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)

2009 Interim Report

Contents

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS

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

CHINESE REGISTERED NAME
中國遠洋控股股份有限公司
(「**中國遠洋**」)

ENGLISH NAME
China COSCO Holdings Company Limited
(“**China COSCO**”)

REGISTERED OFFICE
3rd Floor, No. 1 Tongda Square
Tianjian Port Free Trade Zone
Tianjin 300461, the PRC

PLACE OF BUSINESS IN HONG KONG
49th Floor, COSCO Tower
183 Queen’s Road Central
Hong Kong

BOARD OF DIRECTORS
WEI Jiafu *(Executive Director, Chairman and CEO)*
ZHANG Fusheng
(Non-executive Director and Vice Chairman)
CHEN Hongsheng *(Executive Director and President)*
LI Jianhong *(Non-executive Director)*
XU Lirong *(Non-executive Director)*
ZHANG Liang *(Non-executive Director)*
SUN Yueying *(Non-executive Director)***
LI Boxi *(Independent Non-executive Director)*
HAMILTON Alexander Reid
*(Independent Non-executive Director)**
CHENG Mo Chi
*(Independent Non-executive Director)***
TEO Siong Seng
(Independent Non-executive Director)

* *Chairman of Audit Committee*
** *Member of Audit Committee*

COMPANY SECRETARY
ZHANG Yongjian

AUTHORISED REPRESENTATIVES
CHEN Hongsheng
NG Kam Tsun, Jeffrey

H-SHARES AUDITOR
PricewaterhouseCoopers

A-SHARES AUDITOR
Zhongruiyuehua Certified Public Accountants Co., Ltd.

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

LEGAL ADVISERS
Paul, Hastings, Janofsky & Walker
(as to Hong Kong law)
Commerce and Finance Law Offices
(as to PRC law)

LISTING INFORMATION
H Shares
The Stock Exchange of Hong Kong Limited
Stock Code: 1919

A Shares
Shanghai Stock Exchange
Stock Code: 601919

HONG KONG H SHARE REGISTRAR AND TRANSFER OFFICE
Computershare Hong Kong Investor Services Limited
Shops 1806-1807
18th Floor, Hopewell Centre
183 Queen’s Road East
Wanchai, Hong Kong

WEBSITE
http://www.chinacosco.com

Definitions

In this report, the following expressions have the following meanings unless the context requires otherwise.

"2003 Share Option Scheme"	Share option scheme adopted by the Shareholders of COSCO Pacific on 23 May 2003
"A Shares"	PRC listed domestic shares of the Company, with a nominal value of RMB1.00 each, which are subscribed and traded in RMB and listed on the Shanghai Stock Exchange
"BDI"	Baltic Exchange Dry Index
"Board"	Board of Directors of the Company
"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"	COSCON, Kawasaki Kisen Kaisha, Ltd., Yang Ming Line and Hanjin Shipping
"COA"	Contract of Affreightment
"Company" or "China COSCO" or "we" or "us"	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
"Company's Corporate Governance Code"	the code of corporate governance practice of the Company
"COSCO"	China Ocean Shipping (Group) Company, a Chinese State-owned enterprise, the controlling Shareholder of the Company
"COSCO Bulk"	COSCO Bulk Carrier Co., Ltd., a limited company established in the PRC
"COSCO Group"	COSCO and its subsidiaries (excluding our Group)
"COSCO International"	COSCO International Holdings Limited, an associated corporation of the Company
"COSCO Logistics"	COSCO Logistics Co., Ltd., a sino-foreign joint venture company established in the PRC and a 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

"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
"COSCO Singapore"	COSCO Corporation (Singapore) Limited, an associated corporation of the Company and a company listed on the Singapore Exchange Securities Trading Limited
"Drewry"	Drewry Shipping Consultants Limited
"Director(s)"	director(s) of the Company
"DWT"	deadweight tons
"Florens"	Florens Container Holdings Limited, a subsidiary of our 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 RMB1.00 each
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"HK$" or "HKD"	Hong Kong dollars, the lawful currency of Hong Kong
"HKFRS"	Hong Kong Financial Reporting Standards
"Listing Rules"	Rules Governing the Listing of Securities on the Stock Exchange
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers
"PRC"	The People's Republic of China
"RMB"	Renminbi, the lawful currency of the PRC
"Senior Management"	senior management of the Company
"SFO"	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shanghai Stock Exchange"	The Shanghai Stock Exchange
"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 RMB1.00 each
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

"Supervisor(s)"	Supervisor(s) of the Company
"US$" or "USD"	United States dollars, the lawful currency of the United States of America
"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
"%"	per cent.

RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2009 ARE EXTRACTED FROM THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2009 WHICH HAS BEEN PREPARED UNDER THE HONG KONG ACCOUNTING STANDARD 34

	Six months ended 30 June 2009 ***(RMB'000)***	Six months ended 30 June 2008 *(RMB'000)* (Restated)	Change
Revenues	**28,923,470**	70,572,425	-59.0%
Operating (loss)/profit	**(4,279,558)**	18,953,446	-122.6%
(Loss)/profit before income tax expenses	**(4,151,270)**	19,757,824	-121.0%
(Loss)/profit attributable to equity holders of the Company	**(4,594,102)**	15,123,824	-130.4%
Basic (loss)/earnings per share	**RMB(0.4497)**	RMB1.4804	-130.4%

Dear shareholders,

First of all, I would like to take this opportunity to express my heartfelt gratitude to all shareholders for your care and support for China COSCO.

In the first half of 2009, the Group recorded revenues amounted to RMB28,923,470,000, representing a decrease of 59.0% as compared to the same period last year. Net profit attributable to equity holders of our Company amounted to RMB-4,594,102,000, representing a decrease of 130.4% as compared to the same period last year.

In the first half of 2009, the world economy was still going through very difficult time. Due to significant decline in international trade volumes, the decrease in shipping volumes and terminal throughputs, the operations of the Group has been significantly affected.

During the period under review, the shipping volume of the container shipping and related business of the Group amounted to 2,354,343 TEUs, representing a decrease of approximately 21.9% as compared to the same period in 2008. Revenues amounted to RMB11,376,656,000, representing a decrease of 51.6% as compared to the same period in 2008. In the first half of the year, the imbalance between supply and demand in the container shipping market has worsened, evident from a greater decline in shipping volume and freight rates when compared to the same period in 2008. Certain shipping services were suspended and the operations of liner compared were under unprecedented pressure. The Group regulated its shipping capacity in response to the changes in the market through various measures, optimized its shipping route structure and emphasized on developing and maintaining relationships with major and direct clients. Furthermore, in order to save cost and to control processes, our Group proactively negotiated with suppliers and improved the monitoring system of its shipping routes operations, which achieved satisfactory results in controlling the operation and cost of the separation and distribution of unused containers.

As at 30 June 2009, the fleet operated by our Group comprised 149 container vessels with an aggregate capacity of 554,000 TEUs, representing an increase of 20.9% as compared to the same period in 2008 and an increase of 11.7% as compared to the end of 2008. Our Group had an order book of 57 container vessels with a total capacity of 430,000 TEUs. Due to the market downturn, after negotiations with the ship builders, the delivery of a total of 10,200 TEUs container vessels that was scheduled to be delivered during the first half of the year was postponed.

For the period under review, the shipping volume of the dry bulk shipping business of our Group amounted to 129,272,900 tons, representing a decrease of 4.8% when compared to the same period last year. Turnover of the shipping business amounted to 660.248 billion ton nautical miles, representing a decrease of 2.8% when compared to the same period last year. Revenues amounted to RMB11,111,572,000, representing a decrease of 71.7% when compared to the same period last year. In the first half of the year, due to the increase in shipping volume of bulk shipping, the international dry bulk shipping market has turnaround from the bottom. Our Group adjusted the size of its fleet and improved the structure of its fleet in response to the trends of the shipping market. Our Group continued its strategy to strengthen its key accounts by anchoring and developing the relationships with major clients. Based on risk management policy, the Group implemented various measures to manage cost, such as the reduction in charter hires, port charges, fuel expenses and insurance charges in order to strengthen the precise cost management.

As at 30 June 2009, a total of 431 dry bulk vessels of 33,922,000 DWT were operated by the Group, of which 214 vessels of 14,441,000 DWT were self-owned vessels and 217 vessels of 19,481,000 DWT were chartered-in vessels. The Group had an order book of 44 dry bulk vessels of 6,454,000 DWT. In view of the market conditions, the Group negotiated with the ship builders and cancelled the order book of 8 vessels.

As for the logistics business, the Group continued to focus on integrating its resources and speeding up the construction of core infrastructures to improve its overall competitiveness. For the first half of the year, revenues from the logistics business of the Group amounted to RMB5,834,164,000, representing a decrease of 18.0% as compared to the same period last year. In particular, as the construction of land transport system for oversize cargoes was completed, the resources of our Group for the engineering logistics business were further integrated. The Group also strengthened its strategic cooperation and was successful in bidding for major nuclear energy and petrochemicals logistics projects, and continued the existing large-scale projects such as Air Bus.

As for the terminal business, due to the decrease in container shipping, the container throughput of the Group for the first half of 2009 amounted to 20,207,025 TEUs, representing a decrease of 8.5% as compared to the same period last year. As at 30 June 2009, COSCO Pacific Limited, a subsidiary of our Group, owned various equity interests in 28 terminal joint venture companies with a total of 146 berths and operated 89 container berths and 8 bulk cargo terminal berths. Furthermore, through better communication with relevant port authorities, customs and inspection and quarantine bureaus, we have increased the efficiency of customs clearance, lowered the rate of inspection, and improved our service quality. In addition, we implemented cost reduction measures for terminals.

With respect to the container leasing business, Florens Container Holdings Limited, a subsidiary of the Group, continued to operate through employing both self-owned containers and managed containers to strengthen its leading position in the industry and to maintain its status as the second largest container leasing company in the world. As at 30 June 2009, the container fleet owned and managed by the Group has a market share of approximately 13.6%, which amounted to 1,605,963 TEUs, representing a slight decrease of 1.6% as compared to the same period last year.

Looking forward, although the international economic and trade environment remains uncertain, with the implementation of economic stimulus measures by various countries, it is expected that the global economic and trade environment will improve, and the overall performance of the shipping sector will be better than that in the first half of the year. China COSCO will continue to capitalise on the PRC market while facing the global market, to strengthen and develop its existing advantageous positions in business sectors including container shipping, dry bulk shipping, logistics, terminals and container leasing operations, increase the synergies and expand into other shipping business areas. Furthermore, China COSCO will continue to follow the principle of "overall planning and implementing in phases" to actively implement the overall strategy.

Wei Jiafu
Chairman

28 August 2009

CHANGES IN THE SHAREHOLDINGS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

There were no changes to the shareholdings of Directors, Supervisors and Senior Management.

APPOINTMENT OR DISMISSAL OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(1) Appointment of Directors and related changes

During the reporting period, there was no appointment or change of Directors.

(2) Appointment of Supervisors and related changes

On 21 April 2009, the Company convened the 7th meeting of the second session of supervisory committee of the Company, which nominated Mr. Luo Jiulian, the secretary of the party committee and deputy general manager of Dalian Ocean Shipping Company, a company under COSCO, the controlling Shareholder, as a candidate for Supervisor of the second session of supervisory committee of China COSCO and nominated Mr. Meng Yan, the dean and professor of Faculty of Accountancy of Central University of Finance and Economics, as a candidate for independent Supervisor of the second session of supervisory committee of China COSCO. The nominations were presented at the 2008 annual general meeting of the Company to be considered by the Shareholders.

On 9 June 2009, the Company convened the 2008 annual general meeting, which considered and approved the nomination of Mr. Luo Jiulian as a Supervisor and Mr. Meng Yan as an independent Supervisor of the second session of supervisory committee of China COSCO. Mr. Li Zonghao and Mr. Kou Wenfeng ceased to be Supervisor and independent Supervisors of the second session of supervisory committee of China COSCO, respectively.

(3) Appointment of Senior Management and related changes

During the reporting period, there was no appointment or change of Senior Management.

For the first half of 2009, our Group recorded revenues of RMB28,923,470,000, realizing an operating loss of RMB4,279,558,000. Profit attributable to the equity holders of the Company amounted to RMB-4,594,102,000.

CONTAINER SHIPPING AND RELATED BUSINESSES

Market review

Global economy was further ravaged by the worsening global economic crisis during the first half of this year. With the dramatic decline in trade demands from major economies, the imbalance between supply and demand in the container shipping market was very apparent, as evidenced by the continued decline in shipping volumes and freight rates. Close to 10% of the shipping services suspended in order to overcome the crisis and operations of liner companies were under unprecedented pressure, in particular, shipping volumes and freight rates of Trans-pacific routes continued to decline. As for Asia-Europe routes, although the proposed increase of freight rates was implemented in April, freight rates plummeted again due to weak demand. For emerging markets such as the Middle East and Africa, despite the slight growth in shipping volumes, revenues declined due to severe competition resulted from excessive shipping capacity.

Results performance

In the first half of the year, the shipping volume of the container shipping and related business of our Group amounted to 2,354,343 TEUs, representing a decrease of approximately 21.9% as compared to the same period in 2008. Revenues amounted to RMB11,376,656,000, representing a decrease of 51.6% as compared to the same period in 2008.

Shipping volume by routes

	For the six months ended 30 June		
	2009	2008	Change
	TEUs	*TEUs*	%
Trans-Pacific	**490,989**	660,175	-25.6
Asia-Europe (including Mediterranean)	**535,059**	766,344	-30.2
Intra-Asia (including Australia)	**634,931**	780,207	-18.6
Other international (including Trans-Atlantic)	**96,934**	114,529	-15.4
PRC coastal	**596,430**	693,415	-14.0
Total	**2,354,343**	3,014,670	-21.9

Revenues by routes

	For the six months ended 30 June		
	2009	2008	Change
	RMB'000	*RMB'000*	*%*
Trans-Pacific	**3,280,716**	6,336,179	-48.2
Asia-Europe (including Mediterranean)	**2,289,866**	7,578,525	-69.8
Intra-Asia (including Australia)	**1,713,130**	2,955,519	-42.0
Other international (including Trans-Atlantic)	**408,680**	1,058,580	-61.4
PRC	**1,102,340**	1,847,089	-40.3
Sub-total	**8,794,732**	19,775,892	-55.5
Chartered out	**240,382**	200,834	19.7
Related business	**2,341,542**	3,520,765	-33.5
Total	**11,376,656**	23,497,491	-51.6

Fleet development

In the first half of 2009, our Group had 2 new container vessels with a total capacity of 14,526 TEUs delivered and put into operation. As at 30 June 2009, the operating fleet of our Group included 149 container vessels with a capacity of 554,000 TEUs, representing an increase of 20.9% as compared to the same period in 2008 and an increase of 11.7% as compared to the end of 2008. However, excluding the chartered-out capacity, the actual capacity of our fleets maintained at about the same level as at the end of 2008.

In the first half of the year, our Group had no new orders for container vessels. As at 30 June 2009, our Group had an order book of 57 container vessels with a total shipping capacity of 430,000 TEUs. Our Group postponed part of the delivery of container vessels after negotiations with the ship builders.

	Owned		**Chartered**		**Total**	
Year	**Number of vessels**	**TEUs**	**Number of vessels**	**TEUs**	**Number of vessels**	**TEUs**
2009	4	20,400	—	—	4	20,400
2010	4	20,400	10	67,405	14	87,805
2011	7	29,750	7	77,853	14	107,603
2012	16	95,300	4	52,368	20	147,668
2013	5	66,750	—	—	5	66,750
Total	36	232,600	21	197,626	57	430,226

Operational strategies

Our Group managed our shipping capacity by various measures including leasing and exchanging vessels among alliances, chartering-out vessels, rescheduling delivery of vessels and terminating leases. As at 30 June 2009, net shipping capacity of our fleets increased by 7% as compared to the same period in 2008 and remained at about the same level as at the end of 2008.

Our Group adopted various measures to optimize our route structure. Through alliance arrangements, our Group chartered-out vessels with a capacity of 10,000 TEUs each to our alliance partners in exchange for vessels with a capacity of 5,500 TEUs each and jointly operated new Far South-East Asia-Europe routes with such partners. As such, our Group utilized some of our excess capacity, obtained rents due to differences between the rents of the vessels exchanged and reduced cost of slots by using larger vessels. Through cross leasing of vessels with alliance partners, by exchanging vessels with a capacity of 3,000 TEUs with vessels with a capacity of 7,500 TEUs, the cost per container for the Persian Gulf route was significantly reduced. Furthermore, after the consolidation of three New Zealand routes into one route and the use of larger vessels through alliance arrangements with the partners, not only reduced the cost per container by 12% but also effectively lowered the supply in the market, which would be beneficial for the recovery of the freight rates.

Our Group valued the development and maintenance of our relationships with major and direct customers to secure fundamental demand, attract valuable goods and cargoes, and strengthen its extended and value-added services. With the implementation of the “Rules on Freight Rate Filing System for International Container Liners” by the Ministry of Transport of the PRC, grasping the opportunities from such implementation and benefiting from home country advantage, our Group began to adjust its freight rates upward and to re-impose surcharges in June 2009. Freight rates and surcharges of Europe-Mediterranean route, Persian Gulf route, Red Sea route, South Africa route and South America route generally increased.

As for cost control, our Group proactively bargained with suppliers for better preferential prices and waiver of charges. Our Group also significantly reduced our operating cost by streamlining the operation of its shipping routes, the storage and distribution of unused containers, the repair of containers and the use of chassis. Furthermore, port and terminal charges decreased in general. As compared to the beginning of the year, number of containers maintained reduced by 4.6%, maintenance cost of containers reduced by 3.5%, transhipment expenses reduced by 37% and fuel cost decreased by 49.9%.

Market outlook and operation plans

In light of the continuous decline of economy and trade, major shipping consultants had repeatedly lowered their forecasts on the growth of global container volume in 2009. According to the latest report of Drewry published in June, global container volume was estimated to fall notably by 10.3% in 2009. Despite the fact that the delivery of some vessels was postponed to post-2010, it is expected that aggregate capacity of global container fleet will still grow by more than 10% in 2009. In face of the significant over-supply and re-surging oil prices, it is expected that the operational conditions for the second half of the year will remain difficult.

Under this unprecedented difficult situation, liner companies increased cooperation to reduce shipping capacity in order to survive through this difficult time. Various cost control measures were also implemented. Cargo volume slightly grew in June when the market entered its traditional peak season and thus increased the confidence and determination in increasing freight rates. It is therefore believed that freight rates will increase and margins will improve in the second half of this year. Nevertheless, the general revival of global economy remains the key to the recovery of the container shipping market.

Our Group will continue to control the growth of our shipping capacity by cancelling or postponing some ship building orders, terminating vessel charters earlier, chartering-out vessels and disposing vessels that are obsolete to deal with the challenging environment and capitalize on opportunities. Our Group will strengthen cooperation with members of CKYH Alliance to establish vessel pools for Asia-Europe and Trans-pacific routes. By optimizing the shipping capacity of secondary routes, the competitive advantage of our service quality will be maintained while the operating cost per container will be decreased. Our Group will actively drive the market by promoting a raise in freight rates. Our Group will also seek to separate the pricing of fuel surcharge and net freight rates, and to grasp opportunity to raise ancillary surcharges. Our Group will also focus on developing relationships with major and direct customers, and gaining orders with high ancillary surcharges, such as reefers and special containers orders. Furthermore, our Group will pay attention to overseas purchase activities by the PRC Government and grasp the opportunities of return-trip shipping.

In order to enhance the quality and results of cost control measures, our Group will improve its accountability system by shifting the management focus from result evaluation to procedural control and risk alert. Our Group and its alliance partners will re-negotiate with its suppliers to fix or lower their charges, particularly on Europe and America regions. Depository expenses of containers will be further reduced by terminating container leases, optimizing shipping routes and improving the rate of utilisation of containers. Measures will be implemented to reduce fuel cost by improving fuel efficiency, shortening the berthing time of vessels, and by hedging fuel prices. Administration expenses will also be strictly controlled to ensure a year-on-year cost cutback of over 10%.

DRY BULK SHIPPING BUSINESS

Market review

China was one of the first to recover from the financial crisis. The import demands of Mainland China for iron ores, coal and soya beans promoted the international dry bulk shipping market since mid-April. BDI index surpassed 4,000 points on 3 June 2009 and reached its record high of 4,291 points since October 2008. On 30 June 2009, the BDI index stabilized at 3,757 points, representing an increase of 386% as compared to 773 points in the beginning of the year. Average BDI index for the first half of the year was 2,128 points.

Results performance

In the first half of the year, the shipping volume of the dry bulk shipping business of our Group amounted to 129,272,900 tons, representing a period-on-period decrease of 4.8%. Dry bulk shipment turnover amounted to 660,248,000,000 ton-nautical miles, representing a period-on-period decrease of 2.8%. Of which, coal shipping volume amounted to 37,705,300 tons, representing a period-on-period decrease of 15.8%; ore shipping volume amounted to 57,765,000 tons, representing a period-on-period decrease of 8.8%; shipping volume of food amounted to 14,417,500 tons, representing a period-on-period increase of 16.2%; and shipping volume of other cargoes amounted to 19,385,100 tons, representing a period-on-period increase of 24.2%. Revenue from operations amounted to RMB11,111,572,000, representing a period-on-period decrease of 71.7%.

Operation strategies

Our Group continued the strategy to strengthen our key accounts and adopted a new account management method. In addition, our Group further expanded and maintained new customers with good history and reputation, and further cultivate the collaboration with our customers.

Vessel operations were managed in a balanced and orderly manner. Self-owned and chartered vessels as well as the non-contract cargoes, COAs, long-term and short-term leasing and voyage charter businesses were centrally operated. The arrangement would maximize services provided to our customers while striving for higher profit margins.

Our Group further streamlined our management. In view of the prolonged market downturn, it was a key that our Group controlled our operating cost, which was achieved through various measures. It was evident that our Group achieved such results through our efforts on controlling port charges and seizing opportunities in shipping schedules and its execution. Hence, our Group has effectively strengthened our cost control and improved its profitability.

Our Group further strengthened our risk control by taking proactive measures to tackle various risks, including market risks, financial risks and operating risks.

As at 30 June 2009, completed and secured operating days accounted for 61.9% of the total operating days in 2009, and the completed and booked average time charter equivalent revenue per day of all vessel types was lower than the respective annual averages in 2008, representing a decrease of approximately two-thirds.

Fleet development

As at 30 June 2009, our Group operated 431 dry bulk vessels with a total of 33,922,000 DWT, representing an increase of 1.0% as compared to the same period last year and a decrease of 1.3% as compared to the year end of last year. Among which, 214 vessels were self-owned vessels with a total of 14,441,000 DWT. The average age of the vessels was 14.3 years; 217 vessels were chartered-in vessels with a total of 19,481,000 DWT.

Capacity of the dry bulk vessels (as at 30 June 2009)

Existing capacity	Owned			Chartered-in		Total	
Vessel type	Number	DWT ('000 tons)	Average age (years)	Number	DWT ('000 tons)	Number	DWT ('000 tons)
Capesize	24	4,288	7.0	52	8,930	76	13,218
Panamax	69	4,881	13.7	94	7,123	163	12,004
Handymax	80	3,839	13.2	46	2,418	126	6,257
Handysize	41	1,433	21.4	25	1,010	66	2,443
Total	214	14,441	14.3	217	19,481	431	33,922

After negotiation with ship builders, our Group cancelled orders of eight vessels and issued an announcement in relation to such cancellation. As at 30 June 2009, our Group had order book of 44 dry bulk vessels, with a total of 6,454,000 DWT, including 8 VLOC with a total of 2,381,000 DWT, 10 Capesize vessels with a total of 1,994,000 DWT, 15 Panamax vessels with a total of 1,452,000 DWT, and 11 Handymax vessels with a total of 627,000 DWT.

Orders of the dry bulk vessels (as at 30 June 2009)

Ordered Vessels	2009		2010		2011		2012		Total	
Vessel type	Number	DWT	Number	DWT	Number	DWT	Number	DWT	Number	DWT
VLO dry bulk vessels	4	1,191,000	4	1,190,000	—	—	—	—	8	2,381,000
Capesize	2	354,000	2	410,000	6	1,230,000	—	—	10	1,994,000
Panamax	3	228,000	9	879,000	3	345,000	—	—	15	1,452,000
Handymax	5	285,000	4	228,000	—	—	2	114,000	11	627,000
Total	14	2,058,000	19	2,707,000	9	1,575,000	2	114,000	44	6,454,000

The status of the Company's holding of FFAs

FFAs (i.e. Forward Freight Agreements) is a type of forward contracts. In an FFA, terms such as voyage routes, prices, quantities, dates, calculation methods of settlement prices are provided, and both parties will also agree to receive or pay the difference in freight rate or charter hire rate between the official Baltic Freight Index and the agreed contract price at a certain future date and time. As such, FFAs play an important role in hedging against the risks from market fluctuations for shipping companies.

In the course of operating the FFAs business, China COSCO put emphasis on risk control. China COSCO formulated and strictly implemented the regulations on FFAs operation, which strengthened the management of FFA business through organisational structure, duties segregation and operating procedures. The FFAs risk management policy was implemented to improve the risk management system of such business. For operational procedures, experienced personnel was designated to be in charge of the development of the FFAs business where the authorisation procedures were strictly in line with those for existing cargoes and vessels, and counterparties were stringently reviewed before being qualified for transactions. As a result, it effectively controlled the risk associated with such business.

As at 30 June 2009, the total fair value of FFAs derivative assets held by China COSCO amounted to RMB153,951,000 while the fair value of total FFA derivative liabilities amounted to RMB1,388,353,000, which were accounted as "derivative financial assets" and "derivative financial liabilities" in the balance sheet respectively.

Market Outlook and Operation Plans

In the second half of the year, driven by improving market conditions, such as turnaround in global steel demand, rebound in real estate markets, recovery of automobile sales and increasing favourable factors, dry bulk cargo shipping demand will resume its growth. The demand in the Mainland China remains a key factor. In the first half of the year, total imports of iron ores by Mainland China amounted to 297 million tons, representing an increase of 67.33 million tons or 29.29% as compared to the same period last year. Although imports of iron ores by Mainland China in the second half of the year is expected to be lower than that of the first half of the year, imports of iron ores for the whole year certainly will increase. The total coal imports of Mainland China in the first half of the year amounted to 47.87 million tons, representing an increase of 122% as compared to the same period last year, and the net imports of coal amounted to 36.25 million tons. Following the turnaround of electricity output in the second half of the year, coal imports by Mainland China are likely to continue to grow. Besides, in the second half of the year, with the recovery of the global economy, imports of Japan and South Korea, which are major coal importing countries, are expected to recover. In addition, the demand for steel from the United States and Europe will also turn around from the bottom of the market.

Overall, as the global economy is expected to recover during the second half of the year, dry bulk shipping demands from countries such as China and India will continue to grow and demands from Japan and the European Union are expected to recover. As the fourth quarter is the traditional peak season for major types of dry bulk cargoes in terms of demand, it is expected that the overall market condition will be better as compared to the first half of the year. However, market trends will be more volatile due to factors such as price negotiations of iron ores, seasonal factors, imbalance of monthly imports of iron ores by Mainland China and the FFAs transactions.

In the second half of this year, our Group will continue to adhere to our policy of prudent operation with flexible response to changes to enhance risk control, and implementing arrangements for medium to long-term capacity while optimising current capacity for our operations. The key account strategy will continuously be promoted to enhance collaboration with major customers. Meanwhile, proportion of self-owned and chartered-in vessels will be adjusted reasonably. Structure of the fleet will be optimised according to market conditions. Strategy for coastal transportation will be intensified to increase the market shares of coastal transportation.

Logistics Business

Market review

During the first half of the year, COSCO Logistics continued to focus on reallocating resources and accelerating infrastructure construction so as to enhance the overall competiveness. As for our project logistics business in particular, the completion of the construction of systematic bulk land-transportation platform enabled our COSCO Logistics to integrate resources further. Moreover, with the strengthening of strategic cooperation, COSCO Logistics successfully bid for a number of large scale logistics projects such as nuclear power and petrochemicals projects.

Results performance

During the first half of the year, revenue of the logistics business of our Group amounted to RMB5,834,164,000, representing a decrease of 18.0% as compared to the same period in 2008. The business volumes of major segments of COSCO Logistics are set out in the table below:

	For the six months ended 30 June		
	2009	2008	% change
Third party logistics			
Product logistics			
Home appliance logistics ('000 pcs)	**24,381**	29,439	-17.2
Chemical logistics (RMB million)	**41**	34	20.6
Project logistics (RMB million)	**617**	501	23.2
Shipping agency business (vessels)	**62,956**	65,336	-3.6
Freight forwarding business			
Marine shipping			
Bulk cargoes (tons)	**94,149,000**	76,065,620	23.8
Containers(TEUs)	**887,000**	1,147,911	-22.7
Air-freight (tons)	**38,466**	58,540	-34.3

Third party logistics business

With respect to home appliance logistics, COSCO Logistics maintained its superior market share and leading position. A total of 24,380,000 units were handled during the period, representing a decrease of 17.2% as compared to the same period in 2008.

With respect to chemical logistics, COSCO Logistics has become the leader in the chemical logistics industry in terms of its scale and capability by relying on its shipping capabilities and fully leveraging its shipping network advantages. During the first half of the year, net income amounted to RMB41 million, representing an increase of 20.6% as compared to the same period in 2008.

With respect to the project logistics, COSCO Logistics obtained a number of large scale project logistics projects due to the RMB4 trillion investment stimulus plan of the PRC, which created favourable market environment. Turnover for the first half of the year amounted to RMB617 million, representing an increase of 23.2% as compared to the same period in 2008. Furthermore, COSCO Logistics have secured a number of project logistics contracts, including key projects such as China Guangdong Nuclear Power Group Yangjiang Nuclear Plant Project (中廣核陽江核電場內項目), China National Nuclear Corporation Fangjiashan Nuclear Power Project (中核方家山核電項目), Dongfang Electric Corporation Mettur Power Plant Project in India (東方電氣印度麥拓電廠項目) and Sinopec Corporation Tahe Project in Xinjiang (中石化新疆塔河項目).

Shipping agency business

Facing with the impacts from the economic crisis on the shipping agency business, COSCO Logistics continuously improved the quality of its services and strived to reduce cost by enhancing its business development. It strengthened marketing effort on its core customers through its comprehensive marketing system. It introduced innovative business model as well as tailor-made services. During the first half of the year, it provided agency service for a total of 62,956 voyages. Despite the slight decline in business volume as compared to the same period last year, COSCO Logistics maintained its leading position in the shipping agency market in the PRC.

Freight forwarding business

COSCO Logistics handled containers cargoes totalling 887,000 TEUs during the first half of the year, representing a decrease of 22.7% as compared to the same period last year, and handled bulk cargoes totaling 94,149,000 tons, representing an increase of 23.7% as compared to the same period last year. The total volume of air cargoes handled by COSCO Logistics amounted to 38,466 tons, representing a decrease of 34.3% as compared to the same period last year.

Market outlook and operation plans

During the year, the stimulus measures implemented by the PRC Government started to be effective. In particular, the restructuring of the logistics industry and the execution of the revival plan boosted the confidence of the overall logistics industry. With the recovery of the PRC economy, the domestic logistics industry showed signs of improvement, including stable and upward market trend, increase in investment and optimistic market sentiments.

Our Group will expedite the development of the logistics business by exploring overseas market and introducing value-added services. We will closely cooperate with the shipping business of COSCO to enhance the added value for the product logistics projects. Our Group will strengthen the development of project logistics business in overseas market and capitalise on our key technologies to differentiate ourselves from domestic competitors.

For the shipping agency business, we strive to become the general agent for ship owners. We will maintain and expand the market share and secure a stable profit growth for the shipping agency business. For the freight forwarding business, we will adjust our focus to "direct cargo owners", strengthen the development of integrated freight forwarding operations and enhance our business profitability.

TERMINAL AND RELATED BUSINESS

Market review

During the first half of the year, business of the global terminal industry, which is closely related to the global trade development, declined significantly. For example, during the first half of the year, the decline in throughput of the five largest container ports of the world was around 15% - 20% for the container shipping business. Throughputs of Los Angeles and Long Beach in the United States decreased by 15.6% and 27.4% respectively; throughputs of Rotterdam and Antwerp in Europe decreased by 15% and 18.5% respectively as compared to the same period last year; and throughputs of Singapore, Hong Kong and Busan in Asia declined by 18%, 17% and 17.8% respectively as compared to the same period last year.

The terminal business in Mainland China has encountered severe challenges. Container throughput of Mainland China from January to June totalled 55.97 million TEUs, representing a period-on-period decrease of 11%. Among the five largest ports in the PRC, the throughputs of the ports in the Pearl River Delta and the Yangtze River Delta experienced the most significant decline as compared with the average national throughput, of which, the decline in the Pearl River Delta region reached 20%. In the Bohai Rim region, as there was a high proportion of cargoes for domestic trades, the decline in container throughput was relatively lower. As for Qingdao Port, Tianjin Port and Yingkou Port, these ports experienced a slight increase in container throughputs. Since March 2009, the plummeting trend of the container terminal throughputs has begun to slow down by around 10%, indicating that the container terminal throughputs might have reached their bottoms.

Results performance

In the first half of the year, the throughput of container terminals of COSCO Pacific amounted to 20,207,025 TEUs, representing a decrease of 8.5% as compared to the same period last year, among which, the throughput of 18 container terminal joint ventures in the PRC amounted to 18,298,499 TEUs, representing a decrease of 7.3% as compared to the same period last year. The throughput of overseas terminal joint ventures amounted to 1,908,526 TEUs, representing a decrease of 18.8% as compared to the same period last year.

The total throughput of terminals in the Bohai Rim region amounted to 8,493,867 TEUs, representing an increase of 1.1% as compared to the same period last year. The total throughput of terminals in the Yangtze River Delta amounted to 3,902,197 TEUs, representing a decrease of 14.7% as compared to the same period last year. The total throughput of terminals in the Pearl River Delta and Southeast Coastal areas amounted to 5,902,435 TEUs, representing a decrease of 12.7% as compared to the same period last year.

The throughput of overseas terminals amounted to 1,908,526 TEUs. The throughput of COSCO-PSA Terminal in Singapore and Antwerp Gateway NV in Belgium has declined since the end of 2008 and recorded a worsened period-on-period decline in the first half of 2009. The Suez Canal Container Terminal experienced a growth in throughput as the vessels of CKYH Alliance has begun to utilize such terminal since the beginning of 2009. In the first half of 2009, as compared to the same period last year, the container throughput of COSCO Pacific increased by 13.6%.

Container terminal throughput

Container terminal joint ventures	**Six months ended 30 June**		
	2009 (TEUs)	2008 (TEUs)	Period-on-period change (%)
Bohai Rim	**8,493,867**	8,400,703	1.1
Qingdao Qianwan Container Terminal Co., Ltd.	**4,427,379**	4,315,000	2.6
Qingdao Cosport International Container Terminals Co., Ltd.	**588,495**	572,260	2.8
Dalian Port Container Co., Ltd.	**1,314,773**	1,272,752	3.3
Dalian Port Container Terminal Co., Ltd.	**697,356**	794,296	-12.2
Tianjin Five Continents International Container Terminals Co., Ltd.	**943,717**	962,681	-2.0
Yingkou Container Terminals Co., Ltd.	**522,147**	483,714	7.9
Yangtze River Delta	**3,902,197**	4,576,107	-14.7
Shanghai Container Terminals Co., Ltd.	**1,430,306**	1,848,826	-22.6
Shanghai Pudong International Container Terminals Co., Ltd.	**1,125,924**	1,314,428	-14.3
Ningbo Yuan Dong Terminals Operation Co., Ltd.	**494,794**	394,914	25.3
Zhangjiagang Win Hanverky Container Terminal Co., Ltd.	**301,513**	377,091	-20.0
Yangzhou Yuanyang International Terminals Co., Ltd.	**93,973**	127,285	-26.2
Nanjing Port Longtan Container Co., Ltd.	**455,687**	513,563	-11.3
Pearl River Delta and Southeast Coastal areas	**5,902,435**	6,760,413	-12.7
COSCO-HIT Terminals (Hong Kong) Ltd.	**657,451**	883,700	-25.6
Yantian International Container Terminals Ltd. (Phase I, II & III)	**3,791,260**	4,264,901	-11.1
Guangzhou South China Oceangate Container Terminal Co., Ltd.	**884,220**	1,078,564	-18.0
Quanzhou Pacific Container Terminal Co., Ltd.	**439,734**	469,881	-6.4
Jinjiang Pacific Ports Development Co., Ltd.	**129,770**	63,367	104.8
Overseas	**1,908,526**	2,350,823	-18.8
COSCO-PSA Terminal Private Ltd.	**362,379**	677,308	-46.5
Antwerp Gateway NV	**297,045**	574,087	-48.3
Suez Canal Container Terminal S.A.E.	**1,249,102**	1,099,428	13.6
Total container terminal throughput in PRC	**18,298,499**	19,737,223	-7.3
Total container throughput	**20,207,025**	22,088,046	-8.5
Total bulk cargo throughput (tons)	**7,021,875**	6,568,015	6.9

Expansion projects

To cope with the challenging market environment, COSCO Pacific has strategically adjusted its investment in new terminals and expansion schedule of existing terminals since the second half of 2008. In the first half of 2009, no new berth came into operation and no investment in new terminal projects was executed. As at 30 June 2009, there were 89 container terminal berths and 8 bulk cargo terminal berths in operation with an annual handling capacity of 48,150,000 TEUs and 9,050,000 tons, respectively, which remained unchanged as compared to 2008.

Market outlook and operation plans

Boosted by various economic stimulus plans, the economies of certain countries and regions showed signs of recovery in the first half of the year. However, as the fundamentals of global demand have not changed, one should not be optimistic regarding the trend of global trades. According to the latest forecast of International Monetary Fund, the global trade will shrink by 12.2% in 2009, which implies that the development of container terminal business will remain very challenging in the second half of 2009.

As a result of the stimulus measures to boost domestic demand and to ease money supply in Mainland China, it is expected that the economy of Mainland China will recover sooner and stronger as compared to other countries in the second half of the year. However, it is quite uncertain whether the current recovery of the port industry in Mainland China could be sustained in the second half of 2009 and domestic trade will be a key factor in such recovery. COSCO Pacific will continue to develop its terminal business at a reasonable pace. In addition, the handover of Pier 2 of the container terminal of Piraeus Port in Greece to COSCO Pacific is scheduled to take place on 1 October 2009. COSCO Pacific will strive to turn Piraeus Port in Greece into a world-class terminal that provides quality services to shipping companies.

CONTAINER LEASING, MANAGEMENT AND SALES BUSINESS

Market review

In the first half of the year, the operating environment of container shipping companies was difficult. Various shipping companies had to reduce their cost by suspending service and returning containers, further postpone or cancel the delivery of new vessels and dismantle more vessels. They also returned excessive containers to container leasing companies. The return of large number of containers resulted in a decrease in the rate of container leasing and a significant increase in the number of containers in depots.

Results performance

Florens Container Holdings Limited, a subsidiary of our Company, operates through the use of both self-owned containers and managed containers to effectively control the size of its container fleet. Currently, it is the second-largest container leasing company in the world. As at 30 June 2009, the size of the container fleet owned and managed by Florens was 1,605,963 TEUs, representing a slight decrease of 1.6% as compared to the same period last year. It accounted for a market share of approximately 13.6% among container leasing companies in the world. Its average leasing rate was 90.3%, which was higher than the average of the industry.

Our Group continued to adopt a light asset base business model to reduce operational risks and maintains a good balance between our self-owned containers and managed containers. As at 30 June 2009, 547,332 TEUs were leased to COSCON, representing a decrease of 2.3% as compared to the same period last year and accounted for 34.1% of the total number of containers. The number of containers leased to companies other than COSCON amounted to 315,947 TEUs, representing an increase of 3.3% as compared to the same period last year and accounted for 19.7% of the total number of containers. Managed containers amounted to 742,684 TEUs, representing a decrease of 3.0% as compared to the same period last year and accounted for 46.2% of the total number of containers.

Market outlook and operation plans

Despite the recovery of the global economy and the fact that the operating environment in the second half of the year will be better than that of the first half of the year, our Group is cautious about the general operating environment in the second half of the year. Our Group will continue to pursue the light asset base business concept and model, prudently develop our container fleet and maintain our leading position in container leasing industry in the world.

Container Manufacturing

As at 30 June 2009, COSCO Pacific, a subsidiary of the Group, held 21.8% equity interest in CIMC.

Production Safety

In the first half of the year, the Group strictly complied with the production safety guidelines and policies promulgated by the State Council of the PRC. China COSCO overcame a number of issues such as the global economic crisis and strengthened its scientific development model. To enhance the production services, China COSCO 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 imperilling the safety of its production. There was no material or critical accident, and assured the continuous stability of the entire production safety system.

1. Marine accidents: three accidents in the first half of 2009. According to the requirements of the "Maritime Transport Accidents Statistics Reputation" issued by the Ministry of Transport, there were two general accidents and one minor accident, representing a decrease of one accident as compared to the same period last year.
2. Engine accident: no accident in the first half of 2009, which remained unchanged as compared to the same period last year.
3. Pollution accident: no pollution accident, which remained unchanged as compared to the same period last year.
4. Loading port inspections of 373 voyages, with no-defect confirmations issued for 261 voyages, representing a passing rate of 69.97% and two demurraged vessels, accounted for 0.54% of the total number of vessels, representing an increase of two vessels as compared to the same period last year.
5. Deaths and serious injuries: ten minor accidents causing ten minor injuries, and no death or serious injuries in the first half of 2009, which remained unchanged as compared to the same period last year.
6. One pirate attack in the first half of 2009, representing an increase of one incident as compared to the same period last year. There were no crew member deaths or property losses reported.

Energy Saving and Environmental Protection

In the first half of 2009, the Group was devoted to environmental protection and energy saving. With its 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 2009, the fuel consumption was 4.46 kg/thousand ton nautical miles, representing a decrease of 4.90% as compared to the same period last year.

Technology Innovation

With respect to the development of innovative enterprises by our Group, our project of "Ship and Cargo Online Monitoring System" under the National Key Technology Research and Development Programme was approved by the Ministry of Science and Technology in June 2009. The project was a breakthrough in certain areas of marine transportation monitoring and vessel safety management in the PRC, which was not only significant to the increase in our core competitiveness in the domestic marine transportation industry, but also as a reference for the supervision and management of vessel safety for marine authorities. The project obtained 9 key technology proprietary intellectual property rights and formulated 4 proposed standardisations. Furthermore, the "Development and Demonstration of Supply Chain Application Systems based on Intelligent Container Public Service System" project and European Union Seventh Framework Programme (FP-7), which aimed to increase the core competitiveness of shipping and logistics industries through information technology, were carried out as planned.

FINANCIAL REVIEW

During the first half of 2009, the operational revenue of our Group amounted to RMB28,923,470,000, representing a decrease of RMB41,648,955,000, or 59.0%, as compared with RMB70,572,425,000 in the first half of 2008. The profit attributable to the equity holders amounted to RMB-4,594,102,000, as compared with a profit of RMB15,123,824,000 in the first half of 2008, representing a decrease of RMB19,717,926,000 or 130.4%. During the first half of 2009, the slowdown of the global economy and the decline of growth of the global trade posed greater challenges for the international shipping market. With more substantial decreases in both shipping volume and freight rate as compared to the same period last year, the operation of the container fleet of our Group recorded greater loss. Despite the recovery of the dry bulk market, revenue and profit of our dry bulk shipping business recorded significant decline as compared to the historic peak in the first half of 2008.

Operational Revenue

In the first half of 2009, the operational revenue of our Group amounted to RMB28,923,470,000, representing a decrease of RMB41,648,955,000, or 59.0%, as compared to RMB70,572,425,000 in the first half of 2008, of which:

- Revenue from container shipping and related business decreased by 51.6% to RMB11,376,656,000. Container shipping volume amounted to 2,354,343TEUs, representing a drop of 21.9% as compared to the first half of 2008. Average container freight rate amounted to RMB3,735.5/TEU, representing a decrease of 43.1% as compared to the first half of 2008. All routes recorded a decline in revenue as a result of the decreasing shipping volume and average freight rate. Among which, the revenue from Trans-Pacific and Asia-Europe routes recorded decreases of 48.2% and 69.8% respectively.

- Revenue from the dry bulk shipping and related business decreased by 71.7% to RMB11,111,572,000. In the first half of 2009, the average level of the BDI was 2,128 points, representing a decrease of 75.1% as compared to the average of 8,533 points for the first half of 2008. As a result of the sharp decline in international trade volume and the average charter hire rates, the revenue from the dry bulk shipping and related business recorded a period-on-period decrease of 71.7%, which was less significant than the drop of BDI. Of which, revenue from time chartering decreased by RMB19,077,520,000 or 76.3% and revenue from voyage chartering decreased by RMB9,156,267,000 or 65.9%.

- As compared with the revenues in the first half of 2008, revenue from logistics operations decreased by 18.0% to RMB5,834,164,000. Due to the decline in the growth of the global trade in the first half of 2009, logistics operations of our Group experienced a decline in its containers shipping and freight forwarding volume, which led to a decrease in revenue.

- Revenue derived from the terminal and related business of COSCO Pacific recorded an increase of 11.0% to RMB278,429,000 as compared to RMB250,880,000 for the first half of 2008. Of which, for the first half of 2009, containers and dry bulk throughputs handled by Jinjiang Pacific Ports Development Co., Ltd. recorded significant increases to 129,770 TEUs and 780,274 tons, respectively, where the same period in 2008 was 63,367 TEUs and 371,491 tons, respectively, which led to a rise in revenue to RMB55,968,000, where the same period in 2008 was RMB21,294,000. Although the containers throughputs handled by Quanzhou Pacific Container Terminal Co., Ltd. decreased, its revenue increased by 6.6% to RMB113,351,000, where the same period in 2008 recorded RMB106,376,000, with an increase of its dry bulk throughputs for the period.

- Revenue derived from the container leasing business operated and managed by COSCO Pacific decreased by 15.0% to RMB322,649,000. During the period, since the number of returned containers sold upon expiry decreased significantly to 10,124 TEUs, where for the first half of 2008 was 20,072 TEUs, the revenue derived from disposal of the returned containers upon expiry during the period decreased to RMB72,410,000, where for the first half of 2008 was RMB157,104,000.

Operational Cost Analysis

In the first half of 2009, the operational cost of our Group decreased by 37.0% to RMB32,263,093,000 as compared with the same period last year, of which:

- The operational cost of container shipping and related business amounted to RMB14,285,583,000, representing a decline of RMB6,778,476,000, or 32.2%, as compared to the first half of 2008. During the period, major cost, including cargo and transhipment and port charges, decreased significantly along with the decline in containers shipping volume. During the period, bunker cost decreased by RMB2,474,825,000, or 49.9%, to RMB2,482,588,000, which was due to the decreases in oil consumption and average oil price by 15.3% and 40.9% respectively. During the first half of 2009, bunker cost accounted for 17.4% of the operational cost of container shipping and related business.
- Total operational cost of dry bulk shipping and related business amounted to RMB12,015,071,000, representing a period-on-period decrease of RMB11,107,756,000, or 48.0%. Of which, vessel chartering expenses for the current period amounted to RMB10,660,702,000, representing a decrease of RMB4,900,856,000, or 31.5%, as compared with the first half of 2008. The decrease was mainly attributable to the drop in the price of chartered-in vessels, resulting in a fall of the total charter cost. In addition, income and cost were recognized respectively based on the settlement of chartered-in contracts and the provision of RMB4,684,836,000 of the previous year was released accordingly. In respect of the fuel, bunker cost decreased by RMB373,314,000, or 18.4%, to RMB1,655,914,000 as a result of the fall of the international fuel prices. During the first half of 2009, bunker cost accounted for 13.8% of the operational cost of the dry bulk shipping business.
- The operational cost of the logistics business amounted to RMB5,139,466,000, representing a decrease of 20.9%, as compared to the same period last year. The decline of the operational cost during the period was mainly due to the decrease in containers shipping and air-freight forwarding volume.
- The operational cost of terminal and related business amounted to RMB186,264,000, representing an increase of 19.8%, as compared to the same period last year. The commencement of operation of Jinjiang Pacific Ports in April 2008 led to the increase of the total operational cost of the holding terminal company to RMB172,394,000, where for the first half of 2008 was RMB128,658,000.
- The operational cost of container leasing business amounted to RMB401,448,000, representing a decrease of 0.1% as compared to the same period last year.

Other income, net

The net amount of other income and other expenses of our Group in the first half of 2009 amounted to RMB1,207,422,000, representing a decrease of RMB758,679,000 as compared to the first half of 2008. Of which, gains of RMB667,069,000 were derived from FFAs held by the dry bulk shipping companies of our Group in the first half of 2009, representing a decrease of RMB542,296,000 as compared to the first half of 2008. During the first half of 2009, foreign exchange gains amounted to RMB78,387,000, representing a decrease of RMB224,759,000 as compared to the first half of 2008, which was due to the slowdown of the appreciation of RMB.

Selling, administrative and general expenses

In the first half of 2009, the administrative expenses of the Group amounted to RMB2,147,357,000, representing a period-on-period decrease of 8.7%, which was mainly attributable to decreases in items such as staff cost and travelling expenses.

Finance income

Finance income of the Group was mainly interest income from bank deposits. In the first half of 2009, finance income of the Group amounted to RMB219,048,000, representing a decrease of 53.9% as compared to the first half of 2008.

Finance cost

In the first half of 2009, the finance cost of the Group amounted to RMB584,252,000, representing a period-on-period increase of RMB110,031,000, or 23.2%. During the period, interest expenses increased due to the issue of five-year medium-term notes of RMB10 billion by the Company and the increase in working capital and other funds through bank borrowings by our subsidiaries.

Share of profits less losses of jointly controlled entities and associates

Net profit contribution from jointly controlled entities to the Group amounted to RMB235,831,000 during the first half of 2009, representing a decrease of 45.3% as compared to RMB431,198,000 for the same period in 2008. Net profit contribution from associates amounted to RMB257,661,000, representing a decrease of 30.8% as compared to RMB372,468,000 for the same period in 2008. As the growth in the global economy and trades slowed down, and there being a recession in the international shipping market, most of the investment income from jointly controlled entities and associates in the first half of 2009 decreased.

Income tax expenses

In the first half of 2009, the income tax expenses of the Group were RMB-19,406,000, representing a decrease of RMB3,916,471,000 as compared to RMB3,897,065,000 in the same period last year. The period-on-period decrease was mainly due to the substantial drop in profit and the recognition of deferred income tax asset in respect of the tax losses recorded for the period by certain subsidiaries.

Working capital, financial resources and capital structure

As at 30 June 2009, the cash and cash equivalents of our Group increased by RMB11,169,978,000, or 35.4%, to RMB42,761,843,000 as compared to 31 December 2008. The increase in the balance of cash and cash equivalents at the end of the period primarily due to the issue of five-year medium-term notes of RMB10 billion by the Company during the period, the increase in working capital and other funds through bank borrowings of our subsidiaries. As at 30 June 2009, the remaining proceeds from the issue of H-Shares by China COSCO in 2005 was RMB304,436,000, and the remaining proceeds from the issue of A-Shares in 2007 was RMB4,659,770,000.

As at 30 June 2009, total outstanding borrowings of our Group were RMB49,323,655,000. After netting of cash and cash equivalents of RMB42,761,843,000, the net amount was RMB6,561,812,000.

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

Debt analysis

By category	**As at 30 June 2009** *RMB'000*	As at 31 December 2008 *RMB'000*
Short-term borrowings and bonds payable	**6,721,004**	1,354,423
Long-term borrowings		
Within one year	**2,459,969**	2,274,229
In the second year	**4,984,159**	3,282,878
In the third to fifth years	**30,992,237**	14,079,481
After the fifth year	**4,166,286**	5,422,892
Subtotal	**42,602,651**	25,059,480
Total	**49,323,655**	26,413,903

Breakdown of borrowings by category:

The secured borrowings of our Group amounted to RMB9,272,557,000, while unsecured borrowings amounted to RMB40,051,098,000, representing approximately 18.8% and 81.2% of the total borrowings, respectively.

Breakdown of borrowings by currency:

Our Group had borrowings denominated in U.S. dollars equivalent to RMB35,991,102,000 and borrowings denominated in RMB amounting to RMB13,329,510,000, representing approximately 73.0% and 27.0% of the total borrowings, respectively.

Financial guarantee and contingent liabilities

As at 30 June 2009, our Group had provided a guarantee on a bank borrowing granted to an associate in the amount of RMB236,384,000, where such guarantee was RMB253,270,000 as at 31 December 2008. Except for information disclosed in Note 19 to the unaudited condensed consolidated interim financial information, our Group had no other significant contingent liabilities.

Foreign exchange and interest rate risk management

For the first half of 2009, as our Group adopted stringent control over the use of financial derivatives and maintained the existing 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 integrated its internal business flow 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 internal currencies. In addition, the Group paid active attention to and conducted studies on the trends of various currencies. With its actual production and operational needs satisfied, the Group exercised control over foreign exchange risk through proper use of financial derivatives.

SHARE APPRECIATION RIGHTS PLAN

A share appreciation rights plan (the "Share Appreciation Rights Plan") was adopted by the Company, which was designed to align the interests of Directors, Supervisors and Senior Management with the operating results and the share value of the Company. The issuance of share appreciation rights does not involve any issuance of new shares, nor does it have any dilutive effect on the equity interest in the Company.

On 16 December 2005, the Board granted share appreciation rights to certain directors, supervisors and senior management officers of the Company and its subsidiaries, and other personnel designated by the Board, including nine Directors and three Supervisors at an exercise price of HK$3.195 each under the Share Appreciation Rights Plan. On 5 October 2006, the Board granted share appreciation rights to certain directors, supervisors and senior management officers of the Company and its subsidiaries, and other personnel designated by the Board, including eight Directors and three Supervisors at an exercise price of HK$3.588 each under the Share Appreciation Rights Plan. On 4 June 2007, the Company granted further share appreciation rights to certain directors, supervisors and senior management officers of the Company and its subsidiaries, and other personnel designated by the Board, including seven Directors and four Supervisors at an exercise price of HK$9.540 each under the Share Appreciation Rights Plan. The share appreciation rights granted to the seven Directors and four Supervisors are equivalent to 6,480,000 H Shares or 0.25% of the total issued H Shares. As of 30 June 2009, the Company did not grant any share appreciation rights after the grant on 4 June 2007.

SHARE APPRECIATION RIGHTS PLAN *(Continued)*

Movements of the share appreciation rights which were granted pursuant to the Share Appreciation Rights Plan during the six months ended 30 June 2009 are set out below:

Name of Director/ Supervisor	Capacity	Nature of interest	Exercise price	Number of units of share appreciation rights: Outstanding as at 1 January 2009	Granted during the period	Exercised during the period	Lapsed/ cancelled	Outstanding as at 30 June 2009	Approximate % of issued share capital of the H Shares as at 30 June 2009	Note
WEI Jiafu	Beneficial owner	Personal	HK$3.195	680,000	—	—	—	680,000	0.03%	(1)
			HK$3.588	900,000	—	—	—	900,000	0.03%	(2)
			HK$9.540	880,000	—	—	—	880,000	0.03%	(3)
ZHANG Fusheng	Beneficial owner	Personal	HK$3.195	600,000	—	—	—	600,000	0.02%	(1)
			HK$3.588	800,000	—	—	—	800,000	0.03%	(2)
			HK$9.540	780,000	—	—	—	780,000	0.03%	(3)
CHEN Hongsheng	Beneficial owner	Personal	HK$3.195	525,000	—	—	—	525,000	0.02%	(1)
			HK$3.588	700,000	—	—	—	700,000	0.03%	(2)
			HK$9.540	680,000	—	—	—	680,000	0.03%	(3)
LI Jianhong	Beneficial owner	Personal	HK$3.195	450,000	—	—	—	450,000	0.02%	(1)
			HK$3.588	600,000	—	—	—	600,000	0.02%	(2)
			HK$9.540	580,000	—	—	—	580,000	0.02%	(3)
XU Lirong	Beneficial owner	Personal	HK$3.195	375,000	—	—	—	375,000	0.01%	(1)
			HK$3.588	500,000	—	—	—	500,000	0.02%	(2)
			HK$9.540	580,000	—	—	—	580,000	0.02%	(3)
ZHANG Liang	Beneficial owner	Personal	HK$9.540	580,000	—	—	—	580,000	0.02%	(3)
SUN Yueying	Beneficial owner	Personal	HK$3.195	450,000	—	—	—	450,000	0.02%	(1)
			HK$3.588	600,000	—	—	—	600,000	0.02%	(2)
			HK$9.540	580,000	—	—	—	580,000	0.02%	(3)
LI Yunpeng	Beneficial owner	Personal	HK$3.195	450,000	—	—	—	450,000	0.02%	(1)
			HK$3.588	600,000	—	—	—	600,000	0.02%	(2)
			HK$9.540	580,000	—	—	—	580,000	0.02%	(3)
WU Shuxiong	Beneficial owner	Personal	HK$3.195	375,000	—	—	—	375,000	0.02%	(1)
			HK$3.588	500,000	—	—	—	500,000	0.02%	(2)
			HK$9.540	480,000	—	—	—	480,000	0.02%	(3)
MA Jianhua	Beneficial owner	Personal	HK$9.540	480,000	—	—	—	480,000	0.02%	(3)
LI Zonghao	Beneficial owner	Personal	HK$3.195	225,000	—	—	—	225,000	0.01%	(1)
			HK$3.588	300,000	—	—	—	300,000	0.01%	(2)
			HK$9.540	280,000	—	—	—	280,000	0.01%	(3)

SHARE APPRECIATION RIGHTS PLAN *(Continued)*

Notes:

(1) The share appreciation rights were granted by the Company in units with each unit representing one H Share pursuant to the Share Appreciation Rights Plan. At each of the last day of the third, fourth, fifth and sixth anniversary of the date of grant (i.e. 16 December 2005), the total number of the share appreciation rights exercisable shall not exceed 25%, 50%, 75% and 100%, respectively, of each of the total share appreciation rights granted. The share appreciation rights are exercisable at HK$3.195 per unit according to its terms between 16 December 2007 and 15 December 2015.

(2) The share appreciation rights were granted by the Company in units with each unit representing one H Share pursuant to the Share Appreciation Rights Plan. At each of the last day of the third, fourth, fifth and sixth anniversary of the date of grant (i.e. 5 October 2006), the total number of the share appreciation rights exercisable shall not exceed 25%, 50%, 75% and 100%, respectively, of each of the total share appreciation rights granted. The share appreciation rights are exercisable at HK$3.588 per unit according to its terms between 5 October 2008 and 4 October 2016.

(3) The share appreciation rights were granted by the Company in units with each unit representing one H Share pursuant to the Share Appreciation Rights Plan. At each of the last day of the third, fourth, fifth and sixth anniversary of the date of grant (i.e. 4 June 2007), the total number of the share appreciation rights exercisable shall not exceed 25%, 50%, 75% and 100%, respectively, of each of the total share appreciation rights granted. The share appreciation rights are exercisable at HK$9.540 per unit according to its terms between 4 June 2009 and 3 June 2017.

SHARE OPTION SCHEME OF COSCO PACIFIC

At a special general meeting of COSCO Pacific held on 23 May 2003, its shareholders approved the 2003 Share Option Scheme.

Movements of the share options, which were granted under the 2003 Share Option Scheme, during the period are set out below:

		Number of share options							
Category	Exercise price HK$	Outstanding as at 1 January 2009	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 30 June 2009	Approximate percentage of total issued share capital as at 30 June 2009	Exercisable period	Note
Directors									
WEI Jiafu	13.75	1,000,000	—	—	—	1,000,000	0.04%	03.12.2004-02.12.2014	(2), (4)
ZHANG Fusheng	13.75	1,000,000	—	—	—	1,000,000	0.04%	03.12.2004-02.12.2014	(2), (4)
CHEN Hongsheng	13.75	1,000,000	—	—	—	1,000,000	0.04%	03.12.2004-02.12.2014	(2), (4)
LI Jianhong	13.75	1,000,000	—	—	—	1,000,000	0.04%	02.12.2004-01.12.2014	(2), (4)
SUN Yueying	13.75	1,000,000	—	—	—	1,000,000	0.04%	03.12.2004-02.12.2014	(2), (4)

SHARE OPTION SCHEME OF COSCO PACIFIC *(Continued)*

		Number of share options							
Category	Exercise price HK$	Outstanding as at 1 January 2009	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 30 June 2009	Approximate percentage of total issued share capital as at 30 June 2009	Exercisable period	Note
Supervisor									
LI Yunpeng	13.75	1,000,000	—	—	—	1,000,000	0.04%	03.12.2004-02.12.2014	(2), (4)
Others(5)	9.54	2,461,000	—	—	(4,000)	2,457,000	0.11%	(refer to note 1)	(1)
	13.75	17,442,000	—	—	(250,000)	17,192,000	0.78%	(refer to note 2)	(2)
	19.30	16,880,000	—	—	(320,000)	16,560,000	0.76%	(refer to note 3)	(3)
		42,783,000	—	—	(574,000)	42,209,000			

Notes:

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

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

(3) The share options were granted during the period from 17 April 2007 to 19 April 2007 under the 2003 Share Option Scheme at an exercise price of HK$19.30. The options are exercisable at any time within ten years from the Commencement Date. The Commencement Date of the options of the grantees was from 17 April 2007 to 19 April 2007.

(4) These options represent personal interests held by the relevant Directors or Supervisor as beneficial owners.

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

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

As at 30 June 2009, the interests of the Directors and Supervisors of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFOs or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(a) Long positions in the Shares, underlying Shares and debentures:

Name of Supervisor	Capacity	Nature of interest	Number of A Shares	Approximate percentage of total issued A Shares
Mr. LI Yunpeng	Beneficial owner	Family	3,000	0.00004%
Mr. LUO Jiulian	Beneficial owner	Family	1,000	0.00001%

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

Name of associated corporation	Name of Director/ Supervisor	Capacity	Nature of interest	Number of ordinary shares	Percentage of total issued share capital
COSCO Corporation (Singapore) Limited	WEI Jiafu	Beneficial owner	Personal	1,900,000	0.08%
COSCO Corporation (Singapore) Limited	LI Jianhong	Beneficial owner	Personal	1,300,000	0.06%
COSCO Corporation (Singapore) Limited	SUN Yueying	Beneficial owner	Personal	1,400,000	0.06%

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

Movements of the share appreciation rights which were granted pursuant to the Share Appreciation Rights Plan during the six-month period ended 30 June 2009 are set out in the paragraph headed "Share Appreciation Rights Plan" in this section.

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

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

Movement of the share options granted to the Directors and Supervisors by the associated corporations during the six-month period ended 30 June 2009 are set out as below:

Name of associated corporation	Name of director/ supervisor	Capacity	Nature of interest	Exercise price	Number of share options: Outstanding as at 1 January 2009	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 30 June 2009	Percentage of total issued of share capital associated corporation as at 30 June 2009	Note
COSCO Pacific	WEI Jiafu	Beneficial owner	Personal	HK$13.75	1,000,000	—	—	—	1,000,000	0.04%	(1)
	ZHANG Fusheng	Beneficial owner	Personal	HK$13.75	1,000,000	—	—	—	1,000,000	0.04%	(1)
	CHEN Hongsheng	Beneficial owner	Personal	HK$13.75	1,000,000	—	—	—	1,000,000	0.04%	(1)
	LI Jianhong	Beneficial owner	Personal	HK$13.75	1,000,000	—	—	—	1,000,000	0.04%	(1)
	SUN Yueying	Beneficial owner	Personal	HK$13.75	1,000,000	—	—	—	1,000,000	0.04%	(1)
	LI Yunpeng	Beneficial owner	Personal	HK$13.75	1,000,000	—	—	—	1,000,000	0.04%	(1)
COSCO International	WEI Jiafu	Beneficial owner	Personal	HK$1.37	1,200,000	—	—	—	1,200,000	0.08%	(2)
	LI Jianhong	Beneficial owner	Personal	HK$1.37	1,200,000	—	—	—	1,200,000	0.08%	(2)
COSCO Corporation (Singapore) Limited	LI Jianhong	Beneficial owner	Personal	S$1.23	700,000	—	—	—	700,000	0.03%	(3)
	SUN Yueying	Beneficial owner	Personal	S$1.23	700,000	—	—	—	700,000	0.03%	(3)

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

Notes:

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

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

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

Except as disclosed above, as at 30 June 2009, none of the Directors, Supervisors or chief executives of the Company had any interests or short positions in any shares or underlying shares or interests in debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL INTERESTS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as was known to any Director of the Company, as at 30 June 2009, shareholders who had interests or short positions in the Shares and underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

		Number of H Shares/Percentage of total issued share capital of the H Shares						
Name	**Capacity and nature of interest**	**Long position**	**(approx) %**	**Short position**	**(approx) %**	**Lending pool**	**(approx) %**	**Note**
Barclays PLC, London	Interest of controlled corporation	225,341,739	8.73	670,500	0.03	—	—	(1)
JP Morgan Chase & Co	Interest of controlled corporation	151,157,462	5.86	9,175,000	0.36	65,816,070	2.55	(2)
UBS AG	Beneficial owner	140,614,893	5.44	18,312,389	0.70	—	—	—
	Security interest	—	—	16,920,000	0.65	—	—	—
	Interest of controlled corporation	6,169,037	0.23	5,289,112	0.20	—	—	(3)
Deutsche Bank AG, Hong Kong Branch	Beneficial owner	30,212,683	1.17	8,817,814	0.34	—	—	—
	Investment manager	6,300,000	0.24	—	—	—	—	—
	Security interest	94,983,490	3.68	89,179,900	3.46	—	—	—
COSCO Group	Interest of controlled corporation	81,179,000	3.15	—	—	—	—	(4)

Notes:

(1) The 225,341,739 Shares relate to the Shares directly held by the following related entities of Barclays PLC, London: Barclays Global Investors, N.A., Barclays Global Investors Ltd. and Barclays Global Investors (Deutschland) AG. The short position of 670,500 Shares relate to the Shares directly held by Barclays Global Investors, N.A.

(2) The 151,157,462 Shares relate to the Shares directly held by the following related entities of JP Morgan Chase & Co.: JPMorgan Chase Bank, N.A., J.P. Morgan Whitefriars Inc., J.P. Morgan Investment Management Inc., China International Fund Management Co Ltd, JPMorgan Asset Management (UK) Limited, J.P. Morgan Securities Ltd. and JP Morgan Asset Management (Singapore) Limited. The short position of 9,243,000 Shares is directly held by J.P. Morgan Whitefriars Inc., JPMorgan Chase Bank, N.A., J.P. Morgan Structured Products B.V. and J.P. Morgan Securities Ltd. The 68,363,570 Shares are held in the capacity of approved lending agent/custodian corporation by JPMorgan Chase & Co.

(3) The 6,619,037 Shares relate to the Shares directly held by the following related entities of UBS AG: UBS Securities LLC, UBS Global Asset Management (Hong Kong) Limited, UBS Global Asset Management (Japan) Ltd. and UBS Fund Management (Switzerland) AG. The short position of 5,289,112 Shares relates to the Shares directly held by UBS Securities LLC.

(4) The 81,179,000 Shares, which are held by HKSCC Nominees Limited as a nominee, relate to Shares directly held by Peaktrade Investments Ltd., a wholly owned subsidiary of COSCO (Hong Kong) Group Limited, which in turn is a wholly owned subsidiary of COSCO.

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

As at 30 June 2009, so far as was known to the Directors of the Company, shareholder having interests in the A Shares which fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

		Number of shares/Percentage of total issued share capital of the Company					
Name	Capacity and nature of interest	Long position	(approx) %	Short position	(approx) %	Lending Pool	(approx) %
COSCO	Beneficial owner	5,472,806,911	53.57	—	—	—	—

Except as disclosed above, as at 30 June 2009, so far as was known to the Directors of the Company, there was no person (other than a Director, Supervisor or chief executive of the Company) who had an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DISCLOSURE UNDER RULE 13.22 OF CHAPTER 13 OF THE LISTING RULES

In relation to the financial assistance granted by COSCO Pacific, a listed subsidiary of the Company, to certain affiliated companies, a proforma combined balance sheet of the affiliated companies as at 30 June 2009 required to be disclosed under Rule 13.22 of Chapter 13 of the Listing Rules is set out below:

	RMB'000 (approx.)
Non-current assets	17,563,421
Current assets	882,067
Current liabilities	(7,638,570)
Non-current liabilities	(6,229,354)
Net assets	4,577,564
Share capital	3,325,461
Reserves	469,953
Minority interests	782,150
Capital and reserves	4,577,564

As at 30 June 2009, the attributable interests of the Group in these affiliated companies amounted to approximately RMB 2,287,552,000.

AUDIT COMMITTEE

The Company has established an audit committee in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review the financial reporting process and the systems of internal controls of the Group (including the adequacy of resources, qualification and experience of staff with accounting and financial reporting functions, 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. Alexander Reid Hamilton (chairman of the audit committee) and Mr. Cheng Mo Chi, and one non-executive director, Ms. Sun Yueying, who will meet regularly with the management and external auditors of the Company, 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 2009, and recommended the adoption by the Board.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance by our Group and the Board considers that effective corporate governance 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 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:

(1) the Code on Governance Practices in Appendix 14 to the Listing Rules requires separation of the role of Chairman and Chief Executive Officer of a listed issuer. Mr. Wei Jiafu currently assumes the role of both Chairman and Chief Executive Officer of the Company. The Board 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 which might affect the daily operations of the Company; and

(2) the Code on Governance Practices in Appendix 14 to the Listing Rules requires that each director of a listed issuer shall retire by rotation at least once every three years. The Board considers that re-election of Directors by the Shareholders in general meeting is beneficial for maintaining the operation strategies and the continuation of the various systems of the Company. Therefore, the system of retirement by rotation of Directors has not been provided in the Articles of Association of the Company.

Notwithstanding the above, the Board will review the current structure from time to time and make necessary arrangements when it considers appropriate. Furthermore, 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 2009.

INTERIM DIVIDEND

The Board does not recommend distribution of an interim dividend for the year.

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 Supervisor 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 have complied with the required standard set out in the Model Code and the Code of Conduct throughout the six months ended 30 June 2009.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

The Company has not redeemed any of its listed Shares during the six months ended 30 June 2009. Neither the Company nor any of its subsidiaries purchased or sold any of the listed Shares during the six months ended 30 June 2009.

INVESTOR RELATIONS

The Company highly values investor relations at all time and considers the maintenance of investor relations as an on-going strategic work.

In the first half of the year, the Group had extensive communication with the capital market by organizing domestic and overseas road shows, reverse road shows, results press release, domestic and overseas investor meetings, corporate visits and telephone conferences. The Group had also organized and participated in a total of 9 group meetings and 227 personal meetings, with over 1,168 domestic and overseas institutional investors, strategic investors, analysts, etc. and answered thousands of telephone calls from individual investors. The Company promptly sent emails to investors that it has made contact with the announcements, circulars published by the Company, information about the shipping market and summary of analysts' reports, etc, which were mostly welcomed by investors.

We release the announcements of the Company, regular reports, updates of the Company, highlights of results, recordings of analysts' meetings, etc. and contact of analysts on the website of the Company and update such information in a timely manner. We also try our best to facilitate domestic and overseas media to conduct of interviews and obtain public information subject to laws and regulations.

While actively communicating with external parties, the Company also places great importance on opinions from the capital markets. The investment department actively collects relevant opinions and advice and report to the senior management in a timely manner, which are important references to the decision making process of the Company.

During the process of the above work, senior management and the relevant staff are all in strict compliance with domestic and overseas regulatory requirements, and actively and proactively commence their tasks subject to laws and regulations.

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

CORPORATE CULTURE

The Company views a positive corporate culture an important foundation for the continuous development of an enterprise. While actively expanding its business, the Group emphasises on building its corporate culture, creating a corporate value of "maximizing operational efficiency and company value and maximizing return for shareholders" among its employees and is committed to build a listed flagship and integrated platform for COSCO Group. Having due regard to its employees, shareholders, customers, other stakeholders and the community as a whole, the Group cultivates corporate culture with "practical and corporation" as its core and realizes the healthy and sustainable development of the Company.

Unaudited Condensed Consolidated Interim Financial Information

The unaudited condensed consolidated interim financial information of the Company prepared under Hong Kong Financial Reporting Standards as set out on pages 45 to 91 has been reviewed by the Company's independent international auditor, 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").

PricewaterhouseCoopers has issued an unmodified review conclusion on the unaudited condensed consolidated interim financial information of the Company for the period ended 30 June 2009, the text of which is set out on page 92.

Unaudited Condensed Consolidated Interim Balance Sheet

As at 30 June 2009

	Note	**As at 30 June 2009** ***RMB'000***	As at 31 December 2008 *RMB'000* (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment	6	**58,151,886**	55,663,055
Investment properties	6	**463,480**	328,901
Leasehold land and land use rights	6	**1,059,406**	1,074,914
Intangible assets	6	**175,487**	185,409
Interests in jointly controlled entities		**4,156,992**	4,146,847
Interests in associates		**5,876,552**	5,955,120
Available-for-sale financial assets		**2,582,361**	2,864,240
Derivative financial assets	7	**120,977**	184,461
Deferred income tax assets		**2,676,140**	2,757,097
Loans to jointly controlled entities and associates		**805,570**	1,009,737
Restricted bank deposits		**80,485**	74,001
Other non-current assets		**527,576**	13,670
		76,676,912	74,257,452
Current assets			
Inventories		**1,422,490**	1,501,054
Trade and other receivables	8	**9,764,318**	9,896,565
Derivative financial assets	7	**153,951**	278,049
Financial assets at fair value through profit or loss		**3,547**	1,870
Available-for-sale financial assets		**140,611**	—
Restricted bank deposits		**1,598**	529,237
Tax recoverable		**469,583**	370,011
Deposits and cash and cash equivalents		**42,761,843**	31,591,865
		54,717,941	44,168,651
Total assets		**131,394,853**	118,426,103

The notes on pages 52 to 91 form an integral part of this condensed consolidated interim financial information.

Unaudited Condensed Consolidated Interim Balance Sheet

As at 30 June 2009

	Note	**As at 30 June 2009 *RMB'000***	As at 31 December 2008 *RMB'000* (Restated)
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital	9(a)	**10,216,274**	10,216,274
Reserves		**34,557,212**	39,313,368
Proposed dividends	17(b)	**—**	2,962,720
		44,773,486	52,492,362
Minority interests		**10,135,899**	9,756,223
Total equity		**54,909,385**	62,248,585
LIABILITIES			
Non-current liabilities			
Long-term borrowings	10	**40,142,682**	22,785,251
Provisions and other liabilities	11	**1,018,274**	1,013,188
Derivative financial liabilities	7	**141,140**	274,630
Deferred income tax liabilities		**3,283,919**	3,528,691
		44,586,015	27,601,760
Current liabilities			
Trade and other payables	12	**19,121,391**	14,772,973
Derivative financial liabilities	7	**1,247,213**	3,691,032
Short-term loans	13	**6,721,004**	1,354,423
Current portion of long-term borrowings	10	**2,459,969**	2,274,229
Current portion of provisions and other liabilities	11	**1,524,776**	5,327,137
Tax payable		**825,100**	1,155,964
		31,899,453	28,575,758
Total liabilities		**76,485,468**	56,177,518
Total equity and liabilities		**131,394,853**	118,426,103
Net current assets		**22,818,488**	15,592,893
Total assets less current liabilities		**99,495,400**	89,850,345

The notes on pages 52 to 91 form an integral part of this condensed consolidated interim financial information.

Unaudited Condensed Consolidated Interim Income Statement

For the six months ended 30 June 2009

	Note	Six months ended 30 June 2009 *RMB'000*	2008 *RMB'000* (Restated)
Revenues	5	**28,923,470**	70,572,425
Cost of services and inventories sold		**(32,263,093)**	(51,234,159)
Gross (loss)/profit		**(3,339,623)**	19,338,266
Other income, net		**1,207,422**	1,966,101
Selling, administrative and general expenses		**(2,147,357)**	(2,350,921)
Operating (loss)/profit	14	**(4,279,558)**	18,953,446
Finance income	15	**219,048**	474,933
Finance costs	15	**(584,252)**	(474,221)
		(4,644,762)	18,954,158
Share of profits less losses of			
– jointly controlled entities		**235,831**	431,198
– associates		**257,661**	372,468
(Loss)/profit before income tax		**(4,151,270)**	19,757,824
Income tax	16	**19,406**	(3,897,065)
(Loss)/profit for the period		**(4,131,864)**	15,860,759
(Loss)/profit attributable to:			
Equity holders of the Company		**(4,594,102)**	15,123,824
Minority interests		**462,238**	736,935
		(4,131,864)	15,860,759
Distribution	17(a)	**850**	9,940
		RMB	*RMB*
(Loss)/earnings per share for (loss)/profit attributable to the equity holders of the Company			
– basic and diluted	18	**(0.4497)**	1.4804

The notes on pages 52 to 91 form an integral part of this condensed consolidated interim financial information.

Unaudited Condensed Consolidated Interim Statement of Comprehensive Income

For the six months ended 30 June 2009

	Six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
		(Restated)
(Loss)/profit for the period	**(4,131,864)**	15,860,759
Other comprehensive (expenses)/income		
Release of reserves upon deemed disposals	**—**	1,667
Available-for-sale financial assets		
– fair value losses, net of tax	**(158,774)**	(431,036)
– transferred to consolidated interim income statement upon disposal	**(581)**	(14,431)
Cash flow hedges		
– fair value gains, net of tax	**1,590**	541,403
– transferred to consolidated interim income statement	**—**	(214,158)
Exchange differences	**45,484**	(2,448,154)
Other comprehensive expenses for the period, net of tax	**(112,281)**	(2,564,709)
Total comprehensive (expenses)/income for the period	**(4,244,145)**	13,296,050
Total comprehensive (expenses)/income attributable to:		
Equity holders of the Company	**(4,704,182)**	13,049,971
Minority interests	**460,037**	246,079
	(4,244,145)	13,296,050

The notes on pages 52 to 91 form an integral part of this condensed consolidated interim financial information.

	For the six months ended 30 June 2009		
	Equity holders of the Company *RMB'000*	Minority interests *RMB'000*	Total *RMB'000*
As at 1 January 2009, as previously reported	52,491,656	9,755,106	62,246,762
Adoption of merger accounting *(note 22)*	706	1,117	1,823
As at 1 January 2009, as restated	52,492,362	9,756,223	62,248,585
(Loss)/profit for the period	(4,594,102)	462,238	(4,131,864)
Other comprehensive (expenses)/income:			
Available-for-sale financial assets			
– fair value losses, net of tax	(136,304)	(22,470)	(158,774)
– transferred to consolidated income statement upon disposal	(296)	(285)	(581)
Cash flow hedges			
– fair value gains, net of tax	1,590	—	1,590
Exchange differences	24,930	20,554	45,484
Total comprehensive (expenses)/income for the period ended 30 June 2009	(4,704,182)	460,037	(4,244,145)
Share of reserves of jointly controlled entities and associates	(50,732)	(43,784)	(94,516)
Contribution from minority shareholders of subsidiaries	—	146,957	146,957
Dividends paid to minority shareholders of subsidiaries	—	(200,442)	(200,442)
Distributions *(note 17(a))*	(850)	—	(850)
2008 final dividend *(note 17(b)(i))*	(2,962,720)	—	(2,962,720)
Reclassification of a jointly controlled entity to a subsidiary *(note 23)*	—	12,410	12,410
Disposal of shares in a subsidiary	—	(3,223)	(3,223)
Disposal of shares in a subsidiary by a minority shareholder	(392)	392	—
Establishment of new subsidiaries	—	7,329	7,329
As at 30 June 2009	44,773,486	10,135,899	54,909,385

The notes on pages 52 to 91 form an integral part of this condensed consolidated interim financial information.

	For the six months ended 30 June 2008		
	Equity holders of the Company *RMB'000*	Minority interests *RMB'000*	Total *RMB'000*
As at 1 January 2008, as previously reported	46,600,479	10,556,006	57,156,485
Adoption of merger accounting	642	1,013	1,655
As at 1 January 2008, as restated	46,601,121	10,557,019	57,158,140
Profit for the period	15,123,824	736,935	15,860,759
Release of reserves upon deemed disposals	(1,186)	2,853	1,667
Available-for-sale financial assets			
– fair value losses, net of tax	(297,310)	(133,726)	(431,036)
– transferred to consolidated income statement upon disposal	(7,354)	(7,077)	(14,431)
Cash flow hedges			
– fair value gains, net of tax	541,403	—	541,403
– transferred to consolidated income statement	(214,158)	—	(214,158)
Exchange differences	(2,095,248)	(352,906)	(2,448,154)
Total comprehensive income for the period ended 30 June 2008	13,049,971	246,079	13,296,050
Share of reserves of jointly controlled entities and associates	195,926	122,685	318,611
Contribution from minority shareholders of subsidiaries	—	70,740	70,740
Dividends paid to minority shareholders of subsidiaries	—	(566,082)	(566,082)
Distributions *(note 17(a))*	(22,837)	12,897	(9,940)
2007 final dividend	(1,804,358)	—	(1,804,358)
Reclassification of a jointly controlled entity to a subsidiary *(note 23)*	—	83,675	83,675
Others	1,107	17	1,124
As at 30 June 2008	58,020,930	10,527,030	68,547,960

The notes on pages 52 to 91 form an integral part of this condensed consolidated interim financial information.

	Six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
		(Restated)
Net cash (used in)/generated from operating activities	**(7,770,653)**	18,191,276
Net cash used in investing activities	**(3,565,054)**	(17,967,181)
Net cash generated from/(used in) financing activities	**22,512,108**	(4,444,451)
Net increase/(decrease) in cash and cash equivalents	**11,176,401**	(4,220,356)
Cash and cash equivalents as at 1 January	**31,591,865**	37,630,599
Exchange losses	**(6,423)**	(1,017,141)
Cash and cash equivalents as at 30 June	**42,761,843**	32,393,102

The notes on pages 52 to 91 form an integral part of this condensed consolidated interim financial information.

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 are 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 (collectively 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".

The condensed consolidated interim financial information was presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated. This condensed consolidated interim financial information for the six months ended 30 June 2009 (the "unaudited Condensed Consolidated Interim Financial Information") was approved by the Board of Directors for issue on 27 August 2009.

This condensed consolidated interim financial information has not been audited.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

These 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 financial statements for the year ended 31 December 2008 (the "2008 Annual Financial Statements") which were prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRS') issued by the HKICPA.

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

Adoption of new/revised HKFRSs

The significant accounting policies and methods of computation used in the preparation of the unaudited Condensed Consolidated Interim Financial Information are consistent with the 2008 Annual Financial Statements except that, the Group has adopted the following new and revised standards, amendments to standards and interpretations issued by the HKICPA which are relevant to its operations.

The new and revised standards, amendments to standards and interpretations mandatory for the financial year ending 31 December 2009 are as follows:

HKAS 1 (Revised) and Amendment	"Presentation of Financial Statements"
HKAS 16 Amendment	"Property, Plant and Equipment"
HKAS 19 Amendment	"Employee Benefits"
HKAS 20 Amendment	"Accounting for Government Grants and Disclosure of Government Assistance"
HKAS 23 (Revised) and Amendment	"Borrowing Costs"
HKAS 27 Amendment	"Consolidated and Separate Financial Statements"
HKAS 28 Amendment	"Investments in Associates"
HKAS 31 Amendment	"Interests in Joint Ventures"
HKAS 36 Amendment	"Impairment of Assets"
HKAS 38 Amendment	"Intangible Assets"
HKAS 39 Amendment	"Financial Instruments: Recognition and Measurement"
HKAS 40 Amendment	"Investment Property"
HKFRS 1 and HKAS 27 Amendments	"Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate"
HKFRS 2 Amendment	"Share-based Payment - Vesting Conditions and Cancellations"
HKFRS 7 Amendment	"Improving Disclosures about Financial Instruments"
HKFRS 8	"Operating Segments"
HK(IFRIC)-Int 16	"Hedges of a Net Investment in a Foreign Operation"
HK(IFRIC)-Int 9 and HKAS 39 Amendments	"Embedded Derivatives"

Except for certain changes in presentation and disclosures of financial information as described below, the adoption of the above new and revised standards, amendments to standards and interpretations in the current period did not have any significant effect on the unaudited Condensed Consolidated Interim Financial Information or result in any significant changes in the Group's significant accounting policies.

- HKAS 1 (Revised), "Presentation of financial statements". The Group has elected to present two statements: an income statement and a statement of comprehensive income. The unaudited Condensed Consolidated Interim Financial Information have been prepared under the revised disclosure requirements;

- HKFRS 8, "Operating segments". HKFRS 8 replaces HKAS 14, "Segment reporting". It requires a "management approach" under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in certain changes in the presentation and disclosures information of the reportable segments.

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

The HKICPA has issued certain revised standards, amendments to standards and interpretations which are not yet effective for the year ending 31 December 2009.

The Group has early adopted HKFRS 3 (Revised), "Business Combinations", in 2009. The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with HKFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed.

As the Group has early adopted HKFRS 3 (Revised) in 2009, it is required to early adopt HKAS 27 (Revised), "Consolidated and Separate Financial Statements", at the same time. HKAS 27 (Revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. There has been no impact of the revised standard on the current interim period as none of the non-controlling interests have a deficit balance; there have been no transactions whereby an interest in an entity is retained after the loss of control of that entity and there have been no transactions with non-controlling interests.

Other than the early adoption of HKFRS 3 (Revised) and HKAS 27 (Revised), 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 2009, 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 FINANCIAL RISK MANAGEMENT

All aspects of the Group's financial risk management objectives and policies are consistent with those disclosed in the 2008 Annual Financial Statements.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

(a) Onerous contracts

Management estimates the provision for onerous contracts being the present obligation of the unavoidable costs less the economic benefits expected to be received under those non-cancellable chartered-in dry bulk vessel contracts. The expected economic benefits are estimated based on contracted freight rates of associated chartered-out dry bulk vessel contracts, and estimated future freight rates by reference to market statistics and information while unavoidable costs are estimated based on charterhire payments that the Group is obligated to make under the non-cancellable chartered-in dry bulk vessel contracts.

Management had conducted an assessment of the non-cancellable chartered-in dry bulk vessel contracts and recognised a provision of RMB 1,462,592,000 (31 December 2008: RMB5,235,690,000) for onerous contracts (note 11). Those contracts under assessment relate to leases (i) with lease term expiring within 12 months from the balance sheet date; and (ii) with lease term expiring over 12 months from the balance sheet date in respect of the period being covered by the chartered-out dry bulk vessel contracts.

The dry bulk market is currently highly volatile and freight rates longer than 12 months are difficult to predict with a reasonable certainty. Management considers that it cannot reasonably assess as to whether the chartered-in dry bulk vessel contracts with lease term expiring over 12 months after the balance sheet date and with period not being covered by chartered-out dry bulk vessel contracts are onerous as the economic benefits expected to be received under these contracts cannot be reliably measured.

As at 30 June 2009, the committed charterhire expenses of those non-cancellable chartered-in dry bulk vessel contracts with lease term expiring over 12 months from the balance sheet date of which management cannot reliably assess their onerous amounted to approximately RMB53,154,932,000 (31 December 2008: RMB59,585,487,000).

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

(b) Estimated impairment of container vessels, dry bulk vessels and container

The Group's major operating assets represent container vessels, dry bulk vessels and containers. Management performs review for impairment of the container vessels, dry bulk vessels and containers whenever events or changes in circumstances indicate that the carrying amounts of the container vessels, dry bulk vessels and containers may not be recoverable.

The recoverable amounts of container vessels, dry bulk vessels and containers have been determined either based on value-in-use or fair value less costs to sell method. The fair values of the assets were determined by independent valuers based on market transactions at the balance sheet date. While the value-in-use calculations require the use of estimates on the projections of cash inflows from the continue use of container vessels, dry bulk vessels and containers (including the amount to be received for the disposal of container vessels, dry bulk vessels and containers) and discount rates. All these items have been historically volatile and may impact the results of the impairment assessment.

Based on management's best estimates, there was no impairment loss for container vessels, dry bulk vessels and containers noted during the period.

(c) Income taxes and withholding taxes

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

Deferred tax liabilities have not been established for income tax and withholding tax that would be payable on certain profits of overseas subsidiaries to be repatriated and distributed by way of dividends as the Directors consider that the timing of the reversal of the related temporary differences can be controlled and such temporary differences will not be reversed in the foreseeable future.

Recognition of deferred tax assets, which principally relate to temporary differences, depend on the management's expectation of the timing of reversal and the taxable profit that will be available against which tax losses can be utilised. The outcome of their actual utilisation or reversal may be different.

5 REVENUES AND SEGMENT INFORMATION

Turnover represents 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 month ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
		(Restated)
Container shipping	**11,376,656**	23,497,491
Dry bulk shipping	**10,677,547**	38,911,334
Logistics	**5,834,164**	7,111,911
Container terminal operations	**278,429**	250,880
Container leasing	**322,649**	379,793
Turnover	**28,489,445**	70,151,409
Manning service income	**155,003**	165,182
Others	**279,022**	255,834
Total revenues	**28,923,470**	70,572,425

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 and related business
— Corporate and other operations that primarily comprise container manufacturing, investment holding and financing.

5 **REVENUES AND SEGMENT INFORMATION** *(Continued)*

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	**Segment trade lanes**
America	Trans-Pacific
Europe	Asia-Europe
Asia Pacific	Intra-Asia
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 segment reporting, 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, manning services 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 segment information by geographical area and thus the revenues of which are presented as unallocated revenues.

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, financial assets at fair value through profit or loss, deposits and cash and cash equivalents, and mainly exclude interests in jointly controlled entities and associates, loans to jointly controlled entities and associates, available-for-sale financial assets, tax recoverable and deferred income tax assets. Segment liabilities consists primarily of long-term borrowings, short-term loans, provisions and other liabilities, derivative financial liabilities and payables, and mainly exclude items such as current and deferred income tax liabilities. Capital expenditure comprises additions to property, plant and equipment, investment properties, leasehold land and land use rights, intangible assets and other non-current assets, including additions resulting from acquisitions through business combinations.

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

5 REVENUES AND SEGMENT INFORMATION *(Continued)*

	Six months ended 30 June 2009							
	Container shipping and related business *RMB'000*	Dry bulk shipping and related business *RMB'000*	Logistics *RMB'000*	Container terminal and related business *RMB'000*	Container leasing and related business *RMB'000*	Corporate and other operations *RMB'000*	Inter-segment elimination *RMB'000*	Total *RMB'000*
Income statement								
Total revenues	11,380,046	11,114,835	5,872,326	314,432	781,809	–	(539,978)	28,923,470
Inter-segment revenues	(3,390)	(3,263)	(38,162)	(36,003)	(459,160)	–	539,978	–
Revenues (from external customers)	11,376,656	11,111,572	5,834,164	278,429	322,649	–	–	28,923,470
Including:								
Container shipping, logistics and container terminal operations and other related services								
– America	3,282,353	–	–	–	–	–	–	3,282,353
–- Europe	2,425,223	–	55,466	–	–	–	–	2,480,689
– Asia Pacific	1,763,023	–	15,086	278,429	–	–	–	2,056,538
– China domestic	3,495,018	–	5,763,612	–	–	–	–	9,258,630
– Other international market	411,039	–	–	–	–	–	–	411,039
Dry bulk shipping and other related services								
– International shipping	–	10,435,073	–	–	–	–	–	10,435,073
– PRC coastal shipping	–	676,499	–	–	–	–	–	676,499
Unallocated	–	–	–	–	322,649	–	–	322,649
	11,376,656	11,111,572	5,834,164	278,429	322,649	–	–	28,923,470
Segment (loss)/profit	(4,315,876)	(535,851)	273,361	146,767	310,936	(158,895)	–	(4,279,558)
Finance income								219,048
Finance costs								(584,252)
Share of profits less losses of								
– jointly controlled entities	4,422	31,301	25,070	175,038	–	–	–	235,831
– associates	3,432	2,292	29,014	27,964	–	194,959	–	257,661
Loss before income tax								(4,151,270)
Income tax								19,406
Loss for the period								(4,131,864)
Depreciation and amortisation	558,642	839,623	67,235	55,872	280,972	3,123	–	1,805,467
Capital expenditure	1,359,607	2,387,348	123,514	873,763	322,954	680	–	5,067,866
Reversal of provision for impairment of trade and other receivables	(17,845)	(192,032)	(4,188)	–	–	–	–	(214,065)
Provision for impairment of trade and other receivables	3,207	10,593	4,697	–	–	–	–	18,497
Amortised amount of transaction costs on long-term borrowings	3,253	–	–	615	–	2,947	–	6,815
Unrealised fair value gain on freight forward agreements ("FFA"), net	–	(2,440,145)	–	–	–	–	–	(2,440,145)
Provision for onerous contracts	–	911,738	–	–	–	–	–	911,738

5 REVENUES AND SEGMENT INFORMATION *(Continued)*

	Six months ended 30 June 2008 (Restated)							
	Container shipping and related business *RMB'000*	Dry bulk shipping and related business *RMB'000*	Logistics *RMB'000*	Container terminal and related business *RMB'000*	Container leasing and related business *RMB'000*	Corporate and other operations *RMB'000*	Inter-segment elimination *RMB'000*	Total *RMB'000*
Income statement								
Total revenues	23,499,537	39,333,045	7,184,441	296,175	856,861	—	(597,634)	70,572,425
Inter-segment revenues	(2,046)	(695)	(72,530)	(45,295)	(477,068)	—	597,634	—
Revenues (from external customers)	23,497,491	39,332,350	7,111,911	250,880	379,793	—	—	70,572,425
Including:								
Container shipping, logistics, container terminal operations and other related services								
– America	6,337,807	—	—	—	—	—	—	6,337,807
– Europe	7,771,063	—	88,085	—	—	—	—	7,859,148
– Asia Pacific	3,189,777	—	—	250,880	—	—	—	3,440,657
– China domestic	5,011,867	—	7,023,826	—	—	—	—	12,035,693
– Other international market	1,186,977	—	—	—	—	—	—	1,186,977
Dry bulk shipping and other related services								
– International shipping	—	37,328,259	—	—	—	—	—	37,328,259
– PRC coastal shipping	—	2,004,091	—	—	—	—	—	2,004,091
Unallocated	—	—	—	—	379,793	—	—	379,793
	23,497,491	39,332,350	7,111,911	250,880	379,793	—	—	70,572,425
Segment profit	969,232	16,889,002	235,463	182,040	463,666	214,043	—	18,953,446
Finance income								474,933
Finance costs								(474,221)
Share of profits less losses of								
– jointly controlled entities	6,057	87,895	30,170	307,076	—	—	—	431,198
– associates	2,872	19,313	42,319	61,395	—	246,569	—	372,468
Profit before income tax								19,757,824
Income tax expenses								(3,897,065)
Profit for the period								15,860,759
Depreciation and amortisation	521,751	975,853	65,532	45,270	275,898	8,888	—	1,893,192
Capital expenditure	5,444,445	3,167,764	79,889	905,497	2,160,513	1,906	—	11,760,014
Reversal of provision for impairment of trade and other receivables	—	—	(1,859)	—	(11,741)	—	—	(13,600)
Provision for impairment of trade and other receivables	992	3,188	—	—	35	—	—	4,215
Amortised amount of transaction costs on long-term borrowings	2,850	—	—	—	643	—	—	3,493
Unrealised fair value loss on FFA, net	—	237,492	—	—	—	—	—	237,492

5 REVENUES AND SEGMENT INFORMATION *(Continued)*

	As at 30 June 2009							
	Container shipping and related business RMB'000	Dry bulk shipping and related business RMB'000	Logistics RMB'000	Container terminal and related business RMB'000	Container leasing and related business RMB'000	Corporate and other operations RMB'000	Inter-segment elimination RMB'000	Total RMB'000
Balance sheet								
Segment assets	36,622,644	42,218,277	8,021,280	6,093,381	10,111,626	30,686,011	(19,066,175)	114,687,044
Interests in jointly controlled entities	47,036	886,110	362,073	2,861,773	—	—	—	4,156,992
Interests in associates	35,683	106,171	451,071	927,559	—	4,356,068	—	5,876,552
Loans to jointly controlled entities and associates	—	—	—	—	—	805,570	—	805,570
Available-for-sale financial assets	53,167	223,593	235,539	2,210,673	—	—	—	2,722,972
Unallocated assets								3,145,723
Total assets								131,394,853
Segment liabilities	29,797,729	27,399,321	5,881,018	2,244,662	5,183,082	21,936,812	(19,066,175)	72,376,449
Unallocated liabilities								4,109,019
Total liabilities								76,485,468

	As at 31 December 2008 (Restated)							
	Container shipping and related business RMB'000	Dry bulk shipping and related business RMB'000	Logistics RMB'000	Container terminal and related business RMB'000	Container leasing and related business RMB'000	Corporate and other operations RMB'000	Inter-segment elimination RMB'000	Total RMB'000
Balance sheet								
Segment assets	30,619,919	36,743,108	7,339,541	4,103,685	10,079,482	27,084,845	(14,647,529)	101,323,051
Interests in jointly controlled entities	46,681	859,827	394,713	2,778,757	—	66,869	—	4,146,847
Interests in associates	32,637	118,199	438,206	904,655	—	4,461,423	—	5,955,120
Loans to jointly controlled entities and associates	—	—	—	—	—	1,009,737	—	1,009,737
Available-for-sale financial assets	35,137	461,844	145,202	2,207,576	—	14,481	—	2,864,240
Unallocated assets								3,127,108
Total assets								118,426,103
Segment liabilities	24,187,795	19,510,745	6,658,431	2,072,346	5,227,621	8,483,454	(14,647,529)	51,492,863
Unallocated liabilities								4,684,655
Total liabilities								56,177,518

5 REVENUES AND SEGMENT INFORMATION *(Continued)*

Geographical Non-Current Assets segment information

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, interests in jointly controlled entities and associates and other non-current assets.

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 and containers 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 2009	As at 31 December 2008
	RMB'000	*RMB'000*
China domestic	**15,965,183**	15,925,588
Non-China domestic	**2,244,953**	1,712,819
Unallocated	**52,190,695**	49,715,839
Total	**70,400,831**	67,354,246

6 TANGIBLE AND INTANGIBLE ASSETS

	As at 30 June 2009 RMB'000	As at 31 December 2008 RMB'000 (Restated)
Property, plant and equipment	**58,151,886**	55,663,055
Investment properties	**463,480**	328,901
Leasehold land and land use rights	**1,059,406**	1,074,914
Intangible assets	**175,487**	185,409
Total tangible and intangible assets	**59,850,259**	57,252,279

Movement of the tangible and intangible assets during the period is set out below:

	Six months ended 30 June 2009 RMB'000	Six months ended 30 June 2008 RMB'000 (Restated)
Opening net book value as at 1 January	**57,252,279**	47,569,695
Exchange differences	**531**	(2,461,155)
Acquisition of a business	**—**	689,427
Additions	**4,550,838**	11,070,587
Disposals/write-off	**(108,248)**	(232,422)
Depreciation/amortisation	**(1,805,467)**	(1,893,192)
Reclassification of jointly controlled entities to subsidiaries *(note 23)*	**6,966**	131,616
Reclassification of a subsidiary to a jointly controlled entity	**—**	(138,391)
Transfer to inventories	**(46,640)**	(74,541)
Closing net book value as at 30 June	**59,850,259**	54,661,624

7 DERIVATIVE FINANCIAL ASSETS/LIABILITIES

	As at 30 June 2009		As at 31 December 2008	
	Assets	**Liabilities**	Assets	Liabilities
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
FFA *(note a)*				
– cash flow hedges	**—**	**34,051**	—	47,117
– derivatives at fair value through profit or loss	**153,951**	**1,354,302**	278,049	3,918,545
Forward foreign exchange contracts				
– cash flow hedges *(note b)*	**10,744**	**—**	18,961	—
Interest rate swap contracts				
– fair value hedges *(note c)*	**110,233**	**—**	165,500	—
Total	**274,928**	**1,388,353**	462,510	3,965,662
Less: non-current portion				
FFA *(note a)*				
– cash flow hedges	**—**	**(34,051)**	—	(47,117)
– derivatives at fair value through profit or loss	**—**	**(107,089)**	—	(227,513)
Forward foreign exchange contracts				
– cash flow hedges *(note b)*	**(10,744)**	**—**	(18,961)	—
Interest rate swap contracts				
– fair value hedges *(note c)*	**(110,233)**	**—**	(165,500)	—
Total non-current portion	**(120,977)**	**(141,140)**	(184,461)	(274,630)
Current portion	**153,951**	**1,247,213**	278,049	3,691,032

7 DERIVATIVE FINANCIAL ASSETS/LIABILITIES *(Continued)*

Notes:

(a) FFA

As at 30 June 2009, the Group had outstanding freight forward agreements to buy approximately 8,307 (31 December 2008: 16,315) days of the various Baltic Index at various prices which expire through December 2011 (31 December 2008: December 2011).

As at 30 June 2009, the Group had outstanding freight forward agreements to sell approximately 644 (31 December 2008: 913) days of the various Baltic Index at various prices which expire through December 2009 (31 December 2008: December 2009).

(b) Forward foreign exchange contracts

As at 30 June 2009, the Group had two (31 December 2008: two) outstanding forward foreign exchange contracts with a bank to buy approximately Japanese Yen 7,740,000,000 (31 December 2008: Japanese Yen 7,740,000,000) by United States dollar (at rates subject to different market scenarios on settlement dates) for settlements of the acquisition of one (31 December 2008: one) vessel which is denominated in Japanese Yen. These contracts will expire in September 2010 (31 December 2008: September 2010).

(c) Interest rate swap contracts

The notional principal amounts of the related interest rate swap contracts amounted to US$200,000,000 (equivalent to approximately RMB 1,366,380,000 (31 December 2008: US$200,000,000 (equivalent to approximately RMB1,366,920,000)) which were committed with the interest rates ranging from 1.05% to 1.16% (2008: 1.05% to 1.16%) per annum above the London Interbank Offered Rate.

8 TRADE AND OTHER RECEIVABLES

	As at 30 June 2009 *RMB'000*	As at 31 December 2008 *RMB'000* (Restated)
Trade receivables *(notes a and b)*		
– third parties	**4,502,983**	5,100,087
– subsidiaries of COSCO	**144,774**	281,216
– jointly controlled entities	**40,548**	9,233
– associates	**6,957**	8,237
– other related companies	**64,202**	136,388
	4,759,464	5,535,161
Bills receivables *(notes a and b)*	**73,427**	114,160
	4,832,891	5,649,321
Current portion of financial lease receivables	**6,335**	6,447
Prepayments, deposits and other receivables		
– third parties	**3,342,780**	3,281,390
– COSCO *(note c)*	**35**	100
– subsidiaries of COSCO *(note c)*	**417,650**	289,845
– jointly controlled entities *(note c)*	**670,223**	343,014
– associates *(note c)*	**150,084**	34,215
– other related companies *(note c)*	**344,320**	292,233
	4,925,092	4,240,797
Total	**9,764,318**	9,896,565

8 TRADE AND OTHER RECEIVABLES *(Continued)*

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. As at 30 June 2009, the ageing analysis of trade and bills receivables is as follows:

	As at 30 June 2009 *RMB'000*	As at 31 December 2008 *RMB'000* (Restated)
1-3 months	**4,372,286**	5,289,472
4-6 months	**338,965**	322,124
7-12 months	**130,098**	105,812
1-2 years	**62,062**	105,715
2-3 years	**21,145**	20,301
Over 3 years	**116,014**	133,327
	5,040,570	5,976,751
Provision for impairment	**(207,679)**	(327,430)
	4,832,891	5,649,321

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

9 SHARE CAPITAL AND EQUITY LINKED BENEFITS

(a) Share capital

	As at 30 June 2009		As at 31 December 2008	
	Number of shares ***(thousands)***	**Nominal value** ***RMB'000***	Number of shares *(thousands)*	Nominal value *RMB'000*
Registered, issued and fully paid:				
H-Shares of RMB1.00 each	**2,580,600**	**2,580,600**	2,580,600	2,580,600
A-Shares of RMB1.00 each	**7,635,674**	**7,635,674**	7,635,674	7,635,674
	10,216,274	**10,216,274**	10,216,274	10,216,274

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

(b) Share appreciation rights

The Group has adopted a cash-settled, share-based payment scheme (the "Plan") which was approved by the Company's shareholders' meeting on 9 June 2005. The Plan provides for the grant of share appreciation rights ("SARs") to eligible participants as approved by the Company's Board of Directors (collectively "the Grantees"). The Plan will remain in force unless otherwise cancelled or amended.

Movements of SARs for the period are set out below:

	Six months ended 30 June 2009 Number of units of SARs				
Exercise price	**Outstanding as at 1 January 2009**	**Granted during the period**	**Exercised during the period**	**Lapsed during the period**	**Outstanding as at 30 June 2009**
HK$3.195	**15,367,000**	**—**	**—**	**—**	**15,367,000**
HK$3.588	**19,360,000**	**—**	**—**	**(40,000)**	**19,320,000**
HK$9.540	**24,520,000**	**—**	**—**	**(35,000)**	**24,485,000**
Total	**59,247,000**	**—**	**—**	**(75,000)**	**59,172,000**

	Six months ended 30 June 2008 Number of units of SARs				
Exercise price	Outstanding as at 1 January 2008	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 30 June 2008
HK$3.195	16,875,750	—	(1,033,750)	—	15,842,000
HK$3.588	20,725,000	—	(1,075,000)	(30,000)	19,620,000
HK$9.540	24,665,000	—	—	(35,000)	24,630,000
Total	62,265,750	—	(2,108,750)	(65,000)	60,092,000

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

(c) Share options of a subsidiary

The Group's subsidiary, COSCO Pacific Limited ("COSCO Pacific"), operates share option schemes whereby options are granted to eligible employees and directors or any participants of the Group, to subscribe for its shares.

	For the period ended 30 June 2009 Number of share options				
Exercise price	**Outstanding as at 1 January 2009**	**Granted during the period**	**Exercised during the period**	**Lapsed during the period**	**Outstanding as at 30 June 2009**
HK$9.54	**2,461,000**	**—**	**—**	**(4,000)**	**2,457,000**
HK$13.75	**23,442,000**	**—**	**—**	**(250,000)**	**23,192,000**
HK$19.30	**16,880,000**	**—**	**—**	**(320,000)**	**16,560,000**
Total	**42,783,000**	**—**	**—**	**(574,000)**	**42,209,000**

Movements of the share options granted by COSCO Pacific during the period are set out below:

	For the period ended 30 June 2008 Number of share options				
Exercise price	Outstanding as at 1 January 2008	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 30 June 2008
HK$9.54	2,575,000	—	(94,000)	(20,000)	2,461,000
HK$13.75	23,616,000	—	(54,000)	(30,000)	23,532,000
HK$19.30	17,070,000	—	—	(110,000)	16,960,000
Total	43,261,000	—	(148,000)	(160,000)	42,953,000

10 LONG-TERM BORROWINGS

	As at 30 June 2009 RMB'000	As at 31 December 2008 RMB'000
Bank loans		
– secured *(note a)*	**9,098,072**	8,580,760
– unsecured	**21,193,587**	13,460,556
Loans from COSCO Finance Co., Limited ("COSCO Finance")		
– secured *(note a)*	**41,040**	532,429
Other loans		
– secured *(note a)*	**133,445**	146,473
– unsecured	**1,572**	2,287
Finance lease obligations	**135,210**	140,396
Notes	**11,999,725**	2,196,579
Total long-term borrowings	**42,602,651**	25,059,480
Current portion of long-term borrowings	**(2,459,969)**	(2,274,229)
	40,142,682	22,785,251

Notes:

(a) The secured bank loans, other loans and loans from COSCO Finance as at 30 June 2009 are secured, inter alia, by one or more of the following:

(i) First legal mortgages over certain property, plant and equipment with net book value of RMB 13,772,154,000 (31 December 2008: RMB12,835,585,000).

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

(iii) Shares of certain subsidiaries.

(b) Movements in long-term borrowings for the period is analysed as follows:

	RMB'000
As at 1 January 2009	25,059,480
Repayments of borrowings	(2,800,111)
Drawdown of borrowings	20,391,463
Exchange differences	(10,567)
Loan arrangement fee amortisation	14,589
Effect of fair value hedge	(52,203)
As at 30 June 2009	42,602,651
As at 1 January 2008	15,413,210
Repayments of borrowings	(578,236)
Drawdown of borrowings	9,356,290
Exchange differences	(1,114,860)
Loan arrangement fee amortisation	4,171
Effect of fair value hedge	(3,008)
As at 30 June 2008	23,077,567

11 PROVISIONS AND OTHER LIABILITIES

	Provision for one-off housing subsidies *RMB'000*	Retirement benefit obligations *RMB'000*	Provision for onerous contracts *RMB'000* *(note 4(a))*	Deferred income and others *RMB'000*	Total *RMB'000*
Six months ended 30 June 2009					
As at 1 January 2009	**267,949**	**772,889**	**5,235,690**	**63,797**	**6,340,325**
Utilised during the period	**(4,251)**	**(47,424)**	**(3,853,887)**	**(7,759)**	**(3,913,321)**
Unused amount reversed	**(1,046)**	**(1,598)**	**(830,949)**	**—**	**(833,593)**
Additional provisions	**—**	**35,901**	**911,738**	**2,000**	**949,639**
As at 30 June 2009	**262,652**	**759,768**	**1,462,592**	**58,038**	**2,543,050**
Less: current portion of provisions and other liabilities	**(245,669)**	**—**	**(1,263,621)**	**(15,486)**	**(1,524,776)**
Non-current portion of provisions and other liabilities	**16,983**	**759,768**	**198,971**	**42,552**	**1,018,274**
Six months ended 30 June 2008					
As at 1 January 2008	196,982	716,414	—	54,463	967,859
Utilised during the period	(898)	(53,736)	—	(11,092)	(65,726)
Unused amount reversed	(1,000)	(747)	—	—	(1,747)
Additional provisions	16	130,700	—	—	130,716
As at 30 June 2008	195,100	792,631	—	43,371	1,031,102
Less: current portion of provisions and other liabilities	—	—	—	(15,550)	(15,550)
Non-current portion of provisions and other liabilities	195,100	792,631	—	27,821	1,015,552

12 TRADE AND OTHER PAYABLES

	As at 30 June 2009 *RMB'000*	As at 31 December 2008 *RMB'000* (Restated)
Trade payables *(notes a and b)*		
– third parties	**4,685,647**	5,196,481
– subsidiaries of COSCO	**797,870**	554,415
– jointly controlled entities	**148,612**	42,231
– associates	**86,115**	12,935
– other related companies	**24,506**	101,275
	5,742,750	5,907,337
Bills payables *(notes a and b)*	**82,039**	19,416
	5,824,789	5,926,753
Advance from customers	**2,352,352**	1,407,537
Other payables and accruals	**7,104,182**	6,989,241
Dividend payable	**2,962,720**	—
Due to related parties *(note c)*		
– COSCO	**9,151**	—
– subsidiaries of COSCO	**151,148**	167,594
– jointly controlled entities	**62,785**	51,056
– associates	**10,421**	6,866
– other related companies	**643,843**	223,926
	877,348	449,442
Total	**19,121,391**	14,772,973

12 TRADE AND OTHER PAYABLES *(Continued)*

Notes:

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

(b) As at 30 June 2009, the ageing analysis of trade and bills payables is as follows:

	As at 30 June 2009 ***RMB'000***	As at 31 December 2008 *RMB'000* (Restated)
1-6 months	**5,431,880**	5,587,460
7-12 months	**260,635**	166,157
1-2 years	**51,271**	81,094
2-3 years	**29,171**	40,302
Above 3 years	**51,832**	51,740
	5,824,789	5,926,753

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

13 SHORT-TERM LOANS

	As at 30 June 2009 ***RMB'000***	As at 31 December 2008 *RMB'000*
Bank loans – unsecured	**6,488,291**	1,101,226
Loans from COSCO Finance – unsecured *(note)*	**231,242**	251,921
Other loan – unsecured	**1,471**	1,276
	6,721,004	1,354,423

Note:

As at 30 June 2009, the loans from COSCO Finance bore interest at 4.86% to 6.48% (2008: 4.31% to 6.72%) per annum.

14 OPERATING (LOSS)/PROFIT

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

	Six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
Crediting:		
Gain on disposal of property, plant and equipment		
– containers	**2,301**	5,495
– container vessels	**—**	146,314
– dry bulk vessels	**36,283**	96,031
– others	**35,462**	4,776
Reversal of provision for impairment of trade and other receivables	**214,065**	13,600
Government subsidy	**90,267**	44,941
Dividend income from listed and unlisted investments	**91,718**	105,690
Gain on disposal of available-for-sale financial assets	**585**	13,831
Net gain on derivatives at fair value through profit or loss		
– FFA	**667,069**	1,209,365
Gain on disposal of jointly controlled entities and dissolution of associate, net	**37,683**	—
Charging:		
Depreciation		
– property, plant and equipment	**1,755,399**	1,844,553
– investment properties	**8,335**	14,499
Amortisation		
– leasehold land and land use rights	**14,438**	10,299
– intangible assets	**27,295**	23,841
Cost of bunkers consumed	**4,138,502**	6,986,641
Operating lease rentals:		
– container vessels	**1,571,918**	1,713,867
– dry bulk vessels	**10,660,702**	15,561,558
– containers	**339,986**	361,245
– land and buildings	**89,759**	34,404
– other property, plant and equipment	**1,233**	52,079
	12,663,598	17,723,153
Less: amount previously provided and included in provision for onerous contracts	**(4,684,836)**	—
	7,978,762	17,723,153
Provision for impairment of trade and other receivables	**18,497**	4,215
Provision for onerous contracts	**911,738**	—
Net loss on derivatives at fair value through profit or loss		
– bunker forward contracts	**—**	5,659
Cost of inventories sold		
– resaleable containers	**63,697**	127,931
– marine suppliers and others	**49,850**	35,538
Loss on deemed disposal of a subsidiary	**—**	10

15 FINANCE INCOME AND COSTS

	Six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
		(Restated)
Interest expenses from		
– bank loans	**408,515**	348,127
– other loans wholly repayable within five years	**2,355**	4,211
– loans from COSCO Finance	**21,452**	22,414
– amounts due to a fellow subsidiary	**—**	9,249
– finance lease obligations	**5,829**	6,432
– notes	**128,044**	62,222
Fair value loss on derivative financial instruments	**55,216**	1,228
Fair value adjustment of notes attributable to interest rate risk	**(52,203)**	(3,008)
	3,013	(1,780)
	569,208	450,875
Amortised amount of transaction costs on long-term borrowings	**6,815**	3,493
Amortised amount of discount on issue of notes	**7,774**	678
Other incidental borrowing costs and charges	**15,637**	21,230
Less: amount capitalised in construction in progress	**(15,182)**	(2,055)
Finance costs	**584,252**	474,221
Interest income from		
– deposits with COSCO Finance	**(61,384)**	(97,255)
– loans to jointly controlled entities and associates	**(17,715)**	(4,773)
– banks	**(139,949)**	(372,905)
Finance income	**(219,048)**	(474,933)
Net finance cost/(income)	**365,204**	(712)

16 INCOME TAX

	Six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
		(Restated)
Current income tax		
– PRC enterprise income tax *(note a)*	**131,759**	2,096,461
– Hong Kong profits tax *(note b)*	**3,195**	3,039
– Overseas taxation *(note c)*	**11,688**	143,826
Over provision in prior periods	**(35,772)**	—
	110,870	2,243,326
Deferred income tax, net *(note d)*	**(130,276)**	1,653,739
	(19,406)	3,897,065

Notes:

(a) PRC enterprise income tax ("EIT") is calculated based on the statutory rate of 25% on the taxable income of each of the PRC companies of the Group as determined in accordance with the relevant PRC income tax rules and regulations for the period, except for certain subsidiaries, which are taxed at reduced rates ranging from 15% to 20% (2008: 12.5% to 18%) based on different local preferential policies on income tax and approval by relevant tax authorities.

(b) Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profits derived from or arising in Hong Kong for the period.

(c) Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in which the Group operates. These rates range from 13% to 46% during the period (2008: 13% to 46%).

(d) 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 2009, the unrecognised deferred income tax liabilities were RMB1,381,328,000 (31 December 2008: RMB1,256,681,000), 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 2009 amounted to RMB5,137,372,000 (31 December 2008: RMB4,592,738,000).

17 DISTRIBUTION AND DIVIDENDS

(a) Distribution

	Six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
Consideration in connection with the purchase of:		
– COSCO Panama Maritime S.A. and COSCO Brazil S/A	**—**	9,940
– China Ocean Shipping Agency Qinzhou Company Limited	**850**	—
	850	9,940

The amount represented consideration paid by the Group for acquisition of equity interests in subsidiaries from COSCO Group. These acquisitions were regarded as business combination under common control.

(b) Dividends

(i) On 22 April 2009, the Board proposed a final cash dividend of RMB0.29 per share, totalling RMB2,962,720,000 for the year ended 31 December 2008. The dividend was approved by the shareholders and the amount was accounted for as the appropriations of retained profits for the six months ended 30 June 2009.

(ii) The Board of Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2009 (2008: Nil).

18 (LOSS)/EARNINGS PER SHARE

The calculation of basic and diluted (loss)/earnings per share is calculated based on the (loss)/profit attributable to equity holders of the Company divided by the weighted average number of shares in issue during the period.

	Six months ended 30 June	
	2009	2008 (Restated)
(Loss)/profit attributable to equity holders of the Company (RMB)	**(4,594,102,000)**	15,123,824,000
Number of ordinary shares in issue	**10,216,274,357**	10,216,274,357
Basic and diluted (loss)/earnings per share (RMB)	**(0.4497)**	1.4804

There is an anti-dilutive effect on the (loss)/profit attributable to equity holders of the Company if all the outstanding share options granted by COSCO Pacific, a subsidiary, had been exercised. Accordingly, there is no adjustment on the (loss)/profit attributable to equity holders of the Company used for calculating the diluted (loss)/earnings per share.

19 CONTINGENT LIABILITIES

The following is a summary of the Group's significant contingent liabilities:

	As at 30 June 2009 *RMB'000*	As at 31 December 2008 *RMB'000*
Pending lawsuits *(note b)*	**264,625**	31,944

Notes:

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

(b) The Group is subject to other claims in respect of a number of litigations currently under way. The litigations are, including but not limited to, claims arising from damage to vessels during transportation, loss of goods, delay in delivery, collusion of vessels and early termination of vessel chartering contracts. As at 30 June 2009, other than the amounts disclosed above, the Group is unable to ascertain the likelihood and amounts of the respective claims. However, based on the information available to the Group, the Directors are of the opinion that, while the claims have not been provided for in the unaudited Condensed Consolidated Interim Financial Information or included in the contingent liabilities as disclosed above, either the Group's insurance coverage will be adequate to cover any final claims to be settled or the final claims amounts will be insignificant to the Group.

(c) On 31 July 2009, a dry bulk vessel run aground with fuel leakage near Langesund on the Norwegian coast in a stormy. Based on the information available to the Group at this stage, the Directors are of the opinion that the insurance coverage will be adequate to cover any claims and loss of vessel in relation to this accident.

20 COMMITMENTS

(a) Capital commitments

	As at 30 June 2009 RMB'000	As at 31 December 2008 RMB'000
Authorised but not contracted for		
Containers	**121,054**	612,004
Property, plant and equipment	**4,602,808**	3,361,403
Intangible assets	**26,505**	5,539
	4,750,367	3,978,946
Contracted but not provided for		
Container vessels	**16,188,298**	17,423,122
Dry bulk vessels	**11,050,122**	14,607,382
Investments	**3,956,440**	4,451,512
Containers	**—**	43,659
Property, plant and equipment	**784,153**	932,324
Intangible assets	**37,620**	69,567
	32,016,633	37,527,566

In addition to the above capital commitments disclosed, the Group also has contracted capital commitments not provided for in relation to Pier 2 and 3 of the Piraeus Port in Greece amounted to approximately Euro 236,000,000 (approximately equivalent to RMB2,275,228,800) in present value terms.

The contracted capital commitments not provided for in respect of dry bulk vessels not included in the above as at 30 June 2009 amounted to US$175,926,000 (approximately equivalent to RMB1,201,909,000). These were relating to six cancellation agreements with COSCO Shipyard Group Co. Ltd and two cancellation agreements with COSCO (Zhoushan) Shipyard Co., Ltd, fellow subsidiaries of the Group, to cancel the construction of eight 57,000 DWT dry bulk vessels entered by the Group on 15 July 2009. As at 30 June 2009, the total deposits paid by the Group for construction of eight dry bulk vessels amounted to US$122,794,000 (approximately equivalent to RMB838,916,000). As of the date of this report, US$107,154,000 (approximately equivalent to RMB732,065,000 was refunded to the Group.

The Group's share of capital commitments of the jointly controlled entities themselves not included in the above are as follows:

	As at 30 June 2009 RMB'000	As at 31 December 2008 RMB'000
Authorised but not contracted for	**193,738**	60,630
Contracted but not provided for	**119,534**	71,320
	313,272	131,950

20 COMMITMENTS *(Continued)*

(b) Operating lease commitments

The Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	As at 30 June 2009 *RMB'000*	As at 31 December 2008 *RMB'000*
Containers vessels and dry bulk vessels		
– not later than one year	**19,563,152**	21,967,038
– later than one year and not later than five years	**48,236,007**	50,408,691
– later than five year	**31,572,841**	36,632,236
	99,372,000	109,007,965
Containers		
– not later than one year	**343,669**	440,383
– later than one year and not later than five years	**484,153**	663,511
	827,822	1,103,894
Land and buildings		
– not later than one year	**172,359**	189,369
– later than one year and not later than five years	**377,982**	254,532
– later than five years	**93,448**	110,822
	643,789	554,723
Other property, plant and equipment		
– not later than one year	**7,491**	14,139
– later than one year and not later than five years	**5,399**	21,904
	12,890	36,043
	100,856,501	110,702,625

In addition to the above operating lease commitments disclosed, the Group also has operating lease commitments in relation to the concession of Pier 2 and 3 of the Piraeus Port in Greece for a term of 35 years amounted to approximately Euro 831,000,000 (approximately equivalent to RMB 8,011,504,800) in present value terms.

21 SIGNIFICANT RELATED PARTY TRANSACTIONS

The Company is controlled by COSCO, the parent company and a state-owned enterprise established in the PRC.

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

For the purpose of the related party transaction disclosures, the Directors believe that meaningful information in respect of related party transactions has been adequately disclosed.

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

	Six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
Transactions with COSCO		
Expenses		
Sub-charter expenses *(note a)*	**64,939**	67,782
Rental expenses *(note b)*	**9,138**	4,183

21 SIGNIFICANT RELATED PARTY TRANSACTIONS *(Continued)*

	Six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
		(Restated)
Transactions with subsidiaries of COSCO and its related entities (including jointly controlled entities and associates)		
Revenues		
Container shipping income *(note b)*	**80,343**	117,396
Freight forwarding and shipping agency income *(note b)*	**3,175**	3,527
Charterhire income *(note b)*	**31,959**	18,071
Vessel services income *(note b)*	**2,753**	7,121
Manning income *(note b)*	**4,838**	2,281
Vessel management income *(note b)*	**2,764**	2,339
Expenses		
Vessel costs		
Sub-charter expenses *(note a)*	**247,179**	259,437
Charterhire expenses *(note b)*	**101,349**	97,503
Vessel services expenses *(note b)*	**191,085**	392,648
Crew expenses *(note b)*	**317,611**	364,588
Vessel management expenses *(note b)*	**37,699**	41,903
Voyage costs		
Bunker costs *(note b)*	**3,144,097**	5,934,381
Port charges *(note b)*	**225,027**	422,889
Equipment and cargo transportation costs		
Commission and rebates *(note b)*	**65,042**	146,126
Cargo and transhipment and equipment and repositioning expenses *(note b)*	**70,223**	89,615
Transportation and depot services expenses *(note b)*	**9,665**	3,352
Logistics related expenses *(note b)*	**4,240**	7,017
General services expenses *(note b)*	**8,911**	10,938
Management fee expenses *(note b)*	**9,573**	14,099
Rental expenses *(note b)*	**25,243**	19,835
Others		
Instalments paid for ship building contracts *(note d)*	**2,134,286**	4,421,079
Sales commission payable to a fellow subsidiary for handling of vessel sales *(note b)*	**—**	1,922

21 SIGNIFICANT RELATED PARTY TRANSACTIONS *(Continued)*

	Six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
		(Restated)
Transactions with jointly controlled entities of the Group		
Revenues		
Freight forwarding and shipping agency income *(note b)*	**2,435**	3,780
Charterhire income *(note b)*	**100,920**	226,218
Management fee and service fee income *(note b)*	**13,245**	12,991
Handling, storage and transportation income *(note b)*	**3,516**	5,225
Vessel services income *(note b)*	**317**	328
Manning income *(note b)*	**9,463**	6,534
Expenses		
Vessel costs		
Charterhire expenses *(note b)*	**—**	36,092
Voyage costs		
Port charges *(note b)*	**309,916**	544,762
Equipment and cargo transportation costs		
Commission and rebates *(note b)*	**—**	204
Transportation and depot services expenses *(note b)*	**1,127**	1,376
Logistics related expenses *(note b)*	**29**	1,646
General services expenses *(note b)*	**5,494**	4,514
Rental expenses *(note b)*	**2,098**	2,156
Others		
Purchase of containers *(note e)*	**—**	71,202
Transactions with associates of the Group		
Revenues		
Manning income *(note b)*	**6,247**	6,247
Management fee and service fee income *(note b)*	**360**	1,080
Expenses		
Container freight charges *(note b)*	**—**	10,407
Equipment and cargo transportation costs		
Commission and rebate *(note b)*	**—**	30
Transportation and depot services expenses *(note b)*	**40**	330
Port charges *(note b)*	**3,313**	4,588

21 SIGNIFICANT RELATED PARTY TRANSACTIONS *(Continued)*

	Six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
		(Restated)
Transactions with associates of the Group *(Continued)*		
Others		
Purchase of containers *(note e)*	**135,678**	894,520
Bank guarantee to an associate at face value *(note f)*	**236,384**	280,770
Proceeds on disposal of a jointly controlled entity to an associate *(note k)*	**(112,073)**	—
Transactions with minority shareholders of subsidiaries		
Revenues		
Management fee income *(note b)*	**—**	1,652
Logistics related income *(note b)*	**133,883**	180,265
Transactions with other state-owned enterprises		
Revenues		
Container shipping income *(note b)*	**957,984**	2,240,446
Freight forwarding and shipping agency income *(note b)*	**147,477**	190,889
Charterhire income *(note b)*	**1,004,361**	3,571,475
Sales of ship equipment *(note b)*	**—**	37,849
Container rental income *(note b)*	**1,107**	1,108
Logistics related income *(note b)*	**199,878**	309,144
Interest income on bank deposits *(note b)*	**90,721**	298,718
Expenses		
Vessel costs		
Charterhire expenses *(note b)*	**81,324**	105,971
Vessel service expenses *(note b)*	**13,027**	32,996
Insurance costs *(note b)*	**18,331**	42,167
Voyage costs		
Bunker costs *(note b)*	**83,373**	112,081
Port charges *(note b)*	**701,226**	755,245
Transportation and depot services expenses *(note b)*	**18,547**	55,684
General service expenses *(note b)*	**4,190**	6,105
Logistics related expenses *(note b)*	**36,309**	39,874
Interest expenses *(note g)*	**214,299**	119,156
Other		
Instalment payments for ship building contracts *(note d)*	**975,149**	1,167,171

21 SIGNIFICANT RELATED PARTY TRANSACTIONS *(Continued)*

Notes:

(a) COSCO and its subsidiaries leased fifteen vessels to COSCON and Shanghai Pan Asia Shipping Company Limited by way of sub-time charter or time charter arrangements. In 2008, the sub-time charter agreements of seven vessels were renewed and extended for a charter term till 30 November 2010. The periods of the remaining sub-time charters are of six to twelve years from the contract date and the periods of the time charters are thirty-six months from the contract date. The daily charterhire rate for each vessel was agreed on a mutual basis.

(b) These transactions of revenues and expenses in nature were conducted either (i) based on terms as governed by the ten master agreements and subsisting agreements entered into between the Group and COSCO Group, or (ii) based on terms as set out in the underlying agreements, based on statutory rates or market prices or actual cost incurred, or as mutually agreed between the Group and the parties in concern.

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

As at 30 June 2009 and 31 December 2008, there was no bunker forward agreement entered into by the Group.

(d) The Group entered into ship building contracts with subsidiaries of COSCO and other state-owned enterprises. The amount represents the payment to those related parties for ship building during the period.

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

(f) A subsidiary of COSCO Pacific provided corporate guarantee to an associate in respect of banking facilities of the associate. The directors consider that it is not probable for a claim to be made against the Group and the fair value of the guarantee contract is not significant to the Group, and has not recognised at the balance sheet date.

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

(h) On 28 April 2008, COSCO Bulk, COSCO (Hong Kong) Shipping Co., Ltd ("COSCO HK Shipping") and their subsidiaries (as transferees) entered into vessel novation agreements with COSCO International Ship Trading Co., Ltd. (as transferor) and COSCO Shipyard Group Co., Ltd (as seller) respectively, pursuant to which the rights and obligations of the transferor under the vessel agreements in relation to the construction of nine dry bulk vessels for an aggregate consideration of US$348,900,000 (equivalent to approximately RMB2,441,602,000) were transferred to the transferees under the vessel novation agreements. The transferor and seller are subsidiaries of COSCO.

On 15 July 2009, the construction of six above-mentioned dry bulk vessels were cancelled (note 20(a)).

(i) On 8 May 2008, COSCO Bulk, COSCO HK Shipping and their subsidiaries (as transferees) entered into the vessel novation agreements with Ching Tung (H.K.) Shipping Co., Ltd. and PMSL Shipping Services Limited (as transferors) and Nantong COSCO KHI Ship Engineering Co., Ltd. ("NACKS") (as seller), a jointly controlled entity of COSCO, pursuant to which the rights and obligations of the transferors under the vessel agreements in relation to the construction of eight dry bulk vessels for an aggregate consideration of US$612,800,000 (equivalent to approximately RMB4,290,213,000) were transferred to the transferees under the vessel novation agreements.

(j) On 9 May 2008, COSCON and/or its subsidiaries (as buyer) and NACKS (as builder) entered into eight construction of vessels agreements for the construction of eight container vessels at an aggregate consideration of US$1,336,000,000 (equivalent to approximately RMB9,352,000,000).

(k) In January 2009, the Group completed the disposal of its entire 20% equity interest in Shanghai CIMC Reefer Container Co., Ltd., a then jointly controlled entity of the Group, to CIMC at a consideration of US$16,400,000 (approximately equivalent to RMB112,073,000). The disposal resulted in a gain of US$5,516,000 (approximately equivalent to RMB37,695,000).

21 SIGNIFICANT RELATED PARTY TRANSACTIONS *(Continued)*

Balances with related parties

Other than those disclosed elsewhere in the Condensed Consolidated Interim Financial Information, the outstanding balances with related entities at period end are as follows:

	As at 30 June 2009 ***RMB'000***	As at 31 December 2008 *RMB'000*
Deposits		
– state-owned banks *(note a)*	**20,154,456**	17,273,728
Borrowings		
– state-owned banks *(note a)*	**19,753,000**	11,872,268
Trade and other receivables		
– state-owned enterprises *(note b)*	**290,944**	446,609
Trade and other payables		
– state-owned enterprises *(note b)*	**541,454**	615,278

Notes:

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

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

Key management compensation

	Six months ended 30 June	
	2009 ***RMB'000***	2008 *RMB'000*
Salaries, bonuses and other allowances	**48,201**	38,583
Contribution to retirement benefit scheme	**89**	68
	48,290	38,651

22 BUSINESS COMBINATIONS UNDER COMMON CONTROL

The Group adopts merger accounting for common control combinations in respect of the following transactions for the relevant periods.

(i) In November 2008, the Group acquired from COSCO Group a 55% equity interest in COSCO Logistics (Europe) GMBH, Hamburg ("CL overseas company").

(ii) In January 2009, the Group acquired from COSCO Group a 51% equity interest in China Ocean Shipping Agency Qinzhou Company Limited ("CL PRC company").

The parent company of CL overseas company and CL PRC company is COSCO and the aforesaid transactions are regarded as business combination under common control.

CL Overseas company and CL PRC Company are collectively named as "Acquired Subsidiaries".

Statements of adjustments for business combinations under common control on the Group's financial position as at 30 June 2009 and 31 December 2008 and the results for the six months ended 30 June 2009 and 30 June 2008 are summarised as follows:

22 BUSINESS COMBINATIONS UNDER COMMON CONTROL *(Continued)*

	The Group before the Acquired Subsidiaries *RMB'000*	Acquired Subsidiaries *RMB'000*	Adjustments *(Note)* *RMB'000*	Total *RMB'000*
Six months ended 30 June 2009				
Revenues	28,921,211	2,259	—	28,923,470
(Loss)/profit before income tax	(4,151,575)	305	—	(4,151,270)
Income tax	19,482	(76)	—	19,406
(Loss)/profit for the period	(4,132,093)	229	—	(4,131,864)
As at 30 June 2009				
ASSETS				
Non-current assets	76,677,924	488	(1,500)	76,676,912
Current assets	54,705,591	12,350	—	54,717,941
Total assets	131,383,515	12,838	(1,500)	131,394,853
EQUITY				
Capital and reserves				
Share capital	10,216,274	1,500	(1,500)	10,216,274
Reserves	37,520,534	261	(863)	37,519,932
	47,736,808	1,761	(2,363)	47,736,206
Minority interests	10,135,036	—	863	10,135,899
Total equity	57,871,844	1,761	(1,500)	57,872,105
LIABILITIES				
Non-current liabilities	44,586,015	—	—	44,586,015
Current liabilities	28,925,656	11,077	—	28,936,733
Total liabilities	73,511,671	11,077	—	73,522,748
Total equity and liabilities	131,383,515	12,838	(1,500)	131,394,853

22 BUSINESS COMBINATIONS UNDER COMMON CONTROL *(Continued)*

	As previously reported *RMB'000*	Acquired Subsidiaries *RMB'000*	Adjustments *(Note)* *RMB'000*	As restated *RMB'000*
Six months ended 30 June 2008				
Revenues	70,482,130	90,295	—	70,572,425
Profit before income tax	19,752,946	4,878	—	19,757,824
Income tax	(3,896,278)	(787)	—	(3,897,065)
Profit for the period	15,856,668	4,091	—	15,860,759

	As previously reported *RMB'000*	CL PRC company *RMB'000*	Adjustments *(Note)* *RMB'000*	As restated *RMB'000*
As at 31 December 2008				
ASSETS				
Non-current assets	74,256,925	527	—	74,257,452
Current assets	44,156,228	12,423	—	44,168,651
Total assets	118,413,153	12,950	—	118,426,103
EQUITY				
Capital and reserves				
Share capital	10,216,274	1,500	(1,500)	10,216,274
Reserves	39,312,662	323	383	39,313,368
Proposed dividend	2,962,720	—	—	2,962,720
	52,491,656	1,823	(1,117)	52,492,362
Minority interests	9,755,106	—	1,117	9,756,223
Total equity	62,246,762	1,823	—	62,248,585
LIABILITIES				
Non-current liabilities	27,601,760	—	—	27,601,760
Current liabilities	28,564,631	11,127	—	28,575,758
Total liabilities	56,166,391	11,127	—	56,177,518
Total equity and liabilities	118,413,153	12,950	—	118,426,103

Note:

Adjustments to eliminate the share capitals of the Acquired Subsidiaries against their investment costs. The difference has been debited to reserves and minority interests as at 31 December 2008 and 30 June 2009.

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

23 RECLASSIFICATION OF JOINTLY CONTROLLED ENTITIES TO SUBSIDIARIES

During the six months ended 30 June 2009 and 30 June 2008, the assets and liabilities arising from the reclassification from jointly controlled entities to subsidiaries are as follows:

Fair value at date of business combinations

	2009 ***RMB'000*** ***Note (a)***	2008 *RMB'000* *Note (b)*
Tangible and intangible assets	**6,966**	131,616
Trade and other receivables	**24,213**	175,741
Cash and cash equivalents	**123,600**	104,314
Inventories	**—**	1,348
Other assets	**7,861**	17,507
Trade and other payables	**(142,818)**	(250,476)
Tax payable	**(2,173)**	(3,768)
	17,649	176,282
Minority interests	**(12,410)**	(83,675)
Reclassification of interest originally held by the Group as jointly controlled entities	**5,239**	92,607

Notes:

(a) On 1 January 2009, the Memorandum and Articles of Association of China Ocean Shipping Agency Zhoushan Company Limited ("Zhoushan") was revised to effect the Group's power to govern their financial and operating policies. Zhoushan was previously a jointly controlled entity and since then, the Group has accounted for Zhoushan as a subsidiary.

Zhoushan contributed revenues of RMB14,873,000 and net profit of RMB117,000 for the period ended 30 June 2009.

(b) On 1 January 2008, the Memorandum and Articles of Association of Qingdao Ocean & Great Asia Logistics Co., Ltd ("Qingdao Great Asia") was revised to effect the Group's power to govern their financial and operating policies. Qingdao Great Asia was previously a jointly controlled entity and since then, the Group has accounted for Qingdao Great Asia as a subsidiary.

Qingdao Great Asia contributed revenues of RMB119,181,000 and net profit of RMB35,249,000 for the period ended 30 June 2008.

24 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

In addition to those disclosed elsewhere in the unaudited Condensed Consolidated Interim Financial Information, the events occurring after the balance sheet date were as follows:

(i) On 27 August 2009, the Company entered into an equity transfer agreement with COSCO Pacific Logistics Company Limited ("CP Logistics"), a wholly owned subsidiary of COSCO Pacific, pursuant to which conditionally agreed to purchase and CP Logistics conditionally agreed to sell CP Logistics' entire 49% interest in COSCO Logistics Co., Ltd. ("COSCO Logistics"). COSCO Pacific is a non-wholly owned subsidiary of the Company. Currently, the Company holds directly and indirectly approximately 76% equity interest in COSCO Logistics and upon the completion of the transaction, the Company's equity interest in COSCO Logistics will be increased to 100%. The completion of the transaction will be subject to relevant approvals.

(ii) On 27 August 2009, a subsidiary of the Company entered into an agreement to purchase the entire interest of Shanghai Ocean Shipping Company, Limited from COSCO.

25 COMPARATIVES

Certain comparative figures have been restated as a result of the adoption of merger accounting and to conform with current period's presentation.

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

INTRODUCTION

We have reviewed the interim financial information set out on pages 45 to 91, which comprises the condensed consolidated interim balance sheet of China COSCO Holdings Company Limited (the "Company") and its subsidiaries (collectively the "Group") as at 30 June 2009 and the related condensed consolidated interim income statement, condensed consolidated interim statement of comprehensive income, condensed consolidated interim statement of changes in equity, condensed consolidated interim cash flow statement for the six months then ended, and a summary of significant accounting policies and other explanatory notes (the "Interim Financial Information"). The Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the"HKICPA") ("HKAS 34"). The directors of the Company are responsible for the preparation and presentation of this Interim Financial Information in accordance with HKAS 34. Our responsibility is to express a conclusion on this Interim Financial Information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review 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 HKICPA. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the Interim Financial Information is not prepared, in all material respects, in accordance with HKAS 34.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 August 2009

China COSCO Holdings Company Limited

12th Floor, Ocean Plaza, 158 Fuxingmennei Street, Beijing,
the People's Republic of China
http://www.chinacosco.com