

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.

As at 30th June 2006, the Put Option's price decreased to RMB1.21 and as a result, the fair value of the derivative financial liabilities decreased and accordingly, a fair value gain of US\$75,777,000 was recognised. The net effect of the Put Options to the Group's condensed consolidated income statement during the period was a net charge of US\$64,287,000.

The fair value of the derivative financial liabilities recognised in the condensed consolidated balance sheet is subjected to the change in market value of the Put Options. Any subsequent change in the market value of the derivative financial liabilities up to the expiry of the Put Options would be reflected in the income statement.

The Put Options will expire on 24th November 2007. If the closing share price of CIMC would be above RMB8.868 (adjusted exercise price) during the exercisable period, it is assumed that no option holders will exercise the Put Options, and there will be no cash outflow from the Group and the derivative financial liabilities will be fully reversed. If the closing share price of CIMC would be below RMB8.868 (adjusted exercise price) during the exercisable period, it is assumed that all option holders will exercise the Put Options. The maximum amount to be paid out by the Group will amount to approximately RMB4,241,000,000 (equivalent to approximately US\$530,429,000) in return for the additional approximately 21% equity interests in CIMC. The Group's equity interest in CIMC will then increase from 16.23% to approximately 37%.

Financial analysis

Turnover grew by 5.9% to US\$150,286,000. Majority of the increase was from container leasing operations which recorded a turnover of US\$139,606,000, an increase of 5.5% from last year. The Group's owned and managed container fleet rose by 8.1% to 1,111,336 TEUs from 1,027,954 TEUs a year ago. Average utilisation rate dropped slightly to 96.0% versus 96.4% for the same period of last year. After the Group disposed of containers of 600,082 TEUs on 30th June 2006, the principal sources of revenue for the container leasing operations in the second half of the year and onward will include non-COSCON new leases, additional container management fees and sale of returned containers, in addition to the long-term leases with COSCO Container Lines Company Limited ("COSCON"). Continuous efforts of Zhangjiagang Win Hanverky Container Terminal Co., Ltd. ("Zhangjiagang Win Hanverky Terminal") to explore new business opportunities resulted in a 20.8% increase in throughput to 217,843 TEUs and an increase of 14.6% in turnover to US\$6,926,000. Business volume of the container handling and storage operations for the first six months increased as a whole and the turnover was US\$3,754,000 (2005: US\$3,476,000). Growth in business volume was primarily attributable to the increase in the volume of exports from container terminals via South China locations which resulted in rising volume of terminal throughput.

Cost of sales, comprising mainly depreciation, depot expenses and maintenance and operating expenses, rose by 5.4% to US\$62,091,000 in the first half of the year. Depreciation increased by 4.4% to US\$56,069,000 and accounted for 90.3% of cost of sales (2005: 91.1%). Operating cost of container leasing business rose by 30.3% to US\$1,776,000 (2005: US\$1,363,000).

Other gains, comprising mainly dividend income and interest income, increased 17.0% over the same period of last year to US\$12,903,000. Yantian International Container Terminals Ltd. ("Yantian Terminal") declared an interim dividend of US\$9,087,000 for the first half of 2006 (2005: US\$7,480,000). Interest income during the period was US\$3,316,000 (2005: US\$2,058,000).

Administrative expenses increased by 5.9% from a year ago to US\$16,020,000. During the period, human resources, office rental and travelling expenses of the Group increased as the Group continued to put more efforts on its marketing and new project development.

Net other operating income increased from US\$6,789,000 (as restated) to US\$28,074,000 in the first half of the year. The growth comprised the net profit generated from the disposal of containers returned by COSCON upon expiry of leases of US\$4,889,000. The number of containers returned by COSCON upon expiry of leased disposed of during the first half of the year was 20,614 TEUs (2005: 14,833 TEUs). Net profit from the sale of returned containers increased to US\$4,889,000 from US\$2,593,000 a year ago. In addition, the Group recorded a finder fee of approximately US\$15,240,000 (2005: N/A) and a reversal of provision for impairment of trade receivables

amounting to US\$1,146,000 (2005: US\$6,000) as other operating income. During the period, fair value gain on interest rate swap contracts not qualified for hedge accounting of US\$775,000 (2005: US\$5,097,000) was included in other operating income.

The Group completed the disposal of containers with a capacity of 600,082 TEUs on 30th June 2006. Generating profit before taxes of approximately US\$84,454,000.

Finance costs increased by 60.9% to US\$26,242,000 as a result of the increase in average borrowings and cost of borrowing. The Group's average borrowing for the first half of the year amounted to US\$808,041,000 (2005: US\$660,054,000). The Group's average cost of borrowing, including amortisation of transaction costs on bank loans and notes, was an averaged 6-month London Interbank Offer Rate ("LIBOR") plus 1.38% (2005: LIBOR plus 1.65%).

Net profit contribution from jointly controlled entities decreased by 3.0% to US\$40,898,000. With operation being directly affected by the replacement of 4 quay cranes by COSCO-HIT Terminal during the period, its throughput for the first six months dropped by 12.6% to 823,493 TEUs (2005: 942,488 TEUs). Net profit contribution decreased by 33.6% to US\$9,974,000 due to the reduction in throughput. Throughput of Qingdao Qianwan Container Terminal Co., Ltd. ("Qingdao Qianwan Terminal") increased by 20.6% to 3,155,907 TEUs (2005: 2,616,018 TEUs) in the first half. Throughput of COSCO-PSA Terminal Private Limited ("COSCO-PSA Terminal") decreased by 8.1% to 284,750 TEUs (2005: 309,821 TEUs). Throughput of Yangzhou Yuanyang International Ports Co. Ltd. ("Yangzhou Yuanyang Terminal") increased by 45.9% to 107,562 TEUs (2005: 73,740 TEUs). Throughput of Yingkou Container Terminals Company Limited ("Yingkou Terminal") increased by 34.2% to 387,793 TEUs (2005: 288,961 TEUs). Throughput of Nanjing Port Longtan Container Co., Ltd. ("Nanjing Longtan Terminal"), which was acquired in the second half of last year, was 280,389 TEUs. Except for COSCO-HIT Terminal's production was affected by the replacement of quay cranes, the net profit contribution from each of the above terminals was satisfactory.

Net profit contribution from Shanghai CIMC Far East Container Co., Ltd. ("Shanghai CIMC Far East") and Tianjin CIMC North Ocean Container Co., Ltd. ("Tianjin CIMC North Ocean") decreased by 34.6% to US\$4,399,000 during the period (2005: US\$6,722,000). Particularly, Shanghai CIMC Far East was closed down in July 2005, owing to restrictions under the State environmental policy. In July 2006, the Group subsequently agreed to dispose of its equity interest in Shanghai CIMC Far East for a consideration of US\$6,252,000.

Net profit contribution from Tianjin CIMC North Ocean decreased as the prolonged impact of market factors subsisting since the end of 2005 resulted in lower sales volume and selling price of containers. During the first half of 2006, net profit of COSCO Logistics attributable to the Group increased by 22.2% to US\$9,321,000.

Net profit contribution from associates amounted to US\$40,501,000, a decrease of 24.0%. Net profit contribution from CIMC decreased by 33.3% to US\$26,843,000 as the prolonged impact of the market factors subsisting since the end of 2005 resulted in lower sales volume and selling price of containers. Throughput of Shanghai Container Terminals Limited ("Shanghai Terminal") increased by 14.2% to 1,941,717 TEUs in the first half and recorded a decrease of 3.9% in net profit contribution to US\$3,665,000. Shanghai Pudong International Container Terminals Limited ("Shanghai Pudong Terminal") handled 1,242,515 TEUs in the first half of the year and reported an increase of 5.6% in net profit contribution to US\$5,635,000. Antwerp Gateway NV ("Antwerp Terminal") as acquired at the end of 2004 recorded a loss of US\$1,339,000 since its operations are still in the start-up phase. LCHB contributed net profit of US\$6,327,000 during the period (2005: US\$4,893,000).

Aggregate tax during the period was US\$50,453,000 (2005: US\$10,457,000). The increase mainly represented a net charge of approximately US\$34,259,000 which was arisen from the capital gain tax in relation to the Disposal and the write back of related deferred tax liabilities.

Financial Position

Cashflow

After the Disposal, cash inflow of the Group increased significantly. During the period, net cash from operating activities amounted to US\$164,812,000 (2005: US\$127,716,000 (as restated)). The Group drew bank loans of US\$494,000,000 and repaid US\$516,379,000 during the first half of the year. During the period, major capital investments of the Group comprised US\$57,973,000 for additional 10% equity interests in Shanghai Pudong Terminal, US\$930,000 in Antwerp Terminal and US\$10,695,000 in Qingdao Qianwan Terminal. Over the same period last year, major capital investments comprised 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"). In addition to terminal investments, US\$89,388,000 (2005: US\$161,520,000) was paid during the period for purchases of new containers.

Financing and credit facilities

During the period, the Group entered into a short-term bridging bank loan contract of US\$500,000,000 with a bank for a term of six months and the costs were LIBOR plus 37 basis points.

As at 30th June 2006, cash balances and banking facilities available but undrawn amounted to US\$973,169,000 and US\$196,000,000 respectively (31st December 2005: US\$179,315,000 and US\$320,000,000 respectively).

Assets and liabilities

As at 30th June 2006, the Group's total assets amounted to US\$3,165,323,000 (31st December 2005: US\$2,855,150,000) and total liabilities amounted to US\$1,162,002,000 (31st December 2005: US\$964,807,000). Net assets amounted to US\$2,003,321,000 (31st December 2005: US\$1,890,343,000) and net asset value per share attributable to the equity holders of the Company was US 90.3 cents, representing a 5.0% increase from the end of last year.

Following the completion of the Disposal, the cash balances of the Group was US\$973,169,000 as at 30th June 2006 (31st December 2005: US\$179,315,000). Total outstanding borrowings amounted to US\$806,527,000 (31st December 2005: US\$835,653,000). Net debt to equity ratio decreased from 34.7% at the end of 2005 to zero, and the interest cover was 8.2 times, as compared to 14.9 times (as restated) in the same period last year.

Certain land use rights with a net book value of US\$1,653,000 (31st December 2005: property, plant and equipment and land use right of US\$512,957,000) were pledged to banks and financial institutions by the Group to secure loans with an aggregate amount of US\$1,000,000 (31st December 2005: US\$345,618,000). As the secured loans had been substantially repaid by the end of June 2006, the majority of pledged bank deposits in relation thereto were released and the balance reduced to US\$158,000 (31st December 2005: US\$21,978,000).

Debt analysis

	As at 30th June 2006		As at 31st December 2005	
	US\$	%	US\$	%
By repayment term:				
Within the first year	347,251,000	43.1	87,036,000	10.4
Within the second year	176,320,000	21.9	79,167,000	9.5
Within the third year	1,000,000	0.1	233,908,000	28.0
Within the fourth year	—	—	62,956,000	7.5
Within the fifth year and beyond	281,956,000	34.9	372,586,000	44.6
	806,527,000*	100.0	835,653,000*	100.0
By type of borrowings:				
Secured borrowings	1,000,000	0.1	345,618,000	41.4
Unsecured borrowings	805,527,000	99.9	490,035,000	58.6
	806,527,000*	100.0	835,653,000*	100.0
By denomination of borrowings				
US Dollar	801,149,000	99.3	830,326,000	99.4
RMB	5,378,000	0.7	5,327,000	0.6
	806,527,000*	100.0	835,653,000*	100.0

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

Contingent liabilities

As at 30th June 2006, the Group provided guarantees on a loan facility granted to an associate of US\$23,576,000 (31st December 2005: US\$21,920,000).

Foreign exchange and interest rate risks management

The Group controlled the foreign exchange risk by conducting borrowings as far as possible in currencies that match the Group's functional currency used for transacting the Group's major cash receipts and underlying assets. Borrowings for the container leasing business were conducted mainly in US dollars, which match with the US dollar revenue and expenses of the Group's container leasing business, minimising any potential foreign exchange exposure.

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

The Group continued to exercise stringent control over the use of financial derivatives to hedge against its interest rate exposure. As at 30th June 2006 and 31st December 2005, outstanding interest rate swap contracts comprised:

- Notional principals of contracts amounting to US\$200,000,000 in total whereby the Group agreed to pay floating interest rates ranging from 105 basis points to 116 basis points above 6-month LIBOR from the banks in return for receiving from the banks a fixed interest rate of 5.875% per annum.
- Notional principals of contracts amounting to US\$100,000,000 in total, whereby the Group agreed to pay fixed interest rates ranging from 3.88% to 4.90% per annum to banks for the receipts of interests at 3-month LIBOR.

As at 30th June 2006, after adjusting the fixed rate borrowings for the effect of interest rate swap contracts, the Group's ratio of fixed-rate to floating-rate borrowings was 22.6%:77.4% (31st December 2005: 22.9%:77.1%). The Group continued to monitor and adjust its fixed and floating debt portfolio from time to time in light of market conditions, the objective of which is to optimise potential interest rate risk exposure.

Review of operations

The Group achieved satisfactory results in its core operations in the first half of 2006.

Container terminal and related operations

Driven by economic growth in the PRC and world trade growth, the Group's container terminal operation recorded robust growth. As at 30th June 2006, the Group had 66 berths, including 63 container berths and 3 bulk cargo berths. The Group held equity interests in 16 operating joint venture container terminal companies which handled a total of 14,974,748 TEUs during the period, a 23.5% increase from the same period last year.

Throughput of container terminals	1H 2006 (TEUs)	1H 2005 (TEUs)	Changes over the corresponding period
Pearl River Delta	4,547,135	4,256,763	+6.8%
COSCO-HIT Terminal	823,493	942,488	-12.6%
Yantian Terminal Phases I, II and III	3,723,642	3,314,275	+12.4%
Yangtze River Delta	3,790,026	3,187,756	+18.9%
Shanghai Terminal	1,941,717	1,700,115	+14.2%
Shanghai Pudong Terminal	1,242,515	1,233,572	+0.7%
Zhangjiagang Win Hanverky Terminal	217,843	180,329	+20.8%
Yangzhou Yuanyang Terminal	107,562	73,740	+45.9%
Nanjing Longtan Terminal	280,389	—	N/A
Bohai Rim	6,110,855	4,374,700	+39.7%
Qingdao Qianwan Terminal	3,155,907	2,616,018	+20.6%
Qingdao Cosport Terminal	400,382	265,206	+51.0%
Dalian Port Container Co., Ltd.	1,294,558	1,202,157	+7.7%
Dalian Port Terminal	134,844	2,358	+56 times
Yingkou Terminal	387,793	288,961	+34.2%
Tianjin Five Continents International Terminal	737,371	—	N/A
Overseas region	526,732	309,821	+70.0%
COSCO-PSA Terminal	284,750	309,821	-8.1%
Antwerp Terminal	241,982	—	N/A
Total throughput	14,974,748	12,129,040	+23.5%
Total throughput of terminals in China mainland	13,624,523	10,876,731	+25.3%

Optimisation of the strategic allocation of the PRC investment portfolio

The Group held equity interests in 23 joint venture companies which engaged in terminal operations as of 30th June 2006. These 23 terminal joint venture companies are strategically located in Pearl River Delta, Yangtze River Delta, Bohai Rim and major overseas locations. The Group held a total of 104 berths, including 99 berths for container terminals, 2 berths for automobile and 3 berths for multipurpose. The annual handling capacity, which includes existing terminals and those newly acquired, will be increased to 57,100,000 TEUs (2005: 40,400,000 TEUs), an increase of 41.3% from the corresponding period last year.

On 6th June 2006, the Group entered into a wholly foreign-owned enterprise contract with Tianjin Port (Group) Co., Ltd. and APM Terminals Tianjin Company Limited for the establishment of Tianjin Port Euroasia International Container Terminal Co., Ltd. ("Tianjin Port Euroasia Terminal"). Tianjin Port (Group) Co., Ltd was subsequently replaced by Tianjin Port Development International Limited as part of the move of Tianjin Municipal Government to consolidate the container terminal operations in the area. On 26th July 2006, the three parties to the joint venture signed a new joint venture contract for the establishment of Tianjin Port Euroasia International Container Terminal Co., Ltd., a joint venture company in which the Group owns 30% equity interest, for the purpose of developing and operating 3 berths of the container terminal located at Tianjin North Port. Total investment of the joint venture project was approximately RMB3,600,000,000 (equivalent to approximately US\$450,000,000). The container terminal has a quay length of 1,100 metres and a depth alongside of 15.5 metres, with total area of approximately 720,000 square metres and a designed annual handling capacity of 1,800,000 TEUs. The container terminal is expected to come into operation in 2008.

On 8th June 2006, the Group entered into a joint venture contract with 寧波港集團北侖第三集裝箱有限公司, OOCL Terminal (Ningbo) Limited and SDIC Communications Co. (國投交通公司) for the establishment of 寧波遠東碼頭經營有限公司 ("Ningbo Yuan Dong Terminal"), a joint venture company in which the Group held 20% equity interest, for the purpose of operating and managing berth No. 7 of Ningbo Beilun Container Terminal Phase IV. Total investment of the joint venture project was approximately RMB780,000,000 (equivalent to approximately US\$97,000,000). The container terminal has a quay length of approximately 310 metres and a depth of about 15 metres alongside, with total area of approximately 150,000 square metres and a designed annual handling capacity of 400,000 TEUs. The terminal is expected to become operational in the fourth quarter of 2006.

Increased equity interests in existing terminal

On 19th April 2006, the Group entered into a share transfer contract with S.I. Infrastructure Holdings Limited, pursuant to which S.I. Infrastructure Holdings Limited transferred its 10% equity interests in Shanghai Pudong Terminal at a share transfer price of RMB465,000,000 (equivalent to approximately US\$57,973,000) to COSCO Ports (Pudong) Limited, a wholly owned subsidiary of COSCO Pacific. The equity interest held by COSCO Pacific in Shanghai Pudong Terminal increased to 30%.

New terminal commissioned

Dalian Automobile Terminal, a joint venture company of the Group, commenced operation on 6th July 2006. Dalian Automobile Terminal was jointly established by the Group, Dalian Port (Group) Co., Ltd. and Nippon Yusen Kabushiki Kaisha on 29th January 2004 for the purpose of investing, constructing and operating a specially designed automobile terminal in Dayao Bay in Dalian. Total investment was RMB480,000,000 (equivalent to approximately US\$60,000,000) and the Group owns 30% equity interest in the joint venture company. Dalian Automobile Terminal is the first roll-on, roll-off terminal invested by the Group with a quay length of 640 metres, a total area of approximately 540,000 square metres and an annual handling capacity of 600,000 vehicles equipped with 2 berths for roll-on, roll-off vessels. Dalian Automobile Terminal will be established as an international vehicle logistics centre which meets modern international standard in northeast China.

Container terminals portfolio	Shareholding	No. of berths	Depth alongside (metres)	Annual handling capacity (TEUs)
Pearl River Delta		23		19,500,000
COSCO-HIT Terminal	50%	2	15.5	1,800,000
Yantian Terminal Phases I and II	5%	5	14.0–15.5	4,500,000
Yantian Terminal Phase III	4.45%	10	16	9,000,000
Guangzhou South China Oceangate Terminal ^{Note1}	59%	6	14.5	4,200,000
Yangtze River Delta		31		12,300,000
Shanghai Terminal	10%	10	9.4–10.5	3,700,000
Shanghai Pudong Terminal	30%	3	12	2,300,000
Zhangjiagang Win Hanverky Terminal	51%	3	10	1,000,000
Yangzhou Yuanyang Terminal	55.59%	4	11	500,000
				4,700,000 tonnes bulk cargoes
Zhenjiang Jinyuan Terminal ^{Note1}	25%	1	13	200,000
Nanjing Longtan Terminal	20%	5	12	1,000,000
Shanghai Yangshan Port Phase II ^{Note1}	10%	4	15	3,200,000
Ningbo Yuan Dong Terminal ^{Note1}	20%	1	15	400,000
Bohai Rim		38		18,600,000
Qingdao Qianwan Terminal	20%	11	17.5	6,500,000
Qingdao Cosport Terminal	50%	1	13.5	600,000
Dalian Port Container Co., Ltd.	8%	9	8.9–14.0	3,000,000 ^{Note2}
Dalian Port Terminal	20%	6	13.5–17.8	4,200,000
Dalian Automobile Terminal	30%	2	11	600,000 vehicles
Yingkou Terminal	50%	2	14	1,000,000
Tianjin Five Continents International Terminal	14%	4	15.7	1,500,000
Tianjin Port Euroasia Terminal ^{Note1}	30%	3	15.5	1,800,000
Overseas		12		6,700,000
COSCO-PSA Terminal	49%	2	15	1,000,000
Antwerp Terminal	20%	6	17	3,500,000
Suez Canal Container Terminal ^{Note1}	20%	4	16.5	2,200,000
Total number of berths in container terminal		99		57,100,000
Total number of berths in automobile terminal		2		600,000 vehicles
Total number of berths in multipurpose terminal		3		4,700,000 tonnes bulk cargoes
Total number of berths in terminal		104		

Note 1: Joint Venture Contracts or Joint Venture Heads of Agreements have been signed and capital injection has not been made as at 30th June 2006.

Note 2: Not including Dalian Port Terminal.

Latest developments of the container terminal project

On 8th August 2006, the Group entered into a joint venture contract with Quanzhou Port Container Co., Ltd. for the joint establishment of Quanzhou Pacific Container Terminal Co., Ltd. to manage and operate 4 existing berths at the container terminal of Quanzhou Port Shihu Operating Zone and to invest in the construction of a 100,000-ton container berth and a 50,000-ton multi-purpose berth at Xiutu Operating Zone, both of which are scheduled to commence operations in 2008. The joint venture company is held 71.43% by COSCO Ports (Quanzhou) Limited, a wholly owned subsidiary of COSCO Pacific and 28.57% by Quanzhou Port Container Co., Ltd., with a total investment of approximately US\$99,800,000. The completed section of the container terminal at Shihu Operating Zone occupies a site of approximately 280,000 square metres with a quay length of 970 metres and a depth alongside of 10 to 15.1 metres. Its designed annual capacity is 1,000,000 TEUs.

On 22nd August 2006, the Group entered into an agreement with APM Terminals Invest Company Limited, a subsidiary of A.P. Møller-Mærsk, which allows the latter to subscribe from the former 33.9% equity interest in COSCO Ports (Nansha) Limited, a subsidiary of the Group holding 59% equity interest in Guangzhou South China Oceangate Container Terminal Company Limited ("Guangzhou South China Oceangate Terminal"). The Group believes that the introduction of APM Terminals Invest Company Limited as an indirect shareholder of Guangzhou South China Oceangate Terminal will contribute to the future development of this container terminal.

Container leasing operations

The container leasing operations enjoyed overall rental growth in the first half of 2006 due to an increased market demand and the delivery of new vessels.

As at 30th June 2006, Florens Container Holdings Limited, a wholly owned subsidiary of the Company, and its subsidiaries (collectively referred to as "Florens") owned and managed a container fleet of 1,111,336 TEUs (2005: 1,027,954 TEUs), recording an increase of 8.1% from a year ago. Florens ranked as the third largest marine container leasing company (2005: fourth) with approximately 10.7% share of the global market (2005: approximately 10.4%). Average age of the Group's container fleet was 4.38 years (2005: 4.28 years).

During the period, Florens purchased 106,082 TEUs of new containers (2005: 131,838 TEUs).

Container fleet movement

	2006 (TEUs)	2005 (TEUs)
Total containers (as at 1st January)	1,042,852	919,128
New containers purchased	106,082	131,838
Containers returned from COSCON upon expiry of leases		
— Total	(28,406)	(15,613)
— Re-leased	335	148
— Disposed of and pending for disposal	(28,071)	(15,465)
Ownership transferred to customers upon expiry of finance leases	(140)	(341)
Defective containers written off	(11)	—
Total loss of containers declared and compensated by customers	(9,376)	(7,206)
Total containers as at 30th June	1,111,336*	1,027,954

* Including 600,082 TEUs of containers sold on 30th June 2006 and managed back, and 34,574 TEUs of containers sold and managed on behalf of a third party from previous transactions (2005: 23,614 TEUs).

Besides providing 10-year container leases to COSCON, the world's sixth largest container ship operator (according to "DYNA Liners" dated 19th May 2006), the Group also provides long term and short term leases to other international customers ("International Customers"). These International Customers include major global shipping companies. For the six months ended 30th June 2006, top 20 International Customers accounted for approximately 71.5% (2005: 71.8%) of the Group's total container rental income from International Customers. The total number of customers reached 246 (2005: 233).

As at 30th June 2006, the Group leased a total of 416,270 TEUs (2005: 362,635 TEUs) to COSCON, which represented 37.5% (2005: 35.3%) of the entire container fleet. Containers available to International Customers totalled 695,066 TEUs (2005: 665,319 TEUs), representing 62.5% (2005: 64.7%) of the total containers fleet, of which 634,656 TEUs were managed containers.

Container fleet analysis

	30th June 2006			31st December 2005			30th June 2005		
	Owned	Owned	Managed	Owned	Owned	Managed	Owned	Owned	Managed
	COSCON	International Customers	International Customers	COSCON	International Customers	International Customers	COSCON	International Customers	International Customers
Total Containers (in TEUs)	416,270	60,410	634,656	377,324	630,925	34,603	362,635	641,705	23,614
— Dry	93.1%	98.0%	96.9%	92.8%	96.5%	100.0%	92.5%	96.5%	100.0%
— Reefers	6.5%	0.3%	1.9%	6.8%	2.0%	—	7.1%	2.0%	—
— Specials	0.4%	1.7%	1.2%	0.4%	1.5%	—	0.4%	1.5%	—

While containers dedicated to COSCON remained 100% utilised during the period, the overall average utilisation rate of the Group was 96.0% (2005: 96.4%), well above the industry average of approximately 91.8% (2005: approximately 92.0%).

During the period, a total of 28,406 TEUs (2005: 15,613 TEUs) of 10-year containers were returned from COSCON, of which 8,675 TEUs represent units to be returned on or before 2005 and 19,731 TEUs to be redelivered in 2006. The Group disposed of 20,614 TEUs (2005: 14,833 TEUs) of containers returned from COSCON upon expiry of the leases. Net profit on disposal of old containers was US\$4,889,000 (2005: US\$2,593,000).

Disposal of Containers

On 20th June 2006, the Group announced that it had entered into a sale agreement and various administrative services agreements with "AD ACTA" 634. Vermögensverwaltungsgesellschaft MBH. Pursuant to the sale agreement, Florens and its direct wholly owned subsidiaries disposed of certain containers (the "Sold Assets"), which comprised (i) containers with an aggregate volume of approximately 600,468 TEUs (the final number of TEUs as revised subsequent to 30th June was 600,082 TEUs) and representing approximately 59.6% of the container fleet owned by the Group as at 31st December 2005 and used in its operation of container leasing business; and (ii) the container lease agreements covering those containers (to the extent of the transferred containers) under which the respective sellers are the lessors. In addition, Florens will provide administrative services with respect to the Sold Assets pursuant to the administrative services agreements. The total proceeds received by the Group amounted to US\$869,203,000, representing sale proceeds of the Sold Assets of US\$846,524,000, a finder fee of US\$15,240,000 and an upfront administrative service fee of US\$7,439,000.

The Disposal will not affect the container leasing business of the Group, as the Group will continue to purchase new containers and lease them to customers. The Company considers that the Disposal will help the Group to improve the business model and capital structure of its container leasing business, to increase its sources of income and to lower the operational risks. At the same time, it will enable the Group to increase its market shares in the container leasing business while maintaining a relatively light balance sheet size.

Taking into account the finder fee of approximately US\$15,240,000, the Group generated profit before taxes of approximately US\$99,694,000 from the disposal.

Logistics operations

During the first half of 2006, COSCO Logistics geared up its marketing efforts to gain further inroads in logistics project development and to expand its market share in the home appliances, automobiles, electricity and petrochemical sectors.

The shipping agency business handled 64,562 vessels during the period (2005: 63,245 vessels), including 22,596 vessels handled by wholly owned subsidiaries (2005: 22,421 vessels). The freight forwarding arm handled 64,330,800 tonnes of cargoes during the period (2005: 51,301,200 tonnes), achieving a 25.4% increase from last year. The sea-freight forwarding agency business grew 17.2% with 905,101 TEUs (2005: 772,170 TEUs) handled. Net profit contribution from the Group's logistics business amounted to US\$9,321,000, an increase of 22.2% over the same period last year.

COSCO Logistics was honoured with several awards during the first half of 2006. At the Second China Logistics Industry Development Annual Conference and Annual Prize-giving Ceremony of China's Logistics Industry, COSCO Logistics topped the list of "Best 100 Logistics Enterprises in China" and "Best Logistics Brand in China". Moreover, COSCO Logistics was named the "Best Third Party Logistics Provider 2006" at the "Lloyd's FTB Asia 2006 — China Logistics Awards" organised by Lloyd's FTB Asia, etc.

Container manufacturing

At the beginning of the year, sales volume and prices of containers were low as the container manufacturing plant remained subject to market factors subsisting at the end of 2005. As a result, net profit contribution from CIMC during the period dropped 33.3% to US\$26,843,000.

In addition, Shanghai CIMC Far East and Tianjin CIMC North Ocean provided the Group with a total profit contribution of US\$4,399,000 (2005: US\$6,722,000) for the period. The net profit contribution from Tianjin CIMC North Ocean Container Co., Ltd. decreased by 6.4% to US\$4,399,000 over the same period last year owing to market factors.

On 17th July 2006, the Group agreed to dispose of its 20% equity interest in Shanghai CIMC Far East to CIMC following the latter's termination of the production of its existing manufacturing plant and removal to a new manufacturing plant due to environmental consideration. The equity interest transfer allows the Group to streamline the structure of its investment holding in container manufacturing business and concentrate its investment and resources on container manufacturing in CIMC. The consideration for the equity interest transfer was US\$6,252,000. The Group is expected to realise an estimated gain of approximately US\$5,469,000 from the equity interest transfer.

Other investments

LCHB, in which the Group held 20% equity interest, made a net profit contribution of US\$6,327,000, up 29.3% from same period of last year.