中國遠洋控股股份有限公司

China COSCO Holdings Company Limited*

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

(Stock code : 1919)

ANNOUNCEMENT OF 2011 INTERIM RESULTS

RESULTS AND BUSINESS HIGHLIGHTS:

	First half of 2011 *RMB'000*	First half of 2010 *RMB'000*	Change
Revenues	**42,007,265**	45,570,667	-7.8%
Operating (loss)/profit	**(2,693,793)**	4,613,013	-158.4%
(Loss)/profit before income tax	**(1,429,978)**	4,849,840	-129.5%
(Loss)/profit attributable to equity holders of the Company	**(2,757,578)**	3,413,436	-180.8%
Basic (loss)/earnings per share	**RMB(0.2699)**	RMB0.3341	-180.8%

Our Board is pleased to announce the unaudited consolidated interim results of our Group for the six months ended 30 June 2011. The unaudited condensed consolidated interim financial information has been reviewed by the audit committee of our Company, comprising a majority of independent non-executive Directors.

The unaudited condensed consolidated interim income statement, the unaudited condensed consolidated interim statement of comprehensive income and the unaudited condensed consolidated interim balance sheet of our Group and its explanatory notes 1 to 11 as presented below are extracted from the unaudited condensed consolidated interim financial information of our Group for the six months ended 30 June 2011 (collectively the "**unaudited Condensed Consolidated Interim Financial Information**"), which has been reviewed by the international auditor of the Company, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

FINANCIAL INFORMATION

A. Unaudited Condensed Consolidated Interim Financial Information and notes thereto prepared in accordance with Hong Kong Accounting Standard 34

UNAUDITED CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2011

		Six months ended 30 June	
	Note	**2011**	**2010**
		RMB'000	*RMB'000*
			(Restated)
Revenues	3	**42,007,265**	45,570,667
Cost of services and inventories sold		**(42,737,779)**	(39,069,724)
Gross (loss)/profit		**(730,514)**	6,500,943
Other income, net		**501,387**	424,586
Selling, administrative and general expenses		**(2,464,666)**	(2,312,516)
Operating (loss)/profit	4	**(2,693,793)**	4,613,013
Finance income	5	**818,052**	273,528
Finance costs	5	**(777,686)**	(606,137)
		(2,653,427)	4,280,404
Share of profits less losses of			
- jointly controlled entities		**346,055**	291,327
- associates		**877,394**	278,109
(Loss)/profit before income tax		**(1,429,978)**	4,849,840
Income tax expenses	6	**(360,657)**	(969,081)
(Loss)/profit for the period		**(1,790,635)**	3,880,759
(Loss)/profit attributable to:			
Equity holders of the Company		**(2,757,578)**	3,413,436
Non-controlling interests		**966,943**	467,323
		(1,790,635)	3,880,759
		RMB	*RMB*
(Loss)/earnings per share for (loss)/profit attributable to equity holders of the Company	8		
- basic		**(0.2699)**	0.3341
- diluted		**(0.2700)**	0.3341
		RMB'000	*RMB'000*
			(Restated)
Distribution	7(a)	**92,687**	14,627

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2011

	Six months ended 30 June	
	2011	**2010**
	RMB'000	*RMB'000*
		(Restated)
(Loss)/profit for the period	**(1,790,635)**	3,880,759
Other comprehensive income/(loss)		
Available-for-sale financial assets		
- fair value losses, net of tax	**(64,859)**	(123,967)
- transferred to consolidated income statement upon sale	**—**	(47,890)
Cash flow hedges		
- transferred to consolidated income statement	**—**	(1,816)
Share of other comprehensive income/(loss) of jointly controlled entities and associates	**27,173**	(120,069)
Reclassification of an available-for-sale financial asset to an associate		
- release of investment revaluation reserve	**—**	(1,616,947)
- share of reserves	**—**	330,078
Release of reserves upon disposal of a jointly controlled entity	**(44,738)**	—
Release of exchange reserve upon reclassification of a jointly controlled entity to a subsidiary	**(77,471)**	—
Currency translation differences	**(685,983)**	(261,448)
Other comprehensive loss for the period, net of tax	**(845,878)**	(1,842,059)
Total comprehensive (loss)/income for the period	**(2,636,513)**	2,038,700
Total comprehensive (loss)/income for the period attributable to:		
Equity holders of the Company	**(3,427,607)**	2,481,249
Non-controlling interests	**791,094**	(442,549)
Total comprehensive (loss)/income for the period	**(2,636,513)**	2,038,700

UNAUDITED CONDENSED CONSOLIDATED INTERIM BALANCE SHEET AS AT 30 JUNE 2011

	Note	As at 30 June 2011 *RMB'000*	As at 31 December 2010 *RMB'000* *(Restated)*
ASSETS			
Non-current assets			
Property, plant and equipment		**71,788,976**	67,095,749
Investment properties		**483,871**	489,901
Leasehold land and land use rights		**2,668,273**	2,201,301
Intangible assets		**210,747**	210,495
Jointly controlled entities		**4,788,603**	4,572,020
Associates		**10,945,330**	10,910,150
Available-for-sale financial assets		**567,261**	634,607
Derivative financial assets		**114,447**	129,357
Deferred income tax assets		**2,094,932**	2,064,189
Restricted bank deposits		**420,588**	449,188
Loans to jointly controlled entities and associates		**453,502**	1,073,318
Other non-current assets		**636,643**	541,137
Total non-current assets		**95,173,173**	90,371,412
Current assets			
Inventories		**3,376,022**	2,116,866
Trade and other receivables	9	**13,307,655**	10,960,647
Tax recoverable		**6,302**	5,693
Restricted bank deposits		**632,030**	697,838
Cash and cash equivalents		**43,797,638**	46,683,220
		61,119,647	60,464,264
Assets held for sale		**—**	146,216
Total current assets		**61,119,647**	60,610,480
Total assets		**156,292,820**	150,981,892

	Note	As at 30 June 2011 RMB'000	As at 31 December 2010 RMB'000 (Restated)
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**10,216,274**	10,216,274
Reserves		**33,150,361**	36,693,220
Proposed final dividend		**—**	919,465
		43,366,635	47,828,959
Non-controlling interests		**15,429,588**	14,471,896
Total equity		**58,796,223**	62,300,855
LIABILITIES			
Non-current liabilities			
Long-term borrowings		**51,077,695**	54,927,482
Provisions and other liabilities		**1,283,491**	1,302,883
Deferred income tax liabilities		**3,676,463**	3,530,789
Other non-current liabilities		**92,003**	377,073
Total non-current liabilities		**56,129,652**	60,138,227
Current liabilities			
Trade and other payables	10	**24,165,088**	20,392,291
Derivative financial liabilities		**35,531**	61,024
Short-term borrowings		**1,656,492**	1,669,381
Current portion of long-term borrowings		**13,043,814**	4,200,211
Current portion of provisions and other liabilities		**1,643,934**	1,264,313
Tax payable		**822,086**	955,590
Total current liabilities		**41,366,945**	28,542,810
Total liabilities		**97,496,597**	88,681,037
Total equity and liabilities		**156,292,820**	150,981,892
Net current assets		**19,752,702**	32,067,670
Total assets less current liabilities		**114,925,875**	122,439,082

Notes

1 **General information**

China COSCO Holdings Company Limited (the "Company") was incorporated in the People's Republic of China (the "PRC") on 3 March 2005 as a joint stock company with limited liability under the Company Law of the PRC. The address of its registered office is 3rd Floor, No. 1 Tongda Square, Tianjin Port Free Trade Zone, Tianjin, the PRC. The H-Shares and A-Shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 30 June 2005 and The Shanghai Stock Exchange since 26 June 2007 respectively.

The businesses of the Company and its subsidiaries (the "Group") include the provisions of a range of container shipping, dry bulk shipping, managing and operating container terminals, container leasing and logistics services all over the world.

The directors of the Company (the "Directors") regard China Ocean Shipping (Group) Company ("COSCO"), a state-owned enterprise established in the PRC, as being the Company's parent company. COSCO and its subsidiaries (other than the Group) are collectively referred to as "COSCO Group".

As at 30 June 2011, the Group had completed the acquisitions from COSCO Group the equity interests in 6 entities ("Acquired Entities") for a total consideration of RMB86,363,000 as set out below:

(a) The Group acquired from COSCO Group a 70% equity interest in Costar Shipping Pte Ltd. for a cash consideration of SGD10,600,000 (equivalent to approximately RMB55,590,000). At the same time, the Group acquired the remaining 30% equity interest from the other shareholder;

(b) The Group acquired from COSCO Group a 70% equity interest in Coslink (M) Sdn Bhd for a cash consideration of SGD1,050,000 (equivalent to approximately RMB5,507,000);

(c) The Group acquired from COSCO Group a 100% equity interest in COSCO Uruguay S.A for a cash consideration of US$1,636,000 (equivalent to approximately RMB10,588,000);

(d) The Group acquired from COSCO Group a 98% equity interest in COSCO Argentina Maritime S.A. for a cash consideration of US$2,208,000 (equivalent to approximately RMB14,289,000);

(e) The Group acquired from COSCO Group a 51% equity interest in COSCO Chile S.A. for a cash consideration of US$4,000 (equivalent to approximately RMB27,000); and

(f) The Group acquired from COSCO Group a 99% equity interest in COSCO Peru S.A. for a cash consideration of US$56,000 (equivalent to approximately RMB362,000).

The Acquired Entities' parent company is COSCO and the aforesaid transactions were regarded as business combinations under common control. The unaudited condensed consolidated interim financial information for the six months ended 30 June 2010 has been restated as a result of the adoption of merger accounting for the above business combinations under common control. Details of relevant statements of adjustments for the common control combinations on the Group's results for the six months ended 30 June 2010 are set out in note 11.

The unaudited condensed consolidated interim financial information is presented in Renminbi ("RMB'') and all values are rounded to the nearest thousand except when otherwise indicated. This unaudited condensed consolidated interim financial information for the six months ended 30 June 2011 (the "unaudited Condensed Consolidated Interim Financial Information") was approved by the Board of Directors for issue on 25 August 2011.

This condensed consolidated interim financial information has not been audited.

2 **Basis of preparation and significant accounting policies**

This unaudited Condensed Consolidated Interim Financial Information has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" and the principles of merger accounting as prescribed in Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The unaudited Condensed Consolidated Interim Financial Information should be read in conjunction with the annual audited financial statements for the year ended 31 December 2010 (the "2010 Annual Financial Statements") which were prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRS") issued by the HKICPA.

Except as described below, the significant accounting policies and methods of computation used in the preparation of the unaudited Condensed Consolidated Interim Financial Information are consistent with the 2010 Annual Financial Statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

(a) **New and amended standards adopted by the Group**

The new/revised standards, amendments to standards and interpretations are mandatory for the financial year beginning 1 January 2011 are as follows:

HKAS 1 (Amendment)	"Presentation of Financial Statements"
HKAS 27 (Revised)	"Consolidated and Separate Financial Statements"
HKAS 32 (Amendment)	"Classification of Rights Issue"
HKAS 34 (Amendment)	"Interim Financial Reporting"
HKFRS 1 (Amendment)	"First time Adoption of Hong Kong Financial Reporting Standards"
HKFRS 1 (Amendment)	"Limited Exemption from Comparative HKFRS 7 Disclosure for First-time Adopers"
HKFRS 3 (Revised)	"Business Combinations"
HKFRS 7 (Amendment)	"Financial Instruments: Disclosures"
HK(IFRIC) — Int 13(Amendment)	"Customer Loyalty Programmes"
HK(IFRIC) — Int 14(Amendment)	"Prepayment of a Minimum Funding Requirement"
HK(IFRIC) — Int 19	"Extinguishing Financial Liabilities with Equity Instruments"

Except as described below, the adoption of the above does not have any significant impact to the Group's results for the six months ended 30 June 2011 and the Group's financial position as at 30 June 2011.

Adoption of HKFRS 1 (Amendment) "First time Adoption of Hong Kong Financial Reporting Standards"

HKFRS 1 (Amendment) allows first-time adopters to use an event-driven fair value as deemed cost for assets and liabilities, even if the event occurs after the date of transition to HKFRS. Such revaluation has to take place during the period covered by the first-time adopters' first set of HKFRS financial statements. When such a remeasurement occurs, any adjustment to that event-driven fair value is recognised in equity. The HKFRS 1 (Amendment) provides a limited time frame for reporting entities that have previously applied HKFRS 1 to retrospectively apply this amendment. Consequently, the Group has opted to apply this amendment in the year ending 31 December 2011.

The effect of adopting HKFRS 1 (Amendment) is as follows:

	As at 30 June 2011, before adoption of HKFRS 1 (Amendment)	**Adoption of HKFRS 1 (Amendment)**	**As at 30 June 2011**
	RMB'000	*RMB'000*	*RMB'000*
Property, plant and equipment	70,607,969	1,181,007	71,788,976
Investment properties	438,548	45,323	483,871
Leasehold and land use rights	2,560,094	108,179	2,668,273
Jointly controlled entities	4,676,517	112,086	4,788,603
Available-for-sale financial assets	560,404	6,857	567,261
Deferred income tax assets	1,983,165	111,767	2,094,932
Other assets	73,900,904	—	73,900,904
Total assets	154,727,601	1,565,219	156,292,820
Attributable to the equity holders of the Company	41,823,175	1,543,460	43,366,635
Non-controlling interests	15,429,588	—	15,429,588
Total equity	57,252,763	1,543,460	58,796,223
Deferred income tax liabilities	3,654,704	21,759	3,676,463
Other liabilities	93,820,134	—	93,820,134
Total liabilities	97,474,838	21,759	97,496,597

	As at 31 December 2010, as previously reported *RMB'000*	Adoption of HKFRS 1 (Amendment) *RMB'000*	Adoption of merger accounting (note 11) *RMB'000*	As at 31 December 2010, as restated *RMB'000*
Property, plant and equipment	66,145,178	931,689	18,882	67,095,749
Investment properties	443,271	46,630	—	489,901
Leasehold and land use rights	2,092,079	109,222	—	2,201,301
Jointly controlled entities	4,459,934	112,086	—	4,572,020
Available-for-sale financial assets	627,750	6,857	—	634,607
Deferred income tax assets	1,956,772	107,417	—	2,064,189
Other assets	73,816,831	—	107,294	73,924,125
Total assets	149,541,815	1,313,901	126,176	150,981,892
Attributable to the equity holders of the Company	46,508,553	1,293,266	27,140	47,828,959
Non-controlling interests	14,467,284	—	4,612	14,471,896
Total equity	60,975,837	1,293,266	31,752	62,300,855
Deferred income tax liabilities	3,509,983	20,635	171	3,530,789
Other liabilities	85,055,995	—	94,253	85,150,248
Total liabilities	88,565,978	20,635	94,424	88,681,037

	As at 1 January 2010, as previously reported *RMB'000*	Adoption of HKFRS 1 (Amendment) *RMB'000*	Adoption of merger accounting (note 11) *RMB'000*	As at 1 January 2010, as restated *RMB'000*
Property, plant and equipment	62,464,329	542,266	18,583	63,025,178
Investment properties	465,517	46,670	—	512,187
Leasehold and land use rights	2,058,623	115,825	—	2,174,448
Jointly controlled entities	4,398,655	112,086	—	4,510,741
Available-for-sale financial assets	2,734,777	6,857	—	2,741,634
Deferred income tax assets	2,129,159	107,830	—	2,236,989
Other assets	63,490,243	—	130,804	63,621,047
Total assets	137,741,303	931,534	149,387	138,822,224
Attributable to the equity holders of the Company	41,992,343	913,053	30,912	42,936,308
Non-controlling interests	10,592,472	—	6,773	10,599,245
Total equity	52,584,815	913,053	37,685	53,535,553
Deferred income tax liabilities	3,057,369	18,481	174	3,076,024
Other liabilities	82,099,119	—	111,528	82,210,647
Total liabilities	85,156,488	18,481	111,702	85,286,671

	For the six months ended 30 June 2011, before adoption of HKFRS 1 (Amendment)	Adoption of HKFRS 1 (Amendment)	For the six months ended 30 June 2011
	RMB'000	*RMB'000*	*RMB'000*
Cost of services and inventories sold	(42,659,189)	(78,590)	(42,737,779)
Selling, administrative and general expenses	(2,461,340)	(3,326)	(2,464,666)
Loss before income tax	(1,348,062)	(81,916)	(1,429,978)
Income tax expenses	(363,881)	3,224	(360,657)
Loss for the period	(1,711,943)	(78,692)	(1,790,635)
Loss attributable to equity holders of the Company	(2,678,886)	(78,692)	(2,757,578)

	For the six months ended 30 June 2010, as previously reported	Adoption of HKFRS 1 (Amendment)	Adoption of merger accounting (note 11)	For the six months ended 30 June 2010, as restated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost of services and inventories sold	(39,035,367)	(33,892)	(465)	(39,069,724)
Other income, net	419,727	2,461	2,398	424,586
Selling, administrative and general expenses	(2,289,122)	(3,363)	(20,031)	(2,312,516)
Profit before income tax	4,879,575	(34,794)	5,059	4,849,840
Income tax expenses	(966,988)	(717)	(1,376)	(969,081)
Profit for the period	3,912,587	(35,511)	3,683	3,880,759
Profit attributable to equity holders of the Company	3,445,950	(35,511)	2,997	3,413,436

(b) **New and amended standards not effective for the financial year beginning 1 January 2011 and have not been early adopted by the Group**

The HKICPA has issued certain revised standards, amendments to standards and interpretations which are not yet effective for the year ending 31 December 2011.

The Group has not early adopted the revised standards, amendments to standards and interpretations, which are not yet effective for the year ending 31 December 2011, in the unaudited Condensed Consolidated Interim Financial Information, but has already commenced an assessment of the related impact to the Group. The Group is not yet in a position to state whether any substantial changes to the Group's significant accounting policies and presentation of the financial information will be resulted.

3 **Revenues and segment information**

Revenues include gross revenues from operations of container shipping, dry bulk shipping, logistics, container terminal operations and container leasing, net of discounts allowed, where applicable. Revenues recognised during the period are as follows:

	Six months ended 30 June	
	2011	**2010**
	RMB'000	*RMB'000*
Revenues		*(Restated)*
Container shipping	**19,653,911**	20,420,262
Dry bulk shipping	**11,740,488**	16,468,807
Logistics	**8,297,505**	6,770,748
Container terminal operations	**798,707**	679,827
Container leasing	**442,710**	400,209
	40,933,321	44,739,853
Crew service income	**135,541**	81,508
Others	**938,403**	749,306
Total revenues	**42,007,265**	45,570,667

Operating segments

The chief operating decision-maker has been identified as the Board of Directors. The Board of Directors reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports and analysed from a business perspective:

- Container shipping and related business
- Dry bulk shipping and related business
- Logistics
- Container terminal operations and related business
- Container leasing, management, sale and related business
- Corporate and other operations that primarily comprise container manufacturing, investment holding, management services and financing.

Segment assets consist primarily of property, plant and equipment, investment properties, leasehold land and land use rights, intangible assets, derivative financial assets, restricted bank deposits, other non-current assets, inventories, receivables and cash and cash equivalents. Segment liabilities consist primarily of long-term borrowings, short-term borrowings, provisions and other liabilities, derivative financial liabilities, other non-current liabilities and payables. Addition to non-current assets comprises additions to property, plant and equipment, investment properties, leasehold land and land use rights, intangible assets, investments in jointly controlled entities and associates and other non-current assets (excluding finance lease receivables), including additions resulting from acquisitions through business combinations.

Unallocated assets consist of tax recoverable and deferred income tax assets. Unallocated liabilities consist of current and deferred income tax liabilities.

	Six months ended 30 June 2011							
	Container shipping and related business	**Dry bulk shipping and related business**	**Logistics**	**Container terminal and related business**	**Container leasing, management, sale and related business**	**Corporate and other operations**	**Inter-segment elimination**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Income statement								
Total revenues	**20,264,864**	**12,226,246**	**8,327,117**	**1,001,423**	**845,061**	**—**	**(657,446)**	**42,007,265**
Inter-segment revenues	**(15,840)**	**(6,927)**	**(29,612)**	**(202,716)**	**(402,351)**	**—**	**657,446**	**—**
Revenues (from external customers)	**20,249,024**	**12,219,319**	**8,297,505**	**798,707**	**442,710**	**—**	**—**	**42,007,265**
Segment (loss)/profit	**(946,853)**	**(2,675,120)**	**359,251**	**288,747**	**390,100**	**(109,918)**	**—**	**(2,693,793)**
Finance income								**818,052**
Finance costs								**(777,686)**
Share of profits less losses of								
- jointly controlled entities	**(11,319)**	**9,563**	**25,647**	**322,164**	**—**	**—**	**—**	**346,055**
- associates	**2,539**	**3,297**	**40,053**	**190,108**	**—**	**641,397**	**—**	**877,394**
Loss before income tax								**(1,429,978)**
Income tax expenses								**(360,657)**
Loss for the period								**(1,790,635)**
Depreciation and amortisation	**655,916**	**614,633**	**77,084**	**160,889**	**281,993**	**7,686**	**—**	**1,798,201**
Provision/(reversal of provision) for impairment of trade and other receivables, net	**8,622**	**4,075**	**94**	**68**	**(5,152)**	**(811)**	**—**	**6,896**
Amortised amount of transaction costs on long-term borrowings	**17,715**	**8,788**	**—**	**—**	**4,004**	**2,532**	**—**	**33,039**
Unrealised fair value loss on FFA, net	**—**	**35,531**	**—**	**—**	**—**	**—**	**—**	**35,531**
Provision for onerous contracts, net	**—**	**1,501,862**	**—**	**—**	**—**	**—**	**—**	**1,501,862**
Addition to non-current assets	**887,402**	**1,157,392**	**138,222**	**5,322,446**	**1,790,487**	**203**	**—**	**9,296,152**

	Six months ended 30 June 2010 (Restated)							
	Container shipping and related business	**Dry bulk shipping and related business**	**Logistics**	**Container terminal and related business**	**Container leasing, management, sale and related business**	**Corporate and other operations**	**Inter-segment elimination**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Income statement								
Total revenues	20,983,216	16,756,877	6,804,960	716,924	814,480	—	(505,790)	45,570,667
Inter-segment revenues	(15,143)	(5,067)	(34,212)	(37,097)	(414,271)	—	505,790	—
Revenues (from external customers)	20,968,073	16,751,810	6,770,748	679,827	400,209	—	—	45,570,667
Segment profit/(loss)	995,865	3,110,262	327,648	60,930	342,480	(224,172)	—	4,613,013
Finance income								273,528
Finance costs								(606,137)
Share of profits less losses of								
- jointly controlled entities	4,531	34,208	21,694	230,894	—	—	—	291,327
- associates	2,394	3,568	36,816	31,592	—	203,739	—	278,109
Profit before income tax								4,849,840
Income tax expenses								(969,081)
Profit for the period								3,880,759
Depreciation and amortization	637,196	613,739	77,118	82,958	277,147	1,426	—	1,689,584
(Reversal of provision)/provision for impairment of trade and other receivables, net	7,932	(6,645)	(13,826)	89	(4,168)	—	—	(16,618)
Amortised amount of transaction costs on long-term borrowings	10,863	8,638	—	580	—	2,780	—	22,861
Unrealised fair value loss on FFA, net	—	111,184	—	—	—	—	—	111,184
Provision for onerous contracts, net	—	374,448	—	—	—	—	—	374,448
Addition to non-current assets	1,545,588	1,604,090	505,826	3,661,636	700,459	26,978	—	8,044,577

	As at 30 June 2011							
	Container shipping and related business	**Dry bulk shipping and related business**	**Logistics**	**Container terminal and related business**	**Container leasing, management, sale and related business**	**Corporate and other operations**	**Inter-segment elimination**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Balance sheet								
Segment assets	**48,269,086**	**51,499,677**	**10,602,822**	**13,579,726**	**11,072,317**	**24,965,489**	**(22,552,227)**	**137,436,890**
Jointly controlled entities	**395,096**	**710,953**	**395,415**	**3,287,139**	**—**	**—**	**—**	**4,788,603**
Associates	**30,113**	**106,483**	**508,960**	**4,836,014**	**—**	**5,463,760**	**—**	**10,945,330**
Loans to jointly controlled entities and associates	**—**	**—**	**—**	**453,502**	**—**	**—**	**—**	**453,502**
Available-for-sale financial assets	**67,401**	**136,435**	**233,993**	**129,432**	**—**	**—**	**—**	**567,261**
Unallocated assets								**2,101,234**
Total assets								**156,292,820**
Segment liabilities	**38,581,778**	**30,157,983**	**6,040,204**	**8,531,836**	**5,940,142**	**26,298,332**	**(22,552,227)**	**92,998,048**
Unallocated liabilities								**4,498,549**
Total liabilities								**97,496,597**

	As at 31 December 2010 (Restated)							
	Container shipping and related business	**Dry bulk shipping and related business**	**Logistics**	**Container terminal and related business**	**Container leasing, management, sale and related business**	**Corporate and other operations**	**Inter-segment elimination**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance sheet								
Segment assets	49,574,550	51,961,204	9,007,440	7,477,924	11,167,131	26,813,663	(24,426,213)	131,575,699
Jointly controlled entities	421,395	710,330	387,907	3,052,388	—	—	—	4,572,020
Associates	30,946	108,256	510,822	5,222,255	—	5,037,871	—	10,910,150
Loans to jointly controlled entities and associates	—	14,731	—	1,058,587	—	—	—	1,073,318
Available-for-sale financial assets	70,876	155,893	242,270	165,568	—	—	—	634,607
Assets held for sale	—	—	—	146,216	—	—	—	146,216
Unallocated assets								2,069,882
Total assets								150,981,892
Segment liabilities	38,695,532	27,141,988	4,858,562	4,247,701	6,026,979	27,650,109	(24,426,213)	84,194,658
Unallocated liabilities								4,486,379
Total liabilities								88,681,037

Geographical information

(a) **Revenues**

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

Geographical	**Trade lanes**
America	Trans-Pacific
Europe	Asia-Europe (including Mediterranean)
Asia Pacific	Intra-Asia (including Australia)
China domestic	PRC coastal
Other international market	Trans-Atlantic and others

The revenues generated from provision of dry bulk shipping business services are classified into international shipping and PRC coastal shipping only.

For the geographical information, freight revenues from container shipping and dry bulk shipping are analysed based on the outbound cargoes or goods transport to each geographical territory.

In respect of logistics, container terminals operations, corporate and other operations, revenues are based on the geographical locations in which the business operations are located.

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

	Six months ended 30 June	
	2011	**2010**
	RMB'000	*RMB'000*
		(Restated)
Container shipping and related business		
- America	**5,938,106**	6,180,935
- Europe	**5,106,689**	5,884,055
- Asia Pacific	**3,193,360**	3,244,323
- China domestic	**5,276,825**	5,024,226
- Other international market	**734,044**	634,534
Dry bulk shipping and related business		
- International shipping	**11,241,957**	15,825,436
- PRC coastal shipping	**977,362**	926,374
Logistics, container terminal and related business, corporate and other operations		
- Europe	**366,570**	366,082
- Asia Pacific	**80,566**	21,377
- China domestic	**8,649,076**	7,063,116
Unallocated	**442,710**	400,209
Total	**42,007,265**	45,570,667

(b) **Non-current assets**

The Group's non-current assets, other than financial instruments and deferred income tax assets ("Geographical Non-Current Assets"), consist of its property, plant and equipment, investment properties, leasehold land and land use rights, intangible assets, jointly controlled entities and associates and other non-current assets (excluding finance lease receivables).

The container vessels, dry bulk vessels and containers (included in property, plant and equipment) are primarily utilised across geographical markets for shipment of cargoes throughout the world. Accordingly, it is impractical to present the locations of the container vessels, dry bulk vessels and containers by geographical areas and thus the container vessels, dry bulk vessels, containers and vessels under construction are presented as unallocated non-current assets.

In respect of the remaining Geographical Non-Current Assets, they are presented based on the geographical locations in which the business operations/assets are located.

	As at 30 June 2011	**As at 31 December 2010**
	RMB'000	*RMB'000*
		(Restated)
China domestic	31,691,945	26,605,382
Non-China domestic	3,300,697	2,846,277
Unallocated	56,424,388	56,551,271
Total	91,417,030	86,002,930

4 **Operating (loss)/profit**

Operating (loss)/profit is stated after charging / (crediting) the following:

	Six months ended 30 June	
	2011	**2010**
	RMB'000	*RMB'000*
		(Restated)
Crediting:		
Gain on disposal of property, plant and equipment		
- containers	**—**	7,136
- container vessels	**—**	26,751
- dry bulk vessels	**—**	243,075
- others	**2,359**	21,050
Reversal of provision for impairment of trade and other receivables	**8,431**	31,812
Government subsidy	**156,355**	48,166
Dividend income from listed and unlisted investments	**16,241**	13,704
Gain on disposal of available-for-sale financial assets	**—**	47,890
Net gain on derivatives at fair value through profit or loss		
- Foreign exchange forward contracts	**—**	2,688
- FFA	**—**	36,691
Gain on disposal of jointly controlled entities	**82,156**	767
Gain on release of exchange reserve upon reclassification from a jointly controlled entity to a subsidiary	**77,471**	—
Charging:		
Loss on disposal of property, plant and equipment		
- containers	**17,723**	—
Depreciation		
- property, plant and equipment	**1,718,086**	1,615,709
- investment properties	**12,602**	12,159
Amortisation		
- leasehold land and land use rights	**34,815**	28,289
- intangible assets	**26,110**	26,949
- concessions	**6,588**	6,478
Cost of bunkers consumed	**7,768,823**	6,132,008
Operating lease rentals:		
- container vessels	**1,752,049**	1,755,566
- dry bulk vessels	**7,420,733**	8,422,524
- containers	**521,051**	351,959
- land and buildings	**75,533**	75,970
- other property, plant and equipment	**160,470**	136,905
Provision for impairment of trade and other receivables	**15,327**	15,194
Provision for onerous contracts	**1,501,862**	374,448
Cost of inventories sold		
- resaleable containers	**37,057**	91,680
- marine supplies and others	**28,821**	25,729
- merchandises	**1,523,469**	369,243
Net loss on derivatives at fair value through profit or loss		
- FFA	**7,331**	—

5 **Finance income and costs**

	Six months ended 30 June	
	2011	**2010**
	RMB'000	*RMB'000*
		(Restated)
Finance income		
Interest income from:		
- deposits with COSCO Finance	**(47,506)**	(54,008)
- loans to jointly controlled entities and associates	**(5,686)**	(11,481)
- banks	**(332,956)**	(208,039)
Net exchange gain	**(431,904)**	—
	(818,052)	(273,528)
Finance costs		
Interest expenses on:		
- bank loans	**420,547**	376,844
- other loans wholly repayable within five years	**10,425**	1,060
- loans with COSCO Finance	**1,978**	14,606
- finance lease obligations	**4,730**	5,396
- notes	**324,785**	219,095
Fair value loss/(gain) on derivative financial instruments	**12,091**	(28,752)
Fair value adjustment of notes attributable to interest rate risk	**(16,448)**	31,490
	(4,357)	2,738
	758,108	619,739
Amortised amount of transaction costs on long-term borrowings	**33,039**	22,861
Amortised amount of discount on issue of notes	**1,511**	4,448
Other incidental borrowing costs and charges	**28,085**	30,508
Less: amount capitalised in construction in progress	**(43,057)**	(71,419)
	777,686	606,137
Net finance (income)/costs	**(40,366)**	332,609

6 Income tax expenses

	Six months ended 30 June	
	2011	**2010**
	RMB'000	*RMB'000*
		(Restated)
Current income tax		
- PRC enterprise income tax (note a)	**186,373**	160,656
- Hong Kong profits tax (note b)	**1,093**	974
- Overseas taxation (note c)	**43,539**	96,675
Over provision in prior periods	**(219)**	(819)
	230,786	257,486
Deferred income tax (note d)	**129,871**	711,595
	360,657	969,081

Notes:

(a) **PRC enterprise income tax ("EIT")**

The provision for EIT is based on the statutory rate of 25% on the assessable income of each of the PRC companies of the Group as determined in accordance with the relevant PRC income tax rules and regulations for the period, except for certain PRC companies, which are taxed at reduced rates ranging from 10% to 24% (2010: 11% to 22%) based on different local preferential policies on income tax and approval by relevant tax authorities.

(b) **Hong Kong profits tax**

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profits derived from or arising in Hong Kong for the period.

(c) **Overseas taxation**

Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in which the Group operates. These rates range from 13% to 46% (2010: 13% to 46%) during the period.

(d) **Deferred income tax**

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

As at 30 June 2011, the unrecognised deferred income tax liabilities were RMB1,690,586,000 (31 December 2010: RMB1,644,535,000), relating to income tax and withholding tax that would be payable for undistributed profits of certain overseas subsidiaries, as the Directors considered that the timing for the reversal of the related temporary differences can be controlled and such temporary differences will not be reversed in the foreseeable future. The total undistributed profits of these overseas subsidiaries as at 30 June 2011 amounted to RMB7,348,847,000 (31 December 2010: RMB6,991,097,000).

As at 30 June 2011, the Group had tax losses of RMB13,167,793,000 (31 December 2010: RMB9,140,675,000), which were not recognised for deferred tax assets as the Directors considered that the utilisation of these tax losses in the foreseeable future is not probable.

7 **Distribution and dividends**

(a) **Distribution**

	Six months ended 30 June	
	2011	**2010**
	RMB'000	*RMB'000*
Consideration in connection with the purchase of Acquired Entities (note i)	**86,363**	—
Distribution to former shareholder (note ii)	**6,324**	14,627
	92,687	14,627

(i) The amount represented consideration paid by the Group for acquisition of Acquired Entities from COSCO Group during the period (note 1). These acquisitions were regarded as business combinations under common control.

(ii) The amounts represented distribution to former shareholders of the entities acquired from COSCO Group.

(b) **Dividends**

(i) At the meeting held on 29 March 2011, the Directors proposed a final cash dividend of RMB0.09 per share, totalling RMB919,465,000 for the year ended 31 December 2010. The final cash dividend, which was approved at the annual general meeting of the Company held on 17 May 2011, was paid in June 2011 and had been reflected as an appropriation of retained profits for the year ending 31 December 2011.

(ii) The Board of Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2011 (2010: Nil).

8 **(Loss)/earnings per share**

(a) **Basic**

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

	Six months ended 30 June	
	2011	**2010**
		(Restated)
(Loss)/profit attributable to equity holders of the Company (RMB)	**(2,757,578,000)**	3,413,436,000
Number of ordinary shares in issue	**10,216,274,357**	10,216,274,357
Basic (loss)/earnings per share (RMB)	**(0.2699)**	0.3341

(b) **Diluted**

Diluted (loss)/earnings per share is calculated based on the (loss)/profit attributable to equity holders of the Company after adjusting the effect for assumed issuance of shares on exercise of share options of a subsidiary and the number of ordinary shares in issue during the period.

	Six months ended 30 June	
	2011	**2010** *(Restated)*
(Loss)/profit attributable to equity holders of the Company (RMB)	**(2,757,578,000)**	3,413,436,000
Adjustment on the effect of dilution	**(578,812)**	—
	(2,758,156,812)	3,413,436,000
Number of ordinary shares in issue	**10,216,274,357**	10,216,274,357
Diluted (loss)/earnings per share (RMB)	**(0.2700)**	0.3341

9 **Trade and other receivables**

	As at 30 June 2011 *RMB'000*	**As at 31 December 2010** *RMB'000* *(Restated)*
Trade receivables (notes a and b)		
- third parties	**6,927,143**	5,610,890
- subsidiaries of COSCO	**196,938**	163,437
- jointly controlled entities	**37,379**	44,835
- associates	**5,219**	11,662
- other related companies	**56,440**	73,339
	7,223,119	5,904,163
Bills receivables (notes a and b)	**308,404**	196,613
	7,531,523	6,100,776
Prepayments, deposits and other receivables		
- third parties	**4,394,449**	3,864,864
- subsidiaries of COSCO (note c)	**365,839**	318,623
- jointly controlled entities (note c)	**381,891**	303,846
- associates (note c)	**366,080**	203,301
- other related companies (note c)	**255,037**	162,392
	5,763,296	4,853,026
Current portion of finance lease receivables	**12,836**	6,845
Total	**13,307,655**	10,960,647

Notes:

(a) Trading balances with related parties are unsecured, interest free and have similar credit periods as third party customers.

(b) The normal credit period granted to trade receivables of the Group is generally within 90 days. Trade receivables primarily consist of voyage-related and logistics related receivables. As at 30 June 2011, the ageing analysis of trade and bills receivables was as follows:

	As at 30 June 2011 *RMB'000*	**As at 31 December 2010** *RMB'000* *(Restated)*
1-3 months	**7,088,190**	5,849,551
4-6 months	**352,575**	148,271
7-12 months	**59,452**	88,758
1-2 years	**57,322**	63,544
2-3 years	**45,862**	36,210
Over 3 years	**100,905**	98,942
	7,704,306	6,285,276
Provision for impairment	**(172,783)**	(184,500)
	7,531,523	6,100,776

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

10 **Trade and other payables**

	As at 30 June 2011 *RMB'000*	As at 31 December 2010 *RMB'000* *(Restated)*
Trade payables (note a)		
- third parties	**6,543,123**	5,679,828
- subsidiaries of COSCO	**1,986,229**	882,182
- jointly controlled entities	**192,941**	135,498
- associates	**297,456**	52,129
- other related companies	**47,752**	54,073
	9,067,501	6,803,710
Bills payables (note a)	**1,099,701**	831,341
	10,167,202	7,635,051
Advance from customers	**3,264,707**	2,871,071
Other payables and accruals	**9,800,275**	9,350,582
Consideration payable to COSCO	**—**	92,699
Construction costs payable to		
- a subsidiary of COSCO	**366,034**	91,658
- a related company	**—**	101,261
	366,034	192,919
Due to related parties (note b)		
- COSCO	**17,497**	—
- subsidiaries of COSCO	**63,439**	72,350
- jointly controlled entities	**178,674**	63,535
- associates	**7,378**	5,799
- other related companies	**299,882**	108,285
	566,870	249,969
Total	**24,165,088**	20,392,291

Notes:

(a) As at 30 June 2011, the ageing analysis of trade and bills payables was as follows:

	As at 30 June 2011	As at 31 December 2010
	RMB'000	*RMB'000* *(Restated)*
1-6 months	**9,613,866**	7,052,973
7-12 months	**213,285**	243,497
1-2 years	**181,759**	228,648
2-3 years	**128,576**	71,373
Over 3 years	**29,716**	38,560
	10,167,202	7,635,051

Trading balances with related parties are unsecured, interest free and have similar terms of repayment as those of third party suppliers.

(b) The other payables due to related parties are unsecured, interest free and have no fixed terms of repayment, except for an amount due to a jointly controlled entity of RMB150,000,000 (31 December 2010: Nil), which bears interest at 3% per annum and is repayable in September 2011, and an amount due to a non-controlling shareholder of a subsidiary of RMB200,000,000 (31 December 2010: Nil), which bears interest at 4.074% per annum and is repayable in September 2011.

11 Business combinations under common control

The Group adopts merger accounting for common control combinations in respect of the acquisition of acquired entities as mentioned in note 1.

Statements of adjustments for business combinations under common control on the Group's results for the six months ended 30 June 2010 are summarised as follows:

	As previously reported	Adoption of HKFRS 1 (Amendment)	Adoption of merger accounting			As restated
			Acquired entities	Note	Adjustments	
	RMB'000	*RMB'000*	*RMB'000*		*RMB'000*	*RMB'000*
Six months ended 30 June 2010						
Revenues	45,547,579	—	43,007	(i)	(19,919)	45,570,667
Profit before income tax	4,879,575	(34,794)	5,059		—	4,849,840
Income tax expenses	(966,988)	(717)	(1,376)		—	(969,081)
Profit for the period	3,912,587	(35,511)	3,683		—	3,880,759

	As previously reported	Adoption of HKFRS 1 (Amendment)	Adoption of merger accounting			As restated
			Acquired entities	Note	Adjustments	As restated
	RMB'000	*RMB'000*	*RMB'000*		*RMB'000*	*RMB'000*
As at 31 December 2010						
Assets						
Non-current assets	89,037,051	1,313,901	21,293	(ii)	(833)	90,371,412
Current assets	60,504,764	—	233,856	(iii)	(128,140)	60,610,480
Total assets	149,541,815	1,313,901	255,149		(128,973)	150,981,892
Equity						
Share capital	10,216,274	—	14,742	(ii)	(14,742)	10,216,274
Reserves	35,372,814	1,293,266	17,729	(ii)	9,411	36,693,200
Proposed final dividend	919,465	—	—		—	919,465
	46,508,553	1,293,266	32,471		(5,331)	47,828,959
Non-controlling interests	14,467,284	—	114	(ii)	4,498	14,471,896
Total equity	60,975,837	1,293,266	32,585		(833)	62,300,855
Liabilities						
Non-current liabilities	60,117,421	20,635	171		—	60,138,227
Current liabilities	28,448,557	—	222,393	(iii)	(128,140)	28,542,810
Total liabilities	88,565,978	20,635	222,564		(128,140)	88,681,037
Total equity and liabilities	149,541,815	1,313,901	255,149		(128,973)	150,981,892

Note:

(i) Adjustments to eliminate the inter-group transactions for the six months ended 30 June 2010.

(ii) Adustments to eliminate the investment cost and share capital of the Acquired Entities against reserves and non-controlling interests.

(iii) Adjustments to eliminate the inter-group balances as at 31 December 2010.

No other significant adjustments were made to the net assets and net profit of any entities as a result of the common control combinations to achieve consistency of accounting policies.

B. Differences between financial information reported under A- and H-shares

The table below is extracted from the interim financial statements prepared under the China Accounting Standards ("CAS") and reviewed by RSM China Public Certified Accountants, LLP, the Company's PRC auditor. In previous years, assets are stated at historical costs less depreciation in the HKFRS financial information while under the CAS financial statements, assets are carried at revalued amount less depreciation. The Group adopted HKFRS 1 (Amendment) in 2011, therefore the difference was eliminated.

	Unaudited consolidated (loss)/profit attributable to equity holders of the Company		**Unaudited consolidated equity attributable to equity holders of the Company**	
	For six months ended 30 June		**As at 30 June**	**As at 31 December**
	2011	**2010**	**2011**	**2010**
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
As prepared under CAS	**(2,710,567)**	3,530,022	**43,366,635**	47,779,603
1. Difference in recognition of cost basis of assets	**(47,011)**	(39,680)	**—**	49,356
2. Difference in recognition and treatment on functional currency	**—**	(75,984)	**—**	—
3. Difference in recognition of prior year adjustment to the non-controlling interests	**—**	(922)	**—**	—
Total differences	**(47,011)**	(116,586)	**—**	49,356
As prepared under HKFRSs	**(2,757,578)**	3,413,436	**43,366,635**	47,828,959

MANAGEMENT DISCUSSION AND ANALYSIS

CONTAINER SHIPPING AND RELATED BUSINESS

Market review

In the first half of 2011, the increase in the demand of international container was lower than expected as the recovery of the global economy slowed down. Therefore, the accelerated increase in shipping capacity resulted in excess supply in international container shipping market and the freight rates of major routes declined as compared with the corresponding period of the previous year. Average CCFI for the first half of 2011 was 1,025, representing a decrease of 7.8% as compared with the corresponding period of the previous year. In particular, average CCFI of Trans-Pacific route and Asia-Europe route decreased by approximately 2% and over 25% respectively. The operating costs of shipping companies increased significantly due to the ever-rising international fuel price. The operating environment of the industry has been challenging.

Results performance

In the first half of this year, shipping volume of the container shipping and related business of the Group amounted to 3,239,634 TEUs, representing an increase of approximately 9.8% as compared to the same period in 2010. Revenues amounted to RMB20,249,024,000, representing a decrease of 3.4% as compared to the same period in 2010.

Shipping volume by routes

	For the six months ended 30 June		
	2011	**2010**	**Change**
	TEUs	*TEUs*	*%*
Trans-Pacific	747,776	748,424	-0.1
Asia-Europe (including Mediterranean)	717,305	588,288	21.9
Intra-Asia (including Australia)	810,353	792,086	2.3
Other international (including Atlantic)	124,418	81,739	52.2
PRC	839,782	739,583	13.5
Total	3,239,634	2,950,120	9.8

Revenue by routes

	For the sixth months ended 30 June		
	2011	**2010**	**Change**
		(Restated)	
	RMB'000	*RMB'000*	*%*
Trans-Pacific	5,913,156	6,166,382	-4.1
Asia-Europe (including Mediterranean)	4,889,916	5,587,190	-12.5
Intra-Asia (including Australia)	3,047,142	3,118,171	-2.3
Other international (including Atlantic)	731,433	632,830	15.6
PRC	1,757,328	1,691,289	3.9
Sub-total	16,338,975	17,195,862	-5.0
Chartered out	180,872	245,609	-26.4
Related business	3,729,177	3,526,602	5.7
Total	20,249,024	20,968,073	-3.4

Fleet development

In the first half of 2011, the Group had 4 new container vessels with a total capacity of 43,230 TEUs. As at 30 June 2011, the operating fleet of the Group included 153 container vessels with a total capacity of 634,835 TEUs, representing an increase of 6.3% as compared to the same period in 2010 and an increase of 3.4% as compared to the end of 2010.

In the first half of 2011, the Group had no new orders for container vessels. As at 30 June 2011, the Group had an order book of 34 container vessels with a total shipping capacity of 270,352 TEUs.

Order book of container vessels:

Year	**Owned**		**Chartered-in**		**Total**	
	Number of vessels	**TEUs**	**Number of vessels**	**TEUs**	**Number of vessels**	**TEUs**
2011			2	26,184	2	26,184
2012	10	42,500	4	52,368	14	94,868
2013	14	95,900			14	95,900
2014	4	53,400			4	53,400
Total	28	191,800	6	78,552	34	270,352

Operating strategies

The Company timely adjusted the allocation of shipping capacity in response to the changes in the market. In particular, the Company strengthened its cooperation with CKYH Alliance and optimized the allocation of shipping capacity of Europe and America routes. The Company also strived to expand its businesses in emerging markets and launched Far East- West Coast of South America Route and Europe-East Coast of South America Route.

To cope with the oil price hike and risks of local battles in some of the regions, the Group introduced and launched freight rate adjustment plans. However, due to intensifying market competition and imbalanced supply and demand, the freight rate adjustment plans were not fully implemented. To avoid market risks, the Group strived to optimize its freight rate structure and adopted separate mechanisms for ocean freight rate, bunker surcharge, inland fuel surcharge and peak season surcharge as well as floating surcharge in Trans-Pacific routes.

Grasping the opportunities brought by the state polices to boost domestic demand, the Company strived to develop domestic trading market in coastal areas and achieve balanced development between import and export as well as foreign trading and domestic trading. The Group continued to focus on maintaining relationship with major customers and actively carried out the strategy of global key accounts (GKA) to secure more contracts with domestic high-end customers of traditional car-knock-down business (CKD). Market share in the high-end freight market kept increasing.

The Group initiated negotiations on price rates with suppliers to minimize the increase of costs. In addition, while maintaining sufficient operational containers, the proportion of container leasing business was reduced to achieve effective cost control of containers. A special cost control committee was set up to promote systematic cost control and enhance cost control awareness.

The Group was committed to fulfilling the obligations of the Global Compact for low carbon development. In the first half of the year, outstanding progress was achieved in the speed reduction of 16 major routes (excluding domestic trading routes). The Company introduced, upgraded and promoted the technology of using main fuel injector with slide valve (主機滑閥式噴油器), which was selected as one of the national demonstrative transportation projects of energy saving in the PRC. In addition, the Development and Application Projects of Dynamic Control Technology for Efficient Use of Energy of Major Shipping Enterprises (大型航運企業能效動能管控技術開發與應用項目) passed the national technological assessment of the Chinese Academy of Science and received high recognition among experts.

Market outlook

In the second half of 2011, the global economic environment is complex and ever-changing. According to the forecast by Drewy in June this year, the global container shipping volume and shipping capacity will increase by 8.1% and 8.6% respectively in 2011. There is excessive supply in the market. In the second half of the year, it is expected that the delivery of 8000+TEU large vessels will put pressure to the major routes, including Asia-Europe and Trans-Pacific routes as uncertainties on the demands in Europe and the United States increase. However, the conditions of minor routes will be relatively satisfactory. The shipping companies will launch new freight rate adjustment plans and impose peak season surcharge when market opportunities arise.

Operation strategies

The Company further strengthened its cooperation and coordinated the development of conventional and emerging market, foreign trading and domestic trading market, and export and import market. By studying the overall shipping chain and the design of routes and products comprehensively, the Company optimized the routes layout. The Company also strived to expand its business in emerging markets and upgraded the structure of overall shipping network.

The Company exerted its effort in strengthening and improving its marketing activities. The Company adhered to its GKA strategy and increased the proportion of cargo of direct customers and FOB cargo. The Company improved its unique services by formulating marketing policies for and identifying targets of GKA customers.

Leveraging on the advantages of one-stop shipping services and targeting to maximize the overall benefits, the Company developed an extended service model focusing on customer-services and establishing related extended services platform, so as to further optimize relevant management flow and improve its efficiency. The Company continued to upgrade its services in respect of shipping capacity, services and marketing for GKA customers and launched professional services, including reefer and specialized container, in order to improve its customer services.

The Company strengthened its cost management and implemented control measures. The Company introduced a competition mechanism and an innovative cost management system. The Company identified appropriate transshipment ports and shipping routes and established relevant auxiliary routes based on the route layout and marketing policies of the Company. The Company maintained reasonable and sufficient equipment at the head office and regional branches based on the cargo flow. Through monitoring the changes in projects with substantial costs, the Company took further measures to control its cost effectively.

DRY BULK SHIPPING BUSINESS

Market review

In the first half of 2011, affected by the unstable global economy, the tightened macroeconomic control policies of China and frequent natural disasters occurred around the world, the demand growth of international dry bulk shipping market slowed down. With the shipping capacity speeding up, the international dry bulk shipping market experienced a decline as a result of the serious imbalance of demand and supply. BDI decreased to 1,043 on 4 February this year from 1,693 as at the beginning of this year, which was the lowest point in these two years. The cargo supply continued to recover afterwards, and BDI returned to approximately 1,500 gradually. However, due to the earthquake in Japan, the market experienced another decline. In the first half of the year, the average BDI was 1,372, representing a decrease of 56.7% as compared to the corresponding period of the previous year. Furthermore, due to the increasing fuel price, the operating environment of shipping companies became severe.

Results performance

The shipping volume of dry bulk shipping business of the Group in the first half of 2011 amounted to 136,249,252 tons, representing a decrease of 2.62% as compared to the same period last year. Dry bulk shipment turnover amounted to 687,600 million ton-nautical miles, representing an increase of 0.37% as compared to the same period last year. Revenue from operations amounted to RMB12,219,319,000, representing a decrease of 27.1% as compared to the same period last year. As at 30 June 2011, the fixed turnover ratio of dry bulk shipping business of the Company in 2011 was 63%. The fixed time chartering level of all vessels decreased by an average of approximately 30% as compared to the average level in 2010.

		January to June 2011	**January to June 2010**	**Change (Increase or Decrease) %**
Shipping volume by routes (tons)	International shipping	118,134,559	124,556,215	-5.16
	PRC coastal shipping	18,114,693	15,358,848	17.94
Shipping volume by cargo types (tons)	Coal	45,975,925	44,602,675	3.08
	Metal ore	62,593,614	64,643,251	-3.17
	Food	13,460,217	13,690,465	-1.68
	Other	14,219,496	16,978,672	-16.25
Dry bulk shipment turnover (thousand ton nautical miles)		687,619,094	685,058,325	0.37

Operating strategies

The Company monitored the market trends closely to formulate more accurate forecasts and improved profitability by grasping opportunities timely in response to the market cycles.

The Company continued to focus on developing business relationship with major customers by securing more cargo sources. The Company strengthened communication and connection with customers, increased cooperation and developed long-term cooperation with major customers and customers with high margin, so as to increase the profit margin of basic cargos. The Company explored new customers and new cargos by grasping the opportunities brought by the rapid growth of emerging market.

The Company exerted its effort to reduce its cost and improve its efficiency. Fuel costs were managed by implementing measures such as speed reduction, strict control on shipping schedule and reasonable fueling points and schedule. The Company also strengthened its arrangement of port capacity to reduce its shipping schedule costs.

The Company achieved a breakthrough in the specialization of operations in standardization of coastal vessels. On 23 June 2011, customization of the first batch of 8 COSCO coastal vessels operating in Yangtze and Southern China was completed. This will facilitate the standardization of coastal vessels in China and enhance the competitive edge of Group in the coastal dry bulk shipping market.

Fleet development

As at 30 June 2011, the Group operated 435 dry bulk vessels with a total of 37.871 million DWT, representing a decrease of 2.7% as compared to the same period last year and a decrease of 1.8% as compared to the end of last year. Among which, 234 vessels were self-owned vessels with a total of 18.867 million DWT. The average age of the vessels was 13.7 years. 201 vessels were chartered-in vessels with a total of 19.004 million DWT.

Capacity of the dry bulk vessels (as at 30 June 2011)

Existing capacity		**Owned**			**Chartered-in**		**Total**
Vessel type	**Number**	**DWT (Hundred thousand)**	**Average age (Years)**	**Number**	**DWT (Hundred thousand)**	**Number**	**DWT (Hundred thosuand)**
Capesize	39	807.6	6.6	56	984.3	95	1,791.9
Panamax	77	548.7	14.3	88	669.0	165	1,217.7
Handymax	87	427.1	13.1	28	149.8	115	576.9
Handysize	31	103.3	22.8	29	97.3	60	200.6
Total	234	1,886.7	13.7	201	1,900.4	435	3,787.1

As at 30 June 2011, the Group had an order book of 22 dry bulk vessels, with a total of 2,314,000 DWT, including 4 Capesize vessels with a total of 820,000 DWT, 8 Panamax vessels with a total of 920,000 DWT, and 10 Handymax vessels with a total of 574,000 DWT. In the first half of 2011, there were new orders of four 50,000-ton vessels operating in Yangtze and four 65,000-ton coastal vessels for Southern China, with a total capacity of 260,000 DWT.

Orders of the dry bulk vessels (as at 30 June 2011)

	2011		2012		2013		Total	
Vessel type	Number	DWT	Number	DWT	Number	DWT	Number	DWT
Capesize	2	410,000			2	410,000	4	820,000
Panamax			5	575,000	3	345,000	8	920,000
Handymax			2	115,000	8	459,000	10	574,000
Total	2	410,000	7	690,000	13	1,214,000	22	2,314,000

The status of the Company's FFAs

As at 30 June 2011, the balance of liabilities under FFAs amounted to RMB35,531,000.

Market outlook

In the second half of 2011, excessive shipping capacity will remain the primary factors affecting the growth of international dry bulk shipping market. According to the forecast by Clarkson in July this year, the global demand for dry bulk shipping in 2011 is expected to increase by 4% in terms of DWT and 13% in terms of shipping capacity. The development of international dry bulk shipping market will be supported by certain favorable factors in the second half of the year, including the acceleration of the construction of economic affordable housing in the PRC, the global reserve of thermal coal, the peak season of food shipment in North America and the opportunities brought by the post-earthquake reconstructions in Japan. However, market recovery will be restricted by the delivery of substantial shipping capacity.

Operation plans

We insist on operating our business in a prudent but flexible manner by closely monitoring the market trends and conducting more precise market research and analysis to grasp market opportunities. We will also formulate capacity schedule for medium to long term and optimize the allocation of current shipment capacity.

We continue to implement strict cost control in appropriate manners to reduce leasing fees. In addition, we will further control fuel consumption and reduce fuel costs by arranging reasonable routes, speed reduction, arranging appropriate fueling schedule and points and avoiding terminals with complicated conditions.

We will continue to develop business relationship with major customers through cooperation to secure more cargo sources and expand our market share.

We will reallocate the resources for dry bulk shipping to enlarge synergistic effects. We will push forward the reform on dry bulk shipping system and centralize the distribution of resources to maximize the overall effectiveness of the bulk carrier fleet.

We continue to strengthen the development of costal bulk carrier fleet to further enhance its market competitiveness in the dry bulk shipping market in coastal areas.

LOGISTICS BUSINESS

Market Review

In the first half of 2011, the logistics industry in the PRC maintained a steady increasing growth. In particular, the demand for social logistics continued to increase with a total volume of RMB74,700 billion, representing an increase of 13.7% over the corresponding period last year based on comparable pricing. The added-value in logistics business increased steadily with a total of RMB1,436 billion in the first half of the year, representing an increase of 14.2% over the corresponding period of last year based on comparable pricing, and accounting for 7% of the GDP and 16.6% of the added-value of the service sector. Its contribution to the development of economy and society continues to increase.

Results performance

During the first half of 2011, revenue of the logistics business of the Group amounted to RMB8,297,505,000 representing an increase of 22.5% as compared to the same period in 2010. The expanding business scale of supply chain logistics business is one of the main reasons leading to the increase in revenue.

The business volumes of major segments of COSCO Logistics are set out in the table below.

	For the six months ended 30 June 2011	2010	change %
Third party logistics			
Product logistics			
Home appliance logistics ('000 pcs)	45,938	44,884	2.3
Chemical logistics (RMB ten thousands)	6,731	5,081	32
Project logistics (RMB million)	820	543	51
Shipping agency business (vessels)	68,087	67,453	0.9
Freight forwarding business			
Marine shipping			
Bulk cargoes (thousand tons)	93,910	97,974	-4.2
Containers (TEUs)	1,186,405	1,104,033	7.5
Air-freight (tons)	59,234	55,646	6.4

Third party logistics

The development of product logistics business remained stable in the first half of 2011:

The business volume of home appliance logistics increased by 2% as compared with the same period of 2010. The income of chemical logistics business amounted to RMB67.31 million, representing an increase of 32% as compared to the same period in 2010, primarily because that we enhanced the sales and marketing efforts on leading industry players and consolidated the business relationship with current customers by offering more diversified range of services.

The Company achieved breakthroughs for its electronic products and chemical logistics businesses. We developed new projects with (among others) Acer, Asus, Dow Chemical and Eastman, which helped to further consolidate our market position. We cooperated with Taobao.com（淘寶網）to effectively promote the logistics system for online sales business of home appliances and electronic products. Cooperation between COSCO Logistics and Luzhou Laojiao achieved remarkable results, marking our first step in the new logistics business.

In the first half of the year, the turnover of project logistics reached RMB820 million, representing an increase of 51% as compared with the same period of 2010. Major projects include Nuclear Energy Projects, Air Bus 320 Project, and Shenzhen

Huaxing Project (深圳華興). In the first half of the year, the contract value of new project logistics business amounted to RMB630 million, representing an increase of 34% as compared with the same period of 2010, and the major projects included the Stung Russei Chrum hydro power station project in Cambodia with Huadian, transportation of the first batch of nuclear fuel for Sanmen nuclear power station, Anqing petrochemical project with Sinopec, and the Wassit power plant project in Iraq.

Shipping agency business

In the first half of 2011, our market share in the public shipping agency business, new shipping routes market and general cargo market amounted to 52%, 63% and 32% respectively. The number of vessels, net tonnage, transportation volume and number of containers of the integrated shipping agency business increased as compared with the same period last year. In the first half of the year, we provided shipping agency services to 68,087 vessels, representing an increase of 0.9% as compared with the same period last year, which further enhanced our dominant position in domestic shipping agency market.

Freight forwarding business

In the first half of 2011, the maritime logistics business of COSCO Logistics handled container cargoes totaling 1,186,405 TEUs, representing an increase of 7.46% as compared with the corresponding period of last year, and bulk cargoes totaling 93,910,000 tons, representing a decrease of 4.15% as compared with the corresponding period last year.

The air freight forwarding operations realized satisfactory performances and the business volume increased by 6.4% as compared with the same period last year.

Market outlook

The logistics market in China will remain its rapid growth in the second half of 2011, and it is expected that the overall logistics business volume will increase by approximately 14%. In terms of market segments, due to the further development of industrial transformation in China, electronic products logistics business will shift to inland from coastal areas and the chemical logistics market will continue to grow steadily. In addition, the "12th Five-Year" Plan of China and the strategy of "going out" of enterprises in China will continue to bring significant development opportunities to project logistics.

Operation plans

For product logistics, the Group will focus on the development of market segments, including electronic product logistics, chemical logistics and air freight logistics, and strive to increase its profitability. Electronic product logistics business will be expanded to central and northeast regions, so as to enhance the coverage of electronic businesses. In respect of chemical logistics, the Group will focus on improving the services quality to further consolidate and explore relationship with major customers.

For project logistics, in order to explore new markets, the Group will adhere to its intensive development model and endeavor to internationalize its operation. The Group will also further exert its effort to set up resources platform for land transportation of bulk cargo, formulate plan for expansion to the bulk transportation markets in central regions, develop its overseas operating network and explore strategic customers to further strengthen its development of overseas markets and long-term businesses.

For shipping agencies business, the Group will expand its business chain and push forward the transformation and upgrade of the business. The Group will focus on the management of service quality to maintain the leading position of its brand. The Group aims to achieve steady growth by enhancing its marketing.

For freight forwarding business, the Group will continue to focus on the principles of “integration, focus and enhancement” and improve the services provided to direct customers, so to develop a new stream of profit growth. The Group will strengthen its project development capability to increase the profitability of its businesses.

For air freight forwarding, the Group will increase its efforts in marketing and continue to explore direct customers and optimize its customer structure, so that the Group is able to reduce its reliance on the profit from operational customers and further increase the profit from self-operating businesses. The development of the coastal companies in the major ports of Shanghai and Beijing will also be boosted so that the competitiveness of the local markets will be strengthened and that the market share of the Company in these areas will be enhanced.

TERMINAL AND RELATED BUSINESS

Market review

In the first half of 2011, the global containers ports industry remained its growth. According to the forecast of Drewry in June this year, it is expected that the global container port throughput will increase by 8.3% in the first half of the year. The Asian market will increase by over 10% and will continue to be the main growth driver of the global port industry.

In the first half of 2011, the throughput of ports in China reached 77.696 million TEUs, representing an increase of 12.9% as compared to the corresponding period of the previous year. In terms of regions, the performance of ports in Bohai Rim was more remarkable. The growth in throughput of ports in Shenzhen and Shanghai were lower than the national average growth rate as a result of the sluggish recovery of economy in Europe and the United States.

Results performance

In the first half of 2011, the throughput of the container terminals of COSCO Pacific amounted to 24,249,265 TEUs, representing an increase of 19.7% as compared to the corresponding period of the previous year. The throughput of container terminals in China amounted to 21,126,861 TEUs, representing an increase of 20.1% as compared to the corresponding period of the previous year, and the increment was higher than the increase of 12.9% in the general market in China. The throughput of overseas terminals increased to 3,122,404 TEUs, representing an increase of 17.1% as compared to the corresponding period of the previous year. In 2010, COSCO Pacific acquired approximately 10% additional equity interests of Yantian Terminal, and the equity throughput of the Group increased by 31.0% to 6,537,509 TEUs.

The total throughput of terminals in Bohai Rim amounted to 9,522,797 TEUs, representing an increase of 31.8% as compared to the same period of the previous year. The total throughput of terminals in Yangtze River Delta increased by 22.1% as compared to the corresponding period of the previous year to 3,634,691 TEUs while the total throughput of terminals in Pearl River Delta and Southeast Coastal areas increased by 8.0% as compared to the corresponding period of the previous year to 7,969,373 TEUs.

Throughput of terminals

	For the six months ended 30 June		
	2011 (TEUs)	2010 (TEUs)	**Change (%)**
Bohai Rim	**9,522,797**	**7,224,112**[Note1]	**31.8**
Qingdao Qianwan Container Terminal Co., Ltd.[Note 2]	**6,269,091**	4,982,054	25.8
Dalian Port Container Terminal Co., Ltd.	**945,716**	787,558	20.1
Tianjin Five Continents International Container Terminals Co., Ltd.	**976,863**	909,696	7.4
Tianjin Port Euroasia International Container Terminal Co., Ltd.	**649,091**	—	—
Yingkou Container Terminals Co., Ltd.	**682,036**	544,804	25.2
Yangtze River Delta	**3,634,691**	**2,977,905**[Note1]	**22.1**
Shanghai Pudong International Container Terminals Co., Ltd.	**1,167,619**	1,083,764	7.7

	For the six months ended 30 June		
	2011	**2010**	**Change**
	(TEUs)	(TEUs)	(%)
Ningbo Yuan Dong Terminals Operation Co., Ltd.	**1,035,691**	780,544	32.7
Zhangjiagang Win Hanverky Container Terminal Co., Ltd.	**484,687**	397,267	22.0
Yangzhou Yuanyang International Terminals Co., Ltd.	**191,964**	141,492	35.7
Nanjing Port Longtan Container Co., Ltd.	**754,730**	574,838	31.3
Pearl River Delta and Southeast Coastal areas	**7,969,373**	**7,382,063**	**8.0**
COSCO-HIT Terminals (Hong Kong) Ltd.	**821,851**	765,177	7.4
Yantian International Container Terminals Ltd.	**4,734,794**	4,597,521	3.0
Guangzhou South China Oceangate Container Terminal Co., Ltd.	**1,685,432**	1,376,392	22.5
Quanzhou Pacific Container Terminal Co., Ltd.	**576,799**	496,404	16.2
Jinjiang Pacific Ports Development Co., Ltd.	**150,497**	146,569	2.7
Overseas	**3,122,404**	**2,667,015**	**17.1**
COSCO-PSA Terminal Private Ltd.	**513,758**	550,437	-6.7
Antwerp Gateway NV	**607,633**	360,970	68.3
Suez Canal Container Terminal S.A.E.	**1,516,733**	1,378,881	10.0
Piraeus Container Terminal S.A.	**484,280**	376,727	28.5
Total container throughput	**24,249,265**	**20,251,095[Note1]**	**19.7**

Note 1: The throughput of containers in 2010 excluded the throughput of Qingdao Cosport Terminal and Shanghai Container Terminals Limited (Shanghai Terminal, which COSCO Pacific of the Group held 10% euqity interests). COSCO Pacific, a subsidiary of the Group, disposed of its 50% equity in Qingdao Cosport Terminal in April 2011 and Shanghai Terminal transformed its operations in January 2011 and ceased to handle containers. The throughput of these two terminal companies in the first half of 2010 amounted to 628,811 TEUs and 1,548,142 TEUs respectively.

Note 2: Qingdao Qianwan United Container Terminal Co., Ltd. ("Qingdao Qianwan United Terminal") is a jointly controlled entity of Qingdao Qianwan Terminal. The throughput of Qingdao Qianwan Terminal included the throughput of Qingdao Qianwan United Terminal. The throughput of Qingdao Qianwan United Terminal amounted to 933,291 TEUs in the first half of 2011.

Note 3: In the first half of 2011, the total bulk cargo throughput amounted to 12,945,477 tons (11,747,101 tons in the same period in 2010), representing an increase of 10.2%; the throughput of Dalian Automobile Terminal Co., Ltd. amounted to 79,302 units (64,097 units in the same period of 2010), representing an increase of 23.7%.

Market outlook

Overall speaking, though the global economic recovery path is full of risks and challenges, as the global economy will remain its growth momentum and the China economy will develop steadily, it is expected that the growth of terminal industry will continue in 2011.

Operation plans

In the second half of 2011, the Group will closely monitor the market changes, optimize and improve the operating mechanism and management of terminals by formulating and adjusting investments and operating strategies of terminals in a timely manner, so as to expand the global terminal network, thereby maintaining sustainable growth of terminal business. In addition, the Group will strive to enhance the handling capacity and operational efficiency of terminals in order to provide more value-added services for customers and increase competitiveness of terminals.

It is expected that 8 new berths will commence operation in the second half of the year. Among which, Xiamen Ocean Gate Container Terminal Co., Ltd. will commence trial operation in the fourth quarter this year, where 2 berths will commence operation in that terminal with an annual throughput of 1,400,000 TEUs.

The Group will further accelerate the renovation of Pier 2 of the Piraeus Terminal in Greece, a wholly-owned terminal of the Group. 3 new super panamax container crane hoists and 8 rail-mounted gantries for yard container were installed at the end of September 2010 and in April 2011 respectively and 3 new super panamax container crane hoists will be installed in October 2011. The renovation is expected to complete by the end of the year. The handling capacity of Piraeus Terminal will be further enhanced with the installation of new equipments.

CONTAINER LEASING, MANAGEMENT AND SALES BUSINESS

Market review

In the first half of 2011, the container leasing market maintained the momentum in 2010 to develop steadily. There were thriving demands for container leasing service as most of the shipping companies have formulated the annual container leasing plans for 2011.

Results performance

Florens Container Holdings Limited, a subsidiary of the Group, continued to rank the third largest container leasing company in the world. As at 30 June 2011, the size of the container fleet of Florens was 1,713,872 TEUs, representing an increase of 7.3%

as compared to the same period last year and accounting for approximately 13.0% of the container leasing market in the world. Its average leasing rate was 96.8%, representing an increase of 1.4 percentage points as compared to the same period last year, which was higher than the average level of the industry. The containers purchased by the Group in 2010 contributed to full-year rental income in the year 2011 and led to an increase in rental income in the first half of 2011.

The Group continued to operate under the business model with light asset base to reduce its operating risks and balance the proportion of self-owned containers, managed containers and sale and leaseback containers. As at 30 June 2011, the fleet size of self-owned containers increased to 798,638 TEUs, representing an increase of 3.3% as compared to the corresponding period of the previous year and accounting for 46.6% of the total number of containers. The fleet size of managed containers was 685,951 TEUs, representing a decrease of 2.9% as compared to the corresponding period of the previous year and accounting for 40.0% to the total number of containers. The fleet size of sale and leaseback containers was 229,283 TEUs, representing an increase of 94.2% and accounting for 13.4% to the total number of containers.

Market outlook

The overall recovery trend will not be affected by the uncertainties in the future development of the world economy. It is expected that the overall average leasing rate of global containers will remain relatively high in the second half of the year.

Operation plans

In the second half of 2011, the Group will continue to follow the trend of the market closely, implement its operation strategies and formulate prudent plans for procurement of new containers. The Group purchased new containers of 118,000 TEU in the first half of the year, of which 90% were rented by shipping companies. The Group will continue to deliver new containers to the shipping companies in the second half of the year to generate rental income.

CONTAINER MANUFACTURING

In the first half of 2011, COSCO Pacific, a subsidiary of the Group, held a 21.8% equity interest in CIMC, the world's largest container manufacturer. Following the global economic recovery in the second half of 2010, container market remained growth in the first half of 2011.

PRODUCTION SAFETY

In the first half of 2011, the Group focused on its production safety measures, strengthened its management, introduced "three action projects" in relation to the promotion and education of safety production at all levels, production safety supervision and production safety management, implemented "three establishment projects" regarding the production safety system, safe production capabilities and production safety management team, identified the problems and provided solutions, tackled the prominent problems and weaknesses of safe production, and investigated the hidden dangers imperiling the safety of its production. There was no material or critical accident, and the continuous stability of the entire production safety system of China COSCO was assured.

Accidents in the first half of 2011:

1. Marine accident: three accidents. According to the requirements of the Maritime Transport Accidents Statistics Reputation issued by the Ministry of Transport, all three accidents were minor accidents.

2. No engine accident.

3. No pollution accident.

4. Loading port inspections of 463 voyages, with no-defect confirmations issued for 316 voyages, representing a passing rate of 68.3% and two demurraged vessels, accounted for 0.43% of the total number of vessels.

5. Death and serious injuries: one serious industrial injury and death accident causing one death, representing an increase of one death as compared to the same period last year; thirteen minor accidents causing thirteen minor injuries.

ENERGY SAVING AND ENVIRONMENTAL PROTECTION

In the first half of 2011, the Group was devoted to environmental protection and energy saving. With continuous emphasis on its shipping companies with substantial fuel consumption and emission, the Group strengthened its energy management for container vessels and improved its reporting system for reducing energy consumption and pollutant discharge. It also proactively conducted research on new and clean energy, and the establishment of energy-saving and emission reduction standards. It lowered cost through measures such as applying technological findings, introducing technological inventions, increasing the use of advanced technology and reducing energy consumption.

According to the energy consumption index issued by the Ministry of Transport, in the first half of 2011, fuel consumption was 3.96 kg/thousand ton nautical miles, representing a decrease of 2.22% as compared to the same period last year.

TECHNOLOGY INNOVATION

In the first half of 2011, with respect to the establishment of innovative trial enterprises facilities, the Group continued to put efforts in technology innovation to further strengthen its core competitive edge.

In terms of technology development, the national key technology project of "Demonstration and Development of Supply Chain Application Systems based on Intelligent Container Public Service System"(基於智能集裝箱公共服務系統的供應鏈應用系統開發與示範), in which the Group had been participating, passed the inspection, and the research and development of the national project of "Information Technology Outsourcing of Large Enterprises"(大型骨幹企業資訊系統外包服務) was completed as planned. The Group proactively conducted research on the application of green vessels with engines of low-carbon emission and environmental-friendly and energy-saving technology, as well as demonstrative integration of supply chain, and proactively lodged applications for participating in national projects. The technological research and application project of "Dynamic Control and Management of Effectiveness and Efficiency for Large-scale Shipping Enterprises" (大型航運企業能效動態管控技術開發與應用) has passed the authentication by Shanghai Technology Commission (上海市科委). Its findings have generally met the international advanced standard with some achievements meeting the international leading standards.

As for informationalization, the Group pushed forward the second phase of the construction of application system. Establishment of the "New Container Management System" (新箱管系統) of COSCON as well as the first phase of Financial and Operation Statements Analysis System of COSCO Bulk were under progress. COSCO Logistics has prepared to establish a new international logistics operation system on the foundation of its core business system to further enhance the horizontal synergism of its business segments and the information management of logistics services.

In respect of vessel development, in the first half of 2011, new development progress was achieved in terms of green standardized vessels. The Group has entered into contracts for the first 8 vessels of COSCO coastal vessels operating in Yangtze and Southern China. These vessels are developed and designed by the Group according to the specific needs of our customers, and are specially designed to be the two largest vessel models for dry bulk logistics, with characteristics of shallow-drafted, heavy-loaded, fast-speeded and low energy-consumed. These vessels are the most advanced, environment-friendly and energy-reserved vessel models in China fulfilling the national requirement on green and environment-friendly vessels during the course of strategic transformation in the future, which also mark the trend of development for future standardized vessels in coastal areas of China.

FINANCIAL REVIEW

During the first half of 2011, the operational revenues of the Group amounted to RMB42,007,265,000, representing a decrease of RMB3,563,402,000, or 7.8%, as compared with RMB45,570,667,000 in the first half of 2010. The profit attributable to the equity holders amounted to RMB-2,757,578,000, representing a decrease of RMB6,171,014,000, or 180.8%, as compared with RMB3,413,436,000 in the first half of 2010. During the period, due to the global economic downturn and excessive shipping capacity, revenue from dry bulk shipping and container shipping and related business decreased by 27.1% and 3.4% respectively as compared to the same period last year. Together with the increase of costs resulting from the increase of expenses such as bunker cost, the Group's profit recorded a significant decrease as compared to the same period last year.

Operational revenues

In the first half of 2011, the operational revenues of the Group amounted to RMB42,007,265,000, representing a decrease of RMB3,563,402,000, or 7.8%, as compared to RMB45,570,667,000 in the first half of 2010, of which:

Revenue from container shipping and related business decreased by 3.4% to RMB20,249,024,000. In the first half of 2011, container shipping volume of the Group amounted to 3,239,634 TEUs, representing an increase of 9.8% as compared to that of first half of 2010. Average container freight rate was RMB5,043/TEU, representing a decrease of 13.5% as compared to that of first half of 2010. Average container freight rate of all routes decreased in the first half of 2011 as compared to the same period last year, among which, the revenue from Asia-Europe routes recorded the most significant decrease of 28.2%.

Revenue from the dry bulk shipping and related business decreased by 27.1% to RMB12,219,319,000. In the first half of 2011, the average level of BDI was merely 1,372 points, representing a decrease of 56.7% as compared with 3,165 points for the first half of 2010. Revenue from the dry bulk shipping business recorded a relatively large decrease due to the declining market.

As compared with the revenues in the first half of 2010, revenue from logistics operations increased by 22.5% to RMB8,297,505,000. Continuous growth of logistics business volume was recorded in the first half of 2011. In addition, the Group has expanded its supply chain logistics business, which led to an increase in revenue.

Revenue from the terminal and related business recorded an increase of 17.5% to RMB798,707,000. It was mainly attributable to the increase of RMB270,516,000 in revenue resulting from the consolidation of Guangzhou South China Oceangate Terminal. Besides, the throughput of Piraeus Terminal in Greece increased to 484,280 TEUs in the first half of 2011, representing an increase of 28.5% as compared to the same period in 2010.

Revenue from the container leasing business increased by 10.6% to RMB442,710,000. In the first half of 2011, revenue from container leasing business increased due to strong market demands.

Operational cost

In the first half of 2011, the operational cost of the Group increased by 9.4% to RMB42,737,779,000 as compared with the same period last year, of which:

The operational cost of container shipping and related business amounted to RMB19,480,551,000, representing an increase of RMB987,511,000, or 5.3%, as compared to the first half of 2010. During the period, due to the increase in both containers shipping volume and oil price, bunker costs increased to RMB4,936,753,000, representing an increase of RMB1,034,835,000, or 26.5%, as compared to the same period last year. During the first half of 2011, bunker costs accounted for 25.3% of the operational cost of container shipping and related business.

Total operational cost of dry bulk shipping and related business amounted to RMB14,534,115,000, representing an increase of RMB1,176,459,000, or 8.8%, as compared to the same period last year. Among which, bunker costs increased by RMB601,980,000, or 27.0%, to RMB2,832,070,000 and bunker costs accounted for 19.5% of the operational cost of the dry bulk shipping business. The total charter cost decreased by RMB1,001,791,000 or 11.9%. The reversal of provisions for onerous contracts in previous years amounted to RMB986,923,000, representing a decrease of RMB82,588,000 as compared to the same period last year. In addition, a provision of RMB1,391,224,000 was made for the onerous contracts for charter-in vessels held by the Company at the end of the period, representing an increase of RMB841,609,000 as compared to the same period last year.

The operational cost of the logistics business amounted to RMB7,467,510,000, representing an increase of 24.4%, as compared to the same period last year. Such increase was mainly attributable to the development and continuous expansion of supply chain logistics business.

The operational cost of terminal and related business amounted to RMB674,675,000, representing an increase of 7.0%, as compared to the same period last year. Such increase was primarily attributable to the operational cost of the consolidation of Guangzhou South China Oceangate Terminal from 1 January 2011, which was partly offset by the significant decrease of cost after the taking over of Piraeus Terminal in Greece on June 2010.

The operational cost of container leasing business amounted to RMB374,172,000, representing a decrease of 10.3% as compared to the same period last year. Such decrease was mainly due to the reduced number of returned containers sold upon expiry of lease.

Other expenses/income, net

The net amount of other income/(expenses) of the Group in the first half of 2011 amounted to RMB501,387,000, as compared to RMB424,586,000 in the first half of 2010. Regarding FFAs held by the dry bulk shipping companies of the Group, a loss of RMB7,331,000 was incurred during the period, as compared with a gain of RMB36,691,000 in the same period last year.

Selling, administrative and general expenses

In the first half of 2011, the administrative expenses of the Group amounted to RMB2,464,666,000, representing an increase of 6.6% as compared to the same period last year, which was mainly attributable to increases in expenses such as staff costs and travelling expenses.

Finance income

Finance income of the Group was mainly interest income from bank deposits. In the first half of 2011, finance income of the Group amounted to RMB818,052,000, representing an increase of RMB544,524,000, or 199.1% as compared to the first half of 2010. Such increase was primarily attributed to the foreign exchange gain from borrowings denominated in foreign currencies of approximately RMB431,904,000.

Finance cost

In the first half of 2011, the finance cost of the Group amounted to RMB777,686,000, representing an increase of RMB171,549,000, or 28.3% as compared to the same period last year, which was primarily due to the increase of interest expenses resulting from the issue of mid-term notes of RMB5 billion by the Company in the second half of 2010.

Share of profits less losses of jointly controlled entities and associates

Net profit contribution from jointly controlled entities and associates to the Group amounted to RMB1,223,449,000 during the first half of 2011, representing an increase of RMB654,013,000 as compared to RMB569,436,000 for the same period in 2010. During the period, investment income from CIMC amounted to RMB597,270,000, representing an increase of RMB413,466,000 as compared with the same period last year, and investment income from Yantian Terminal amounted to RMB152,981,000 (in the first half of 2010: nil).

Income tax expenses

In the first half of 2011, income tax expenses of the Group were RMB360,657,000, representing a decrease of RMB608,424,000 as compared to RMB969,081,000 in the same period last year. During the period, income tax expenses decreased as a result of a decline of operational results.

Working Capital, financial resources and capital structure

As at 30 June 2011, cash and cash equivalents of the Group decreased by RMB2,885,582,000, or 6.2%, to RMB43,797,638,000 as compared to 31 December 2010. During the period, operational costs of the Group increased, which was primary due to the cash used in product purchasing and crew service increased.

As at 30 June 2011, total outstanding borrowings of the Group were RMB65,778,001,000. After netting of cash and cash equivalents of RMB43,797,638,000, the net amount was RMB21,980,363,000.

The working capital and capital resources of the Group have always been and will continue to be generated from cash flows of operating activities, proceeds from new share issue and loan facilities from banks. Cash of the Group has been and is expected to be utilized for uses such as payment of operational cost, purchases of container vessels, dry bulk vessels and containers, investment in terminals, logistics projects and repayment of loans.

Debt analysis

By Category	As at 30 June 2011 *RMB'000*	As at 31 December 2010 *RMB'000*
Short-term borrowings	**1,656,492**	1,669,381
Long-term borrowings and bonds payable		
Within one year	**13,043,814**	4,200,211
In the second year	**17,284,987**	21,234,030
In the third to fifth years	**21,961,140**	22,044,757
After the fifth year	**11,831,568**	11,648,695
Subtotal	**64,121,509**	59,127,693
Total	**65,778,001**	60,797,074

Breakdown of borrowings by category:

The secured borrowings of the Group amounted to RMB12,712,312,000, while unsecured borrowings amounted to RMB53,065,689,000, representing 19.3% and 80.7% of the total borrowings, respectively.

Breakdown of borrowings by currency:

The Group had borrowings denominated in U.S. dollars equivalent to RMB41,775,221,000 and borrowings denominated in RMB amounting to RMB22,989,572,000, representing 63.5% and 35.0% of the total borrowings, respectively.

Corporate guarantee and contingent liabilities

As at 30 June 2011, the Group had provided a guarantee on a banking facility granted to an associate in the amount of RMB199,552,000, where such guarantee was RMB195,403,000 as at 31 December 2010. As at 30 June 2011, the liabilities regarding outstanding litigation or arbitration amounted to approximately RMB6 million. Except for the information disclosed above, the Group had no other significant contingent liabilities.

Foreign exchange and interest rate risk management

In the first half of 2011, as the Group closely monitored the trends in financial market and changes in monetary policy, and maintained the existing USD loans at floating rates, our interest cost remained at a lower level under the current record-low interest rate.

With respect to exchange rate, the Group kept track of and conducted studies on the trends of various currencies so as to continue adjusting the currency structure between income and cost expenses, and between assets and liabilities. It also controlled foreign exchange risk through natural hedges of different currencies.

AUDIT COMMITTEE

The Company has established an audit committee in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review the financial reporting process and the systems of internal controls of the Group (including the adequacy of resources, qualification and experience of staffs with accounting and financial reporting function, and their training programme and budget), the completeness and accuracy of its accounts and to liaise on behalf of the directors of the Company with external auditors. The audit committee consists of two independent non-executive

Directors, Mr. Kwong Che Keung, Gordon (chairman of the audit committee) and Mr. Teo Siong Seng, and one non-executive Director, Ms. Sun Yueying, who will meet regularly with management of the Company and the Company's external auditors, review audit reports, if applicable, and the interim and annual financial statements, as the case may be, of the Group. It has reviewed the unaudited condensed consolidated interim financial information for the six months ended 30 June 2011, and recommended its adoption by the Board.

CORPORATE GOVERNANCE

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

The Company adopted the Company's Corporate Governance Code which incorporates all the code provisions as set out in the Code on Corporate Governance Practices in Appendix 14 to the Listing Rules other than the following deviation and a majority of the recommended best practices in the Code on Governance Practices in Appendix 14 to the Listing Rules.

Code provision A.2.1 in Appendix 14 to the Listing Rules requires separation of the role of Chairman and Chief Executive Officer ("**CEO**") of a listed issuer. Mr. Wei Jiafu currently assumes the role of both Chairman and Chief Executive Officer of the Company. The Board considers that segregation of the role of the Chairman and the Chief Executive Officer would involve a sharing of power and authority of the existing structure, while assuming both roles has a positive significance on the daily operation of the Company. Notwithstanding the above, the Board will review the current structure from time to time and shall make necessary arrangements when the Board considers appropriate.

Except for the above deviation, none of the Directors is aware of any information that would reasonably indicate that the Company did not meet the applicable code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules or the Company's Corporate Governance Code for any part of the period for the six months ended 30 June 2011.

INTERIM DIVIDEND

The Board does not recommend distribution of interim dividend for the six months ended 30 June 2011.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct ("Code of Conduct") regarding securities transactions of the Directors and Supervisors effective on 9 June 2005, on terms no less exacting than the required standard set out in the Model Code. Having made specific enquiry of all Directors and supervisors of the Company, they have confirmed that they complied with the required standard set out in the Model Code and the Code of Conduct for the six months ended 30 June 2011.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

The Company has not redeemed any of its listed Shares during the six months ended 30 June 2011. Neither the Company nor any of its subsidiaries have purchased or sold any of its listed Shares during the six months ended 30 June 2011.

PAST PERFORMANCE AND FORWARD-LOOKING STATEMENTS

The performance and the results of operations of the Group contained within this interim results announcement are historical in nature, and past performance does not guarantee the future results of the Group. Any forward-looking statements and opinions contained within this interim results announcement are based on current plans, estimates and projections, and therefore involve risks and uncertainties. Actual results may differ materially from expectations discussed in such forward-looking statements and opinions. The Group, the Directors, employees and agents of the Group assume (a) no obligation to correct or update the forward-looking statements or opinions contained in this interim results announcement; and (b) no liability in the event that any of the forward-looking statements or opinions do not materialise or turn out to be incorrect.

DISCLOSURE OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

The electronic version of this announcement has been published on the website of the Stock Exchange (http://www.hkexnews.hk). An interim report for the six months ended 30 June 2011 containing all the information required by Appendix 16 to the Listing Rules will be despatched to Shareholders and published on the website of the Stock Exchange in due course. In addition, the Company has published the A Share Interim Report prepared under the PRC Accounting Standards on the website of the Shanghai Stock Exchange (http://www.sse.com.cn) for the reference by investors.

MEMBERS OF THE BOARD

As at the date of this announcement, the executive Directors are Mr. WEI Jiafu (Chairman and Chief Executive Officer) and Mr. ZHANG Liang (President); the non-executive Directors are Ms. SUN Yueying, Mr. SUN Jiakang and Mr. XU Minjie; and the independent non-executive Directors are Mr. KWONG Che Keung, Gordon, Mr. Peter Guy BOWIE, Dr. FAN HSU Lai Tai, Rita and Mr. TEO Siong Seng.

DEFINITIONS

In this announcement, the following expressions have the following meaning unless the context requires otherwise:

"A-Shares"	PRC listed domestic shares of the Company, with a nominal value of RMB 1.00 each, which are subscribed and traded in RMB and listed on the Shanghai Stock Exchange
"BDI"	Baltic Exchange Dry Index
"CIMC"	China International Marine Containers (Group) Co., Ltd., a joint stock limited company established under the laws of the PRC, the shares of which are listed on the Shenzhen Stock Exchange, and an associate of the Company
"CKYH Alliance"	the alliance between COSCON, Kawasaki Kisen Kaisha, Ltd., Yang Ming Line and Hanjin Shipping
"Company" or "China COSCO"	China COSCO Holdings Company Limited, a joint stock limited company incorporated in the PRC with limited liability, of which its H-Shares are listed on the Stock Exchange and its A-Shares are listed on the Shanghai Stock Exchange
"COSCO"	(China Ocean Shipping (Group) Company), a Chinese State-owned enterprise, the controlling Shareholder of the Company
"COSCO Group"	COSCO and its subsidiaries (excluding the Group)
"COSCO Logistics"	(COSCO Logistics Co., Ltd.), a sino-foreign joint venture company established in the PRC and a subsidiary of the Company
"COSCO Pacific"	COSCO Pacific Limited, a limited liability company incorporated in Bermuda whose shares are listed on the Stock Exchange and an indirect subsidiary of the Company

"COSCON"	COSCO Container Lines Company Limited, a limited liability company incorporated in the PRC and a wholly-owned subsidiary of the Company
"DWT"	deadweight tons
"Florens"	Florens Container Holdings Limited, a subsidiary of the Group and a wholly-owned subsidiary of COSCO Pacific
"FFA(s)"	forward freight agreement(s)
"Group"	the Company and its subsidiaries
"H-Shares"	Hong Kong listed foreign shares of the Company, with a nominal value of RMB 1.00 each
"Listing Rules"	Rules Governing the Listing of Securities on the Stock Exchange
"Model Code"	Model Code for the Securities Transactions by Directors of Listed Issuers
"PRC"	The People's Republic of China
"RMB"	Renminbi yuan, the lawful currency of the PRC
"Share(s)"	A-Share(s) and/or H-Share(s), being the ordinary share(s) in the registered capital of the Company, with a nominal value of RMB 1.00 each
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"TEU(s)"	Twenty-foot equivalent unit(s), a standard unit of measurement of the volume of a container with a length of 20 feet, height of 8 feet and 6 inches and width of 8 feet

"US$" or "USD"	United States dollars, the lawful currency of the United States of America

By Order of the Board
China COSCO Holdings Company Limited
WEI Jiafu
Chairman and Chief Executive Officer

Beijing, the PRC
25 August 2011

* *The Company is registered as a non-Hong Kong company under Part XI of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) under its Chinese name "中國遠洋控股股份有限公司" and its English name "China COSCO Holdings Company Limited".*