COSCO Pacific Limited

(Incorporated in Bermuda with limited liability)

Annual Report 2005

Stock Code: 1199

Contents

First Port of Call

Our mission is to create value for our shareholders and to provide superior service to our customers. The trust they both place in us is our motivation to succeed. Our vision is to be a highly profitable, strategically balanced, effectively managed, independent, socially responsible and environmentally friendly enterprise, with leadership positions in all our core businesses.

In 2005, COSCO Pacific strengthened its global business network by further expanding its presence in China and worldwide. This network allows us to provide a more comprehensive service to our customers and enhances shareholder value. For both customers and investors, we believe that COSCO Pacific should be the first port of call.

Financial Highlights

2005 was a record year for COSCO Pacific Limited ("COSCO Pacific" or the "Company") and its subsidiaries (the "Group"). Turnover amounted to US$295,648,000, an increase of 7.4%. Profit attributable to equity holders of the Company was US$334,937,000, a rise of 62.1%, and earnings per share were US15.28 cents up 59.7%.

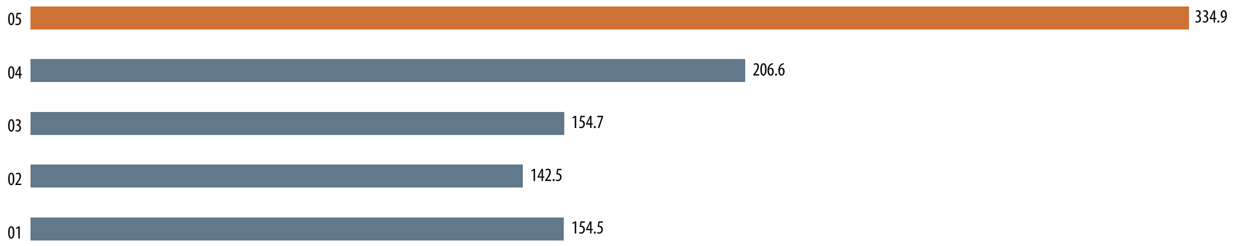
	2005	2004 (Restated)	+/-
Turnover Note 1	US$295,648,000	US$275,296,000	+7.4%
Operating profit after finance costs	US$205,092,000	US$133,421,000	+53.7%
Profit attributable to equity holders of the Company			
- before non-recurring item Note 2	US$273,062,000	US$206,646,000	+32.1%
- after non-recurring item	US$334,937,000	US$206,646,000	+62.1%
Basic earnings per share			
- before non-recurring item	US12.46 cents	US9.57 cents	+30.2%
- after non-recurring item	US15.28 cents	US9.57 cents	+59.7%
Dividend per share Note 3	HK67.2 cents	HK42.0 cents	+60.0%
- interim dividend	HK28.1 cents	HK17.4 cents	+61.5%
- interim special dividend	HK11.3 cents	N/A	N/A
- final dividend	HK27.8 cents	HK24.6 cents	+13.0%
Dividend payout ratio	56.6%	56.4%	0.2pp
Total equity	US$1,890,343,000	US$1,485,628,000	+27.2%
Capital and reserves attributable to the equity holders of the Company	US$1,879,948,000	US$1,476,187,000	+27.4%
Consolidated total assets	US$2,855,150,000	US$2,243,072,000	+27.3%
Consolidated total liabilities	US$964,807,000	US$757,444,000	+27.4%
Consolidated net assets	US$1,890,343,000	US$1,485,628,000	+27.2%
Consolidated net debts	US$656,338,000	US$552,745,000	+18.7%
Return on equity holders of the Company			
- before non-recurring item	16.3%	14.7%	+1.6pp
- after non-recurring item	20.0%	14.7%	+5.3pp
Return on total assets			
- before non-recurring item	10.7%	10.0%	+0.7pp
- after non-recurring item	13.1%	10.0%	+3.1pp
Net debt-to-equity ratio	34.7%	37.2%	-2.5pp
Interest coverage	11.1 times	10.1 times	1.0 times

Note 1 : Group turnover includes turnover from Florens Container Holdings Limited and its subsidiaries, Zhangjiagang Win Hanverky Container Terminal Co., Ltd., and Plangreat Limited and its subsidiaries. Group turnover excludes turnover from the Group's associates and jointly controlled entities.

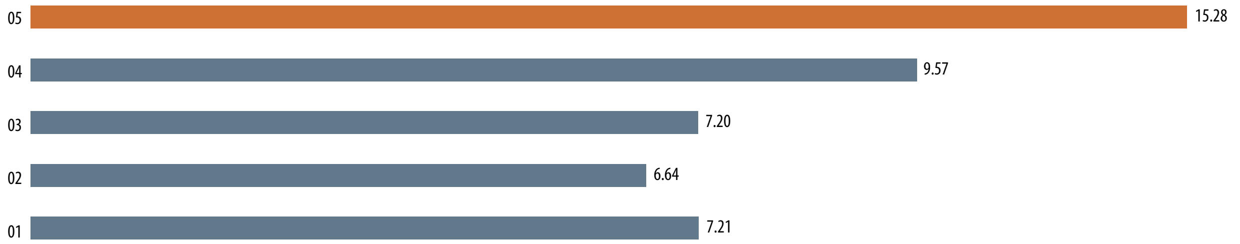
Note 2 : Non-recurring item represents profit on disposal of 17.5% equity interest in Shekou Container Terminals Ltd. on 23rd March 2005 which generated a profit of US$61,875,000.

Note 3 : Dividend per share of HK67.2 cents is approximately equivalent to US8.65 cents (2004: HK42.0 cents is approximately equivalent to US5.40 cents).

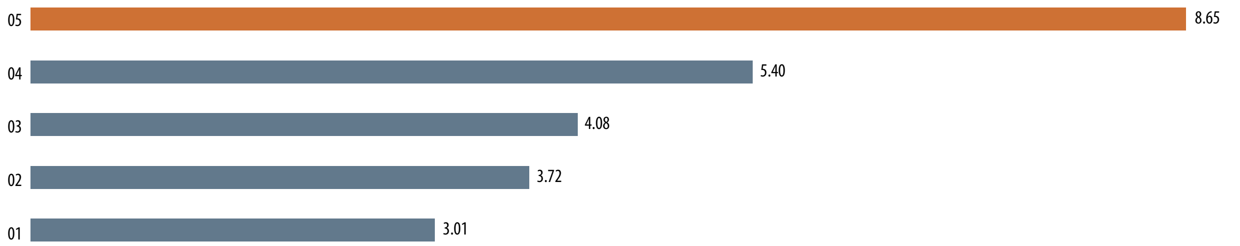
Profit attributable to equity holders of the Company
(Unit: US$ million)



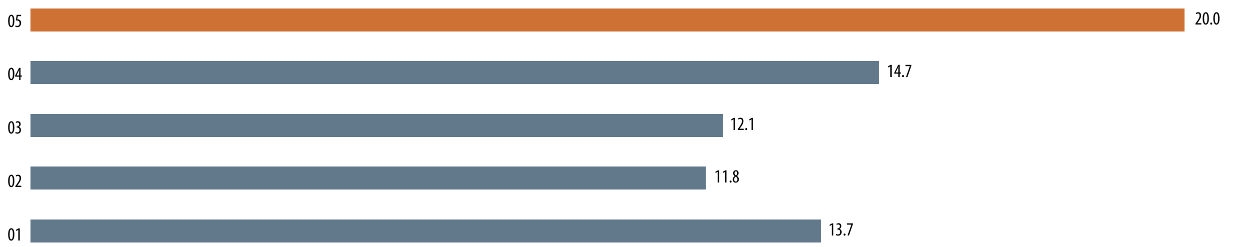
Earnings per share
(Unit: US cents)



Dividend per share
(Unit: US cents)



Return on equity holders of the Company
(Unit: %)



Corporate Structure

China Ocean Shipping (Group) Company Note 1

63.5%

China COSCO Holdings Company Limited Note 2

100% — **COSCO Container Lines Company Limited** Note 3

52.03% — **COSCO Pacific Limited**

Container Terminals

COSCO-HIT Terminals (Hong Kong) Limited (50%)

Yantian International Container Terminals Ltd. (5%)

Yantian International Container Terminals (Phase III) Limited (4.45%)

Guangzhou South China Oceangate Container Terminal Company Limited (59%) Note 5

Shanghai Container Terminals Limited (10%)

Shanghai Pudong International Container Terminals Limited (20%)

Shanghai Xiangdong International Container Terminal Company Limited (10%) Note 6

Zhangjiagang Win Hanverky Container Terminal Co., Ltd. (51%)

Yangzhou Yuanyang International Ports Co., Ltd. (55.59%)

Nanjing Port Longtan Container Co., Ltd. (20%) Note 7

Zhenjiang Jinyuan Container Terminals Co., Ltd. (25%) Note 8

Qingdao Qianwan Container Terminal Co., Ltd. (20%)

Qingdao Cosport International Container Terminals Co., Ltd. (50%)

Tianjin Five Continents International Container Terminal Co., Ltd. (14%)

Yingkou Container Terminals Company Limited (50%)

Dalian Port Container Co., Ltd. (8%)

Dalian Automobile Terminal Co., Ltd. (30%)

Dalian Port Container Terminal Co., Ltd. (20%)

COSCO-PSA Terminal Private Limited (49%)

Antwerp Gateway NV (20%)

Suez Canal Container Terminal S.A.E. (20%) Note 9

Plangreat Limited(100%)

Container Leasing

Florens Container Holdings Limited (100%)

Florens Container Services Company Limited (100%)

Branches in

- Hong Kong
- San Francisco
- New York
- Sao Paulo
- London
- Hamburg
- Genoa
- Tokyo
- Shanghai
- Singapore
- Macau
- Sydney

As at 31st December 2005

Independent Shareholders Note 4

47.97%

Logistics

COSCO Logistics Co., Ltd. (49%)

Regional headquarters in:

- Beijing
- Dalian
- Qingdao
- Shanghai
- Ningbo
- Xiamen
- Guangzhou
- Wuhan

Representative offices in:

- Hong Kong
- Seoul
- Tokyo
- Athens
- Singapore

Container Related Businesses and Other Investments

China International Marine Containers (Group) Co., Ltd. (16.23%)

Shanghai CIMC Reefer Containers Co., Ltd. (20%)

Shanghai CIMC Far East Container Co., Ltd. (20%) Note 10

Tianjin CIMC North Ocean Container Co., Ltd. (22.5%)

COSCO Pacific (China) Investments Co., Ltd. (100%)

Liu Chong Hing Bank Limited (20%)

Note 1: China Ocean Shipping (Group) Company ("COSCO") is the ultimate holding company of COSCO Pacific Limited. It is China's largest shipping company and one of the world's leading international shipping entities. Currently, COSCO owns and operates a fleet of 628 vessels with an aggregate capacity of 35,540,000 dead-weight tonnage.

Note 2: China COSCO Holdings Company Limited is a subsidiary of COSCO. It indirectly held 1,144,166,411 shares, representing 52.03% of the total issued share capital of COSCO Pacific as at 31st December 2005.

Note 3: COSCO Container Lines Company Limited ("COSCON") is a subsidiary of China COSCO Holdings Company Limited. As at 2nd March 2006, COSCON is the largest container liner operator in China and the seventh largest in the world. COSCON owns and operates a fleet of 128 container vessels with a carrying capacity of 332,998 TEUs. COSCON is a major customer of COSCO Pacific's container leasing and terminal operations.

Note 4: According to the disclosure of interests published by The Stock Exchange of Hong Kong Limited, J.P. Morgan Chase & Co. was an independent shareholder holding 131,869,861 shares accounting for approximately 6% of COSCO Pacific's total issued share capital, as at 31st December 2005.

Note 5: A joint venture agreement was signed on 16th December 2005 to acquire a 59% equity interest in Guangzhou South China Oceangate Container Terminal Company Limited ("Guangzhou Nansha Port Phase II") to develop and operate Guangzhou Nansha Port Phase II, pending government approval.

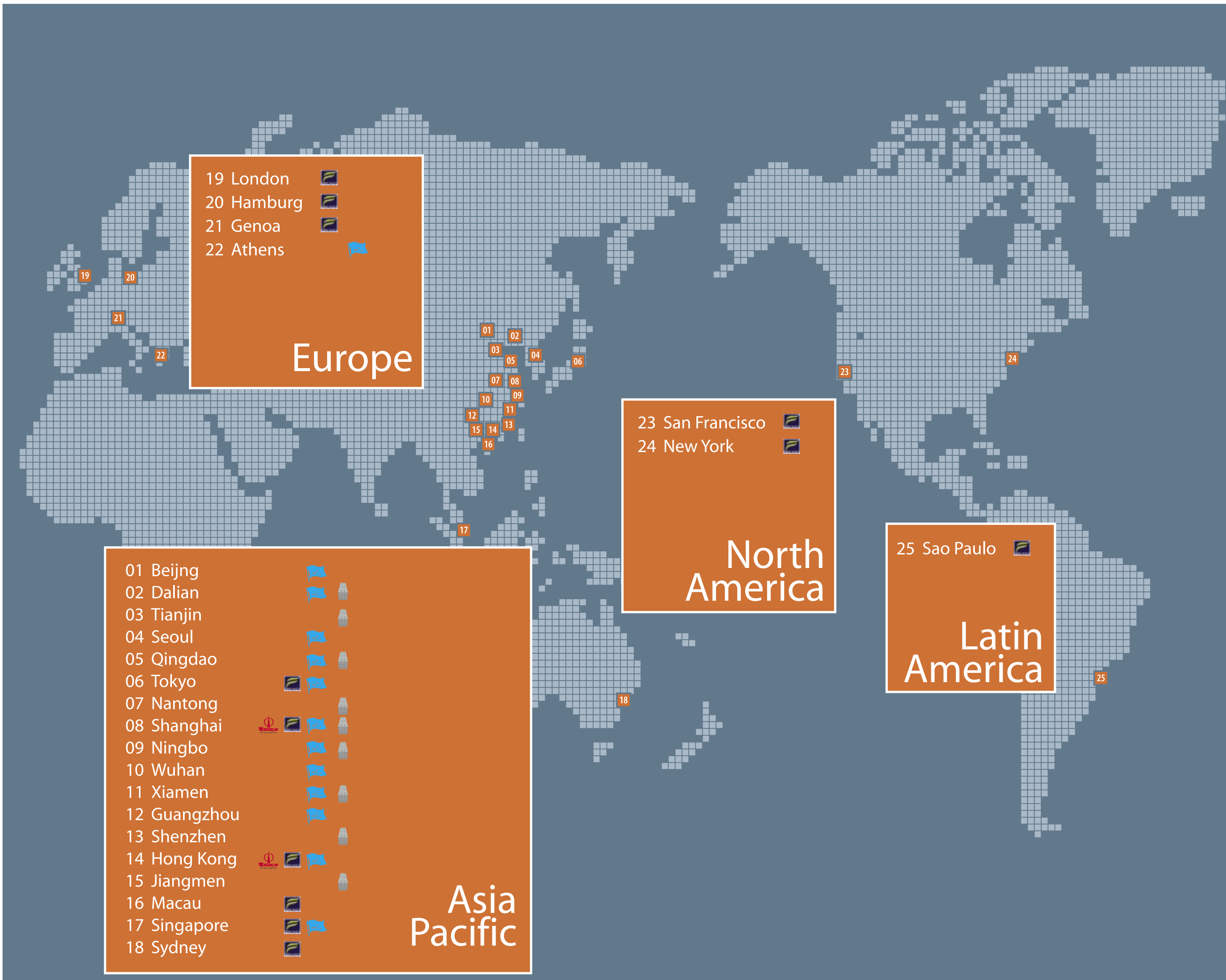
Note 6: A joint venture agreement was signed on 19th December 2005 to acquire a 10% equity interest in Shanghai Xiangdong International Container Terminal Company Limited ("Shanghai Yangshan Port Phase II") to develop and operate Shanghai Yangshan Port Phase II, pending government approval.

Note 7: A joint venture agreement was signed on 28th May 2005 to acquire a 20% equity interest in Nanjing Port Longtan Container Co., Ltd. The joint venture company commenced operation on 26th August 2005.

Note 8: A joint venture agreement was signed on 17th June 2004 to acquire a 25% equity interest in Zhenjiang Jinyuan Container Terminals Co., Ltd. The set up of joint venture company is not finalised, pending government approval.

Note 9: A share purchase agreement was signed on 19th December 2005 to acquire a 20% equity interest in Suez Canal Container Terminal S.A.E., pending government approval.

Note 10: The company is in the process of voluntary liquidation.



Worldwide Business Network

COSCO Pacific

Florens* and its branches

Companies under regional headquarters and overseas representative offices of COSCO Logistics

Container manufacturing plants

Terminals

* Florens is a wholly owned subsidiary of COSCO Pacific Limited.

Florens

Depots: 180 in total

Americas:	49
Europe:	67
Asia Pacific:	64

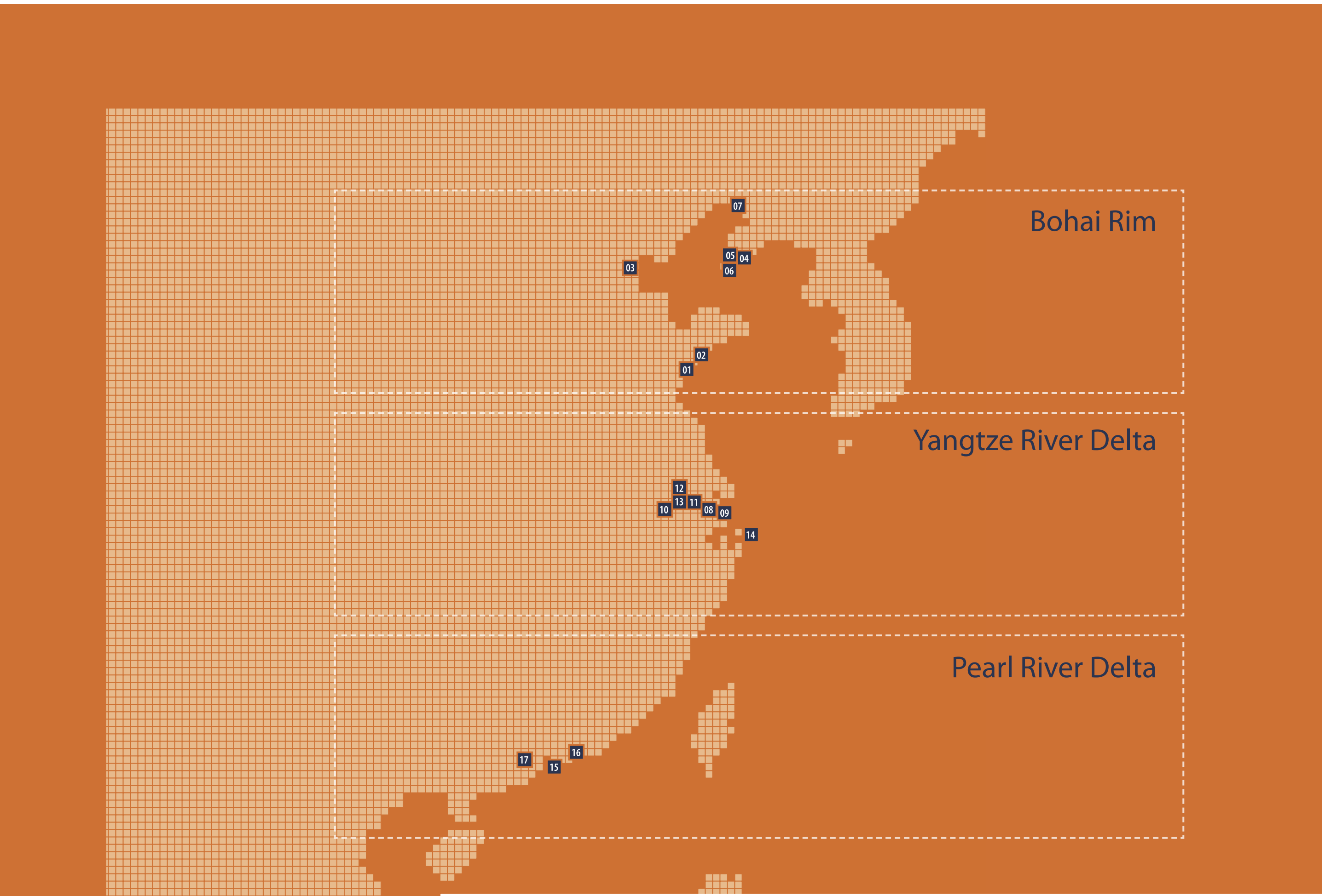
COSCO Logistics

Companies under regional headquarters: 195

Regional headquarters:

- Headquarters: 27
- Beijing: 13
- Dalian: 17
- Qingdao: 28
- Shanghai: 61
- Ningbo: 15
- Xiamen: 8
- Guangzhou: 19
- Wuhan: 7

Overseas representative offices: 5



China

Bohai Rim
(01) Qingdao Qianwan Container Terminal Co., Ltd.
(02) Qingdao Cosport International Container Terminals Co., Ltd.
(03) Tianjin Five Continents International Container Terminal Co., Ltd.
(04) Dalian Port Container Co., Ltd.
(05) Dalian Automobile Terminal Co., Ltd.
(06) Dalian Port Container Terminal Co., Ltd.
(07) Yingkou Container Terminals Company Limited

Yangtze River Delta
(08) Shanghai Container Terminals Limited
(09) Shanghai Pudong International Container Terminals Limited
(10) Nanjing Port Longtan Container Co., Ltd.
(11) Zhangjiagang Win Hanverky Container Terminal Co., Ltd.
(12) Yangzhou Yuanyang International Ports Co., Ltd.
(13) Zhenjiang Jinyuan Container Terminals Co., Ltd.
(14) Shanghai Xiangdong International Container Terminal Company Limited

Pearl River Delta
(15) COSCO-HIT Terminals (Hong Kong) Limited
(16) Yantian International Container Terminals Ltd. (Phases I, II and III)
(17) Guangzhou South China Oceangate Container Terminal Company Limited

Overseas
(18) COSCO-PSA Terminal Private Limited
(19) Antwerp Gateway NV
(20) Suez Canal Container Terminal S.A.E.

Major Events

January

- COSCO Pacific was included in Standard & Poor's top 30 stock picks in 2005.
- COSCO Logistics Co., Ltd. ("COSCO Logistics") signed a contract in Beijing with The China Nuclear Industry Huaxing Construction Company and The China Zhongyuan Engineering Company to provide logistics services relating to civil engineering work at the Chashma-II project in Pakistan.
- COSCO Logistics concluded a logistics service agreement with Total Petrochemicals (Foshan) Ltd to provide a solid polystyrene road distribution service. Annual revenue from this agreement is expected to reach RMB15 million.
- Change of immediate controlling shareholder from COSCO (Hong Kong) Group Limited to COSCO Pacific Investment Holdings Limited (a wholly owned subsidiary of China COSCO Holdings Company Limited).
- COSCO Pacific held its board meeting.

February

- The Group signed a letter of intent with Ningbo Port Group Ltd to jointly construct and operate a container terminal in Dapukou on Jintang Island in Ningbo Port.
- COSCO Logistics entered into a RMB21 million contract with ALSTOM of France for the Pengshui Power Station logistics project in Sichuan Province, China.

March

- The Group signed a letter of intent with Tianjin Port (Group) Company Ltd. to develop and operate a container terminal at North Basin Section B in Tianjin Port.
- COSCO Logistics won a bid for CNOOC's East China Sea Natural Gas Project, with expected revenue of over RMB10 million.
- COSCO Logistics concluded an eight-year logistics service agreement with Qingdao Hisense Sales Co., Ltd.
- COSCO Pacific held its board meeting and announced final results for 2004.

April

- The Group signed a Joint Venture Heads of Agreement to establish a joint venture to construct and operate a container terminal at Nansha Port Phase II in Guangzhou.
- The Group was selected as one of the Forbes Global 2000 enterprises in 2005.
- COSCO Pacific was ranked for the second consecutive year among the "Top 10 Chinese Enterprises with the Best Dividend Policy" in FinanceAsia's "Best Asia Companies Poll".
- The Group entered into a Business Cooperation Agreement for 2005 with COSCON.

May

- The Group signed a joint venture contract to acquire a 20% equity interest in Nanjing Port Longtan Container Co., Limited, which commenced operations on 26 August 2005.
- Florens Container Holdings Limited ("Florens") held a ceremony to celebrate its fleet capacity exceeding 1 million TEUs.
- COSCO Logistics renewed its 2005-2006 Agency Agreement with MOL Logistics (Japan) Co., Ltd.
- COSCO Logistics was awarded 12 gold medals, four silvers and a bronze at the fourth "China Freight Industry Awards" organised by China Shipping Weekly, Logistics Times and China Shipping Net. Four of the gold medals were for integrated service, process management, response capability and network coverage.
- COSCO Pacific held its Annual General Meeting.

June

- COSCO Logistics signed a letter of intent to establish a joint venture with Hafei Motor Co., Ltd. and Hafei Industry Company. The joint venture, COSCO-Hafei Automobile Logistics Co., Ltd., was to take over all of Hafei Motor's logistics businesses.
- COSCO Logistics signed a logistics service agreement with Kingboard Chemical Holdings Ltd to provide annual transport capacity of 450,000 tons of methanol from the United States to Chongqing, China. The value of the agreement is over RMB20 million.

July

- An opening ceremony was held to celebrate the commencement of operations at Antwerp Gateway NV in Belgium, of which COSCO Pacific holds a 20% equity interest.
- Dalian Port Container Terminal Co., Ltd., in which COSCO Pacific holds a 20% equity interest, commenced operation.
- Florens Container Inc., which is wholly owned by COSCO Pacific, held a signing ceremony in Macau for a US$300 million club financing
- Florens' Business Planning Model system was officially launched.
- COSCO Pacific held its board meeting.

August

- COSCO Logistics won a bid to provide JIT logistics services for a new plant of Beijing Benz-DaimlerChrysler Automotive Corporation.
- Dr. WEI Jiafu, Chairman of COSCO Pacific, was re-elected as the Chairman of China Shipowners' Association.

September

- The Group signed a preliminary joint venture agreement with Ningbo Port Group Ltd. to acquire a 20% equity interest in a joint venture company to develop and operate berth number 7 of Beilun Container Terminal Phase IV in Ningbo Port.
- Dalian Port Container Terminal Co., Ltd., which is 20% owned by COSCO Pacific, entered into an agreement with Dalian Port (Group) Co., Ltd to acquire four berths of Dalian Dayaowan container terminal Phase II in stages.
- COSCO Pacific was the overall winner of the 2004 ARC International annual report competition.
- The Group won "Shipping In-House Team of the Year" in the ALB Hong Kong Law Awards by Asian Legal Business.
- COSCO Logistics was ranked the number one "Level A General Contractor" by the China Electricity Council.
- COSCO Pacific held its board meeting, and announced its 2005 interim results.

October

- COSCO Pacific was awarded with Conglomerate with the Best Investor Relations in Asia (Buy-side View) from Institutional Investor.
- COSCO Pacific was awarded with Conglomerate with the Best Investor Relations in Asia (Sell-side View) from Institutional Investor.
- COSCO Pacific was awarded with Chinese Firm with the Best Investor Relations (Buy-side View) from Institutional Investor.
- COSCO Logistics won a bid for Rabigh's super-scale petrochemical project in Saudi Arabia to provide transportation logistics services between Europe and North America. The project valued at RMB80 million.
- The International Propeller Club presented an International Maritime Achievement Award to Dr. WEI Jiafu, Chairman of COSCO Pacific.

November

- Tianjin Five Continents International Container Terminal Co., Ltd., 14% equity interest owned by COSCO Pacific, held a ceremony to celebrate its operation commencement and the milestone of exceeding throughput of 1 million TEUs.
- Zhangjiagang Win Hanverky Container Terminal Co. Ltd., in which COSCO Pacific holds a 51% equity interest, signed an agreement with Zhangjiagang Port Administrative Bureau to acquire berth number 17.
- The Group was included in CFO Asia's "Top 50 Management Teams in Asia".
- The Group was selected as one of Economic Digest's "Hong Kong Outstanding Enterprises" in 2005.
- COSCO Logistics cemented its strategic partnership with TNT NV by signing a letter of intent to establish a logistics joint venture.
- COSCO Logistics came first amongst the "Top 100 PRC Logistics Companies" for the second consecutive year. The winners were selected by eight industry associations, including the China Communications and Transportation Association.
- Dr. WEI Jiafu, Chairman of COSCO Pacific, was awarded the title of Commander of the Order of Leopold II by the King of Belgium.

December

- The Group signed a joint venture contract to acquire a 59% equity interest in Guangzhou Nansha Port Phase II.
- The Group signed a joint venture contract to acquire a 10% equity interest in Shanghai Yangshan Port Phase II.
- The Group signed an agreement to acquire a 20% equity interest in Suez Canal Container Terminal S.A.E. at Port Said, Egypt.
- COSCO Pacific held its Special General Meeting to propose an amendment to its share option scheme.

2006
January

- COSCO Pacific held its board meeting.

March

- COSCO Pacific donated RMB2 million to Beijing Huayu Education Fund.
- COSCO Pacific held its board meeting and announced final results for 2005.

Chairman's Statement

I am pleased to report that COSCO Pacific delivered a satisfactory performance in 2005. The growth was led by strong performances from container terminal operations and supported by container leasing, logistics and container manufacturing. In 2005, the Company achieved net profit of US$334,937,000, an increase of 62.1%. Earnings per share were US15.28 cents (2004 : US9.57 cents). The full-year dividend per share was US8.65 cents (2004 : US5.40 cents) with a dividend payout ratio of 56.6% (2004 : 56.4%).

COSCO Pacific's strong performance in 2005 resulted from the Company's strategy of pursuing fast and consistent growth, leveraging on its strong corporate base. COSCO Pacific further penetrated its industry leadership in container terminal operations and container leasing, while sustaining its commitment to steady growth in logistics and container manufacturing.

COSCO Pacific continued to expand its global ports network via strategic alliances with top global shipping lines and terminal operators in 2005. The Group signed joint venture contracts to acquire a 59% equity interest in Guangzhou Nansha Port Phase II and a 10% equity interest in Shanghai Yangshan Port Phase II, as well as a 20% equity interest in the Suez Canal Container Terminal S.A.E. ("Suez Canal Terminal") at Port Said, Egypt.

Our immediate parent company, China COSCO Holdings Company Limited ("China COSCO"), was listed on The Stock Exchange of Hong Kong in June, 2005. COSCO Pacific is an important service provider to COSCO Container Lines Company Limited ("COSCON"), a wholly owned subsidiary of China COSCO. We expect that as China COSCO expands its container shipping fleet, we will benefit from greater demand for terminal and container leasing services. COSCO Pacific remains the listed vehicle of China Ocean Shipping (Group) Company ("COSCO"), our ultimate shareholder, through which we develop our terminal and container leasing businesses.

The Group further strengthened and simplified the structure of the board during 2005 with the dual aims of improving its system of checks and balances and further enhancing corporate governance.

Positive operating environment

The global economy sustained rapid growth in 2005 on the back of strong growth in the United States and Asia. China remained a key driver of global economic growth, with preliminary estimates from the National Bureau of Statistics of China indicating a 10% rise in GDP for 2005, in line with the previous year. The Bureau recorded China's total imports and exports at US$1,422 billion, a 23% rise from the previous year, with exports 28% higher and imports up 18%. Looking ahead, the Chinese Central Government's 11th Five-Year Plan emphasises the promotion of the Pearl River Delta, Yangtze River Delta and Pan-Bohai Economic Zone, and reinforces their power-house role for the development of the hinterland. In line with the government's plan, COSCO Pacific intends to intensify its investment within these three major regions of China.

The global container terminal industry has been the focus of significant merger and acquisition activity over the past year, signifying the premium placed on commanding a worldwide network. The surge in activity also provides opportunities for industry leaders such as COSCO Pacific to extend their global network.

Corporate strategy

COSCO Pacific's strategy is to grow rapidly and consistently by enhancing its global port network, in order to maintain and enhance its position as a global industry leader. In particular, the Group aims to further strengthen its position as a global player in the container terminal industry through acquisitions, as well as leveraging on carrier-terminal strategic partnerships. On the other hand, COSCO Pacific intends to maintain its market share and industry leadership in container leasing.

Outlook

The global economy is expected to sustain solid growth during 2006, though perhaps at a slower pace than in 2005, with the United States, Europe, China and India the key contributors.

We view the continued strength of the global economy as positive for all of our businesses. In the container terminal business, we project high growth that will result in commensurate returns. We are confident that container leasing will continue to contribute strong and highly recurrent cashflow. We also expect rapid growth from logistics. Container manufacturing remains complementary to our container leasing business by ensuring the supply of boxes.

Commitment to shareholders

COSCO Pacific's mission is to create value for our shareholders and to provide superior service to our customers. The trust they both place in us is our motivation to succeed. Our vision is to be highly profitable, strategically balanced, effectively managed, independent, socially responsible and environmentally friendly, with leadership positions in all our core businesses. I am proud to say that COSCO Pacific's performance and activities in 2005 clearly demonstrated again our commitment to these objectives.

Taking this opportunity, I would like to extend my deepest gratitude to our employees, business partners and shareholders. The continued dedication and hard work of the COSCO Pacific team throughout all levels of the organisation is the most important reason the Group has gone from strength to strength. The support of our business partners and our shareholders is vital to constantly driving the Group towards new heights of achievement.

WEI Jiafu
Chairman
23rd March 2006

Vice Chairman's Report

The global economic growth benefited COSCO Pacific's container terminal, container leasing and related businesses in 2005.

The Company aims to further strengthen its global container terminal network via organic growth and further investments in terminals in China and overseas. Our carrier-terminal partnership strategy will remain key to our future success. At the same time, COSCO Pacific will endeavour to maintain its market share and industry leadership in container leasing. We view container manufacturing as a complementary business, enhancing quality and ensuring supply of containers to our leasing business. COSCO Pacific continues to target stable growth in its logistics business to underpin the rapid growth projected for the Company overall.

COSCO Pacific's overall strategy of rapid and consistent growth will be supported by each of its business units, and will maintain and enhance its position as a global industry leader.

Container terminals

The Group's container terminal business grew strongly, with throughput up 16.2% to 26,079,612 TEUs. During the year, COSCO Pacific further strengthened its global network both by acquiring new terminals and increasing its investment in existing terminals. The Group's total number of berths increased by 30 to 100 in 2005.

During the year, COSCO Pacific re-adjusted its terminal development strategy in the Pearl River Delta. In order to better integrate its capital and resources in the region, and also to further strengthen its competitiveness there, the company sold its 17.5% equity interest in Shekou Container Terminals Ltd. ("Shekou Terminal") and signed a joint venture contract to acquire a 59% equity interest in Guangzhou Nansha Port Phase II. In the Yangtze River Delta, COSCO Pacific signed a joint venture agreement to acquire a 10% equity interest in Shanghai Yangshan Port Phase II. Overseas, the Company signed a share purchase agreement to acquire a 20% equity interest in Suez Canal Terminal at Port Said, Egypt.

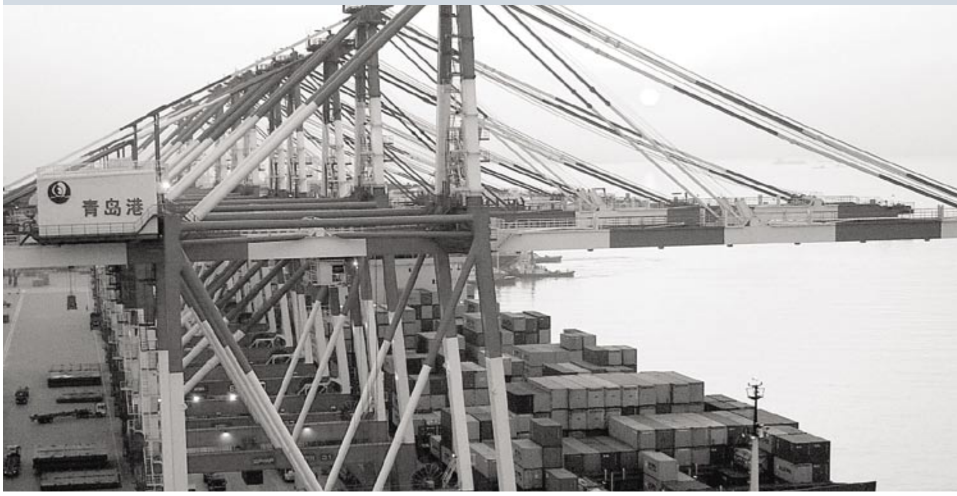
We remain positive on the outlook for COSCO Pacific's operating environment in 2006, with healthy growth predicted for China's foreign trade, both imports and exports. In the Yangtze River Delta, a rapid increase in river transport to support international shipping through Yangshan is expected to boost throughput at the Group's feeder ports in the Yangtze River Delta.

We project container throughput growth to result from newly acquired stakes in terminals already in operation as well as newly built terminals commencing operations. This is in addition to increasing capacity and organic growth at existing terminals.

Container leasing

Ranked third globally, COSCO Pacific's container leasing business continued to flourish last year. Turnover from container leasing rose 7.5% to US$276,313,000 in 2005. As at 31st December 2005, the Group's container fleet reached 1,042,852 TEUs, up 13.5% on the previous year. COSCO Pacific's container average utilisation rate was approximately 95.5% in 2005 (2004: 97.0%), 4.6 percentage points above the industry average of around 90.9% (2004: 92.0%).

We are positive on the outlook of containerised trade in 2006, with growth of 10.6% forecast by Drewry Shipping Consultants and the expected demand from new ships to be delivered in 2006 and beyond.



Logistics

Net profit contribution from the logistics business rose 7.0% to US$15,064,000. In 2005, the COSCO Logistics Co., Ltd. ("COSCO Logistics") signed a letter of intent to form a joint venture with TNT NV to expand its businesses into the Asia Pacific region.

In recognition of COSCO Logistics' achievements during the year, the Group was ranked Number 1 in "China's Logistics 100" for the second consecutive year. Looking ahead, our strategy is to continue to grow our logistics business to support the growth of the Group overall.

Container manufacturing

China International Marine Containers (Group) Co., Ltd., of which COSCO Pacific purchased an approximately 16.23% equity stake from COSCO in December 2004, made a profit contribution of US$55,636,000 in 2005.

We expect steady growth with demand driven by new vessels coming on stream, an increase in the containerisation rate in China, and the replacement of used containers.

Prospects and earnings drivers

Looking ahead for 2006, it is expected that the world economy will maintain sustainable growth. Together with improving logistics for the hinterlands of the Pearl River Delta, the Yangtze River Delta and the Bohai Rim, we view the operating environment as highly positive for COSCO Pacific.

The Group's high-growth, high-return strategy for the container terminal business, with throughput driven by organic growth and new investments, is expected to be the key earnings driver in 2006. We project the container leasing business to contribute stable profit growth, with the main demand drivers being new vessels, an increased containerisation rate in China, and the replacement of used containers. We expect the manufacturing business to benefit from the same drivers as container leasing. Stable growth in logistics is seen as a contributor to the stable, consistent growth to the profits of the Group as a whole.

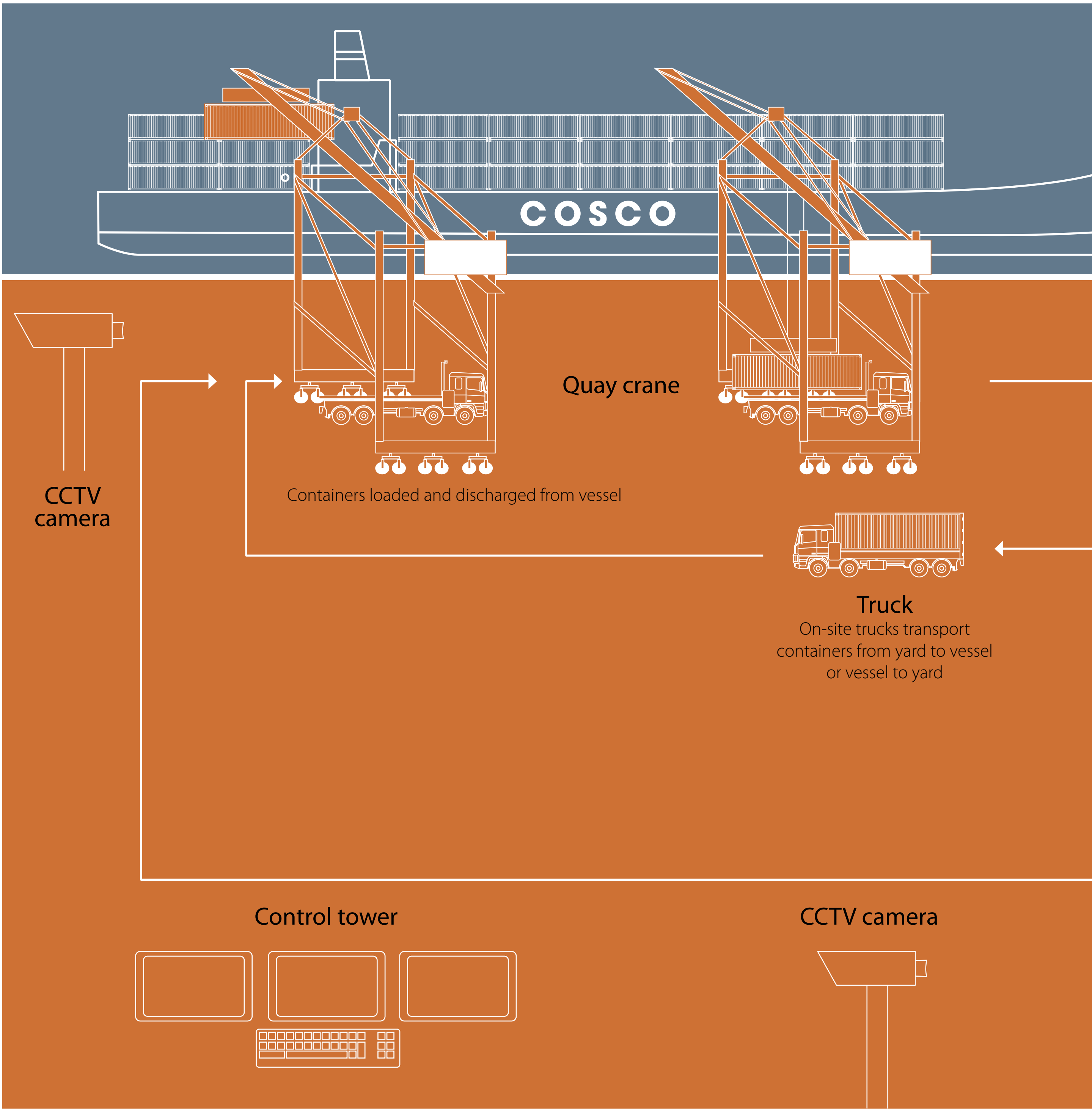
In line with our mission of creating shareholder value, our management team will strive for rapid and consistent growth, in order to maintain and enhance COSCO Pacific's position as a global industry leader.

SUN Jiakang
Vice Chairman & Managing Director
23rd March 2006

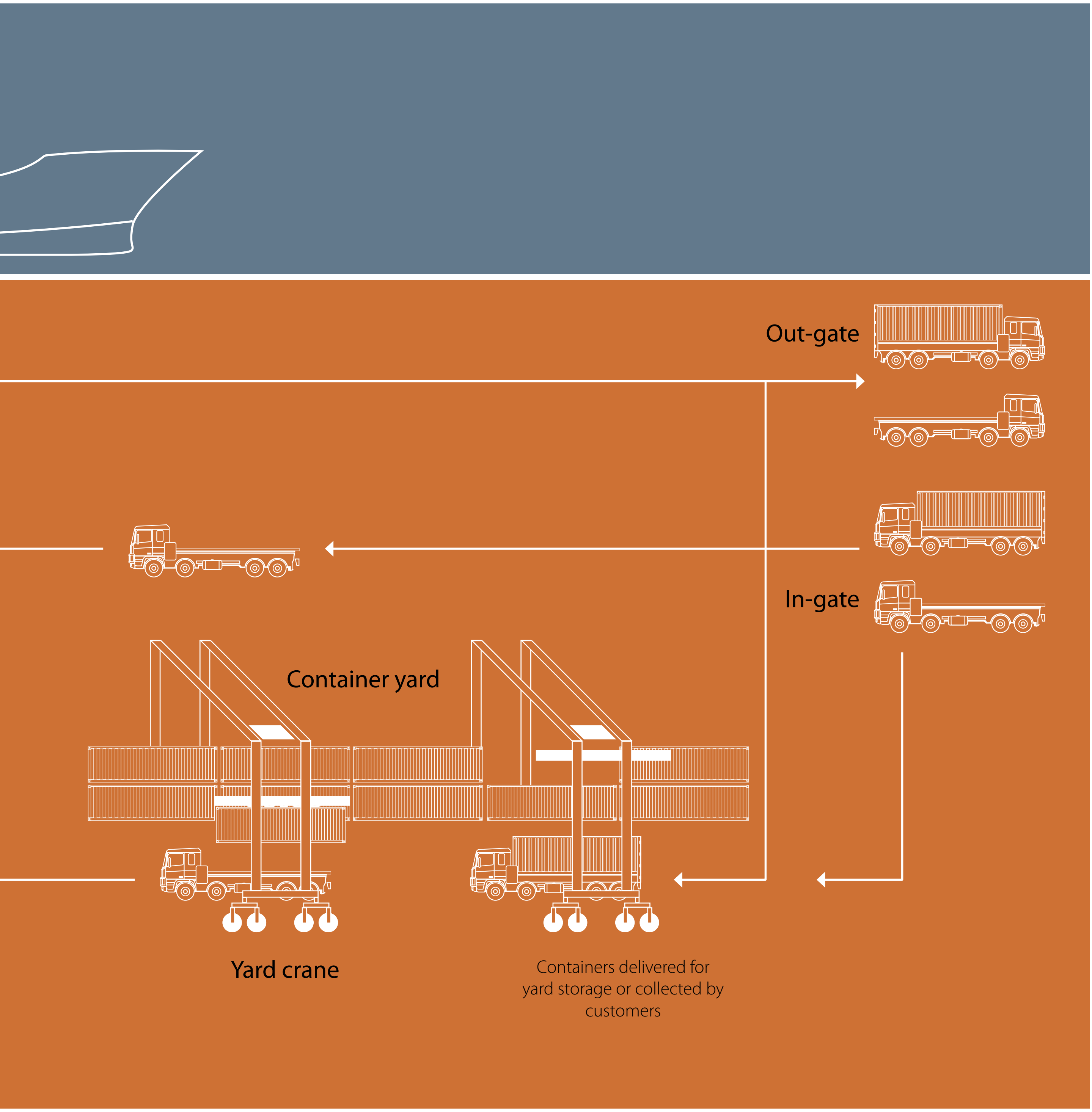
Container Terminals

COSCO Pacific's strategy is to invest in superior network of terminals that will lead to increase in flexibility and comprehensive service offering for clients. To achieve this goal, we have adopted a strategy of enhancing investments, and have therefore diversified in the three major regions of China: the Pearl River Delta, the Yangtze River Delta and the Bohai Rim, as well as accelerated our development of overseas markets.

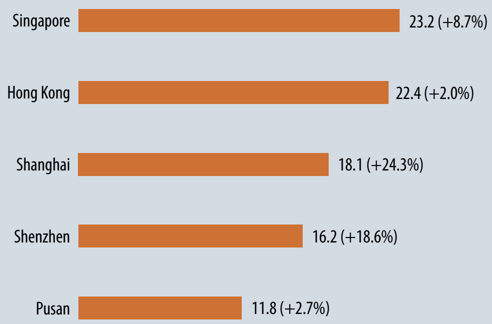
In 2005, COSCO Pacific's total number of berths reached 100, with a total annual handling capacity of 54,900,000 TEUs. The Group was ranked the world's fifth largest container terminal operator and recorded a 16.2% increase in aggregate throughput to 26,079,612 TEUs.



Terminal operation

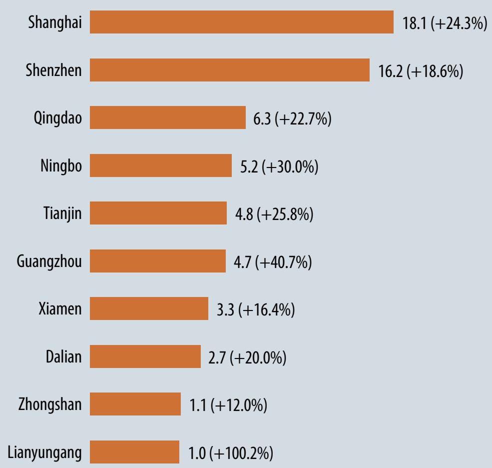

Out-gate
In-gate
Container yard
Yard crane
Containers delivered for yard storage or collected by customers

Three of China's container ports were in the world's top five in 2005 (Unit: million TEUs)



Source: www.portcontainer.com, January 2006

Mainland China's top ten container ports in 2005 (Unit: million TEUs)



Source: www.portcontainer.com, January 2006

Global container transportation volume rose 11.2% in 2005, driven by trade growth and increased containerisation.

China ranked number one in container throughput worldwide for the third consecutive year, with 75.8 million TEUs passed through its ports, a 21.3% increase and representing 18.8% of global market share in 2005. The increase was driven by a 28.4% rise in China's exports, which made up 7.6% of the world's total. The Ministry of Communications forecasts throughput to reach 140 million TEUs by 2010, implying a compound annual growth rate of around 13.1%. In addition, handling charges for international container terminals are rising, increasing 10% for terminals in Shanghai Port in 2005 and with another 10% rise announced in early 2006 (which does not apply to Yangshan Port). In addition, a 10% rise in handling charges for international container terminals at Qingdao and Dalian Ports was announced in 2006 respectively.

Goals and strategy

With the development of its global network, COSCO Pacific ranked the world's fifth largest container terminal operator with 3.7% market share in 2004, according to the "Annual Review of Global Container Terminal Operator 2005" issued by Drewry Shipping Consultants.

COSCO Pacific's main strategy is to forge stronger partnerships with leading global shipping liners and port operators, with all the Company's terminals open to all shipping lines. This close carrier-terminal strategic cooperation not only assures reliable demand, but also keeps management abreast of the latest market conditions, thus allowing effective management of operations in the short-term and more accurate forecasts of demand. Following years of development, the Group has significantly enhanced its expertise in the management of terminals operations and increased its competitiveness.

Performance in 2005

Total container terminal throughput increased by 16.2% in 2005 to 26,079,612 TEUs.

Container terminals in China performed well, achieving throughput growth of 16.1%. Significant growth was seen at Qingdao Qianwan Container Terminal Co., Ltd. ("Qingdao Qianwan Terminal") and Yingkou Container Terminals Company Limited ("Yingkou Terminal") in the Bohai Rim; Yangzhou Yuanyang International Ports Co., Ltd. ("Yangzhou Yuanyang Terminal") and Zhangjiagang Win Hanverky Container Terminal Co., Ltd. ("Zhangjiagang Win Hanverky Terminal") and Nanjing Port Longtan Container Co., Ltd. ("Nanjing Longtan Terminal") in the Yangtze River Delta, COSCO-HIT Terminals (Hong Kong) Limtied ("COSCO-HIT Terminal") and Yantian International Container Terminals Limited ("Yantian Terminal") Phases I, II & III in the Pearl River Delta.

Overseas, thoughput growth of 19.1% was achieved. Throughput at COSCO-PSA Terminal Private Limited ("COSCO-PSA Terminal") continued to rise as more services to and from Singapore Port were launched, contributing to an overall growth in throughput at overseas port operations. Operations at Antwerp Gateway NV ("Antwerp Terminal"), Belgium commenced in September 2005.

Throughput of operating container terminals and annual growth rate

Container terminal (TEUs)	Effective shareholding (%)	2005	2004	+/-
Pearl River Delta		**9,196,652***	**7,956,727***	**+15.6%**
COSCO-HIT Terminal	50	1,841,193	1,697,212	+8.5%
Yantian Terminal (Phases I, II & III))	4.45-5	7,355,459	6,259,515	+17.5%
Yangtze River Delta		**6,831,502**	**6,436,076**	**+6.1%**
Shanghai Terminal	10	3,646,732	3,650,319	-0.1%
Shanghai Pudong Terminal	20	2,471,840	2,339,479	+5.7%
Zhangjiagang Win Hanverky Terminal	51	377,121	328,199	+14.9%
Yangzhou Yuanyang Terminal	55.59	157,123	118,079	+33.1%
Nanjing Longtan Terminal	20	178,686	-	N/A
Bohai Rim		**9,370,361**	**7,483,974**	**+25.2%**
Qingdao Qianwan Terminal	20	5,443,086	4,532,769	+20.1%
Qingdao Cosport Terminal	50	605,791	385,856	+57.0%
Dalian Port Container Co. Ltd.	8	2,467,465	2,172,252	+13.6%
Dalian Port Terminal	20	132,984	-	N/A
Yingkou Terminal	50	633,573	393,097	+61.2%
Tianjin Five Continents Terminal	14	87,462	-	N/A
Overseas		**681,097**	**571,863**	**+19.1%**
COSCO-PSA Terminal	49	611,013	571,863	+6.8%
Antwerp Terminal	20	70,084	-	N/A
Total throughput		**26,079,612**	**22,448,640**	**+16.2%**

*Shekou Terminal was disposed of on 23rd March 2005, and throughput from the terminal for both years have been excluded from the table above.

Bohai Rim

(01) Qingdao Qianwan Terminal
(02) Qingdao Cosport Terminal
(03) Tianjin Five Continents Terminal
(04) Dalian Port Container Co., Ltd.
(05) Dalian Automobile Terminal
(06) Dalian Port Terminal
(07) Yingkou Terminal

Bohai Rim

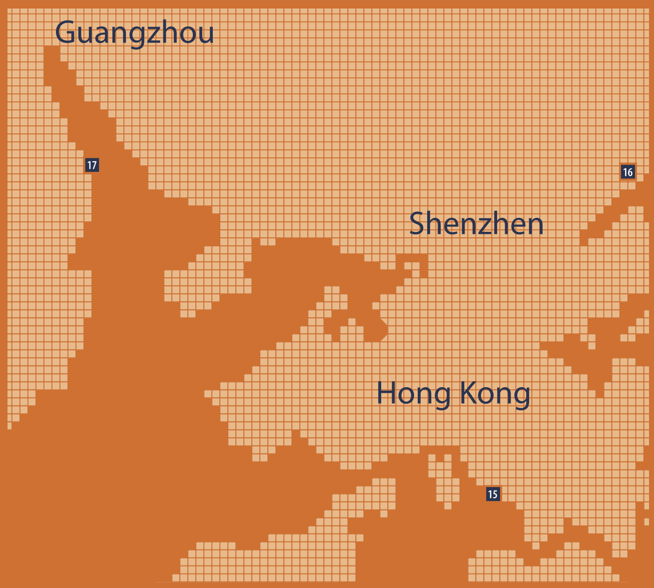
In the Bohai Rim, overall growth was 25.2% to 9,370,361 TEUs. Throughput rose 20.1% at Qingdao Qianwan Terminal, driven by new berths commencing operation, as well as robust economic growth and export growth. Throughput increased 13.6% at Dalian Port Container Co. Ltd. to 2,467,465 TEUs. At Yingkou Terminal, throughput increased 61.2% to 633,573 TEUs. Dalian Port Container Terminal Co., Ltd. ("Dalian Port Terminal") commenced operations in July 2005 at berths 11 and 12. At Tianjin Five Continents International Container Terminal Co., Ltd. ("Tianjin Five Continents Terminal"), operations commenced in November 2005.

Yangtze River Delta

In the Yangtze River Delta, overall growth was 6.1% to 6,831,502 TEUs, mainly due to Shanghai Container Terminals Limited ("Shanghai Terminal") and Shanghai Pudong International Container Terminals Limited ("Shanghai Pudong Terminal") operating at full capacity. These two terminals are expected to continue operating at full capacity in 2006, and should benefit from the respective 10% handling charges increase. At Zhangjiagang Win Hanverky Terminal, throughput rose 14.9% to 377,121 TEUs. At Yangzhou Yuanyang Terminal, throughput increased 33.1% to 157,123 TEUs. Nanjing Longtan Terminal commenced operation in August 2005.

Yangtze River Delta

(08) Shanghai Terminal
(09) Shanghai Pudong Terminal
(10) Nanjing Longtan Terminal
(11) Zhangjiagang Win Hanverky Terminal
(12) Yangzhou Yuanyang Terminal
(13) Zhenjiang Jinyuan Terminal
(14) Yangshan Port Phase II



Pearl River Delta

(15) COSCO-HIT Terminal
(16) Yantian Terminal (Phases I, II & III)
(17) Nansha Port Phase II

Pearl River Delta

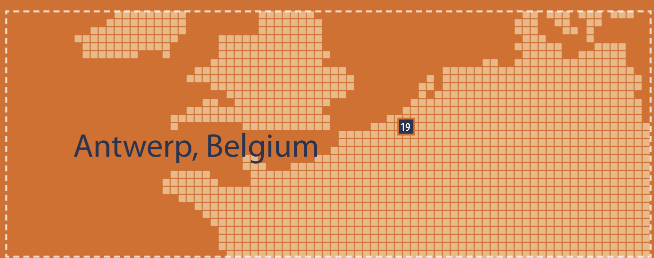
In the Pearl River Delta, overall growth was 15.6% to 9,196,652 TEUs. Throughput at Yantian Terminal Phases I, II and III increased by 17.5% to 7,355,459 TEUs as new berths became operational amidst an increase in market demand. At COSCO-HIT Terminal in Hong Kong, throughput rose 8.5% to 1,841,193 TEUs, with demand continuing to grow moderately.

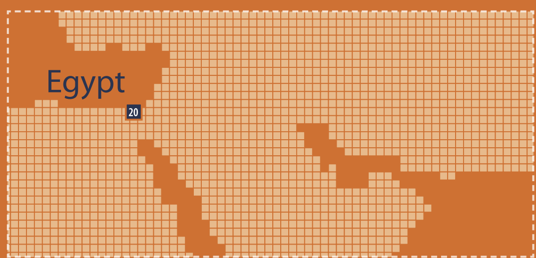
Overseas

Overseas overall growth was 19.1% to 681,097 TEUs. Throughput rose 6.8% at COSCO-PSA Terminal to 611,013 TEUs due to overall throughput growth at Singapore Port and increased terminal operating efficiency. In Europe, Antwerp Terminal commenced operation in September 2005.

Overseas

(18) COSCO-PSA Terminal
(19) Antwerp Terminal
(20) Suez Canal Terminal





Outlook

The Board is optimistic about the ongoing prospects for container terminal operations. In particular, the global expansion of our businesses, strengthened terminal services and commercial cooperation will help us to benefit from robust growth in global trade. In China, sustained growth in imports and exports is expected. With many ports reaching full capacity, terminal investments are expected to result in relatively high returns.

The Chinese Central Government's 11th Five-Year Plan emphasises the promotion of the Pearl River Delta, Yangtze River Delta and Pan-Bohai Economic Zone, and reinforces their power-house role for the development of the hinterland. In the Bohai Rim, strong growth should be maintained at the container terminals due to anticipated sustainable economic growth, in particular foreign trade. Two berths at Dalian Port Terminal commenced operation in 2005, and another two will come on stream in 2006. At Qingdao Qianwan Terminal, three more berths will commence operation in 2006. In 2006, Tianjin Five Continents Terminal will be operational for its first full year. As a result, handling capacity at the Company's terminals in the Bohai Rim appears set to increase. Additionally, Dalian Automobile Terminal Co., Ltd. ("Dalian Automobile Terminal") will commence operation in the first half of 2006, and its turnover and performance are expected to rise gradually in coming years.

Driven by rapid economic growth in the Yangtze River Delta, a major trend will be a rapid increase in river transport due to the commencement of operation of Yangshan Deep Water Port. Transport to and from Yangshan along the Yangtze River is more cost effective and thus should provide better value than land transport. This will drive immediate increases in throughput at feeder ports such as Nanjing Longtan Terminal, Zhangjiagang Win Hanverky Terminal and Yangzhou Yuanyang Terminal. In addition, Zhangjiagang Win Hanverky Terminal berth No. 17 is to commence operation this year. Nanjing Longtan Terminal has great potential since it is a major terminal in Nanjing Port, the largest inland river port in the Yangtze River Delta.

Throughput for terminals in the Pearl River Delta is expected to grow sustainably. Throughput at Yantian Terminal will continue to increase rapidly due to rising demand and new berths at Yantian Terminal Phase III commencing operation. Moderate growth is also expected at COSCO-HIT Terminal. Nansha Port, a deep-water port in the Pearl River Delta, is exposed to the delta's hinterland. The Pearl River Delta is home to many businesses that are expected to ship their goods via Nansha. Additionally, a large number of manufacturing plants are moving to Western Guangdong, an area served by Nansha, in order to benefit from lower costs. We believe, therefore, that Nansha Port will in the future become a major port in the Pearl River Delta for both domestic and foreign trade.

In overseas markets, we expect a gradual rise in throughput at Antwerp Terminal, following the commencement of operations in September 2005. We forecast stable growth of throughput at COSCO-PSA Terminal, helped by throughput growth at the Port of Singapore, adding more services to and from COSCO-PSA Terminal. The Group believes that the Suez Canal Terminal at Port Said, Egypt has great potential due to its superior location. The terminal's maximum capacity is 2,200,000 TEUs and it is the only deep-water terminal at Port Said.

Acquisitions in 2005

During the year, COSCO Pacific further strengthened its global network both by acquiring new terminals and increasing its investment in existing terminals, with some projects undergoing government approval procedures. The Group's total number of berths increased by 30 to 100.

Shanghai Yangshan Port Phase II (4 berths) and Guangzhou Nansha Port Phase II (6 berths) are currently under construction. Nanjing Longtan Terminal (5 berths) and Suez Canal Terminal (4 berths) are already in operation.

The berths acquired through extending the Company's investment in existing joint ventures were at Yantian Terminal Phase III expansion (6 berths), Dalian Port Terminal (4 berths) and Zhangjiagang Win Hanverky Terminal (1 berth).

In September 2005, Dalian Port Container Terminal entered into an agreement to acquire berths 13 -16 of Dalian Dayaowan Phase II, with a capacity of 3,200,000 TEUs and due to commence operations in 2006. COSCO Pacific also signed a letter of intent to develop and operate a container terminal at North Basin in Tianjin Port.

In the Yangtze River Delta, the joint venture, in which the Company has 20% shareholding, was officially established to operate Nanjing Longtan Terminal, it has a handling capacity of 1,000,000 TEUs and commenced operation in August 2005. The Port of Nanjing is expected to benefit immediately from increased feeder traffic to and from Yangshan. In addition, COSCO Pacific extended its investment in Zhangjiagang Win Hanverky Terminal by acquiring berth No. 17.

Also in the Yangtze River Delta, the Company entered into a joint venture agreement to develop and operate four berths of Shanghai Yangshan Port Phase II. The Group signed a letter of intent to take a 20% equity interest in a joint venture to operate five berths at Jintang Island Terminal in Ningbo Port. This terminal has handling capacity of 3,500,000 TEUs and will commence operation in 2007. The Group signed a preliminary joint venture agreement with Ningbo Port Group Ltd. to acquire a 20% equity interest in a joint venture company to develop and operate berth No. 7 of Beilun Container Terminal Phase IV in Ningbo Port.

During the year, COSCO Pacific also signed a joint venture agreement to develop and operate berths 5 -10 of Guangzhou Nansha Port Phase II. It has a capacity of 4,200,000 TEUs and the first two berths are expected to commence operations in the fourth quarter of 2006. The Group also intensified its investment in the Yantian Terminal by acquiring six berths in Yantian Terminal Phase III expansion.

In line with its strategy of enhancing its global network, COSCO Pacific entered into an agreement to acquire a 20% equity interest in the Suez Canal Terminal at Port Said, Egypt in December 2005. This terminal consists of four berths and commenced operations in October 2004. Throughput is forecast to exceed 1,000,000 TEUs in 2006 at the port, which has a maximum capacity of 2,200,000 TEUs. This acquisition, when formally completed, will have great potential for future growth due to its superior location at the northern entrance of the Suez Canal and on all major shipping lanes between Asia and Europe and the Mediterranean.

Container terminal investments in 2005

Container terminal		Equity interest (%)	Capacity (TEUs)	No. of berths
New terminals			**16,600,000**	**29**
Joint venture company established			1,000,000	5
1	Nanjing Longtan Terminal	20	1,000,000	5
Joint venture contract signed			9,600,000	14
2	Guangzhou Nansha Port Phase II	59	4,200,000	6
3	Shanghai Yangshan Port Phase II	10	3,200,000	4
4	Suez Canal Terminal	20	2,200,000	4
Letter of intent signed			6,000,000	10
5	Ningbo Jintang Island Terminal	20	3,500,000	5
6	Tianjin North Basin Terminal	30	2,100,000	4
7	Ningbo Beilun Terminal Phase IV 7#	20	400,000	1
New berths acquired by existing joint ventures			**9,100,000**	**11**
8	Zhangjiagang Win Hanverky Terminal 17#	51	500,000	1
9	Dalian Dayaowan Phase II 13# -16#	20	3,200,000	4
10	Yantian Terminal Phase III expansion	4.45	5,400,000	6

Container terminal portfolio

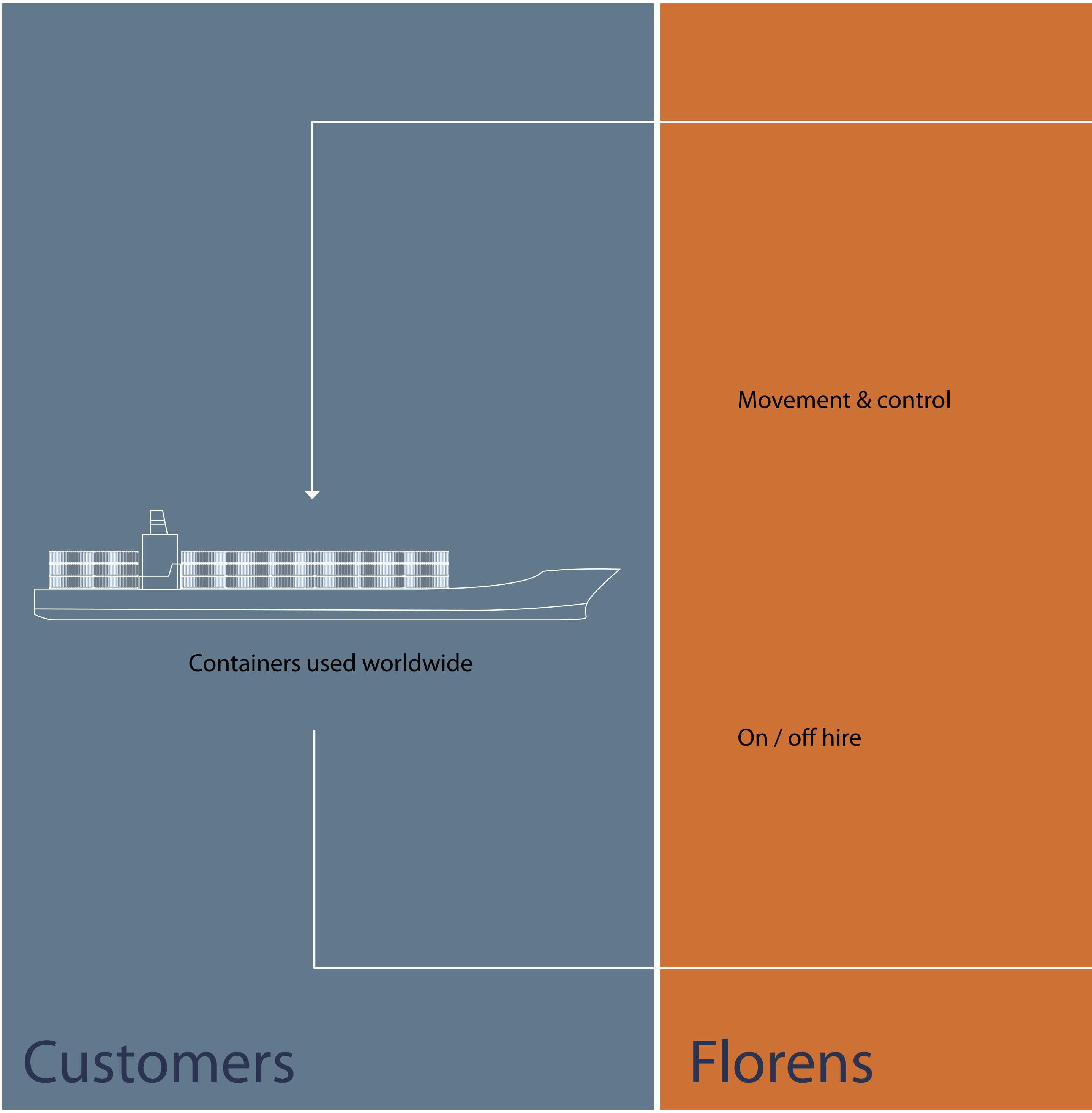
Container terminal	Effective shareholding (%)	No. of berths	Depth alongside (Meters)	Annual handling capacity (TEUs)
Pearl River Delta		**23**		**19,500,000**
COSCO-HIT Terminal	50	2	15.5	1,800,000
Yantian Terminal Phases I & II	5	5	14.0 - 15.5	4,500,000
Yantian Terminal Phase III	4.45	10	16	9,000,000
Guangzhou Nansha Port Phase II	59	6	14.5	4,200,000
Yangtze River Delta		**30**		**11,900,000**
Shanghai Terminal	10	10	9.4 - 10.5	3,700,000
Shanghai Pudong Terminal	20	3	12	2,300,000
Zhangjiagang Win Hanverky Terminal	51	3	10	1,000,000
Yangzhou Yuanyang Terminal	55.59	4	11	500,000 +4.7m tons of break-bulk cargo
Zhenjiang Jinyuan Terminal	25	1	13	200,000
Nanjing Longtan Terminal	20	5	12	1,000,000
Shanghai Yangshan Port Phase II	10	4	15	3,200,000
Bohai Rim		**35**		**16,800,000**
Qingdao Qianwan Terminal	20	11	17.5	6,500,000
Qingdao Cosport Terminal	50	1	13.5	600,000
Dalian Port Container Terminal	20	6	13.5 - 17.8	4,200,000
Dalian Port Container Co., Ltd.*	8	9	8.9 - 14.0	3,000,000
Dalian Automobile Terminal	30	2	11	600,000 vehicles
Yingkou Terminal	50	2	14	1,000,000
Tianjin Five Continents Terminal	14	4	15.7	1,500,000
Overseas		**12**		**6,700,000**
COSCO-PSA Terminal	49	2	15	1,000,000
Antwerp Terminal	25	6	17	3,500,000
Suez Canal Terminal	20	4	16.5	2,200,000
Total container terminal berths		**95**		**54,900,000**
Total automobile terminal berths		**2**		**600,000 vehicles**
Total multi-purpose terminal berths		**3**		**4.7m tons of break-bulk cargo**
Total terminal berths		**100**		

*Dalian Port Container Co., Ltd. holds 51% equity interest in Dalian Container Terminal Co., Ltd. and is also a substantial shareholder of Dalian Dagang China Shipping Container Terminal Co., Ltd and Dalian Container Terminal Co., Ltd.

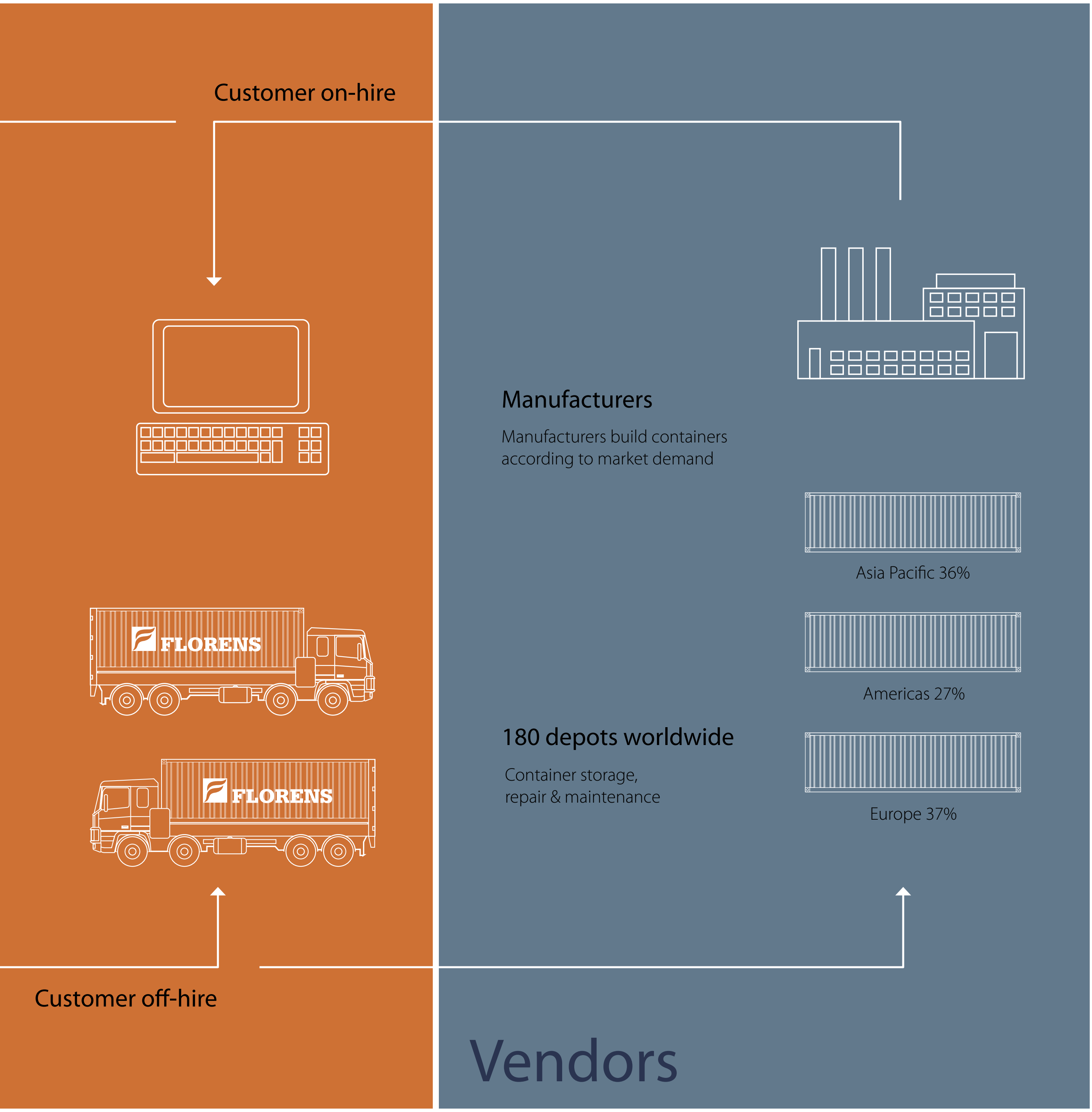
Container Leasing

China's foreign trade and the global economy are expected to continue to grow. The increasing demand for larger container fleets, increasing containerisation in China and a higher utilisation rate will become the major drivers of our container leasing business.

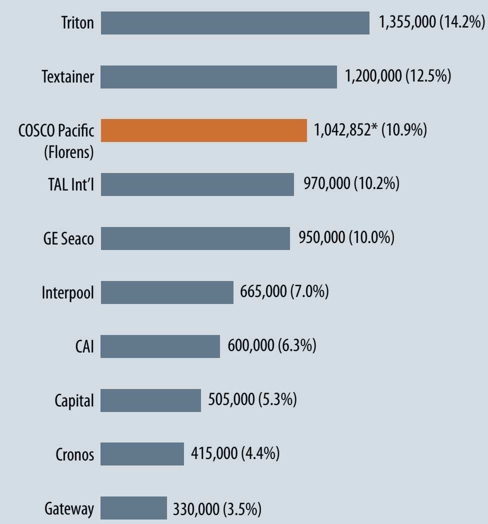
Focusing on our profitability and building our presence in the market, we constantly evaluate our service offering to cope with the changing patterns of the economy, trade, the leasing industry and most importantly our customers' needs. During the year, we did an excellent job in marketing and achieved a satisfactory operating performances. As at 31st December 2005, COSCO Pacific owned and operated the world's third largest container leasing company, with a fleet size of 1,042,852 TEUs, accounting for approximately 10.9% of global market share.



Container leasing operation

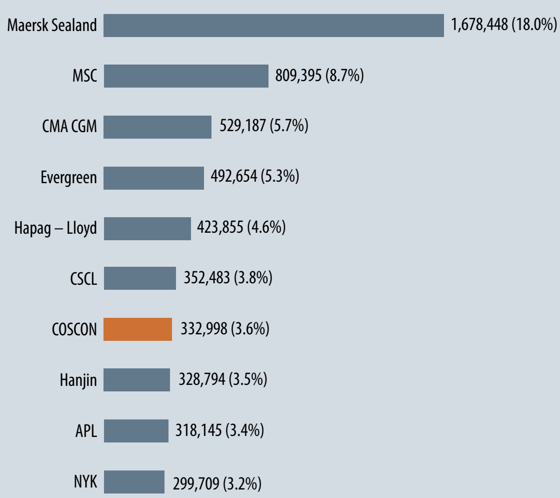

Customer on-hire
FLORENS
FLORENS
Customer off-hire
Manufacturers
Manufacturers build containers according to market demand
Asia Pacific 36%
Americas 27%
180 depots worldwide
Container storage, repair & maintenance
Europe 37%
Vendors

Top 10 container leasing companies in 2005 (Unit: TEUs)



Source: Containerisation International Market Analysis, February 2006
*Remarks: Flovens' container fleet capacity as of 31st December 2005

Top 10 container shipping companies in 2005 (Unit: TEUs)



Source: www.snet.com.cn, March 2006

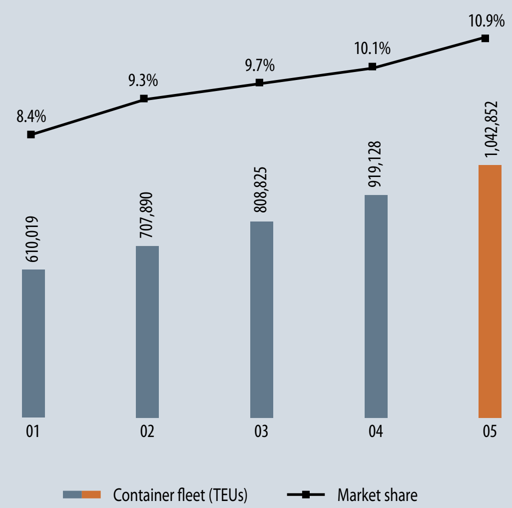
Market Review

Global containerised trade grew 11.2% in 2005, according to Drewry Shipping Consultants. Demand for containers in 2005 was also boosted by global economic growth, a strong increase in China's foreign trade and a higher containerisation rate.

Business Review

In 2005, Florens Container Holdings Limited ("Florens") ranked the world's third largest container leasing company, up from the fourth place in the previous year. Its share of the global market was approximately 10.9% in 2005, up from 10.1% in 2004. Florens' customer base grew from 218 in 2004 to 256 in 2005, and container fleet capacity increased by 13.5% to 1,042,852 TEUs.

Market share and fleet size



Container fleet movement (TEUs)

	2005	2004
Total number of containers (as at 1st January)	919,128	808,825
New containers purchased	168,592	155,526
Containers returned from COSCON upon expiry of leases		
- Total	(26,354)	(38,055)
- Re-leased	344	2,436
- Disposed of and pending for disposal	(26,010)	(35,619)
Ownership transferred to customers upon expiry of finance leases	(629)	(508)
Defective containers written off	(4)	(259)
Total loss of containers declared and compensated for by customers	(18,225)	(8,837)
Total number of containers (as at 31st December)	**1,042,852***	**919,128***

*Including 34,603 TEUs (2004: 23,639 TEUs) managed on behalf of a third party.

Container fleet analysis by type of container (TEUs)

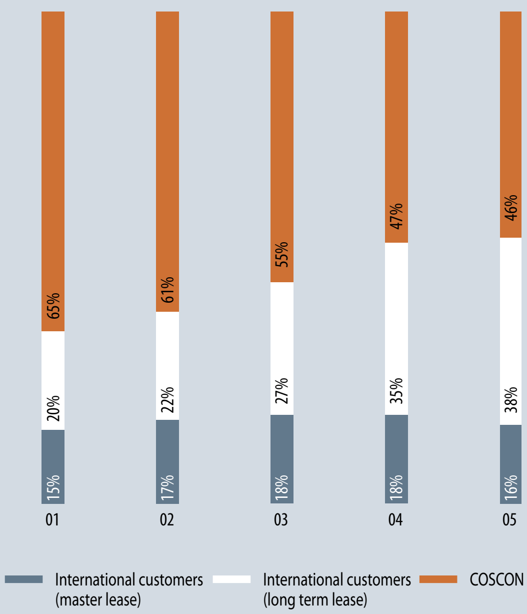
31st December 2005	Total	COSCON	International Customers
Total number of containers	1,042,852	377,324 (36.2%)	665,528 (63.8%)
Dry (%)	95.3	92.8	96.8
Reefer (%)	3.6	6.8	1.9
Special (%)	1.1	0.4	1.3

31st December 2004	Total	COSCON	International Customers
Total number of containers	919,128	327,845 (35.7%)	591,283 (64.3%)
Dry (%)	94.7	92.0	96.3
Reefer (%)	4.0	7.4	2.1
Special (%)	1.3	0.6	1.6

Rental income

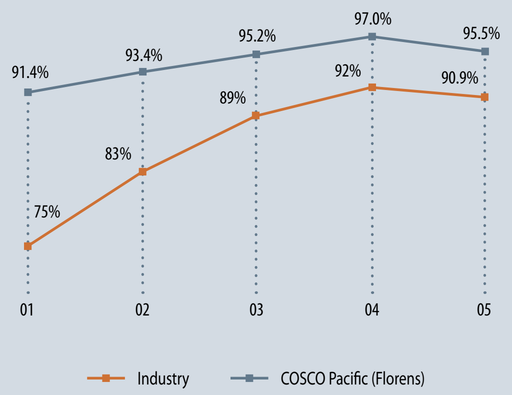
Turnover rose 7.5% to US$276,313,000 (2004: US$257,046,000) in 2005, driven by strong global trade growth and our increased market share.

Income breakdown by type of leasing



In 2005, containers returned from COSCON upon expiry of the leases ("Returned Containers") totalled 26,354 TEUs, compared with 38,055 TEUs in 2004. The total number of Returned Containers disposed of during the year was 26,838 TEUs, compared with 39,488 TEUs in the previous year. The disposal generated a net profit of US$6,122,000 in 2005.

Average utilisation rate above industy average



Florens' average utilisation rate was around 95.5% in 2005, slightly down from 97.0% in 2004, but was 4.6 percentage points above the industry average of around 90.9%.

Outlook

We maintain a positive outlook for both China trade and the global economy. The main drivers of the development of container leasing and its revenue are sustainable growth in both global trade and container trade, increased containerisation globally and a higher utilisation rate. Demand will also come from the commissioning of new vessels with capacity of 1,220,000 TEUs in 2006, which will benefit the container leasing industry. Container box prices are expected to be stable.

Logistics

In 2005, COSCO Logistics maintained its number one ranking among China's 100 largest logistics providers in China.

During the year, the shipping agency business handled 180,263 vessels, of which 45,482 vessels (2004: 44,510 vessels) were handled by wholly owned agencies. The freight forwarding business handled 100,000,000 tonnes of cargoes (2004: 75,940,000 tonnes), of which 1,600,000 TEUs (2004: 1,077,213 TEUs) were included in sea-freight forwarding business. The net profit contribution from the Group's logistics business rose 7.0% to US$15,064,000.

On 14th November 2005, COSCO Logistics signed a letter of intent with TNT NV in Beijing to establish a logistics joint venture to further explore the logistics market in the PRC and Asia Pacific. The details are currently under discussion.

COSCO Logistics successfully bid for the following large-scale logistics projects in 2005:

- Chemical logistics: Changzhou Worldbest Radic Co. Ltd.
- Super-scale petrochemical logistics: Saudi Arabia Aramco-Sumitomo Rabigh Petrochemical Project
- Automotive logistics: Beijing Benz-DaimlerChrysler Automotive Corporation, Harbin Hafei Motor Co., Ltd.
- Home appliance logistics: Hisense's sole logistics provider, Changhong's logistics provider
- Extra-large cargo logistics: The CNOOC and Shell Petrochemical Company Limited project.
- Logistic provider: "Genevese Festival 2005 - China Being the Honored Guest" Exhibition and "The 2005 World Exposition, Aichi, Japan"
- Logistic provider: China Nuclear Industry Huaxing Construction Company and China Zhongyuan Engineering Company
- Super-large-scale power plant project logistics: "Pakistan Chashma Nuclear Power Plant Phase II - China Nuclear Industry Huaxing Construction Company and China Zhongyuan Engineering Company", "Dongfang Electric Corporation's India Power Plant Project"

In recognition of its achievements, COSCO Logistics received the following awards in 2005:

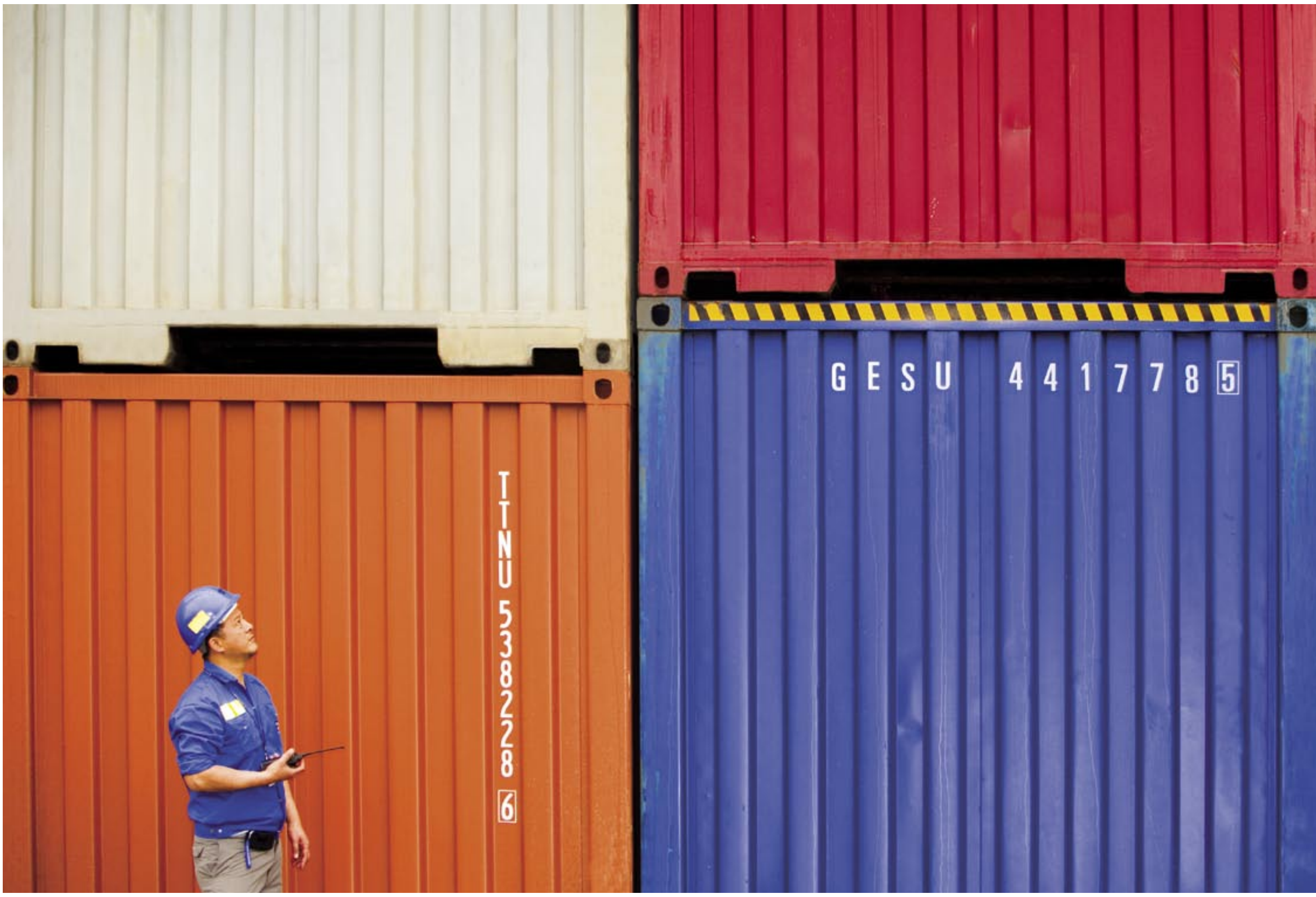
- Number one in the 2005 "China Logistics 100" for the second consecutive year. The award is jointly organised by China Communication & Transportation Association, China International Freight Forwarders Association, China Association for Shipping Agency, China Shipowners' Association, China Association of Ports, China Custom Declaration Association, and the Ministry of Railways;
- Number one in the 5A level logistics enterprises ranking, granted by the China Federation of Logistics and Purchasing. There are five standards in total, including A, 2A, 3A, 4A and 5A. 5A is the highest standard, according to the "Logistics Enterprises Classification and Appraisal Guidelines" approved by the Logistics Enterprise Comprehensive Appraisal Committee.
- 12 gold medals at the fourth "China Freight Industry Awards" organised by China Shipping Weekly, Logistics Times and China Shipping Net, comprising:
  - Four gold medals in the "Best Logistics Company" category, including integrated service, process management, capability of response and network coverage
  - Four gold medals in the "Best Shipping Agency" category, including integrated service, on-site service, customer service and operating service
  - Four gold medals in best airfreight forwarding service and sea freight forwarding service appraisal.

Outlook

In 2006, COSCO Logistics is poised to expand all of its core operations, particularly third party logistics. Specifically, through the expansion of overseas businesses of our customers, the logistics for products operated by COSCO logistics will expand into overseas markets. Specialty logistics for products includes services for the home appliance, automobile, chemical and food industries. Industries that require project logistics include power generation, petrochemicals and the convention and exhibition business.

To meet expansion objectives, COSCO Logistics will increase investment in technology, people and management, enhance service capabilities, increase the share of business on existing customers; pursue new customers and business; and identify new earnings drivers. We will also continue to enhance operational flows, strengthen quality control, reduce operating costs and improve efficiency.

The strategic partnership between COSCO Logistics and TNT NV will lead to further expansion into the home appliance logistics business in Asia Pacific, as the Group takes further steps towards becoming a global leader in logistics.



Container Manufacturing and Other Investments

Container manufacturing

Demand was extraordinarily strong in the first half of 2005 due to a front-loaded demand pattern. According to Containerisation Yearbook, China's containerisation rate was around 55% in 2004, compared with the world average of 70%. After rising initially, both container prices and corten steel prices stabilised subsequently at a more moderate level.

COSCO Pacific has shareholdings in four container manufacturing companies: China International Marine Containers (Group) Co., Ltd. ("CIMC") (16.23%), Shanghai CIMC Reefer Containers Co., Ltd. ("Shanghai CIMC Reefer") (20.0%), Shanghai CIMC Far East Container Co., Ltd. ("Shanghai CIMC Far East") (20.0%) and Tianjin CIMC North Ocean Container Co., Ltd. ("Shanghai CIMC Far East") (22.5%). These companies contributed US$58,716,000 to COSCO Pacific's net profit in 2005.

Excluding Shanghai CIMC Far East, the total net profit contribution from Shanghai CIMC Reefer and Tianjin CIMC North Ocean increased by 88.3 %. Shanghai CIMC Far East ceased production in July due to environmental issues that arose as a result of its location in the vicinity of residential areas. The Company is currently in liquidation.

Container production volume (TEUs)	2005	2004	Change (%)
CIMC	1,304,500*	1,639,600*	-20.4%
Shanghai CIMC Far East	62,919	136,690	-54.0%
Shanghai CIMC Reefer	48,645	40,320	+20.6%
Tianjin CIMC North Ocean	101,077	133,968	-24.6%

* CIMC's production volume includes production volume of Shanghai CIMC Far East, Shanghai CIMC Reefer and Tianjin CIMC North Ocean

Container sales volume (TEUs)	2005	2004	Change (%)
CIMC	1,361,358*	1,570,809*	-13.3%
Shanghai CIMC Far East	64,592	135,559	-52.4%
Shanghai CIMC Reefer	47,646	39,972	+19.2%
Tianjin CIMC North Ocean	104,064	130,129	-20.0%

*CIMC's sales volume includes sales volume of Shanghai CIMC Far East, Shanghai CIMC Reefer and Tianjin CIMC North Ocean

In 2005, CIMC was ranked the world's number one container manufacturer, and maintained its global market share of about 54%. The Group completed the acquisition of an approximately 16.23% equity interest in CIMC in December 2004, which resulted in a maiden contribution from CIMC of US$55,636,000 to Group's net profit in 2005 (2004: N/A).

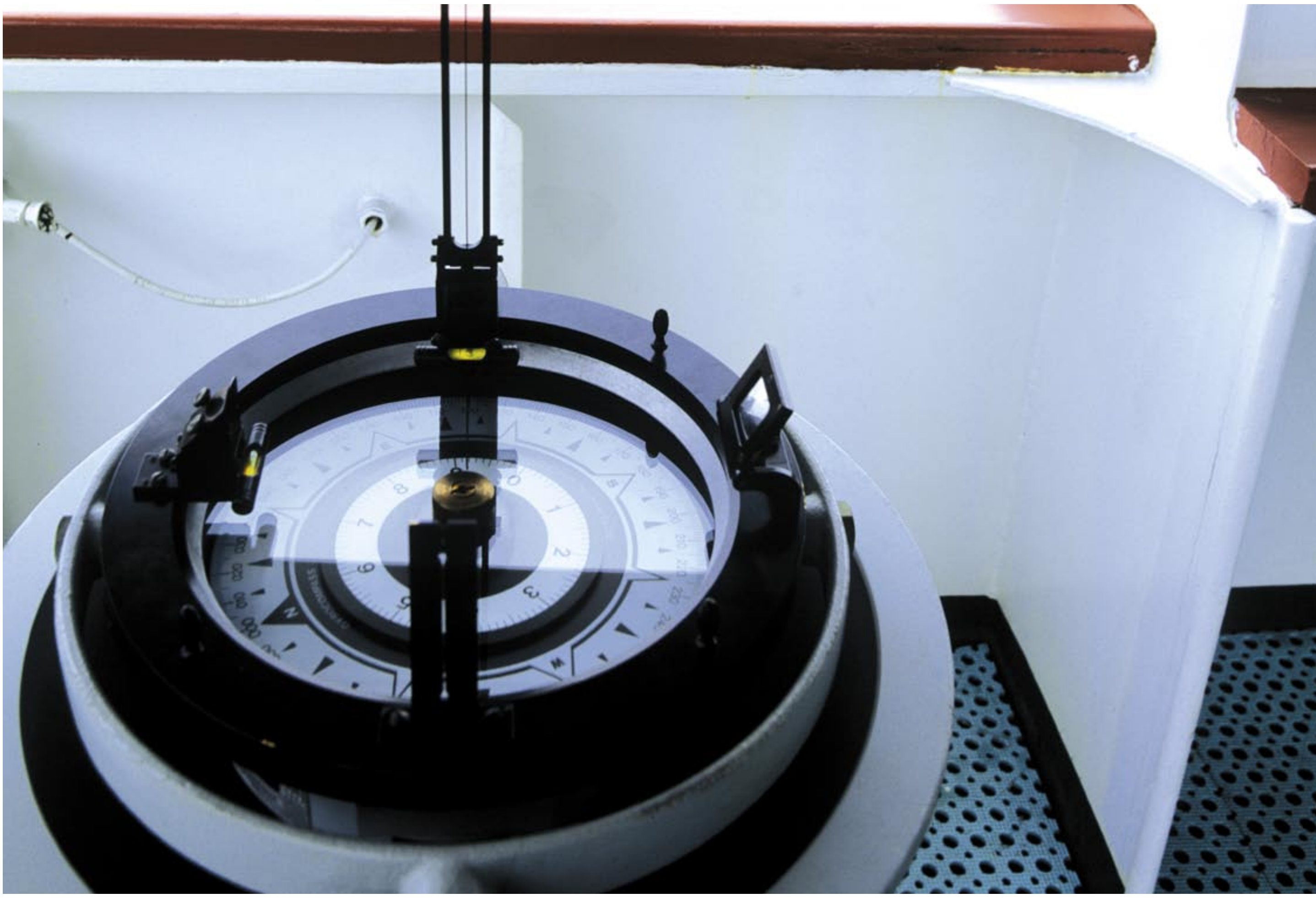
In 2006, we expect that growth to be steady with demand driven by an increase in the containerisation rate in China, rising foreign trade and the commissioning of new container ships.

We expect container prices to stabilise at the current level, given stable corten steel prices so far in the first quarter of 2006.

Other investments

Liu Chong Hing Bank

The Group has a 20% equity interest in Liu Chong Hing Bank Limited ("Liu Chong Hing Bank"), which contributed net profit of US$10,026,000 to the Group, an increase of 2.5% from last year.



Financial Review

Results analysis

Overall analysis of results

Turnover of the Group was US$295,648,000 for the year, 7.4% up from US$275,296,000 in 2004. Profit attributable to the equity holders recorded a significant increase to US$334,937,000, 62.1% up from last year's US$206,646,000 (as restated). Earnings per share rose to US15.28 cents from US9.57 cents (as restated) a year ago. The significant increase in profit attributable to the equity holders was in part due to the acquisition of approximately 16.23% equity interest in CIMC, which brought a net profit contribution to the Group of US$55,636,000 (2004: N/A). Meanwhile, the continuous boom in China's import/export trade and the shipping market had helped the Group to achieve an outstanding performance in its container leasing and container terminal businesses. Further, the disposal of the 17.5% equity interest in Shekou Terminal in March had enabled the Group to achieve a dual objective of re-deploying the investment portfolio to better capitalise on the strategic development of the Pearl River Delta while generating a profit of US$61,875,000.

During the past year, the Group placed a significant emphasis on achieving a high return on capital, by pursuing strategic acquisitions while repositioning the Group's business portfolio. These efforts have resulted in the return on equity holders of the Company increasing to 20.0% from 14.7% (as restated) in 2004, and return on total assets also registering an increase to 13.1% from 10.0% (as restated) in 2004. The Group's financial position remained strong, reflecting a proper balance between investment return and gearing.

Financial analysis

Turnover

Turnover for container leasing and related businesses in 2005 was US$276,313,000, 7.5% up from US$257,046,000 in 2004. Amongst the two major customer groups, COSCON, a fellow subsidiary, contributed rental income of US$126,400,000, 4.6% up from US$120,805,000 in 2004, with number of containers reaching 377,324 TEUs as at 31st December 2005 (2004: 327,845 TEUs). Rental income from other international customers ("International Customers"), on the other hand, accounted for US$148,076,000, 9.6% up from US$135,116,000 in 2004. The increase was due to number of container fleet for International Customers being expanded from 591,283 TEUs to 665,528 TEUs in order to cope with the relatively stable demand in the shipping market and the relatively high average utilisation rate. Besides rental income from leasing, there were interest income from finance leases (US$532,000 versus US$573,000 in 2004, down 7.2%); income from container management (US$342,000 versus US$207,000 in 2004, up 65.2%); and income from leasing of reefer-container generator sets (US$963,000 versus US$345,000 in 2004, up 179.1%).

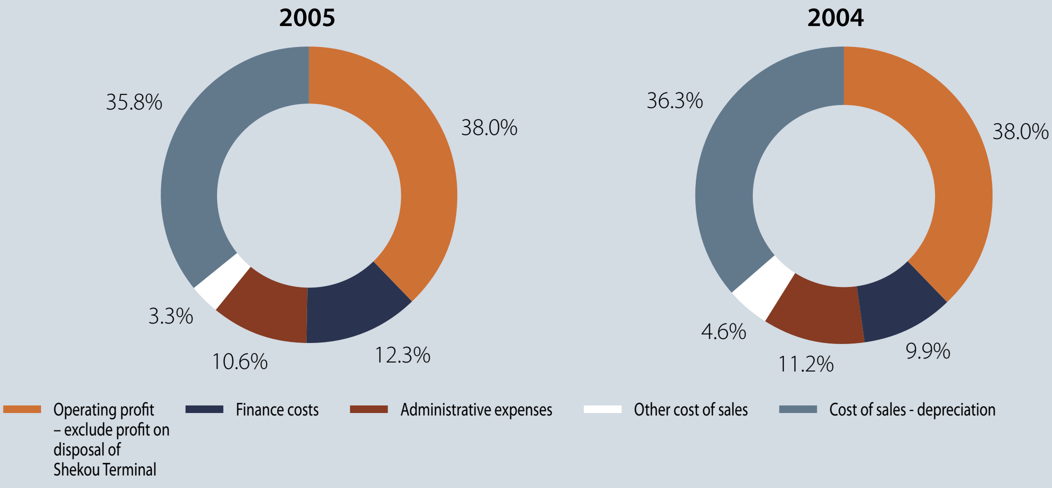
Turnover from Zhangjiagang Win Hanverky Terminal was US$12,496,000, 13.1% up from US$11,050,000 in 2004. Increased turnover was due to Zhangjiagang Win Harverky Terminal's continuous efforts to explore new business opportunities, which had boosted the throughput from 328,199 TEUs in 2004 to 377,121 TEUs in 2005, up 14.9%.

Plangreat Limited, a wholly owned subsidiary of the Company, and its subsidiaries are engaged in container stevedoring, storage, repairs and drayage services in Hong Kong. Turnover from Plangreat Limited and its subsidiaries was US$6,839,000 (2004: US$7,200,000). The decline in turnover this year was attributed to lower demand for such container services in Hong Kong as a result of the higher percentage of container traffic being transshipment passing through Hong Kong.

Cost of sales

Cost of sales, comprising mainly depreciation, depot expenses, repairs and maintenance and operating expenses, was US$115,551,000, 2.6% up from US$112,639,000 in 2004. The increase was due to higher number of containers driving up depreciation to US$105,933,000 (2004: US$100,066,000). Depreciation accounted for 91.7% of cost of sales (2004: 88.8%). Relatively high utilisation rate during the year had helped to lower the operational cost of containers by US$2,484,000.

Cost analysis (expressed as percentage of turnover)



Other income

Other income was US$43,572,000, a decrease of US$5,735,000 from US$49,307,000 in 2004. During the year, 26,838 TEUs (2004: 39,488 TEUs) of Returned Containers were sold, generating proceeds of US$22,618,000 (2004: US$24,709,000). Dividends of US$15,072,000 (2004: US$15,009,000) were declared by Yantian Terminal. In addition, additional dividends of US$511,000 in respect of year 2004 were received from Shekou Terminal in 2005. Interest income received during the year amounted to US$4,361,000, compared with US$3,286,000 in 2004.

Administrative expenses

Administrative expenses increased by 2.1% from a year ago to US$31,424,000. Human resources and travelling expenses increased while professional fees and depreciation had a reduction during the year.

Net other operating expenses

Net other operating expenses were US$12,666,000, a 38.4% decreased from US$20,547,000 (as restated) in 2004. Returned Containers sold were 26,838 TEUs (2004: 39,488 TEUs), totalling a carrying value of US$15,836,000 (2004: US$23,973,000). As the selling price of old reefer-containers was relatively low, provision for impairment losses was made this year amounting to US$2,327,000 (2004: US$474,000). As a result of the Hong Kong Financial Reporting Standards, fair value gain on interest rate swap contracts amounting to US$3,984,000, which was not qualified as hedges, was included in other operating income during the year, whereas for 2004, a total amount of US$3,835,000 comprising realised and unrealised gain on interest rate swap contracts was included.

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

The disposal of the 17.5% equity interest in Shekou Terminal, which was accounted for as an available-for-sale financial asset at the time, generated a profit of US$61,875,000 during the year.

Finance costs

Finance costs increased by 33.7% to US$36,362,000 (2004 as restated: US$27,206,000). Interest rates increased gradually since 2004, leading to an increasing the cost of borrowing. Average borrowing for the year 2005 increased by 20.0% to US$731,565,000 (2004: US$609,503,000). The Group's average cost of borrowing, including amortisation of transaction costs on bank loans and notes was 4.97% (2004 as restated: 4.46%).

Share of profits less losses from jointly controlled entities and associates

Net profit contribution from jointly controlled entities amounted to US$72,969,000, an increase of 9.9% from US$66,366,000 (as restated) in 2004. Efforts of COSCO-HIT Terminal in exploring new business opportunities resulted in throughput being increased to a record high of 1,841,193 TEUs (2004: 1,697,212 TEUs), while the net profit contribution was slightly lower than that of 2004 due to changes in cargo mix and increasing interest rates. Yangzhou Yuanyang Terminal and Yingkou Terminal made good profit contributions for the year, with Yangzhou Yuanyang Terminal's throughput being increased by 33.1% to 157,123 TEUs in 2005 and Yingkou Terminal increased by 61.2% to 633,573 TEUs.

Throughput of Qingdao Qianwan Terminal increased by 20.1% to 5,443,086 TEUs (2004: 4,532,769 TEUs) and contributed a net profit of US$21,225,000, 35.3% higher than 2004. Throughput of COSCO-PSA Terminal increased by 6.8% to 611,013 TEUs (2004: 571,863 TEUs), while generating a net profit of US$2,659,000, 18.9% higher than 2004. The newly acquired Nanjing Longtan Terminal had a minor start-up loss in 2005. Shanghai CIMC Far East which operation was ceased in July 2005 due to restrictions imposed by China's environmental protection policy, was still in the process of liquidation. Shanghai CIMC Reefer and Tianjin CIMC North Ocean both contributed higher net profits than 2004. Net profit contribution from COSCO Logistics increased by 7.0% to US$15,064,000 in 2005. No goodwill amortisation for the Group was required in 2005. In 2004, amortisation of goodwill amounted to US$2,507,000, attributable to the investment in Qingdao Qianwan Terminal, COSCO Logistics and Yingkou Terminal.

Net profit contribution from associates amounted to US$82,320,000, registering an increase of 201.3% from US$27,324,000 (as restated) in 2004. CIMC, which became an associate of the Group in December 2004 after the acquisition of its approximately 16.23% equity interest by the Group, made a net profit contribution of US$55,636,000 in 2005 (2004: N/A). Throughput of Shanghai Terminal leveled 2004 while net profit contribution decreased by 5.6%. Shanghai Pudong Terminal achieved 2,471,840 TEUs in throughput (2004: 2,339,479 TEUs) and reported an increase of 21.4% in net profit contribution to US$9,963,000. Liu Chong Hing Bank contributed a net profit of US$10,026,000 (2004: US$9,780,000). Antwerp Terminal acquired at the end of 2004 recorded a loss of US$1,304,000 since it commenced operation in September 2005 due to operation being in the start-up phase.

Income tax expense

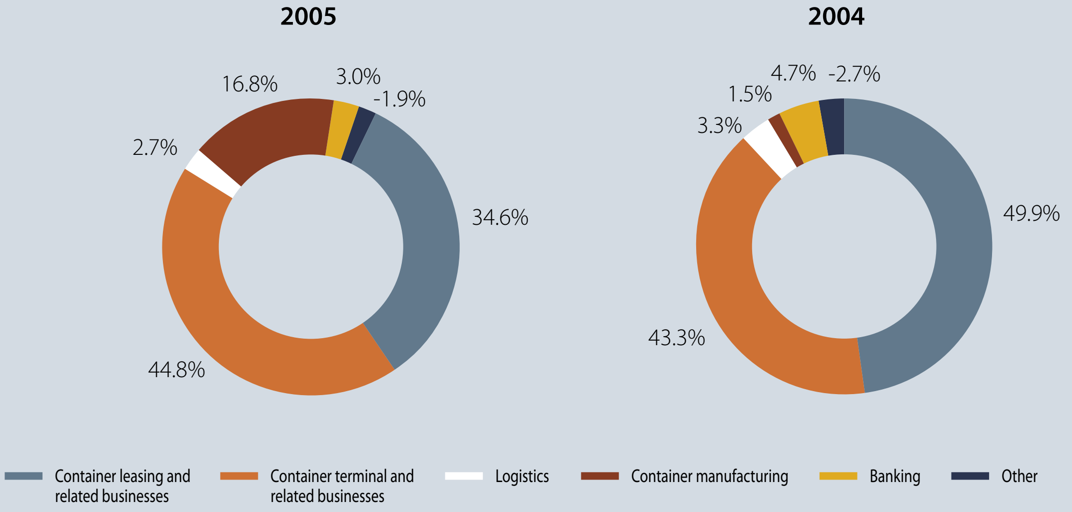
Aggregate income tax expenses increased to US$22,426,000 from US$18,021,000 (as restated) in 2004, mainly due to higher provision required for deferred tax due to increase in profits from the container leasing business.

Financial position

Cash flow

Cash inflows of the Group remained stable. During 2005, net cash from operating activities amounted to US$287,063,000 (2004 as restated: US$271,140,000). The Group drew bank loans of US$321,119,000 (2004: US$252,950,000) and repaid US$128,385,000 in 2005 (2004: US$78,238,000). Net proceeds from the new shares issued upon the exercise of share options amounted to US$21,823,000 (2004: US$41,508,000). During the year, cash outflow for major capital investments of the Group totalled US$89,125,000 (2004: US$377,056,000), including: US$20,781,000 in Nanjing Longtan Terminal, US$12,082,000 in Qingdao Qianwan Terminal, US$19,516,000 in Tianjin Five Continents Terminal, US$15,894,000 in Antwerp Terminal, US$15,052,000 in Yantian Terminal's Phase III, and US$5,800,000 in Dalian Automobile Terminal. In 2004, the cash outflow for major investments included: acquisition of a 49% equity interest in COSCO Logistics involving cash outflow of US$151,101,000; investment of US$61,131,000 in Qingdao Qianwan Terminal, and US$127,514,000 in CIMC. In addition to terminal investments, US$342,200,000 (2004: US$272,475,000) was paid during the year for purchase of containers.

Breakdown of profit attributable to equity holders



Financing and credit facilities

In July 2005, a subsidiary of the Company obtained a loan facility of US$300,000,000 from thirteen banks on a club deal basis for a term of six years at a cost equivalent to London Interbank Offered Rate ("LIBOR") plus 50 basis points. Of this amount, US$180,000,000 was to be used to finance the purchase of containers and working capital and US$120,000,000 for re-financing purposes. This facility, along with other favorable terms, not only reduced the Group's interest expenses but also optimised its debt structure as well.

As at 31st December 2005, cash balances and banking facilities available but unused amounted to US$179,315,000 and US$320,000,000 respectively (2004: US$100,578,000 and US$291,108,000 respectively), the total sum of which, together with the Group's operating cash flow, is sufficient to cover all the payables that fall due in 2006.

Assets and liabilities

As at 31st December 2005, total assets of the Group were US$2,855,150,000 (2004 as restated: US$2,243,072,000). Total liabilities amounted to US$964,807,000 (2004: US$757,444,000). Net asset value increased to US$1,890,343,000 from US$1,485,628,000 (as restated) a year ago, mainly due to the increase in the retained profits and the proceeds from the new shares issued upon the exercise of share options. The net assets value per share was US85.97 cents (2004 as restated: US68.03 cents), representing an increase of 26.4% over last year.

As at 31st December 2005, cash balances of the Group amounted to US$179,315,000 (2004: US$100,578,000). Total indebtedness of the Group amounted to US$835,653,000 (2004: US$653,323,000), with a net debt-to-equity ratio of 34.7% (2004 as restated: 37.2%). Interest coverage was 11.1 times (2004 as restated: 10.1 times).

Certain of the Group's property, plant and equipment and land use right with an aggregate net book value of US$512,957,000 (2004: US$331,647,000) and bank deposits of US$21,978,000 (2004: US$11,297,000) were pledged to various banks and financial institutions as securities against borrowings totaling US$345,618,000 (2004: US$176,392,000).

Contingent liabilities

As at 31st December 2005, the Group provided guarantees on a loan facility granted to an associate of US$21,920,000 (2004: Nil).

	31st December 2005		31st December 2004	
Debt analysis	**US$**	**%**	**US$**	**%**
By repayment term				
Within the first year	87,036,000	10.4	38,178,000	5.9
Within the second year	79,167,000	9.5	44,046,000	6.7
Within the third year	233,908,000	28.0	58,609,000	9.0
Within the fourth year	62,956,000	7.5	202,087,000	30.9
Within the fifth year and after	372,586,000	44.6	310,403,000	47.5
	835,653,000*	**100.0**	**653,323,000****	**100.0**
By type of borrowings				
Secured borrowings	345,618,000	41.4	176,392,000	27.0
Unsecured borrowings	490,035,000	58.6	476,931,000	73.0
	835,653,000*	**100.0**	**653,323,000****	**100.0**
By domination of borrowings				
US dollar	830,326,000	99.4	649,795,000	99.5
RMB	5,327,000	0.6	3,528,000	0.5
	835,653,000*	**100.0**	**653,323,000****	**100.0**

* Net of discount on notes, effect of fair value hedge and unamortised transaction costs on borrowings and notes
**Net of discount on notes only

Treasury policy

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

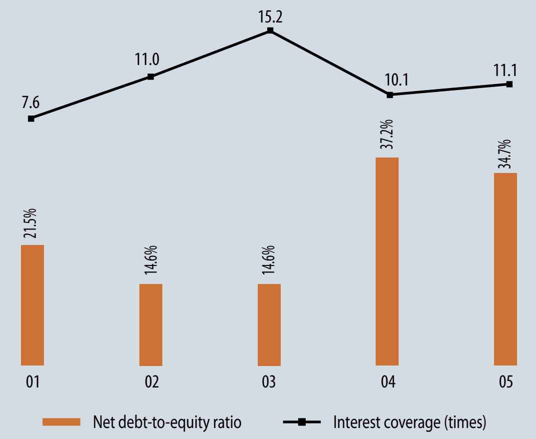
In respect of the financing activities of jointly controlled entities and associates, such as COSCO-HIT Terminal, COSCO-PSA Terminal and Antwerp Terminal, all material borrowings were denominated in the respective functional currencies, with corresponding hedging policies being effected.

The Group continued to exercise stringent control over the use of financial derivatives to hedge against its interest rate exposure. As at 31st December 2005 and 31st December 2004, outstanding interest rate swap contracts comprised:

- Notional principals of contracts amounting to US$200,000,000 in total whereby the Group agreed to pay floating interest rates ranging from 105 basis points to 116 basis points above 6-month LIBOR from the banks in return for receiving from the banks a fixed interest rate of 5.875%.
- Notional principals of contracts amounting to US$100,000,000 in total, whereby the Group agreed to pay fixed interest rates ranging from 3.88% to 4.90% per annum to the banks in return for receiving from the banks interest at 3-month LIBOR.

As at 31st December 2005, after adjusting the fixed rate borrowings for the effect of interest rate swap contracts, the Group's ratio of fixed-rate to floating-rate borrowings was 22.9% : 77.1% (2004: 31.0% : 69.0%). The Group continued to monitor and adjust its fixed and floating debt portfolio from time to time in light of market conditions, the objective of which is to reduce potential interest rate risk exposure.

Net debt-to-equity ratio & interest coverage



Frequently Asked Questions

General:

Q: What were COSCO Pacific's main achievements in 2005?

A: The Group continued to pursue fast and consistent growth during the year. We delivered strong revenue and earnings growth to our shareholders, consistent with our stated strategy.

In terminal operations, we expanded our global network through investments and strategic partnerships. We ranked as the world's fifth largest container terminal operator with 3.7% market share, according to Drewry Shipping Consultants. Our throughput rose 16.2% from last year to reach 26,079,612 TEUs.

During the year, we further strengthened our global network both by acquiring new terminals and increasing its investment in existing terminals. The Group's total number of berths increased by 30 to 100 in 2005. Among the acquisitions was the purchase of a 20% equity interest in Suez Canal Terminal at Port Said, Egypt, a location that complements our network and offers great potential for growth.

Container leasing business continued to contribute substantially to the Group's profits in 2005. Florens ranked as the world's third largest container leasing company, up from the fourth place in the previous year, according to Containerisation International Market Analysis. Our global market share increased from 10.1% to 10.9% in 2005. The customer base grew from 218 to 256, and container fleet capacity increased by 13.5% to 1,042,852 TEUs.

CIMC made net profit contribution of US$55,636,000 to COSCO Pacific for the year.

COSCO Logistics maintained its ranking as China's number one logistics business. To expand our logistics operations in the Asia Pacific region, we signed a letter of intent in November 2005 to form a joint venture with TNT NV. We were also able to successfully bid for a number of large-scale projects in different markets. In 2005, COSCO Logistics came first in the "China Logistics 100" for the second consecutive year, and received a string of other awards and accolades.

Q: What are COSCO Pacific's main competitive advantages?

A: Firstly, COSCO Pacific's global network creates commercial synergies by offering increased flexibility and a comprehensive service for our clients. Secondly, we are an industry leader in all of our core businesses: container terminals, container leasing, logistics and container manufacturing. In addition, COSCO Pacific is expected to benefit from the strategic cooperation with its parent company, China COSCO, with expansion of the scale of its container fleet and the increasing demands for terminal and container leasing services.

Terminal business:

Q: What is the outlook for the container terminal business? What was behind the rapid growth in throughput in 2005 and will it continue?

A: In 2005, our throughput increased 16.2% to 26,079,612 TEUs, and we expect to see continued fast growth from our terminal portfolio.

Driven by continued strong growth in global trade, demand for terminal services worldwide is constantly increasing. In China, the main drivers will be sustainable foreign trade growth, some major ports reaching full capacity, and more room to increase handling charges. Overseas terminals are also gaining momentum, providing a profusion of new expansion opportunities for the Company, as a terminal operator that has strong support from shipping liners.

One of the Group's key strategies to increase our throughput is by accelerating our investment in a global network, while strengthening our position as a major terminal operator in the three major regions of China: the Pearl River Delta, the Yangtze River Delta and the Bohai Rim. We believe that this extensive global network further enhances the continuous development of the Group's terminals business, and will give us the advantage in attracting and retaining clients by providing a more flexible and comprehensive service.

Our confidence also stems from our unique approach in partnering with global leading shipping liners and terminal operators, and in exercising direct control over, or participating in, day-to-day operations and management of all the terminals in which we have invested. Therefore, we believe that the prospects for the terminals business are very good, with strong potential for increased momentum. This should enable us to capitalise on growing economies around the world.

Q: What is your view on the current trend of consolidation within the port industry?

A: Mergers and acquisitions in the port industry reflect the market's anticipation of industry's potential. Our view is that the terminals industry is riding on the growth in trade and the global economy. However, the value of the terminals business in the long run lies in terminal operators' competitiveness and in the quality of service provided. For our part, we will continue to focus on building our global network with the main goal of creating a stronger service offering while at the same time delivering business growth and earnings growth.

Q: Is there an oversupply of port facilities in China? How competitive is the market?

A: According to the Chinese Ministry of Communications, China's total throughput in 2005 was 75,000,000 TEUs and is forecast to reach 140,000,000 TEUs by 2010. With many ports reaching full capacity, there is tremendous growth potential in China.

Q: Some reports have said that there may be a slowdown in China's foreign trade growth in 2006. How would this affect your business?

A: We believe that in the medium to long term, trade growth in China will continue to be sustained and robust. China will continue to enjoy a highly competitive position as US and European companies increasingly procure goods from China due to lower labour costs, efficient logistics systems and an abundance of manufacturing facilities. At the same time, global trade will continue to ride on the robust growth of domestic consumption in China and other emerging markets such as India. We therefore expect to see continued fast growth in our ports portfolio.

Q: What is your acquisition strategy and how do you ensure that investments will bear good returns? Will your strategy focus on China or other parts of the world?

A: As one of the world's major terminal operators, we will continue to leverage on our expanding global network, management systems, experience and support from shipping liners to further expand our business by forming strategic partnerships with the world's top shipping liners and port operators. We will look at acquisition opportunities in China and other parts of the world, in particular ports in strategic locations with high trade growth and other competitive strengths.

Container leasing business:

Q: What is the outlook for the container leasing business?

A: COSCO Pacific is optimistic about the prospects for the container leasing business. China trade and the global economy are expected to continue to grow. The increasing demand for larger container fleets, increasing containerisation in China and a higher utilisation rate will become the main drivers of our container leasing business.

Q: What is your strategy to remain competitive in the container leasing business?

A: As we grow our terminals business, we are also committed to expanding our fleet through investments in major ports and the establishment of strategic partnerships with key shipping companies and terminal operators. In 2005, the container fleet grew by 13.5% from 2004 to reach 1,042,852 TEUs. In 2006, we plan to purchase 180,000 TEUs to expand our fleet size and maintain a relatively low average age of fleet. In addition to expanding our market share with existing customers, we will explore new opportunities in thriving markets such as Russia and India to broaden the customer base. We have a team of competent employees and an extensive global depot network to enhance our competitiveness, and will continue to provide premium services to our customers.

Logistics business:

Q: What is the outlook for the logistics business?

A: We expect strong growth in our logistics business on the back of continued robust growth of international trade. In the long run, we believe that our company's development into a leading global logistics company will be the natural result of several factors.

First, COSCO Logistics signed a letter of intent to form an important joint venture with TNT NV in 2005, which will result in a range of synergies as we expand in the Asia Pacific.

Second, we see many of our customers expanding overseas, with an increasing volume of exports and other developments that require international logistics services.

Third, logistics services will be a natural complement to the Group's growing worldwide network of port facilities.

Container manufacturing business:

Q: What is the outlook for the container manufacturing business?

A: CIMC continues to be the world's largest container manufacturer and has a market share of over 50%. According to the Containerisation Yearbook, China's containerisation rate was around 55% in 2004, but was still below the world average of 70%. We therefore believe that there is considerable scope for growth. The container manufacturing business is expected to return to normal in 2006, with demand and supply in balance. Container prices declined in 2005, but we expect them to stabilise at the current level, given stable corten steel prices so far in the first quarter of 2006. As well as a rise in China's containerisation rate, we also expect demand to be driven by increased foreign trade, the replacement cycle of containers, and the commissioning of new vessels.

Financial:

Q: The Group has achieved strong growth in recent years. Can rapid earnings growth be maintained over the next five years? What are the growth drivers?

A: We view the continued strength of the global economy as positive for all of our businesses. In the container terminal business, we project high growth that will result in commensurate returns.

The Company's strategy is to invest in a superior network of terminals that will lead to increased flexibility and a comprehensive service offering for clients. Expansion both in China and overseas will continue to be a dominant theme in 2006. Another major strategic differentiator is the Group's philosophy and practice of partnership with leading global shipping lines and port operators.

We view container leasing as a generator of strong and highly recurrent cashflow. The container manufacturing business is expected to return to normal in 2006, with demand and supply in balance.

The main drivers of both container leasing revenue and manufacturing will be sustainable growth in both global trade and container trade, increased containerisation in China and a higher utilisation rate among competitors. Demand will also come from the commissioning of new vessels. Box prices are expected to be stable. We expect rapid growth from logistics.

Q: Will COSCO Pacific maintain its stable dividend policy?

A: The Group plans to continue to maintain its dividend payout policy, which reflects good corporate governance and allows better and more transparent use of cash flow.

Investor Relations

COSCO Pacific values communication with its shareholders and investors and considers it a top priority to ensure that they are kept continually informed of the Group's performance and strategy. The Company's award-winning investor relations team actively seeks to engage investors in dialogue, and welcomes and acts on feedback.

In 2005, the Group undertook the following investor relations activities:

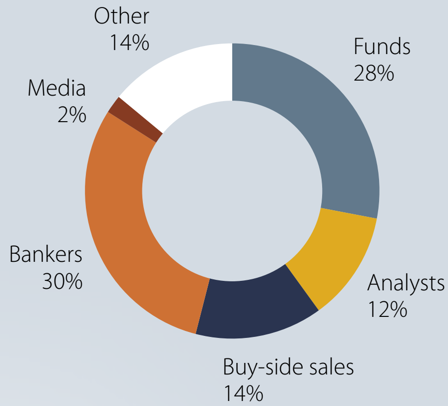
- Continuous tracking of market developments and identification of potential investor concerns
- Regular one-on-one meetings and conference calls with fund managers and analysts
- Press conferences and analyst briefings held in conjunction with interim and final results announcements, along with Q&A sessions for analysts and the media
- Regular briefings for fund managers and analysts on current status and future strategies
- Timely disclosure of the latest business developments via the corporate website and the news media

We are confident that these initiatives accurately convey to investors not only the value of our company, but also our management philosophy, investment and development strategies, and our perceptions of the global business environment.

Investor and stakeholder meetings (No. of people)

Year	One-on-one meeting	Roadshow and investor forum	Total
2005	339	1,173	1,512
2004	482	663	1,145
2003	662	625	1,287
2002	581	615	1,196
2001	332	412	744

Analysis of one-on-one meetings in 2005



Share price performance and market capitalisation

As at 31st December 2005, the Group's share price was HK$14.20, with market capitalisation standing at HK$31,225,321,000.

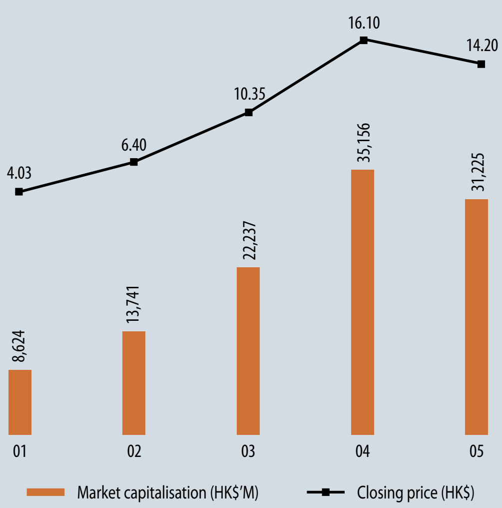
Although the Group delivered another year of strong returns consistent with its stated strategy, a number of external factors affected the share price. These included a prevailing pessimistic outlook on the shipping industry and concerns over shipping overcapacity, higher oil prices and interest rates. Fears of a slowdown in global trade and China's textile rows with major trading partners also contributed to negative sentiment.

Earnings and dividend per share

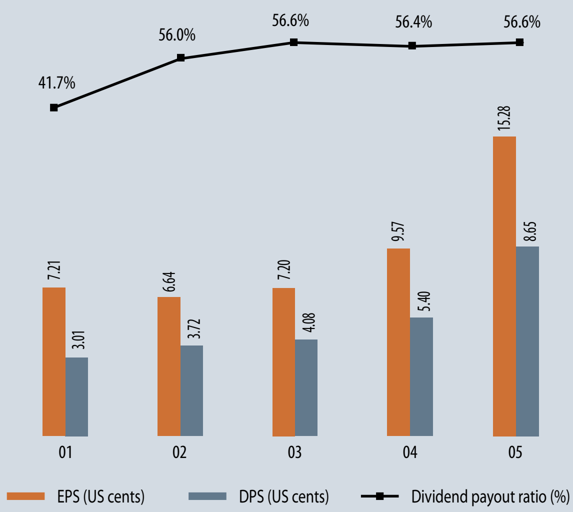
Earnings per share increased by 59.7% to US15.28 cents, while the dividend rose 60.3% to US8.65 cents. This was in line with the Group's stable dividend policy, which has maintained the dividend payout at around 56.0% since 2002. In respect of 2005, in line with our dividend policy, the Board has recommended a final dividend payable on 1st June 2006 of US3.583 cents per share. Together with the interim dividend of US3.614 cents per share and special interim dividend of US1.453 cents per share, the total dividend amounts to US8.650 cents per share.

COSCO Pacific	2005	2004	2003
Year-end share price (HK$)	14.20	16.10	10.35
Total number of shares in issue	2,198,966,298	2,183,630,298	2,148,542,298
Market capitalisation (HK$)	31,225,321,000	35,156,448,000	22,237,413,000
Weighting in HSI (%)	0.7	0.8	0.6
HSI ranking (by market value)	29	24	29
Weighting in HSCCI (%)	2.3	3.5	2.5
HSCCI ranking (by market value)	6	4	6

Market capitalisation



Earnings and dividend per share



Market recognition

COSCO Pacific's dedication to improving investor relations has won its accolades from the investment community, and has been recognised through the following awards in 2005:

- Conglomerate with the Best Investor Relations in Asia (Buy-side View) from Institutional Investor
- Conglomerate with the Best Investor Relations in Asia (Sell-side View) from Institutional Investor
- Chinese Firm with the Best Investor Relations (Buy-side View) from Institutional Investor
- Honours in Best Overall Presentation – 2004 Annual Report from ARC International

In recognition of the Group's achievements, both in the Asia Pacific and globally, COSCO Pacific was included in:

- Standard & Poor's Top 30 Stock Picks in 2005
- Forbes' Top 2000 Enterprises in 2005
- FinanceAsia's Top 10 Chinese Enterprises with the Best Dividend Policy for two consecutive years
- CFO Asia's Top 50 Management Teams in Asia
- Economist Digest's Hong Kong Outstanding Enterprises in 2005
- Holman Fenwick & William Award - Shipping In-House Team of the Year at the Asian Legal Business Awards 2005 in Hong Kong

Investor relations activities 2005

Month	Activities
January	Analyst dinner
	Greater China Conference 2005 in Shanghai, organised by UBS Securities Asia
February	Red Chips Seminar in Hong Kong, organised by UBS Securities Asia
	Luncheon organised by BOCI Research
March	Access China Conference 2005 in Beijing, organised by Deutsche Bank
	Announcement of COSCO Pacific's 2004 final results
	- Press conference
	- Panel discussion with analysts
	Roadshows in Hong Kong and Singapore, arranged by Deutsche Bank
May	10th CLSA China Forum held in Beijing by CLSA
	China Investment Frontier 2005 held in Kunming by Goldman Sachs
September	Announcement of COSCO Pacific's 2005 interim results
	- Press conference
	- Panel discussion with analysts
	Roadshow in Hong Kong, arranged by BNP Paribas Peregrine Securities
	12th Annual CLSA Investors' Forum in Hong Kong
	Roadshow in Singapore, arranged by Deutsche Bank
	Roadshow in Japan, arranged by ABN AMRO Asia
	10th Annual Asia Pacific Equity Conference in the U.S.
October	China Investment Conference 2005 held in Shanghai by CSFB
November	Annual IR Magazine China Investor Relations Conference in Shanghai held by IR Magazine
	IR Magazine Hong Kong & Taiwan Investor Relations Conference and Awards 2005 in Hong Kong held by IR Magazine
	Asia Pacific Summit 2005 held in Singapore by Morgan Stanley

Analysts Contact List

	Company	Name	Tel	Fax	Email
1	ABN AMRO Asia Limited	Osbert TANG	+86 21 5049 6333	+86 21 5049 6999	osbert.tang@cn.abnamro.com
2	BNP Paribas Peregrine Securities Limited	Jim WONG	+852 2825 1888	+852 2845 2232	jimmy.wong@peregrine.bnpparibas.com
3	BOCI Research Limited	Jimmy LAM	+852 2867 6333	+852 2147 9513	jimmy.lam@bocigroup.com
4	China International Capital Corporation Limited	ZHENG Dong	+86 10 6505 1166	+86 10 6505 8157	zhengd@cicc.com.cn
5	Citigroup Global Markets Asia Limited	Charles de TRENCK	+852 2501 2756	+852 2521 5350	charles.detrenck@citigroup.com
6	CLSA Limited	Mike LU	+852 2600 8888	+852 2501 0903	mike.lu@clsa.com
7	Credit Suisse (Hong Kong) Limited	Karen CHAN	+852 2101 6572	+852 2284 6572	karen.chan@credit-suisse.com
8	Daiwa Institute of Research (H.K.) Limited	Geoffrey CHENG	+852 2525 0121	+852 2845 2190	geoffrey.cheng@dir.com.hk
9	DBS Vickers (Hong Kong) Limited	Oscar CHOI	+852 2820 4888	+852 2521 1812	oscar_choi@hk.dbsvickers.com
10	Deutsche Bank AG	Benjamin LO	+852 2203 8888	+852 2203 6921	benjamin.lo@db.com
11	Goldman Sachs (Asia) L.L.C.	Mike WARREN	+852 2978 1383	+852 2978 1346	mike.warren@gs.com
12	Guotai Junan Securities (Hong Kong) Limited	Alan LAM	+852 2509 9118	+852 2509 7793	alan.lam@gtjas.com.hk
13	J.P. Morgan Securities (Asia Pacific) Limited	Christie JU	+852 2800 1000	+852 2537 4319	christie.y.ju@jpmorgan.com
14	Lehman Brothers Asia Limited	Ally MA	+852 2252 6206	+852 2372 5206	yue.ma@lehman.com
15	Macquarie Securities Limited	Michael CHAN	+852 2823 3588	+852 2823 3560	michael.kc.chan@macquarie.com
16	Merrill Lynch International Incorporated	David CUI	+86 21 5407 5088	+86 21 5407 5245	david_cui@ml.com

	Company	Name	Tel	Fax	Email
17	Morgan Stanley Dean Witter Asia Limited	Jim LAM	+852 2848 5200	+852 3407 5888	jim.lam@morganstanley.com
18	Nomura International (Hong Kong) Limited	Jason CHEUNG	+852 2536 1111	+852 2536 1820	jason.cheung@hk.nomura.com
19	South China Research Limited	Ben YANG	+852 2820 6333	+852 2845 5868	ben.yang@sctrade.com
20	Standard & Poor's	Christopher LEE	+852 2532 8030	+852 2532 8039	christopher_k_lee@standardandpoors.com
21	Sun Hung Kai Investment Services Limited	Stone SHI	+852 2822 5052	+852 2822 5502	stone.shi@shkco.com
22	Tai Fook Research Limited	CHO Fook Tat	+852 2848 4333	+852 2869 7737	ftcho@taifook.com
23	UBS Securities Asia Limited	Ingrid WEI	+86 21 6103 3168	+86 21 6103 3132	ingrid.wei@ubs.com
24	UOB Kay Hian (Hong Kong) Limited	ZHANG Xi	+852 2236 6761	+852 2845 1655	xi.zhang@uobkayhian.com.hk

Corporate Culture

Core values

Putting ethical behaviour first

Understanding through communication

A drive for innovation

Sound management for growth

COSCO Pacific's values are its commitment to clients and shareholders. The Company's corporate values are integrity, innovation, growth, communication, understanding, excellent management, moral conduct, and service, all embodied in our commitment to our clients and shareholders.

The Company and its team members believe that these deeply held values are what drive service excellence for clients and win mutual trust with business partners. Our unique culture allows us to attract and retain the best employees and clients and, ultimately, creates value for shareholders.

Employee relations

Concerted efforts to mastermind and create a bright future for the Group.

As at 28th February 2006, COSCO Pacific had a team of 432 employees in China, Asia, America, Europe and Australia. Under the leadership of its management, it has become one global team with a strong spirit of teamwork, harmony and efficiency.

The Company is committed to continual professional development and believes that regular training is essential to drive the skills and innovation that will allow the Company to move at the cutting edge of its industry. Through training, COSCO Pacific's employees hone their judgement and ability to make sound business decisions.

The Company believes that an impartial and competitive remuneration policy is quintessential to success. It continues to perfect its remuneration and bonus system. In recent years, share options were granted to the employees by the Company in order to ignite and maintain employees' passion for their work.

For team building, COSCO Pacific's employees participate in various arranged social gatherings, all of which strengthen a sense of belonging and the cohesiveness of the team.

Responsibility to the community

Fully undertaken corporate social responsibility and observe its duties as a good corporate citizen.

What is taken from the community is used for the community.

COSCO Pacific is committed to building strong relationships with the communities in which it operates. Making contributions to society is a crucial part of our culture.

In 2005, members of our senior management continued to give lectures and engage students at universities in both mainland China and Hong Kong. In January 2005, the Company donated RMB1.5 million to the Shanghai Maritime University to endow a special scholarship to foster future leaders of the shipping and logistics industries in China.

At our operating facilities and offices, COSCO Pacific welcomes students and the public to learn about and exchange views on our business. At Hong Kong's Terminal 8 East, for example, transport and logistics students from the Hong Kong Institute of Vocational Education visited in May 2005 to see at first hand the complexities of terminal operations. And in November 2005, the Company welcomed a delegation from The Chinese Manufacturers' Association of Hong Kong as part of the China Overseas Friendship Association 7th Seminar on Hong Kong Market Economy and Management.

The Company is also actively involved in cultural activities that enrich community life. One example is Opera Hong Kong. In May 2005, COSCO Pacific was a platinum sponsor of a hugely successful Opera Hong Kong gala concert.

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

Corporate Governance Report

The maintenance of a high standard of corporate governance has been and remains a top priority of COSCO Pacific Limited (the "Company"). Recognising the importance of shareholders' transparency and accountability, the board of directors of the Company (the "Board") believes that shareholders can enhance their benefits from good corporate governance.

The Company is dedicated to continuous improving its corporate governance practices and investor relations. In 2005, the Company was awarded "Top 2000 Enterprises in 2005", "Top 50 Management Teams in Asia", "Hong Kong Outstanding Enterprises in 2005", "Standard & Poor's Top 30 Stock Picks in 2005", the "Shipping In-House Team of the Year" in the ALB Hong Kong Law Awards organised by Asian Legal Business, "Conglomerate with the Best Investor Relations in Asia (Buy-side View) from Institiutional Investor", "Conglomerate with the Best Investor Relations in Asia (Sell-side View) from Institutional Investor" and "Chinese Firm with the Best Investor Relations (Buy-side View) from Institutional Investor", "Top 10 Chinese Enterprises with the Best Dividend Policy" and "Honors in Best Overall Presentation – Annual Report". These awards represent the market's recognition of our dedication towards improving corporate governance and outstanding professional achievement in a host of specialties that span from business practices, investor relations to legal.

Corporate governance practices

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the "Corporate Governance Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as its own code on corporate governance practices in January 2005. Long before the implementation of the Corporate Governance Code, the Company had taken its own initiative to disclose its corporate governance practices in its annual reports commencing from the year ended 31st December 2002. This report describes the Company's corporate governance practices with specific reference to the Corporate Governance Code.

As far as the Corporate Governance Code is concerned, the Company has complied with the code provisions of the Corporate Governance Code for the year ended 31st December 2005 except the following deviations:

Code provision A.4.2 (the last sentence)

The code provision A.4.2 of the Corporate Governance Code (the last sentence) provides that every director (including directors appointed with specific terms) should be subject to retirement by rotation at least once every three years. According to Bye-law 87(1) of the Bye-laws of the Company then in effect before 20th May 2005, however, at each annual general meeting, one-third (if the number of Directors is not a multiple of three then the number nearest to three) of the directors for the time being shall retire from office by rotation provided that notwithstanding anything therein, the Chairman of the Board and/or the Managing Director of the Company shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of directors to be retired in each year.

The Bye-laws of the Company constitutes a deviation from the last sentence of the code provision A.4.2 of the Corporate Governance Code. To comply with the last sentence of the code provision A.4.2 of the Corporate Governance Code, amendment to Bye-law 87(1) of the Bye-laws of the Company was proposed and approved by the shareholders at the annual general meeting of the Company held on 20th May 2005.

Code provision A.4.2 (the first sentence)

The code provision A.4.2 of the Corporate Governance Code (the first sentence) provides that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Paragraph 4(2) of Appendix 3 of the Listing Rules and the existing Bye-law 86(2) of the Bye-laws of the Company, however, require any director appointed by the Board to fill a causal vacancy to hold office only until the next following annual general meeting and shall then be eligible for re-election at that meeting.

Certain directors of the Company who were appointed by the Board to fill a casual vacancy during the year 2005 did not retire at the special general meeting of the Company held on 5th December 2005 and will only offer themselves for re-election at the forthcoming annual general meeting. The above constitutes a deviation from the first sentence of code provision A.4.2 of the Corporate Governance Code. The Company will put forward at its forthcoming annual general meeting to be held in May 2006 a proposal to amend the Bye-law 86(2) of the Bye-laws of the Company to comply with the first sentence of the code provision A.4.2 of the Corporate Governance Code.

Code provision E.1.2

The code provision E.1.2 of the Corporate Governance Code provides that the Chairman of the Board shall attend the annual general meeting of the Company. Due to unexpected business commitment, Dr. WEI Jiafu, the Chairman of the Board who resides in Beijing, was unable to attend the annual general meeting of the Company held on 20th May 2005 in Hong Kong. This constitutes a deviation from the code provision E.1.2 of the Corporate Governance Code.

The following sections set out how the requirements of the Corporate Governance Code have been complied with by the Company.

Board of directors

Board composition

The Board is responsible for the leadership and control of the Group (the Company and its subsidiaries) and is collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs. Every director carries out his/her duties in utmost good faith above and beyond any prevailing applicable laws and regulations and acts in the best interests of the Company and its shareholders. The Board currently consists of 13 members. Among them, 7 are executive directors, 4 are independent non-executive directors and 2 are non-executive directors. The directors, as at the date of this report, are Dr. WEI Jiafu[2] (Chairman), Mr. CHEN Hongsheng[1], Mr. LI Jianhong[1], Ms. SUN Yueying[1], Dr. SUN Jiakang[1] (Vice Chairman & Managing Director), Mr. XU Lirong[2], Mr. WONG Tin Yau, Kelvin[1], Mr. WANG Zhi[1], Mr. QIN Fuyan[1], Dr. LI Kwok Po, David[3], Mr. LIU Lit Man[3], Mr. CHOW Kwong Fai, Edward[3] and Mr. Timothy George FRESHWATER[3]

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

Separation of Chairman and Managing Director

The posts of Chairman and Managing Director are separate and are held by different persons to ensure their independence, accountability and responsibility. The Chairman, Dr. WEI Jiafu, who is a non-executive director, is responsible for setting the Group's strategy and ensuring that the Board is functioning properly and with good corporate governance practices and procedures, whilst Vice Chairman and the Managing Director, Dr. SUN Jiakang, who is an executive director, supported by other Board members and the senior management, is responsible for managing the Group's business, including implementation of major strategies set by the Board, making day-to-day decision and co-ordinating overall business operations.

Non-executive Directors

The Company has two non-executive directors who are richly experienced in container shipping business and corporate management. These experiences, expertise and skills facilitate the process of formulating the Group's strategy.

Each of the non-executive director has entered into an appointment letter with the Company pursuant to which each of them is appointed for service with the Company for a term of three years, subject to the rotational retirement provision of the Bye-laws of the Company. The appointment shall terminate on the earlier of either (i) the date of expiry of the 3-year period, or (ii) the date on which the director ceases to be a director for any reasons pursuant to the Bye-laws of the Company or any other applicable laws.

Independent Non-executive Directors

The Company has four independent non-executive directors. They are highly experienced professionals with a broad range of expertise and experience in areas such as accounting, finance, legal and business. Their mix of skills and business experience is a major contribution to the future direction of the Company and the proper functioning of the Board, ensuring that matters are fully debated and that no individual or group dominates the Board's decision-making processes. They ensure that the Board maintains a high standard of financial and other mandatory reporting and provides adequate check and balance to safeguard the interests of shareholders in general and the Company as a whole. The Board has received from each independent non-executive director a written annual confirmation of their independence and is satisfied of their independence up to the date of this report in accordance with the Listing Rules.

Each of the independent non-executive directors has entered into an appointment letter with the Company pursuant to which each of them is appointed for service with the Company for a term of three years, subject to the rotational retirement provision of the Bye-laws of the Company. The appointment shall terminate on the earlier of either (i) the date of expiry of the 3-year period, or (ii) the date on which the director ceases to be a director for any reasons pursuant to the Bye-laws of the Company or any other applicable laws.

Board meetings

The Board held a total of 4 regular board meetings during the financial year ended 31st December 2005, all of which were at quarterly intervals. Of these, two meetings were held to approve the 2004 final results and 2005 interim results of the Company; the other two meetings were held to consider new investment opportunities and to review the strategic business directions, financial and operating performances of the Group. As the members of the Board are either in Hong Kong or in the People's Republic of China, all of these meetings were conducted by video conferencing which is permitted under the Company's Bye-laws. The Financial Controller and the Company Secretary also attended all Board meetings to report matters arising from corporate governance, risk management, statutory compliance, accounting and financial.

The Board is supplied with relevant information by the senior management pertaining to matters to be brought before the Board for decision as well as reports relating to operational and financial performance of the Group, in addition to the minutes of the Board meetings and Board committee meetings, before each Board meeting. At least 14 days' notice of a Board meeting is given to all directors to provide them with an opportunity to attend and all directors are given an opportunity to include matters in the agenda for a regular meeting. Board papers are despatched to the directors at least 3 days before the meeting to ensure that they have sufficient time to review the papers and be adequately prepared for the meeting. When directors are unable to attend a meeting, they are advised of the matters to be discussed and given an opportunity to make their views known to the Chairman prior to the meeting. Senior management who are responsible for the preparation of the Board papers are usually invited to present their papers and to take any questions or address queries that the Board members may have on the papers. This enables the Board to have pertinent data and insight for a comprehensive and informed evaluation as part of the Board's decision-making process.

The proceedings of the Board at its meetings are conducted by the Chairman or the Vice Chairman and Managing Director of the Company who ensures that sufficient time is allocated for discussion and consideration of each item on the agenda and that equal opportunities are given to the directors to speak and express their views and share their concerns. Minutes of the Board meetings record in sufficient detail the matters considered by the Board and the decisions reached, including any concerns raised by the directors. The draft minutes of each Board meeting are sent to all the directors for comments within a reasonable time after the date on which the board meeting is held.

To illustrate the attention given by the Board in overseeing the Company's affairs, we set out below details of the directors' attendance at the regular Board meetings during the financial year ended 31st December 2005 in the following table. All businesses transacted at the Board meetings are well-documented and the records are maintained in accordance with applicable laws and regulations.

Attendance of individual members at Board Meetings

Name of Directors	No. of meetings attended/held in the financial year 2005	Attendance rate
Directors		
Dr. WEI Jiafu[2] (Chairman)	4/4	100%
Mr. CHEN Hongsheng[1]	4/4	100%
Mr. LI Jianhong[1]	3/4	75%
Ms. SUN Yueying[1]	3/4	75%
Dr. SUN Jiakang[1] (Vice Chairman & Managing Director)	4/4	100%
Mr. XU Lirong[2]	4/4	100%
Mr. WONG Tin Yau, Kelvin[1]	4/4	100%
Mr. WANG Zhi[1] (appointed on 29th July 2005)	2/2	100%
Mr. QIN Fuyan[1]	4/4	100%
Dr. LI Kwok Po, David[3]	4/4	100%
Mr. LIU Lit Man[3]	4/4	100%
Mr. CHOW Kwong Fai, Edward[3] (appointed on 9th June 2005)	2/3	66.67%
Mr. Timothy George FRESHWATER[3] (appointed on 9th June 2005)	2/3	66.67%
Ex-directors		
Mr. LIU Guoyuan[1] (resigned on 9th June 2005)	1/1	100%
Mr. ZHANG Fusheng[1] (resigned on 9th June 2005)	0/1	0%
Mr. WANG Futian[1] (resigned on 9th June 2005)	1/1	100%
Mr. MA Zehua[1] (resigned on 9th June 2005)	1/1	100%
Mr. MA Guichuan[1] (resigned on 9th June 2005)	0/1	0%
Mr. LI Yunpeng[1] (resigned on 9th June 2005)	1/1	100%
Mr. ZHOU Liancheng[1] (retired at the annual general meeting held on 20th May 2005)	1/1	100%
Mr. HE Jiale[1] (resigned on 9th June 2005)	1/1	100%
Mr. MENG Qinghui[1] (retired at the annual general meeting held on 20th May 2005)	1/1	100%
Mr. LU Chenggang[1] (resigned on 29th July 2005)	2/2	100%
Mr. Alexander Reid HAMILTON[3] (resigned on 9th June 2005)	1/1	100%
Mr. KWONG Che Keung, Gordon[2] (resigned on 1st January 2006)	2/3	66.67%

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

Appointment, re-election and removal of directors

The Company follows a formal, considered and transparent procedure for the appointment of new directors. Appointments are first considered by the Nomination Committee. The recommendations of the Committee are then put to the Board for decision. Thereafter, all newly appointed directors are subject to election by shareholders at the general meeting in their first year of appointment.

At each annual general meeting, one third of the directors for the time being (if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every director shall be subject to retirement at least once every three years.

A summary of work performed by the Nomination Committee during 2005 is set out under the section "Nomination Committee" below.

Procedure to enable directors to seek independent professional advice

To assist the directors to discharge their duties to the Company, the Board has established written procedures to enable the directors, upon reasonable request, to seek independent professional advice, at the Company's expense, in appropriate circumstances. No request was made by any director for such independent professional advice in 2005.

Responsibilities of directors

The Company has in place a clear corporate governance process to ensure that all directors fully appreciate their roles and responsibilities.

The Company Secretary, who is responsible directly to the Board, is responsible for keeping directors updated on all regulatory changes, including organising appropriate continuing development programme for directors. Every newly appointed director will receive a comprehensive orientation package on appointment.

Directors/senior management's securities transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies set out in Appendix 10 of the Listing Rules (the "Model Code") as the Company's code of conduct and rules governing dealings by its directors in the securities of the Company. To ensure that the directors' dealings in the securities of the Company are conducted in accordance with the Model Code, a committee comprising the Chairman, Vice Chairman and the Managing Director and Deputy Managing Director was set up to deal with such transactions. Having made specific enquiry on all directors of the Company, the directors confirmed that they have complied with the required standards set out in the Model Code for the year ended 31st December 2005.

In addition, the Board also established written guidelines on no less exacting terms than the Model Code for the senior management of the Company in respect of their dealings in the securities of the Company.

Financial Controller

The Financial Controller is responsible for preparing interim and annual financial statements based on generally accepted accounting principles in Hong Kong and ensuring that the financial statements present fairly the results and the financial position of the Group and comply with the disclosure requirements of the Hong Kong Companies Ordinance, the Listing Rules and other applicable laws and regulations. In addition, the Financial Controller is responsible for preparing the annual financial budget of the Company for approval by the Board. The Financial Controller is accountable to the Chairman of the Audit Committee and maintains regular communications with the external auditors. The Financial Controller also plays a role in reviewing and making recommendations to the Board regarding the Group's financial risk management.

Company Secretary

The Company Secretary is responsible directly to the Board. All directors have easy access to the Company Secretary who is responsible for ensuring that Board procedures are followed and that applicable laws and regulations are complied with. The Company Secretary is also responsible for providing advice to the Board in relation to the directors' obligations as regards disclosure of interests in securities and disclosure requirements as regards notifiable transactions, connected transactions and price-sensitive information. The Company Secretary has to advise the Board on disclosure of information in a true, accurate, complete and timely manner in strict compliance with the requirements of the applicable laws, regulations and the Company's Bye-laws.

The Company Secretary, being the primary channel of communications between the Company and The Stock Exchange of Hong Kong Limited, also assists the Board in implementing and strengthening corporate governance practices with a view to enhancing long term shareholders' value. In addition the Company Secretary will, on a timely basis, provide the directors with updated information regarding the directors' continuing legal, regulatory and compliance obligations.

Delegation by the Board

Management functions

Both the Board and the management have clearly defined authorities and responsibilities under various internal control and check-and-balance mechanisms. The Board is responsible for establishing the strategic direction of the Group, setting objectives and business development plans, monitoring the performance of the senior management and assuming responsibility for corporate governance. The management, under the leadership of the Managing Director (who is also the Vice Chairman), is responsible for implementing these strategies and plans. To ensure effective discharge of the Board's responsibilities, the management submits reports on the Company's operations to the Board on a regular basis. The Board reviews and approves the Company's annual budget and business plans, which serves as an important yardstick in assessing and monitoring the performance of the management. Directors have access to management and are welcome to request for explanations, briefings or discussions on the Company's operations or business issues.

Board Committees

To assist the Board in execution of its duties, the Board is supported by seven Board committees which consists of directors, members of senior management and management. Each committee has its defined scope of duties and terms of reference and the committee members are empowered to make decisions on matters within the terms of reference of each committee. The terms of reference of the Audit Committee and Remuneration and Assessment Committee had been modified to incorporate certain provisions set out in the Corporate Governance Code which came into effect on 1st January 2005.

(1) Executive Committee

As most of the directors of the Company are fully engaged in their major responsibilities and stationed in different cities such as Beijing, Shanghai and Hong Kong, it may, in practice, be practically difficult and inconvenient to convene a full Board meeting or arrange all the directors to sign a written resolution on a frequent basis. In order to smoothen the daily operations of the Company, an Executive Committee under the Board was established in September 2005. The Executive Committee consists of all the executive directors of the Company who are situated in Hong Kong.

During the year ended 31st December 2005, the Executive Committee had held a total of 31 meetings. All the matters considered and decided by the Executive Committee at the committee meetings had been recorded. A summary report of the businesses transacted at the committee meetings will be presented during board meetings. All directors of the Company could inspect the minutes of committee meetings and upon request, the Company Secretary will provide a copy of the minutes to the director(s).

(2) Audit Committee

The Audit Committee, chaired by Mr. CHOW Kwong Fai, Edward, was established by the Board of the Company in August 1998. Other members are Dr. LI Kwok Po, David, Mr. LIU Lit Man and Mr. Timothy George FRESHWATER. All the committee members are independent non-executive directors of the Company and are well-versed in the accounting, legal, banking and/or commercial areas. The terms of reference of the Audit Committee are aligned with the recommendations set out in "A Guide for Effective Audit Committees" issued by the Hong Kong Institute of Certified Public Accountants and the code provisions set out in the Corporate Governance Code.

The Audit Committee provides advice and recommendations to the Board and oversees all matters relating to the external auditors, it, therefore, plays an important role in monitoring and safeguarding the independence of the external auditors. Both the Financial Controller and the Internal Auditor are directly accountable to the Chairman of the Audit Committee.

During the financial year ended 31st December 2005, the Audit Committee met four times with the senior management and the internal and external auditors. The work performed by the Audit Committee during the financial year includes the following:-

- reviewed the accounting principles and practices adopted by the Group and other financial reporting matters
- reviewed the draft annual report and interim report and assuring the completeness, accuracy and fairness of the financial statements of the Company
- reviewed the results of external audit and discussion with the external auditors on any significant findings and audit issues
- reviewed the internal audit plan and the internal audit reports
- discussed the effectiveness of the systems of internal controls throughout the Group, including financial, operational and compliance controls, and risk management
- reviewed all significant business affairs managed by the executive directors in particular on connected transactions

Attendance of individual members at Audit Committee meetings

Name of Members	No. of meetings attended/held in the financial year 2005	Attendance rate
Members		
Mr. CHOW Kwong Fai, Edward[1] (Chairman) (appointed on 9th June 2005)	3/3	100%
Dr. LI Kwok Po, David[1]	4/4	100%
Mr. LIU Lit Man[1]	2/4	50%
Mr. Timothy George FRESHWATER[1] (appointed on 23rd June 2005)	3/3	100%
Ex-member		
Mr. Alexander Reid HAMILTON[1] (resigned on 9th June 2005)	1/1	100%

[1]Independent Non-executive Director

(3) Remuneration and Assessment Committee

The Company established the Remuneration and Assessment Committee in September 2003. It comprises 5 members, the majority of whom are independent non-executive directors of the Company. The Chairman of the committee is Mr. CHOW Kwong Fai, Edward and the other members are Dr. LI Kwok Po, David, Mr. LIU Lit Man, Dr. SUN Jiakang and Mr. LI Bing.

The Remuneration and Assessment Committee formulates the Group's remuneration policy of directors and senior management, reviews and determines their remuneration packages and makes recommendations to the Board on the remuneration of the directors. If necessary, the committee will engage professional advisers to assist and/or provide professional advice on relevant issues.

When determining the remuneration packages which comprise salaries, bonus, benefits in kind, etc., the Committee will consider factors such as the salaries paid by comparable companies, time commitment of directors and senior management, job responsibilities, performance of the individual and performance of the Company. The Committee will also review and approve performance-based remuneration by reference to the corporate goals and objectives resolved by the Board from time to time.

The following is a summary of the work of the Committee during 2005:

- determined the policy for remuneration of directors
- reviewed the remuneration of directors
- reviewed the remuneration packages of senior management
- discussed the long term incentive arrangements
- assessed the performance of executive directors
- considered the proposed amendments to the existing share option scheme of the Company as a result of the restructuring of COSCO Group in 2005

Attendance of individual members at Remuneration and Assessment Committee meetings

Name of Members	No. of meetings attended/held in the financial year 2005	Attendance rate
Members		
Mr. CHOW Kwong Fai, Edward[1] (appointed on 9th June 2005)	2/2	100%
Dr. LI Kwok Po, David[1]	3/3	100%
Mr. LIU Lit Man[1]	3/3	100%
Dr. SUN Jiakang[2]	3/3	100%
Mr. LI Bing[3]	3/3	100%
Ex-members		
Mr. Alexander Reid HAMILTON[1] (resigned on 9th June 2005)	1/1	100%

[1] Independent Non-executive Director
[2] Executive director, Vice Chairman of the Board and the Managing Director
[3] General Manager of the Personnel & Administration Department

Remuneration policy

The remuneration policy of the Company for non-executive directors is to ensure that they are sufficiently compensated for their efforts and time dedicated to the Company and that for the employees, including the executive directors and senior management, is to ensure that the remuneration offered is appropriate for the duties and in line with market practice. The remuneration policy is to ensure that the pay levels are competitive and effective in attracting, retaining and motivating employees. No director, or any of his associates and executive, is involved in deciding his own remuneration.

The key components of the Company's remuneration package include basic salary plus other allowances, discretionary cash bonus, mandatory provident fund and share options. Cash bonus is tied to the performance of individual employee and the Company. As a long-term incentive plan and with the aim at motivating employees in the continued pursuit of the Company's goal and objectives, the Company has granted share options to subscribe for the shares of the Company to the employees of the Group based on their performance and contribution to the Company under the 1994 Share Option Scheme (terminated on 23rd May 2003) and 2003 Share Option Scheme.

(4) Nomination Committee

The Nomination Committee, which was established in September 2003, comprises 3 members, the majority of whom are independent non-executive directors. The committee is chaired by Dr. LI Kwok Po, David and the other members are Mr. LIU Lit Man and Dr. SUN Jiakang. The committee is responsible for nominating potential candidates for directorship, reviewing the nomination of directors, assessing the independence of independent non-executive directors and making recommendations to the Board on such appointments.

During the financial year ended 31st December 2005, the work performed by the committee includes the following:-

- reviewed the adequacy of the size and composition of the Board
- made recommendations to the Board on relevant matters relating to the appointment and re-appointment of directors
- conducted an annual review of the independence of the independent non-executive directors

All new appointment of directors and re-nomination of directors for re-election at the annual general meeting are first considered by the Nomination Committee. The recommendations of the Nomination Committee will then be put to the Board for decision. Thereafter, all the directors are subject to re-election by shareholders at the annual general meeting pursuant to the Bye-laws of the Company. In considering the new appointment or re-nomination of directors, the Nomination Committee will base its decision on criteria such as integrity, independent mindedness, experience, skill and the ability to commit time and effort to carry out his duties and responsibilities effectively etc.

In March 2006, the Nomination Committee nominated and the Board recommended Dr. WEI Jiafu, Mr. CHEN Hongsheng, Dr. SUN Jiakang, Mr. QIN Fuyan, Mr. WANG Zhi, Mr. CHOW Kwong Fai, Edward and Mr. Timothy George FRESHWATER, directors of the Company, to retire at the 2006 annual general meeting and stand for re-appointment by shareholders of the Company at the 2006 annual general meeting.

Attendance of individual members at Nomination Committee meetings

Name of Members	No. of meetings attended/ held in the financial year 2005	Attendance rate
Dr. LI Kwok Po, David[1] (Chairman)	7/7	100%
Mr. LIU Lit Man[1]	7/7	100%
Dr. SUN Jiakang[2]	7/7	100%

[1] Independent Non-executive Director
[2] Executive Director, Vice Chairman of the Board and the Managing Director

(5) Investment and Strategic Planning Committee

The Investment and Strategic Planning Committee comprises 10 members and is chaired by Dr. SUN Jiakang, Vice Chairman and the Managing Director of the Company. The committee considers, evaluates, reviews and recommends to the Board the proposed major investments, acquisitions and disposals, conducts post-investment evaluation of the investment projects, reviews and considers the overall strategic direction and business developments of the Company.

Attendance of individual members at Investment and Strategic Planning Committee meetings

Name of Members	No. of meetings attended/held in the financial year 2005	Attendance rate
Members		
Dr. SUN Jiakang[1] (Chairman)	4/4	100%
Mr. WONG Tin Yau, Kelvin[2]	3/4	75%
Mr. QIN Fuyan[2]	3/4	75%
Mr. WANG Zhi[2]	3/4	75%
Mr. LAU Tai Ming, Eddy (appointed on 15th August 2005)	2/3	66.67%
Mr. YING Haifeng (appointed on 8th November 2005)	1/2	50%
Mr. CHAN Hang, Ken	3/4	75%
Ms. YANG Jianjian (appointed on 15th August 2005)	3/3	100%
Mr. DING Weiming	2/4	50%
Mr. FAN Chih Kang, Ken	4/4	100%
Ex-members		
Mr. LI Wai Ho, Francis (resigned on 15th August 2005)	1/1	100%
Mr. SHI Jingwei (resigned on 8th November 2005)	0/2	0%
Mr. KWOK Chan Hing (passed away on 23rd July 2005)	1/1	100%

[1] Executive Director, Vice Chairman of the Board and the Managing Director
[2] Executive Director

(6) Corporate Governance Committee

The Corporate Governance Committee comprises 6 members and is chaired by Mr. WONG Tin Yau, Kelvin, Deputy Managing Director of the Company. The Committee's responsibility to the Board is to review the corporate governance practice of the Company and the Company's disclosure systems so as to enhance the standard of corporate governance of the Company.

Attendance of individual members at Corporate Governance Committee meetings

Name of Members	No. of meetings attended/held in the financial year 2005	Attendance rate
Members		
Mr. WONG Tin Yau, Kelvin[1] (Chairman)	4/4	100%
Mr. LAU Tai Ming, Eddy (appointed on 15th August 2005)	2/2	100%
Ms. HUNG Man, Michelle	4/4	100%
Mr. YING Haifeng (appointed on 8th November 2005)	2/2	100%
Mr. FAN Chih Kang, Ken	3/4	75%
Mr. YUAN Qing, Raymond	4/4	100%
Ex-members		
Mr. LI Wai Ho, Francis (resigned on 15th August 2005)	2/2	100%
Mr. SHI Jingwei (resigned on 8th November, 2005)	1/3	33.33%

[1] Executive Director

(7) Risk Management Committee

The Risk Management Committee comprises 8 members and is chaired by Mr. WANG Zhi, Deputy Managing Director of the Company. The Committee provides support to the Board by identifying and minimizing the operational risks of the Company, sets the direction for the Group's risk management strategy and strengthens the Group's system of risk management.

Attendance of individual members at Risk Management Committee meetings

Name of Members	No. of meetings attended/held in the financial year 2005	Attendance rate
Members		
Mr. WANG Zhi[1] (Chairman) (appointed on 29th July 2005)	3/3	100%
Mr. WONG Tin Yau, Kelvin[1]	4/4	100%
Mr. LAU Tai Ming, Eddy (appointed on 15th August 2005)	2/3	66.67%
Ms. HUNG Man, Michelle	3/4	75%
Ms. YANG Jianjian (appointed on 15th August 2005)	3/3	100%
Mr. DING Weiming	3/4	75%
Mr. FAN Chih Kang, Ken	4/4	100%
Mr. LI Wei	3/4	75%
Ex-members		
Mr. LU Chenggang (resigned on 29th July 2005)	1/1	100%
Mr. LI Wai Ho, Francis (resigned on 15th August 2005)	1/1	100%
Mr. KWOK Chan Hing (passed away on 23rd July 2005)	1/1	100%

[1] Executive Director

The terms of reference of the above Board committees setting out their roles and the authority delegated to them by the Board have been posted on the Company's website: www.coscopac.com.hk. It is the Company's policy to ensure that the committees are provided with sufficient resources to discharge their duties. They have scheduled to meet regularly every year and will report to the Board on a regular basis. All businesses transacted at the committee meetings are well recorded and the records are well maintained and minutes of meetings are circulated to the Board for information.

Accountability and audit

Financial reporting

The following statement, which sets out the responsibilities of the directors in relation to the financial statements, should be read in conjunction with, but distinguished from, the Report of the Auditors on page 113 which acknowledges the reporting responsibilities of the Group's auditors.

Annual report and financial statements
The directors acknowledge their responsibility to prepare the financial statements for each financial year which give a true and fair view of the state of affairs of the Group.

Accounting policies
The directors consider that in preparing the financial statements, the Group uses appropriate accounting policies that are consistently applied, and that all applicable accounting standards are followed.

Accounting records
The directors are responsible for ensuring that the Group keeps accounting records which disclose, with reasonable accuracy, the financial position of the Group and which enable the preparation of financial statements in accordance with the disclosure requirements of Hong Kong Companies Ordinance, Listing Rules and applicable accounting standards.

Safeguarding assets
The directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Internal control

The Board is ultimately responsible for the Group's internal control system and, through the Audit Committee, has reviewed the effectiveness of the system. The Group's internal control system is designed to allow the Board to monitor the Group's overall financial position, to protect its assets and to prevent material financial misstatement or loss.

The Group's internal control framework includes the following:

(1) A comprehensive management accounting system is in place providing financial and operational performance measurement indicators to the management and relevant financial information for reporting and disclosure purposes. Variances between actual performances and targets are prepared, analysed and explained, and appropriate actions are taken to rectify the noted deficiencies. This helps the management of the Company to monitor the business operations and enables the Board to formulate a strategic plan in a timely and prudent manner.

(2) To allow delegation of authority as well as to increase accountability, a clear organisational structure exists which details lines of authority and control responsibilities in each business unit of the Group. Certain specific matters are not delegated and are subject to the Board's decision. These include, among others, the approval of annual and interim results, annual budgets, distribution of dividends, Board structure, and the Board's composition and succession.

(3) Systems and procedures are set up to identify, measure, manage and control risks including but not limited to operational risk, accounting risk, interest rate risk and environmental risk and compliance risk that may have an impact on the business of the Group. The Risk Management Committee also evaluates whether the Group's risk management is in line with the established strategies, policies and procedures of the Company.

(4) In day-to-day income and expenditure arrangements, the Group has clear authority limits and has a sound system to ensure that its day-to-day operations meet the relevant regulations set by the Company.

(5) In order to establish a sound system of internal controls to safeguard shareholders' interests and the Group's assets, the Company established an Internal Audit Department in September 2000. The role of the internal auditor is to assist the Audit Committee to ensure that the Company maintains a sound system of internal controls by reviewing all aspects of the Group's activities and internal controls with unrestricted right of access, conducting comprehensive audits of the practices and procedures as well as income and expenditure, internal controls of all business units of the Group on a regular basis and conducting special reviews and investigations of areas of concern identified by management.

    The internal auditor has unrestricted direct access to the Audit Committee. The head of the Internal Audit Department reports directly to the Managing Director and the Chairman of the Audit Committee, attends all Audit Committee meetings and brings appropriate matters identified during the course of audits to the Committee's attention. This reporting structure allows the Internal Audit Department to maintain its independence.

    During the year, the internal auditor adopted a risk-based auditing approach that focuses on material internal controls, including financial, operational and compliance controls. Audits were carried out on all significant business units in the Company. All internal audit reports are submitted to the Audit Committee for review and approval. The internal auditor's summary of findings and recommendations are discussed at the Audit Committee meetings.

    The internal audit plan, which is reviewed and approved by the Audit Committee, is based on the sizes and prevailing risks of all business units of the Group to establish audit scopes and frequencies. All internal audit works scheduled for the year of 2005 have been completed. All areas of concern reported by the Internal Audit Department have been monitored by the management until appropriate corrective measures are implemented.

The Company's internal auditor has conducted a review of the effectiveness of the Company's material internal controls, including financial, operational and compliance controls and risk management during the year. All material non-compliance or failures in internal controls and recommendations for improvements have been reported to the Audit Committee. The Audit Committee also reviewed the effectiveness of the actions taken by the Management on the recommendations made by the internal auditor in this respect.

Auditors' remuneration

For the year ended 31 December 2005, the auditor's remuneration paid or payable in respect of the audit and other non-audit service provided by the auditors to the Group were as follows:

Nature of Service	2005 Amounts US$	2004 Amounts US$
Audit service	904,000	876,000
Audit related service	323,000	412,000
Non-audit service	262,000	216,000

Investor relations

The Company continues to promote and enhance investor relations and communications with its investors. An intensive communications channel has been maintained with the media, analysts and fund managers through one-on-one meetings, roadshows and conferences. Press and analysts conferences are held at least twice a year subsequent to the interim and final results announcements at which the executive directors are available to answer questions regarding the Group's operational and financial performances. Designated executive director and senior management maintain regular dialogue with institutional investors and analysts to keep them abreast of the Company's development.

In 2005, the Company gained the awards of "Conglomerate with the Best Investor Relations in Asia (Buy-side View) from Institutional Investor", "Conglomerate with the Best Investor Relations in Asia (Sell-side View) from Institutional Investor" and "Chinese Firm with the Best Investor Relations (Buy-side View) from Institutional Investor". These awards represent the recognition from the investment community the Company's dedication and continuing commitment to enhancing investor relations and communication.

Communication with shareholders

The Company attaches great priority to communicate with shareholders and investors. There is a regular dialogue with institutional shareholders and general presentations are made when the financial results are announced. To foster effective communications, the Company provides extensive information in its annual report, interim report, press releases and also disseminates information relating to the Group and its business electronically through its website at www.coscopac.com.hk. Shareholders and investors are welcome to raise enquiries through our Investor Relations Department whose contact details are available on the Company's website.

The Company regards the Annual General Meeting ("AGM") as an important event as it provides an important opportunity for direct communications between the Board and the Company's shareholders. All directors and senior management will make an effort to attend. External auditors are also available at the AGM to address shareholders' queries. The Chairman of the Audit, Nomination and Remuneration and Assessment Committees are normally available at AGMs to take any relevant questions. All shareholders will be given at least 21 days' notice of the AGM and they are encouraged to attend the AGM and other shareholders' meetings. The Company supports the Corporate Governance Code's principle to encourage shareholders' participation. Questioning by the shareholders at such meetings are encouraged and welcomed.

Shareholders holding not less than one-tenth of the issued capital of the Company may deposit a requisition to the Board or the Company Secretary of the Company to convene a special general meeting and state the purpose therefor at the Company's principal place of business in Hong Kong at 49th Floor, COSCO Tower, 183 Queen's Road Central, Hong Kong. To facilitate enforcement of shareholders' rights, substantially separate issues at general meetings are dealt with under separate resolutions.

Shareholdings and shareholders' information of the Company

Share capital

(as at 31st December 2005)

Authorised share capital	HK$300,000,000 divided into 3,000,000,000 shares of a par value of HK$0.1 each
Issued and fully paid-up capital	HK$219,896,629.80 comprising 2,198,966,298 shares of HK$0.1 each

Types of shareholders

(as at 31st December 2005)

Type of shareholders	No. of shares held	% of the issued share capital
COSCO Pacific Investment Holdings Limited and its subsidiary	1,144,166,411	52.03
Other corporate shareholders	102,768,363	4.67
Individual shareholders	952,031,524	43.30
Total	**2,198,966,298**	**100.00**

Location of shareholders

(as at 31st December 2005)

Location of shareholders	No. of shareholders	No. of shares held
Hong Kong	644	2,198,928,298 (Notes)
Macau	2	22,000
United Kingdom	1	12,000
People's Republic of China	1	4,000
Total	**648**	**2,198,966,298**

Notes:

1. The location of shareholders is prepared according to the address of shareholders registered in the register of members of the Company.
2. These shares include 1,232,115,552 shares registered in the name of HKSCC Nominees Limited which may hold these shares on behalf of its clients in or outside Hong Kong.

Directors and Senior Management Profiles

Directors

WEI Jiafu

Non-executive Director and Chairman of the Board

Dr. WEI, aged 56, is the Chairman of the Board of the Company. He joined the Company in June 2000 as Executive Director and Chairman of the Board and was redesignated as Non-executive Director and Chairman of the Board in June 2005. He was appointed President & CEO of China Ocean Shipping (Group) Company in November 1998. Dr. WEI is also the Chairman of China COSCO Holdings Company Limited, COSCO (Hong Kong) Group Limited, COSCO International Holdings Limited, COSCO Corporation (Singapore) Limited and COSCO Container Lines Company Limited. He was elected into the CPC Central Committee for Discipline Inspection in November 2002. As a former marine captain who served for more than a decade on COSCO's ocean-going ships, he is richly experienced in international shipping business. Dr. WEI is also Chairman of China Shipowners' Association, Chairman of China Group Companies Promotion Association, Chairman of China Federation of Industrial Economics, Director of the Board of Bo'ao Forum for Asia, an advisor of the Asia-Pacific Region of Harvard Business School and advisor of the Panama Canal Authority. Dr. WEI obtained his Master of Transportation Planning and Management degree from Dalian Maritime University and Doctoral degree from Tianjin University. Before Dr. WEI was appointed President of China Ocean Shipping (Group) Company, he had held various senior positions within COSCO, including Managing Director of Sino-Tanzania Joint Shipping Company, COSCO Tianjin and COSCO Bulk Carrier Co. Limited.

CHEN Hongsheng

Executive Director

Mr. CHEN, aged 56, has been a Director of the Company since September 2003. He is also an Executive Vice President of China Ocean Shipping (Group) Company, a Director and the President of China COSCO Holdings Company Limited and a Director of COSCO Container Lines Company Limited. Mr. CHEN graduated from Sichuan Foreign Language College, majoring in English and Capital University of Economics and Business in postgraduate studies in business administration. He had been the Deputy General Manager of Penavico Nantong Branch Company, General Manager of Shipping Department of Penavico, General Manager of COSCO Beijing International Freight Forwarding Company, Managing Director of COSCO International Freight Forwarding Co., Ltd. and Deputy General Manager of COSCO Container Lines Company Limited. He is currently a Vice Chairman of China Enterprise Confederation and China Enterprise Directors Association. Mr. CHEN is one of the experienced experts engaging in the container shipping and logistics business at its initial stage in the PRC. He has 30 years of experience in shipping industry with extensive experience in enterprise operation and management.

LI Jianhong

Executive Director

Mr. LI, aged 49, has been a Director of the Company since October 1997. He is also an Executive Vice President of China Ocean Shipping (Group) Company, a Director of China COSCO Holdings Company Limited, COSCO International Holdings Limited and COSCO Corporation (Singapore) Limited and Chairman of the Board of Directors of China International Marine Containers (Group) Co., Ltd.. Mr. LI graduated from the University of East London in the United Kingdom with a Master of Business Administration degree and holds a Master of Business Administration degree from Jilin University. He had been the General Manager of Nantong Shipyard and Managing Director of COSCO Industry Co., Ltd. and COSCO Property Ltd., Assistant to the President and Chief Commercial Officer of China Ocean Shipping (Group) Company. He has more than 20 years of experience in corporate management and over 10 years of experience in shipping enterprise management. He also has extensive experience in capital markets and asset management.

SUN Yueying

Executive Director

Ms. SUN, aged 47, has been a Director of the Company since March 2002. She is currently the Chief Financial Officer of China Ocean Shipping (Group) Company and a Director of China COSCO Holdings Company Limited, COSCO (Hong Kong) Group Limited, COSCO Container Lines Company Limited and COSCO Corporation (Singapore) Limited. Ms. SUN graduated from Shanghai Maritime University in 1982 majoring in shipping finance and accounting. She had been the Vice Director of the Finance Division of Tianjin Ocean Shipping Co., Finance Manager of COSCO Japan Co., Ltd. and the General Manager of the Finance and Capital Division of and the Deputy Chief Financial Officer of China Ocean Shipping (Group) Company. She has extensive experience in the shipping industry and corporate financial management.

SUN Jiakang

Executive Director, Vice Chairman of the Board and Managing Director

Dr. SUN, aged 46, is the Vice Chairman of the Board and the Managing Director of the Company. He is also the Chairman of the Investment and Strategic Planning Committee and a member of the Executive Committee, the Nomination Committee and the Remmuneration and Assessment Committee of the Company. He is an Executive Vice President of China COSCO Holdings Company Limited, a Non-executive Director of Liu Chong Hing Bank Limited, a director of China International Marine Containers (Group) Co., Ltd., a fellow member of the Hong Kong Institute of Directors, a member of International WHO'S WHO of Professionals and a visiting professor at Dalian Maritime University. Dr. SUN graduated from the Faculty of Navigation of Dalian Maritime Transportation Institute with a bachelor degree in shipping management in 1982 and obtained a bachelor degree in economic management of industrial enterprises from the People's University of China in 1987, a master degree in management from Dalian Maritime University in 2001 and a doctor of philosophy (PhD) degree in management from Preston University, USA in 2005. After graduating from university in 1982, Dr. SUN joined COSCO Group and had been the Assistant to the President and Spokesman of China Ocean Shipping (Group) Company. For the past 24 years, Dr. SUN has committed to shipping management and has accumulated rich experiences in international shipping and logistics operations and has demonstrated excellent management skills. He joined the Company since September 2002 and is responsible for the overall strategic planning, corporate development, management and administration of the Company.

XU Lirong

Non-executive Director

Mr. XU, aged 48, has been a Director of the Company since March 2000. Before his redesignation as a Non-executive Director in June 2005, he served as an Executive Director. He is now the Executive Vice President of China COSCO Holdings Company Limited and the Managing Director of COSCO Container Lines Company Limited. Mr. XU graduated from Marine Navigation Department of the Adult Education College in Dalian Maritime University and obtained his Master of Business Administration degree from a joint programme by Shanghai Maritime University and the Maastricht School of Management of the Netherlands. Mr. XU had been the Marine Captain and Deputy Director of the first management department of COSCO Shanghai, the General Manager of Shanghai International Freight Forwarding Company, the Deputy Managing Director of COSCO Shanghai and the President of Shanghai Shipping Exchange. He has extensive experience in container shipping business management and corporate management.

WONG Tin Yau, Kelvin
Executive Director

Mr. WONG, aged 45, is a Deputy Managing Director of the Company. He is also the Chairman of the Corporate Governance Committee and a member of the Executive Committee, Investment and Strategic Planning Committee and Risk Management Committee of the Company. Mr. WONG is Deputy Chairman and fellow member of the Hong Kong Institute of Directors, Vice Chairman and council member of the Hong Kong Chinese Orchestra Limited, a member of the 2005 China Trade Advisory Committee of the Hong Kong Trade Development Council and a member of the Auditing and Assurance Standards Committee of the Hong Kong Institute of Certified Public Accountants. He obtained his Master of Business Administration degree from Andrews University in Michigan, the USA in 1992. He is an associate member of the Chartered Institute of Bankers, a member of the Hong Kong Securities Institute, a member of the Chartered Institute of Marketing and a member of the National Investor Relations Institute in the USA. He has more than 20 years of working experience in management, banking and securities industries. Currently, Mr. WONG is an Independent Non-executive Director and Chairman of the Audit Committee of China Metal International Holdings Inc., an Independent Non-executive Director and Chairman of the Remuneration Committee of Tradelink Electronic Commerce Limited and an Independent Non-executive Director of CIG Yangtze Ports PLC, all of these companies are listed on The Stock Exchange of Hong Kong Limited. Mr. WONG held various senior positions in several listed companies in Hong Kong before he joined the Company in July 1996. He is responsible for the overall management and investor relations of the Company.

WANG Zhi
Executive Director

Mr. WANG, aged 43, is a Deputy Managing Director of the Company. He is also the Chairman of the Risk Management Committee and a member of the Executive Committee and Investment and Strategic Planning Committee of the Company. He joined the Company in April 2001 and was appointed as an Executive Director of the Company in July 2005. He is also a Non-executive Director of Liu Chong Hing Bank Limited. He graduated from Jimei Navigation College in 1980. He then further his studies in Shanghai Maritime University and obtained an International Executive Master of Business Administration degree from International School of Management in Paris in 2000. Prior to joining the Company, he worked in COSCO Guangzhou in 1980 and gained more than 13 years of working experience in shipping industries there. Since 1993, he had been the Deputy Chief Executive Officer of COSCO (UK) Limited, the Managing Director of Crystal Logistics Ltd. and the Managing Director of COSCO France S.A.. Mr. WANG is responsible for the management and investment of the container terminals and container-related industrial businesses of the Company.

QIN Fuyan
Executive Director

Mr. QIN, aged 53, has been a Director of the Company since March 1996. He is also a member of the Executive Committee and Investment and Strategic Planning Committee of the Company. He is the Deputy General Manager of COSCO-HIT Terminals (Hong Kong) Limited. Following his graduation from university in 1975, Mr. QIN joined China Ocean Shipping (Group) Company and has been responsible for shipping management. In 1983, he joined the chartering department of Ocean Tramping Company Limited in Hong Kong. He has been serving China Ocean Shipping (Group) Company for 30 years and has extensive knowledge in shipping management, container terminal development and the worldwide shipping market. Mr. QIN was awarded the qualification of senior economist in shipping management by the Ministry of Communications of the PRC and obtained a diploma in container terminal management from the University of Wales in the United Kingdom.

LI Kwok Po, David, *GBS, OBE, JP*
Independent Non-executive Director

Dr. LI, aged 67, has been an Independent Non-executive Director of the Company since February 1998. He is also the Chairman of the Nomination Committee and a member of the Audit Committee and the Remmuneration and Assessment Committee of the Company. Dr. LI is the Chairman and Chief Executive of The Bank of East Asia, Limited, and a director of numerous other companies in Hong Kong and overseas. He is a member of both the Executive Council and the Legislative Council of Hong Kong. He is the Chairman of The Chinese Banks' Association, Limited and the Hong Kong Management Association. He is also a member of the Banking Advisory Committee, the Exchange Fund Advisory Committee and the Council of the Treasury Markets Association.

LIU Lit Man, *GBS, JP, FIBA*

Independent Non-executive Director

Mr. LIU, aged 76, has been an Independent Non-executive Director of the Company since September 1996. He is also a member of the Audit Committee, the Nomination Committee and the Remmuneration and Assessment Committee of the Company. He is the Executive Chairman of Liu Chong Hing Bank Limited and the Chairman of both Liu Chong Hing Investment Limited and Liu Chong Hing Insurance Company Limited. Mr. LIU is also a Director of The Hong Kong and China Gas Company Limited and Asia Commercial Bank Limited. Mr. LIU was a Director of Tung Wah Group of Hospitals, the President of the Hong Kong Chiu Chow Chamber of Commerce (now Permanent Honorary President) and founder and first Chairman of Teochew International Convention (now Permanent Honorary Chairman). Presently he is a Standing Committee Member of The Chinese General Chamber of Commerce, Hong Kong, the founder and the Manager of Liu Po Shan Memorial College, a Director of New Asia College of Chinese University of Hong Kong and the founder and the Manager of Chiu Chow Association Secondary School. In 1975, he was appointed a Justice of the Peace and was elected Fellow of the International Banker Association. He had been a member of the Consultative Committee for the Basic Law from 1985 to 1990 and was a member of the Selection Committee of the First Government of the Hong Kong Special Administrative Region and a member of the First Election Committee constituted under the Chief Executive Election Ordinance. Mr. LIU was awarded the Gold Bauhinia Star by the Government of the Hong Kong Special Administrative Region in July 2001.

CHOW Kwong Fai, Edward

Independent Non-executive Director

Mr. CHOW, aged 53, has been an Independent Non-executive Director of the Company since June 2005. He is also the Chairman of the Audit Committee and the Remuneration and Assessment Committee of the Company. Mr. CHOW is a fellow member of The Institute of Chartered Accountants in England and Wales and a former president of Hong Kong Institute of Certified Public Accountants (HKICPA). Before elected president, he chaired the HKICPA's Corporate Governance Committee and Professional Accountants in Business (PAIB) Committee. He also represents HKICPA as Deputy Chairman on the PAIB Committee of the International Federation of Accountants (IFAC). He is a core member of the OECD/World Bank Asian Corporate Governance Roundtable and a Deputy Chairman of both the Hong Kong Institute of Directors and the Business and Professionals Federation of Hong Kong. He is also a member of The Chinese People's Political Consultative Conference – Zhejiang Province and The Election Committee of Hong Kong SAR. Mr. CHOW is currently the Chairman of China Infrastructure Group and CIG Yangtze Ports PLC (a company listed on The Stock Exchange of Hong Kong Limited). China Infrastructure Group mainly invests and operates ports and logistics centres in the PRC. Between 1988 and 1996, he was the Managing Director of a conglomerate which had companies listed on the stock exchanges of Hong Kong and Thailand. Prior to entering the commercial sector, Mr. CHOW spent 11 years working for two major accounting firms, Deloitte Haskins & Sells and Price Waterhouse (as they were then known), respectively in London and Hong Kong.

Timothy George FRESHWATER
Independent Non-executive Director

Mr. FRESHWATER, aged 61, has been an Independent Non-executive Director of the Company since June 2005. He is also a member of the Audit Committee of the Company. He is a Vice Chairman of Goldman Sachs (Asia) L.L.C. Before joining Goldman Sachs in 2001, he was the Chairman of Jardine Fleming. Mr. FRESHWATER is admitted as a solicitor in England & Wales and Hong Kong. After graduating from the University of Cambridge, he joined the international law firm Slaughter and May in 1967 and remained with them for 29 years before joining the Jardine Fleming group in 1996. He became a partner of Slaughter and May in 1975 and worked in their Hong Kong office for seven years between 1978 and 1985. He was head of Slaughter and May's worldwide corporate practice from 1993 until 1996 and is an ex-President of the Hong Kong Law Society. Mr. FRESHWATER is currently an Independent Non-executive Director of Hong Kong Exchanges and Clearing Limited and Pacific Century Insurance Holdings Limited and a Non-executive Director of Liu Chong Hing Bank Limited.

Senior Management

LAU Tai Ming, Eddy
Financial Controller

Mr. LAU, aged 49, is the Financial Controller of the Company. He joined the Company in August 2005. He is also a member of the Investment and Strategic Planning Committee, Corporate Governance Committee and Risk Management Committee of the Company. He is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. He also has a Masters Degree in Business Administration from Santa Clara University in the United States. Prior to joining the Company, he had the experience of being a Finance Director and subsequently Chief Operating Officer for a company listed on the Hong Kong Stock Exchange. In addition, he also held financial controller/finance director positions with U.S. multinational companies such as Hewlett-Packard and General Motors, and with the Hong Kong Jockey Club as well.

HUNG Man, Michelle
Legal Counsel & Company Secretary

Ms. HUNG, aged 36, has been the Legal Counsel of the Group since November 1996 and the Company Secretary of the Company since March 2001. She is also a member of the Corporate Governance Committee and Risk Management Committee of the Company. She graduated from The University of Hong Kong with a Bachelor of Laws degree (Hons). She is a practising solicitor of the High Court of the Hong Kong Special Administrative Region. She is also qualified in England and Wales. She is responsible for all legal, compliance, company secretarial and related matters of the Group.

HUANG Kegong

Assistant to the Managing Director

Mr. HUANG, aged 59, has been the Assistant to the Managing Director of the Company since January 2002. He has worked for China Ocean Shipping (Group) Company for 37 years and has been involved in various shipping operations. From 1986, he began to station and work in Central and South America for 10 years. He has been the Chief Representative of South America Representative Office of China Ocean Shipping (Group) Company and the Managing Director of COSCO Brazil S.A.. In 1996, he returned to China mainland and engaged in management of terminal operations. Mr. HUANG is highly experienced with good management skills. He assists to manage the daily operations and corporate planning of the Company.

YANG Jianjian

Vice President of Florens Container Services Company Limited

Ms. YANG, aged 52, has been the Vice President of Florens Container Services Company Limited, a wholly owned subsidiary of the Company, since June 2005. She is currently a member of the Risk Management Committee and the Investment and Strategic Planning Committee of the Company. She graduated from Fudan University majoring in foreign languages and literature in 1976 and was awarded the qualification of senior economist by the Ministry of Communications of the PRC in 1995. Before joining the Company, she has been the Deputy General Manager of Trading Security Division of COSCO Container Lines Company Limited. She is responsible for corporate development, overall management and administration of Florens Container Services Company Limited.

DING Weiming

Financial Controller of Florens Container Services Company Limited

Mr. DING, aged 47, has been the Financial Controller of Florens Container Services Company Limited, a wholly owned subsidiary of the Company, since January 2002. He is also a member of the Risk Management Committee and the Investment and Strategic Planning Committee of the Company. He graduated from Shanghai Maritime University majoring in marine transportation management and obtained a bachelor degree in Economics in 1982. Mr. DING was awarded the professional qualification of senior accountant by the Ministry of Communications of the PRC in 1994. Before he joined the Company, he has been the Deputy Treasurer of Finance Department of China Ocean Shipping (Group) Company and the Finance Director of COSCO (UK) Limited. Mr. DING is responsible for financial management and supervision of Florens Container Services Company Limited.

YUAN Qing, Raymond

Managing Director of COSCO Container Services Limited

Mr. YUAN, aged 35, is the Managing Director of COSCO Container Services Limited, a wholly owned subsidiary of the Company. He is also a member of the Corporate Governance Committee of the Company. He graduated from Beijing Language and Culture University and obtained a Bachelor of Arts degree in English language. After graduating from the university, Mr. YUAN joined China Ocean Shipping (Group) Company and was responsible for managing container shipping business and container terminal projects development. Before joining the Company in January 2003, he had been working in the head office of COSCO Container Lines, COSCO Asia Development Limited and the Executive Division of China Ocean Shipping (Group) Company. He is responsible for the operation, management and corporate planning of container handling and storage businesses of COSCO Container Services Limited.

CHAN Hang, Ken

General Manager of Strategy and Development Department

Mr. CHAN, aged 48, is the General Manager of the Strategy and Development Department of the Company and a member of the Investment and Strategic Planning Committee of the Company. Mr. CHAN joined the Company in September 1998 as the General Manager of the Corporate Development Department (name has been changed to Strategy and Development Department) of the Company. He obtained his Master of Business Administration degree from Dalhousie University in Canada in 1985 and continued his education in the University of Washington in the USA. Before joining the Company in 1998, he had held senior positions in a local bank and an international securities firm in Hong Kong. He has 22 years of working experience in finance, securities, corporate strategic planning and management.

YING Haifeng

General Manager of Finance Department

Mr. YING, aged 35, has been the General Manager of the Finance Department of the Company since January 2005. He is also a member of the Investment and Strategic Planning Committee and the Corporate Governance Committee of the Company. He graduated from Renmin University of China, majoring in Accounting and Finance, and obtained a bachelor degree and a master degree in Economics in 1994 and 2000 respectively. He is also a certified public accountant in the PRC. Before he joined the Company in 2001, he has been the Manager of the Corporate Development Division of COSCO Finance Limited, the Deputy General Manager and the General Manager of the Finance Department of Florens Container Services Company Limited. He is responsible for the accounting and financial management matters of the Group.

Financial Report

The directors submit their report together with the audited financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31st December 2005.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in note 42 to the financial statements.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 6 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December 2005 are set out in the consolidated income statement on page 114 of this annual report.

The directors declared an interim dividend of HK28.1 cents (equivalent to US3.614 cents) per share and a special dividend of HK11.3 cents (equivalent to US1.453 cents) per share, totalling HK$864,837,000 (equivalent to US$111,472,000), which was paid on 7th October 2005.

The directors recommend the payment of a final dividend of HK27.8 cents (equivalent to US3.583 cents) per share, totalling HK$611,313,000 (equivalent to US$78,789,000), payable on or before 1st June 2006.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 226 of this annual report.

RESERVES

Movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on pages 118 and 119 of this annual report.

Movement in the reserves of Company during the year are set out in note 32 to the financial statements.

DONATIONS

Charitable and other donations made by the Group during the year amounted to US$186,000.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group and the Company are set out in note 17 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are shown in note 31 to the financial statements.

DISTRIBUTABLE RESERVES

The distributable reserves of the Company at 31st December 2005 calculated under Companies Act of Bermuda amounted to US$581,213,000.

BORROWINGS

Details of the borrowings of the Group are set out in note 33 to the financial statements.

RETIREMENT BENEFIT SCHEMES

Details of retirement benefit schemes of the Group are set out in notes 3.17(a) and 15 to the financial statements.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Dr. WEI Jiafu[2] *(Chairman)*	(re-designated from executive director to non-executive director on 9th June 2005)
Mr. CHEN Hongsheng[1]	
Mr. LI Jianhong[1]	
Ms. SUN Yueying[1]	
Dr. SUN Jiakang[1] *(Vice Chairman & Managing Director)*	(elected as Vice Chairman on 9th June 2005)
Mr. XU Lirong[2]	(re-designated from executive director to non-executive director on 9th June 2005)
Mr. WONG Tin Yau, Kelvin[1]	
Mr. WANG Zhi[1]	(appointed on 29th July 2005)
Mr. QIN Fuyan[1]	
Dr. LI Kwok Po, David[3]	
Mr. LIU Lit Man[3]	
Mr. CHOW Kwong Fai, Edward[3]	(appointed on 9th June 2005)
Mr. Timothy George FRESHWATER[3]	(appointed on 9th June 2005)
Mr. LIU Guoyuan[1]	(resigned as director and Vice Chairman on 9th June 2005)
Mr. ZHANG Fusheng[1]	(resigned on 9th June 2005)
Mr. WANG Futian[1]	(resigned on 9th June 2005)
Mr. MA Zehua[1]	(resigned on 9th June 2005)
Mr. MA Guichuan[1]	(resigned on 9th June 2005)
Mr. LI Yunpeng[1]	(resigned on 9th June 2005)
Mr. ZHOU Liancheng[1]	(retired at the annual general meeting held on 20th May 2005)
Mr. HE Jiale[1]	(resigned on 9th June 2005)
Mr. MENG Qinghui[1]	(retired at the annual general meeting held on 20th May 2005)
Mr. LU Chenggang[1]	(resigned on 29th July 2005)
Mr. Alexander Reid HAMILTON[3]	(resigned on 9th June 2005)
Mr. KWONG Che Keung, Gordon[2]	(resigned on 1st January 2006)

[1] Executive Director

[2] Non-executive Director

[3] Independent Non-executive Director

DIRECTORS (Continued)

In accordance with Clause 86(2) of the Company's Bye-laws, Mr. WANG Zhi, Mr. CHOW Kwong Fai, Edward and Mr. Timothy George FRESHWATER retire at the forthcoming annual general meeting, and being eligible, offer themselves for re-election.

In accordance with Clause 87(1) and (2) of the Company's Bye-laws, Dr. WEI Jiafu, Mr. CHEN Hongsheng, Dr. SUN Jiakang and Mr. QIN Fuyan retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

The Company has received annual confirmation from each of the independent non-executive directors concerning their independence to the Company and considers that each of the independent non-executive directors is independent to the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of directors and senior management as at the date of this report are set out on pages 76 to 84 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Dr. SUN Jiakang has entered into a service agreement with COSCO Pacific Management Company Limited, a wholly owned subsidiary of the Company, on 16th September 2002 for a term of three years commencing from 16th September 2002. The agreement is renewable automatically for successive terms of three years subject to termination by either party giving not less than three months' notice in writing to the other party pursuant to the terms of the service agreement. Accordingly, the agreement was automatically renewed upon completion of the initial term on 15th September 2005.

Mr. WONG Tin Yau, Kelvin has a service agreement with the Company commencing from 22nd July 1996. The agreement is terminable by either party giving to the other party not less than one month's prior notice in writing.

Save as disclosed above, none of the directors has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company, any of its subsidiaries, its fellow subsidiaries or its holding companies was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SHARE OPTIONS

At a special general meeting of the Company held on 23rd May 2003, the shareholders of the Company approved the adoption of a new share option scheme (the "2003 Share Option Scheme") and the termination of the share option scheme adopted by the shareholders of the Company on 30th November 1994 (the "1994 Share Option Scheme").

On 5th December 2005, the shareholders of the Company approved the amendments to the 2003 Share Option Scheme at a special general meeting. The definitions of "Participant" and "relevant company" in paragraph 1 of the 2003 Share Option Scheme were amended by deleting all references to COSCO (Hong Kong) Group Limited and replacing them by China COSCO Holdings Company Limited, an intermediate holding company of the Company, and the paragraph 8(e) of the 2003 Share Option Scheme was changed to allow a grantee who ceases to be an employee or an executive director of the relevant company (as defined in the 2003 Share Option Scheme) by reason of voluntary resignation from his employment, directorship, secondment or nomination to exercise the option up to his entitlement at the date of cessation within a period of three months following the date of such cessation pursuant to paragraph 7.3(a) of the 2003 Share Option Scheme. These amendments came into effect on 28th February 2006 after the approval of the shareholders of China COSCO Holdings Company Limited at the general meeting held on the same date.

The following is a summary of the principal terms of these share option schemes:

(i) 1994 Share Option Scheme

The 1994 Share Option Scheme was designed to motivate the employees to enhance their performance and contribution to the Group. 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 (each a "Share" or collectively the "Shares"), subject to the terms and conditions stipulated therein.

Under the 1994 Share Option Scheme, the maximum number of Shares in respect of which options may be granted will not exceed 10% of the issued share capital of the Company from time to time. The maximum number of Shares issued to each employee or director in respect of which options may be granted shall not exceed 25% of the total Shares in issue or to be issued under the 1994 Share Option Scheme.

The period within which an option may be exercised will be determined by the board of directors of the Company (the "Board") in its absolute discretion, save that the exercise period shall not be more than ten years from the date on which the option is granted. The consideration on acceptance of an offer of the grant of an option is HK$1.00 payable within 28 days from the offer date. The full amount of the subscription price for the Shares must be paid upon exercise of an option.

The exercise price of an option is determined by the Board and will not be less than 80% of the average of the closing prices of the Shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the five trading days immediately preceding the date of offer of the share option or the nominal value of the Shares, whichever is higher.

SHARE OPTIONS (Continued)

(i) 1994 Share Option Scheme (Continued)

The 1994 Share Option Scheme was terminated on 23rd May 2003. No further options shall thereafter be offered under the 1994 Share Option Scheme but the options which had been granted during its life shall continue to be valid and exercisable in accordance with their terms of issue and in all other respects the provisions of the 1994 Share Option Scheme shall remain in full force and effect.

As at the date of this report, a total of 1,134,000 Shares (representing approximately 0.05% of the existing issued share capital of the Company) may be issued upon exercise of all options which had been granted and yet to be exercised under the 1994 Share Option Scheme.

(ii) 2003 Share Option Scheme

The 2003 Share Option Scheme is designed to attract, retain and motivate talented participants (the "Participants" or a "Participant") (as defined in note 1 below) to strive for future developments and expansion of the Group and to provide the Company with a flexible means of giving incentive to rewarding, remunerating, compensating and/or providing benefits to the Participants and for such other purposes as the Board may approve from time to time.

Under the 2003 Share Option Scheme, the Board may, at its discretion, invite any Participants to take up options. In determining the basis of eligibility of each Participant, the Board would mainly take into account the experience of the Participant on the Group's business, the length of service of the Participant with the Group or the length of business relationship the Participant has established with the Group and such other factors as the Board may at its discretion consider appropriate.

The maximum number of Shares which may be issued upon exercise of all options to be granted under the 2003 Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of the total number of Shares in issue as at the date of the adoption of the 2003 Share Option Scheme (the "Scheme Mandate Limit") unless the Company seek approval of its shareholders in general meeting to refresh the Scheme Mandate Limit, such that the maximum number of Shares which may be issued upon exercise of all options to be granted under the 2003 Share Option Scheme or any other share option schemes of the Company under the limit as refreshed shall not exceed 10% of the total number of Shares in issue as at the date of approval to refresh such limit. The Company may seek separate approval by its shareholders in general meeting for granting options beyond the 10% limit provided that the options in excess of such limit are granted only to Participants specifically identified by the Company before such approval is sought. Notwithstanding the above, the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2003 Share Option Scheme and any other share option schemes of the Company (including the 1994 Share Option Scheme) shall not exceed 30% of the total number of Shares in issue from time to time (or such higher percentage as may be allowed under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")).

SHARE OPTIONS (Continued)

(ii) 2003 Share Option Scheme (Continued)

As at the date of this report, a total of 104,811,229 Shares (representing approximately 4.76% of the existing issued share capital of the Company) may be issued upon exercise of all options which may be granted under the 2003 Share Option Scheme and a total of 66,000,000 Shares (representing approximately 3.00% of the existing issued share capital of the Company) may be issued upon exercise of all options which had been granted and yet to be exercised under the 2003 Share Option Scheme.

The maximum entitlement for any one Participant (including both exercised, cancelled and outstanding options) in any twelve months' period shall not exceed 1% of the total number of Shares in issue.

The period under which an option must be exercised shall be such period as the Board may in its absolute discretion determine at the time of grant, save that such period shall not be longer than ten years from the date on which an offer is accepted or deemed to be accepted by the grantee pursuant to the 2003 Share Option Scheme. The minimum period for which an option must be held before it can be exercised is determined by the Board upon the grant of an option. The amount payable on acceptance of an offer of the grant of an option is HK$1.00. The full amount of the exercise price for the subscription of Shares must be paid upon exercise of an option.

The exercise price in relation to each option shall be determined by the Board in its absolute discretion, but in any event shall be at least the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheet on the date when an option is offered; (ii) a price being the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date on which an option is offered; and (iii) the nominal value of a Share.

The 2003 Share Option Scheme will expire on 22nd May 2013.

Notes:

(1) As defined in the 2003 Share Option Scheme (as amended), "Participants" include:

- (i) any employee of the Group (including any executive director of the Group);
- (ii) any management of China COSCO Holdings Company Limited or China Ocean Shipping (Group) Company, the Company's parent company; and
- (iii) any person seconded or nominated by the Group to represent the Group's interest in any of the Group's associated companies or jointly controlled entities (as defined in note 2 below), or any other company or organisation.

As to whether a particular person falls within the definition of Participants, it shall be determined by the Board in its absolute discretion.

SHARE OPTIONS (Continued)

(ii) 2003 Share Option Scheme (Continued)

(2) Under the 2003 Share Option Scheme, associated companies and jointly controlled entities refer to those companies and/or enterprises which have defined and/or disclosed as associates and/or associated companies and joint ventures and/or jointly controlled entities of the Company in the latest audited financial statements of the Company.

(iii) Movements of options under 1994 Share Option Scheme

Movements of the options, which have been granted under the 1994 Share Option Scheme, during the year are set out below:

		Number of share options					
Category	Exercise price HK$	Outstanding at 1st January 2005	Exercised during the year	Lapsed during the year	Outstanding at 31st December 2005	% of total issued share capital	Note
Director							
Mr. WONG Tin Yau, Kelvin	8.80	1,800,000	(900,000)	–	900,000	0.041%	(1), (2)
Continuous contract employees	8.80	902,000	(648,000)	–	254,000	0.012%	(1)
		2,702,000	(1,548,000)	–	1,154,000		

SHARE OPTIONS (Continued)

(iii) Movements of options under 1994 Share Option Scheme (Continued)

Notes:

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

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

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

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

(3) The weighted average closing price of the Shares immediately before the date on which the options were exercised was HK$15.73.

(4) During the year, no share options were cancelled under the 1994 Share Option Scheme.

SHARE OPTIONS (Continued)

(iv) Movement of options under 2003 Share Option Scheme

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

Category	Exercise price HK$	Number of share options: Outstanding at 1st January 2005	Granted during the year	Exercised during the year	Transfer (to)/ from other category during the year	Outstanding at 31st December 2005	% of total issued share capital	Exercisable period	Note
Directors									
Dr. WEI Jiafu	9.54	1,000,000	–	(500,000)	–	500,000	0.023%	30.10.2003 – 29.10.2013	(1), (2), (6)
	13.75	1,000,000	–	–	–	1,000,000	0.045%	3.12.2004 – 2.12.2014	
Mr. CHEN Hongsheng	9.54	800,000	–	(400,000)	–	400,000	0.018%	28.10.2003 – 27.10.2013	(1), (2), (6)
	13.75	1,000,000	–	–	–	1,000,000	0.045%	3.12.2004 – 2.12.2014	
Mr. LI Jianhong	9.54	800,000	–	(400,000)	–	400,000	0.018%	29.10.2003 – 28.10.2013	(1), (2), (6)
	13.75	1,000,000	–	–	–	1,000,000	0.045%	2.12.2004 – 1.12.2014	
Ms. SUN Yueying	9.54	800,000	–	(400,000)	–	400,000	0.018%	29.10.2003 – 28.10.2013	(1), (2), (6)
	13.75	1,000,000	–	–	–	1,000,000	0.045%	3.12.2004 – 2.12.2014	
Dr. SUN Jiakang	9.54	200,000	–	–	–	200,000	0.009%	28.10.2003 – 27.10.2013	(1), (2)
	13.75	1,000,000	–	–	–	1,000,000	0.045%	1.12.2004 – 30.11.2014	
Mr. XU Lirong	9.54	800,000	–	(800,000)	–	–	–	31.10.2003 – 30.10.2013	(1), (2), (6)
	13.75	1,000,000	–	–	–	1,000,000	0.045%	2.12.2004 – 1.12.2014	
Mr. WONG Tin Yau, Kelvin	9.54	800,000	–	–	–	800,000	0.036%	28.10.2003 – 27.10.2013	(1), (2)
	13.75	1,000,000	–	–	–	1,000,000	0.045%	2.12.2004 – 1.12.2014	
Mr. WANG Zhi	13.75	–	–	–	800,000	800,000	0.036%	29.11.2004 – 28.11.2014	(2), (4)
Mr. QIN Fuyan	13.75	1,000,000	–	–	–	1,000,000	0.045%	29.11.2004 – 28.11.2014	(2)
		13,200,000	–	(2,500,000)	800,000	11,500,000			

SHARE OPTIONS (Continued)

(iv) Movement of options under 2003 Share Option Scheme (Continued)

		Number of share options							
Category	Exercise price HK$	Outstanding at 1st January 2005	Granted during the year	Exercised during the year	Transfer (to)/ from other category during the year	Outstanding at 31st December 2005	% of total issued share capital	Exercisable period	Note
Ex-directors									
Mr. LIU Guoyuan	9.54	100,000	–	(100,000)	–	–	–	28.10.2003 – 27.10.2013	(1), (2), (3), (6)
	13.75	1,000,000	–	–	(1,000,000)	–	–	29.11.2004 – 28.11.2014	
Mr. ZHANG Fusheng	9.54	800,000	–	–	(800,000)	–	–	29.10.2003 – 28.10.2013	(1), (2), (3)
	13.75	1,000,000	–	–	(1,000,000)	–	–	3.12.2004 – 2.12.2014	
Mr. WANG Futian	9.54	800,000	–	–	(800,000)	–	–	29.10.2003 – 28.10.2013	(1), (2), (3)
	13.75	1,000,000	–	–	(1,000,000)	–	–	3.12.2004 – 2.12.2014	
Mr. MA Zehua	9.54	800,000	–	–	(800,000)	–	–	30.10.2003 – 29.10.2013	(1), (2), (3)
	13.75	1,000,000	–	–	(1,000,000)	–	–	3.12.2004 – 2.12.2014	
Mr. MA Guichuan	9.54	800,000	–	–	(800,000)	–	–	29.10.2003 – 28.10.2013	(1), (2), (3)
	13.75	1,000,000	–	–	(1,000,000)	–	–	3.12.2004 – 2.12.2014	
Mr. LI Yunpeng	9.54	800,000	–	–	(800,000)	–	–	29.10.2003 – 28.10.2013	(1), (2), (3)
	13.75	1,000,000	–	–	(1,000,000)	–	–	3.12.2004 – 2.12.2014	
Mr. ZHOU Liancheng	9.54	400,000	–	(206,000)	(194,000)	–	–	29.10.2003 – 28.10.2013	(1), (2), (3), (6)
	13.75	1,000,000	–	–	(1,000,000)	–	–	29.11.2004 – 28.11.2014	
Mr. HE Jiale	9.54	76,000	–	(76,000)	–	–	–	31.10.2003 – 30.10.2013	(1), (2), (3), (6)
	13.75	1,000,000	–	(500,000)	(500,000)	–	–	30.11.2004 – 29.11.2014	
Mr. MENG Qinghui	13.75	1,000,000	–	–	(1,000,000)	–	–	29.11.2004 – 28.11.2014	(2), (3)
Mr. LU Chenggang	13.75	1,000,000	–	–	(1,000,000)	–	–	29.11.2004 – 28.11.2014	(2), (3)
		14,576,000	–	(882,000)	(13,694,000)	–			

SHARE OPTIONS (Continued)

(iv) Movement of options under 2003 Share Option Scheme (Continued)

		Number of share options							
Category	Exercise price HK$	Outstanding at 1st January 2005	Granted during the year	Exercised during the year	Transfer (to)/ from other category during the year	Outstanding at 31st December 2005	% of total issued share capital	Exercisable period	Note
Continuous contract employees	9.54	9,394,000	–	(2,600,000)	–	6,794,000	0.309%	(refer to note 1)	(1), (2),
	13.75	35,990,000	–	(4,146,000)	(800,000)	31,044,000	1.412%	(refer to note 2)	(4), (6)
Others	9.54	1,320,000	–	(2,410,000)	4,194,000	3,104,000	0.141%	(refer to note 1)	(1), (2),
	13.75	9,750,000	–	(1,250,000)	9,500,000	18,000,000	0.819%	(refer to note 2)	(3), (6)
		56,454,000	–	(10,406,000)	12,894,000	58,942,000			
		84,230,000	–	(13,788,000)	–	70,442,000			

Notes:

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

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

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

SHARE OPTIONS (Continued)

(iv) Movement of options under 2003 Share Option Scheme (Continued)

(4) Mr. WANG Zhi was appointed as an executive director of the Company with effect from 29th July 2005. The options granted to Mr. WANG were re-classified from the category of "Continuous Contract Employees" to the category of "Directors" during the year.

(5) These options represent personal interest held by the relevant director as beneficial owner.

(6) The weighted average closing price of the Shares immediately before the dates on which the options were exercised was HK$15.74.

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

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31st December 2005, the interests of the Company's directors in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

(a) Long positions in the shares of the Company

Name of director	Capacity	Nature of interest	Number of ordinary shares held	% of total issued share capital
Dr. LI Kwok Po, David	Beneficial owner	Personal	258,000	0.012%
Mr. Timothy George FRESHWATER	Beneficial owner	Personal	30,000	0.001%
Mr. KWONG Che Keung, Gordon	Beneficial owner	Personal	250,000	0.011%

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

(b) Long positions in the shares of associated corporations

Name of associated corporation	Name of director	Capacity	Nature of interest	Number of ordinary shares held	% of total issued share capital of the relevant associated corporation
China COSCO Holdings Company Limited	Mr. WANG Zhi	Beneficial owner	Personal	40,000	0.002%
COSCO Corporation (Singapore) Limited	Dr. WEI Jiafu	Beneficial owner	Personal	1,400,000	0.127%
	Mr. LI Jianhong	Beneficial owner	Personal	950,000	0.086%
	Ms. SUN Yueying	Beneficial owner	Personal	1,000,000	0.091%

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

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

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

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

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

Name of associated corporation	Name of director	Capacity	Nature of interest	Exercise price	Number of share options: Outstanding at 1st January 2005	Granted during the year	Exercised during the year	Outstanding at 31st December 2005	% of total issued share capital of the relevant associated corporation	Note
	Directors									
COSCO International Holdings Limited	Dr. WEI Jiafu	Beneficial owner	Personal	HK$0.57	1,800,000	–	–	1,800,000	0.127%	(1)
				HK$1.37	1,200,000	–	–	1,200,000	0.085%	(2)
	Mr. LI Jianhong	Beneficial owner	Personal	HK$0.57	1,800,000	–	–	1,800,000	0.127%	(1)
				HK$1.37	1,200,000	–	–	1,200,000	0.085%	(2)
	Dr. SUN Jiakang	Beneficial owner	Personal	HK$0.57	900,000	–	–	900,000	0.063%	(1)
				HK$1.37	800,000	–	–	800,000	0.056%	(2)
	Mr. WONG Tin Yau, Kelvin	Beneficial owner	Personal	HK$0.57	800,000	–	–	800,000	0.056%	(1)
				HK$1.37	500,000	–	–	500,000	0.035%	(2)
	Ex-directors									
	Mr. LIU Guoyuan	Beneficial owner	Personal	HK$0.57	1,800,000	–	–	1,800,000	0.127%	(1), (2), (7)
				HK$1.37	1,200,000	–	–	1,200,000	0.085%	
	Mr. ZHOU Liancheng	Beneficial owner	Personal	HK$0.57	1,800,000	–	–	1,800,000	0.127%	(1), (2), (7)
				HK$1.37	1,200,000	–	–	1,200,000	0.085%	
	Mr. HE Jiale	Beneficial owner	Personal	HK$0.57	1,800,000	–	–	1,800,000	0.127%	(1), (2), (7)
				HK$1.37	1,200,000	–	–	1,200,000	0.085%	
	Mr. MENG Qinghui	Beneficial owner	Personal	HK$0.57	1,200,000	–	–	1,200,000	0.085%	(1), (2), (7)
				HK$1.37	800,000	–	–	800,000	0.056%	

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

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

Name of associated corporation	Name of director	Capacity	Nature of interest	Exercise price	Number of share options: Outstanding at 1st January 2005	Granted during the year	Exercised during the year	Outstanding at 31st December 2005	% of total issued share capital of the relevant associated corporation	Note
	Directors									
COSCO Corporation (Singapore) Limited	Dr. WEI Jiafu	Beneficial owner	Personal	S$0.2	350,000	–	(350,000)	–	–	(3)
				S$0.2	350,000	–	(350,000)	–	–	(4)
				S$0.735	700,000	–	(700,000)	–	–	(5)
				S$1.614	–	450,000	–	450,000	0.041%	(6)
	Mr. LI Jianhong	Beneficial owner	Personal	S$0.2	200,000	–	(200,000)	–	–	(3)
				S$0.2	250,000	–	(250,000)	–	–	(4)
				S$0.735	500,000	–	(500,000)	–	–	(5)
				S$1.614	–	300,000	–	300,000	0.027%	(6)
	Ms. SUN Yueying	Beneficial owner	Personal	S$0.2	250,000	–	(250,000)	–	–	(3)
				S$0.2	250,000	–	(250,000)	–	–	(4)
				S$0.735	500,000	–	(500,000)	–	–	(5)
				S$1.614	–	300,000	–	300,000	0.027%	(6)
	Ex-director									
	Mr. ZHOU Liancheng	Beneficial owner	Personal	S$0.735	500,000	–	–	500,000	0.046%	(5), (6),
				S$1.614	–	300,000	–	300,000	0.027%	(7)

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

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

Notes:

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

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

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

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

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

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

(7) Mr. LIU Guoyuan and Mr. HE Jiale resigned as executive directors of the Company with effect from 9th June 2005. Mr. ZHOU Liancheng and Mr. MENG Qinghui did not seek for re-election as executive directors of the Company and retired at the annual general meeting of the Company held on 20th May 2005. No further update was made in the table on their interest in shares, underlying shares and debentures in the respective associated corporations subsequent to their resignation or retirement and up to 31st December 2005.

(8) During the year, no share options mentioned above were lapsed or cancelled.

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

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

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

Name of associated corporation	Name of director	Capacity	Nature of interest	Exercise price	Number of units of share appreciation rights: Granted during the year	Exercised during the year	Outstanding at 31st December 2005	% of total issued share capital of associated corporation	Note
China COSCO Holdings Company Limited	Dr. WEI Jiafu	Beneficial owner	Personal	HK$3.195	900,000	–	900,000	0.040%	(1)
	Mr. CHEN Hongsheng	Beneficial owner	Personal	HK$3.195	700,000	–	700,000	0.031%	(1)
	Mr. LI Jianhong	Beneficial owner	Personal	HK$3.195	600,000	–	600,000	0.027%	(1)
	Ms. SUN Yueying	Beneficial owner	Personal	HK$3.195	600,000	–	600,000	0.027%	(1)
	Dr. SUN Jiakang	Beneficial owner	Personal	HK$3.195	500,000	–	500,000	0.022%	(1)
	Mr. XU Lirong	Beneficial owner	Personal	HK$3.195	500,000	–	500,000	0.022%	(1)

Notes:

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

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

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

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

Save as disclosed above, as at 31st December 2005, none of the directors or chief executives of the Company had any interest or short positions in any shares or underlying shares or interest in debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

DIRECTORS' INTEREST IN COMPETING BUSINESS

China Ocean Shipping (Group) Company ("COSCO") and its subsidiaries (excluding the Group and the COSCO Logistics Group (as defined below)) (collectively the "COSCO Group") carry on, among others, the businesses of shipping agency, freight forwarding and/or third party logistics and supporting services relating to the aforesaid services ("Logistics Businesses"), details of which are disclosed in the connected transactions circular issued by the Company dated 13th October 2003. The core of such businesses is unlikely to be in competition with the businesses carried on by COSCO Logistics Co., Ltd. ("COSCO Logistics"), its subsidiaries, jointly controlled entities and associates (collectively the "COSCO Logistics Group"). As at 31st December 2005, COSCO and the Group has 51% and 49% equity interest in COSCO Logisitics respectively.

As at 31st December 2005, Dr. WEI Jiafu, Mr. CHEN Hongsheng, Mr. LI Jianhong, Ms. SUN Yueying, Dr. SUN Jiakang and Mr. XU Lirong, all being directors of the Company, held directorships and/or senior management posts in the COSCO Group and/or other companies which have interests in container terminals ("Container Terminal Interests").

The Board is of the view that the Group is capable of carrying on its businesses independently from the Logistics Businesses and/or the Container Terminal Interests. When making decisions on the logistics business and/or the container terminal business of the Group, the relevant directors, in the performance of their duties as directors of the Company, have acted and will continue to act in the best interests of the Group.

SUBSTANTIAL INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

As at 31st December 2005, the interests of shareholders in the shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

			Number of ordinary shares/percentage of total issued share capital					
Name	**Capacity**	**Nature of interests**	**Long positions**	**%**	**Short positions**	**%**	**Lending pool**	**%**
COSCO Investments Limited	Beneficial owner	Beneficial interest	200,120,000	9.10	–	–	–	–
COSCO Pacific Investment Holdings Limited	Beneficial owner and interest of controlled corporation	Beneficial interest and corporate interest	1,144,166,411 (Note 1)	52.03	–	–	–	–
China COSCO Holdings Company Limited	Interest of controlled corporation	Corporate interest	1,144,166,411 (Note 1)	52.03	–	–	–	–
China Ocean Shipping (Group) Company	Interest of controlled corporation	Corporate interest	1,144,166,411 (Note 1)	52.03	–	–	–	–
J.P. Morgan Chase & Co.	Beneficial owner, investment manager and custodian corporation/ approved lending agent	Beneficial interest and corporate interest	131,869,861 (Note 2)	6.00	–	–	55,485,297	2.52

SUBSTANTIAL INTERESTS IN THE SHARE CAPITAL OF THE COMPANY (Continued)

Notes:

(1) The 1,144,166,411 shares relate to the same batch of shares in the Company. COSCO Investments Limited ("COSCO Investments") is a wholly owned subsidiary of COSCO Pacific Investment Holdings Limited ("COSCO Pacific Investment"). Accordingly, the 200,120,000 shares of the Company held by COSCO Investments are also included as part of the COSCO Pacific Investment's interests in the Company. COSCO Pacific Investment is a wholly owned subsidiary of China COSCO and it itself holds 944,046,411 shares of the Company beneficially. Accordingly, COSCO Pacific Investment's interests in relation to the 1,144,166,411 shares of the Company are also recorded as China COSCO's interests in the Company. China Ocean Shipping (Group) Company ("COSCO") holds 63.5% interest of the issued share capital of China COSCO as at 31st December 2005, and accordingly, COSCO is deemed to have the interests of 1,144,166,411 shares of the Company held by COSCO Pacific Investment.

(2) The corporate interest of J.P. Morgan Chase & Co. was attributable on account through a number of its wholly owned subsidiaries.

Save as disclosed above, as at 31st December 2005, the Company has not been notified of any other interests or short positions in the shares and underlying shares of the Company which had been recorded in the register required to be kept under Section 336 of the SFO.

PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of its directors, as at the date of this report, there is sufficient public float of the Shares with not less than 25% of the total issued shares of the Company as required under the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its Shares during the year. Neither the Company nor any of its subsidiaries purchased or sold any of Company's shares during the year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws and there are no restrictions against such rights under the laws in Bermuda which would oblige the Company to offer new Shares on a pro-rata basis to existing shareholders.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

MAJOR SUPPLIERS AND LESSEES

The percentage of the Group's container purchases and leasing income attributable to major suppliers and lessees are as follows:

Percentage of container purchases attributable to the Group's largest supplier	13.99%
Percentage of container purchases attributable to the Group's five largest suppliers	50.44%
Percentage of leasing income attributable to the Group's largest lessee, which is a subsidiary of COSCO	45.89%
Percentage of leasing income attributable to the Group's five largest lessees	62.55%

None of the directors or their associates has interests in any of the suppliers or lessees of the Group.

Two of the Group's largest suppliers attribute 21.23% of container purchases of the Group. During the year ended 31st December 2005, the Group and COSCO have equity interest in China International Marine Containers (Group) Co., Ltd., the holding company of the aforesaid two suppliers, of 16.23% and 0.95% respectively.

Save as disclosed above, none of the shareholders (which to the knowledge of the directors owns more than 5% of the Company's shares) has interest in any of the suppliers and lessees of the Group.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance so as to ensure better transparency and protection of shareholders' interests. The Company has complied with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules for the year ended 31st December 2005 except the code provision A.4.2 in respect of retirement of directors and the code provision E.1.2 in respect of the attendance of the Chairman of the Board at the annual general meeting of the Company.

Further information on the Company's corporate governance practices is set out in the Corporate Governance Report on pages 60 to 75 of this annual report.

CONTINUING CONNECTED TRANSACTIONS

During the year, the following continuing connected transactions of the Company were entered into by the Group:

(i) Rental of office premises

On 12th January 2004, COSCO Pacific Management Company Limited ("COSCO Pacific Management") as tenant entered into two tenancy agreements with Wing Thye Holdings Limited ("Wing Thye") as landlord in respect of the leasing of office premises on 49th Floor of COSCO Tower, 183 Queen's Road Central, Hong Kong ("COSCO Tower") (the "4901 Tenancy Agreement" and the "4902A Tenancy Agreement" and collectively, the "Tenancy Agreements").

Pursuant to the 4901 Tenancy Agreement, COSCO Pacific Management agreed to rent from Wing Thye a portion of the premises known as Unit 4901 situate at COSCO Tower ("Unit 4901") for a term of 23 months and 25 days commencing with retrospective effect from 4th December 2003 at a monthly rental of HK$267,564 , exclusive of rates and management fees (both payable by COSCO Pacific Management).

Pursuant to the 4902A Tenancy Agreement, COSCO Pacific Management agreed to rent from Wing Thye a portion of the premises known as Unit 4902A situate at COSCO Tower ("Unit 4902A") for a term of 24 months commencing with retrospective effect from 29th November 2003 at a monthly rental of HK$72,436, exclusive of rates and management fees (both payable by COSCO Pacific Management).

COSCO (Hong Kong) Group Limited ("COSCO Hong Kong") provided two guarantees in the respective sums of HK$802,692 and HK$217,308 representing the rentals for three months of Unit 4901 and Unit 4902A respectively to Wing Thye as security for the due payment of rentals and other monies payable by COSCO Pacific Management under the Tenancy Agreements (the "Guarantees").

The Company intended to take up Unit 4901 and Unit 4902A on a long term basis as the head office of itself and its subsidiaries and as its principal place of business in Hong Kong.

In negotiating the rentals under the Tenancy Agreements, the directors of the Company made reference to an independent opinion given by DTZ Debenham Tie Leung Limited, a professional valuer jointly engaged by the Company and COSCO International, that the total rentals agreed for Unit 4901 and Unit 4902A were at market levels and were fair and reasonable.

Wing Thye is at present a wholly owned subsidiary of COSCO Hong Kong (and was previously a wholly owned subsidiary of COSCO International). COSCO Pacific Management is a wholly owned subsidiary of the Company. COSCO is a controlling shareholder of both the Company and COSCO Hong Kong. Accordingly, COSCO, COSCO Hong Kong and Wing Thye are all connected persons of the Company. The Tenancy Agreements and the transactions contemplated thereunder constituted continuing connected transactions of the Company under the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS (Continued)

(ii) Container related services, shipping related services and short term container leasing transactions

The Stock Exchange, subject to certain conditions, granted waivers on 13th December 1996, 15th April 1997 and 12th September 2001 (the "Waivers") for an indefinite period to the Company from strict compliance with the connected transactions requirements of the Listing Rules in force prior to 31st March 2004 in respect of certain continuing connected transactions between COSCO and its subsidiaries and the Company and its subsidiaries (the "Group") in relation to container related services, shipping related services and short term container leasing transactions respectively. After commencement of certain new Listing Rules effective 31st March 2004, the Waivers had lapsed and compliance with the new Listing Rules is required. In view of the changes to the Listing Rules in relation to continuing connected transactions, the Group has entered into the following master agreements on 3rd June 2005 for a term of three years up to 31st December 2007 (the "Master Agreements") in accordance with the new requirements:

(1) The Container Services Master Agreement entered into between COSCO, COSCO Container Lines Company Limited ("COSCON"), a subsidiary of COSCO, and Plangreat Limited ("Plangreat"), a wholly owned subsidiary of the Company in respect of provision of the container related services by Plangreat and its subsidiaries to COSCO and its associates (excluding the Group but including COSCON) ("COSCO Group") for a term of three years from 1st January 2005 to 31st December 2007 at rates no less favourable than that at which Plangreat and its subsidiaries charge independent third parties for the relevant services. The annual cap of the container related services transactions for each of the years ended 31st December 2005, 2006 and 2007 are US$6,642,000. The total consideration of the aforesaid transactions for the year ended 31st December 2005 amounted to US$6,346,000.

(2) The Shipping Services Master Agreement entered into between COSCO, COSCON, COSCO Ports (Holdings) Limited ("COSCO Ports"), a wholly owned subsidiary of the Company and Zhangjiagang Win Hanverky Container Terminal Co., Ltd. ("Zhangjiagang Win Hanverky"), a company owned as to 51% by the Group and 49% by Zhangjiagang Port Group Co. Ltd., in respect of provision of the shipping related services provided by COSCO Ports and its subsidiaries to members of the COSCO Group (including COSCON) for a term of three years from 1st January 2005 to 31st December 2007 at rates no less favourable than that at which COSCO Ports and its subsidiaries charge independent third parties for the relevant services. The annual cap of the shipping related services transactions for the years ended 31st December 2005, 2006 and 2007 are US$3,478,000, US$4,076,000 and US$4,691,000 respectively. The total consideration of the aforesaid transactions for the year ended 31st December 2005 amounted to US$1,940,000.

CONTINUING CONNECTED TRANSACTIONS (Continued)

(ii) Container related services, shipping related services and short term container leasing transactions (Continued)

(3) The Short Term Container Leasing Master Agreement entered into between COSCO, COSCON and Florens Container Holdings Limited ("Florens"), a wholly owned subsidiary of the Company in respect of provision of the short term container leases (container leasing for a term less than 10 years) granted by Florens and its subsidiaries to members of the COSCO Group (including COSCON) for a term of three years from 1st January 2005 to 31st December 2007 at rates no less favourable than that at which Florens and its subsidiaries charge independent third parties for the relevant leases. The annual cap of the short term container leasing transactions for the years ended 31st December 2005, 2006 and 2007 is US$2,700,000, US$3,100,000 and US$3,500,000 respectively. The total consideration of the aforesaid transactions for the year ended 31st December 2005 amounted to US$849,000.

COSCO is the ultimate controlling shareholder of the Company. COSCON is a subsidiary of COSCO. Accordingly, members of the COSCO Group and COSCON are connected persons (as defined in the Listing Rules) of the Company. Each of the Master Agreements and the transactions contemplated thereunder constituted continuing connected transactions (the "Continuing Connected Transactions") for the purpose of the Listing Rules and are subject to the reporting and announcement requirements set out in Chapter 14A of the Listing Rules as one or more of the relevant percentage ratios in relation to each category of the Continuing Connected Transactions are 0.1% or more. The Company had accordingly published a press announcement in respect of the Continuing Connected Transactions dated 3rd June 2005. As the relevant percentage ratios in relation to each category of the Continuing Connected Transactions were all less than 2.5% for the year ended 31st December 2005, the Continuing Connected Transactions were exempt from the independent shareholders' approval requirements.

(iii) Long term container leasing transactions (with waiver granted by the Stock Exchange)

During the year, long term container leasing transactions were entered into between COSCO Group and the Group in respect of the provision of long term container leases by the Group to COSCO Group to which the Stock Exchange had, subject to certain conditions, granted waiver dated 14th December 1994 to the Company from strict compliance with the requirements stipulated in the then Chapter 14 of the Listing Rules to disclose details of such connected transactions by press notice and/or circular and/or to obtain prior independent shareholders' approval. The total consideration of the aforesaid transactions for the year ended 31st December 2005 amounted to US$126,400,000. In the opinion of the directors of the Company, the aforesaid transactions were conducted in the ordinary course of business of the Group and using average market rates by reference to the average of the available average leasing rates quoted from four of the top ten independent container leasing companies.

CONTINUING CONNECTED TRANSACTIONS (Continued)

Pursuant to the conditions of the waiver in relation to long term container leasing transactions and Rule 14A.37 of the Listing Rules, the independent non-executive directors of the Company have reviewed the above continuing connected transactions and opined that:

(i) the long term container leasing transactions had been conducted in the ordinary course of business of the Group and using average market rates by reference to the average of the available average leasing rates quoted from four of the top ten independent container leasing companies and were fair and reasonable so far as to the independent shareholders of the Company were concerned; and

(ii) the container related service transactions, shipping related service transactions and short term container leasing transactions were:

- entered into in the ordinary and usual course of the Group's businesses;
- entered into on terms no less favourable to the Group than terms available to independent third parties; and
- entered into in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

For the purposes of the conditions of the waiver in relation to long term container leasing transactions and Rule 14A.38 of the Listing Rules, the auditors of the Company have performed certain agreed-upon procedures on the above continuing connected transactions for the year ended 31st December 2005 (the "Relevant Year") in accordance with Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants and reported that:

(i) the long term container leasing transactions for the Relevant Year had been conducted in the ordinary course of business of the Group and by reference to the average of the available leasing rates quoted from four of the top ten independent container leasing companies; and

(ii) the container related service transactions, shipping related service transactions and short term container leasing transactions for the Relevant Year (collectively the "Other Continuing Connected Transactions") had been:

- approved by the board of directors of the Company;
- conducted in accordance with the pricing policies of the Group (for the samples selected);
- entered into in accordance with the terms of the relevant agreements governing the Other Continuing Connected Transactions (for the samples selected); and
- the accumulated amounts of the Other Continuing Connected Transactions did not exceed the respective annual caps set out in the Company's announcement dated 3rd June 2005.

DISCLOSURE UNDER RULE 13.22 OF CHAPTER 13 OF THE LISTING RULES

In relation to the financial assistance granted by the Group to certain affiliated companies, a proforma combined balance sheet of the affiliated companies as at 31st December 2005 required to be disclosed under Rule 13.22 of Chapter 13 of the Listing Rules is set out below:

	US$'000
Non-current assets	842,156
Current assets	47,453
Current liabilities	(163,510)
Non-current liabilities	(367,020)
Net assets	359,079
Share capital	251,084
Reserves	107,995
Capital and reserves	359,079

As at 31st December 2005, the Group's attributable interests in these affiliated companies amounted to US$126,442,000.

AUDIT COMMITTEE

The Company has an audit committee consisting of four independent non-executive directors. The committee reviews the systems of internal controls throughout the Group, the completeness and accuracy of its financial statements and liaises on behalf of the Board with external auditors and the Group's internal auditors. The committee members met regularly with management, external auditors and the Group's internal auditors and reviewed the internal and external audit reports and the interim and annual financial statements of the Group.

AUDITORS

The financial statements for the year have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

SUN Jiakang
Vice Chairman & Managing Director

Hong Kong, 23rd March 2006

AUDITORS' REPORT TO THE SHAREHOLDERS OF COSCO PACIFIC LIMITED

(incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 114 to 225 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, in accordance with section 90 of the Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Basis of opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st December 2005 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23rd March 2006

Consolidated Income Statement

For the year ended 31st December 2005

	Note	2005 US$'000	2004 US$'000 (Restated)
Turnover	6	295,648	275,296
Cost of sales		(115,551)	(112,639)
Gross profit		180,097	162,657
Other income	6	43,572	49,307
Administrative expenses		(31,424)	(30,790)
Other operating income		12,726	12,698
Other operating expenses		(25,392)	(33,245)
Profit on disposal of an available-for-sale financial asset	7	61,875	–
Operating profit	8	241,454	160,627
Finance costs	9	(36,362)	(27,206)
Operating profit after finance costs		205,092	133,421
Share of profits less losses of			
– jointly controlled entities	10	72,969	66,366
– associates		82,320	27,324
Profit before income tax		360,381	227,111
Income tax expenses	11	(22,426)	(18,021)
Profit for the year		337,955	209,090
Profit attributable to:			
Equity holders of the Company	12	334,937	206,646
Minority interests		3,018	2,444
		337,955	209,090
Dividends	13	190,333	117,662
Earnings per share for profit attributable to the equity holders of the Company			
– basic	14	US15.28 cents	US9.57 cents
– diluted	14	US15.19 cents	US9.52 cents

	Note	2005 US$'000	2004 US$'000 (Restated)
Non-current assets			
Property, plant and equipment	17	1,400,120	1,219,043
Investment properties	18	1,383	882
Leasehold land and land use rights	19	16,597	16,696
Intangible assets	20	3,803	3,773
Jointly controlled entities	22	403,486	357,583
Associates	23	483,514	395,012
Deferred income tax assets	34	246	248
Available-for-sale financial assets	24	275,595	–
Investment securities	25	–	69,500
Finance lease receivables	26	3,747	4,654
Restricted bank deposits	38(c)	21,978	11,297
		2,610,469	2,078,688
Current assets			
Inventories	28	2,486	1,637
Trade and other receivables	29	84,133	73,466
Derivative financial assets	27	725	–
Bank balances and cash	38(c)	157,337	89,281
		244,681	164,384
Current liabilities			
Trade and other payables	30	53,628	51,414
Current income tax liabilities		820	834
Current portion of long term borrowings	33	84,558	35,520
Short term bank loans		2,478	2,658
		141,484	90,426
Net current assets		103,197	73,958
Total assets less current liabilities		2,713,666	2,152,646
Non-current liabilities			
Deferred income tax liabilities	34	72,699	51,873
Derivative financial liabilities	27	2,007	–
Long term borrowings	33	748,617	615,145
		823,323	667,018
Net assets		1,890,343	1,485,628
Capital and reserves attributable to the equity holders of the Company			
Share capital	31	28,200	28,003
Reserves		1,772,959	1,379,073
Proposed final dividend		78,789	69,111
		1,879,948	1,476,187
Minority interests		10,395	9,441
Total equity		1,890,343	1,485,628

On behalf of the Board

SUN Jiakang
Managing Director

WONG Tin Yau, Kelvin
Director

	Note	2005 US$'000	2004 US$'000 (Restated)
Non-current assets			
Property, plant and equipment	17	318	423
Subsidiaries	21	1,136,725	1,169,803
		1,137,043	1,170,226
Current assets			
Other receivables	29	30,166	14,776
Bank balances and cash		77,282	32,599
		107,448	47,375
Current liabilities			
Other payables	30	(11,256)	(4,598)
Net current assets		96,192	42,777
Total assets less current liabilities		1,233,235	1,213,003
Capital and reserves attributable to the equity holders of the Company			
Share capital	31	28,200	28,003
Reserves	32	1,126,246	1,115,889
Proposed final dividend	32	78,789	69,111
Total equity		1,233,235	1,213,003

On behalf of the Board

SUN Jiakang
Managing Director

WONG Tin Yau, Kelvin
Director

	Share capital US$'000	Share premium US$'000	Capital reserve US$'000	Contributed surplus US$'000	Other properties revaluation reserve US$'000	Exchange reserve US$'000	Other reserves US$'000	Retained profits US$'000	Total reserves US$'000	Minority interests US$'000	Total US$'000
At 1st January 2004											
– Attributable to the equity holders of the Company (as previously reported)	27,553	561,138	340	–	714	(442)	8,538	723,323	1,293,611	–	1,321,164
– Minority interests (as previously presented separately)	–	–	–	–	–	–	–	–	–	8,644	8,644
	27,553	561,138	340	–	714	(442)	8,538	723,323	1,293,611	8,644	1,329,808
Prior period adjustment in respect of a change in the accounting policy on leasehold land	–	–	–	–	–	–	–	3,026	3,026	–	3,026
At 1st January 2004 (as restated)	27,553	561,138	340	–	714	(442)	8,538	726,349	1,296,637	8,644	1,332,834
Exchange differences arising on translation of the financial statements of foreign subsidiaries, jointly controlled entities and associates	–	–	–	–	–	1,825	–	–	1,825	27	1,852
Share of reserves of an associate	–	–	–	–	–	(67)	–	–	(67)	–	(67)
Release of reserve upon disposal of jointly controlled entities	–	–	(1)	115	–	104	(753)	753	218	–	218
Net income/(expense) recognised directly in equity	–	–	(1)	115	–	1,862	(753)	753	1,976	27	2,003
Profit for the year	–	–	–	–	–	–	–	206,646	206,646	2,444	209,090
Total recognised income/(expense) for 2004	–	–	(1)	115	–	1,862	(753)	207,399	208,622	2,471	211,093
	27,553	561,138	339	115	714	1,420	7,785	933,748	1,505,259	11,115	1,543,927
Issue of shares on exercise of share options	450	41,066	–	–	–	–	–	–	41,066	–	41,516
Share issue expenses	–	(8)	–	–	–	–	–	–	(8)	–	(8)
Transfer of reserves	–	–	–	–	–	–	1,171	(1,171)	–	–	–
Dividend paid to minority shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	(1,674)	(1,674)
Dividends paid to equity holders of the Company											
– 2003 final	–	–	–	–	–	–	–	(49,745)	(49,745)	–	(49,745)
– 2004 interim	–	–	–	–	–	–	–	(48,388)	(48,388)	–	(48,388)
At 31st December 2004 (as restated)	28,003	602,196	339	115	714	1,420	8,956	834,444	1,448,184	9,441	1,485,628
Representing:											
Share capital	28,003	–	–	–	–	–	–	–	–		
Reserves	–	602,196	339	115	714	1,420	8,956	765,333	1,379,073		
2004 final dividend proposed	–	–	–	–	–	–	–	69,111	69,111		
	28,003	602,196	339	115	714	1,420	8,956	834,444	1,448,184		

	Share capital US$'000	Share premium US$'000	Capital reserve US$'000	Contributed surplus US$'000	Investment revaluation reserve US$'000	Other properties revaluation reserve US$'000	Exchange reserve US$'000	Other reserves US$'000	Retained profits US$'000	Total reserves US$'000	Minority interests US$'000	Total US$'000
At 1st January 2005												
– Attributable to the equity holders of the Company (as previously reported)	28,003	602,196	339	115	–	714	1,420	8,956	831,064	1,444,804	–	1,472,807
– Minority interests (as previously presented separately)	–	–	–	–	–	–	–	–	–	–	9,441	9,441
	28,003	602,196	339	115	–	714	1,420	8,956	831,064	1,444,804	9,441	1,482,248
Prior period adjustment in respect of a change in the accounting policy on leasehold land	–	–	–	–	–	–	–	–	3,380	3,380	–	3,380
	28,003	602,196	339	115	–	714	1,420	8,956	834,444	1,448,184	9,441	1,485,628
Opening adjustments for the adoption of HKFRS 3, HKASs 32 and 39 in respect of:												
– Redesignation of investment securities as available-for-sale financial assets	–	–	–	–	234,311	–	–	–	–	234,311	–	234,311
– Recognition of interest rate swap contracts as derivative financial instruments	–	–	–	–	–	–	–	–	1,619	1,619	–	1,619
– Recognition of unamortised transaction costs on bank loans and notes	–	–	–	–	–	–	–	–	5,852	5,852	–	5,852
– Derecognition of negative goodwill	–	–	–	–	–	–	–	–	19,886	19,886	–	19,886
Share of opening adjustments of jointly controlled entities/ associates for their adoption of HKFRS 3, HKASs 32 and 39:												
– Reversal of general provision for trade receivables made in prior years by an associate	–	–	–	–	–	–	–	–	2,480	2,480	–	2,480
– Redesignation of investments as available-for-sale financial assets at fair values by an associate	–	–	–	–	3,363	–	–	–	(3,428)	(65)	–	(65)
– Recognition of a financial liability at amortised cost by a jointly controlled entity	–	–	732	–	–	–	–	–	–	732	–	732
– Transfer of reserves	–	–	–	–	–	–	–	2,673	(2,673)	–	–	–
– Derecognition of negative goodwill by an associate	–	–	–	–	–	–	–	–	366	366	–	366
	–	–	732	–	237,674	–	–	2,673	24,102	265,181	–	265,181
At 1st January 2005 (as restated)	28,003	602,196	1,071	115	237,674	714	1,420	11,629	858,546	1,713,365	9,441	1,750,809

	Share capital US$'000	Share premium US$'000	Capital reserve US$'000	Contributed surplus US$'000	Investment revaluation reserve US$'000	Other properties revaluation reserve US$'000	Exchange reserve US$'000	Other reserves US$'000	Retained profits US$'000	Total reserves US$'000	Minority interests US$'000	Total US$'000
Exchange differences arising on translation of the financial statements of foreign subsidiaries, jointly controlled entities and associates	–	–	–	–	–	–	12,722	–	–	12,722	148	12,870
Fair value gain on available-for-sale financial assets	–	–	–	–	15,406	–	–	–	–	15,406	–	15,406
Share of reserves of associates and a jointly controlled entity	–	–	50	–	836	–	(4,547)	(127)	–	(3,788)	–	(3,788)
Release of reserve upon disposal of an available-for-sale financial asset	–	–	–	–	(61,865)	–	–	–	–	(61,865)	–	(61,865)
Net income/(expense) recognised directly in equity	–	–	50	–	(45,623)	–	8,175	(127)	–	(37,525)	148	(37,377)
Profit for the year	–	–	–	–	–	–	–	–	334,937	334,937	3,018	337,955
Total recognised income/(expense) for 2005	–	–	50	–	(45,623)	–	8,175	(127)	334,937	297,412	3,166	300,578
Issue of shares on exercise of share options	197	21,646	–	–	–	–	–	–	–	21,646	–	21,843
Share issue expenses	–	(20)	–	–	–	–	–	–	–	(20)	–	(20)
Transfer of reserves	–	–	–	–	–	–	–	11,355	(11,355)	–	–	–
Dividend paid to minority shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	(2,212)	(2,212)
Dividends paid to equity holders of the Company												
– 2004 final	–	–	–	–	–	–	–	–	(69,183)	(69,183)	–	(69,183)
– 2005 interim	–	–	–	–	–	–	–	–	(79,506)	(79,506)	–	(79,506)
– 2005 special interim	–	–	–	–	–	–	–	–	(31,966)	(31,966)	–	(31,966)
	197	21,626	50	–	(45,623)	–	8,175	11,228	142,927	138,383	954	139,534
At 31st December 2005	28,200	623,822	1,121	115	192,051	714	9,595	22,857	1,001,473	1,851,748	10,395	1,890,343
Representing:												
Share capital	28,200	–	–	–	–	–	–	–	–	–		
Reserves	–	623,822	1,121	115	192,051	714	9,595	22,857	922,684	1,772,959		
2005 final dividend proposed	–	–	–	–	–	–	–	–	78,789	78,789		
	28,200	623,822	1,121	115	192,051	714	9,595	22,857	1,001,473	1,851,748		

	Note	2005 US$'000	2004 US$'000 (Restated)
Cash flows from operating activities			
Cash generated from operations	38(a)	280,208	265,566
Interest received		5,844	2,043
Net cash settlement from interest rate swap contracts		2,623	4,952
Taxation paid		(1,612)	(1,421)
Net cash from operating activities		287,063	271,140
Cash flows from investing activities			
Dividends received from jointly controlled entities		48,942	44,452
Dividends received from associates		32,248	21,041
Dividends received from available-for-sale financial assets		22,225	21,346
Investments in jointly controlled entities and associates		(30,900)	(338,980)
Purchase of investment securities		–	(13,075)
Purchase of an available-for-sale financial asset		(19,516)	–
Purchase of property, plant and equipment		(350,785)	(278,523)
Loans advanced to a jointly controlled entity, associates and an investee company		(38,709)	(38,076)
Repayment of loans by a jointly controlled entity, an associate and an investee company		19,495	21,956
Sale of an available-for-sale financial asset		78,902	–
Sale of property, plant and equipment		33,694	19,103
Proceeds on disposal of a subsidiary		1,558	–
Proceeds on disposal of jointly controlled entities		–	4,943
Proceeds on partial disposal of an associate		1,439	–
Compensation received for loss of containers		747	316
Return of capital and distribution of reserves by an associate		–	51
(Increase)/decrease in restricted bank deposits		(10,681)	759
Net cash used in investing activities		(211,341)	(534,687)
Cash flows from financing activities	38(b)		
Loans borrowed		321,119	252,950
Issue of shares on exercise of share options		21,843	41,516
Share issue expenses		(20)	(8)
Repayments of loans		(128,385)	(78,238)
Dividends paid		(180,651)	(98,131)
Dividends paid to minority shareholders of subsidiaries		(2,212)	(1,674)
Interest paid		(36,238)	(32,418)
Other incidental borrowing costs paid		(2,273)	(2,362)
Net cash (used in)/from financing activities		(6,817)	81,635
Effect of foreign exchange rate changes		(849)	(586)
Net increase/(decrease) in cash and cash equivalents		68,056	(182,498)
Cash and cash equivalents at 1st January		89,281	271,779
Cash and cash equivalents at 31st December	38(c)	157,337	89,281

1 General information

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

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

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

2 Basis of preparation

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

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

2 Basis of preparation (Continued)

Adoption of new/revised HKFRSs

In 2005, the Group adopted the new/revised HKFRSs below, which are relevant to its operations. The comparative figures have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 31	Investments in Joint Ventures
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 (Amendment)	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKAS 40	Investment Property
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations
HKAS-Int 12	Consolidation – Special Purpose Entities
HKAS-Int 12 (Amendment)	Scope of HKAS-Int 12 Consolidation – Special Purpose Entities
HKAS-Int 15	Operating leases – Incentives
HKAS-Int 21	Income Taxes – Recovery of Revalued Non-Depreciable Assets

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

2 Basis of preparation (Continued)

(a) HKAS 1 and HKAS 27

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

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

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

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

(b) HKAS 16

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

(c) HKAS 17

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

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

2 Basis of preparation (Continued)

(d) HKAS 21

HKAS 21 requires items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in United States dollars, which is the Company's functional and presentation currency.

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

Translation differences on monetary and non-monetary items are included in the income statement and reserve respectively.

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

(e) HKAS 24

HKAS 24 has extended the identification and disclosure of related parties to include state-owned enterprises. Related parties include COSCO and its subsidiaries, other state-owned enterprises and their subsidiaries directly or indirectly controlled by the PRC government, other entities and corporations in which the Company is able to control or exercise significant influence and key management personnel of the Group and COSCO as well as their close family members.

(f) HKASs 32 and 39

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

(i) the Group's investment securities which were previously stated at cost less provision for impairment losses are now redesignated as available-for-sale financial assets and carried in the balance sheet at their fair values. The amount, being the difference between the fair values of these available-for-sale financial assets and their previous carrying amounts, of US$234,311,000 as at 31st December 2004 was credited to the Group's opening equity as at 1st January 2005.

2 Basis of preparation (Continued)

(f) HKASs 32 and 39 (Continued)

(ii) the interest rate swap contracts as entered into between the Group and certain financial institutions are now classified as derivative financial instruments and recognised in the balance sheet at their respective fair values. In prior years, derivative financial instruments were not required to be recognised in the balance sheet pursuant to the Statements of Standard Accounting Practice ("SSAPs") issued by the HKICPA. The recognition of interest rate swap contracts at their fair values as at 31st December 2004 resulted in a net increase in the Group's opening equity as at 1st January 2005 by US$1,619,000.

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

(iii) the Group's loans or notes which were previously stated at their original carrying amounts are now required to be stated initially at their fair values, net of transaction costs incurred, and then subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. The unamortised transaction costs in respect of these loans and notes of US$5,852,000 as at 31st December 2004, which were previously expensed as incurred, were included in the related loans or notes by a corresponding credit adjustment to the Group's opening equity as at 1st January 2005.

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

(g) HKAS 40

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

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

2 Basis of preparation (Continued)

(h) HKFRS 2

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

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

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

(i) HKFRS 3

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

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

In accordance with the provisions of HKFRS 3:

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

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

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

2 Basis of preparation (Continued)

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

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

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

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

3 Summary of significant accounting policies

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

3.1 Group accounting

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

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

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

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

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

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

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

3 Summary of significant accounting policies (Continued)

3.1 Group accounting (Continued)

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

(a) Subsidiaries

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

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

(b) Jointly controlled entities

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

(c) Associates

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

3.2 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

3 Summary of significant accounting policies (Continued)

3.2 Foreign currency translation (Continued)

(b) Transactions and balances (Continued)

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

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

(c) Group companies

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

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

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

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

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

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

3 Summary of significant accounting policies (Continued)

3.3 Property, plant and equipment

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

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

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

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

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

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

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

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

3 Summary of significant accounting policies (Continued)

3.4 Investment properties

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

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

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

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

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

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

Changes in fair values are recognised in the income statement.

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

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

3 Summary of significant accounting policies (Continued)

3.5 Intangible assets

(a) Goodwill

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

(b) Computer software

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

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

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

3.6 Impairment of assets

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

3 Summary of significant accounting policies (Continued)

3.7 Investments

Prior to 31st December 2004:

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

(a) Investment securities

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

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

(b) Other investments

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

From 1st January 2005 onwards:

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

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

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

3 Summary of significant accounting policies (Continued)

3.7 Investments (Continued)

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

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

3.8 Derivative financial instruments and hedging activities

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

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

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

3 Summary of significant accounting policies (Continued)

3.8 Derivative financial instruments and hedging activities (Continued)

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

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

3.9 Inventories

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

3.10 Trade and other receivables

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

3 Summary of significant accounting policies (Continued)

3.11 Cash and cash equivalents

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

3.12 Assets under leases

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

(i) Leases – where the company is the lessee

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

(ii) Leases – where the company is the lessor

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

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

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

3.13 Provisions

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

3 Summary of significant accounting policies (Continued)

3.13 Provisions (Continued)

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

3.14 Share capital

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

3.15 Borrowings

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

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

3.16 Deferred income tax

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

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

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

3 Summary of significant accounting policies (Continued)

3.17 Employee benefits

(a) Retirement benefit costs

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

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

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

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

(b) Employee leave entitlements

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

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

(c) Bonus entitlements

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

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

3 Summary of significant accounting policies (Continued)

3.17 Employee benefits (Continued)

(d) Share-based compensation

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

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

3.18 Recognition of revenue and income

The Group recognises revenue and income on the following bases:

(a) Revenue from leasing of containers and generator sets

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

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

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

(b) Revenue from container handling, transportation and storage

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

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

(c) Revenue from terminal operations

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

3 Summary of significant accounting policies (Continued)

3.18 Recognition of revenue and income (Continued)

(d) Revenue from container management

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

(e) Operating lease rental income from investment properties

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

(f) Income from sale of containers

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

(g) Interest income

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

(h) Dividend income

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

(i) Income on sale of investments

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

3.19 Dividend distribution

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

3.20 Contingent liabilities and contingent assets

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

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

3 Summary of significant accounting policies (Continued)

3.20 Contingent liabilities and contingent assets (Continued)

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

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

4 Financial risk management

Financial risk factors

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

(i) Market risk

Foreign exchange risk

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

Price risk

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

4 Financial risk management (Continued)

Financial risk factors (Continued)

(ii) Credit risk

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

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

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

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

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

(iii) Liquidity risk

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

(iv) Cash flow and fair value interest rate risk

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

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

4 Financial risk management (Continued)

Fair value estimation

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

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

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

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

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

5 Critical accounting estimates and judgements

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

Critical accounting estimates and assumptions

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

(i) Impairment of containers

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

5 Critical accounting estimates and judgements (Continued)

(ii) Useful lives and residual values of containers

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

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

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

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

(iv) Impairment of goodwill and other assets

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

Critical judgement in applying the Group's accounting policies

Income taxes

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

6 Turnover, other income and segment information

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

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

(a) Primary reporting format – business segments

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

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

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

6 Turnover, other income and segment information (Continued)

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

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

Segment turnover and results

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

6 Turnover, other income and segment information (Continued)

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

Segment turnover and results (Continued)

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

6 Turnover, other income and segment information (Continued)

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

Segment assets, liabilities and other information

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

6 Turnover, other income and segment information (Continued)

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

Segment assets, liabilities and other information (Continued)

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

Note:

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

6 Turnover, other income and segment information (Continued)

(b) Secondary reporting format – geographical segments

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

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

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

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

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

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

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

8 Operating profit

Operating profit is stated after crediting and charging the following:

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

^ Items included in other operating income

Items included in other operating expenses

Notes:

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

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

9 Finance costs

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

10 Share of profits less losses of jointly controlled entities

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

11 Income tax expenses

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

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

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

11 Income tax expenses (Continued)

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

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

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

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

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

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

12 Profit attributable to equity holders of the Company

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

13 Dividends

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

Note:

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

14 Earnings per share

Basic

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

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

14 Earnings per share (Continued)

Diluted

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

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

15 Retirement benefit costs

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

16 Directors' and management's emoluments

(a) Directors' emoluments

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

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

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

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

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

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

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

16 Directors' and management's emoluments (Continued)

(a) Directors' emoluments (Continued)

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

The directors' emoluments are analysed as follows:

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

16 Directors' and management's emoluments (Continued)

(a) Directors' emoluments (Continued)

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

Notes:

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

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

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

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

(v) resigned on 1st January 2006

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

16 Directors' and management's emoluments (Continued)

(b) Management's emoluments

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

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

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

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

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

17 Property, plant and equipment

Group

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

17 Property, plant and equipment (Continued)

Group

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

17 Property, plant and equipment (Continued)

Group

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

17 Property, plant and equipment (Continued)

Company

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

Notes:

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

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

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

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

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

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

18 Investment properties

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

Notes:

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

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

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

19 Leasehold land and land use rights

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

19 Leasehold land and land use rights (Continued)

Notes:

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

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

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

20 Intangible assets

Group

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

21 Subsidiaries

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

Notes:

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

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

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

22 Jointly controlled entities

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

22 Jointly controlled entities (Continued)

Notes:

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

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

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

22 Jointly controlled entities (Continued)

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

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

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

(iii) a discount rate of 10%.

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

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

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

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

22 Jointly controlled entities (Continued)

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

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

23 Associates

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

Notes:

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

Group

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

23 Associates (Continued)

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

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

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

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

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

24 Available-for-sale financial assets

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

Notes:

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

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

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

25 Investment securities

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

Notes:

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

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

26 Finance lease receivables

Group

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

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

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

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

27 Derivative financial instruments

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

Notes:

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

(ii) The notional principal amount of the related interest rate swap contracts amounted to US$200,000,000 (2004: US$200,000,000) which were committed with the interest rates ranging from 1.05% to 1.16% (2004: 1.05% to 1.16%) per annum above the London Interbank Offered Rate ("LIBOR"). During the year, these interest rate swap contracts have been designated as a hedge of the fair value of the notes issued by the Group (note 33(e)).

28 Inventories

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

29 Trade and other receivables

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

Notes:

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

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

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

29 Trade and other receivables (Continued)

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

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

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

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

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

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

30 Trade and other payables

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

Notes:

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

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

30 Trade and other payables (Continued)

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

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

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

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

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

31 Share capital

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

31 Share capital (Continued)

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

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

(b) Share options

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

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

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

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

31 Share capital (Continued)

(b) Share options (Continued)

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

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

			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 (notes vi and vii)	Lapsed during the year	Outstanding at 31st December 2005
Directors	(iii)	8.80	1,800,000	–	(900,000)	–	–	900,000
	(iv)	9.54	9,776,000	–	(2,882,000)	(4,194,000)	–	2,700,000
	(v)	13.75	18,000,000	–	(500,000)	(8,700,000)	–	8,800,000
Continuous Contract Employees	(iii)	8.80	902,000	–	(648,000)	–	–	254,000
	(iv)	9.54	9,394,000	–	(2,600,000)	–	–	6,794,000
	(v)	13.75	35,990,000	–	(4,146,000)	(800,000)	–	31,044,000
Others	(iv)	9.54	1,320,000	–	(2,410,000)	4,194,000	–	3,104,000
	(v)	13.75	9,750,000	–	(1,250,000)	9,500,000	–	18,000,000
			86,932,000	–	(15,336,000)	–	–	71,596,000

31 Share capital (Continued)

(b) Share options (Continued)

Notes:

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

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

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

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

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

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

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

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

31 Share capital (Continued)

(b) Share options (Continued)

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

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

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

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

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

31 Share capital (Continued)

(b) Share options (Continued)

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

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

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

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

31 Share capital (Continued)

(b) Share options (Continued)

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

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

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

32 Reserves

Company

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

33 Long term borrowings

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

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

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

33 Long term borrowings (Continued)

(b) The maturity of borrowings is as follows:

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

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

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

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

33 Long term borrowings (Continued)

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

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

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

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

33 Long term borrowings (Continued)

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

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

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

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

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

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

33 Long term borrowings (Continued)

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

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

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

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

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

34 Deferred income tax

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

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

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

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

As at 31st December 2005, deferred income tax liabilities of US$36,617,000 (2004: US$24,643,000) have not been established for the withholding taxation that would be payable on the undistributed earnings of certain subsidiaries totalling US$122,055,000 (2004: US$82,145,000) as the directors considered that the timing of the reversal of the related temporary differences can be controlled and accordingly the temporary difference will not be reversed in the foreseeable future.

34 Deferred income tax (Continued)

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

Deferred income tax liabilities

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

Deferred income tax assets

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

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

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

34 Deferred income tax (Continued)

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

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

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

35 Contingent liabilities

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

36 Capital commitments

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

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

36 Capital commitments (Continued)

Note:

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

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

37 Operating lease arrangements/commitments

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

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

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

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

37 Operating lease arrangements/commitments (Continued)

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

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

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

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

38 Notes to the consolidated cash flow statement

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

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

38 Notes to the consolidated cash flow statement (Continued)

(b) Analysis of changes in financing during the year

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

38 Notes to the consolidated cash flow statement (Continued)

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

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

Notes:

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

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

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

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

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

39 Related party transactions

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

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

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

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

39 Related party transactions (Continued)

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

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

Notes:

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

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

39 Related party transactions (Continued)

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

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

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

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

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

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

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

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

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

39 Related party transactions (Continued)

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

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

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

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

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

(b) Balances with state-owned banks

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

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

39 Related party transactions (Continued)

(c) Balances with other state-owned enterprise

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

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

(d) Key management compensation

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

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

39 Related party transactions (Continued)

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

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

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

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

39 Related party transactions (Continued)

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

Notes:

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

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

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

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

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

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

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

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

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

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

Notes:

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

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

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

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

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

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

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

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

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

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

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

Notes:

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

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

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

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

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

Note:

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

41 Events after the balance sheet date

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

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

42 Details of subsidiaries

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

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

42 Details of subsidiaries (Continued)

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

42 Details of subsidiaries (Continued)

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

42 Details of subsidiaries (Continued)

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

42 Details of subsidiaries (Continued)

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

42 Details of subsidiaries (Continued)

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

42 Details of subsidiaries (Continued)

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

1 Shares held directly by the Company.

2 Subsidiaries not audited by PricewaterhouseCoopers.

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

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

43 Details of jointly controlled entities

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

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

43 Details of jointly controlled entities (Continued)

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

Notes:

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

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

44 Details of associates

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

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

Notes:

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

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

	For the year ended 31st December				
	2005	**2004**	**2003**	**2002**	**2001**
	US$'000	US$'000	US$'000	US$'000	US$'000
		(Restated)	(Restated)	(Restated)	(Restated)
Turnover	295,648	275,296	257,495	241,644	224,671
Operating profit after finance costs	205,092	133,421	109,341	91,916	99,038
Share of profits less losses of					
– jointly controlled entities	72,969	66,366	36,891	42,575	37,694
– associates	82,320	27,324	22,813	20,680	22,224
Profit before income tax	360,381	227,111	169,045	155,171	158,956
Income tax expenses	(22,426)	(18,021)	(12,502)	(10,929)	(3,487)
Profit for the year	337,955	209,090	156,543	144,242	155,469
Profit attributable to:					
Equity holders of the Company	334,937	206,646	154,685	142,543	154,457
Minority interests	3,018	2,444	1,858	1,699	1,012
	337,955	209,090	156,543	144,242	155,469
Dividends	190,333	117,662	87,568	79,904	64,576
Basic earnings per share (US cents)	15.28	9.57	7.20	6.64	7.21
Dividend per share (US cents)	8.65	5.40	4.08	3.72	3.01

	As at 31st December				
	2005	**2004**	**2003**	**2002**	**2001**
	US$'000	US$'000	US$'000	US$'000	US$'000
		(Restated)	(Restated)	(Restated)	(Restated)
Total assets	2,855,150	2,243,072	1,903,292	1,746,469	1,731,898
Total liabilities	(964,807)	(757,444)	(570,458)	(482,435)	(544,258)
Net assets	1,890,343	1,485,628	1,332,834	1,264,034	1,187,640

Notes:

1 The consolidated results of the Group for the two years ended 31st December 2005 and the assets and liabilities of the Group as at 31st December 2005 have been extracted from the audited financial statements of the Group as set out on pages 114 and 115 of the annual report.

2 The comparative figures of the results of the Group for the year ended 31st December 2004, 2003, 2002 and 2001 and the assets and liabilities of the Group as at 31st December 2004, 2003, 2002 and 2001 have been restated as a result of the adoption of the Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and interpretations issued by the Hong Kong Institute of Certified Public Accountants.

3 The Company was incorporated in Bermuda under the Companies Act 1981 of Bermuda (as amended) on 26th July 1994.

Historical Statistics Summary

Financial statistics

		1994	1995	1996	1997
Consolidated income statement summary	US$M				
Turnover					
Container leasing and related businesses		104.2	124.1	144.6	167.9
Container handling and storage		–	–	–	12.0
Container terminal		–	–	–	3.6
Total		104.2	124.1	144.6	183.5
EBITDA		101.0	125.4	162.8	192.6
Depreciation & amortisation		(48.2)	(61.4)	(72.8)	(52.1)
EBIT		52.8	64.0	90.0	140.5
Interest expenses		(12.9)	(18.8)	(22.5)	(27.9)
Interest income		0.6	1.7	4.0	11.1
Profit before taxation		40.5	46.9	71.5	123.7
Operating profit after finance costs		40.5	44.9	45.5	85.9
Profit attributable to equity holders of the Company		40.3	46.7	71.1	121.5
Breakdown of profit attributable to equity holders of the Company					
Container leasing and related businesses		40.3	45.1	43.2	82.4
Container terminal and related businesses		–	2.0	26.0	38.7
Logistics		–	–	–	–
Other operations		–	–	–	2.2
Net corporate financial income/(expenses)		–	1.3	4.6	(0.3)
Net corporate expenses		–	(1.7)	(2.7)	(1.5)
Total		40.3	46.7	71.1	121.5
Consolidated balance sheet summary	US$M				
Consolidated total assets		539.7	666.4	955.0	1,434.4
Consolidated total liabilities		306.3	310.9	350.4	666.4
Consolidated net assets		233.4	355.5	604.6	768.0
Consolidated total debts		278.5	289.1	320.3	600.0
Cash balances		74.0	14.3	178.6	38.4
Consolidated net debts		204.5	274.8	141.7	561.6
Per share data					
Capital and reserves attributable to the equity holders of the Company per share	US cents	0.23	0.21	0.31	0.37
Basic earnings per share	US cents	5.18	4.25	4.11	6.02
Dividend per share	US cents	0.26	1.83	1.92	2.12
Net asset value per share	HK$	1.784	1.671	2.460	2.919
Share price (as at 31st December)	US$	0.340	0.647	1.154	0.808
	HK$	2.650	5.050	9.000	6.300
Ratios					
P/E (as at 31st December)	Times	6.6	15.3	28.1	13.4
Dividend payout ratio	%	4.9	43.0	46.8	35.3
Return on total assets	%	7.5	7.7	8.8	10.2
Return on equity holders of the Company	%	17.2	15.9	14.8	17.8
Net debt-to-equity ratio	%	87.6	77.3	23.4	73.1
Interest coverage	Times	4.1	3.5	4.2	5.4
Other information					
Total number of shares issued	M	1,020.0	1,659.1	1,917.5	2,051.8
Weighted average number of ordinary shares issued	M	777.6	1,100.6	1,730.2	2,019.1
Market capitalisation (as at 31st December)	US$M	346.5	1,074.1	2,212.4	1,657.2

Notes:

1 The comparative figures of the results, assets and liabilities and related financial data as presented above have been restated as a result of the adoption of the Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and interpretations issued by the Hong Kong Institute of Certified Public Accountants.

1998	1999	2000	2001	2002	2003	2004	2005
202.1	205.1	202.1	209.4	225.0	239.7	257.0	276.3
10.8	10.9	10.5	9.6	8.8	8.8	7.2	6.8
4.2	4.6	5.3	5.7	7.8	9.0	11.1	12.5
217.1	220.6	217.9	224.7	241.6	257.5	275.3	295.6
234.8	237.3	245.6	258.8	254.6	274.1	351.1	499.3
(66.8)	(70.6)	(74.8)	(81.0)	(87.7)	(95.5)	(102.5)	(107.7)
168.0	166.7	170.8	177.8	166.9	178.6	248.6	391.6
(41.7)	(37.1)	(38.1)	(24.0)	(15.5)	(11.9)	(24.8)	(35.6)
3.1	5.1	12.2	5.2	3.8	2.3	3.3	4.4
129.4	134.7	144.9	159.0	155.2	169.0	227.1	360.4
81.1	83.7	81.8	99.0	91.9	109.3	133.4	205.1
126.7	128.8	140.0	154.5	142.5	154.7	206.6	334.9
85.2	80.4	72.5	81.1	76.1	80.7	103.2	115.7
39.9	40.4	47.7	44.3	58.4	68.3	89.4	150.0
–	–	–	–	–	–	6.7	9.2
11.2	11.4	16.2	29.3	12.2	13.4	12.9	66.9
(6.2)	(0.5)	6.4	2.9	(0.8)	(2.1)	0.5	2.3
(3.4)	(2.9)	(2.8)	(3.1)	(3.4)	(5.6)	(6.1)	(9.2)
126.7	128.8	140.0	154.5	142.5	154.7	206.6	334.9
1,549.7	1,631.3	1,558.9	1,731.9	1,746.4	1,903.3	2,243.0	2,855.1
683.6	631.6	470.9	544.3	482.4	570.5	757.4	964.8
866.1	999.7	1,088.0	1,187.6	1,264.0	1,332.8	1,485.6	1890.3
634.3	560.8	423.6	509.5	420.7	478.3	653.3	835.6
87.6	252.3	145.6	254.1	236.1	283.8	100.6	179.3
546.7	308.5	278.0	255.4	184.6	194.5	552.7	656.3
0.42	0.46	0.50	0.55	0.58	0.61	0.67	0.85
6.18	6.11	6.55	7.21	6.64	7.20	9.57	15.28
2.30	2.34	2.46	3.01	3.72	4.08	5.40	8.65
3.292	3.645	3.967	4.324	4.592	4.839	5.307	6.666
0.413	0.827	0.776	0.516	0.82	1.327	2.064	1.83
3.225	6.450	6.050	4.025	6.400	10.350	16.100	14.200
6.7	13.5	11.9	7.2	12.4	18.4	21.7	11.9
37.2	38.3	37.6	41.7	56.0	56.6	56.4	56.6
8.5	8.1	8.8	9.4	8.2	8.5	10.0	13.1
15.6	13.9	13.5	13.7	11.8	12.1	14.7	20.0
63.1	30.9	25.6	21.5	14.6	14.6	37.2	34.7
4.1	4.6	4.8	7.6	11.0	15.2	10.1	11.1
2,051.8	2,139.2	2,139.2	2,142.5	2,147.0	2,148.5	2,183.6	2,199.0
2,051.8	2,109.5	2,139.2	2,141.2	2,146.2	2,147.3	2,160.0	2,192.1
848.4	1,769.0	1,659.3	1,105.6	1,761.7	2,851.0	4,507.2	4,024.2

Operating statistics

		1994	1995	1996	1997
Container leasing					
Turnover	US$M	104.2	124.1	144.6	167.9
Breakdown of rental income					
- COSCON		98.9	114.4	126.0	138.6
- International Customers (long term lease)		4.7	6.8	14.0	17.5
- International Customers (master lease)		–	–	–	7.6
Fleet capacity	TEUs	261,570	291,083	343,245	469,951
Breakdown of fleet capacity by customers					
- COSCON	TEUs	222,810	246,973	282,160	335,117
- International Customers	TEUs	38,760	44,110	61,085	134,834
- COSCON	%	85.2	84.8	82.2	71.3
- International Customers	%	14.8	15.2	17.8	28.7
Breakdown of fleet capacity by types					
- Dry	TEUs	251,910	274,178	323,680	432,734
- Reefer	TEUs	7,314	13,245	15,789	28,889
- Special	TEUs	2,346	3,660	3,776	8,328
- Dry	%	96.3	94.2	94.3	92.1
- Reefer	%	2.8	4.5	4.6	6.1
- Special	%	0.9	1.3	1.1	1.8
Capital expenditure on containers	US$M	171.1	148.7	137.2	348.3
Purchase of new containers	TEUs	64,437	40,600	50,577	126,706
Disposal of Returned Containers	TEUs	–	–	–	1,421
Fleet age	Years	2.9	3.5	4.1	3.6
Utilisation rate					
COSCO Pacific (Florens)	%	100.0	100.0	100.0	97.5
Industry average	%	87.0	85.0	82.0	85.0
Number of customers		5	20	38	86
Container terminals					
Throughput	TEUs				
COSCO-HIT Terminal		–	1,193,000	1,152,574	1,302,409
Yantian Terminal (Phases I, II & III)		–	–	–	638,396
Shanghai Pudong Terminal		–	–	–	–
Shanghai Terminal		–	–	–	1,766,590
Zhangjiagang Win Hanverky Terminal		–	–	–	119,384
Yangzhou Yuanyang Terminal		–	–	–	–
Nanjing Longtan Terminal		–	–	–	–
Qingdao Qianwan Terminal		–	–	–	–
Qingdao Cosport Terminal		–	–	–	300,332
Dalian Port Container Co., Ltd.		–	–	–	–
Dalian Port Terminal		–	–	–	–
Yingkou Terminal		–	–	–	–
Tianjin Five Continents Terminal		–	–	–	–
COSCO-PSA Terminal		–	–	–	–
Antwerp Terminal		–	–	–	–
Total throughput of operating terminals		–	1,193,000	1,152,574	4,127,111
Container manufacturing					
Production volume	TEUs				
CIMC		–	–	–	–
Shanghai CIMC Reefer		–	–	770	8,850
Tianjin CIMC North Ocean		–	–	–	–
Shanghai CIMC Far East		–	–	–	–

*Shekou Terminal was disposed of on 23rd March 2005, and throughput from the terminal was excluded for 2005.

1998	1999	2000	2001	2002	2003	2004	2005
202.1	205.1	202.1	209.4	225.0	239.7	257.0	276.3
149.0	142.6	136.8	136.0	136.1	130.6	120.8	126.4
29.0	32.0	35.7	40.4	49.1	64.9	88.0	104.3
19.9	27.2	27.9	31.9	39.2	43.6	47.1	43.8
505,954	500,899	527,982	610,019	707,890	808,825	919,128	1,042,852
340,344	311,047	303,978	327,370	329,028	310,444	327,845	377,324
165,610	189,852	224,004	282,649	378,862	498,381	591,283	665,528
67.3	62.1	57.6	53.7	46.5	38.4	35.7	36.2
32.7	37.9	42.4	46.3	53.5	61.6	64.3	63.8
463,200	456,490	482,516	561,419	657,466	758,783	870,789	993,988
30,325	30,757	31,880	35,078	36,962	37,400	36,639	38,020
12,429	13,652	13,586	13,522	13,462	12,642	11,700	10,844
91.5	91.2	91.4	92.0	92.9	93.8	94.7	95.4
6.0	6.1	6.0	5.8	5.2	4.6	4.0	3.6
2.5	2.7	2.6	2.2	1.9	1.6	1.3	1.0
127.9	57.7	116.3	165.0	153.7	195.6	270.9	333.6
58,009	40,094	69,060	96,953	119,466	142,218	155,526	168,592
18,740	40,319	34,087	12,151	15,710	23,619	39,488	26,838
4.0	4.1	4.2	4.3	4.4	4.3	4.3	4.3
97.0	96.5	95.1	91.4	93.4	95.2	97.0	95.5
80.0	80.0	83.0	75.0	83.0	89.0	92.0	90.9
150	175	155	155	176	202	218	256
1,206,572	1,220,002	1,412,854	1,301,966	1,526,074	1,513,559	1,697,212	1,841,193
1,038,074	1,588,089	2,147,476	2,751,885	4,181,478	5,258,106	6,259,515	7,355,459
–	–	–	–	–	1,765,586	2,339,479	2,471,840
2,027,188	2,593,995	2,950,500	2,609,800	3,049,080	3,400,963	3,650,319	3,646,732
105,051	113,114	136,778	161,208	202,348	247,306	328,199	377,121
–	–	–	–	–	–	118,079	157,123
–	–	–	–	–	–	–	178,686
–	–	–	–	–	1,332,746	4,532,769	5,443,086
350,126	401,029	502,119	600,329	454,528	244,159	385,856	605,791
–	–	–	–	1,326,463	1,644,409	2,172,252	2,467,465
–	–	–	–	–	–	–	132,984
–	–	–	–	–	–	393,097	633,573
–	–	–	–	–	–	–	87,462
–	–	–	–	–	95,830	571,863	611,013
–	–	–	–	–	–	–	70,084
4,727,011	5,916,229	7,149,727	7,425,188	10,739,971	15,502,664	22,448,640	26,079,612
–	–	–	–	–	–	–	1,304,500
11,088	16,914	24,503	25,642	33,582	35,398	40,320	48,645
38,993	37,948	61,000	33,382	79,506	98,306	133,968	101,077
60,036	66,361	93,551	55,357	97,174	124,537	136,690	62,919

Corporate Information

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

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

Qualified Accountant
Mr. LAU Tai Ming, Eddy

Legal Counsel and Company Secretary
Ms. HUNG Man, Michelle

Place of incorporation
Bermuda

Registered office
Clarendon House
Church Street
Hamilton HM 11
Bermuda

Head office & principal place of business
49th Floor, COSCO Tower
183 Queen's Road Central
Hong Kong
Telephone: +852 2809 8188
Fax: +852 2907 6088
Website: www.coscopac.com.hk

Auditors
PricewaterhouseCoopers
Certified Public Accountants
22nd Floor
Prince's Building
Hong Kong

Solicitors
Coudert Brothers
Holman, Fenwick & Willan
Linklaters
Woo, Kwan, Lee & Lo

Principal bankers
ABN AMRO Bank N.V.
Bank of China (Hong Kong) Limited
ING Bank N.V.
Rabobank
The Hongkong and Shanghai Banking Corporation Limited

Principal registrar & transfer office in Bermuda
The Bank of Bermuda Limited
6 Front Street
Hamilton HM11
Bermuda

Hong Kong branch registrar & transfer office
Secretaries Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Hong Kong

Listing information / company stock code
The Stock Exchange of Hong Kong Limited: 1199
Bloomberg: 1199 HK
Reuters: 1199.HK

Concept & Design: Stepworks Company Limited   Printed by: SNP Vite Limited

COSCO Pacific Limited
49th Floor, COSCO Tower,
183 Queen's Road Central, Hong Kong
Telephone: +852 2809 8188
Facsimile: +852 2907 6088
E-mail: info@coscopac.com.hk
Website: www.coscopac.com.hk