COSCO Pacific Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 1199)

2011 INTERIM RESULTS ANNOUNCEMENT

RESULTS HIGHLIGHTS

- Revenue increased by 25.2% to US$278,667,000 (corresponding period of 2010: US$222,658,000) and revenue from terminal business and container leasing, management and sale businesses recorded growths of 44.8% to US$149,504,000 (corresponding period of 2010: US$103,266,000) and 8.3% to US$129,275,000 (corresponding period of 2010: US$119,392,000) respectively
- Gross profit rose by 71.0% to US$119,311,000 (corresponding period of 2010: US$69,771,000) attributable to the turnaround to become profitable of Piraeus Container Terminal S.A. ("Piraeus Terminal"), a wholly owned subsidiary of the Group, since September 2010 and the reclassification of Guangzhou South China Oceangate Container Terminal Company Limited ("Guangzhou South China Oceangate Terminal") from a jointly controlled entity to a subsidiary starting from 1st January 2011
- Excluding the non-recurring items [Note 1], profit attributable to equity holders of the Company was US$212,643,000 (corresponding period of 2010: US$98,208,000), an increase of 116.5%. Including the non-recurring items, profit attributable to equity holders rose by 24.8% to US$237,041,000 (corresponding period of 2010: US$189,938,000)
- Interim cash dividend of HK27.2 cents per share (corresponding period of 2010: an interim cash dividend of HK13.7 cents per share) was declared, an increase of 98.5%. Dividend payout [Note 2] maintained at 40.0% (corresponding period of 2010: 40.0%)
- Profit from terminal business grew significantly by 144.3% to US$96,662,000 (corresponding period of 2010: US$39,566,000) on the back of an increase in equity throughput [Note 3] of 31.0% to 6,537,508 TEUs (corresponding period of 2010: 4,991,142 TEUs [Note 4]), an approximately 10% additional stake in Yantian International Container Terminals Co., Ltd. ("Yantian Terminal") and turnarounds to become profitable of Piraeus Terminal and Guangzhou South China Oceangate Terminal. Total throughput increased by 19.7% to 24,249,265 TEUs (corresponding period of 2010: 20,251,095 TEUs [Note 4])

Note 1: Non-recurring items in the first half of 2011 include gain on release of exchange reserve of US$11,841,000 upon reclassification of COSCO Ports (Nansha) Limited ("CP Nansha") and its subsidiary, Guangzhou South China Oceangate Terminal, from jointly controlled entities to subsidiaries starting from 1st January 2011 and profit on disposal of Qingdao Cosport International Container Terminals Co., Ltd. ("Qingdao Cosport Terminal") of US$12,557,000 (corresponding period of 2010: profit on disposal of COSCO Logistics Co., Ltd. ("COSCO Logistics") of US$84,710,000 and profit on disposal of Dalian Port Container Co., Ltd. ("Dalian Port Container") of US$7,020,000).

Note 2: A special interim cash dividend of HK11.1 cents per share was declared as a result of the disposal of 49% equity interest in COSCO Logistics in the corresponding period of 2010. Dividend payout excluded the special dividend.

Note 3: Equity throughput is calculated according to the shareholding proportion of the Group.

Note 4: Total throughput in 2010 excluded the throughput of Qingdao Cosport Terminal and Shanghai Container Terminals Limited ("Shanghai Terminal"). The Group disposed of its 50% equity interest in Qingdao Cosport Terminal on 28th April 2011, and Shanghai Terminal commenced to change its business model and stopped handling containers from January 2011.

- Profit from container leasing, management and sale businesses increased by 17.1% to US$56,195,000 (corresponding period of 2010: US$47,993,000) attributable to the increase in container fleet size by 7.3% to 1,713,872 TEUs (corresponding period of 2010: 1,597,779 TEUs) and the overall average utilisation rate rose by 1.4 percentage points to 96.8% (corresponding period of 2010: 95.4%)
- Profit from container manufacturing business increased by 238.8% to US$91,290,000 (corresponding period of 2010: US$26,943,000)
- For the fifth consecutive year, the Company won the “Corporate Governance Asia Recognition Award” given by Corporate Governance Asia magazine
- For the second consecutive year, the Company was awarded “Foreign Company In-House Team of the Year” by Asian Legal Business, a well recognised professional magazine

RESULTS

The board of directors (the "Board") of COSCO Pacific Limited (the "Company" or "COSCO Pacific") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30th June 2011.

The following financial information, including comparative figures, has been prepared in accordance with Hong Kong Financial Reporting Standards. The Group's unaudited condensed consolidated balance sheet, unaudited condensed consolidated income statement, unaudited condensed consolidated statement of comprehensive income and explanatory notes 1 to 14 as presented below are extracted from the Group's unaudited condensed consolidated interim financial information for the six months ended 30th June 2011 (the "Unaudited Condensed Consolidated Interim Financial Information") which has been reviewed by the Company's independent auditor, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30TH JUNE 2011

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

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET (Continued)
AS AT 30TH JUNE 2011

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

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30TH JUNE 2011

	Note	**Six months ended 30th June**	
		2011	2010
		US$'000	*US$'000*
Continuing operations:			
Revenue		**278,667**	222,658
Cost of sales		**(159,356)**	(152,887)
Gross profit		**119,311**	69,771
Investment income		**1,679**	1,537
Administrative expenses		**(38,354)**	(24,654)
Other operating income		**12,115**	14,005
Other operating expenses		**(7,251)**	(5,605)
Operating profit	7	**87,500**	55,054
Finance income	8	**2,420**	2,763
Finance costs	8	**(26,845)**	(14,448)
Operating profit after finance income and costs		**63,075**	43,369
Share of profits less losses of			
- jointly controlled entities		**49,241**	33,846
- associates		**120,347**	31,574
Profit on disposal of a jointly controlled entity, net of tax	5	**12,557**	-
Gain on release of exchange reserve upon reclassification from a jointly controlled entity to a subsidiary	9	**11,841**	-
Profit before income tax from continuing operations		**257,061**	108,789
Income tax expenses	10	**(16,545)**	(1,345)
Profit for the period from continuing operations		**240,516**	107,444
Discontinued operation:			
Profit for the period from discontinued operation			
- profit on disposal of a jointly controlled entity, net of tax	11	**-**	84,710
Profit for the period		**240,516**	192,154
Profit attributable to:			
Equity holders of the Company		**237,041**	189,938
Non-controlling interests		**3,475**	2,216
		240,516	192,154
Dividends			
- interim	12	**94,804**	47,696
- special interim	12	**-**	38,666
		94,804	86,362

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT (Continued)
FOR THE SIX MONTHS ENDED 30TH JUNE 2011

	Note	**Six months ended 30th June**	
		2011	2010
Earnings per share for profit attributable to equity holders of the Company			
- Basic			
- from continuing operations	13	**US8.74 cents**	US4.41 cents
- from discontinued operation	13	**-**	US3.55 cents
		US8.74 cents	US7.96 cents
- Diluted			
- from continuing operations	13	**US8.73 cents**	US4.41 cents
- from discontinued operation	13	**-**	US3.55 cents
		US8.73 cents	US7.96 cents

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30TH JUNE 2011

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

NOTES

1. BASIS OF PREPARATION

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

The Unaudited Condensed Consolidated Interim Financial Information should be read in conjunction with the annual audited consolidated financial statements for the year ended 31st December 2010 (the "2010 Annual Financial Statements"), which have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRS") issued by the HKICPA.

Adoption of new HKFRSs

The accounting policies and methods of computation used in the preparation of the Unaudited Condensed Consolidated Interim Financial Information are consistent with those used in the 2010 Annual Financial Statements, except that the Group has adopted the following revised standards, amendments or improvements to existing standards (collectively the "new HKFRSs") issued by the HKICPA which are mandatory for the financial year ending 31st December 2011:

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

Improvements to existing standards

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

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

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

2. SEGMENT INFORMATION

(a) Operating segments

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

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

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

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

Segment assets

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

2. SEGMENT INFORMATION (Continued)

(a) Operating segments (Continued)

Segment revenue, results and other information

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

2. SEGMENT INFORMATION (Continued)

(a) Operating segments (Continued)

Segment revenue, results and other information (Continued)

	Continuing operations							Discontinued operation
	Terminal and related businesses *US$'000*	Container leasing, management, sale and related businesses *US$'000*	Container manufacturing and related businesses *US$'000*	Segment total *US$'000*	Corporate *US$'000*	Elimination of inter-segment finance (income)/costs *US$'000*	Total *US$'000*	Logistics and related businesses *US$'000*
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	4,631	-	26,943	31,574	-	-	31,574	-
Profit on disposal of a jointly controlled entity, net of tax	-	-	-	-	-	-	-	84,710
Income tax credit/ (expenses)	1,558	(390)	-	1,168	(2,513)	-	(1,345)	-
Depreciation and amortisation	(11,211)	(40,061)	-	(51,272)	(878)	-	(52,150)	-
Provision for impairment of property, plant and equipment	-	(565)	-	(565)	-	-	(565)	-
Other non-cash expenses	(19)	(571)	-	(590)	(166)	-	(756)	-
Additions to non-current assets	(43,547)	(102,678)	-	(146,225)	(3,535)	-	(149,760)	-

2. SEGMENT INFORMATION (Continued)

(b) Geographical information

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

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

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

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

3. OTHER NON-CURRENT ASSETS

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

4. TRADE AND OTHER RECEIVABLES

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

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

5. ASSET HELD FOR SALE

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

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

6. TRADE AND OTHER PAYABLES

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

The ageing analysis of the trade payables was as follows:

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

7. OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

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

8. FINANCE INCOME AND COSTS

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

9. BUSINESS COMBINATION

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

10. INCOME TAX EXPENSES

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

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

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

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

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

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

11. PROFIT ON DISPOSAL OF A JOINTLY CONTROLLED ENTITY, NET OF TAX

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

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

12. DIVIDENDS

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

Notes:

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

(b) At a meeting held on 24th August 2011, the directors declared an interim cash dividend of HK27.2 cents (equivalent to US3.496 cents) per ordinary share. The interim cash dividend declared is not reflected as dividend payable in the Unaudited Condensed Consolidated Interim Financial Information, but will be reflected as an appropriation of retained profits for the year ending 31st December 2011.

13. EARNINGS PER SHARE

(a) Basic

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

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

(b) Diluted

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

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

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

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

INTERIM DIVIDEND

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

CLOSURE OF REGISTER OF MEMBERS

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

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

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

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

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

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

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

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

Financial Analysis

Revenue

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

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

Cost of sales

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

Investment income

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

Administrative expenses

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

Other operating income/expense, net

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

Finance costs

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

Share of profits less losses of jointly controlled entities and associates

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

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

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

Profit on disposal of a jointly controlled entity

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

28th April 2011, generating a profit after tax of US$12,557,000.

Income tax expenses

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

Profit from discontinued operation

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

Financial Position

Cash flow

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

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

Financing and credit facilities

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

Assets and liabilities

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

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

Debt analysis

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

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

Financial guarantee contracts

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

Contingent liabilities

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

The Court of First Instance of Athens has issued (pronounced) judgment on the case and has dismissed the aforementioned statement of claim in its entirety both as regards the Company and as regards Piraeus Terminal, and has awarded to the Company and Piraeus Terminal part of the legal expenses in the amount of Euro 30,000 (equivalent to approximately US$44,000) against the plaintiff (ADK). The plaintiff has filed an appeal against the judgment of the Court of First Instance of Athens before the Court of Appeals of Athens according to Greek procedural law. The hearing of this appeal has been set to take place before the Court of Appeals of Athens on 13th November 2012. The directors and management of the Company, having taken legal advice, are of the view that the Company and Piraeus Terminal have good rebuttal to the arguments set forth in the appeal document.

Nonetheless, it is still not possible to predict the final outcome of this litigation with certainty. No provision has been made for the claims.

Treasury policy

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

The financing activities of jointly controlled entities and associates were denominated in their respective functional currencies so as to minimise foreign exchange exposure in investments.

The Group continues to exercise stringent control over the use of financial derivatives to hedge against its interest rates exposure. As at 30th June 2011, outstanding interest rate swap contracts comprised nominal principal amounting to US$200,000,000 (31st December 2010: US$200,000,000) in total whereby the Group agreed to pay the banks interest at floating rates ranging from 105 basis points to 116 basis points (31st December 2010: 105 basis points to 116 basis points) above 6-month LIBOR in return for receiving interests from the banks at a fixed interest rate of 5.875% per annum (31st December 2010: 5.875%).

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

Business Review

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

Terminals

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

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

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

COSCO Pacific's total container throughput recorded a satisfactory growth in the first half of 2011 with an increase of 19.7% (corresponding period of 2010: +18.7%) to 24,249,265 TEUs (corresponding period of 2010: 20,251,095 TEUs [Note 1]). The terminal companies in China handled 21,126,861 TEUs in aggregate (corresponding period of 2010: 17,584,080 TEUs [Note 1]), representing an increase of 20.1% (corresponding period of 2010: +16.4%) which was much higher than the average growth rate of 12.9% of the China ports. In 2010, the Group acquired approximately 10% additional equity interest in Yantian Terminal, which intensified the Group's equity throughput [Note 2] growth by 31.0% to 6,537,508 TEUs (corresponding period of 2010: 4,991,142 TEUs [Note 1]).

Regional breakdown of total throughput

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

Regional breakdown of equity throughput [Note 2]

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

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

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

Throughput of terminal companies

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

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

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

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

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

Throughput in the Yangtze River Delta region accounted for 15.0% of the total throughput, reaching 3,634,691 TEUs (corresponding period of 2010: 2,977,905 TEUs) with an increase of 22.1%

(corresponding period of 2010: +16.0%). The increase was primarily driven by Ningbo Yuan Dong Terminal, which had a new berth put into operation in the second quarter of 2010 and recorded a throughput growth of 32.7% during the period.

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

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

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

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

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

Container Leasing, Management and Sale

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

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

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

Fleet Capacity Movement

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

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

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

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

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

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

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

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

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

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

Container Manufacturing

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

CORPORATE GOVERNANCE

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

Code provision E.1.2

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

BOARD COMMITTEES

Audit Committee

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

Remuneration Committee

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

Other Board Committees

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code'') set out in Appendix 10 of the Listing Rules as the Company's code of conduct and rules governing dealings by all directors in the securities of the Company. Having made specific enquiry of all directors of the Company, they all confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30th June 2011.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

The Company has not redeemed any of its shares during the six months ended 30th June 2011. Neither the Company nor any of its subsidiaries purchased or sold any of the Company's listed shares during the six months ended 30th June 2011.

INVESTOR RELATIONS

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

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

CORPORATE CULTURE

Employee Relations

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

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

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

Social Responsibility

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

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

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

PROSPECTS

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

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

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

MEMBERS OF THE BOARD

As at the date of this announcement, the Board comprises Mr. XU Lirong[2] (Chairman), Mr. WANG Xingru[1] (Vice Chairman and Managing Director), Mr. WAN Min[2], Mr. HE Jiale[1], Mr. WANG Zenghua[1], Mr. FENG Jinhua[1], Mr. WANG Haimin[2], Mr. GAO Ping[2], 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
WANG Xingru
Vice Chairman & Managing Director

Hong Kong, 24th August 2011