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MANAGING DIRECTOR'S REPORT

COSCO International Holdings Limited (the "Company") and its subsidiaries (the "Group") is pleased to announce that the Group continued to attain a profitable result for the first half of 2001. Our core businesses have been steady and continued to contribute satisfactory returns to the Group for the period.

Business Review

Infrastructure

Henan Xinzhongyi Electric Power Co., Ltd. ("Henan Power Plant") is the major infrastructure investment of the Group. The overall performance of Henan Power Plant was good and continued to provide a steady income to the Group. Although competition was keen, its electricity production output increased by 12.9% in the first half of 2001 compared to the same period of last year.

Properties

The occupancy rate for the eight floors of COSCO Tower was maintained at 99% during the period. The rental income generated remained a major source of income for the Group.

The Phase I Zone I of Fragrant Garden, a jointly developed property development project in Shanghai with Shanghai Siping Development and Operation (Group) Co., Ltd., a company which is under the Shanghai Hongkou District Government, has been completed for occupation in June 2001. More than 90% of the Phase I Zone I units have been sold. Following such a promising result, pre-sale for the Phase I Zone II has been launched in June 2001. It is expected that the construction work of Phase II will commence in the second half of 2001. The Group will continue to reinforce its sale efforts on the Fragrant Garden.

On 29th June, 2001, the Group entered into a conditional agreement with COSCO Real Estate Development Company, upon completion of which the Group will own a 49% equity interest in a newly formed sino-foreign equity joint venture company, Beijing Tian Lin Property Development Co. Ltd. ("Tian Lin"). The total investment amount for Tian Lin is expected to be approximately Rmb640 million to develop two real estate development projects in Beijing – Ocean Prospect and Shenghuayuan Phase II.

The development project of two detached houses at Shatin Town Lot No. 217 Mei Wo Circuit has been completed and launched for sale.

Building Construction

Shun Shing Construction & Engineering Company, Limited ("SSCE"), a wholly-owned subsidiary of the Group has recorded a positive result for the period. The Private Sector Participation Scheme ("PSPS") Project at Shum Wan, Hong Kong named Broadview Court was launched for sale under the Home Ownership Scheme Phase 22B earlier this year. All the residential units have been sold. The shopping mall and car park will be available on the market at the end of this year.

For the six months ended 30th June, 2001, the value of construction contracts completed by SSCE amounted to HK\$1,475 million and the value of construction work in progress amounted to HK\$1,409 million.

High Technology

Ark Pioneer Microelectronics (Shenzhen) Limited 深圳艾科創新微電子有限公司 ("Ark Pioneer"), 51% owned by the Group, is engaged in the integrated circuits design business. During the period, the product development of three kinds of DualPort SRAM and 64-bit RISC processor were completed. With the successful launching of the products in Mainland China's market, the current situation of relying on foreign import will change. The potential market for Ark Pioneer's products is huge and management is aggressively building its market share.

Outlook

The Group will continue to sustain and strengthen its present operations and to actively seek investment opportunities that are related to the core businesses of the ultimate holding company, China Ocean Shipping (Group) Company ("COSCO"), which have good prospects.

Beijing has successfully bid for the hosting of Olympic Games in 2008. The Central Government will invest substantial amount of money and resources in infrastructure, property and other facilities in Beijing in the coming years. The two property projects of Tian Lin in Beijing invested by the Group will benefit from this.

China is coming to enter into the World Trade Organisation. This will bring ample business opportunities and Hong Kong's economy will benefit. We expect to see a more positive sentiment in business environment.

Appreciation

On behalf of the board of directors of the Company (the "Board"), I would like to take this opportunity to extend my sincere thanks to our business partners, bankers, clients, suppliers and shareholders for their support and trust extended to the Group. I also express my deepest thanks to all staff for their devotion and hard work.

On behalf of the Board
KWONG Che Keung, Gordon
Managing Director

Hong Kong, 7th September, 2001

INTERIM FINANCIAL RESULTS

The condensed consolidated income statement, condensed consolidated cash flow statement and condensed consolidated statement of recognised gains and losses for the six months ended 30th June, 2001, the condensed consolidated balance sheet as at 30th June, 2001 and selected explanatory notes (collectively "Condensed Interim Financial Statements") are unaudited as follows:

Condensed Consolidated Income Statement
for the six months ended 30th June, 2001

		Unaudited six months ended 30th June,	
	Note	2001 HK\$'000	2000 HK\$'000
TURNOVER	2	1,325,448	1,017,571
Cost of sales		(1,244,780)	(929,159)
Gross profit		80,668	88,412
Other revenues	2	8,790	15,274
Other operating income		1,248	7,686
Administrative expenses		(29,215)	(27,990)
Other operating expenses		(1,860)	(401)
OPERATING PROFIT	2,3	59,631	82,981
Finance costs		(31,971)	(44,528)
Share of results of associated companies		(368)	(673)
Share of results of a jointly controlled entity		(1,206)	—
PROFIT BEFORE TAXATION		26,086	37,780
Taxation	4	(3,765)	(1,717)
PROFIT AFTER TAXATION		22,321	36,063
Minority interests		(1,621)	(843)
PROFIT ATTRIBUTABLE TO SHAREHOLDERS		20,700	35,220
EARNINGS PER SHARE	5		
BASIC		1.49 cents	2.55 cents
FULLY DILUTED		1.49 cents	2.48 cents

Condensed Consolidated Balance Sheet
 as at 30th June, 2001

	Note	Unaudited 30th June, 2001 HK\$'000	Audited 31st December, 2000 HK\$'000
FIXED ASSETS	7	1,436,398	1,451,694
ASSOCIATED COMPANIES		5,931	6,296
JOINTLY CONTROLLED ENTITY		4,497	3,795
FIXED RETURN JOINT VENTURE		289,649	326,344
INVESTMENT SECURITIES		227,231	228,781
OTHER NON-CURRENT ASSET	9	94,491	92,709
CURRENT ASSETS			
Properties/Properties under development held for sale		1,438,015	1,351,541
Trade and other receivables	8	308,044	343,161
Other investments		9,192	10,979
Cash and bank balances	9	472,123	369,820
		2,227,374	2,075,501
CURRENT LIABILITIES			
Trade and other payable	10	354,486	434,860
Tax payable		9,373	5,679
Current portion of long-term bank loans	11	987,290	897,290
Unsecured bank loan		71,000	71,000
		1,422,149	1,408,829
NET CURRENT ASSETS		805,225	666,672
		2,863,422	2,776,291
Financed by:			
SHARE CAPITAL	12	139,424	138,196
RESERVES	13	2,411,441	2,404,662
ACCUMULATED LOSSES		(819,493)	(840,193)
SHAREHOLDERS' FUNDS		1,731,372	1,702,665
LONG-TERM BANK LOANS	11	1,084,174	1,027,416
MINORITY INTERESTS		47,876	46,210
		2,863,422	2,776,291

Condensed Consolidated Cash Flow Statement
for the six months ended 30th June, 2001

	Six months ended 30th June,	
	2001 HK\$'000	2000 HK\$'000
Net cash outflow from operating activities	(33,899)	(174,248)
Net cash (outflow)/inflow from returns on investments and servicing of finance	(15,850)	3,134
Tax paid	(71)	(309)
Net cash outflow from investing activities	(249)	(13,895)
Net cash inflow from financing activities	154,813	220,340
INCREASE IN CASH AND CASH EQUIVALENTS	104,744	35,022
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	296,882	384,698
Changes in exchange rates	(5)	(146)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	401,621	419,574
ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	566,614	478,781
Restricted bank deposits and bank deposits with maturity after three months from the date of placement	(164,993)	(59,207)
	401,621	419,574

Condensed Consolidated Statement of Recognised Gains and Losses
for the six months ended 30th June, 2001

	Six months ended 30th June,	
	2001 HK\$'000	2000 HK\$'000
Exchange differences arising on translation of financial statements of subsidiaries	(48)	826
Profit for the period	20,700	35,220
TOTAL RECOGNISED GAINS	20,652	36,046

Notes to Condensed Interim Financial Statements

1. Basis of preparation and accounting policies

The Condensed Interim Financial Statements are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") No. 25. "Interim Financial Reporting", issued by the Hong Kong Society of Accountants ("HKSA") and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange").

The Interim Financial Statements should be read in conjunction with the Annual Financial Statements for the year ended 31st December, 2000.

The accounting policies and methods of computation used in the preparation of the Interim Financial Statements are consistent with those used in the Annual Financial Statements for the year ended 31st December, 2000. The HKSA issued a number of new SSAPs and a revision of an existing SSAPs which are effective for accounting periods commencing on or after 1st January, 2001. These SSAPs do not have material impact to the Group's accounting policies as applicable to the preparation of the Condensed Interim Financial Statements.

2. Turnover, revenues, and segment information

The Group is principally engaged in building construction and civil engineering services, property investment and development, infrastructure investment, high technology and environmental protection business. Turnover represents the gross billing value of contracting work performed, sale of properties under development, income from investment in fixed return joint venture and gross rental income. Turnover and revenues recognised during the period are as follows:

	Six months ended 30th June,	
	2001 HK\$'000	2000 HK\$'000
Turnover		
Building construction	93,366	887,759
Sale of properties under development	1,145,442	37,516
Income from investment in fixed return joint venture	52,436	59,904
Gross rental income	34,204	32,392
	1,325,448	1,017,571
Other revenues		
Interest income	7,114	13,839
Dividend income from listed investments	1,676	1,435
	8,790	15,274
Total revenues	1,334,238	1,032,845

2. Turnover, revenues, and segment information (Cont'd)

An analysis of the Group's turnover and contribution to operating profit for the period by principal activities and markets is as follows:

	Building construction		Property development		Infrastructure investment		Property investment		Consolidated six months ended 30th June,	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
By principal activities:										
Turnover										
Segment turnover	198,501	1,071,591	1,145,442	37,516	52,436	59,904	34,204	32,392	1,430,583	1,201,403
Inter-segment transactions	(105,135)	(183,832)	—	—	—	—	—	—	(105,135)	(183,832)
Turnover of the Group	93,366	887,759	1,145,442	37,516	52,436	59,904	34,204	32,392	1,325,448	1,017,571
Contribution to operating profit										
Segment contribution to operating profit	3,387	41,378	(1,054)	9,517	16,887	19,330	24,460	22,416	43,680	92,641
Inter-segment transactions	(6,776)	(9,333)	34,330	—	—	—	—	—	27,554	(9,333)
Contribution to operating profit of the Group	(3,389)	32,045	33,276	9,517	16,887	19,330	24,460	22,416	71,234	83,308
Unallocated corporate expenses, net of income									(11,603)	(327)
Operating profit of the Group									59,631	82,981
By principal markets:										
Turnover										
Hong Kong									1,168,562	919,328
Mainland China									156,886	98,243
									1,325,448	1,017,571
Contribution to operating profit										
Hong Kong									42,087	58,129
Mainland China									29,147	25,179
									71,234	83,308
Unallocated corporate expenses, net of income									(11,603)	(327)
Operating profit of the Group									59,631	82,981

3. Operating profit

Operating profit is arrived at after crediting and charging the following:

	Six months ended 30th June,	
	2001 HK\$'000	2000 HK\$'000
Crediting		
Net rental income	33,218	31,389
Net realised and unrealised gains on other investments	—	7,364
Charging		
Depreciation, net of amount capitalised in construction contracts and properties under development for sale amounted to HK\$1,722,000 (2000: HK\$2,845,000)	13,405	13,180
Amortisation of the investment cost of a fixed return joint venture	36,695	40,625
Loss on disposal/write-off of fixed assets	—	401
Staff costs	15,948	17,487
Net realised and unrealised losses on other investments	1,374	—

4. Taxation

No Hong Kong profits tax has been provided as the Group has no assessable profit for the period (2000: Nil).

Mainland China taxation has been calculated on the estimated assessable profits derived from the Group's operations in Mainland China for the period at the rates of taxation prevailing in Mainland China.

The amount of taxation charged to the condensed consolidated income statement represents:

	Six months ended 30th June,	
	2001 HK\$'000	2000 HK\$'000
Provision for the period — Mainland China	3,765	1,717

5. Earnings per share

The calculation of basic and fully diluted earnings per share is based on the Group's profit attributable to shareholders of HK\$20,700,000 (2000: HK\$35,220,000).

The basic earnings per share is based on the weighted average number of 1,389,714,661 (2000: 1,381,364,584) shares in issue during the period.

The fully diluted earnings per share is based on 1,392,613,972 (2000: 1,418,980,439) shares which is the total of the weighted average number of shares in issue during the period and the weighted average of 2,899,311 (2000: 37,615,855) shares deemed to be issued at no consideration if all outstanding options and warrants had been exercised.

6. Interim dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30th June, 2001 (2000: Nil).

7. Fixed assets

	30th June, 2001 HK\$'000	31st December, 2000 HK\$'000
Net book value at 1st January	1,451,694	1,479,051
Additions/revaluation	545	6,166
Disposal/write-off	(714)	(6,966)
Depreciation	(15,127)	(26,557)
Net book value at period/year end	1,436,398	1,451,694

8. Trade and other receivables

At 30th June, 2001, trade and other receivables included trade receivables amounting to HK\$123,154,000 (2000: HK\$163,619,000). The ageing analysis of the trade receivables is as follows:

	30th June, 2001 HK\$'000	31st December, 2000 HK\$'000
Current – 90 days	79,224	106,583
91 – 180 days	26,218	27,599
Over 180 days	17,712	29,437
	123,154	163,619

8. Trade and other receivables (Cont'd)

For construction services, interim application for progress payments of construction contracts are normally on a monthly basis and settled within one month, with retention monies withheld but released on the issuance of relevant maintenance certification. For receivable from a fixed return joint venture, investment income is receivable according to the terms of the joint venture contract.

9. Cash and bank balances

	30th June, 2001 HK\$'000	31st December, 2000 HK\$'000
Cash and bank balances	566,614	462,529
Restricted bank deposits	(94,491)	(92,709)
	472,123	369,820

The Group's bank deposits of approximately HK\$94,491,000 (2000: HK\$92,709,000) are restricted for the purpose of a long-term banking facility granted to the Group.

10. Trade and other payables

At 30th June, 2001, trade and other payables included trade payables amounting to HK\$239,369,000 (2000: HK\$275,767,000). The ageing analysis of the trade payables is as follows:

	30th June, 2001 HK\$'000	31st December, 2000 HK\$'000
Current – 90 days	57,905	221,316
91 – 180 days	61,646	14,583
Over 180 days	119,818	39,868
	239,369	275,767

11. Long-term bank loans

	30th June, 2001 HK\$'000	31st December, 2000 HK\$'000
Bank loans		
Secured	1,902,674	1,735,916
Unsecured	168,790	188,790
	2,071,464	1,924,706
Amount repayable within one year included in current liabilities	(987,290)	(897,290)
	1,084,174	1,027,416
The bank loans are repayable as follows:		
Within one year	987,290	897,290
In the second year	264,174	245,416
In the third to fifth year	40,000	80,000
After the fifth year	780,000	702,000
	2,071,464	1,924,706

12. Share capital

	30th June, 2001		31st December, 2000	
	Number of shares	HK\$'000	Number of shares	HK\$'000
Authorised:				
Shares of HK\$0.1 each	3,000,000,000	300,000	3,000,000,000	300,000
Issued and fully paid:				
Shares of HK\$0.1 each				
At 1st January	1,381,959,291	138,196	1,379,978,911	137,997
Issue of shares upon the exercise of share options/warrants	12,280,000	1,228	1,980,380	199
At 30th June/31st December	1,394,239,291	139,424	1,381,959,291	138,196

13. Reserves

The increase in reserves during the period comprise an increase in share premium account of HK\$6,827,000 (2000: HK\$1,172,000) as a result of the issue of shares upon the exercise of the share options and warrants and a decrease of HK\$48,000 (2000: an increase of HK\$826,000) in exchange fluctuation reserve.

14. Commitments

At 30th June, 2001, the Group had the following commitments:

(a) Operating Lease Commitments

The Group had total future aggregate minimum lease payment under non-cancellable operating leases in respect of land and buildings as follows:

	30th June, 2001 HK\$'000	31st December, 2000 HK\$'000
Within one year	167	167
In the second to fifth years inclusive	251	334
	418	501

(b) Financial Commitments

	30th June, 2001 HK\$'000	31st December, 2000 HK\$'000
Financial commitments in respect of investment in a jointly controlled entity: Contracted but not provided for	296,052	—

On 29th June, 2001, the Group entered into a conditional agreement with COSCO Real Estate Development Company (中遠房地產開發公司), a wholly owned subsidiary of China Ocean Shipping (Group) Company (中國遠洋運輸(集團)總公司), the ultimate holding company of the Group, upon completion of which the Group will own a 49% equity interest in a sino-foreign equity joint venture company. The total investment by the Group amounts to HK\$296,052,000 of which approximately HK\$49,952,000 represents the consideration for the acquisition of the 49% equity interest, and approximately HK\$246,100,000 will be an advancement of shareholders' loans to the joint venture company. The principal activity of the joint venture company is property development in Mainland China. The acquisition is to be completed after certain conditions precedent specified in the agreement being fulfilled on or before 31st December, 2001.

15. Contingencies

	30th June, 2001 HK\$'000	31st December, 2000 HK\$'000
Performance bonds in respect of performance and completion of construction contracts	63,037	63,037

In addition, the Group has given a guarantee to indemnify Hong Kong Housing Authority ("HKHA") for claims against the HKHA in respect of the timely completion of a property development project undertaken by the Group.

16. Related party transactions

Apart from the transaction disclosed in note 14(b), the Group had the following significant related party transactions carried out in the normal course of the Group's business during the period:

	Six months ended 30th June,	
	2001 HK\$'000	2000 HK\$'000
Rental income received from		
An intermediate holding company	1,302	1,569
Fellow subsidiaries	20,246	18,494

Ten tenancy agreements were entered into between certain subsidiaries of the Company as landlords, and COSCO (Hong Kong) Group Limited ("COSCO (Hong Kong)"), the intermediate holding company, or subsidiaries of COSCO (Hong Kong) as tenants, for the lease of certain properties of the Group at COSCO Tower at an average monthly rental of approximately HK\$40 per square feet.

MANAGEMENT DISCUSSION AND ANALYSIS

Analysis of results

The Group attained a turnover of HK\$1,325,448,000 for the period ended 30th June 2001, an increase of approximately 30% as compared to the previous corresponding period. The increase was mainly attributable to the sale of the Boardview Court PSPS Project at Shum Wan, Hong Kong, which contributed a turnover of HK\$1,041,608,000 and the sales recognised from Fragrant Garden in Shanghai increased by HK\$66,318,000 during the period. The increases were however largely mitigated by the decrease in turnover from building construction activities as most of the construction projects had been substantially completed in last year. The contributions from infrastructure investment and property investment remained fairly constant during the current period.

Despite the increase in turnover, the profit attributable to shareholders decreased to HK\$20,700,000 for the current period from HK\$35,220,000 for the previous corresponding period. This is due to the decrease in profit contribution from building construction activities as a result of the lack of new construction contracts.

Analysis of financial resources and liquidity position

In the first half of 2001, shareholders' funds of the Group increased by 2% to HK\$1,731,372,000 resulting from the profit generated during the period and the issuance of new shares of the Company pursuant to the exercise of share options.

During the period, the Group entered into an agreement with a bank which had agreed to extend the repayment of a banking facility in respect of a three-year long-term bank loan of HK\$780,000,000 for 60 months, that is, on or before 18th June, 2006. As at 30th June, 2001, total banking facilities available to the Group amounted to HK\$2,388,615,000 of which HK\$2,142,464,000 had been utilised. The gearing ratio, which represents total bank loans over total assets, was approximately 50%.

Cash and bank balances excluding restricted bank deposits were HK\$472,123,000 as at 30th June, 2001 which represents 21% of the current assets. Armed with strong cash position and available banking facilities, the Group has adequate resources for its ongoing operations and future development.

OTHER INFORMATION

Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30th June, 2001 (2000: Nil).

Directors' Interests in Shares and Options

As at 30th June, 2001, the interests of the directors and chief executives and their associates in the shares of the Company and its associated corporations as recorded in the register required to be kept under section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

(1) Directors' interest in Shares

Name of Director	Number of shares held Personal Interests
Mr. Zhang Yongjian	1,478,400
Mr. Dong Shu Sen	1,500,000

(2) Directors' interests in share options granted by the Company

Name of Director	Number of share options held (Note)
Mr. Kwong Che Keung, Gordon	4,500,000
Mr. Zhang Yongjian	1,000,000
Mr. Dong Shu Sen	3,500,000

Note: These share options were granted on 20th March, 2000 under the share option scheme approved by the shareholders of the Company on 17th January, 1992 to the Directors and are exercisable at HK\$0.656 per share at any time between 20th March, 2001 and 16th January, 2002.

(3) Directors' interests in share options granted by associated corporation

Name of associated corporation	Name of Director	Number of share options held (Note)
COSCO Pacific Limited ("COSCO Pacific")	Mr. Kwong Che Keung, Gordon	250,000

Note: These share options were granted on 6th April, 2000 and are exercisable at HK\$3.584 per share at any time between 6th April, 2001 and 5th April, 2002.

Save as disclosed herein, as at 30th June, 2001, none of the directors and the chief executive of the Company had any interest in the share capital of the Company or any associated corporations (within the meaning of the SDI ordinance) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to section 28 of the SDI Ordinance (including the interests which they were deemed or taken to have under section 31 or part I of the Schedule to the SDI Ordinance) or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") or which are required, pursuant to section 29 of the SDI Ordinance, to be entered in the register referred to therein.

Substantial Shareholders

As at 30th June, 2001, the interests of those persons in the share capital of the Company as recorded in the register kept under section 16(1) of the SDI Ordinance were as follows:

Name of shareholders	Number of shares held
COSCO	829,360,511
COSCO (Hong Kong) Group Limited* ("COSCO (Hong Kong)")	829,360,511
True Smart International Limited*	527,060,904
COSCO Investments Limited*	302,299,607

* These companies are the wholly-owned subsidiaries of COSCO and their interests are recorded as the interests of COSCO.

Save as disclosed above, the Company has not been notified of any interests representing 10% or more of the issued share capital of the Company.

Specific Performance Obligations on Controlling Shareholder

Under paragraph 3.7.1 of Practice Note 19 of the Listing Rules, the Company discloses the following loan agreements which contain covenants requiring specific performance obligations of the controlling shareholder:

- (a) A HK\$1,129 million secured long term loan facility was granted by a syndicate of financial institutions with HSBC China Services Limited as agent to Century Metro Development Limited ("Century Metro"), a wholly-owned subsidiary of the Company, on 30th March, 1998 to finance the PSPS Project at Shun Wan Road, Aberdeen Inland Lot No. 435. The term loan is repayable on or before 31st January, 2002. The loan is guaranteed unconditionally and irrevocably by COSCO (Hong Kong) which undertakes amongst other conditions that it will remain the ultimate beneficial owner of at least 51% of the entire issued share capital of Century Metro and SSCE, unless consented by the agent acting on the instruction of majority of the syndicate.

- (b) A US\$100 million secured three-year term loan facility was granted by Bank of China, Hong Kong Branch to the Company in August 1998 to partly refinance the shareholder's loan advanced by COSCO (Hong Kong) when the Company acquired the beneficial interest in eight floors of the COSCO Tower in April 1998. On 18th June, 2001, the Company entered into an agreement with Bank of China, Hong Kong Branch to extend the repayment date of the loan facility for 60 months, that is, on or before 18th June, 2006 and the denominated currency of the loan facility was converted from US dollars to Hong Kong dollars with an equivalent amount of HK\$780 million. The loan is guaranteed unconditionally and irrevocably by COSCO (Hong Kong) which undertakes amongst other conditions that:
- (i) COSCO (Hong Kong) will procure that the ultimate holding company will maintain a 100% equity interest, either directly or indirectly, in it and such equity interest remains free from any security interest (save for any of such existing thereon prior to the date of the guarantee);
 - (ii) COSCO (Hong Kong) will procure that the ultimate holding company will maintain an equity interest, either directly or indirectly, of not less than 35% in the Company and such equity interest remains free from any security interest (save for any of such existing thereon prior to the date of the guarantee);
 - (iii) COSCO (Hong Kong) will maintain an equity interest, either directly or indirectly, of not less than 35% in COSCO Pacific, a fellow subsidiary of the Company, and such equity interest remains free from any security interest (save for any of such existing thereon prior to the date of the guarantee); and
 - (iv) COSCO (Hong Kong) will maintain an equity interest, either directly or indirectly, of not less than 35% in the Company and such equity interest being the single largest shareholding in the Company.

Purchase, Sale or Redemption of Listed Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30th June, 2001.

Corporate Governance

None of the directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not during the six months ended 30th June, 2001, in compliance with the Code of Best Practice as set out in the Appendix 14 of the Listing Rules.

Audit Committee

The Audit Committee has discussed the internal controls and financial reporting matters with management and reviewed the Interim Financial Statements for the six months ended 30th June, 2001.