520,000,000 used for the acquisition of an approximate 10% equity interest in Yantian terminal, US$9,053,000 used for capital injection in Nanjing Port Longtan Container Co., Ltd. ("Nanjing Longtan Terminal"), US$7,030,000 used for capital injection in Dalian Automobile Terminal Co, Ltd. and US$3,351,000 used for provision of shareholders' loan for Antwerp Gateway NV ("Antwerp Terminal"). During the same period of last year, the total cash outflow for investments amounted to US$29,663,000, mainly comprising US$13,560,000 used in Nanjing Longtan Terminal, US$9,363,000 in Yantian International Container Terminals (Phase III) Limited by reinvestment of dividend and US$6,740,000 in Antwerp Terminal. During the period, an amount of US$86,088,000 (corresponding period of 2009: US$163,242,000) was paid in cash for the expansion of terminal operation and purchase of property, plant and equipment, of which US$49,458,000 (corresponding period of 2009: US$31,183,000) was for the purchase of new containers.

Financing and credit facilities

On 12th May 2010, the Company completed the placing of 449,000,000 new shares at HK$10.4 per share. After deduction of commission and expenses of the placing, the net proceeds of approximately US$584,000,000 were raised, which were mainly for the acquisition of an approximate 10% equity interest in Yantian terminal. After placing, the number of issued shares of the Company increased from 2,262,525,573 shares to 2,711,525,573 shares.

As at 30th June 2010, total outstanding borrowings amounted to US$1,565,421,000 (31st December 2009: US$1,604,285,000). As at 30th June 2010, cash balance was US$666,970,000 (31st December 2009: US$405,754,000) and banking facilities available but unused amounted to US$666,710,000 (31st December 2009: US$673,000,000).

Assets and liabilities

As at the end of June 2010, the Group's total assets and total liabilities amounted to US$5,147,860,000 (31st December 2009: US$4,635,312,000) and US$1,796,987,000 (31st December 2009: US$1,776,961,000) respectively. Net assets were US$3,350,873,000 (31st December 2009: US$2,858,351,000) and the increase was primarily from the placing. As at 30th June 2010, net asset value per share of the Company was US$1.24 (31st December 2009: US$1.26).

The Group's net debt-to-equity ratio showed significant improvement after the placing. As at 30th June 2010, net debt-to-equity ratio decreased to 26.8% (31st December 2009: 41.9%), and the interest coverage was 8.5 times (corresponding period of 2009: 5.2 times). As at 30th June 2010, the Group did not have loan pledged by assets (31st December 2009: US$Nil).

Debt analysis

	As at 30th June 2010		As at 31st December 2009	
	US$	**(%)**	US$	(%)
By repayment term				
Within the first year	**175,225,000**	**11.2**	193,614,000	12.1
Within the second year	**175,486,000**	**11.2**	143,053,000	8.9
Within the third year	**408,080,000**	**26.1**	290,219,000	18.1
Within the fourth year	**608,554,000**	**38.9**	662,174,000	41.3
Within the fifth year and after	**198,076,000**	**12.6**	315,225,000	19.6
	1,565,421,000*	**100.0**	1,604,285,000*	100.0
By category				
Secured borrowings	**–**	**–**	–	–
Unsecured borrowings	**1,565,421,000**	**100.0**	1,604,285,000	100.0
	1,565,421,000*	**100.0**	1,604,285,000*	100.0
By denominated currency				
US dollar borrowings	**1,214,706,000**	**77.6**	1,226,587,000	76.5
RMB borrowings	**338,427,000**	**21.6**	377,698,000	23.5
Euro borrowings	**12,288,000**	**0.8**	–	–
	1,565,421,000*	**100.0**	1,604,285,000*	100.0

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

Financial guarantee contracts

As at 30th June 2010, the Group had provided guarantees on a loan facility granted to an associate of US$27,116,000 (31st December 2009: US$31,788,000).

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 in Greece alleging non-payment of fees for design services and project management services. The plaintiff has claimed approximately Euro 5,800,000 (equivalent to approximately US$7,000,000) in total.

The directors and management of the Company, having taken legal advice, are of the view that the Company and Piraeus Terminal have good defences to all material claims. The Company will therefore contest the claims vigorously. However, at this stage, it is not possible to predict the outcome of this litigation with certainty. Hence, 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 the container leasing business are mainly denominated in US dollar which is the same currency of its revenue and expenses so as to minimise potential foreign exchange exposure.

The financing activities of jointly controlled entities and associates were denominated in their respective functional currencies 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 2010, outstanding interest rate swap contracts comprised notional principal amounting to US$200,000,000 (31st December 2009: 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 2009: 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 2009: 5.875%).

As at 30th June 2010, after adjustment of the fixed rate borrowings for the interest rate swap contracts, 6.4% (31st December 2009: 6.2%) of the Group's total borrowings were in fixed rate. The Group continues to monitor and regulate its fixed and floating rate debt portfolio from time to time in light of the market conditions, with a view to minimising its potential interest rate exposure.

Business Review

The world economy showed encouraging signs in the first half of 2010 on the back of the economic stimulus measures adopted by the governments in the world. According to the Ministry of Commerce of the PRC, the import and export trade of China recorded a year-on-year growth of 52.7% and 35.2% respectively. The recovery of global trade led to an increase in container shipping volume and the revival of the container shipping industry and drove up demand for containers and throughput of container terminals, which benefited terminal, container leasing and container manufacturing operations under COSCO Pacific.

Terminals

Top 10 China container ports throughput in the first half of 2010

Port	Throughput (TEUs)	y-o-y change (%)
Shanghai	13,855,200	+18.7
Shenzhen	10,426,400	+29.0
Ningbo	6,274,400	+34.4
Guangzhou	6,002,900	+16.9
Qingdao	5,680,500	+11.4
Tianjin	4,707,300	+13.1
Xiamen	2,737,600	+28.3
Dalian	2,449,700	+16.6
Lianyungang	1,894,900	+40.9
Yingkou	1,646,100	+36.1

Source: The website of China Ports Association Container Branch

The terminal business of the Group recorded a profit of US$39,566,000 (corresponding period of 2009: US$44,662,000), representing a year-on-year decrease of 11.4%, and revenue of US$103,266,000 (corresponding period of 2009: US$44,623,000), representing a year-on-year increase of 131.4%. Piraeus Terminal, a wholly owned subsidiary of the Group, took over the operation of Pier 2 of the Piraeus Port in Greece on 1st October 2009, bringing significant growth in the revenue of the terminal business in the first half of 2010. However, as this subsidiary is in the early phase of ramping up and incurred high operation cost in the initial period, it recorded a comparatively high loss during the period. Moreover, Yantian International Container Terminals Co., Ltd. did not declare its 2010 interim dividend in the first half of 2010. The overall profit performance of the terminal business was thus undermined.

According to the Ministry of Transport of the PRC, China's container throughput increased by 22.3% year-on-year to 68,701,800 TEUs in the first half of 2010. Of the top ten container ports in Mainland China, Shenzhen Port and Shanghai Port, which are mainly engaged in export to Europe and the United States, recorded a comparatively high year-on-year growth. It was attributable to the economic recovery of the two regions as well as the lower base of last year.

COSCO Pacific's total container throughput recorded a satisfactory growth in the first half of 2010 with an increase of 18.7% (corresponding period of 2009: –8.5%) year-on-year to 22,428,048 TEUs (corresponding period of 2009: 18,892,252 TEUs [Note]). The terminal companies in China handled 19,761,033 TEUs (corresponding period of 2009: 16,983,726 TEUs [Note]) in aggregate, representing an increase of 16.4% over the same period of last year (corresponding period of 2009: –7.3%). The Group's equity throughput rose by 25.3% year-on-year to 5,460,361 TEUs (corresponding period of 2009: 4,357,151 TEUs [Note]).

Regional breakdown of total throughput

	1H 2010 (TEUs)	y-o-y change (%)	% of total (%)	% of total y-o-y change (pp)
Bohai Rim Note	7,852,923	+9.4	35.0	-3.0
Yangtze River Delta	4,526,047	+16.0	20.2	-0.5
Pearl River Delta and Southeast Coast	7,382,063	+25.1	32.9	+1.7
China Note	19,761,033	+16.4	88.1	-1.8
Overseas	2,667,015	+39.7	11.9	+1.8
Total Note	**22,428,048**	**+18.7**	**100.0**	**–**

Regional breakdown of equity throughput

	1H 2010 (TEUs)	y-o-y change (%)	% of total (%)	% of total y-o-y change (pp)
Bohai Rim Note	1,812,575	+5.9	33.2	-6.1
Yangtze River Delta	1,032,281	+17.7	18.9	-1.2
Pearl River Delta and Southeast Coast	1,621,094	+26.5	29.7	+0.3
China Note	4,465,950	+15.4	81.8	-7.0
Overseas	994,411	+104.3	18.2	+7.0
Total Note	**5,460,361**	**+25.3**	**100.0**	**–**

Note: The Group disposed of its 8.13% stake in Dalian Port Container Co., Ltd. in January 2010. When calculating the year-on-year changes and year-on-year percentage changes for the year 2010, the throughput in the first half of 2009 adopted as part of the base did not include the throughput of this terminal company. The throughput and equity throughput of this terminal company in the first half of 2009 amounted to 1,314,773 TEUs and 106,891 TEUs respectively.

Throughput of terminal companies

Terminal companies	1H 2010 (TEUs)	1H 2009 (TEUs)	y-o-y change (%)
Bohai Rim	**7,852,923**	7,179,094 Note 1	**+9.4**
Qingdao Qianwan Container Terminal Co., Ltd. Note 2	**4,982,054**	4,427,379	**+12.5**
Qingdao Cosport International Container Terminals Co., Ltd.	**628,811**	588,495	**+6.9**
Dalian Port Container Terminal Co., Ltd.	**787,558**	697,356	**+12.9**
Tianjin Five Continents International Container Terminal Co., Ltd.	**909,696**	943,717	**-3.6**
Yingkou Container Terminals Company Limited	**544,804**	522,147	**+4.3**
Yangtze River Delta	**4,526,047**	3,902,197	**+16.0**
Shanghai Pudong International Container Terminals Limited	**1,083,764**	1,125,924	**-3.7**
Shanghai Container Terminals Limited	**1,548,142**	1,430,306	**+8.2**
Ningbo Yuan Dong Terminals Limited	**780,544**	494,794	**+57.8**
Zhangjiagang Win Hanverky Container Terminal Co., Ltd.	**397,267**	301,513	**+31.8**
Yangzhou Yuanyang International Ports Co., Ltd.	**141,492**	93,973	**+50.6**
Nanjing Port Longtan Container Co., Ltd.	**574,838**	455,687	**+26.1**
Pearl River Delta & Southeast Coast	**7,382,063**	5,902,435	**+25.1**
COSCO-HIT Terminals (Hong Kong) Limited	**765,177**	657,451	**+16.4**
Yantian International Container Terminals Co., Ltd.	**4,597,521**	3,791,260	**+21.3**
Guangzhou South China Oceangate Container Terminal Company Limited	**1,376,392**	884,220	**+55.7**
Quan Zhou Pacific Container Terminal Co., Ltd.	**496,404**	439,734	**+12.9**
Jinjiang Pacific Ports Development Co., Ltd.	**146,569**	129,770	**+12.9**
Overseas	**2,667,015**	1,908,526	**+39.7**
Piraeus Container Terminal S.A.	**376,727**	N/A	**N/A**
Suez Canal Container Terminal S.A.E.	**1,378,881**	1,249,102	**+10.4**
COSCO-PSA Terminal Private Limited	**550,437**	362,379	**+51.9**
Antwerp Gateway NV	**360,970**	297,045	**+21.5**
Total container throughput	**22,428,048**	18,892,252 Note 1	**+18.7**
Total break-bulk cargo throughput (tons)	**11,747,101**	7,142,073	**+64.5**

Note 1: The Group disposed of its 8.13% stake in Dalian Port Container Co., Ltd. in January 2010. The throughput in the first half of 2009 did not include the throughput of this terminal company. The throughput of this terminal company in the first half of 2009 amounted to 1,314,773 TEUs.

Note 2: Qingdao Qianwan United Container Terminal Co., Ltd. ("Qingdao Qianwan United Terminal") is a jointly controlled entity held by Qingdao Qianwan Terminal. The throughput of Qingdao Qianwan Terminal included the throughput of Qingdao Qianwan United Terminal. Qingdao Qianwan United Terminal started operation in January 2010 and its throughput in the first half of 2010 amounted to 462,603 TEUs.

In the first half of 2010, throughput in the Bohai Rim region reached 7,852,923 TEUs (corresponding period of 2009: 7,179,094 TEUs), representing a year-on-year growth of 9.4% (corresponding period of 2009: +1.1%) and accounting for 35.0% (corresponding period of 2009: 38.0%) of the total throughput. As last year's base was comparatively high, the year-on-year growth was relatively mild when compared with that of the Yangtze River Delta region and Pearl River Delta region.

On the back of global trade recovery, throughput in the Yangtze River Delta region reached 4,526,047 TEUs (corresponding period of 2009: 3,902,197 TEUs), representing a year-on-year growth of 16.0% (corresponding period of 2009: –14.7%) and accounting for 20.2% (corresponding period of 2009: 20.7%) of the total throughput.

Throughput in the Pearl River Delta region and the Southeast Coast region reached 7,382,063 TEUs (corresponding period of 2009: 5,902,435 TEUs) in aggregate, representing an increase of 25.1% (corresponding period of 2009: –12.7%) and accounting for 32.9% (corresponding period of 2009: 31.2%) of the total throughput. The revival of market demand from Europe and the United States sustained the remarkable growth in the container throughput of terminals in the Pearl River Delta region, with throughput reaching 6,739,090 TEUs (corresponding period of 2009: 5,332,931 TEUs), representing a year-on-year growth of 26.4% (corresponding period of 2009: –14.4%).

On 29th April 2010, the Group announced the acquisition of approximately 10% additional equity interest in Yantian terminal for a total consideration of US$520,000,000. The acquisition was complete on 11th June 2010 and the Group's shareholding in Yantian terminal increased from approximately 5% to approximately 15%. From 30th June 2010 onwards, the Group's investment in Yantian terminal was reclassified from an available-for-sale financial asset to an associate and is accounted for using the equity method. Given Yantian terminal's leading edge in the market and its highly efficient operation, the acquisition will enhance the quality as well as the profitability of the Group's terminal business, and increase the Group's market share in the Southern China. During the period, the container throughput of Yantian terminal recorded a year-on-year increase of 21.3% (corresponding period of 2009: –11.1%).

Although Sigma and Wattrus, the holding companies of Yantian International Container Terminals Co., Ltd., did not declare the 2010 interim dividend in the first half of 2010, it is expected that Sigma and Wattrus may declare the 2010 first half interim dividend in the second half of 2010.

Located in the Southeast Coast region, Quan Zhou Pacific Terminal's newly built berth in the Shihu port area commenced operation in the second half of 2009. As planned, the terminal terminated the lease of a container berth of 400,000 TEUs annual handling capacity in the Houzhu port area on 30th May 2010. Hence, annual handling capacity of the terminal dropped from 1,600,000 TEUs to 1,200,000 TEUs and the number of container berths in operation dropped from 4 in the end of 2009 to 3.

Throughput of overseas terminals amounted to 2,667,015 TEUs (corresponding period of 2009: 1,908,526 TEUs), representing an increase of 39.7% from last year (corresponding period of 2009: –18.8%) and accounting for 11.9% (corresponding period of 2009: 10.1%) of the total throughput. Piraeus Terminal in Greece handled 376,727 TEUs in the first half of the year (corresponding period of 2009: Nil). On 1st October 2009, Piraeus Terminal took over the operation of Pier 2 of the Piraeus Port. Pursuant to the service agreement entered into between Piraeus Terminal and Piraeus Port Authority S.A. on 30th September 2009, Piraeus Port Authority S.A. shall provide labour and other services to Piraeus Terminal until 31st May 2010. From 1st June onwards, Piraeus Terminal is entirely operated by its own employees and the labour cost is expected to be reduced. In the meantime, the upgrade work of Pier 2 has commenced in the second quarter. In order to enhance the productivity and efficiency of the terminal, the acquisition of new terminal loading equipments has launched and the installation is expected to begin in the third quarter.

The Group has an aggregate of 6 new berths launching in the first half of 2010, including 5 berths of 2,910,000 TEUs annual handling capacity in Qingdao Qianwan United Terminal and 1 berth of 600,000 TEUs annual handling capacity in Ningbo Yuan Dong Terminal, which were launched in the first and second quarter respectively. As at 30th June 2010, the Group has a total of 92 container berths in operation (corresponding period of 2009: 89 berths), with a total annual handling capacity of 52,160,000 TEUs (corresponding period of 2009: 48,150,000 TEUs); a total of 8 break-bulk cargo berths (corresponding period of 2009: 8 berths), with a total annual handling capacity of 9,050,000 tons (corresponding period of 2009: 9,050,000 tons); a total of 2 automobile berths (corresponding period of 2009: 2 berths), with a total annual handling capacity of 600,000 vehicles (corresponding period of 2009: 600,000 vehicles).

A total of 6 new berths are expected to commence operation in the second half of 2010, among which, Tianjin Port Euroasia International Container Terminal Co., Ltd. commenced operation in July. A total of 3 berths of the terminal commenced operation at the same time, with an annual handling capacity of 1,800,000 TEUs. Other new berths include 1 new berth in Yantian terminal and 2 new berths in Suez Canal Container Terminal S.A.E. with annual handling capacity of 900,000 TEUs and 1,275,000 TEUs respectively.

Container Leasing, Management and Sale

In the first half of 2010, the container leasing market rebounded sharply. The on-going slow steaming operations of shipping lines and the strong upturn in cargo volume caused strong demand for container leasing. While container manufacturers resumed production in the fourth quarter of 2009, the production levels remain low and supply of new container is limited. As a result, shortage of containers started to emerge in the second quarter of the year. Strong demand for containers and increase in raw materials cost of containers led to the surge in container price, followed by upward movement in the market lease rate and rental yield of containers, and hence higher utilisation rates and profitability for the container leasing business of the Group. Since 92.5% of the Group's leasing revenue was generated by containers under long term leases and most of the long term leases had not been expired yet, our achieved lease rates remained unchanged. In addition, the Group ordered about 100,000 TEUs new containers in the first half of the year, of which most of them have been delivered in and after the second quarter of the year. It is expected that leasing revenue from the newly acquired containers will lead to the growth in lease rental income of containers, which will be gradually reflected in the second half.

During the period, profit contribution from container leasing, management and sale businesses increased by 29.5% to US$47,993,000 (corresponding period of 2009: US$37,049,000) over the same period of last year. Total revenue generated from container leasing, management and sale businesses of the Group amounted to US$119,392,000 (corresponding period of 2009: US$114,405,000), representing an increase of 4.4% (corresponding period of 2009: –5.7%). As most of the 49,056 TEUs of new containers received in the first half were delivered in the second quarter of the year, there was no significant rental contribution recorded in the first half of the year. Excluding the new containers which were delivered in the first half of the year, the fleet size of owned containers of the Group reduced by 2.8%, and resulted in a drop of 2.2% in the revenue from container leasing to US$96,933,000 (corresponding period of 2009: US$99,098,000). Revenue from container leasing accounted for 81.2% (corresponding period of 2009: 86.6%) of the total revenue of container leasing, management and sale businesses. The number of returned containers sold increased by 80.6%, which together with the increase in the selling price of returned containers caused the revenue from disposal of returned containers to increase by 69.4% to US$17,947,000 (corresponding period of 2009: US$10,596,000), accounting for 15.0% (corresponding period of 2009: 9.3%) of the total revenue. The size of managed fleet dropped by 4.9% to 706,357 TEUs (corresponding period of 2009: 742,684 TEUs), causing revenue from managed containers to decrease by 4.4% to US$3,341,000 (corresponding period of 2009: US$3,495,000), accounting for 2.8% (corresponding period of 2009: 3.1%) of the total revenue.

The Group's wholly owned subsidiary, Florens Container Holdings Limited and its subsidiaries ("Florens"), continued to rank as the second largest container leasing company in the world, capturing approximately 14.4% (corresponding period of 2009: approximately 13.6%) of the global market. As at 30th June 2010, the fleet size was 1,597,779 TEUs (corresponding period of 2009: 1,605,963 TEUs), a decrease of 0.5% over the same period of last year. Leases of owned containers of the Group were mainly long term leases, and the utilisation rates had been maintained at a relatively high level. Revenue from long term leases accounted for 92.5% (corresponding period of 2009: 93.0%) of the revenue from container leasing, while that of master leases accounted for 7.5% (corresponding period of 2009: 7.0%). The overall average utilisation rate was 95.4% (corresponding period of 2009: 90.3%), slightly higher than the industry average of about 95.0% (corresponding period of 2009: about 86.0%). The average fleet age was 5.43 years (corresponding period of 2009: 4.85 years).

Fleet capacity movement

	2010 (TEUs)	2009 (TEUs)	**y-o-y change (%)**
Fleet capacity as at 1st January	**1,582,614**	1,621,222	**-2.4**
New containers purchased	**49,056**	6,000	**+717.6**
Containers returned from COSCON upon expiry of leases			
Total	**(17,126)**	(7,246)	**+136.4**
Re-leased	**2,894**	301	**+861.5**
Disposal of and pending for disposal	**(14,232)**	(6,945)	**+104.9**
Ownership transferred to customers upon expiry of finance leases	**(125)**	(77)	**+62.3**
Defective containers written off	**(2)**	–	**N/A**
Total loss of containers declared and compensated by customers	**(19,532)**	(14,237)	**+37.2**
Fleet capacity as at 30th June	**1,597,779**	1,605,963	**-0.5**

As soon as recovery in the container leasing market started in the fourth quarter of 2009, the Group established new container purchase plan for the entire year and began to purchase new containers at the beginning of this year. During the first half, the Group had purchased and received 49,056 TEUs (corresponding period of 2009: 6,000 TEUs) of new containers. Among them, 11,000 TEUs (corresponding period of 2009: 3,600 TEUs) were purchased for COSCO Container Lines Company Limited ("COSCON"), accounting for 22.4% (corresponding period of 2009: 60.0%) of the total; 38,056 TEUs (corresponding period of 2009: 2,400 TEUs) were for international customers, accounting for 77.6% (corresponding period of 2009: 40.0%) of the total. The capital expenditure was US$102,138,000 (corresponding period of 2009: US$46,729,000).

During the first half of 2010, 17,126 TEUs (corresponding period of 2009: 7,246 TEUs) of containers were returned by COSCON upon expiry of their 10-year leases. The returned containers disposed of by the Group totaled 18,288 TEUs (corresponding period of 2009: 10,124 TEUs).

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

As at 30th June	Leasing Customers	2010 (TEUs)	2009 (TEUs)	y-o-y change (%)
Owned containers	COSCON	**401,256**	429,238	**-6.5**
Owned containers	International customers	**372,072**	315,947	**+17.8**
Managed containers	International customers	**706,357**	742,684	**-4.9**
Sale-and-leaseback containers	COSCON	**118,094**	118,094	**–**
Total		**1,597,779**	1,605,963	**-0.5**

As at 30th June	Leasing Customers	2010 % of total	2009 % of total	y-o-y change (pp)
Owned containers	COSCON	**25.1**	26.7	**-1.6**
Owned containers	International customers	**23.3**	19.7	**+3.6**
Managed containers	International customers	**44.2**	46.2	**-2.0**
Sale-and-leaseback containers	COSCON	**7.4**	7.4	**–**
Total		**100.0**	100.0	**–**

As at 30th June 2010, the Group's fleet size was 1,597,779 TEUs (corresponding period of 2009: 1,605,963 TEUs), a decrease of 0.5% over the same period of last year.

The fleet size of owned containers was 773,328 TEUs (corresponding period of 2009: 745,185 TEUs), accounting for 48.4% (corresponding period of 2009: 46.4%) of the total fleet. The size of managed container fleet was 706,357 TEUs (corresponding period of 2009: 742,684 TEUs), representing 44.2% (corresponding period of 2009: 46.2%) of the total fleet. The size of sale-and-leaseback container fleet was 118,094 TEUs (corresponding period of 2009: 118,094 TEUs), representing 7.4% (corresponding period of 2009: 7.4%) of the total fleet.

The container fleet size for COSCON was 519,350 TEUs (corresponding period of 2009: 547,332 TEUs) and that for the international customers was 1,078,429 TEUs (corresponding period of 2009: 1,058,631 TEUs), representing 32.5% (corresponding period of 2009: 34.1%) and 67.5% (corresponding period of 2009: 65.9%) of the total fleet respectively.

Container Manufacturing

The Group holds a 21.8% stake in CIMC, the world's largest container manufacturer.

The supply fell short of demand for new dry cargo containers, leading to sharp increase in price and marked improvement in the dry container manufacturing business of CIMC and thus recurring profits increased. Although CIMC realised profit from the disposal of securities of China Merchants Bank in the corresponding period of 2009, its profit contribution to the Group rose to US$26,943,000 in the first half of 2010, an increase of 13.2% as compared with the same period of last year (corresponding period of 2009: US$23,806,000).

Profit contribution from the container manufacturing business dropped by 8.1% to US$26,943,000 (corresponding period of 2009: US$29,322,000). Excluding the profit before tax of US$5,516,000 from the disposal of the 20% stake in Shanghai CIMC Reefer in the first half of 2009, profit contribution of the container manufacturing business rose by 13.2%.

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:

		Number of share options								
Category	Exercise price HK$	Outstanding at 1st January 2010	Granted during the period	Exercised during the period	Transfer (to)/from other categories during the period	Lapsed during the period	Outstanding at 30th June 2010	% of total issued share capital	Exercisable period	Notes
Directors										
Mr. CHEN Hongsheng	13.75	1,000,000	–	–	–	–	1,000,000	0.037%	3.12.2004 – 2.12.2014	(2), (4)
Mr. LI Jianhong	13.75	1,000,000	–	–	–	–	1,000,000	0.037%	2.12.2004 – 1.12.2014	(2), (4)
Ms. SUN Yueying	13.75	1,000,000	–	–	–	–	1,000,000	0.037%	3.12.2004 – 2.12.2014	(2), (4)
Mr. XU Minjie	19.30	800,000	–	–	–	–	800,000	0.030%	19.4.2007 – 18.4.2017	(3), (4)
Dr. SUN Jiakang	13.75	700,000	–	–	–	–	700,000	0.026%	1.12.2004 – 30.11.2014	(2), (4)
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)
		7,300,000	–	–	–	–	7,300,000			
Continuous contract employees	9.54	1,519,000	–	–	–	–	1,519,000	0.056%	(refer to note 1)	(1)
	13.75	13,482,000	–	–	–	(510,000)	12,972,000	0.478%	(refer to note 2)	(2)
	19.30	13,910,000	–	–	–	(400,000)	13,510,000	0.498%	(refer to note 3)	(3)
Others	9.54	50,000	–	–	–	–	50,000	0.002%	(refer to note 1)	(1)
	13.75	4,790,000	–	–	–	–	4,790,000	0.177%	(refer to note 2)	(2)
	19.30	660,000	–	–	–	–	660,000	0.024%	(refer to note 3)	(3)
		34,411,000	–	–	–	(910,000)	33,501,000			
		41,711,000	–	–	–	(910,000)	40,801,000			

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 options represent personal interests held by the relevant directors as beneficial owners.

(5) During the period, no share options were granted, exercised or cancelled under the 2003 Share Option Scheme.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30th June 2010, the interests of the Company's directors in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of Part XV of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

(a) Long positions in shares of the Company

Name of director	Capacity	Nature of interest	Number of ordinary shares held	% of total issued share capital of the Company
Dr. WONG Tin Yau, Kelvin	Beneficial owner	Personal	450,000	0.017%
Dr. LI Kwok Po, David	Beneficial owner	Personal	1,000,000	0.037%
Mr. Timothy George FRESHWATER	Beneficial owner	Personal	30,000	0.001%

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

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

(c) Long positions in shares of associated corporations

Name of associated corporation	Name of director	Capacity	Nature of interest	Number of H shares held	% of total issued H share capital of the associated corporation
China COSCO Holdings Company Limited	Dr. FAN HSU Lai Tai, Rita	Beneficial owner	Personal	5,000	0.0002%

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 Corporation (Singapore) Limited	Mr. LI Jianhong	Beneficial owner	Personal	1,300,000 (Note)	0.058%
	Ms. SUN Yueying	Beneficial owner	Personal	1,400,000 (Note)	0.063%
COSCO International Holdings Limited	Dr. WONG Tin Yau, Kelvin	Beneficial owner	Personal	203,529	0.013%

Note:

Adjustments were made to the number of shares held by these directors as a result of the approval of the sub-division of every 1 ordinary share of S$0.20 each divided into 2 ordinary shares of S$0.10 each by the shareholders of COSCO Corporation (Singapore) Limited ("COSCO Singapore"), an associated corporation of the Company listed on the Main Board of the Singapore Exchange, at the extraordinary general meeting held on 17th January 2006.

(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 1st January 2010	Granted during the period	Exercised during the period	Outstanding at 30th June 2010	% of total issued share capital of the associated corporation	Note
COSCO International Holdings Limited	Mr. LI Jianhong	Beneficial owner	Personal	1.37	1,200,000	–	–	1,200,000	0.079%	(1)
	Dr. SUN Jiakang	Beneficial owner	Personal	1.37	800,000	–	–	800,000	0.053%	(1)
	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 1st January 2010	Granted during the period	Exercised during the period	Outstanding at 30th June 2010	% of total issued share capital of the associated corporation	Note
COSCO Corporation (Singapore) Limited	Mr. LI Jianhong	Beneficial owner	Personal	1.23	700,000	–	–	700,000	0.031%	(1)
	Ms. SUN Yueying	Beneficial owner	Personal	1.23	700,000	–	–	700,000	0.031%	(1)

Notes:

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

(2) 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 period 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: Outstanding at 1st January 2010	Granted during the period	Exercised during the period	Outstanding at 30th June 2010	% of total issued H share capital of the associated corporation	Notes
China COSCO Holdings Company Limited	Mr. CHEN Hongsheng	Beneficial owner	Personal	3.195	525,000	–	–	525,000	0.020%	(1)
				3.588	700,000	–	–	700,000	0.027%	(2)
				9.540	680,000	–	–	680,000	0.026%	(3)
	Mr. LI Jianhong	Beneficial owner	Personal	3.195	450,000	–	–	450,000	0.017%	(1)
				3.588	600,000	–	–	600,000	0.023%	(2)
				9.540	580,000	–	–	580,000	0.022%	(3)
	Mr. XU Lirong	Beneficial owner	Personal	3.195	375,000	–	–	375,000	0.015%	(1)
				3.588	500,000	–	–	500,000	0.019%	(2)
				9.540	580,000	–	–	580,000	0.022%	(3)
	Ms. SUN Yueying	Beneficial owner	Personal	3.195	450,000	–	–	450,000	0.017%	(1)
				3.588	600,000	–	–	600,000	0.023%	(2)
				9.540	580,000	–	–	580,000	0.022%	(3)
	Mr. XU Minjie	Beneficial owner	Personal	3.195	75,000	–	–	75,000	0.003%	(1)
				3.588	90,000	–	–	90,000	0.003%	(2)
	Dr. SUN Jiakang	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. 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. YIN Weiyu	Beneficial owner	Personal	3.195	100,000	–	–	100,000	0.004%	(1)
				3.588	65,000	–	–	65,000	0.003%	(2)

Notes:

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

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

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

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

Save as disclosed above, as at 30th June 2010, none of the directors or chief executive of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

As at 30th June 2010, the interests of shareholders in the shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

			Number of ordinary shares/ % of total issued share capital						
Name	Capacity	Nature of interests	Long positions	%	Short positions	%	Lending pool	%	Notes
COSCO Investments Limited	Beneficial owner	Beneficial interest	202,592,613	7.47	–	–	–	–	(1)
COSCO Pacific Investment Holdings Limited	Beneficial owner and interest of controlled corporation	Beneficial interest and corporate interest	1,158,303,338	42.72	–	–	–	–	(1)
China COSCO Holdings Company Limited	Interest of controlled corporation	Corporate interest	1,158,303,338	42.72	–	–	–	–	(1)
China Ocean Shipping (Group) Company	Interest of controlled corporation	Corporate interest	1,158,303,338	42.72	–	–	–	–	(1)
JPMorgan Chase & Co.	Beneficial owner, investment manager and custodian corporation/ approved lending agent	Beneficial interest and corporate interest	222,035,226	8.19	12,968,591	0.48	66,748,434	2.46	(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 2010, 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 2010, 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 2009 annual report of the Company, 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. CHEN Hongsheng	• Appointed as director of COSCO (Hong Kong) Group Limited • Resigned as chairman of COSCO Japan Co., Ltd. • Ceased to act as vice chairman of China Enterprise Confederation • Ceased to act as vice chairman of China Enterprise Directors Association
Mr. LI Jianhong	• Resigned as non-executive director of COSCO International Holdings Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited, with effect from 11th August 2010
Ms. SUN Yueying	• Resigned as director of COSCO Corporation (Singapore) Limited, a company listed on the Main Board of the Singapore Exchange, with effect from 2nd August 2010 • Resigned as director of COSCO (Hong Kong) Group Limited
Dr. WONG Tin Yau, Kelvin	• Appointed as council member of The Hong Kong Management Association

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 2010 required to be disclosed under Rule 13.22 of Chapter 13 of the Listing Rules is set out below:

	US$'000
Non-current assets	7,712,487
Current assets	2,027,652
Current liabilities	(3,866,586)
Non-current liabilities	(2,449,225)
Net assets	3,424,328
Share capital	465,061
Reserves	1,529,052
Non-controlling interests	1,430,215
Capital and reserves	3,424,328

As at 30th June 2010, the Group's attributable interests in these affiliated companies amounted to US$974,360,000.

CORPORATE GOVERNANCE

The Company continues to achieve high standards of corporate governance so as to promote transparency and ensure better protection of shareholders' interest as a whole. The Company has complied with the code provisions of the Code on Corporate Governance Practices (the "Corporate Governance Code") set out in Appendix 14 of the Listing Rules throughout the six months ended 30th June 2010, except for the following deviation:

Code provision E.1.2

The code provision E.1.2 of the Corporate Governance Code provides that the chairman of the board shall attend the annual general meeting of the company. Due to business commitment, Mr. CHEN Hongsheng, the Chairman of the Board, was unable to attend the annual general meeting of the Company held on 25th May 2010. This constituted a deviation from the code provision E.1.2 of the Corporate Governance Code.

BOARD COMMITTEES

Audit Committee

The Audit Committee of the Company comprises four independent non-executive directors of the Company. The Audit Committee has reviewed, in the presence of the internal and external auditors, the Group's principal accounting policies and the 2010 interim report.

Remuneration Committee

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

Other Board Committees

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

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 2010.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

The Company has not redeemed any of its shares during the six months ended 30th June 2010. 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 2010.

INVESTOR RELATIONS

COSCO Pacific has always regarded investor relations as an important aspect of corporate governance, thus committed to further uplifting the standard of its information disclosure and keeping the market abreast of the latest information on the Company's business operation and development strategies. Management of the Company strives to raise corporate governance standards. During the period, the Company received, for the fourth consecutive year, the "Corporate Governance Asia Recognition Award" from the Corporate Governance Asia magazine and was greatly encouraged by it. It affirms the recognition and praise from institutional investors for the commitment of COSCO Pacific on its corporate governance and investor relations.

During the period, the Company participated in one investor conference organised by investment bank and conducted one roadshow. The Company met with a total of 238 investors, analysts and media representatives through one-on-one and group meetings, and arranged six visits to its terminals for the investment community.

CORPORATE CULTURE

Employee Relations

As at 30th June 2010, COSCO Pacific had a team of 2,548 employees across China, other regions in Asia, the Americas, Europe and Australia.

COSCO Pacific strives to build a team with strong commitment to excellence. Business expansion of the Group has provided its staff with sound and sustainable career development opportunities. The growth and improvement in the COSCO Pacific team also offer sound fundamentals for the Group's future business development. In the first half of 2010, the Group focused its efforts on building a professional management team for its core business in terminal operations. In addition to continual recruitment and cultivation of new talents, the Group also implemented an internal rotation programme to help our staff explore their best potentials.

The Group encourages its staff to study industriously and act proactively. It aims at enhancing management expertise and professional standards of its team through various trainings. The Group also offers equitable and competitive remuneration incentive regimes, as well as organises a number of activities to enrich the leisure life of its staff. During the period, the Group awarded those outstanding individuals who had made remarkable contributions to cost control and operation management and organised a tour for its staff heading for Chengdu-Jiuzhaigou. These activities had worked positively towards fostering team spirit and enhancing passion and a sense of belonging of its staff.

Social Responsibility

The Group commits itself to corporate social responsibilities, actively participates in social welfare activities and community services, and upholds environmental protection.

Environmental protection and climate change have become topical global issues and COSCO Pacific is committed to a responsible approach to environmental protection. Since 2007, the Company has been a Council Member of the Hong Kong Business Environment Council. Senior management of the Company has been participating in the meetings of Council Members to promote projects for the enhancement of the environment. We encourage our staff to attend the Council's events and conferences, and make efforts to promote awareness of environmental protection. The Group also encourages all the terminals, in which it has an interest, to invest in energy conservation and emissions reduction. One exemplary initiative involves switching from fuel-powered to electricity-powered equipment to support energy saving through the use of environmentally friendly technology.

PROSPECTS

European countries are being confronted with sovereign debts and adopting tightened economic measures. The U.S.'s economy is recovering slowly. Since the global economic recovery remains fragile, it is expected that China will continue to implement fiscal policies to maintain a stable macroeconomic condition so as to strengthen the sustainable economic growth in China.

According to the latest forecast by the Development Research Center of the State Council, China's GDP growth will grow by approximately 9.5% this year. The Ministry of Industry and Information Technology of the PRC has also released its estimates that China's imports and exports will show modest quarterly growth in the second half of this year due to higher trade performance base in the corresponding period of last year. However, the Ministry has forecast that China will continue to achieve a strong year-on-year growth of 24.5% and 33.6% respectively in exports and imports. The Group believes that China's economic growth will add impetus to the global container shipping volume growth which will in turn benefit the Group's terminal and container leasing businesses.

Referring to the forecast by the Ministry of Transport of the PRC, China's container throughput will be able to reach 140,000,000 TEUs, representing an impressive 16% year-on-year growth. During the first half of 2010, the Group's container terminal operations in China handled 19,761,033 TEUs, attributing to 88.1% of its total throughput, which is likely to continue to achieve solid throughput growth in the second half. Meanwhile, the acquisition of approximately 10% additional equity interest in Yantian terminal will further enhance the profitability of the Group's terminal business.

For the container leasing division, the Group placed orders of approximately 100,000 TEUs of new containers in the first half, which is expected to deliver before the fourth quarter of this year. Since these new containers have already been fully booked by shipping companies, with majority on long term leases while benefiting from rising rental yield, a stable source of income will be attributed to the Group. During the first half of the year, long term leases contributed 92.5% of the Group's container leasing income. It is expected that the overall utilisation rate will remain high in the second half of this year.

2010 will be a year of challenge and opportunity. While further strengthening the leading position of its core businesses, the Group will strive to develop the terminal business to be its principal earnings driver and to achieve solid growth in the container leasing business. By closely monitoring changes in economic and market conditions, the Group will make timely and appropriate adjustment to its corporate strategies so as to seize business development opportunities ahead. Facing the uncertainties of global economic recovery, the Group will continue to adopt a prudent management policy by tightening cost control and implementing measures of risk management so as to strengthen the sustainable core competence. COSCO Pacific is confident that the Group will benefit from its long range planning and long-term stability, and hence lead to a solid profitability for its shareholders.

MEMBERS OF THE BOARD

As at the date of this report, the board of directors of the Company comprises Mr. CHEN Hongsheng[2] (Chairman), Mr. LI Jianhong[1], Mr. XU Lirong[2], Ms. SUN Yueying[1], Mr. XU Minjie[1] (Vice Chairman & Managing Director), Dr. SUN Jiakang[2], Mr. HE Jiale[1], Dr. WONG Tin Yau, Kelvin[1], Mr. YIN Weiyu[1], Dr. LI Kwok Po, David[3], Mr. CHOW Kwong Fai, Edward[3], Mr. Timothy George FRESHWATER[3] and Dr. FAN HSU Lai Tai, Rita[3].

1 Executive Director
2 Non-executive Director
3 Independent Non-executive Director

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

Hong Kong, 24th August 2010

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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