

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 2003. 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 2003 and the consolidated balance sheet of the Group as at 30th June 2003, 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 2003

		Unaudited Six months ended 30th June	
	Note	2003 US\$'000	2002 US\$'000 (Restated)
Turnover	2	125,756	116,004
Cost of sales		(55,030)	(50,723)
Gross profit		70,726	65,281
Other revenues		14,422	10,139
Administrative expenses		(12,621)	(11,272)
Other operating expenses (net)		(11,161)	(9,498)
Operating profit	3	61,366	54,650
Finance costs	4	(7,331)	(8,090)
Operating profit after finance costs		54,035	46,560
Share of profits less losses of			
– jointly controlled entities		3,404	4,925
– associated companies		28,663	27,176
Profit before taxation		86,102	78,661
Taxation	5	(11,473)	(7,981)
Profit after taxation		74,629	70,680
Minority interests		(1,021)	(837)
Profit attributable to shareholders		73,608	69,843
Transfer to other reserves		(946)	(662)
Interim dividend	6	37,986	30,278
Earnings per share			
Basic earnings per share	7	US3.4284 cents	US3.2556 cents
Diluted earnings per share	7	US3.4272 cents	N/A

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30TH JUNE 2003

	<i>Note</i>	Unaudited As at 30th June 2003 US\$'000	As at 31st December 2002 US\$'000 (Restated)
Non-current assets			
Fixed assets	8	1,087,244	1,048,158
Joint ventures		42,549	46,052
Associated companies		275,727	284,570
Investment securities		56,973	66,876
Finance lease receivables		4,894	197
Restricted bank deposits	10	9,835	7,817
Deferred tax assets		329	262
		<u>1,477,551</u>	<u>1,453,932</u>
Current assets			
Inventories		2,621	2,648
Trade and other receivables	9	69,726	56,152
Tax prepaid		43	65
Current portion of finance lease receivables		1,452	2,696
Time deposits	10	103,840	202,224
Bank balances and cash	10	31,225	26,080
		<u>208,907</u>	<u>289,865</u>
Current liabilities			
Trade and other payables	11	67,903	36,999
Unsecured short term bank loans		–	482
Current portion of long term liabilities	13	166,150	209,707
Tax payable		992	817
		<u>235,045</u>	<u>248,005</u>
Net current (liabilities) / assets		<u>(26,138)</u>	<u>41,860</u>
Total assets less current liabilities		<u>1,451,413</u>	<u>1,495,792</u>
Representing:			
Share capital	12	27,533	27,533
Share premium		560,057	560,057
Other reserves		8,368	7,284
Retained profits		643,304	608,628
Proposed final dividend		–	49,546
Interim dividend declared	6	37,986	–
Shareholders' funds		<u>1,277,248</u>	<u>1,253,048</u>
Minority interests		9,174	8,314
Non-current liabilities			
Deferred tax liabilities		29,130	23,945
Long term liabilities	13	135,861	210,485
		<u>1,451,413</u>	<u>1,495,792</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30TH JUNE 2003

Unaudited
Six months ended 30th June

	<i>Note</i>	2003 US\$'000	2002 US\$'000
Net cash from operating activities		96,170	106,920
Net cash used in investing activities		(13,213)	(15,928)
Net cash used in financing activities		(176,196)	(106,809)
Net decrease in cash and cash equivalents		(93,239)	(15,817)
Cash and cash equivalents at 1st January		228,304	245,935
Cash and cash equivalents at 30th June	10	135,065	230,118
Analysis of balances of cash and cash equivalents:			
Time deposits		103,840	220,127
Bank balances and cash		31,225	9,991
		135,065	230,118

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30TH JUNE 2003

	Unaudited Six months ended 30th June	
	2003 <i>US\$'000</i>	2002 <i>US\$'000</i> (Restated)
Shareholders' funds as at 1st January, as previously reported	1,287,902	1,200,294
Change in an accounting policy in respect of deferred taxation (note 1)	(34,854)	(22,483)
Shareholders' funds as at 1st January, as restated	1,253,048	1,177,811
Share of capital reserve in a jointly controlled entity	–	8
Exchange reserve arising on the investment in an associated company	138	–
Impairment loss of leasehold land and buildings taken to other properties revaluation reserve	–	(165)
Net gain/(loss) not recognised in the consolidated profit and loss account	138	(157)
Profit attributable to shareholders	73,608	69,843
2002/2001 final dividends paid	(49,546)	(38,536)
Issue of shares upon exercise of share options	–	2,052
Shareholders' funds as at 30th June	<u>1,277,248</u>	<u>1,211,013</u>

NOTES TO CONDENSED INTERIM ACCOUNTS

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited consolidated condensed interim accounts (the “Condensed Interim Accounts”) are prepared in accordance with the Statement of Standard Accounting Practice (“SSAP”) 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants (the “HKSA”), and Appendix 16 of the Listing Rules of The Stock Exchange of Hong Kong Limited (the “Listing Rules”). The Condensed Interim Accounts should be read in conjunction with the 2002 annual accounts.

The accounting policies and methods of computation used in the preparation of the Condensed Interim Accounts are consistent with those used in the annual accounts for the year ended 31st December 2002 except that the Group has changed an accounting policy following its adoption of revised SSAP 12 “Income Taxes” issued by the HKSA which is effective for accounting periods commencing on or after 1st January 2003.

The changes to the Group’s accounting policies and the effect of the adoption of the revised SSAP 12 is set out below:

In accordance with revised SSAP 12, deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, joint ventures and associated companies, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

In prior years, deferred taxation was accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. The adoption of the revised SSAP12 represents a change in accounting policy, which has been applied retrospectively so that the comparative figures presented have been restated to conform to the changed policy.

The effect of initial adoption of the revised SSAP 12 is to decrease the profit attributable to shareholders for the six months ended 30th June 2002 by US\$3,073,000 and to decrease the opening retained profits as at 1st January 2002 and 2003 by US\$22,483,000 and US\$34,854,000 respectively.

2. TURNOVER AND SEGMENT INFORMATION

(a) Primary reporting format – business segments

Segment turnover and results

	Six months ended 30th June 2003					
	Container leasing US\$'000	Container terminal and related businesses US\$'000	Banking US\$'000	Other operations US\$'000	Corporate US\$'000	Total US\$'000
Turnover						
– total revenue	116,526	9,268	–	–	–	125,794
– inter-segment sales	–	(38)	–	–	–	(38)
External sales	<u>116,526</u>	<u>9,230</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>125,756</u>
Segment results	47,835	8,541	–	–	–	56,376
Unallocated costs						
– net corporate expenses	–	–	–	–	(2,844)	(2,844)
– corporate interest income	–	–	–	–	503	503
Operating profit/(loss) after finance costs	<u>47,835</u>	<u>8,541</u>	<u>–</u>	<u>–</u>	<u>(2,341)</u>	<u>54,035</u>
Share of profits less losses of						
– jointly controlled entities	–	16	–	3,388	–	3,404
– associated companies	–	24,445	4,218	–	–	28,663
Profit before taxation						86,102
Taxation						<u>(11,473)</u>
Profit after taxation						74,629
Minority interests						<u>(1,021)</u>
Profit attributable to shareholders						<u>73,608</u>

2. TURNOVER AND SEGMENT INFORMATION (CONTINUED)

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

Segment turnover and results (Continued)

	Six months ended 30th June 2002 (Restated)					Total US\$'000
	Container leasing US\$'000	Container terminal and related businesses US\$'000	Banking US\$'000	Other operations US\$'000	Corporate 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/(loss) 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	4,443	–	–	27,176
Profit before taxation						78,661
Taxation						(7,981)
Profit after taxation						70,680
Minority interests						(837)
Profit attributable to shareholders						69,843

2. TURNOVER AND SEGMENT INFORMATION (CONTINUED)

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

Segment assets, liabilities and other information

	Container leasing US\$'000	Container terminal and related businesses US\$'000	Banking US\$'000	Other operations US\$'000	Corporate US\$'000	Total US\$'000
As at 30th June 2003						
Segment assets	1,191,081	50,081	–	–	–	1,241,162
Joint ventures	(5,377)	24,589	–	23,337	–	42,549
Associated companies	–	120,307	155,420	–	–	275,727
Investment securities	–	56,973	–	–	–	56,973
Unallocated assets						70,047
Total assets						1,686,458
Segment liabilities	(389,638)	(8,300)	–	–	–	(397,938)
Minority interests	–	(9,174)	–	–	–	(9,174)
Unallocated liabilities						(2,098)
Total liabilities						(409,210)
Capital expenditure	100,273	162	–	–	1,572	102,007
Depreciation and amortisation	45,810	582	–	–	126	46,518
Impairment loss recognised in profit and loss account	2,598	–	–	–	–	2,598
Other non-cash expenses	884	2,239	–	–	2	3,125

2. TURNOVER AND SEGMENT INFORMATION (CONTINUED)

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

Segment assets, liabilities and other information (Continued)

	Container leasing US\$'000	Container terminal and related businesses US\$'000	Banking US\$'000	Other operations US\$'000	Corporate US\$'000	Total US\$'000
As at 31st December 2002 (Restated)						
Segment assets	1,140,061	34,672	–	–	–	1,174,733
Joint ventures	(4,754)	24,576	–	26,230	–	46,052
Associated companies	–	128,497	156,073	–	–	284,570
Investment securities	–	66,876	–	–	–	66,876
Unallocated assets						171,566
Total assets						1,743,797
Segment liabilities	(471,349)	(8,890)	–	–	–	(480,239)
Minority interests	–	(8,314)	–	–	–	(8,314)
Unallocated liabilities						(2,196)
Total liabilities						(490,749)
Capital expenditure	155,314	1,294	–	–	113	156,721
Depreciation and amortisation	86,230	1,173	–	–	279	87,682
Impairment loss recognised in						
– profit and loss account	15,997	–	–	–	–	15,997
– other properties revaluation reserve	165	–	–	–	–	165
Other non-cash expenses	2,531	3,280	–	–	5	5,816

(b) Secondary reporting format - geographical segments

The movements of containers under operating leases or finance leases are known through report from the lessees but the Group is not able to control the movements of containers 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, other operations and corporate segments 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	
	2003 US\$'000	2002 US\$'000
<i>Crediting</i>		
Dividend income from unlisted investments	7,511	5,003
Sale of inventories	5,909	3,347
Interest income	977	1,763
Recovery of bad and doubtful debts	941	415
<i>Charging</i>		
Depreciation and amortisation	46,518	42,608
Cost of inventories sold	7,385	4,241
Impairment loss of containers	2,598	4,117
Loss on disposal of an unlisted investment	2,192	–
Provision for bad and doubtful debts	1,238	707
Revaluation deficit of investment properties	90	233
Provision for loan to an investee company	–	1,862
Impairment loss of leasehold land and buildings	–	941
Provision for inventories	–	137

4. FINANCE COSTS

	Six months ended 30th June	
	2003 US\$'000	2002 US\$'000
Interest expense on		
– bank loans	2,365	5,695
– other loans wholly repayable within five years	1,020	1,298
– other loans not wholly repayable within five years	177	248
– loan from a minority shareholder of a subsidiary wholly repayable within five years	41	57
Loss on interest rate swap contracts	1,407	559
Other incidental borrowing costs	2,321	233
	7,331	8,090

5. TAXATION

	Six months ended 30th June	
	2003 <i>US\$'000</i>	2002 <i>US\$'000</i> (Restated)
Company and subsidiaries		
Current taxation		
– Hong Kong profits tax	195	112
– China mainland taxation	345	126
– Overseas taxation	39	59
– Over provision in prior years	–	(13)
	579	284
Deferred taxation	5,118	3,253
	5,697	3,537
Share of taxation attributable to:		
Jointly controlled entities		
Current taxation		
– China mainland taxation	406	568
Associated companies		
Current taxation		
– Hong Kong profits tax	3,976	3,734
– China mainland taxation	412	322
Deferred taxation	982	(180)
	5,776	4,444
	11,473	7,981

Hong Kong profits tax has been provided at a rate of 17.5% (2002: 16.0%) 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 of a subsidiary has been calculated at an effective tax rate of 15.0% (2002: 7.5%) on the estimated assessable profit for the period. The subsidiary in China mainland was eligible for a 50% relief from corporate income tax of 15% for five years up to 2002.

5. TAXATION (CONTINUED)

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 in relation to the lease of containers 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. INTERIM DIVIDEND

	Six months ended 30th June	
	2003 US\$'000	2002 US\$'000
2003 interim, declared, of US1.769 cents (2002: US1.410 cents) per ordinary share	<u>37,986</u>	<u>30,278</u>

At a meeting held on 22nd September 2003, the directors declared an interim dividend of HK13.8 cents (US1.769 cents) per ordinary share. This dividend declared is not reflected as a dividend payable in the Condensed Interim Accounts, but will be reflected as an appropriation of retained profits for the year ending 31st December 2003.

7. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30th June 2003 is based on the Group's profit attributable to shareholders of US\$73,608,000 (2002: US\$69,843,000) and on the weighted average number of 2,147,012,298 (2002: 2,145,292,475) ordinary shares in issue during the period.

(b) Diluted earnings per share

Diluted earnings per share for the six months ended 30th June 2003 was calculated based on the profit attributable to shareholders of US\$73,608,000 and the weighted average number of 2,147,012,298 ordinary shares in issue during the period plus weighted average number of 746,795 ordinary shares deemed to be issued at no consideration if all outstanding dilutive options had been exercised.

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 prior period, there was no dilutive effect on earnings per ordinary share for the six months ended 30th June 2002.

8. FIXED ASSETS

During the six months ended 30th June 2003, the Group acquired fixed assets of US\$102,007,000 (2002: US\$86,271,000) and disposed of fixed assets with net book value of US\$13,715,000 (2002: US\$5,002,000).

9. TRADE AND OTHER RECEIVABLES

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

At 30th June 2003, the ageing analysis of the trade balances due from third parties (net of provision), fellow subsidiaries and related companies was as follows:

	As at 30th June 2003 US\$'000	As at 31st December 2002 US\$'000
Within 30 days	29,078	27,507
31-60 days	19,227	17,141
61-90 days	13,927	2,403
Over 90 days	1,249	982
Included under trade and other receivables	<u>63,481</u>	<u>48,033</u>

10. CASH AND CASH EQUIVALENTS

	As at 30th June 2003 US\$'000	As at 31st December 2002 US\$'000
Total time deposits, bank balances and cash (note a)	144,900	236,121
Restricted bank deposits included in non-current assets (note b)	(9,835)	(7,817)
	<u>135,065</u>	<u>228,304</u>
Representing:		
Time deposits	103,840	202,224
Bank balances and cash	31,225	26,080
	<u>135,065</u>	<u>228,304</u>

Notes:

- Cash and cash equivalents of US\$22,273,000 (31st December 2002: US\$39,427,000) are held by certain subsidiaries of the Group which operate in the PRC where foreign exchange controls apply.
- 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.

11. TRADE AND OTHER PAYABLES

The ageing analysis of trade balances due to third parties, fellow subsidiaries, minority shareholders of subsidiaries and jointly controlled entities and related companies is as follows:

	As at 30th June 2003 <i>US\$'000</i>	As at 31st December 2002 <i>US\$'000</i>
Within 30 days	8,502	6,409
31-60 days	16,626	3,791
61-90 days	9,617	1,842
Over 90 days	6,043	1,519
	<u>40,788</u>	<u>13,561</u>
Included under trade and other payables	35,464	8,807
Included under joint ventures	5,324	4,754
	<u>40,788</u>	<u>13,561</u>

12. SHARE CAPITAL

	As at 30th June 2003 <i>US\$'000</i>	As at 31st December 2002 <i>US\$'000</i>
Authorised: 3,000,000,000 (31st December 2002: 3,000,000,000) ordinary shares of HK\$0.10 each	<u>38,462</u>	<u>38,462</u>
Issued and fully paid: 2,147,012,298 (31st December 2002: 2,147,012,298) ordinary shares of HK\$0.10 each	<u>27,533</u>	<u>27,533</u>

There was no movement of the issued share capital of the Company during the period.

12. SHARE CAPITAL (CONTINUED)

(a) Share options

Movements of the share options, which have been granted under the share option scheme adopted by the shareholders of the Company on 30th November 1994 (the “1994 Share Option Scheme”), during the period are set out below:

Category	Number of share options				
	Exercise price HK\$	Outstanding at 1st January 2003	Exercised during the period	Lapsed during the period	Outstanding at 30th June 2003
Directors	5.53	3,000,000	–	–	3,000,000
	8.80	5,000,000	–	–	5,000,000
Continuous contract employees	5.53	80,000	–	–	80,000
	8.80	6,800,000	–	(1,200,000)	5,600,000

- (b) At the Special General Meeting of the Company held on 23rd May 2003, the shareholders of the Company approved the adoption of a new share option scheme (“2003 Share Option Scheme”) which complies with the new requirements of the Listing Rules and the termination of the 1994 Share Option Scheme (such that no further options shall thereafter be offered under the 1994 Share Option Scheme but on all other respects the provisions of the 1994 Share Option Scheme shall remain in full force and effect).

During the period, no options were granted by the Company under the 2003 Share Option Scheme since its adoption.

13. LONG TERM LIABILITIES

	As at 30th June 2003 US\$'000	As at 31st December 2002 US\$'000
Loans		
Secured (note c)	158,832	156,578
Unsecured	143,179	263,614
	<u>302,011</u>	<u>420,192</u>
Amounts due within one year included under current liabilities	(166,150)	(209,707)
	<u>135,861</u>	<u>210,485</u>

13. LONG TERM LIABILITIES (CONTINUED)

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

	As at 30th June 2003 US\$'000	As at 31st December 2002 US\$'000
Wholly repayable within five years		
Bank loans	146,961	223,599
Other loans	153,846	140,000
Loans from a minority shareholder of a subsidiary	1,204	1,445
	<u>302,011</u>	<u>365,044</u>
Not wholly repayable within five years		
Bank loans	–	40,179
Other loans	–	14,969
	<u>–</u>	<u>55,148</u>
	<u>302,011</u>	<u>420,192</u>

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

	As at 30th June 2003 US\$'000	As at 31st December 2002 US\$'000
Bank loans		
Within one year	23,535	66,937
In the second year	26,440	64,464
In the third to fifth years inclusive	96,986	124,342
In more than five years	–	8,035
	<u>146,961</u>	<u>263,778</u>
Loan 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	481	481
	<u>1,204</u>	<u>1,445</u>
Other loans		
Within one year	142,374	142,288
In the second year	2,557	2,464
In the third to fifth years inclusive	8,915	8,590
In more than five years	–	1,627
	<u>153,846</u>	<u>154,969</u>
	<u>302,011</u>	<u>420,192</u>

13. LONG TERM LIABILITIES (CONTINUED)

- (c) Secured bank loans and other loans of US\$158,832,000 (31st December 2002: US\$156,578,000) were pledged by certain containers of the Group. US\$144,984,000 (31st December 2002: US\$141,609,000) out of these 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 loan of approximately US\$1,373,000 (31st December 2002: US\$1,566,000) was guaranteed by the minority shareholder of a subsidiary.

14. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30th June 2003 and 31st December 2002.

15. CAPITAL COMMITMENTS

	As at 30th June 2003 US\$'000	As at 31st December 2002 US\$'000
Authorised but not contracted for		
– containers	15,876	155,977
– other fixed assets	1,423	–
	<u>17,299</u>	<u>155,977</u>
Contracted but not provided for		
– containers	54,025	468
– investments	19,730	76,086
	<u>73,755</u>	<u>76,554</u>

16. OFF-BALANCE SHEET DERIVATIVE 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 risks 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 2003 were US\$100,000,000 (31st December 2002: US\$100,000,000).

As at 30th June 2003, the fixed interest rates under the outstanding interest rate swap contracts varied from 3.88% to 4.90% (31st December 2002: 3.88% to 4.90%) per annum.

17. 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	
	2003 <i>US\$'000</i>	2002 <i>US\$'000</i>
Container rental income from a fellow subsidiary (note a)	64,959	67,234
Income for container terminal handling services rendered by an associated company of the Group to a fellow subsidiary (note b)	27,571	33,363
Handling and storage income from fellow subsidiaries (note c)	3,354	3,654
Net transportation income from a fellow subsidiary (note c)	1,080	881
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)	673	686
Purchase of containers from (note f)		
– associated companies of ultimate holding company	(36,471)	(24,943)
– jointly controlled entities of the Group	(7,157)	(9,732)
Container freight charge to (note g)		
– associated companies of ultimate holding company	(635)	(1,098)
– jointly controlled entities of the Group	(106)	(178)
Approved Continuous Examination Program fee to a fellow subsidiary (note h)	(1,100)	(1,100)
	<u>(1,100)</u>	<u>(1,100)</u>

Notes:

- (a) The Group has conducted container leasing business with COSCO Container Lines Company Limited ("COSCON"), a 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 agreement entered into by the mutual parties.
- (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 (2002: HK\$20,000,000) per annum.

17. RELATED PARTY TRANSACTIONS (CONTINUED)

- (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 with reference 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 agreement entered into by the mutual parties.
- (g) During the period, the Group paid container freight charges of US\$635,000 (2002: US\$1,098,000) and US\$106,000 (2002: US\$178,000) 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 to COSCON (2002: US\$2,200,000).

18. SUBSEQUENT EVENTS

The following significant events took place subsequent to 30th June 2003 and up to the date of this report:

- (a) On 18th July 2003, the Group entered into an agreement with a third party to acquire a 20% equity interest in Qingdao Qianwan Container Terminal Co. Limited (“QQCT”), a company established in the China mainland and principally engaged in operating terminals in Qingdao, at a consideration of US\$44,200,000. On 21st July 2003, QQCT entered into a series of agreements with one of its shareholders (the “Shareholder”) to acquire certain fixed assets from the Shareholder and to obtain the concession rights of using certain port facilities owned by the Shareholder for a period of 30 years. In order to provide sufficient funding to QQCT to acquire those fixed assets and concession rights, the Group has committed to inject approximately US\$138,611,000 to QQCT by way of shareholder’s loan. All the transactions have not been completed as of the date of approval of the Condensed Interim Accounts.
- (b) On 30th August 2003, the Company signed Heads of Agreement with PSA Corporation Limited whereby both parties agreed to set up a joint venture company for the operation of two container berths in the port of Singapore. The project will be undertaken in two phases with annual designed throughput of 500,000 TEUs for each berth.
- (c) The Company has appointed three investment banks to act as Joint Bookrunners for the proposed issuance of approximately US\$300,000,000 fixed rate bonds with 10-year maturity. The bonds will be offered outside the United States in accordance with Regulation S under the United States Securities Act of 1933. The proceeds will be mainly used for financing of new port acquisitions and for refinancing purposes. It is expected that the issuance will be completed by October 2003 subject to market conditions.

18. SUBSEQUENT EVENTS (CONTINUED)

- (d) On 22nd September 2003, COSCO Pacific Logistics Company Limited (“CPLCL”), a wholly owned subsidiary of the Company, entered into agreements with COSCO to effect, subsequent to the fulfillment of certain conditions precedent, a capital increase and transfer of equity interest transaction for the acquisition of a 49% equity interest in COSCO Logistics Company (“COSCO LOGISTICS”), a wholly owned subsidiary of COSCO, at a total consideration of RMB1,180,410,000 (approximately US\$142,769,000). CPLCL further agreed to pay COSCO an additional amount of RMB50,000,000 (approximately US\$6,047,000) if the pro forma combined net profit of COSCO LOGISTICS and its subsidiaries for the year ending 31st December 2003 exceeds RMB200,000,000 (approximately US\$24,190,000). COSCO LOGISTICS and its subsidiaries operate businesses including shipping agency, freight forwarding, third party logistics and supporting services.