

INTERIM RESULTS

The board of directors of COSCO Pacific Limited (the "Company" or "COSCO Pacific") is pleased to present the interim report including the condensed accounts of the Company and its subsidiaries (the "Group") for the six months ended 30th June 2002. This interim report has been reviewed by the Company's Audit Committee. The consolidated profit and loss account, consolidated cash flow statement and consolidated statement of changes in equity of the Group for the six months ended 30th June 2002 and the consolidated balance sheet as at 30th June 2002 of the Group, all of which are unaudited and condensed, along with selected explanatory notes, are set out on pages 1 to 20 of this report.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE SIX MONTHS ENDED 30TH JUNE 2002

	Note	Unaudited Six months ended 30th June	
		2002 US\$'000	2001 US\$'000
Turnover	2	116,004	108,351
Cost of sales		(50,723)	(46,597)
Gross profit		65,281	61,754
Other revenues		10,139	7,238
Administrative expenses		(11,272)	(9,958)
Other operating (expenses) / income (net)		(9,498)	14,262
Operating profit	3	54,650	73,296
Finance costs	4	(8,090)	(16,031)
Operating profit after finance costs		46,560	57,265
Share of profits less losses of			
– jointly controlled entities		4,925	4,965
– associated companies		26,921	27,251
Profit before taxation		78,406	89,481
Taxation	5	(4,653)	(5,002)
Profit after taxation		73,753	84,479
Minority interests		(837)	(550)
Profit attributable to shareholders		72,916	83,929
Transfer to other reserves		(662)	(962)
Profit for the period retained		72,254	82,967
Proposed interim dividend	6	30,278	26,091
Basic earnings per share	7	US3.399 cents	US3.922 cents
Diluted earnings per share	7	N/A	US3.915 cents

**CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30TH JUNE 2002**

	Note	Unaudited As at 30th June 2002 US\$'000	Audited As at 31st December 2001 US\$'000
Non-current assets			
Fixed assets	8	1,046,980	1,013,775
Investments in joint ventures	11	38,847	47,091
Investments in associated companies		332,762	331,756
Investment securities		41,391	37,299
Finance lease receivables		1,001	2,869
Restricted bank deposits	10	7,215	8,174
		<u>1,468,196</u>	<u>1,440,964</u>
Current assets			
Inventories		2,262	3,278
Trade and other receivables	9	47,959	43,975
Current portion of finance lease receivables		4,221	4,595
Time deposits	10	220,127	236,336
Bank balances and cash	10	9,991	9,599
		<u>284,560</u>	<u>297,783</u>
Current liabilities			
Trade and other payables	11	59,698	20,093
Unsecured short term bank loans		15,056	16,356
Current portion of long term liabilities	13	50,636	92,125
Tax payable		1,264	1,313
		<u>126,654</u>	<u>129,887</u>
Net current assets		<u>157,906</u>	<u>167,896</u>
Total assets less current liabilities		<u>1,626,102</u>	<u>1,608,860</u>
Representing:			
Share capital	12	27,533	27,476
Share premium		560,003	558,008
Other reserves		7,186	6,681
Retained profits		611,569	569,673
Proposed dividend		30,278	38,456
Shareholders' funds		<u>1,236,569</u>	<u>1,200,294</u>
Minority interests		8,186	7,509
Non-current liabilities			
Long term liabilities	13	381,347	401,057
		<u>1,626,102</u>	<u>1,608,860</u>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30TH JUNE 2002**

	Note	Unaudited	
		Six months ended 30th June	
		2002	2001
		US\$'000	US\$'000
			(Restated)
Net cash from operating activities		106,920	101,581
Net cash used in investing activities		(15,928)	(66,130)
Net cash used in financing activities		(106,809)	(19,883)
Net (decrease) / increase in cash and cash equivalents		(15,817)	15,568
Cash and cash equivalents at 1st January		245,935	141,752
Cash and cash equivalents at 30th June	10	230,118	157,320
Analysis of balances of cash and cash equivalents:			
Time deposits		220,127	147,415
Bank balances and cash		9,991	9,905
		230,118	157,320

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30TH JUNE 2002**

	Unaudited	
	Six months ended 30th June	
	2002	2001
	US\$'000	US\$'000
Shareholders' funds as at 1st January	1,200,294	1,100,979
Share of capital reserve in a jointly controlled entity	8	–
Impairment loss of leasehold land and buildings taken to other properties revaluation reserve	(165)	–
Net loss not recognised in the consolidated profit and loss account	(157)	–
Profit attributable to shareholders	72,916	83,929
2001/2000 final dividend paid	(38,536)	(30,195)
Issue of shares upon exercise of share options	2,052	1,361
Shareholders' funds as at 30th June	<u>1,236,569</u>	<u>1,156,074</u>

NOTES TO CONDENSED INTERIM ACCOUNTS

1 Basis of preparation and principal accounting policies

These unaudited consolidated condensed interim accounts (“Interim Accounts”) are prepared in accordance with Statement of Standard Accounting Practice 2.125, “Interim Financial Reporting”, issued by the Hong Kong Society of Accountants, and Appendix 16 of the Listing Rules of The Stock Exchange of Hong Kong Limited (the “Listing Rules”). The Interim Accounts should be read in conjunction with the 2001 annual accounts.

The accounting policies and methods of computation used in the preparation of the Interim Accounts are consistent with those used in the annual accounts for the year ended 31st December 2001 except that the Group has changed certain of its accounting policies following the adoption of the following Statements of Standard Accounting Practice (“SSAPs”) issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1st January 2002:

SSAP 1 (revised):	Presentation of financial statements
SSAP 11 (revised):	Foreign currency translation
SSAP 15 (revised):	Cash flow statements
SSAP 25 (revised):	Interim financial reporting
SSAP 33 :	Discontinuing operations
SSAP 34 :	Employee benefits

The adoption of these new or revised accounting standards did not have material impact to the Interim Accounts for the six months ended 30th June 2002 except for the reclassification of the condensed consolidated cash flow statement into operating, investing and financing activities and the presentation of condensed consolidated statement of changes in equity.

2 Turnover and segment information

(a) Primary reporting format – business segments

Segment turnover and results

	Six months ended 30th June 2002							
	Container terminal		Banking	Other operations	Corporate	PRC		Total
	Container leasing	and related businesses				investment securities		
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	
Turnover								
External sales	107,558	8,446	-	-	-	-	116,004	
Segment results	41,628	5,918	-	-	-	-	47,546	
Unallocated costs								
- net corporate expenses	-	-	-	-	(1,936)	-	(1,936)	
- corporate finance costs	-	-	-	-	(384)	-	(384)	
- corporate interest income	-	-	-	-	1,334	-	1,334	
Operating profit after finance costs	41,628	5,918	-	-	(986)	-	46,560	
Share of profits less losses of								
- jointly controlled entities	-	1,593	-	3,332	-	-	4,925	
- associated companies	-	22,733	4,188	-	-	-	26,921	
Profit before taxation							78,406	
Taxation							(4,653)	
Profit after taxation							73,753	
Minority interests							(837)	
Profit attributable to shareholders							72,916	

2 Turnover and segment information (Continued)

(a) Primary reporting format – business segments (Continued)

Segment turnover and results (Continued)

	Six months ended 30th June 2001							Total US\$'000
	Container terminal		Banking US\$'000	Other operations US\$'000	Corporate US\$'000	PRC		
	Container	and related				investment securities US\$'000		
	leasing US\$'000	businesses US\$'000						
Turnover								
External sales	100,736	7,615	–	–	–	–	108,351	
Segment results	42,047	935	–	–	–	14,137	57,119	
Unallocated costs								
– net corporate expenses	–	–	–	–	(1,481)	–	(1,481)	
– corporate finance costs	–	–	–	–	(454)	–	(454)	
– corporate interest income	–	–	–	–	2,081	–	2,081	
Operating profit after finance costs	42,047	935	–	–	146	14,137	57,265	
Share of profits less losses of								
– jointly controlled entities	–	1,660	–	3,305	–	–	4,965	
– associated companies	–	21,799	5,452	–	–	–	27,251	
Profit before taxation							89,481	
Taxation							(5,002)	
Profit after taxation							84,479	
Minority interests							(550)	
Profit attributable to shareholders							83,929	

2 Turnover and segment information (Continued)

(a) Primary reporting format – business segments (Continued)

Segment balance sheet and other segment information

	As at 30th June 2002						
		Container				PRC	
	Container	Container	Banking	Other	Corporate	investment	Total
	leasing	and related	operations	operations	operations	securities	US\$'000
US\$'000	businesses	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Segment assets	1,159,329	38,690	-	-	-	-	1,198,019
Investments in joint ventures	(9,161)	23,447	-	24,561	-	-	38,847
Investments in							
associated companies	-	174,220	158,542	-	-	-	332,762
Investment securities	-	41,391	-	-	-	-	41,391
Unallocated assets							141,737
Total assets							1,752,756
Segment liabilities	(481,883)	(9,394)	-	-	-	-	(491,277)
Minority interests	-	(8,186)	-	-	-	-	(8,186)
Unallocated liabilities							(16,724)
Total liabilities							(516,187)
Capital expenditure	85,785	468	-	-	18	-	86,271
Depreciation and amortisation	41,874	592	-	-	142	-	42,608
Impairment loss recognised in							
– profit and loss account	5,058	-	-	-	-	-	5,058
– other properties							
revaluation reserve	165	-	-	-	-	-	165
Other non-cash expenses	550	1,850	-	-	-	-	2,400

2 Turnover and segment information (Continued)

(a) Primary reporting format – business segments (Continued)

Segment balance sheet and other segment information (Continued)

	As at 31st December 2001						
	Container terminal		Banking	Other operations	Corporate	PRC investment securities	Total
	Container leasing	and related businesses					
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Segment assets	1,136,689	37,366	-	-	-	-	1,174,055
Investments in joint ventures	481	25,022	-	21,588	-	-	47,091
Investments in							
associated companies	-	173,506	158,250	-	-	-	331,756
Investment securities	-	37,299	-	-	-	-	37,299
Unallocated assets							148,546
Total assets							1,738,747
Segment liabilities	(509,522)	(9,111)	-	-	-	-	(518,633)
Minority interests	-	(7,509)	-	-	-	-	(7,509)
Unallocated liabilities							(12,311)
Total liabilities							(538,453)
Capital expenditure	166,394	1,994	-	-	595	-	168,983
Depreciation and amortisation	79,504	1,217	-	-	239	-	80,960
Impairment loss recognised in							
– profit and loss account	5,680	-	-	-	-	-	5,680
– other properties revaluation reserve	248	-	-	-	-	-	248
Other non-cash (income) / expenses	(4,816)	3,450	-	-	36	-	(1,330)

(b) Secondary reporting format – geographical segments

The movements of containers under operating leases or finance lease contracts are known through reports from the lessees and the Group is not able to control the movements of containers except to the degree that the movements are restricted by the terms of the leases or where safety of the containers is concerned. It is therefore impracticable to present segment information by geographical areas.

The activities of container terminal and related businesses are carried out in Hong Kong and China mainland while that of banking operation is predominantly carried out in Hong Kong.

3 Operating profit

Operating profit is stated after crediting and charging the following:

	Six months ended 30th June	
	2002	2001
	US\$'000	US\$'000
Crediting		
Dividend income from unlisted investment	5,003	–
Sale of inventories	3,347	4,218
Interest income	1,763	2,991
Recovery of bad and doubtful debts	415	40
Profit on sale of listed investment	–	14,137
Reversal of provision for container repairs and maintenance expense	–	6,156
Charging		
Depreciation and amortisation	42,608	39,317
Cost of inventories sold	4,241	4,819
Impairment loss of containers	4,117	2,847
Impairment loss of leasehold land and buildings	941	–
Provision for loan to an investee company	1,862	1,800
Provision for bad and doubtful debts	707	676
Revaluation deficit of investment properties	233	–
Provision for inventories	137	152

4 Finance costs

	Six months ended 30th June	
	2002	2001
	US\$'000	US\$'000
Interest expense on		
– bank loans	5,695	8,691
– other loans wholly repayable within five years	1,298	3,966
– other loans not wholly repayable within five years	248	591
– loan from a minority shareholder of a subsidiary wholly repayable within five years	57	79
Loss/(gain) on interest rate swap contracts	559	(40)
	7,857	13,287
Other incidental borrowing costs	233	2,744
	8,090	16,031

5 Taxation

	Six months ended 30th June	
	2002 US\$'000	2001 US\$'000
Company and subsidiaries		
Hong Kong profits tax	112	183
China mainland taxation	126	73
Overseas taxation	59	114
Over provision in prior years	(13)	–
	<u>284</u>	<u>370</u>
Share of taxation attributable to:		
Jointly controlled entities		
China mainland taxation	568	605
Associated companies		
Hong Kong profits tax	3,479	3,549
China mainland taxation	322	419
Deferred taxation	–	59
	<u>4,653</u>	<u>5,002</u>

Hong Kong profits tax has been provided at a rate of 16% (2001: 16%) on the estimated assessable profit for the period. A substantial portion of the Group's profit neither arises in nor is derived from Hong Kong. Accordingly, that portion of the Group's profit is not subject to Hong Kong profits tax.

Taxation on profits from container terminal operations in China mainland has been calculated at an effective tax rate of 7.5% (2001: 7.5%) on the estimated assessable profit for the period. The subsidiary in China mainland is eligible for a 50% relief from corporate income tax of 15% for five years since 1998.

Taxation on overseas profit 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.

The Group's profits from container leasing are exempt from income tax in China mainland in accordance with a notice granting temporary exemption of income tax on rental payments made to foreign container leasing companies operating in international transportation (Guo Shui Fa (1993) No. 49) issued by the State Tax Bureau of the People's Republic of China (the "PRC") on 12th March 1993.

The Group is also exempt from business tax on its rental income and interest income earned in China mainland in accordance with a notice granting exemption from business tax for foreign enterprises earning such income but having no establishment in China mainland (Guo Shui Fa (1997) No. 35) issued by the State Tax Bureau of the PRC on 14th March 1997.

6 Proposed interim dividend

	Six months ended 30th June	
	2002	2001
	US\$'000	US\$'000
2002 interim, proposed, of US1.410 cents (2001: US1.218 cents) per ordinary share	<u>30,278</u>	<u>26,091</u>

At a meeting held on 5th September 2002 the directors declared an interim dividend of HK11 cents (US1.410 cents) per ordinary share. This proposed dividend is not reflected as a dividend payable in these Interim Accounts, but will be reflected as an appropriation of retained profits for the year ending 31st December 2002.

7 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of US\$72,916,000 (2001: US\$83,929,000) and on the weighted average number of 2,145,292,475 (2001: 2,139,907,116) ordinary shares in issue during the period.

(b) Diluted earnings per share

As the exercise price of the share options outstanding on 30th June 2002 was greater than the average market price of the Company's share during the period, there was no dilution effect on earnings per share for the six months ended 30th June 2002.

Diluted earnings per share for the six months ended 30th June 2001 was calculated based on the profit attributable to shareholders of US\$83,929,000 and the weighted average number of ordinary shares in issue of 2,139,907,116 shares during the period plus the ordinary shares of 4,017,131 shares deemed to be issued at no consideration if outstanding share options which are exercisable at HK\$3.584 had been exercised.

8 Fixed assets

During the six months ended 30th June 2002, the Group acquired fixed assets of US\$86,271,000 (2001: US\$129,344,000) and disposed of fixed assets with net book value of US\$5,002,000 (2001: US\$4,600,000).

9 Trade receivables

The Group grants various credit periods of 30 to 90 days to its customers.

As at 30th June 2002, the ageing analysis of trade balances due from third parties (net of provision), fellow subsidiaries, related companies and jointly controlled entities is as follows:

	As at 30th June 2002 US\$'000	As at 31st December 2001 US\$'000
Within 30 days	22,517	21,082
31-60 days	14,083	15,888
61-90 days	2,288	3,318
Over 90 days	1,499	1,183
	<u>40,387</u>	<u>41,471</u>
Included under trade and other receivables	40,387	41,263
Included under investments in joint ventures	–	208
	<u>40,387</u>	<u>41,471</u>

10 Cash and cash equivalents

	As at 30th June 2002 US\$'000	As at 31st December 2001 US\$'000
Total time deposits, bank balances and cash	237,333	254,109
Restricted bank deposits included in non-current assets (note a)	(7,215)	(8,174)
	<u>230,118</u>	<u>245,935</u>
Representing:		
Time deposits	220,127	236,336
Bank balances and cash	9,991	9,599
	<u>230,118</u>	<u>245,935</u>

10 Cash and cash equivalents (Continued)

Notes:

- (a) Restricted bank deposits are deposits pledged as securities for repayment of bank loans of the Group and are restricted for the purpose of the related banking facilities.
- (b) Cash and cash equivalents of US\$35,790,000 (31st December 2001: US\$34,365,000) are held by certain subsidiaries of the Group which operate in the PRC where exchange controls apply.

11 Trade payables

As at 30th June 2002, the ageing analysis of trade balances due to third parties, ultimate holding company, fellow subsidiaries, related companies and jointly controlled entities is as follows:

	As at 30th June 2002 US\$'000	As at 31st December 2001 US\$'000
Within 30 days	45,869	7,954
31-60 days	5,237	232
61-90 days	3,948	66
Over 90 days	3,262	123
	<u>58,316</u>	<u>8,375</u>
Included under trade and other payables	49,155	8,356
Included under investments in joint ventures	9,161	19
	<u>58,316</u>	<u>8,375</u>

12 Share capital

	As at 30th June 2002 US\$'000	As at 31st December 2001 US\$'000
Authorised:		
3,000,000,000 ordinary shares of HK\$0.10 each	<u>38,462</u>	38,462
Issued and fully paid:		
2,147,012,298 (31st December 2001: 2,142,542,298) ordinary shares of HK\$0.10 each	<u>27,533</u>	27,476

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

	Number of ordinary shares	Nominal value US\$'000
At 1st January 2002	2,142,542,298	27,476
Issued upon exercise of share options	4,470,000	57
At 30th June 2002	<u>2,147,012,298</u>	<u>27,533</u>

(b) Share options

During the period, there was no movement for those share options granted on 1st July 1996.

As at 1st January 2002, there were outstanding 12,550,000 share options granted on 20th May 1997 which are exercisable at HK\$8.80 per ordinary share. During the period, 750,000 share options were lapsed following resignation of an employee.

As at 1st January 2002, there were outstanding 10,236,000 share options granted on 6th April 2000 which are exercisable at HK\$3.584 per ordinary share. During the period, 4,470,000 share options were exercised and 250,000 share options were lapsed following resignation of a director of the Company. 5,516,000 share options remained unexercised on the last date of the exercisable period were lapsed on 6th April 2002.

13 Long term liabilities

	As at 30th June 2002 US\$'000	As at 31st December 2001 US\$'000
Loans		
Secured (note c)	162,229	162,532
Unsecured	269,754	330,650
	431,983	493,182
Amounts due within one year included under current liabilities	(50,636)	(92,125)
	381,347	401,057

(a) The analysis of the above is as follows:

	As at 30th June 2002 US\$'000	As at 31st December 2001 US\$'000
Wholly repayable within five years		
Bank loans	203,135	220,328
Other loans	141,178	143,463
Loans from a minority shareholder of a subsidiary	1,686	1,927
Not wholly repayable within five years		
Bank loans	69,934	110,372
Other loans	16,050	17,092
	431,983	493,182

13 Long term liabilities (Continued)

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

	As at 30th June 2002 US\$'000	As at 31st December 2001 US\$'000
Bank loans		
Within one year	47,013	86,056
In the second year	74,802	68,560
In the third to fifth years inclusive	147,759	156,182
In more than five years	3,495	19,902
	<u>273,069</u>	<u>330,700</u>
Loans from a minority shareholder of a subsidiary		
Within one year	241	482
In the second year	482	482
In the third to fifth years inclusive	963	963
	<u>1,686</u>	<u>1,927</u>
Other loans		
Within one year	3,382	5,587
In the second year	142,375	142,288
In the third to fifth years inclusive	8,277	7,976
In more than five years	3,194	4,704
	<u>157,228</u>	<u>160,555</u>
	<u>431,983</u>	<u>493,182</u>

(c) Secured bank loans and other loans of US\$162,229,000 (31st December 2001: US\$162,532,000) were pledged by certain containers of the Group. US\$145,000,000 (31st December 2001: US\$141,975,000) out of the total loans were also secured by the assignment of the container lease agreements and the rental income thereon, other assets and shares of certain subsidiaries.

Bank loans of approximately US\$1,831,000 (31st December 2001: US\$2,024,000) were guaranteed by the minority shareholder of a subsidiary.

14 Contingent liabilities

	As at 30th June 2002 US\$'000	As at 31st December 2001 US\$'000
Guarantee executed for securing banking facility granted to a jointly controlled entity	–	585

15 Capital commitments

	As at 30th June 2002 US\$'000	As at 31st December 2001 US\$'000
Authorised but not contracted for		
– other fixed assets	1,896	–
– containers	–	48,691
	<u>1,896</u>	<u>48,691</u>
Contracted but not provided for		
– other fixed assets	195	–
– containers	9,786	3,100
– investments	83,445	50,270
	<u>93,426</u>	<u>53,370</u>

Notes:

- (a) As at 30th June 2002 and 31st December 2001, there were no capital commitments relating to the Group's interests in the joint ventures included in the above.
- (b) As at 30th June 2002 and 31st December 2001, there were no capital commitments of the joint ventures themselves not included in the above.

16 Related party transactions

The following is a summary of significant related party transactions, which were carried out in the normal course of the Group's business:

	Six months ended 30th June	
	2002 US\$'000	2001 US\$'000
Container rental income from a fellow subsidiary (note a)	67,234	66,087
Income for container terminal handling services rendered by an associated company of the Group to a fellow subsidiary (note b)	33,363	37,667
Handling and storage income from fellow subsidiaries (note c)	3,654	3,731
Net transportation income from a fellow subsidiary (note c)	881	962
Management fee income from an associated company (note d)	1,282	1,282
Container terminal handling and storage income from a fellow subsidiary (note e)	686	481
Purchase of containers from (note f)		
– associated companies of ultimate holding company	(24,943)	(46,495)
– jointly controlled entities of the Group	(9,732)	(15,412)
Container freight charge to (note g)		
– associated companies of ultimate holding company	(1,098)	(568)
– jointly controlled entities of the Group	(178)	(87)
Approved Continuous Examination Program fee to a fellow subsidiary (note h)	(1,100)	(1,300)

Notes:

- (a) The Group has conducted container leasing business with COSCO Container Lines Company Limited ("COSCON"), a wholly owned subsidiary of the China Ocean Shipping (Group) Company ("COSCO") which is the Company's ultimate holding company. The container rental income was charged based on terms as set out in the agreements entered into between the Group and COSCON.
- (b) COSCO-HIT Terminals (Hong Kong) Limited ("COSCO-HIT"), an associated company of the Group, provided handling and storage services to COSCON for cargoes shipped to Container Terminal 8 (East) in Hong Kong. The services rendered were charged at terms pursuant to agreements entered into by COSCO-HIT with COSCON.
- (c) The handling and storage income and the transportation income received from fellow subsidiaries were conducted at terms pursuant to agreements entered into by the mutual parties.

16 Related party transactions (Continued)

- (d) The Group provided advisory and management services to COSCO-HIT during the period. Management fee was charged and agreed at HK\$20,000,000 (2001: HK\$20,000,000) per annum.
- (e) During the period, the Group provided handling and storage services to a fellow subsidiary for cargoes shipped to Zhangjiagang port. The tariff rates charged by the Group were referenced to the rates as set out by the Ministry of Communications of the PRC.
- (f) The purchases of containers from associated companies of COSCO and jointly controlled entities of the Group were conducted in the normal course of the business at terms pursuant to agreements entered into by the mutual parties.
- (g) During the period, the Group paid container freight charges of US\$1,098,000 (2001: US\$568,000) and US\$178,000 (2001: US\$87,000) to certain associated companies of COSCO and jointly controlled entities of the Group respectively for container repositioning services rendered to the Group.
- (h) The Group has agreed to pay an annual Approved Continuous Examination Program fee of US\$2,200,000 (2001: US\$2,600,000) to COSCON for the year ending 31st December 2002.

17 Off-balance sheet financial instruments

The Group has employed interest rate swaps to manage its interest rate exposure. These instruments are used solely to reduce or eliminate the interest rate risk associated with the Group's borrowings and not for trading or speculation purposes.

The notional principal amounts of the outstanding interest rate swap contracts at 30th June 2002 were US\$100,000,000 (31st December 2001: US\$19,825,000).

At 30th June 2002 the fixed interest rates under the outstanding interest rate swap contracts vary from 3.88% to 4.9% (31st December 2001: 5.7% to 5.8%) per annum.

18 Subsequent event

On 30th June 2002, Twinbridge Development Corp. ("Twinbridge Corp."), a 30% associated company of the Group, entered into an agreement to transfer its interest in Shanghai Yixian Road & Bridge Development Co., Ltd., a co-operative joint venture which was granted the exclusive rights to operate three toll bridges, namely Wusong Toll Bridge, Wenchuan Toll Bridge and Jiangyang Toll Bridge in Shanghai. Upon the completion of the transfer, Twinbridge Corp. will receive a net amount of RMB1,930,000,000. The profit has not been accounted for by the Group in the Interim Accounts as the transfer was subsequently approved by the relevant PRC authorities on 26th August 2002.