

Notes to the Accounts

1 PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the consolidated accounts are set out below:

(a) Basis of preparation of the accounts

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). They have been prepared under the historical cost convention except that, as disclosed in the accounting policies below, investment properties are stated at fair value and certain leasehold land and buildings are carried at valuation as at 31st December 1994 less accumulated depreciation and impairment losses.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods beginning on or after 1st January 2005. The Group has not early adopted these new HKFRSs in the accounts for the year ended 31st December 2004. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

(b) Group accounting

(i) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st December. Subsidiaries are those entities in which the Company, directly or indirectly, controls more than one half of the voting power; has the power to govern the financial and operating policies; to appoint or remove the majority of the members of the board of directors; or to cast majority of votes at the meetings of the board of directors.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interest of outside shareholders in the operating results and net assets of subsidiaries.

In the Company's balance sheet, investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividend income.

Notes to the Accounts

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(b) Group accounting (Continued)

(ii) Jointly controlled entities

A jointly controlled entity is a joint venture established as a corporation, partnership or other entity in which the venturers have their respective interests and establish a contractual arrangement among them to define joint control over the economic activity of the entity.

The consolidated profit and loss account includes the Group's share of the results of jointly controlled entities for the year, and the consolidated balance sheet includes the Group's share of the net assets of the jointly controlled entities and goodwill (net of accumulated amortisation) on acquisition.

(iii) Associated companies

An associated company is a company, not being a subsidiary and jointly controlled entity, in which an equity interest is held for long term and significant influence is exercised in its management.

The consolidated profit and loss account includes the Group's share of the results of associated companies for the year, and the consolidated balance sheet includes the Group's share of the net assets of the associated companies and goodwill (net of accumulated amortisation) on acquisition.

(iv) Gain or loss on disposal

The gain or loss on the disposal of a subsidiary, a jointly controlled entity or an associated company represents the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortised goodwill, including goodwill previously taken to reserves, which was not previously charged or recognised in the consolidated profit and loss account.

(c) Fixed assets

(i) Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties held on leases with unexpired periods greater than 20 years are valued annually by independent valuers. The valuations are on an open market value basis related to individual properties and separate values are not attributed to land and buildings. The valuations are incorporated in the annual accounts. Increases in valuation are credited to the investment properties revaluation reserve. Decreases are first set off against increases on earlier valuations on a portfolio basis and thereafter are debited to the operating profit. Any subsequent increases are credited to the operating profit up to the amount previously debited.

Upon the disposal of an investment property, the relevant portion of the revaluation reserve realised in respect of previous valuations is released from the investment properties revaluation reserve to the profit and loss account.

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(c) Fixed assets (Continued)

- (ii) Fixed assets other than investment properties
Fixed assets other than investment properties (note 1(c)(i)) are stated at cost or valuation less accumulated depreciation/amortisation and impairment losses.

Effective from 30th September 1995, no further revaluations of the Group's leasehold land and buildings have been carried out. The Group places reliance on paragraph 80 of Statement of Standard Accounting Practice 17 "Property, plant and equipment" issued by the HKICPA, which provides exemption from the need to make regular revaluations for such assets.

Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss account. Improvements are capitalised and depreciated over the expected useful lives to the Group.

- (iii) Depreciation
Investment properties held on leases with unexpired period of 20 years or less are depreciated over the remaining portion of the leases.

Leasehold land is amortised based on the cost or valuation less accumulated impairment losses over the remaining period of the lease on a straight line basis.

Land use rights represent amounts paid for use of land in China mainland under operating leases. Land use rights are amortised based on the cost less accumulated impairment losses over the remaining period of the lease on a straight line basis.

Containers and generator sets are depreciated at cost less accumulated impairment losses on a straight line basis over their estimated useful lives of 15 years and 12 years respectively, after taking into account of the residual value of 10% on cost.

Buildings, leasehold improvements and other fixed assets, which comprise motor vehicles, furniture, fixtures and equipment, computer systems and plant and machinery, are depreciated at rates sufficient to write off their cost or valuation less accumulated impairment losses over their estimated useful lives to their respective residual values estimated by the directors on a straight line basis. The estimated useful lives of these fixed assets are summarised as follows:

Buildings	25 to 50 years
Leasehold improvements	5 years or the remaining period of the lease, whichever is shorter
Other fixed assets	5 to 20 years

No depreciation is provided for computer system under development and construction in progress.

Notes to the Accounts

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(c) Fixed assets (Continued)

(iv) Impairment of assets

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that same asset, in which case it is treated as a revaluation decrease.

(v) Gain or loss on sale of fixed assets

The gain or loss on disposal of a fixed asset other than investment properties is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account. Any revaluation reserve balance remaining attributable to the relevant asset is transferred to retained profits and is shown as a movement in reserves.

(vi) Capitalisation of fixed assets

Costs associated with developing or maintaining computer systems are expensed as incurred. However, costs which enhances or extends the performance of computer systems beyond their original specifications and have probable future economic benefits are recognised as assets. Direct costs, including staff costs, consultancy fees and an appropriate portion of relevant overheads, which related to development of computer systems are capitalised under computer system under development.

All direct and indirect costs relating to the construction of plant and machinery including interest costs on related borrowed funds during the construction period and operating results prior to the commissioning date are capitalised as construction in progress.

A plant is considered to be commissioned when it is capable of producing saleable quality output in commercial quantities on an ongoing basis.

The construction in progress and computer system under development are transferred to relevant categories of fixed assets upon the completion of their respective construction and development and depreciation will then be commenced accordingly.

(d) Goodwill/negative goodwill

Goodwill represents the excess of purchase consideration over the fair value of the Group's share of the net assets of subsidiaries, jointly controlled entities and associated companies acquired at the date of acquisition.

Goodwill on acquisitions of subsidiaries occurring on or after 1st January 2001 is included in intangible assets. Goodwill on acquisitions of associated companies or jointly controlled entities on or after 1st January 2001 is included in investments in associated companies or jointly controlled entities. Goodwill is amortised using the straight line method over its estimated useful life of not exceeding 20 years.

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(d) Goodwill/negative goodwill (Continued)

Negative goodwill represents the excess of the fair values ascribed to the net assets of subsidiaries, jointly controlled entities and associated companies acquired over the purchase consideration. For acquisition on or after 1st January 2001, negative goodwill is presented in the same balance sheet classification as goodwill.

Goodwill/negative goodwill on acquisitions that occurred prior to 1st January 2001 was taken to reserves.

Where an indication of impairment exists, the carrying amount of goodwill, including goodwill previously taken to reserves, is assessed and written down immediately to its recoverable amount.

(e) Assets under leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessors are accounted for as operating leases. Leases that substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as finance leases.

- (i) Leases – where the company is the lessee
Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight line basis over the lease periods.
- (ii) Leases – where the company is the lessor
When the company leases out assets under operating leases, the assets are included in the balance sheet according to their nature and where applicable, are depreciated in accordance with the Group's depreciation policies, as set out in note 1(c)(iii) above. Revenue arising from assets leased out under operating leases is recognised in accordance with the Group's revenue recognition policies, as set out in note 1(m)(i) and 1(m)(v) below.

Finance leases for assets leased out are leases of assets which contain a provision giving the lessee an option to acquire legal title to the assets upon the fulfillment of certain conditions stated in the contracts.

When assets are leased out under a finance lease, the present value of the minimum lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

Revenue on containers leased out under finance leases is recognised in accordance with the Group's revenue recognition policies, as set out in note 1(m)(i) below.

Notes to the Accounts

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(f) Investments in securities

(i) Investment securities

Listed and unlisted investments which are intended to be held on a continuing basis are stated at cost less provision for impairment losses.

The carrying amounts of individual investments are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such investment is reduced to its fair value. The impairment loss is recognised as an expense in the profit and loss account. This impairment loss is written back to profit and loss account when the circumstances and events that led to the write-downs and write-offs cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

(ii) Other investments

Other investments are carried at fair value. At each balance sheet date, the net unrealised gains or losses arising from the changes in fair value of other investments are recognised in the profit and loss account. Profits or losses on disposal of other investments, representing the difference between the net sales proceeds and the carrying amounts, are recognised in the profit and loss account as they arise.

(g) Inventories

Inventories, including spare parts, consumables and resaleable containers, are stated at the lower of cost and net realisable value. Costs are calculated on first-in first-out basis for spare parts and consumables and on weighted average basis for resaleable containers. Net realisable value of spare parts and consumables is the expected amount to be realised from use as estimated by the directors whereas that of resaleable containers is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(h) Accounts receivable

Provision is made against accounts receivable to the extent that they are considered to be doubtful. Accounts receivable in the balance sheet is stated net of such provision.

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held at call with banks, cash investments with a maturity of three months or less from date of investment and bank overdrafts.

(j) Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the company expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(k) Deferred taxation

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. Tax 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, associated companies and jointly controlled entities, 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.

(l) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the company.

Contingent assets are not recognised but are disclosed in the notes to the accounts when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(m) Revenue recognition

The Group recognises revenue on the following bases:

- (i) Revenue from leasing of containers and generator sets
Rental income from leasing of containers and generator sets under operating leases are recognised on a straight line basis over the period of each lease. Direct costs or reimbursements from lessees relating to the lifting and storage of containers are included in cost of sales when incurred or occurred.

Revenue on containers leased out under finance leases is allocated to accounting period to give a constant periodic rate of return on the company's net investment in the lease in each period.

Notes to the Accounts

1 PRINCIPAL ACCOUNTING POLICIES (Continued)**(m) Revenue recognition (Continued)**

- (i) Revenue from leasing of containers and generator sets (Continued)
Direct costs relating to the negotiations and arrangement of a contract are written off in the profit and loss account when incurred.
- (ii) Revenue from container handling, transportation and storage
Revenue from container handling and transportation is recognised when the services are rendered.

Revenue from container storage is recognised on a straight line basis over the period of storage.
- (iii) Revenue from terminal operations
Revenue from terminal operations is recognised when the services rendered are complete and the vessel leaves the berth.
- (iv) Container management income
Container management income is recognised when the services are rendered.
- (v) Operating lease rental income from investment properties
Operating lease rental income from investment properties is recognised on a straight line basis over the period of each lease.
- (vi) Revenue from sale of containers
Revenue from sale of containers is recognised on the transfer of risks and rewards on ownership, which generally coincides with the time when the containers are delivered to customers and title has passed. Direct costs relating to the lifting and storage of containers for sale are expensed as incurred.
- (vii) Interest income
Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.
- (viii) Dividend income
Dividend income is recognised when the company's right to receive payment is established.
- (ix) Income on sale of investment securities
Income on sale of investment securities is recognised when the title to the investments is passed to the purchaser.

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(n) Employee benefits

(i) Retirement benefit costs

The Group contributes to defined contribution retirement schemes which are available to all employees in Hong Kong, Macau and the United States of America. The assets of the schemes are held separately from those of the Group in independently administered funds.

Pursuant to the relevant regulations of the government authorities in Germany, Italy, Japan, Australia, the United Kingdom, the United States of America and China mainland, the subsidiaries of the Group in these countries participate in respective government benefit schemes (the "Schemes") whereby the subsidiaries are required to contribute to the Schemes for the retirement benefits of eligible employees. The subsidiaries in Japan and the United Kingdom also contribute to the Schemes for other benefits of eligible employees.

Contributions made to the Schemes are calculated either based on certain percentages of the applicable payroll costs or fixed sums that are determined with reference to salary scale as stipulated under the requirements of the respective countries. The government authorities of the respective countries are responsible for the entire benefit obligations payable to the retired employees. The only obligation of the Group with respect to the Schemes is to pay the ongoing contributions required by the Schemes.

The Group's contributions to the aforesaid defined contribution retirement schemes and the Schemes are charged to the profit and loss account as incurred.

(ii) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity or paternity leave are not recognised until the time of leave.

(iii) Equity compensation benefits

No compensation cost is recognised in the profit and loss account in connection with the share options being granted by the Company. When the share options are exercised, the proceeds received net of any transaction costs are credited to share capital (nominal value) and share premium.

(iv) Bonus entitlements

The expected cost of bonus payments is recognised as a liability when the company has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for bonus are expected to be settled within twelve months and are measured at the amounts expected to be paid when they are settled.

Notes to the Accounts

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(o) Borrowing costs

Discount on the issue of notes represents the difference between principal amount payable by the company on maturity of the notes and the proceeds received and is recognised in the profit and loss account using the effective yield method over the life of the notes.

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalised as part of the cost of that asset.

All other borrowing costs are charged to the profit and loss account in the year in which they are incurred.

(p) Financial instruments

The Group employed interest rate swap contracts to manage its interest rate exposure. Any differential to be paid or received on an interest rate swap contract is recognised as a component of interest expense over the period of the contract.

(q) Translation of foreign currencies

Transactions in currencies other than United States dollars are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in currencies other than United States dollars at the balance sheet date are translated at exchange rates ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

The balance sheets of subsidiaries, jointly controlled entities and associated companies expressed in currencies other than United States dollars are translated at the exchange rates ruling at the balance sheet date whilst their profit and loss accounts expressed in currencies other than United States dollars are translated at the average exchange rates during the year. Exchange differences are dealt with as a movement in reserves.

(r) Segment reporting

In accordance with the Group's internal financial reporting, the Group has determined that business segments are presented as the primary reporting format.

Unallocated costs represent net corporate expenses and corporate finance costs less corporate interest income. Segment assets consist primarily of fixed assets, inventories, receivables and operating cash, and mainly exclude investments in jointly controlled entities, associated companies and investment securities. Segment liabilities comprise operating liabilities and exclude items such as taxation and corporate borrowings. Capital expenditure comprises additions to fixed assets, including additions resulting from acquisitions through purchases of subsidiaries.

2 TURNOVER, REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in container leasing, container handling and storage and container terminal operations. Revenues recognised during the year are as follows:

	2004 US\$'000	2003 US\$'000
Turnover		
Operating lease rentals		
– containers	255,921	239,046
– generator sets	345	60
Finance lease income on containers	573	484
Container handling, transportation and storage income	7,200	8,761
Container terminal operation income	11,050	9,045
Container management income	207	99
	<u>275,296</u>	<u>257,495</u>
Other revenues		
Sale of inventories	24,709	10,762
Dividend income from unlisted investments	21,260	20,421
Interest income	3,286	2,343
Gross rental income from investment properties	52	53
	<u>49,307</u>	<u>33,579</u>
Total revenues	<u>324,603</u>	<u>291,074</u>

(a) Primary reporting format – business segments

The Group has categorised its businesses into the following segments:

- (i) container leasing and related businesses
- (ii) container terminal and related businesses
- (iii) freight forwarding, logistics and related businesses
- (iv) container manufacturing and related businesses
- (v) banking businesses
- (vi) corporate and other businesses

Notes to the Accounts

2 TURNOVER, REVENUE AND SEGMENT INFORMATION (Continued)**(a) Primary reporting format – business segments (Continued)**

Segment assets, liabilities and other information

	Container leasing and related businesses US\$'000	Container terminal and related businesses US\$'000	Freight forwarding, logistics and related businesses US\$'000	Container manufacturing and related businesses US\$'000	Banking businesses US\$'000	Corporate and other businesses US\$'000	Total US\$'000
2004							
Segment assets	1,321,131	52,084	-	2,604	-	-	1,375,819
Jointly controlled entities	-	145,309	172,297	15,897	-	-	333,503
Associated companies	-	128,788	-	127,514	162,790	-	419,092
Investment securities	-	56,425	-	-	-	13,075	69,500
Unallocated assets							41,778
							<u>2,239,692</u>
Segment liabilities	(405,068)	(109,200)	(127,724)	(55,000)	-	-	(696,992)
Minority interests	-	(9,441)	-	-	-	-	(9,441)
Unallocated liabilities							(60,452)
							<u>(766,885)</u>
Capital expenditure	275,357	1,081	-	-	-	498	276,936
Additions to investment securities	-	-	-	-	-	13,075	13,075
Depreciation and amortisation	100,826	1,262	-	-	-	435	102,523
Impairment losses	474	-	-	-	-	-	474
Other non-cash expenses	1,511	88	98	1	-	6	1,704

2 TURNOVER, REVENUE AND SEGMENT INFORMATION (Continued)

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

Segment assets, liabilities and other information (Continued)

	Container leasing and related businesses US\$'000	Container terminal and related businesses US\$'000	Freight forwarding, logistics and related businesses US\$'000	Container manufacturing and related businesses US\$'000	Banking businesses US\$'000	Corporate and other businesses US\$'000	Total US\$'000
2003							
Segment assets	1,208,517	50,964	-	-	-	-	1,259,481
Jointly controlled entities	7	61,036	-	22,239	-	-	83,282
Associated companies	-	116,201	-	-	158,409	-	274,610
Investment securities	-	63,249	-	-	-	-	63,249
Unallocated assets							219,644
							<u>1,900,266</u>
Segment liabilities	(362,431)	(45,785)	-	-	-	-	(408,216)
Minority interests	-	(8,644)	-	-	-	-	(8,644)
Unallocated liabilities							(162,242)
							<u>(579,102)</u>
Capital expenditure	197,905	466	-	-	-	2,038	200,409
Additions to investment securities	-	16,723	-	-	-	-	16,723
Depreciation and amortisation	94,041	1,169	-	-	-	307	95,517
Impairment losses	9,865	-	-	-	-	-	9,865
Other non-cash expenses	2,254	2,350	-	-	-	827	5,431

(b) Secondary reporting format – geographical segments

The Group's turnover and results are mainly contributed by its container leasing and related businesses. The movements of containers and generator sets 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 and generator sets except to the degree that the movements are restricted by the terms of the leases or where safety of the containers and generator sets is concerned. It is therefore impracticable to present segment turnover and results by geographical areas.

The Group's segment assets are primarily dominated by its containers and generator sets. The directors consider that the nature of the Group's businesses preclude a meaningful allocation of containers and generator sets and their related capital expenditure to specific geographical segments as defined under SSAP 26 "Segmental reporting". These containers and generator sets are primarily utilised across geographical markets for shipment of cargoes throughout the world. Accordingly, it is also impracticable to present segment assets and capital expenditure by geographical areas.

The activities of container terminal and related businesses; freight forwarding, logistics and related businesses; container manufacturing and related businesses; corporate and other businesses are carried out in Hong Kong, China mainland, Singapore and Belgium while that of banking businesses are predominantly carried out in Hong Kong.

Notes to the Accounts

3 OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	2004 US\$'000	2003 US\$'000
Crediting		
Gain on disposal of fixed assets	1,802	858
Profit on disposal of jointly controlled entities and dissolution of an associated company (net)	387	–
Revaluation surplus of investment properties (note 12(b))	292	–
Recovery of bad debts	29	1,047
Write-back of provision for bad and doubtful debts (net)	22	–
Charging		
Depreciation and amortisation		
– owned fixed assets leased out under operating leases	98,992	92,060
– other owned fixed assets	3,531	3,457
Impairment losses of containers (including in other operating expenses) (note 12)	474	9,865
Cost of inventories sold	23,973	13,322
Auditors' remuneration		
– current year	876	519
– over provision in prior years	(3)	–
Loss on disposal/write-off of fixed assets	794	769
Loss on compensation for loss of containers from a fellow subsidiary	88	37
Loss on disposal of an unlisted investment	–	2,192
Outgoings in respect of investment properties	5	8
Provision for bad and doubtful debts (net)	–	1,370
Provision for inventories	295	155
Write-off of inventories	285	–
Rental expense under operating leases		
– land and buildings leased from third parties	2,476	2,606
– land and buildings leased from fellow subsidiaries	523	796
– plant and machinery	363	373
Revaluation deficit of investment properties (note 12(b))	–	81
Total staff costs (including directors' emoluments and retirement benefit costs) (note)	17,573	15,769
Less: Amounts capitalised in computer system under development	(168)	(228)
	17,405	15,541

Note:

Total staff costs do not include the amounts of benefits in kind provided to the Company's directors and the Group's employees in respect of staff quarters and the Company's share options being granted and exercised. Details of the Company's share options are set out in note 21(b) to the accounts.

4 FINANCE COSTS

	2004 US\$'000	2003 US\$'000
Interest expense on		
– bank loans	6,654	4,355
– other loans wholly repayable within five years	291	1,831
– Notes not wholly repayable within five years	17,625	4,406
– loans from a minority shareholder of a subsidiary wholly repayable within five years	47	76
Amortised amount of discount on issue of Notes	240	62
Net (gain)/loss on interest rate swap contracts	(3,835)	1,193
	<u>21,022</u>	<u>11,923</u>
Other incidental borrowing costs	2,349	5,226
	<u>23,371</u>	<u>17,149</u>

5 SHARE OF PROFITS LESS LOSSES OF JOINTLY CONTROLLED ENTITIES

The share of profits less losses of jointly controlled entities includes the amortisation charge of goodwill on acquisition of US\$2,507,000 (2003: US\$Nil).

Notes to the Accounts

6 TAXATION

	2004 US\$'000	2003 US\$'000
Company and subsidiaries		
Current taxation		
– Hong Kong profits tax	512	526
– China mainland taxation	828	625
– Overseas taxation	127	106
– Over provision in prior years	(46)	(97)
	<u>1,421</u>	<u>1,160</u>
Deferred taxation relating to the origination and reversal of temporary differences	16,600	11,354
Deferred taxation resulting from an increase in Hong Kong profits tax rate	–	(12)
	<u>18,021</u>	<u>12,502</u>
Share of taxation attributable to:		
Jointly controlled entities		
– China mainland taxation	6,565	659
– Overseas taxation	(43)	75
– Deferred taxation	841	–
Associated companies		
– Hong Kong profits tax	8,571	9,025
– China mainland taxation	1,820	1,017
– Deferred taxation	9	1,146
	<u>35,784</u>	<u>24,424</u>

Hong Kong profits tax has been provided at a rate of 17.5% (2003: 17.5%) on the estimated assessable profit for the year.

Taxation on profits from a subsidiary operating in China mainland has been calculated at an effective tax rate of 15.0% (2003: 15.0%) on the estimated assessable profit for the year.

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

The Group's China mainland sourced income from container leasing is currently exempt from income tax in China mainland in accordance with a notice granting temporary exemption of income tax on rental payments made to foreign companies for leasing of containers which are used in international transportation (Guo Shui Fa (1993) No. 49) issued by the State Administration of Taxation of the People's Republic of China (the "PRC") on 12th March 1993.

6 TAXATION (Continued)

The Group is also exempt from business tax currently on its China mainland sourced rental income earned in accordance with a notice granting exemption from business tax for foreign enterprises which has no establishment in China mainland earning rental income from leasing of movable properties (Guo Shui Fa (1997) No. 35) issued by the State Administration of Taxation of the PRC on 14th March 1997.

Below is a numerical reconciliation between tax expense in the consolidated profit and loss account and aggregate tax expense at the domestic rates applicable to profits in respective territories concerned:

	2004 US\$'000	2003 US\$'000
Profit before taxation	<u>244,520</u>	<u>180,613</u>
Aggregate tax at domestic rates applicable to profits in respective territories concerned	46,425	25,990
Income not subject to taxation	(3,927)	(1,851)
Expenses not deductible for taxation purposes	2,087	1,199
(Over)/under provision in prior years	(241)	36
Increase in opening net deferred tax liabilities resulting from an increase in tax rate	-	1,208
Utilisation of previously unrecognised tax losses	(187)	(59)
Net income under tax exemption period/tax relief granted by the Tax Bureau in China mainland	(5,573)	(2,172)
Others	<u>(2,800)</u>	<u>73</u>
Taxation charge	<u>35,784</u>	<u>24,424</u>

7 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of US\$92,302,000 (2003: US\$84,320,000).

Notes to the Accounts

8 DIVIDENDS

	2004 US\$'000	2003 US\$'000
Interim, paid, of US2.231 cents (2003: US1.769 cents) per ordinary share	48,090	37,986
Final, proposed, of US3.165 cents (2003: US2.308 cents) per ordinary share	69,111	49,582
Additional dividends paid on shares issued due to the exercise of share options before the closure of register of members		
– 2003 final	163	–
– 2004 interim	298	–
	117,662	87,568

At a board meeting held on 4th March 2005, the directors proposed a final dividend of HK24.6 cents (equivalent to US3.165 cents) per ordinary share. This proposed dividend is not reflected as a dividend payable in these accounts until it has been approved at the annual general meeting, but will be reflected as an appropriation of retained profits for the year ending 31st December 2005.

9 EARNINGS PER SHARE

The calculations of basic and diluted earnings per share are based on the Group's profit attributable to shareholders of US\$206,292,000 (2003: US\$154,331,000).

The basic earnings per share is based on the weighted average number of 2,160,041,074 (2003: 2,147,340,079) ordinary shares in issue during the year. The diluted earnings per share is based on the weighted average number of ordinary shares in issue during the year plus the weighted average of 10,080,534 (2003: 926,165) ordinary shares deemed to be issued at no consideration as if all outstanding share options had been exercised.

10 RETIREMENT BENEFIT COSTS

The retirement benefit costs charged to the consolidated profit and loss account represent contributions payable by the Group to the retirement benefit schemes and amounted to US\$905,000 (2003: US\$789,000). Contributions totalling US\$37,000 (2003: US\$26,000) were payable to the retirement benefit schemes as at 31st December 2004 and are included in trade and other payables. Forfeited contributions of US\$8,000 (2003: US\$129,000) were utilised during the year and no forfeited contributions were available as at 31st December 2004 and 2003 to reduce future contributions.

11 DIRECTORS' AND MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The aggregate amounts of emoluments paid to directors of the Company during the year are as follows:

	2004 US\$'000	2003 US\$'000
Fees	357	263
Salaries and other allowances	1,353	1,325
Benefits in kind	6,849	828
Bonuses	39	33
Contribution to retirement benefit schemes	2	2
	<u>8,600</u>	<u>2,451</u>

Directors' fees disclosed above include US\$98,013 (2003: US\$88,462) paid to independent non-executive directors.

Benefits in kind mainly included the difference between the aggregate amount of the market price of the Company's shares issued upon the date on which the directors exercise the share options and the amount paid by directors in exercising these share options.

As at 31st December 2004, none of the directors (2003: one director) of the Company had any share options (2003: 1,500,000 share options) which are exercisable at HK\$5.53 per share granted by the Company on 1st July 1996 under the share option scheme adopted by the Company on 30th November 1994 (the "1994 Share Option Scheme").

As at 31st December 2004, a director (2003: one director) of the Company had 1,800,000 (2003: 5,000,000) share options which are exercisable at HK\$8.80 per share granted by the Company on 20th May 1997 under the 1994 Share Option Scheme.

As at 31st December 2004, fifteen (2003: twenty) directors of the Company had 9,776,000 (2003: 16,500,000) share options which are exercisable at HK\$9.54 per share granted by the Company under the share option scheme approved by the shareholders of the Company on 23rd May 2003 (the "2003 Share Option Scheme").

During the year, 18,000,000 share options, which are exercisable at HK\$13.75, were granted to eighteen directors under the 2003 Share Option Scheme. The consideration paid by the directors for each offer of these share options granted was HK\$1.00. The market price of each of the Company's shares at the respective dates of grant of these share options ranged from HK\$13.90 to HK\$14.50. As at 31st December 2004, none of the eighteen directors exercised these share options.

Notes to the Accounts

11 DIRECTORS' AND MANAGEMENT'S EMOLUMENTS (Continued)**(a) Directors' emoluments (Continued)**

Details and movement of share options granted and exercised during the year are set out in note 21(b) to the accounts.

The directors' emoluments are analysed as follows:

	Number of directors	
	2004	2003
Emoluments band		
US\$Nil-US\$128,205 (HK\$Nil-HK\$1,000,000)	15	21
US\$128,206-US\$192,308 (HK\$1,000,001-HK\$1,500,000)	-	1
US\$192,309-US\$256,410 (HK\$1,500,001-HK\$2,000,000)	1	-
US\$256,411-US\$320,513 (HK\$2,000,001-HK\$2,500,000)	1	2
US\$320,514-US\$384,616 (HK\$2,500,001-HK\$3,000,000)	2	-
US\$384,617-US\$448,718 (HK\$3,000,001-HK\$3,500,000)	1	-
US\$512,821-US\$576,923 (HK\$4,000,001-HK\$4,500,000)	1	-
US\$641,026-US\$705,128 (HK\$5,000,001-HK\$5,500,000)	-	1
US\$705,129-US\$769,230 (HK\$5,500,001-HK\$6,000,000)	1	-
US\$769,231-US\$833,333 (HK\$6,000,001-HK\$6,500,000)	-	1
US\$1,089,744-US\$1,153,846 (HK\$8,500,001-HK\$9,000,000)	1	-
US\$2,051,282-US\$2,115,385 (HK\$16,000,001-HK\$16,500,000)	1	-
US\$2,243,590-US\$2,307,692 (HK\$17,500,001-HK\$18,000,000)	1	-
	25	26

The above analysis includes three (2003: four) individuals whose emoluments were among the five highest in the Group.

11 DIRECTORS' AND MANAGEMENT'S EMOLUMENTS (Continued)

(b) Management's emoluments

Details of the aggregate emoluments paid to two individuals (2003: an individual) whose emoluments were the highest in the Group and have not been included in the directors' emoluments above are set out below:

	2004 US\$'000	2003 US\$'000
Salaries and other allowances	540	347
Benefits in kind	1,891	–
Bonuses	102	55
Contributions to retirement benefit schemes	3	2
	<u>2,536</u>	<u>404</u>

Benefit in kind mainly included the difference between the aggregate amount of the market price of the Company's shares issued upon the date on which an individual exercises the share options and the amount paid by the individual in exercising these share options.

The emoluments of the highest paid individuals fell within the following bands:

	Number of individuals	
	2004	2003
Emoluments band		
US\$384,616-US\$448,718 (HK\$3,000,001-HK\$3,500,000)	–	1
US\$833,333-US\$897,436 (HK\$6,500,001-HK\$7,000,000)	1	–
US\$1,602,564-US\$1,666,667 (HK\$12,500,001-HK\$13,000,000)	1	–
	<u>2</u>	<u>1</u>

- (c) During the year, no emoluments had been paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office. No directors waived or agreed to waive any emoluments during the year.

Notes to the Accounts

12 FIXED ASSETS

Group

	Leasehold land and buildings		Investment properties in Hong Kong	Land use rights outside Hong Kong		Construction in progress	Containers	Generator sets	Leasehold improvements	Other fixed assets	Computer system under development	Total
	in Hong Kong	outside Hong Kong		in Hong Kong	outside Hong Kong							
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Cost or valuation												
At 1st January 2004	23,024	12,105	744	1,856	-	1,628,911	973	1,111	26,134	1,322	1,696,180	
Additions	-	-	-	403	367	270,947	3,113	7	1,041	1,058	276,936	
Disposals/transfer/write-off	(1,302)	-	-	-	-	(125,666)	-	(20)	(596)	-	(127,584)	
Revaluation surplus (note b)	-	-	292	-	-	-	-	-	-	-	292	
Reclassification	154	-	(154)	-	(61)	-	-	-	360	(299)	-	
Exchange differences	-	37	-	7	-	-	-	6	75	-	125	
At 31st December 2004	21,876	12,142	882	2,266	306	1,774,192	4,086	1,104	27,014	2,081	1,845,949	
Accumulated depreciation/ amortisation and impairment losses												
At 1st January 2004	7,121	2,823	-	444	-	565,179	30	867	13,745	-	590,209	
Impairment losses for the year	-	-	-	-	-	474	-	-	-	-	474	
Depreciation/amortisation charge for the year	549	405	-	84	-	98,832	160	93	2,400	-	102,523	
Disposals/transfer/write-off	-	-	-	-	-	(8,225)	-	-	-	-	(8,225)	
- accumulated impairment losses	-	-	-	-	-	(75,494)	-	(8)	(576)	-	(76,108)	
- accumulated depreciation	(30)	-	-	-	-	-	-	4	42	-	62	
Exchange differences	-	14	-	2	-	-	-	-	-	-	-	
At 31st December 2004	7,640	3,242	-	530	-	580,766	190	956	15,611	-	608,935	
Net book value												
At 31st December 2004	14,236	8,900	882	1,736	306	1,193,426	3,896	148	11,403	2,081	1,237,014	
At 31st December 2003	15,903	9,282	744	1,412	-	1,063,732	943	244	12,389	1,322	1,105,971	
The analysis of cost or valuation of the above assets as at 31st December 2004 is as follows:												
At cost	1,749	12,142	-	2,266	306	1,774,192	4,086	1,104	27,014	2,081	1,824,940	
At professional valuation												
- 1994	19,973	-	-	-	-	-	-	-	-	-	19,973	
- 2003	154	-	-	-	-	-	-	-	-	-	154	
- 2004	-	-	882	-	-	-	-	-	-	-	882	
	21,876	12,142	882	2,266	306	1,774,192	4,086	1,104	27,014	2,081	1,845,949	
The analysis of cost or valuation of the above assets as at 31st December 2003 is as follows:												
At cost	3,051	12,105	-	1,856	-	1,628,911	973	1,111	26,134	1,322	1,675,463	
At professional valuation												
- 1994	19,973	-	-	-	-	-	-	-	-	-	19,973	
- 2003	-	-	744	-	-	-	-	-	-	-	744	
	23,024	12,105	744	1,856	-	1,628,911	973	1,111	26,134	1,322	1,696,180	

12 FIXED ASSETS (Continued)

Company

	Other fixed assets US\$'000
Cost	
At 1st January 2004	389
Additions for the year	138
At 31st December 2004	527
Accumulated depreciation	
At 1st January 2004	19
Depreciation charge for the year	85
At 31st December 2004	104
Net book value	
At 31st December 2004	423
At 31st December 2003	370

Notes:

- (a) The Group's interests in investment properties and leasehold land and buildings at their net book values are analysed as follows:

	Group	
	2004 US\$'000	2003 US\$'000
In Hong Kong, held on leases of over 50 years	15,118	16,647
Outside Hong Kong, held on leases of between 10 to 50 years	8,900	9,282
	24,018	25,929

- (b) The investment properties as at 31st December 2004 and 2003 were revalued on an open market value basis by DTZ Debenham Tie Leung Limited, an independent professional property valuer. The revaluation surplus for the year ended 31st December 2004 of US\$292,000 (2003: revaluation deficit of US\$81,000) was accounted for in the consolidated profit and loss account (note 3).

Notes to the Accounts

12 FIXED ASSETS (Continued)

- (c) Certain leasehold land and buildings in Hong Kong as at 31st December 2004 were revalued in 1994 on an open market value basis by C.Y. Leung & Company Limited (now known as DTZ Debenham Tie Leung Limited), an independent professional property valuer.

The carrying amount of these leasehold land and buildings as at 31st December 2004 would have been US\$12,186,000 (2003: US\$12,591,000) had the leasehold land and buildings been carried at cost less accumulated depreciation/amortisation and impairment losses in the accounts.

- (d) During the year, certain investment properties were transferred to leasehold land and buildings. The carrying amount of the properties amounted to US\$154,000 (2003: US\$Nil), representing their valuation as at 31st December 2003.
- (e) The aggregate cost, accumulated depreciation and accumulated impairment losses as at 31st December 2004 of the leased assets other than investment properties, where the Group is a lessor, comprised containers and generator sets leased to fellow subsidiaries and third parties under operating leases and amounted to US\$1,752,343,000 (2003: US\$1,602,567,000), US\$568,013,000 (2003: US\$544,515,000) and US\$12,943,000 (2003: US\$20,694,000) respectively.
- (f) The accumulated impairment losses of fixed assets as at 31st December 2004 amounted to US\$15,600,000 (2003: US\$23,351,000).
- (g) As at 31st December 2004, certain containers and land use rights outside Hong Kong with an aggregate net book value of US\$329,911,000 (2003: US\$318,976,000) and US\$1,736,000 (2003: US\$Nil) respectively were pledged as securities for loan facilities granted by banks or third parties.
- (h) During the year, the Group transferred containers with an aggregate net book value of US\$23,596,000 (2003: US\$13,493,000) to inventories.
- (i) As at 31st December 2004, the accumulated staff costs capitalised in computer system under development amounted to US\$389,000 (2003: US\$230,000).

13 SUBSIDIARIES

	Company	
	2004 US\$'000	2003 US\$'000
Unlisted investments, at cost	167,150	159,654
Amounts due from subsidiaries (note a)	1,378,589	1,164,643
Loan from a subsidiary (note b)	(296,655)	(177,800)
Amounts due to subsidiaries (note a)	(3,960)	(2,013)
Provision	(64,778)	(45,651)
	1,180,346	1,098,833

Notes:

- (a) The amounts due from/(to) subsidiaries are unsecured and have no fixed terms of repayment. Except for an amount due from a subsidiary of US\$22,236,000 (2003: US\$Nil) which bears interest ranging from 2.830% to 5.125% per annum, the remaining balance is interest free.
- (b) The loan from a subsidiary is unsecured, interest free and wholly repayable on or before 3rd October 2013.
- (c) Details of the subsidiaries as at 31st December 2004 are shown in note 35 to the accounts.

14 JOINTLY CONTROLLED ENTITIES

	Group	
	2004 US\$'000	2003 US\$'000
Share of net assets	257,901	67,662
Goodwill on acquisition less amortisation	47,726	5,643
	305,627	73,305
Loans to jointly controlled entities (note a)	27,876	9,396
Amount due from a jointly controlled entity (note b)	-	581
	333,503	83,282

Notes to the Accounts

14 JOINTLY CONTROLLED ENTITIES (Continued)

Notes:

- (a) The loans to jointly controlled entities are unsecured. Except for an amount of US\$9,790,000 (2003: US\$9,396,000) which bears interest at 1.60% (2003: 1.60%) per annum above the applicable swap offer rate as determined by the Association of Banks in Singapore and is wholly repayable on or before October 2013, the remaining balance is interest free and has no fixed terms of repayment.
- (b) The amount due from a jointly controlled entity was unsecured, interest free and fully repaid during the year.
- (c) The Company has no directly owned jointly controlled entity as at 31st December 2004 and 2003. Details of the jointly controlled entities as at 31st December 2004 are shown in note 36 to the accounts.

15 ASSOCIATED COMPANIES

	Group	
	2004 US\$'000	2003 US\$'000
Share of net assets	433,822	274,605
Negative goodwill on acquisition	(19,886)	–
Goodwill on acquisition	188	–
	<u>414,124</u>	<u>274,605</u>
Loan to an associated company (note a)	4,968	–
Amount due from an associated company (note b)	–	5
	<u>419,092</u>	<u>274,610</u>
Investments, at cost		
Listed shares in Hong Kong	219,189	219,189
Unlisted shares	479,024	339,762
	<u>698,213</u>	<u>558,951</u>
Market value of listed shares	<u>130,960</u>	<u>133,846</u>

15 ASSOCIATED COMPANIES (Continued)

Notes:

- (a) The loan to an associated company is unsecured, interest bearing and has no fixed terms of repayment. The loan bears interest at 2% per annum above the 10-year Belgium prime rate during the year.
- (b) The amount due from an associated company was unsecured, interest free and had no fixed terms of repayment.
- (c) The Company has no directly owned associated company as at 31st December 2004 and 2003. Details of the associated companies as at 31st December 2004 are shown in note 37 to the accounts.

16 INVESTMENT SECURITIES

	Group	
	2004 US\$'000	2003 US\$'000
Equity securities (note a)		
– listed investment in Hong Kong, at cost	13,075	–
– unlisted investment in Hong Kong, at cost	1	1
– unlisted investments in China mainland, at cost	21,666	21,666
Loan to an investee company (note b)	34,758	41,582
	69,500	63,249
Market value of listed shares	12,785	–

Notes:

- (a) Listed investment represents equity interest in an entity which is principally engaged in the operation and management of international and domestic container marine transportation.

Unlisted investments mainly comprise of equity interests in entities which are involved in container terminal operations in Yantian, Shekou and Dalian of China mainland.

- (b) Loan to an investee company is unsecured and has no fixed terms of repayment. Except for an amount of US\$12,446,000 (2003: US\$19,349,000) which bears interest at Hong Kong dollar prime rate (2003: Hong Kong dollar prime rate), the remaining balance is interest free.

Notes to the Accounts

17 FINANCE LEASE RECEIVABLES

Group

	2004			2003			
	Gross receivables US\$'000	Unearned finance income US\$'000	Present value of minimum lease payment receivable US\$'000	Gross receivables US\$'000	Unearned finance income US\$'000	Provision US\$'000	Present value of minimum lease payment receivable US\$'000
Amounts receivable under finance leases:							
Current portion – not later than one year (note 19)	1,803	(502)	1,301	1,516	(532)	(37)	947
Non-current portion							
– later than one year and not later than five years	4,706	(1,011)	3,695	4,658	(1,238)	(29)	3,391
– later than five years	1,025	(66)	959	1,793	(190)	-	1,603
	<u>5,731</u>	<u>(1,077)</u>	<u>4,654</u>	<u>6,451</u>	<u>(1,428)</u>	<u>(29)</u>	<u>4,994</u>
	<u>7,534</u>	<u>(1,579)</u>	<u>5,955</u>	<u>7,967</u>	<u>(1,960)</u>	<u>(66)</u>	<u>5,941</u>

As at 31st December 2004, the Group entered into 20 (2003: 18) finance leases contracts for leasing of certain containers. The average term of the finance leases is 4 years (2003: 5 years).

The cost of assets acquired for the purpose of letting under finance leases amounted to US\$7,849,000 (2003: US\$10,147,000) as at 31st December 2004.

Unguaranteed residual values of assets leased under finance leases are estimated at approximately US\$9,000 (2003: US\$4,000).

18 INVENTORIES

As at 31st December 2004, inventories represent spare parts and consumables of US\$167,000 (2003: US\$193,000) and resaleable containers of US\$1,470,000 (2003: US\$2,407,000).

Spare parts and consumables are stated at cost. The carrying amount of resaleable containers that are carried at net realisable value amounted to US\$1,060,000 (2003: US\$2,341,000).

19 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2004 US\$'000	2003 US\$'000	2004 US\$'000	2003 US\$'000
Trade receivables (note a)	31,667	28,862	-	-
Other receivables, deposits and prepayments	15,204	27,278	273	270
Current portion of finance lease receivables (note 17)	1,301	947	-	-
Amounts due from (notes a and b)				
– fellow subsidiaries	22,560	23,765	-	-
– related companies	82	634	-	-
– jointly controlled entities	2,294	-	-	-
– associated companies	315	-	-	-
	73,423	81,486	273	270

Notes:

(a) The Group grants credit period of 30 to 90 days to its customers.

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

	Group	
	2004 US\$'000	2003 US\$'000
Within 30 days	25,533	23,793
31-60 days	22,409	21,258
61-90 days	5,287	5,925
Over 90 days	1,080	1,779
	54,309	52,755

(b) The amounts due from fellow subsidiaries, related companies, jointly controlled entities and associated companies are unsecured and interest free. Trading balances have credit periods ranging from 30 to 90 days while other balances have no fixed terms of repayment.

Notes to the Accounts

20 TRADE AND OTHER PAYABLES

	Group		Company	
	2004 US\$'000	2003 US\$'000	2004 US\$'000	2003 US\$'000
Trade payables (note a)	1,967	10,007	-	-
Other payables and accruals (note a)	44,422	26,521	624	182
Dividend payable	14	12	14	12
Amounts due to (notes a and b)				
– ultimate holding company	-	235	-	-
– fellow subsidiaries	110	136	-	-
– related companies	-	15,276	-	-
– minority shareholders of subsidiaries	4,901	3,856	-	-
	51,414	56,043	638	194

Notes:

- (a) The ageing analysis of the trade balances due to third parties, fellow subsidiaries, related companies and minority shareholders of subsidiaries was as follows:

	Group	
	2004 US\$'000	2003 US\$'000
Within 30 days	1,947	24,528
31-60 days	329	295
61-90 days	268	1,097
Over 90 days	14	3
	2,558	25,923

Other payables and accruals include an amount of US\$28,143,000 (2003: US\$10,058,000) accrued for purchase of containers which were delivered to the Group prior to the year end. The amount has not been included in the ageing analysis above.

- (b) The amounts due to ultimate holding company, fellow subsidiaries, related companies and minority shareholders of subsidiaries are unsecured and interest free. Trading balances have similar credit periods granted as those of other third party suppliers while the other balances have no fixed terms of repayment.

21 SHARE CAPITAL

	2004 US\$'000	2003 US\$'000
Authorised: 3,000,000,000 ordinary shares of HK\$0.10 each	<u>38,462</u>	<u>38,462</u>
Issued and fully paid: 2,183,630,298 (2003: 2,148,542,298) ordinary shares of HK\$0.10 each	<u>28,003</u>	<u>27,533</u>

(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 2003	2,147,012,298	27,533
Issued on exercising of share options (note b)	<u>1,530,000</u>	<u>20</u>
At 31st December 2003	<u>2,148,542,298</u>	<u>27,553</u>
At 1st January 2004	2,148,542,298	27,553
Issued on exercising of share options (note b)	<u>35,088,000</u>	<u>450</u>
At 31st December 2004	<u>2,183,630,298</u>	<u>28,003</u>

(b) Share options

Under the 1994 Share Option Scheme, the directors of the Company may, at their discretion, grant to any director, executive and/or employee who are in full time employment with any company in the Group, share options to subscribe for the Company's shares, subject to the terms and conditions stipulated therein.

On 23rd May 2003, the shareholders of the Company approved the adoption of the 2003 Share Option Scheme and the termination of the 1994 Share Option Scheme.

No further options shall be granted under the 1994 Share Option Scheme after 23rd May 2003 but the outstanding share options which had been granted shall continue to be valid and exercisable in accordance with their terms and provisions under the 1994 Share Option Scheme.

Notes to the Accounts

21 SHARE CAPITAL (Continued)

(b) Share options (Continued)

Under the 2003 Share Option Scheme, the directors of the Company may, at their discretion, invite any participants, as defined under the 2003 Share Option Scheme to take up share options for subscribing the Company's shares, subject to the terms and conditions stipulated therein.

The consideration on acceptance of an offer of the grant of an option is HK\$1.00.

Movements of the share options granted during the year are set out below:

Category	Note	Exercise price HK\$	Number of share options				Outstanding at 31st December 2004	Vested	Vested
			Outstanding at 1st January 2004	Granted during the year	Exercised during the year	Lapsed during the year		percentage as at 31st December 2004	percentage as at 31st December 2003
Directors	(i)	5.53	1,500,000	-	(1,500,000)	-	-	100%	100%
	(ii)	8.80	5,000,000	-	(3,200,000)	-	1,800,000	100%	100%
	(iii)	9.54	16,500,000	-	(6,724,000)	-	9,776,000	100%	100%
	(iv)	13.75	-	18,000,000	-	-	18,000,000	100%	N/A
Continuous contract employees	(i)	5.53	80,000	-	(80,000)	-	-	100%	100%
	(ii)	8.80	5,600,000	-	(4,698,000)	-	902,000	100%	100%
	(iii)	9.54	23,140,000	-	(13,726,000)	(20,000)	9,394,000	100%	100%
	(iv)	13.75	-	35,990,000	-	-	35,990,000	100%	N/A
Others	(iii)	9.54	6,180,000	-	(4,860,000)	-	1,320,000	100%	100%
	(iv)	13.75	-	10,050,000	(300,000)	-	9,750,000	100%	N/A
			<u>58,000,000</u>	<u>64,040,000</u>	<u>(35,088,000)</u>	<u>(20,000)</u>	<u>86,932,000</u>		

Notes:

- (i) The share options were granted on 1st July 1996 under the 1994 Share Option Scheme and are exercisable on or before 30th June 2006, subject to the following conditions:

Percentage of the total number of options granted to each grantee which can be exercised (including the options which have already been exercised)

Price level per share at which the options can be exercised[#]

20% of the options	HK\$6.50 or above
40% of the options	HK\$7.00 or above
60% of the options	HK\$7.50 or above
80% of the options	HK\$8.00 or above
100% of the options	HK\$8.50 or above

- [#] The price level refers to the closing price of the Company's shares on The Stock Exchange of Hong Kong Limited at the date prior to the exercise of the options.

21 SHARE CAPITAL (Continued)

(b) Share options (Continued)

(ii) The share options were granted on 20th May 1997 (the “Offer Date”) under the 1994 Share Option Scheme and are exercisable on or before 19th May 2007, subject to the following conditions:

1. For those grantees who have completed one year full-time service in the Group may exercise a maximum of 20% of share options granted in each of the first five anniversary years from the Offer Date.
2. For those grantees who have not completed one year full-time service in the Group as at the Offer Date, a maximum of 20% of options granted may be exercisable in each of the first five anniversary years of the Offer Date after completion of one year full-time service.

For those share options granted on 20th May 1997 under the 1994 Share Option Scheme, all grantees may reserve their rights to exercise and accumulate their share options exercisable during their employment within the Group.

(iii) The share options were granted during the period from 28th October 2003 to 6th November 2003 under the 2003 Share Option Scheme. The options are exercisable at any time within ten years from the date on which an offer is accepted or deemed to be accepted by the grantee under the 2003 Share Option Scheme (the “Commencement Date”). The Commencement Date of these options granted started from 28th October 2003 to 6th November 2003.

20,000 (2003: Nil) share options were lapsed during the year due to a grantee ceased to be an employee of the Group.

(iv) The share options were granted during the period from 25th November 2004 to 16th December 2004 under the 2003 Share Option Scheme. The options are exercisable at any time within ten years from the Commencement Date. The Commencement Date of these options granted started from 25th November 2004 to 16th December 2004.

Notes to the Accounts

21 SHARE CAPITAL (Continued)

(b) Share options (Continued)

- (v) During the year, 35,088,000 share options were exercised and a summary of which, analysed by exercise month, is set out below:

Exercise month	Number of share options exercised				Total
	At exercise price of HK\$5.53 per share	At exercise price of HK\$8.80 per share	At exercise price of HK\$9.54 per share	At exercise price of HK\$13.75 per share	
2004					
January	–	30,000	1,280,000	–	1,310,000
February	–	24,000	680,000	–	704,000
March	–	10,000	400,000	–	410,000
April	–	1,744,000	2,880,000	–	4,624,000
May	–	–	40,000	–	40,000
June	–	–	120,000	–	120,000
July	–	40,000	20,000	–	60,000
August	–	20,000	–	–	20,000
September	–	1,566,000	11,696,000	–	13,262,000
October	–	1,520,000	4,432,000	–	5,952,000
November	–	1,320,000	1,202,000	–	2,522,000
December	1,580,000	1,624,000	2,560,000	300,000	6,064,000
	<u>1,580,000</u>	<u>7,898,000</u>	<u>25,310,000</u>	<u>300,000</u>	<u>35,088,000</u>

The exercise of the 35,088,000 share options during the year yielded the proceeds, net of transaction costs of US\$8,000, as follows:

	2004 US\$'000	2003 US\$'000
Ordinary share capital – at par	450	20
Share premium (net of share issue expenses)	<u>41,058</u>	<u>1,081</u>
Proceeds (net of share issue expenses)	<u>41,508</u>	<u>1,101</u>

The weighted average closing price of the Company's shares on the dates when the share options were exercised was HK\$13.35 (2003: HK\$9.51).

22 RESERVES

Company

	Share premium US\$'000	Contributed surplus US\$'000	Retained profits US\$'000	Total US\$'000
At 1st January 2003	560,057	414,214	177,633	1,151,904
Issue of shares on exercise of share options	1,081	–	–	1,081
Profit for the year	–	–	84,320	84,320
Dividends				
– 2002 final	–	–	(49,546)	(49,546)
– 2003 interim	–	–	(37,986)	(37,986)
At 31st December 2003	<u>561,138</u>	<u>414,214</u>	<u>174,421</u>	<u>1,149,773</u>
Representing:				
Reserves	561,138	414,214	124,839	1,100,191
2003 final dividend proposed	–	–	49,582	49,582
At 31st December 2003	<u>561,138</u>	<u>414,214</u>	<u>174,421</u>	<u>1,149,773</u>
At 1st January 2004	561,138	414,214	174,421	1,149,773
Issue of shares on exercise of share options	41,066	–	–	41,066
Share issue expenses	(8)	–	–	(8)
Profit for the year	–	–	92,302	92,302
Dividends				
– 2003 final	–	–	(49,745)	(49,745)
– 2004 interim	–	–	(48,388)	(48,388)
At 31st December 2004	<u>602,196</u>	<u>414,214</u>	<u>168,590</u>	<u>1,185,000</u>
Representing:				
Reserves	602,196	414,214	99,479	1,115,889
2004 final dividend proposed	–	–	69,111	69,111
At 31st December 2004	<u>602,196</u>	<u>414,214</u>	<u>168,590</u>	<u>1,185,000</u>

Notes to the Accounts

23 LONG TERM LIABILITIES

	Group	
	2004 US\$'000	2003 US\$'000
Borrowings		
Secured	176,392	177,523
Unsecured	474,273	300,837
	<u>650,665</u>	478,360
Amounts due within one year included under current liabilities	(35,520)	(32,848)
	<u>615,145</u>	<u>445,512</u>

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

	Group	
	2004 US\$'000	2003 US\$'000
Wholly repayable within five years		
Bank loans	342,045	166,553
Other loans (note d)	10,217	12,681
Loan from a minority shareholder of a subsidiary (note e)	-	963
	<u>352,262</u>	180,197
Notes not wholly repayable within five years (note f)	298,403	298,163
	<u>650,665</u>	<u>478,360</u>

23 LONG TERM LIABILITIES (Continued)

(b) Long term liabilities were repayable as follows:

	Group	
	2004 US\$'000	2003 US\$'000
Bank loans		
Within one year	32,867	29,902
In the second year	41,188	29,474
In the third to fifth years inclusive	267,990	107,177
	342,045	166,553
Notes		
In more than five years	298,403	298,163
Other loans		
Within one year	2,653	2,464
In the second year	2,858	2,653
In the third to fifth years inclusive	4,706	7,564
	10,217	12,681
Loan from a minority shareholder of a subsidiary		
Within one year	-	482
In the second year	-	481
	-	963
	650,665	478,360

(c) Bank and other loans of US\$176,092,000 (2003: US\$177,523,000) and bank loans of US\$300,000 (2003: US\$Nil) were secured by certain of the Group's containers and land use rights respectively (note 12(g)). Bank and other loans of US\$165,875,000 (2003: US\$164,842,000) are 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 a subsidiary of approximately US\$266,000 (2003: US\$1,108,000) was guaranteed by the minority shareholder of that subsidiary.

(d) Other loans of US\$10,217,000 (2003: US\$12,681,000) are repayable by quarterly instalment over a period of 32 quarters starting from 7th July 2000. Interest is charged on the outstanding balances at the rate of 1.125% (2003: 1.125%) per annum above the London Interbank Offered Rate ("LIBOR").

Notes to the Accounts

23 LONG TERM LIABILITIES (Continued)

- (e) As at 31st December 2003, loans advanced to a non-wholly owned subsidiary by the Group and a minority shareholder of the subsidiary of US\$1,128,000 and US\$963,000 respectively were interest bearing, unsecured and fully repaid during the year ended 31st December 2004. Annual interest was calculated at prevailing market rate quoted by the State Development Bank of the PRC which ranged from 5.76% to 6.12% (2003: 5.76%) per annum.
- (f) Details of the Notes as at 31st December 2004 are as follows:

	2004 US\$'000	2003 US\$'000
Principal amount	300,000	300,000
Discount on issue	(1,899)	(1,899)
Proceeds received	298,101	298,101
Accumulated amortised amount of discount on issue	302	62
	<u>298,403</u>	<u>298,163</u>

Notes with principal amount of US\$300,000,000 were issued by a subsidiary of the Company to investors on 3rd October 2003. The Notes carried an interest yield of 5.96% per annum and were issued at a price of 99.367 per cent of their principal amount with a coupon rate of 5.875% per annum, resulting in a discount on issue of US\$1,899,000. The Notes bear interest from 3rd October 2003, payable semi-annually in arrear on 3rd April and 3rd October of each year, commencing on 3rd April 2004. The Notes are guaranteed unconditionally and irrevocably by the Company and listed on the Singapore Exchange Securities Trading Limited.

Unless previously redeemed or repurchased by the Company, the Notes will mature on 3rd October 2013 at their principal amount. The Notes are subject to redemption in whole, at their principal amount, together with accrued interest, at the option of the Company at any time in the event of certain changes affecting the taxes of certain jurisdictions.

24 DEFERRED TAXATION

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

The movement on the net deferred tax liabilities account during the year is as follows:

	Group	
	2004 US\$'000	2003 US\$'000
At 1st January	35,025	23,683
Charged to consolidated profit and loss account (note 6)	16,600	11,342
At 31st December	<u>51,625</u>	<u>35,025</u>

Deferred income tax assets are recognised for tax losses carry forwards to the extent that realisation of the related tax benefit through the future taxable profits is probable. As at 31st December 2004, the Group and the Company has unrecognised tax losses of US\$3,944,000 (2003: US\$3,758,000) and US\$2,555,000 (2003: US\$2,546,000) respectively, which have no expiry date, to carry forward.

As at 31st December 2004, deferred tax liabilities of US\$24,643,000 (2003: US\$14,402,000) have not been established for the withholding taxation that would be payable on the unremitted earnings of certain subsidiaries totalling US\$82,145,000 (2003: US\$48,008,000) as the directors considered that the timing of the reversal of the related temporary differences can be controlled and accordingly the temporary difference will not be reversed in the foreseeable future.

The movement in recognised deferred tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year is as follows:

Deferred tax liabilities

Group

	Accelerated tax depreciation		Others		Total	
	2004 US\$'000	2003 US\$'000	2004 US\$'000	2003 US\$'000	2004 US\$'000	2003 US\$'000
At 1st January	90,904	67,685	3,136	3,136	94,040	70,821
Charged/(credited) to consolidated profit and loss account	21,597	23,219	(3,136)	-	18,461	23,219
At 31st December	<u>112,501</u>	<u>90,904</u>	<u>-</u>	<u>3,136</u>	<u>112,501</u>	<u>94,040</u>

Notes to the Accounts

24 DEFERRED TAXATION (Continued)

Deferred tax assets

Group

	Tax losses		Others		Total	
	2004 US\$'000	2003 US\$'000	2004 US\$'000	2003 US\$'000	2004 US\$'000	2003 US\$'000
At 1st January	56,068	46,389	2,947	749	59,015	47,138
(Charged)/credited to consolidated profit and loss account	(1,400)	9,679	3,261	2,198	1,861	11,877
At 31st December	54,668	56,068	6,208	2,947	60,876	59,015

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet:

	2004 US\$'000	2003 US\$'000
Deferred tax assets	248	196
Deferred tax liabilities	51,873	35,221

The amounts shown in the consolidated balance sheet include the following:

	2004 US\$'000	2003 US\$'000
Deferred tax assets to be recovered after 12 months	230	182
Deferred tax liabilities to be settled after 12 months	51,866	35,209

As at 31st December 2004 and 2003, the Company did not have any deferred tax assets and liabilities.

25 CONTINGENT LIABILITIES

	Group		Company	
	2004 US\$'000	2003 US\$'000	2004 US\$'000	2003 US\$'000
Guarantees for				
– Notes issued by a subsidiary (note 23(f))	-	-	300,000	300,000
– Other credit or loan facilities granted to subsidiaries	-	-	351,092	177,523
	<u>-</u>	<u>-</u>	<u>651,092</u>	<u>477,523</u>

26 CAPITAL COMMITMENTS

The Group has the following significant capital commitments as at 31st December 2004:

	Group	
	2004 US\$'000	2003 US\$'000
Authorised but not contracted for		
– Containers	352,676	147,816
– Generator sets	6,600	3,000
– Computer system under development	956	985
	<u>360,232</u>	<u>151,801</u>
Contracted but not provided for		
– Containers	11,550	22,329
– Investments (note a)	351,103	395,295
– Other fixed assets	3,914	254
	<u>366,567</u>	<u>417,878</u>
The Group's share of capital commitments of the jointly controlled entities themselves not included in the above are as follows:		
Authorised but not contracted for	8,281	-
Contracted but not provided for	7,400	-
	<u>15,681</u>	<u>-</u>

Notes to the Accounts

26 CAPITAL COMMITMENTS (Continued)

Notes:

- (a) The Group's committed investments as at 31 December 2004 primarily included the investment in 14% equity interest in Tianjin Five Continents International Container Terminal Co., Ltd of approximately US\$19,045,000 (2003: US\$19,045,000) and the capital/loans contributions to Antwerp Gateway NV, an associated company of the Group, Qingdao Qianwan Container Terminal Co., Ltd and COSCO-PSA Terminal Private Limited, jointly controlled entities of the Group, of approximately US\$176,249,000 (2003: US\$Nil), US\$106,880,000 (2003: US\$168,011,000) and US\$45,045,000 (2003: US\$43,233,000) respectively.

The Group's committed investments as at 31st December 2003 also included the acquisition of 49% equity interest in COSCO Logistics Co., Ltd ("COSCO LOGISTICS") of approximately US\$148,662,000 which was fully paid during the year ended 31st December 2004.

- (b) The Company did not have any capital commitments as at 31st December 2004 and 2003.

27 LEASE ARRANGEMENTS/COMMITMENTS**(a) Operating lease arrangements – where the Group is the lessor**

At 31st December 2004, the Group had future minimum lease receipts under non-cancellable operating leases as follows:

	Group	
	2004 US\$'000	2003 US\$'000
Containers		
– not later than one year	201,538	176,306
– later than one year and not later than five years	484,769	426,121
– later than five years	142,127	78,167
	828,434	680,594
Generator sets		
– not later than one year	745	175
– later than one year and not later than five years	2,575	455
	3,320	630
Investment properties		
– not later than one year	42	38
– later than one year and not later than five years	8	9
	50	47
	831,804	681,271

The future lease receipts above do not include those lease contracts of which the amount of future lease receipts depends on the timing of pick up and drop off of containers by lessees during the lease period of the contracts.

27 LEASE ARRANGEMENTS/COMMITMENTS (Continued)

(b) Operating lease commitments – where the Group is the lessee

At 31st December 2004, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Group	
	2004 US\$'000	2003 US\$'000
Land and buildings		
– not later than one year	2,740	2,614
– later than one year and not later than five years	1,737	2,818
– later than five years	4,628	4,917
	9,105	10,349
Plant and machinery		
– not later than one year	275	358
– later than one year and not later than five years	42	185
	317	543
	9,422	10,892

(c) The Company did not have any lease commitments as at 31st December 2004 and 2003.

28 FINANCIAL INSTRUMENTS AND COMMITMENTS

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 as at 31st December 2004 were US\$300,000,000 (2003: US\$300,000,000). Interest rate swap contracts of notional amount of US\$100,000,000 (2003: US\$100,000,000) were committed with the fixed interest rates ranging from 3.88% to 4.90% (2003: 3.88% to 4.90%) per annum whereas the remaining interest rate swap contracts of notional amount of US\$200,000,000 (2003: US\$200,000,000) were committed with the interest rates ranging from 1.05% to 1.16% (2003: 1.05% to 1.16%) per annum above the LIBOR.

Notes to the Accounts

29 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit before taxation to cash generated from operations

	2004 US\$'000	2003 US\$'000
Profit before taxation	244,520	180,613
Depreciation and amortisation	102,523	95,517
Interest expenses	24,617	10,668
Net (gain)/loss on interest rate swap contracts	(3,835)	1,193
Amortised amount of discount on issue of Notes	240	62
Other incidental borrowing costs	2,349	5,226
Impairment losses of containers	474	9,865
Provision for inventories	295	155
Write-off of inventories	285	–
Gain on disposal/write-off of fixed assets (net)	(920)	(52)
Revaluation (surplus)/deficit of investment properties	(292)	81
Share of profits less losses of jointly controlled entities	(41,956)	(6,711)
Share of profits less losses of associated companies	(69,497)	(64,915)
Dividend income from unlisted investments	(21,260)	(20,421)
Profit on disposal of jointly controlled entities and dissolution of an associated company (net)	(387)	–
Loss on disposal of an unlisted investment	–	2,192
Interest income	(3,286)	(2,343)
Recovery of bad debts	(29)	(1,047)
(Write-back of provision)/provision for bad and doubtful debts (net)	(22)	1,370
Operating profit before working capital changes	233,819	211,453
Decrease in net balance with jointly controlled entities	7	39
Decrease in finance lease receivables	1,141	3,156
Decrease in inventories	23,979	13,386
Increase in trade and other receivables, deposits and prepayments	(1,971)	(15,081)
Decrease/(increase) in amounts due from fellow subsidiaries	1,205	(1,146)
Decrease in amounts due from related companies	552	67
Increase in amount due from an associated company	(310)	–
Increase in trade and other payables and accruals	6,503	4,226
(Decrease)/increase in amount due to ultimate holding company	(235)	235
(Decrease)/increase in amounts due to fellow subsidiaries	(26)	111
(Decrease)/increase in amounts due to related companies	(143)	83
Increase in amounts due to minority shareholders of subsidiaries	1,045	537
Cash generated from operations	265,566	217,066

29 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Analysis of changes in financing during the year

	Share capital (including share premium) US\$'000	Loans and Notes US\$'000	Minority interests US\$'000
At 1st January 2003	587,590	420,674	8,314
Issue of shares on exercise of share options	1,101	–	–
Minority interest share of profit for the year	–	–	1,858
Loans borrowed	–	89,620	–
Issue of Notes, net of discount	–	298,101	–
Amortised amount of discount on issue of Notes	–	62	–
Repayment of loans	–	(330,097)	–
Dividends paid to minority shareholders of subsidiaries	–	–	(1,528)
At 31st December 2003	<u>588,691</u>	<u>478,360</u>	<u>8,644</u>
At 1st January 2004	588,691	478,360	8,644
Issue of shares on exercise of share options (net of share issue expenses)	41,508	–	–
Minority interest share of profit for the year	–	–	2,444
Loans borrowed	–	252,950	–
Amortised amount of discount on issue of Notes	–	240	–
Repayment of loans	–	(78,238)	–
Dividends paid to minority shareholders of subsidiaries	–	–	(1,674)
Exchange differences	–	11	27
At 31st December 2004	<u>630,199</u>	<u>653,323</u>	<u>9,441</u>

Notes to the Accounts

29 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)**(c) Analysis of the balances of cash and cash equivalents**

	2004 US\$'000	2003 US\$'000
Total time deposits, bank balances and cash (note i)	100,578	283,835
Restricted bank deposits included in non-current assets (note ii)	(11,297)	(12,056)
	89,281	271,779
Representing:		
Time deposits	43,136	248,574
Bank balances and cash	46,145	23,205
	89,281	271,779

Notes:

- (i) As at 31st December 2004, cash and cash equivalents of US\$15,338,000 (2003: US\$20,712,000) were denominated in Renminbi and United States dollars which are held by certain subsidiaries of the Group with bank accounts operating in the PRC where exchange controls apply.
- (ii) Restricted bank deposits mainly include deposits of US\$11,139,000 (2003: US\$12,056,000) which are held as securities for repayment of bank loans of the Group and are restricted for the purpose of the related banking facilities.

30 RELATED PARTY TRANSACTIONS

In addition to those disclosed elsewhere in the accounts, the following is a summary of significant related party transactions which were carried out in the normal course of the Group's business:

	2004 US\$'000	2003 US\$'000
Transactions carried out by the Group		
Container rental income from fellow subsidiaries (note a)		
– long term leases	120,711	130,283
– short term leases	1,860	556
Handling and storage income from fellow subsidiaries (note b)	5,545	6,320
Net transportation income from fellow subsidiaries (note b)	1,097	1,939
Management fee income from an associated company (note c)	2,564	2,564
Container terminal handling fee received from subsidiaries and an associated company of a jointly controlled entity of the Group (note d)	2,067	1,767
Container freight charges to (note e)		
– jointly controlled entities	(106)	(230)
– subsidiaries of a jointly controlled entity of the Group	(128)	–
– Related Entities	(989)	(1,434)
Approved continuous examination program fee to a fellow subsidiary (note f)	(2,200)	(2,200)
Property rental expense paid to fellow subsidiaries under operating leases (note g)	(523)	(796)
Proceeds on disposal of investments in jointly controlled entities to a fellow subsidiary (note h)	4,943	–
Purchase of containers from (note i)		
– jointly controlled entities	(6,197)	(8,549)
– Related Entities	(28,888)	(58,892)
Considerations paid for the acquisition of equity interests in		
– an associated company (note j)	(127,240)	–
– jointly controlled entities (note k)	(150,911)	–
	<hr/>	<hr/>
Transactions carried out by jointly controlled entities and an associated company of the Group		
Income for container terminal handling services from a fellow subsidiary (note l)	74,529	58,971
Income for logistics services from fellow subsidiaries (note m)	8,118	–
Transportation and related charges to fellow subsidiaries (note n)	(61,169)	–
Deposits placed with ultimate holding company and a fellow subsidiary (note o)	81,455	–
	<hr/>	<hr/>

Notes to the Accounts

30 RELATED PARTY TRANSACTIONS (Continued)

Notes:

- (a) The Group has conducted long term container leasing business with COSCO Container Lines Company Limited (“COSCON”), a subsidiary of China Ocean Shipping (Group) Company (“COSCO”) which is the Company’s ultimate holding company.

During the two years ended 31st December 2004, the Group entered into new long term container leasing arrangements with COSCON. The Group’s long term container leasing transactions with COSCON during the year have been conducted based on the average leasing rates quoted from three of the top ten independent container leasing companies and in the ordinary and normal course of the business of the Group.

During the two years ended 31st December 2004, the Group entered into various short term container leasing arrangements (including the leases of certain containers returned from COSCON after the expiry of the long term leases) with certain subsidiaries of COSCO. These short term container leasing arrangements were conducted in accordance with the pricing policy of the Group.

- (b) The handling and storage income and the transportation income received from fellow subsidiaries of the Company were conducted at terms as set out in the agreements entered into between the Group and these fellow subsidiaries.
- (c) The Group provided advisory and management services to COSCO-HIT Terminals (Hong Kong) Limited (“COSCO HIT”), an associated company of the Group, during the year. Management fee was charged and agreed at HK\$20,000,000 (2003: HK\$20,000,000) per annum.
- (d) During the year, a non-wholly owned subsidiary of the Group provided container terminal handling and storage services to subsidiaries and an associated company of a jointly controlled entity of the Group for cargoes shipped from/to Zhangjiagang port. The tariff rates charged by the Group were by reference to rates as set out by the Ministry of Communications of the PRC.
- (e) During the year, the Group paid container freight charges to jointly controlled entities of the Group, subsidiaries of a jointly controlled entity of the Group and certain companies owned by China International Marine Containers (Group) Co., Ltd (“CIMC”), an associated company of the Group, which was acquired from COSCO in December 2004 (note 30(j)), (the “Related Entities”) for container repositioning services rendered to the Group.
- (f) Pursuant to an addendum of long term lease agreement dated 13th August 2004 entered between the Group and COSCON, the Group has agreed to pay and approved continuous examination program fee of US\$2,200,000 (2003: US\$2,200,000) to COSCON for the year.

30 RELATED PARTY TRANSACTIONS (Continued)

- (g) During the year ended 31st December 2003, a subsidiary of the Group (the “Subsidiary”) paid rental expenses of US\$702,000 and US\$94,000 to Wing Thye Holdings Limited (“Wing Thye”) and COSCO Information & Technology (HK) Limited (“COSCO IT”) respectively for the leases of certain office spaces pursuant to the tenancy agreements as entered into between the parties in concern. Both Wing Thye and COSCO IT are subsidiaries of COSCO (Hong Kong) Group Limited (“COSCO Hong Kong”), the Company’s then immediate holding company. The aforesaid tenancy agreements with Wing Thye and COSCO IT were expired on 4th December 2003 and 28th November 2003 respectively.

On 12th January 2004, the Subsidiary entered into two new tenancy agreements with Wing Thye for the leases of the above office spaces at monthly rentals of HK\$267,564 and HK\$72,436 respectively, exclusive of rates and management fees. These new tenancy agreements are for a term of 23 months and 25 days commencing with retrospective effect from 4th December 2003 and a term of 24 months commencing with retrospective effect from 29th November 2003 respectively. As at 31st December 2004, the guarantee provided by COSCO Hong Kong to Wing Thye as security for due payment of rental and other monies by the Subsidiary amounted to HK\$1,020,000 (2003: HK\$1,395,069).

The rentals for all the tenancy agreements as mentioned above were by reference to valuations conducted by DTZ Debenham Tie Leung Limited, a professional valuer.

- (h) On 25th November 2003, the Group entered into agreements with COSCO International Limited, a listed fellow subsidiary, to dispose of its entire 20% equity interests in each of Shanghai COSCO Kansai Paint & Chemicals Co., Ltd. and Tianjin COSCO Kansai Paint & Chemicals Co., Ltd., both were then jointly controlled entities of the Group, at aggregate cash considerations totalling RMB41,040,000 (equivalent of approximately US\$4,943,000) (the “Disposals”). The Disposals were completed in January 2004 and the gain on Disposals amounted to US\$388,000.
- (i) The purchases of containers from Related Entities and jointly controlled entities of the Group were conducted at terms as set out in the agreements entered into between the Group and the parties in concern.
- (j) On 19th August 2004, COSCO Container Industries Limited, a wholly owned subsidiary of the Company, entered into an agreement with COSCO to acquire its 163,701,456 non-publicly tradable State-owned legal person shares in CIMC, representing approximately 16.23% of the issued share capital of CIMC, at a cash consideration of RMB1,056,384,000 (equivalent of approximately US\$127,240,000). CIMC, whose A shares and B shares are listed and traded on the Shenzhen Stock Exchange is primarily engaged in the manufacturing and sale of modern traffic and transport equipment such as containers, modern road transport vehicles and airport ground equipment.

The acquisition of CIMC was completed on 31st December 2004. Prior to the Group’s acquisition of the equity interest in CIMC, COSCO invested in CIMC with equity interest of 17.18% and CIMC was classified as a related company of the Group in prior years.

Notes to the Accounts

30 RELATED PARTY TRANSACTIONS (Continued)

- (k) (i) 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 fulfilment of certain conditions precedent, a capital increase and transfer of equity interest transaction for the acquisition of 49% equity interest in COSCO LOGISTICS, a then wholly owned subsidiary of COSCO, at an aggregate amount of RMB1,180,410,000 (equivalent of approximately US\$142,179,000), comprising an amount payable to COSCO of RMB446,410,000 and capital contribution to COSCO LOGISTICS of RMB734,000,000.

CPLCL also agreed to pay COSCO an additional amount of RMB50,000,000 (equivalent of approximately US\$6,022,000) (the “Additional Consideration”) if the pro forma combined net profit of COSCO LOGISTICS for the year ended 31st December 2003 exceeds RMB200,000,000 (equivalent of approximately US\$24,090,000). COSCO LOGISTICS is principally engaged in shipping agency, freight forwarding, third party logistics and supporting services in China mainland.

The acquisition was completed in January 2004 and the Additional Consideration was paid in September 2004.

- (ii) Pursuant to an agreement dated 15th June 2004 entered into between COSCO and COSCO Ports (Yingkou) Limited (“COSCO Ports Yingkou”), an indirect wholly owned subsidiary of the Company, COSCO Ports Yingkou agreed to acquire from COSCO its entire 50% equity interest in a company established in the PRC which is principally engaged in the provision of container terminal business in Yingkou, at a cash consideration of RMB22,500,000 (equivalent of approximately US\$2,710,000). The acquisition was completed in August 2004.
- (l) COSCO-HIT and Qingdao Qingwan Container Terminal Co., Ltd (“QQCT”), a jointly controlled entity acquired by the Group in December 2003, provided container terminal handling and storage services to COSCON. The services rendered were charged at terms pursuant to the respective agreements with COSCON which governed the transactions. During the year ended 31st December 2004, the fee charged by COSCO-HIT and QQCT in respect of these services amounted to US\$59,922,000 (2003: US\$58,971,000) and US\$14,607,000 (2003: US\$Nil) respectively.
- (m) COSCO LOGISTICS provided certain subsidiaries of COSCO (other than those within the Group) with logistics services including shipping agency, freight forwarding, third party logistics and supporting services. These services were charged at rates as agreed on a mutual basis.
- (n) Certain subsidiaries of COSCO (other than those within the Group) provided COSCO LOGISTICS with transportation and related services at charges as agreed on a mutual basis.
- (o) COSCO LOGISTICS placed deposits with COSCO and COSCO Finance Co., Ltd., a fellow subsidiary. These deposits carry interest at prevailing market rates quoted by the People’s Bank of China.

31 SIGNIFICANT ASSOCIATED COMPANIES AND JOINTLY CONTROLLED ENTITY

A summary of the financial information of COSCO-HIT and Liu Chong Hing Bank Limited, significant associated companies of the Group, and COSCO LOGISTICS, a significant jointly controlled entity of the Group, after making adjustments by directors of the Company to conform with the Group's principal accounting policies, for the years ended 31st December 2004 and 2003 is set out as follows:

(a) COSCO-HIT

	2004 US\$'000	2003 US\$'000
Result for the year		
Turnover	<u>128,426</u>	<u>127,918</u>
Profit for the year	<u>63,545</u>	<u>61,829</u>
Net assets as at 31st December		
Non-current assets	306,654	315,539
Current assets	38,910	39,589
Current liabilities	(20,157)	(17,185)
Non-current liabilities	<u>(277,244)</u>	<u>(276,350)</u>
	<u>48,163</u>	<u>61,593</u>

Notes to the Accounts

**31 SIGNIFICANT ASSOCIATED COMPANIES AND JOINTLY CONTROLLED ENTITY
(Continued)****(b) Liu Chong Hing Bank Limited**

	2004 US\$'000	2003 US\$'000
Result for the year		
Net interest income	<u>83,562</u>	<u>85,920</u>
Profit for the year	<u>48,898</u>	<u>39,564</u>
Assets		
Cash and short-term funds	1,750,630	1,538,704
Advances and other accounts	2,604,796	2,574,557
Tangible fixed assets and other assets	<u>1,086,416</u>	<u>1,047,470</u>
	<u>5,441,842</u>	<u>5,160,731</u>
Liabilities		
Deposits with customers	4,368,116	4,178,409
Certificates of deposit, deposits with other banks and financial institutions	200,658	132,743
Other liabilities	<u>59,118</u>	<u>57,885</u>
	<u>4,627,892</u>	<u>4,369,037</u>
Net assets as at 31st December	<u>813,950</u>	<u>791,694</u>

31 SIGNIFICANT ASSOCIATED COMPANIES AND JOINTLY CONTROLLED ENTITY (Continued)

(c) COSCO LOGISTICS

	2004 US\$'000
<hr/>	
Result for the year	
Turnover	<u>957,230</u>
Profit for the year	<u>28,720</u>
 Net assets as at 31st December	
Non-current assets	165,784
Current assets	536,412
Current liabilities	(401,602)
Non-current liabilities	(19,502)
Minority interest	(15,694)
	<hr/> <u>265,398</u>

COSCO LOGISTICS was acquired by the Group in January 2004 and therefore no comparative figure for the year ended 31st December 2003 is presented.

32 ULTIMATE HOLDING COMPANY

The directors regard China Ocean Shipping (Group) Company, a state-owned enterprise established in the People's Republic of China, as being the ultimate holding company.

33 COMPARATIVE FIGURES

Certain comparatives of segment information as disclosed in note 2 to the accounts have been reclassified or extended to conform with the current year's presentation.

34 APPROVAL OF ACCOUNTS

The accounts were approved by the Board of Directors on 4th March 2005.

Notes to the Accounts

35 DETAILS OF SUBSIDIARIES

Details of the subsidiaries as at 31st December 2004 are as follows:

Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/ paid-up capital	Group equity interest	
					2004	2003
² Allgood International Limited	British Virgin Islands	Hong Kong	Dormant	1 ordinary share of US\$1	100%	100%
^{1,2} Bauhinia 97 Ltd.	Cayman Islands	Hong Kong	Investment holding	2 ordinary shares of US\$1 each	100%	100%
Cheer Hero Development Limited	Hong Kong	Hong Kong	Container handling, storage and stevedoring	10,000 ordinary shares of HK\$10 each	75%	75%
^{1,2} COSCO Container Industries Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US\$1	100%	–
COSCO Container Services Limited	Hong Kong	Hong Kong	Investment holding, depot handling, storage and container repairing	2 ordinary shares of HK\$1 each	100%	100%
^{1,2,4} COSCO Pacific (China) Investments Co., Ltd.	PRC	PRC	Investment holding	US\$37,496,000	100%	100%
¹ COSCO Pacific Finance (2003) Company Limited	British Virgin Islands	Hong Kong	Financing	1 ordinary share of US\$1	100%	100%
^{1,2} COSCO Pacific Logistics Company Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US\$1	100%	100%
¹ COSCO Pacific Management Company Limited	Hong Kong	Hong Kong	Investment holding and provision of management services	2 ordinary shares of HK\$1 each	100%	100%
^{1,2} COSCO Pacific Nominees Limited	British Virgin Islands	Hong Kong	Provision of nominee services	1 ordinary share of US\$1	100%	100%

35 DETAILS OF SUBSIDIARIES (Continued)

Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/ paid-up capital	Group equity interest	
					2004	2003
² COSCO Ports (Antwerp) NV	Belgium	Belgium	Investment holding	EURO 61,500 and is divided into 2 shares with no face value	100%	–
² COSCO Ports (Belgium) Limited	Hong Kong	Hong Kong	Investment holding	1 ordinary share of HK\$1	100%	–
² COSCO Ports (Dalian) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US\$1	100%	–
² COSCO Ports (Dalian RoRo) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US\$1	100%	100%
² COSCO Ports (Guangzhou) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US\$1	100%	–
¹ COSCO Ports (Holdings) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US\$1	100%	100%
^{2,3} COSCO Ports (Hong Kong) Limited	British Virgin Islands	Hong Kong	Dormant	1 ordinary share of US\$1	100%	–
^{2,3} COSCO Ports (Nansha) Limited	British Virgin Islands	Hong Kong	Dormant	1 ordinary share of US\$1	100%	–
² COSCO Ports (Shekou) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US\$1	100%	100%
² COSCO Ports (Singapore) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US\$1	100%	100%
² COSCO Ports (Qianwan) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US\$1	100%	100%
² COSCO Ports (Qingdao) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US\$1	100%	100%
² COSCO Ports (Tianjin) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US\$1	100%	100%
² COSCO Ports (Yangzhou) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US\$1	100%	–

Notes to the Accounts

35 DETAILS OF SUBSIDIARIES (Continued)

Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/ paid-up capital	Group equity interest	
					2004	2003
² COSCO Ports (Yingkou) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US\$1	100%	–
² COSCO Ports (Zhenjiang) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US\$1	100%	–
¹ CPL Treasury Limited	British Virgin Islands	Hong Kong	Provision of treasury services	1 ordinary share of US\$1	100%	100%
Crestway International Limited	British Virgin Islands	Hong Kong	Investment holding	50,000 ordinary shares of US\$1 each	100%	100%
^{1,2} Elegance Investment Limited	British Virgin Islands	Hong Kong	Investment holding and became dormant in 2004	1 ordinary share of US\$1	100%	100%
Fairbreeze Shipping Company Limited	Hong Kong	Hong Kong	Property investment	5,000 ordinary shares of HK\$100 each	100%	100%
² Famous International Limited	British Virgin Islands	Worldwide	Investment holding and sale of old containers	1 ordinary share of US\$1	100%	100%
² Fentalic Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US\$1	100%	100%
Florens Container (Macao Commercial Offshore) Limited	Macau	Worldwide	Sale of old containers and administration of marine shipping container activities	1 quota of MOP 100,000	100%	100%
Florens Container Corporation S.A.	Panama	Worldwide	Container leasing	100 ordinary shares of US\$100 each	100%	100%
¹ Florens Container Holdings Limited	British Virgin Islands	Hong Kong	Investment holding	22,014 ordinary shares of US\$1 each	100%	100%

35 DETAILS OF SUBSIDIARIES (Continued)

Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/ paid-up capital	Group equity interest	
					2004	2003
Florens Container Inc.	United States of America	United States of America	Container leasing	1 ordinary share of US\$1	100%	100%
Florens Container, Inc. (1998)	United States of America	United States of America	Container leasing	100 ordinary shares of US\$1 each	100%	100%
Florens Container Inc. (1999)	United States of America	United States of America	Container leasing	100 ordinary shares of US\$1 each	100%	100%
Florens Container, Inc. (2000)	United States of America	United States of America	Container leasing	100 ordinary shares of US\$1 each	100%	100%
Florens Container, Inc. (2001)	United States of America	United States of America	Container leasing	1 ordinary share of US\$1	100%	100%
^{2,3} Florens Container, Inc. (2002)	United States of America	United States of America	Dormant	1 ordinary share of US\$1	100%	–
Florens Container, Inc. (2003)	United States of America	United States of America	Container leasing	1 ordinary share of US\$1	100%	100%
² Florens Container, Inc. (2004)	United States of America	United States of America	Container leasing	1 ordinary share of US\$1	100%	–
² Florens Container Services (Australia) Pty Limited	Australia	Australia	Provision of container management services	100 ordinary shares of AUD 1 each	100%	100%
Florens Container Services Company Limited	Hong Kong	Worldwide	Provision of container management services	100 ordinary shares of HK\$1 each	100%	100%
² Florens Container Services (Deutschland) GmbH.	Germany	Germany	Provision of container management services	2 shares of EURO 12,782.30 each	100%	100%
² Florens Container Services (Italy) S.R.L.	Italy	Italy	Provision of container management services	20,000 quotas of EURO 0.52 each	100%	100%

Notes to the Accounts

35 DETAILS OF SUBSIDIARIES (Continued)

Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/ paid-up capital	Group equity interest	
					2004	2003
² Florens Container Services (Japan) Co. Ltd.	Japan	Japan	Provision of container management services	200 ordinary shares of JPY 50,000 each	100%	100%
² Florens Container Services (UK) Limited	United Kingdom	United Kingdom	Provision of container management services	183,610 ordinary shares of GBP 1 each	100%	100%
² Florens Container Services (USA), Ltd.	United States of America	United States of America	Provision of container management services	1,000 ordinary shares of US\$0.001 each	100%	100%
^{1,2} Florens Industrial Holdings Limited	Bermuda	Hong Kong	Investment holding and became dormant in 2004	12,000 ordinary shares of US\$1 each	100%	100%
Florens Management Services (Macao Commercial Offshore) Limited	Macau	Macau	Provision of container management services	1 quota of MOP 100,000	100%	100%
Florens Shipping Corporation Limited	Bermuda	Worldwide	Container leasing	12,000 ordinary shares of US\$1 each	100%	100%
² Florens U.S. Holdings, Inc.	United States of America	United States of America	Investment holding	1 ordinary share of US\$1	100%	100%
² Frosti International Limited	British Virgin Islands	Hong Kong	Investment holding	2 ordinary shares of US\$1 each	100%	100%
Greating Services Limited	Hong Kong	Hong Kong	Transportation of containers	250,000 ordinary shares of HK\$1 each	100%	100%
^{1,2} Hang Shing Investment Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US\$1	100%	–
² Hero King Limited	British Virgin Islands	Hong Kong	Property holding	1 ordinary share of US\$1	100%	100%
² Loson Investment Limited	British Virgin Islands	Hong Kong	Property holding and became dormant in 2004	1 ordinary share of US\$1	100%	100%

35 DETAILS OF SUBSIDIARIES (Continued)

Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/ paid-up capital	Group equity interest	
					2004	2003
² Plangreat Limited	British Virgin Islands	Hong Kong	Investment holding	100 ordinary shares of US\$1 each	100%	100%
^{1,2} Topview Investment Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US\$1	100%	100%
Win Hanverky Investments Limited	Hong Kong	Hong Kong	Investment holding	10,000 ordinary shares of HK\$10 each	100%	100%
^{2,4} Zhangjiagang Win Hanverky Container Terminal Co., Ltd.	PRC	PRC	Operation of container terminal	US\$16,800,000	51%	51%

¹ Shares held directly by the Company.

² Subsidiaries not audited by PricewaterhouseCoopers.

³ These subsidiaries have not commenced operations as at 31st December 2004.

⁴ COSCO Pacific (China) Investments Co., Ltd. and Zhangjiagang Win Hanverky Container Terminal Co., Ltd. are wholly foreign-owned enterprise and sino-foreign equity joint venture established in the PRC respectively.

36 DETAILS OF JOINTLY CONTROLLED ENTITIES

Details of the jointly controlled entities as at 31st December 2004 are as follows:

Name	Place of establishment/ operation	Principal activities	Paid-up capital	Percentage of interest in ownership/ voting power/ profit sharing	
				2004	2003
COSCO Logistics Co., Ltd.	PRC	Shipping agency, freight forwarding, third party logistics and supporting services	RMB1,582,029,851	49.00%/ 44.44%/ 49.00%	– – –
COSCO-PSA Terminal Private Limited	Singapore	Operation of container terminal	SGD48,900,000	49.00%/ 50.00%/ 49.00%	49.00%/ 50.00%/ 49.00%

Notes to the Accounts

36 DETAILS OF JOINTLY CONTROLLED ENTITIES (Continued)

Name	Place of establishment/ operation	Principal activities	Paid-up capital	Percentage of interest in ownership/ voting power/ profit sharing	
				2004	2003
Qingdao Cosport International Container Terminals Co., Ltd.	PRC	Operation of container terminal	RMB337,868,700	50.00%/ 50.00%/ 50.00%	50.00%/ 50.00%/ 50.00%
Qingdao Qianwan Container Terminal Co., Ltd.	PRC	Operation of container terminal	US\$169,925,000	20.00%/ 18.18%/ 20.00%	20.00%/ 18.18%/ 20.00%
Shanghai CIMC Far East Container Co., Ltd. (note)	PRC	Container manufacturing	US\$9,480,000	20.00%/ 20.00%/ 20.00%	20.00%/ 20.00%/ 20.00%
Shanghai CIMC Reefer Containers Co., Ltd.	PRC	Container manufacturing	US\$31,000,000	20.00%/ 21.40%/ 20.00%	20.00%/ 21.40%/ 20.00%
Tianjin CIMC North Ocean Container Co., Ltd. (note)	PRC	Container manufacturing	US\$16,682,000	22.50%/ 20.00%/ 22.50%	22.50%/ 20.00%/ 22.50%
Yangzhou Yuanyang International Ports Co. Ltd.	PRC	Operation of container terminal	US\$29,800,000	55.59%/ 50.00%/ 55.59%	– – –
Yingkou Container Terminals Company Limited	PRC	Operation of container terminal	RMB8,000,000	50.00%/ 57.14%/ 50.00%	– – –

Note:

The Group's share of results of its jointly controlled entities, Shanghai CIMC Far East Container Co., Ltd. and Tianjin CIMC North Ocean Container Co., Ltd. (collectively "Shanghai and Tianjin CIMC") were based on the guaranteed profits as stated in the relevant subcontracting agreements entered into with the venturer of Shanghai and Tianjin CIMC, which was a then related company of the Group (note 30(j)). The guaranteed profit arrangements for Shanghai and Tianjin CIMC were valid for the period from 1st January 2000 to 31st December 2004.

37 DETAILS OF ASSOCIATED COMPANIES

Details of the associated companies as at 31st December 2004 are as follows:

Name	Place of incorporation/ establishment/ operation	Principal activities	Issued share capital/registered capital	Group equity interest	
				2004	2003
Antwerp Gateway NV	Belgium	Operation of container terminal	EURO500,000	25.00%	–
COSCO-HIT Terminals (Hong Kong) Limited	Hong Kong	Operation of container terminal	2 “A” ordinary shares of HK\$10 each and 2 “B” ordinary shares of HK\$10 each	50.00%	50.00%
China International Marine Containers (Group) Co., Ltd.	PRC	Container manufacturing	RMB1,008,483,353 (363,781,013 non-publicly tradable shares, 302,933,219 “A” shares and 341,769,121 “B” shares), all of RMB1 each	16.23%	–
Dalian Automobile Terminal Co., Ltd.	PRC	Construction and operation of automobile terminals	RMB160,000,000	30.00%	–
Dalian Port Container Terminal Co., Ltd.	PRC	Operation of container terminal	RMB240,000,000	20.00%	–
Dawning Company Limited	British Virgin Islands/ Hong Kong	Investment holding	200 “A” shares of US\$1 each and 800 “B” shares of US\$1 each	20.00%	20.00%
Liu Chong Hing Bank Limited	Hong Kong	Banking and related financial services	435,000,000 ordinary shares of HK\$0.5 each	20.00%	20.00%
Shanghai Pudong International Container Terminals Limited	PRC	Operation of container terminal	RMB1,900,000,000	20.00%	20.00%