

INTERIM RESULTS

The board of directors (the “Directors”) of COSCO Pacific Limited (the “Company” and “COSCO Pacific”) 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 2006. The interim report has been reviewed by the Company’s Audit Committee.

The Group’s unaudited condensed consolidated financial statements as set out on pages 3 to 27 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. (“CIMC”) and Liu Chong Hing Bank Limited (“LCHB”). Accordingly, their independent review report has been modified in this respect.

The Group’s shares of net assets and results of CIMC and LCHB which have been accounted for under equity method on the basis of their published interim financial information have been disclosed in notes 3(a)(ii) and 3(a)(i) respectively to the unaudited condensed consolidated financial statements.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June 2006

	Note	Six months ended 30th June	
		2006 US\$'000	2005 US\$'000
Turnover	3	150,286	141,898
Cost of sales		(62,091)	(58,937)
Gross profit		88,195	82,961
Other gains		12,903	11,029
Other operating income	4	48,724	22,343
Other operating expenses		(20,650)	(15,554)
Administrative expenses		(16,020)	(15,131)
Profit on disposal of containers	5	84,454	—
Profit on disposal of an available-for-sale financial asset	6	—	61,875
Initial recognition of put options granted in connection with share reform of an associate	7	(140,064)	—
Fair value gain on put options granted	7	75,777	—
		(64,287)	—
Operating profit	8	133,319	147,523
Finance costs	9	(26,242)	(16,310)
Operating profit after finance costs		107,077	131,213
Share of profits less losses of			
— jointly controlled entities		40,898	42,177
— associates		40,501	53,300
Profit before income tax		188,476	226,690
Income tax expenses	10	(50,453)	(10,457)
Profit for the period		138,023	216,233
Profit attributable to:			
Equity holders of the Company		136,404	214,770
Minority interests		1,619	1,463
		138,023	216,233
Dividends			
— interim	11	78,213	79,253
— special interim	11	26,042	31,871
		104,255	111,124
Earnings per share for profit attributable to the equity holders of the Company			
— basic	12	US6.18 cents	US9.81 cents
— diluted	12	US6.14 cents	US9.73 cents

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th June 2006

	Note	As at 30th June 2006 US\$'000	As at 31st December 2005 US\$'000
Non-current assets			
Property, plant and equipment	13	739,405	1,400,120
Investment properties		1,383	1,383
Leasehold land and land use rights		18,085	16,597
Intangible assets		3,735	3,803
Jointly controlled entities		452,251	403,486
Associates		548,953	483,514
Deferred income tax assets		1,294	246
Available-for-sale financial assets		296,014	275,595
Finance lease receivables		3,728	3,747
Restricted bank deposits	14	158	21,978
		2,065,006	2,610,469
Current assets			
Inventories		10,195	2,486
Trade and other receivables	15	115,781	84,133
Derivative financial assets	22	1,330	725
Bank balances and cash	14	973,011	157,337
		1,100,317	244,681
Current liabilities			
Trade and other payables	16	149,572	53,628
Current income tax liabilities		124,627	820
Current portion of long term borrowings	17	750	84,558
Short term bank loans	18	346,501	2,478
		621,450	141,484
Net current assets		478,867	103,197
Total assets less current liabilities		2,543,873	2,713,666
Non-current liabilities			
Deferred income tax liabilities		—	72,699
Derivative financial liabilities	22	75,324	2,007
Long term borrowings	17	459,276	748,617
Other long term liabilities		5,952	—
		540,552	823,323
Net assets		2,003,321	1,890,343
Capital and reserves attributable to the equity holders of the Company			
Share capital	19	28,448	28,200
Reserves		1,861,078	1,772,959
Proposed final dividend		—	78,789
Interim dividends declared		104,255	—
		1,993,781	1,879,948
Minority interests		9,540	10,395
Total equity		2,003,321	1,890,343

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June 2006

	2006 US\$'000	2005 US\$'000
Total equity at 1st January	1,890,343	1,753,214
Exchange differences on translation of foreign operations	5,054	(1,783)
Fair value gain on available-for-sale financial assets	14,531	714
Share of reserves of a jointly controlled entity/associates		
— revaluation reserve	5,299	(168)
— hedging reserve	—	(812)
— other reserves	18	43
Net income/(expense) recognised directly in equity	24,902	(2,006)
Profit for the period	138,023	216,233
Total net income recognised for the period	162,925	214,227
Reserve realised upon disposal of an available-for-sale financial asset	2,053,268	1,967,441
Issue of shares on exercise of share options	—	(61,865)
Dividends paid to		
— equity holders of the Company	32,065	13,815
— minority interests	(79,524)	(69,183)
	(2,488)	(1,980)
Total equity at 30th June	2,003,321	1,848,228

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June 2006

	Six months ended 30th June	
	2006 US\$'000	2005 US\$'000
Net cash from operating activities	164,812	127,716
Net cash from/(used in) investing activities	747,155	(30,377)
Net cash used in financing activities	(96,828)	(65,127)
Effect of foreign exchange rate changes	535	56
Net increase in cash and cash equivalents	815,674	32,268
Cash and cash equivalents at 1st January	157,337	89,281
Cash and cash equivalents at 30th June	973,011	121,549
Analysis of balances of cash and cash equivalents:		
Time deposits	56,216	93,250
Bank balances and cash	916,795	28,299
	973,011	121,549

1. GENERAL INFORMATION

COSCO Pacific Limited (the “Company”) and its subsidiaries (collectively the “Group”) are principally engaged in container leasing and management, container terminal, logistics, container manufacturing and their related businesses. The Company is a limited liability company incorporated in Bermuda and its registered office is Clarendon House, Church Street, Hamilton HM11, Bermuda.

China COSCO Holdings Company Limited (“China COSCO”), the intermediate holding company of the Company, is established in the People’s Republic of China (the “PRC”) and listed in Hong Kong. The parent company of China COSCO is China Ocean Shipping (Group) Company (“COSCO”), a state-owned enterprise established in the PRC.

These condensed consolidated financial statements of the Group for the six months ended 30th June 2006 (the “unaudited Condensed Consolidated Financial Statements”) are presented in thousands of units of United States dollars (US\$’000), unless otherwise stated. The unaudited Condensed Consolidated Financial Statements have been approved for issue by the Board of Directors on 7th September 2006.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited Condensed Consolidated Financial Statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the HKICPA.

The unaudited Condensed Consolidated Financial Statements should be read in conjunction with the Group’s annual financial statements for the year ended 31st December 2005 (the “2005 Annual Financial Statements”) which were prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRS”), Hong Kong Accounting Standards (“HKAS”) and interpretations issued by the HKICPA.

(a) Adoption of new/revised HKFRSs

The accounting policies and methods of computation used in the preparation of the unaudited Condensed Consolidated Financial Statements are consistent with those used in the 2005 Annual Financial Statements, except that the Group has adopted the following new standards, interpretations and amendments to published standards (collectively the “new/revised HKFRSs”) issued by the HKICPA which are relevant to its operations and mandatory for the financial year ending 31st December 2006:

HKAS 21 (Amendment)	Net Investment in a Foreign Operation
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKFRS 4 and HKAS 39 (Amendment)	Financial Guarantee Contracts
HKFRS Interpretation 4	Determining whether an Arrangement contains a Lease

The adoption of the above new/revised HKFRSs in the current period did not have any significant effects on the unaudited Condensed Consolidated Financial Statements or result in any significant changes in the Group’s accounting policies.

The HKICPA has issued certain new standards, interpretations and amendments which are not yet effective for the year ending 31st December 2006. The Group has not early adopted these standards, interpretations and amendments in the unaudited Condensed Consolidated Financial Statements but has already commenced an assessment of the related impact to the Group. The Group is not yet in a position to state whether any substantial changes to the Group’s accounting policies and presentation of the financial statements will result.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

(b) Change in an accounting estimate

The directors have reviewed the residual values and useful lives of property, plant and equipment at 1st January 2006. The depreciation charge of containers for the six months ended 30th June 2006 has been calculated based on the revised estimated residual values. This represents a change in an accounting estimate and has been accounted for prospectively. The effect of this change is to decrease the depreciation charge by approximately US\$1,682,000 and decrease the deferred income tax credit by approximately US\$355,000 for the six months ended 30th June 2006.

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 interest 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 and available-for-sale financial assets.

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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. SEGMENT INFORMATION (Continued)

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

The segment turnover, results and other segment information included in the condensed consolidated income statement are as follows:

	Container leasing and related businesses US\$'000	Container terminal and related businesses US\$'000	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
Six months ended 30th June 2006							
Turnover							
— total revenues	139,606	10,681	—	—	—	—	150,287
— inter-segment sales	—	(1)	—	—	—	—	(1)
External sales	139,606	10,680	—	—	—	—	150,286
Segment results	83,230	1,270	(3,747)	(1,614)	—	—	79,139
Dividend income from							
— a listed investment	—	—	—	—	—	476	476
— unlisted investments	—	9,087	—	—	—	—	9,087
Profit on disposal of containers (note 5)	84,454	—	—	—	—	—	84,454
Initial recognition of put options granted in connection with share reform of an associate (note 7)	—	—	—	(140,064)	—	—	(140,064)
Fair value gain on put options granted (note 7)	—	—	—	75,777	—	—	75,777
Unallocated costs							
— net corporate expenses	—	—	—	—	—	(3,116)	(3,116)
— corporate finance costs	—	—	—	—	—	(300)	(300)
— corporate interest income	—	—	—	—	—	1,624	1,624
Operating profit/(loss) after finance costs	167,684	10,357	(3,747)	(65,901)	—	(1,316)	107,077
Share of profits less losses of							
— jointly controlled entities	—	26,374	9,321	5,203	—	—	40,898
— associates (note i)	—	7,331	—	26,843	6,327	—	40,501
Profit before income tax							188,476
Income tax expenses							(50,453)
Profit for the period							138,023
Capital expenditure	186,175	303	—	—	—	2,010	188,488
Depreciation and amortisation	56,003	759	—	—	—	193	56,955
Amortised amount of transaction costs on bank loans and notes	3,629	—	—	—	—	—	3,629
Other non-cash expenses	506	81	91	39	—	—	717

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. SEGMENT INFORMATION (Continued)

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

	Container leasing and related businesses US\$'000	Container terminal and related businesses US\$'000	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
Six months ended 30th June 2005							
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 6)	—	61,875	—	—	—	—	61,875
Unallocated costs							
— net corporate expenses	—	—	—	—	—	(3,955)	(3,955)
— corporate finance costs	—	—	—	—	—	(170)	(170)
— 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 i)	—	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
Capital expenditure	276,865	2,868	—	—	—	29	279,762
Depreciation and amortisation	53,722	628	—	—	—	214	54,564
Amortised amount of transaction costs							
on bank loans and notes	593	—	—	—	—	—	593
Other non-cash expenses	54	74	96	41	—	2	267

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. SEGMENT INFORMATION (Continued)

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

The segment assets and liabilities as at 30th June 2006 and 31st December 2005 are as follows:

	Container leasing and related businesses US\$'000	Container terminal and related businesses US\$'000	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 2006							
Segment assets	1,737,483	57,853	—	15,572	—	—	1,810,908
Jointly controlled entities	—	230,603	198,926	22,722	—	—	452,251
Associates (note ii)	—	172,571	—	204,461	171,921	—	548,953
Available-for-sale financial assets	—	287,109	—	—	—	8,905	296,014
Unallocated assets							57,197
							<u>3,165,323</u>
Segment liabilities	314,410	128,900	127,724	119,287	—	—	690,321
Unallocated liabilities							<u>471,681</u>
							<u>1,162,002</u>

	Container leasing and related businesses US\$'000	Container terminal and related businesses US\$'000	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 2005							
Segment assets	1,554,198	52,403	—	14	—	—	1,606,615
Jointly controlled entities	—	201,266	183,980	18,240	—	—	403,486
Associates (note ii)	—	120,224	—	193,343	169,947	—	483,514
Available-for-sale financial assets	—	264,523	—	—	—	11,072	275,595
Unallocated assets							85,940
							<u>2,855,150</u>
Segment liabilities	578,132	127,692	127,725	55,000	—	—	888,549
Unallocated liabilities							<u>76,258</u>
							<u>964,807</u>

Notes:

- (i) For the six months ended 30th June 2006, the Group's share of the unaudited profits (net of income tax expenses) of CIMC and LCHB, listed associates of the Group, amounted to US\$26,843,000 (2005: US\$40,236,000) and US\$6,327,000 (2005: US\$4,893,000) respectively.
- (ii) As at 30th June 2006, the Group's share of the unaudited net assets of CIMC and LCHB amounted to US\$204,461,000 (31st December 2005: US\$193,343,000) and US\$171,921,000 (31st December 2005: US\$169,947,000) respectively.

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 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:

<u>Business segments</u>	<u>Geographical areas</u>
Container terminal and related businesses	China mainland, Hong Kong, Singapore and Belgium
Logistics and related businesses	China mainland
Container manufacturing and related businesses	China mainland
Banking businesses	Hong Kong

4. OTHER OPERATING INCOME

	Six months ended 30th June	
	2006 US\$'000	2005 US\$'000
Sale of inventories	18,901	12,148
Finder fee (note 5)	15,240	—
Others	14,583	10,195
	48,724	22,343

5. PROFIT ON DISPOSAL OF CONTAINERS

The Group disposed of containers with an aggregate net book value of US\$762,070,000 (representing volume of approximately 600,082 twenty-foot equivalent units) as at 30th June 2006 (the "Sold Containers") to a third party for a cash consideration of approximately US\$846,524,000 (the "Disposal"). The Disposal was completed during the period and the gain on Disposal before taxes amounted to US\$84,454,000.

The Group has also received a finder fee of approximately US\$15,240,000 in respect of its services rendered for the entire transaction prior to the completion of the Disposal. The finder fee has been recognised and included in the condensed consolidated income statement as other operating income (note 4).

6. PROFIT ON DISPOSAL OF AN AVAILABLE-FOR-SALE FINANCIAL ASSET

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

7. SHARE REFORM

On 25th May 2006, the Company issued 424,106,507 put options (the "Put Options") to holders of the A-Shares not having trading restrictions (the "CIMC Tradeable A-Shares") of CIMC, an associate of the Group listed on the Shenzhen Stock Exchange, as consideration for the former's approval of the removal of the trading restrictions on the CIMC shares held by the Group. The Put Options are listed on the Shenzhen Stock Exchange. The holders of the Put Options are entitled to require the Company to buy from them 1.128 CIMC Tradable A-Shares at an exercise price of RMB8.868 per share during the 5 trading days immediately prior to, but not including 25th November 2007. The closing price of the CIMC Tradable A-Shares on 30th June 2006 was RMB16.10 per share. If all the Put Options are exercised in full, the Company will have to pay a total sum of approximately RMB4,241,000,000 (equivalent to approximately US\$530,429,000) in cash and the Group's equity interest in CIMC will be increased from 16.23% to approximately 37% after the acquisition.

The Put Options are derivative financial instruments as defined under HKAS 39 "Financial Instruments: Recognition and Measurement" ("HKAS 39"). Accordingly, upon issuance of the Put Options, the Group recognised a liability in the amount of US\$140,064,000, the fair value of the Put Options, and recognised a debit of the same amount in the condensed consolidated income statement.

The Put Options have been carried in the condensed consolidated balance sheet at their fair value in accordance with HKAS 39. Accordingly, the decrease in fair value of the Put Options of US\$75,777,000, from the initial recognition of US\$140,064,000 as at 25th May 2006 to that of US\$64,287,000 as at 30th June 2006, has been credited to the condensed consolidated income statement for the current period. In the event that no Put Options are exercised, further credit would be made to the consolidated income statement in the periods up to the expiry of the Put Options and the accumulated credit would be equal to the balance of the initially recognised liability.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8. OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	Six months ended 30th June	
	2006 US\$'000	2005 US\$'000
Crediting		
Sale of inventories	18,901	12,148
Dividend income from		
— a listed investment	476	768
— unlisted investments	9,087	8,177
Fair value gain on interest rate swap contract not qualified as hedges	775	5,097
Interest income	3,316	2,058
Profit on disposal of property, plant and equipment (excluding the Sold Containers (note 5))	278	335
Reversal of provision for impairment of trade receivables	1,146	6
Charging		
Depreciation and amortisation	56,955	54,564
Cost of inventories sold	13,250	9,271
Cost of inventories expensed	170	126
Provision for inventories	174	—
Provision for impairment of trade receivables	—	153

9. FINANCE COSTS

	Six months ended 30th June	
	2006 US\$'000	2005 US\$'000
Interest expense on		
— bank loans	13,622	6,279
— other loans	8	184
— notes not wholly repayable within five years	8,386	8,813
Amortised amount of discount on issue of notes	108	114
Amortised amount of transaction costs on bank loans and notes	3,629	593
	25,753	15,983
Other incidental borrowing costs and charges	489	327
	26,242	16,310

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10. INCOME TAX EXPENSES

	Six months ended 30th June	
	2006 US\$'000	2005 US\$'000
Current income tax		
— Hong Kong profits tax	121	51
— China mainland taxation	547	499
— Overseas taxation	124,087	192
— Over provision in prior years	(555)	(5)
	124,200	737
Deferred income tax (credit)/charge, net	(73,747)	9,720
	50,453	10,457

The Group's share of income tax expenses of jointly controlled entities and associates of US\$6,044,000 (2005: US\$7,421,000) and US\$3,017,000 (2005: US\$5,095,000) are included in the Group's 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% (2005: 17.5%) on the estimated assessable profit for the period.

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. The overseas taxation charged for the current period primarily included the estimated capital gain tax provision in connection with the Disposal as mentioned in note 5.

Deferred taxation is provided in full on temporary differences under the liability method using tax rates substantively enacted by the balance sheet date. The deferred tax liabilities associated with the Sold Containers disposed of have been written back and credited to the condensed consolidated income statement upon the disposal of the Sold Containers (note 5).

As at 30th June 2006, deferred tax liabilities of US\$55,338,000 (31st December 2005: US\$36,617,000) have not been established for the withholding taxation that would be payable on the unremitted earnings of certain subsidiaries totalling US\$184,459,000 (31st December 2005: US\$122,055,000) 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.

11. DIVIDENDS

	Six months ended 30th June	
	2006 US\$'000	2005 US\$'000
Interim dividend, declared, of US3.526 cents (2005: US3.614 cents) per ordinary share	78,213	79,253
Special interim dividend, declared, of US1.174 cents (2005: US1.453 cents) per ordinary share	26,042	31,871
	104,255	111,124

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11. DIVIDENDS (Continued)

Notes:

- (a) At a meeting held on 23rd March 2006, the directors proposed a final dividend of HK27.8 cents (equivalent to US3.583 cents) per ordinary share for the year ended 31st December 2005, which was paid on 1st June 2006 and has been reflected as an appropriation of retained profits for the six months ended 30th June 2006.
- (b) At a meeting held on 7th September 2006, the directors declared an interim dividend of HK27.4 cents (equivalent to US3.526 cents) per ordinary share and a special interim dividend of HK9.1 cents (equivalent to US1.174 cents) per ordinary share. These interim dividends declared are not reflected as dividends payable in the unaudited Condensed Consolidated Financial Statements, but will be reflected as an appropriation of retained profits for the year ending 31st December 2006.

12. EARNINGS PER SHARE

Basic

Basic earnings per share are 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	
	2006	2005
Profit attributable to the equity holders of the Company	US\$136,404,000	US\$214,770,000
Weighted average number of ordinary shares in issue	2,208,054,243	2,189,048,596
Basic earnings per share	US6.18 cents	US9.81 cents

Diluted

Diluted earnings per share are 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	
	2006	2005
Profit attributable to the equity holders of the Company	US\$136,404,000	US\$214,770,000
Weighted average number of ordinary shares in issue	2,208,054,243	2,189,048,596
Adjustments for assumed conversion of share options	11,800,816	17,426,155
Weighted average number of ordinary shares for diluted earnings per share	2,219,855,059	2,206,474,751
Diluted earnings per share	US6.14 cents	US9.73 cents

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30th June 2006, the Group acquired property, plant and equipment of US\$186,631,000 (2005: US\$279,361,000) and disposed of property, plant and equipment with net book value of US\$790,646,000 (including the Sold Containers of US\$762,070,000 as mentioned in note 5) (2005: US\$18,588,000).

14. CASH AND CASH EQUIVALENTS

	As at 30th June 2006 US\$'000	As at 31st December 2005 US\$'000
Total time deposits, bank balances and cash (note a)	973,169	179,315
Restricted bank deposits included in non-current assets (note b)	(158)	(21,978)
	973,011	157,337
Representing:		
Time deposits	56,216	94,688
Bank balances and cash	916,795	62,649
	973,011	157,337

Notes:

- (a) As at 30th June 2006, cash and cash equivalents of US\$25,915,000 (31st December 2005: US\$17,894,000) 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 as at 31st December 2005 included deposits of US\$21,819,000 which were held as security for repayment of bank loans of the Group and are restricted for the purpose of the related banking facilities. The related bank loans have been fully repaid during the six months ended 30th June 2006.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

15. TRADE AND OTHER RECEIVABLES

	As at 30th June 2006 US\$'000	As at 31st December 2005 US\$'000
Trade receivables (notes a and b)		
— third parties	47,382	40,717
— fellow subsidiaries (note c)	26,514	25,224
— related companies	129	268
	74,025	66,209
Less: provision for impairment	(1,863)	(3,056)
	72,162	63,153
Other receivables, deposits and prepayments	17,405	12,556
Current portion of finance lease receivables	1,513	1,283
Amounts due from (notes a and d)		
— jointly controlled entities	9,055	7,071
— associates	15,646	70
	115,781	84,133

Notes:

- (a) The amounts are unsecured and interest free. Trading balances with fellow subsidiaries, jointly controlled entities, associates and related companies have credit periods ranging from 30 to 90 days while other balances have no fixed terms of repayment.
- (b) 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 2006 US\$'000	As at 31st December 2005 US\$'000
Within 30 days	26,907	31,132
31–60 days	29,288	25,869
61–90 days	10,406	5,340
Over 90 days	5,561	812
	72,162	63,153

- (c) The balances represented container leasing income receivable from fellow subsidiaries and mainly included a receivable balance from COSCO Container Lines Company Limited (“COSCON”) of US\$23,626,000 (31st December 2005: US\$22,522,000) (note 23(a)(i)).
- (d) The balance mainly represented dividend receivable from jointly controlled entities and an associate of the Group.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

16. TRADE AND OTHER PAYABLES

	As at 30th June 2006 US\$'000	As at 31st December 2005 US\$'000
Trade payables (notes a and b)		
— third parties	30,452	3,638
— jointly controlled entities (note d)	9,271	3,360
— minority shareholder of a subsidiary	—	437
— subsidiaries of CIMC (note d)	39,247	16,766
— fellow subsidiaries	95	326
	79,065	24,527
Other payables and accruals (note c)	70,378	29,059
Dividend payable	19	18
Amounts due to fellow subsidiaries (note a)	110	24
	149,572	53,628

Notes:

- (a) The amounts are unsecured and interest free. Trading balances with jointly controlled entities, minority shareholder of a subsidiary, subsidiaries of CIMC and fellow subsidiaries have similar credit periods granted as those of other third party suppliers while the other balances have no fixed terms of repayment.
- (b) The ageing analysis of trade balances due to third parties, jointly controlled entities, minority shareholder of a subsidiary, subsidiaries of CIMC and fellow subsidiaries was as follows:

	As at 30th June 2006 US\$'000	As at 31st December 2005 US\$'000
Within 30 days	11,592	6,505
31–60 days	40,090	312
61–90 days	27,286	17,670
Over 90 days	97	40
	79,065	24,527

- (c) Other payables and accruals included an amount of US\$44,803,000 (31st December 2005: US\$871,000) 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 balances represented the amounts payable to jointly controlled entities of the Group and subsidiaries of CIMC in respect of purchases of containers (note 23(a)(vi)).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

17. LONG TERM BORROWINGS

	As at 30th June 2006 US\$'000	As at 31st December 2005 US\$'000
Borrowings		
Secured (note c)	1,000	345,618
Unsecured	459,026	487,557
	460,026	833,175
Amounts due within one year included under current liabilities	(750)	(84,558)
	459,276	748,617

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

	As at 30th June 2006 US\$'000	As at 31st December 2005 US\$'000
Wholly repayable within five years		
Bank loans	178,070	534,885
Other loans	—	7,562
	178,070	542,447
Notes not wholly repayable within five years	281,956	290,728
	460,026	833,175

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

17. LONG TERM BORROWINGS (Continued)

(b) The maturity of borrowings is as follows:

	As at 30th June 2006 US\$'000	As at 31st December 2005 US\$'000
Bank loans		
Within one year	750	81,700
Between one and two years	176,320	76,089
Between two and five years	1,000	377,096
	178,070	534,885
Notes		
In more than five years	281,956	290,728
Other loans		
Within one year	—	2,858
Between one and two years	—	3,078
Between two and five years	—	1,626
	—	7,562
	460,026	833,175

(c) As at 30th June 2006, bank loan of US\$1,000,000 (31st December 2005: US\$1,000,000) was secured by certain land use right of a subsidiary.

As at 31st December 2005, bank and other loans of US\$344,618,000 were also secured by certain containers of the Group, the assignment of the container lease agreements and the rental income thereon, other assets and shares of certain subsidiaries. These bank and other loans have been fully repaid during the six months ended 30th June 2006.

18. SHORT TERM BANK LOANS

As at 30th June 2006, the amount mainly included an unsecured short term bank loan of US\$344,000,000 which was repaid in full in July 2006.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

19. SHARE CAPITAL

	As at 30th June 2006 US\$'000	As at 31st December 2005 US\$'000
Authorised: 3,000,000,000 (31st December 2005: 3,000,000,000) ordinary shares of HK\$0.10 each	38,462	38,462
Issued and fully paid: 2,218,198,298 (31st December 2005: 2,198,966,298) ordinary shares of HK\$0.10 each	28,448	28,200

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 2006	2,198,966,298	28,200
Issued on exercising of share options	19,232,000	248
At 30th June 2006	2,218,198,298	28,448

(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:

Category	Exercise price HK\$	Number of share options		
		Outstanding as at 1st January 2006	Exercised during the period	Outstanding as at 30th June 2006
Directors	8.80	900,000	—	900,000
	9.54	2,700,000	(400,000)	2,300,000
	13.75	8,800,000	(1,800,000)	7,000,000
Continuous contract employees	8.80	254,000	(32,000)	222,000
	9.54	6,794,000	(1,764,000)	5,030,000
	13.75	31,044,000	(8,702,000)	22,342,000
Others	9.54	3,104,000	(1,494,000)	1,610,000
	13.75	18,000,000	(5,040,000)	12,960,000
		71,596,000	(19,232,000)	52,364,000

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

20. CONTINGENT LIABILITIES

	As at 30th June 2006 US\$'000	As at 31st December 2005 US\$'000
Guarantee for bank loan facilities granted to an associate	23,576	21,920

21. CAPITAL COMMITMENTS

	As at 30th June 2006 US\$'000	As at 31st December 2005 US\$'000
Authorised but not contracted for:		
Containers	140,939	317,558
Generator sets	4,281	5,600
Computer system under development	1,119	1,074
	146,339	324,232
Contracted but not provided for:		
Investments (note)	858,756	711,844
Containers	28,797	8,331
Other property, plant and equipment	8,738	6,240
	896,291	726,415
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	34,079	8,318
Contracted but not provided for	7,236	7,316
	41,315	15,634

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

21. CAPITAL COMMITMENTS (Continued)

Note:

The Group's contracted investments as at 30th June 2006 are as follows:

	As at 30th June 2006 US\$'000	As at 31st December 2005 US\$'000
Investments in:		
Qingdao Qianwan Container Terminal Co., Ltd	83,825	104,020
Antwerp Gateway NV	87,260	81,091
Dalian Port Container Terminals Co., Ltd	89,271	88,392
Others	46,437	44,197
	306,793	317,700
Terminal projects in:		
Guangzhou South China Oceangate Terminal	295,831	293,096
Tianjin Port Euroasia Terminal	135,074	—
Shanghai Yangshan Port Phase II	50,027	49,565
Suez Canal Terminal at Port Said, Egypt	47,500	47,500
Others	23,531	3,983
	551,963	394,144
	858,756	711,844

22. DERIVATIVE FINANCIAL INSTRUMENTS

	As at 30th June 2006		As at 31st December 2005	
	Assets US\$'000	Liabilities US\$'000	Assets US\$'000	Liabilities US\$'000
Interest rate swap contracts				
— cash flow hedges (note i)	1,330	—	725	—
— fair value hedges (note ii)	—	11,037	—	2,007
Put Options (note 7)	—	64,287	—	—
	1,330	75,324	725	2,007

Notes:

- (i) The notional principal amounts of the related interest rate swap contracts amounted to US\$100,000,000 (31st December 2005: US\$100,000,000) which were committed with the fixed interest rates ranging from 3.88% to 4.90% (2005: 3.88% to 4.90%) per annum. These derivative financial instruments do not qualify for hedge accounting.
- (ii) The notional principal amounts of the related interest rate swap contracts amounted to US\$200,000,000 (31st December 2005: US\$200,000,000) which were committed with the interest rates ranging from 1.05% to 1.16% (2005: 1.05% to 1.16%) per annum above the London Interbank Offered Rate. These interest rate swap contracts had been designated as a hedge of the fair value of the notes issued by the Group (note 17) during the year ended 31st December 2005.

23. RELATED PARTY TRANSACTIONS

China COSCO owns 51.58% of the Company's shares as at 30th June 2006. The remaining 48.42% of the Company's shares are widely held. The parent company of China COSCO is COSCO.

COSCO 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 "Related Party Disclosures" issued by the HKICPA, 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 believe that material information relating to related party transactions has been adequately disclosed.

In addition to those disclosed elsewhere in the unaudited Condensed Consolidated 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.

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

	Six months ended 30th June	
	2006 US\$'000	2005 US\$'000
Container rental income from (note i)		
— a fellow subsidiary	63,212	59,668
— other state-owned enterprises	77	137
Handling, storage and net transportation income from a fellow subsidiary (note ii)	3,586	3,228
Management fee income from a jointly controlled entity (note iii)	1,289	1,282
Container terminal handling fees received from fellow subsidiaries and an associate of a parent company (note iv)	1,707	1,500
Approved continuous examination program fee to a fellow subsidiary (note v)	(275)	(550)
Purchase of containers from (note vi)		
— subsidiaries of CIMC	(62,362)	(62,892)
— jointly controlled entities of the Group	(23,765)	(33,718)
Proceeds on the disposal of a subsidiary and assignment of a shareholder's loan to a fellow subsidiary (note vii)	—	1,558

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 as set out in the agreements entered into between the Group and the fellow subsidiary.

23. RELATED PARTY TRANSACTIONS (Continued)

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

- (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 (2005: HK\$20,000,000) per annum.
- (iv) The Group provided container terminal handling and storage services to fellow subsidiaries and an associate of COSCO for cargoes shipped to and from 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\$550,000 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 2006 (2005: US\$1,100,000).
- (vi) The purchases of containers from certain subsidiaries of CIMC and jointly controlled entities of the Group were conducted at terms as set out in the agreements entered into between the Group and the parties in concern.
- (vii) 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 aggregate consideration of HK\$12,100,000 (equivalent to US\$1,558,000), resulting in an insignificant gain.

(b) Balances with state-owned banks

	As at 30th June 2006 US\$'000	As at 31st December 2005 US\$'000
Bank deposit balances		
— in the PRC	25,915	17,894
— outside the PRC	72,032	101,630
	97,947	119,524
Loans		
— in the PRC	6,378	6,328
— outside the PRC	175,000	175,000
	181,378	181,328

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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

23. RELATED PARTY TRANSACTIONS (Continued)

(c) Balances with other state-owned enterprises

	As at 30th June 2006 US\$'000	As at 31st December 2005 US\$'000
Other payable to a state-owned enterprise	5,599	5,005

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.

(d) Key management compensation

	Six months ended 30th June	
	2006 US\$'000	2005 US\$'000
Salaries, bonuses and other allowances	1,702	1,392
Contribution to retirement benefit schemes	4	4
	1,706	1,396

The amount represented the compensation, including all employee benefits, provided by the Group to its directors and senior management. The Company did not grant any share options during the six months ended 30th June 2006 and 2005.

24. EVENTS AFTER THE BALANCE SHEET DATE

- (a) Pursuant to an agreement dated 17th July 2006, the Group agreed to dispose of its entire 20% equity interest in Shanghai CIMC Far East Container Co., Ltd. ("Shanghai CIMC Far East"), a jointly controlled entity of the Group, to a wholly owned subsidiary of CIMC at a cash consideration of approximately US\$6,252,000. The gain on disposal of Shanghai CIMC Far East is estimated to be approximately US\$5,469,000.
- (b) On 8th August 2006, the Group entered into an agreement with Quanzhou Port Container Co., Ltd. for the establishment of Quanzhou Pacific Container Terminal Co., Ltd. ("QPCT") for the management and operation of a container terminal in Quanzhou. The Group will have 71.43% equity interest in QPCT and the Group's committed investment in QPCT amounted to approximately US\$71,287,000.

25. COMPARATIVE FIGURES

The comparative figures for other gains, other operating income, other operating expenses and finance costs as set out in the condensed consolidated income statement and the related notes thereto have been reclassified or restated to conform with the current period's presentation.