The board of directors of COSCO Pacific Limited (the "Company") is pleased to present the interim report, including the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively the "Group"), for the six months ended 30th June 2005. This interim report has been reviewed by the Company's Audit Committee.

The unaudited condensed consolidated financial statements as set out on pages 2 to 33 have also been reviewed by the Company's auditors, PricewaterhouseCoopers, in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") except that the scope of their review did not extend to the Group's share of net assets and results of two listed associates, China International Marine Containers (Group) Co., Ltd. and Liu Chong Hing Bank Limited, which have been disclosed in notes 3(a)(i) and 3(a)(ii) respectively to the unaudited condensed consolidated financial statements. Accordingly, their independent review report was modified in this respect.

Unaudited Condensed Consolidated Income Statement

For the six months ended 30th June 2005

	Note	Six months ended 30th June 2005 US$'000	2004 US$'000 (Restated)
Turnover	3(a)	**141,898**	129,761
Cost of sales		**(58,937)**	(56,471)
Gross profit		**82,961**	73,290
Other revenues		**23,177**	26,074
Administrative expenses		**(15,131)**	(14,007)
Other operating expenses (net)		**(10,456)**	(18,672)
Profit on disposal of an available-for-sale financial asset	4	**61,875**	–
Operating profit	5	**142,426**	66,685
Finance costs	6	**(11,213)**	(9,970)
Operating profit after finance costs		**131,213**	56,715
Share of profits less losses of			
– jointly controlled entities		**42,177**	31,423
– associates		**53,300**	12,508
Profit before income tax		**226,690**	100,646
Income tax expenses	7	**(10,457)**	(6,316)
Profit for the period		**216,233**	94,330
Profit attributable to:			
Equity holders of the Company		**214,770**	93,152
Minority interests		**1,463**	1,178
		216,233	94,330
Dividends			
– interim	9	**79,253**	48,090
– special interim	9	**31,871**	–
		111,124	48,090
Earnings per share for profit attributable to the equity holders of the Company			
– basic	8	**US9.8111 cents**	US4.3272 cents
– diluted	8	**US9.7336 cents**	US4.3104 cents

Unaudited Condensed Consolidated Balance Sheet

As at 30th June 2005

	Note	As at 30th June 2005 US$'000	As at 31st December 2004 US$'000 (Restated)
Non-current assets			
Property, plant and equipment	10	1,426,827	1,219,064
Investment properties		882	882
Leasehold land and land use rights		16,624	16,696
Intangible assets		3,823	3,752
Jointly controlled entities		382,667	357,583
Associates		453,287	395,012
Deferred income tax assets		245	248
Available-for-sale financial assets		225,501	–
Investment securities		–	69,500
Finance lease receivables		4,244	4,654
Derivative financial instruments	18	6,328	–
Restricted bank deposits	12	11,112	11,297
		2,531,540	2,078,688
Current assets			
Inventories		2,242	1,637
Trade and other receivables	11	82,403	73,423
Tax prepaid		43	43
Time deposits	12	93,250	43,136
Bank balances and cash	12	28,299	46,145
		206,237	164,384
Current liabilities			
Trade and other payables	13	171,512	51,414
Current income tax liabilities		938	834
Current portion of long term liabilities	15	59,353	35,520
Short term bank loans		2,658	2,658
		234,461	90,426
Net current (liabilities)/assets		(28,224)	73,958
Total assets less current liabilities		2,503,316	2,152,646
Non-current liabilities			
Deferred income tax liabilities		61,590	51,873
Derivative financial instruments	18	349	–
Long term liabilities	15	593,149	615,145
		655,088	667,018
Net assets		1,848,228	1,485,628
Capital and reserves attributable to the equity holders of the Company			
Share capital	14	28,121	28,003
Other reserves		1,700,059	1,379,073
Proposed final dividend		–	69,111
Interim dividends declared		111,124	–
		1,839,304	1,476,187
Minority interests		8,924	9,441
Total equity		1,848,228	1,485,628

Unaudited Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June 2005

	Note	Six months ended 30th June 2005 US$'000	2004 US$'000 (Restated)
Total equity at 1st January			
– Attributable to the equity holders of the Company (as previously reported)		1,472,807	1,321,164
– Minority interests (as previously presented separately)	2(a)(i)	9,441	8,644
		1,482,248	1,329,808
Prior period adjustment in respect of a change in the accounting policy on leasehold land	2(c)	3,380	3,026
Opening adjustments for the adoption of HKFRS 3, HKASs 32 and 39 in respect of:			
– Redesignation of investment securities as available-for-sale financial assets	2(f)(i)	234,311	–
– Recognition of interest rate swap contracts as derivative financial instruments	2(f)(ii)	1,619	–
– Recognition of unamortised transaction costs on bank borrowings and notes	2(f)(iii)	5,852	–
– Derecognition of negative goodwill	2(i)	19,886	–
Share of opening adjustments of jointly controlled entities/associates for their adoption of HKFRS 3, HKASs 32 and 39:			
– Reversal of general provision for trade receivables made in prior years by an associate		3,022	–
– Redesignation of investments as available-for-sale financial assets at fair values by an associate		1,814	–
– Recognition of a financial liability at amortised cost by a jointly controlled entity		732	–
– Derecognition of negative goodwill by an associate		350	–
		270,966	3,026
Total equity at 1st January, as restated		1,753,214	1,332,834
Exchange differences on translation of foreign operations		(1,783)	(223)
Fair value gain on an available-for-sale financial asset		714	–
Share of reserves of a jointly controlled entity/associates			
– revaluation reserve		(168)	–
– hedging reserve		(812)	–
– other reserves		43	–
Net loss not recognised in the unaudited condensed consolidated income statement		(2,006)	(223)
		1,751,208	1,332,611
Profit for the period		216,233	94,330
Reserve realised upon disposal of an available-for-sale financial asset		(61,865)	–
Reserves realised upon disposal of investments in jointly controlled entities		–	104
Issue of shares on exercise of share options		13,815	8,642
Dividends paid to			
– the equity holders of the Company		(69,183)	(49,745)
– minority interests		(1,980)	(1,669)
Total equity at 30th June		1,848,228	1,384,273

Unaudited Condensed Consolidated Cash Flow Statement

For the six months ended 30th June 2005

	Six months ended 30th June	
	2005	2004
	US$'000	US$'000
Net cash generated from operating activities	**128,557**	130,403
Net cash used in investing activities	**(30,377)**	(290,721)
Net cash (used in)/generated from financing activities	**(65,968)**	102,572
Effect of foreign exchange rate changes	**56**	(21)
Net increase/(decrease) in cash and cash equivalents	**32,268**	(57,767)
Cash and cash equivalents at 1st January	**89,281**	271,779
Cash and cash equivalents at 30th June	**121,549**	214,012
Analysis of balances of cash and cash equivalents:		
Time deposits	**93,250**	178,639
Bank balances and cash	**28,299**	35,373
	121,549	214,012

1. Basis of preparation and principal accounting policies

These unaudited condensed consolidated financial statements of the Group for the six months ended 30th June 2005 (the "unaudited Condensed Financial Statements") have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The unaudited Condensed Financial Statements should be read in conjunction with the annual financial statements for the year ended 31st December 2004 (the "2004 Annual Financial Statements") which were prepared in accordance with the Statements of Standard Accounting Practice ("HKSSAP") issued by the HKICPA.

The accounting policies and methods of computation used in the preparation of the unaudited Condensed Financial Statements are consistent with those used in the 2004 Annual Financial Statements except that the Group has changed certain of its accounting policies following the adoption of new/revised Hong Kong Financial Reporting Standards ("HKFRSs") and Hong Kong Accounting Standards ("HKASs") (collectively the "new HKFRSs") which are effective for accounting periods commencing on or after 1st January 2005.

These unaudited Condensed Financial Statements have been prepared in accordance with the HKFRSs, HKASs and interpretations issued and effective as at the time of preparing these unaudited Condensed Financial Statements. The HKFRSs, HKASs and interpretations that will be applicable at 31st December 2005, including those that will be applicable on an optional basis, are not known with certainty at the time of preparing the unaudited Condensed Financial Statements. The overall effects of the adoption of the new HKFRSs are to increase the opening equity (including minority interests) as at 1st January 2005 and 2004 by US$270,966,000 and US$3,026,000 respectively and to increase the profit for the six months ended 30th June 2004 by US$177,000. Details of the effect on adopting the new HKFRSs are set out in note 20 to the unaudited Condensed Financial Statements.

2. Changes in principal accounting policies

In 2005, the Group adopted the new/revised HKFRSs below, which are relevant to its operations. The comparative figures have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 31	Investments in Joint Ventures
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings Per Share

2. Changes in principal accounting policies (Continued)

HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations
HKAS-Int 12	Consolidation – Special Purpose Entities
HKAS-Int 15	Operating leases – Incentives
HKAS-Int 21	Income Taxes – Recovery of Revalued Non-Depreciable Assets

The major changes in the Group's principal accounting policies or the presentation of financial statements as a result of the adoption of the new HKFRSs are summarised below:

(a) HKAS 1 and HKAS 27

The adoption of HKAS 1 and HKAS 27 has resulted in the following presentational change in the Group's financial statements:

(i) minority interests are now required to be shown within the Group's equity. On the face of the consolidated income statement, minority interests are presented as an allocation of the total profit or loss for the period;

(ii) the Group's share of profits less losses (net of income taxes) of jointly controlled entities and associates are required to be presented on the face of the consolidated income statement; and

(iii) investment properties and intangible assets are now required to be presented on the face of consolidated balance sheet.

(b) HKAS 16

The residual values and useful lives of property, plant and equipment are now required to be reviewed and adjusted, if appropriate, least at each financial year-end. The directors have reviewed the residual values and useful lives of property, plant and equipment and do not consider that there are any significant changes from the previous estimates.

(c) HKAS 17

The adoption of revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of leasehold land and land use rights from property, plant and equipment to operating leases. The up-front prepayments made for the leasehold land and land use rights are expensed in the income statement on a straight-line basis over the period of the lease or when there is impairment, the impairment is expensed in the income statement. In prior years, the leasehold land and land use rights were accounted for at cost or at valuation as at 31st December 1994 less accumulated amortisation and impairment losses.

This change in accounting policy has been applied retrospectively so that the comparative figures presented have been restated to conform with the changed policy. The effect on the adoption of the HKAS 17 is to increase the opening equity as at 1st January 2005 and 2004 by US$3,380,000 and US$3,026,000 respectively and to increase the profit for the six months ended 30th June 2004 by US$177,000.

2. Changes in principal accounting policies (Continued)

(d) HKAS 21

HKAS 21 required items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The unaudited Condensed Financial Statements are presented in United States dollars, which is the Company's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Translation differences on monetary and non-monetary items, which are classified as available-for-sale financial assets, are included in the income statement and fair value reserve in equity respectively.

This change in accounting policy does not have any significant impact to the Group.

(e) HKAS 24

HKAS 24 has extended the identification and disclosure of related parties to include state-owned enterprises. Related parties include China Ocean Shipping (Group) Company ("COSCO") and its subsidiaries, other state-owned enterprises and their subsidiaries directly or indirectly controlled by the PRC government, other entities and corporations in which the Company is able to control or exercise significant influence and key management personnel of the Group and COSCO as well as their close family members.

(f) HKASs 32 and 39

The adoption of HKASs 32 and 39 has resulted in changes in the accounting policies relating to the following:

(i) the Group's investment securities which were previously stated at cost less provision for impairment losses are now redesignated as available-for-sale financial assets and carried in the balance sheet at their fair values. The amount, being the difference between the fair values of these available-for-sale financial assets and their previous carrying amounts, of US$234,311,000 as at 31st December 2004 was credited to the Group's opening equity as at 1st January 2005;

(ii) the interest rate swap contracts as entered into between the Group and certain financial institutions are now classified as derivative financial instruments and recognised in the balance sheet at their respective fair values. In prior years, derivative financial instruments were not required to be recognised in the balance sheet pursuant to the HKSSAP. The recognition of interest rate swap contracts at their fair values as at 31st December 2004 resulted in a net increase in the Group's opening equity as at 1st January 2005 by US$1,619,000; and

2. Changes in principal accounting policies (Continued)

(f) HKASs 32 and 39 (Continued)

(iii) the Group's borrowings or notes which were previously stated at their original carrying amounts are now required to be stated initially at their fair values, net of transaction costs incurred, and then subsequently stated at amortised cost. The unamortised transaction costs in respect of these borrowings and notes of US$5,852,000 as at 31st December 2004, which were previously expensed as incurred, were included in the related borrowings or notes by a corresponding credit adjustment to the Group's opening equity as at 1st January 2005.

As HKAS 39 does not permit to recognise, derecognise and measure financial assets and liabilities on a retrospective basis, all the related financial impact on the Group's financial statements are reflected as opening adjustments to the Group's equity as at 1st January 2005 and accordingly, the comparative figures as presented in the unaudited condensed consolidated balance sheet have not been restated.

(g) HKAS 40

The adoption of revised HKAS 40 has resulted in a change in the accounting policy of which the changes in fair values of investment properties are now recorded in the income statement. In prior years, the increases in fair value were credited to the investment properties revaluation reserve. Decreases in fair value were first set off against increases on earlier valuations on a portfolio basis and thereafter expensed in the income statement.

Under HKAS 40, property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property, which is initially measured at its cost (including related transaction costs) and subsequently carried at fair value and the related valuations are reviewed annually by external valuers.

As at 31st December 2004, the valuation of investment properties was less than their original cost and the revaluation deficits had already been charged to the income statement in prior years and there was no investment properties revaluation reserve. Consequently, no prior period adjustment on the retained earnings and investment properties revaluation reserve is required.

(h) HKFRS 2

The adoption of HKFRS 2 has resulted in a change in the accounting policy for share-based payments.

The Group operates an equity-settled, share-based compensation plan. Until 31st December 2004, the provision of share options granted by the Company to the Group's employees did not result in expenses in the income statement. With effect from 1st January 2005, the fair value of the employee services received in exchange for the grant of the share options of the Company is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the share options granted by the Company.

As all the share options previously granted by the Company was vested on or before 1st January 2005 and accordingly, no adjustment is made in the Group's financial statements pursuant to the transitional provisions as set out in HKFRS 2.

2. Changes in principal accounting policies (Continued)

(i) HKFRS 3

The adoption of HKFRS 3 has resulted in a change in the accounting policy for goodwill and negative goodwill. In prior years, goodwill or negative goodwill on acquisitions of subsidiaries, jointly controlled entities or associates on or after 1st January 2001 was:

– Amortised on a straight-line basis over its estimated useful life of not exceeding 20 years; and
– Assessed for an indication of impairment at each balance sheet date.

In accordance with the provisions of HKFRS 3:

– The Group ceased amortisation of goodwill or negative goodwill with effect from 1st January 2005;
– Accumulated amortisation of goodwill as at 31st December 2004 has been eliminated with a corresponding decrease in the cost of goodwill;
– Goodwill is tested annually for impairment, as well as when there is indication of impairment; and
– The carrying amount of negative goodwill as at 31st December 2004 is derecognised and reflected as an adjustment to the Group's opening equity as at 1st January 2005.

Upon the adoption of HKFRS 3, the derecognition of a negative goodwill from the acquisition of an associate of US$19,886,000 was credited to the Group's opening equity as at 1st January 2005 in accordance with HKFRS 3.

The adoption of HKASs 2, 7, 8, 10, 23, 28, 31, 33, 36, 38, HKAS-Ints 12, 15 and 21 did not result in any significant change to the Group's principal accounting policies and the presentation of the Group's unaudited Condensed Financial Statements.

3. Segment information

(a) Primary reporting format – business segments

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 income. Segment assets consist primarily of property, plant and equipment, investment properties, leasehold land and land use rights, intangible assets, inventories, receivables and operating cash, and mainly exclude deferred income tax assets and investments in jointly controlled entities, associates, available-for-sale financial assets and investment securities.

Segment liabilities comprise operating liabilities and exclude items such as current and deferred income tax liabilities, corporate borrowings and related hedging derivatives.

Capital expenditure comprises additions to property, plant and equipment, investment properties, leasehold land and land use rights and intangible assets, including additions resulting from acquisitions through business combinations.

3. Segment information (Continued)

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

Segment turnover and results

	Six months ended 30th June 2005						
	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
Turnover							
– total revenues	132,380	9,520	-	-	-	-	141,900
– inter-segment sales	-	(2)	-	-	-	-	(2)
External sales	132,380	9,518	-	-	-	-	141,898
Segment results	63,316	2,581	(1,782)	(767)	-	-	63,348
Dividend income from							
– a listed investment	-	-	-	-	-	768	768
– unlisted investments	-	8,177	-	-	-	-	8,177
Profit on disposal of an available-for-sale financial asset (note 4)	-	61,875	-	-	-	-	61,875
Unallocated costs							
– net corporate expenses	-	-	-	-	-	(3,993)	(3,993)
– corporate finance costs	-	-	-	-	-	(132)	(132)
– corporate interest income	-	-	-	-	-	1,170	1,170
Operating profit/(loss) after finance costs	63,316	72,633	(1,782)	(767)	-	(2,187)	131,213
Share of profits less losses of							
– jointly controlled entities	-	27,307	7,628	7,242	-	-	42,177
– associates (note ii)	-	8,171	-	40,236	4,893	-	53,300
Profit before income tax							226,690
Income tax expenses							(10,457)
Profit for the period							216,233

3. Segment information (Continued)

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

Segment turnover and results (Continued)

	Six months ended 30th June 2004 (Restated)						
	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
Turnover							
– total revenues	120,879	8,885	–	–	–	–	129,764
– inter-segment sales	–	(3)	–	–	–	–	(3)
External sales	120,879	8,882	–	–	–	–	129,761
Segment results	53,106	1,718	(2,669)	–	–	–	52,155
Dividend income from unlisted investments	–	7,859	–	–	–	–	7,859
Unallocated costs							
– net corporate expenses	–	–	–	–	–	(3,450)	(3,450)
– corporate finance costs	–	–	–	–	–	(255)	(255)
– corporate interest income	–	–	–	–	–	406	406
Operating profit/(loss) after finance costs	53,106	9,577	(2,669)	–	–	(3,299)	56,715
Share of profits less losses of							
– jointly controlled entities	–	23,676	6,236	1,511	–	–	31,423
– associates (note ii)	–	8,264	–	–	4,244	–	12,508
Profit before income tax							100,646
Income tax expenses							(6,316)
Profit for the period							94,330

3. 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
As at 30th June 2005							
Segment assets	1,548,867	54,558	-	654	-	-	1,604,079
Jointly controlled entities	-	180,244	180,020	22,403	-	-	382,667
Associates (note i)	-	107,421	-	178,097	167,769	-	453,287
Available-for-sale financial assets	-	212,004	-	-	-	13,497	225,501
Unallocated assets							72,243
							2,737,777
Segment liabilities	525,114	112,842	127,724	55,000	-	-	820,680
Unallocated liabilities							68,869
							889,549
Six months ended 30th June 2005							
Capital expenditure	276,865	2,868	-	-	-	29	279,762
Depreciation and amortisation	53,722	628	-	-	-	214	54,564
Other non-cash expenses	647	74	96	41	-	2	860

3. 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
As at 31st December 2004 (Restated)							
Segment assets	1,324,510	52,084	–	2,604	–	–	1,379,198
Jointly controlled entities	–	169,389	172,297	15,897	–	–	357,583
Associates (note i)	–	104,708	–	127,514	162,790	–	395,012
Investment securities	–	56,425	–	–	–	13,075	69,500
Unallocated assets							41,779
							2,243,072
Segment liabilities	405,068	109,200	127,724	55,000	–	–	696,992
Unallocated liabilities							60,452
							757,444
Six months ended 30th June 2004 (Restated)							
Capital expenditure	148,373	227	–	–	–	298	148,898
Addition to investment securities	–	–	–	–	–	13,075	13,075
Depreciation and amortisation	48,825	623	–	–	–	215	49,663
Impairment loss	211	–	–	–	–	–	211
Other non-cash expenses	1,390	39	46	–	–	5	1,480

Notes:

(i) As at 30th June 2005, the Group's share of unaudited net assets of China International Marine Containers (Group) Co., Ltd. ("CIMC") and Liu Chong Hing Bank Limited ("LCHB") amounted to US$178,097,000 (31st December 2004: US$127,514,000) and US$167,769,000 (31st December 2004: US$162,790,000) respectively.

(ii) For the six months ended 30th June 2005, the Group's share of unaudited profits (net of income tax expenses) of CIMC and LCHB amounted to US$40,236,000 (2004: Not applicable) and US$4,893,000 (2004: US$4,244,000) respectively.

(iii) The adoption of HKFRS 3, HKASs 32 and 39 in 2005 do not require the restatement of the comparative figures of the relevant balance sheet items and accordingly, the segment assets, liabilities and other information as at 31st December 2004 have not been restated in this respect.

3. Segment information (Continued)

(b) Secondary reporting format – geographical segments

In respect of 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 for the related business.

The Group's segment assets are primarily dominated by its containers and generator sets. The directors consider that the nature of the Group's business precludes a meaningful allocation of containers and generator sets and their related capital expenditure to specific geographical segments as defined under HKAS 14 "Segment Reporting". These containers and generator sets are primarily utilised across geographical markets for shipment of cargoes throughout the world. Accordingly, it is also impractical to present segment assets and capital expenditure by geographical areas.

The activities of the container terminal and related businesses as conducted by certain subsidiaries of the Group are predominantly carried out in China mainland and Hong Kong.

The activities of the Group's jointly controlled entities and associates are predominantly carried out in the following geographical areas:

Business segments	Geographical areas
Container terminal and related businesses	Hong Kong, China mainland, Singapore and Belgium
Freight forwarding, logistics and related businesses	China mainland
Container manufacturing and related businesses	China mainland
Banking businesses	Hong Kong

4. Profit on disposal of an available-for-sale financial asset

The amount represented profit on disposal of the 17.5% equity interest in Shekou Container Terminals Ltd. to China Merchants Holdings (International) Company Limited in March 2005.

5. Operating profit

Operating profit is stated after crediting and charging the following:

	Six months ended 30th June	
	2005	2004
	US$'000	US$'000
		(Restated)
Crediting		
Sale of inventories	**12,148**	16,972
Dividend income from		
– a listed investment	**768**	–
– unlisted investments	**8,177**	7,859
Interest income	**2,058**	1,218
Profit on disposal of property, plant and equipment	**343**	609
Reversal of provision for bad and doubtful debts	**6**	25
Charging		
Depreciation and amortisation	**54,564**	49,663
Cost of inventories sold	**9,271**	17,678
Loss on disposal of property, plant and equipment	**8**	474
Provision for impairment of trade receivables	**153**	–
Provision for bad and doubtful debts	**–**	150
Provision for inventories	**–**	451
Write-off of inventories	**–**	285
Impairment loss of containers	**–**	211

6. Finance costs

	Six months ended 30th June	
	2005	2004
	US$'000	US$'000
Interest expense on		
– bank loans	**6,279**	2,576
– other loans	**184**	136
– loan from a minority shareholder of a subsidiary	**–**	28
– notes not wholly repayable within five years	**8,813**	8,813
Amortised amount of discount on issue of notes	**114**	120
Amortised amount of transaction costs on bank loans and notes	**593**	–
Net gain on interest rate swap contracts	**–**	(2,011)
Fair value gain on interest rate swap contracts	**(5,097)**	–
	10,886	9,662
Other incidental borrowing costs and charges	**327**	308
	11,213	9,970

7. Income tax expenses

	Six months ended 30th June 2005 US$'000	2004 US$'000
Current income tax		
– Hong Kong profits tax	51	409
– China mainland taxation	499	397
– Overseas taxation	192	16
– (Over)/under provision in prior years	(5)	5
	737	827
Deferred income tax	9,720	5,489
	10,457	6,316

The Group's share of income tax expenses of jointly controlled entities and associates of US$7,421,000 (2004: US$6,448,000) and US$5,095,000 (2004: US$1,789,000) are included in the unaudited condensed consolidated income statement as share of profits less losses of jointly controlled entities and associates respectively.

Hong Kong profits tax has been provided at a rate of 17.5% (2004: 17.5%) on the estimated assessable profit for the period.

Taxation on profits from a subsidiary operating in China mainland has been calculated at a tax rate of 15.0% (2004: 15.0%) on the estimated assessable profit for the period.

The Group's China mainland sourced income from container leasing are 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.

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.

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

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

As at 30th June 2005, deferred tax liabilities of US$30,935,000 (31st December 2004: US$24,643,000) have not been established for the withholding taxation that would be payable on the unremitted earnings of certain subsidiaries totalling US$103,118,000 (31st December 2004: US$82,145,000) 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.

8. Earnings per share

Basic

Basic earnings per share is calculated by dividing the profit attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30th June 2005	2004 (Restated)
Profit attributable to the equity holders of the Company	**US$214,770,000**	US$93,152,000
Weighted average number of ordinary shares in issue	**2,189,048,596**	2,152,708,155
Basic earnings per share	**US9.8111 cents**	US4.3272 cents
Basic earnings per share — excluding the profit on disposal of an available-for-sale financial asset *(for information only)*	**US6.9845 cents**	US4.3272 cents

Diluted

Diluted earnings per share is calculated based on the profit attributable to the equity holders of the Company and the weighted average number of ordinary shares in issue during the period, after adjusting for the number of dilutive potential ordinary shares deemed to be issued at no considerations as if all outstanding share options granted by the Company had been exercised.

	Six months ended 30th June 2005	2004 (Restated)
Profit attributable to the equity holders of the Company	**US$214,770,000**	US$93,152,000
Weighted average number of ordinary shares in issue	**2,189,048,596**	2,152,708,155
Adjustments for assumed conversion of share options	**17,426,155**	8,378,759
Weighted average number of ordinary shares for diluted earnings per share	**2,206,474,751**	2,161,086,914
Diluted earnings per share	**US9.7336 cents**	US4.3104 cents
Diluted earnings per share — excluding the profit on disposal of an available-for-sale financial asset *(for information only)*	**US6.9294 cents**	US4.3104 cents

9. Dividends

	Six months ended 30th June 2005 US$'000	2004 US$'000
2005 interim dividend, declared, of US3.614 cents (2004: US2.231 cents) per ordinary share	**79,253**	48,090
2005 special interim dividend, declared, of US1.453 cents per ordinary share	**31,871**	–
	111,124	48,090

Notes:

(a) At a meeting held on 4th March 2005, the directors proposed a final dividend of HK24.6 cents (equivalent to US3.165 cents) per ordinary share for the year ended 31st December 2004, which was paid on 2nd June 2005 and has been reflected as an appropriation of retained earnings for the six months ended 30th June 2005.

(b) At a meeting held on 8th September 2005, the directors declared an interim dividend of HK28.1 cents (equivalent to US3.614 cents) per ordinary share and a special interim dividend of HK11.3 cents (equivalent to US1.453 cents) per ordinary share. These dividends declared are not reflected as dividend payable in the unaudited Condensed Financial Statements, but will be reflected as an appropriation of retained earnings for the year ending 31st December 2005.

10. Property, plant and equipment

During the six months ended 30th June 2005, the Group acquired property, plant and equipment of US$279,361,000 (2004: US$148,333,000, as restated) and disposed of property, plant and equipment with net book value of US$18,588,000 (2004: US$22,988,000).

11. Trade and other receivables

	As at 30th June 2005 US$'000	As at 31st December 2004 US$'000
Trade receivables	**39,015**	31,667
Other receivables, deposits and prepayments	**16,705**	15,204
Current portion of finance lease receivables	**1,331**	1,301
Amounts due from		
– fellow subsidiaries (note a)	**23,224**	22,560
– jointly controlled entities (note b)	**1,877**	2,294
– associates	**87**	315
– related companies	**164**	82
	82,403	73,423

11. Trade and other receivables (Continued)

Notes:

(a) The balance represented container leasing income receivable from fellow subsidiaries and mainly included a receivable balance from COSCO Container Lines Company Limited ("COSCON"), a fellow subsidiary, of US$21,044,000 (2004: US$20,141,000) (note 19(a)(i)).

(b) The balance represented dividend income receivable from jointly controlled entities of US$1,877,000 (2004: US$2,294,000).

(c) The Group grants credit periods 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:

	As at 30th June 2005 US$'000	As at 31st December 2004 US$'000
Within 30 days	**25,376**	25,533
31-60 days	**26,371**	22,409
61-90 days	**8,518**	5,287
Over 90 days	**2,138**	1,080
Included under trade and other receivables	**62,403**	54,309

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

12. Cash and cash equivalents

	As at 30th June 2005 US$'000	As at 31st December 2004 US$'000
Total time deposits, bank balances and cash (note a)	**132,661**	100,578
Restricted bank deposits included in non-current assets (note b)	**(11,112)**	(11,297)
	121,549	89,281
Representing:		
Time deposits	**93,250**	43,136
Bank balances and cash	**28,299**	46,145
	121,549	89,281

12. Cash and cash equivalents (Continued)

Notes:

(a) As at 30th June 2005, cash and cash equivalents of US$16,916,000 (31st December 2004: US$15,338,000) 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.

(b) Restricted bank deposits mainly include deposits of US$10,954,000 (31st December 2004: US$11,139,000) which are held as security for repayment of bank loans of the Group and are restricted for the purpose of the related banking facilities.

13. Trade and other payables

	As at 30th June 2005 US$'000	As at 31st December 2004 US$'000
Trade payables	**76,010**	1,967
Other payables and accruals	**59,995**	48,819
Dividend payable	**–**	14
Amounts due to		
– fellow subsidiaries	**136**	110
– jointly controlled entities (note a)	**18,921**	–
– subsidiaries of an associate (note a)	**16,001**	–
– minority shareholder of a subsidiary	**449**	504
Included under trade and other payables	**171,512**	51,414

Notes:

(a) The balances mainly represented the amounts payable to jointly controlled entities of the Group and certain subsidiaries owned by CIMC of US$18,921,000 (2004: US$Nil) and US$16,001,000 (2004: US$Nil) respectively in respect of purchases of containers (note 19(a)(viii)).

(b) The ageing analysis of trade balances due to third parties, fellow subsidiaries, jointly controlled entities, subsidiaries of an associate and minority shareholder of a subsidiary was as follows:

	As at 30th June 2005 US$'000	As at 31st December 2004 US$'000
Within 30 days	**27,457**	1,947
31-60 days	**64,039**	329
61-90 days	**19,955**	268
Over 90 days	**44**	14
Included under trade and other payables	**111,495**	2,558

(c) Other payables include an amount of US$32,941,000 (31st December 2004: US$28,143,000) accrued for purchase of containers which were delivered to the Group prior to the period end. The amount has not been included in the aging analysis above.

(d) The amounts due to fellow subsidiaries, jointly controlled entities, subsidiaries of an associate and minority shareholder of a subsidiary 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.

14. Share capital

	As at 30th June 2005 US$'000	As at 31st December 2004 US$'000
Authorised: 3,000,000,000 (31st December 2004: 3,000,000,000) ordinary shares of HK$0.10 each	**38,462**	38,462
Issued and fully paid: 2,192,864,298 (31st December 2004: 2,183,630,298) ordinary shares of HK$0.10 each	**28,121**	28,003

Notes:

(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 2005	2,183,630,298	28,003
Issued on exercising of share options	9,234,000	118
At 30th June 2005	**2,192,864,298**	**28,121**

(b) Share options

Movements of the share options, which have been granted under the share option schemes adopted by the Company on 30th November 1994 and 23rd May 2003 respectively, during the period are set out below:

		Number of share options		
Category	**Exercise price HK$**	**Outstanding as at 1st January 2005**	**Exercised during the period**	**Outstanding as at 30th June 2005**
Directors	8.80	1,800,000	(900,000)	**900,000**
	9.54	5,200,000	–	**5,200,000**
	13.75	9,000,000	–	**9,000,000**
Continuous contract employees	8.80	902,000	(564,000)	**338,000**
	9.54	9,394,000	(2,132,000)	**7,262,000**
	13.75	35,990,000	(3,926,000)	**32,064,000**
Ex-Directors	9.54	4,576,000	(382,000)	**4,194,000**
	13.75	9,000,000	(500,000)	**8,500,000**
Others	9.54	1,320,000	(320,000)	**1,000,000**
	13.75	9,750,000	(510,000)	**9,240,000**
		86,932,000	(9,234,000)	**77,698,000**

15. Long term liabilities

	As at 30th June 2005 US$'000	As at 31st December 2004 US$'000
Borrowings		
Secured (notes c and d)	159,197	176,392
Unsecured	493,305	474,273
	652,502	650,665
Amounts due within one year included under current liabilities	(59,353)	(35,520)
	593,149	615,145

Notes:

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

	As at 30th June 2005 US$'000	As at 31st December 2004 US$'000
Wholly repayable within five years		
Bank loans	346,476	342,045
Other loans	8,914	10,217
	355,390	352,262
Notes not wholly repayable within five years	297,112	298,403
	652,502	650,665

15. Long term liabilities (Continued)

(b) Long term liabilities were repayable as follows:

	As at 30th June 2005 US$'000	As at 31st December 2004 US$'000
Bank loans		
Within one year	**56,599**	32,867
In the second year	**49,882**	41,188
In the third to fifth years inclusive	**239,995**	267,990
	346,476	342,045
Notes		
In more than five years	**297,112**	298,403
Other loans		
Within one year	**2,754**	2,653
In the second year	**2,966**	2,858
In the third to fifth years inclusive	**3,194**	4,706
	8,914	10,217
	652,502	650,665

(c) Bank and other loans of US$157,697,000 (31st December 2004: US$176,092,000) and bank loans of US$1,500,000 (31st December 2004: US$300,000) were secured by certain containers of the Group and land use rights respectively. Bank and other loans of US$149,884,000 (31st December 2004: US$165,875,000) are also secured by the assignment of the container lease agreements and the rental income thereon, other assets and shares of certain subsidiaries.

(d) Bank loan of a subsidiary of approximately US$266,000 (31st December 2004: US$266,000) was guaranteed by the minority shareholder of that subsidiary.

16. Contingent liabilities

	As at 30th June 2005 US$'000	As at 31st December 2004 US$'000
Guarantee for bank loan facilities granted to an associate	**14,530**	–

17. Capital commitments

	As at 30th June 2005 US$'000	As at 31st December 2004 US$'000
Authorised but not contracted for:		
Containers	151,558	352,676
Generator sets	4,895	6,600
Computer system under development	824	956
	157,277	360,232
Contracted but not provided for:		
Investments	588,665	351,103
Containers	16,519	11,550
Other equipment	1,329	3,914
	606,513	366,567
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	11,681	23,521
Contracted but not provided for	14,354	7,883
	26,035	31,404

Note:

The Group's committed investments as at 30 June 2005 primarily included the investment in a 14% equity interest in Tianjin Five Continents International Container Terminal Co., Ltd. of approximately US$43,557,000 (31st December 2004: US$19,045,000) and the capital/loan contributions to Antwerp Gateway NV, an associate of the Group, Qingdao Qianwan Container Terminal Co., Ltd and COSCO-PSA Terminal Private Limited, jointly controlled entities of the Group, of approximately US$111,754,000 (31st December 2004: US$176,249,000), US$94,799,000 (31st December 2004: US$106,880,000) and US$43,597,000 (31st December 2004: US$45,045,000) respectively.

The Group's committed investments as at 30th June 2005 also included the capital/loan contributions to be made by the Group for the establishment of a sino-foreign joint venture in Nansha, the PRC (the "JV Company") of approximately US$271,259,000 (31st December 2004: US$Nil) and for a 20% equity interest in Nanjing Port Longtan Container Co., Ltd. ("NPLC"), of approximately US$19,815,000 (31st December 2004: US$Nil). Both the JV Company and NPLC will be engaged in the container terminal business in the PRC and the port authorities in Guangzhou and Nanjing, the PRC, will have equity interests in the JV Company and NPLC respectively.

18. Derivative financial instruments

The Group has entered into interest rate swaps contracts with certain financial institutions with notional principal amounts of US$300,000,000 as at 30th June 2005 (31st December 2004: US$300,000,000).

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

Following the adoption of the HKASs 32 and 39 (note 2(f)(ii)), these interest rate swap contracts are recognised in the balance sheet as derivative financial instruments at their respective fair values.

19. Related party transactions

The Group is controlled by China COSCO Holdings Company Limited ("China COSCO"), a company established in the PRC and listed in Hong Kong, which owns 52.18% of the Company's shares as at 30th June 2005. The remaining 47.82% of the Company's shares are widely held. The parent of China COSCO is COSCO, a state-owned enterprise established in the PRC.

COSCO itself is a state-owned enterprise and is controlled by the PRC government, which also owns a significant portion of the productive assets in the PRC. In accordance with HKAS 24, other state-owned enterprises and their subsidiaries (other than COSCO group companies), directly or indirectly controlled by the PRC government, are also defined as related parties of the Group. On that basis, related parties include COSCO and its subsidiaries, other state-owned enterprises and their subsidiaries directly or indirectly controlled by the PRC government, other entities and corporations in which the Company is able to control or exercise significant influence and key management personnel of the Company and COSCO as well as their close family members.

For the purpose of related party transaction disclosures, the Group has identified, to the extent practicable, its customers and suppliers as to whether they are state-owned enterprises. Nevertheless, the directors believes that meaningful information in respect of related party transactions has been adequately disclosed.

In addition to those disclosed elsewhere in the unaudited Condensed Financial Statements, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties during the period.

19. Related party transactions (Continued)

(a) Sales/purchases of goods, services and investments

	Six months ended 30th June	
	2005	2004
	US$'000	US$'000
		(Restated)
Container rental income from (note i)		
– a fellow subsidiary	59,668	57,378
– other state-owned enterprises	137	103
Handling, storage and net transportation income from a fellow subsidiary (note ii)	3,228	3,444
Management fee income from a jointly controlled entity (note iii)	1,282	1,282
Container terminal handling fees received (note iv)		
– fellow subsidiaries	1,219	571
– an associate of a jointly controlled entity of the Group	281	486
Approved continuous examination program fee to a fellow subsidiary (note v)	(550)	(1,100)
Consideration received for the disposal of a subsidiary and assignment of a shareholder's loan to a fellow subsidiary (note vi)	1,577	–
Proceeds on disposal of investments in jointly controlled entities to a fellow subsidiary (note vii)	–	4,943
Purchase of containers from (note viii)		
– subsidiaries of CIMC	(62,892)	–
– jointly controlled entities of the Group	(33,718)	(6,197)
– Related Entities	–	(18,463)
Consideration paid or payable for the acquisition of equity interest in a jointly controlled entity (note ix)	–	(148,201)

Notes:

(i) The Group has conducted container leasing business with COSCON and other state-owned enterprises. The container rental income was charged based on terms agreed between the Group and the parties in concern.

(ii) The handling, storage income and net transportation income received from a fellow subsidiary were conducted at terms agreed between the Group and the fellow subsidiary.

(iii) The Group provided advisory and management services to COSCO-HIT Terminals (Hong Kong) Limited, a jointly controlled entity of the Group, during the period. Management fee was charged and agreed at HK$20,000,000 (2004: HK$20,000,000) per annum.

(iv) The Group provided container terminal handling and storage services to fellow subsidiaries and an associate 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 the rates as set out by the Ministry of Communications of the PRC.

(v) An approved continuous examination program fee of US$1,100,000 to COSCON in connection with the containers leased to COSCON on a long term basis was agreed between the Group and COSCON for the year ending 31st December 2005 (2004: US$2,200,000).

19. Related party transactions (Continued)

(a) Sales/purchases of goods, services and investments (Continued)

(vi) On 31st May 2005, the Group disposed of a wholly owned subsidiary, which holds certain properties located in Hong Kong, and assigned a shareholder's loan to COSCO (H.K.) Property Development Limited, a fellow subsidiary, at an aggregated consideration of HK$12,100,000 (equivalent of approximately US$1,557,000), resulting in an insignificant gain.

(vii) The Group disposed 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, to COSCO International Holdings Limited, a listed fellow subsidiary, and the gains on the disposals were insignificant.

(viii) The purchases of containers from certain subsidiaries of CIMC, jointly controlled entities and Related Entities of the Group were conducted at terms as set out in the agreements entered into between the Group and the parties in concern. CIMC was acquired by the Group from COSCO in December 2004 and prior to the Acquisition, CIMC and the companies owned by CIMC were classified as a related company and Related Entities of the Group respectively.

(ix) The Group's acquisition of 49% equity interest in COSCO Logistics Co., Ltd. ("COSCO Logistics"), a then wholly owned subsidiary of COSCO, from COSCO was completed in January 2004 (the "Acquisition"). The consideration of the Acquisition amounted to 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.

The Group had also paid COSCO an additional consideration of RMB50,000,000 (equivalent of approximately US$6,022,000) in September 2004 pursuant to the terms and conditions as set out in the agreement which governed the Acquisition.

(b) Balances with state-owned banks

	As at 30th June 2005 US$'000	As at 31st December 2004 US$'000
Bank deposits	107,237	72,869
Loans from state-owned banks	100,848	78,494

The deposits and loans with state-owned banks were in accordance with the terms as set out in the respective agreements or as mutually agreed between the parties in concern.

(c) Balances with other state-owned enterprises

	As at 30th June 2005 US$'000	As at 31st December 2004 US$'000
Other payable to a state-owned enterprise	4,968	4,937

The balance represented the port construction levy collected by a subsidiary of the Group on behalf of the port authority in Zhangjiagang pursuant to a notice issued by the Ministry of Communications of the PRC. The balance is unsecured, interest free and has no fixed terms of repayment.

20. Summary of the effect of adopting the new HKFRSs

(a) Effect on unaudited condensed consolidated income statement for the six month ended 30th June 2005

	Effect of adopting				
	HKAS 1 US$'000 (note 2(a)(ii))	HKAS 17 US$'000 (note 2(c))	HKFRS 3 US$'000 (note i)	HKASs 32 & 39 US$'000 (note ii)	Total US$'000
Turnover	–	–	–	–	–
Cost of sales	–	–	–	–	–
Gross profit	–	–	–	–	–
Other revenue	–	–	–	–	–
Administrative expenses	–	177	–	–	177
Other operating expenses (net)	–	–	–	–	–
Profit on disposal of an available-for-sale financial asset	–	–	–	–	–
Operating profit	–	177	–	–	177
Finance costs	–	–	–	3,279	3,279
Operating profit after finance costs	–	177	–	3,279	3,456
Share of profits less losses of					
– jointly controlled entities	(7,421)	–	1,256	(242)	(6,407)
– associates	(5,095)	–	(366)	(332)	(5,793)
Profit before income tax	(12,516)	177	890	2,705	(8,744)
Income tax expenses	12,516	–	–	–	12,516
Profit for the period	–	177	890	2,705	3,772
Profit attributable to:					
Equity holders of the Company	–	177	890	2,705	3,772
Minority interests	–	–	–	–	–
	–	177	890	2,705	3,772
Earnings per share for profit attributable to the equity holders of the Company – basic (US cents)	–	0.0081	0.0407	0.1236	0.1724
– diluted (US cents)	–	0.0080	0.0403	0.1226	0.1709

Notes:

(i) Amortisation of goodwill/negative goodwill is no longer required pursuant to HKFRS 3.

(ii) These mainly comprised the Group's recognition of the changes in fair values of derivative financial instruments, amortisation of transaction costs of bank loans and notes and also the Group's share of the adjustments made by a jointly controlled entity and an associate pursuant to HKASs 32 and 39.

20. Summary of the effect of adopting the new HKFRSs (Continued)

(b) Effect on unaudited condensed consolidated income statement for the six month ended 30th June 2004

	Effect of adopting		
	HKAS 1 US$'000 (note 2(a)(ii))	**HKAS17 US$'000** (note 2(c))	**Total US$'000**
Turnover	–	–	–
Cost of sales	–	–	–
Gross profit	–	–	–
Other revenues	–	–	–
Administrative expenses	–	177	177
Other operating expenses (net)	–	–	–
Operating profit	–	177	177
Finance costs	–	–	–
Operating profit after finance costs	–	177	177
Share of profits less losses of			
– jointly controlled entities	(6,448)	–	(6,448)
– associates	(1,789)	–	(1,789)
Profit before income tax	(8,237)	177	(8,060)
Income tax expenses	8,237	–	8,237
Profit for the period	–	177	177
Profit attributable to:			
Equity holders of the Company	–	177	177
Minority interests	–	–	–
	–	177	177
Earnings per share for profit attributable to the equity holders of the Company			
– basic (US cents)	–	0.0082	0.0082
– diluted (US cents)	–	0.0082	0.0082

20. Summary of the effect of adopting the new HKFRSs (Continued)

(c) Effect on unaudited condensed consolidated balance sheet as at 30th June 2005

	Effect of adopting				
	HKAS 1 US$'000 (note 2(a)(iii))	HKAS 17 US$'000 (note 2(c))	HKFRS 3 US$'000 (note i)	HKASs 32 & 39 US$'000 (note ii)	Total US$'000
Non-current assets					
Property, plant and equipment	(4,705)	(13,067)	–	–	(17,772)
Investment properties	882	–	–	–	882
Leasehold land and land use rights	–	16,624	–	–	16,624
Intangible assets	3,823	–	–	–	3,823
Jointly controlled entities	–	–	1,256	490	1,746
Associates	–	–	19,870	3,524	23,394
Deferred income tax assets	–	–	–	–	–
Available-for-sale financial assets	–	–	–	225,501	225,501
Investment securities	–	–	–	(52,353)	(52,353)
Finance lease receivables	–	–	–	–	–
Derivative financial instruments	–	–	–	6,328	6,328
Restricted bank deposits	–	–	–	–	–
	–	3,557	21,126	183,490	208,173
Current assets					
Inventories	–	–	–	–	–
Trade and other receivables	–	–	–	980	980
Tax prepaid	–	–	–	–	–
Time deposits	–	–	–	–	–
Bank balances and cash	–	–	–	–	–
	–	–	–	980	980
Current liabilities					
Trade and other payables	–	–	–	–	–
Current income tax liabilities	–	–	–	–	–
Current portion of long term liabilities	–	–	–	(1,107)	(1,107)
Short term bank loans	–	–	–	–	–
	–	–	–	(1,107)	(1,107)
Net current (liabilities)/assets	–	–	–	2,087	2,087
Total assets less current liabilities	–	3,557	21,126	185,577	210,260
Non-current liabilities					
Deferred income tax liabilities	–	–	–	–	–
Derivative financial instruments	–	–	–	349	349
Long term liabilities	–	–	–	(2,684)	(2,684)
	–	–	–	(2,335)	(2,335)
Net assets	–	3,557	21,126	187,912	212,595
Capital and reserves attributable to the equity holders of the Company					
Share capital	–	–	–	–	–
Other reserves	–	3,557	21,126	187,912	212,595
Interim dividends declared	–	–	–	–	–
	–	3,557	21,126	187,912	212,595
Minority interests	–	–	–	–	–
Total equity	–	3,557	21,126	187,912	212,595

20. Summary of the effect of adopting the new HKFRSs (Continued)

(c) Effect on unaudited condensed consolidated balance sheet as at 30th June 2005 (Continued)

Notes:

(i) These mainly comprised the cessation of amortisation of the goodwill on acquisitions of jointly controlled entities in prior years and the derecognition of unamortised negative goodwill by the Group and an associate.

(ii) These mainly comprised the redesignation of investments as available-for-sale financial assets at fair values by the Group and an associate, recognition of interest rate swap contracts as derivative financial instruments at fair values by the Group, recognition of unamortised transaction costs on bank loans and notes by the Group, and the Group's share of the adjustments made by a jointly controlled entity and associates pursuant to HKASs 32 and 39.

(d) Effect on unaudited condensed consolidated balance sheet as at 31st December 2004

	Effect of adopting		
	HKAS 1 **US$'000** (note 2(a)(iii))	**HKAS 17** **US$'000** (note 2(c))	**Total** **US$'000**
Non-current assets			
Property, plant and equipment	(4,634)	(13,316)	(17,950)
Investment properties	882	–	882
Leasehold land and land use rights	–	16,696	16,696
Intangible assets	3,752	–	3,752
Jointly controlled entities	–	–	–
Associates	–	–	–
Deferred income tax assets	–	–	–
Investment securities	–	–	–
Finance lease receivables	–	–	–
Restricted bank deposits	–	–	–
	–	3,380	3,380
Current assets			
Inventories	–	–	–
Trade and other receivables	–	–	–
Tax prepaid	–	–	–
Time deposits	–	–	–
Bank balances and cash	–	–	–
	–	–	–
Current liabilities			
Trade and other payables	–	–	–
Current income tax liabilities	–	–	–
Current portion of long term liabilities	–	–	–
Short term bank loans	–	–	–
	–	–	–

20. Summary of the effect of adopting the new HKFRSs (Continued)

(d) Effect on unaudited condensed consolidated balance sheet as at 31st December 2004 (Continued)

	Effect of adopting		
	HKAS 1 US$'000 (note 2(a)(iii))	**HKAS 17 US$'000** (note 2(c))	**Total US$'000**
Net current (liabilities)/assets	–	–	–
Total assets less current liabilities	–	3,380	3,380
Non-current liabilities			
Deferred income tax liabilities	–	–	–
Long term liabilities	–	–	–
	–	–	–
Net assets	–	3,380	3,380
Capital and reserves attributable to the equity holders of the Company			
Share capital	–	–	–
Other reserves	–	3,380	3,380
Proposed final dividend	–	–	–
	–	3,380	3,380
Minority interests	–	–	–
Total equity	–	3,380	3,380

Note:

The reconciliation above does not include the opening adjustments on the Group's opening equity as at 1st January 2005 as a result of the adoption of HKFRS 3, HKASs 32 and 39 (notes 2(i) and 2(f)).

INDEPENDENT REVIEW REPORT
TO THE BOARD OF DIRECTORS OF COSCO PACIFIC LIMITED

Introduction

We have been instructed by the Company to review the interim financial report set out on pages 2 to 33.

Respective responsibilities of directors and auditors

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with Hong Kong Accounting Standard 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Review work performed

We conducted our review in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the HKICPA, except that the scope of our review, as instructed by the directors, did not extend to the Group's share of net assets and results of two associates, China International Marine Containers (Group) Co., Ltd. and Liu Chong Hing Bank Limited, which were equity accounted for on the basis of their published interim financial information.

A review consists principally of making enquiries of management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

Modified review conclusion arising from limitations of review scope

On the basis of our review which does not constitute an audit, with the exception of any modifications that might have been determined to be necessary had the above limitations not existed, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30th June 2005.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 8th September 2005