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CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS

This report may contain certain forward-looking information and/or information that is not based on historical data and uses forward-looking terminology such as "anticipate", "believe", "intend", "could", "expect", "estimate", "may", "ought to", "should" or "will". Readers are cautioned that reliance on any forward-looking statements involves risks and uncertainties and that, although the Group believes that assumptions on which the forward-looking statements are based are reasonable, any or all of those assumptions could prove to be incorrect and as a result, the inclusion of forward-looking statements in this report should not be regarded as representations by the Group concerning future performance of the Group and readers should not place undue reliance on such forward-looking statements. In addition, the Group undertakes no obligation to publicly update or revise any forward-looking statements contained in this report as a result of new information, future events or otherwise.

Company Profile

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Hong Kong

BOARD OF DIRECTORS
WEI Jiafu *(Executive Director, Chairman and CEO)*
ZHANG Fusheng
(Non-executive Director and Vice Chairman)
CHEN Hongsheng *(Executive Director and President)*
WANG Futian *(Non-executive Director)*
LI Jianhong *(Non-executive Director)*
MA Zehua *(Non-executive Director)*
MA Guichuan *(Non-executive Director)*
SUN Yueying *(Non-executive Director)***
LIU Guoyuan *(Non-executive Director)*
LI Boxi *(Independent Non-executive Director)*
TSAO Wen King, Frank
(Independent Non-executive Director)
HAMILTON Alexander Reid
*(Independent Non-executive Director)**
CHENG Mo Chi
*(Independent Non-executive Director)***

* *Chairman of Audit Committee*

** *Member of Audit Committee*

JOINT COMPANY SECRETARIES
ZHANG Yongjian
YEUNG Chun Wai, Anthony

AUTHORISED REPRESENTATIVES
CHEN Hongsheng
YEUNG Chun Wai, Anthony

QUALIFIED ACCOUNTANT
YEUNG Chun Wai, Anthony

AUDITORS
PricewaterhouseCoopers

BANKERS
Bank of China
Industrial and Commercial Bank of China
China Merchants Bank

LEGAL ADVISER
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Results and Business Highlights

RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2005

	Six months ended 30 June 2005 *RMB'000*	Six months ended 30 June 2004 *RMB'000*	Change
Turnover	18,576,762	14,529,966	+27.9%
Operating profit	3,954,004	2,314,742	+70.8%
Profit before income tax	4,424,822	2,429,578	+82.1%
Profit attributable to equity holders of the Company	2,772,796	1,947,914	+42.3%
Basic earnings per share	RMB0.67444	RMB0.47510	+42.0%

BUSINESS HIGHLIGHTS

- Shipping volume reached 2,156,832 TEUs in the first half of 2005, representing an increase of about 22.0% over that of the same period in 2004. As at 30 June 2005, COSCO Container Lines Company Limited ("COSCON") operated a fleet of 121 container vessels and the shipping capacity had reached 305,402 TEUs, an increase of 17.8% as compared to the same period in 2004 and an increase of 2% as compared to the end of last year.
- The 11 operating container terminals which COSCO Pacific Limited ("COSCO Pacific") had interest had a total throughput of 12,129,340 TEUs during the period, a 17.5% increase as compared to corresponding period of last year. As at 30 June 2005, COSCO Pacific held various interests in a total of 19 terminals.
- Container leasing fleet increased by 18.9% to exceed one million TEUs for the first time, with average utilization rate of 96.4%. As at the end of June 2005, Florens Container Holdings Limited was the world's fourth largest marine container leasing company commanding a 10.4% global market share.

Chairman's Statement

On 30 June 2005 the Company marked an important milestone with the successful listing of its shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Since the listing, the Company has been added to a number of international stock indices (including effective from 4 July 2005, the Company was added to, among other FTSE indices, FTSE China Index and FTSE Asia Pacific Index and effective from 5 September 2005, the Company was added to Hang Seng China Enterprise Index), reflecting its growing stature in the global logistics and container shipping industries. I am pleased to present our first interim report to equity holders, as a publicly listed company, for the six months ended 30 June 2005.

During the period under review, the Company's performance has been impressive due to factors including the continued strong growth in China's economy and international trade, a global trend towards increased outsourcing, and the Company's proactive expansion of its core businesses in recent years.

We achieved impressive growth across all of our business segments in the six months ended 30 June 2005. Turnover increased 27.9% to RMB18,576.8 million compared with the same period last year. Unaudited consolidated profit attributable to equity holders of the Company rose to RMB2,772.8 million, an increase of 42.3% compared with the results for the six months ended 30 June 2004. Basic and diluted earnings per share for the six months ended 30 June 2005 were RMB0.67444 and RMB0.67436, respectively. The business environment has remained robust throughout the period and we are confident that we will sustain growth through the end of the year.

During the first half of 2005, the Group's container shipping business grew rapidly. Shipping volume and turnover from the Group's container shipping business increased by 22.0% and 25.8% respectively compared to the first half of 2004. At the same time, overall costs increased only 21.9% despite a sharp increase in fuel prices. We took advantage of market opportunities to increase shipping capacity in trade lanes with a strong demand profile. In respect of our growth strategies for this business segment, firstly, we will continue to expand and optimize our global networks and range of services. To cope with the growing capacity on trunk east-west routes, we are going to build up and optimize the feeder service networks in a few critical regions including China, Caribbean and North Europe. Secondly, we will further consolidate and develop strategic global customer base through building up long-term cooperative relationship. Finally, cost control is a forever topic for shipping. We are going to enhance cost control by optimizing operational processes with the on-going implementation of integrated information systems. Besides, we will continue to explore the opportunities to reduce fuel cost, equipment cost, port charges and other costs.

In the first six months of 2005, the Group's container terminal business conducted by COSCO Pacific recorded a robust 17.5% increase in throughput. Our terminal business will continue to benefit from fast growing container trades. We will continue to expand investments in selective ports worldwide. In this prospect, we have recently signed letters of intent with Ningbo Port Group and Tianjin Port Group to invest in the two ports. As we further expand our terminal business, we expect the contribution from our terminals to become increasingly important going forward.

The Group's container leasing business, which is conducted by Florens Container Holdings Limited, obtained satisfactory results, benefiting from the increasing containerization of the global shipping industry as well as the growth of the China trade. The Group's container leasing capacity now exceeds one million TEUs. Having invested heavily in growing our container fleet recently, we are going to make further efforts to consolidate and develop global customers. In the first half of 2005, the Group continued to lead the market in overall average utilization rate. It is expected that the container leasing market will develop steadily in the second half of the year, creating excellent opportunities for the Group.

In the first half of 2005, the Group also expanded its logistics operations in sectors including household appliances, automobiles, electricity and petrochemicals, through COSCO Pacific's 49% ownership of COSCO Logistics Company Limited ("COSCO Logistics").

Enhancing synergies across our main container businesses is one of our top priorities, particularly synergies between shipping and terminals, and between shipping and leasing. For example, we recently started to increase the coordination of hub terminal developments between COSCON and COSCO Pacific, both in China and overseas. This will on one hand, help COSCON secure berthing capacity in hub ports worldwide and, on the other hand, enhance COSCO Pacific's bargaining power when negotiating investments in attractive container terminals. The increased leverage of synergies will enable us to capture the benefits of business integration and maximize shareholder value.

The Company is committed to maintaining high standards of corporate governance and transparency in line with the best market practices and its performance during the period under review has been remarkable. I would like to take this opportunity to thank our board members for their leadership and to our employees worldwide for their hard work, loyalty and contributions, which are key to our continuing success.

China COSCO Holdings Company Limited
WEI Jiafu
Chairman

15 September 2005

OVERALL REVIEW OF RESULTS

Unaudited consolidated turnover increased by 27.9% from RMB14,530.0 million for the first six months of 2004 to RMB18,576.8 million for the first six months of 2005. The increase was a result of strong growth in all business segments of the Group. For the six months ended 30 June 2005, the Group has reported a profit attributable to equity holders of RMB2,772.8 million. This has shown an increase when compared to RMB1,947.9 million profit attributable to equity holders recorded for the first half of 2004. The basic earnings per share of RMB0.67444 has illustrated a growth of 42.0% when compared to basic earnings per share of RMB0.47510 for the first half of 2004.

Review of segment operations

Container Shipping Business

Shipping volume reached 2,156,832 TEUs in the first half of 2005, representing an increase of about 22.0% over the same period in 2004. The shipping volumes of all major routes have experienced strong growth except Other international market. Asia-Europe market has shown the biggest increase of 36.2%, followed by 30.8% for the PRC market and 19.2% for the Trans-Pacific market while the Intra-Asia market grew by 16.4%. Since the end of last year, the Group has opened up a new trade lane in each of its two trunk routes, Asia-Europe and Trans-Pacific, through cooperation with its partners in the CKYH alliance. It also increased capacity and enhanced service coverage in fast growing markets such as Asia to South America & South Africa, Asia to Australia and the PRC. As at 30 June 2005, the Group operated a fleet of 121 container vessels and the shipping capacity had reached 305,402 TEUs, an increase of 17.8% from the same period of last year and an increase of 2% from the end of last year.

Shipping volume by markets

	Six months ended 30 June		
	2005	**2004**	**Change**
	TEU	***TEU***	***%***
Trans-Pacific	551,161	462,574	19.2
Asia-Europe (including Mediterranean)	493,514	362,376	36.2
Intra-Asia (including Australia)	659,611	566,577	16.4
Other international (including Trans-Atlantic)	115,925	118,860	-2.5
PRC	336,621	257,371	30.8
Total	**2,156,832**	**1,767,758**	**22.0**

Turnover by markets

	Six months ended 30 June		
	2005	2004	Change
	RMB'000	*RMB'000*	*%*
Trans-Pacific	5,803,601	4,902,503	18.4
Asia-Europe (including Mediterranean)	4,667,277	3,382,963	38.0
Intra-Asia (including Australia)	2,903,706	2,331,482	24.5
Other international (including Trans-Atlantic)	1,319,942	1,054,628	25.2
PRC	801,639	465,746	72.1
Sub-total	**15,496,165**	**12,137,322**	**27.7**
Chartered out	215,616	356,146	-39.5
Total	**15,711,781**	**12,493,468**	**25.8**

The Group enhanced its marketing effort to deal with the rapid increase in shipping capacity. It improved customer services by establishing CRM, especially in enhancing communication with core customers. At the same time, it enhanced its market responsiveness. These measures could help to better utilize the additional capacity. In addition, the Group's worldwide sales and service networks have been one of the most extensive in the container shipping industry, allowing it to provide to its customers with high quality "door-to-door" service across the shipping value chain.

The Group has implemented a number of cost control measures to maintain its cost competitiveness. It optimized operational processes through the ongoing implementation of integrated information systems and continued to explore other opportunities to reduce costs such as fuel, equipment and port charges. The Group has taken measures to alleviate the pressure from high oil price, including improving fuel efficiencies through internal controls and centralizing purchase of bunkers.

To better utilize the increased capacity, the Group also invested resources for the development of new markets and the new customers and new sources of goods in every trading zones. In addition, the Group further upgraded the quality of the worldwide application of its IRIS-2 system, which helped to reduce costs and improve customer service and operational efficiency. Also, the Group successfully launched a Management Information System. This system generates and processes important data for informed and quicker decision-making.

Given the strong demand for container shipping, the Group placed purchase orders for four 10,500 TEU container vessels on 21 January 2005. On 30 April 2005, the Group ordered four additional 10,000 TEU container vessels. These are currently the world's largest container vessels. They are expected to be delivered during the second half of 2007 to the first quarter of 2009. As at 30 June 2005, the Group had an orderbook of 12 container vessels with an aggregate capacity of about 100,000 TEUs, and there are 11 container vessels with an aggregate capacity of about 80,000 TEUs on long term charter. In the second half of 2005, three 2,800 TEU and one 8,200 TEU vessels will be delivered and be in operation for use by the Group.

Container Terminals Business

As at 30 June 2005, the 11 operating container terminals which COSCO Pacific has interest handled a total throughput of 12,129,340 TEUs, up 17.5% over the same period last year.

During the first half of the year, COSCO Pacific took a 20% interest in Nanjing Port Longtan Container Co., Ltd., a joint venture to conduct the Nanjing Longtan Container Terminal Phase I project. The container terminal, which commenced operations on 26 August 2005, has five berths and an annual handling capacity of 1,000,000 TEUs. In addition, on 16 April 2005, COSCO Pacific entered into a JV Heads of Agreement with Guangzhou Port Group Co., Ltd. to establish a joint venture company to construct and operate Guangzhou Nansha Container Terminal Phase II. The proposed container terminal is planned to have six berths and an annual throughput capacity of 4,200,000 TEUs. COSCO Pacific will have a 56% stake in the joint venture.

Meanwhile, to capitalize on the strategic advantage of the Pearl River Delta Terminals and the opportunity to restructure the investment portfolio, COSCO Pacific entered into an agreement on 23 March 2005 to sell its 17.5% stake in Shekou Container Terminals Ltd. to China Merchants Holdings (International) Company Limited for a consideration of HK$610 million.

Taking into account the new developments, as at 30 June 2005, COSCO Pacific held interests in a total of 19 terminals. These 19 terminals are strategically located in the Pearl River Delta, the Yangtze River Delta, the Bohai Rim and important overseas locations. Of a total of 81 berths, 76 are container terminals, three are multipurpose terminals and two are automobile terminals. In total, COSCO Pacific's annual container handling capacity has increased to 40,400,000 TEUs.

During the first half of 2005, COSCO Pacific also signed letters of intent with the Ningbo Port Group and the Tianjin Port Group, respectively, to engage in the development and operations of container terminals in Jintang Island of Ningbo and the Tianjin North Port Basin. In addition, the Dalian Port Terminal commenced operations on 8 July 2005 and the Antwerp Port officially opened on 6 July 2005 and will commence operations shortly. COSCO Pacific has a 20% interest in each of these facilities.

Container Leasing Business

As at 30 June 2005, Florens Container Holdings Limited and its subsidiaries, being wholly owned by COSCO Pacific, owned and operated a container fleet with a total capacity exceeding one million TEUs, reaching 1,027,954 TEUs, up 18.9% compared with the same period of last year. Florens further escalated its ranking as the fourth largest marine container leasing company (same period of 2004: fifth largest) with approximately 10.4% share of the global market.

COSCO Pacific provided both long-term and short-term container leasing services to COSCON and other international container leasing customers ("International Customers"). As at 30 June 2005, COSCO Pacific leased a total of 362,635 TEUs to COSCON, representing 35.3% (corresponding period in 2004: 35.2%) of its total containers. International Customers included major global shipping companies. For the first six months ended 30 June 2005, the top 20 International Customers accounted for approximately 71.8% (corresponding period in 2004: 75.7%) of the Group's total container rental income from International Customers.

Freight Forwarding and Shipping Agency Services as well as Logistics Services

The Group's freight forwarding and shipping agency services are provided by COSFRE and COSA respectively, both being wholly owned subsidiaries of COSCON, together with COSCON's certain overseas subsidiaries, primarily to support the container shipping operations. Based on the overall strategies of COSCON, these subsidiaries strive to improve customer services and help to enhance cost control measures.

For the first half of the year, the Company also expanded its logistics operations in sectors including household appliances, automobiles, electricity and petrochemicals, through COSCO Pacific's 49% ownership of COSCO Logistics.

Other Businesses and Investments

China International Marine Containers (Group) Company Limited ("CIMC"), in which COSCO Pacific owned a 16.23% stake, contributed to the profits for the first time during the period. For the first half of the year, CIMC contributed a profit of RMB333.0 million to the Group.

The Group through COSCO Pacific also owns a 20% stake in Liu Chong Hing Bank Limited, which contributed RMB40.5 million (corresponding period in 2004: RMB35.1 million) to the Group's profit for the period, an increase of 15.4% compared to the corresponding period of last year.

FINANCIAL ANALYSIS

Turnover

Turnover increased by 27.9% from RMB14,530.0 million for the first six months of 2004 to RMB18,576.8 million for the first six months of 2005. The significant increase in turnover was due to strong growth in all our business segments but the container shipping business made the biggest contribution of 79.5% to the overall increase in turnover. The increase in turnover for each business segment is illustrated as follows:

(I) Container Shipping

Turnover from the container shipping business increased by 25.8% to RMB15,711.8 million. The growth was a combined effect of the increased shipping volume and increased freight rates. The total shipping volume (in loaded containers) across the five markets recorded a significant increase of 22.0% from 1,767,758 TEUs for the first six months of 2004 to 2,156,832 TEUs for the first six months of 2005. The freight rates recorded steady growth due to improved market conditions during this period.

(II) Container Terminal

Turnover increased by 7.1% to RMB78.8 million. Continuous efforts to explore new business opportunities resulted in an increase of 15.8% in throughput and an increase in turnover.

(III) Container Leasing

Turnover surged by 9.5% to RMB1,095.6 million as the total container fleet increased by 18.9% to 1,027,954 TEUs. The average utilization rate during the period reached 96.4%, while that of the corresponding period in 2004 was 96.0%. Inter-segment turnover for the leasing of containers to COSCON by COSCO Pacific increased slightly by 2.9% to RMB518.0 million.

(IV) Freight Forwarding and Shipping Agency

Turnover made a strong growth of 33.1% to RMB3,191.3 million for the first six months of 2005. The increase in turnover was directly contributed by the increase in our container shipping volume. Inter-segment turnover attributable to freight forwarding and shipping agency services provided to COSCON increased by 5.4% to RMB982.8 million.

Cost of services

The Group's total cost of services increased by 22.8% from RMB11,603.5 million for the first six months of 2004 to RMB14,244.7 million for the first six months of 2005. The increase in costs of services was principally due to the following:

(I) Container Shipping

The total cost of services for the container shipping business was RMB11,423.4 million, as compared to RMB9,369.9 million in the corresponding period in 2004, representing an increase of 21.9%. The increase was in line with the increase in shipping volume of 22.0% in the first half of 2005. The deployment of large-sized ships lowered the vessel costs per TEU. However, these cost reduction initiatives were offset by the upsurge in bunker costs and port charges, which bunker costs per TEU were increased by 22.8%.

(II) Container Terminal & Container Leasing

Cost of services for the container terminals and leasing businesses, comprising mainly depreciation, depot expenses, maintenance and operating expenses, rose by 4.2% to RMB 490.4 million for the first six months of 2005. Depreciation of containers was increased by 10.4% to RMB442.8 million and accounted for 90.3% of the total costs of services for the related business (same period of 2004: 85.2%).

(III) Freight Forwarding and Shipping Agency

Cost of services for the freight forwarding and shipping agency businesses, which includes land transportation and other related transportation charges and fee paid to third party carriers, increased by 32.2% to RMB2,330.9 million for the first six months of 2005. The increase was a result of the increase in shipping and transportation volumes, which led to an increase in solicitation activities. However, the increase in total costs was slower than the increase in revenue.

Selling, administrative and general expenses

Selling, administrative and general expenses increased by 31.6% from RMB728.2 million for the first six months of 2004 to RMB957.9 million for the first six months of 2005. This was principally due to increase in staff costs resulting from an expansion in freight forwarding and shipping agency network and expenses incurred for restructuring and listing purpose.

Other net operating income

Other net operating income in the first half of the year amounted to RMB354.1 million, corresponding to other net operating expenses of RMB111.0 million in the first half of 2004, representing an increase of RMB465.1 million. Included in other net operating income was mainly the disposal of an available-for-sale financial asset, investment in Shekou Terminals, which generated a profit of RMB512.1 million in current period.

Finance costs

The Group's finance costs increased by 26.9% from RMB264.4 million for the first six months of 2004 to RMB335.5 million for the first six months of 2005 due to increase in interest rates during the period. The interest expenses were increased by 36.0% from RMB264.2 million to RMB359.3 million. However, this increase was partly offset by the fair value gain on interest rate swap contracts of RMB42.2 million (same period of 2004: RMB Nil).

Share of profits less losses of jointly controlled entities and associates

For the period ended 30 June 2005, net profit contribution from jointly controlled entities amounted to RMB362.7 million, corresponding to a net profit of RMB265.6 million for the same period of 2004, representing an increase of 36.6%. Net profit contribution from container manufacturing and related business increased significantly as compared to last year. The container terminal investments through COSCO Pacific contributed a remarkable net profit. An increase in net profit from terminals was due to an increase in throughput for the first six months of 2005. COSCO Logistics contributed a net profit of RMB63.1 million in the first half of 2005 (same period of 2004: RMB51.6 million).

Net profit contribution from associates amounted to RMB443.7 million, as compared to RMB113.7 million in the corresponding period in 2004, registering a significant increase of 290.2%. CIMC, which became an associate of the Group at the end of last year, made a profit contribution of RMB333.0 million in the first half of the year (same period of 2004: Not applicable). Antwerp Gateway NV as acquired at the end of last year was still under construction. Liu Chong Hing Bank Limited contributed a net profit of RMB40.5 million during the period (same period of 2004: RMB35.1 million).

Taxation

The Group's taxation increased from RMB133.1 million for the first six months of 2004 to RMB792.4 million for the first six months of 2005. The significant increase was because of lower tax charge in the first half of 2004 due to the utilization of previously unrecognized tax losses.

On 15 September 2005, the Shanghai Local Tax Office has approved COSCON that effective from 1 January 2005 the enterprise income tax payable by COSCON shall be reduced to 15% pursuant to the Domestic Enterprise Income Tax Concession Policy of Pudong New District.

FINANCIAL POSITION

Liquidity and Financial Resources

On 30 June 2005, a total of 2,244,000,000 H-shares, consisting of 2,040,000,000 new shares and 204,000,000 shares converted from domestic shares, all with a nominal value of RMB1.00, were issued at HK$4.25 each and were fully paid in cash. The Group's financial position was significantly improved as at 30 June 2005 as the Company received proceeds of HK$8,670.0 million (equivalent to RMB9,232.7 million) from the issuance.

Cashflow

The Group's principal sources of liquidity and capital resources are cash flow from operations, listing proceeds and bank loans. Apart from the proceeds from the initial public offering, cash inflows from operating activities of the Group remained stable. During the period, net cash from operating activities amounted to RMB2,834.7 million, up from RMB2,752.7 million in the same period of 2004. The increase in cash balances was mainly a result of the net proceeds of RMB8,817.8 million received from the initial public offering of the Company's H-shares.

Capital expenditure

The following table gives a summary of capital expenditure ("CAPEX") and capital commitments for the six months ended 30 June 2005 and as at 30 June 2005:

Category	CAPEX for the six months ended 30 June 2005 *RMB'000*	Committed CAPEX as at 30 June 2005 *RMB'000*
Purchase of container vessels	1,396,600	8,725,682
Purchase of containers	2,273,581	136,720
Others	150,791	230,318
Subtotal	3,820,972	9,092,720
Investments in terminal projects	115,000	4,877,696
Total	3,935,972	13,970,416

The Group currently anticipates the net proceeds from its financing activities to date, including the funds raised in the initial public offering, and the available funds and cash flows generated from the Group's operations, will be sufficient to meet its requirements for working capital, its committed capital expenditure and business expansion as at 30 June 2005 and its anticipated requirements in the near future. COSCO Pacific's working capital, capital expenditures and business expansion will be funded entirely from its internal resources and banking facilities.

Assets and liabilities

As at 30 June 2005, total assets amounted to RMB58,420.7 million, up from RMB44,247.3 million as at 31 December 2004. Total liabilities amounted to RMB34,499.9 million, as compared to RMB30,844.7 million as at 31 December 2004. Equity attributable to the Company's equity holders amounted to RMB16,509.6 million, up from RMB7,449.2 million as at the end of 2004. Equity attributable to the Company's equity holders per share was RMB2.69 as at 30 June 2005, representing an increase of 47.8% as compared to RMB1.82 as at the end of 2004.

Cash and cash equivalents of the Group as at 30 June 2005 amounted to RMB14,426.4 million, as compared to RMB4,894.5 million as at 31 December 2004. Total outstanding borrowings as at 30 June 2005 amounted to RMB22,096.4 million, as compared to RMB17,845.4 million as at the end of 2004, resulting in a net debt-to-equity ratio of 32.1%, down from 96.6% as at the end of 2004. Interest coverage was 13.3 times, compared to 10.2 times on 30 June 2004. The increase in cash balances was mainly a result of the net proceeds of RMB8,817.8 million received from the initial public offering of the Company's H-shares.

Certain property, plant and equipment and land use rights of the Group with net book value of RMB13,789.1 million (31 December 2004: RMB14,216.6 million) and bank deposits of RMB67.9 million (31 December 2004: RMB0.3 million) were pledged to certain banks and financial institutions as collaterals against long-term borrowings totalling RMB12,537.6 million (31 December 2004: RMB11,785.2 million), representing 48.7% of total fixed assets (31 December 2004: 55.5%).

Debt analysis

Category	As at 30 June 2005 *RMB'000*	As at 31 December 2004 *RMB'000*
Short-term loans	5,364,772	2,006,761
Long-term borrowings		
Within one year	3,976,818	3,580,099
Between one to two years	2,998,604	1,581,925
Between two to five years	4,481,180	4,994,548
Over five years	5,275,033	5,672,970
Subtotal	16,731,635	15,829,542
Total	22,096,407	17,836,303

Secured borrowings amounted to RMB14,193.0 million, while unsecured borrowings amounted to RMB7,903.4 million. Most of the loan balances are denominated in US dollars.

Contingent liabilities

As at 30 June 2005, the Group had provided guarantees on a loan facility granted to an associate of RMB120.3 million (31 December 2004: RMB Nil). Pending lawsuits amounted to RMB35.9 million. Except for the above and information disclosed in note 15 to the unaudited condensed consolidated financial statements, the Group had no other significant contingent liabilities.

Foreign exchange and interest rate risks management

Concerns have been raised due to the recent appreciation of the RMB against the US dollar. Most of the Group's revenue and expenses are denominated in US dollar. The Group does not believe the recent appreciation has had or will have any significant impact to the Group. The Group will closely monitor the situation and take actions when appropriate.

The Group continues to exercise stringent control over the use of financial derivatives for hedging against its interest rate risks.

The Group will monitor and adjust its debt portfolio of fixed and floating interests from time to time to reduce market rate risk.

PROSPECTS

The Group believes that the current favorable global economic environment will continue in the second half of this year. Though the upcoming new ship capacity is large, a healthy world economy should continue to generate steady demand for container shipping. With China's emergence as a significant outsourcing centre and manufacturing base for multinational corporations, exports from China continue to rise and this leads to the growth in demand for container shipping. China has enjoyed strong GDP growth of 9.5% and foreign trade growth of 23.2% in the first half of this year. In the same period Chinese container throughput grew by 24% to over 34 million TEUs. As the recent macro policies help smooth up the country's once overheated economy, China's economy and trade are likely to maintain strong growth in the rest of 2005 and beyond. The Group believes the container shipping market will remain stable in the latter half of this year.

SHARE OPTIONS

As at 30 June 2005, there are outstanding share options in relation to two share option schemes of COSCO Pacific, one of which was adopted by its shareholders on 30 November 1994 (the "1994 Share Option Scheme") and the other was adopted on 23 May 2003 (the "2003 Share Option Scheme").

(i) Movements of the share options, which have been granted under the 1994 Share Option Scheme, during the period are set out below:

		Number of share options				
Category	**Exercise price HK$**	**Outstanding as at 1 January 2005**	**Exercised during the period**	**Outstanding as at 30 June 2005**	**Percentage of total issued share capital**	**Note**
A director of COSCO Pacific	8.80	1,800,000	(900,000)	900,000	0.04%	(1), (3), (4)
Employees[2]	8.80	902,000	(564,000)	338,000	0.02%	(1), (4)
		2,702,000	(1,464,000)	1,238,000		

Notes:

(1) The share options were granted on 20 May 1997 (the "Offer Date") under the 1994 Share Option Scheme. The share options are exercisable at any time within ten years from the date of grant (i.e. on or before 19 May 2007), subject to the following conditions:

(a) For those grantees who have completed one year full-time service in the Group may exercise a maximum of 20% of share options granted in each of the first five anniversary years from the Offer Date.

(b) For those grantees who have not completed one year full-time service in the Group as at the Offer Date, a maximum of 20% of share options granted may be exercisable in each of the first five anniversary years of the Offer Date after completion of one year full-time service.

(2) This category comprises management of the subsidiaries of COSCO Pacific.

(3) These share options represent personal interests held by the director as beneficial owner.

(4) The weighted average closing price of the shares of COSCO Pacific ("COSCO Pacific Shares") immediately before the dates on which the share options were exercised was HK$15.77.

During the period, no share options were granted, cancelled or lapsed under the 1994 Share Option Scheme.

SHARE OPTIONS *(Continued)*

(ii) Movements of the share options, which have been granted under the 2003 Share Option Scheme, during the period are set out below:

		Number of share options					
Category	**Exercise price HK$**	**Outstanding as at 1 January 2005**	**Exercised during the period**	**Outstanding as at 30 June 2005**	**Percentage of total issued share capital**	**Exercisable period**	**Note**
Directors							
WEI Jiafu	9.54	1,000,000	—	1,000,000	0.046%	30.10.2003-29.10.2013	(1), (4)
	13.75	1,000,000	—	1,000,000	0.046%	03.12.2004-02.12.2014	(2), (4)
ZHANG Fusheng	9.54	800,000	—	800,000	0.036%	29.10.2003-28.10.2013	(1), (3), (4)
	13.75	1,000,000	—	1,000,000	0.046%	03.12.2004-02.12.2014	(2), (3), (4)
CHEN Hongsheng	9.54	800,000	—	800,000	0.036%	28.10.2003-27.10.2013	(1), (4)
	13.75	1,000,000	—	1,000,000	0.046%	03.12.2004-02.12.2014	(2), (4)
WANG Futian	9.54	800,000	—	800,000	0.036%	29.10.2003-28.10.2013	(1), (3), (4)
	13.75	1,000,000	—	1,000,000	0.046%	03.12.2004-02.12.2014	(2), (3), (4)
LI Jianhong	9.54	800,000	—	800,000	0.036%	29.10.2003-28.10.2013	(1), (4)
	13.75	1,000,000	—	1,000,000	0.046%	02.12.2004-01.12.2014	(2), (4)
MA Zehua	9.54	800,000	—	800,000	0.036%	30.10.2003-29.10.2013	(1), (3), (4)
	13.75	1,000,000	—	1,000,000	0.046%	03.12.2004-02.12.2014	(2), (3), (4)
MA Guichuan	9.54	800,000	—	800,000	0.036%	29.10.2003-28.10.2013	(1), (3), (4)
	13.75	1,000,000	—	1,000,000	0.046%	03.12.2004-02.12.2014	(2), (3), (4)
SUN Yueying	9.54	800,000	—	800,000	0.036%	29.10.2003-28.10.2013	(1), (4)
	13.75	1,000,000	—	1,000,000	0.046%	03.12.2004-02.12.2014	(2), (4)
LIU Guoyuan	9.54	100,000	(100,000)	—	N/A	28.10.2003-27.10.2013	(1), (3), (4), (5)
	13.75	1,000,000	—	1,000,000	0.046%	29.11.2004-28.11.2014	(2), (3), (4)
Supervisor							
LI Yunpeng	9.54	800,000	—	800,000	0.036%	29.10.2003-28.10.2013	(1), (3), (4)
	13.75	1,000,000	—	1,000,000	0.046%	03.12.2004-02.12.2014	(2), (3), (4)
Employees(6)	9.54	11,670,000	(2,414,000)	9,256,000	0.421%	(refer to note 1)	(1), (5)
	13.75	43,990,000	(4,426,000)	39,564,000	1.807%	(refer to note 2)	(2), (5)
Others(7)	9.54	1,320,000	(320,000)	1,000,000	0.046%	(refer to note 1)	(1), (5)
	13.75	9,750,000	(510,000)	9,240,000	0.421%	(refer to note 2)	(2), (5)
		84,230,000	(7,770,000)	76,460,000			

SHARE OPTIONS *(Continued)*

Notes:

(1) The share options were granted during the period from 28 October 2003 to 6 November 2003 under the 2003 Share Option Scheme at an exercisable price of HK$9.54. The options are exercisable at any time within ten years from the date on which an offer is accepted or deemed to be accepted by the grantee pursuant to the 2003 Share Option Scheme (the "Commencement Date"). The Commencement Date of the options of the grantees was from 28 October 2003 to 6 November 2003.

(2) The share options were granted during the period from 25 November 2004 to 16 December 2004 under the 2003 Share Option Scheme at an exercisable price of HK$13.75. The options are exercisable at any time within ten years from the Commencement Date. The Commencement Date of the options of the grantees was from 25 November 2004 to 16 December 2004.

(3) During the period, Mr. LIU Guoyuan, Mr. ZHANG Fusheng, Mr. WANG Futian, Mr. MA Zehua, Mr. MA Guichuan and Mr. LI Yunpeng resigned as executive directors of COSCO Pacific with effect from 9 June 2005.

(4) These share options represent personal interests held by the relevant director as beneficial owner.

(5) The weighted average closing price of the COSCO Pacific Shares immediately before the dates on which the options were exercised was HK$16.83.

(6) This category comprises directors, ex-directors, management and employees of COSCO Pacific.

(7) This category comprises management of COSCO (Hong Kong) Group Limited and COSCO.

During the period, no share options were granted, cancelled or lapsed under the 2003 Share Option Scheme.

DIRECTORS' AND SUPERVISORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2005, the interests of the Company's directors and supervisors in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

(a) Long positions in shares, underlying shares and debentures of the Company

None of the Company's directors or supervisors holds any interests in the shares, underlying shares and debentures of the Company.

(b) Long positions in shares of associated corporation

Name of associated corporation	Name of director	Capacity	Nature of interest	No. of Shares	Percentage of total issued share capital/ paid up capital
COSCO Pacific	TSAO Wen King, Frank	Beneficial owner	Personal	50,000	0.002%
Qingdao Ocean & Great Asia Transportation Co. Ltd.	TSAO Wen King, Frank	Beneficial owner	Personal	2,183,590	49.000%
Zibo Ocean & Great Asia Transportation Co. Ltd.	TSAO Wen King, Frank	Beneficial owner	Personal	354,217	49.000%
Qingdao Ocean & Great Asia International Logistics Co.	TSAO Wen King, Frank	Beneficial owner	Personal	981,042	49.000%
Qingdao Ocean & Great Asia Logistics Co. Ltd.	TSAO Wen King, Frank	Beneficial owner	Personal	2,243,373	49.000%

DIRECTORS' AND SUPERVISORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(Continued)*

(c) Long positions in underlying shares of equity derivatives of associated corporation

Movement of the share options granted to the directors or supervisors of the Company by an associated corporation during the period is set out below:

Name of associated corporation	Name of director/ supervisor	Capacity	Nature of interest	Exercise Price	Number of share options: Outstanding as at 1 January 2005	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 30 June 2005	Percentage of total issued share capital of associated corporation	Note
COSCO Pacific Limited	WEI Jiafu	Beneficial owner	Personal	HK$9.54	1,000,000	—	—	—	1,000,000	0.046%	(1)
				HK$13.75	1,000,000	—	—	—	1,000,000	0.046%	
	ZHANG Fusheng	Beneficial owner	Personal	HK$9.54	800,000	—	—	—	800,000	0.036%	(1)
				HK$13.75	1,000,000	—	—	—	1,000,000	0.046%	
	CHEN Hongsheng	Beneficial owner	Personal	HK$9.54	800,000	—	—	—	800,000	0.036%	(1)
				HK$13.75	1,000,000	—	—	—	1,000,000	0.046%	
	WANG Futian	Beneficial owner	Personal	HK$9.54	800,000	—	—	—	800,000	0.036%	(1)
				HK$13.75	1,000,000	—	—	—	1,000,000	0.046%	
	LI Jianhong	Beneficial owner	Personal	HK$9.54	800,000	—	—	—	800,000	0.036%	(1)
				HK$13.75	1,000,000	—	—	—	1,000,000	0.046%	
	MA Zehua	Beneficial owner	Personal	HK$9.54	800,000	—	—	—	800,000	0.036%	(1)
				HK$13.75	1,000,000	—	—	—	1,000,000	0.046%	
	MA Guichuan	Beneficial owner	Personal	HK$9.54	800,000	—	—	—	800,000	0.036%	(1)
				HK$13.75	1,000,000	—	—	—	1,000,000	0.046%	
	SUN Yueying	Beneficial owner	Personal	HK$9.54	800,000	—	—	—	800,000	0.036%	(1)
				HK$13.75	1,000,000	—	—	—	1,000,000	0.046%	
	LIU Guoyuan	Beneficial owner	Personal	HK$9.54	100,000	—	(100,000)	—	—	N/A	(1)
				HK$13.75	1,000,000	—	—	—	1,000,000	0.046%	
	LI Yunpeng	Beneficial owner	Personal	HK$9.54	800,000	—	—	—	800,000	0.036%	(1)
				HK$13.75	1,000,000	—	—	—	1,000,000	0.046%	
COSCO International Holdings Limited	WEI Jiafu	Beneficial owner	Personal	HK$0.57	1,800,000	—	—	—	1,800,000	0.127%	(2), (3)
				HK$1.37	1,200,000	—	—	—	1,200,000	0.085%	(2), (4)
	LI Jianhong	Beneficial owner	Personal	HK$0.57	1,800,000	—	—	—	1,800,000	0.127%	(2), (3)
				HK$1.37	1,200,000	—	—	—	1,200,000	0.085%	(2), (4)
	LIU Guoyuan	Beneficial owner	Personal	HK$0.57	1,800,000	—	—	—	1,800,000	0.127%	(2), (3)
				HK$1.37	1,200,000	—	—	—	1,200,000	0.085%	(2), (4)
COSCO Corporation (Singpoare) Limited	WEI Jiafu	Beneficial owner	Personal	S$0.2	350,000	—	—	—	350,000	0.032%	(5)
				S$0.2	350,000	—	—	—	350,000	0.032%	(6)
				S$0.735	700,000	—	—	—	700,000	0.064%	(7)
				S$1.614	—	450,000	—	—	450,000	0.041%	(8)
	LI Jianhong	Beneficial owner	Personal	S$0.2	200,000	—	—	—	200,000	0.018%	(5)
				S$0.2	250,000	—	—	—	250,000	0.023%	(6)
				S$0.735	500,000	—	—	—	500,000	0.046%	(7)
				S$1.614	—	300,000	—	—	300,000	0.027%	(8)
	SUN Yueying	Beneficial owner	Personal	S$0.2	250,000	—	—	—	250,000	0.023%	(5)
				S$0.2	250,000	—	—	—	250,000	0.023%	(6)
				S$0.735	500,000	—	—	—	500,000	0.046%	(7)
				S$1.614	—	300,000	—	—	300,000	0.027%	(8)

DIRECTORS' AND SUPERVISORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(Continued)*

Notes:

(1) The share options were granted by COSCO Pacific. For further information, please refer to the section headed "Share Options".

(2) The share options were granted by COSCO International Holdings Limited ("COSCO International"), an associated corporation of the Company.

(3) These share options were granted on 26 November 2003 pursuant to the share option scheme approved by shareholders of COSCO International on 17 May 2002 (the "Share Option Scheme of COSCO International") and can be exercised at HK$0.57 per share at any time between 23 December 2003 and 22 December 2008.

(4) These share options were granted on 2 December 2004 pursuant to the Share Option Scheme of COSCO International and can be execised at HK$1.37 per share at any time between 29 December 2004 and 28 December 2014.

(5) The share options were granted by COSCO Corporation (Singapore) Limited ("COSCO Corporation (Singapore)"), an associated corporation of the Company, on 12 August 2002 and can be exercised at any time between 12 August 2003 and 11 August 2007.

(6) The share options were granted by COSCO Corporation (Singapore) on 1 April 2003 and can be exercised at any time between 1 April 2004 and 31 March 2008.

(7) The share options were granted by COSCO Corporation (Singapore) on 24 May 2004 and can be exercised at any time between 24 May 2005 and 23 May 2009.

(8) The share options were granted by COSCO Corporation (Singapore) on 6 April 2005 and can be exercised at any time between 6 April 2006 and 5 April 2010.

Save as disclosed above, as at 30 June 2005, none of the directors, supervisors or chief executives of the Company had any interests or short positions in any shares or underlying shares or interests in debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as was known to any director of the Company, as at 30 June 2005, shareholders who had interests or short positions in the shares and underlying shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

		Number of ordinary shares/Percentage of total issued share capital						
Name	Capacity	Long positions	%	Short positions	%	Lending pool	%	Note
HSBC Holdings plc	Interest of controlled corporation	379,206,000	16.90	—	—	—	—	(1)
HSBC Finance (Netherlands)	Interest of controlled corporation	379,206,000	16.90	—	—	—	—	(1)
HSBC Holdings BV	Interest of controlled corporation	379,206,000	16.90	—	—	—	—	(1)
HSBC Asia Holdings (UK)	Interest ofcontrolled corporation	379,206,000	16.90	—	—	—	—	(1)
HSBC Asia Holdings BV	Interest of controlled corporation	379,206,000	16.90	—	—	—	—	(1)
The Hongkong and Shanghai Banking Corporation Limited ("HSBC")	Beneficial owner	336,600,000	15.00	—	—	—	—	(2)
	Interest of controlled corporation	42,606,000	1.90	—	—	—	—	(3)
Temasek Holdings (Private) Limited	Interest of controlled corporation	306,741,500	13.67	—	—	—	—	(4)
Temasek Capital (Private) Limited	Interest of controlled corporation	306,741,500	13.67	—	—	—	—	(4)

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY *(Continued)*

		Number of ordinary shares/Percentage of total issued share capital						
Name	Capacity	Long positions	%	Short positions	%	Lending pool	%	Note
Seletar Investments Pte Ltd	Interest of controlled corporation	306,741,500	13.67	—	—	—	—	(4)
Singapex Investments Pte Ltd	Beneficial owner	272,536,000	12.15	—	—	—	—	(5)
Mr. Li Ka-Shing	Founder of discretionary trusts and interest of controlled corporations	275,294,000	12.27	—	—	—	—	(6)
Li Ka-Shing Unity Trustee Company Limited ("TUT1")	Trustee	275,294,000	12.27	—	—	—	—	(6)
Li Ka-Shing Unity Trustee Corporation Limited ("TDT1")	Trustee and beneficiary of a trust	275,294,000	12.27	—	—	—	—	(6)
Li Ka-Shing Unity Trustcorp Limited ("TDT2")	Trustee and beneficiary of a trust	275,294,000	12.27	—	—	—	—	(6)
Cheung Kong (Holdings) Limited ("CKH")	Interest of controlled corporation	275,294,000	12.27	—	—	—	—	(6)
Hutchison Whampoa Limited ("HWL")	Interest of controlled corporation	275,294,000	12.27	—	—	—	—	(6)
Hutchison International Limited ("HIL")	Interest of controlled corporation	275,294,000	12.27	—	—	—	—	(6)
Hutchison Whampoa Properties Limited ("HWPL")	Interest of controlled corporation	275,294,000	12.27	—	—	—	—	(6)
Cactus Holdings Limited ("Cactus")	Interest of controlled corporation	275,294,000	12.27	—	—	—	—	(6)
Northpier Enterprises Limited ("Northpier")	Interest of controlled corporation	137,647,000	6.13	—	—	—	—	(6)

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY *(Continued)*

		Number of ordinary shares/Percentage of total issued share capital						
Name	Capacity	Long positions	%	Short positions	%	Lending pool	%	Note
Vember Lord Limited ("Vember Lord")	Beneficial owner	137,647,000	6.13	—	—	—	—	(6)
Yanter Services Limited ("Yanter")	Interest of controlled corporation	137,647,000	6.13	—	—	—	—	(6)
Rhine Office Investments Limited ("Rhine Office")	Beneficial owner	137,647,000	6.13	—	—	—	—	(6)
J.P. Morgan Chase & Co.	Interest of controlled corporation	348,551,500	15.53	—	—	—	—	(7)
UBS AG	Interest of controlled corporation	769,577,000	34.29	—	—	—	—	(8)
UBS Securities Hong Kong Limited	Beneficial Owner and Trustee	411,229,000	18.33	—	—	—	—	(9)

Notes:

(1) The five references to 379,206,000 shares relate to the same block of shares in the Company comprising:

(a) 336,600,000 shares held by HSBC, a subsidiary of HSBC Holdings plc, HSBC Finance (Netherlands), HSBC Holdings BV, HSBC Asia Holdings (UK) and HSBC Asia Holdings BV, jointly with UBS AG and JP Morgan Securities Limited, pursuant to an over-allotment option granted by China Ocean Shipping (Group) Limited ("COSCO") and the Company, exercisable by HSBC, UBS AG and JP Morgan Securities Limited to require COSCO to sell up to an aggregate of 30,600,000 additional shares of the Company and the Company to allot and issue up to an aggregate of 306,000,000 additional shares of the Company. The option was not exercised and lapsed on 24 July 2005; and

(b) 42,606,000 shares held by HSBC Securities (Asia) Limited, a subsidiary of HSBC Holdings plc, HSBC Finance (Netherlands), HSBC Holdings BV, HSBC Asia Holdings (UK), HSBC Asia Holdings BV, HSBC and HSBC Investment Asia Holdings.

Each of HSBC Holdings plc, HSBC Finance (Netherlands), HSBC Holdings BV, HSBC Asia Holdings (UK) and HSBC Asia Holdings BV is taken to have a duty of disclosure in relation to the said shares of the Company by virtue of their deemed interests in the shares under the SFO.

(2) This relates to 336,600,000 shares in the Company held by HSBC as described in Note (1)(a) above.

(3) This relates to 42,606,000 shares in the Company directly and beneficially held by HSBC Securities (Asia) Limited as described in Note (1)(b) above.

(4) The three references to 306,741,500 shares relate to the same block of shares in the Company comprising:

(a) 272,536,000 shares held by Singapex Investments Pte Ltd, a wholly owned subsidiary of Temasek Holdings (Private) Limited, Temasek Capital (Private) Limited and Seletar Investments Pte Ltd; and

(b) 34,205,500 shares held by Aranda Investments, a wholly owned subsidiary of Temasek Holdings (Private) Limited, Temasek Capital (Private) Limited and Seletar Investments Pte Ltd.

Each of Temasek Holdings (Private) Limited, Temasek Capital (Private) Limited and Seletar Investments Pte Ltd is taken to have a duty of disclosure in relation to the said shares of the Company by virtue of their deemed interests in the shares under the SFO.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY *(Continued)*

(5) This relates to 137,647,000 shares in the Company directly and beneficially held by Singapex Investments Pte Ltd as described in Note (4)(a) above.

(6) The nine references to 275,294,000 shares relate to the same block of shares in the Company comprising 137,647,000 shares directly held by each of Vember Lord and Rhine Office.

Li Ka-Shing Unity Holdings Limited ("Unity Holdings"), of which each of Mr. Li Ka-Shing, Mr. Li Tzar Kuoi, Victor and Mr. Li Tzar Kai, Richard is interested in one-third of the entire issued share capital, owns the entire issued share capital of TUT1. TUT1 as trustee of The Li Ka-Shing Unity Trust ("UT1"), together with certain companies which TUT1 as trustee of UT1 is entitled to exercise or control the exercise of more than one-third of the voting power at their general meetings, hold more than one-third of the issued share capital of CKH. Certain subsidiaries of CKH are entitled to exercise or control the exercise of more than one-third of the voting power at the general meetings of HWL.

In addition, Unity Holdings also owns the entire issued share capital of TDT1 as trustee of the Li Ka-Shing Unity Discretionary Trust ("DT1") and TDT2 as trustee of another discretionary trust ("DT2"). Each of TDT1 and TDT2 holds units in UT1.

HWL holds the entire issued share capital of HIL, HIL holds the entire issued share capital of HWPL, which in turn holds the entire issued share capital of Cactus, which in turn holds the entire issued capital of Rhine Office and Vember Lord indirectly, through Yanter and Northpier respectively.

By virtue of the SFO, each of Mr. Li Ka-Shing (being the settler and may be regarded as a founder of DT1 and DT2 for the purpose of the SFO), TDT1, TDT2, TUT1, CKH, HWL, HIL, HWPL, Cactus, Yanter and Northpier is deemed to be interested in the share capital of the Company held by Rhine Office and Vember Lord as a substantial shareholder of the Company.

(7) The 348,551,500 shares relate to the shares in the Company comprising:

(a) 336,600,000 shares held by JP Morgan Securities Limited, a subsidiary of JP Morgan Chase & Co., jointly with UBS AG and HSBC, pursuant to an over-allotment option granted by COSCO and the Company, exercisable by HSBC, UBS AG and JP Morgan Securities Limited to require COSCO to sell up to an aggregate of 30,600,000 additional shares of the Company and the Company to allot and issue up to an aggregate of 306,000,000 additional shares of the Company. The option was not exercised and lapsed on 24 July 2005;

(b) 11,051,500 shares held by JP Morgan Securities Limited, a subsidiary of JP Morgan Chase & Co.; and

(c) 900,000 shares held by J.P. Morgan Whitefriars Inc., a wholly owned subsidiary of JP Morgan Chase & Co.

JP Morgan Chase & Co. is taken to have a duty of disclosure in relation to the 348,551,500 shares of the Company, the interest of which was attributable on account through a number of its subsidiaries under the SFO.

(8) The 769,577,000 shares relate to the shares in the Company comprising:

(a) 336,600,000 shares held by UBS AG, jointly with JP Morgan Securities Limited and HSBC, pursuant to an over-allotment option granted by COSCO and the Company, exercisable by HSBC, UBS AG and JP Morgan Securities Limited to require COSCO to sell up to an aggregate of 30,600,000 additional shares of the Company and the Company to allot and issue up to an aggregate of 306,000,000 additional shares of the Company. The option was not exercised and lapsed on 24 July 2005;

(b) 411,229,000 shares held by UBS Securities Hong Kong Ltd, a wholly owned subsidiary of UBS AG; and

(c) 21,748,000 shares held by UBS AG.

UBS AG is taken to have a duty of disclosure in relation to the shares of the Company described in Note (8)(b) and (8)(c) above by virtue of its deemed interests in the said shares under the SFO.

(9) This relates to 411,229,000 shares of the Company held by UBS Securities Hong Kong Ltd, as described in note (8)(b) above and comprises 42,606,000 shares held beneficially and 368,623,000 shares held in its capacity as a trustee.

Save as disclosed above, as at 30 June 2005, the Company has not been notified of any other interests or short positions in the shares or underlying shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DISCLOSURE UNDER RULE 13.22 OF CHAPTER 13 OF THE LISTING RULES

In relation to the financial assistance granted by COSCO Pacific, a listed subsidiary of the Company, to certain of its affiliated companies, a proforma combined balance sheet of its affiliated companies as at 30 June 2005 required to be disclosed under Rule 13.22 of Chapter 13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") is set out below:

	RMB'000
Non-current assets	6,533,122
Current assets	556,189
Current liabilities	(2,468,309)
Non-current liabilities	(2,058,523)
Net assets	2,562,479
Share capital	2,155,259
Reserves	407,220
Capital and reserves	2,562,479

As at 30 June 2005, the Group's share of net assets of these affiliated companies amounted to RMB1,079.5 million.

AUDIT COMMITTEE

The Company has an audit committee consisting of two independent non-executive directors, Mr. Alexander Reid Hamilton (chairman of the audit committee) and Mr. Cheng Mo Chi, and one non-executive director, Ms. Sun Yueying. The committee reviews the systems of internal controls throughout the Group and the completeness and accuracy of its financial statements and liaises on behalf of the directors with external auditors. The committee members shall meet regularly with management and external auditors to review audit reports, if applicable, and the interim and annual financial statements, as the case may be, of the Group. It has reviewed the unaudited condensed consolidated financial statements for the six months ended 30 June 2005, and recommended their adoption by the Board.

CORPORATE GOVERNANCE

The Company is committed to fulfilling its responsibilities to shareholders by ensuring that the proper processes for oversight and management of its businesses are in place, in operation and are regularly reviewed.

The Company adopted its own code on corporate governance practices which incorporates all the code provisions other than the following deviation and a majority of the recommended best practices in the Code on Governance Practices in Appendix 14 to the Listing Rules.

The Code on Governance Practices in Appendix 14 to the Listing Rules requires separation of the role of Chairman and Chief Executive Officer of a listed issuer. Mr. Wei Jiafu currently assumes the role of both Chairman and CEO of the Company.

The Board considered that an abrupt segregation of the role of the Chairman and CEO would involve a sharing of power and authority of the existing structure which might affect the daily operations of the Company. Notwithstanding the above, the Board will review the current structure from time to time and shall make necessary arrangements when the Board considers appropriate.

Save for the above deviation, none of the directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the period for the six months ended 30 June 2005, in compliance with the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules.

EMPLOYEES AND REMUNERATION POLICIES

The Group always considers that staff team is the key pillar for its continuous steady growth. Throughout history, the Group has consistently regarded the team spirit building activities as one of the most important long-term development plans. To fully cope with the business expansion of its container shipping, container terminal, container leasing, freight forwarding and shipping agency business, the Group strives to provide professional training to the management and attract competent expertise. The Group endeavours to cultivate harmonious working atmosphere with the aims of promoting enthusiasm and achieving a co-operative, respectful and faithful relationship.

The Group has continued to improve the remuneration packages for its employees based on fair principles. The management reviews the remuneration policies on a regular basis to formulate more reasonable incentives and appraisal measures. As at 30 June 2005, there were 7,830 employees in the Group. Total staff cost for the Group for the first half of the year, including directors' remuneration, totalled approximately RMB986.5 million.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2005.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the model code for securities transactions by directors set out in Appendix 10 to the Listing Rules as its own code of conduct regarding its directors' securities transactions effective on 9 June 2005. Having made specific enquiry of all directors of the Company, they have confirmed that they complied with the required standard set out in the Model Code for the six months ended 30 June 2005.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

The Company has not redeemed any of its listed shares during the six months ended 30 June 2005. Neither the Company nor any of its subsidiaries purchased or sold any of the Company's listed shares during the six months ended 30 June 2005.

INVESTOR RELATIONS

The Company firmly believes that effective investor relations are beneficial to both investors and related parties to fully appreciate the intrinsic value of an enterprise, the market value of which will be reflected in its share price. Good investor relations will not only benefit us in securing favourable financing channels but also further create value for shareholders.

The Company strives for enhancing its management mechanism, upgrading governance standards and improving corporate transparency by building a corporate image underpinned by integrity and diligence.

CORPORATE CULTURE

The Company sees a positive corporate culture important in laying a solid foundation for the continuous development of an enterprise. While actively expanding its business, the Group puts much emphasis on building its corporate culture, setting out the guiding principle of "achieving customer satisfaction and creating value to shareholders" for our employees with a view to "maximising return for shareholders". Having due regard to its employees, shareholders and investors, customers, other stakeholders and the community as a whole and adhering to its corporate value of "integrity, creativity, growth, good communication, understanding, sound management, morality and dedicated services", the Group takes a people-oriented approach and encourages life-long learning so as to create an environment featuring "integrity, progression, exploration and innovation".

Unaudited Condensed Consolidated Financial Statements

The unaudited condensed consolidated financial statements as set out on pages 29 to 65 have 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 results and net assets of China International Marine Containers (Group) Company Limited and Liu Chong Hing Bank Limited, both are listed associates of the Group, which have been disclosed in notes 3a(i) and 3a(ii) to the unaudited condensed consolidated financial statements respectively. Accordingly, their independent review report was modified in this respect.

Unaudited Condensed Consolidated Balance Sheet

As at 30 June 2005

	Note	**As at 30 June 2005 RMB'000**	As at 31 December 2004 RMB'000 (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment	4	**28,109,949**	25,462,443
Investment properties		**22,493**	13,880
Leasehold land and land use rights		**183,136**	155,930
Intangible assets		**169,960**	171,234
Jointly controlled entities		**3,265,145**	3,055,656
Associates		**3,764,127**	3,285,140
Available-for-sale financial assets/investment securities		**1,901,317**	610,057
Finance lease receivables		**35,121**	38,518
Deferred income tax assets		**38,757**	39,593
Derivative financial instruments		**52,374**	—
Restricted bank deposits		**91,972**	93,509
		37,634,351	32,925,960
Current assets			
Inventories		**463,336**	318,409
Trade and other receivables	5	**5,828,723**	6,108,012
Deposits placed with a fellow subsidiary		**135,611**	71,214
Bank balances and cash			
- pledged		**67,909**	346
- unpledged		**14,290,765**	4,823,318
		20,786,344	11,321,299
Total assets		**58,420,695**	44,247,259

Unaudited Condensed Consolidated Balance Sheet

As at 30 June 2005

	Note	**As at 30 June 2005** *RMB'000*	As at 31 December 2004 *RMB'000* *(Restated)*
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Owners' equity		**—**	7,449,204
Share capital	6	**6,140,000**	—
Reserves		**10,369,644**	—
		16,509,644	7,449,204
Minority interests		**7,411,200**	5,953,318
Total equity		**23,920,844**	13,402,522
LIABILITIES			
Non-current liabilities			
Long-term borrowings	9	**12,754,817**	12,249,443
Amount due to COSCO		**—**	9,105
Other non-current liabilities		**83,841**	92,300
Derivative financial instruments		**2,888**	—
Deferred income tax liabilities		**1,150,463**	804,798
		13,992,009	13,155,646
Current liabilities			
Trade and other payables	7	**10,548,533**	11,684,342
Short-term loans	8	**5,364,772**	2,006,761
Current portion of long-term borrowings	9	**3,976,818**	3,580,099
Current tax liabilities		**617,719**	417,889
		20,507,842	17,689,091
Total liabilities		**34,499,851**	30,844,737
Total equity and liabilities		**58,420,695**	44,247,259
Net current assets/(liabilities)		**278,502**	(6,367,792)
Total assets less current liabilities		**37,912,853**	26,558,168

Unaudited Condensed Consolidated Income Statement

For the six months ended 30 June 2005

	Note	Six months ended 30 June **2005** ***RMB'000***	 2004 *RMB'000* *(Restated)*
Turnover	3	**18,576,762**	14,529,966
Cost of services		**(14,244,676)**	(11,603,477)
Gross profit		**4,332,086**	2,926,489
Other gains		**225,722**	227,473
Selling, administrative and general expenses		**(957,947)**	(728,183)
Other operating income		**556,036**	102,127
Other operating expenses		**(201,893)**	(213,164)
Operating profit	10	**3,954,004**	2,314,742
Finance costs	11	**(335,523)**	(264,421)
Share of profits less losses of			
- jointly controlled entities		**362,680**	265,563
- associates		**443,661**	113,694
Profit before income tax		**4,424,822**	2,429,578
Income tax expenses	12	**(792,391)**	(133,135)
Profit for the period		**3,632,431**	2,296,443
Attributable to:			
Equity holders of the Company		**2,772,796**	1,947,914
Minority interests		**859,635**	348,529
		3,632,431	2,296,443
Distributions	13	**3,866,327**	1,571,423
		RMB	*RMB*
Earnings per share for profit attributable to the equity holders of the Company			
- basic	14	**0.67444**	0.47510
- diluted	14	**0.67436**	0.47510

Unaudited Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2005

	Note	Six months ended 30 June 2005 RMB'000	2004 RMB'000 (Restated)
Total equity as at 1 January			
Balance as at 1 January, as previously reported as equity		**7,449,204**	1,946,268
Balance as at 1 January, as previously separately reported as minority interests		**5,953,318**	5,285,448
		13,402,522	7,231,716
Opening adjustments for the adoption of HKFRS 3, HKASs 32 and 39 in respect of:			
- redesignation of investment securities as available-for-sale financial assets		**1,939,278**	—
- recognition of interest rate swap contracts as derivative financial instruments		**13,399**	—
- recognition of unamortised transaction costs on bank borrowings and notes		**91,684**	—
- derecognition of negative goodwill		**164,586**	—
- share of opening adjustments of jointly controlled entities and associates		**48,977**	—
		2,257,924	—
Total equity as at 1 January, as restated		**15,660,446**	7,231,716
Fair value gain of available-for-sale financial assets		**5,911**	—
Share of reserves of a jointly controlled entity/associates		**(7,756)**	—
Exchange differences		**(25,254)**	(1,155)
Net loss recognised directly in equity		**(27,099)**	(1,155)
		15,633,347	7,230,561
Profit for the period		**3,632,431**	2,296,443
Reserve realised upon disposal of an available-for-sale financial asset		**(512,023)**	—
Increase in equity from minority shareholders of a subsidiary		**80,840**	52,280
Distributions	13	**(3,716,863)**	(1,561,177)
Capital contribution		**—**	3,000,000
Issue of new shares, net of share issuing expenses		**8,817,797**	—
Others		**(14,685)**	26,006
Total equity as at 30 June		**23,920,844**	11,044,113

Unaudited Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2005

	Six months ended 30 June	
	2005	2004
	RMB'000	*RMB'000*
		(Restated)
Net cash generated from operating activities	**2,834,691**	2,752,663
Net cash used in investing activities	**(4,750,831)**	(3,683,084)
Net cash generated from financing activities	**11,474,101**	1,538,585
Effect of foreign exchange rate changes	**(26,117)**	1,490
Net increase in cash and cash equivalents	**9,531,844**	609,654
Cash and cash equivalents at 1 January	**4,894,532**	4,495,145
Cash and cash equivalents at 30 June	**14,426,376**	5,104,799
Analysis of balances of cash and cash equivalents:		
Deposits placed with a fellow subsidiary	**135,611**	122,066
Bank balances and cash - unpledged	**14,290,765**	4,982,733
	14,426,376	5,104,799

1. REORGANISATION

The Company was incorporated in the People's Republic of China (the "PRC") on 3 March 2005 as a joint stock company with limited liability under the Company Law of the PRC. As part of the restructuring of China Ocean Shipping (Group) Company ("COSCO"), a state-owned enterprise established in the PRC, and its subsidiaries, the Company underwent a group reorganisation (the "Reorganisation"), as detailed below, in preparation for a listing of the Company's H shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Main Board").

Pursuant to the Reorganisation, the Company issued 4,100,000,000 state legal person shares ("Domestic shares") of RMB1.00 per share in exchange for the equity interests of certain subsidiaries, jointly controlled entities and associates (collectively the "Relevant Companies") transferred to the Company by COSCO and its subsidiaries (excluding the Company and its subsidiaries) (collectively "COSCO Group").

The Reorganisation comprised mainly the following:

(a) Transfer of the equity interests in COSCO International Freight Co., Ltd, COSCO Container Shipping Agency Company Limited and Shanghai Pan Asia Shipping Company Limited, and certain overseas companies and their respective subsidiaries, jointly controlled entities and associates from COSCO Group to COSCO Container Lines Company Limited ("COSCON"). The equity interests in the PRC companies were transferred at cash consideration totalling RMB5,000,000 and the equity interests for the overseas companies were transferred at cash consideration totalling RMB62,743,000.

(b) Transfer of the entire equity interest in COSCO Investments Limited ("COSCO Investments") and the then 52.39% equity interest in COSCO Pacific Limited ("COSCO Pacific") (of which approximately 9.6% were directly held by COSCO Investments) and its respective subsidiaries, jointly controlled entities and associates from COSCO (Hong Kong) Group Limited ("COSCO HK"), a wholly owned subsidiary of COSCO, to COSCO Pacific Investment Holdings Limited ("COSCO Pacific Investment"), at a total consideration of approximately US$347,285,000 (equivalent to approximately RMB2,874,478,000).

    Prior to the transfer of the entire interest in COSCO Investments from COSCO HK to COSCO Pacific Investment, COSCO Investments disposed of all of its investments other than the equity interests in COSCO Pacific to two subsidiaries of COSCO HK at a consideration of US$203,357,000 (equivalent to approximately RMB1,683,185,000). The disposal resulted in a gain of approximately RMB1,428,385,000 and was treated as a deemed contribution from COSCO for the year ended 31 December 2004.

(c) The entire equity interests in COSCON and COSCO Pacific Investment after the equity transfer described above were injected into the Company by COSCO in exchange for Domestic shares issued by the Company upon incorporation.

(d) Transfer of the equity interests in, and assets and liabilities of, certain overseas companies from COSCO Group to certain overseas subsidiaries of COSCON at cash consideration totalling RMB175,988,000.

The Reorganisation was completed in March 2005. Accordingly, the Company became the holding company of the companies now comprising the Group.

The H shares of the Company were listed on the Main Board on 30 June 2005 (the "Listing Date"). Details of movements in the Company's share capital are set out in note 6 to the unaudited condensed consolidated financial statements.

2. BASIS OF PREPARATION AND CHANGES IN PRINCIPAL ACCOUNTING POLICIES

(a) Basis of preparation

The Group resulting from the Reorganisation referred in note 1 above is regarded as a continuing entity. Accordingly, the unaudited condensed consolidated financial statements for the six months ended 30 June 2005 (the "unaudited Condensed Consolidated Financial Statements"), including comparative figures, have been prepared on the basis of merger accounting as if the Company had been the holding company of those companies comprising the Group throughout the periods presented.

These unaudited Condensed Consolidated Financial Statements have been prepared in accordance with Hong Kong Accounting Standards ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

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 accountants' report as contained in Appendix I to the prospectus in connection with the international offering and public offer of the H shares of the Company on the Main Board dated 20 June 2005, except for the adoption of new/revised Hong Kong Financial Reporting Standards and HKASs (collectively "new HKFRSs") which are effective for accounting periods commencing on or after 1 January 2005.

These unaudited Condensed Consolidated Financial Statements have been prepared in accordance with those HKFRS standards and interpretations issued and effective as at the time of preparing these unaudited Condensed Consolidated Financial Statements. The HKFRS standards and interpretations that will be applicable at 31 December 2005, including those that will be applicable on an optional basis, are not known with certainty at the time of preparing the unaudited Condensed Consolidated Financial Statements. The overall effect of the adoption of the new HKFRSs is to increase the opening equity as at 1 January 2005 by RMB2,257,924,000 and the profit for the period ended 30 June 2005 by RMB157,510,000. There was no significant impact on the profit for the period ended 30 June 2004 following the adoption of the new HKFRSs. Details of the effect of adopting the new HKFRSs are set out in note 2(b)(viii) to the unaudited Condensed Consolidated Financial Statements.

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

(b) Changes in principal accounting policies

In 2005, the Group has adopted these new HKFRSs, which are relevant to its operations. The comparative figures in respect of 2004 have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS10	Events after the Balance Sheet Date
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 31	Investments in Joint Ventures
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings Per Share
HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HKFRS 2	Share-based Payments
HKFRS 3	Business Combinations
HKAS-Int 12 Amendment	Scope of HKAS-Int12 Consolidation - Special Purpose Entities
HKAS-Int 15	Operating Leases - Incentives
HKAS-Int 21	Income Taxes - Recovery of Revalued Non-Depreciable Assets

The adoption of HKASs 1, 2, 7, 8, 10, 23, 24, 27, 28, 31, 33, 36, 38 and HKAS-Ints 12 Amendment, 15 and 21 did not result in substantial changes to the Group's existing principal accounting policies.

In summary:

- HKAS 1 has affected the presentation of minority interests, share of net after-tax results of jointly controlled entities, associates and other disclosures.
- HKASs 2, 7, 8, 10, 23, 27, 28, 31, 33, 36, 38 and HKAS-Ints 12 Amendment, 15 and 21 had no material effect on the Group's policies.
- HKAS 24 has affected the identification of related parties and some other related party disclosures.

The following is a summary of significant changes to the principal accounting policies adopted in the preparation of the unaudited Condensed Consolidated Financial Statements as a result of the adoption of the new HKFRSs in 2005.

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

(b) Changes in principal accounting policies *(Continued)*

(i) HKAS 16 - Property, Plant and Equipment

Under HKAS 16, when a vessel is acquired, the costs of major components which are usually replaced or renewed in connection with the dry-docking are identified and depreciated over the period to next estimated dry-docking date. Costs incurred on subsequent dry-docking of a vessel are capitalised and depreciated over the period to the next estimated dry-docking date. Dry-docking costs were previously charged to the income statement when incurred.

This represents a change in accounting policy. However, as the resulting impact of this change is not material as a whole, this change has not been applied for retrospectively and a prior period adjustment has not been made.

The residual values and the useful lives of property, plant and equipment are now required to be reviewed and adjusted, if appropriate, at each financial year-end.

The directors have reviewed the residual values of vessels, and accordingly, depreciation charge of vessels for the six months ended 30 June 2005 has been calculated based on the revised estimated residual values. This represents a change in accounting estimate. The change has been accounted for prospectively.

The directors have reviewed the residual values of other property, plant and equipment and the useful lives of property, plant and equipment and do not consider that there are significant changes from the previous estimates.

(ii) HKAS 17 - Leases

The adoption of HKAS 17 has resulted in a change in accounting policy relating to reclassification of leasehold land and land use rights from property, plant and equipment and investment properties to operating leases. The up-front prepayments made for the leasehold land and the land use rights are expensed in the income statement on a straight-line basis over the period of the lease or where there is impairment, the impairment is expensed in the income statement. In prior years, leasehold land and land use rights were stated at cost less accumulated depreciation and accumulated impairment losses, while the leasehold land as included in investment properties was stated at valuation.

Since the resulting impact of this change is not material as a whole, it has not been applied for retrospectively and a prior period adjustment has not been made.

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

(b) Changes in principal accounting policies *(Continued)*

(iii) HKAS 21 - The Effects on Change in Foreign Exchange Rates

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

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

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

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

(iv) HKAS 32 and HKAS 39 - Financial Instruments

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

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

(2) the interest rate swap contracts as entered into between the Group and financial institutions are now classified as derivative financial instruments and recognised in the balance sheet at their respective fair values. In prior years, derivative financial instruments were not required to be recognised in the balance sheet pursuant to the Statements of Standard Accounting Practice issued by the HKICPA. The recognition of interest rate swap contracts at their fair values as at 31 December 2004 has resulted in a net increase in the Group's opening equity as at 1 January 2005; and

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

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

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

(b) Changes in principal accounting policies *(Continued)*

(v) HKAS 40 - Investment Property

The adoption of HKAS 40 has resulted in a change in accounting policy for the Group's investment properties. Until 31 December 2004, the investment properties were carried at valuation. In accordance with the provision of HKAS 40, investment properties are carried at historical cost less accumulated depreciation and impairment. The net book value of investment properties as at 31 December 2004 was deemed as the cost on 1 January 2005. Any adjustments, including the reclassification of any amount previously held in valuation reserve for investment properties, are made to the opening balance of retained earnings. Depreciation on deemed cost commences in 2005 accordingly.

The adoption of cost model on the accounting of investment properties has resulted in insignificant impact to the Group's profit for the six months ended 30 June 2005 and opening equity as at 1 January 2005. Accordingly, no adjustment was made to the unaudited Condensed Consolidated Financial Statements in respect of this change.

(vi) HKFRS 2 - Share-based Payments

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

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

As all the share options previously granted by the subsidiary was vested on or before 1 January 2005 and accordingly, no adjustment is required in the unaudited Condensed Consolidated Financial Statements pursuant to the transitional provisions as set out in HKFRS 2.

(vii) HKFRS 3 - Business Combinations

The adoption of HKFRS 3 has resulted in a change in the accounting policy for goodwill and negative goodwill. Negative goodwill from the acquisition of an associate as at 31 December 2004 was derecognised and credited to the Group's opening equity as at 1 January 2005.

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

(b) Changes in principal accounting policies *(Continued)*

(viii) Summary of effect of adopting new HKFRSs

The following table sets out the effect of adopting the new HKFRSs on the unaudited Condensed Consolidated Financial Statements.

Unaudited condensed consolidated balance sheet as at 30 June 2005

	Effect of adopting					
	HKAS 16 Property, Plant and Equipment		HKAS 17	HKASs 32 & 39	HKFRS 3	Total
	Dry-docking costs	Residual values	Leases	Financial Instruments	Business Combinations	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Increase/(decrease) in net assets:						
Assets						
Property, plant and equipment	33,092	68,389	(108,150)	—	—	(6,669)
Leasehold land and land use rights	—	—	137,587	—	—	137,587
Jointly controlled entities	—	—	—	4,055	10,395	14,450
Associates	—	—	—	29,166	164,454	193,620
Available-for-sale financial assets	—	—	—	1,433,059	—	1,433,059
Derivative financial instruments	—	—	—	52,374	—	52,374
Other receivables	—	—	—	8,111	—	8,111
Liabilities						
Derivatives financial instruments	—	—	—	(2,888)	—	(2,888)
Long-term borrowings	—	—	—	71,465	—	71,465
Net assets	33,092	68,389	29,437	1,595,342	174,849	1,901,109

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

(b) Changes in principal accounting policies *(Continued)*

(viii) Summary of effect of adopting new HKFRSs (Continued)

The adoption of HKFRS 3, HKASs 32 and 39 do not require the restatement of the comparative figures of the relevant balance sheet items. All the related financial effects of RMB2,257,924,000 on the unaudited condensed consolidated balance sheet as at 31 December 2004 are reflected as opening adjustments to the Group equity as at 1 January 2005. In addition, since the resulting impact of the adoption of HKASs 16 and 17 is not material as a whole, these changes have not been applied retrospectively and prior period adjustments have not been made. Accordingly, the unaudited condensed consolidated balance sheet as at 31 December 2004 has not separately presented.

Unaudited condensed consolidated income statement for the six months ended 30 June 2005

	Effect of adopting						
	HKAS 1	**HKAS 16**		**HKAS 17**	**HKASs 32 & 39**	**HKFRS 3**	**Total**
	Presentation of Financial Statements	**Property, Plant and Equipment Dry-docking costs**	**Property, Plant and Equipment Residual values**	**Leases**	**Financial Instruments**	**Business Combinations**	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Decrease in depreciation and amortisation	—	33,092	68,389	29,437	—	—	130,918
(Decrease)/increase in share of profits less losses of							
- jointly controlled entities	(60,689)	—	—	—	(2,003)	10,395	(52,297)
- associates	(42,934)	—	—	—	(2,748)	(3,029)	(48,711)
Decrease in finance costs	—	—	—	—	23,977	—	23,977
Decrease in income tax expenses	103,623	—	—	—	—	—	103,623
Increase in profit for the period	—	33,092	68,389	29,437	19,226	7,366	157,510
Effect on earnings per share							
- basic (RMB cents)	—	0.805	1.663	0.716	0.468	0.179	3.831
- diluted (RMB cents)	—	0.805	1.663	0.716	0.468	0.179	3.831

No adjustment was made to the unaudited condensed consolidated income statement for the six months ended 30 June 2004 following the adoption of the new HKFRSs, except that HKAS 1 affected the presentation of minority interests, share of net after-tax results of jointly controlled entities, associates and other disclosures for that period. Accordingly, the effect of adopting the new HKFRSs on the unaudited condensed consolidated income statement for the six months ended 30 June 2004 has not separately disclosed and presented.

3. TURNOVER AND SEGMENT INFORMATION

Turnover represents gross revenues from container shipping, container terminals operations, container leasing and freight forwarding and shipping agency, net of discounts allowed, where applicable.

	Six months ended 30 June	
	2005	2004
	RMB'000	*RMB'000*
Container shipping	**15,711,781**	12,493,468
Container terminals	**78,775**	73,516
Container leasing	**577,689**	497,229
Freight forwarding and shipping agency	**2,208,517**	1,465,753
	18,576,762	14,529,966

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical environment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting, the Group has determined that business segments are presented as the primary reporting format and geographical as the secondary reporting format.

Unallocated income mainly represents corporate interest income. Unallocated costs mainly represent corporate expenses. 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 investments in jointly controlled entities and associates, available-for-sale financial assets/investment securities, deferred income tax assets and corporate assets. Segment liabilities comprise operating liabilities and mainly exclude items such as current and deferred income tax liabilities, corporate borrowings and hedging derivatives. Capital expenditure comprises additions to property, plant and equipment, investment properties, leasehold land and land use rights and intangible assets, including the additions resulting from acquisitions through business combinations.

3. **TURNOVER AND SEGMENT INFORMATION** *(Continued)*

(a) Primary reporting segment - business segments

The Group is organised on a worldwide basis into the following segments:

- Container shipping
- Container terminals and related businesses
- Container leasing
- Freight forwarding and shipping agency
- Other operations that primarily comprise container manufacturing, banking and investment holding

The segment results and other information for the six months ended 30 June 2005 and 2004 are as follows:

	Six months ended 30 June 2005						
	Container shipping *RMB'000*	Container terminals and related businesses *RMB'000*	Container leasing *RMB'000*	Freight forwarding and shipping agency *RMB'000*	Other operations *RMB'000*	Inter-segment elimination *RMB'000*	Total *RMB'000*
Turnover							
External sales	15,711,781	78,775	577,689	2,208,517	—	—	18,576,762
Inter-segment sales	—	17	517,954	982,768	—	(1,500,739)	—
	15,711,781	78,792	1,095,643	3,191,285	—	(1,500,739)	18,576,762
Segment results	2,598,168	188,484	529,845	218,480	24,170	—	3,559,147
Profit on disposal of an available-for-sale financial asset *(note 10)*	—	512,117	—	—	—	—	512,117
Unallocated income							9,684
Unallocated expenses							(126,944)
Operating profit							3,954,004
Finance costs							(335,523)
Share of profits less losses of							
- jointly controlled entities	—	226,006	—	76,738	59,936	—	362,680
- associates *(note i)*	—	67,627	—	2,514	373,520	—	443,661
Profit before income tax							4,424,822
Income tax expenses							(792,391)
Profit for the period							3,632,431
Depreciation and amortisation	444,878	5,197	418,908	51,262	1,771	—	922,016
Capital expenditure	1,420,569	23,737	2,291,473	84,955	238	—	3,820,972

3. TURNOVER AND SEGMENT INFORMATION *(Continued)*

(a) Primary reporting segment - business segments *(Continued)*

	Six months ended 30 June 2004 (Restated)						
	Container shipping *RMB'000*	Container terminals and related businesses *RMB'000*	Container leasing *RMB'000*	Freight forwarding and shipping agency *RMB'000*	Other operations *RMB'000*	Inter-segment elimination *RMB'000*	Total *RMB'000*
Turnover							
External sales	12,493,468	73,516	497,229	1,465,753	—	—	14,529,966
Inter-segment sales	—	25	503,286	932,225	—	(1,435,536)	—
	12,493,468	73,541	1,000,515	2,397,978	—	(1,435,536)	14,529,966
Segment results	1,644,755	161,806	381,160	114,794	37,424	—	2,339,939
Unallocated income							3,360
Unallocated expenses							(28,557)
Operating profit							2,314,742
Finance costs							(264,421)
Share of profits less losses of							
- jointly controlled entities	—	195,975	—	57,081	12,507	—	265,563
- associates *(note i)*	—	68,393	—	596	44,705	—	113,694
Profit before income tax							2,429,578
Income tax expenses							(133,135)
Profit for the period							2,296,443
Depreciation and amortisation	454,989	5,156	433,337	40,148	1,780	—	935,410
Capital expenditure	49,029	1,879	1,228,084	36,770	2,466	—	1,318,228

3. TURNOVER AND SEGMENT INFORMATION *(Continued)*

(a) Primary reporting segment - business segments *(Continued)*

The segment assets and liabilities at 30 June 2005 and 31 December 2004 are as follows:

	As at 30 June 2005						
	Container shipping *RMB'000*	Container terminals and related businesses *RMB'000*	Container leasing *RMB'000*	Freight forwarding and shipping agency *RMB'000*	Other operations *RMB'000*	Inter-segment elimination *RMB'000*	Total *RMB'000*
Segment assets	28,970,803	451,549	12,712,311	3,087,069	80,609	(7,173,795)	38,128,546
Jointly controlled entities	—	1,491,789	—	1,587,945	185,411	—	3,265,145
Associates *(note ii)*	—	889,070	—	12,487	2,862,570	—	3,764,127
Available-for-sale financial assets	—	1,754,651	—	34,961	111,705	—	1,901,317
Unallocated assets							11,361,560
Total assets							58,420,695
Segment liabilities	24,321,941	933,937	4,114,364	5,712,139	3,379,949	(7,173,795)	31,288,535
Unallocated liabilities							3,211,316
Total liabilities							34,499,851

	As at 31 December 2004 (Restated)						
	Container shipping *RMB'000*	Container terminals and related businesses *RMB'000*	Container leasing *RMB'000*	Freight forwarding and shipping agency *RMB'000*	Other operations *RMB'000*	Inter-segment elimination *RMB'000*	Total *RMB'000*
Segment assets	22,782,172	431,099	11,037,299	5,051,998	38,483	(4,928,412)	34,412,639
Jointly controlled entities	—	1,404,606	—	1,519,475	131,575	—	3,055,656
Associates *(note ii)*	—	864,095	—	18,203	2,402,842	—	3,285,140
Investment securities	—	467,030	—	34,805	108,222	—	610,057
Unallocated assets							2,883,767
Total assets							44,247,259
Segment liabilities	19,145,960	903,846	3,352,748	5,465,905	3,330,816	(4,928,412)	27,270,863
Unallocated liabilities							3,573,874
Total liabilities							30,844,737

3. TURNOVER AND SEGMENT INFORMATION *(Continued)*

(a) Primary reporting segment - business segments *(Continued)*

Notes:

(i) For the six months ended 30 June 2005, the Group's unaudited share of profits (net of income tax expenses) of China International Marine Containers (Group) Company Limited ("CIMC") and Liu Chong Hing Bank Limited ("LCHB") amounted to RMB333,013,000 (2004: Not applicable) and RMB40,497,000 (2004: RMB35,125,000) respectively.

(ii) As at 30 June 2005, the Group's unaudited share of net assets of CIMC and LCHB amounted to RMB1,474,020,000 (31 December 2004: RMB1,055,370,000) and RMB1,388,540,000 (31 December 2004: RMB1,347,331,000) respectively.

(b) Secondary reporting format - geographical segments

The Group's businesses are managed on a worldwide basis. The turnover generated from the world's major trade lanes for container shipping business mainly includes Trans-Pacific, Asia-Europe, Intra-Asia, PRC coastal and Trans-Atlantic which are reported as follows:

Geographical	Segment trade lanes
America	Trans-Pacific
Europe	Asia-Europe
Asia Pacific	Intra-Asia
China domestic	PRC coastal
Other international market	Trans-Atlantic and others

In respect of container leasing, the movements of containers under operating leases or finance leases are known through reports from the lessees but the Group is not able to control the movements of containers except to the degree that the movements are restricted by the terms of the leases or where safety of the containers is concerned. It is therefore impracticable to present segment information by geographical area and thus the turnover of which is presented as unallocated turnover.

In respect of other activities including container terminals and freight forwarding, shipping agency and logistics, turnover is based on the geographical locations in which the business operations are located.

The Group's total assets are primarily dominated by its vessels and containers. The directors consider that the nature of the Group's business precludes a meaningful allocation of vessels and containers and their related capital expenditure to specific geographical segments as defined under the HKAS 14 "Segmental Reporting" issued by the HKICPA. These vessels and containers are primarily utilised across geographical markets for shipment of cargoes throughout the world. Accordingly, geographical segment information is only presented for turnover.

	Six months ended 30 June	
	2005	2004
	RMB'000	*RMB'000*
America	**5,804,239**	4,903,411
Europe	**4,851,541**	3,440,945
Asia Pacific	**3,105,893**	2,455,030
China domestic	**2,917,459**	2,178,723
Other international markets	**1,319,942**	1,054,628
Unallocated	**577,688**	497,229
	18,576,762	14,529,966

4. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2005, the Group acquired property, plant and equipment of RMB3,815,520,000 (2004: RMB1,310,709,000, as restated) and disposed of property, plant and equipment with net book value of RMB206,769,000 (2004: RMB1,156,936,000).

5. TRADE AND OTHER RECEIVABLES

	As at 30 June 2005 *RMB'000*	As at 31 December 2004 *RMB'000*
Trade receivables *(note a)*		
- third parties	**3,148,829**	2,052,671
- subsidiaries of COSCO	**958,933**	648,191
- jointly controlled entities	**478,857**	173,386
- associates	**1,259**	—
- related companies	**379,119**	262,896
	4,966,997	3,137,144
Bills receivables *(note a)*	**70,765**	40,566
	5,037,762	3,177,710
Prepayments, deposits and other receivables	**632,179**	521,875
Due from related parties		
- COSCO	**—**	2,032,583
- subsidiaries of COSCO *(note b)*	**19,100**	182,334
- jointly controlled entities *(note c)*	**21,265**	66,774
- related companies *(note d)*	**107,404**	115,971
	147,769	2,397,662
Current portion of finance lease receivables	**11,013**	10,765
	5,828,723	6,108,012

5. TRADE AND OTHER RECEIVABLES *(Continued)*

Notes:

(a) The normal credit period granted to the customers is generally in the range of 25 to 90 days. As at 30 June 2005, the aging analysis of trade and bills receivables is as follows:

	As at 30 June 2005 *RMB'000*	As at 31 December 2004 *RMB'000*
1-3 months	**4,688,887**	2,841,880
4-6 months	**279,772**	200,503
7-12 months	**59,673**	113,611
1-2 years	**26,010**	44,781
2-3 years	**46,841**	34,787
	5,101,183	3,235,562
Provision for impairment of receivables	**(63,421)**	(57,852)
	5,037,762	3,177,710

(b) The balance has been settled subsequent to 30 June 2005.

(c) These balances as at 30 June 2005 represented dividend income receivable from jointly controlled entities of RMB15,536,000 (2004: RMB18,987,000) and prepayment for port fees of RMB5,729,000 (2004: RMB10,000,000).

(d) These balances as at 30 June 2005 represented a deposit for bunkers of RMB95,189,000 (2004: RMB95,189,000) and prepayment of port fees of RMB12,215,000 (2004: RMB Nil).

(e) The amounts due from related parties are unsecured and interest free.

6. SHARE CAPITAL

	Number of shares *(thousands)*	**Nominal value** *RMB'000*
Registered, issued and fully paid		
Domestic shares of RMB1.00 each	3,896,000	3,896,000
H shares of RMB1.00 each	2,244,000	2,244,000
As at 30 June 2005	6,140,000	6,140,000

6. SHARE CAPITAL *(Continued)*

A summary of the movements in the Company's issued share capital for the period from 3 March 2005 (date of incorporation of the Company) to 30 June 2005 was as follows:

	Domestic shares	**H shares**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Incorporation *(note a)*	4,100,000	—	4,100,000
Domestic shares converted into H shares *(note b)*	(204,000)	204,000	—
Issue of new shares upon listing *(note b)*	—	2,040,000	2,040,000
As at 30 June 2005	3,896,000	2,244,000	6,140,000

Notes:

(a) The Company was incorporated on 3 March 2005, with an initial registered share capital of RMB4,100,000,000, divided into 4,100,000,000 shares with a nominal value of RMB1.00 each. 4,100,000,000 shares with a nominal value of RMB1.00 each were issued to COSCO, all of which were credited as fully paid, in consideration for the transfer of the Relevant Companies to the Company pursuant to the Reorganisation as referred to note 1 to the unaudited Condensed Consolidated Financial Statements.

The Domestic shares rank pari passu, in all material respects, with the H shares. Nonetheless, the transfer of Domestic shares (including Domestic shares held by the directors, the supervisors and the staff of the Company, if any) is subject to certain restrictions imposed by the PRC law from time to time.

(b) The Company's H shares were listed on the Main Board on 30 June 2005 and 2,244,000,000 H shares, consisting of 2,040,000,000 new shares and 204,000,000 shares converted from Domestic shares, with a nominal value of RMB1.00 each were issued to the public by way of international offering and public offer at HK$4.25 (equivalent to approximately RMB4.53) each.

The Company raised net proceeds of approximately RMB8,817.8 million from the sales of 2,040,000,000 new shares, of which paid-up share capital was approximately RMB2,040.0 million and share premium was approximately RMB6,777.8 million.

The net proceeds from the sales of 204,000,000 H shares converted from Domestic shares were approximately RMB880.5 million, after deducting the relevant portion of share issuing expenses of approximately RMB42.7 million which were borne by the National Social Security Funds in connection with the sales of these shares. The net proceeds were payable to the National Social Security Funds as at 30 June 2005.

7. TRADE AND OTHER PAYABLES

	As at 30 June 2005	As at 31 December 2004
	RMB'000	*RMB'000*
Trade and bills payables *(note a)*		
- third parties	**2,641,416**	1,659,317
- subsidiaries of COSCO	**449,661**	182,927
- jointly controlled entities	**513,138**	69,829
- associates	**273,859**	137,066
- related companies	**859,067**	251,085
	4,737,141	2,300,224
Other payables and accruals		
- payable to National Social Security Funds *(note 6(b))*	**880,541**	—
- distribution payable to COSCO *(note 13)*	**1,305,456**	—
- others	**3,565,438**	3,400,105
	5,751,435	3,400,105
Due to related parties		
- COSCO *(note b)*	**55,183**	2,669,090
- subsidiaries of COSCO *(note c)*	**4,774**	3,298,117
- jointly controlled entities	**—**	16,806
	59,957	5,984,013
	10,548,533	11,684,342

Notes:

(a) As at 30 June 2005, the aging analysis of trade and bills payables is as follows:

	As at 30 June 2005	As at 31 December 2004
	RMB'000	*RMB'000*
1-6 months	**4,575,665**	2,096,012
7-12 months	**92,013**	58,343
1-2 years	**31,919**	50,224
2-3 years	**1,170**	42,465
Above 3 years	**36,374**	53,180
	4,737,141	2,300,224

(b) The balances as at 30 June 2005 represented payment of expenses on behalf of the Company and has been settled subsequent to 30 June 2005.

(c) The balances as at 30 June 2005 represented staff quarter payables to fellow subsidiaries and have been settled subsequent to 30 June 2005.

(d) The amounts due to related companies are unsecured and interest free.

8. SHORT-TERM LOANS

	As at 30 June 2005 *RMB'000*	As at 31 December 2004 *RMB'000*
Bank loans		
- secured *(note)*	**1,655,300**	372,443
- unsecured	**3,709,472**	1,634,318
	5,364,772	2,006,761

Note:

Bank loans of RMB413,825,000 as at 30 June 2005 (2004: RMB372,443,000) were secured by trade receivables of a subsidiary amounting to RMB460,173,000 (2004: RMB417,657,000).

Bank loan of RMB1,241,475,000 (2004: RMB Nil) was secured by bank deposits and shares of certain subsidiaries. The bank loan has been repaid subsequent to 30 June 2005.

9. LONG-TERM BORROWINGS

	As at 30 June 2005 *RMB'000*	As at 31 December 2004 *RMB'000*
Bank loans		
- secured *(note)*	**12,225,932**	11,452,327
- unsecured	**1,623,797**	1,455,676
Other loans - secured *(note)*	**311,740**	332,861
Finance lease obligations	**111,119**	118,796
Notes	**2,459,047**	2,469,882
	16,731,635	15,829,542
Current portion of long-term borrowings	**(3,976,818)**	(3,580,099)
	12,754,817	12,249,443

9. LONG-TERM BORROWINGS *(Continued)*

Long-term borrowings are analysed as follows:

	As at 30 June 2005	As at 31 December 2004
	RMB'000	*RMB'000*
Wholly repayable within five years		
- bank loans	**8,069,719**	7,356,254
- other loans	**73,777**	84,569
	8,143,496	7,440,823
Not wholly repayable within five years		
- bank loans	**5,780,010**	5,551,749
- other loans	**237,963**	248,292
- finance lease obligations	**111,119**	118,796
- notes	**2,459,047**	2,469,882
	8,588,139	8,388,719
	16,731,635	15,829,542

9. LONG-TERM BORROWINGS *(Continued)*

The Group's long-term borrowings were repayable as follows:

	As at 30 June 2005	As at 31 December 2004
	RMB'000	*RMB'000*
Bank loans		
- within one year	**3,924,676**	3,529,319
- in the second year	**2,943,029**	1,528,475
- in the third to fifth years	**4,351,789**	4,851,235
- over five years	**2,630,235**	2,998,974
	13,849,729	12,908,003
Other loans		
- within one year	**42,940**	41,649
- in the second year	**45,724**	44,319
- in the third to fifth years	**96,654**	107,439
- over five years	**126,422**	139,454
	311,740	332,861
Finance lease obligations		
- within one year	**9,202**	9,131
- in the second year	**9,851**	9,131
- in the third to fifth years	**32,737**	35,874
- over five years	**59,329**	64,660
	111,119	118,796
Notes		
- over five years	**2,459,047**	2,469,882
	16,731,635	15,829,542

Notes:

The secured bank and other loans are secured, inter alia, by one or more of the following:

(i) First legal mortgage over certain container vessels, containers and land use rights of the Group.

(ii) Assignment of the charter, rental income and earnings, requisition compensation, insurance and container lease agreements relating to certain container vessels and containers.

(iii) Shares and bank deposits of certain subsidiaries.

(iv) Assignment of refund guarantee and shipbuilding contracts relating to certain container vessels.

9. LONG-TERM BORROWINGS *(Continued)*

(v) Corporate guarantees provided by COSCO and a fellow subsidiary are set out below:

	As at 30 June 2005 ***RMB'000***	As at 31 December 2004 *RMB'000*
COSCO	**—**	3,972,720
Fellow subsidiary	**—**	307,365
	—	4,280,085

All guarantees were released as at 30 June 2005.

10. OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	Six months ended 30 June	
	2005 ***RMB'000***	2004 *RMB'000*
Crediting:		
Sale of resaleable containers	**100,543**	140,477
Dividend income from		
- a listed investment	**6,356**	—
- unlisted investments	**70,623**	65,394
Interest income		
- deposits with a fellow subsidiary	**3,023**	3,470
- banks	**37,752**	15,105
Gain/(loss) on disposal of jointly controlled entities and dissolution of associates, net	**1,029**	(8,145)
Gain on disposal of property, plant and equipment	**645**	53,806
Gain on deemed disposal of a subsidiary	**33,503**	13,547
Profit on disposal of an available-for-sale financial asset *(note)*	**512,117**	—
Charging:		
Depreciation and amortisation	**922,016**	935,410
Cost of resaleable containers sold	**96,661**	193,599
Cost of bunkers and fuel consumed	**1,973,398**	1,287,454
Operating lease rentals:		
- container vessels	**919,018**	460,887
- containers	**376,455**	293,093
- land and buildings	**46,410**	44,865
- other fixed assets	**102,692**	99,651
Provision for resaleable containers	**—**	12,496
Write-off of resaleable containers	**—**	2,045

Note:

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

11. FINANCE COSTS

	Six months ended 30 June	
	2005	2004
	RMB'000	*RMB'000*
Interest expenses		
- bank loans	**275,024**	124,868
- other loans	**5,199**	30,828
- loans from a fellow subsidiary	**—**	7,037
- notes	**72,941**	72,945
- loan from a minority shareholder of a subsidiary	**—**	232
- amounts due to fellow subsidiaries	**—**	28,226
- finance leases	**6,137**	61
Amortised amount of transaction costs on long-term borrowings	**9,113**	993
Net gain on interest rate swap contracts	**—**	(16,645)
Fair value gain on interest rate swap contracts	**(42,185)**	—
Foreign exchange loss/(gain), net	**524**	(1,204)
Other incidental borrowing costs and charges	**8,770**	17,080
	335,523	264,421

12. INCOME TAX EXPENSES

	Six months ended 30 June	
	2005	2004
	RMB'000	*RMB'000*
Current income tax		
- PRC enterprise income tax *(note a)*	**424,734**	41,436
- Hong Kong profits tax *(note b)*	**1,741**	5,076
- Overseas taxation *(note c)*	**20,036**	12,313
(Over)/under provision in prior periods	**(45)**	37
	446,466	58,862
Deferred income tax *(note e)*	**345,925**	74,273
	792,391	133,135

Notes:

(a) The provision for enterprise income tax ("EIT") is based on the statutory rate of 33% (2004: 33%) on the taxable income of each of the PRC companies of the Group as determined in accordance with the relevant PRC income tax rules and regulations for the period, except for certain subsidiaries, which are taxed at preferential rates ranging from 15% to 27% (2004: 15% to 27%) based on the relevant PRC tax rules and regulations or approval by relevant tax authorities.

The Group's PRC sourced income from container leasing is currently exempt from EIT in the PRC in accordance with a notice granting temporary exemption of income tax on rental payments made to foreign companies for leasing of containers which are used in international transportation (Guo Shui Fa (1993) No. 49) issued by the State Administration of Taxation of the PRC on 12 March 1993.

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

12. INCOME TAX EXPENSES *(Continued)*

(c) 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.

(d) The Group's share of income tax expenses of jointly controlled entities and associates for the six months ended 30 June 2005 totalled RMB103,623,000 (2004: RMB70,431,000) is included in the unaudited condensed consolidated income statement as share of profits less losses of jointly controlled entities and associates.

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

As at 30 June 2005, deferred income tax liabilities of RMB260,696,000 (2004:RMB205,719,000) have not been established for the withholding taxation that would be payable on the unremitted earnings of certain subsidiaries totalling RMB881,715,000 (2004:RMB697,701,000) 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.

(f) The Group is exempt from business tax currently on its China mainland sourced rental income earned in accordance with a notice granting exemption from business tax for foreign enterprises which has no establishment in China mainland earning rental income from leasing of movable properties (Guo Shui Fa (1997) No. 35) issued by the State Administration of Taxation of the PRC on 14 March 1997.

13. DISTRIBUTIONS

	Six months ended 30 June	
	2005	2004
	RMB'000	*RMB'000*
Distribution to COSCO *(note a)*		
- interim, paid	**1,994,544**	—
- payable *(note 7)*	**1,305,456**	—
Transfer of other subsidiaries *(note b)*	**112,767**	—
Distribution of reserves *(note c)*	**—**	1,148,081
Dividends to:		
- then shareholder	**—**	189,021
- minority interests	**439,889**	208,996
Others	**13,671**	25,325
	3,866,327	1,571,423
Included in unaudited condensed consolidated statement of changes in equity:		
Total distributions	**3,866,327**	1,571,423
Less: interim and special dividends proposed in respect of the period		
- then shareholder	**—**	(189,021)
- minority interests	**(439,889)**	(208,996)
Add: final dividend proposed in the prior year		
- then shareholder	**—**	180,320
- minority interests	**290,425**	207,451
	3,716,863	1,561,177

13. DISTRIBUTIONS *(Continued)*

Notes:

(a) In accordance with the (財政部關於印發《企業公司制改建有關國有資本管理與財務處理的暫定規定》的通知) ("Provisional Regulation Relating to Corporate Reorganisation of Enterprises and the Related Management of State-owned Capital and Financial Treatment" notice issued by the Ministry of Finance) (English translation is a direct translation of Chinese title of the notice), which became effective from 27 August 2002, after the Company's incorporation the Company is required to make a mandatory distribution to COSCO in an amount equal to the combined net profit of the Group generated during the period from 30 June 2004 to 3 March 2005 (being the date of incorporation of the Company), as determined based on audited financial statements prepared in accordance with the relevant accounting principles and financial regulations applicable to PRC companies ("PRC GAAP"), after giving effect to relevant necessary adjustments. The Company has obtained from the Ministry of Finance an approval pursuant to which the Company is permitted to retain as a capital reserve, the benefit of which is solely attributable to COSCO, an amount representing the profit of COSCO Pacific attributable to the Group for that period less dividends payable by COSCO Pacific to the Group in respect of that period. With regard to such capital reserve, pursuant to the reorganisation agreement dated 9 June 2005 entered into between the Company and COSCO, the Company has agreed with COSCO that it will, at a time it considers appropriate and, in any event, within three years from the Listing Date, convert such capital reserve into Domestic shares to be held by COSCO at HK$4.25 per share, subject to obtaining prior approval from the State-owned Assets Supervision and Administration Commission of the State Council for such conversion.

Pursuant to the resolution of the extraordinary shareholders' meeting dated 9 June 2005, the Company will make a special distribution to COSCO, in an amount equal to the aggregate of the amounts of the distributable profit of the Group (excluding COSCO Pacific) and dividend payable by COSCO Pacific to the Group, in respect of the period from 4 March 2005 to 29 June 2005 (the "Subsequent Profit Period"). The profit of the Group for the Subsequent Profit Period is to be determined based on audited financial statements prepared in accordance with PRC GAAP or in accordance with HKFRSs, whichever is the lower.

The directors have preliminarily estimated that the total distributions to COSCO would be approximately RMB3.3 billion. On 9 June 2005, the Company passed a shareholders' resolution to approve the distribution to COSCO of an amount of approximately RMB1,994,544,000, which was paid in June 2005, comprising the net profit of the Group (excluding COSCO Pacific) in respect of the period from 30 June 2004 to 31 December 2004 and the 2004 final dividend paid by COSCO Pacific to the Group. The actual amount of the aforesaid distributions will be determined by around June 2006 after the completion of relevant audits. The Company will make an announcement as soon as practicable after the total distributions are finalised.

(b) Pursuant to various agreements entered into between the Group and COSCO Group pursuant to the Reorganisation, the Group has agreed to pay approximately RMB175,988,000 to COSCO Group for the transfer of equity interests in, and assets and liabilities of, certain overseas companies. The consideration of RMB112,767,000 was paid during the period and was treated as a deemed distribution to COSCO Group in the Group's financial statements for the period.

(c) This represented the distribution of reserves of certain overseas subsidiaries to their then shareholders pursuant to the directors' resolution of these companies dated 1 January 2004.

14. EARNINGS PER SHARE

Basic

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

The comparative basic earnings per share is calculated based on the profit attributable to the equity holders of the Company and on the assumption that 4,100,000,000 Domestic shares issued upon the incorporation of the Company in connection with the Reorganisation which were deemed to have been in issue since 1 January 2004.

	Six months ended 30 June	
	2005	2004
Profit attributable to the equity holders of the Company	**RMB2,772,796,000**	RMB1,947,914,000
Weighted average number of ordinary shares in issue	**4,111,270,718**	4,100,000,000
Basic earnings per share	**RMB0.67444**	RMB0.47510

Diluted

Diluted earnings per share for the six months ended 30 June 2005 is calculated based on the profit attributable to the equity holders of the Company and the weighted average number of ordinary shares in issue during the period, after adjusting for the number of dilutive potential ordinary shares deemed to be issued at no consideration on the assumption that the capital reserve had been converted into Domestic shares at the offer price of HK$4.25 (note 13(a)).

	Six months ended 30 June 2005
Profit attributable to the equity holders of the Company	**RMB2,772,796,000**
Weighted average number of ordinary shares in issue	**4,111,270,718**
Adjustments for assumed conversion of capital reserve	**450,439**
Weighted average number of ordinary shares for diluted earnings per share	**4,111,721,157**
Diluted earnings per share	**RMB0.67436**

As the Company had no dilutive instruments for the six months ended 30 June 2004, the diluted earnings per share was equal to the basic earnings per share for that period.

15. CONTINGENT LIABILITIES

The following is a summary of the Group's significant contingent liabilities as at 30 June 2005:

	As at 30 June 2005 *RMB'000*	As at 31 December 2004 *RMB'000*
Guarantee for bank loan facilities granted to an associate	**120,258**	—
Pending lawsuits *(note)*	**35,852**	36,100
	156,110	36,100

Note:

In 2003, the Group was involved in a personal injury case in which a truck was involved in a traffic accident in Illinois, the US, resulting in death and injury of a number of individuals. Upon advice of US legal counsel, the directors considered that the exposure liable to the Group, if any, is fully covered by the Group's insurance policies.

The Group is subject to other claims in respect of a number of litigations currently under way. As at 30 June 2005, the Group is unable to ascertain the likelihood and amounts of the respective claims.

The directors are of the opinion that, while the claims have not been provided for in the unaudited Condensed Consolidated Financial Statements or included in the contingent liabilities as disclosed above, either the Group's insurance coverage will be adequate to cover any final claims to be settled or the final claims amounts will be insignificant to the Group.

16. CAPITAL COMMITMENTS

	As at 30 June 2005 *RMB'000*	As at 31 December 2004 *RMB'000*
Authorised but not contracted for		
Containers	**1,254,370**	2,919,099
Vessels	**384,000**	8,731,959
Other fixed assets	**78,518**	115,506
Investments	**—**	23,966
	1,716,888	11,790,530
Contracted but not provided for		
Containers	**136,720**	95,599
Vessels	**8,725,682**	1,774,059
Other fixed assets	**108,778**	66,959
Investments		
- terminal projects *(note a)*	**4,877,696**	2,906,080
- others *(note b)*	**121,540**	—
	13,970,416	4,842,697

16. CAPITAL COMMITMENTS *(Continued)*

	As at 30 June 2005	As at 31 December 2004
	RMB'000	*RMB'000*
In addition to the above, the Group's share of capital commitments of its jointly controlled entities is as follows:		
Authorised but not contracted for	**96,678**	194,672
Contracted but not provided for	**118,801**	65,244
	215,479	259,916

Notes:

(a) The Group's committed investments as at 30 June 2005 primarily included the investment in a 14% equity interest in Tianjin Five Continents International Container Terminal Co., Ltd of approximately RMB360,500,000 (2004: RMB157,635,000) and the capital/loans contributions to Antwerp Gateway NV, an associate of the Group, Qingdao Qianwan Container Terminal Co., Ltd and COSCO-PSA Terminal Private Limited, jointly controlled entities of the Group, of aggregated amounts of approximately RMB2,070,366,000 (2004: RMB2,716,293,000).

The Group's committed investments as at 30 June 2005 also included the capital/loans contributions to be made by the Group for the establishment of a sino-foreign joint venture in Nansha, the PRC (the "JV Company") of approximately RMB2,245,075,000 (2004: Nil) and for a 20% equity interest in Nanjing Port Longtan Container Co., Ltd. ("NPLC"), of approximately RMB163,999,000 (2004: RMB Nil). Both the JV Company and NPLC will be engaged in the container terminal business in the PRC and the port authorities in Guangzhou and Nanjing, the PRC, will have equity interests in the JV Company and NPLC respectively.

(b) In June 2005, the Group entered into a capital increase agreement with COSCO Group and COSCO Finance Co., Ltd ("COSCO Finance") to increase its equity investment in COSCO Finance from 5% to 17.25% for a consideration of RMB121,540,000 as a result of an increase in registered capital of COSCO Finance from RMB400,000,000 to RMB800,000,000. The increase in share capital of COSCO Finance is conditional upon the China Banking Regulatory Commission granting its approval.

17. DERIVATIVE FINANCIAL INSTRUMENTS

The Group has entered into interest rate swaps with certain financial institutions with notional principal amounts of RMB2,482,950,000 as at 30 June 2005 (2004: RMB2,483,100,000).

Interest rate swap contracts of notional amount of RMB827,650,000 (2004: RMB827,700,000) were committed with the fixed interest rates ranging from 3.88% to 4.90% (2004: 3.88% to 4.90%) per annum whereas the remaining interest rate swap contracts of notional amount of RMB1,655,300,000 (2004: RMB1,655,400,000) were committed with the interest rates ranging from 1.05% to 1.16% (2004: 1.05% to 1.16%) per annum above the London Interbank Offered Rate. Following the adoption of the HKASs 32 and 39 (Note 2(b)(iv)(2)), these interest rate swap contracts are recognised in the balance sheet as derivative financial instruments at their respective fair values.

18. SIGNIFICANT RELATED PARTY TRANSACTIONS

The Group is controlled by China Ocean Shipping (Group) Company ("COSCO"), a state-owned enterprise established in the PRC.

COSCO itself is a state-owned enterprise and is controlled by the PRC government, which also owns a significant portion of the productive assets in the PRC. In accordance with HKAS 24 "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 the related party transaction disclosures, the Group has identified, to the extent practicable, its customers and suppliers as to whether they are state-owned enterprises. It should be noted that a material portion of the Group's business activities are conducted in the PRC. The directors believe that meaningful information relating to related party transactions has been adequately disclosed.

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

18. SIGNIFICANT RELATED PARTY TRANSACTIONS *(Continued)*

	Six months ended 30 June	
	2005	2004
	RMB'000	*RMB'000*
(1) Transactions with COSCO		
Expenses		
Vessel costs		
Subcharter expenses *(note a)*	**282,701**	244,055
(2) Transactions with subsidiaries of COSCO and its related entities (including jointly controlled entities and associates)		
Revenues		
Container shipping income *(note a)*	**188,595**	252,544
Shipping-related service income *(note a)*	**12,475**	8,748
Freight forwarding and shipping agency income *(note a)*	**9,929**	18,770
Expenses		
Vessel costs		
Vessel services expenses *(note a)*	**128,731**	107,984
Crew expenses *(note a)*	**264,137**	202,378
Vessel management expenses *(note a)*	**35,425**	26,290
Voyage costs		
Bunker costs *(note a)*	**1,567,780**	1,214,678
Port charges *(note a)*	**638,228**	537,113
Equipment and cargo transportation costs		
Commission and rebates *(note a)*	**250,058**	181,627
Cargo and transhipment and equipment and repositioning expenses *(note a)*	**146,710**	120,073
Transportation and depot services expenses *(note a)*	**69,581**	63,746
Management fee expenses *(note a)*	**10,175**	20,380
General service expenses *(note a)*	**7,884**	8,046
Rental expenses *(note a)*	**7,560**	6,252
Container freight charges *(note a)*	**—**	4,276
Sales commission for handling of vessels sales *(note a)*	**—**	10,136
Others		
Consideration received for the disposal of a subsidiary and assignment of a shareholder's loan to a fellow subsidiary *(note b)*	**13,502**	—
Proceeds on disposal of jointly controlled entities *(note b)*	**—**	41,040
Disposal of a subsidiary *(note b)*	**—**	32,189
Share of general and administrative expenses by a fellow subsidiary *(note c)*	**—**	33,648
Purchase of containers *(note d)*	**—**	152,809
Consideration paid or payable for the acquisition of equity interests in jointly controlled entities *(note b)*	**—**	1,252,910

18. SIGNIFICANT RELATED PARTY TRANSACTIONS *(Continued)*

	Six months ended 30 June	
	2005	2004
	RMB'000	*RMB'000*
(3) Transactions with jointly controlled entities of the Group		
Revenues		
Container shipping income *(note a)*	**185,854**	226,421
Freight forwarding and shipping agency income *(note a)*	**15,849**	14,305
Management fee income *(note a)*	**10,610**	10,610
Expenses		
Vessel costs		
Vessel services expenses *(note a)*	**687**	538
Voyage costs		
Port charges *(note a)*	**531,477**	529,986
Equipment and cargo transportation costs		
Commission and rebates *(note a)*	**2,500**	4,616
Cargo and transhipment and equipment and repositioning expenses *(note a)*	**22,109**	19,310
Transportation and depot services expenses *(note a)*	**28,153**	36,939
General service expenses *(note a)*	**858**	858
Rental expenses *(note a)*	**2,615**	2,618
Container freight charges *(note a)*	**505**	57
Others		
Purchase of containers *(note d)*	**279,588**	51,289

	Six months ended 30 June	
	2005	2004
	RMB'000	*RMB'000*
(4) Transactions with associates of the Group		
Expenses		
Container freight charges *(note a)*	**2,625**	—
Others		
Purchase of containers *(note d)*	**520,526**	—

18. SIGNIFICANT RELATED PARTY TRANSACTIONS *(Continued)*

	Six months ended 30 June	
	2005	2004
	RMB'000	*RMB'000*
(5) Transactions with other state-owned enterprises		
Revenues		
Container shipping income *(note a)*	**1,349,411**	752,715
Freight forwarding and shipping agency income *(note a)*	**200,101**	177,393
Interest income from bank deposits *(note 18(6)(a))*	**10,810**	4,413
Expenses		
Vessel costs		
Vessel services expenses *(note a)*	**38,600**	40,176
Voyage costs		
Port charges *(note a)*	**78,724**	81,730
Equipment and cargo transportation costs *(note a)*	**147,413**	131,255
General service expenses *(note a)*	**4,358**	2,397
Interest expense *(note 18(6)(a))*	**139,620**	70,458

Notes:

(a) These transactions of revenues and expenses in nature were conducted based on terms as set out in the underlying agreements, based on statutory rates or market prices or actual costs incurred, or as mutually agreed.

(b) The purchase and disposal transactions were conducted in accordance with the terms as set out in the underlying agreements.

(c) The general and administrative expenses shared by a subsidiary of COSCO represented the general and administrative services provided by the Group. The sharing of the expenses incurred was calculated based on the headcount involved in the general and administrative work of the staff of COSCON for the fellow subsidiary.

(d) The purchase of containers were conducted at terms as set out in the agreements entered into between the Group and the parties in concern.

(e) In April 2005, the Group entered into several ship building contracts with Nantong COSCO KHI Ship Engineering Co., Ltd., a related party of the Group, for the construction of four 10,000 TEU container vessels. The total contract price was approximately US$485.8 million (equivalent to approximately RMB4,021.2 million). As at 30 June 2005, no down payment was paid.

(f) In May 2005, the Group entered into a sale and purchase agreement with COSCO for the disposal of an investment security with carrying value of RMB5,466,000, at a consideration of approximately RMB11,503,000. The disposal has not been completed as of the date of approval of the unaudited Condensed Consolidated Financial Statements and is subject to condition precedents in the agreement.

(g) On 3 June 2005, certain subsidiaries of COSCO Pacific, COSCO and COSCON entered into three master agreements, effective on 1 January 2005 for a term of three years relating to container services, shipping services and short-term container leasing. The service charged to COSCO group are at rates no less favourable than those charged to independent third parties by those subsidiaries of COSCO Pacific.

On 9 June 2005, the Group (other than COSCO Pacific group) and COSCO Group entered into a number of agreements effective on or after 9 June 2005 with an initial term of 3 years relating to the provision of general services, vessel services, agency and management services, container services, solicitation activities, port services, vessel management services, seamen leasing, properties leasing, provision of products and services and licence arrangements between the Group and COSCO Group. The services provided as mentioned in the agreements are at prices determined based on state-prescribed prices, relevant market prices or actual cost incurred plus a margin.

18. SIGNIFICANT RELATED PARTY TRANSACTIONS *(Continued)*

(h) As described in note 1 to the unaudited Condensed Consolidated Financial Statements, COSCO and the Company entered into the reorganisation agreement (the "Reorganisation Agreement"), as part of the restructuring of COSCO and its subsidiaries in preparation for a listing of the Company's H shares on the Main Board. Pursuant to the Reorganisation Agreement, COSCO has indemnified the Company against relevant taxation liabilities and claims, among other things.

(6) Balances with related parties

Included in the unaudited condensed consolidated balance sheet, the balances with related parties are as follows:

	As at 30 June 2005 ***RMB'000***	As at 31 December 2004 *RMB'000*
Deposits placed with		
- a fellow subsidiary *(note a)*	**135,611**	71,214
Deposits		
- state-owned banks and other state-owned non-bank financial institutions *(note a)*	**13,454,081**	1,740,169
Loans		
- state-owned banks and other state-owned non-bank financial institutions *(note a)*	**12,864,905**	9,322,111
Trade and other receivables		
- state-owned enterprises *(note b)*	**681,444**	441,988
Trade and other payables		
- state-owned enterprises *(note b)*	**65,607**	95,732

Notes:

(a) The deposits and loans were in accordance with the terms as set out in the respective agreements or as mutually agreed between the parties in concern. The interest rates are set at prevailing market rates.

(b) Trading balances with state-owned enterprises have similar terms of repayments as the balances with third parties while other balances with state-owned enterprises are unsecured, interest free and repayable on demand.

19. SUBSEQUENT EVENT

In August 2005, the Group entered into a ship building contract with a third party for the construction of nine 200 TEU container vessels. The total contract price is approximately RMB118.6 million.

20. COMPARATIVES

The Group has adopted new HKFRSs which are effective for accounting periods commencing on or after 1 January 2005. As mentioned in note 2, this has resulted in changes to the presentation of certain items and comparative financial information has been restated accordingly. In addition, certain comparative figures have been reclassified or restated to confirm with the current period's presentation.

TO THE BOARD OF DIRECTORS OF
CHINA COSCO HOLDINGS COMPANY LIMITED
(Incorporated in the People's Republic of China with limited liability)

INTRODUCTION

We have been instructed by the Company to review the interim financial report set out on pages 29 to 65.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

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

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

REVIEW WORK PERFORMED

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

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

MODIFIED REVIEW CONCLUSION ARISING FROM LIMITATIONS OF REVIEW SCOPE

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 15 September 2005