1 General information

COSCO Pacific Limited (the "Company") and its subsidiaries (collectively the "Group") are principally engaged in container leasing, container terminal, logistics, container manufacturing and their related businesses. The Company is a limited liability company incorporated in Bermuda and its registered office is Clarendon House, Church Street, Hamilton, HM 11, Bermuda.

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

These financial statements are presented in thousands of units of United States dollars (US$'000), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 23rd March 2006.

2 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") and Hong Kong Accounting Standards ("HKAS") and interpretations ("HKAS-Int") (collectively the "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The consolidated financial statements have been prepared under the historical cost convention except that, as disclosed in the accounting policies below, available-for-sale financial assets, derivative financial assets/liabilities and investment properties are carried at fair value and certain buildings are carried at valuation as at 31st December 1994 less accumulated depreciation and impairment losses.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 5.

2 Basis of preparation (Continued)

Adoption of new/revised HKFRSs

In 2005, the Group adopted the new/revised HKFRSs below, which are relevant to its operations. The comparative figures 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
HKAS 10	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: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 (Amendment)	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKAS 40	Investment Property
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations
HKAS-Int 12	Consolidation – Special Purpose Entities
HKAS-Int 12 (Amendment)	Scope of HKAS-Int 12 Consolidation – Special Purpose Entities
HKAS-Int 15	Operating leases – Incentives
HKAS-Int 21	Income Taxes – Recovery of Revalued Non-Depreciable Assets

The overall effects of the adoption of these new/revised HKFRSs are to increase the opening equity (including minority interests) as at 1st January 2005 and 2004 by US$268,561,000 and US$3,026,000 respectively and to increase the profit for the year ended 31st December 2004 by US$354,000. Summary of the effects on adopting the new/revised HKFRSs and the impact on the earnings per share for the profit attributable to the equity holders of the Company are set out in note 40 to the consolidated financial statements. The major changes in the Group's significant accounting policies or the presentation of financial statements as a result of the adoption of these new/revised HKFRSs are summarised as follows:

2 Basis of preparation (Continued)

(a) HKAS 1 and HKAS 27

The adoption of HKAS 1 and HKAS 27 has mainly resulted in the following presentational change in the Group's financial statements:

(i) minority interests are now required to be shown within the Group's equity. On the face of the consolidated income statement, minority interests are presented as an allocation of the total profit or loss for the year;

(ii) the Group's share of profits less losses (net of income taxes) of jointly controlled entities and associates is required to be presented on the face of the consolidated income statement; and

(iii) investment properties and intangible assets are now required to be presented on the face of balance sheet.

(b) HKAS 16

The residual values and useful lives of property, plant and equipment are now required to be reviewed and adjusted, if appropriate, at least at each financial year end. The depreciation charge of containers for the year ended 31st December 2005 has been calculated based on the revised estimated residual values. This represents a change in accounting estimate which has been accounted for prospectively. The effect of this change is to decrease the depreciation charge by US$5,346,000 while increasing the deferred income tax charge by US$1,166,000 for the year ended 31st December 2005.

(c) HKAS 17

The adoption of revised HKAS 17 has resulted in a change in an accounting policy relating to the reclassification of leasehold land and land use rights from property, plant and equipment to operating leases. The up-front prepayments made for the leasehold land and land use rights are expensed in the income statement on a straight-line basis over the period of the lease or when there is impairment, the impairment is expensed in the income statement. In prior years, the leasehold land and land use rights were accounted for at cost or at valuation as at 31st December 1994 less accumulated amortisation and impairment losses.

This change in accounting policy has been applied retrospectively so that the comparative figures presented have been restated to conform with the changed policy. The effect on the adoption of the HKAS 17 is to increase the opening equity as at 1st January 2005 and 2004 by US$3,380,000 and US$3,026,000 respectively and to increase the profit for the year ended 31st December 2004 by US$354,000.

2 Basis of preparation (Continued)

(d) HKAS 21

HKAS 21 requires 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 consolidated financial statements are presented in United States dollars, which is the Company's functional and presentation 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 are included in the income statement and reserve respectively.

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

(e) HKAS 24

HKAS 24 has extended the identification and disclosure of related parties to include state-owned enterprises. 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 Group and COSCO as well as their close family members.

(f) HKASs 32 and 39

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

(i) 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, of US$234,311,000 as at 31st December 2004 was credited to the Group's opening equity as at 1st January 2005.

2 Basis of preparation (Continued)

(f) HKASs 32 and 39 (Continued)

(ii) the interest rate swap contracts as entered into between the Group and certain 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 ("SSAPs") issued by the HKICPA. The recognition of interest rate swap contracts at their fair values as at 31st December 2004 resulted in a net increase in the Group's opening equity as at 1st January 2005 by US$1,619,000.

In addition, the Group has adopted hedge accounting when the hedging relationship between the interest rate swap contracts with notional principal amounts of US$200,000,000 and the notes as issued by the Group (note 33(e)) was fully designated and documented. The adoption of hedge accounting reduced the fair value loss on interest rate swap contracts for the year ended 31st December 2005 by US$6,008,000; and

(iii) the Group's loans 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. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. The unamortised transaction costs in respect of these loans and notes of US$5,852,000 as at 31st December 2004, which were previously expensed as incurred, were included in the related loans or notes by a corresponding credit adjustment to the Group's opening equity as at 1st 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 financial statements are reflected as opening adjustments to the Group's equity as at 1st January 2005 and accordingly, the comparative figures as presented in the financial statements have not been restated.

(g) HKAS 40

The adoption of revised HKAS 40 has resulted in a change in the accounting policy of which the changes in fair values of investment properties are now recorded in the income statement. In prior years, the increases in fair value were credited to the investment properties revaluation reserve. Decreases in fair value were first set off against increases on earlier valuations on a portfolio basis and thereafter expensed in the income statement.

As at 31st December 2004, the valuation of investment properties was less than their original cost and the revaluation deficits had already been charged to the income statement in prior years and there was no investment properties revaluation reserve. Consequently, no prior period adjustment on the retained profits and investment properties revaluation reserve is required.

2 Basis of preparation (Continued)

(h) HKFRS 2

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

The Group operates an equity-settled, share-based compensation plan. Until 31st December 2004, the provision of share options granted by the Company to the Group's employees did not result in expenses in the income statement. With effect from 1st January 2005, the fair value of the employee services received in exchange for the grant of the share options of the Company 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 Company.

As all the share options previously granted by the Company was vested on or before 1st January 2005, accordingly, no adjustment is made in the Group's financial statements pursuant to the transitional provisions as set out in HKFRS 2.

(i) HKFRS 3

The adoption of HKFRS 3 has resulted in a change in the accounting policy for goodwill and negative goodwill. In prior years, goodwill or negative goodwill on acquisitions of subsidiaries, jointly controlled entities or associates on or after 1st January 2001 was:

– Amortised on a straight-line basis over its estimated useful life of not exceeding 20 years; and
– Assessed for impairment on goodwill at each balance sheet date.

In accordance with the provisions of HKFRS 3:

– The Group ceased amortisation of goodwill with effect from 1st January 2005;
– Accumulated amortisation of goodwill as at 31st December 2004 has been eliminated with a corresponding decrease in the cost of goodwill;
– Goodwill is tested annually for impairment, as well as when there is indication of impairment; and
– The carrying amount of negative goodwill as at 31st December 2004 is derecognised and reflected as an adjustment to the Group's opening equity as at 1st January 2005.

Upon the adoption of HKFRS 3, the derecognition of a negative goodwill from the acquisition of an associate of US$19,886,000 was credited to the Group's opening equity as at 1st January 2005 in accordance with HKFRS 3.

The adoption of HKASs 2, 7, 8, 10, 23, 28, 31, 33, 36, 38, HKAS-Ints 12, 15 and 21 did not result in any significant change to the Group's significant accounting policies and the presentation of the Group's financial statements.

2 Basis of preparation (Continued)

Standards, interpretations and amendments to published standards that are not yet effective for the year ended 31st December 2005

The HKICPA has issued the following new standards, interpretations and amendments which are not yet effective for the year ended 31st December 2005:

	Effective for accounting periods beginning on or after
HKFRS Intepretation 4 "Determining whether an Arrangement contains a Lease"	1st January 2006
HKAS 19 (Amendment) "Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures"	1st January 2006
HKAS 39 (Amendment) "Financial Instruments: Recognition and Measurement":	
– The fair value option	1st January 2006
– Financial guarantee contracts	1st January 2006
Amendments, as a consequence of the Hong Kong Companies (Amendment) Ordinance 2005, to:	
– HKAS 1 "Presentation of Financial Statements"	1st January 2006
– HKAS 27 "Consolidated and Separate Financial Statements"	1st January 2006
– HKFRS 3 "Business Combinations"	1st January 2006
HKFRS 7 "Financial Instruments: Disclosures"	1st January 2007
HKAS 1 (Amendment) "Presentation of Financial Statements: Capital Disclosures"	1st January 2007

The Group has not early adopted of the above standards, interpretations and amendments in the financial statements for the year ended 31st December 2005. The Group has already commenced an assessment of the related impact to the Group but is not yet in a position to state whether any substantial changes to Group's accounting policies and presentation of the financial statements will be resulted.

3 Summary of significant accounting policies

The significant accounting policies applied in the preparation of the financial statements are set out below.

3.1 Group accounting

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31st December.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Investment in a jointly controlled entity/an associate is accounted for using the equity method from the date on which it becomes a jointly controlled entity/an associate. The measurement and recognition of goodwill is same as that of goodwill arising from the acquisition of subsidiaries. Goodwill relating to a jointly controlled entity/an associate is included in the carrying amount of the investment. Appropriate adjustments to the investor's share of the profits or losses after acquisition are made to the consolidated financial statements based on their fair values at the date of acquisition.

The consolidated income statement includes the Group's share of the results of jointly controlled entities and associates for the year, and the consolidated balance sheet includes the Group's share of the net assets of the jointly controlled entities and associates and goodwill (net of any accumulated impairment losses) on acquisition.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Intercompany transactions and balances between group companies are eliminated. Unrealised gains on transactions between group companies and between the Group and its jointly controlled entities and associates to the extent of the Group's interest are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

3 Summary of significant accounting policies (Continued)

3.1 Group accounting (Continued)

Accounting policies of subsidiaries, jointly controlled entities and associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted by the Company on the basis of dividend income.

(b) Jointly controlled entities

A jointly controlled entity is a joint venture established as a corporation, partnership or other entity in which the ventures have their respective interests and establish a contractual arrangement among them to define joint control over the economic activity of the entity.

(c) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

3.2 Foreign currency translation

(a) Functional and presentation currency

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 consolidated financial statements are presented in United States dollars, which is the Company's functional and presentation currency.

(b) Transactions and balances

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, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

3 Summary of significant accounting policies (Continued)

3.2 Foreign currency translation (Continued)

(b) Transactions and balances (Continued)

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security, and other changes in the carrying amount of the security. Translation differences are recognised in the income statement, and other changes in carrying amount are recognised in equity.

Translation differences on non-monetary items, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation difference on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the investment revaluation reserve in equity.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to Group's total equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

3 Summary of significant accounting policies (Continued)

3.3 Property, plant and equipment

Property, plant and equipment are stated at cost or 1994 valuation less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the income statement during the financial period in which they are incurred.

Effective from 30th September 1995, no further revaluations of the Group's certain buildings have been carried out. The Group places reliance on paragraph 80A of HKAS 16 issued by the HKICPA, which provides exemption from the need to make regular revaluations for such assets.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost or revalued amounts to the residual values of respective property, plant and equipment over their estimated useful lives, as follows:

Containers and generator sets	12 to 15 years
Buildings	25 to 50 years
Leasehold improvements	5 years or the remaining period of the lease, whichever is shorter
Other property, plant and equipment	5 to 20 years

No depreciation is provided for construction in progress. Construction in progress is transferred to relevant categories of property, plant and equipment upon the completion of the related construction works and depreciation will then be commenced accordingly.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The gain or loss on disposal of property, plant and equipment is the difference between the net sale proceeds and the carrying amount of the relevant asset, and is recognised in the income statement.

3 Summary of significant accounting policies (Continued)

3.4 Investment properties

Property that is held for long term rental yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated group, is classified as investment property.

Investment property comprises land held under operating leases and buildings held under finance leases.

Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at its cost, including related transaction costs.

After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are reviewed annually by external valuers.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

Changes in fair values are recognised in the income statement.

If an investment property becomes owner–occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment under HKAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the income statement.

3 Summary of significant accounting policies (Continued)

3.5 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/jointly controlled entity/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of jointly controlled entities and associates is included in investments in jointly controlled entities and associates respectively. Separately recognised goodwill is tested for impairment annually and when there is indication for impairment, and is carried at cost less accumulated impairment losses. Impairment loss on goodwill is not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

(b) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 5 years on a straight-line basis.

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Computer system under development is transferred to computer software upon the completion of the respective development and amortisation will then be commenced accordingly over the estimated useful lives of 5 years on a straight-line basis.

3.6 Impairment of assets

Assets that have an indefinite useful life are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

3 Summary of significant accounting policies (Continued)

3.7 Investments

Prior to 31st December 2004:

The Group classified its investments in securities, other than subsidiaries, jointly controlled entities and associates as investment securities or other investments.

(a) Investment securities

Listed and unlisted investments which were intended to be held on a continuing basis were stated at cost less provision for impairment losses.

The carrying amounts of individual investments were reviewed at each balance sheet date to assess whether the fair values had declined below the carrying amounts. When a decline other than temporary had occurred, the carrying amount of such investment was reduced to its fair value. The impairment loss was recognised as an expense in the income statement. This impairment loss was written back to income statement when the circumstances and events that led to the write-downs and write-offs ceased to exist and there was persuasive evidence that the new circumstances and events would persist for the foreseeable future.

(b) Other investments

Other investments were carried at fair value. At each balance sheet date, the net unrealised gains or losses arising from the changes in fair value of other investments were recognised in the income statement. Profits or losses on disposal of other investments, representing the difference between the net sales proceeds and the carrying amounts, were recognised in the income statement as they arise.

From 1st January 2005 onwards:

The Group classifies its investments as available-for-sale financial assets. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

Available-for-sale financial assets are non-derivatives and they are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Available-for-sale financial assets are carried at fair value. Unrealised gains and losses arising from changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains or losses from investment securities.

3 Summary of significant accounting policies (Continued)

3.7 Investments (Continued)

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market input and relying as little as possible on entity-specific input.

The Group assesses at each balance sheet date whether there is objective evidence that available-for-sale financial assets are impaired. A significant or prolonged decline in the fair value of the securities below its cost is considered as an indicator that in determining whether the securities are impaired. If any such evidence exists the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement) is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

3.8 Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as hedge of the fair value of a recognised liability.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values of the hedged items.

The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining hedge item is more than 12 months, and as a current asset or liability, if the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

3 Summary of significant accounting policies (Continued)

3.8 Derivative financial instruments and hedging activities (Continued)

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in the income statement within finance costs. The gain or loss relating to the ineffective portion is recognised in the income statement within other operating income/expenses. Changes in the fair value of the hedge fixed rate borrowings attributable to interest rate risk are recognised in the income statement within finance costs. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedge item for which the effective interest method is used is amortised to profit or loss over the period to maturity.

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement within other operating income/expenses.

3.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are calculated on first-in, first-out basis for spare parts and consumables and on weighted average basis for resaleable containers. Net realisable value of spare parts and consumables is the expected amount to be realised from use as estimated by the directors whereas that of resaleable containers is determined on the basis of anticipated sales proceeds less estimated selling expenses.

3.10 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement within other operating expenses.

3 Summary of significant accounting policies (Continued)

3.11 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts (if any).

3.12 Assets under leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessors are accounted for as operating leases. Leases that substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as finance leases.

(i) Leases – where the company is the lessee

Payments made under operating leases (net of any incentives received from the leasing company) are expensed in the income statement on a straight-line basis over the lease periods.

(ii) Leases – where the company is the lessor

When the company leases out assets under operating leases, the assets are included in the balance sheet according to their nature and where applicable, are depreciated in accordance with the Group's depreciation policies, as set out in 3.3 above. Revenue arising from assets leased out under operating leases is recognised in accordance with the Group's revenue recognition policies, as set out in note 3.18(a) and 3.18(e) below.

Finance leases for assets leased out are leases of assets which contain a provision giving the lessee an option to acquire legal title to the assets upon the fulfillment of certain conditions stated in the contracts.

When assets are leased out under a finance lease, the present value of the minimum lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Revenue on containers leased out under finance leases is recognised in accordance with the Group's revenue recognition policies, as set out in note 3.18(a) below.

3.13 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

3 Summary of significant accounting policies (Continued)

3.13 Provisions (Continued)

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

3.14 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3.15 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

3.16 Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax, if it is not accounted for, arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, jointly controlled entities and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

3 Summary of significant accounting policies (Continued)

3.17 Employee benefits

(a) Retirement benefit costs

The Group contributes to defined contribution retirement schemes which are available to all employees in Hong Kong, Macau and the United States of America. The assets of the schemes are held separately from those of the Group in independently administered funds.

Pursuant to the relevant regulations of the government authorities in different territories where the Group has employees, the Group participate in respective government benefit schemes (the "Schemes") whereby the Group is required to contribute to the Schemes for the retirement benefits of eligible employees.

Contributions made to the Schemes are calculated either based on certain percentages of the applicable payroll costs or fixed sums that are determined with reference to salary scale as stipulated under the requirements of the respective countries. The government authorities of the respective countries are responsible for the entire benefit obligations payable to the retired employees. The only obligation of the Group with respect to the Schemes is to pay the ongoing contributions required by the Schemes.

The Group's contributions to the aforesaid defined contribution retirement schemes and the Schemes are charged to the income statement as incurred.

(b) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(c) Bonus entitlements

The expected cost of bonus payments is recognised as a liability when the company has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for bonus are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

3 Summary of significant accounting policies (Continued)

3.17 Employee benefits (Continued)

(d) Share-based compensation

The Company operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the Company revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

3.18 Recognition of revenue and income

The Group recognises revenue and income on the following bases:

(a) Revenue from leasing of containers and generator sets

Rental income from leasing of containers and generator sets under operating leases are recognised on a straight-line basis over the period of each lease. Direct costs or reimbursements from lessees relating to the lifting and storage of containers are included in cost of sales when incurred or occurred.

Revenue on containers leased out under finance leases is allocated to accounting period to give a constant periodic rate of return on the net investment in the lease in each period.

Direct costs relating to the negotiations and arrangements of a contract are written off in the income statement when incurred.

(b) Revenue from container handling, transportation and storage

Revenue from container handling and transportation is recognised when the services are rendered.

Revenue from container storage is recognised on a straight-line basis over the period of storage.

(c) Revenue from terminal operations

Revenue from terminal operations is recognised when the services rendered are complete and the vessel leaves the berth.

3 Summary of significant accounting policies (Continued)

3.18 Recognition of revenue and income (Continued)

(d) Revenue from container management

Revenue from container management is recognised when the services are rendered.

(e) Operating lease rental income from investment properties

Operating lease rental income from investment properties is recognised on a straight-line basis over the period of each lease.

(f) Income from sale of containers

Income from sale of containers is recognised on the transfer of risks and rewards on ownership, which generally coincides with the time when the containers are delivered to customers and title has passed. Direct costs relating to the lifting and storage of containers for sale are expensed as incurred.

(g) Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

(h) Dividend income

Dividend income is recognised when the company's right to receive payment is established.

(i) Income on sale of investments

Income on sale of investments is recognised when the title to the related investments is passed to the purchaser.

3.19 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

3.20 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

3 Summary of significant accounting policies (Continued)

3.20 Contingent liabilities and contingent assets (Continued)

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

4 Financial risk management

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and price risk), credit risk, liquidity risk and interest rate risk. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below.

(i) Market risk

Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Renminbi and EURO. Foreign exchange risk mainly arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Price risk

The Group is exposed to equity securities price risk because the Group's investments are classified on the consolidated balance sheet as available-for-sale financial assets which are required to be stated at their fair values (see fair value estimation below). The Group is not exposed to commodity price risk.

4 Financial risk management (Continued)

Financial risk factors (Continued)

(ii) Credit risk

The carrying amounts of bank balances and cash, trade and other receivables, and finance lease receivables represent the Group's maximum exposure to credit risk in relation to financial assets.

The majority of the Group's trade and finance lease receivables relate to container leasing rental income receivable from COSCO Container Lines Company Limited ("COSCON"), a fellow subsidiary, and third party customers which are operating in the container shipping industry. COSCON accounted for approximately 43% of the Group's turnover and most of balances receivable from COSCON are aged less than 60 days (which is within the credit period granted by the Group of 90 days).

There is no concentration of credit risk with respect to trade and finance lease receivables from third party customers as the Group has a large number of customers which are internationally dispersed. No individual third party customers accounted for greater than 10% of the Group's turnover. The Group limits its exposure to credit risk through performing credit reviews and monitoring the financial strength of its major customers and generally does not require collateral on trade receivables. The Group has also insured the recoverability for majority of its third party trade receivable balances.

The Group has policies that limit the amount of credit exposure to any financial institution.

No other financial assets carry a significant exposure to credit risk.

(iii) Liquidity risk

The Group adopts prudent liquidity risk management which implies maintaining sufficient cash and bank balances, having available funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group aims to maintain flexibility in funding by keeping committed credit lines available.

(iv) Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets other than bank balances and cash, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group raises long-term borrowings at floating rates as well as fixed rates, based upon the capital market conditions and the Group's own internal requirements. Interest rate swaps with financial institutions are used to achieve the optimum ratio between fixed and floating rates and to hedge against the related interest rate exposure.

4 Financial risk management (Continued)

Fair value estimation

The fair values of the Group's available-for-sale financial assets are determined by reference to the methods below:

– the quoted market price when the related investment is traded in an active market;
– valuation techniques (including pricing models or discounted cash flow models); and
– the price for similar recent transactions, with adjustment on the difference in market conditions and circumstances.

For major unlisted investment, the Group will determine the fair value of available-for-sale financial assets by reference to valuation report of an independent professional valuer.

The fair value of interest rate swap is calculated as the present value of the estimated future cash flows.

The nominal values less impairment provision (as applicable) of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

5 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Impairment of containers

The Group's major operating assets represent containers. The Group tests annually whether containers has suffered any impairment in accordance with the accounting policy stated in note 3.6. The recoverable amounts of containers have been determined based on value-in-use calculations. These calculations require the use of estimates on the projections of cash inflows from the continue use of containers (including the amount to be received for the disposal of containers) and discount rate.

5 Critical accounting estimates and judgements (Continued)

(ii) Useful lives and residual values of containers

The Group's major operating assets represent containers. Management determines the estimated useful lives of containers by reference to the Group's business model, its assets management policy and the industry practice. It could change significantly as a result of the changes in these factors. Management will increase the depreciation expense where useful lives are less than previously estimated lives.

Management determines the residual values of containers based on all relevant factors (including the use of the current scrap value of steel in an active market as a reference value) at each measurement date. The depreciation expenses will change where the residual values are different from previously estimated values.

(iii) Estimate of fair value of available-for-sale financial assets

If information on current or recent prices of available-for-sale financial assets is not available, the fair values of available-for-sale financial assets are determined using valuation techniques (including discounted cash flow model or price/earnings multiple model). The Group uses assumptions that are mainly based on market conditions existing at each balance date.

(iv) Impairment of goodwill and other assets

The Group tests annually whether goodwill and other assets has suffered any impairment in accordance with accounting policies stated in note 3.6. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset or a cash generating unit is determined based on value-in-use calculations which require the use of assumptions and estimates.

Critical judgement in applying the Group's accounting policies

Income taxes

Deferred tax liabilities have not been established for the withholding taxation that would be payable on the undistributed earnings of certain subsidiaries in the United States of America as the Company's directors considers that the timing of the reversal of related temporary differences can be controlled and the related temporary difference will not be reversed in the foreseeable future (note 34).

6 Turnover, other income and segment information

Revenues and other income recognised during the year are as follows:

	2005	2004
	US$'000	US$'000
Turnover		
Operating lease rentals		
– containers	274,476	255,921
– generator sets	963	345
Finance lease income on containers	532	573
Container handling, transportation and storage income	6,839	7,200
Container terminal operation income	12,496	11,050
Container management income	342	207
	295,648	275,296
Other income		
Sale of inventories	22,618	24,709
Interest income	4,361	3,286
Dividend income from listed and unlisted investments	16,537	21,260
Gross rental income from investment properties	56	52
	43,572	49,307
Total	339,220	324,603

(a) Primary reporting format – business segments

In accordance with the Group's internal financial reporting, the Group has determined that business segments are presented as the primary reporting format and the main business segments of the Group, jointly controlled entities and associates include:

(i) container leasing and related businesses;
(ii) container terminal and related businesses;
(iii) logistics and related businesses;
(iv) container manufacturing and related businesses, and
(v) banking businesses.

Unallocated income/expenses comprise net corporate expenses, corporate finance costs and corporate interest income. Segment assets consist primarily of property, plant and equipment, investment properties, leasehold land and land use rights, intangible assets, inventories, receivables and operating cash, and mainly exclude deferred income tax assets and investments in jointly controlled entities, associates, available-for-sale financial assets and investment securities. Segment liabilities comprise operating liabilities and exclude items such as current and deferred income tax liabilities, corporate borrowings and related hedging derivatives.

6 Turnover, other income and segment information (Continued)

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

Capital expenditure comprises additions to property, plant and equipment, investment properties, leasehold land and land use rights and intangible assets, including additions resulting from acquisitions through business combinations.

Segment turnover and results

	Year ended 31st December 2005						
	Container leasing and related businesses US$'000	Container terminal and related businesses US$'000	Logistics and related businesses US$'000	Container manufacturing and related businesses US$'000	Banking businesses US$'000	Corporate and other businesses US$'000	Total US$'000
Turnover							
– total revenues	276,313	19,338	–	–	–	–	295,651
– inter-segment sales	–	(3)	–	–	–	–	(3)
External sales	276,313	19,335	–	–	–	–	295,648
Segment results	137,233	4,765	(5,899)	(2,540)	–	–	133,559
Dividend income from							
– a listed investment	–	–	–	–	–	768	768
– unlisted investments	–	15,769	–	–	–	–	15,769
Profit on disposal of an available-for-sale financial asset (note 7)	–	61,875	–	–	–	–	61,875
Unallocated income/ (expenses)							
– net corporate expenses	–	–	–	–	–	(9,162)	(9,162)
– corporate finance costs	–	–	–	–	–	(15)	(15)
– corporate interest income	–	–	–	–	–	2,298	2,298
Operating profit/(loss) after finance costs	137,233	82,409	(5,899)	(2,540)	–	(6,111)	205,092
Share of profits less losses of							
– jointly controlled entities	–	54,825	15,064	3,080	–	–	72,969
– associates	–	16,658	–	55,636	10,026	–	82,320
Profit before income tax							360,381
Income tax expenses							(22,426)
Profit for the year							337,955

6 Turnover, other income and segment information (Continued)

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

Segment turnover and results (Continued)

	Year ended 31st December 2004 (Restated)						
	Container leasing and related businesses US$'000	Container terminal and related businesses US$'000	Logistics and related businesses US$'000	Container manufacturing and related businesses US$'000	Banking businesses US$'000	Corporate and other businesses US$'000	Total US$'000
Turnover							
– total revenues	257,046	18,255	–	–	–	–	275,301
– inter-segment sales	–	(5)	–	–	–	–	(5)
External sales	257,046	18,250	–	–	–	–	275,296
Segment results	120,130	2,730	(5,122)	(53)	–	–	117,685
Dividend income from unlisted investments	–	21,260	–	–	–	–	21,260
Unallocated income/ (expenses)							
– net corporate expenses	–	–	–	–	–	(5,987)	(5,987)
– corporate finance costs	–	–	–	–	–	(512)	(512)
– corporate interest income	–	–	–	–	–	975	975
Operating profit/(loss) after finance costs	120,130	23,990	(5,122)	(53)	–	(5,524)	133,421
Share of profits less losses of							
– jointly controlled entities	–	51,455	11,849	3,062	–	–	66,366
– associates	–	17,544	–	–	9,780	–	27,324
Profit before income tax							227,111
Income tax expenses							(18,021)
Profit for the year							209,090

6 Turnover, other income and segment information (Continued)

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

Segment assets, liabilities and other information

	Container leasing and related businesses US$'000	Container terminal and related businesses US$'000	Logistics and related businesses US$'000	Container manufacturing and related businesses US$'000	Banking businesses US$'000	Corporate and other businesses US$'000	Total US$'000
At 31st December 2005							
Segment assets	1,554,198	52,403	–	14	–	–	1,606,615
Jointly controlled entities	–	201,266	183,980	18,240	–	–	403,486
Associates	–	120,224	–	193,343	169,947	–	483,514
Available-for-sale financial assets	–	264,523	–	–	–	11,072	275,595
Unallocated assets							85,940
							2,855,150
Segment liabilities	578,132	127,692	127,725	55,000	–	–	888,549
Unallocated liabilities							76,258
							964,807
Capital expenditure	337,333	4,435	–	–	–	49	341,817
Depreciation and amortisation	105,938	1,313	–	–	–	415	107,666
Impairment loss of:							
– containers	2,327	–	–	–	–	–	2,327
– trade receivables	1,389	–	–	–	–	–	1,389
Other non-cash expenses	3,357	232	190	82	–	36	3,897

6 Turnover, other income and segment information (Continued)

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

Segment assets, liabilities and other information (Continued)

	Container leasing and related businesses US$'000	Container terminal and related businesses US$'000	Logistics and related businesses US$'000	Container manufacturing and related businesses US$'000	Banking businesses US$'000	Corporate and other businesses US$'000	Total US$'000
At 31st December 2004 (Restated) (note)							
Segment assets	1,324,511	52,084	–	2,604	–	–	1,379,199
Jointly controlled entities	–	169,389	172,297	15,897	–	–	357,583
Associates	–	104,708	–	127,514	162,790	–	395,012
Investment securities	–	56,425	–	–	–	13,075	69,500
Unallocated assets							41,778
							2,243,072
Segment liabilities	405,068	109,200	127,724	55,000	–	–	696,992
Unallocated liabilities							60,452
							757,444
Capital expenditure	275,357	1,081	–	–	–	498	276,936
Depreciation and amortisation	100,472	1,262	–	–	–	435	102,169
Impairment loss of containers	474	–	–	–	–	–	474
Other non-cash expenses	1,511	88	98	1	–	6	1,704

Note:

Segment assets as at 31st December 2004 and depreciation and amortisation for the year then ended have been restated as a result of the adoption of HKAS 17 (note 2(c)).

6 Turnover, other income and segment information (Continued)

(b) Secondary reporting format – geographical segments

In respect of container leasing and related businesses, the movements of containers and generator sets under operating leases or finance leases are known through report from the lessees but the Group is not able to control the movements of containers and generator sets except to the degree that the movements are restricted by the terms of the leases or where safety of the containers and generator sets is concerned. It is therefore impracticable to present segment turnover and results by geographical areas for the related business.

The Group's segment assets are primarily dominated by its containers and generator sets. The directors consider that the nature of the Group's business precludes a meaningful allocation of containers and generator sets and their related capital expenditure to specific geographical segments as defined under HKAS 14 "Segment Reporting". These containers and generator sets are primarily utilised across geographical markets for shipment of cargoes throughout the world. Accordingly, it is impractical to present segment assets and capital expenditure by geographical areas.

The activities of the container terminal and related businesses as conducted by certain subsidiaries of the Group are predominantly carried out in China mainland and Hong Kong.

The activities of the Group's jointly controlled entities and associates are predominantly carried out in the following geographical areas:

Business segments	**Geographical areas**
Container terminal and related businesses	Hong Kong, China mainland, Singapore and Belgium
Logistics and related businesses	China mainland
Container manufacturing and related businesses	China mainland
Banking businesses	Hong Kong

7 Profit on disposal of an available-for-sale financial asset

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

8 Operating profit

Operating profit is stated after crediting and charging the following:

	2005 US$'000	2004 US$'000 (Restated)
Crediting		
Exchange gain, net^	166	51
Fair value gain on interest rate swap contracts not qualified as hedges^	3,984	–
Gain on interest rate swap contracts, net^	–	3,835
Profit on disposal of property, plant and equipment^	2,142	1,802
Profit on partial disposal of an associate^	178	–
Profit on disposal of jointly controlled entities and dissolution of an associate, net^	–	387
Revaluation surplus of investment properties^ (note 18)	501	292
Reversal of provision for impairment of trade receivables^	14	51
Charging		
Amortisation		
– leasehold land and land use rights	146	132
– intangible assets (note ii)	666	1,214
Depreciation		
– owned property, plant and equipment leased out under operating leases	104,835	98,992
– other owned property, plant and equipment	2,019	1,831
Impairment loss of containers#	2,327	474
Cost of inventories sold#	15,836	23,973
Cost of inventories expensed#	333	292
Auditors' remuneration		
– current year	904	876
– over provision in prior years	–	(3)
Loss on disposal/write-off of property, plant and equipment#	478	882
Outgoing in respect of investment properties	4	5
Provision for impairment of trade receivables#	1,389	–
Provision for inventories#	–	295
Write-off of inventories#	–	285
Rental expense under operating leases		
– land and buildings leased from third parties	2,135	2,476
– land and buildings leased from fellow subsidiaries	535	523
– plant and machinery	354	363
Total staff costs (including directors' emoluments and retirement benefit costs) (note i)	19,915	17,573
Less: Amounts capitalised in intangible assets	(163)	(168)
	19,752	17,405

^ Items included in other operating income

Items included in other operating expenses

Notes:

(i) Total staff costs do not include the amounts of benefits in kind provided to the Company's directors and the Group's employees in respect of staff quarters and the Company's share options being granted. Details of the Company's share options are set out in note 31(b) to the financial statements.

(ii) The amortisation of intangible assets is included in administrative expenses in the consolidated income statement.

9 Finance costs

	2005 US$'000	2004 US$'000 (Restated)
Interest expense on		
– bank loans	17,041	6,654
– other loans wholly repayable within five years	378	291
– notes not wholly repayable within five years	16,222	17,625
– loans from a minority shareholder of a subsidiary wholly repayable within five years	–	47
Amortised amount of discount on issue of notes	227	240
Amortised amount of transaction costs on bank loans and notes	1,771	–
	35,639	24,857
Other incidental borrowing costs and charges	723	2,349
	36,362	27,206

10 Share of profits less losses of jointly controlled entities

For the year ended 31st December 2004, the share of profits less losses of jointly controlled entities included the amortisation charge of goodwill on acquisition of US$2,507,000.

11 Income tax expenses

	2005 US$'000	2004 US$'000 (Restated)
Company and subsidiaries		
Current income tax		
– Hong Kong profits tax	187	512
– China mainland taxation	989	828
– Overseas taxation	598	127
– Over provision in prior years	(176)	(46)
	1,598	1,421
Deferred income tax (note 34)	20,828	16,600
	22,426	18,021

The Group's share of income tax expenses of jointly controlled entities and associates of US$12,384,000 (2004: US$14,241,000) and US$3,505,000 (2004: US$3,522,000) are included in the consolidated income statement as share of profits less losses of jointly controlled entities and associates respectively.

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

11 Income tax expenses (Continued)

Pursuant to Zhang Guoshuiwaihan (1998) No.1 issued by local tax authority in Zhangjiagang, taxation on profits from a subsidiary operating in China mainland has been calculated at an effective tax rate of 15.0% (2004: 15.0%) on the estimated assessable profit for the year. The other subsidiary established in China mainland has no taxable income for the year (2004: US$Nil).

Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

The Group's China mainland sourced income from container leasing are currently exempt from income tax in China mainland 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 12th March 1993.

The Group is also 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 14th March 1997.

Below is a numerical reconciliation between tax expense in the consolidated income statement and aggregate tax expense at the domestic rates applicable to profits in respective territories concerned:

	2005 US$'000	**2004** US$'000 (Restated)
Profit before income tax	360,381	227,111
Less: share of profits less losses of jointly controlled entities and associates	(155,289)	(93,690)
	205,092	133,421
Aggregate tax at domestic rates applicable to profits in respective territories concerned	37,676	23,917
Income not subject to income tax	(14,954)	(2,800)
Expenses not deductible for taxation purposes	8	6
(Over)/under provision in prior years	(173)	155
Utilisation of previously unrecognised tax losses	–	(171)
Tax losses not recognised	379	35
Others	(510)	(3,121)
Income tax expenses	22,426	18,021

12 Profit attributable to equity holders of the Company

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of US$179,064,000 (2004: US$92,302,000).

13 Dividends

	2005 US$'000	2004 US$'000
Interim, paid, of US3.614 cents (2004: US2.231 cents) per ordinary share	79,253	48,090
2005 special interim dividend, paid, of US1.453 cents per ordinary share	31,871	–
Final, proposed, of US3.583 cents (2004: US3.165 cents) per ordinary share	78,789	69,111
Additional dividends paid on shares issued due to the exercise of share options before the closure of register of members:		
– 2004/2003 final	72	163
– 2005/2004 interim	253	298
– 2005 special interim	95	–
	190,333	117,662

Note:

At a meeting held on 23rd March 2006, the directors declared a final dividend of HK27.8 cents (equivalent to US3.583 cents) per ordinary share. This proposed dividend declared is not reflected as dividend payable in these financial statements until it has been approved at the annual general meeting, but will be reflected as an appropriation of retained profits for the year ending 31st December 2006.

14 Earnings per share

Basic

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

	2005	2004 (Restated)
Profit attributable to equity holders of the Company	US$334,937,000	US$206,646,000
Weighted average number of ordinary shares in issue	2,192,078,336	2,160,041,074
Basic earnings per share	US15.28 cents	US9.57 cents
Basic earnings per share – excluding the profit on disposal of an available-for-sale financial asset *(for information only)*	US12.46 cents	N/A

14 Earnings per share (Continued)

Diluted

Diluted earnings per share is calculated based on the profit attributable to equity holders of the Company and the weighted average number of ordinary shares in issue during the year, after adjusting for the number of dilutive potential ordinary shares deemed to be issued at no considerations as if all outstanding share options granted by the Company had been exercised.

	2005	**2004** (Restated)
Profit attributable to equity holders of the Company	US$334,937,000	US$206,646,000
Weighted average number of ordinary shares in issue	2,192,078,336	2,160,041,074
Adjustments for assumed conversion of share options	13,180,650	10,080,534
Weighted average number of ordinary shares for diluted earnings per share	2,205,258,986	2,170,121,608
Diluted earnings per share	US15.19 cents	US9.52 cents
Diluted earnings per share – excluding the profit on disposal of an available-for-sale financial asset *(for information only)*	US12.38 cents	N/A

15 Retirement benefit costs

The retirement benefit costs charged to the consolidated income statement represent contributions payable by the Group to the retirement benefit schemes and amounted to US$1,112,000 (2004: US$905,000). Contributions totalling US$47,000 (2004: US$37,000) were payable to the retirement benefit schemes as at 31st December 2005 and are included in trade and other payables. No forfeited contributions were utilised during the year ended 31st December 2005 (2004: US$8,000) and no forfeited contributions were available as at 31st December 2005 and 2004 to reduce future contributions.

16 Directors' and management's emoluments

(a) Directors' emoluments

In accordance with the disclosure requirements of Section 161B of the Hong Kong Companies Ordinance, the aggregate amounts of emoluments paid to directors of the Company during the year are set out as follows:

	2005	**2004**
	US$'000	US$'000
		(Restated)
Fees	299	357
Salaries, housing and other allowances	1,103	1,353
Benefits in kind	6	10,582
Bonuses	66	39
Contribution to retirement benefit schemes	2	2
	1,476	12,333

Directors' fees disclosed above include US$127,000 (2004: US$98,000) paid to independent non-executive directors.

Benefits in kind for the year ended 31st December 2004 mainly represented the aggregate fair value of the share options granted to the directors under the Company's 2003 Share Option Scheme (note 31(b)) which had not been accounted for in the Group's financial statements pursuant to the transitional provisions of HKFRS 2 (note 2 (h)). The Company did not grant any share options during the year ended 31st December 2005.

As at 31st December 2005, a director of the Company had 900,000 (2004: 1,800,000) share options which are exercisable at HK$8.80 per share granted by the Company on 20th May 1997 under the share option scheme adopted by the Company on 30th November 1994 (the "1994 Share Option Scheme").

As at 31st December 2005, six (2004: fifteen) directors of the Company had 2,700,000 (2004: 9,776,000) share options which are exercisable at HK$9.54 per share granted by the Company under the share option scheme approved by the shareholders of the Company on 23rd May 2003 (the "2003 Share Option Scheme").

As at 31st December 2005, nine (2004: eighteen) directors of the Company had 8,800,000 (2004: 18,000,000) share options which are exercisable at HK$13.75 per share granted by the Company under the 2003 Share Option Scheme.

16 Directors' and management's emoluments (Continued)

(a) Directors' emoluments (Continued)

Details and movement of share options granted and exercised during the year are set out in note 31(b) to the financial statements.

The directors' emoluments are analysed as follows:

		Year ended 31st December 2004 (Restated)					
Name of directors		**Fees**	**Salary, housing and other allowances**	**Benefits in kind**	**Bonuses**	**Contribution to retirement benefit schemes**	**Total**
	Note	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Mr. WEI Jiafu		19	–	585	–	–	604
Mr. LIU Guoyuan		–	652	632	–	–	1,284
Mr. ZHANG Fusheng		16	–	584	–	–	600
Mr. WANG Futian		16	–	584	–	–	600
Mr. CHEN Hongsheng		16	–	584	–	–	600
Mr. LI Jianhong		16	–	584	–	–	600
Mr. MA Zehua		16	–	584	–	–	600
Mr. MA Guichuan		15	–	585	–	–	600
Ms. SUN Yueying		15	–	585	–	–	600
Mr. LI Yunpeng		15	–	585	–	–	600
Mr. ZHOU Liancheng		15	–	585	–	–	600
Mr. SUN Jiakang		–	319	585	–	–	904
Mr. XU Lirong		15	–	585	–	–	600
Mr. HE Jiale		15	–	585	–	–	600
Mr. WONG Tin Yau, Kelvin		–	264	585	20	2	871
Mr. MENG Qinghui		15	–	585	–	–	600
Mr. LU Chenggang		–	118	595	19	–	732
Mr. QIN Fuyan		15	–	585	–	–	600
Mr. GAO Weijie	(i)	12	–	–	–	–	12
Mr. LIANG Yanfeng	(i)	12	–	–	–	–	12
Dr. LI Kwok Po, David		27	–	–	–	–	27
Mr. LIU Lit Man		24	–	–	–	–	24
Mr. Alexander Reid HAMILTON		27	–	–	–	–	27
Mr. LEE Yip Wah, Peter	(i)	20	–	–	–	–	20
Mr. KWONG Che Keung, Gordon		16	–	–	–	–	16
		357	1,353	10,582	39	2	12,333

16 Directors' and management's emoluments (Continued)

(a) Directors' emoluments (Continued)

Name of directors	Note	Fees US$'000	Salary, housing and other allowances US$'000	Benefits in kind US$'000	Bonuses US$'000	Contribution to retirement benefit schemes US$'000	Total US$'000
		Year ended 31st December 2005					
Mr. WEI Jiafu		19	–	–	–	–	19
Mr. LIU Guoyuan	(ii)	–	164	–	–	–	164
Mr. ZHANG Fusheng	(ii)	8	–	–	–	–	8
Mr. WANG Futian	(ii)	8	–	–	–	–	8
Mr. CHEN Hongsheng		15	–	–	–	–	15
Mr. LI Jianhong		15	–	–	–	–	15
Mr. MA Zehua	(ii)	8	–	–	–	–	8
Mr. MA Guichuan	(ii)	8	–	–	–	–	8
Ms. SUN Yueying		15	–	–	–	–	15
Mr. LI Yunpeng	(ii)	8	–	–	–	–	8
Mr. ZHOU Liancheng	(iii)	7	–	–	–	–	7
Mr. SUN Jiakang		–	479	–	–	–	479
Mr. XU Lirong		15	–	–	–	–	15
Mr. HE Jiale	(ii)	8	–	–	–	–	8
Mr. WONG Tin Yau, Kelvin		–	275	–	39	2	316
Mr. WANG Zhi	(iv)	–	122	–	–	–	122
Mr. MENG Qinghui	(iii)	7	–	–	–	–	7
Mr. LU Chenggang	(ii)	–	63	6	27	–	96
Mr. QIN Fuyan		15	–	–	–	–	15
Dr. LI Kwok Po, David		37	–	–	–	–	37
Mr. LIU Lit Man		36	–	–	–	–	36
Mr. Alexander Reid HAMILTON	(ii)	17	–	–	–	–	17
Mr. KWONG Che Keung, Gordon	(v)	15	–	–	–	–	15
Mr. CHOW Kwong Fai, Edward	(iv)	21	–	–	–	–	21
Mr. Timothy George FRESHWATER	(iv)	17	–	–	–	–	17
		299	1,103	6	66	2	1,476

Notes:

(i) resigned during the year ended 31st December 2004

(ii) resigned during the year ended 31st December 2005

(iii) did not seek for re-election as director and retired at the annual general meeting held on 20th May 2005

(iv) appointed during the year ended 31st December 2005

(v) resigned on 1st January 2006

The above analysis includes two (2004: four) directors whose emoluments were among the five highest in the Group.

16 Directors' and management's emoluments (Continued)

(b) Management's emoluments

Details of the aggregate emoluments paid to three (2004: one) individuals whose emoluments were the highest in the Group and have not been included in the directors' emoluments above are set out below:

	2005	2004
	US$'000	US$'000
		(Restated)
Salaries and other allowances	537	345
Benefits in kind	1	361
Bonuses	190	75
Contributions to retirement benefit schemes	18	2
	746	783

The emoluments of the highest paid individuals fell within the following bands:

	Number of individuals	
	2005	2004
Emoluments band		
US$193,436 – US$257,915 (HK$1,500,001 – HK$2,000,000)	2	–
US$257,915 – US$322,393 (HK$2,000,001 – HK$2,500,000)	1	–
US$769,231 – US$833,333 (HK$6,000,001 – HK$6,500,000)	–	1
	3	1

(c) During the year, no emoluments had been paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office. No directors waived or agreed to waive any emoluments during the year.

17 Property, plant and equipment

Group

	Containers US$'000	Generator sets US$'000	Buildings in Hong Kong US$'000	Buildings outside Hong Kong US$'000	Construction in progress US$'000	Leasehold improvements US$'000	Other property, plant and equipment US$'000	Total US$'000
Cost or valuation								
At 1st January 2004								
– as previously reported	1,628,911	973	23,024	12,105	–	1,111	26,134	1,692,258
– effect on adoption of HKAS 17/ HKAS 1 (notes 2(c) and 2(a)(iii))	–	–	(17,535)	(221)	–	–	(6,875)	(24,631)
– as restated	1,628,911	973	5,489	11,884	–	1,111	19,259	1,667,627
Exchange differences	–	–	–	37	–	6	75	118
Additions/transfer	270,947	3,113	64	–	367	7	833	275,331
Disposals/transfer/write-off	(125,666)	–	(1,302)	–	–	(20)	(493)	(127,481)
Reclassification	–	–	–	–	(61)	–	61	–
At 31st December 2004, as restated	1,774,192	4,086	4,251	11,921	306	1,104	19,735	1,815,595
Accumulated depreciation and impairment losses								
At 1st January 2004								
– as previously reported	565,179	30	7,121	2,823	–	867	13,745	589,765
– effect on adoption of HKAS 17/ HKAS 1 (notes 2(c) and 2(a)(iii))	–	–	(5,798)	(64)	–	–	(4,476)	(10,338)
– as restated	565,179	30	1,323	2,759	–	867	9,269	579,427
Exchange differences	–	–	–	12	–	4	42	58
Impairment loss for the year	474	–	–	–	–	–	–	474
Depreciation charge for the year	98,832	160	153	399	–	93	1,186	100,823
Disposals/transfer/write-off								
– accumulated impairment losses	(8,225)	–	–	–	–	–	–	(8,225)
– accumulated depreciation	(75,494)	–	(30)	–	–	(8)	(473)	(76,005)
At 31st December 2004, as restated	580,766	190	1,446	3,170	–	956	10,024	596,552
Net book value								
At 31st December 2004, as restated	1,193,426	3,896	2,805	8,751	306	148	9,711	1,219,043

17 Property, plant and equipment (Continued)

Group

	Containers US$'000	Generator sets US$'000	Buildings in Hong Kong US$'000	Buildings outside Hong Kong US$'000	Construction in progress US$'000	Leasehold improvements US$'000	Other property, plant and equipment US$'000	Total US$'000
Cost or valuation								
At 1st January 2005								
– as previously reported	1,774,192	4,086	21,876	12,142	306	1,104	27,014	1,840,720
– effect on adoption of HKAS 17/ HKAS 1 (notes 2(c) and 2(a)(iii))	–	–	(17,625)	(221)	–	–	(7,279)	(25,125)
– as restated	1,774,192	4,086	4,251	11,921	306	1,104	19,735	1,815,595
Exchange differences	–	–	–	300	8	(9)	324	623
Additions	333,584	2,564	–	–	4,055	23	862	341,088
Disposals/transfer/write-off	(117,076)	(247)	(1,748)	(99)	–	(14)	(278)	(119,462)
Reclassification	–	–	–	–	(4,369)	–	4,369	–
At 31st December 2005	1,990,700	6,403	2,503	12,122	–	1,104	25,012	2,037,844
Accumulated depreciation and impairment losses								
At 1st January 2005								
– as previously reported	580,766	190	7,640	3,242	–	956	15,611	608,405
– effect on adoption of HKAS 17/ HKAS 1 (notes 2(c) and 2(a)(iii))	–	–	(6,194)	(72)	–	–	(5,587)	(11,853)
– as restated	580,766	190	1,446	3,170	–	956	10,024	596,552
Exchange differences	–	–	–	82	–	(8)	136	210
Impairment losses for the year	2,327	–	–	–	–	–	–	2,327
Depreciation charge for the year	104,421	414	117	403	–	89	1,410	106,854
Disposals/transfer/write-off								
– accumulated impairment losses	(4,642)	–	–	–	–	–	–	(4,642)
– accumulated depreciation	(63,044)	(13)	(207)	(24)	–	(13)	(276)	(63,577)
At 31st December 2005	619,828	591	1,356	3,631	–	1,024	11,294	637,724
Net book value								
At 31st December 2005	1,370,872	5,812	1,147	8,491	–	80	13,718	1,400,120

17 Property, plant and equipment (Continued)

Group

	Containers US$'000	Generator sets US$'000	Buildings in Hong Kong US$'000	Buildings outside Hong Kong US$'000	Construction in progress US$'000	Leasehold improvements US$'000	Other property, plant and equipment US$'000	Total US$'000
The analysis of cost or valuation of the above assets as at 31st December 2004 (as restated) is as follows:								
At cost	1,774,192	4,086	1,812	11,921	306	1,104	19,735	1,813,156
At 1994 professional valuation	–	–	2,439	–	–	–	–	2,439
	1,774,192	4,086	4,251	11,921	306	1,104	19,735	1,815,595
The analysis of cost or valuation of the above assets as at 31st December 2005 is as follows:								
At cost	1,990,700	6,403	64	12,122	–	1,104	25,012	2,035,405
At 1994 professional valuation	–	–	2,439	–	–	–	–	2,439
	1,990,700	6,403	2,503	12,122	–	1,104	25,012	2,037,844

17 Property, plant and equipment (Continued)

Company

	Other property, plant and equipment	
	2005	**2004**
	US$'000	US$'000
Cost		
At 1st January	527	389
Additions	–	138
At 31st December	527	527
Accumulated depreciation		
At 1st January	104	19
Depreciation charge for the year	105	85
At 31st December	209	104
Net book value		
At 31st December	318	423

Notes:

(a) Certain leasehold land and buildings in Hong Kong were revalued in 1994 on an open market value basis by C.Y. Leung & Company Limited (now known as DTZ Debenham Tie Leung Limited), an independent professional property valuer. Upon the adoption of HKAS 17, the leasehold land was classified as operating leases prepayment and carried in the balance sheet at cost less accumulated amortisation (note 2(c)).

The carrying amount of these buildings as at 31st December 2005 would have been US$1,089,000 (2004: US$1,188,000) had the buildings been carried at historical cost less accumulated depreciation and impairment losses in the consolidated financial statements.

(b) The aggregate cost, accumulated depreciation and accumulated impairment losses as at 31st December 2005 of the leased assets (where the Group is a lessor) which comprised containers and generator sets leased to fellow subsidiaries and third parties under operating leases, amounted to US$1,883,373,000 (2004: US$1,752,343,000), US$609,791,000 (2004: US$568,013,000) and US$10,628,000 (2004: US$12,943,000) respectively.

(c) The accumulated impairment losses of property, plant and equipment as at 31st December 2005 amounted to US$13,285,000 (2004: US$15,600,000).

(d) As at 31st December 2005, certain containers with an aggregate net book value of US$511,272,000 (2004: US$329,911,000) were pledged as securities for loan facilities granted by banks or third parties.

(e) During the year, the Group transferred containers with an aggregate net book value of US$16,302,000 (2004: US$23,596,000) to inventories.

18 Investment properties

	Group 2005 US$'000	Group 2004 US$'000
At 1st January	882	744
Transfer (note a)	–	(154)
Revaluation surplus (note b)	501	292
At 31st December	1,383	882

Notes:

(a) During the year ended 31st December 2004, certain investment properties were transferred to buildings and leasehold land of US$64,000 and US$90,000 respectively. The carrying amount of the properties transferred represented their valuation as at 31st December 2003.

(b) The investment properties as at 31st December 2005 and 2004 were revalued on an open market value basis by Sallmanns (Far East) Limited and DTZ Debenham Tie Leung Limited respectively, independent professional property valuers. Valuations were based on current prices in an active market for all properties. The revaluation surplus for the year ended 31st December 2005 of US$501,000 (2004: US$292,000) was accounted for in the consolidated income statement (note 8).

(c) The Group's interests in investment properties situated in Hong Kong are held on leases of over 50 years.

19 Leasehold land and land use rights

	Group 2005 US$'000	Group 2004 US$'000
At 1st January		
– as previously reported	1,736	1,412
– effect on adoption of HKAS 17 (note 2(c))	14,960	14,920
– as restated	16,696	16,332
Exchange differences	47	3
Additions	–	403
Amortisation	(146)	(132)
Transfer (note 18(a))	–	90
At 31st December	16,597	16,696

19 Leasehold land and land use rights (Continued)

Notes:

(a) The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and their net book values are analysed as follows:

	Group	
	2005	**2004**
	US$'000	US$'000
In Hong Kong, held on leases of over 50 years	14,762	14,806
Outside Hong Kong, held on leases of between 10 to 50 years	1,835	1,890
	16,597	16,696

(b) As at 31st December 2005, land use rights outside Hong Kong with net book value of US$1,685,000 (2004: US$1,736,000) were pledged as security for loan facility granted by a bank.

20 Intangible assets

Group

	Computer software US$'000	Computer system under development US$'000	Total US$'000
Cost			
At 1st January 2004	6,875	1,322	8,197
Additions	208	1,058	1,266
Write-off	(103)	–	(103)
Transfer	299	(299)	–
At 31st December 2004	7,279	2,081	9,360
Accumulated amortisation			
At 1st January 2004	4,476	–	4,476
Amortisation for the year	1,214	–	1,214
Write-off	(103)	–	(103)
At 31st December 2004	5,587	–	5,587
Net book value			
At 31st December 2004	1,692	2,081	3,773
Cost			
At 1st January 2005	7,279	2,081	9,360
Additions	20	709	729
Write-off	(12)	(33)	(45)
Transfer	747	(747)	–
At 31st December 2005	8,034	2,010	10,044
Accumulated amortisation			
At 1st January 2005	5,587	–	5,587
Amortisation for the year	666	–	666
Write-off	(12)	–	(12)
At 31st December 2005	6,241	–	6,241
Net book value			
At 31st December 2005	1,793	2,010	3,803

21 Subsidiaries

	Company 2005 US$'000	Company 2004 US$'000
Unlisted investments, at cost	167,150	167,150
Amounts due from subsidiaries (note a)	1,355,683	1,364,086
Loan to a subsidiary (note b)	(296,655)	(296,655)
Provision	(89,453)	(64,778)
	1,136,725	1,169,803

Notes:

(a) The amounts due from subsidiaries are unsecured and have no fixed terms of repayment. Except for amounts due from subsidiaries of US$15,554,000 (2004: US$22,236,000) which bear interests ranging from 0.61% to 4.22% (2004: 2.83% to 5.125%) per annum, the remaining balances are interest free.

(b) The loan due to a subsidiary is unsecured, interest free and wholly repayable on or before 3rd October 2013.

(c) Details of the subsidiaries as at 31st December 2005 are shown in note 42 to the financial statements.

22 Jointly controlled entities

	Group 2005 US$'000	Group 2004 US$'000
Share of net assets	329,810	281,981
Goodwill on acquisitions (note a)	52,259	47,726
	382,069	329,707
Loans to jointly controlled entities (note b)	21,417	27,876
	403,486	357,583

22 Jointly controlled entities (Continued)

Notes:

(a) The carrying amount of goodwill on acquisitions of jointly controlled entities mainly represented the goodwill on acquisitions of equity interests in COSCO Logistics Co., Ltd. ("COSCO Logistics"), Qingdao Qianwan Container Terminal Co., Ltd. and Nanjing Port Longtan Containers Co., Ltd. of US$42,251,000 (2004: US$42,251,000), US$5,362,000 (2004: US$5,362,000), and US$4,533,000 (2004: not applicable) respectively. The movement during the year is as follows:

	Group	
	2005	**2004**
	US$'000	US$'000
Cost		
At 1st January, as previously reported	50,233	5,643
Elimination (note 2(i))	(2,507)	–
At 1st January, as restated	47,726	5,643
Additions	4,533	44,590
At 31st December	52,259	50,233
Accumulated amortisation		
At 1st January, as previously reported	(2,507)	–
Elimination (note 2(i))	2,507	–
At 1st January, as restated	–	–
Amortisation for the year (note 10)	–	(2,507)
At 31st December	–	(2,507)
Net book value		
At 31st December	52,259	47,726

The recoverable amount of the goodwill is determined based on value-in-use calculations. These calculations use cash flow projections by reference to the financial budgets approved by management of respective jointly controlled entities covering one to five years' period (the "Budgeted Period"). Cash flows beyond the Budgeted Period are extrapolated using the growth rates as estimated by the Group's management.

22 Jointly controlled entities (Continued)

Key assumptions used for value-in-use calculations include:

(i) the growth in the projected earnings before interest, depreciation, amortisation and income tax ("EBITDA") of respective jointly controlled entities for the coming five years ranging from 5% to 16%;

(ii) the growth rate used to extrapolate projections of EBITDA beyond a five years' period ranging from 3% to 5%; and

(iii) a discount rate of 10%.

Management determined projected EBITDA based on past performance and its expectations for the market development. The discount rates used are pre-tax and reflect specific risks relating to the relevant industry.

Based on the management's assessment, no impairment has been recognised for the year ended 31st December 2005.

(b) The loans to jointly controlled entities are unsecured. Except for an amount of US$9,606,000 (2004: US$9,790,000) which bears interest at 1.60% (2004: 1.60%) per annum above the applicable swap offer rate as determined by the Association of Banks in Singapore, the remaining balance is interest free. Loans to jointly controlled entities of US$9,606,000 (2004: US$9,790,000) and US$11,811,000 (2004: US$18,086,000) are wholly repayable on or before October 2013 and January 2035 respectively.

(c) The Company has no directly owned jointly controlled entity as at 31st December 2005 and 2004. Details of the jointly controlled entities as at 31st December 2005 are shown in note 43 to the financial statements.

22 Jointly controlled entities (Continued)

(d) The financial information below represents the Group's interests in respective jointly controlled entities:

	Non-current assets US$'000	Current assets US$'000	Non-current liabilities US$'000	Current liabilities US$'000	Minority interests US$'000	Turnover US$'000	Profits less losses after income tax US$'000
2004							
COSCO-HIT Terminals (Hong Kong) Limited	153,327	19,455	(138,622)	(10,079)	–	64,213	31,773
COSCO Logistics Co., Ltd.	81,234	262,843	(9,556)	(196,785)	(7,690)	469,043	11,849
Others	215,227	73,505	(93,270)	(67,608)	–	184,269	22,744
	449,788	355,803	(241,448)	(274,472)	(7,690)	717,525	66,366
2005							
COSCO-HIT Terminals (Hong Kong) Limited	146,737	29,115	(138,522)	(13,505)	–	66,158	27,981
COSCO Logistics Co., Ltd.	95,733	263,241	(15,072)	(193,640)	(8,533)	640,432	15,064
Others	245,273	66,655	(79,395)	(68,277)	–	183,712	29,924
	487,743	359,011	(232,989)	(275,422)	(8,533)	890,302	72,969

23 Associates

	Group 2005 US$'000	Group 2004 US$'000
Share of net assets	469,265	409,742
Negative goodwill on acquisition (note a)	–	(19,886)
Goodwill on acquisition (note a)	87	188
	469,352	390,044
Loans to associates (note b)	14,162	4,968
	483,514	395,012
Investments, at cost		
Listed shares in Hong Kong	219,189	219,189
Unlisted shares	208,348	185,088
	427,537	404,277
Market value of listed shares	137,997	130,960

Notes:

(a) Movement of goodwill/(negative goodwill) during the year is as follows:

Group

	Goodwill US$'000	Negative goodwill US$'000	Total US$'000
Cost			
At 1st January 2004	–	–	–
Additions	188	(19,886)	(19,698)
At 31st December 2004, as previously reported	188	(19,886)	(19,698)
Derecognition (note 2(i))	–	19,886	19,886
At 1st January 2005, as restated	188	–	188
Partial disposal of equity interest	(101)	–	(101)
At 31st December 2005	87	–	87
Accumulated amortisation			
At 1st January 2004 and 31st December 2004	–	–	–
Net book amount			
At 31st December 2005	87	–	87
At 31st December 2004	188	(19,886)	(19,698)

23 Associates (Continued)

The goodwill/negative goodwill as set out above arose from acquisitions of associates which were completed close to 31st December 2004 and accordingly no amortisation has been recognised for the year ended 31st December 2004. In accordance with HKFRS 3, the Group ceased amortisation of goodwill/negative goodwill with effect from 1st January 2005 (note 2(i)).

(b) Loans to associates are unsecured. Balance of US$8,214,000 (2004: US$4,968,000) bears interest at 2% (2004: 2%) per annum above the 10-year Belgium prime rate and has no fixed terms of repayment. The remaining balance of US$5,948,000 (2004: US$Nil) bears interest at Tokyo Inter-Bank Offered Rate per annum (2004: not applicable) and is wholly repayable on 24th April 2008.

(c) The financial information below, after making adjustments to conform to the Group's principal accounting policies, represents the Group's interests in respective associates:

	Total assets US$'000	**Total liabilities** US$'000	**Minority interests** US$'000	**Turnover** US$'000	**Profits less losses after income tax** US$'000
2004					
Liu Chong Hing Bank Limited ("LCHB")	1,088,368	(925,578)	–	32,392	9,780
China International Marine Containers (Group) Co., Ltd.	333,095	(168,850)	(16,845)	N/A	N/A
Others	110,848	(11,296)	–	30,053	17,544
	1,532,311	(1,105,724)	(16,845)	62,445	27,324
2005					
Liu Chong Hing Bank Limited ("LCHB")	1,308,398	(1,138,451)	–	49,810	10,026
China International Marine Containers (Group) Co., Ltd.	342,299	(130,913)	(18,043)	613,112	55,636
Others	151,756	(45,781)	–	31,242	16,658
	1,802,453	(1,315,145)	(18,043)	694,164	82,320

(d) The Company has no directly owned associates as at 31st December 2005 and 2004. Details of the associates as at 31st December 2005 are shown in note 44 to the financial statements.

24 Available-for-sale financial assets

	Group 2005 US$'000
At 1st January	303,811
Exchange differences	702
Additions	34,568
Disposals (note 7)	(78,892)
Net revaluation surplus transferred to equity	15,406
At 31st December	275,595
Available-for-ale financial assets include the following:	
Listed investment (note b)	11,072
Unlisted investments (note c)	264,523
	275,595

Notes:

(a) Available-for-sale financial assets as at 31st December 2005 comprise investments in equity securities of the investee companies and the shareholders' loans advanced to an investee company (with the nominal value of US$49,936,000). The loan advanced to an investee company is unsecured, interest free and has no fixed terms of repayment.

(b) Listed investment represents equity interest in an entity which is principally engaged in the operation and management of international and domestic container marine transportation.

(c) Unlisted investments mainly comprise of equity interests in entities which are involved in container terminal operations in Yantian, Tianjin and Dalian of China mainland.

25 Investment securities

	Group 2004 US$'000
Equity securities (note a)	
– listed investment in Hong Kong, at cost	13,075
– unlisted investment in Hong Kong, at cost	1
– unlisted investments in China mainland, at cost	21,666
Loan to an investee company (note b)	34,758
	69,500
Market value of listed shares	12,785

Notes:

(a) All the listed and unlisted investment securities and loan to an investee company have been redesignated as available-for-sale financial assets upon the adoption of HKASs 32 and 39 (note 2(f)(i)).

(b) Loan to an investee company was unsecured and had no fixed terms of repayment. Except for an amount of US$12,446,000 which bore interest at Hong Kong dollar prime rate, the remaining balance was interest free.

26 Finance lease receivables

Group

	2005			2004		
	Gross receivables US$'000	**Unearned finance income** US$'000	**Present value of minimum lease payment receivable** US$'000	**Gross receivables** US$'000	**Unearned finance income** US$'000	**Present value of minimum lease payment receivable** US$'000
Amounts receivable under finance leases:						
Current portion						
– not later than one year (note 29)	1,704	(421)	1,283	1,803	(502)	1,301
Non–current portion						
– later than one year and not later than five years	4,187	(692)	3,495	4,706	(1,011)	3,695
– later than five years	257	(5)	252	1,025	(66)	959
	4,444	(697)	3,747	5,731	(1,077)	4,654
	6,148	(1,118)	5,030	7,534	(1,579)	5,955

As at 31st December 2005, the Group entered into 19 (2004: 20) finance leases contracts for leasing of certain containers. The average term of the finance lease contracts is 3 years (2004: 4 years).

The cost of assets acquired for the purpose of letting under finance leases amounted to US$8,177,000 (2004: US$7,849,000) as at 31st December 2005.

Unguaranteed residual values of assets leased under finance lease contracts are estimated at approximately US$9,000 (2004: US$9,000).

27 Derivative financial instruments

	Group 2005 Assets US$'000	Group 2005 Liabilities US$'000
Interest rate swap contracts		
– cash flow hedges (note i)	725	–
– fair value hedges (note ii)	–	2,007
Total	725	2,007

Notes:

(i) The notional principal amounts of the related interest rate swap contracts amounted to US$100,000,000 (2004: US$100,000,000) which were committed with the fixed interest rates ranging from 3.88% to 4.90% (2004: 3.88% to 4.90%) per annum. These derivative financial instruments do not qualify for hedge accounting.

(ii) The notional principal amount of the related interest rate swap contracts amounted to US$200,000,000 (2004: US$200,000,000) which 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 ("LIBOR"). During the year, these interest rate swap contracts have been designated as a hedge of the fair value of the notes issued by the Group (note 33(e)).

28 Inventories

As at 31st December 2005, inventories represent spare parts and consumables of US$150,000 (2004: US$167,000) and resaleable containers of US$2,336,000 (2004: US$1,470,000) respectively.

29 Trade and other receivables

	Group		Company	
	2005	**2004**	**2005**	**2004**
	US$'000	US$'000	US$'000	US$'000
Trade receivables (note a)				
– third parties	40,717	33,381	–	–
– fellow subsidiaries (notes b and c)	25,224	22,560	–	–
– related companies (note b)	268	82	–	–
	66,209	56,023	–	–
Less: provision for impairment	(3,056)	(1,714)	–	–
	63,153	54,309	–	–
Other receivables, deposits and prepayments	12,556	15,247	374	273
Current portion of finance lease receivables (note 26)	1,283	1,301	–	–
Amounts due from (note b)				
– subsidiaries	–	–	29,792	14,503
– jointly controlled entities	7,071	2,294	–	–
– associates	70	315	–	–
	84,133	73,466	30,166	14,776

Notes:

(a) The Group grants credit periods of 30 to 90 days to its customers.

The ageing analysis of the trade receivables (net of provision) was as follows:

	Group	
	2005	**2004**
	US$'000	US$'000
Within 30 days	31,132	25,533
31– 60 days	25,869	22,409
61– 90 days	5,340	5,287
Over 90 days	812	1,080
	63,153	54,309

29 Trade and other receivables (Continued)

(b) The amounts due from subsidiaries, jointly controlled entities, associates, fellow subsidiaries and related companies are unsecured and interest free. Trading balances have credit periods ranging from 30 to 90 days while other balances have no fixed terms of repayment.

(c) The balance mainly represented container leasing income receivable from fellow subsidiaries and mainly included a receivable balance from COSCON of US$22,522,000 (all are aged less than 60 days) (2004: US$20,141,000 (out of which US$20,115,000 are aged less than 60 days)). During the year ended 31st December 2005, the container leasing income from COSCON and the other fellow subsidiaries amounted to US$126,400,000 (2004: US$120,806,000) and US$849,000 (2004: US$1,765,000) respectively.

(d) The carrying amounts of trade receivables, prepayments and other receivables approximated their fair values.

(e) The amounts due from joint controlled entities represented dividend income receivable from jointly controlled entities.

(f) The carrying amounts of trade and other receivables are denominated in the following currencies:

	Group		Company	
	2005	**2004**	**2005**	**2004**
	US$'000	US$'000	US$'000	US$'000
US dollar	68,524	60,883	26,530	12,327
Renminbi	12,068	4,061	–	–
Hong Kong dollar	2,460	8,190	3,559	2,449
Euro	764	203	–	–
Other currencies	317	129	77	–
	84,133	73,466	30,166	14,776

30 Trade and other payables

	Group		Company	
	2005	**2004**	**2005**	**2004**
	US$'000	US$'000	US$'000	US$'000
Trade payables				
– third parties	3,638	1,967	–	–
– jointly controlled entities (notes a and b)	3,360	–	–	–
– fellow subsidiaries (note a)	326	87	–	–
– minority shareholder of a subsidiary (note a)	437	504	–	–
– subsidiaries of an associate (notes a and b)	16,766	–	–	–
	24,527	2,558	–	–
Other payables and accruals	29,059	48,819	627	624
Dividend payable	18	14	18	14
Amounts due to (note a)				
– subsidiaries	–	–	10,611	3,960
– fellow subsidiaries	24	23	–	–
	53,628	51,414	11,256	4,598

Notes:

(a) The amounts due to subsidiaries, jointly controlled entities, fellow subsidiaries, minority shareholder of a subsidiary and subsidiaries of China International Marine Containers (Group) Co., Ltd. ("CIMC"), an associate of the Group, are unsecured and interest free. Trading balances have similar credit periods granted as those of other third party suppliers while the other balances have no fixed terms of repayment.

(b) The balances represented the amounts payable to jointly controlled entities of the Group and subsidiaries of CIMC of US$3,360,000 (2004: US$Nil) and US$16,766,000 (2004: US$Nil) respectively in respect of the Group's purchases of containers (note 39(a)(ix)).

30 Trade and other payables (Continued)

(c) The ageing analysis of the trade balances due to third parties, jointly controlled entities, fellow subsidiaries, subsidiaries of CIMC and minority shareholders of a subsidiary was as follows:

	Group	
	2005	**2004**
	US$'000	US$'000
Within 30 days	6,505	1,947
31– 60 days	312	329
61– 90 days	17,670	268
Over 90 days	40	14
	24 ,527	2,558

(d) Other payables and accruals include an amount of US$871,000 (2004: US$28,143,000) accrued for purchase of containers which were delivered to the Group prior to the year end. The amount has not been included in the ageing analysis above.

(e) The carrying amounts of trade and other payables are denominated in the following currencies:

	Group		Company	
	2005	**2004**	**2005**	**2004**
	US$'000	US$'000	US$'000	US$'000
US dollar	43,621	43,382	9,846	3,960
Renminbi	6,725	5,124	–	–
Hong Kong dollar	3,276	2,908	1,410	638
Other currencies	6	–	–	–
	53,628	51,414	11,256	4,598

31 Share capital

	2005	**2004**
	US$'000	US$'000
Authorised:		
3,000,000,000 ordinary shares of HK$0.10 each	38,462	38,462
Issued and fully paid:		
2,198,966,298 (2004: 2,183,630,298) ordinary shares of HK$0.10 each	28,200	28,003

31 Share capital (Continued)

(a) The movements of the issued share capital of the Company are summarised as follows:

	Number of ordinary shares	Nominal value
		US$'000
At 1st January 2004	2,148,542,298	27,553
Issued on exercising of share options (note b)	35,088,000	450
At 31st December 2004	2,183,630,298	28,003
At 1st January 2005	2,183,630,298	28,003
Issued on exercising of share options (note b)	15,336,000	197
At 31st December 2005	2,198,966,298	28,200

(b) Share options

Under the 1994 Share Option Scheme, the directors of the Company may, at their discretion, grant to any director, executive and/or employee who are in full time employment with any company in the Group, share options to subscribe for the Company's shares, subject to the terms and conditions stipulated therein.

On 23rd May 2003, the shareholders of the Company approved the adoption of the 2003 Share Option Scheme and the termination of the 1994 Share Option Scheme. No further options shall be granted under the 1994 Share Option Scheme after 23rd May 2003 but the outstanding share options which had been granted shall continue to be valid and exercisable in accordance with their terms and provisions under the 1994 Share Option Scheme.

On 5th December 2005, amendments to certain terms of the 2003 Share Option Scheme were approved by the shareholders of the Company (the "Amended 2003 Share Option Scheme"). Under the Amended 2003 Share Option Scheme, the directors of the Company may, at their discretion, invite any participants, as defined under the Amended 2003 Share Option Scheme to take up share options for subscribing the Company's shares, subject to the terms and conditions stipulated therein.

The consideration on acceptance of an offer of the grant of an option is HK$1.00.

31 Share capital (Continued)

(b) Share options (Continued)

Movements of the share options granted during the year ended 31st December 2005 and 2004 are set out below:

Category	Note	Exercise price HK$	For the year ended 31st December 2004 Number of share options: Outstanding at 1st January 2004	Granted during the year	Exercised during the year	Transfer (to)/ from other category during the year	Lapsed during the year	Outstanding at 31st December 2004
Directors	(ii)	5.53	1,500,000	–	(1,500,000)	–	–	–
	(iii)	8.80	5,000,000	–	(3,200,000)	–	–	1,800,000
	(iv)	9.54	16,500,000	–	(6,724,000)	–	–	9,776,000
	(v)	13.75	–	18,000,000	–	–	–	18,000,000
Continuous	(ii)	5.53	80,000	–	(80,000)	–	–	–
Contract	(iii)	8.80	5,600,000	–	(4,698,000)	–	–	902,000
Employees	(iv)	9.54	23,140,000	–	(13,726,000)	–	(20,000)	9,394,000
	(v)	13.75	–	35,990,000	–	–	–	35,990,000
Others	(iv)	9.54	6,180,000	–	(4,860,000)	–	–	1,320,000
	(v)	13.75	–	10,050,000	(300,000)	–	–	9,750,000
			58,000,000	64,040,000	(35,088,000)	–	(20,000)	86,932,000

Category	Note	Exercise price HK$	For the year ended 31st December 2005 Number of share options: Outstanding at 1st January 2005	Granted during the year	Exercised during the year	Transfer (to)/ from other category during the year (notes vi and vii)	Lapsed during the year	Outstanding at 31st December 2005
Directors	(iii)	8.80	1,800,000	–	(900,000)	–	–	900,000
	(iv)	9.54	9,776,000	–	(2,882,000)	(4,194,000)	–	2,700,000
	(v)	13.75	18,000,000	–	(500,000)	(8,700,000)	–	8,800,000
Continuous	(iii)	8.80	902,000	–	(648,000)	–	–	254,000
Contract	(iv)	9.54	9,394,000	–	(2,600,000)	–	–	6,794,000
Employees	(v)	13.75	35,990,000	–	(4,146,000)	(800,000)	–	31,044,000
Others	(iv)	9.54	1,320,000	–	(2,410,000)	4,194,000	–	3,104,000
	(v)	13.75	9,750,000	–	(1,250,000)	9,500,000	–	18,000,000
			86,932,000	–	(15,336,000)	–	–	71,596,000

31 Share capital (Continued)

(b) Share options (Continued)

Notes:

(i) All the outstanding options were vested and exercisable as at 31st December 2005 and 2004. The Group has no legal or constructive obligation to repurchase or settle the options in cash. As all grants of share options were vested on or before 1st January 2005 and accordingly, no adjustment is made in the Group's financial statements pursuant to the transitional provisions as set out in HKFRS 2.

(ii) The share options were granted on 1st July 1996 under the 1994 Share Option Scheme and are exercisable on or before 30th June 2006, subject to the following conditions:

Percentage of the total number of options granted to each grantee which can be exercised (including the options which have already been exercised)	**Price level per share at which the options can be exercised#**
20% of the options	HK$6.50 or above
40% of the options	HK$7.00 or above
60% of the options	HK$7.50 or above
80% of the options	HK$8.00 or above
100% of the options	HK$8.50 or above

The price level refers to the closing price of the Company's share on The Stock Exchange of Hong Kong Limited at the date prior to the exercise of the options.

(iii) The share options were granted on 20th May 1997 (the "Offer Date") under the 1994 Share Option Scheme and are exercisable on or before 19th May 2007, subject to the following conditions:

1. 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.

2. 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 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.

For those share options granted on 20th May 1997 under the 1994 Share Option Scheme, all grantees may reserve their rights to exercise and accumulate their share options exercisable during their employment within the Group.

31 Share capital (Continued)

(b) Share options (Continued)

(iv) The share options were granted during the period from 28th October 2003 to 6th November 2003 under the 2003 Share Option Scheme at an exercise 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 under the 2003 Share Option Scheme from 28th October 2003 to 6th November 2003.

Following the resignation of an employee, 20,000 share options were lapsed during the year ended 31st December 2004.

(v) The share options were granted during the period from 25th November 2004 to 16th December 2004 under the 2003 Share Option Scheme at an exercise price of HK$13.75. 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 under the 2003 Share Option Scheme from 25th November 2004 to 16th December 2004.

(vi) Mr. ZHOU Liancheng and Mr. MENG Qinghui did not seek for re-election as executive directors of the Company and retired at the annual general meeting of the Company held on 20th May 2005. On 9th June 2005, Mr. LIU Guoyuan, Mr. ZHANG Fusheng, Mr. WANG Futian, Mr. MA Zehua, Mr. MA Guichuan, Mr. LI Yunpeng and Mr. HE Jiale resigned as executive directors of the Company. On 29th July 2005, Mr. LU Chenggang resigned as an executive director of the Company. In this respect, the options granted to the aforesaid ex–directors were reclassified from the category of "Directors" to the category of "Others". Those options exercised by them subsequent to their resignation or retirement were grouped thereon accordingly.

(vii) Mr. WANG Zhi was appointed as an executive director of the Company on 29th July 2005. The options granted to Mr. WANG were subsequently reclassified from the category of "Continuous Contract Employees" to the category of "Directors".

31 Share capital (Continued)

(b) Share options (Continued)

(viii) The exercise of the 15,336,000 (2004: 35,088,000) share options during the year yielded the proceeds, net of transaction costs of US$20,000 (2004: US$8,000), as follows:

	2005 US$'000	2004 US$'000
Ordinary share capital – at par	197	450
Share premium (net of issue expenses)	21,626	41,058
Proceeds (net of issue expenses)	21,823	41,508

(ix) Share options outstanding at end of the year have the following expiry dates and exercise prices:

Expiry date	Exercise price HK$	Number of share options 2005	 2004
20th May 2007	8.8	1,154,000	2,702,000
28th October 2013 to 6th November 2013	9.54	12,598,000	20,490,000
25th November 2014 to 16th December 2014	13.75	57,844,000	63,740,000
		71,596,000	86,932,000

31 Share capital (Continued)

(b) Share options (Continued)

(x) Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2005		2004	
	Average exercise price per share	Number of share options	Average exercise price per share	Number of share options
	HK$		HK$	
At 1st January	12.60	86,932,000	9.30	58,000,000
Granted	N/A	–	13.75	64,040,000
Exercised	11.08	(15,336,000)	9.23	(35,088,000)
Lapsed	N/A	–	9.54	(20,000)
At 31 December		71,596,000		86,932,000

The weighted average closing price of the Company's shares on the dates when the share options were exercised was HK$15.73 (2004: HK$13.35) per share.

32 Reserves

Company

	Share premium US$'000	Contributed surplus US$'000	Retained profits US$'000	Total US$'000
At 1st January 2004	561,138	414,214	174,421	1,149,773
Issue of shares on exercise of share options	41,066	–	–	41,066
Share issue expenses	(8)	–	–	(8)
Profit for the year	–	–	92,302	92,302
Dividends				
– 2003 final	–	–	(49,745)	(49,745)
– 2004 interim	–	–	(48,388)	(48,388)
At 31st December 2004	602,196	414,214	168,590	1,185,000
Representing:				
Reserves	602,196	414,214	99,479	1,115,889
2004 final dividend proposed	–	–	69,111	69,111
At 31st December 2004	602,196	414,214	168,590	1,185,000
At 1st January 2005	602,196	414,214	168,590	1,185,000
Issue of shares on exercise of share options	21,646	–	–	21,646
Share issue expenses	(20)	–	–	(20)
Profit for the year	–	–	179,064	179,064
Dividends				
– 2004 final	–	–	(69,183)	(69,183)
– 2005 interim	–	–	(79,506)	(79,506)
– 2005 special interim	–	–	(31,966)	(31,966)
At 31st December 2005	623,822	414,214	166,999	1,205,035
Representing:				
Reserves	623,822	414,214	88,210	1,126,246
2005 final dividend proposed	–	–	78,789	78,789
At 31st December 2005	623,822	414,214	166,999	1,205,035

33 Long term borrowings

	Group	
	2005	**2004**
	US$'000	US$'000
Borrowings		
Secured	345,618	176,392
Unsecured	487,557	474,273
	833,175	650,665
Amounts due within one year included under current liabilities	(84,558)	(35,520)
	748,617	615,145

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

	Group	
	2005	**2004**
	US$'000	US$'000
Wholly repayable within five years		
Bank loans	534,885	342,045
Other loan (note d)	7,562	10,217
	542,447	352,262
Notes not wholly repayable within five years (note e)	290,728	298,403
	833,175	650,665

33 Long term borrowings (Continued)

(b) The maturity of borrowings is as follows:

	Group	
	2005	**2004**
	US$'000	US$'000
Bank loans		
Within one year	81,700	32,867
Between one and two years	76,089	41,188
Between two and five years	377,096	267,990
	534,885	342,045
Notes		
Over five years	290,728	298,403
Other loan		
Within one year	2,858	2,653
Between one and two years	3,078	2,858
Between two and five years	1,626	4,706
	7,562	10,217
	833,175	650,665

(c) Bank and other loans of US$344,618,000 (2004: US$176,092,000) and bank loans of US$1,000,000 (2004: US$300,000) were secured by certain of the Group's containers and land use rights respectively (notes 17(d) and 19(b)). Bank and other loans of US$344,618,000 (2004: US$165,875,000) were also secured by the assignment of the container lease agreements and the rental income thereon, other assets and shares of certain subsidiaries.

As at 31st December 2004, bank loan of a subsidiary of approximately US$266,000 was guaranteed by the minority shareholder of that subsidiary. The related bank loan was repaid during the year ended 31st December 2005.

(d) Other loan of US$7,562,000 (2004: US$10,217,000) is repayable by quarterly installment over a period of 32 quarters starting from 7th July 2000. Interest is charged on the outstanding balance at the rate of 1.125% (2004: 1.125%) per annum above LIBOR.

33 Long term borrowings (Continued)

(e) Details of the Notes as at 31st December 2005 are as follows:

	Group	
	2005	**2004**
	US$'000	US$'000
Principal amount	300,000	300,000
Discount on issue	(1,899)	(1,899)
Notes issuance cost	(1,800)	–
Net proceeds received	296,301	298,101
Accumulated amortised amounts of		
– discount on issue	529	302
– notes issuance cost	501	–
	297,331	298,403
Effect of fair value hedge	(6,603)	–
	290,728	298,403

Notes with principal amount of US$300,000,000 were issued by a subsidiary of the Company to investors on 3rd October 2003. The notes carried an interest yield of 5.96% per annum and were issued at a price of 99.367 per cent of their principal amount with a coupon rate of 5.875% per annum, resulting in a discount on issue of US$1,899,000. The notes bear interest from 3rd October 2003, payable semi-annually in arrear on 3rd April and 3rd October of each year, commencing on 3rd April 2004. The notes are guaranteed unconditionally and irrevocably by the Company and listed on the Singapore Exchange Securities Trading Limited.

Unless previously redeemed or repurchased by the Company, the notes will mature on 3rd October 2013 at their principal amount. The notes are subject to redemption in whole, at their principal amount, together with accrued interest, at the option of the Company at any time in the event of certain changes affecting the taxes of certain jurisdictions.

33 Long term borrowings (Continued)

(f) The exposure of Group's borrowings to interest rate changes and the contractual repricing dates are as follows:

	6 months or less US$'000	**6 – 12 months** US$'000	**1 – 5 years** US$'000	**Over 5 years** US$'000	**Total** US$'000
At 31st December 2004					
Total borrowings	17,378	18,142	316,742	298,403	650,665
Effect of interest rate swaps qualified as hedges	–	–	–	(200,000)	(200,000)
	17,378	18,142	316,742	98,403	450,665
At 31st December 2005					
Total borrowings	51,872	32,686	457,889	290,728	833,175
Effect of interest rate swaps qualified as hedges	–	–	–	(200,000)	(200,000)
	51,872	32,686	457,889	90,728	633,175

(g) The carrying amounts of the borrowings are denominated in the following currencies:

	2005 US$'000	**2004** US$'000
US dollar ("US$")	830,326	649,795
Renminbi ("RMB")	2,849	870
	833,175	650,665

The effective interest rate per annum at the balance sheet date were as follows:

	2005 US$	**2005** RMB	**2004** US$	**2004** RMB
Bank loans	2.8%	4.7%	2.4%	4.4%
Notes	6.0%	N/A	6.0%	N/A
Other loan	6.8%	N/A	6.8%	N/A

33 Long term borrowings (Continued)

(h) The carrying amounts and fair value of the non-current borrowings are as follows:

	Carrying amounts		Fair values	
	2005	2004	2005	2004
	US$'000	US$'000	US$'000	US$'000
Bank loans	453,185	309,178	444,718	303,641
Notes	290,728	298,403	311,518	296,889
Other loan	4,704	7,564	4,578	7,424
	748,617	615,145	760,814	607,954

The fair values are based on cash flows discounted using a weighted average borrowing rate of 5.2% (2004: 4.9%) per annum.

(i) As at 31st December 2005, the Group has the following committed and undrawn borrowing facilities:

	2005	2004
	US$'000	US$'000
Facilities at floating rates		
– expiring within one year	300,000	226,200
– expiring more than one year	20,000	64,908
	320,000	291,108

34 Deferred income tax

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

The movement on the net deferred tax liabilities during the year is as follows:

	Group	
	2005	**2004**
	US$'000	US$'000
At 1st January	51,625	35,025
Charged to consolidated income statement (note 11)	20,828	16,600
At 31st December	72,453	51,625

Deferred income tax assets are recognised for tax losses carry forwards to the extent that realisation of the related tax benefit through the future taxable profits is probable. As at 31st December 2005, the Group and the Company has unrecognised tax losses of US$5,198,000 (2004: US$3,944,000) and US$2,561,000 (2004: US$2,555,000) respectively, which have no expiry date, to carry forward.

As at 31st December 2005, deferred income tax liabilities of US$36,617,000 (2004: US$24,643,000) have not been established for the withholding taxation that would be payable on the undistributed earnings of certain subsidiaries totalling US$122,055,000 (2004: US$82,145,000) 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.

34 Deferred income tax (Continued)

The movement in recognised deferred income tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year is as follows:

Deferred income tax liabilities

	Group					
	Accelerated tax depreciation		Others		Total	
	2005	2004	2005	2004	2005	2004
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
At 1st January	112,501	90,904	–	3,136	112,501	94,040
Charged/(credited) to consolidated income statement	21,552	21,597	–	(3,136)	21,552	18,461
At 31st December	134,053	112,501	–	–	134,053	112,501

Deferred income tax assets

	Group					
	Tax losses		Others		Total	
	2005	2004	2005	2004	2005	2004
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
At 1st January	54,668	56,068	6,208	2,947	60,876	59,015
Credited/(charged) to consolidated income statement	(5,215)	(1,400)	5,939	3,261	724	1,861
At 31st December	49,453	54,668	12,147	6,208	61,600	60,876

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet:

	2005	2004
	US$'000	US$'000
Deferred income tax assets	246	248
Deferred income tax liabilities	72,699	51,873

34 Deferred income tax (Continued)

The amounts shown in the consolidated balance sheet include the following:

	2005	2004
	US$'000	US$'000
Deferred tax assets to be recovered after more than 12 months	246	230
Deferred tax liabilities to be settled after more than 12 months	72,636	51,866

As at 31st December 2005 and 2004, the Company did not recognise any deferred income tax assets and liabilities.

35 Contingent liabilities

	Group		Company	
	2005	2004	2005	2004
	US$'000	US$'000	US$'000	US$'000
Guarantees for:				
– Notes issued by a subsidiary (note 33(e))	–	–	300,000	300,000
– Other credit or loan facilities granted to subsidiaries	–	–	541,379	351,092
– Bank guarantees to an associate	21,920	–	–	–
	21,920	–	841,379	651,092

36 Capital commitments

The Group has the following significant capital commitments as at 31st December 2005:

	Group	
	2005	**2004**
	US$'000	US$'000
Authorised but not contracted for		
Containers	317,558	352,676
Generator sets	5,600	6,600
Computer system under development	1,074	956
	324,232	360,232
Contracted but not provided for		
Containers	8,331	11,550
Investments (note)	711,844	351,103
Other property, plant and equipment	6,240	3,914
	726,415	366,567
The Group's share of capital commitments of the jointly controlled entities themselves not included in the above are as follows:		
Contracted but not provided for	7,316	8,281
Authorised but not contracted for	8,318	7,400
	15,634	15,681

36 Capital commitments (Continued)

Note:

The Group's contracted investments as at 31st December 2005 are as follows:

	Group	
	2005	**2004**
	US$'000	US$'000
Investments in:		
Qingdao Qianwan Container Terminal Co., Ltd	104,020	106,880
Antwerp Gateway NV	81,091	176,249
Dalian Port Container Terminal Co., Ltd	88,392	–
Others	44,197	64,090
	317,700	347,219
Terminal projects in:		
– Nansha of Guangzhou	293,096	–
– Others	101,048	3,884
	394,144	3,884
	711,844	351,103

37 Operating lease arrangements/commitments

(a) Operating lease arrangements – where the Group is the lessor

At 31st December 2005, the Group had future minimum lease receipts under non-cancellable operating leases as follows:

	Group	
	2005	**2004**
	US$'000	US$'000
Containers		
– not later than one year	210,896	201,538
– later than one year and not later than five years	508,750	484,769
– later than five years	183,278	142,127
	902,924	828,434
Generator sets		
– not later than one year	1,053	745
– later than one year and not later than five years	2,708	2,575
	3,761	3,320
Investment properties		
– not later than one year	29	42
– later than one year and not later than five years	16	8
	45	50
	906,730	831,804

The future lease receipts above do not include those lease contracts with the amount of future lease receipts depends on the timing of pick up and drop off of containers by lessees during the lease period of the contracts.

37 Operating lease arrangements/commitments (Continued)

(b) Operating lease commitments – where the Group is the lessee

At 31st December 2005, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Group	
	2005	**2004**
	US$'000	US$'000
Land and buildings		
– not later than one year	2,534	2,740
– later than one year and not later than five years	5,177	1,737
– later than five years	4,465	4,628
	12,176	9,105
Plant and machinery		
– not later than one year	390	275
– later than one year and not later than five years	328	42
	718	317
	12,894	9,422

(c) The Company did not have any lease commitments as at 31st December 2005 and 2004.

38 Notes to the consolidated cash flow statement

(a) Reconciliation of profit before income tax to cash generated from operations

	2005 US$'000	2004 US$'000 (Restated)
Profit before income tax	360,381	227,111
Depreciation and amortisation	107,666	102,169
Interest expenses	33,641	24,617
Fair value gain on interest rate swap contracts not qualified as hedges	(3,984)	–
Gain on interest rate swap contracts, net	–	(3,835)
Amortised amount of		
– discount on issue of notes	227	240
– transaction costs on bank loans and notes	1,771	–
Other incidental borrowing costs and charges	723	2,349
Impairment loss of containers	2,327	474
Provision for impairment of trade receivables	1,389	–
Provision for inventories	–	295
Write-off of inventories	–	285
Profit on disposal/write-off of property, plant and equipment, net	(1,664)	(920)
Dividend income from		
– a listed investment	(768)	–
– unlisted investments	(15,769)	(21,260)
Profit on disposal of a subsidiary	(14)	–
Profit on disposal of jointly controlled entities and dissolution of an associate, net	–	(387)
Profit on disposal of		
– partial interest in an associate	(178)	–
– an available-for-sale financial asset	(61,875)	–
Revaluation surplus of investment properties	(501)	(292)
Reversal of provision for impairment of trade receivables	(14)	(51)
Interest income	(4,361)	(3,286)
Share of profits less losses of		
– jointly controlled entities	(72,969)	(66,366)
– associates	(82,320)	(27,324)
Operating profit before working capital changes	263,708	233,819
Decrease in net balance with jointly controlled entities	14	7
Decrease in finance lease receivables	1,578	1,141
Decrease in inventories	15,453	23,979
Increase in trade and other receivables, deposits and prepayments	(7,698)	(1,971)
(Increase)/decrease in amounts due from fellow subsidiaries	(2,664)	1,205
(Increase)/decrease in amounts due from related companies	(186)	552
Decrease/(increase) in amounts due from an associates	308	(310)
Increase in trade and other payables and accruals	9,523	6,503
Decrease in amount due to parent company	–	(235)
Increase/(decrease) in amounts due to fellow subsidiaries	239	(26)
Decrease in amounts due to related companies	–	(143)
(Decrease)/increase in amounts due to minority shareholders of subsidiaries	(67)	1,045
Cash generated from operations	280,208	265,566

38 Notes to the consolidated cash flow statement (Continued)

(b) Analysis of changes in financing during the year

	Share capital (including share premium) US$'000	Loans and notes US$'000	Minority interests US$'000
Balance at 1st January 2004	588,691	478,360	8,644
Exchange differences	–	11	27
Issue of shares on exercise of share options (net of share issue expenses)	41,508	–	–
Loans borrowed	–	252,950	–
Amortised amount of discount on issue of notes	–	240	–
Repayment of loans	–	(78,238)	–
Dividends paid to minority shareholders	–	–	(1,674)
Minority interests' share of profit for the year	–	–	2,444
Balance at 31st December 2004	630,199	653,323	9,441
Balance at 1st January 2005, as previously reported	630,199	653,323	9,441
Opening adjustment for the adoption of HKASs 32 and 39 in respect of recognition of unamortised transaction costs on bank loans and notes	–	(4,234)	–
Balance at 1st January 2005, as restated	630,199	649,089	9,441
Exchange differences	–	53	148
Issue of shares on exercise of share options (net of share issue expenses)	21,823	–	–
Transaction costs net off to bank loans and notes during the year	–	(1,618)	–
Loans borrowed	–	321,119	–
Amortised amount of discount on issue of notes	–	227	–
Amortised amount of transaction costs on bank loans and notes	–	1,771	–
Repayment of loans	–	(128,385)	–
Effect of fair value hedge (note 33(e))	–	(6,603)	–
Dividends paid to minority shareholders	–	–	(2,212)
Minority interests' share of profit for the year	–	–	3,018
Balance at 31st December 2005	652,022	835,653	10,395

38 Notes to the consolidated cash flow statement (Continued)

(c) Analysis of the balances of cash and cash equivalents

	2005	2004
	US$'000	US$'000
Total time deposits, bank balances and cash (note i)	179,315	100,578
Restricted bank deposits included in non-current assets (note ii)	(21,978)	(11,297)
	157,337	89,281
Representing:		
Time deposits	94,688	43,136
Bank balances and cash	62,649	46,145
	157,337	89,281

Notes:

(i) As at 31st December 2005, cash and cash equivalents of US$82,745,000 (2004: US$15,338,000) were denominated in Renminbi and United States dollars which are held by certain subsidiaries of the Group with bank accounts operating in the PRC where exchange controls apply.

The carrying amounts of time deposits, bank balances and cash are denominated in the following currencies:

	Group		Company	
	2005	2004	2005	2004
	US$'000	US$'000	US$'000	US$'000
US dollar	145,711	53,859	68,169	13,502
Renminbi	17,944	15,109	–	–
Hong Kong dollar	11,733	28,268	9,113	19,097
Other currencies	3,927	3,342	–	–
	179,315	100,578	77,282	32,599

(ii) Restricted bank deposits mainly include deposits of US$21,819,000 (2004: US$11,139,000) which are held as securities for repayment of bank loans of the Group and are restricted for the purpose of the related banking facilities.

(iii) The effective interest rate on time deposits was 3.83% (2004: 1.97%) per annum. These deposits have an average maturity of 11 days (2004: 39 days). The bank balances earn interests at floating rates based on daily bank deposit rates.

39 Related party transactions

The Group is controlled by China COSCO which owns 52.03% of the Company's shares as at 31st December 2005. The remaining 47.97% of the Company's shares are widely held. The parent company of China COSCO is COSCO.

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 PRC government, other entities and corporations in which the Company is able to control or exercise significant influence and key management personnel of the Company and COSCO as well as their close family members.

For the purpose of related party transaction disclosures, the Group has identified, to the extent practicable, its customers and suppliers as to whether they are state–owned enterprises. Nevertheless, the directors believe that meaningful information in respect of related party transactions has been adequately disclosed.

In addition to those disclosed elsewhere in the financial statements, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties during the year.

39 Related party transactions (Continued)

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

	2005 US$'000	2004 US$'000
Container rental income from fellow subsidiaries (note i)		
– long term leases	126,400	120,711
– short term leases	849	1,860
Container rental income from other state-owned enterprise (note i)	2,110	2,203
Handling and storage income from fellow subsidiaries (note ii)	5,312	5,545
Net transportation income from fellow subsidiaries (note ii)	1,034	1,097
Management fee income from a jointly controlled entity (note iii)	2,571	2,564
Container terminal handling fee received from fellow subsidiaries and an associate of a parent company (note iv)	1,940	2,067
Container freight charges to (note v)		
– fellow subsidiaries	–	(128)
– jointly controlled entities	(174)	(106)
– subsidiaries of CIMC	(1,778)	(989)
Approved continuous examination program fee to a fellow subsidiary (note vi)	(1,100)	(2,200)
Proceeds on disposal of investments in jointly controlled entities to a fellow subsidiary (note vii)	–	4,943
Proceeds on the disposal of a subsidiary and assignment of a shareholder's loan to a fellow subsidiary (note viii)	1,558	–
Purchase of containers from (note ix)		
– subsidiaries of CIMC	(105,758)	(28,888)
– jointly controlled entities of the Group	(36,831)	(6,197)
Considerations paid for the acquisition of equity interests in		
– an associate (note x)	–	(127,240)
– jointly controlled entities (notes xi and xii)	–	(150,911)

Notes:

(i) The Group has conducted long term container leasing business with COSCON. During the two years ended 31st December 2005, the Group entered into new long term container leasing contracts/arrangements with COSCON. The Group's long term container leasing transactions with COSCON during the year have been conducted by reference to the average of the available leasing rates quoted from four (2004: three) of the top ten independent container leasing companies and in the ordinary and normal course of the business of the Group.

The other container leasing businesses with COSCON, other subsidiaries of COSCO and other state–owned enterprises were conducted at terms as agreed between the Group and respective parties in concern.

39 Related party transactions (Continued)

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

(ii) The handling and storage income and the transportation income received from fellow subsidiaries of the Company were conducted at terms as set out in the agreements entered into between the Group and these fellow subsidiaries.

(iii) The Group provided advisory and management services to COSCO-HIT Terminals (Hong Kong) Limited ("COSCO HIT"), a jointly controlled entity of the Group, during the year. Management fee was charged and agreed at HK$20,000,000 (2004: HK$20,000,000) per annum.

(iv) The container terminal handling and storage services received from fellow subsidiaries and an associate of COSCO in relation to the cargoes shipped from/to Zhangjiagang port were conducted by the Group by reference to rates as set out by the Ministry of Communications of the PRC.

(v) The container freight charges paid to fellow subsidiaries, jointly controlled entities and subsidiaries of CIMC for container repositioning services rendered to the Group were charged at rates as mutually agreed.

(vi) An approved continuous examination program fee of US$1,100,000 to COSCON in connection with the containers leased to COSCON on a long term basis was agreed between the Group and COSCON for the year ended 31st December 2005 (2004: US$2,200,000).

(vii) On 25th November 2003, the Group entered into agreements with COSCO International Holdings Limited, a listed fellow subsidiary, to dispose of its entire 20% equity interests in each of Shanghai COSCO Kansai Paint & Chemicals Co., Ltd. and Tianjin COSCO Kansai Paint & Chemicals Co., Ltd., both were then jointly controlled entities of the Group, at aggregate cash considerations totalling RMB41,040,000 (equivalent to approximately US$4,943,000) (the "Disposals"). The Disposals were completed in January 2004 and the gain on Disposals amounted to US$388,000.

(viii) On 31st May 2005, the Group disposed of a wholly owned subsidiary, which holds certain properties located in Hong Kong, and assigned a shareholder's loan to COSCO (H.K.) Property Development Limited, a fellow subsidiary, at an aggregate consideration of HK$12,100,000 (equivalent to US$1,558,000), resulting in an insignificant gain.

(ix) The purchases of containers from subsidiaries of CIMC and jointly controlled entities of the Group were conducted at terms as set out in the agreements entered into between the Group and the parties in concern.

39 Related party transactions (Continued)

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

(x) On 19th August 2004, COSCO Container Industries Limited ("COSCO Container"), a wholly owned subsidiary of the Company, entered into an agreement with COSCO to acquire its 163,701,456 non-publicly tradable state–owned legal person shares in CIMC (the "Shares"), representing approximately 16.23% of the issued share capital of CIMC, at a cash consideration of RMB1,056,384,000 (equivalent to approximately US$127,240,000). CIMC, whose A shares and B shares are listed and traded on the Shenzhen Stock Exchange, is primarily engaged in the manufacturing and sale of modern traffic and transport equipment such as containers, modern road transport vehicles and airport ground equipment. The acquisition of CIMC was completed on 31st December 2004.

(xi) Pursuant to an agreement dated 22nd September 2003 (the "Agreement"), COSCO Pacific Logistics Company Limited ("CPLCL"), a wholly owned subsidiary of the Company, agreed to acquire from COSCO its 49% equity interest in COSCO Logistics, a then wholly owned subsidiary of COSCO, at an aggregate amount of RMB1,180,410,000 (equivalent to approximately US$142,179,000), comprising an amount payable to COSCO of RMB446,410,000 and capital contribution to COSCO Logistics of RMB734,000,000. The acquisition was completed in January 2004.

CPLCL also paid COSCO an additional consideration of RMB50,000,000 (equivalent to approximately US$6,022,000) in September 2004 pursuant to the conditions as set out in the Agreement.

(xii) Pursuant to an agreement dated 15th June 2004, COSCO Ports (Yingkou) Limited ("COSCO Ports Yingkou"), an indirect wholly owned subsidiary of the Company, agreed to acquire from COSCO its entire 50% equity interest in a company established in the PRC which is principally engaged in the provision of container terminal business in Yingkou, at a cash consideration of RMB22,500,000 (equivalent to approximately US$2,710,000). The acquisition was completed in August 2004.

(b) Balances with state-owned banks

	2005	**2004**
	US$'000	US$'000
Bank deposit balances	119,524	52,765
Loans	(181,328)	(178,828)

The deposits and loans with state-owned banks were in accordance with the terms as set out in the respective agreements or as mutually agreed between the parties in concern.

39 Related party transactions (Continued)

(c) Balances with other state-owned enterprise

	2005	2004
	US$'000	US$'000
Other payable to a state-owned enterprise	5,005	4,397

The balance represented the port construction levy collected by a subsidiary of the Group on behalf of the port authority in Zhangjiagang pursuant to a notice issued by the Ministry of Communications of the PRC. The balance is unsecured, interest free and has no fixed terms of repayment.

(d) Key management compensation

	2005	2004
	US$'000	US$'000
Salaries, bonuses and other allowances	2,903	3,492
Contribution to retirement benefit schemes	8	9
	2,911	3,501

The above compensation do not include benefits in kind of key management of US$14,265,000 (mainly comprised the aggregate fair value of the share options granted by the Company) which had not been accounted for in the Group's financial statements for the year ended 31st December 2004 pursuant to the transitional provisions of HKFRS 2. The Company did not grant any share options during the year ended 31st December 2005.

39 Related party transactions (Continued)

(e) Share appreciation rights and share options granted by an intermediate holding company and fellow subsidiaries

Share appreciation rights and share options were granted to the directors of the Company by China COSCO, an intermediate holding company incorporated on 3rd March 2005, COSCO International Holdings Limited ("COSCO International") and COSCO Corporation (Singapore) Limited ("COSCO Corporation (Singapore)"), fellow subsidiaries, respectively. Movements in such share appreciation rights and share options granted to the Company's directors during the year are as follows:

		Number of units of share appreciation rights							
	Exercise Price	Outstanding at 1st January 2005	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31st December 2005	Vested percentage as at 31st December 2005	Vested percentage as at 31st December 2004	Note
Share appreciation rights of China COSCO									
Directors	HK$3.195	–	3,800,000	–	–	3,800,000	–	N/A	(i)

		Number of share options							
	Exercise Price	Outstanding at 1st January 2005	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31st December 2005	Vested percentage as at 31st December 2005	Vested percentage as at 31st December 2004	Note
Share options of COSCO International									
Directors	HK$0.57	5,300,000	–	–	–	5,300,000	100%	100%	(ii)
	HK$1.37	3,700,000	–	–	–	3,700,000	100%	100%	(iii)
Ex-directors	HK$0.57	6,600,000	–	–	–	6,600,000	100%	100%	(ii)
	HK$1.37	4,400,000	–	–	–	4,400,000	100%	100%	(iii)
Share options of COSCO Corporation (Singapore)									
Directors	S$0.2	800,000	–	(800,000)	–	–	100%	100%	(iv)
	S$0.2	850,000	–	(850,000)	–	–	100%	100%	(v)
	S$0.735	1,700,000	–	(1,700,000)	–	–	100%	100%	(vi)
	S$1.614	–	1,050,000	–	–	1,050,000	100%	100%	(vii)
Ex-directors	S$0.735	500,000	–	–	–	500,000	100%	100%	(vi)
	S$1.614	–	300,000	–	–	300,000	100%	100%	(vii)

39 Related party transactions (Continued)

(e) Share appreciation rights and share options granted by an intermediate holding company and fellow subsidiaries (Continued)

Notes:

(i) The share appreciation rights were granted by China COSCO on 16th December 2005. Under the share appreciation rights plan, no China COSCO's shares will be issued to the directors of the Company. The share appreciation rights are exercisable at any time between 16th December 2007 to 15th December 2015.

(ii) The share options were granted on 26th November 2003 under the share option scheme adopted by COSCO International on 17th May 2002 (the "COSCO International Scheme"). The options are exercisable at any time between 23rd December 2003 to 22nd December 2008.

(iii) The share options were granted on 2nd December 2004 by COSCO International under the COSCO International Scheme. The options are exercisable at any time between 29th December 2004 to 28th December 2014.

(iv) The share options were granted by COSCO Corporation (Singapore) on 12th August 2002. The options are exercisable at anytime between 12th August 2003 and 11th August 2007.

(v) The share options were granted by COSCO Corporation (Singapore) on 1st April 2003 and are exercisable at any time between 1st April 2004 and 31st March 2008.

(vi) The share options were granted by COSCO Corporation (Singapore) on 24th May 2004 and are exercisable at any time between 24th May 2005 and 23rd May 2009.

(vii) The share options were granted by COSCO Corporation (Singapore) on 6th April 2005 and are exercisable at any time between 6th April 2006 and 5th April 2010.

40 Summary of the effect of adopting the new/revised HKFRSs

(a) Effect on consolidated income statement for the year ended 31st December 2005

	Effect of adopting					
	HKAS 1	HKAS 16	HKAS 17	HKASs 32 & 39	HKFRS 3	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
	(note 2(a)(ii))	(note 2(b))	(note 2(c))	(note i)	(note ii)	
Turnover	–	–	–	–	–	–
Cost of sales	–	5,346	–	–	–	5,346
Gross profit	–	5,346	–	–	–	5,346
Other income	–	–	–	–	–	–
Administrative expenses	–	–	354	–	–	354
Other operating income	–	–	–	2,280	–	2,280
Other operating expenses	–	–	–	–	–	–
Profit on disposal of an available-for-sale financial asset	–	–	–	–	–	–
Operating profit	–	5,346	354	2,280	–	7,980
Finance costs	–	–	–	818	–	818
Operating profit after finance costs	–	5,346	354	3,098	–	8,798
Share of profits less losses of						
– jointly controlled entities	(12,384)	–	–	(492)	2,588	(10,288)
– associates	(3,505)	–	–	57	(670)	(4,118)
Profit before income tax	(15,889)	5,346	354	2,663	1,918	(5,608)
Income tax expenses	15,889	(1,166)	–	–	–	14,723
Increase in profit for the year	–	4,180	354	2,663	1,918	9,115
Increase in profit attributable to:						
Equity holders of the Company	–	4,180	354	2,663	1,918	9,115
Minority interests (note 2(a)(i))	–	–	–	–	–	–
	–	4,180	354	2,663	1,918	9,115
Increase in earnings per share for profit attributable to the equity holders of the Company						
– basic (US cent)	–	0.1907	0.0161	0.1215	0.0875	0.4158
– diluted (US cent)	–	0.1894	0.0161	0.1208	0.0870	0.4133

Notes:

(i) These mainly comprised the Group's recognition of the changes in fair values of derivative financial instruments, amortisation of transaction costs of bank loans and notes, and the Group's share of the adjustments made by a jointly controlled entity and an associate pursuant to HKASs 32 and 39.

(ii) Amortisation of goodwill/negative is no longer required pursuant to HKFRS 3.

40 Summary of the effect of adopting the new/revised HKFRSs (Continued)

(b) Effect on consolidated income statement for the year ended 31st December 2004

	Effect of adopting		
	HKAS 1 US$'000 (note 2 (a)(ii))	**HKAS 17** US$'000 (note 2 (c))	**Total** US$'000
Turnover	–	–	–
Cost of sales	–	–	–
Gross profit	–	–	–
Other income	–	–	–
Administrative expenses	–	354	354
Other operating income	–	–	–
Other operating expenses	–	–	–
Operating profit	–	354	354
Finance costs	–	–	–
Operating profit after finance costs	–	354	354
Share of profits less losses of			
– jointly controlled entities	(14,241)	–	(14,241)
– associates	(3,522)	–	(3,522)
Profit before income tax	(17,763)	354	(17,409)
Income tax expenses	17,763	–	17,763
Increase in profit for the year	–	354	354
Increase in profit attributable to:			
Equity holders of the Company	–	354	354
Minority interests (note 2(a)(i))	–	–	–
	–	354	354
Increase in earnings per share for profit attributable to the equity holders of the Company:			
– basic (US cent)	–	0.0164	0.0164
– diluted (US cent)	–	0.0163	0.0163

40 Summary of the effect of adopting the new/revised HKFRSs (Continued)

(c) Effect on consolidated balance sheet as at 31st December 2005

	Effect of adopting					
	HKAS 1 US$'000 (note 2(a)(iii))	HKAS 16 US$'000 (note 2(b))	HKAS 17 US$'000 (note 2(c))	HKASs 32 & 39 US$'000 (note i)	HKFRS 3 US$'000 (note ii)	Total US$'000
ASSETS						
Non– current assets						
Property, plant and equipment	(5,186)	5,346	(12,863)	–	–	(12,703)
Investment properties	1,383	–	–	–	–	1,383
Leasehold land and land use rights	–	–	16,597	–	–	16,597
Intangible assets	3,803	–	–	–	–	3,803
Jointly controlled entities	–	–	–	335	2,588	2,923
Associates	–	–	–	4,129	19,582	23,711
Deferred income tax assets	–	–	–	–	–	–
Available-for-sale financial assets	–	–	–	275,595	–	275,595
Investment securities	–	–	–	(86,921)	–	(86,921)
Finance lease receivables	–	–	–	–	–	–
Restricted bank deposits	–	–	–	–	–	–
	–	5,346	3,734	193,138	22,170	224,388
Current assets						
Inventories	–	–	–	–	–	–
Trade and other receivables	–	–	–	1,166	–	1,166
Derivative financial assets	–	–	–	725	–	725
Bank balances and cash	–	–	–	–	–	–
	–	–	–	1,891	–	1,891
Current liabilities						
Trade and other payables	–	–	–	–	–	–
Current income tax liabilities	–	–	–	–	–	–
Current portion of long term borrowings	–	–	–	495	–	495
Short term bank loans	–	–	–	–	–	–
	–	–	–	495	–	495
Net current assets	–	–	–	2,386	–	2,386
Total assets less current liabilities	–	5,346	3,734	195,524	22,170	226,774
Non-current liabilities						
Deferred income tax liabilities	–	(1,166)	–	–	–	(1,166)
Derivative financial liabilities	–	–	–	(2,007)	–	(2,007)
Long term borrowings	–	–	–	10,190	–	10,190
	–	(1,166)	–	8,183	–	7,017
Increase in net assets	–	4,180	3,734	203,707	22,170	233,791

40 Summary of the effect of adopting the new/revised HKFRSs (Continued)

(c) Effect on consolidated balance sheet as at 31st December 2005 (Continued)

	Effect of adopting					
	HKAS 1 US$'000 (note 2(a)(iii))	**HKAS 16** US$'000 (note 2(b))	**HKAS 17** US$'000 (note 2(c))	**HKASs 32 & 39** US$'000 (note i)	**HKFRS 3** US$'000 (note ii)	**Total** US$'000
EQUITY						
Capital and reserves attributable to the equity holders of the Company						
Share capital	–	–	–	–	–	–
Other reserves	–	4,180	3,734	203,707	22,170	233,791
Proposed final dividend	–	–	–	–	–	–
	–	4,180	3,734	203,707	22,170	233,791
Minority interests (note 2(a)(i))	–	–	–	–	–	–
Increase in total equity	–	4,180	3,734	203,707	22,170	233,791

Notes:

(i) These mainly comprised the redesignation of investments as available-for-sale financial assets at fair values by the Group and an associate, recognition of interest rate swap contracts as derivative financial instruments by the Group, recognition of unamortised transaction costs on bank loans and notes, and the Group's share of the adjustments made by a jointly controlled entity and an associate pursuant to HKASs 32 and 39.

(ii) These mainly comprised the cessation of amortisation of the goodwill on acquisitions of jointly controlled entities in prior years and also the derecognition of unamortised negative goodwill by the Group and an associate.

40 Summary of the effect of adopting the new/revised HKFRSs (Continued)

(d) Effect on consolidated balance sheet as at 31st December 2004

	Effect of adopting HKAS 1 US$'000 (note 2(a)(iii))	Effect of adopting HKAS 17 US$'000 (note 2(c))	Total US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	(4,634)	(13,316)	(17,950)
Investment properties	882	–	882
Leasehold land and land use rights	–	16,696	16,696
Intangible assets	3,752	–	3,752
Jointly controlled entities	–	–	–
Associates	–	–	–
Deferred income tax assets	–	–	–
Investment securities	–	–	–
Finance lease receivables	–	–	–
Restricted bank deposits	–	–	–
	–	3,380	3,380
Current assets			
Inventories	–	–	–
Trade and other receivables	–	–	–
Bank balances and cash	–	–	–
	–	–	–
Current liabilities			
Trade and other payables	–	–	–
Current income tax liabilities	–	–	–
Current portion of long term borrowings	–	–	–
Short term bank loans	–	–	–
	–	–	–
Net current assets	–	–	–
Total assets less current liabilities	–	3,380	3,380
Non– current liabilities			
Deferred income tax liabilities	–	–	–
Long term borrowings	–	–	–
	–	–	–
Increase in net assets	–	3,380	3,380
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	–	–	–
Other reserves	–	3,380	3,380
Proposed final dividend	–	–	–
	–	3,380	3,380
Minority interests (note 2(a)(i))	–	–	–
Increase in total equity	–	3,380	3,380

Note:

The reconciliation above does not include the opening adjustments on the Group's opening equity as at 1st January 2005 as a result of the adoption of HKFRS 3, HKASs 32 and 39 (notes 2(i) and 2(f)).

41 Events after the balance sheet date

As at 31st December 2005, the Group holds 327,402,912 of non-publicly tradable shares of CIMC (the "CIMC Shares"). On 13th March 2006, CIMC announced that, after the consultation with The Shenzhen Stock Exchange, it will commence the necessary procedures under the Equity Division Reform (the "CIMC's Reform") and will disclose the details of the implementation of the CIMC's Reform at a later stage.

The directors of the Company have commenced an assessment on the impact that will have on the Group's future financial results and position as a result of the CIMC's Reform, which when fully implemented will have the effect of making these CIMC Shares to become tradable in The Shenzhen Stock Exchange "A" share market. Different implementation plan under the CIMC's Reform will have different financial implication on the Group's financial statements. As of the date of approval of these financial statements, no decision as to which plan to be adopted has been made and the directors of the Company are not in a position yet to state the overall financial impact to the Group that will arise from the CIMC's Reform.

42 Details of subsidiaries

Details of the subsidiaries as at 31st December 2005 are as follows:

Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/ paid-up capital	Group equity interest 2005	Group equity interest 2004
[2] Allgood International Limited	British Virgin Islands	Hong Kong	Dormant	1 ordinary share of US$1	**100%**	100%
[1,2] Bauhinia 97 Ltd.	Cayman Islands	Hong Kong	Investment holding	2 ordinary shares of US$1 each	**100%**	100%
Cheer Hero Development Limited	Hong Kong	Hong Kong	Container handling, storage and stevedoring	10,000 ordinary shares of HK$10 each	**75%**	75%
[1,2] COSCO Container Industries Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100%**	100%
COSCO Container Services Limited	Hong Kong	Hong Kong	Investment holding, depot handling, storage and container repairing	2 ordinary shares of HK$1 each	**100%**	100%

42 Details of subsidiaries (Continued)

Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/ paid-up capital	Group equity interest 2005	Group equity interest 2004
[1, 2, 3] COSCO Pacific (China) Investments Co., Ltd.	PRC	PRC	Investment holding	US$37,496,000	**100%**	100%
[1] COSCO Pacific Finance (2003) Company Limited	British Virgin Islands	Hong Kong	Financing	1 ordinary share of US$1	**100%**	100%
[1, 2] COSCO Pacific Logistics Company Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100%**	100%
[1] COSCO Pacific Management Company Limited	Hong Kong	Hong Kong	Investment holding and provision of management services	2 ordinary shares of HK$1 each	**100%**	100%
[1, 2] COSCO Pacific Nominees Limited	British Virgin Islands	Hong Kong	Provision of nominee services	1 ordinary share of US$1	**100%**	100%
[2] COSCO Ports (Antwerp) NV	Belgium	Belgium	Investment holding	EURO 61,500 divided into 2 shares with no face value	**100%**	100%
[2] COSCO Ports (Belgium) Limited	Hong Kong	Hong Kong	Investment holding	1 ordinary share of HK$1	**100%**	100%
[2] COSCO Ports (Dalian) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100%**	100%
[2] COSCO Ports (Dalian RoRo) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100%**	100%
[2] COSCO Ports (Guangzhou) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100%**	100%

42 Details of subsidiaries (Continued)

Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/ paid-up capital	Group equity interest 2005	Group equity interest 2004
[1] COSCO Ports (Holdings) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100%**	100%
[2,4] COSCO Ports (Hong Kong) Limited	British Virgin Islands	Hong Kong	Dormant	1 ordinary share of US$1	**100%**	100%
[2] COSCO Ports (Nansha) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100%**	100%
[2] COSCO Ports (Nanjing) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100%**	–
[2] COSCO Ports (Ningbo Beilun) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100%**	–
[2] COSCO Ports (Port Said) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100%**	–
[2] COSCO Ports (Singapore) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100%**	100%
[2] COSCO Ports (Qianwan) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100%**	100%
[2] COSCO Ports (Qingdao) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100%**	100%
COSCO Ports (Shekou) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**–**	100%
[2] COSCO Ports (Tianjin) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100%**	100%
[2] COSCO Ports (Tianjin North Basin) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100%**	–

42 Details of subsidiaries (Continued)

Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/ paid-up capital	Group equity interest 2005	Group equity interest 2004
[2] COSCO Ports (Yangshan) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100%**	–
[2] COSCO Ports (Yangzhou) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100%**	100%
[2] COSCO Ports (Yingkou) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100%**	100%
[2] COSCO Ports (Zhenjiang) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100%**	100%
[1,2] CPL Treasury Limited	British Virgin Islands	Hong Kong	Provision of treasury services	1 ordinary share of US$1	**100%**	100%
Crestway International Limited	British Virgin Islands	Hong Kong	Investment holding	50,000 ordinary shares of US$1 each	**100%**	100%
[1,2] Elegance Investment Limited	British Virgin Islands	Hong Kong	Dormant	1 ordinary share of US$1	**100%**	100%
Fairbreeze Shipping Company Limited	Hong Kong	Hong Kong	Property investment	5,000 ordinary shares of HK$100 each	**100%**	100%
[2] Famous International Limited	British Virgin Islands	Worldwide	Investment holding	1 ordinary share of US$1	**100%**	100%
[2] Fentalic Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100%**	100%
Florens Container (Macao Commercial Offshore) Limited	Macau	Worldwide	Sale of old containers and administration of marine shipping container activities	1 quota of MOP 100,000	**100%**	100%

42 Details of subsidiaries (Continued)

Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/ paid-up capital	Group equity interest 2005	Group equity interest 2004
Florens Container Corporation S.A.	Panama	Worldwide	Container leasing	100 ordinary shares of US$100 each	**100%**	100%
[1] Florens Container Holdings Limited	British Virgin Islands	Hong Kong	Investment holding	22,014 ordinary shares of US$1 each	**100%**	100%
Florens Container, Inc.	United States of America	United States of America	Container leasing	1 ordinary share of US$1	**100%**	100%
Florens Container, Inc. (1998)	United States of America	United States of America	Container leasing	100 ordinary shares of US$1 each	**100%**	100%
[2] Florens Container, Inc. (1999)	United States of America	United States of America	Container leasing	100 ordinary shares of US$1 each	**100%**	100%
[2] Florens Container, Inc. (2000)	United States of America	United States of America	Container leasing	100 ordinary shares of US$1 each	**100%**	100%
Florens Container, Inc. (2001)	United States of America	United States of America	Container leasing	1 ordinary share of US$1	**100%**	100%
[2] Florens Container, Inc. (2002)	United States of America	United States of America	Sale of old containers	1 ordinary share of US$1	**100%**	100%
Florens Container, Inc. (2003)	United States of America	United States of America	Container leasing	1 ordinary share of US$1	**100%**	100%
Florens Container, Inc. (2004)	United States of America	United States of America	Container leasing	1 ordinary share of US$1	**100%**	100%
[2,4] Florens Container, Inc. (2005)	United States of America	United States of America	Container leasing	1 ordinary share of US$1	**100%**	–
[2] Florens Container Services (Australia) Pty Limited	Australia	Australia	Provision of container management services	100 ordinary shares of AUD 1 each	**100%**	100%

42 Details of subsidiaries (Continued)

Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/ paid-up capital	Group equity interest 2005	2004
Florens Container Services Company Limited	Hong Kong	Worldwide	Provision of container management services	100 ordinary shares of HK$1 each	**100%**	100%
[2] Florens Container Services (Deutschland) GmbH.	Germany	Germany	Provision of container management services	2 shares of EURO 12,782.30 each	**100%**	100%
[2] Florens Container Services (Italy) S.R.L.	Italy	Italy	Provision of container management services	20,000 quotas of EURO 0.52 each	**100%**	100%
[2] Florens Container Services (Japan) Co. Ltd.	Japan	Japan	Provision of container management services	200 ordinary shares of JPY 50,000 each	**100%**	100%
[2] Florens Container Services (UK) Limited	United Kingdom	United Kingdom	Provision of container management services	183,610 ordinary shares of GBP 1 each	**100%**	100%
[2] Florens Container Services (USA), Ltd.	United States of America	United States of America	Provision of container management services	1,000 ordinary shares of US$0.001 each	**100%**	100%
[1,2] Florens Industrial Holdings Limited	Bermuda	Hong Kong	Dormant	12,000 ordinary shares of US$1 each	**100%**	100%
Florens Management Services (Macao Commercial Offshore) Limited	Macau	Macau	Provision of container management services	1 quota of MOP 100,000	**100%**	100%

42 Details of subsidiaries (Continued)

Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/ paid-up capital	Group equity interest 2005	Group equity interest 2004
Florens Shipping Corporation Limited	Bermuda	Worldwide	Container leasing	12,000 ordinary shares of US$1 each	**100%**	100%
[2] Florens U.S. Holdings, Inc.	United States of America	United States of America	Investment holding	1 ordinary share of US$1	**100%**	100%
[2] Frosti International Limited	British Virgin Islands	Hong Kong	Investment holding	2 ordinary shares of US$1 each	**100%**	100%
Greating Services Limited	Hong Kong	Hong Kong	Transportation of containers	250,000 ordinary shares of HK$1 each	**100%**	100%
[1,2] Hang Shing Investment Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100%**	100%
[2] Hero King Limited	British Virgin Islands	Hong Kong	Property holding	1 ordinary share of US$1	**–**	100%
[2] Loson Investment Limited	British Virgin Islands	Hong Kong	Dormant	1 ordinary share of US$1	**100%**	100%
[2] Plangreat Limited	British Virgin Islands	Hong Kong	Investment holding	100 ordinary shares of US$1 each	**100%**	100%
[1,2] Topview Investment Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100%**	100%
Win Hanverky Investments Limited	Hong Kong	Hong Kong	Investment holding	10,000 ordinary shares of HK$10 each	**100%**	100%
[2,3] Zhangjiagang Win Hanverky Container Terminal Co. , Ltd.	PRC	PRC	Operation of container terminal	US$16,800,000	**51%**	51%

1 Shares held directly by the Company.

2 Subsidiaries not audited by PricewaterhouseCoopers.

3 COSCO Pacific (China) Investments Co., Ltd. and Zhangjiagang Win Hanverky Container Terminal Co., Ltd. are wholly foreign-owned enterprise and sino-foreign equity joint venture established in the PRC respectively.

4 The subsidiary has not commenced operations as at 31st December 2005.

43 Details of jointly controlled entities

Details of the jointly controlled entities as at 31st December 2005 are as follows:

Name	Place of establishment/ operation	Principal activities	Paid-up capital	Percentage of interest in ownership/voting power/profit sharing 2005	2004
COSCO-HIT Terminals (Hong Kong) Limited	Hong Kong	Operation of container terminal	2 "A" ordinary shares of HK$10 each and 2 "B" ordinary shares of HK$10 each 4 non-voting 5% deferred shares of HK$10 each	**50.00%/ 50.00%/ 50.00%**	50.00%/ 50.00%/ 50.00%
COSCO Logistics Co., Ltd.	PRC	Shipping agency, freight forwarding, third party logistics and supporting services	RMB1,582,029,851	**49.00%/ 44.44%/ 49.00%**	49.00%/ 44.44%/ 49.00%
COSCO-PSA Terminal Private Limited	Singapore	Operation of container terminal	SGD48,900,000	**49.00%/ 50.00%/ 49.00%**	49.00%/ 50.00%/ 49.00%
Nanjing Port Longtan Container Co., Ltd.	PRC	Operation of container terminal	RMB474,000,000	**20.00% 22.22% 20.00%**	– – –
Qingdao Cosport International Container Terminals Co., Ltd.	PRC	Operation of container terminal	RMB337,868,700	**50.00%/ 50.00%/ 50.00%**	50.00%/ 50.00%/ 50.00%
Qingdao Qianwan Container Terminal Co., Ltd.	PRC	Operation of container terminal	US$199,962,500	**20.00%/ 18.18%/ 20.00%**	20.00%/ 18.18%/ 20.00%
Shanghai CIMC Far East Container Co., Ltd. (notes i and ii)	PRC	Container manufacturing	US$9,480,000	**20.00%/ 20.00%/ 20.00%**	20.00%/ 20.00%/ 20.00%

43 Details of jointly controlled entities (Continued)

Name	Place of establishment/ operation	Principal activities	Paid-up capital	Percentage of interest in ownership/voting power/profit sharing 2005	2004
Shanghai CIMC Reefer Containers Co., Ltd.	PRC	Container manufacturing	US$31,000,000	**20.00%/ 21.40%/ 20.00%**	20.00%/ 21.40%/ 20.00%
Tianjin CIMC North Ocean Container Co., Ltd. (note i)	PRC	Container manufacturing	US$16,682,000	**22.50%/ 20.00%/ 22.50%**	22.50%/ 20.00%/ 22.50%
Yangzhou Yuanyang International Ports Co. Ltd.	PRC	Operation of container terminal	US$29,800,000	**55.59%/ 50.00%/ 55.59%**	55.59%/ 50.00%/ 55.59%
Yingkou Container Terminals Company Limited	PRC	Operation of container terminal	RMB8,000,000	**50.00%/ 57.14%/ 50.00%**	50.00%/ 57.14%/ 50.00%

Notes:

(i) During the year ended 31st December 2004, the Group's share of the results of Shanghai CIMC Far East Container Co., Ltd. and Tianjin CIMC North Ocean Container Co., Ltd. (collectively "Shanghai and Tianjin CIMC") were based on the guaranteed profits as stated in the relevant subcontracting agreements entered into with the venturer of Shanghai and Tianjin CIMC. The guaranteed profit arrangements for Shanghai and Tianjin CIMC were valid for the period from 1st January 2000 to 31st December 2004.

(ii) Shanghai CIMC Far East Container Co., Ltd. ("Shanghai Far East") commenced its liquidation in October 2005. The directors of the Company consider that the liquidation of Shanghai Far East will not have any material impact on the Group's financial statements.

44 Details of associates

Details of the associates as at 31st December 2005 are as follows:

Name	Place of incorporation/ establishment/ operation	Principal activities	Issued share capital/registered capital	Group equity interests 2005	Group equity interests 2004
Antwerp Gateway NV (note i)	Belgium	Operation of container terminal	EURO14,000,000	**20.00%**	25.00%
China International Marine Containers (Group) Co., Ltd. (note ii)	PRC	Container manufacturing	RMB2,016,966,706 (327,402,912 non-publicly tradable shares, 605,866,438 "A" shares and 1,083,697,356 "B" shares), all of RMB1 each	**16.23%**	16.23%
Dalian Automobile Terminal Co., Ltd.	PRC	Construction and operation of automobile terminals	RMB160,000,000	**30.00%**	30.00%
Dalian Port Container Terminal Co., Ltd.	PRC	Operation of container terminal	RMB240,000,000	**20.00%**	20.00%
Dawning Company Limited	British Virgin Islands/ Hong Kong	Investment holding	200 "A" shares of US$1 each and 800 "B" shares of US$1 each	**20.00%**	20.00%
Liu Chong Hing Bank Limited	Hong Kong	Banking and related financial services	435,000,000 ordinary shares of HK$0.5 each	**20.00%**	20.00%
Shanghai Pudong International Container Terminals Limited	PRC	Operation of container terminal	RMB1,900,000,000	**20.00%**	20.00%

Notes:

(i) The Group disposed of 5% equity interest in Antwerp Gateway NV to a third party in July 2005 and the gain on disposal amounted to US$178,000.

(ii) The directors of the Company consider that the Group has significant influence over China International Marine Containers (Group) Co., Ltd ("CIMC") through its representatives on the board of directors of CIMC.