中國遠洋控股股份有限公司

China COSCO Holdings Company Limited

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 1919)

2006 Interim Report

Contents

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS

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

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

* *Chairman of Audit Committee*

** *Member of Audit Committee*

JOINT COMPANY SECRETARIES
ZHANG Yongjian
NG Kam Tsun, Jeffrey

AUTHORISED REPRESENTATIVES
CHEN Hongsheng
NG Kam Tsun, Jeffrey

QUALIFIED ACCOUNTANT
He Xinmei

AUDITORS
PricewaterhouseCoopers

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

LEGAL ADVISER
Paul, Hastings, Janofsky & Walker

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RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2006

	First half of 2006 *(RMB'000)*	First half of 2005 *(RMB'000)*	Change
Turnover	**18,469,554**	18,576,762	-0.6%
Operating Profit	**1,871,173**	3,995,665	-53.2%
Profit before income tax	**2,045,532**	4,424,822	-53.8%
Profit attributable to equity holders of the Company	**978,065**	2,772,796	-64.7%
Basic earnings per share	**RMB0.159**	RMB0.674	-76.4%

BUSINESS HIGHLIGHTS

- Shipping volume reached 2,426,703 TEUs during the period, representing an increase of 12.5% over the same period in 2005. As of 30 June 2006, China COSCO Holdings Company Limited (the "Company") and its subsidiaries (together, the "Group") operated a fleet of 139 container vessels and the shipping capacity reached 381,039 TEUs, representing an increase of 18.18% over the end of last year.
- During the period, the aggregate number of containers handled by the Group through 16 operating joint venture container terminal companies, which COSCO Pacific Limited ("COSCO Pacific") had interests in, reached 14,974,748 TEUs, representing an increase of 23.5% over the same period last year.
- As of 30 June 2006, the Group owned and managed a container fleet of 1,111,336 TEUs, recording an increase of 8.1% over the same period last year.

Dear Shareholders,

I am pleased to present the Group's interim report for the six months ended 30 June 2006.

During the first half of 2006, the Group recorded turnover of RMB18,469,554,000 and profit attributable to equityholders of the Company of RMB978,065,000, representing decreases of 0.6% and 64.7% as compared with the same period last year respectively. The Board did not recommend the payment of an interim dividend.

During the period under review, the shipping volume of the global container shipping market continued to maintain an upward momentum. The Group's container shipping business continued to make positive progress and recorded a total container volume of 2,426,703 TEUs for the six-month period, representing an increase of 12.5% as compared with the same period last year. However, a combination of freight rates decline and soaring bunker price reduced our profit margin.

During the period under review, the Group continued its partnership with the CKYH alliance to increase its service routes worldwide and broaden its service coverage. Meanwhile, the Group seized opportunities to add new shipping capacity to routes with strong demand as well as consolidating its market share. The Group continued to implement various cost control measures and achieved satisfactory results.

Pursuant to our development strategies, the Group continued to enhance its shipping capacity. As of 30 June 2006, the Group operated a fleet of 139 container vessels with a shipping capacity of 381,039 TEUs, representing an increase of 18.18% over the end of last year.

During the period under review, the Group continued to maintain growth through the container terminal business operated by COSCO Pacific, a subsidiary of the Group, and recorded a throughput of 14,974,748 TEUs, representing an increase of 23.5%. The Group continued to identify and invest in quality ports worldwide. It has undertaken terminal investment projects in Tianjin, Ningbo, Shanghai, Dalian and Quanzhou and has formed a more extensive strategic network of ports, thereby enhancing the existing shipping value chain with more synergistic effectiveness.

During the first half of the year, the Group's container leasing business, which is operated through Florens Container Holdings Limited, a subsidiary of COSCO Pacific, and its subsidiaries (collectively referred to as "Florens"), owned and managed a container fleet of 1,111,336 TEUs, representing an increase of 8.1% over the same period last year. The scale of its container fleet ranked No. 3 in the world. During the period, the Group also disposed of certain international container fleet, thereby optimizing the business model and capital structure of the Group's container leasing business.

During the first half of the year, the Group increased its marketing efforts in logistics business, with further progress in the development of logistics projects. The logistics businesses in home appliances, automobiles, power and petrochemical sectors were expanded.

PROSPECTS

With positive global economic prospects and the support of the "China factor", the container shipping market will improve as the peak season approaches in the second half of the year. However, on the whole, the international container shipping business continues to face challenges due to the combined effects of several factors including the increase in oil price. As one of the leading suppliers for global integrated container shipping services, the Group has leveraged on its effective management and stringent cost control and continues to benefit from the synergistic effect derived from the Group's unique container shipping service value chain. The Company will face the opportunities and challenges ahead with confidence by continually enhancing its core competitiveness and positioning itself to be a leading integrated container shipping company.

On the occasion of the first anniversary after listing, the Board and I once again express gratitude to the shareholders, clients and business partners for their support to the Group. We look forward to working together and to bring about a bright future for the Company.

Chairman
Wei Jiafu

19 September 2006

OVERALL REVIEW OF RESULTS

In the first half of 2006, the Group generated turnover of RMB18,469,554,000, representing a decrease of 0.6% as compared with the corresponding period of 2005. Profit before income tax amounted to RMB2,045,532,000, representing a decrease of 53.8% over the same period last year. Profit attributable to the equity holders of the Company amounted to RMB978,065,000, representing a decrease of 64.7% over the same period last year, due to profit from container shipping and related businesses dropping by 74.1%, one-off gain from the disposal of interests in Shekou terminal in the first half of 2005 and the expenses related to the reform of shares of China International Marine Containers (Group) Co., Ltd. ("CIMC") held by COSCO Pacific. On the other hand, profit from container leasing business increased substantially, together with the profit from the disposal of international containers, had made a positive contribution to the Group's profit as a whole.

REVIEW OF SEGMENT OPERATIONS

Container Shipping and Related Businesses

In the first half of 2006, the container shipping and related businesses of the Group generated segmental results of RMB732,868,000. The decline in freight rates and the increase in bunker prices resulted in a decrease in profit as compared with the same period in 2005.

The Group's shipping volume reached 2,426,703 TEUs in the first half of the year, representing an increase of 12.5% over the same period in 2005. The shipping volumes of all major routes experienced growth. Through cooperation with partners in the CKYH alliance, the Group increased its global service routes and broadened its service coverage since the end of last year. The Group also increased its shipping capacity and enhanced the service coverage in those fast growing markets such as Central America, the Caribbean, Red Sea, Vietnam, and China. As of 30 June 2006, the Group operated a fleet of 139 container vessels and the shipping capacity reached 381,039 TEUs, representing an increase of 18.18% over the end of last year.

Shipping volume by markets

	Six months ended 30 June		
	2006	2005	Change
	TEU	*TEU*	*%*
Trans-Pacific	**612,881**	551,161	11.2
Asia-Europe (including Mediterranean)	**551,431**	493,514	11.7
Intra-Asia (including Australia)	**760,218**	659,611	15.3
Other international (including Trans-Atlantic)	**126,150**	115,925	8.8
PRC	**376,023**	336,621	11.7
Total	**2,426,703**	2,156,832	12.5

Turnover by markets

	Six months ended 30 June		
	2006	2005	Change
	RMB'000	*RMB'000*	*%*
Trans-Pacific	**6,147,999**	5,803,601	5.9
Asia-Europe (including Mediterranean)	**4,100,027**	4,667,277	-12.2
Intra-Asia (including Australia)	**2,831,515**	2,903,706	-2.5
Other international (including Trans-Atlantic)	**1,214,020**	1,319,942	-8.0
PRC	**735,782**	801,639	-8.2
Sub-total	**15,029,343**	15,496,165	-3.0
Chartered out	**94,979**	215,616	-55.9
Income of related business	**2,644,123**	2,208,517	19.7
Total	**17,768,445**	17,920,298	-0.8

During the first half of the year, the freight rates for major of the main routes dropped, the fall in freight rates of the Far East/Europe routes were especially obvious. The revenue recognised in the interim period of 2006 decreased by 0.8% to RMB17,768,445,000, as compared with the same period in 2005.

For operating costs, the substantial increase in bunker costs caused the Group's total operating costs to increase by 17.0% to RMB16,662,474,000. Although the Group mitigated the pressure of cost increase brought by high bunker prices through measures such as operation of futures contracts and fuel saving, average bunker prices increased over the corresponding period of the previous year. In addition, the fleet capacity was larger, both of which led to the expenditure in fuel to increase by 69.7% over the corresponding period in 2005 and accounts for 71.2% of the increase in total container shipping costs. The increase in fuel expenditure had an obvious adverse impact to the Group's earnings.

The Group continuously implemented numerous cost control measures and achieved good results. The Group further optimised routes planning and adjusted certain transshipment ports, which had effectively reduced transshipment and other service costs, as well as expedited the turnover time of containers and enhanced the utilisation rate. During the period, the equipment and cargo transportation costs has increased slightly by 0.8% over the same period of 2005. It represented a decrease in such costs of 10.4% per container.

During the period, due to the additional capacity from newly chartered-in vessels, there was an increase in vessel costs by 21.2%. The increase in vessel costs accounted for 21.6% of the increase in total container shipping costs. It represented an increase in vessel costs of 7.8% per container.

Confronted with the severe market situation in the first half of the year, the Group, in addition to promoting and resuming freight rates, continued to conduct market segmentation and initiated differentiated marketing strategies. It also committed to explore its existing customers' potential and further enhanced communication with its core customers. During the period, the Group acquired shares in COSCO Philippines Shipping, Inc. and COSCO (HK) Cargo Service Co., Limited which was originally held by subsidiaries of China Ocean Shipping (Group) Company. This has further extended the Group's service coverage.

To better utilise the increased capacity, the Group also devoted resources to develop emerging markets in order to get more new customers and new sources of goods. In addition, cargo flow information system of COSCO Container Lines Company Limited ("COSCON") commenced operation in 2006 and supported the refined management of costs and revenue. Meanwhile, COSCON was committed to improving its budgeting and performance measurement system, so as to provide more information to the Company's management.

Given the long-term development plan and the need for developing new markets, the Group placed an order for 8 container vessels in June 2006, with a capacity of 5,100 TEUs each. These vessels will be delivered between 2009 and 2010. The Group chartered in two container vessels in February 2006 with a capacity of 3,534 TEUs each, which will be delivered in 2007. The Group also chartered another two container vessels in May 2006, with a capacity of 4,506 TEUs each, which will be delivered between 2008 and 2009. In the first half of 2006, 6 new container vessels with capacity ranged from 8,200 to 9,500 TEUs were delivered to the Group's fleet. At the end of June 2006, the Group had an orderbook of 27 container vessels with an aggregate capacity of 175,769 TEUs. These vessels are expected to be put into operation in the forthcoming years.

Terminal and related businesses

During the period, Zhangjiagang Win Hanverky Container Terminal Co., Ltd., a subsidiary of COSCO Pacific, continued to explore new business opportunities, and its throughput and turnover increased substantially. The business volume of container handling and storage operations has also increased in the first half of the year as a whole. However, as compared with the corresponding period of the previous year, the earnings of the Group's terminal business dropped due to reasons such as the disposal of 17.5% interest in Shekou Container Terminals Ltd. last year as well as the replacement of four quay cranes in COSCO-HIT Terminals (Hong Kong) Limited, leading to a temporary retrenchment of services. During the period, terminal and related businesses generated revenue amounted to RMB85,775,000, with segmental results of RMB111,396,000. Profit from jointly controlled entities and associates amounted to RMB270,698,000 was achieved.

Driven by the growth in the trade in China and worldwide, the throughput of the Group's container terminal business recorded a strong growth. In the first half of 2006, the aggregate number of containers handled by the Group through 16 operating joint venture container terminal companies which COSCO Pacific had interests in reached 14,974,748 TEUs. It represents an increase of 23.5% over the corresponding period of the previous year.

As at 30 June 2006, the Group holds interests in 23 joint venture companies which engage in terminal operations, with the total number of berth reaching 104, among which the number of container terminals berths reached 99, the number of berths for automobile reached 2 and the number of multi-purpose berths reached 3. The annual handling capacity of containers increases to 57,100,000 TEUs, representing an increase of 41.3% as compared with the same period of last year.

On 19 April 2006, the Group was transferred 10% shareholding in Shanghai Pudong Terminal at an expense of RMB465,604,000 and the shareholding it holds in Pudong Terminal increased to 30%. On 8 June 2006, the Group invested in a joint venture, Ningbo Yuan Dong Terminals Ltd., which will operate and manage berth No. 7 of Ningbo Beilun Container Terminal Phase IV. The Group holds 20% of the shareholding in the joint venture. The terminal is expected to commence operation in the fourth quarter in 2006. Moreover, the Group placed RMB7,469,000 and RMB85,896,000 to terminals in Antwerp and Qingdao Qianwan.

On 6 July 2006, Dalian Automobile Terminal, which the Group is interested in 30% shareholding, commenced operation. Dalian Automobile Terminal is the first roll-on, roll-off terminal invested by the Group. On 26 July 2006, the Group participated in a joint venture, Tianjin Port Euroasia International Container Terminal Co., Ltd., which and will develop and operate 3 container terminal berths located at Tianjin North Port. The Group holds 30% of the shareholding in the joint venture. The container terminal is expected to commence operation in 2008.

On 8 August 2006, the Group signed a joint venture contract with Quanzhou Port Container Co., Ltd., to jointly establish Quanzhou Pacific Container Terminal Co., Ltd.. The joint venture will manage and operate four existing container berths and will invest in building a container berth of 100,000 tonnes and a multi-purpose berth of 50,000 tonnes. The two berths are expected to commence operation in 2008. COSCO Ports (Quanzhou) Ltd. holds 71.43% shareholding in the joint venture.

On 22 August 2006, the Group signed an agreement with APM Terminals Invest Company Limited (a subsidiary of A.P. Moller-Maersk) pursuant to which APM Terminals Invest Company Limited acquired 33.9% shareholding in COSCO Ports (Nansha) Limited (a subsidiary of the Group), which holds 59% shareholding 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 Business

In the first half of 2006, the Group's container leasing business generated turnover amounted to RMB1,123,135,000, representing a growth of 2.5%. Its segmental results amounted to RMB771,046,000, representing an increase of 28.8% over the corresponding period of 2005. In addition, the Group recorded a disposal gain of RMB678,284,000 by disposing certain international containers. Average utilisation rate was 96.0% for the period, a slight decrease as compared with 96.4% of the same period of the previous year.

As at 30 June 2006, Florens owned and managed a container fleet of 1,111,336 TEUs, representing an increase of 8.1% over the same period of last year. Florens ranked as the third largest marine container leasing company (2005: fourth) with approximately 10.7% share of global market (2005: approximately 10.4%). The average age of the Group's container fleet was 4.38 years (2005:4.28 years). During the period, Florens purchased new containers of 106,082 TEUs (2005: 131,838 TEUs), with capital expenditure of RMB1,482,853,000.

On 20 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 directly wholly-owned subsidiaries disposed of certain containers (the "Sold Assets"), which included: (i) approximately 600,468 TEUs of containers (the final number of TEUs as revised subsequent to 30 June 2006 was 600,082 TEUs), which accounts for 59.6% of the container fleet owned by the Group for operating container leasing business as at 31 December 2005; and (ii) the container lease agreements covering those containers (to the extent of the containers transferred). In addition, pursuant to the administrative services agreement, Florens will provide administrative services for the Sold Assets.

The above disposal will not affect the Group's container leasing business. The Group will continue to purchase new containers and lease them to third parties. The Group is of the view that this transaction will benefit the business model and capital structure of the Group's container leasing business and will increase its sources of income as well as lower the operational risks. At the same time, it will assist the Group in raising its market shares in the container leasing business as well as maintaining a relatively light balance sheet size.

Logistics Business

In the first half of 2006, COSCO Logistics Co., Ltd. ("COSCO Logistics") increased its marketing efforts, with further progress in the development of logistics projects. Expansions were made in the logistics business in home appliances, automobiles, power and petrochemical sectors.

The net profit contribution of logistics business amounted to RMB74,849,000, a 18.5% increase over the same period last year.

In the first half of 2006, COSCO Logistics has won a number of awards. For example, 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.

Manufacturing of containers

Earlier this year, under the impact of market factors sustained from the end of 2005, sales by container manufacturer and prices of containers have been maintained at a low level. With this effect, net profit contributed by CIMC to the Group during the period decreased by 35.3% to RMB215,587,000.

Other investments

Net profit contribution from Liu Chong Hing Bank Limited in which the Group holds 20% interest, amounted to RMB50,806,000, representing an increase of 25.5% over the same period last year.

Share reform

COSCO Pacific, a subsidiary of the Company, issued put options in relation to the share reform of CIMC. The combined effect of the initial recognition of and subsequent change in fair values of the put options resulted in an expense of RMB511,305,000.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group's cash and cash equivalents as at 30 June 2006 amounted to RMB13,206,120,000, representing an increase of RMB5,058,745,000 (or 62.1%) over RMB8,147,375,000 of the end of 2005.

Ratio of the Group's net debt to equity as at 30 June 2006 was 15.2%, compared with 32.9% at the end of 2005.

Liquidity and capital resources of the Group have been, and are expected to continue to be, cash-flows generated from operating activities, investing activity and debt financing from banks. The Group's principal uses of cash have been, and are expected to continue to be, operational costs, repayment of loans, purchase of container vessels and containers, investment in container terminals and the funding of the Group's IT systems and door to door service.

Debt analysis

Breakdown by category and repayment date:

	As at 30 June 2006 RMB'000	As at 31 December 2005 RMB'000
Short-term loans	**6,450,183**	2,123,108
Long-term borrowings		
Within one year	**1,381,391**	2,196,863
In the second year	**2,512,367**	2,246,889
In the third to fifth years	**2,531,162**	5,359,537
Over five years	**4,357,859**	4,763,077
Subtotal	**10,782,779**	14,566,366
Total	**17,232,962**	16,689,474

As at 30 June 2006, the Group had secured borrowings amounted to RMB7,083,549,000 and unsecured borrowings amounted to RMB10,149,413,000, which accounted for 41.1% and 58.9% respectively of total borrowings. Among which the Group pledged equipments and properties with net book value of RMB10,259,596,000 to banks and financial institutions as major securities for secured borrowings.

In terms of currency, the Group's borrowings denominated in US dollar amounted to RMB14,788,917,000 and borrowings denominated in RMB amounted to RMB2,444,045,000, 85.8% and 14.2% respectively in percentage terms.

As at 30 June 2006, the majority of the Group's borrowings are charged at floating interest rates.

Contingent liabilities

As at 30 June 2006, the Group had provided guarantees on a bank borrowing granted to an associate in the amount of RMB188,504,000 (31 December 2005: RMB176,899,000). The claim amounts of the pending lawsuits totalled at RMB34,188,000 (31 December 2005: RMB32,656,000). Except for the above and information disclosed in the Group's unaudited Condensed Consolidated Financial Statements, the Group had no other significant contingent liabilities.

Foreign exchange and interest rate risks management

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures (such as RMB and EURO dollar), primarily with respect to the US dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

Through borrowing arrangements, the Group made efforts to provide financing under the currency of its key operating assets or cash revenue to mitigate exchange rate risks. All container leasing business borrowings are denominated in US dollars, and majority of the incomes and expenses from such operations are denominated in US dollars, thus lower the risks of exchange rate.

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Interest rate swap contracts with financial institutions are used to achieve the optimum ratio between fixed and floating interest rates. The Group uses certain interest rate swap contracts to hedge the fair value of notes issued by the Group.

SHARE APPRECIATION RIGHTS PLAN

A share appreciation rights plan (the "Share Appreciation Rights Plan") was adopted by the Company, which was designed to align the interests of directors, supervisors and senior management of the Company with the Company's operating results and the Company's share value. The issuance of share appreciation rights does not involve any issuance of new shares, nor does it have any dilutive effect on the shareholders.

Movements of the share appreciation rights which were granted pursuant to the Share Appreciation Rights Plan during the six-month period ended 30 June 2006 are set out below:

				Number of units of share appreciation rights			
Name of director/ supervisor	Capacity	Nature of interest	Exercise Price *HK$*	Outstanding as at 1 January 2006	Exercised during the period	Outstanding as at 30 June 2006	Approximate % of issued share capital of the Company's H shares as at 30 June 2006
WEI Jiafu	Beneficial owner	Personal	3.195	900,000	—	900,000	0.04%
ZHANG Fusheng	Beneficial owner	Personal	3.195	800,000	—	800,000	0.04%
CHEN Hongsheng	Beneficial owner	Personal	3.195	700,000	—	700,000	0.03%
WANG Futian	Beneficial owner	Personal	3.195	600,000	—	600,000	0.03%
LI Jianhong	Beneficial owner	Personal	3.195	600,000	—	600,000	0.03%
MA Zehua	Beneficial owner	Personal	3.195	600,000	—	600,000	0.03%
MA Guichuan	Beneficial owner	Personal	3.195	600,000	—	600,000	0.03%
SUN Yueying	Beneficial owner	Personal	3.195	600,000	—	600,000	0.03%
LIU Guoyuan	Beneficial owner	Personal	3.195	600,000	—	600,000	0.03%
LI Yunpeng	Beneficial owner	Personal	3.195	600,000	—	600,000	0.03%
WU Shuxiong	Beneficial owner	Personal	3.195	500,000	—	500,000	0.02%
LI Zonghao	Beneficial owner	Personal	3.195	300,000	—	300,000	0.01%

Notes:

(1) The share appreciation rights were granted by the Company in units with each unit representing one H share of the Company pursuant to the Share Appreciation Rights Plan. At each of the last day of the third, fourth, fifth and sixth anniversary of the date of grant (i.e. 16 December 2005), the total number of the share appreciation rights exercisable shall not exceed 25%, 50%, 75% and 100%, respectively, of each of the total share appreciation rights granted.

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

SHARE OPTION SCHEMES OF COSCO PACIFIC

As at 30 June 2006, there are outstanding share options in relation to two share option schemes of COSCO Pacific, one of which was adopted by its shareholders on 30 November 1994 (the "1994 Share Option Scheme") and the other was adopted on 23 May 2003 (the "2003 Share Option Scheme").

(i) Movements of the 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 1 January 2006**	**Exercised during the period**	**Outstanding at 30 June 2006**	**Percentage of total issued share capital**	*Note*
A director of COSCO Pacific	8.80	900,000	—	900,000	0.041%	(1),(3)
Employees[2]	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 20 May 1997 (the "Offer Date") under the 1994 Share Option Scheme. The share options are exercisable at any time within ten years from the date of grant (i.e. on or before 19 May 2007), subject to the following conditions:

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

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

(2) These category comprises continuous contract employees of the subsidiaries of COSCO Pacific.

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

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

SHARE OPTION SCHEMES OF COSCO PACIFIC *(Continued)*

(ii) Movements of the share 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 as at 1 January 2006	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 30 June 2006	Percentage of total issued share capital	Exercisable period	*Note*
Directors									
WEI Jiafu	9.54	500,000	—	(100,000)	—	400,000	0.02%	30.10.2003-29.10.2013	(1),(3)
	13.75	1,000,000	—	—	—	1,000,000	0.05%	03.12.2004-02.12.2014	(2),(3)
ZHANG Fusheng	9.54	400,000	—	(100,000)	—	300,000	0.01%	29.10.2003-28.10.2013	(1),(3)
	13.75	1,000,000	—	—	—	1,000,000	0.05%	03.12.2004-02.12.2014	(2),(3)
CHEN Hongsheng	9.54	400,000	—	(100,000)	—	300,000	0.01%	28.10.2003-27.10.2013	(1),(3)
	13.75	1,000,000	—	—	—	1,000,000	0.05%	03.12.2004-02.12.2014	(2),(3)
WANG Futian	9.54	400,000	—	(100,000)	—	300,000	0.01%	29.10.2003-28.10.2013	(1),(3)
	13.75	1,000.000	—	—	—	1,000,000	0.05%	03.12.2004-02.12.2014	(2),(3)
LI Jianhong	9.54	400,000	—	(100,000)	—	300,000	0.01%	29.10.2003-28.10.2013	(1),(3)
	13.75	1,000,000	—	—	—	1,000,000	0.05%	02.12.2004-01.12.2014	(2),(3)
MA Zehua	9.54	400,000	—	(100,000)	—	300,000	0.01%	30.10.2003-29.10.2013	(1),(3)
	13.75	1,000,000	—	—	—	1,000,000	0.05%	03.12.2004-02.12.2014	(2),(3)
MA Guichuan	9.54	400,000	—	(100,000)	—	300,000	0.01%	29.10.2003-28.10.2013	(1),(3)
	13.75	1,000,000	—	—	—	1,000,000	0.05%	03.12.2004-02.12.2014	(2),(3)
SUN Yueying	9.54	400,000	—	(100,000)	—	300,000	0.01%	29.10.2003-28.10.2013	(1),(3)
	13.75	1,000,000	—	—	—	1,000,000	0.05%	03.12.2004-02.12.2014	(2),(3)
LIU Guoyuan	13.75	1,000,000	—	(500,000)	—	500,000	0.02%	29.11.2004-28.11.2014	(2),(3)
Supervisor									
LI Yunpeng	9.54	400,000	—	(100,000)	—	300,000	0.01%	29.10.2003-28.10.2013	(1),(3)
	13.75	1,000,000	—	—	—	1,000,000	0.05%	03.12.2004-02.12.2014	(2),(3)
Others(5)	9.54	8,898,000	—	(2,758,000)	—	6,140,000	0.28%	*(refer to note 1)*	(1),(3)
	13.75	47,844,000	—	(15,042,000)	—	32,802,000	1.48%	*(refer to note 2)*	(2),(3)
		70,442,000	—	(19,200,000)	—	51,242,000			

SHARE OPTION SCHEMES OF COSCO PACIFIC *(Continued)*

Notes:

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

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

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

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

(5) This category comprises, inter alia, continuous contract employees of COSCO Pacific.

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

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

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

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

Name of Director	Capacity	Nature of interest	Number of H shares of the Company	Percentage of total issued H shares of the Company
Tsao Wen King, Frank	Beneficial owner	Family	100,000	0.004%

(b) Long positions in the shares, underlying shares and debentures of associated corporations of the Company:

Name of associated corporation	Name of Director	Capacity	Nature of interest	Number of ordinary shares	Percentage of total issued share capital
COSCO Pacific	Tsao Wen King, Frank	Beneficial owner	Personal	50,000	0.002%
COSCO Corporation (Singapore) Limited	Wei Jiafu	Beneficial owner	Personal	1,900,000	0.09%
COSCO Corporation (Singapore) Limited	Li Jianhong	Beneficial owner	Personal	1,300,000	0.06%
COSCO Corporation (Singapore) Limited	Sun Yueying	Beneficial owner	Personal	1,400,000	0.06%

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

Movements of the share appreciation rights which were granted pursuant to the Share Appreciation Rights Plan of the Company during the six-month period ended 30 June 2006 are set out in the paragraph headed "Share Appreciation Rights Plan" in this section.

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

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

Movements of the share options granted to the directors and supervisors of the Company by the associated corporations of the Company during the six-month period ended 30 June 2006 are set out as below:

					Number of share options						
Name of associated corporation	Name of Director/ Supervisor	Capacity	Nature of interest	Exercise price	Outstanding as at 1 January 2006	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 30 June 2006	Percentage of total issued of associated corporation as at 30 June 2006	*Note*
COSCO Pacific	WEI Jiafu	Beneficial owner	Personal	HK$9.54	500,000	–	(100,000)	–	400,000	0.02%	(1)
				HK$13.75	1,000,000	–	–	–	1,000,000	0.05%	(2)
	ZHANG Fusheng	Beneficial owner	Personal	HK$9.54	400,000	–	(100,000)	–	300,000	0.01%	(1)
				HK$13.75	1,000,000	–	–	–	1,000,000	0.05%	(2)
	CHEN Hongsheng	Beneficial owner	Personal	HK$9.54	400,000	–	(100,000)	–	300,000	0.01%	(1)
				HK$13.75	1,000,000	–	–	–	1,000,000	0.05%	(2)
	WANG Futian	Beneficial owner	Personal	HK$9.54	400,000	–	(100,000)	–	300,000	0.01%	(1)
				HK$13.75	1,000,000	–	–	–	1,000,000	0.05%	(2)
	LI Jianhong	Beneficial owner	Personal	HK$9.54	400,000	–	(100,000)	–	300,000	0.01%	(1)
				HK$13.75	1,000,000	–	–	–	1,000,000	0.05%	(2)
	MA Zehua	Beneficial owner	Personal	HK$9.54	400,000	–	(100,000)	–	300,000	0.01%	(1)
				HK$13.75	1,000,000	–	–	–	1,000,000	0.05%	(2)
	MA Guichuan	Beneficial owner	Personal	HK$9.54	400,000	–	(100,000)	–	300,000	0.01%	(1)
				HK$13.75	1,000,000	–	–	–	1,000,000	0.05%	(2)
	SUN Yueying	Beneficial owner	Personal	HK$9.54	400,000	–	(100,000)	–	300,000	0.01%	(1)
				HK$13.75	1,000,000	–	–	–	1,000,000	0.05%	(2)
	LIU Guoyuan	Beneficial owner	Personal	HK$13.75	1,000,000	–	(500,000)	–	500,000	0.02%	(2)
	LI Yunpeng	Beneficial owner	Personal	HK$9.54	400,000	–	(100,000)	–	300,000	0.01%	(1)
				HK$13.75	1,000,000	–	–	–	1,000,000	0.05%	(2)
COSCO International Holdings Limited	WEI Jiafu	Beneficial owner	Personal	HK$0.57	1,800,000	–	–	–	1,800,000	0.13%	(3), (4)
				HK$1.37	1,200,000	–	–	–	1,200,000	0.08%	(3), (5)
	LI Jianhong	Beneficial owner	Personal	HK$0.57	1,800,000	–	–	–	1,800,000	0.13%	(3), (4)
				HK$1.37	1,200,000	–	–	–	1,200,000	0.08%	(3), (5)
	LIU Guoyuan	Beneficial owner	Personal	HK$0.57	1,800,000	–	–	–	1,800,000	0.13%	(3), (4)
				HK$1.37	1,200,000	–	–	–	1,200,000	0.08%	(3), (5)
COSCO Corporation (Singapore) Limited	WEI Jiafu	Beneficial owner	Personal	S$0.807	900,000	–	(900,000)	–	–	–	(6)
				S$1.23	–	1,100,000	–	–	1,100,000	0.05%	(7)
	LI Jianhong	Beneficial owner	Personal	S$0.807	600,000	–	(600,000)	–	–	–	(6)
				S$1.23	–	700,000	–	–	700,000	0.03%	(7)
	SUN Yueying	Beneficial owner	Personal	S$0.807	600,000	–	(600,000)	–	–	–	(6)
				S$1.23	–	700,000	–	–	700,000	0.03%	(7)

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

(d) Long positions in underlying shares of equity derivatives of associated corporations of the Company: *(Continued)*

Notes:

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

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

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

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

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

(6) The share options were granted by COSCO Corporation (Singapore) Limited ("COSCO (Singapore)"), an associated corporation of the Company and a company listed on the Singapore Exchange Securities Trading Limited, on 6 April 2005 and can be exercised at any time between 6 April 2006 and 5 April 2010. Adjustments were made to the exercise price and the number of share options held by the grantees 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 (Singapore) on 17 January 2006. In this respect, the exercise price was adjusted from S$1.614 to S$8.07.

(7) The share options were granted by COSCO (Singapore) on 20 March 2006 and can be exercised at S$1.23 per share at any time between 21 February 2007 and 20 February 2011.

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

SUBSTANTIAL INTERESTS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as was known to any director of the Company, as at 30 June 2006, shareholders who had interests or short positions in the shares and underlying shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

		Number of H shares/Percentage of total issued share capital of the Company's H shares						
Name	**Capacity and nature of interest**	**Long position**	**%**	**Short position**	**%**	**Lending Pool**	**%**	*Note*
Temasek Holdings (Private) Limited	Interest of controlled corporation	306,741,500	13.67	—	—	—	—	(1)
Temasek Capital (Private) Limited	Interest of controlled corporation	306,741,500	13.67	—	—	—	—	(1)
Seletar Investments Pte Ltd	Interest of controlled corporation	306,741,500	13.67	—	—	—	—	(1)
Singapex Investments Pte Ltd	Beneficial owner	272,536,000	12.15	—	—	—	—	(2)
Mr. Li Ka-Shing	Founder of discretionary trusts and interest of controlled corporations	275,294,000	12.27	—	—	—	—	(3)
Li Ka-Shing Unity Trustee Company Limited ("TUT1")	Trustee	275,294,000	12.27	—	—	—	—	(3)
Li Ka-Shing Unity Corporation Company Limited ("TDT1")	Trustee and beneficiary of a trust	275,294,000	12.27	—	—	—	—	(3)
Li Ka-Shing Unity Trustcorp Limited ("TDT2")	Trustee and beneficiary of a trust	275,294,000	12.27	—	—	—	—	(3)
Cheung Kong (Holdings) Limited ("CKH")	Interest of controlled corporation	275,294,000	12.27	—	—	—	—	(3)
Hutchison Whampao Limited ("HWL")	Interest of controlled corporation	275,294,000	12.27	—	—	—	—	(3)

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

Name	Capacity and nature of interest	Number of H shares/Percentage of total issued share capital of the Company's H shares						Note
		Long position	%	Short position	%	Lending Pool	%	
Hutchison International Limited ("HIL")	Interest of controlled corporation	275,294,000	12.27	—	—	—	—	(3)
Hutchison Whampao Properties Limited ("HWPL")	Interest of controlled corporation	275,294,000	12.27	—	—	—	—	(3)
Cactus Holdings Limited ("Cactus")	Interest of controlled corporation	275,294,000	12.27	—	—	—	—	(3)
Northpier Enterprises Limited ("Northpier")	Interest of controlled corporation	137,647,000	6.13	—	—	—	—	(3)
Vember Lord Limited ("Vember Lord")	Beneficial owner	137,647,000	6.13	—	—	—	—	(3)
Yanter Services Limited ("Yanter")	Interest of controlled corporation	137,647,000	6.13	—	—	—	—	(3)
Rhine Office Investments Limited ("Rhine Office")	Beneficial owner	137,647,000	6.13	—	—	—	—	(3)
UBS AG	Beneficial owner	112,221,990	5.00	2,943,990	0.13	—	—	(4)

Notes:

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

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

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

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

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

(2) This relates to 272,536,000 shares in the Company directly and beneficially held by Singapex Investments Pte Ltd as described in Note (1)(a) above.

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

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

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

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

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

(4) The 112,221,990 shares relate to the shares in the Company comprising:

(a) 13,688,000 shares held by UBS AG;

(b) 29,880,000 shares of which UBS AG has a security interest; and

(c) 68,653,990 shares held by certain wholly-owned subsidiaries of UBS AG, including UBS Securities LLC, UBS Fund Management (Switzerland) AG, UBS Fund Services (Luxembourg) SA, UBS Global Asset Management (Americas) Inc, UBS Global Asset Management (Hong Kong) Limited and UBS Global Asset Management (Singapore) Limited and UBS Global Asset Management (UK) Ltd.

UBS Securities LLC is holding a short position in 2,943,990 shares of the Company.

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

As at 30 June 2006, so far as was known to the directors of the Company, the shareholder having interests in the domestic shares of the Company which fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

		Number of shares/Percentage of total issued share capital of the Company					
Name	**Capacity and nature of interest**	**Long position**	**%**	**Short position**	**%**	**Lending Pool**	**%**
China Ocean Shipping (Group) Company	Beneficial owner	3,896,000,000	63.50	—	—	—	—

Save as disclosed above, as at 30 June 2006, so far as was known to the directors of the Company, there was no person (other than a director, supervisor or chief executive of the Company) who had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DISCLOSURE UNDER RULE 13.22 OF CHAPTER 13 OF THE LISTING RULES

In relation to the financial assistance granted by COSCO Pacific, a listed subsidiary of the Company, to certain affiliated companies, a proforma combined balance sheet of the affiliated companies as at 30 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 (the "Listing Rules") is set out below:

	RMB'000
Non-current assets	6,857,634
Current assets	816,199
Current liabilities	(555,726)
Non-current liabilities	(3,686,531)
Net assets	3,431,576
Share capital	2,084,078
Reserves	1,347,498
Capital and reserves	3,431,576

As at 30 June 2006, the Group's share of net assets of these affiliated companies amounted to RMB1,179,311,000.

AUDIT COMMITTEE

The Company has established an audit committee in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review the financial reporting process and the systems of internal controls of the Group, the completeness and accuracy of its accounts and to liaise on behalf of the directors of the Company with external auditors. The audit committee consists of two independent non-executive directors, Mr. Alexander Reid Hamilton (chairman of the audit committee), Mr. Cheng Mo Chi, and a non-executive director, Ms. Sun Yueying, who will meet regularly with management of the Company and the Company's external auditors, review audit reports, and review the interim and annual financial statements of the Group. The audit committee has reviewed the unaudited Condensed Consolidated Financial Statements, and recommended their adoption by the Board.

CORPORATE GOVERNANCE

The Company is committed to maintain high standards of corporate governance by the Group and the Board considers that effective corporate governance makes an important contribution to corporate success and in enhancing shareholder value.

The Company adopted its own code on corporate governance practices (the "Company's Corporate Governance Code") which incorporates all the code provisions other than the deviation set out below and a majority of the recommended best practices in the Code on Governance Practices in Appendix 14 to the Listing Rules.

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

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

Save for the above deviation, none of the directors of the Company is aware of any information that would reasonably indicate that the Company did not meet the applicable code provisions set out in the Code on Corporate Governance Practices in Appendix 14 to the Listing Rules or the Company's Corporate Governance Code for any part of the six months ended 30 June 2006.

EMPLOYEES AND REMUNERATION POLICIES

The Group had approximately 8,663 employees as at 30 June 2006. Total staff cost for the Group for the first six months of the year, including directors' remuneration, was approximately RMB1,216,800,000.

To enhance the quality and capability of our human resources as well as their team spirit and to fully cope with the business expansion of its container shipping, container terminals, container leasing businesses, the Group has organised many professional and comprehensive training programs during the period. The remuneration policies of the Group are being reviewed on a regular basis, taking into account the Group's results and market conditions, in order to formulate better incentives and appraisal measures.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2006.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the model code for securities transactions by directors set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct (the "Code of Conduct") effective from 9 June 2005. Having made specific enquiry of all directors of the Company, they have confirmed that they complied with the required standard set out in the Model Code and the Code of Conduct for the six months ended 30 June 2006.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

The Company has not redeemed any of its listed shares during the six months ended 30 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 30 June 2006.

INVESTOR RELATIONS

In order to let the investors be fully aware of the Company's operations, financial status and strategies, the Company strived to ensure an unimpeded communication channel for carrying out open and transparent disclosure of information, with a view to building investor confidence in the Company's future and also enhancing the Company's reputation and image in the capital market.

The Company's investor relations activities are coordinated by the secretary to the Board, who is a member of the senior management of the Company. Besides, the Investor Relations Department of the Company has assumed the responsibilities for information disclosure and communications to external parties.

The Company maintains frequent contacts and communications with, among others, fund managers, analysts and the business media in a pragmatic and high efficiency manner. During the first six months of 2006, the Company successfully organized various management interviews, telephone conferences and visits by analysts and investors.

An investor relations webpage was created on the website of the Company (www.chinacosco.com) to address the enquiries of the investors.

CORPORATE CULTURE

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

The unaudited condensed consolidated financial statements as set out on pages 27 to 63 have been reviewed by the Company's auditors, PricewaterhouseCoopers, in accordance with Statement of Auditing Standards 700 "Engagements to Review Interim Financial Reports" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), except that the scope of their review did not extend to the Group's share of results and net assets of China International Marine Containers (Group) Company Limited and Liu Chong Hing Bank Limited, both are listed associates of the Group, which have been disclosed in notes 5a(i) and 5a(ii) to the unaudited condensed consolidated financial statements respectively. Accordingly, their independent review report was modified in this respect.

Unaudited Condensed Consolidated Balance Sheet

As at 30 June 2006

	Note	As at 30 June 2006 *RMB'000*	As at 31 December 2005 *RMB'000*
ASSETS			
Non-current assets			
Tangible and intangible assets	6	**22,687,301**	28,729,756
Jointly controlled entities		**3,623,122**	3,264,509
Associates		**4,565,615**	4,068,554
Available-for-sale financial assets		**2,375,410**	2,233,042
Deferred income tax assets		**117,509**	63,733
Finance lease receivables		**29,814**	30,241
Restricted bank deposits		**26,734**	207,711
		33,425,505	38,597,546
Current assets			
Inventories		**801,445**	536,896
Trade and other receivables	7	**6,317,897**	4,377,629
Current portion of finance lease receivable		**12,101**	10,355
Derivative financial assets	22	**10,631**	5,853
Cash and cash equivalents		**13,206,120**	8,147,375
		20,348,194	13,078,108
Total assets		**53,773,699**	51,675,654

Unaudited Condensed Consolidated Balance Sheet

As at 30 June 2006

	Note	**As at 30 June 2006** ***RMB'000***	As at 31 December 2005 *RMB'000*
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	8	**6,140,000**	6,140,000
Reserves		**12,443,749**	11,498,152
Proposed final dividend		**—**	798,200
		18,583,749	18,436,352
Minority interests		**7,922,032**	7,508,740
Total equity	9	**26,505,781**	25,945,092
LIABILITIES			
Non-current liabilities			
Long-term borrowings	10	**9,401,388**	12,369,503
Other non-current liabilities		**184,847**	127,662
Derivative financial liabilities	22	**602,264**	16,199
Deferred income tax liabilities		**189,783**	708,706
		10,378,282	13,222,070
Current liabilities			
Trade and other payables	11	**7,946,965**	7,357,719
Short-term loans	12	**6,450,183**	2,123,108
Current portion of long-term borrowings	10	**1,381,391**	2,196,863
Taxes payable		**1,111,097**	830,802
		16,889,636	12,508,492
Total liabilities		**27,267,918**	25,730,562
Total equity and liabilities		**53,773,699**	51,675,654
Net current assets		**3,458,558**	569,616
Total assets less current liabilities		**36,884,063**	39,167,162

Uuaudited Condensed Consolidated Income Statement

For the six months ended 30 June 2006

	Note	Six months ended 30 June	
		2006	2005
		RMB'000	*RMB'000*
Turnover	5	**18,469,554**	18,576,762
Cost of services		**(16,662,474)**	(14,244,676)
Gross profit		**1,807,080**	4,332,086
Other gains, net	13	**145,448**	76,600
Selling, administrative and general expenses		**(1,121,020)**	(957,947)
Other operating income		**1,670,077**	677,617
Other operating expenses		**(119,107)**	(132,691)
Share reform	14	**(511,305)**	—
Operating profit	15	**1,871,173**	3,995,665
Finance costs	16	**(495,304)**	(377,184)
Operating profit after finance costs		**1,375,869**	3,618,481
Share of profits less losses of			
– jointly controlled entities		**329,911**	362,680
– associates		**339,752**	443,661
Profit before income tax		**2,045,532**	4,424,822
Income tax expenses	17	**(539,453)**	(792,391)
Profit for the period		**1,506,079**	3,632,431
Attributable to:			
Equity holders of the Company		**978,065**	2,772,796
Minority interests		**528,014**	859,635
		1,506,079	3,632,431
Earnings per share for profit attributable to the equity holders of the Company			
– basic	19	**RMB0.159**	RMB0.674
– diluted	19	**RMB0.158**	RMB0.674

Uuaudited Condensed Consolidated Statement of Recognised Income and Expense

For the six months ended 30 June 2006

	Six months ended 30 June	
	2006	2005
	RMB'000	*RMB'000*
Fair value gains on available-for-sale financial assets	**116,181**	5,911
Share of reserves of a jointly controlled entity and associates	**43,863**	(7,756)
Exchange differences	**(128,562)**	(25,254)
Actuarial losses on defined benefit pension plans and related deferred tax (note 2)	**(5,971)**	—
Net income/(expenses) recognised directly in equity	**25,511**	(27,099)
Profit for the period	**1,506,079**	3,632,431
Total recognised income and expense for the period	**1,531,590**	3,605,332
Attributable to:		
Equity holders of the Company	**954,940**	2,753,618
Minority interests	**576,650**	851,714
	1,531,590	3,605,332

	Six months ended 30 June	
	2006	2005
	RMB'000	*RMB'000*
Net cash generated from operating activities	**381,095**	2,834,691
Net cash generated from/(used in) investing activities	**6,112,642**	(4,750,831)
Net cash (used in)/generated from financing activities	**(1,433,521)**	11,474,101
Effect of foreign exchange rate changes	**(1,471)**	(26,117)
Net increase in cash and cash equivalents	**5,058,745**	9,531,844
Cash and cash equivalents at 1 January	**8,147,375**	4,894,532
Cash and cash equivalents at 30 June	**13,206,120**	14,426,376
Analysis of balances of cash and cash equivalents:		
Deposits placed with an associate/a fellow subsidiary	**79,560**	135,611
Bank balances and cash - unpledged	**13,062,595**	14,290,765
Money market fund investments	**63,965**	—
	13,206,120	14,426,376

1 GENERAL INFORMATION

China COSCO Holdings Company Limited (the "Company") was incorporated in the People's Republic of China (the "PRC") on 3 March 2005 as a joint stock company with limited liability under the Company Law of the PRC. The address of its registered office is Ocean Plaza, 12th floor, 158 Fuxingmennei Street, Beijing 100031, the PRC.

As part of the restructuring of China Ocean Shipping (Group) Company ("COSCO"), a state-owned enterprise established in the PRC, and its subsidiaries, COSCO underwent a group reorganisation (the "Reorganisation"), in preparation for a listing of the Company's H shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Main Board"). The H shares of the Company were listed on the Main Board on 30 June 2005. Details of the Reorganisation were disclosed in the annual financial statements for the year ended 31 December 2005 (the "2005 Annual Financial Statements").

The unaudited Condensed Consolidated Financial Statements were approved by the Board of Directors for issue on 19 September 2006.

2 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

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

The unaudited Condensed Consolidated Financial Statements should be read in conjunction with the 2005 Annual Financial Statements which were prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRS") issued by the HKICPA.

Adoption of new/revised HKFRSs

The principal accounting policies and methods of computation used in the preparation of the unaudited Condensed Consolidated Financial Statements are consistent with the 2005 Annual Financial Statements except that, the Company and its subsidiaries (collectively 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 31 December 2006:

HKAS 19 (Amendment)	Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures
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

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

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

The Group adopted an amendment to HKAS 19 "Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures" as at 1 January 2006. The Group now recognises all actuarial gains and losses arising from defined benefit plans immediately in equity. In previous years, the Group applied the corridor method to recognise actuarial gains and losses over the expected average remaining working lives of employees in the plans, and recognised such gains and losses in income statement.

This represents a change in an accounting policy and should be accounted for retrospectively in accordance with the transitional provisions of the amendments. However, as the amount is immaterial, all cumulated differences on the equity have been charged to equity in the current period. This resulted in a decrease of RMB5,971,000 in equity during the period, which represented the recognition of actuarial loss on plan assets of RMB10,072,000 offset by the related deferred tax assets of RMB4,101,000.

The HKICPA has issued certain new standards, interpretations and amendments which are not yet effective for the year ending 31 December 2006. The Group has not early adopted the above 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 Group's accounting policies and presentation of the financial statements will result.

3 FINANCIAL RISK MANAGEMENT

All aspect of the Group's financial risk management objectives and policies are consistent with those disclosed in the 2005 Annual Financial Statements.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT

The preparation of the unaudited Condensed Consolidated Financial Statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgements and key estimates applied 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 reviewed the residual values and useful lives of containers as at 1 January 2006. The depreciation charge of containers for the six months ended 30 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 RMB13,509,000 while increasing the deferred income tax charge by approximately RMB2,851,000 for the six months ended 30 June 2006.

5 TURNOVER AND SEGMENT INFORMATION

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

	Six months ended 30 June	
	2006	2005
	RMB'000	*RMB'000*
Container shipping and related businesses	**17,768,445**	17,920,298
Container terminals and related businesses	**85,655**	78,775
Container leasing	**615,454**	577,689
	18,469,554	18,576,762

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

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

(a) Primary reporting segment – business segments

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

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

The segment information of freight forwarding and shipping agency for the six months ended 30 June 2005 and as at 31 December 2005 has been included in the segment of container shipping and related businesses to conform with the current period's presentation.

5 TURNOVER AND SEGMENT INFORMATION *(Continued)*

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

The segment results and other information for the six months ended 30 June 2006 and 2005 are as follows:

	Six months ended 30 June 2006					
	Container shipping and related businesses *RMB'000*	Container terminals and related businesses *RMB'000*	Container leasing *RMB'000*	Other operations *RMB'000*	Inter-segment elimination *RMB'000*	Total *RMB'000*
Turnover						
External sales	17,768,445	85,655	615,454	—	—	18,469,554
Inter-segment sales	—	120	507,681	—	(507,801)	—
	17,768,445	85,775	1,123,135	—	(507,801)	18,469,554
Segment results	732,868	111,396	771,046	—	—	1,615,310
Gain on disposal of containers *(note 15(a))*	—	—	678,284	—	—	678,284
Share reform *(note 14)*	—	—	—	(511,305)	—	(511,305)
Unallocated income						145,839
Unallocated expenses						(56,955)
Operating profit						1,871,173
Finance costs						(495,304)
Share of profits less losses of						
– jointly controlled entities	1,443	211,820	—	116,648	—	329,911
– associates *(note i)*	4,782	58,878	—	276,092	—	339,752
Profit before income tax						2,045,532
Income tax expenses						(539,453)
Profit for the period						1,506,079
Depreciation and amortisation	484,495	6,096	449,950	2,265	—	942,806
Capital expenditure	143,877	2,434	1,495,246	18,598	—	1,660,155
Reversal of provision for impairment of trade and other receivables, net	(57,969)	—	(9,209)	—	—	(67,178)
Amortised amount of transaction costs on long-term borrowings	2,963	—	29,146	721	—	32,830
Other non-cash expenses	—	651	4,064	1,044	—	5,759

5 TURNOVER AND SEGMENT INFORMATION *(Continued)*

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

	Six months ended 30 June 2005 (Restated)					
	Container shipping and related businesses *RMB'000*	Container terminals and related businesses *RMB'000*	Container leasing *RMB'000*	Other operations *RMB'000*	Inter-segment elimination *RMB'000*	Total *RMB'000*
Turnover						
External sales	17,920,298	78,775	577,689	—	—	18,576,762
Inter-segment sales	—	17	517,954	—	(517,971)	—
	17,920,298	78,792	1,095,643	—	(517,971)	18,576,762
Segment results	2,830,873	114,794	598,553	—	—	3,544,220
Profit on disposal of an available-for-sale financial asset *(note 15(b))*	—	512,117	—	—	—	512,117
Unallocated income						42,900
Unallocated expenses						(103,572)
Operating profit						3,995,665
Finance costs						(377,184)
Share of profits less losses of						
– jointly controlled entities	13,605	226,006	—	123,069	—	362,680
– associates *(note i)*	2,514	67,627	—	373,520	—	443,661
Profit before income tax						4,424,822
Income tax expenses						(792,391)
Profit for the period						3,632,431
Depreciation and amortisation	496,140	5,197	418,908	1,771	—	922,016
Capital expenditure	1,505,524	23,737	2,291,473	238	—	3,820,972
Provision for impairment of trade and other receivables, net	13,604	—	—	1,226	—	14,830
Amortised amount of transaction costs on long-term borrowings	1,400	—	4,908	1,861	—	8,169
Other non-cash expenses	—	594	434	1,116	—	2,144

5 TURNOVER AND SEGMENT INFORMATION *(Continued)*

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

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

	As at 30 June 2006					
	Container shipping and related businesses *RMB'000*	**Container terminals and related businesses** *RMB'000*	**Container leasing** *RMB'000*	**Other operations** *RMB'000*	**Inter-segment elimination** *RMB'000*	**Total** *RMB'000*
Segment assets	**26,091,199**	**462,569**	**13,933,473**	**124,507**	**(206,935)**	**40,404,813**
Jointly controlled entities	**7,099**	**1,843,809**	**—**	**1,772,214**	**—**	**3,623,122**
Associates *(note ii)*	**25,175**	**1,379,809**	**—**	**3,160,631**	**—**	**4,565,615**
Available-for-sale financial assets	**8,606**	**2,295,603**	**—**	**71,201**	**—**	**2,375,410**
Unallocated assets						**2,804,739**
Total assets						**53,773,699**
Segment liabilities	**15,644,812**	**1,030,633**	**2,513,897**	**1,975,001**	**(206,935)**	**20,957,408**
Unallocated liabilities						**6,310,510**
Total liabilities						**27,267,918**

	As at 31 December 2005 (Restated)					
	Container shipping and related businesses *RMB'000*	Container terminals and related businesses *RMB'000*	Container leasing *RMB'000*	Other operations *RMB'000*	Inter-segment elimination *RMB'000*	Total *RMB'000*
Segment assets	26,100,982	422,903	12,622,708	113	(190,987)	38,955,719
Jointly controlled entities	8,297	1,624,257	—	1,631,955	—	3,264,509
Associates *(note ii)*	24,955	970,232	—	3,073,367	—	4,068,554
Available-for-sale financial assets	8,945	2,134,744	—	89,353	—	2,233,042
Unallocated assets						3,153,830
Total assets						51,675,654
Segment liabilities	14,099,162	1,030,500	4,665,640	1,474,627	(190,987)	21,078,942
Unallocated liabilities						4,651,620
Total liabilities						25,730,562

5 TURNOVER AND SEGMENT INFORMATION *(Continued)*

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

Notes:

(i) For the six months ended 30 June 2006, the Group's share of profits (net of income tax expenses) of China International Marine Containers (Group) Co., Ltd. ("CIMC") and Liu Chong Hing Bank Limited ("LCHB"), listed associates of the Group, amounted to RMB215,587,000 (2005: RMB333,013,000) and RMB50,806,000 (2005: RMB40,497,000) respectively.

(ii) As at 30 June 2006, the Group's share of net assets of CIMC and LCHB amounted to RMB1,634,788,000 (31 December 2005: RMB1,560,316,000) and RMB1,374,603,000 (31 December 2005: RMB1,371,507,000) respectively.

(b) Secondary reporting format – geographical segments

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

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

In respect of freight forwarding and shipping agency which are supportive to the container shipping business and included in the segment of container shipping and related businesses, turnover is based on the geographical locations in which the business operations are located.

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

In respect of other activities including container terminals and related businesses, turnover is based on the geographical locations in which the business operations are located.

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

5 TURNOVER AND SEGMENT INFORMATION *(Continued)*

(b) Secondary reporting format – geographical segments *(Continued)*

	Six months ended 30 June	
	2006	2005
	RMB'000	*RMB'000*
America	**6,147,999**	5,804,239
Europe	**4,236,080**	4,851,541
Asia Pacific	**3,008,280**	3,105,893
China domestic	**3,247,721**	2,917,459
Other international market	**1,214,020**	1,319,941
Unallocated	**615,454**	577,689
Total turnover	**18,469,554**	18,576,762

6 TANGIBLE AND INTANGIBLE ASSETS

Six months ended 30 June 2006	*RMB'000*
Opening net book value as at 1 January 2006	**28,729,756**
Exchange differences	**(183,959)**
Additions	**1,660,155**
Disposals	**(6,566,633)**
Depreciation/amortisation	**(942,806)**
Transfer to inventories	**(9,212)**
Closing net book value as at 30 June 2006	**22,687,301**

Six months ended 30 June 2005	*RMB'000*
Opening net book value as at 1 January 2005	25,803,487
Exchange differences	(2,628)
Additions	3,820,972
Disposals	(214,277)
Depreciation/amortisation	(922,016)
Closing net book value as at 30 June 2005	28,485,538

7 TRADE AND OTHER RECEIVABLES

	As at 30 June 2006 RMB'000	As at 31 December 2005 RMB'000
Trade receivables *(note a)*		
– third parties	**3,442,227**	2,697,957
– subsidiaries of COSCO	**1,121,940**	617,251
– jointly controlled entities	**389,487**	325,891
– related companies	**6,339**	8,970
	4,959,993	3,650,069
Bills receivables *(note a)*	**38,693**	53,219
	4,998,686	3,703,288
Prepayments, deposits and other receivables	**678,173**	443,909
Due from related parties (note b)		
– COSCO	**12,336**	16,467
– subsidiaries of COSCO	**339,249**	59,544
– jointly controlled entities	**72,404**	58,666
– associates	**125,100**	566
– related companies	**91,949**	95,189
	641,038	230,432
	6,317,897	4,377,629

7 TRADE AND OTHER RECEIVABLES *(Continued)*

Notes:

(a) The normal credit period granted to customers is generally in the range of 25 to 90 days. As at 30 June 2006, the aging analysis of trade and bills receivables is as follows:

	As at 30 June 2006 *RMB'000*	As at 31 December 2005 *RMB'000*
1-3 months	**4,624,251**	3,489,622
4-6 months	**307,348**	154,958
7-12 months	**69,967**	63,671
1-2 years	**16,055**	22,609
2-3 years	**12,089**	2,545
	5,029,710	3,733,405
Provision for impairment	**(31,024)**	(30,117)
	4,998,686	3,703,288

(b) The amounts due from COSCO, subsidiaries of COSCO, jointly controlled entities, associates and related companies are unsecured and interest free. Trading balances with COSCO, subsidiaries of COSCO, jointly controlled entities, associates and related companies have similar credit periods as third party trade receivables while other balances have no fixed terms of repayment.

8 SHARE CAPITAL AND EQUITY LINKED BENEFITS

(a) Share capital

	30 June 2006		31 December 2005	
	Number of shares *(thousands)*	**Nominal value** *RMB'000*	Number of shares *(thousands)*	Nominal value *RMB'000*
Registered, issued and fully paid				
Domestic shares of RMB1.00 each	**3,896,000**	**3,896,000**	3,896,000	3,896,000
H shares of RMB1.00 each	**2,244,000**	**2,244,000**	2,244,000	2,244,000
	6,140,000	**6,140,000**	6,140,000	6,140,000

8 SHARE CAPITAL AND EQUITY LINKED BENEFITS *(Continued)*

(a) Share capital *(Continued)*

There was no movement in the Company's registered and issued share capital during the six months ended 30 June 2006.

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

(b) Share appreciation rights

The Company has adopted a cash-settled, share-based payment scheme (the "Plan"). The Plan provides for the grant of share appreciation rights ("SARs") to eligible participants, including Directors (excluding independent non-executive Directors), supervisors, senior management of the Company and COSCO Container Lines Company Limited ("COSCON") and its subsidiaries and other grantees as approved by the Company's Board of Directors. On 16 December 2005, 22,150,000 SARs was granted by the Company to eligible participants with an exercise price of HK$3.195. During the period, there was no movement in the number of SARs granted by the Company.

(c) Share options of a subsidiary

Movements of the share options, which have been granted under the share option schemes adopted by the Company's subsidiary, COSCO Pacific Limited ("COSCO Pacific") on 30 November 1994 and 23 May 2003 respectively, during the period are set out below:

		Number of share options		
Category	**Exercise price HK$**	**Outstanding as at 1 January 2006**	**Exercised during the period**	**Outstanding as at 30 June 2006**
Directors	9.54	3,300,000	(800,000)	**2,500,000**
	13.75	9,000,000	(500,000)	**8,500,000**
Supervisor	9.54	400,000	(100,000)	**300,000**
	13.75	1,000,000	—	**1,000,000**
Others	8.80	1,154,000	(32,000)	**1,122,000**
	9.54	8,898,000	(2,758,000)	**6,140,000**
	13.75	47,844,000	(15,042,000)	**32,802,000**
		71,596,000	(19,232,000)	**52,364,000**

9 EQUITY

	Equity holders of the Company								
	Share capital RMB'000	Capital reserve RMB'000	Special reserve RMB'000	Statutory reserve funds RMB'000	Investment revaluation reserve RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Minority interests RMB'000	Total RMB'000
As at 1 January 2006	6,140,000	8,240,240	279,422	1,081,763	828,375	(393,559)	2,260,111	7,508,740	25,945,092
Actuarial losses on defined benefit pension plans and related deferred tax	–	–	–	–	–	–	(5,971)	–	(5,971)
Profit for the period	–	–	–	–	–	–	978,065	528,014	1,506,079
Transfer of reserves	–	–	–	281,347	–	–	(281,347)	–	–
2005 final dividend	–	–	–	–	–	–	(798,200)	–	(798,200)
Dividends paid to minority shareholders of subsidiaries	–	–	–	–	–	–	–	(337,019)	(337,019)
Increase in equity interest from minority shareholder of a subsidiary	–	(23,954)	–	–	(3,728)	685	–	200,658	173,661
Exchange differences	–	–	–	–	–	(73,374)	–	(55,188)	(128,562)
Fair value gains on available-for-sale financial assets	–	–	–	–	59,935	–	–	56,246	116,181
Share of reserves of a jointly controlled entity and associates	–	–	–	–	23,282	–	–	20,581	43,863
Others	–	–	–	–	–	–	(9,343)	–	(9,343)
As at 30 June 2006	6,140,000	8,216,286	279,422	1,363,110	907,864	(466,248)	2,143,315	7,922,032	26,505,781

9 EQUITY *(Continued)*

	Equity holders of the Company								
	Share capital *RMB'000*	Capital reserve *RMB'000*	Special reserve *RMB'000*	Statutory reserve funds *RMB'000*	Investment revaluation reserve *RMB'000*	Exchange reserve *RMB'000*	Retained profits *RMB'000*	Minority interests *RMB'000*	Total *RMB'000*
As at 1 January 2005	4,100,000	2,929,994	—	217,814	1,030,706	26,131	348,302	7,007,499	15,660,446
Profit for the period	—	—	—	—	—	—	2,772,796	859,635	3,632,431
Distributions	—	—	—	—	—	—	(3,426,438)	—	(3,426,438)
Capital reduction of a subsidiary	—	(3,720,000)	—	—	—	—	3,720,000	—	—
Capitalisation upon reorganisation of the Company	—	2,248,316	279,422	(217,814)	—	(26,131)	(2,283,793)	—	—
Release of reserves upon disposal of an available-for-sale financial asset	—	—	—	—	(273,596)	—	—	(225,656)	(499,252)
Fair value gains on available-for-sale financial assets	—	—	—	—	3,092	—	—	2,819	5,911
Share of reserves of a jointly controlled entity and associates	—	(4,056)	—	—	—	—	—	(3,700)	(7,756)
Dividends paid to minority shareholders	—	—	—	—	—	—	—	(290,425)	(290,425)
Increase in equity interest from minority shareholder of a subsidiary	—	(1,440)	—	—	(1,693)	—	—	83,973	80,840
Exchange differences	—	—	—	—	—	(15,080)	—	(22,945)	(38,025)
Transfer of reserves	—	—	—	519,069	—	—	(519,069)	—	—
Issue of new shares, net of share issuing expenses	2,040,000	6,777,797	—	—	—	—	—	—	8,817,797
Others	—	—	—	—	—	—	(14,685)	—	(14,685)
As at 30 June 2005	6,140,000	8,230,611	279,422	519,069	758,509	(15,080)	597,113	7,411,200	23,920,844

10 LONG-TERM BORROWINGS

	As at 30 June 2006 RMB'000	As at 31 December 2005 RMB'000
Bank loans		
– secured *(note)*	**7,083,549**	10,570,648
– unsecured	**1,443,586**	1,588,449
Secured other loans *(note)*	**—**	61,027
Finance lease obligation	**1,240**	—
Notes	**2,254,404**	2,346,242
	10,782,779	14,566,366
Current portion of long-term borrowings	**(1,381,391)**	(2,196,863)
	9,401,388	12,369,503

Long-term borrowings are analysed as follows:

	As at 30 June 2006 RMB'000	As at 31 December 2005 RMB'000
Wholly repayable within five years		
– bank loans	**3,653,381**	7,920,595
– other loans	**—**	61,027
– finance lease obligation	**1,240**	—
	3,654,621	7,981,622
Not wholly repayable within five years		
– bank loans	**4,873,754**	4,238,502
– notes	**2,254,404**	2,346,242
	7,128,158	6,584,744
	10,782,779	14,566,366

10 LONG-TERM BORROWINGS *(Continued)*

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

	As at 30 June 2006	As at 31 December 2005
	RMB'000	*RMB'000*
Bank loans		
– within one year	**1,381,019**	2,173,798
– in the second year	**2,511,871**	2,222,049
– in the third to fifth years	**2,530,790**	5,346,415
– over five years	**2,103,455**	2,416,835
	8,527,135	12,159,097
Other loans		
– within one year	**—**	23,065
– in the second year	**—**	24,840
– in the third to fifth years	**—**	13,122
	—	61,027
Finance lease obligation		
– within one year	**372**	—
– in the second year	**496**	—
– in the third to fifth years	**372**	—
	1,240	—
Notes		
– over five years	**2,254,404**	2,346,242
	10,782,779	14,566,366

Note:

As at 30 June 2006 and 31 December 2005, the secured bank loans are secured, inter alia, by one or more of the following:

(i) First legal mortgage over certain container vessels and land use rights.

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

(iii) Shares and bank deposits of certain subsidiaries.

As at 31 December 2005, certain bank and other loans of RMB2,781,100,000 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 were fully repaid during the six months ended 30 June 2006.

11 TRADE AND OTHER PAYABLES

	As at 30 June 2006 *RMB'000*	As at 31 December 2005 *RMB'000*
Trade payables *(notes a and b)*		
– third parties	**1,690,799**	1,219,930
– subsidiaries of COSCO	**312,552**	335,209
– jointly controlled entities	**326,784**	192,749
– associates	**313,808**	137,129
– related companies	**870,059**	605,311
	3,514,002	2,490,328
Other payables and accruals	**3,271,313**	2,955,952
Distribution payable to COSCO *(note d)*	**1,125,372**	1,794,022
Due to related parties *(note c)*		
– COSCO	**36,278**	116,364
– subsidiaries of COSCO	**—**	1,053
	36,278	117,417
	7,946,965	7,357,719

Notes:

(a) The amounts are unsecured and interest free. Trading balances with the subsidiaries of COSCO, jointly controlled entities, associates and other related companies have similar credit periods granted by those of third party suppliers.

(b) As at 30 June 2006, the aging analysis of trade payables is as follows:

	As at 30 June 2006 *RMB'000*	As at 31 December 2005 *RMB'000*
1-6 months	**3,348,484**	2,305,917
7-12 months	**106,897**	72,601
1-2 years	**36,276**	81,188
2-3 years	**6,038**	12,425
Above 3 years	**16,307**	18,197
	3,514,002	2,490,328

(c) The amounts due to related parties are unsecured, interest free and have no fixed terms of repayment.

(d) The amount of RMB1,125,372,000 was fully settled subsequent to the period end.

12 SHORT-TERM LOANS

	As at 30 June 2006 RMB'000	As at 31 December 2005 RMB'000
Unsecured bank loans	**6,100,183**	1,773,108
Unsecured loan from an associate/a fellow subsidiary	**350,000**	350,000
	6,450,183	2,123,108

13 OTHER GAINS, NET

	Six months ended 30 June	
	2006 RMB'000	2005 RMB'000
Dividend income from		
– a listed investment	**3,829**	6,356
– unlisted investments	**74,491**	70,623
	78,320	76,979
Interest income from		
– deposits with an associate/a fellow subsidiary	**1,859**	3,023
– loan to a jointly controlled entity	**1,662**	1,109
– loans to associates	**2,103**	480
– loan to an investee	**156**	1,275
– third parties	**91,408**	34,888
	97,188	40,775
Gain on interest rate swap contracts not qualifying as hedges	**6,223**	42,185
Net exchange loss	**(36,283)**	(83,339)
	145,448	76,600

14 SHARE REFORM

The Group holds 327,402,912 non-publicly tradeable shares of CIMC ("CIMC Non-tradeable Shares"), an associate of the Group. On 25 May 2006, the Group issued 424,106,507 put option certificates (the "Put Options") to all holders of the A-shares of CIMC as accepted inducement for the approval by the holders of the A-shares of CIMC of the conversion of the CIMC Non-tradeable Shares held by the Group into CIMC A-shares which are publicly tradeable on the Shenzhen Stock Exchange in the PRC (the "Share Reform"). If all the Put Options are exercised in full, COSCO Pacific will have to pay a total sum of approximately RMB4,241,000,000 in cash and COSCO Pacific's equity interest in CIMC will be increased from approximately 16% to 37% after the acquisition.

14 SHARE REFORM *(Continued)*

The Put Options are derivative financial instruments which are initially recognised at fair values and any subsequent changes in their fair values, are debited or credited in the unaudited condensed consolidated income statement. The net amount recognised in the unaudited condensed consolidated income statement for the current period in connection with the Put Options granted under the Share Reform was RMB511,305,000.

15 OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	Six months ended 30 June	
	2006	2005
	RMB'000	*RMB'000*
Crediting:		
Sale of resaleable containers	**151,805**	100,543
Gain on disposal of property, plant and equipment		
– containers *(note a)*	**678,284**	—
– vessels *(note 23(n))*	**290,807**	—
– others	**3,981**	645
Gain on deemed disposal of a subsidiary	**89,048**	33,503
Profit on disposal of an available-for-sale financial asset *(note b)*	**—**	512,117
Reversal of provision for impairment of trade and other receivables	**70,336**	50
Government subsidy	**206,382**	3,222
Gain on disposal of jointly controlled entities and dissolution of associates, net	**—**	1,029
Charging:		
Depreciation and amortisation	**942,806**	922,016
Cost of resaleable containers sold	**138,737**	96,661
Cost of bunkers and fuel consumed	**3,275,110**	1,973,398
Operating lease rentals:		
– container vessels	**1,196,413**	919,018
– containers	**440,801**	376,455
– land and buildings	**55,240**	46,410
– other property, plant and equipment	**120,410**	102,692
Provision for impairment of trade and other receivables	**3,158**	14,880

15 OPERATING PROFIT *(Continued)*

Notes:

(a) The Group disposed of its containers leased out under operating leases for a cash consideration of approximately RMB6,772,192,000. The disposal was completed on 30 June 2006. The Group also received a finder fee of approximately RMB122,406,000 in respect of its services rendered for the entire transaction prior to completion of the disposal. The gain on disposal of these containers and the finder fee are included in other operating income.

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

16 FINANCE COSTS

	Six months ended 30 June	
	2006	2005
	RMB'000	*RMB'000*
Interest expenses		
– bank loans	**375,860**	275,024
– other loans	**64**	5,199
– loans from an associate/a fellow subsidiary wholly repayable within one year	**9,374**	—
– notes not wholly repayable within five years	**67,351**	72,941
– finance lease obligations	**—**	6,137
Amortised amount of transaction costs on long-term borrowings	**32,830**	8,169
Amortised amount of discount on issue of notes	**867**	944
Other incidental borrowing costs and charges	**8,958**	8,770
	495,304	377,184

17 INCOME TAX EXPENSES

	Six months ended 30 June	
	2006	2005
	RMB'000	*RMB'000*
Current income tax		
– PRC enterprise income tax *(note a)*	**33,501**	424,734
– Hong Kong profits tax *(note b)*	**1,472**	1,741
– Overseas taxation *(note c)*	**1,025,866**	20,036
Under/(over) provision in prior periods	**23,561**	(45)
	1,084,400	446,466
Deferred income tax, net	**(544,947)**	345,925
	539,453	792,391

17 INCOME TAX EXPENSES *(Continued)*

Notes:

(a) The provision for enterprise income tax ("EIT") is calculated based on the statutory rate of 33% (2005: 33%) on the taxable income of each of the PRC companies of the Group as determined in accordance with the relevant PRC income tax rules and regulations for the period, except for certain subsidiaries, which are taxed at reduced rates ranging from 15% to 27% (2005: 15% to 27%) based on different local preferential policies on income tax and approval by relevant tax authorities.

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

(c) Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in which the Group operates. The overseas taxation charge for the current period represents primarily the estimated capital gain tax in connection with the disposal as mentioned in note 15(a).

(d) The Group's share of income tax expenses of jointly controlled entities and associates for the six months ended 30 June 2006 amounted to RMB49,455,000 (2005: RMB61,440,000) and RMB25,201,000 (2005: RMB42,183,000) are included in the unaudited condensed consolidated income statement as share of profits less losses of jointly controlled entities and associates respectively.

(e) Deferred taxation is calculated in full on temporary differences under the liability method using tax rates substantively enacted at the balance sheet date. The deferred tax liabilities associated with certain containers disposed of have been written back and credited to the unaudited condensed consolidated income statement during the period.

As at 30 June 2006, deferred income tax liabilities of RMB1,116,300,000 (31 December 2005: RMB919,200,000) have not been established for the withholding taxation that would be payable on the unremitted earnings of certain subsidiaries totalling RMB5,296,400,000 (31 December 2005: RMB4,521,810,000) 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.

18 DISTRIBUTIONS AND DIVIDENDS

(a) Distributions

	Six months ended 30 June	
	2006	2005
	RMB'000	*RMB'000*
Distributions to COSCO *(note)*	—	3,300,000
Transfer of other subsidiaries	—	112,767
Others	—	13,671
	—	3,426,438

Note:

These represented the estimated aggregate amounts of mandatory and special distributions to COSCO in respect of profits of the Group prior to the listing.

The actual amounts of distributions to COSCO, as determined based on audited consolidated financial statements prepared in accordance with the relevant accounting principles and financial regulations applicable to PRC companies, amounted to RMB3,788,600,000 and were announced in April 2006. Amounts of RMB2,663,228,000 were paid to COSCO prior to 30 June 2006.

18 DISTRIBUTIONS AND DIVIDEND *(Continued)*

(b) Dividends

(i) On 11 April 2006, the Board declared a final dividend of RMB0.13 per share amounting to RMB798,200,000 for the year ended 31 December 2005. This amount was accounted for as an appropriation of retained profits for the six months ended 30 June 2006.

(ii) The Board does not recommend the payment of an interim dividend for six months ended 30 June 2006 (2005: nil).

19 EARNINGS PER SHARE

Basic

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

	Six months ended 30 June	
	2006	2005
Profit attributable to equity holders of the Company	**RMB978,065,000**	RMB2,772,796,000
Weighted average number of ordinary shares in issue	**6,140,000,000**	4,111,270,718
Basic earnings per share	**RMB0.159**	RMB0.674

Diluted

Diluted earnings per share is calculated based on the profit attributable to equity holders of the Company and the weighted average number of ordinary shares in issue during the period, after adjusting for the number of dilutive potential ordinary shares deemed to be issued at no consideration on the assumption that the special reserve had been converted into domestic shares at the offer price of HK$4.25.

	Six months ended 30 June	
	2006	2005
Profit attributable to equity holders of the Company	**RMB978,065,000**	RMB2,772,796,000
Weighted average number of ordinary shares in issue	**6,140,000,000**	4,111,270,718
Adjustments for assumed conversion of special reserve	**63,868,722**	450,439
Weighted average number of ordinary shares for diluted earnings per share	**6,203,868,722**	4,111,721,157
Diluted earnings per share	**RMB0.158**	RMB0.674

20 CONTINGENT LIABILITIES

The following is a summary of the Group's significant contingent liabilities as at 30 June 2006:

	As at 30 June 2006 *RMB'000*	As at 31 December 2005 *RMB'000*
Guarantee for bank loan facilities granted to an associate	**188,504**	176,899
Pending lawsuits *(note)*	**34,188**	32,656
	222,692	209,555

Note:

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

The Group is subject to other claims in respect of a number of litigations currently under way. As at 30 June 2006, the Group is unable to ascertain the likelihood and amounts of the respective claims. However, the Directors are of the opinion that, while the claims have not been provided for in the unaudited Condensed Consolidated Financial Statements or included in the contingent liabilities as disclosed above, either the Group's insurance coverage will be adequate to cover any final claims to be settled or the final claims amounts will be insignificant to the Group.

21 COMMITMENTS

(a) Capital commitments

	As at 30 June 2006 *RMB'000*	As at 31 December 2005 *RMB'000*
Authorised but not contracted for		
Containers	**1,126,892**	2,562,757
Vessels	**304,000**	304,000
Other property, plant and equipment	**281,376**	94,264
Investments	**—**	675
Intangible assets	**10,496**	7,918
	1,722,764	2,969,614
Contracted but not provided for		
Containers	**230,249**	67,233
Vessels	**11,424,589**	7,395,075
Other property, plant and equipment	**48,923**	96,258
Investments *(note)*	**6,866,269**	5,744,723
Intangible assets	**28,472**	11,805
	18,598,502	13,315,094

21 COMMITMENTS *(Continued)*

(a) Capital commitments *(Continued)*

Note:

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

	As at 30 June 2006 *RMB'000*	As at 31 December 2005 *RMB'000*
Investments in:		
– Qingdao Qianwan Container Terminal Co., Ltd	**670,231**	839,462
– Antwerp Gateway NV	**697,696**	654,421
– Dalian Port Container Terminals Co., Ltd	**713,775**	713,341
– Others	**371,292**	356,679
	2,452,994	2,563,903
Terminal projects in:		
– Guangzhou South China Oceangate Terminal	**2,365,346**	2,365,343
– Tianjin Port Euroasia Terminal	**1,079,998**	—
– Shanghai Yangshan Port Phase II	**399,996**	399,999
– Suez Canal Terminal at Port Said, Egypt	**379,791**	383,335
– Others	**188,144**	32,143
	4,413,275	3,180,820
	6,866,269	5,744,723

	As at 30 June 2006 *RMB'000*	As at 31 December 2005 *RMB'000*
Amounts of capital commitments relating to the Group's interest in the jointly controlled entities are as follows:		
Authorised but not contracted for	**272,482**	67,128
Contracted but not provided for	**57,856**	59,042

21 COMMITMENTS *(Continued)*

(b) Operating lease commitments for vessels and containers

As at 30 June 2006, the Group had future aggregate minimum lease payment under non-cancellable operating leases for vessels and containers as follows:

	As at 30 June 2006 *RMB'000*	As at 31 December 2005 *RMB'000*
Not later than one year	**3,319,433**	2,734,247
Later than one year and not later than five years	**9,967,932**	8,909,207
Later than five years	**10,425,289**	7,669,724
	23,712,654	19,313,178

22 DERIVATIVE FINANCIAL INSTRUMENTS

	As at 30 June 2006		As at 31 December 2005	
	Assets *RMB'000*	**Liabilities** *RMB'000*	Assets *RMB'000*	Liabilities *RMB'000*
Interest rate swap contracts				
– cash flow hedges *(note a)*	**10,631**	**—**	5,853	—
– fair value hedges *(note b)*	**—**	**90,959**	—	16,199
Put options *(note c)*	**—**	**511,305**	—	—
	10,631	**602,264**	5,853	16,199

Notes:

(a) The notional principal amounts of the related interest rate swap contracts amounted to USD100,000,000 (equivalent to approximately RMB799,560,000) (31 December 2005: USD100,000,000 (equivalent to approximately RMB807,020,000)) which were committed with fixed interest rates ranging from 3.88% to 4.90% (2005: 3.88% to 4.90%) per annum. These interest rate swap contracts do not qualify for hedge accounting.

(b) The notional principal amount of the related interest rate swap contracts amounted to USD200,000,000 (equivalent to approximately RMB1,599,120,000) (31 December 2005: USD200,000,000 (equivalent to approximately RMB1,614,040,000)) which were committed with 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 10).

22 DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

(c) The Company issued 424,106,507 Put Options to the holders of tradeable A-shares of CIMC. The fair value of Put Options as at 30 June 2006 was approximately RMB511,305,000.

(d) As at 30 June 2006, there were notional amounts of outstanding bunker forward agreements of USD140,562,500 (equivalent to approximately RMB1,124,500,000) (31 December 2005: USD24,864,000 (equivalent to approximately RMB200,656,000)) entered into by the Group. The fair value of the outstanding bunker forward agreements has not been recognised in the unaudited Condensed Consolidated Financial Statements as at 30 June 2006 as the amount is not significant to the Group.

23 SIGNIFICANT RELATED PARTY TRANSACTIONS

The Company is controlled by COSCO, the parent company. COSCO itself is a state-owned enterprise controlled by the PRC government. 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.

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

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

23 SIGNIFICANT RELATED PARTY TRANSACTIONS *(Continued)*

	Six months ended 30 June	
	2006	2005
	RMB'000	*RMB'000*
(1) Transactions with COSCO		
Expenses		
Vessel costs		
Subcharter expenses *(note a)*	**76,374**	34,062
(2) Transactions with subsidiaries of COSCO and its related entities (including its subsidiaries, jointly controlled entities and associates)		
Revenues		
Container shipping and related businesses		
Container shipping income *(note b)*	**215,578**	188,595
Freight forwarding and shipping agency income *(note c)*	**2,789**	9,929
Shipping-related service income *(note l)*	**13,710**	12,475
Expenses		
Vessel costs		
Vessel services expenses *(note d)*	**114,759**	120,374
Crew expenses *(note e)*	**260,681**	264,137
Subcharter expenses *(note a)*	**243,758**	247,940
Vessel management expenses *(note e)*	**50,488**	48,700
Voyage costs		
Bunker costs *(note f)*	**3,210,027**	1,547,787
Port charges *(note g)*	**587,650**	638,228
Equipment and cargo transportation costs		
Commission and rebates *(note h)*	**104,673**	110,538
Cargo and transhipment and equipment and repositioning expenses *(note i)*	**129,188**	118,055
Transportation and depot services expenses *(note j)*	**24,666**	86,200
Management fee expenses *(note l)*	**—**	8,831
General service expenses *(note l)*	**9,098**	12,067
Rental expenses *(note l)*	**17,400**	8,103
Others		
Consideration received for the disposal of a subsidiary and assignment of a shareholder's loan *(note m)*	**—**	13,502
Consideration received/receivable for the disposal of vessels to a fellow subsidiary *(note n)*	**425,650**	—
Downpayments for purchase of a property *(note p)*	**27,900**	—

23 SIGNIFICANT RELATED PARTY TRANSACTIONS *(Continued)*

	Six months ended 30 June	
	2006	2005
	RMB'000	*RMB'000*
(3) Transactions with jointly controlled entities of the Group		
Revenues		
Container shipping and related businesses		
Container shipping income *(note b)*	**125,945**	141,274
Freight forwarding and shipping agency income *(note c)*	**7,814**	—
Management fee income *(note l)*	**10,352**	10,610
Expenses		
Voyage costs		
Port charges *(note g)*	**542,842**	530,721
Equipment and cargo transportation costs		
Commission and rebates *(note h)*	**8,885**	2,500
Cargo and transhipment and equipment and repositioning expenses *(note i)*	**2,215**	757
Transportation and depot services expenses *(note j)*	**67,246**	70,371
Rental expenses *(note l)*	**2,464**	—
Others		
Purchase of containers *(note r)*	**190,866**	279,588
(4) Transactions with associates of the Group		
Others		
Purchase of containers *(note r)*	**500,854**	520,526

23 SIGNIFICANT RELATED PARTY TRANSACTIONS *(Continued)*

	Six months ended 30 June	
	2006	2005
	RMB'000	*RMB'000*
(5) Transactions with other state-owned enterprises		
Revenues		
Container shipping income *(note b)*	**1,934,637**	1,506,643
Freight forwarding and shipping agency income *(note c)*	**193,786**	215,453
Container rental income *(note l)*	**618**	1,134
Interest income on bank deposits *(note l)*	**47,187**	3,176
Expenses		
Vessel costs		
Vessel services expenses *(note d)*	**57,696**	55,903
Port charges *(note g)*	**740,315**	842,768
Transportation and depot services expenses *(note j)*	**78,593**	119,249
General service expenses *(note l)*	**425**	1,361
Interest expense *(note k)*	**143,545**	188,430

Notes:

(a) COSCO and its subsidiaries leased thirteen vessels to COSCON and Shanghai Pan Asia Shipping Company Limited by way of sub-time charter arrangements. The periods of the sub-time charters are of six to twelve years. The daily charterhire rate for each vessel was agreed on a mutual basis.

(b) COSCON provided a subsidiary of COSCO, COSCO Logistics Co., Ltd. ("COSCO Logistics") and its subsidiaries and certain state-owned enterprises with container shipping services. These services were charged on a mutually agreed basis, except for the transactions with the subsidiary of COSCO and jointly controlled entities, which are governed by the terms under the Master Solicitation Activities Agreement since 9 June 2005 (note o) and the underlying execution agreements. COSCO Logistics was owned as to 51% directly by COSCO and as to 49% indirectly by COSCO Pacific since January 2004.

(c) The subsidiaries of the Group provided the subsidiaries of COSCO, certain jointly controlled entities of the Group, certain state-owned enterprises with freight forwarding, shipping agency and related services. The services were charged based on a certain percentage of the related freight revenue or fixed amounts per volume handled or as terms governed by the Master Overseas Agency Services Agreement dated 9 June 2005 (note o).

(d) Certain subsidiaries of COSCO and state-owned enterprises provided COSCON and its subsidiaries with lubricants, paint for vessel repairing, paint for maintenance, vessel materials and parts, vessel radio and communication equipment, etc. The vessel services were charged on a mutually agreed basis, except for the transactions with subsidiaries of COSCO which are governed by the terms under Master Vessel Services Agreement dated 9 June 2005 (noted o).

(e) Shanghai Ocean Shipping Company ("SOSC"), a wholly-owned subsidiary of COSCO, provided the Group with crew and vessel management services. The services rendered were charged based on a mutually agreed basis or based on the actual costs incurred by SOSC and governed by the terms under Master Vessel Management Agreement and Master Seamen Leasing Agreement dated 9 June 2005 (note o).

23 SIGNIFICANT RELATED PARTY TRANSACTIONS *(Continued)*

(f) Certain subsidiaries and jointly controlled entities of COSCO provided COSCON and its subsidiaries with bunkers at prices with reference to market rates and governed by the terms under Master Vessel Services Agreement dated 9 June 2005 (note o).

The Group entered into bunker forward agreements through Chimbusco (Singapore) Pte Ltd ("Chimbusco"), a jointly controlled entity of COSCO. No service fees was charged by Chimbusco for the arrangements of bunker forward agreements.

As at 30 June 2006, there were notional amounts of outstanding bunker forward agreements of RMB1,124,500,000 (31 December 2005: RMB200,656,000) entered into by the Group for itself and certain fellow subsidiaries. The gain or loss on bunker forward agreements is shared between the Group and the fellow subsidiaries based on their respective actual consumption of bunkers for the period.

(g) Certain jointly controlled entities of COSCO and jointly controlled entities of the Group and certain state-owned enterprises provided the Group with container terminal handling and storage services, port services and shipping services. The services rendered were charged at terms as agreed with the related parties or at terms based on respective underlying agreements entered into between the Group and the respective related companies or at terms governed by the Master Port Services Agreement dated 9 June 2005 (note o).

(h) Certain subsidiaries of COSCO and certain subsidiaries, jointly controlled entities and an associate of COSCO Logistics, and certain jointly controlled entities of the Group provided COSCON with shipping agency, freight forwarding, freight solicitation, slot booking services and other related services. The service was charged based on a certain percentage of the related freight revenue, the quantity of cargo solicited, at terms as agreed with the related parties and at terms governed by the Master Overseas Agent Services Agreement dated 9 June 2005 (note o) and the underlying execution agreements.

(i) Certain subsidiaries of COSCO and jointly controlled entities of the Group provided the Group with container services including provision of container depots, repairs, towage, examination and maintenance of containers and related services. The container services were charged at terms as agreed with the related parties or at terms governed by the Master Container Services Agreement dated 9 June 2005 (note o) and the underlying execution agreements.

(j) Certain subsidiaries, jointly controlled entities and associates of COSCO and COSCO Logistics, certain jointly controlled entities of the Group and state-owned enterprises provided the Group with transportation and depot services. The charges were based on the terms as governed by the Master Container Services Agreement or Master Solicitation Services Agreement dated 9 June 2005 (note o) and the underlying execution agreements or at terms as agreed with the related parties.

(k) Interest was charged for loans with state-owned banks in accordance with the terms as set out in the respective agreements or as mutually agreed between the parties in concern.

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

(m) These transactions were conducted at terms as set out in the relevant agreements entered into between the Group and the parties in concern.

(n) In June 2006, the Group disposed of two vessels to a fellow subsidiary, SOSC for a consideration of RMB425,650,000, resulting in a gain of approximately RMB290,807,000. The Group has entered into lease agreements to charter in these two vessels at the same day.

23 SIGNIFICANT RELATED PARTY TRANSACTIONS *(Continued)*

(o) On 9 June 2005, the Group (other than COSCO Pacific group) and certain subsidiaries of COSCO Group entered into eight master agreements effective on or after 9 June 2005 with an initial term of three years relating to the provision of general services, vessel services, agency and management services, container services solicitation activities, port services, vessel management services, seamen leasing, properties leasing, provision of products and services. Upon the expiry of initial term, each of the master agreements shall automatically continue for a term to be agreed by the parties of such master agreements. Each of the eight master agreements contains binding principles, guidelines and terms and conditions pursuant to which any and all products and services contemplated therein are to be provided by the relevant provider to the relevant recipient. The fee of each relevant product or service under each of the master agreements is determined with reference to state-prescribed prices, market price or the actual cost incurred in providing such products or services plus a margin. The master agreements are framework agreements which provide the mechanism for the operation of the related party transactions and individual execution agreements may be entered into between the Group and the related party, if appropriate.

(p) On 30 May 2006, the Group entered into the agreement with Qingdao Ocean Shipping Company Limited to acquire a property, which is under construction, for a consideration of RMB43,400,000. As at 30 June 2006, RMB27,900,000 was paid.

(q) In April 2005, the Group entered into several ship building contracts with Nantong COSCO KHI Ship Engineering Co., Ltd., a joint venture of a subsidiary of COSCO Group, for the construction of four 10,000 TEU container vessels. The total contract price was approximately USD485,800,000 (equivalent to approximately RMB4,021,200,000). As at 30 June 2006, RMB392,100,000 was paid.

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

(6) Balances with related parties

Other than those disclosed elsewhere in the unaudited Condensed Consolidated Financial Statements, the balances with related entities are as follows:

	As at 30 June 2006 ***RMB'000***	As at 31 December 2005 *RMB'000*
Deposits placed with		
– an associate/a fellow subsidiary *(note a)*	**79,560**	54,441
– State-owned banks and other state-owned non-bank financial institutions *(note a)*	**4,354,093**	5,007,356
Loans		
– State-owned banks and other state-owned non-bank financial institutions *(note a)*	**8,045,572**	7,857,147
Trade and other receivables		
– State-owned enterprises *(note b)*	**675,718**	302,839
Trade and other payables		
– State-owned enterprises *(note b)*	**216,766**	133,943

23 SIGNIFICANT RELATED PARTY TRANSACTIONS *(Continued)*

Notes:

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

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

(7) Key management compensation

	Six months ended 30 June	
	2006	2005
	RMB'000	*RMB'000*
Salaries, bonuses and other allowances	**8,924**	2,752
Contribution to retirement benefit scheme	**134**	66
	9,058	2,818

24 EVENTS AFTER THE BALANCE SHEET DATE

(i) Pursuant to an agreement dated 17 July 2006, COSCO Pacific agreed to dispose of its entire 20% equity interest in Shanghai CIMC Far East Container Co., Ltd. ("Shanghai Far East"), to a wholly owned subsidiary of CIMC at a cash consideration of approximately RMB49,600,000. The gain on the disposal of Shanghai Far East is estimated to be approximately RMB44,000,000.

(ii) On 8 August 2006, a subsidiary of COSCO Pacific has 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 subsidiary of COSCO Pacific will have 71.43% equity interest in QPCT and its committed investment cost in QPCT amounted to approximately RMB570,000,000.

(iii) On 8 August 2006, COSCON has entered into an agreement with Tianjin Port International Logistics Development Co., Limited for the establishment of Tianjin Binhai COSCO Container Logistics Co., Limited ("TBCCL") for operating logistic business in Tianjin Port. COSCON will have 56.1% equity interest in TBCCL and its total investment cost in TBCCL amounted to approximately RMB106,590,000.

25 COMPARATIVES

Certain comparative figures have been reclassified or restated to conform with the current period's presentation.

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

INTRODUCTION

We have been instructed by the Company to review the interim financial report of the Company and its subsidiaries for the six months ended 30 June 2006 (the "Interim Financial Report") set out on pages 27 to 63.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

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

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

REVIEW WORK PERFORMED

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

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

MODIFIED REVIEW CONCLUSION ARISING FROM LIMITATIONS OF REVIEW SCOPE

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 19 September 2006