Dividends

The directors have declared an interim cash dividend of HK28.1 cents (2004: HK17.4 cents) per share and a special interim cash dividend of HK11.3 cents (2004: Nil) per share for the six months ended 30th June 2005. The interim dividend and special interim dividend will be payable on 7th October 2005 to shareholders whose names appeared on the register of members of the Company on 29th September 2005.

Closure of register of members

The register of members of the Company will be closed from Monday, 26th September 2005 to Thursday, 29th September 2005, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend and special interim dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong share registrars, Secretaries Limited of Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, for registration not later than 4:00 p.m. on Friday, 23rd September 2005.

Management discussion and analysis

Business review

Overall analysis of results

The past six months saw the global economy maintaining a stable and balanced growth. In the PRC, the implementation of the austerity measures by the PRC government, a GDP growth of 9.5% was achieved. The Group's focused efforts to develop the core business in recent years have paid off, resulting in a remarkable performance in the first half.

Profit attributable to the equity holders of the Company for the period rose to US$214,770,000 from US$93,152,000 a year ago. Earnings per share rose by 126.7% to US9.8111 cents from US4.3272 cents a year ago. In December 2004, the Group completed the acquisition of approximately 16.23% equity interest in China International Marine Containers (Group) Co., Ltd. ("CIMC"), which contributed US$40,236,000 to the Group's net profit for the period (same period of 2004: N/A). Further, the disposal of the Group's 17.5% equity interest in Shekou Container Terminals Ltd. ("Shekou Terminals") in March this year not only generated a profit of US$61,875,000, but also enable the Group to restructure the investment portfolio to capitalise on the strategic advantage of the Pearl River Delta terminal operations.

Financial analysis

Turnover for the first half of 2005 grew by 9.4% to US$141,898,000. Majority of the increase was gained from container leasing operation which recorded a turnover of US$132,380,000 or an increase of 9.5% from last year. Total container fleet rose by 18.9% to 1,027,954 TEUs from 864,568 TEUs a year ago. Average utilisation rate of 96.4% was achieved, versus 96.0% for the same period of last year. Continuous efforts of Zhangjiagang Win Hanverky Container Terminal Co., Ltd. ("Zhangjiagang Win Hanverky Terminal") to explore new business opportunities resulted in a 15.8% increase in throughput to 180,329 TEUs and an increase of 17.7% in turnover to US$6,042,000. On container handling and storage operation, overall business turnover recorded a 7.3% decrease to US$3,476,000 from a year ago.

Cost of sales, comprising mainly depreciation, depot expenses, maintenance and operating expenses, rose by 4.4% to US$58,937,000 in the first half of the year. Depreciation increased by 10.5% to US$53,717,000 and accounted for 91.1% of cost of sales (same period of 2004: 86.1%). High utilisation rate was maintained on the containers during the period, resulting in a decrease in operation cost of containers by 64.5% to US$1,363,000.

Other revenues amounted to US$23,177,000, a decrease of 11.1%. During the period, 14,833 TEUs of containers as returned from COSCO Container Lines Company Limited ("COSCON") upon expiry of leases were sold, generating US$12,148,000 in revenue. A year-to-year decrease of US$4,824,000 was recorded. Yantian International Container Terminals Ltd. ("Yantian International Terminals") declared an interim dividend of US$7,480,000 for the first half of 2005 (same period of 2004: US$7,461,000). An additional 2004 dividend of US$511,000 was received from Shekou Terminals before it was sold. Interest income during the period increased by 69.0% to US$2,058,000.

Administrative expenses increased by 8.0% from a year ago to US$15,131,000. During the period, human resources and travelling expenses of the Group increased while professional fees and depreciation had a reduction.

Other net operating expenses in the first half of the year amounted to US$10,456,000 (same period of 2004: US$18,672,000). The carrying value of the returned containers sold amounted to US$9,271,000 (same period of 2004: US$17,678,000) and the direct cost associated with these returned containers was US$284,000 (same period of 2004: US$2,047,000). As the prices of old containers have sustained at relatively higher levels, no provision for impairment losses was required.

During the period, the disposal of an available-for-sale financial asset, 17.5% equity interest in Shekou Terminals, generated a profit of US$61,875,000.

Finance costs increased by 12.5% to US$11,213,000. Cost of borrowing gradually increased as interest rate entered into a rising cycle since 2004. The Group's average borrowing for the first half of the year amounted to US$660,054,000 (same period of 2004: US$581,852,000). The Group's average cost of borrowing (including amortisation of transaction costs on bank loans and notes and changes in fair values of interest rate swap contracts) was 3.40% (same period of 2004: 3.32%).

Net profit contribution from jointly controlled entities amounted to US$42,177,000, an increase of 34.2%. Efforts of COSCO-HIT Terminals (Hong Kong) Limited ("COSCO-HIT") in exploring new business opportunities resulted in a 17.3% increase in throughput to 942,488 TEUs in the first half, while net profit contribution grew 1.2% to US$15,024,000 due to changes in cargo mix. Throughput of Qingdao Qianwan Container Terminal Co., Ltd. ("Qingdao Qianwan Terminal") increased by 22.2% to 2,616,018 TEUs in the first half. Throughput of COSCO-PSA Terminal Private Limited ("COSCO-PSA Terminal") increased by 13.0% to 309,821 TEUs in the first half. Throughput of Yangzhou Yuanyang International Ports Co. Ltd. ("Yangzhou Yuanyang International Ports") increased by 94.9% to 73,740 TEUs in the first half. Throughput of Yingkou Container Terminals Company Limited ("Yingkou Terminals"), which was acquired last year, increased by 112.7% to 288,961 TEUs in the first half. The above terminals all contributed a remarkable net profit. Net profit contribution from Shanghai CIMC Far East Container Co., Ltd. and Tianjin CIMC North Ocean Container Co., Ltd. increased significantly from last year, while Shanghai CIMC Reefer Containers Co., Ltd. recorded a drop in profit due to keen competition in the market. The Group's share of net profit from COSCO Logistics Co., Ltd. ("COSCO Logistics") increased by 22.3% to US$7,628,000 in the first half of 2005.

Net profit contribution from associates amounted to US$53,300,000, registering a significant increase of 326.1%. CIMC, which became an associate of the Group at the end of last year, made a profit contribution of US$40,236,000 in the first half of the year (same period of 2004: N/A). Throughput of Shanghai Container Terminals Limited ("Shanghai Terminals") dropped 3.4% while net profit contribution decreased by 10.9% to US$3,814,000. Shanghai Pudong International Container Terminals Limited ("Shanghai Pudong International Terminals"), achieved a 12.2% increase in throughput in the first half of the year and reported an increase of 33.9% in net profit contribution to US$5,335,000. Antwerp Gateway NV ("Antwerp Terminal") as acquired at the end of last year was still under construction. Liu Chong Hing Bank Limited ("Liu Chong Hing Bank") contributed net profit of US$4,893,000 during the period (same period of 2004: US$4,244,000).

Aggregate tax charge rose by 65.6% to US$10,457,000, mainly due to increase in provision for deferred tax arising from the increase in profits from the container leasing business.

Financial position

Cash flow

Cash inflows of the Group remained stable. During the period, net cash from operating activities amounted to US$128,557,000 (same period of 2004: US$130,403,000). The Group drew bank loans of US$77,650,000 and repaid US$72,286,000 during the first half of the year. During the period, major capital investments of the Group involved US$3,142,000 in Antwerp Terminal, US$12,081,000 in Qingdao Qianwan Terminal and US$5,800,000 in Dalian Automobile Terminal Co., Ltd. ("Dalian Automobile Terminal"). Over the same period last year, major investments comprised: acquisition of 49% equity interest in COSCO Logistics involving cash outflow of US$142,179,000; investment in Qingdao Qianwan Terminal, Yangzhou Yuanyang International Ports and Dalian Automobile Terminal, involving cash outflows of US$61,170,000, US$11,126,000 and US$2,896,000, respectively. In addition to terminal investments, US$161,520,000 (same period of 2004: US$109,568,000) was paid during the period for purchase of new containers.

Financing and credit facilities

In July 2005, a subsidiary of the Group obtained a loan facility of US$300,000,000 from thirteen banks on a club deal basis for a term of six years at a cost equivalent to London Interbank Offered Rate ("LIBOR") plus 50 basis points. Of this amount, US$180,000,000 will be used to finance the purchase of new containers and for working capital and US$120,000,000 for re-financing purpose. The loan agreement was signed on 14th July 2005. Such loan, along with other favourable terms, will not only reduce the Group's interest expenses but also optimise its debt structure as well.

As at 30th June 2005, cash balances and banking facilities available but unused amounted to US$132,661,000 and US$269,908,000 respectively (31st December 2004: US$100,578,000 and US$291,108,000 respectively). Coupled with the US$180,000,000 facility as mentioned above, available cash and credit facilities amounted to US$582,569,000 in total.

Antwerp Terminal, an associate of the Group, raised funds through project financing during the period to finance part of the construction costs of the terminal project. The loan facility amounted to Euro 143,400,000 for a term of eleven years. The loan agreement was signed in March 2005.

Assets and liabilities

As at 30th June 2005, the Group's total assets amounted to US$2,737,777,000 (31st December 2004: US$2,243,072,000, as restated), and total liabilities amounted to US$889,549,000 (31st December 2004: US$757,444,000, as restated). Net assets amounted to US$1,848,228,000 (31st December 2004: US$1,485,628,000, as restated) and net asset value per share attributable to the equity holders of the Company was HK$6.55, representing a 23.5% increase from the end of last year.

The Group's cash balances as at 30th June 2005 amounted to US$132,661,000 (31st December 2004: US$100,578,000). Total outstanding borrowings amounted to US$655,160,000 (31st December 2004: US$653,323,000), with a net debt-to-equity ratio of 28.3% (31st December 2004: 37.2%). Interest coverage was 21 times, versus 11 times a year ago.

Certain fixed assets and land use rights of the Group with net book value of US$319,166,000 (31st December 2004: US$331,647,000) and bank deposits of US$11,112,000 (31st December 2004: US$11,297,000) were pledged to banks and financial institutions as security against borrowings totalling US$159,197,000 (31st December 2004: US$176,392,000), representing 22.1% of our total fixed assets and land use rights (31st December 2004: 26.8%).

Debt analysis

	As at 30th June 2005		As at 31st December 2004	
	US$	**%**	US$	%
By repayment term:				
Within the first year	**62,011,000**	**9.5**	38,178,000	5.9
Within the second year	**52,848,000**	**8.1**	44,046,000	6.7
Within the third year	**226,749,000**	**34.6**	58,609,000	9.0
Within the fourth year	**8,961,000**	**1.4**	202,087,000	30.9
Within the fifth year and beyond	**304,591,000**	**46.4**	310,403,000	47.5
	655,160,000*	**100.0**	653,323,000**	100.0
By type of borrowings:				
Secured borrowings	**159,197,000**	**24.3**	176,392,000	27.0
Unsecured borrowings	**495,963,000**	**75.7**	476,931,000	73.0
	655,160,000*	**100.0**	653,323,000**	100.0
By denomination of borrowings:				
US Dollar	**650,182,000**	**99.2**	649,795,000	99.5
RMB	**4,978,000**	**0.8**	3,528,000	0.5
	655,160,000*	**100.0**	653,323,000**	100.0

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

** net of unamortised discount on notes only.

Contingent liabilities

As at 30th June 2005, the Group provided guarantees on a loan facility granted to an associate of US$14,530,000 (31st December 2004: US$ Nil).

Foreign exchange and interest rate risks management

The Group's functional currency is US dollar and most of its borrowings are denominated in US dollars, a majority of which are used for the container leasing operation that has revenues generated and expenses incurred mainly denominated in US dollars. Accordingly, exposure to exchange rate risk is minimal.

In respect of the financing activities of jointly controlled entities and associates, such as COSCO-HIT, COSCO-PSA Terminal and Antwerp Terminal, all material borrowings were denominated in the corresponding local currencies, with corresponding hedging being effected.

The Group continued to exercise stringent control over the use of financial derivatives for hedging against its interest rate risks. As at 30th June 2005 and 31st December 2004, outstanding interest rate swap contracts comprised:

- Notional principals of contracts amounted to US$100,000,000 in total at fixed interest rates ranging from 3.88% to 4.90% per annum payable by the Group.

- Notional principals of contracts amounted to US$200,000,000 in total at floating interest rates ranging 6-month LIBOR plus 105 basis points to 116 basis points payable by the Group.

As at 30th June 2005, through interest rate swap contracts and fixed rate borrowing arrangements, the Group's ratio of fixed-rate to floating-rate borrowings stood at 31.1% : 68.9% (31st December 2004: 31.0% : 69.0%). The Group monitored and adjusted its debt portfolio of fixed and floating interests from time to time to reduce interest rate risk.

Review of operations

Container leasing

Benefiting from the growth in PRC trade and the containerisation trend in the transportation industry, the Group achieved satisfactory results in the container leasing operation. As at 30th June 2005, Florens Container Holdings Limited, a wholly owned subsidiary of the Company, and its subsidiaries (collectively referred to as "Florens") owned and operated a container fleet of 1,027,954 TEUs (same period of 2004: 864,568 TEUs), surpassing 1 million TEUs for the first time while recording an increase of 18.9% from a year ago. Florens further escalated its ranking as the fourth largest marine container leasing company (same period of 2004: fifth) with approximately 10.4% share of the global market (same period of 2004: approximately 9.9%). Average age of the Group's container fleet was 4.28 years (same period of 2004: 4.36 years).

Further effort made in expanding market reach

Florens further increased its momentum to penetrate the market while solidifying customer relations. To cope with the increasing demand, Florens purchased 131,838 TEUs of new containers (same period of 2004: 90,372 TEUs).

While acquiring new containers, Florens also sold 14,833 TEUs (same period of 2004: 28,247 TEUs) of containers returned from COSCON upon expiry of the leases ("Returned Containers"), including those being received before 2005.

Container fleet movement

	2005 TEUs	2004 TEUs
Total containers (as at 1st January)	**919,128**	808,825
New containers purchased	**131,838**	90,372
Containers returned from COSCON upon expiry of leases		
– Total	**(15,613)**	(31,820)
– Re-leased	**148**	2,102
– Disposed of and pending for disposal	**(15,465)**	(29,718)
Ownership transferred to customers upon expiry of finance leases	**(341)**	(302)
Defective containers written off	**–**	(210)
Total loss of containers declared and compensated by customers	**(7,206)**	(4,399)
Total containers (as at 30th June)	**1,027,954***	864,568*

* including 23,614 TEUs of containers managed on behalf of a third party (same period of 2004: 16,665 TEUs)

Customer base expansion

Besides providing 10-year container leases to COSCON, the world's seventh largest container ship operator (according to "The Journal of Commerce" dated 27th June 2005), the Group also provided short and long term leases to other international customers ("International Customers"). These International Customers included major global shipping companies. For the six months ended 30th June 2005, the top 20 International Customers accounted for approximately 71.8% (same period of 2004: 75.7%) of the Group's total container rental income from International Customers. The total number of customers reached 233 (same period of 2004: 198).

As at 30th June 2005, the Group leased a total of 362,635 TEUs to COSCON, representing 35.3% of the entire container fleet. Containers available to International Customers totalled 665,319 TEUs, representing 64.7% of the total containers.

Container fleet analysis

	30th June 2005		31st December 2004		30th June 2004	
	COSCON	**International Customers**	COSCON	International Customers	COSCON	International Customers
Total containers (in TEUs)	**362,635**	**665,319**	327,845	591,283	304,088	560,480
– Dry containers	**92.5%**	**96.6%**	92.0%	96.3%	91.7%	96.0%
– Reefers	**7.1%**	**1.9%**	7.4%	2.1%	7.7%	2.2%
– Specials	**0.4%**	**1.5%**	0.6%	1.6%	0.6%	1.8%

Utilisation rates beating industry average

While containers dedicated to COSCON remained 100% utilised during the period, the overall average utilisation rate of the Group was 96.4% (same period of 2004: 96.0%), well above the industry average of approximately 92.0% (same period of 2004: approximately 91.6%).

Handling of returned containers

During the period, a total of 15,613 TEUs (same period of 2004: 31,820 TEUs) of 10-year containers were returned from COSCON, of which 6,937 TEUs and 8,676 TEUs represented units to be returned on or before 2004 and 2005, respectively. The Group disposed of 14,833 TEUs (same period of 2004: 28,247 TEUs) of Returned Containers with a net profit on disposal of US$2,593,000 (same period of 2004: net loss of US$2,753,000).

Container terminal and related operations

During the period, the Group further enhanced its management capability while achieving higher operational efficiency. As a result, terminal throughput and net profit had a remarkable performance.

Strong growth in throughput of container terminals

Boosted by the growth of the PRC economy, the Group's container terminal business recorded a good growth. As at 30th June 2005, the 11 operating container terminals in which the Group has an interest handled a total of 12,129,340 TEUs during the period, a 17.5% increase from last year.

Throughput of container terminals

	1H 2005 ***(TEUs)***	1H 2004 *(TEUs)*	Changes over the corresponding period
Pearl River Delta*	**4,256,763**	**3,571,953**	**+19.2%**
COSCO-HIT	942,488	803,338	+17.3%
Yantian International Terminals Phase I, II and III	3,314,275	2,768,615	+19.7%
Yangtze River Delta	**3,187,756**	**3,051,992**	**+4.4%**
Shanghai Terminals	1,700,115	1,759,440	–3.4%
Shanghai Pudong International Terminals	1,233,572	1,098,955	+12.2%
Zhangjiagang Win Hanverky Terminal	180,329	155,753	+15.8%
Yangzhou Yuanyang International Ports	73,740	37,844	+94.9%
Bohai Rim	**4,375,000**	**3,425,765**	**+27.7%**
Qingdao Qianwan Terminal	2,616,018	2,141,078	+22.2%
Qingdao Cosport Terminals	265,206	179,673	+47.6%
Dalian Port Container Co., Ltd.	1,204,815	969,191	+24.3%
Yingkou Terminals	288,961	135,823	+112.7%
Overseas region	**309,821**	**274,265**	**+13.0%**
COSCO-PSA Terminal	309,821	274,265	+13.0%
Total throughput	**12,129,340**	**10,323,975**	**+17.5%**
Throughput of terminals in China mainland	**10,877,031**	**9,246,372**	**+17.6%**

* Shekou Terminals of which the Group had an interest, was disposed of on 23rd March 2005.

Expansion of terminal business, further enhancing its position as a leading terminal operator

The Group entered into a joint venture contract on 28th May 2005 for the establishment of Nanjing Port Longtan Container Co., Ltd ("Nanjing Longtan Terminal") in which the Group owns a 20% interest. Nanjing Longtan will operate Nanjing Longtan Container Terminal Phase I, which has a total of five berths with a quay length of 910 metres long and a depth alongside of 12 metres. Total area of the terminal is 930,000 square metres with an annual handling capacity of 1,000,000 TEUs. The terminal commenced operation on 26th August 2005.

On 16th April 2005, the Group entered into a joint venture heads of agreement with Guangzhou Port Group Co., Ltd. to form a joint venture company regarding the construction and operation of the Guangzhou Nansha Container Terminal Phase II. The Group will have an initial interest of 56% in the joint venture company. Six berths will be constructed at Nansha Container Terminal Phase II (the first two berths will be completed and operational in the second half of 2006 and the remaining four will be completed and operational in 2007). The terminal will have a quay length of 2,100 metres and a depth alongside of 17 metres. Total area of the terminal will be 2,320,000 square metres with an annual handling capacity of 4,200,000 TEUs.

Meanwhile, to capitalise on the strategic advantage of the Pearl River Delta Terminals and the opportunity to restructure the investment portfolio, the Group entered into an agreement with China Merchants Holdings (International) Company Limited on 23rd March 2005 for the disposal of its 17.5% equity interest in Shekou Terminals for a consideration of approximately HK$610,000,000. Profit on disposal of US$61,875,000 which has been booked in the first half of the year.

With all these new business developments and acquisitions in terminal operations, the Group held a total of 19 terminals as of 30th June 2005. These 19 terminals are strategically located in Pearl River Delta, Yangtze River Delta, Bohai Rim and major overseas locations. The Group held a total of 81 berths, including 76 berths for containers, 2 berths for automobile, 3 berths for multipurpose. The expected handling capacity will be increased to 40,400,000 TEUs.

Container terminals portfolio

	Shareholding	Total area (square metres)	No. of berths	Depth alongside (metres)	Annual handling capacity (TEUs)
PEARL RIVER DELTA			**17**		**14,100,000**
COSCO-HIT	50%	292,360	2	15.5	1,800,000
Yantian International Terminal (Phase I, II)	5%	1,180,000	5	14.0-15.5	4,500,000
Yantian International Terminal (Phase III)	4.45%	900,000	4	16	3,600,000
Guangzhou Nansha Container Terminal Phase II (Note 1)	56%	2,320,000	6	17	4,200,000
YANGTZE RIVER DELTA			**25**		**8,200,000**
Shanghai Terminals	10%	830,000	10	9.4-10.5	3,700,000
Shanghai Pudong International Terminals	20%	500,000	3	12	2,300,000
Zhangjiagang Win Hanverky Terminal	51%	251,000	2	10	500,000
Yangzhou Yuanyang International Ports	55.59%	350,000	4	11	500,000 4,700,000 tonnes bulk cargoes
Zhenjiang Jinyuan Terminals (Note 1)	25%	105,000	1	13	200,000
Nanjing Longtan Terminal (Note 1)	20%	930,000	5	12	1,000,000
BOHAI RIM			**31**		**13,600,000**
Qingdao Qianwan Terminal	20%	2,250,000	11	17.5	6,500,000
Qingdao Cosport Terminals	50%	186,800	1	13.5	600,000
Dalian Port Container Co., Ltd. (Note 2)	8%	710,000	9	8.9-14.0	3,000,000
Dalian Automobile Terminal	30%	540,000	2	11	600,000 vehicles
Dalian Port Terminal	20%	250,000	2	13.9	1,000,000
Tianjin Five Continents International Terminal (Note 1)	14%	516,000	4	15.7	1,500,000
Yingkou Terminals	50%	426,000	2	14	1,000,000
OVERSEAS			**8**		**4,500,000**
COSCO-PSA Terminal	49%	228,000	2	15	1,000,000
Antwerp Terminal (Note 3)	20%	1,263,000	6	17	3,500,000
Total number of berths in container terminal			**76**		**40,400,000**
Number of berths in the automobile terminal			**2**		**600,000 vehicles**
Number of berths in the multipurpose terminal			**3**		**4,700,000 tonnes bulk cargoes**

Note 1: Joint Venture Contracts or Joint Venture Heads of Agreements signed and capital injection has not been made as at 30th June 2005.

Note 2 : Not include Dalian Port Terminal.

Note 3 : After the disposal of 5% equity interest in Antwerp Terminal to a third party in July 2005.

Latest development of the container terminal project

The Group signed a letter of intent with Ningbo Port Group Ltd. and Tianjin Port Group Ltd. respectively in the first half of 2005, to engage in the development and operations of container terminals in Jintang Island of Ningbo and Tianjin North Port Basin.

Dalian Port Terminal, in which the Group has a 20% interest, commenced operation on 8th July 2005. In addition, pursuant to the Share Purchase Agreement entered into between the Group and P&O Ports Europe NV on 16th November 2004, in order to introduce an additional partner with liner carrier background to bring more volume to the Antwerp Terminal, the Group sold 5% of its equity interest to CMA CGM Group. The Group has accordingly reduced the shareholding percentage in Antwerp Terminal from 25% to 20% on 5th July 2005. Antwerp Terminal was opened on 6th July 2005 and will commence operations in the middle of September 2005.

Container handling and storage

During the period, Plangreat Limited, a wholly owned subsidiary of the Group, and its subsidiaries, engaged in container stevedoring, storage, repairs and drayage services, registered a turnover of US$3,476,000 (same period of 2004: US$3,748,000). The decline in turnover was attributed to a rise in container terminal transshipment which led to a decrease in container service market.

Logistics operation

COSCO Logistics continued to step up its efforts to expand its market share through achieving business expansion in 2005 in several sectors: household appliances, automobiles, electricity and petrol chemicals.

In relation to the shipping agency business, 16 routes were newly added while agency agreements were entered with four shipping companies. On the freight forwarding business, the Group entered into cooperation agreements with two companies, while an agency framework agreement was reached with another company.

The shipping agency business handled 63,380 vessels during the period (same period of 2004: 62,961 vessels), while maintaining its leadership position with a 49.1% share of the PRC market, up 0.67% from a year ago (same period of 2004: 50.6%). The freight forwarding arm handled 197,195,600 tonnes of cargoes during the period (same period of 2004: 186,695,300 tonnes), achieving a 5.6% increase from last year. The sea-freight forwarding agency business also recorded a growth in its marine freight forwarding business; volume increased by 19.6% to 771,620 TEUs (same period of 2004: 645,337 TEUs).

Furthermore, COSCO Logistics' branding position in the market was affirmed by the shipping industry media. At the "4th China Logistics Business Award" Conference, COSCO Logistics received 12 gold awards, 4 silver awards and 1 bronze award, from the conference sponsors, which included amongst others, "China Freight Weekly", "Logistics Era" and "China Freight Trade Net".

Container manufacturing

The Group acquired an equity interest of approximately 16.23% in CIMC at the end of last year. CIMC made its maiden contribution in the first half of the year, bringing profit of US$40,236,000 to the Group.

In addition, Shanghai CIMC Reefer Containers Co., Ltd., Shanghai CIMC Far East Container Co., Ltd. and Tianjin CIMC North Ocean Container Co., Ltd. also provided the Group with profit contributions for the period.

Container manufacturing factories	Shareholding	**1H 2005 Production volume (TEUs)**	1H 2004 Production volume (TEUs)	+/-
Shanghai CIMC Reefer Containers Co., Ltd.	20.0%	**23,422**	19,149	+22.3%
Shanghai CIMC Far East Container Co., Ltd.	20.0%	**57,879**	62,028	–6.7%
Tianjin CIMC North Ocean Container Co., Ltd.	22.5%	**72,173**	62,041	+16.3%

Other business

Liu Chong Hing Bank, in which the Group held a 20% interest, made a net profit contribution of US$4,893,000, up 15.3% from last year.

Employees and remuneration policies

The Group considers the building of an effective staff team as the best assurance for the corporation to achieve a rapid, solid and yet healthy growth. To cope with the business development needs of all the businesses – container leasing, container terminal, logistics and container manufacturing, the Group has been dedicating significant efforts to attracting, recruiting, and developing management talents.

Continuous improvements are made on remuneration policy and incentive schemes, which are based on the principles of fairness. Approved by the board of directors, the Remuneration and Assessment Committee and the Nomination Committee were established to facilitate the implementation of an advanced human resource management philosophy. Besides basic salary and bonus, the Company also uses share options as incentives to motivate employees to make significant contributions as a team to help the Group achieve the required growth and the corporate mission of “Satisfying Customers While Creating Shareholders’ Wealth”.

As at 30th June 2005, there were 431 employees in the Group. Total staff cost for the Group for the first half of the year, including directors’ remuneration, amounted to US$9,434,000 (same period of 2004: US$7,947,000).