

DIVIDENDS

The directors have declared an interim cash dividend of HK24.9 cents per share (2006: an interim cash dividend of HK27.4 cents per share and a special interim cash dividend of HK9.1 cents per share) for the six months ended 30th June 2007. The interim dividend will be payable on 21st September 2007 to shareholders whose names appear on the register of members of the Company on 13th September 2007.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 10th September 2007 to Thursday, 13th September 2007, both days inclusive, during which no transfer of shares will be registered. In order to be qualified for the interim dividend, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong share registrars, Tricor Secretaries Limited of 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong, for registration no later than 4:00 p.m. on Friday, 7th September 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Overall analysis of results

The profit attributable to the equity holders of the Group was US\$148,517,000 (2006: US\$136,404,000), a rise of 8.9% when compared with the corresponding period last year. With the continuous robust growth in China's import and export trade and the global shipping market, the throughput of the Group's container terminals reached 18,417,429 TEUs (2006: 14,974,748 TEUs) in the first half of 2007, a rise of 23.0% over the corresponding period last year. Accordingly, the net profit from container terminal operations for the period amounted to US\$62,010,000 (2006: US\$44,901,000), representing a significant increase of 38.1% when compared with the same period last year.

After the disposal of containers of 600,082 TEUs in June last year (the "Disposal"), the container fleets directly owned by the Group dropped to 741,116 TEUs as at 30th June 2007 (Prior to the Disposal in 2006: 1,076,762 TEUs). Net profit from container leasing and container management businesses in the first half of 2007 was US\$50,232,000 (2006: US\$68,519,000, excluding the non-recurring net gain on the Disposal and finder fee income associated with the Disposal of approximately US\$65 million in aggregate), a drop of 26.7% over the corresponding period last year.

Logistics business contributed to the Group a net profit of US\$11,113,000 (2006: US\$9,321,000) in the first half of the year, an increase of 19.2% over the same period last year.

For the first half of 2007, net profit from container manufacturing business, excluding the financial effect of the CIMC Put Options associated with the CIMC Share Reform, was US\$29,626,000 (2006: US\$32,046,000), representing a decrease of 7.6% as compared with the corresponding period last year.

Financial Analysis

Revenue

Revenue decreased by 12.9% to US\$147,331,000 (2006: US\$169,187,000) for the first half of 2007. The decrease was mainly due to the strategic disposal of 600,082 TEUs of containers in June last year, resulting in a decrease in container leasing income to US\$81,597,000 (2006: US\$138,474,000). Revenue from container management was US\$3,524,000 (2006: US\$220,000), a rise of US\$3,304,000. Revenue from leasing of reefer-container generator sets was US\$804,000 (2006: US\$656,000), representing an increase of 22.6%. In addition to leasing income, revenue from the disposal of returned containers during the period was US\$37,248,000 (2006: US\$18,901,000), an increase of 97.1% over the corresponding period last year. This increase was mainly attributable to the rise in the number of returned containers sold from 20,698 TEUs for the corresponding period last year to 36,453 TEUs for the period.

Revenue from container terminal operations showed a strong growth for the period. With the commencement of operation of Quanzhou Pacific Container Terminal Co., Ltd. ("Quanzhou Pacific Terminal") since September last year, the terminal recorded throughput of 385,051 TEUs and revenue of US\$10,655,000 (2006: N/A) for the period. With the newly acquired berth No. 17 commencing its operation in October 2006 and with the continuous efforts to explore new business opportunities and improve operational efficiency, Zhangjiagang Win Hanverky Container Terminal Co., Ltd. ("Zhangjiagang Win Hanverky Terminal") achieved a significant growth of 37.9% in its throughput to 300,389 TEUs (2006: 217,843 TEUs) as compared with the corresponding period in 2006. Its revenue also recorded a 31.6% increase to US\$9,118,000 (2006: US\$6,926,000).

With increased business of container handling, storage, repairs and drayage operations, the revenue of Plangreat Limited and its subsidiaries for the period amounted to US\$3,960,000 (2006: US\$3,754,000), a rise of 5.5% over the corresponding period last year.

Cost of sales

Cost of sales, mainly comprising depreciation, net book value of disposed returned containers, depot expenses, repairs and maintenance and operating expenses, was US\$80,256,000 (2006: US\$75,341,000), an increase of 6.5% over the same period last year. The strategic disposal of containers last year resulted in a reduction in depreciation of containers to US\$35,572,000 (2006: US\$55,422,000), representing a drop of 35.8%. Since the number of returned containers sold increased to 36,453 TEUs from 20,698 TEUs in 2006, net book value of returned containers disposed of was US\$32,973,000 (2006: US\$13,250,000), an increase of 148.9%. Furthermore, operating expenses increased upon the commencement of operation of Quanzhou Pacific Terminal since September last year.

Other income

Other income, comprising mainly dividend income, increased by 13.9% to US\$10,920,000 (2006: US\$9,587,000). In respect of the first half of 2007, Yantian International Container Terminals Ltd. ("Yantian Terminal") declared cash dividend of US\$9,293,000 (2006: US\$9,087,000). Tianjin Five Continents International Container Terminal Co., Ltd. ("Tianjin Five Continents Terminal") declared and paid a cash dividend in respect of year 2006 of US\$1,475,000 (2006: Nil) during the period.

Administrative expenses

Administrative expenses were US\$30,714,000 (2006: US\$16,020,000). The increase was mainly due to the grant of share options to the continuous contract employees of the Group and certain directors of the Company. According to HKFRS 2 "Share-based payment" issued by the HKICPA, all share options granted were recognised as share-based compensation expense at fair value. Therefore, the share-based compensation expense of US\$11,190,000 (2006: N/A) was recognised for the period.

Other net operating income

Other net operating income for the period amounted to US\$11,495,000 (2006: US\$22,423,000), representing a year-on-year decrease of 48.7%. The difference was mainly attributable to the other operating income of approximately US\$15,000,000 in connection with the service provided for the completion of the disposal of 600,082 TEUs of containers last year.

Profit on disposal of containers

Profit before tax generated from disposal of 31,352 TEUs of containers (which the Group will provide after-sales management services) during the period amounted to approximately US\$6,034,000 (2006: profit before tax generated from the disposal of 600,082 TEUs of containers was approximately US\$84,454,000).

Finance costs

Finance costs for the first half of 2007 reduced by 27.7% to US\$18,976,000 (2006: US\$26,242,000) was mainly due to a fall in the Group's average borrowing to US\$595,541,000 (2006: US\$808,041,000). The Group's average borrowing cost, including the amortisation of transaction costs of bank loans and notes, but before the write-off of unamortised transaction costs for early repayment of bank loans in the prior period, was based on average 6-month London Interbank Offered Rate ("LIBOR") plus 100 basis points (2006: an average 6-month LIBOR plus 138 basis points).

Share of profits less losses of jointly controlled entities and associates

Net profit from jointly controlled entities for the first half of 2007 amounted to US\$44,335,000 (2006: US\$40,898,000), representing a rise of 8.4% over the same period last year. The replacement of four quay cranes of COSCO-HIT Terminals (Hong Kong) Limited ("COSCO-HIT Terminal") last year resulted in higher operational efficiency. Its throughput for the first half of 2007 increased by 10.1% to 906,589 TEUs (2006: 823,493 TEUs). Its net profit attributable to the Group amounted to US\$12,435,000 (2006: US\$9,974,000), marking a significant increase of 24.7% over the corresponding period of 2006. Throughput of Qingdao Qianwan Container Terminal Co., Ltd. ("Qingdao Qianwan Terminal") for the first half of the year increased by 27.6% to 4,026,677 TEUs (2006: 3,155,907 TEUs), and its net profit amounted to US\$15,862,000 (2006: US\$12,596,000), an increase of 25.9% as compared to the previous year. Throughput of Nanjing Port Longtan Container Co., Ltd. ("Nanjing Longtan Terminal") for the first half of the year increased by 52.3% to 426,895 TEUs (2006: 280,389 TEUs) and net profit increased by 38.7%. Growth in net profit of Yingkou Container Terminals Company Limited ("Yingkou Terminal") as well as Yangzhou Yuanyang International Ports Co., Ltd. ("Yangzhou Yuanyang Terminal") picked up momentum. Throughput of Yingkou Terminal and Yangzhou Yuanyang Terminal for the first half of the year increased by 40.7% and 29.1% to 545,516 TEUs (2006: 387,793 TEUs) and 138,871 TEUs (2006: 107,562 TEUs) respectively. Net profit from Yingkou Terminal and Yangzhou Yuanyang Terminal for the period increased by 60.7% and 27.2% respectively.

Upon the respective commencement of operation of Ningbo Yuan Dong Terminals Limited ("Ningbo Yuan Dong Terminal") and Guangzhou South China Oceangate Container Terminal Company Limited ("Guangzhou South China Oceangate Terminal") at the beginning of 2007, loss of US\$625,000 (2006: N/A) and US\$1,665,000 (2006: N/A) was recorded in the first half of the year respectively. As a result, the growth of the profit of jointly controlled entities for the first half of 2007 slowed down slightly. In addition, profit from Tianjin CIMC North Ocean Container Co., Ltd. and Shanghai CIMC Reefer Containers Co., Ltd. decreased due to the continuous price hike of raw materials. Net profit from COSCO Logistics Co., Ltd. ("COSCO Logistics") for the period was US\$11,114,000 (2006: US\$9,321,000), representing a rise of 19.2%.

Net profit from associates amounted to US\$48,459,000 (2006: US\$40,501,000) for the first half of the year, an increase of 19.6% over the same period last year. Throughput of Shanghai Pudong International Container Terminals Limited ("Shanghai Pudong Terminal") increased by 9.2% to 1,357,173 TEUs (2006: 1,242,515 TEUs) for the period. After completion of the Group's acquisition of additional 10% equity interests in Shanghai Pudong Terminal in June last year, net profit from Shanghai Pudong Terminal increased to US\$11,423,000 (2006: US\$5,635,000), an increase of 102.7% as compared with the corresponding period last year. Throughput of Shanghai Container Terminals Limited ("Shanghai Terminal") decreased by 16.7% to 1,618,337 TEUs (2006: 1,941,717 TEUs). Its net profit was US\$2,453,000 (2006: US\$3,665,000), a drop of 33.1% as compared with 2006. Antwerp Gateway NV ("Antwerp Terminal"), which was acquired at the end of 2004, recorded a loss of US\$519,000 (2006: US\$1,339,000) for the period, representing a year-on-year decrease in loss of 61.2% over the corresponding period last year. Net profit from China International Marine Containers (Group) Co., Ltd. ("CIMC") for the period was US\$27,756,000 (2006: US\$26,843,000), a rise of 3.4% over the corresponding period in 2006. Net profit from Chong Hing Bank Limited ("Chong Hing Bank") increased to US\$7,629,000 (2006: US\$6,327,000), a rise of 20.6% during the period.

Income tax expenses

Aggregate income tax expenses amounted to US\$2,410,000 (2006: US\$50,453,000) for the period, a substantial decrease of 95.2% over the corresponding period in 2006. The decrease was mainly due to the relative provision for capital gain tax in relation to the disposal of 600,082 TEUs of containers net of the write back of related deferred tax liabilities last year.

Financial Position

Cash flow

Cash inflow of the Group remained steady. During the period, net cash from operating activities amounted to US\$124,030,000 (2006: US\$164,812,000). The Group drew bank loans of US\$242,869,000 (2006: US\$494,000,000) and repaid US\$55,484,000 (2006: US\$516,379,000) during the first half of the year. During the period, the total cash outflow for major terminal investments of the Group amounted to US\$60,548,000, comprising US\$37,213,000 in Guangzhou South China Oceangate Terminal, US\$12,821,000 in Qingdao Qianwan Terminal, US\$9,293,000 in Yantian Terminal (Phase III) and US\$1,221,000 in Ningbo Yuan Dong Terminal. Major capital investments for the same period last year comprised US\$57,973,000 for acquisition of additional 10% equity interests in Shanghai Pudong Terminal, US\$10,695,000 in Qingdao Qianwan Terminal, US\$9,087,000 in Yantian Terminal (Phase III) and US\$930,000 in Antwerp Terminal. During the period, an amount of US\$281,059,000 (2006: US\$93,243,000) was paid in cash for purchase of property, plant and equipment, of which US\$270,935,000 (2006: US\$89,388,000) was for the purchase of new containers.

Financing and credit facilities

A wholly owned subsidiary of the Group completed a US\$500,000,000 club loan in May 2007, of which the amount of US\$300,000,000 was for the purchase of new containers in 2007 and the amount of US\$200,000,000 was for general working capital purpose. A total of 17 banks were involved in the loan for a term of six years and all-in-cost were LIBOR plus 38 basis points. With its preferential terms, the financing arrangement optimised the Group's debt structure.

As at 30th June 2007, cash balances and banking facilities committed but undrawn amounted to US\$240,493,000 and US\$350,505,000 respectively (31st December 2006: US\$224,668,000 and US\$40,000,000 respectively).

Assets and liabilities

As at 30th June 2007, the Group's total assets amounted to US\$3,503,027,000 (31st December 2006: US\$2,987,155,000) and total liabilities amounted to US\$1,028,386,000 (31st December 2006: US\$778,954,000). Net assets increased to US\$2,474,641,000 from US\$2,208,201,000 at the end of 2006, mainly attributable to the increase in retained profits, increased investment revaluation reserve arising from available-for-sale financial assets and the increased share capital from the issuance of new shares upon the exercise of the share options. Net asset value per share was US110.44 cents (31st December 2006: US99.08 cents), representing a 11.5% increase from the end of last year.

The cash balances of the Group amounted to US\$240,493,000 as at 30th June 2007 (31st December 2006: US\$224,668,000). Total outstanding borrowings amounted to US\$715,938,000 (31st December 2006: US\$531,598,000). Net debt to equity ratio slightly increased to 19.2% from 13.9% at the end of previous year, and the interest cover was 9.1 times, as compared to 8.2 times in the same period last year.

Land use rights with an aggregate net book value of US\$1,672,000 (31st December 2006: US\$1,645,000) were pledged to a bank by the Group to secure a loan of US\$500,000 (31st December 2006: US\$500,000).

Debt analysis

	As at 30th June 2007		As at 31st December 2006	
	US\$	%	US\$	%
By repayment term				
Within the first year	202,106,000	28.2	12,666,000	2.4
Within the second year	17,273,000	2.4	189,840,000	35.7
Within the third year	25,414,000	3.6	10,821,000	2.0
Within the fourth year	29,424,000	4.1	11,526,000	2.2
Within the fifth year and beyond	441,721,000	61.7	306,745,000	57.7
	715,938,000*	100.0	531,598,000*	100.0
By type of borrowings				
Secured borrowings	500,000	0.1	500,000	0.1
Unsecured borrowings	715,438,000	99.9	531,098,000	99.9
	715,938,000	100.0	531,598,000	100.0
By denomination of borrowings				
US Dollar	660,262,000	92.2	464,622,000	87.4
RMB	55,676,000	7.8	66,976,000	12.6
	715,938,000	100.0	531,598,000	100.0

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

Financial guarantees and contingent liabilities

As at 30th June 2007, the Group provided guarantees on a loan facility granted to an associate of US\$24,970,000 (31st December 2006: US\$25,304,000) and the Group did not have any significant contingent liabilities.

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. Their hedging policies are devised accordingly.

The Group continued to exercise stringent control over the use of financial derivatives to hedge against its interest rates exposure. As at 30th June 2007, outstanding interest rates swap contracts comprised:

- Notional principals of contracts amounting to US\$200,000,000 (31st December 2006: 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.
- Notional principals of contracts amounting to US\$20,000,000 (31st December 2006: US\$100,000,000) in total whereby the Group agreed to pay fixed interest rate of 4.90% (31st December 2006: ranging from 3.88% to 4.90%) per annum in return for receiving interest from the bank at 3-month LIBOR.

As at 30th June 2007, after adjustment of the fixed rate borrowings for the interest rates swap contracts, 13.6% (31st December 2006: 35.7%) of the Group's total borrowings were fixed rate. The Group continued to monitor and regulate its fixed and floating debt portfolio from time to time in light of market conditions, with a view to minimising its potential interest rate exposure.

Review of Operations

China's economy maintained its growth momentum in the first half of 2007. The increase in import and export trade supported a strong demand for container transportation, boosting the performance in all core business operations of COSCO Pacific.

Terminal and Related Operations

During the period, China's container throughput maintained a robust growth. National-scale terminals recorded aggregate throughput of 52,530,000 TEUs, representing an increase of 24.1% as compared with the corresponding period last year. Of the throughput, 48,760,000 TEUs were achieved by coastal terminals, an increase of 23.7% as compared with that of last year, while 3,770,000 TEUs were recorded from inland river terminals, an increase of 30.4% as compared with the corresponding period last year.

The Group's terminal and related operations recorded satisfactory results. During the period, container terminal throughput amounted to 18,417,429 TEUs, representing an increase of 23.0% from the corresponding period last year.

Terminals in the Bohai Rim recorded an outstanding performance, with aggregate throughput of 8,181,025 TEUs, representing an increase of 33.9%. As at 30th June 2007, throughput of Qingdao Qianwan Terminal rose steadily by 27.6% to 4,026,677 TEUs. Throughput of Dalian Port Container Terminal Co., Ltd. ("Dalian Port Container Terminal"), which commenced operation in August 2005, doubled to 414,210 TEUs due to the commencement of operation of 2 new berths since last October as well as additional routes of shipping companies. Throughput of Dalian Port Container Co., Ltd. increased by 35.1% to 1,749,367 TEUs. Tianjin Five Continents Terminal recorded throughput of 952,673 TEUs, representing an increase of 29.2% as compared with the corresponding period last year. Yingkou Terminal maintained an efficient operation, with its throughput increasing by 40.7% to 545,516 TEUs.

Total throughput of the terminals in the Yangtze River Delta region rose by 2.4% to 3,881,561 TEUs over the same period last year. Shanghai Pudong Terminal, an additional 10% equity interest in which was acquired by the Group in June last year, maintained a steady growth with its throughput increased by 9.2% from the corresponding period last year to 1,357,173 TEUs. Shanghai Terminal handled a throughput of 1,618,337 TEUs, decreased by 16.7% due to reallocation of shipping routes. Berth No. 7 of Beilun phase IV at the port of Ningbo, operated and managed by Ningbo Yuan Dong Terminal, commenced operation in March this year, recorded throughput of 39,896 TEUs for the first half of the year. Throughput of Zhangjiagang Win Hanverky Terminal surged by 37.9% to 300,389 TEUs after the commencement of operation of Berth No. 17 in October 2006. Nanjing Longtan Terminal recorded a robust growth with its throughput surging by 52.3% to 426,895 TEUs. Throughput of Yangzhou Yuanyang Terminal increased by 29.1% to 138,871 TEUs upon the addition of an operating berth in the first half of 2006.

Terminals in the Pearl River Delta and the southeast coastal region recorded satisfactory results, with an increase of total throughput of 22.9% to 5,588,253 TEUs over the corresponding period last year. Throughput of COSCO-HIT Terminal for the first half of the year recorded an increase of 10.1% to 906,589 TEUs over the corresponding period last year. Its monthly throughput in May reached a record high of 171,610 TEUs in thirteen years since its commencement of operation. Berth No. 5 and No. 6 of Guangzhou South China Oceangate Terminal, which commenced operation in March this year, recorded throughput of 131,678 TEUs for the period. Throughput of Quanzhou Pacific Terminal, whose 71.43%

equity interest is held by the Group, rose steadily since its commencement of operation in September 2006 and amounted to 385,051 TEUs for the first half of the year. Throughput of Yantian Terminal Phases I, II and III, with the commencement of operation of 2 additional berths in the second half of 2006, recorded an increase of 11.9% to 4,164,935 TEUs over the corresponding period last year.

As for overseas terminals, with the increased throughput in Singapore port as well as the enhanced capacity of shipping companies, throughput of COSCO-PSA Terminal Private Limited ("COSCO-PSA Terminal") recorded an increase of 40.5% to 400,117 TEUs over the corresponding period last year. Throughput of Antwerp Terminal increased by 51.4% to 366,473 TEUs as compared with the corresponding period last year.

Throughput of container terminals

	1H 2007 TEUs	1H 2006 TEUs	Changes over the corresponding period
Bohai Rim	8,181,025	6,110,855	+33.9%
Qingdao Qianwan Terminal	4,026,677	3,155,907	+27.6%
Qingdao Cosport International Container Terminals Co., Ltd.	492,582	400,382	+23.0%
Dalian Port Container Co., Ltd.	1,749,367	1,294,558	+35.1%
Dalian Port Container Terminal	414,210	134,844	+207.2%
Tianjin Five Continents Terminal	952,673	737,371	+29.2%
Yingkou Terminal	545,516	387,793	+40.7%
Yangtze River Delta	3,881,561	3,790,026	+2.4%
Shanghai Terminal	1,618,337	1,941,717	-16.7%
Shanghai Pudong Terminal	1,357,173	1,242,515	+9.2%
Ningbo Yuan Dong Terminal	39,896	—	N/A
Zhangjiagang Win Hanverky Terminal	300,389	217,843	+37.9%
Yangzhou Yuanyang Terminal	138,871	107,562	+29.1%
Nanjing Longtan Terminal	426,895	280,389	+52.3%
Pearl River Delta & southeast coastal region	5,588,253	4,547,135	+22.9%
COSCO-HIT Terminal	906,589	823,493	+10.1%
Yantian Terminal (Phases I, II and III)	4,164,935	3,723,642	+11.9%
Guangzhou South China Oceangate Terminal	131,678	—	N/A
Quanzhou Pacific Terminal	385,051	—	N/A
Overseas region	766,590	526,732	+45.5%
COSCO-PSA Terminal	400,117	284,750	+40.5%
Antwerp Terminal	366,473	241,982	+51.4%
Total throughput	18,417,429	14,974,748	+23.0%
Total throughput of terminals in Mainland China	16,744,250	13,624,523	+22.9%

Expansion of terminals

The Group held various equity interests in 24 terminal joint ventures as at 30th June 2007, with a total of 119 berths (2006: 104 berths), including 113 container berths, 2 automobile berths and 4 multipurpose berths. In August 2006, the Group acquired 71.43% equity interest in Quanzhou Pacific Terminal which operates and develops 6 berths. In January 2007, Qingdao Qianwan Terminal acquired operating rights of 4 container berths from DP World. At the end of 2006, Ningbo Yuan Dong Terminal signed a memorandum of understanding with Ningbo Port (Group) Limited and acquired the right to build 4 berths in the phase V of Beilun at the port of Ningbo. At the end of 2006, Yangzhou Yuanyang Terminal planned to construct one additional berth, making an increase of 15 berths for the Group. The annual handling capacity recorded an increase of 10.3% to 63,000,000 TEUs (2006: 57,100,000 TEUs) when compared with the corresponding period last year.

Among 119 berths under the Group's terminal portfolio, 83 berths were in operation (2006: 66 berths), representing an increase of 17 berths, including 78 container berths, 2 automobile berths and 3 multipurpose berths. The annual container handling capacity of operating berths increased by 24.9% to 39,600,000 TEUs (2006: 31,700,000 TEUs).

Terminal portfolio and information

	Shareholding	No. of berths	Depth alongside (Metres)	Quay length (Metres)	Annual handling capacity (TEUs)
Bohai Rim		42			20,600,000
Qingdao Qianwan Terminal	20%	15	15–17.5	4,720	8,500,000
Qingdao Cosport International Container Terminals Co., Ltd.	50%	1	13.5	349	600,000
Dalian Port Container Co., Ltd.	8.13%	9	8.9–14.0	2,335	3,000,000
Dalian Port Container Terminal	20%	6	13.5–17.8	2,096	4,200,000
Dalian Automobile Terminal Co., Ltd.	30%	2	11	550	600,000 (vehicles)
Tianjin Five Continents Terminal	14%	4	15.7	1,202	1,500,000
Tianjin Port Euroasia International Container Terminal Co., Ltd.	30%	3	15.5	1,100	1,800,000
Yingkou Terminal	50%	2	14	576	1,000,000
Yangtze River Delta		36			14,200,000
Shanghai Terminal	10%	10	9.4–10.5	2,281	3,700,000
Shanghai Pudong Terminal	30%	3	12	940	2,300,000
Shanghai Xiangdong International Container Terminal Company Limited	10%	4	15	1,400	3,200,000
Ningbo Yuan Dong Terminal	20%	5	15	1,610	2,100,000
Zhangjiagang Win Hanverky Terminal	51%	3	10	722	1,000,000
Yangzhou Yuanyang Terminal	55.59%	2	11	1,346	700,000
		3			4,700,000 (tonnes of breakbulk cargo)
Nanjing Longtan Terminal	20%	5	12	910	1,000,000
Zhenjiang Jinyuan Container Terminals Co., Ltd.	25%	1	13	233	200,000
Pearl River Delta & southeast coastal region		29			21,500,000
COSCO-HIT Terminal	50%	2	15.5	1,086	1,800,000
Yantian Terminal (Phases I and II)	5%	5	14.0–15.5	1,650	4,500,000
Yantian Terminal (Phase III)	4.45%	10	16	3,297	9,000,000
Guangzhou South China Oceangate Terminal	39%	6	14.5	2,100	4,200,000
Quanzhou Pacific Terminal	71.43%	5	10.0–15.0	1,475	2,000,000
		1			1,000,000 (tonnes of breakbulk cargo)
Overseas region		12			6,700,000
COSCO-PSA Terminal	49%	2	15	720	1,000,000
Antwerp Terminal	20%	6	17	2,450	3,500,000
Suez Canal Terminal	20%	4	16.5	1,200	2,200,000
Total number of berths		119			
Total number of container berths/annual handling capacity		113			63,000,000
Total number of automobile berths/annual handling capacity		2			600,000 (vehicles)
Total number of multipurpose berths/annual handling capacity		4			5,700,000 (tonnes of breakbulk cargo)

Signing three letters of intent

Jiangdu port in Jiangsu Province

On 12th April 2007, Yangzhou Yuanyang Terminal, whose 55.59% equity interest is held by the Group, signed a letter of intent and related agreements with Jiangdu Municipal Government of Jiangsu Province regarding a strategic investment in the port of Jiangdu. Yangzhou Yuanyang Terminal will invest in and operate Berth No. 1 and 2 and have the rights to use and develop the adjacent land of approximately 1,330,000 m² and the ancillary facilities of the port of Jiangdu. Yangzhou Yuanyang Terminal was also granted the right of first refusal for the development of new berths in the port. The port of Jiangdu, located in Jiangsu Province of China, is in the vicinity of the port of Yangzhou.

Berth No. 1, which is in operation, measures 135 metres in quay length with a depth of 7.5 metres at the front end throughout the year. The area of the berth is approximately 60,000 m² and the designed annual capacity is 750,000 tonnes. Berth No. 2 is 275 metres in quay length with a depth of 13 metres at the front end throughout the year. The area of the berth is approximately 240,000 m² and the designed annual capacity is 1,100,000 tonnes. These two berths are designed for handling bulk cargoes.

Qiongbei port in Hainan Province

On 20th April 2007, China Ocean Shipping (Group) Company, the ultimate holding company of the Group, entered into a Cooperative Agreement with Haikou Municipal Government of Hainan Province, pursuant to which the parties agreed to establish a joint venture by the Group and Hainan Harbor & Shipping Holding Co., Ltd. ("Hainan Harbor & Shipping"), in which the Company will hold the controlling equity interest, to operate the core business of Hainan Harbor & Shipping and develop Qiongbei port area into a hub port in Hainan Province. Hainan Harbor & Shipping is the biggest state-owned port and shipping enterprise in Hainan Province.

Based on current planning of the joint venture, Phase I of port development will have a total of 21 berths including 2 container berths, 9 breakbulk cargo berths and multi-purpose berths and 10 ferry terminal berths. Participating in this joint venture project marked a significant milestone for COSCO Pacific in the process of expanding investment in ports and terminals as well as participating in diversified terminal investments and operations.

Fuzhou Port Group

On 20th April 2007, the Group entered into a letter of intent with Fujian Provincial Communication Transportation (Shareholding) Co., Ltd. ("Fujian Transportation"), pursuant to which, COSCO Pacific will acquire approximately 29% equity interest in Fuzhou Port Group Co., Ltd. ("Fuzhou Port Group").

Fuzhou Port Group, a wholly owned subsidiary of Fujian Transportation, is mainly engaged in the operation of container, coal and ore terminals and other terminal-related businesses. Fuzhou Port, the operating base of Fuzhou Port Group located in Fujian Province, is a major coastal port in China and one of the ports designated by the Ministry of Communications for trial run of direct transportation between the mainland China and Taiwan.

The 49 berths of Fuzhou Port Group are mainly located in the port areas of Minjiang and Jiangyin and Luoyuan Bay. Fuzhou Port Group mainly develops container transport business in the deep-water port area in Jiangyin and provides comprehensive logistics services to the industries within the vicinity. In 2006, Fuzhou Port Group recorded cargo throughput of 43,000,000 tonnes, representing an increase of 34.4% as compared with the corresponding period last year and a 50% market share of the port of Fuzhou. Its container throughput was 1,000,000 TEUs, representing an increase of 25.0% as compared with the corresponding period last year and the majority market share of the port of Fuzhou.

Container Leasing and Management

As at 30th June 2007, Florens Container Holdings Limited, a wholly owned subsidiary of the Company, and its subsidiaries (collectively the "Florens") owned and managed a container fleet of 1,397,952 TEUs (2006: 1,111,336 TEUs), representing an increase of 25.8% over the corresponding period last year. Florens ranked as the third largest marine container leasing company (2006: the third) and accounted for approximately 13.0% market share (2006: approximately 10.7%). Average age of the Group's total container fleet was 3.99 years (2006: 4.38 years).

The Group disposed of 600,082 TEUs of containers last year and provided administrative and management services for these containers. The Group continued to expand its container fleets. During the period, Florens purchased 184,931 TEUs of new containers (2006: 106,082 TEUs), representing an increase of 74.3% from the corresponding period last year.

During the period, a total of 31,597 TEUs (2006: 28,406 TEUs) of containers were returned from COSCO Container Lines Company Limited ("COSCON") upon the expiry of the 10-year leases, representing an increase of 11.2%, including 4,983 TEUs which should have been returned on or before 2006 and 26,614 TEUs returned in 2007. During the period, the Group disposed of 36,453 TEUs of returned containers (2006: 20,698 TEUs), representing an increase of 76.1%. Included in the disposal were 34,099 TEUs of returned containers (2006: 20,614 TEUs) from COSCON upon expiry of the 10-year leases on or before 2007. Net profit on disposal of returned containers was US\$3,637,000 (2006: US\$4,889,000).

Fleet capacity movement

	2007 TEUs	2006 TEUs	y-o-y %
Fleet capacity as at 1st January	1,250,609	1,042,852	+19.9
New containers purchased	184,931	106,082	+74.3
Containers returned from COSCON upon expiry of the leases			
— Total	(31,597)	(28,406)	+11.2
— Re-leased	58	335	-82.7
— Disposal of and pending for disposal	(31,539)	(28,071)	+12.4
Ownership transferred to customers upon expiry of finance leases	(15)	(140)	-89.3
Defective containers written off	—	(11)	-100.0
Total loss of containers declared and compensated by customers	(6,034)	(9,376)	-35.6
Fleet capacity as at 30th June	1,397,952	1,111,336	+25.8

Besides providing 10-year leased containers to COSCON, the world's seventh largest container ship operator (according to "CI Online" dated 1st July 2007), the Group also provided long term and short term container leasing services to other international customers ("International Customers"), included major global shipping companies. For the six months ended 30th June 2007, the top 20 International Customers accounted for approximately 85.7% (2006: 71.5%) of the Group's total container rental income from International Customers. The total number of customers were 258 (2006: 246).

As at 30th June 2007, the Group leased a total of 502,529 TEUs of containers (2006: 416,270 TEUs) to COSCON, representing an increase of 20.7% as compared with the same period last year and accounting for 35.9% (2006: 37.5%) of the total number of containers. Containers available to International Customers were 238,587 TEUs in total (2006: 60,410 TEUs), representing an increase of 294.9% as compared with the same period last year and accounting for 17.1% (2006: 5.4%) of the total number of

containers. There was a total of 656,836 TEUs of management containers (2006: 634,656 TEUs), representing an increase of 3.5% over the corresponding period last year and accounting for 47.0% (2006: 57.1%) of the total number of containers.

Disposal of containers

In June 2007, the Group completed the sale of marine containers of 31,352 TEUs (2006: 600,082 TEUs) and together with the container leasing agreements of those containers. After the disposal, the Group continued to provide the administrative and management services and receive an annual administrative fee. Sale proceeds of US\$46,527,000 was received from the buyer. Profit before tax on the disposal amounted to US\$6,034,000.

Fleet capacity breakdown by type of containers

As at 30th June 2007		Total	COSCON	International Customers	Management containers
	TEUs	1,397,952	502,529	238,587	656,836
	%	100.0	35.9	17.1	47.0
Dry	%	96.3	94.2	99.0	97.0
Reefers	%	2.9	5.4	0.6	1.8
Specials	%	0.8	0.4	0.4	1.2
As at 30th June 2006		Total	COSCON	International Customers	Management containers
	TEUs	1,111,336	416,270	60,410	634,656
	%	100.0	37.5	5.4	57.1
Dry	%	95.5	93.1	98.0	96.9
Reefers	%	3.5	6.5	0.3	1.9
Specials	%	1.0	0.4	1.7	1.2

Fleet capacity breakdown

		As at 30th June 2007	As at 30th June 2006	y-o-y
COSCON	TEUs	502,529	416,270	+20.7%
	%	35.9	37.5	-1.6pp
International Customers	TEUs	238,587	60,410	+294.9%
	%	17.1	5.4	+11.7pp
Management containers	TEUs	656,836	634,656	+3.5%
	%	47.0	57.1	-10.1pp
Total	TEUs	1,397,952	1,111,336	+25.8%

While containers leased to COSCON remained 100% utilised during the period, the overall average utilisation rates of the Group was 94.6% (2006: 96.0%), well above the industry average of approximately 92.8% (2006: approximately 91.8%).

Logistics Operations

During the first half of 2007, with the rapid and stable growth of China's economy and its internal growth, the business segments of COSCO Logistics, such as third-party logistics and shipping agency, freight forwarding, were also on a rapid and steady upward track and recorded a significant increase as compared with the corresponding period last year.

Operations of each business segment of COSCO Logistics during the first half of 2007 are set out below:

	1H 2007	1H 2006	Changes over the corresponding period
Third Party Logistics			
Product Logistics			
Home appliance (pieces in thousand)	17,734	13,617	+30.2%
Automobile (unit)	197,991	233,879	-15.3%
Chemical (tonne)	1,339,832	293,937	+355.8%
Project Logistics (RMB in million)	428	322	+32.9%
Shipping Agency (voyage)	63,497	62,508	+1.6%
Freight Forwarding			
Sea Freight Forwarding			
Bulk Cargo (tonne)	70,762,066	64,330,800	+10.0%
Container Cargo (TEU)	1,039,453	905,101	+14.8%
Air Freight Forwarding (tonne)	52,044	45,140	+15.3%

Net profit from the logistics business of the Group increased by 19.2% to US\$11,113,000 (2006: US\$9,321,000).

Container Manufacturing

Due to sustained demand on containers in the first half of 2007, production and sales performed better than the same period last year. Net profit from CIMC during the period rose by 3.4% to US\$27,756,000 (2006: US\$26,843,000).

In addition, Shanghai CIMC Reefer Containers Co., Ltd. and Tianjin CIMC North Ocean Container Co., Ltd. provided the Group with a total profit of US\$2,021,000 (2006: US\$5,203,000) for the period, representing a decrease of 61.2% as compared with the same period last year.

Other Investments

Chong Hing Bank, in which the Group holds a 20% equity interests, made a net profit of US\$7,629,000 (2006: US\$6,327,000), representing an increase of 20.6% from the same period last year.