

## INTERIM DIVIDEND

The directors have declared an interim cash dividend of HK14.4 cents (corresponding period of 2008: HK27.4 cents) per share for the six months ended 30th June 2009. The interim cash dividend will be payable on 22nd September 2009 to shareholders whose names appear on the register of members of the Company on 15th September 2009.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 10th September 2009 to Tuesday, 15th September 2009, 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 Wednesday, 9th September 2009.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Review

#### Overall analysis of results

Being affected by the global environment, the container terminal and the container leasing, management and sale businesses were seriously struck in the first half of 2009. The profit attributable to equity holders was US\$104,509,000 (corresponding period of 2008: US\$153,152,000), a 31.8% decrease over the same period of last year.

For the container terminal business, the Group's container terminal throughput was 20,207,025 TEUs in the first half of 2009 (corresponding period of 2008: 22,088,046 TEUs), representing a 8.5% decrease over the same period of last year. In addition, with the certification and commencement of new terminals' berths, depreciation and finance costs were increased. Hence, profit contribution from the container terminal business dropped 35.8% to US\$44,662,000 (corresponding period of 2008: US\$69,593,000).

During the period, profit contribution from the container leasing, management and sale businesses amounted to US\$37,049,000 (corresponding period of 2008: US\$52,691,000), a decrease of 29.7% over the same period of last year. As at 30th June 2009, the total container fleet amounted to 1,605,963 TEUs (30th June 2008: 1,632,356 TEUs), in which 745,185 TEUs (30th June 2008: 866,448 TEUs) were owned containers, 118,094 TEUs (30th June 2008: Nil) were sale-and-leaseback containers and 742,684 TEUs (30th June 2008: 765,908 TEUs) were managed containers.

Profit from the container manufacturing business increased slightly by 0.7% to US\$29,322,000 in the first half of 2009 (corresponding period of 2008: US\$29,126,000), including the profit of US\$23,806,000 (corresponding period of 2008: US\$29,126,000) attributable to CIMC and profit of US\$5,516,000 (corresponding period of 2008: Nil) generated from the disposal of 20% equity interest in Shanghai CIMC Reefer.

Profit from the logistics business was US\$17,020,000 (corresponding period of 2008: US\$16,229,000), a 4.9% rise over the same period of last year.

## Financial Analysis

### Revenue

Revenue of the Group in the first half of 2009 was US\$159,028,000 (corresponding period of 2008: US\$162,065,000), a 1.9% slight decrease over the same period of last year. The revenue was mainly attributable to the container leasing, management and sale businesses, totalling US\$114,405,000 (corresponding period of 2008: US\$121,365,000), dropped 5.7% over the same period of last year, which primarily included container leasing income and revenue from disposal of returned containers. For revenue from container leasing, as the fleet capacity of owned containers and sale-and-leaseback containers amounted to 745,185 TEUs and 118,094 TEUs respectively as at 30th June 2009 (30th June 2008: 866,448 TEUs and Nil respectively). During the period, revenue from container leasing amounted to US\$99,098,000 (corresponding period of 2008: US\$93,439,000), representing a 6.1% rise over the same period of last year. On the other hand, since the number of returned containers, which are available for sale, sold during the period significantly dropped to 10,124 TEUs (corresponding period of 2008: 20,072 TEUs), it resulted in the revenue from disposal of returned containers during the period decreased to US\$10,596,000 (corresponding period of 2008: US\$22,252,000).

For the container terminal operations and related business with controlling stakes, revenue from terminals with controlling stakes amounted to US\$41,986,000 during the period (corresponding period of 2008: US\$37,338,000), represented an increase of 12.4% over the same period of last year. The increase was mainly contributed by Jinjiang Pacific Ports Development Co., Ltd. ("Jinjiang Pacific Terminal") and Quan Zhou Pacific Container Terminal Co., Ltd. ("Quan Zhou Pacific Terminal"). Having commenced its operation in April 2008, Jinjiang Pacific Terminal achieved a throughput of 129,770 TEUs and 780,274 tons of break-bulk cargo in the first half of 2009 (corresponding period of 2008: 63,367 TEUs and 371,491 tons of break-bulk cargo) and recorded a revenue of US\$8,190,000 (corresponding period of 2008: US\$3,016,000). Besides, the throughput of Quan Zhou Pacific Terminal during the period was 439,734 TEUs (corresponding period of 2008: 469,881 TEUs) and 593,967 tons of break-bulk cargo (corresponding period of 2008: 352,894 tons). The increase in break-bulk cargo throughput resulted in a rise in revenue to US\$16,587,000 (corresponding period of 2008: US\$15,067,000), representing an increase of 10.1%. Zhangjiagang Win Hanverky Container Terminal Co., Ltd. recorded a 20.0% drop in throughput to 301,513 TEUs (corresponding period of 2008: 377,091 TEUs) and a 18.9% drop in revenue over the same period of last year to US\$7,959,000 (corresponding period of 2008: US\$9,818,000). Throughput of Yangzhou Yuanyang International Ports Co., Ltd. amounted to 93,973 TEUs and 5,647,634 tons of break-bulk cargo (corresponding period of 2008: 127,285 TEUs and 5,843,630 tons of break-bulk cargo) with a revenue of US\$9,250,000 (corresponding period of 2008: US\$9,437,000), a slight decrease of 2.0% over the same period of last year.

### Cost of sales

Cost of sales mainly comprised depreciation charge of owned containers, net carrying amount of returned containers disposed, container rental expense for the sale-and-leaseback business and operating expenses of terminal companies. Cost of sales in the first half of 2009 was US\$86,019,000 (corresponding period of 2008: US\$77,676,000), an increase of 10.7% over the same period of last year. In July 2008, the Group leased back the containers which had been transferred to CBA USD Investments Pty Limited, and therefore incurred a container rental expense of US\$6,193,000 (corresponding period of 2008: Nil). In addition, depreciation charge for containers increased to US\$38,550,000 during the period (corresponding period of 2008: US\$38,012,000). The number of returned containers disposed of decreased to 10,124 TEUs (corresponding period of 2008: 20,072 TEUs) and the net carrying amount of disposed returned containers fell to US\$9,320,000 (corresponding period of 2008: US\$18,120,000). The commencement of operation of Jinjiang Pacific Terminal in April 2008 led to a rise of the total operating expenses in terminal subsidiaries to US\$25,227,000 during the period (corresponding period of 2008: US\$18,223,000).

## Investment income

Investment income, comprising mainly dividends income, was US\$12,925,000 (corresponding period of 2008: US\$13,081,000), a decrease of 1.2% over the same period of last year. Among that, Yantian International Container Terminals Co., Ltd. declared its 2009 interim dividend of US\$9,363,000 during the period (corresponding period of 2008: declared its 2008 interim dividend of US\$9,297,000). Tianjin Five Continents International Container Terminal Co., Ltd. and Dalian Port Container Co., Ltd. declared its 2008 dividends of US\$2,033,000 and US\$1,493,000 respectively (corresponding period of 2008: declared its 2007 dividend of US\$2,267,000 and US\$1,360,000 respectively).

## Administrative expenses

During the period, administrative expenses was US\$28,480,000 (corresponding period of 2008: US\$24,970,000), a rise of 14.1% over the same period of last year. The increase was mainly due to the newly-built Xiamen Ocean Gate Container Terminal Co., Ltd., Piraeus Container Terminal S.A. ("Piraeus Terminal") and those of Jinjiang Pacific Terminal being consolidated since April 2008.

## Net other operating income

Net other operating income in the first half of 2009 was US\$98,000 (corresponding period of 2008: US\$15,047,000), a drop of 99.3% over the same period of last year. The drop was mainly attributable to the significant decrease in the amount incurred from the Group's other operating income items during the period over the same period of last year. Among which, container repair insurance income decreased to US\$413,000 (corresponding period of 2008: US\$4,150,000), the net provision for impairment of trade receivables written back decreased to US\$42,000 (corresponding period of 2008: US\$1,658,000) and the profits of US\$85,000 incurred by the disposal of equity interest in China Shipping Container Lines Company Limited during the period (corresponding period of 2008: US\$1,959,000). In addition, profit before tax of US\$302,000 and a one-off management income of US\$1,110,000 were generated from the disposal of 13,509 TEUs of containers (the Group had provided after sale management service thereafter) which recognised in the first half of 2008. Such income was not recorded in 2009. Besides, the provision for impairment of containers of US\$3,040,000 (corresponding period of 2008: US\$23,000) recognised in the period resulted in a substantial drop of the overall net operating income in the period.

## Finance costs

Finance costs in the first half of 2009 was US\$22,997,000 (corresponding period of 2008: US\$24,778,000), a decrease of 7.2% as compared with the same period of last year. Finance costs include interest expenses, the amortisation of transaction costs over bank loans and notes. The decrease in finance costs was mainly attributable to the decrease in London Interbank Offer Rate ("LIBOR"), which caused a decrease in interest expenses. During the period, average cost of borrowing, including the amortisation of transaction costs over bank loans and notes, was an average 6-month LIBOR plus 146 basis points, similar to that of the same period of 2008. Average borrowings for the period increased to US\$1,450,237,000 (corresponding period of 2008: US\$1,097,045,000), an increase of 32.2% as compared with the same period of last year. Increase in average borrowings partly offset the impact on the decrease in LIBOR.

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

Affected by the financial tsunami, net share of profit contribution from jointly controlled entities during the current period amounted to US\$42,634,000 (corresponding period of 2008: US\$59,723,000), representing a decrease of 28.6% as compared to the same period of last year. The throughput of COSCO-PSA Terminal Private Limited ("COSCO-PSA Terminal") experienced a substantial drop of 46.5% to 362,379 TEUs (corresponding period of 2008: 677,308 TEUs) during the period, and recorded a loss of US\$1,772,000 (corresponding period of 2008: a profit of US\$3,221,000) in the first half of 2009. In addition, new berths of Guangzhou South China Oceangate Container Terminal Company Limited ("Guangzhou South China Oceangate Terminal") gradually commenced operations in 2008, resulting in a subsequent increase in depreciation, amortisation and finance costs. Meanwhile, throughput decreased 18.0% to 884,220 TEUs (corresponding period of 2008: 1,078,564 TEUs) in the period as compared to the same period of 2008, resulting in a loss of US\$6,476,000 (corresponding period of 2008: a loss of US\$1,727,000) in Guangzhou South China Oceangate Terminal during the first half of 2009. During the period, throughput of COSCO-HIT Terminals (Hong Kong) Limited ("COSCO-HIT Terminal") and Shanghai Pudong International Container Terminals Limited ("Shanghai Pudong Terminal") were 657,451 TEUs and 1,125,924 TEUs respectively (corresponding period of 2008: 883,700 TEUs and 1,314,428 TEUs respectively), representing a decrease of 25.6% and 14.3% respectively over the same period of last year. Profit of US\$8,863,000 and US\$10,235,000 (corresponding period of 2008: US\$12,975,000 and US\$12,682,000) were recorded respectively, representing a drop of 31.7% and 19.3% respectively over the same period of last year. Qingdao Qianwan Container Terminal Co., Ltd. ("Qingdao Qianwan Terminal") recorded a slight growth of 2.6% in its throughput to 4,427,379 TEUs (corresponding period of 2008: 4,315,000 TEUs) during the period. However, due to the initial loss recorded in Qingdao New Qianwan Container Terminal Co., Ltd., which was consolidated into the performance of Qingdao Container Terminal in the period, the overall profit decreased to US\$12,353,000 (corresponding period of 2008: US\$13,938,000), representing a 11.4% fall over the same period of last year. For the logistics business, COSCO Logistics Co., Ltd. ("COSCO Logistics") recorded a profit of US\$17,020,000 (corresponding period of 2008: US\$16,229,000), representing a rise of 4.9% over the same period of last year.

During the first half of 2009, share of net profit from associates amounted to US\$27,898,000 (corresponding period of 2008: US\$37,822,000), a 26.2% decrease as compared to the same period of last year. Among which, throughput of Antwerp Gateway NV ("Antwerp Terminal") dropped 48.3% to 297,045 TEUs during the period (corresponding period of 2008: 574,087 TEUs) with a loss of US\$1,543,000 (corresponding period of 2008: a profit of US\$701,000). Financial tsunami and industry competition caused some of the routes of Antwerp Terminal moved out in the first quarter, resulting in a significant drop of its throughput during the period and a loss was recorded. During the period, the throughput of Suez Canal Container Terminal S.A.E. ("Suez Canal Terminal") amounted to 1,249,102 TEUs (corresponding period of 2008: 1,099,428 TEUs) with a profit of US\$4,654,000 (corresponding period of 2008: US\$4,333,000), representing a rise of 7.4%. On the other hand, profits were generated from the disposal of its shares in China Merchants Bank in the period, it offset the operational loss resulted from the suspension in production in certain dry cargo containers plants of CIMC since the fourth quarter of 2008, which had not resumed production as at 30th June 2009. Profits of CIMC dropped to US\$23,806,000 (corresponding period of 2008: US\$29,126,000), represented a decrease of 18.3%.

## Profit on disposal of a jointly controlled entity

In order to concentrate on the development of our core businesses such as the terminal and the container leasing businesses, the Group completed the disposal of the 20% equity interests in Shanghai CIMC Reefer in the first half of 2009, which generated a profit of US\$5,516,000. No such profit was recorded in the corresponding period of 2008.

## Income tax expenses

During the period, income tax expenses amounted to US\$7,608,000 (corresponding period of 2008: US\$5,983,000), represented an increase of 27.2% over the same period of last year, among which US\$6,956,000 (corresponding period of 2008: US\$4,830,000) represented a provision for dividend withholding tax that applied to certain PRC investments of the Group under the tax reform in the Mainland China.

## Financial Position

### Cash flow

During the period, net cash from operating activities amounted to US\$86,165,000 (corresponding period of 2008: US\$131,000,000). The Group drew bank loans of US\$86,042,000 (corresponding period of 2008: US\$449,247,000) and repaid loans of US\$38,481,000 (corresponding period of 2008: US\$57,629,000) in the first half of the year. Total cash outflow for investments of the Group during the period amounted to US\$29,663,000, mainly comprising US\$13,560,000 used in Nanjing Port Longtan Container Co., Ltd., US\$9,363,000 in Yantian International Container Terminals (Phase III) Limited ("Yantian Terminal Phase III") by reinvestment of dividend income and US\$6,740,000 in Antwerp Terminal. During the same period of last year, the total cash outflow for investments amounted to US\$305,260,000, mainly comprising US\$259,360,000 for approximately 5.26% additional equity interest in CIMC, US\$14,220,000 in Dalian Port Container Terminal Co., Ltd., US\$13,750,000 in Suez Canal Terminal, US\$9,297,000 in Yantian Terminal Phase III by reinvestment of dividend income, US\$6,868,000 in Dalian Automobile Terminal Co., Ltd. and US\$1,739,000 in Antwerp Terminal. During the period, an amount of US\$163,242,000 (corresponding period of 2008: US\$328,382,000) was paid in cash for the payment of upfront concession fee for Piraeus Port, expansion of existing terminals' berths and purchase of property, plant and equipment, of which US\$31,183,000 (corresponding period of 2008: US\$247,775,000) was for the purchase of new containers.

### Financing and credit facilities

In response to the global economic downturn and the decrease in the container shipping volume, the Group has stringently controlled its pace of capital investments during the period, including the investments in terminals and the acquisition of containers. As at 30th June 2009, total bank loans amounted to US\$1,464,846,000 (31st December 2008: US\$1,424,335,000).

As at 30th June 2009, cash balances and available banking facilities amounted to US\$418,126,000 and US\$348,900,000 respectively (31st December 2008: US\$429,041,000 and US\$40,236,000 respectively).

### Assets and liabilities

As at 30th June 2009, the Group's total assets amounted to US\$4,366,053,000 (31st December 2008: US\$4,213,208,000) and total liabilities amounted to US\$1,643,681,000 (31st December 2008: US\$1,566,905,000). Net assets were US\$2,722,372,000 (31st December 2008: US\$2,646,303,000). Net asset value per share was US\$1.21 (31st December 2008: US\$1.18), representing a 2.5% increase from the end of last year.

The cash balances of the Group amounted to US\$418,126,000 as at 30th June 2009 (31st December 2008: US\$429,041,000). Total outstanding borrowings amounted to US\$1,464,846,000 (31st December 2008: US\$1,424,335,000). Total net debt-to-equity ratio was 38.4% (31st December 2008: 37.6%). The interest coverage was 5.9 times, while it was 7.6 times in the corresponding period of last year. No asset was pledged by the Group to banks and financing institutions (31st December 2008: Nil).

## Debt analysis

	As at 30th June 2009		As at 31st December 2008	
	US\$	(%)	US\$	(%)
<b>By repayment term</b>				
Within the first year	112,904,000	7.7	67,380,000	4.7
Within the second year	97,214,000	6.6	89,595,000	6.3
Within the third year	171,202,000	11.7	142,688,000	10.0
Within the fourth year	412,136,000	28.1	285,758,000	20.1
Within the fifth year and after	671,390,000	45.9	838,914,000	58.9
	<b>1,464,846,000*</b>	<b>100.0</b>	1,424,335,000*	100.0
<b>By category</b>				
Secured borrowings	–	–	–	–
Unsecured borrowings	1,464,846,000	100.0	1,424,335,000	100.0
	<b>1,464,846,000*</b>	<b>100.0</b>	1,424,335,000*	100.0
<b>By denominated currency</b>				
US dollar borrowings	1,229,041,000	83.9	1,248,685,000	87.7
RMB borrowings	235,805,000	16.1	175,650,000	12.3
	<b>1,464,846,000*</b>	<b>100.0</b>	1,424,335,000*	100.0

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

## Contingent liabilities

As at 30th June 2009, the Group provided guarantees on a loan facility granted to an associate of US\$34,600,000 (31st December 2008: US\$37,057,000).

## 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 continued to exercise stringent control over the use of financial derivatives to hedge against its interest rates exposure. As at 30th June 2009, outstanding interest rates swap contracts comprised notional principals of contracts amounting to US\$200,000,000 (31st December 2008: US\$200,000,000) in total whereby the Group agreed to pay the banks interest at floating rates ranging from 105 basis points to 116 basis points above 6-month LIBOR in return for receiving interests from the banks at a fixed interest rate of 5.875% per annum.

As at 30th June 2009, after adjustment of the fixed rate borrowings for the interest rates swap contracts, 6.8% (31st December 2008: 7.0%) of the Group's total borrowings were in fixed rate. The Group continued to monitor and regulate its fixed and floating rates debt portfolio from time to time in light of the market conditions, with a view to minimising its potential interest rates exposure.

## Event after the Balance Sheet Date

On 27th August 2009, 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' entire 49% equity interest in COSCO Logistics, a jointly controlled entity of the Group. Please refer to the announcement of the Company published on the same date on the designated website of Hong Kong Exchanges and Clearing Limited at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of the Company at [www.coscopac.com.hk](http://www.coscopac.com.hk) for details.

## Business Review

In the first half of 2009, the real economies and international trade were substantially affected by the global financial crisis, resulting in a contraction in global economy and world trade volume. Following the implementation of numerous economic revitalization programs by governments across the globe, signs of improvement from economic recession began to emerge in major developed countries in the second quarter of 2009.

Bolstered by a series of economic stimulus programs, the macro-economy of China remained relatively stable, achieving 7.1% growth in GDP in the first half of the year. However, economic contractions in Europe and the United States weighed on China's trade performance, its import and export trade declined 23.5% year-on-year in the first half of the year while the global container transportation also fell. The market competition in the global shipping and China port industry became more intense, making business operations even more difficult.

COSCO Pacific's terminal, container leasing and container manufacturing businesses had, to a certain extent, inevitably affected by the challenging market environment. In response to falling operating income and operating profit, COSCO Pacific made timely adjustments in its strategies, and pace of its expansion plans. It also substantially reduced its capital expenditure and exercised stringent cost control. During the period, the total container throughput handled by its terminals reached 20,207,025 TEUs, representing a 8.5% decline over the same period of last year. As at 30th June 2009, the container fleet size decreased slightly by 1.6% to 1,605,963 TEUs over the same period of last year.

## Terminals

### Market review

As a result of the decreases in the total value of exports and imports by 21.8% and 25.4% respectively, the container throughput of China during the first half year of 2009 decreased by 11.0% to about 55,966,000 TEUs as compared with the same period of last year. Among the Top 10 China container ports, only four of them recorded growth over the same period of last year. Shenzhen Port and Shanghai Port, both engaged mainly in the export trade towards Europe and the United States, recorded relatively significant declines over the same period of last year.

## Top 10 China container ports throughput in the first half of 2009

Port	Throughput (TEUs)	y-o-y change (%)
Shanghai	11,662,200	-15.6
Shenzhen	8,039,500	-21.1
Qingdao	5,099,900	+2.0
Guangzhou	5,098,500	-14.5
Ningbo	4,656,400	-11.0
Tianjin	4,160,900	+1.9
Xiamen	2,121,700	-14.0
Dalian	2,098,500	-1.4
Lianyungang	1,341,800	+0.4
Yingkou	1,209,500	+20.0

Source: The website of China Ports Association Container Branch

### Business review

In the first two quarters of 2009, COSCO Pacific recorded a decline of 8.0% (corresponding period of 2008: +22.2%) and 9.0% (corresponding period of 2008: +23.1%) in the container throughput for the first and second quarter respectively. During the first half of the year, the total throughput decreased by 8.5% (corresponding period of 2008: +22.7%) with a total throughput reaching 20,207,025 TEUs (corresponding period of 2008: 22,088,046 TEUs). The terminal companies in China handled a total of 18,298,499 TEUs (corresponding period of 2008: 19,737,223 TEUs), a drop of 7.3% over the same period of last year (corresponding period of 2008: +14.5%), which was less than the drop of 11.0% year-on-year in China container throughput, mainly due to the outperformance of the terminal companies in Bohai Rim and Southeast Coast over those in other port regions. The two terminal companies in Southeast Coast, in which the Group owns controlling stakes drove up the total break-bulk cargo throughput by 6.9% to 7,021,875 tons over the same period of last year (corresponding period of 2008: 6,568,015 tons).

### Regional breakdown of container throughput

	1H 2009 (TEUs)	y-o-y change (%)	% of total (%)	% of total y-o-y change (pp)
Bohai Rim	8,493,867	+1.1	42.1	+4.1
Yangtze River Delta	3,902,197	-14.7	19.3	-1.4
Pearl River Delta and Southeast Coast	5,902,435	-12.7	29.2	-1.4
China	18,298,499	-7.3	90.6	+1.3
Overseas	1,908,526	-18.8	9.4	-1.3
<b>Total throughput</b>	<b>20,207,025</b>	<b>-8.5</b>	<b>100.0</b>	<b>-</b>

## Throughput of terminal companies

Terminal companies	1H 2009 (TEUs)	1H 2008 (TEUs)	y-o-y (%)
<b>Bohai Rim</b>	<b>8,493,867</b>	8,400,703	<b>+1.1</b>
Qingdao Qianwan Container Terminal Co., Ltd.	<b>4,427,379</b>	4,315,000	<b>+2.6</b>
Qingdao Cosport International Container Terminals Co., Ltd.	<b>588,495</b>	572,260	<b>+2.8</b>
Dalian Port Container Co., Ltd.	<b>1,314,773</b>	1,272,752	<b>+3.3</b>
Dalian Port Container Terminal Co., Ltd.	<b>697,356</b>	794,296	<b>-12.2</b>
Tianjin Five Continents International Container Terminal Co., Ltd.	<b>943,717</b>	962,681	<b>-2.0</b>
Yingkou Container Terminals Company Limited	<b>522,147</b>	483,714	<b>+7.9</b>
<b>Yangtze River Delta</b>	<b>3,902,197</b>	4,576,107	<b>-14.7</b>
Shanghai Pudong International Container Terminals Limited	<b>1,125,924</b>	1,314,428	<b>-14.3</b>
Shanghai Container Terminals Limited	<b>1,430,306</b>	1,848,826	<b>-22.6</b>
Ningbo Yuan Dong Terminals Limited	<b>494,794</b>	394,914	<b>+25.3</b>
Zhangjiagang Win Hanverky Container Terminal Co., Ltd.	<b>301,513</b>	377,091	<b>-20.0</b>
Yangzhou Yuanyang International Ports Co., Ltd.	<b>93,973</b>	127,285	<b>-26.2</b>
Nanjing Port Longtan Container Co., Ltd.	<b>455,687</b>	513,563	<b>-11.3</b>
<b>Pearl River Delta &amp; Southeast Coast</b>	<b>5,902,435</b>	6,760,413	<b>-12.7</b>
COSCO-HIT Terminals (Hong Kong) Limited	<b>657,451</b>	883,700	<b>-25.6</b>
Yantian International Container Terminals Co., Ltd.	<b>3,791,260</b>	4,264,901	<b>-11.1</b>
Guangzhou South China Oceangate Container Terminal Company Limited	<b>884,220</b>	1,078,564	<b>-18.0</b>
Quan Zhou Pacific Container Terminal Co., Ltd.	<b>439,734</b>	469,881	<b>-6.4</b>
Jinjiang Pacific Ports Development Co., Ltd.	<b>129,770</b>	63,367	<b>+104.8</b>
<b>Overseas</b>	<b>1,908,526</b>	2,350,823	<b>-18.8</b>
COSCO-PSA Terminal Private Limited	<b>362,379</b>	677,308	<b>-46.5</b>
Antwerp Gateway NV	<b>297,045</b>	574,087	<b>-48.3</b>
Suez Canal Container Terminal S.A.E.	<b>1,249,102</b>	1,099,428	<b>+13.6</b>
<b>Total container throughput</b>	<b>20,207,025</b>	22,088,046	<b>-8.5</b>
<b>Total break-bulk cargo throughput (tons)</b>	<b>7,021,875</b>	6,568,015	<b>+6.9</b>

During the first half of 2009, the throughput in Bohai Rim rose by 1.1% over the same period of last year (corresponding period of 2008: +8.2%) to 8,493,867 TEUs (corresponding period of 2008: 8,400,703 TEUs), accounting for 42.1% of the total throughput. As a result of successful affiliation of new routes, the throughput of Qingdao Qianwan Terminal bucked the trend with an increase of 2.6% (corresponding period of 2008: +7.2%).

The throughput in Yangtze River Delta decreased by 14.7% over the same period of last year (corresponding period of 2008: +17.9%) to 3,902,197 TEUs (corresponding period of 2008: 4,576,107 TEUs), accounting for 19.3% of the total throughput. Ningbo Yuan Dong Terminal stood out among other terminals in the region with an increase of 25.3% year-on-year. The container throughput of Shanghai Pudong Terminal decreased by 10.3% in the first quarter, representing a better performance over Shanghai Port of -15.1%. However, the container throughput decreased in April owing to route adjustment by the shipping companies. As a result, the container throughput in Shanghai Pudong Terminal decreased further to -14.3% year-on-year (corresponding period of 2008: -3.1%) during the first half of 2009, similar to that of Shanghai Port.

The total throughput in Pearl River Delta and Southeast Coast reached 5,902,435 TEUs (corresponding period of 2008: 6,760,413 TEUs), a decrease of 12.7% year-on-year (corresponding period of 2008: +21.0%), accounting for 29.2% of the total throughput. Jinjiang Pacific Terminal, which commenced operation in April 2008, drove the container throughput and break-bulk cargo throughput in Southeast Coast to rise by 6.8% (corresponding period of 2008: +38.5%) and 89.7% (corresponding period of 2008: +71.7%) respectively over the same period of last year, reaching 569,504 TEUs (corresponding period of 2008: 533,248 TEUs) and 1,374,241 tons (corresponding period of 2008: 724,385 tons) respectively. During the period, the increase in marble and granite imports handled by Quan Zhou Pacific Terminal and the steady increase in break-bulk cargo throughput handled by Jinjiang Pacific Terminal boosted the total break-bulk cargo throughput of the Group and Southeast Coast. The throughput in Pearl River Delta reached 5,332,931 TEUs (corresponding period of 2008: 6,227,165 TEUs), a decrease of 14.4% year-on-year (corresponding period of 2008: +19.7%). The container throughput of COSCO-HIT Terminal declined by 25.6% year-on-year (corresponding period of 2008: -2.5%) due to exports to Europe and the United States accounted for a higher proportion of containers handled. The container throughput of Yantian Terminal decreased by 11.1% over the same period of last year (corresponding period of 2008: +2.4%), representing a significantly better performance over Shenzhen Port of -21.1%. Its market share in Shenzhen Port increased to 46.9% (corresponding period of 2008: 41.9%).

The throughput of overseas terminals reached 1,908,526 TEUs (corresponding period of 2008: 2,350,823 TEUs), a year-on-year drop of 18.8% (corresponding period of 2008: +206.7%), accounting for 9.4% of the total throughput. Container throughput of COSCO-PSA Terminal and Antwerp Terminal exhibited a negative growth at the end of 2008. Impacted by the worsened economic downturn in Europe and the United States, the two terminals recorded sharper decline in the first half of 2009 over the same period of last year. The fleets of COSCO Container Lines Company Limited ("COSCON"), Kawasaki Kisen Kaisha and Yang Ming Marine Transport Corporation began to call at Suez Canal Terminal since early 2008, resulting in a 13.6% (corresponding period of 2008: not applicable) increase of container throughput in the terminal.

Amid the worsened operating environment, the Group has been strategically slowed down the pace of investment in new terminals and expansion of existing terminals. During the first half of 2009, the Group had no new berth to commence operation and did not execute any investment in new terminal project. As at 30th June 2009, the Group has 89 (corresponding period of 2008: 89) operating container berths, with an annual handling capacity of 48,150,000 TEUs (corresponding period of 2008: 48,150,000 TEUs) and 8 (corresponding period of 2008: 8) operating break-bulk cargo berths, with an annual handling capacity of 9,050,000 tons (corresponding period of 2008: 9,050,000 tons).

Eight berths are expected to commence operation in 2009, including 2 container berths in Ningbo Yuan Dong Terminal, 1 container berth in Quan Zhou Pacific Terminal, 1 container berth in Yantian Terminal and 4 container berths in Piraeus Terminal, and will have a total annual handling capacity of 4,350,000 TEUs. The 1 container berth in Yantian Terminal commenced trial operation at the end of July, while the other 7 berths are expected to bring into operation gradually in the fourth quarter. The Group will take over and operate Pier 2 in the Piraeus Port in Greece on 1st October. Relevant preparation is actively underway.

## Container leasing, management and sale

As a result of financial crisis, the demand for leased containers plunged and the global container leasing market turned weak. The container leasing, management and sale businesses of COSCO Pacific were inevitably affected to some extent. In the first half of 2009, the profit contribution from this business dropped 29.7% year-on-year to US\$37,049,000 (corresponding period of 2008: US\$52,691,000).

In the face of intense competition in the market and slowdown in the shipping industry, Florens Container Holdings Limited, a wholly owned subsidiary of COSCO Pacific, and its subsidiaries ("Florens") exercised effective control over its fleet size. It continued to operate its fleet under an asset light business model, which comprises owned, managed and sale-and-leaseback containers. As at 30th June 2009, the fleet size was 1,605,963 TEUs (corresponding period of 2008: 1,632,356 TEUs), representing a year-on-year contraction of 1.6%. Florens continued to rank as the world's second largest container leasing company, capturing approximately 13.6% (corresponding period of 2008: approximately 13.2%) of the global container leasing market. During the period, the overall average utilisation rate was 90.3% (corresponding period of 2008: 94.3%), which was higher than the industry average of about 86.0% (corresponding period of 2008: about 93.4%). The average fleet age was 4.85 years (corresponding period of 2008: 4.06 years).

As at 30th June 2009, the fleet size of owned containers was 745,185 TEUs (corresponding period of 2008: 866,448 TEUs), accounting for 46.4% (corresponding period of 2008: 53.1%) of the total fleet, among which, 429,238 TEUs (corresponding period of 2008: 560,501 TEUs) of containers were made available to COSCON and 315,947 TEUs (corresponding period of 2008: 305,947 TEUs) were made available to international customers. The size of managed fleet was 742,684 TEUs (corresponding period of 2008: 765,908 TEUs), or 46.2% (corresponding period of 2008: 46.9%) of the total fleet. The size of sale-and-leaseback container fleet was 118,094 TEUs (corresponding period of 2008: nil), or 7.4% (corresponding period of 2008: nil) of the total fleet.

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

As at 30th June 2009	Owned Containers (TEUs)	Managed Containers (TEUs)	Sale-and-leaseback Containers (TEUs)	Total (TEUs)
COSCON	429,238	–	118,094	547,332
International customers	315,947	742,684	–	1,058,631
<b>Total</b>	<b>745,185</b>	<b>742,684</b>	<b>118,094</b>	<b>1,605,963</b>

  

As at 30th June 2008	Owned Containers (TEUs)	Managed Containers (TEUs)	Sale-and-leaseback Containers (TEUs)	Total (TEUs)
COSCON	560,501	–	–	560,501
International customers	305,947	765,908	–	1,071,855
<b>Total</b>	<b>866,448</b>	<b>765,908</b>	<b>–</b>	<b>1,632,356</b>

## Fleet capacity breakdown by type of containers

As at 30th June 2009		Owned Containers (COSCON)	Owned Containers (International customers)	Managed Containers (International customers)	Sale-and-leaseback Containers (COSCON)	Total
		Dry	%	95.0	96.9	97.8
Reefer	%	4.5	2.9	1.3	5.4	2.8
Special	%	0.5	0.2	0.9	0.5	0.6
Total number of containers	TEUs	429,238	315,947	742,684	118,094	1,605,963
Percentage of total	%	26.7	19.7	46.2	7.4	100.0

As at 30th June 2008		Owned Containers (COSCON)	Owned Containers (International customers)	Managed Containers (International customers)	Sale-and-leaseback Containers (COSCON)	Total
		Dry	%	95.3	97.6	97.6
Reefer	%	4.4	2.1	1.4	–	2.6
Special	%	0.3	0.3	1.0	–	0.6
Total number of containers	TEUs	560,501	305,947	765,908	–	1,632,356
Percentage of total	%	34.3	18.8	46.9	–	100.0

In order to maintain a steady stream of leasing revenue and warrant a high utilisation rate, leases of the Group's owned containers were mostly long term in nature. In the first half of 2009, long-term leases contributed 93.0% (corresponding period of 2008: 93.3%) to the total container leasing revenue, and only 7.0% (corresponding period of 2008: 6.7%) from master leases. As at 30th June 2009, the Group had a customer base of 288 companies (corresponding period of 2008: 280). The majority of the Group's customers are the world-class container lines, including the world's top 10 container lines. During the period, container leasing revenue from these customers accounted for 80.3% (corresponding period of 2008: 80.6%) of the Group's total container leasing revenue.

In view of a drastic drop in the demand for leased containers, the Group has cut back substantially its capital expenditure on purchase of new containers in order to minimize operational risk. During the period, the Group purchased 6,000 TEUs (corresponding period of 2008: 138,162 TEUs) of new containers, mainly reefer containers with steady demand, of which 3,600 TEUs (corresponding period of 2008: 57,702 TEUs) were ordered for COSCON, accounting for 60.0% (corresponding period of 2008: 41.8%) of the Group's total new purchase of the period. The remaining 40.0% (corresponding period of 2008: 58.2%) or 2,400 TEUs (corresponding period of 2008: 80,460 TEUs) were for international customers.

In addition to large reduction in capital expenditure, during the period, the Group took a proactive approach in exercising strict control over operating costs, which included effective repositioning of idle containers, cost-saving scheme on storage, working closely with customers on renewals of long-term contracts, maximizing the disposal volume and sale prices of returned boxes, as well as minimizing operational costs.

## Disposal of returned containers upon expiry of leases

During the first half of 2009, 7,246 TEUs (corresponding period of 2008: 14,058 TEUs) of containers were returned by COSCON upon expiry of their 10-year leases. The returned containers disposed of by Florens totaled 10,124 TEUs (corresponding period of 2008: 20,072 TEUs), including disposal of 8,736 TEUs (corresponding period of 2008: 15,965 TEUs) of containers returned by COSCON upon expiry of their 10-year leases on 30th June 2009 or before. Profit before tax from the disposal amounted to US\$841,000 (corresponding period of 2008: US\$3,640,000).

## Fleet capacity movement

	2009 (TEUs)	2008 (TEUs)	y-o-y (%)
<b>Fleet capacity as at 1st January</b>	<b>1,621,222</b>	1,519,671	<b>+6.7</b>
New containers purchased	<b>6,000</b>	138,162	<b>-95.7</b>
Containers returned from COSCON upon expiry of leases			
Total	<b>(7,246)</b>	(14,058)	<b>-48.5</b>
Re-leased	<b>301</b>	340	<b>-11.5</b>
Disposal of and pending for disposal	<b>(6,945)</b>	(13,718)	<b>-49.4</b>
Ownership transferred to customers upon expiry of finance leases	<b>(77)</b>	(177)	<b>-56.5</b>
Write-offs for defective containers	<b>-</b>	(9)	<b>-100.0</b>
Total loss of containers declared and compensated by customers	<b>(14,237)</b>	(11,573)	<b>+23.0</b>
<b>Fleet capacity as at 30th June</b>	<b>1,605,963</b>	1,632,356	<b>-1.6</b>

## Container manufacturing

During the period, the Group completed a sales transaction for its equity interest in Shanghai CIMC Reefer and simplified the shareholder structure of its container manufacturing business. Profit before tax from the disposal was US\$5,516,000.

The Group holds a 21.8% stake in CIMC, which is the world's largest container manufacturer, producing more than 50% of the containers in the global market. As a result of sharp contraction in the container shipping market, demand for new dry containers drop drastically. Since the 4th quarter of 2008, CIMC plant has nearly halted dry container production and has not yet resumed production. During the period, CIMC generated profits from its disposal of shares in China Merchants Bank, and offset its operational loss. In the first half of 2009, the profit contribution from CIMC dropped by 18.3% to US\$23,806,000 (corresponding period of 2008: US\$29,126,000).

The profit generated by the container manufacturing business was US\$29,322,000 (corresponding period of 2008: US\$29,126,000), a slight increase of 0.7% year-on-year.

## Logistics

During the first half of 2009, domestic demand in China still maintained a stable growth relative to other major economies. As a result, COSCO Logistics, which the Group owns a 49% stake, achieved stable growth in its third party logistics, shipping agency and freight forwarding businesses. During the period, the profit contribution from COSCO Logistics for the Group amounted to US\$17,020,000 (corresponding period of 2008: US\$16,229,000), a 4.9% increase from the corresponding period of last year.

Operations of each business segment of COSCO Logistics during the first half of 2009 are set out below:

	1H 2009	1H 2008	y-o-y (%)
<b>Third Party Logistics</b>			
Product Logistics			
Home Appliance (thousand pieces)	24,381	29,439	-17.2
Chemical (RMB in millions)	41	34	+20.6
Project Logistics (RMB in millions)	617	501	+23.2
<b>Shipping Agency (voyage)</b>	62,956	65,336	-3.6
<b>Freight Forwarding</b>			
Sea Freight Forwarding			
Bulk Cargo (tons)	94,149,000	76,065,620	+23.8
Container (TEUs)	887,000	1,147,911	-22.7
Air Freight Forwarding (tons)	38,466	58,540	-34.3