NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

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

These consolidated financial statements have been approved for issue by the Board of Directors on 22nd March 2007.

2 BASIS OF PREPARATION

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

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

Adoption of new and revised HKFRSs

The HKICPA has issued certain new and revised HKFRSs which are mandatory for the Group's accounting periods on or after 1st January 2006 (the "New HKFRSs"). Except for the change in the accounting policy in respect of financial guarantees, the adoption of the New HKFRSs in the current year did not result in any significant changes to the Group's significant accounting policies and the presentation of the Group's financial statements. Details of the change in the accounting policy in respect of financial guarantees are as follows:

In prior years, financial guarantees issued by the Group or the Company were only disclosed as contingent liabilities and no provisions were made in respect of these guarantees unless it was more likely than not that the guarantees would be called upon. Upon the adoption of the Amendments to Hong Kong Accounting Standard ("HKAS") 39 and HKFRS 4 "Financial Guarantee Contracts" (the "Amendments"), financial guarantees are accounted for as financial liabilities under HKAS 39 "Financial Instruments: Recognition and Measurement" and measured initially at fair value and subsequently stated at the higher of (i) the amount initially recognised less accumulated amortisation; and (ii) the amount of the provision, if any, that should be recognised in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets". The adoption of the Amendments did not have any material impact on the financial statements of the Group and the Company for the years ended 31st December 2006 and 2005.

2 BASIS OF PREPARATION (CONTINUED)

New or revised HKFRSs and interpretations that are not yet effective

The HKICPA has issued the following new or revised HKFRSs and interpretations which are not yet effective for the year ended 31st December 2006 and may be relevant to the Group's operations:

		Effective for accounting periods beginning on or after
HK(IFRIC)-Int 8	Scope of HKFRS 2	1st May 2006
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives	1st June 2006
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment	1st November 2006
HKFRS 7	Financial Instruments: Disclosures	1st January 2007
HKAS 1 (Amendments)	Presentation of Financial Statements: Capital Disclosures	1st January 2007

The Group has not early adopted the above new or revised HKFRSs and interpretations in the consolidated financial statements for the year ended 31st December 2006. The Group has already commenced an assessment of the related impact to the Group but is not yet in a position to state whether any substantial changes to Group's accounting policies and presentation of the consolidated financial statements will be resulted.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Group accounting

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

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

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated income statement. Investment in a jointly controlled entity/an associate is accounted for using the equity method from the date on which it becomes a jointly controlled entity/an associate. The measurement and recognition of goodwill is the same as that of goodwill arising from the acquisition of subsidiaries. Goodwill relating to a jointly controlled entity/an associate is included in the carrying amount of the investment. Appropriate adjustments to the Group's share of the profits or losses after acquisition are made to the consolidated financial statements based on the fair values of the assets and liabilities acquired at date of acquisition.

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

3.1 Group accounting (Continued)

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

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

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

(a) Subsidiaries

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

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

(b) Jointly controlled entities

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

(c) Associates

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

3.2 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in United States dollars ("US dollar"), which are the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Foreign currency translation (Continued)

(b) Transactions and balances (Continued)

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

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

(c) Group companies

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

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

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

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Property, plant and equipment

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

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

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

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

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

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

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

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

3.4 Leasehold land and land use rights

Leasehold land and land use rights represent prepaid operating lease payments for land less accumulated amortisation and any impairment losses. Amortisation is calculated using the straight-line method to allocate the prepaid operating lease payments for land over the remaining lease term.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Investment properties

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

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

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

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

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

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

Changes in fair values are recognised in the income statement.

3.6 Intangible assets

(a) Goodwill

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

(b) Computer software

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

Costs associated with developing or maintaining computer software programmes which do not generate economic benefits exceeding costs beyond one year are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

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

3.7 Impairment of assets

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

3.8 Available-for-sale financial assets

The Group classifies its investments as available-for-sale financial assets. Management determines the classification of its investments at initial recognition.

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

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

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

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

3.9 Derivative financial instruments and hedging activities

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Derivative financial instruments and hedging activities (Continued)

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

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

3.10 Inventories held for sale

Resaleable containers are classified as inventories held for sale if their carrying amount will be recovered principally through a sale transaction, not through continuing use. Inventories held for sale are stated at the lower of carrying amount and fair value less costs to sell.

3.11 Trade and other receivables

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

3.12 Cash and cash equivalents

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

3.13 Assets under leases

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

(a) Leases – where the Group is the lessee

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

3.13 Assets under leases (Continued)

(b) Leases – where the Group is the lessor

When the Group leases out assets under operating leases, the assets are included in the balance sheet according to their nature and where applicable, are depreciated in accordance with the Group's depreciation policies, as set out in 3.3 above. Revenue arising from assets leased out under operating leases is recognised in accordance with the Group's revenue recognition policies, as set out in notes 3.21(a) and 3.21(e) below.

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

When assets are leased out under a finance lease, the present value of the minimum lease payments is recognised as a receivable. Revenue on containers leased out under finance leases is recognised in accordance with the Group's revenue recognition policies, as set out in note 3.21(a) below.

3.14 Provisions

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

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

3.15 Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

3.16 Financial guarantee contracts

Financial guarantee contacts are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurred because a specified debtor failed to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts are initially recognised at their fair value, and subsequently measured at the higher of (i) the amount initially recognised less accumulated amortisation; and (ii) the amount required to be settled by the guarantor in respect of the financial guarantee contracts at the balance sheet date.

3.17 Share capital

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

3.18 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.19 Deferred income tax

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

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

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

3.20 Employee benefits

(a) Retirement benefit costs

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

Pursuant to the relevant regulations of the government authorities in different territories where the Group has employees, the Group participates in respective government benefit schemes whereby the Group is required to contribute to the schemes for the retirement benefits of eligible employees. The government authorities of the respective countries are responsible for the entire benefit obligations payable to the retired employees. The only obligation of the Group with respect to the schemes is to pay the ongoing contributions required by the schemes.

Contributions made to the schemes are calculated either based on certain percentages of the applicable payroll costs or fixed sums that are determined with reference to salary scale as stipulated under the requirements of the respective countries.

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

(b) Employee leave entitlements

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.20 Employee benefits (Continued)

(c) Bonus entitlements

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

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

(d) Share-based compensation

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

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

3.21 Recognition of revenue and income

The Group recognises revenue and income on the following bases:

(a) Revenue from leasing of containers and generator sets

Rental income from leasing of containers and generator sets under operating leases are recognised on a straight-line basis over the period of each lease.

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

(b) Revenue from terminal operations

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

(c) Revenue from container handling, transportation and storage

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.21 Recognition of revenue and income (Continued)

(d) Revenue from container management

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

(e) Operating lease rental income from investment properties

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

(f) Income from sale of containers

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

Finder fee received from the buyer in connection with container sale transactions are recognised when the related services are rendered.

(g) Interest income

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

(h) Dividend income

Dividend income is recognised when the right to receive payment is established and are recognised in the consolidated income statement within other income.

(i) Income on sale of investments

Income on sale of investments is recognised when the risks and rewards associated with ownership of the related investment have been transferred to the purchaser.

3.22 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset.

All other borrowing costs are charged to the income statement in the year in which they are incurred.

3.23 Dividend distribution

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.24 Contingent liabilities and contingent assets

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

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

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

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

4 FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

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

(ii) Price risk

The Group is exposed to price risk because (i) certain of the Group's investments are classified as available-for-sale financial assets; and (ii) the Group has issued certain put options (note 10), which are both required to be stated at their fair values (see fair value estimation below).

The Group is not exposed to any significant commodity price risk.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets (other than bank balances and cash and loans to jointly controlled entities and associates), the Group's income and operating cash flows are substantially independent of changes in market interest rates.

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

(b) Credit risk

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

The majority of the Group's trade and finance lease receivables relate to container leasing rental income receivable from COSCO Container Lines Company Limited ("COSCON"), a fellow subsidiary, and third party customers which are operating in the container shipping industry. COSCON accounted for approximately 54% of the Group's revenue and most of balance receivable from COSCON are aged less than 60 days (which is within the credit period granted by the Group of 90 days).

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

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

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

(c) Liquidity risk

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

4.2 Fair value estimation

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

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

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

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.2 Fair value estimation (Continued)

The fair value of the Put Options (note 10) are determined based on the quoted market price.

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

The fair value of financial guarantee contracts is determined by reference to the fees charged in an arm's length transaction for similar services or the interest rate differentials charged by lenders on the related borrowings with and without the guarantees granted by the Group.

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

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

5.1 Critical accounting estimates and assumptions

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

(a) Impairment of containers

Containers represent the Group's major operating assets. The Group tests whether containers have suffered any impairment in accordance with the accounting policy stated in note 3.7. The recoverable amounts of containers have been determined based on value-in-use calculations. These calculations require the use of estimates on the projections of cash inflows from the continual use of containers (including the amount to be received for the disposal of containers) and discount rate.

If the estimated future income stream from the use and subsequent resale of the containers had been 10% lower than the management's estimates as adopted in the value-in-use calculations, the Group would have recognised an additional impairment loss and a reduction of carrying amount of the property, plant and equipment of US$1,171,000.

If the estimated pre-tax discount rate applied to the value-in-use calculations had been 10% higher than management's estimates, the Group does not have to recognise any additional impairment loss.

(b) Useful lives and residual values of containers

Management determines the estimated useful lives of containers by reference to the Group's business model, its assets management policy and industry practice. The change in these factors can significantly affect the estimation of useful lives of containers and depreciation expense will change when useful lives are different from the previous estimates.

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

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

5.1 Critical accounting estimates and assumptions (Continued)

(b) Useful lives and residual values of containers (Continued)

The directors have reviewed the residual values and useful lives of property, plant and equipment as at 1st January 2006. The depreciation charge of containers for the year ended 31st December 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 overall effect of this change is to decrease the depreciation charge by approximately US$2,426,000 and decrease the deferred income tax credit by approximately US$366,000 for the year ended 31st December 2006.

If the estimated useful lives of containers had been 10% shorter than the management's estimates adopted, the Group would have recognised an additional depreciation charge for the year of US$18,214,000, an increase in profit on disposal of containers of US$5,731,000 and a reduction of the carrying amount of property, plant and equipment of US$12,483,000.

If the estimated residual values of containers had been 10% lower than the management's estimates adopted, the Group would have recognised an additional depreciation charge for the year of US$2,362,000, an increase in profit on disposal of containers of US$796,000 and a reduction of the carrying amount of the property, plant and equipment of US$1,566,000.

(c) Fair value estimation of available-for-sales financial assets

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

If the price/earnings ratio as used for the fair value estimation had been 10% lower than the management's estimates adopted, the Group's total equity and the carrying amount of available-for-sale financial assets would have been decreased by US$37,000,000.

(d) Impairment of goodwill and other assets

The Group tests annually whether goodwill and other assets have suffered any impairment in accordance with accounting policies stated in note 3.7. Other assets are reviewed for impairment annually or whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset or a cash generating unit is determined based on value-in-use calculations which require the use of assumptions and estimates.

If the future cash flow from respective investments had been 10% lower than the management's estimates as adopted in the value-in-use calculations or the estimated pre-tax discount rate applied to the value-in-use calculations had been 10% higher than management's estimates, the Group does not have to recognise any impairment losses.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

5.2 Critical judgement in applying the Group's accounting policies

(a) Income taxes

Deferred income tax liabilities have not been established for the withholding taxation that would be payable on the undistributed earnings of certain subsidiaries in the United States of America (the "US") as the directors consider that the timing of the reversal of related temporary differences can be controlled (note 35).

If 10% of those undistributed earnings of the US subsidiaries are considered to be repatriated out of the US, the Group has to recognise deferred income tax charge and deferred income tax liability of US$5,875,000.

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

6 REVENUE AND SEGMENT INFORMATION

Revenue (representing turnover of the Group) recognised during the year are as follows:

	2006 **US$'000**	2005 US$'000
Operating lease rentals on		
– containers	**219,566**	274,476
– generator sets	**1,368**	963
Finance lease income on containers	**492**	532
Container terminal operation income	**20,915**	12,496
Container handling, transportation and storage income	**7,558**	6,839
Container management income	**4,061**	342
	253,960	295,648

(a) Primary reporting format – business segments

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

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

6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

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

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

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

Segment revenue, results and other information

	Year ended 31st December 2006						
	Container terminal and related businesses US$'000	Container leasing, container management and related businesses US$'000	Logistics and related businesses US$'000	Container manufacturing and related businesses US$'000	Banking businesses US$'000	Corporate and other businesses US$'000	Total US$'000
Revenue							
– total revenue	28,474	225,487	–	–	–	–	253,961
– inter-segment sales	(1)	–	–	–	–	–	(1)
External sales	28,473	225,487	–	–	–	–	253,960
Segment results	(36)	129,245	(7,215)	3,106	–	–	125,100
Dividend income from							
– a listed investment	–	–	–	–	–	476	476
– unlisted investments	19,227	–	–	–	–	–	19,227
Profit on disposal of containers (note 8)	–	84,454	–	–	–	–	84,454
Initial recognition of put options granted in connection with share reform of an associate (note 10)	–	–	–	(140,064)	–	–	(140,064)
Fair value gain on put options granted (note 10)	–	–	–	84,883	–	–	84,883
Unallocated costs							
– net corporate expenses	–	–	–	–	–	(9,571)	(9,571)
– corporate interest income	–	–	–	–	–	5,037	5,037
Operating profit/(loss) after finance income and costs	19,191	213,699	(7,215)	(52,075)	–	(4,058)	169,542
Share of profits less losses of							
– jointly controlled entities	57,837	–	18,351	8,882	–	–	85,070
– associates	18,537	–	–	57,727	12,778	–	89,042
Profit before income tax							343,654
Income tax expenses							(49,196)
Profit for the year							294,458
Capital expenditure	131,350	483,557	–	–	–	2,312	617,219
Depreciation and amortisation	2,880	84,832	–	–	–	407	88,119
Impairment loss of							
– containers	–	2,533	–	–	–	–	2,533
– trade receivables, net	16	1,369	–	–	–	–	1,385
Amortised amount of discount on issue of notes and transaction costs on bank loans and notes	207	3,741	154	56	–	–	4,158

6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

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

Segment revenue, results and other information (Continued)

	Year ended 31st December 2005						
	Container terminal and related businesses US$'000	Container leasing, container management and related businesses US$'000	Logistics and related businesses US$'000	Container manufacturing and related businesses US$'000	Banking businesses US$'000	Corporate and other businesses US$'000	Total US$'000
Revenue							
– total revenue	19,338	276,313	–	–	–	–	295,651
– inter-segment sales	(3)	–	–	–	–	–	(3)
External sales	19,335	276,313	–	–	–	–	295,648
Segment results	4,765	137,233	(5,899)	(2,540)	–	–	133,559
Dividend income from							
– a listed investment	–	–	–	–	–	768	768
– unlisted investments	15,769	–	–	–	–	–	15,769
Profit on disposal of an available-for-sale financial asset (note 9)	61,875	–	–	–	–	–	61,875
Unallocated costs							
– net corporate expenses	–	–	–	–	–	(9,162)	(9,162)
– corporate finance costs	–	–	–	–	–	(15)	(15)
– corporate interest income	–	–	–	–	–	2,298	2,298
Operating profit/(loss) after finance income and costs	82,409	137,233	(5,899)	(2,540)	–	(6,111)	205,092
Share of profits less losses of							
– jointly controlled entities	54,825	–	15,064	3,080	–	–	72,969
– associates	16,658	–	–	55,636	10,026	–	82,320
Profit before income tax							360,381
Income tax expenses							(22,426)
Profit for the year							337,955
Capital expenditure	4,435	337,333	–	–	–	49	341,817
Depreciation and amortisation	1,313	105,938	–	–	–	415	107,666
Impairment loss of							
– containers	–	2,327	–	–	–	–	2,327
– trade receivables, net	–	1,375	–	–	–	–	1,375
Amortised amount of discount on issue of notes and transaction costs on bank loans and notes	160	1,555	190	82	–	11	1,998

6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

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

Segment assets and liabilities

	Container terminal and related businesses US$'000	Container leasing, container management and related businesses US$'000	Logistics and related businesses US$'000	Container manufacturing and related businesses US$'000	Banking businesses US$'000	Corporate and other businesses US$'000	Total US$'000
At 31st December 2006							
Segment assets	**218,191**	**1,149,465**	**–**	**80**	**13**	**–**	**1,367,749**
Jointly controlled entities	**250,743**	**–**	**202,186**	**23,835**	**–**	**–**	**476,764**
Associates	**188,918**	**–**	**–**	**255,729**	**174,943**	**–**	**619,590**
Available-for-sale financial assets	**368,000**	**–**	**–**	**–**	**–**	**8,589**	**376,589**
Unallocated assets							**146,463**
							2,987,155
Segment liabilities	**224,876**	**334,860**	**109,769**	**94,623**	**–**	**–**	**764,128**
Unallocated liabilities							**14,826**
							778,954
At 31st December 2005							
Segment assets	52,403	1,554,198	–	14	–	–	1,606,615
Jointly controlled entities	201,266	–	183,980	18,240	–	–	403,486
Associates	120,224	–	–	193,343	169,947	–	483,514
Available-for-sale financial assets	264,523	–	–	–	–	11,072	275,595
Unallocated assets							85,940
							2,855,150
Segment liabilities	127,692	578,132	127,725	55,000	–	–	888,549
Unallocated liabilities							76,258
							964,807

(b) Secondary reporting format – geographical segments

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

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

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

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

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

7 OTHER OPERATING INCOME

	2006 US$'000	2005 US$'000
Proceeds from sale of inventories (note 11(c))	**43,513**	22,618
Finder fee (note 8)	**15,240**	–
Profit on disposal of a jointly controlled entity	**5,470**	–
Management fee and other service income	**6,300**	3,184
Others	**8,294**	9,542
	78,817	35,344

8 DISPOSAL OF CONTAINERS

In June 2006, the Group disposed of containers with an aggregate net book value of approximately US$762,070,000 (the "Sold Containers") to a third party (the "Purchaser") for a cash consideration of approximately US$846,524,000 (the "Disposal"). The gain on Disposal before income taxes amounted to approximately US$84,454,000.

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

9 DISPOSAL OF AN AVAILABLE-FOR-SALE FINANCIAL ASSET

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

10 SHARE REFORM

On 25th May 2006, the Company issued 424,106,507 put options (the "Put Options") to holders of the A-shares not having trading restrictions (the "CIMC Tradeable A-Shares") of China International Marine Containers (Group) Co., Ltd. ("CIMC"), an associate of the Group listed on the Shenzhen Stock Exchange, as consideration for the former's approval of the removal of the trading restrictions on the CIMC shares held by the Group. The Put Options are listed on the Shenzhen Stock Exchange. The holders of the Put Options are entitled to require the Company to buy from them 1.128 CIMC Tradable A-Shares at an exercise price of RMB8.868 per share during the 5 trading days immediately prior to and including 23rd November 2007. If all the Put Options are exercised in full, the Company will have to pay a total sum of approximately RMB4,241,000,000 (equivalent to approximately US$543,112,000) in cash and the Group's equity interest in CIMC will be increased from 16.23% to approximately 37% after the acquisition.

The Put Options are derivative financial instruments as defined under HKAS 39 "Financial Instruments: Recognition and Measurement" ("HKAS 39"). Accordingly, upon issuance of the Put Options, the Group recognised a liability in the amount of US$140,064,000, the fair value of the Put Options, and recognised a debit of the same amount in the consolidated income statement. The Put Options have been carried in the balance sheet at their fair value in accordance with HKAS 39. The subsequent decrease in fair value of the Put Options of US$84,883,000, from the initial recognition of US$140,064,000 to that of US$55,181,000 as at 31st December 2006, has been credited to the consolidated income statement for the current year.

11 OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	2006 US$'000	2005 US$'000
Crediting		
Dividend income from listed and unlisted investments (note a)	**19,703**	16,537
Exchange gain, net	**567**	166
Fair value gain on interest rate swap contracts not qualified as hedges	**605**	3,984
Profit on disposal of property, plant and equipment (excluding the Sold Containers (note 8))	**632**	1,664
Profit on disposal of		
– a jointly controlled entity (note 41(a)(vii))	**5,470**	–
– partial interest in an associate	**–**	178
Revaluation surplus of investment properties (note 20)	**157**	501
Reversal of provision for impairment of trade receivables	**1,676**	14
Charging		
Amortisation of		
– leasehold land and land use rights	**167**	146
– intangible assets (note b)	**781**	666
Depreciation of		
– owned property, plant and equipment leased out under operating leases	**83,642**	104,835
– other owned property, plant and equipment	**3,529**	2,019
Impairment loss of containers	**2,533**	2,327
Cost of inventories sold (note c)	**32,965**	15,836
Auditors' remuneration		
– current year	**550**	904
– over provision in prior year	**(178)**	–
Outgoings in respect of investment properties	**6**	4
Provision for impairment of trade and finance lease receivables	**3,061**	1,389
Provision for inventories	**143**	–
Rental expense under operating leases of		
– buildings leased from third parties	**1,695**	1,804
– buildings leased from fellow subsidiaries	**833**	535
– buildings leased from a jointly controlled entity	**33**	34
– leasehold land and land use rights leased from minority shareholders of subsidiaries	**1,068**	871
– plant and machinery leased from third parties	**373**	254
– plant and machinery leased from a minority shareholder of a subsidiary	**25**	100
Total staff costs (including directors' emoluments and retirement benefit costs) (note d)	**22,599**	19,915
Less: Amounts capitalised in intangible assets	**(74)**	(163)
	22,525	19,752

11 OPERATING PROFIT (CONTINUED)

Notes:

(a) Dividend income is included in other income in the consolidated income statement.

(b) Amortisation of intangible assets is included in administrative expenses in the consolidated income statement.

(c) Cost of inventories sold is included in other operating expenses. The related proceeds from sale have been included in other operating income in the consolidated income statement (note 7).

(d) Total staff costs do not include the amounts of benefits in kind provided to the Company's directors and the Group's employees in respect of staff quarters and the Company's share options granted prior to 2005. Details of the Company's share options are set out in note 32(b) to the consolidated financial statements.

12 FINANCE INCOME AND COSTS

	2006 US$'000	2005 US$'000
Finance income		
Interest income on		
– bank balances and deposits	**11,480**	3,623
– loans to a jointly controlled entity and associates	**1,141**	738
	12,621	4,361
Finance costs		
Interest expenses on		
– bank loans	**(20,795)**	(17,041)
– other loans wholly repayable within five years	**(8)**	(378)
– notes not wholly repayable within five years	**(18,547)**	(16,222)
– amount due to a minority shareholder of a subsidiary (note 41(a)(x))	**(658)**	–
Amortised amount of		
– discount on issue of notes	**(214)**	(227)
– transaction costs on bank loans and notes	**(3,944)**	(1,771)
	(44,166)	(35,639)
Less: amount capitalised in construction in progress	**789**	–
	(43,377)	(35,639)
Other incidental borrowing costs and charges	**(826)**	(723)
	(44,203)	(36,362)

13 INCOME TAX EXPENSES

	2006 US$'000	2005 US$'000
Current income tax		
– Hong Kong profits tax	**230**	187
– China mainland taxation	**1,332**	989
– Overseas taxation	**117,912**	598
– Under/(over) provision in prior years	**135**	(176)
	119,609	1,598
Deferred income tax (credit)/charge (note 35)	**(70,413)**	20,828
	49,196	22,426

The Group's shares of income tax expenses of jointly controlled entities and associates of US$12,243,000 (2005: US$12,384,000) and US$4,717,000 (2005: US$3,505,000) are included in the Group's shares of profits less losses of jointly controlled entities and associates respectively.

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

Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates. The overseas taxation charged for the current year included the estimated capital gain tax provision in connection with the disposal of containers as set out in note 8.

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

	2006 US$'000	2005 US$'000
Profit before income tax	**343,654**	360,381
Less: share of profits less losses of jointly controlled entities and associates	**(174,112)**	(155,289)
	169,542	205,092
Aggregate tax at domestic rates applicable to profits in respective territories concerned	**47,236**	37,676
Income not subject to income tax	**(6,328)**	(14,954)
Expenses not deductible for income tax purposes	**342**	8
Under/(over) provision in prior years	**135**	(173)
Utilisation of previously unrecognised tax losses	**(1,377)**	–
Tax losses for which no deferred income tax asset was recognised	**623**	379
Others	**8,565**	(510)
Income tax expenses	**49,196**	22,426

14 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of US$153,241,000 (2005: US$179,064,000).

15 DIVIDENDS

	2006 US$'000	2005 US$'000
Interim dividend paid of US3.526 cents (2005: US3.614 cents) per ordinary share	**78,213**	79,253
Special interim dividend paid of US1.174 cents (2005: US1.453 cents) per ordinary share	**26,042**	31,871
Final dividend proposed of US4.147 cents (2005: US3.583 cents) per ordinary share	**92,424**	78,789
Additional dividends paid on shares issued due to the exercise of share options before the closure of register of members:		
– 2005/2004 final	**668**	72
– 2006/2005 interim	**17**	253
– 2006/2005 special interim	**6**	95
	197,370	190,333

Note:

At a meeting held on 22nd March 2007, the directors proposed a final dividend of HK32.2 cents (equivalent to US4.147 cents) per ordinary share. This proposed dividend is not reflected as dividend payable in these consolidated financial statements until it has been approved at the annual general meeting, but will be reflected as an appropriation of retained profits for the year ending 31st December 2007.

16 EARNINGS PER SHARE

(a) Basic

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

	2006	2005
Profit attributable to equity holders of the Company	**US$291,082,000**	US$334,937,000
Weighted average number of ordinary shares in issue	**2,214,684,013**	2,192,078,336
Basic earnings per share	**US13.14 cents**	US15.28 cents
Basic earnings per share – excluding the impact on the initial recognition and subsequent fair value gain on put options granted (note 10) *(for information only)*	**US15.63 cents**	N/A

16 EARNINGS PER SHARE (CONTINUED)

(b) Diluted

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

	2006	2005
Profit attributable to equity holders of the Company	**US$291,082,000**	US$334,937,000
Weighted average number of ordinary shares in issue	**2,214,684,013**	2,192,078,336
Adjustments for assumed issuance of shares on exercise of share options	**11,604,078**	13,180,650
Weighted average number of ordinary shares for diluted earnings per share	**2,226,288,091**	2,205,258,986
Diluted earnings per share	**US13.07 cents**	US15.19 cents
Diluted earnings per share – excluding the impact on the initial recognition and subsequent fair value gain on put options granted (note 10) *(for information only)*	**US15.55 cents**	N/A

17 RETIREMENT BENEFIT COSTS

The retirement benefit costs charged to the consolidated income statement represent contributions payable by the Group to the retirement benefit schemes and amounted to US$1,125,000 (2005: US$1,112,000). Contributions totalling US$63,000 (2005: US$47,000) were payable to the retirement benefit schemes as at 31st December 2006 and were included in trade and other payables. No forfeited contributions were available as at 31st December 2006 and 2005 to reduce future contributions.

18 DIRECTORS' AND MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The aggregate amounts of emoluments paid to directors of the Company during the year are set out as follows:

	2006 US$'000	2005 US$'000
Fees	**229**	299
Salaries, housing and other allowances	**1,388**	1,103
Benefits in kind	**33**	6
Bonuses	**141**	66
Contributions to retirement benefit schemes	**2**	2
	1,793	1,476

Directors' fees disclosed above include US$135,000 (2005: US$127,000) paid to independent non-executive directors.

As at 31st December 2006, a director of the Company had 300,000 (2005: 900,000) share options which are exercisable at HK$8.80 per share granted by the Company on 20th May 1997 under the share option scheme adopted by the Company on 30th November 1994 (the "1994 Share Option Scheme").

As at 31st December 2006, five (2005: six) directors of the Company had 2,100,000 (2005: 2,700,000) share options which are exercisable at HK$9.54 per share granted by the Company under the share option scheme approved by the shareholders of the Company on 23rd May 2003 (the "2003 Share Option Scheme").

As at 31st December 2006, eight (2005: nine) directors of the Company had 6,900,000 (2005: 8,800,000) share options which are exercisable at HK$13.75 per share granted by the Company under the 2003 Share Option Scheme.

During the year ended 31st December 2006, 3,100,000 (2005: 4,282,000) share options were exercised by the directors. The directors' emoluments as disclosed above do not include the difference between the aggregate amount of the market price of the Company's shares issued at the date of exercise of these share options and the amount paid by the directors in exercising these share options, of US$2,111,000 (2005: US$2,309,000).

Details and movement of share options granted and exercised during the year are set out in note 32(b) to the consolidated financial statements.

18 DIRECTORS' AND MANAGEMENT'S EMOLUMENTS (CONTINUED)

(a) Directors' emoluments (Continued)

The directors' emoluments are analysed as follows:

		Year ended 31st December 2006					
Name of directors	Note	Fees US$'000	Salaries, housing and other allowances US$'000	Benefits in kind US$'000	Bonuses US$'000	Contributions to retirement benefit schemes US$'000	Total US$'000
Dr. WEI Jiafu		19	–	–	–	–	19
Mr. CHEN Hongsheng		15	–	–	–	–	15
Mr. LI Jianhong		15	–	–	–	–	15
Ms. SUN Yueying		15	–	–	–	–	15
Dr. SUN Jiakang	(v)	–	707	30	51	–	788
Mr. XU Lirong		15	–	–	–	–	15
Mr. WONG Tin Yau, Kelvin		–	278	–	39	2	319
Mr. WANG Zhi		–	267	3	51	–	321
Mr. QIN Fuyan		15	136	–	–	–	151
Dr. LI Kwok Po, David		37	–	–	–	–	37
Mr. LIU Lit Man		35	–	–	–	–	35
Mr. CHOW Kwong Fai, Edward		36	–	–	–	–	36
Mr. Timothy George FRESHWATER		27	–	–	–	–	27
		229	1,388	33	141	2	1,793

18 DIRECTORS' AND MANAGEMENT'S EMOLUMENTS (CONTINUED)

(a) Directors' emoluments (Continued)

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

Notes:

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

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

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

(iv) resigned on 1st January 2006

(v) resigned as Vice Chairman and Managing Director and appointed as a non-executive director on 24th January 2007

The above analysis includes three (2005: two) directors whose emoluments were among the five highest in the Group.

18 DIRECTORS' AND MANAGEMENT'S EMOLUMENTS (CONTINUED)

(b) Management's emoluments

Details of the aggregate emoluments paid to two (2005: three) individuals whose emoluments were the highest in the Group and have not been included in the directors' emoluments above are set out below:

	2006 **US$'000**	2005 US$'000
Salaries and other allowances	**394**	537
Bonuses	**130**	190
Benefits in kind	**–**	1
Contributions to retirement benefit schemes	**3**	18
	527	746

During the year ended 31st December 2006, 400,000 (2005: Nil) share options were exercised by one (2005: Nil) highest paid individual. The management's emoluments as disclosed above do not include the difference between the aggregate amount of the market price of the Company's shares issued at the date of exercise of these share options and the amount paid by that individual in exercising these share options, of US$212,500 (2005: Not applicable).

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

	Number of individuals	
	2006	2005
Emolument bands		
US$193,436 – US$257,915 (HK$1,500,001 – HK$2,000,000)	**1**	2
US$257,915 – US$322,393 (HK$2,000,001 – HK$2,500,000)	**1**	1
	2	3

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

19 PROPERTY, PLANT AND EQUIPMENT

Group

	Containers US$'000	Generator sets US$'000	Buildings in Hong Kong US$'000	Buildings outside Hong Kong US$'000	Construction in progress US$'000	Leasehold improvements US$'000	Other property, plant and equipment US$'000	Total US$'000
Cost or valuation								
At 1st January 2006	1,990,700	6,403	2,503	12,122	–	1,104	25,012	2,037,844
Exchange differences	–	–	–	1,332	432	11	1,687	3,462
Additions/transfer	481,275	1,962	184	45,321	21,076	410	49,234	599,462
Disposals/transfer	(1,193,512)	(57)	–	(128)	–	–	(1,532)	(1,195,229)
Reclassification	–	–	–	924	(9,176)	–	8,252	–
At 31st December 2006	1,278,463	8,308	2,687	59,571	12,332	1,525	82,653	1,445,539
Accumulated depreciation and impairment losses								
At 1st January 2006	619,828	591	1,356	3,631	–	1,024	11,294	637,724
Exchange differences	–	–	–	133	–	10	293	436
Impairment loss for the year	2,533	–	–	–	–	–	–	2,533
Depreciation charge for the year	83,059	583	109	738	–	86	2,596	87,171
Disposals/transfer								
– accumulated impairment losses	(10,196)	–	–	–	–	–	–	(10,196)
– accumulated depreciation	(379,831)	(7)	–	(32)	–	–	(1,111)	(380,981)
At 31st December 2006	315,393	1,167	1,465	4,470	–	1,120	13,072	336,687
Net book value								
At 31st December 2006	963,070	7,141	1,222	55,101	12,332	405	69,581	1,108,852
The analysis of cost or valuation of the above assets as at 31st December 2006 is as follows:								
At cost	1,278,463	8,308	248	59,571	12,332	1,525	82,653	1,443,100
At 1994 professional valuation	–	–	2,439	–	–	–	–	2,439
	1,278,463	8,308	2,687	59,571	12,332	1,525	82,653	1,445,539

19 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group (Continued)

	Containers US$'000	Generator sets US$'000	Buildings in Hong Kong US$'000	Buildings outside Hong Kong US$'000	Construction in progress US$'000	Leasehold improvements US$'000	Other property, plant and equipment US$'000	Total US$'000
Cost or valuation								
At 1st January 2005	1,774,192	4,086	4,251	11,921	306	1,104	19,735	1,815,595
Exchange differences	–	–	–	300	8	(9)	324	623
Additions	333,584	2,564	–	–	4,055	23	862	341,088
Disposals/transfer/write-off	(117,076)	(247)	(1,748)	(99)	–	(14)	(278)	(119,462)
Reclassification	–	–	–	–	(4,369)	–	4,369	–
At 31st December 2005	1,990,700	6,403	2,503	12,122	–	1,104	25,012	2,037,844
Accumulated depreciation and impairment losses								
At 1st January 2005	580,766	190	1,446	3,170	–	956	10,024	596,552
Exchange differences	–	–	–	82	–	(8)	136	210
Impairment losses for the year	2,327	–	–	–	–	–	–	2,327
Depreciation charge for the year	104,421	414	117	403	–	89	1,410	106,854
Disposals/transfer/write-off								
– accumulated impairment losses	(4,642)	–	–	–	–	–	–	(4,642)
– accumulated depreciation	(63,044)	(13)	(207)	(24)	–	(13)	(276)	(63,577)
At 31st December 2005	619,828	591	1,356	3,631	–	1,024	11,294	637,724
Net book value								
At 31st December 2005	1,370,872	5,812	1,147	8,491	–	80	13,718	1,400,120
The analysis of cost or valuation of the above assets as at 31st December 2005 is as follows:								
At cost	1,990,700	6,403	64	12,122	–	1,104	25,012	2,035,405
At 1994 professional valuation	–	–	2,439	–	–	–	–	2,439
	1,990,700	6,403	2,503	12,122	–	1,104	25,012	2,037,844

19 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company

	Other property, plant and equipment 2006 US$'000	2005 US$'000
Cost		
At 1st January and at 31st December	**527**	527
Accumulated depreciation		
At 1st January	**209**	104
Depreciation charge for the year	**105**	105
At 31st December	**314**	209
Net book value		
At 31st December	**213**	318

Notes:

(a) Certain buildings in Hong Kong with carrying amount of US$990,000 (2005: US$1,089,000) were revalued in 1994 on an open market value basis by C.Y. Leung & Company Limited (now known as DTZ Debenham Tie Leung Limited), an independent professional property valuer.

The carrying amount of these buildings as at 31st December 2006 would have been US$900,000 (2005: US$990,000) had the buildings been carried at cost less accumulated depreciation and impairment losses in the consolidated financial statements.

(b) The aggregate cost, accumulated depreciation and accumulated impairment losses as at 31st December 2006 of the leased assets (where the Group is a lessor) which comprised containers and generator sets and were leased to fellow subsidiaries and third parties under operating leases amounted to US$1,161,481,000 (2005: US$1,883,373,000), US$313,595,000 (2005: US$609,791,000) and US$2,965,000 (2005: US$10,628,000) respectively.

(c) The accumulated impairment losses of property, plant and equipment as at 31st December 2006 amounted to US$5,622,000 (2005: US$13,285,000).

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

(e) During the year, the Group transferred containers with an aggregate net book value of US$32,314,000 (2005: US$16,302,000) to inventories held for sale.

20 INVESTMENT PROPERTIES

	Group	
	2006	2005
	US$'000	US$'000
At 1st January	**1,383**	882
Revaluation surplus (note a)	**157**	501
At 31st December	**1,540**	1,383

Notes:

(a) The investment properties as at 31st December 2006 and 2005 were revalued on an open market value basis by Sallmanns (Far East) Limited, an independent professional property valuer. Valuations were based on current prices in an active market for all properties. The revaluation surplus for the year ended 31st December 2006 of US$157,000 (2005: US$501,000) was accounted for in the consolidated income statement (note 11).

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

21 LEASEHOLD LAND AND LAND USE RIGHTS

	Group	
	2006	2005
	US$'000	US$'000
At 1st January	**16,597**	16,696
Exchange differences	**388**	47
Additions	**17,583**	–
Amortisation	**(167)**	(146)
At 31st December	**34,401**	16,597

21 LEASEHOLD LAND AND LAND USE RIGHTS (CONTINUED)

Notes:

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

	Group	
	2006	2005
	US$'000	US$'000
In Hong Kong, held on leases of over 50 years	**16,251**	14,762
Outside Hong Kong, held on leases of between 10 to 50 years	**18,150**	1,835
	34,401	16,597

(b) As at 31st December 2006, land use rights outside Hong Kong with net book value of US$1,645,000 (2005: US$1,685,000) were pledged as security for loan facility granted by a bank.

22 INTANGIBLE ASSETS

Group

	Computer software		Computer systems under development		Total	
	2006	2005	**2006**	2005	**2006**	2005
	US$'000	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
Cost						
At 1st January	**8,034**	7,279	**2,010**	2,081	**10,044**	9,360
Additions	**53**	20	**764**	709	**817**	729
Write-off	**–**	(12)	**–**	(33)	**–**	(45)
Transfer	**631**	747	**(631)**	(747)	**–**	–
At 31st December	**8,718**	8,034	**2,143**	2,010	**10,861**	10,044
Accumulated amortisation						
At 1st January	**6,241**	5,587	**–**	–	**6,241**	5,587
Amortisation for the year	**781**	666	**–**	–	**781**	666
Write-off	**–**	(12)	**–**	–	**–**	(12)
At 31st December	**7,022**	6,241	**–**	–	**7,022**	6,241
Net book value						
At 31st December	**1,696**	1,793	**2,143**	2,010	**3,839**	3,803

23 SUBSIDIARIES

	Company	
	2006	2005
	US$'000	US$'000
Unlisted investments, at cost	**167,150**	167,150
Amounts due from subsidiaries (note a)	**1,217,786**	1,214,099
Provision	**(56,642)**	(56,642)
	1,328,294	1,324,607
Loan due to a subsidiary (note b)	**296,655**	296,655

Notes:

(a) The amounts due from subsidiaries are unsecured and have no fixed terms of repayment. Except for amounts due from subsidiaries of US$45,579,000 (2005: US$23,831,000) which bear interests ranging from 0.61% to 6.7% (2005: 0.61% to 5.95%) per annum, the remaining balances are interest free.

(b) The loan due to a subsidiary is unsecured, interest free and wholly repayable on or before 3rd October 2013. The carrying amount of the loan due to a subsidiary approximates its fair value.

(c) Details of the subsidiaries as at 31st December 2006 are set out in note 43 to the consolidated financial statements.

24 JOINTLY CONTROLLED ENTITIES

	Group	
	2006	2005
	US$'000	US$'000
Share of net assets	**382,211**	329,810
Goodwill on acquisitions (note a)	**52,259**	52,259
	434,470	382,069
Loans to jointly controlled entities (note b)	**42,294**	21,417
	476,764	403,486
Investments, at cost		
Unlisted investments	**599,452**	585,916

24 JOINTLY CONTROLLED ENTITIES (CONTINUED)

Notes:

(a) The carrying amount of goodwill on acquisitions of jointly controlled entities mainly represented the goodwill on acquisitions of equity interests in COSCO Logistics Co., Ltd., Qingdao Qianwan Container Terminal Co., Ltd. and Nanjing Port Longtan Containers Co., Ltd. of US$42,251,000 (2005: US$42,251,000), US$5,362,000 (2005: US$5,362,000) and US$4,533,000 (2005: US$4,533,000) respectively.

(b) The loans to jointly controlled entities are unsecured. Except for loan to a jointly controlled entity of US$7,965,000 (2005: US$9,606,000) which bears interest at 1.60% (2005: 1.60%) per annum above the applicable swap offer rate as determined by the Association of Banks in Singapore and is wholly repayable on or before October 2013, the remaining balances are interest free and have no fixed terms of repayment.

(c) The Company has no directly owned jointly controlled entity as at 31st December 2006 and 2005. Details of the jointly controlled entities as at 31st December 2006 are set out in note 44 to the consolidated financial statements.

(d) The financial information below, after making necessary adjustments to conform to the Group's significant accounting policies, represents the Group's interests in respective jointly controlled entities:

	Non-current assets US$'000	Current assets US$'000	Non-current liabilities US$'000	Current liabilities US$'000	Revenue US$'000	Expenses US$'000	Profits less losses after income tax US$'000
2006							
COSCO-HIT Terminals (Hong Kong) Limited	**148,450**	**28,491**	**(10,557)**	**(145,905)**	**61,737**	**(37,986)**	**23,751**
COSCO Logistics Co., Ltd.	**120,758**	**302,752**	**(18,264)**	**(236,694)**	**640,433**	**(620,987)**	**18,351**
Others	**500,728**	**93,172**	**(158,275)**	**(209,816)**	**183,797**	**(140,789)**	**42,968**
	769,936	**424,415**	**(187,096)**	**(592,415)**	**885,967**	**(799,762)**	**85,070**
2005							
COSCO-HIT Terminals (Hong Kong) Limited	146,737	29,115	(138,522)	(13,505)	66,158	(38,177)	27,981
COSCO Logistics Co., Ltd.	95,733	263,241	(15,072)	(193,640)	541,972	(616,835)	15,064
Others	245,273	66,655	(79,395)	(68,277)	282,172	(153,788)	29,924
	487,743	359,011	(232,989)	(275,422)	890,302	(808,800)	72,969

25 ASSOCIATES

	Group 2006 US$'000	2005 US$'000
Share of net assets	**569,386**	469,265
Goodwill on acquisitions (note a)	**31,522**	87
	600,908	469,352
Loans to associates (note b)	**18,682**	14,162
	619,590	483,514
Investments, at cost		
Shares listed		
– in Hong Kong	**219,189**	219,189
– outside Hong Kong (note c)	**137,601**	–
Unlisted shares	**119,761**	198,458
	476,551	417,647
Market value of listed shares (note c)	**1,062,718**	137,997

Notes:

(a) The carrying amount of goodwill on acquisitions of associates mainly represented the goodwill on acquisition of the additional 10% equity interest in Shanghai Pudong International Container Terminals Limited in June 2006 of US$31,435,000 (2005: US$ Nil).

(b) Loans to associates are unsecured. Balance of US$12,535,000 (2005: US$8,214,000) bears interest at 2% (2005: 2%) per annum above the 10-year Belgium prime rate and has no fixed terms of repayment. The remaining balance of US$6,147,000 (2005: US$5,948,000) bears interest at Tokyo Interbank Offered Rate ("TIBOR") plus 0.5% (2005: TIBOR plus 0.5%) per annum and is wholly repayable on 24th April 2008.

(c) With the completion of the share reform of CIMC during the year (note 10), the Group's investment in CIMC has been redesignated as a listed investment. The Group cannot freely place or trade all these shares of CIMC until the expiry of certain trading restrictions after 3 years from the implementation date of the share reform of CIMC (the "Trading Restrictions"). The market value of these shares of CIMC of US$868,915,000 as included in the disclosure above has not taken into account these Trading Restrictions.

25 ASSOCIATES (CONTINUED)

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

	Total assets US$'000	Total liabilities US$'000	Revenue US$'000	Expenses US$'000	Profits less losses after income tax US$'000
2006					
Chong Hing Bank Limited (formerly known as Liu Chong Hing Bank Limited)	**1,645,486**	**(1,470,543)**	**70,561**	**(57,783)**	**12,778**
China International Marine Containers (Group) Co., Ltd.	**485,024**	**(211,279)**	**676,192**	**(614,745)**	**57,727**
Others	**196,682**	**(57,968)**	**41,686**	**(23,149)**	**18,537**
	2,327,192	**(1,739,790)**	**788,439**	**(695,677)**	**89,042**
2005					
Liu Chong Hing Bank Limited	1,308,398	(1,138,451)	49,810	(39,784)	10,026
China International Marine Containers (Group) Co., Ltd.	342,299	(130,913)	613,112	(554,699)	55,636
Others	151,756	(45,781)	31,242	(14,584)	16,658
	1,802,453	(1,315,145)	694,164	(609,067)	82,320

(e) The Company has no directly owned associate as at 31st December 2006 and 2005. Details of the associates as at 31st December 2006 are set out in note 45 to the consolidated financial statements.

26 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2006	2005
	US$'000	US$'000
At 1st January	**275,595**	303,811
Exchange differences	**80**	702
Additions	**11,962**	34,568
Disposals	**–**	(78,892)
Net fair value gain recognised in equity	**88,952**	15,406
At 31st December	**376,589**	275,595
Available-for-sale financial assets include the following:		
Investment listed in Hong Kong (note b)	**8,589**	11,072
Unlisted investments (note c)	**368,000**	264,523
	376,589	275,595

Notes:

(a) Available-for-sale financial assets as at 31st December 2006 and 2005 comprise investments in equity securities of the investee companies and the shareholders' loans advanced to an investee company with the nominal value of US$52,617,000 (2005: US$49,936,000). The loan advanced to an investee company is unsecured, interest free and has no fixed terms of repayment.

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

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

27 FINANCE LEASE RECEIVABLES

	Group						
	2006				2005		
	Gross receivables US$'000	Unearned finance income US$'000	Provision US$'000	Present value of minimum lease payment receivable US$'000	Gross receivables US$'000	Unearned finance income US$'000	Present value of minimum lease payment receivable US$'000
Amounts receivable under finance leases:							
Current portion (note 30)	**1,866**	**(364)**	**(60)**	**1,442**	1,704	(421)	1,283
Non-current portion							
– later than one year and not later than five years	**3,453**	**(453)**	**(11)**	**2,989**	4,187	(692)	3,495
– later than five years	**–**	**–**	**–**	**–**	257	(5)	252
	3,453	**(453)**	**(11)**	**2,989**	4,444	(697)	3,747
	5,319	**(817)**	**(71)**	**4,431**	6,148	(1,118)	5,030

As at 31st December 2006, the Group entered into 19 (2005: 19) finance leases contracts for leasing of certain containers. The average term of the finance lease contracts is 3 years (2005: 3 years).

The cost of assets acquired for the purpose of letting under finance leases amounted to US$8,097,000 (2005: US$8,177,000) as at 31st December 2006.

Unguaranteed residual values of assets leased under finance lease contracts are estimated at approximately US$7,000 (2005: US$9,000).

28 DERIVATIVE FINANCIAL INSTRUMENTS

	Group			
	2006		2005	
	Assets US$'000	Liabilities US$'000	Assets US$'000	Liabilities US$'000
Interest rate swap contracts				
– cash flow hedges (note a)	579	–	725	–
– fair value hedges (note b)	–	4,362	–	2,007
Put Options (note 10)	–	55,181	–	–
Total	579	59,543	725	2,007
Less: non-current portion				
Interest rate swap contracts – fair value hedges	–	(4,362)	–	(2,007)
	579	55,181	725	–

	Company			
	2006		2005	
	Assets US$'000	Liabilities US$'000	Assets US$'000	Liabilities US$'000
Put Options (note 10)	–	55,181	–	–

Notes:

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

(b) The notional principal amount of the related interest rate swap contracts amounted to US$200,000,000 (2005: US$200,000,000) 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 ("LIBOR"). These interest rate swap contracts have been designated as a hedge of the fair value of the notes issued by the Group.

29 INVENTORIES HELD FOR SALE

Inventories held for sale of the Group represent resaleable containers of US$3,553,000 (2005: US$2,336,000).

30 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2006	2005	**2006**	2005
	US$'000	US$'000	**US$'000**	US$'000
Trade receivables (note a)				
– third parties	**19,927**	40,717	**–**	–
– fellow subsidiaries (notes b and c)	**24,375**	25,224	**–**	–
– related companies (note b)	**185**	268	**–**	–
	44,487	66,209	**–**	–
Less: provision for impairment	**(4,477)**	(3,056)	**–**	–
	40,010	63,153	**–**	–
Other receivables, deposits and prepayments	**15,731**	12,706	**396**	374
Rent receivable collected on behalf of owners of managed containers (note d)	**36,459**	–	**–**	–
Current portion of finance lease receivable (note 27)	**1,442**	1,283	**–**	–
Amounts due from (notes b and e)				
– subsidiaries (net of provision)	**–**	–	**191,020**	227,338
– jointly controlled entities	**30,072**	7,071	**–**	–
– associates	**845**	70	**–**	–
– an investee company	**9,070**	–	**–**	–
	133,629	84,283	**191,416**	227,712

Notes:

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

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

	Group	
	2006	2005
	US$'000	US$'000
Within 30 days	**18,573**	31,132
31 – 60 days	**15,764**	25,869
61 – 90 days	**3,825**	5,340
Over 90 days	**1,848**	812
	40,010	63,153

30 TRADE AND OTHER RECEIVABLES (CONTINUED)

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

(c) The balance mainly represented container leasing income receivable from fellow subsidiaries and included a receivable balance from COSCON of US$21,779,000 (all are aged less than 60 days) (2005: US$22,522,000 (out of which US$20,115,000 are aged less than 60 days)). During the year ended 31st December 2006, the container leasing income from COSCON and the other fellow subsidiaries amounted to US$136,889,000 (2005: US$126,400,000) and US$213,000 (2005: US$849,000) respectively.

(d) The balance represented the unsettled billings to be collected by the Group in respect of the leases of those containers managed on behalf of third parties.

(e) The amounts due from jointly controlled entities and an investee company represented dividend income receivable from the respective jointly controlled entities and investee company.

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

	Group		Company	
	2006	2005	**2006**	2005
	US$'000	US$'000	**US$'000**	US$'000
US dollar	**82,352**	68,524	**181,482**	226,030
Renminbi	**38,227**	12,218	**–**	–
Hong Kong dollar	**11,902**	2,460	**9,331**	1,369
Euro	**429**	764	**219**	77
Other currencies	**719**	317	**384**	236
	133,629	84,283	**191,416**	227,712

(g) The carrying amounts of trade and other receivables approximate their fair values.

31 TRADE AND OTHER PAYABLES

	Group		Company	
	2006	2005	**2006**	2005
	US$'000	US$'000	**US$'000**	US$'000
Trade payables				
– third parties	**39,774**	3,638	**–**	–
– jointly controlled entities (notes a and b)	**2,935**	3,360	**–**	–
– a minority shareholder of a subsidiary (note a)	**36**	437	**–**	–
– subsidiaries of an associate (notes a and b)	**30,024**	16,766	**–**	–
– related companies (note a)	**14**	–	**–**	–
	72,783	24,201	**–**	–
Other payables and accruals	**62,083**	29,059	**1,072**	627
Payable to owners of managed containers (note c)	**34,909**	–	**–**	–
Current portion of other long term liabilities (note 36)	**1,488**	–	**–**	–
Dividend payable	**20**	18	**20**	18
Amounts due to (note a)				
– subsidiaries	**–**	–	**41,912**	99,384
– fellow subsidiaries	**270**	350	**–**	–
– minority shareholders of subsidiaries	**1,175**	–	**–**	–
	172,728	53,628	**43,004**	100,029

Notes:

(a) The amounts due to subsidiaries, fellow subsidiaries, jointly controlled entities, minority shareholders of subsidiaries, subsidiaries of an associate and related companies are unsecured and interest free. Trading balances have similar credit periods granted as those of other third party suppliers while the other balances have no fixed terms of repayment.

(b) The balances represented the amounts payable to jointly controlled entities and subsidiaries of an associate of the Group of US$2,935,000 (2005: US$3,360,000) and US$30,024,000 (2005: US$16,766,000) respectively in respect of the purchases of containers (note 41(a)(ix)).

(c) The balance represented the rental income of the managed containers collected, net of the direct operating expenses of the managed containers paid by the Group on behalf of third parties and the management fee income.

31 TRADE AND OTHER PAYABLES (CONTINUED)

(d) The ageing analysis of the trade balances due to third parties, jointly controlled entities, a minority shareholder of a subsidiary, subsidiaries of an associate and related companies was as follows:

	Group	
	2006	2005
	US$'000	US$'000
Within 30 days	**1,192**	6,179
31 – 60 days	**15,347**	312
61 – 90 days	**45,155**	17,670
Over 90 days	**11,089**	40
	72,783	24,201

(e) Other payables and accruals include an amount of US$36,049,000 (2005: US$871,000) accrued for purchase of containers which were delivered to the Group prior to the year end. The amount has not been included in the ageing analysis above.

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

	Group		Company	
	2006	2005	**2006**	2005
	US$'000	US$'000	**US$'000**	US$'000
US dollar	**159,593**	43,621	**19,647**	93,222
Renminbi	**9,003**	6,725	**19,807**	169
Hong Kong dollar	**3,956**	3,276	**3,550**	6,638
Other currencies	**176**	6	**–**	–
	172,728	53,628	**43,004**	100,029

(g) The carrying amounts of trade and other payables approximate their fair values.

32 SHARE CAPITAL

	2006 **US$'000**	2005 US$'000
Authorised:		
3,000,000,000 ordinary shares of HK$0.10 each	**38,462**	38,462
Issued and fully paid:		
2,228,684,298 (2005: 2,198,966,298) ordinary shares of HK$0.10 each	**28,583**	28,200

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

	Number of ordinary shares	**Nominal value** US$'000
At 1st January 2006	2,198,966,298	28,200
Issued on exercising of share options (note b)	29,718,000	383
At 31st December 2006	2,228,684,298	28,583
At 1st January 2005	2,183,630,298	28,003
Issued on exercising of share options (note b)	15,336,000	197
At 31st December 2005	2,198,966,298	28,200

(b) Share options

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

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

32 SHARE CAPITAL (CONTINUED)

(b) Share options (Continued)

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

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

Movements of the share options granted during the year ended 31st December 2006 and 2005 are set out below:

			For the year ended 31st December 2006 Number of share options				
Category	Note	Exercise price HK$	Outstanding at 1st January 2006	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31st December 2006
Directors	(ii)	8.80	**900,000**	–	(600,000)	–	300,000
	(iii)	9.54	**2,700,000**	–	(600,000)	–	2,100,000
	(iv)	13.75	**8,800,000**	–	(1,900,000)	–	6,900,000
Continuous	(ii)	8.80	**254,000**	–	(232,000)	–	22,000
Contract	(iii)	9.54	**6,794,000**	–	(2,816,000)	–	3,978,000
Employees	(iv)	13.75	**31,044,000**	–	(10,826,000)	(20,000)	20,198,000
Others	(iii)	9.54	**3,104,000**	–	(2,104,000)	–	1,000,000
	(iv)	13.75	**18,000,000**	–	(10,640,000)	–	7,360,000
			71,596,000	–	(29,718,000)	(20,000)	41,858,000

32 SHARE CAPITAL (CONTINUED)

(b) Share options (Continued)

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

Notes:

(i) All the outstanding options were vested and exercisable as at 31st December 2006 and 2005. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

(ii) The share options were granted on 20th May 1997 (the "Offer Date") under the 1994 Share Option Scheme and are exercisable on or before 19th May 2007. The grantees may exercise a maximum of 20% of share options granted in each of the first five anniversary years from the Offer Date and all grantees may reserve their rights to exercise and accumulate their share options exercisable during their employment within the Group.

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

(iv) The share options were granted during the period from 25th November 2004 to 16th December 2004 under the 2003 Share Option Scheme at an exercise price of HK$13.75. The options are exercisable at any time within ten years from the date on which an offer is accepted or deemed to be accepted by the grantee under the 2003 Share Option Scheme from 25th November 2004 to 16th December 2004.

(v) Certain directors resigned or did not seek for re-election during the year ended 31st December 2005, and accordingly, the options granted to these ex-directors were reclassified from the category of "Directors" to the category of "Others". Those options exercised by them subsequent to their resignation or retirement were grouped thereon accordingly.

In addition, the options granted to an executive director who was appointed on 29th July 2005 had been reclassified from the category of "Continuous Contract Employees" to the category of "Directors" during the year ended 31st December 2005.

32 SHARE CAPITAL (CONTINUED)

(b) Share options (Continued)

(vi) The exercise of the 29,718,000 (2005: 15,336,000) share options during the year yielded the proceeds, net of transaction costs of US$13,000 (2005: US$20,000), as follows:

	Company 2006 US$'000	2005 US$'000
Ordinary share capital – at par	**383**	197
Share premium (net of issue expenses)	**48,702**	21,626
Proceeds (net of issue expenses)	**49,085**	21,823

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

Expiry date	Exercise price HK$	Number of share options 2006	2005
20th May 2007	8.80	**322,000**	1,154,000
28th October 2013 to 6th November 2013	9.54	**7,078,000**	12,598,000
25th November 2014 to 16th December 2014	13.75	**34,458,000**	57,844,000
		41,858,000	71,596,000

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

	2006 Average exercise price per share HK$	Number of share options	2005 Average exercise price per share HK$	Number of share options
At 1st January	**12.93**	**71,596,000**	12.60	86,932,000
Granted	**N/A**	**–**	N/A	–
Exercised	**12.97**	**(29,718,000)**	11.08	(15,336,000)
Lapsed	**13.75**	**(20,000)**	N/A	–
At 31st December	**13.00**	**41,858,000**	12.93	71,596,000

The weighted average closing market price of the Company's shares on the dates when the share options were exercised was HK$17.31 (2005: HK$15.73) per share.

33 RESERVES

Company

	Share premium US$'000	Contributed surplus (note) US$'000	Retained profits US$'000	Total US$'000
At 1st January 2006	**623,822**	**414,214**	**166,999**	**1,205,035**
Issue of shares on exercise of share options	**48,715**	**–**	**–**	**48,715**
Share issue expenses	**(13)**	**–**	**–**	**(13)**
Profit for the year	**–**	**–**	**153,241**	**153,241**
Dividends				
– 2005 final	**–**	**–**	**(79,457)**	**(79,457)**
– 2006 interim	**–**	**–**	**(78,230)**	**(78,230)**
– 2006 special interim	**–**	**–**	**(26,048)**	**(26,048)**
At 31st December 2006	**672,524**	**414,214**	**136,505**	**1,223,243**
Representing:				
Reserves	**672,524**	**414,214**	**44,081**	**1,130,819**
2006 final dividend proposed	**–**	**–**	**92,424**	**92,424**
At 31st December 2006	**672,524**	**414,214**	**136,505**	**1,223,243**
At 1st January 2005	602,196	414,214	168,590	1,185,000
Issue of shares on exercise of share options	21,646	–	–	21,646
Share issue expenses	(20)	–	–	(20)
Profit for the year	–	–	179,064	179,064
Dividends				
– 2004 final	–	–	(69,183)	(69,183)
– 2005 interim	–	–	(79,506)	(79,506)
– 2005 special interim	–	–	(31,966)	(31,966)
At 31st December 2005	623,822	414,214	166,999	1,205,035
Representing:				
Reserves	623,822	414,214	88,210	1,126,246
2005 final dividend proposed	–	–	78,789	78,789
At 31st December 2005	623,822	414,214	166,999	1,205,035

Note:

The contributed surplus of the Company represents the difference between the nominal value of the Company's shares issued in exchange for the issued share capital and the net asset value of the subsidiaries acquired. Under the Companies Act 1981 of Bermuda (as amended), the contribution surplus is distributable to shareholders.

34 LONG TERM BORROWINGS

	Group 2006 US$'000	2005 US$'000
Borrowings		
– Secured	**500**	345,618
– Unsecured	**520,853**	487,557
	521,353	833,175
Amounts due within one year included under current liabilities	**(2,421)**	(84,558)
	518,932	748,617

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

	Group 2006 US$'000	2005 US$'000
Wholly repayable within five years		
– Bank loans	**221,395**	534,885
– Other loan	**–**	7,562
	221,395	542,447
Not wholly repayable within five years		
– Bank loans	**10,245**	–
– Notes (note e)	**289,713**	290,728
	299,958	290,728
	521,353	833,175

34 LONG TERM BORROWINGS (CONTINUED)

(b) The maturity of borrowings is as follows:

	Group 2006 US$'000	2005 US$'000
Bank loans (notes c and d)		
Within one year	**2,421**	81,700
Between one and two years	**189,840**	76,089
Between two and five years	**30,927**	377,096
Over five years	**8,452**	–
	231,640	534,885
Notes		
Over five years	**289,713**	290,728
Other loans (note f)		
Within one year	**–**	2,858
Between one and two years	**–**	3,078
Between two and five years	**–**	1,626
	–	7,562
	521,353	833,175

(c) As at 31st December 2006, bank loan of US$500,000 (2005: US$1,000,000) was secured by certain land use right of the Group.

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

(d) The Group has established a non-wholly owned subsidiary (the "Subsidiary") with a third party (the "Partner") in August 2006. For the establishment of the Subsidiary, the Partner has injected certain assets and liabilities to the Subsidiary, including bank loans. As of 31st December 2006, the necessary procedures for changing the Subsidiary as the borrower of the bank loans of US$16,648,000 have not yet been completed. As the Subsidiary undertakes these bank loans with effect from the date of its establishment, the directors have accounted for the related loans as the Group's bank loans as at the balance sheet date.

34 LONG TERM BORROWINGS (CONTINUED)

(e) Details of the notes as at 31st December 2006 are as follows:

	Group 2006 US$'000	Group 2005 US$'000
Principal amount	**300,000**	300,000
Discount on issue	**(1,899)**	(1,899)
Notes issuance cost	**(1,800)**	(1,800)
Net proceeds received	**296,301**	296,301
Accumulated amortised amounts of		
– discount on issue	**743**	529
– notes issuance cost	**704**	501
	297,748	297,331
Effect of fair value hedge	**(8,035)**	(6,603)
	289,713	290,728

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

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

(f) As at 31st December 2005, other loans included a balance of US$7,562,000 which was repayable by quarterly instalment over a period of 32 quarters starting from 7th July 2000. Interest was charged on the outstanding balance at the rate of 1.125% per annum above the LIBOR. These other loans were fully repaid during the year ended 31st December 2006.

34 LONG TERM BORROWINGS (CONTINUED)

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

	Less than 1 year US$'000	1 - 5 years US$'000	Over 5 years US$'000	Total US$'000
At 31st December 2006				
Total borrowings	**176,829**	**46,359**	**298,165**	**521,353**
Effect of interest rate swaps qualified as hedges	**–**	**–**	**(200,000)**	**(200,000)**
	176,829	**46,359**	**98,165**	**321,353**
At 31st December 2005				
Total borrowings	539,345	3,102	290,728	833,175
Effect of interest rate swaps qualified as hedges	–	–	(200,000)	(200,000)
	539,345	3,102	90,728	633,175

(h) The carrying amounts of the Group's borrowings are denominated in the following currencies:

	2006 US$'000	2005 US$'000
US dollar	**464,622**	830,326
Renminbi	**56,731**	2,849
	521,353	833,175

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

	2006		2005	
	US$	**RMB**	US$	RMB
Bank loans	**6.2%**	**5.8%**	5.1%	5.3%
Notes	**6.0%**	**N/A**	6.0%	N/A
Other loans	**N/A**	**N/A**	5.7%	N/A

34 LONG TERM BORROWINGS (CONTINUED)

(i) The carrying amounts and fair value of the Group's non-current borrowings are as follows:

	Carrying amounts		Fair values	
	2006	2005	**2006**	2005
	US$'000	US$'000	**US$'000**	US$'000
Bank loans	**229,219**	453,185	**231,719**	444,718
Notes	**289,713**	290,728	**307,662**	311,518
Other loans	**–**	4,704	**–**	4,578
	518,932	748,617	**539,381**	760,814

The fair values are determined based on cash flows discounted using a weighted average borrowing rate of 5.4% (2005: 5.2%) per annum.

(j) As at 31st December 2006, the Group has the following committed and undrawn borrowing facilities:

	2006	2005
	US$'000	US$'000
Facilities at floating rates		
– expiring within one year	**40,000**	300,000
– expiring after more than one year	**–**	20,000
	40,000	320,000

35 DEFERRED INCOME TAX

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

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

	Group	
	2006	2005
	US$'000	US$'000
At 1st January	**72,453**	51,625
(Credited)/charged to consolidated income statement (note 13)	**(70,413)**	20,828
At 31st December	**2,040**	72,453

Deferred income tax assets are recognised for tax losses carry forwards to the extent that realisation of the related tax benefit through the future taxable profits is probable. As at 31st December 2006, the Group and the Company have unrecognised tax losses of US$4,286,000 (2005: US$5,198,000) and US$2,555,000 (2005: US$2,561,000) respectively, which have no expiry date, to carry forward.

As at 31st December 2006, deferred income tax liabilities of US$58,750,000 (2005: US$36,617,000) have not been established for the withholding taxation that would be payable on the undistributed earnings of certain subsidiaries totalling US$195,833,000 (2005: US$122,055,000) as the directors considered that the timing of the reversal of the related temporary differences can be controlled and accordingly the temporary difference will not be reversed in the foreseeable future.

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

(a) Deferred income tax liabilities

	Group	
	Accelerated tax depreciation	
	2006	2005
	US$'000	US$'000
At 1st January	**125,263**	112,501
(Credited)/charged to consolidated income statement	**(121,023)**	12,762
At 31st December	**4,240**	125,263

35 DEFERRED INCOME TAX (CONTINUED)

(b) Deferred income tax assets

	Group					
	Tax losses		Others		Total	
	2006	2005	**2006**	2005	**2006**	2005
	US$'000	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
At 1st January	**48,064**	54,668	**4,746**	6,208	**52,810**	60,876
Charged to consolidated income statement	**(47,876)**	(6,604)	**(2,734)**	(1,462)	**(50,610)**	(8,066)
At 31st December	**188**	48,064	**2,012**	4,746	**2,200**	52,810

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

	2006	2005
	US$'000	US$'000
Deferred income tax assets	**162**	246
Deferred income tax liabilities	**2,202**	72,699

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

	2006	2005
	US$'000	US$'000
Deferred income tax assets to be recovered after more than 12 months	**115**	246
Deferred income tax liabilities to be settled after more than 12 months	**2,188**	72,636

As at 31st December 2006 and 2005, the Company did not have significant deferred income tax assets and liabilities.

36 OTHER LONG TERM LIABILITIES

	Group 2006 US$'000	Group 2005 US$'000
Deferred upfront administration fee (note)	**6,695**	–
Less: current portion (note 31)	**(1,488)**	–
	5,207	–

Note:

Subsequent to the completion of the disposal of containers as set out in note 8, the Group has entered into Administrative Services Agreements (the "Agreements") with the Purchaser pursuant to which the Group will manage the Sold Containers on behalf of the Purchaser for an initial term of five years (extendable at the option of the Purchaser). The Group has received an upfront administration fee of approximately US$7,439,000 from the Purchaser pursuant to the Agreements. During the year ended 31st December 2006, upfront administration fee of US$744,000 (2005: Not applicable) has been recognised as income in the consolidated income statement and the remaining unearned administration fee income of US$6,695,000 (2005: Not applicable) was deferred and will be recognised over the remaining period of the Agreements.

37 FINANCIAL GUARANTEE CONTRACTS

The face value of the financial guarantees issued by the Group and the Company as at 31st December 2006 is analysed as below:

	Group		Company	
	2006 US$'000	2005 US$'000	**2006 US$'000**	2005 US$'000
Guarantees for:				
– Notes issued by a subsidiary (note 34(e))	**–**	–	**300,000**	300,000
– Other credit or loan facilities granted to subsidiaries	**–**	–	**175,000**	541,379
– Bank guarantees to an associate	**25,304**	21,920	**–**	–
	25,304	21,920	**475,000**	841,379

The directors of the Company consider that it is not probable for a claim to be made against the Group and the Company under any of these guarantees as at the balance sheet date.

38 CAPITAL COMMITMENTS

Except as disclosed elsewhere in the financial statements, the Group has the following significant capital commitments as at 31st December 2006:

	Group 2006 US$'000	2005 US$'000
Authorised but not contracted for		
– Containers	**474,592**	317,558
– Generator sets	**2,448**	5,600
– Computer system under development	**946**	1,074
– Other property, plant and equipment	**1,264**	–
	479,250	324,232
Contracted but not provided for		
– Containers	**39,346**	8,331
– Investments (note)	**727,118**	711,844
– Other property, plant and equipment	**27,729**	6,240
	794,193	726,415
The Group's share of capital commitments of the jointly controlled entities themselves not included in the above are as follows:		
Contracted but not provided for	**20,320**	7,316
Authorised but not contracted for	**32,221**	8,318
	52,541	15,634

Note:

The Group's investments contracted but not provided for as at 31st December 2006 are as follows:

	Group 2006 US$'000	2005 US$'000
Investments in:		
– Qingdao Qianwan Container Terminal Co., Ltd	**77,817**	104,020
– Antwerp Gateway NV	**86,294**	81,091
– Dalian Port Container Terminals Co., Ltd	**91,546**	88,392
– COSCO Ports (Nansha) Limited	**165,902**	293,096
– Others	**64,410**	44,197
	485,969	610,796
Terminal projects in:		
– Tianjin Port Euroasia Terminal	**138,307**	–
– Shanghai Yangshan Port Phase II	**51,225**	49,565
– Suez Canal Terminal at Port Said, Egypt	**47,500**	47,500
– Others	**4,117**	3,983
	241,149	101,048
	727,118	711,844

39 OPERATING LEASE ARRANGEMENTS/COMMITMENTS

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

At 31st December 2006, the Group had future minimum lease receipts under non-cancellable operating leases as follows:

	Group 2006 US$'000	Group 2005 US$'000
Containers		
– not later than one year	**156,681**	210,896
– later than one year and not later than five years	**462,665**	508,750
– later than five years	**280,864**	183,278
	900,210	902,924
Generator sets		
– not later than one year	**1,468**	1,053
– later than one year and not later than five years	**3,130**	2,708
	4,598	3,761
Investment properties		
– not later than one year	**34**	29
– later than one year and not later than five years	**22**	16
	56	45
	904,864	906,730

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

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

At 31st December 2006, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Group 2006 US$'000	Group 2005 US$'000
Buildings, leasehold land and land use rights		
– not later than one year	**3,021**	2,534
– later than one year and not later than five years	**3,839**	5,177
– later than five years	**4,269**	4,465
	11,129	12,176
Plant and machinery		
– not later than one year	**322**	390
– later than one year and not later than five years	**97**	328
	419	718
	11,548	12,894

(c) The Company did not have any lease commitments as at 31st December 2006 and 2005.

40 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2006 US$'000	2005 US$'000
Profit before income tax	**343,654**	360,381
Depreciation and amortisation	**88,119**	107,666
Interest expenses	**39,219**	33,641
Fair value gain on interest rate swap contracts not qualified as hedges	**(605)**	(3,984)
Initial recognition of put options granted in connection with share reform of an associate	**140,064**	–
Fair value gain on put options granted	**(84,883)**	–
Amortised amount of		
– discount on issue of notes	**214**	227
– transaction costs on bank loans and notes	**3,944**	1,771
Other incidental borrowing costs and charges	**826**	723
Impairment loss of containers	**2,533**	2,327
Provision for impairment of trade and finance lease receivables	**3,061**	1,389
Provision of inventories	**143**	–
Profit on disposal of property, plant and equipment, net	**(85,086)**	(1,664)
Dividend income from		
– a listed investment	**(476)**	(768)
– unlisted investments	**(19,227)**	(15,769)
Profit on disposal of		
– a subsidiary	**–**	(14)
– a jointly controlled entity	**(5,470)**	–
– partial interest in an associate	**–**	(178)
– an available-for-sale financial asset	**–**	(61,875)
Revaluation surplus of investment properties	**(157)**	(501)
Reversal of provision for impairment of trade receivables	**(1,676)**	(14)
Interest income	**(12,621)**	(4,361)
Share of profits less losses of		
– jointly controlled entities	**(85,070)**	(72,969)
– associates	**(89,042)**	(82,320)
Operating profit before working capital changes	**237,464**	263,708
(Increase)/decrease in net amount due from jointly controlled entities	**(784)**	14
Decrease in finance lease receivables	**1,521**	1,578
Increase in rent receivable collected on behalf of owners of managed containers	**(36,459)**	–
Decrease in inventories held for sale	**30,954**	15,453
Decrease/(increase) in trade and other receivables, deposits and prepayments	**22,071**	(7,698)
Decrease/(increase) in restricted bank deposits	**21,820**	(10,681)
Decrease/(increase) in amounts due from fellow subsidiaries	**849**	(2,664)
Decrease/(increase) in amounts due from related companies	**83**	(186)
(Increase)/decrease in amount due from an associate	**(775)**	308
(Decrease)/increase in trade and other payables and accruals	**(1,724)**	9,523
Increase in payable to owners of managed containers	**34,909**	–
(Decrease)/increase in amounts due to fellow subsidiaries	**(80)**	239
Increase in amounts due to related companies	**14**	–
Increase/(decrease) in amounts due to minority shareholders of subsidiaries	**774**	(67)
Cash generated from operations	**310,637**	269,527

40 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

(b) Analysis of changes in financing during the year

	Share capital (including share premium) US$'000	Loans and notes US$'000	Minority interests US$'000
Balance at 1st January 2006	652,022	835,653	10,395
Exchange differences	–	1,213	514
Issue of shares on exercise of share options (net of share issue expenses)	49,085	–	–
Transaction costs net off to bank loans and notes during the year	–	(1,550)	–
Loans borrowed	–	517,103	–
Amortised amount of			
– discount on issue of notes	–	214	–
– transaction costs on bank loans and notes	–	3,944	–
Loans repaid	–	(889,986)	–
Effect of fair value hedge	–	(1,432)	–
Dividends paid to minority shareholders	–	–	(2,774)
Minority interests' share of profit for the year	–	–	3,376
Asset injection to a non-wholly owned subsidiary by a minority shareholder of a subsidiary	–	–	9,800
Establishment of a non-wholly owned subsidiary	–	–	14,256
Transfer of loans by a minority shareholder of a subsidiary	–	66,439	–
Balance at 31st December 2006	701,107	531,598	35,567

40 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

(b) Analysis of changes in financing during the year (Continued)

	Share capital (including share premium) US$'000	Loans and notes US$'000	Minority interests US$'000
Balance at 1st January 2005	630,199	649,089	9,441
Exchange differences	–	53	148
Issue of shares on exercise of share options (net of share issue expenses)	21,823	–	–
Transaction costs net off to bank loans and notes during the year	–	(1,618)	–
Loans borrowed	–	321,119	–
Amortised amount of			
– discount on issue of notes	–	227	–
– transaction costs on bank loans and notes	–	1,771	–
Loans repaid	–	(128,385)	–
Effect of fair value hedge	–	(6,603)	–
Dividends paid to minority shareholders	–	–	(2,212)
Minority interests' share of profit for the year	–	–	3,018
Balance at 31st December 2005	652,022	835,653	10,395

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

	Group 2006 US$'000	2005 US$'000
Total time deposits, bank balances and cash (note i)	**224,668**	179,315
Restricted bank deposits included in non-current assets (note ii)	**(158)**	(21,978)
	224,510	157,337
Representing:		
Time deposits	**160,561**	94,688
Bank balances and cash	**63,949**	62,649
	224,510	157,337

40 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

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

Notes:

(i) As at 31st December 2006, cash and cash equivalents of US$15,834,000 (2005: US$82,745,000) were denominated in Renminbi and US dollar which are held by certain subsidiaries with bank accounts operating in the PRC where exchange controls apply.

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

	Group		Company	
	2006	2005	**2006**	2005
	US$'000	US$'000	**US$'000**	US$'000
US dollar	**163,929**	145,711	**96,053**	68,169
Renminbi	**15,378**	17,944	**–**	–
Hong Kong dollar	**31,630**	11,733	**27,270**	9,113
Other currencies	**13,731**	3,927	**3,420**	–
	224,668	179,315	**126,743**	77,282

(ii) As at 31st December 2005, restricted bank deposits mainly included deposits of US$21,819,000 which were held as securities for repayment of bank loans and were restricted for the purpose of the related banking facilities.

(iii) The effective interest rate on time deposits was 4.64% (2005: 3.83%) per annum. These deposits have an average maturity of 9 days (2005: 11 days). The bank balances earn interests at floating rates based on daily bank deposits rates.

41 RELATED PARTY TRANSACTIONS

The Group is controlled by China COSCO which owns 51.34% of the Company's shares as at 31st December 2006. The parent company of China COSCO is COSCO.

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

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

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

41 RELATED PARTY TRANSACTIONS (CONTINUED)

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

	2006 US$'000	2005 US$'000
Container rental income from fellow subsidiaries (note i)		
– long term leases	**136,889**	126,400
– short term leases	**213**	849
Container rental income from other state-owned enterprise (note i)	**1,041**	2,110
Handling, storage and transportation income from fellow subsidiaries (note ii)	**7,234**	6,346
Management fee and service fee income from (note iii)		
– jointly controlled entities	**3,441**	2,571
– associates	**859**	613
– a joint venture partner of a jointly controlled entity	**2,000**	–
Container terminal handling and storage income received from fellow subsidiaries and an associate of a parent company (note iv)	**3,980**	1,940
Container freight charges to (note v)		
– jointly controlled entities	**(507)**	(174)
– subsidiaries of CIMC	**(1,620)**	(1,778)
Approved continuous examination program fees to a fellow subsidiary (note vi)	**(1,100)**	(1,100)
Proceeds on disposal of a jointly controlled entity to a subsidiary of CIMC (note vii)	**6,252**	–
Proceeds on the disposal of a subsidiary and assignment of a shareholder's loan to a fellow subsidiary (note viii)	**–**	1,558
Purchase of containers from (note ix)		
– subsidiaries of CIMC	**(156,299)**	(105,758)
– jointly controlled entities of the Group	**(40,375)**	(36,831)
Injection of assets and liabilities by minority shareholders of subsidiaries and related subsequent expenses (note x)	**54,436**	–

41 RELATED PARTY TRANSACTIONS (CONTINUED)

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

Notes:

(i) The Group has conducted long term container leasing business with COSCON. During the two years ended 31st December 2006, the Group entered into new long term container leasing contracts/arrangements with COSCON. The Group's long term container leasing transactions with COSCON during the year have been conducted by reference to the average of the available leasing rates quoted from four (2005: four) of the top ten independent container leasing companies and in the ordinary and normal course of the business of the Group.

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

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

(iii) The Group provided advisory and management services to COSCO-HIT Terminals (Hong Kong) Limited ("COSCO HIT"), a jointly controlled entity of the Group, during the year. Management fee was charged and agreed at HK$20,000,000 (equivalent to US$2,575,000) (2005: HK$20,000,000 (equivalent to US$2,571,000)) per annum.

Other management fee and service fee income charged to jointly controlled entities, associates and the joint venture partner of a jointly controlled entity was agreed between the Group and the respective parties in concern.

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

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

(vi) Approved continuous examination program fees of US$1,100,000 to COSCON in connection with the containers leased to COSCON on a long term basis were agreed between the Group and COSCON for the year ended 31st December 2006 (2005: US$1,100,000).

(vii) On 17th July 2006, the Group entered into an agreement with a subsidiary of CIMC to dispose of its entire 20% equity interest in Shanghai CIMC Far East Container Co., Ltd, a then jointly controlled entity of the Group, at a consideration of US$6,252,000. The disposal resulted in a gain of US$5,470,000.

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

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

(x) During the year ended 31st December 2006, the minority shareholder of Zhangjiagang Win Hanverky Container Terminal Co., Ltd. ("ZWHC") , a non-wholly owned subsidiary, transferred certain port facilities and terminal equipment to ZWHC amounting to RMB171,082,000 (equivalent to approximately US$21,713,000) (the "Transferred Assets"). The value of the Transferred Assets was determined by reference to the valuation report issued by an independent valuer in the PRC (the "Valuation"). The amount of the Transferred Assets, net of the minority shareholder's capital contribution to ZWHC for its capital increase of US$9,800,000 together with the subsequent expenses incurred between the date of Valuation and the date of assets transfer, are repayable to the minority shareholder by ZWHC. Any unsettled balance bore interest at a rate of 5.265% (prior to 30th April 2006: 5.022%) per annum. The related balances repayable to the minority shareholder of ZWHC were fully settled in November 2006. For the capital increase of ZWHC, the Group had also made a capital contribution in cash to ZWHC in proportion to its shareholding.

In addition, the Group established Quanzhou Pacific Container Terminal Co., Limited ("QPCT"), a non-wholly owned subsidiary, in August 2006 and had contributed capital in cash to QPCT in proportion to its shareholding. The minority shareholder transferred certain assets and liabilities to QPCT with an aggregate value of RMB246,852,000 (equivalent to approximately US$31,015,000) (the "Transferred Net Assets") which was determined by reference to the valuation report issued by an independent valuer in the PRC. The amount of the Transferred Net Assets, after deducting the minority shareholder's capital contribution to QPCT of US$14,256,000, is repayable to the minority shareholder by QPCT and the balance is unsecured, interest free and has no fixed terms of repayment. As at 31st December 2006, the related unsettled balance payable to the minority shareholder of QPCT amounted to US$1,050,000.

41 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Balances with state-owned banks

	2006 US$'000	2005 US$'000
Bank deposit balances		
– in China mainland	**15,384**	17,946
– outside China mainland	**96,084**	101,682
Long term loans		
– in China mainland	**57,232**	1,372
– outside China mainland	**174,409**	173,980
Short term loans		
– in China mainland	**10,245**	2,478

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

(c) Balances with other state-owned enterprise

	2006 US$'000	2005 US$'000
Other payables to a state-owned enterprise	**5,682**	5,005

The balance represented the port construction levies collected by subsidiaries of the Group on behalf of the port authority in Zhangjiagang and Quanzhou pursuant to a notice issued by the Ministry of Communications of the PRC. The balances are unsecured, interest free and have no fixed terms of repayment.

(d) Key management compensation

	2006 US$'000	2005 US$'000
Salaries, bonuses and other allowances	**2,641**	2,508
Contributions to retirement benefit schemes	**6**	6
	2,647	2,514

Key management includes directors of the Company and four senior management members of the Group.

42 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation.

43 DETAILS OF SUBSIDIARIES

Details of the subsidiaries as at 31st December 2006 are as follows:

	Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/paid-up capital	Group equity interest 2006	Group equity interest 2005
2	Allgood International Limited	British Virgin Islands	Hong Kong	Dormant	1 ordinary share of US$1	**100.00%**	100.00%
1, 2	Bauhinia 97 Ltd.	Cayman Islands	Hong Kong	Investment holding	2 ordinary shares of US$1 each	**100.00%**	100.00%
	Cheer Hero Development Limited	Hong Kong	Hong Kong	Container handling, storage and stevedoring	10,000 ordinary shares of HK$10 each	**75.00%**	75.00%
1, 2	COSCO Container Industries Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
	COSCO Container Services Limited	Hong Kong	Hong Kong	Investment holding, depot handling, storage and container repairing	2 ordinary shares of HK$1 each	**100.00%**	100.00%
1, 2, 3	COSCO Pacific (China) Investments Co., Ltd.	PRC	PRC	Investment holding	US$37,496,000	**100.00%**	100.00%
1	COSCO Pacific Finance (2003) Company Limited	British Virgin Islands	Hong Kong	Financing	1 ordinary share of US$1	**100.00%**	100.00%
1, 2	COSCO Pacific Logistics Company Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
1	COSCO Pacific Management Company Limited	Hong Kong	Hong Kong	Investment holding and provision of management services	2 ordinary shares of HK$1 each	**100.00%**	100.00%
1, 2	COSCO Pacific Nominees Limited	British Virgin Islands	Hong Kong	Provision of nominee services	1 ordinary share of US$1	**100.00%**	100.00%
2	COSCO Ports (Antwerp) NV	Belgium	Belgium	Investment holding	EURO61,500 divided into 2 shares with no face value	**100.00%**	100.00%

43 DETAILS OF SUBSIDIARIES (CONTINUED)

	Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/paid-up capital	Group equity interest 2006	2005
	COSCO Ports (Belgium) Limited	Hong Kong	Hong Kong	Investment holding	1 ordinary share of HK$1	**100.00%**	100.00%
2	COSCO Ports (Dalian) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
2	COSCO Ports (Dalian RoRo) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
2	COSCO Ports (Guangzhou) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
1	COSCO Ports (Holdings) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
2	COSCO Ports (Hong Kong) Limited	British Virgin Islands	Hong Kong	Dormant	1 ordinary share of US$1	**100.00%**	100.00%
7	COSCO Ports (Nansha) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**–**	100.00%
2	COSCO Ports (Nanjing) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
2	COSCO Ports (Ningbo Beilun) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
2	COSCO Ports (Port Said) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
2	COSCO Ports (Pudong) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	–
2	COSCO Ports (Services) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	–
2	COSCO Ports (Singapore) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
2	COSCO Ports (Qianwan) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%

43 DETAILS OF SUBSIDIARIES (CONTINUED)

	Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/paid-up capital	Group equity interest 2006	2005
2	COSCO Ports (Qingdao) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
2	COSCO Ports (Quanzhou) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	–
2	COSCO Ports (Quanzhou Jinjiang) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	–
2	COSCO Ports (Tianjin) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
2	COSCO Ports (Tianjin North Basin) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
2	COSCO Ports (Yangshan) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
2	COSCO Ports (Yangzhou) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
2	COSCO Ports (Yingkou) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
2	COSCO Ports (Zhenjiang) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
1	CPL Treasury Limited	British Virgin Islands	Hong Kong	Provision of treasury services	1 ordinary share of US$1	**100.00%**	100.00%
1	Crestway International Limited	British Virgin Islands	Hong Kong	Investment holding	50,000 ordinary shares of US$1 each	**100.00%**	100.00%
1, 2	Elegance Investment Limited	British Virgin Islands	Hong Kong	Dormant	1 ordinary share of US$1	**100.00%**	100.00%
	Fairbreeze Shipping Company Limited	Hong Kong	Hong Kong	Property investment	5,000 ordinary shares of HK$100 each	**100.00%**	100.00%

43 DETAILS OF SUBSIDIARIES (CONTINUED)

	Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/paid-up capital	Group equity interest 2006	2005
2	Famous International Limited	British Virgin Islands	Worldwide	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
2,3,4,5	Florens (China) Company Limited	PRC	PRC	Resale of old containers	US$12,800,000	**100.00%**	–
2	Fentalic Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
	Florens Container (Macao Commercial Offshore) Limited	Macau	Worldwide	Sale of old containers and administration of marine shipping container activities	1 quota of MOP100,000	**100.00%**	100.00%
	Florens Container Corporation S.A.	Panama	Worldwide	Container leasing	100 ordinary shares of US$100 each	**100.00%**	100.00%
1	Florens Container Holdings Limited	British Virgin Islands	Hong Kong	Investment holding	22,014 ordinary shares of US$1 each	**100.00%**	100.00%
	Florens Container Inc.	United States of America	United States of America	Container manager and container leasing	1 ordinary share of US$1	**100.00%**	100.00%
2, 6	Florens Container, Inc. (1998)	United States of America	United States of America	Inactive	100 ordinary shares of US$1 each	**100.00%**	100.00%
2, 6	Florens Container Inc. (1999)	United States of America	United States of America	Inactive	100 ordinary shares of US$1 each	**100.00%**	100.00%
2, 6	Florens Container, Inc. (2000)	United States of America	United States of America	Inactive	100 ordinary shares of US$1 each	**100.00%**	100.00%
2, 6	Florens Container, Inc. (2001)	United States of America	United States of America	Inactive	1 ordinary share of US$1	**100.00%**	100.00%
	Florens Container, Inc. (2002)	United States of America	United States of America	Sale of old containers	1 ordinary share of US$1	**100.00%**	100.00%
2, 6	Florens Container, Inc. (2003)	United States of America	United States of America	Inactive	1 ordinary share of US$1	**100.00%**	100.00%

43 DETAILS OF SUBSIDIARIES (CONTINUED)

	Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/paid-up capital	Group equity interest 2006	2005
2, 6	Florens Container, Inc. (2004)	United States of America	United States of America	Inactive	1 ordinary share of US$1	**100.00%**	100.00%
2, 6	Florens Container, Inc. (2005)	United States of America	United States of America	Inactive	1 ordinary share of US$1	**100.00%**	100.00%
2	Florens Container Services (Australia) Pty Limited	Australia	Australia	Provision of container management services	100 ordinary shares of AUD1 each	**100.00%**	100.00%
	Florens Container Services Company Limited	Hong Kong	Worldwide	Provision of container management services	100 ordinary shares of HK$1 each	**100.00%**	100.00%
2	Florens Container Services (Deutschland) GmbH.	Germany	Germany	Provision of container management services	2 shares of EURO12,782.30 each	**100.00%**	100.00%
2	Florens Container Services (Italy) S.R.L.	Italy	Italy	Provision of container management services	20,000 quotas of EURO0.52 each	**100.00%**	100.00%
2	Florens Container Services (Japan) Co. Ltd.	Japan	Japan	Provision of container management services	200 ordinary shares of JPY50,000 each	**100.00%**	100.00%
2	Florens Container Services (UK) Limited	United Kingdom	United Kingdom	Provision of container management services	183,610 ordinary shares of GBP1 each	**100.00%**	100.00%
	Florens Container Services (USA), Ltd.	United States of America	United States of America	Container manager and provision of container management container services	1,000 ordinary shares of US$0.001 each	**100.00%**	100.00%

43 DETAILS OF SUBSIDIARIES (CONTINUED)

Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/paid-up capital	Group equity interest 2006	2005
[1,2] Florens Industrial Holdings Limited	Bermuda	Hong Kong	Dormant	12,000 ordinary shares of US$1 each	**100.00%**	100.00%
Florens Management Services (Macao Commercial Offshore) Limited	Macau	Macau	Provision of container management services	1 quota of MOP100,000	**100.00%**	100.00%
Florens Maritime Limited	Bermuda	Worldwide	Container leasing	12,000 ordinary shares of US$1 each	**100.00%**	–
Florens Shipping Corporation Limited	Bermuda	Worldwide	Container leasing	12,000 ordinary shares of US$1 each	**100.00%**	100.00%
[2] Florens U.S. Holdings, Inc.	United States of America	United States of America	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
[2] Fota Limited	British Virgin Islands	Hong Kong	Dormant	12,000 ordinary shares of US$1 each	**100.00%**	–
[2] Frosti International Limited	British Virgin Islands	Hong Kong	Investment holding	2 ordinary shares of US$1 each	**100.00%**	100.00%
Greating Services Limited	Hong Kong	Hong Kong	Transportation of containers	250,000 ordinary shares of HK$1 each	**100.00%**	100.00%
[1,2] Hang Shing Investment Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
Loson Investment Limited	British Virgin Islands	Hong Kong	Dormant	1 ordinary share of US$1	**100.00%**	100.00%
[2] Plangreat Limited	British Virgin Islands	Hong Kong	Investment holding	100 ordinary each shares of US$1	**100.00%**	100.00%
[1,2] Topview Investment Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%

43 DETAILS OF SUBSIDIARIES (CONTINUED)

	Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/paid-up capital	Group equity interest 2006	2005
	Win Hanverky Investments Limited	Hong Kong	Hong Kong	Investment holding	10,000 ordinary shares of HK$10 each	**100.00%**	100.00%
2, 3, 5	Quanzhou Pacific Container Terminal Co., Limited	PRC	PRC	Operation of container terminal	RMB397,395,746	**71.43%**	–
2	Yeman Limited	British Virgin Islands	British Virgin Islands	Property holding	1 ordinary share of US$1	**100.00%**	–
2, 3	Zhangjiagang Win Hanverky Container Terminal Co., Ltd.	PRC	PRC	Operation of container terminal	US$16,800,000	**51.00%**	51.00%

1 Shares held directly by the Company.

2 Subsidiaries not audited by PricewaterhouseCoopers.

3 COSCO Pacific (China) Investments Co., Ltd and Florens (China) Company Limited are wholly foreign-owned enterprises. Quanzhou Pacific Container Terminal Co., Limited and Zhangjiagang Win Hanverky Container Terminal Co., Ltd are sino-foreign equity joint ventures established in the PRC.

4 The subsidiary has not commenced operations as at 31st December 2006.

5 The capital of these subsidiaries was not fully paid up as at 31st December 2006.

6 These subsidiaries were previously engaged in container leasing businesses and became inactive since 1st July 2006.

7 In August 2006, the Group transferred 33.9% equity interest in COSCO Ports (Nansha) Limited ("CP Nansha") to a third party and the Group has accounted for CP Nansha as a jointly controlled entity since then.

44 DETAILS OF JOINTLY CONTROLLED ENTITIES

Details of the jointly controlled entities as at 31st December 2006 are as follows:

Name	Place of establishment/ operation	Principal activities	Paid-up capital	Percentage of interest in ownership/voting power/profit sharing 2006	2005
COSCO-HIT Terminals (Hong Kong) Limited	Hong Kong	Operation of container terminal	2 "A" ordinary shares of HK$10 each and 2 "B" ordinary shares of HK$10 each 4 non-voting 5% deferred shares of HK$10 each	**50.00%/ 50.00%/ 50.00%**	50.00%/ 50.00%/ 50.00%
COSCO Logistics Co., Ltd.	PRC	Shipping agency, freight forwarding, third party logistics and supporting services	RMB1,582,029,851	**49.00%/ 44.40%/ 49.00%**	49.00%/ 44.40%/ 49.00%
COSCO-PSA Terminal Private Limited	Singapore	Operation of container terminal	SGD48,900,000	**49.00%/ 50.00%/ 49.00%**	49.00%/ 50.00%/ 49.00%
COSCO Ports (Nansha) Limited	PRC	Investment in a container terminal	US$10,000	**66.10%/ 66.70%/ 66.10%**	– – –
Nanjing Port Longtan Container Co., Ltd.	PRC	Operation of container terminal	RMB474,000,000	**20.00%/ 22.20%/ 20.00%**	20.00%/ 22.20%/ 20.00%
Ningbo Yuan Dong Terminals Ltd.	PRC	Operation of container terminal	RMB390,000,000	**20.00%/ 20.00%/ 20.00%**	– – –
Qingdao Cosport International Container Terminals Co. Ltd.	PRC	Operation of container terminal	RMB337,868,700	**50.00%/ 50.00%/ 50.00%**	50.00%/ 50.00%/ 50.00%
Qingdao Qianwan Container Terminal Co., Ltd.	PRC	Operation of container terminal	US$199,962,500	**20.00%/ 18.18%/ 20.00%**	20.00%/ 18.18%/ 20.00%

44 DETAILS OF JOINTLY CONTROLLED ENTITIES (CONTINUED)

Name	Place of establishment/ operation	Principal activities	Paid-up capital	Percentage of interest in ownership/voting power/profit sharing 2006	2005
Shanghai CIMC Far East Container Co., Ltd. (note)	PRC	Container manufacturing	US$9,480,000	– – –	20.00%/ 20.00%/ 20.00%
Shanghai CIMC Reefer Containers Co., Ltd.	PRC	Container manufacturing	US$31,000,000	**20.00%/** **21.40%/** **20.00%**	20.00%/ 21.40%/ 20.00%
Tianjin CIMC North Ocean Container Co., Ltd.	PRC	Container manufacturing	US$16,682,000	**22.50%/** **20.00%/** **22.50%**	22.50%/ 20.00%/ 22.50%
Yangzhou Yuanyang International Ports Co. Ltd.	PRC	Operation of container terminal	US$29,800,000	**55.59%/** **50.00%/** **55.59%**	55.59%/ 50.00%/ 55.59%
Yingkou Container Terminals Company Limited	PRC	Operation of container terminal	RMB8,000,000	**50.00%/** **57.14%/** **50.00%**	50.00%/ 57.14%/ 50.00%

Note:

The directors of the Company considered that the disposal of the Group's entire equity interest in Shanghai CIMC Far East Container Co., Ltd. to a subsidiary of CIMC was completed in December 2006.

45 DETAILS OF ASSOCIATES

Details of the associates as at 31st December 2006 are as follows:

Name	Place of establishment/ operation	Principal activities	Issued share capital/registered capital	Group equity interests 2006	Group equity interests 2005
Antwerp Gateway NV	Belgium	Operation of container terminal	EURO14,000,000	**20.00%**	20.00%
China International Marine Containers (Group) Co., Ltd. (note)	PRC	Container manufacturing	RMB2,218,663,376 (360,143,203 non-publicly tradable shares, 666,453,082 "A" shares and 1,192,067,091 "B" shares), all of RMB1 each	**16.23%**	16.23%
Dalian Automobile Terminal Co., Ltd.	PRC	Construction and operation of automobile terminals	RMB160,000,000	**30.00%**	30.00%
Dalian Port Container Terminal Co., Ltd.	PRC	Operation of container terminal	RMB240,000,000	**20.00%**	20.00%
Dawning Company Limited	British Virgin Islands/ Hong Kong	Investment holding	200 "A" shares of US$1 each and 800 "B" shares of US$1 each	**20.00%**	20.00%
Chong Hing Bank Limited (formerly known as Liu Chong Hing Bank Limited)	Hong Kong	Banking and related financial services	435,000,000 ordinary shares of HK$0.5 each	**20.00%**	20.00%
Shanghai Pudong International Container Terminals Limited	PRC	Operation of container terminal	RMB1,900,000,000	**30.00%**	20.00%

Note:

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