

## DIVIDENDS

The directors have declared an interim cash dividend of HK27.4 cents (2005: HK28.1 cents) per share and a special interim cash dividend of HK9.1 cents (2005: HK11.3 cents) per share for the six months ended 30th June 2006. The interim dividend and special interim dividend will be payable on 6th October 2006 to shareholders whose names appeared on the register of members of the Company on 28th September 2006.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 25th September 2006 to Thursday, 28th September 2006, 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 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong, for registration not later than 4:00 p.m. on Friday, 22nd September 2006.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

#### *Overall analysis of results*

During the past six months, China maintained robust economic growth with 23.4% growth in trade volume and 10.9% GDP growth amid steady development of the global economy, while the Group continued to expand its core businesses.

The Group's profit before income tax and share reform and subsequent fair value gain on the Put Options rose 11.5% to US\$252,763,000 and profit attributable to the equity holders of the Company (before taking into account the share reform and subsequent fair value gain of the Put Options) for the period dropped by 6.6% to US\$200,691,000. In order to optimise the business model and capital structure of its container leasing operation, the Group completed the strategic sale and manage back of containers with a capacity of 600,082 TEUs as at 30th June 2006 and generating a non-recurring net profit from the disposal of US\$50,195,000 (2005: The Group gained US\$61,875,000 from the sale of 17.5% equity interest in Shekou Container Terminals Ltd.). In addition, Liu Chong Hing Bank Limited ("LCHB") and COSCO Logistics Co., Ltd. ("COSCO Logistics") provided the Group with satisfactory net profit contributions in the first half of the year, both reporting growth of more than 20%.

In the meantime, net profit contribution from COSCO-HIT Terminals (Hong Kong) Limited ("COSCO-HIT Terminal") during the period, decreased by 33.6% to US\$9,974,000 as a result of the replacement of 4 quay cranes by COSCO-HIT Terminal. Net profit contribution from China International Marine Containers (Group) Co., Ltd. ("CIMC") dropped by 33.3% to US\$26,843,000 as the prolonged impact of market factors subsisting since the end of 2005 resulted in lower sales volume and selling prices of containers. However, the market took a positive u-turn starting from the second quarter of 2006 and CIMC also recorded significantly improved results for the period from April to June as sales volume and selling prices recovered.

Profit before income tax for the period dropped by 16.9% to US\$188,476,000. Profit attributable to the equity holders of the Company for the period decreased 36.5% to US\$136,404,000 from US\$214,770,000 a year ago. Earnings per share dropped by 37.0% to US6.18 cents from US9.81 cents.

Pursuant to the compensation scheme regarding to the CIMC Share Reform, the Group granted 424,106,507 Put Options to the CIMC Tradable A-Share Shareholders in May 2006 in connection with the conversion of the CIMC non-tradable shares held by the Group into tradable A-Shares of CIMC, which are publicly tradable on the Shenzhen Stock Exchange. By adoption of HKAS 39 "Financial Instruments: Recognition and Measurement", the Group has recognised the fair value of the Put Options of US\$140,064,000 as derivative financial liabilities, with a corresponding charge to the income statement of the same amount on the first grant date of the Put Options. The fair value of the Put Options was calculated with reference to the first quote price of the Put Options at RMB2.65.