COSCO Pacific Limited
中遠太平洋有限公司

(Incorporated in Bermuda with Limited Liability)
(於百慕達註冊成立之有限公司)

Stock Code股份代號: 1199

Interim Report 2006 中期報告

CONTENTS

INTERIM RESULTS

The board of directors (the "Directors") of COSCO Pacific Limited (the "Company" and "COSCO Pacific") is pleased to present the interim report, including the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the six months ended 30th June 2006. The interim report has been reviewed by the Company's Audit Committee.

The Group's unaudited condensed consolidated financial statements as set out on pages 3 to 27 have also been reviewed by the Company's auditors, PricewaterhouseCoopers, in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), except that the scope of their review did not extend to the Group's share of net assets and results of two listed associates, China International Marine Containers (Group) Co., Ltd. ("CIMC") and Liu Chong Hing Bank Limited ("LCHB"). Accordingly, their independent review report has been modified in this respect.

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

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June 2006

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

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th June 2006

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June 2006

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

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June 2006

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

1. GENERAL INFORMATION

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

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

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

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

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

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

(a) Adoption of new/revised HKFRSs

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

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

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

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

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

(b) Change in an accounting estimate

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

3. SEGMENT INFORMATION

(a) Primary reporting format — business segments

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

Unallocated costs represent net corporate expenses and corporate finance costs less corporate interest income. Segment assets consist primarily of property, plant and equipment, investment properties, leasehold land and land use rights, intangible assets, inventories, receivables and operating cash, and mainly exclude deferred income tax assets and investments in jointly controlled entities, associates and available-for-sale financial assets.

Segment liabilities comprise operating liabilities and exclude items such as current and deferred income tax liabilities, corporate borrowings and related hedging derivatives.

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

3. SEGMENT INFORMATION (Continued)

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

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

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

3. SEGMENT INFORMATION (Continued)

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

	Container leasing and related businesses US$'000	Container terminal and related businesses US$'000	Logistics and related businesses US$'000	Container manufacturing and related businesses US$'000	Banking businesses US$'000	Corporate and other businesses US$'000	Total US$'000
Six months ended 30th June 2005							
Turnover							
— total revenues	132,380	9,520	—	—	—	—	141,900
— inter-segment sales	—	(2)	—	—	—	—	(2)
External sales	132,380	9,518	—	—	—	—	141,898
Segment results	63,316	2,581	(1,782)	(767)	—	—	63,348
Dividend income from							
— a listed investment	—	—	—	—	—	768	768
— unlisted investments	—	8,177	—	—	—	—	8,177
Profit on disposal of an available-for-sale financial asset (note 6)	—	61,875	—	—	—	—	61,875
Unallocated costs							
— net corporate expenses	—	—	—	—	—	(3,955)	(3,955)
— corporate finance costs	—	—	—	—	—	(170)	(170)
— corporate interest income	—	—	—	—	—	1,170	1,170
Operating profit/(loss) after finance costs	63,316	72,633	(1,782)	(767)	—	(2,187)	131,213
Share of profits less losses of							
— jointly controlled entities	—	27,307	7,628	7,242	—	—	42,177
— associates (note i)	—	8,171	—	40,236	4,893	—	53,300
Profit before income tax							226,690
Income tax expenses							(10,457)
Profit for the period							216,233
Capital expenditure	276,865	2,868	—	—	—	29	279,762
Depreciation and amortisation	53,722	628	—	—	—	214	54,564
Amortised amount of transaction costs on bank loans and notes	593	—	—	—	—	—	593
Other non-cash expenses	54	74	96	41	—	2	267

3. SEGMENT INFORMATION (Continued)

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

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

	Container leasing and related businesses US$'000	Container terminal and related businesses US$'000	Logistics and related businesses US$'000	Container manufacturing and related businesses US$'000	Banking businesses US$'000	Corporate and other businesses US$'000	Total US$'000
As at 30th June 2006							
Segment assets	1,737,483	57,853	—	15,572	—	—	1,810,908
Jointly controlled entities	—	230,603	198,926	22,722	—	—	452,251
Associates (note ii)	—	172,571	—	204,461	171,921	—	548,953
Available-for-sale financial assets	—	287,109	—	—	—	8,905	296,014
Unallocated assets							57,197
							3,165,323
Segment liabilities	314,410	128,900	127,724	119,287	—	—	690,321
Unallocated liabilities							471,681
							1,162,002

	Container leasing and related businesses US$'000	Container terminal and related businesses US$'000	Logistics and related businesses US$'000	Container manufacturing and related businesses US$'000	Banking businesses US$'000	Corporate and other businesses US$'000	Total US$'000
As at 31st December 2005							
Segment assets	1,554,198	52,403	—	14	—	—	1,606,615
Jointly controlled entities	—	201,266	183,980	18,240	—	—	403,486
Associates (note ii)	—	120,224	—	193,343	169,947	—	483,514
Available-for-sale financial assets	—	264,523	—	—	—	11,072	275,595
Unallocated assets							85,940
							2,855,150
Segment liabilities	578,132	127,692	127,725	55,000	—	—	888,549
Unallocated liabilities							76,258
							964,807

Notes:

(i) For the six months ended 30th June 2006, the Group's share of the unaudited profits (net of income tax expenses) of CIMC and LCHB, listed associates of the Group, amounted to US$26,843,000 (2005: US$40,236,000) and US$6,327,000 (2005: US$4,893,000) respectively.

(ii) As at 30th June 2006, the Group's share of the unaudited net assets of CIMC and LCHB amounted to US$204,461,000 (31st December 2005: US$193,343,000) and US$171,921,000 (31st December 2005: US$169,947,000) respectively.

3. SEGMENT INFORMATION (Continued)

(b) Secondary reporting format — geographical segments

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

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

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

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

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

4. OTHER OPERATING INCOME

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

5. PROFIT ON DISPOSAL OF CONTAINERS

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

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

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

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

7. SHARE REFORM

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

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

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

8. OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

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

9. FINANCE COSTS

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

10. INCOME TAX EXPENSES

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

The Group's share of income tax expenses of jointly controlled entities and associates of US$6,044,000 (2005: US$7,421,000) and US$3,017,000 (2005: US$5,095,000) are included in the Group's share of profits less losses of jointly controlled entities and associates respectively.

Hong Kong profits tax has been provided at a rate of 17.5% (2005: 17.5%) on the estimated assessable profit for the period.

Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates. The overseas taxation charged for the current period primarily included the estimated capital gain tax provision in connection with the Disposal as mentioned in note 5.

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

As at 30th June 2006, deferred tax liabilities of US$55,338,000 (31st December 2005: US$36,617,000) have not been established for the withholding taxation that would be payable on the unremitted earnings of certain subsidiaries totalling US$184,459,000 (31st December 2005: US$122,055,000) as the directors considered that the timing of the reversal of the related temporary differences can be controlled and accordingly the temporary difference will not be reversed in the foreseeable future.

11. DIVIDENDS

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

11. DIVIDENDS (Continued)

Notes:

(a) At a meeting held on 23rd March 2006, the directors proposed a final dividend of HK27.8 cents (equivalent to US3.583 cents) per ordinary share for the year ended 31st December 2005, which was paid on 1st June 2006 and has been reflected as an appropriation of retained profits for the six months ended 30th June 2006.

(b) At a meeting held on 7th September 2006, the directors declared an interim dividend of HK27.4 cents (equivalent to US3.526 cents) per ordinary share and a special interim dividend of HK9.1 cents (equivalent to US1.174 cents) per ordinary share. These interim dividends declared are not reflected as dividends payable in the unaudited Condensed Consolidated Financial Statements, but will be reflected as an appropriation of retained profits for the year ending 31st December 2006.

12. EARNINGS PER SHARE

Basic

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

	Six months ended 30th June	
	2006	2005
Profit attributable to the equity holders of the Company	**US$136,404,000**	US$214,770,000
Weighted average number of ordinary shares in issue	**2,208,054,243**	2,189,048,596
Basic earnings per share	**US6.18 cents**	US9.81 cents

Diluted

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

	Six months ended 30th June	
	2006	2005
Profit attributable to the equity holders of the Company	**US$136,404,000**	US$214,770,000
Weighted average number of ordinary shares in issue	**2,208,054,243**	2,189,048,596
Adjustments for assumed conversion of share options	**11,800,816**	17,426,155
Weighted average number of ordinary shares for diluted earnings per share	**2,219,855,059**	2,206,474,751
Diluted earnings per share	**US6.14 cents**	US9.73 cents

13. PROPERTY, PLANT AND EQUIPMENT

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

14. CASH AND CASH EQUIVALENTS

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

Notes:

(a) As at 30th June 2006, cash and cash equivalents of US$25,915,000 (31st December 2005: US$17,894,000) were denominated in Renminbi and United States dollars which are held by certain subsidiaries of the Group with bank accounts operating in the PRC where exchange controls apply.

(b) Restricted bank deposits as at 31st December 2005 included deposits of US$21,819,000 which were held as security for repayment of bank loans of the Group and are restricted for the purpose of the related banking facilities. The related bank loans have been fully repaid during the six months ended 30th June 2006.

15. TRADE AND OTHER RECEIVABLES

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

Notes:

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

(b) The Group grants credit periods of 30 to 90 days to its customers. The ageing analysis of the trade balances due from third parties (net of provision), fellow subsidiaries and related companies was as follows:

	As at 30th June 2006 US$'000	As at 31st December 2005 US$'000
Within 30 days	**26,907**	31,132
31–60 days	**29,288**	25,869
61–90 days	**10,406**	5,340
Over 90 days	**5,561**	812
	72,162	63,153

(c) The balances represented container leasing income receivable from fellow subsidiaries and mainly included a receivable balance from COSCO Container Lines Company Limited ("COSCON") of US$23,626,000 (31st December 2005: US$22,522,000) (note 23(a)(i)).

(d) The balance mainly represented dividend receivable from jointly controlled entities and an associate of the Group.

16. TRADE AND OTHER PAYABLES

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

Notes:

(a) The amounts are unsecured and interest free. Trading balances with jointly controlled entities, minority shareholder of a subsidiary, subsidiaries of CIMC and fellow subsidiaries have similar credit periods granted as those of other third party suppliers while the other balances have no fixed terms of repayment.

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

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

(c) Other payables and accruals included an amount of US$44,803,000 (31st December 2005: US$871,000) accrued for purchase of containers which were delivered to the Group prior to the period end. The amount has not been included in the aging analysis above.

(d) The balances represented the amounts payable to jointly controlled entities of the Group and subsidiaries of CIMC in respect of purchases of containers (note 23(a)(vi)).

17. LONG TERM BORROWINGS

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

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

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

17. LONG TERM BORROWINGS (Continued)

(b) The maturity of borrowings is as follows:

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

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

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

18. SHORT TERM BANK LOANS

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

19. SHARE CAPITAL

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

Notes:

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

	Number of ordinary shares	Nominal value US$'000
At 1st January 2006	2,198,966,298	28,200
Issued on exercising of share options	19,232,000	248
At 30th June 2006	2,218,198,298	28,448

(b) Share options

Movements of the share options, which have been granted under the share option schemes adopted by the Company on 30th November 1994 and 23rd May 2003 respectively, during the period are set out below:

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

20. CONTINGENT LIABILITIES

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

21. CAPITAL COMMITMENTS

	As at 30th June 2006 US$'000	As at 31st December 2005 US$'000
Authorised but not contracted for:		
Containers	**140,939**	317,558
Generator sets	**4,281**	5,600
Computer system under development	**1,119**	1,074
	146,339	324,232
Contracted but not provided for:		
Investments (note)	**858,756**	711,844
Containers	**28,797**	8,331
Other property, plant and equipment	**8,738**	6,240
	896,291	726,415
The Group's share of capital commitments of the jointly controlled entities themselves not included in the above are as follows:		
Authorised but not contracted for	**34,079**	8,318
Contracted but not provided for	**7,236**	7,316
	41,315	15,634

21. CAPITAL COMMITMENTS (Continued)

Note:

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

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

22. DERIVATIVE FINANCIAL INSTRUMENTS

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

Notes:

(i) The notional principal amounts of the related interest rate swap contracts amounted to US$100,000,000 (31st December 2005: US$100,000,000) which were committed with the fixed interest rates ranging from 3.88% to 4.90% (2005: 3.88% to 4.90%) per annum. These derivative financial instruments do not qualify for hedge accounting.

(ii) The notional principal amounts of the related interest rate swap contracts amounted to US$200,000,000 (31st December 2005: US$200,000,000) which were committed with the interest rates ranging from 1.05% to 1.16% (2005: 1.05% to 1.16%) per annum above the London Interbank Offered Rate. These interest rate swap contracts had been designated as a hedge of the fair value of the notes issued by the Group (note 17) during the year ended 31st December 2005.

23. RELATED PARTY TRANSACTIONS

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

COSCO is a state-owned enterprise and is controlled by the PRC government, which also owns a significant portion of the productive assets in the PRC. In accordance with HKAS 24 "Related Party Disclosures" issued by the HKICPA, other state-owned enterprises and their subsidiaries (other than COSCO group companies), directly or indirectly controlled by the PRC government, are also defined as related parties of the Group. On that basis, related parties include COSCO and its subsidiaries, other state-owned enterprises and their subsidiaries directly or indirectly controlled by the PRC government, other entities and corporations in which the Company is able to control or exercise significant influence and key management personnel of the Company and COSCO as well as their close family members.

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

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

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

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

Notes:

(i) The Group has conducted container leasing business with COSCON and other state-owned enterprises. The container rental income was charged based on terms agreed between the Group and the parties in concern.

(ii) The handling, storage income and net transportation income received from a fellow subsidiary were conducted at terms as set out in the agreements entered into between the Group and the fellow subsidiary.

23. RELATED PARTY TRANSACTIONS (Continued)

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

(iii) The Group provided advisory and management services to COSCO-HIT Terminals (Hong Kong) Limited, a jointly controlled entity of the Group, during the period. Management fee was charged and agreed at HK$20,000,000 (2005: HK$20,000,000) per annum.

(iv) The Group provided container terminal handling and storage services to fellow subsidiaries and an associate of COSCO for cargoes shipped to and from Zhangjiagang port. The tariff rates charged by the Group were by reference to the rates as set out by the Ministry of Communications of the PRC.

(v) An approved continuous examination program fee of US$550,000 to COSCON in connection with the containers leased to COSCON on a long term basis was agreed between the Group and COSCON for the year ending 31st December 2006 (2005: US$1,100,000).

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

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

(b) Balances with state-owned banks

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

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

23. RELATED PARTY TRANSACTIONS (Continued)

(c) Balances with other state-owned enterprises

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

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

(d) Key management compensation

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

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

24. EVENTS AFTER THE BALANCE SHEET DATE

(a) Pursuant to an agreement dated 17th July 2006, the Group agreed to dispose of its entire 20% equity interest in Shanghai CIMC Far East Container Co., Ltd. ("Shanghai CIMC Far East"), a jointly controlled entity of the Group, to a wholly owned subsidiary of CIMC at a cash consideration of approximately US$6,252,000. The gain on disposal of Shanghai CIMC Far East is estimated to be approximately US$5,469,000.

(b) On 8th August 2006, the Group entered into an agreement with Quanzhou Port Container Co., Ltd. for the establishment of Quanzhou Pacific Container Terminal Co., Ltd. ("QPCT") for the management and operation of a container terminal in Quanzhou. The Group will have 71.43% equity interest in QPCT and the Group's committed investment in QPCT amounted to approximately US$71,287,000.

25. COMPARATIVE FIGURES

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

INDEPENDENT REVIEW REPORT
TO THE BOARD OF DIRECTORS OF COSCO PACIFIC LIMITED

INTRODUCTION

We have been engaged by the Company to review the interim financial report of the Company and its subsidiaries for the six months ended 30th June 2006 (the "Interim Financial Report") set out on pages 3 to 27.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

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

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

REVIEW WORK PERFORMED AND LIMITATION OF SCOPE

We conducted our review in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the HKICPA, except that the scope of our review did not extend to the Group's shares of net assets and results of two listed associates, China International Marine Containers (Group) Co., Ltd. and Liu Chong Hing Bank Limited, which were accounted for under the equity method on the basis of their published interim financial information.

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

MODIFIED REVIEW CONCLUSION

On the basis of our review which does not constitute an audit, except for any modifications that might have been determined to be necessary had the above-mentioned limitation of scope not existed, we are not aware of any material modifications that should be made to the Interim Financial Report.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 7th September 2006

DIVIDENDS

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

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 25th September 2006 to Thursday, 28th September 2006, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend and special interim dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong share registrars, Secretaries Limited of 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong, for registration not later than 4:00 p.m. on Friday, 22nd September 2006.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Overall analysis of results

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

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

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

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

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

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

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

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

Financial analysis

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

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

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

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

Net other operating income increased from US$6,789,000 (as restated) to US$28,074,000 in the first half of the year. The growth comprised the net profit generated from the disposal of containers returned by COSCON upon expiry of leases of US$4,889,000. The number of containers returned by COSCON upon expiry of leased disposed of during the first half of the year was 20,614 TEUs (2005: 14,833 TEUs). Net profit from the sale of returned containers increased to US$4,889,000 from US$2,593,000 a year ago. In addition, the Group recorded a finder fee of approximately US$15,240,000 (2005: N/A) and a reversal of provision for impairment of trade receivables amounting to US$1,146,000 (2005: US$6,000) as other operating income. During the period, fair value gain on interest rate swap contracts not qualified for hedge accounting of US$775,000 (2005: US$5,097,000) was included in other operating income.

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

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

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

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

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

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

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

Financial Position

Cashflow

After the Disposal, cash inflow of the Group increased significantly. During the period, net cash from operating activities amounted to US$164,812,000 (2005: US$127,716,000 (as restated)). The Group drew bank loans of US$494,000,000 and repaid US$516,379,000 during the first half of the year. During the period, major capital investments of the Group comprised US$57,973,000 for additional 10% equity interests in Shanghai Pudong Terminal, US$930,000 in Antwerp Terminal and US$10,695,000 in Qingdao Qianwan Terminal. Over the same period last year, major capital investments comprised US$3,142,000 in Antwerp Terminal, US$12,081,000 in Qingdao Qianwan Terminal and US$5,800,000 in Dalian Automobile Terminal Co., Ltd. ("Dalian Automobile Terminal"). In additional to terminal investments, US$89,388,000 (2005: US$161,520,000) was paid during the period for purchases of new containers.

Financing and credit facilities

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

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

Assets and liabilities

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

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

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

Debt analysis

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

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

Contingent liabilities

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

Foreign exchange and interest rate risks management

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

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

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

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

- Notional principals of contracts amounting to US$100,000,000 in total, whereby the Group agreed to pay fixed interests rates ranging from 3.88% to 4.90% per annum to banks for the receipts of interests at 3-month LIBOR.

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

Review of operations

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

Container terminal and related operations

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

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

Optimisation of the strategic allocation of the PRC investment portfolio

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

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

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

Increased equity interests in existing terminal

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

New terminal commissioned

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

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

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

Note 2: Not including Dalian Port Terminal.

Latest developments of the container terminal project

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

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

Container leasing operations

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

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

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

Container fleet movement

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

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

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

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

Container fleet analysis

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

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

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

Disposal of Containers

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

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

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

Logistics operations

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

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

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

Container manufacturing

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

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

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

Other investments

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

SHARE OPTIONS

At a special general meeting of the Company held on 23rd May 2003, the shareholders of the Company approved the adoption of a new share option scheme (the "2003 Share Option Scheme") and the termination of the share option scheme adopted by the shareholders of the Company on 30th November 1994 (the "1994 Share Option Scheme"). No further options would thereafter be offered under the 1994 Share Option Scheme but the share options which had been granted during its life shall continue to be valid and exercisable in accordance with their terms of issue and in all other respects the provisions of the 1994 Share Option Scheme shall remain in full force and effect.

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

		Number of share options				
Category	**Exercise price HK$**	**Outstanding at 1st January 2006**	**Exercised during the period**	**Outstanding at 30th June 2006**	**% of total issued share capital**	**Note**
Director						
Mr. WONG Tin Yau, Kelvin	8.80	900,000	—	900,000	0.041%	(1), (2)
Continuous contract employees	8.80	254,000	(32,000)	222,000	0.010%	(1), (3)
		1,154,000	(32,000)	1,122,000		

Notes:

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

(i) 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.

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

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

(3) The weighted average closing price of the shares of the Company immediately before the dates on which the share options were exercised was HK$15.59.

(4) During the period, no options were cancelled or lapsed under the 1994 Share Option Scheme.

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

Category	Exercise price HK$	Number of share options: Outstanding at 1st January 2006	Granted during the period	Exercised during the period	Outstanding at 30th June 2006	% of total issued share capital	Exercisable period	Note
Directors								
Dr. WEI Jiafu	9.54	500,000	—	(100,000)	400,000	0.018%	30.10.2003–29.10.2013	(1), (2), (3), (4)
	13.75	1,000,000	—	—	1,000,000	0.045%	3.12.2004–2.12.2014	
Mr. CHEN Hongsheng	9.54	400,000	—	(100,000)	300,000	0.014%	28.10.2003–27.10.2013	(1), (2), (3), (4)
	13.75	1,000,000	—	—	1,000,000	0.045%	3.12.2004–2.12.2014	
Mr. LI Jianhong	9.54	400,000	—	(100,000)	300,000	0.014%	29.10.2003–28.10.2013	(1), (2), (3), (4)
	13.75	1,000,000	—	—	1,000,000	0.045%	2.12.2004–1.12.2014	
Ms. SUN Yueying	9.54	400,000	—	(100,000)	300,000	0.014%	29.10.2003–28.10.2013	(1), (2), (3), (4)
	13.75	1,000,000	—	—	1,000,000	0.045%	3.12.2004–2.12.2014	
Dr. SUN Jiakang	9.54	200,000	—	—	200,000	0.009%	28.10.2003–27.10.2013	(1), (2), (3)
	13.75	1,000,000	—	—	1,000,000	0.045%	1.12.2004–30.11.2014	
Mr. XU Lirong	13.75	1,000,000	—	(1,000,000)	—	—	2.12.2004–1.12.2014	(2), (3), (4)
Mr. WONG Tin Yau, Kelvin	9.54	800,000	—	—	800,000	0.036%	28.10.2003–27.10.2013	(1), (2), (3)
	13.75	1,000,000	—	—	1,000,000	0.045%	2.12.2004–1.12.2014	
Mr. WANG Zhi	13.75	800,000	—	—	800,000	0.036%	29.11.2004–28.11.2014	(2), (3)
Mr. QIN Fuyan	13.75	1,000,000	—	(800,000)	200,000	0.009%	29.11.2004–28.11.2014	(2), (3), (4)
		11,500,000		(2,200,000)	9,300,000			
Continuous contract employees	9.54	6,794,000	—	(1,764,000)	5,030,000	0.227%	(refer to note 1)	(1), (2), (4)
	13.75	31,044,000	—	(8,702,000)	22,342,000	1.007%	(refer to note 2)	
Others	9.54	3,104,000	—	(1,494,000)	1,610,000	0.073%	(refer to note 1)	(1), (2), (4)
	13.75	18,000,000	—	(5,040,000)	12,960,000	0.584%	(refer to note 2)	
		58,942,000	—	(17,000,000)	41,942,000			
		70,442,000	—	(19,200,000)	51,242,000			

Notes:

(1) 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 commencement date which is the date on which an offer is accepted or deemed to be accepted by the grantee pursuant to the 2003 Share Option Scheme (the "Commencement Date"). The Commencement Date of the options of the grantees was from 28th October 2003 to 6th November 2003.

(2) 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 Commencement Date. The Commencement Date of the options of the grantees was from 25th November 2004 to 16th December 2004.

(3) These share options represent personal interests held by the relevant directors as beneficial owners.

(4) The weighted average closing price of the shares of the Company immediately before the dates on which the options were exercised was HK$16.92.

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

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30th June 2006, the interests of the Company's directors in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

(a) Long positions in shares of the Company

Name of director	Capacity	Nature of interest	Number of ordinary shares held	Percentage of total issued share capital
Dr. LI Kwok Po, David	Beneficial owner	Personal	258,000	0.012%
Mr. Timothy George FRESHWATER	Beneficial owner	Personal	30,000	0.001%

(b) Long positions in underlying shares of equity derivatives of the Company

Share options were granted to certain directors of the Company pursuant to the 1994 Share Option Scheme and the 2003 Share Option Scheme. Details of the directors' interests in share options granted by the Company are set out under the section headed "Share Options" of this report.

(c) Long positions in shares of associated corporations

Name of associated corporation	Name of director	Capacity	Nature of interest	Number of ordinary shares held	% of total issued share capital of the relevant associated corporation	Note
China COSCO Holdings Company Limited	Mr. WANG Zhi	Beneficial owner	Personal	40,000	0.002%	
COSCO Corporation (Singapore) Limited	Dr. WEI Jiafu	Beneficial owner	Personal	1,900,000	0.086%	(1)
	Mr. LI Jianhong	Beneficial owner	Personal	1,300,000	0.059%	(1)
	Ms. SUN Yueying	Beneficial owner	Personal	1,400,000	0.063%	(1)

Note:

(1) Adjustments were made to the number of shares held by these directors as the sub-division of every 1 ordinary share of S$0.20 each divided into 2 ordinary shares of S$0.10 each was approved by the shareholders of COSCO Corporation (Singapore) Limited on 17th January 2006.

(d) Long positions in underlying shares of equity derivatives of associated corporations

Movements of the share options granted to the directors of the Company by associated corporations during the period are set out below:

Name of associated corporation	Name of director	Capacity	Nature of interest	Exercise price	Number of share options: Outstanding at 1st January 2006	Granted during the period	Exercised during the period	Outstanding at 30th June 2006	% of total issued share capital of the relevant associated corporation	Note
COSCO International Holdings Limited	Dr. WEI Jiafu	Beneficial owner	Personal	HK$0.57	1,800,000	—	—	1,800,000	0.125%	(1)
				HK$1.37	1,200,000	—	—	1,200,000	0.083%	(2)
	Mr. LI Jianhong	Beneficial owner	Personal	HK$0.57	1,800,000	—	—	1,800,000	0.125%	(1)
				HK$1.37	1,200,000	—	—	1,200,000	0.083%	(2)
	Dr. SUN Jiakang	Beneficial owner	Personal	HK$0.57	900,000	—	—	900,000	0.063%	(1)
				HK$1.37	800,000	—	—	800,000	0.056%	(2)
	Mr. WONG Tin Yau, Kelvin	Beneficial owner	Personal	HK$0.57	800,000	—	—	800,000	0.056%	(1)
				HK$1.37	500,000	—	—	500,000	0.035%	(2)
COSCO Corporation (Singapore) Limited	Dr. WEI Jiafu	Beneficial owner	Personal	S$0.807	900,000	—	(900,000)	—	—	(3)
				S$1.23	—	1,100,000	—	1,100,000	0.050%	(5)
	Mr. LI Jianhong	Beneficial owner	Personal	S$0.807	600,000	—	(600,000)	—	—	(3)
				S$1.23	—	700,000	—	700,000	0.032%	(5)
	Ms. SUN Yueying	Beneficial owner	Personal	S$0.807	600,000	—	(600,000)	—	—	(3)
				S$1.23	—	700,000	—	700,000	0.032%	(5)
	Mr. XU Lirong	Beneficial owner	Personal	S$0.807	400,000	—	—	400,000	0.018%	(4)

Notes:

(1) The share options were granted by COSCO International Holdings Limited ("COSCO International"), an associated corporation of the Company and a company listed on the Stock Exchange, on 26th November 2003 pursuant to the share option scheme approved by the shareholders of COSCO International on 17th May 2002 (the "Share Option Scheme of COSCO International"). The share options are exerciseable at an exercise price of HK$0.57 per share at any time between 23rd December 2003 and 22nd December 2008.

(2) The share options were granted by COSCO International on 2nd December 2004 pursuant to the Share Option Scheme of COSCO International. The share options are exerciseable at an exercise price of HK$1.37 per share at any time between 29th December 2004 and 28th December 2014.

(3) The share options were granted by COSCO Corporation (Singapore) Limited ("COSCO Corporation (Singapore)"), an associated corporation of the Company and a company listed on the Singapore Exchange Securities Trading Limited, on 6th April 2005 and are exerciseable at any time between 6th April 2006 and 5th April 2010. Adjustments were made to the exercise price and the number of share options held by these directors as the sub-division of every 1 ordinary share of S$0.20 each divided into 2 ordinary shares of S$0.10 each was approved by the shareholders of COSCO Corporation (Singapore) on 17th January 2006. In this respect, the exercise price was adjusted from S$1.614 to S$0.807 and the number of share options of Dr. WEI Jiafu, Mr. LI Jianhong and Ms. SUN Yueying was adjusted from 450,000 to 900,000, 300,000 to 600,000 and 300,000 to 600,000 respectively with effect from 17th January 2006.

(4) The share options were granted by COSCO Corporation (Singapore) on 6th April 2005 and are exerciseable at any time between 6th April 2007 and 5th April 2010. Adjustments were made to the exercise price and the number of share options held by the director as the sub-division of every 1 ordinary share of S$0.20 each divided into 2 ordinary shares of S$0.10 each was approved by the

shareholders of COSCO Corporation (Singapore) on 17th January 2006. In this respect, the exercise price was adjusted from S$1.614 to S$0.807 and the number of share options of Mr. XU Lirong was adjusted from 200,000 to 400,000 with effect from 17th January 2006.

(5) The share options were granted by COSCO Corporation (Singapore) on 21st February 2006 and are exerciseable at any time between 21st February 2007 and 20th February 2011.

(6) During the period, no share options mentioned above were lapsed or cancelled.

Movements of the share appreciation rights granted to the directors of the Company by an associated corporation during the period are set out below:

					Number of units of share appreciation rights					
Name of associated corporation	Name of director	Capacity	Nature of interest	Exercise price	Outstanding at 1st January 2006	Granted during the period	Exercised during the period	Outstanding at 30th June 2006	% of total issued share capital of the associated corporation	Note
China COSCO Holdings Company Limited	Dr. WEI Jiafu	Beneficial owner	Personal	HK$3.195	900,000	—	—	900,000	0.040%	(1)
	Mr. CHEN Hongsheng	Beneficial owner	Personal	HK$3.195	700,000	—	—	700,000	0.031%	(1)
	Mr. LI Jianhong	Beneficial owner	Personal	HK$3.195	600,000	—	—	600,000	0.027%	(1)
	Ms. SUN Yueying	Beneficial owner	Personal	HK$3.195	600,000	—	—	600,000	0.027%	(1)
	Dr. SUN Jiakang	Beneficial owner	Personal	HK$3.195	500,000	—	—	500,000	0.022%	(1)
	Mr. XU Lirong	Beneficial owner	Personal	HK$3.195	500,000	—	—	500,000	0.022%	(1)

Notes:

(1) The share appreciation rights were granted by China COSCO Holdings Company Limited (incorporated on 3rd March 2005) ("China COSCO"), an associated corporation of the Company and a company listed on the Stock Exchange, in units with each unit representing one H share of China COSCO, on 16th December 2005 pursuant to the share appreciation rights plan adopted by China COSCO (the "Plan"). Under the Plan, no shares will be issued. The share appreciation rights are exercisable at HK$3.195 per unit at any time between 16th December 2007 and 15th December 2015.

(2) During the period, no share appreciation rights mentioned above were lapsed or cancelled.

Save as disclosed above, as at 30th June 2006, none of the directors or chief executives of the Company had any interests or short positions in any shares or underlying shares or interests in debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

As at 30th June 2006, the interests of shareholders in the shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

			Number of ordinary shares/percentage of total issued share capital						
Name	Capacity	Nature of interests	Long positions	%	Short positions	%	Lending Pool	%	Note
COSCO Investments Limited	Beneficial owner	Beneficial interest	200,120,000	9.02	—	—	—	—	(1)
COSCO Pacific Investment Holdings Limited	Beneficial owner and interest of controlled corporation	Beneficial interest and corporate interest	1,144,166,411	51.58	—	—	—	—	(1)
China COSCO Holdings Company Limited	Interest of controlled corporation	Corporate interest	1,144,166,411	51.58	—	—	—	—	(1)
China Ocean Shipping (Group) Company	Interest of controlled corporation	Corporate interest	1,144,166,411	51.58	—	—	—	—	(1)
J.P. Morgan Chase & Co.	Beneficial owner, investment manager and custodian corporation/ approved lending agent	Beneficial interest and corporate interest	134,273,128	6.05	—	—	87,432,097	3.94	(2)

Notes:

(1) The 1,144,166,411 shares relate to the same batch of shares in the Company. COSCO Investments Limited ("COSCO Investments") is a wholly owned subsidiary of COSCO Pacific Investment Holdings Limited ("COSCO Pacific Investment"). Accordingly, the 200,120,000 shares of the Company held by COSCO Investments are also included as part of the COSCO Pacific Investment's interests in the Company. COSCO Pacific Investment is a wholly owned subsidiary of China COSCO Holdings Company Limited ("China COSCO") and it itself holds 944,046,411 shares of the Company beneficially. Accordingly, COSCO Pacific Investment's interests in relation to the 1,144,166,411 shares of the Company are also recorded as China COSCO's interests in the Company. China Ocean Shipping (Group) Company ("COSCO") holds 63.5% interest of the issued share capital of China COSCO as at 30th June 2006, and accordingly, COSCO is deemed to have the interests of 1,144,166,411 shares of the Company held by COSCO Pacific Investment.

(2) The corporate interest of J.P. Morgan Chase & Co. was attributable on account through a number of its wholly owned subsidiaries and non-wholly owned subsidiaries, including, J.P. Morgan Securities Ltd. (98.95% control) and J.P. Morgan Capital Holdings Limited (72.72% control).

Save as disclosed above, as at 30th June 2006, the Company has not been notified of any other interests or short positions in the shares and underlying shares of the Company which had been recorded in the register required to be kept under Section 336 of the SFO.

DISCLOSURE UNDER RULE 13.22 OF CHAPTER 13 OF THE LISTING RULES

In relation to the financial assistance granted by the Group to certain affiliated companies, a proforma combined balance sheet of the affiliated companies as at 30th June 2006 required to be disclosed under Rule 13.22 of Chapter 13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") is set out below:

	US$'000
Non-current assets	857,676
Current assets	102,081
Current liabilities	(69,504)
Non-current liabilities	(461,070)
Net assets	429,183
Share capital	260,653
Reserves	168,530
Capital and reserves	429,183

As at 30th June 2006, the Group's consolidated attributable interest in these affiliated companies amounted to US$147,495,000.

CORPORATE GOVERNANCE

Compliance with the Code on Corporate Governance Practices

The Company continues to achieve high standards of corporate governance so as to ensure better transparency and protection of shareholders' interest. The Company has complied with the code provisions of the Code on Corporate Governance Practices (the "Corporate Governance Code") in Appendix 14 of the Listing Rules throughout the six months ended 30th June 2006, except for the following deviation:

Code provision E.1.2

The code provision E.1.2 of the Corporate Governance Code provides that the Chairman of the Board shall attend the annual general meeting of the Company. Due to other business commitments, Dr. WEI Jiafu, the Chairman of the Board who resides in Beijing, was unable to attend the annual general meeting of the Company held on 18th May 2006 in Hong Kong. This constitutes a deviation from the code provision E.1.2 of the Corporate Governance Code.

BOARD COMMITTEES

Audit Committee

The Audit Committee comprises four independent non-executive directors of the Company. The Audit Committee has reviewed, in the presence of the internal and external auditors, the Group's principal accounting policies and the 2006 interim report.

Remuneration Committee (formerly known as Remuneration and Assessment Committee)

The Remuneration Committee comprises five members, a majority of whom are independent non-executive directors. The Committee formulates the Group's remuneration policy of directors and senior management, reviews and determines their remuneration packages and makes recommendations to the Board the remuneration of directors.

Other Board Committees

In addition to the above committees, the Board has also established various committees which include Executive Committee, Investment and Strategic Planning Committee, Corporate Governance Committee, Risk Management Committee and Nomination Committee. Each committee has its defined scope of duties and terms of reference. The terms of reference of the above committees have been posted on the Company's website: www.coscopac.com.hk.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as the Company's code of conduct and rules governing dealings by all directors in the securities of the Company. Having made specific enquiry of all directors of the Company, they all confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30th June 2006.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

The Company has not redeemed any of its listed shares during six months ended 30th June 2006. Neither the Company nor any of its subsidiaries purchased or sold any of the Company's listed shares during the six months ended 30th June 2006.

INVESTOR RELATIONS

The Group continued with efforts to enhance investor relations during the first half of the year. Communications were facilitated through a variety of means to ensure that the Company's management philosophy, operations and future investment and development strategies were well understood. We aim to add value for shareholders by increasing transparency and maintaining high corporate governance standards.

During the first half of the year, the meetings we had with the investors and relevant parties had a total attendance of 398, including 144 in one-on-one meetings. By category, those who attended included fund managers (17%), analysts (11%), bankers (53%), brokerages (10%), media (3%) and others (6%). In addition, 9 roadshows and investor forums were conducted with a total attendance of 254.

Moreover, COSCO Pacific was again named among Forbes' Top 2000 Enterprises for 2006 in The Forbes Global 2000 published on 17th April 2006.

CORPORATE CULTURE

Team Building

As at 30th June 2006, COSCO Pacific had a team of 435 employees in China, Asia, America, Europe and Australia.

The Company's business expansion provides to its staff a good opportunity for continual professional development. The Company encourages life-long learning and organises various training sessions to enhance the professional standards and management skills of executives as well as staff in general. The Company is committed to ongoing improvement of its remuneration and bonus regime on the basis of equity and fairness. The share option scheme introduced in recent years has been pivotal in enhancing staff passion for work, and the COSCO Pacific team is growing into a globalised contingent that pursues efficiency and excellence in concerted efforts.

Social Responsibilities

COSCO Pacific seeks to reward the society by actively participating in community welfare and social services.

Senior management members of COSCO Pacific delivered lectures at universities in both mainland China and Hong Kong as part of their efforts to help training professionals for the logistics and shipping sectors. In March 2006, the Company donated an amount of RMB2 million to 北京市華育助學獎金會 through 中遠慈善基金會 to provide financial aid for underprivileged students in China. In June 2006, staff of the Company made donations in a charity sale of lottery tickets for the benefit of Lifeline Express, the proceeds of which would go to the train-turned mobile clinic for eye diseases operated by Lifeline Express. Meanwhile, at our offices and port facilities, COSCO Pacific welcomes guests from all sectors who would like to learn about and exchange views on our business.

COSCO Pacific is committed to carrying out our civil duties as a corporate entity, so as to help improve the society and environment in which we are living.

PROSPECTS

The global economy will continue to fare well in 2006 with an estimated growth of 3.9% underpinned by an 8.6% rise in trade volume, while China is expected to see a 10.7% economic growth. Riding on such favourable factors, the Group will continue to implement its strategy of investment optimisation by building a diversified portfolio of terminals in the hinterlands of the Pearl River Delta region, Yangtze River Delta and the Bohai Rim. Meanwhile, we will also make active moves to expand our overseas market for terminal operations.

Container management has become a new source of revenue for our container leasing operations. The Group continues to expand its container fleet for leasing and intends to maintain a high level utilisation rate in order to consolidate its leading position in the industry. In terms of fleet expansion, while we will work closely with COSCON to cater to its future expansion plans, we will also seek to expand our market share in the non-COSCON sector.

As such, the Group is fully confident in the future prospects of its business.

MEMBERS OF THE BOARD

As at the date of this report, the Board comprises Dr. WEI Jiafu[2] (Chairman), Mr. CHEN Hongsheng[1], Mr. LI Jianhong[1], Ms. SUN Yueying[1], Dr. SUN Jiakang[1] (Vice Chairman & Managing Director), Mr. XU Lirong[2], Mr. WONG Tin Yau, Kelvin[1], Mr. WANG Zhi[1], Mr. QIN Fuyan[1], Dr. LI Kwok Po, David[3], Mr. LIU Lit Man[3], Mr. CHOW Kwong Fai, Edward[3] and Mr. Timothy George FRESHWATER[3].

[1] Executive Director
[2] Non-executive Director
[3] Independent Non-executive Director

By Order of the Board
SUN Jiakang
Vice Chairman & Managing Director

Hong Kong, 7th September 2006

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