中遠國際控股有限公司
COSCO International Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 00517)

2010 INTERIM RESULTS ANNOUNCEMENT

RESULTS HIGHLIGHTS:

- Profit attributable to the equity holders of the Company was HK$341,776,000, increased by 39%. Excluding profit contribution from SOLHL of HK$219,368,000 for the period, profit attributable to the equity holders of the Company was up 26% to HK$122,408,000 on the same basis.
- Basic earnings per share was 22.62 HK cents, increased by 37%.
- Revenue increased by 490% to HK$4,120,975,000 primarily due to the substantial revenue contribution from the newly added marine fuel trading business, as well as the sharp rebound of container coatings revenue of the Group as a result of the increased demand for container coatings led by remarkable pickup of the container shipping market brought forth by a strong recovery in China's export.
- The momentum of global economic recovery was more vigorous than expected and the international trade volume was gradually picking up as well. The shipping market showed signs of positive movement in the first half of the year. All units of the core business kept their business volume stable or secured various degrees of growth in which the newly added marine fuel trading and supply business brought forth significant revenue contribution and sales of container coatings recorded more remarkable growth, resulting in segment profit before income tax from shipping services increased by 23% to HK$161,813,000.
- The Board has declared an interim dividend of 2 HK cents per share, increased by 100%.
- The supply business of marine equipment and spare parts expanded successfully overseas. Following the establishment of Shin Chung Lin in Japan in February, the Group further completed the acquisition of Xing Yuan in August in order to set up two overseas spare part networks, one in Japan and the other one in Singapore, and strengthened its platform for business network, thus laying a sound foundation for future development of the Group.

The board of directors (the "Board" or the "Directors") of COSCO International Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30th June 2010. The unaudited condensed consolidated results have been reviewed by the audit committee of the Company.

The Group's unaudited condensed consolidated income statement, unaudited condensed consolidated statement of comprehensive income, unaudited condensed consolidated balance sheet and explanatory notes 1 to 11 as presented below are extracted from the Group's unaudited condensed consolidated interim financial information for the six months ended 30th June 2010 (the "Unaudited Condensed Consolidated Interim Financial Information"), which has been reviewed by the Company's independent 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").

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30TH JUNE 2010

		Unaudited	
		Six months ended 30th June	
	Note	**2010 HK$'000**	2009 HK$'000
Revenue	2	**4,120,975**	698,269
Cost of sales		**(3,867,174)**	(515,499)
Gross profit		**253,801**	182,770
Other income	3	**17,978**	46,917
Selling, administrative and general expenses		**(169,555)**	(127,899)
Other expenses		**(1,278)**	(24,260)
Operating profit	4	**100,946**	77,528
Finance income	5	**4,517**	5,974
Finance costs	5	**(2,329)**	(6,123)
Finance income/(costs) – net	5	**2,188**	(149)
Share of results of jointly controlled entities		**40,248**	35,887
Share of results of associated companies		**225,697**	154,144
Profit before income tax		**369,079**	267,410
Income tax expense	6	**(23,047)**	(22,323)
Profit for the period		**346,032**	245,087
Profit/(loss) attributable to:			
Equity holders of the Company		**341,776**	245,778
Non-controlling interests		**4,256**	(691)
		346,032	245,087
Dividend	7	**30,214**	14,897
Earnings per share attributable to the equity holders of the Company during the period			
– basic, HK cents	8(a)	**22.62**	16.50
– diluted, HK cents	8(b)	**22.26**	16.41

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30TH JUNE 2010

	Unaudited Six months ended 30th June 2010 HK$'000	2009 HK$'000
Profit for the period	**346,032**	245,087
Other comprehensive income		
Exchange translation differences	**52,193**	2,067
Exchange reserve realised upon dissolution of a subsidiary	**–**	(33,721)
Share of exchange differences of associated companies and jointly controlled entities	**529**	(13)
Share of fair value (losses)/gains on available-for-sale financial assets of an associated company	**(18,455)**	4,218
Share of other reserves of an associated company	**(10,649)**	–
Fair value gains on available-for-sale financial assets	**4,520**	41,728
Cash flow hedges, net of tax	**(23,130)**	–
Other comprehensive income for the period	**5,008**	14,279
Total comprehensive income for the period	**351,040**	259,366
Total comprehensive income/(loss) attributable to:		
Equity holders of the Company	**344,784**	259,956
Non-controlling interests	**6,256**	(590)
	351,040	259,366

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30TH JUNE 2010

	Note	Unaudited 30th June 2010 HK$'000	(Restated) Audited 31st December 2009 HK$'000
ASSETS			
Non-current assets			
Intangible assets		**91,453**	91,340
Property, plant and equipment		**127,952**	130,454
Prepaid premium for land leases		**7,533**	7,687
Investment properties		**27,221**	27,164
Jointly controlled entities		**274,560**	234,062
Associated companies	9	**4,927,858**	4,722,687
Available-for-sale financial assets		**108,604**	104,084
Deferred income tax assets		**45,358**	37,426
		5,610,539	5,354,904
Current assets			
Completed properties held for sale		**173**	342
Inventories		**335,177**	342,079
Trade and other receivables	10	**1,546,686**	528,788
Financial assets at fair value through profit or loss		**539**	678
Current income tax recoverable		**554**	2,888
Restricted bank deposits		**16,966**	7,104
Deposits and cash and cash equivalents		**1,225,464**	1,265,557
		3,125,559	2,147,436
Asset held for sale		**–**	7,532
		3,125,559	2,154,968
Total assets		**8,736,098**	7,509,872
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**151,070**	151,070
Reserves		**6,467,831**	6,136,891
Proposed dividend		**–**	126,899
Interim dividend declared	7	**30,214**	–
		6,649,115	6,414,860
Non-controlling interests		**206,968**	200,712
Total equity		**6,856,083**	6,615,572
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**9,355**	8,636
Current liabilities			
Trade and other payables	11	**1,607,685**	846,077
Derivative financial liabilities		**27,868**	–
Current income tax liabilities		**23,478**	27,862
Short-term borrowings		**211,629**	11,725
		1,870,660	885,664
Total liabilities		**1,880,015**	894,300
Total equity and liabilities		**8,736,098**	7,509,872
Net current assets		**1,254,899**	1,269,304
Total assets less current liabilities		**6,865,438**	6,624,208

Notes:

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Unaudited Condensed Consolidated Interim Financial Information has been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the HKICPA and the disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange").

The accounting policies and methods used in the preparation of the Unaudited Condensed Consolidated Interim Financial Information are consistent with those set out in the annual financial statements for the year ended 31st December 2009 except the following:

Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as hedges of a particular risk associated with a highly probable forecast transaction (cash flow hedge).

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

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

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within other income or other expenses.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). When the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in cost of inventory sold.

In addition, the Group has adopted the following revised standards, amendments and interpretation issued by the HKICPA, which are relevant to its operations and are effective for accounting periods beginning on or after 1st January 2010.

HKAS 17 (Amendment)	Leases
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement – Eligible hedged items
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners
HKFRSs (Amendments)	Improvements to HKFRSs*

* The Group adopted the amendments to HKFRSs published by the HKICPA in October 2008 and May 2009, which are relevant to its operations.

HKAS 17 (Amendment) deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Prior to the amendment, land interest which title is not expected to pass to the Group by the end of the lease term was classified as operating lease under "Leasehold land and land use rights", and amortised over the lease term. HKAS 17 (Amendment) has been applied retrospectively for annual periods beginning 1st January 2010 in accordance with the effective date and transitional provisions of the amendment. The Group has reassessed the classification of unexpired leasehold land and land use rights as at 1st January 2010 on the basis of information existing at the inception of those leases, and recognised the leasehold land in Hong Kong as finance lease retrospectively. As a result of the reassessment, the Group has reclassified certain leasehold land from operating lease to finance lease. Since the property interest is held for own use, that land interest classified as finance lease is accounted for as property, plant and equipment and is depreciated from the land interest available for its intended use over the shorter of the useful live of the asset and the lease term.

The effect of adopting the above amendment is as below:

		HK$'000
a)	*Consolidated income statement for the six months ended 30th June 2010*	
	Increase in depreciation of property, plant and equipment	59
	Decrease in amortisation of prepaid premium for land leases	59
b)	*Consolidated income statement for the six months ended 30th June 2009*	
	Increase in depreciation of property, plant and equipment	59
	Decrease in amortisation of prepaid premium for land leases	59
c)	*Consolidated balance sheet as at 30th June 2010*	
	Increase in property, plant and equipment	4,892
	Decrease in prepaid premium for land leases	4,892
d)	*Consolidated balance sheet as at 31st December 2009*	
	Increase in property, plant and equipment	4,951
	Decrease in prepaid premium for land leases	4,951

HKFRS 3 (Revised) continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the consolidated profit and loss account. 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 adopted HKFRS 3 (Revised), it is required to adopt HKAS 27 (Revised) 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.

The adoption of the above and other HKFRSs in the current period did not have any material financial impact on the Unaudited Condensed Consolidated Interim Financial Information nor result in any substantial changes to the Group's significant accounting policies.

The following new standard has been issued by the HKICPA, which is relevant to the Group's operations, but not yet effective for accounting periods beginning on 1st January 2010. This new standard has not been early adopted by the Group.

HKAS 9	Financial Instruments

In May 2010, the HKICPA has published Improvements to HKFRSs which sets out amendments to a number of HKFRS which are effective for annual periods beginning on or after 1st July 2010 or 1st January 2011.

The Group has already commenced an assessment of the related impact of adopting the above new standard and amendments to standards, but is not yet in a position to state whether they will have a significant impact on its result of operations and financial position.

The Unaudited Condensed Consolidated Interim Financial Information should be read in conjunction with the annual financial statements for the year ended 31st December 2009, which have been prepared in accordance with HKFRSs.

2 REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in the provision of shipping services, general trading and property investments. Turnover, represented revenue, recognised during the period is as follows:

	Six months ended 30th June	
	2010	2009
	HK$'000	HK$'000
Sale of coatings	**498,990**	165,321
Sale of marine equipment and spare parts	**221,170**	202,162
Commission income from ship trading agency	**61,648**	65,389
Commission income from insurance brokerage	**32,778**	29,489
Sale of marine fuel and other products	**3,013,468**	–
Sale of asphalt and other products	**292,267**	232,767
Sale of properties	**127**	2,552
Rental income	**527**	589
	4,120,975	698,269

The management has identified the following reportable segments on the basis of the Group's internal reports that are regularly reviewed by the management in order to make decisions about resources to be allocated to the segment and to assess the Group's performance.

Reportable segments	**Business activities**
Coatings	production and sale of coatings, and holding of investment in a jointly controlled entity, Jotun COSCO Marine Coatings (HK) Limited
Marine equipment and spare parts	trading of marine equipment and spare parts, and holding of investments in various jointly controlled entities
Ship trading agency	provision of agency services relating to shipbuilding, ship trading and bareboat charter business
Insurance brokerage	provision of insurance brokerage services
Marine fuel and other products	trading of marine fuel and other related products, and holding of investment in an associated company, Double Rich Limited
General trading	trading of asphalt and other products, and holding of investments in various jointly controlled entities and associated companies
Property investments	sale of completed properties held for sale and holding of investment in an associated company, Sino-Ocean Land Holdings Limited

All other segments mainly comprise the Group's listed available-for-sale financial assets and financial assets at fair value through profit or loss.

The management assesses the performance of the operating segments based on a measure of profit before income tax.

	Shipping services									
	Coatings HK$'000	Marine equipment and spare parts HK$'000	Ship trading agency HK$'000	Insurance brokerage HK$'000	Marine fuel and other products HK$'000	Total HK$'000	General trading HK$'000	Property invest-ments HK$'000	All other segments HK$'000	Total HK$'000
Six months ended and as at 30th June 2010										
Profit and loss items:										
Segment revenue	**498,990**	**222,033**	**61,855**	**32,869**	**3,081,424**	**3,897,171**	**295,218**	**127**	**–**	**4,192,516**
Inter-segment revenue	**–**	**(537)**	**(6)**	**(91)**	**(67,956)**	**(68,590)**	**(2,951)**	**–**	**–**	**(71,541)**
Revenue from external customers	**498,990**	**221,496**	**61,849**	**32,778**	**3,013,468**	**3,828,581**	**292,267**	**127**	**–**	**4,120,975**
Segment operating profit/(loss)	**8,864**	**23,908**	**45,001**	**21,837**	**14,392**	**114,002**	**12,729**	**(363)**	**1,348**	**127,716**
Finance income	**1,325**	**513**	**1,056**	**133**	**6**	**3,033**	**450**	**–**	**–**	**3,483**
Finance costs	**(564)**	**(4)**	**(11)**	**(58)**	**(222)**	**(859)**	**(1,458)**	**–**	**–**	**(2,317)**
Share of results of jointly controlled entities	**39,058**	**1,056**	**–**	**–**	**–**	**40,114**	**134**	**–**	**–**	**40,248**
Share of results of associated companies	**–**	**–**	**–**	**–**	**5,523**	**5,523**	**806**	**219,368**	**–**	**225,697**
Segment profit before income tax	**48,683**	**25,473**	**46,046**	**21,912**	**19,699**	**161,813**	**12,661**	**219,005**	**1,348**	**394,827**
Income tax expense	**(485)**	**(3,495)**	**(9,221)**	**(3,522)**	**(2,410)**	**(19,133)**	**(3,104)**	**–**	**–**	**(22,237)**
Segment profit after income tax	**48,198**	**21,978**	**36,825**	**18,390**	**17,289**	**142,680**	**9,557**	**219,005**	**1,348**	**372,590**
Balance sheet items:										
Total segment assets	**1,341,248**	**364,026**	**322,405**	**211,838**	**771,524**	**3,011,041**	**458,682**	**4,866,182**	**107,383**	**8,443,288**
Total segment assets include:										
Jointly controlled entities	**254,461**	**13,149**	**–**	**–**	**–**	**267,610**	**6,950**	**–**	**–**	**274,560**
Associated companies	**–**	**–**	**–**	**–**	**51,758**	**51,758**	**10,091**	**4,866,009**	**–**	**4,927,858**
Other items:										
Depreciation and amortisation, net of amount capitalised	**5,479**	**362**	**314**	**232**	**–**	**6,387**	**140**	**–**	**–**	**6,527**
Provision for impairment of inventories, net of reversal	**651**	**–**	**–**	**–**	**–**	**651**	**–**	**–**	**–**	**651**
Reversal of provision for impairment of trade receivables, net of provision	**(1,743)**	**3,228**	**–**	**–**	**–**	**1,485**	**–**	**–**	**–**	**1,485**
Gain on disposal of asset held for sale	**–**	**–**	**–**	**–**	**–**	**–**	**5,028**	**–**	**–**	**5,028**
Additions to non-current assets (other than available-for-sale financial assets and deferred tax assets)	**3,351**	**–**	**269**	**189**	**–**	**3,809**	**–**	**–**	**–**	**3,809**
Year ended and as at 31st December 2009										
Total segment assets	1,012,533	365,036	297,164	131,029	169,224	1,974,986	374,647	4,667,717	103,002	7,120,352
Total segment assets include:										
Jointly controlled entities	213,883	13,428	–	–	–	227,311	6,751	–	–	234,062
Associated companies	–	–	–	–	46,116	46,116	9,196	4,667,375	–	4,722,687
Additions to non-current assets (other than available-for-sale financial assets and deferred tax assets)	14,854	21	1,819	24	47,349	64,067	125	40,617	–	104,809

	Shipping services									
	Coatings HK$'000	Marine equipment and spare parts HK$'000	Ship trading agency HK$'000	Insurance brokerage HK$'000	Marine fuel and other products HK$'000	Total HK$'000	General Trading HK$'000	Property invest-ments HK$'000	All other segments HK$'000	Total HK$'000
	Six months ended and as at 30th June 2009									
Profit and loss items:										
Segment revenue	165,321	202,519	65,621	29,586	–	463,047	232,794	2,552	–	698,393
Inter-segment revenue	–	–	(27)	(97)	–	(124)	–	–	–	(124)
Revenue from external customers	165,321	202,519	65,594	29,489	–	462,923	232,794	2,552	–	698,269
Segment operating profit	2,179	19,807	50,620	19,239	–	91,845	6,333	9,925	231	108,334
Finance income	707	734	1,525	102	–	3,068	199	279	–	3,546
Finance costs	(3,343)	(6)	(268)	(108)	–	(3,725)	(2,346)	(4)	–	(6,075)
Share of results of jointly controlled entities	36,219	80	–	–	–	36,299	(412)	–	–	35,887
Share of results of associated companies	–	–	–	–	4,362	4,362	950	148,832	–	154,144
Segment profit before income tax	35,762	20,615	51,877	19,233	4,362	131,849	4,724	159,032	231	295,836
Income tax expense	(4,329)	(2,784)	(10,192)	(2,981)	–	(20,286)	(3,147)	(21)	–	(23,454)
Segment profit after income tax	31,433	17,831	41,685	16,252	4,362	111,563	1,577	159,011	231	272,382
Balance sheet items:										
Total segment assets	921,015	317,622	407,445	286,617	50,940	1,983,639	296,579	4,221,181	78,941	6,580,340
Total segment assets include:										
Jointly controlled entities	148,361	10,805	–	–	–	159,166	7,291	–	–	166,457
Associated companies	–	–	–	–	50,940	50,940	9,701	4,220,430	–	4,281,071
Other items:										
Depreciation and amortisation, net of amount capitalised	3,187	389	238	363	–	4,177	145	–	–	4,322
Exchange reserve gain realised upon dissolution of a subsidiary	–	–	–	–	–	–	–	33,721	–	33,721
Reversal of provision for impairment of inventories, net of provision	4,647	–	–	–	–	4,647	–	–	–	4,647
Reversal of provision for impairment of trade receivables, net of provision	1,400	2,195	–	–	–	3,595	–	–	–	3,595
Loss on deemed disposal of partial interest in an associated company	–	–	–	–	–	–	–	24,251	–	24,251
Additions to non-current assets (other than available-for-sale financial assets and deferred tax assets)	11,438	–	–	11	46,578	58,027	–	106,379	–	164,406

Note: Certain figures for the six months ended and as at 30th June 2009 have been restated as a result of a change in reportable segment.

A reconciliation of the total of the reportable segments' profit before income tax to the Group's profit before income tax is as follows:

	Six months ended 30th June	
	2010	2009
	HK$'000	HK$'000
Total for reportable segments	**393,479**	295,605
Other segments' profit before income tax	**1,348**	231
Elimination of inter-segment profit	**(91)**	(37)
Corporate finance income	**1,034**	2,428
Corporate finance costs	**(12)**	(48)
Corporate expenses, net of income	**(26,679)**	(30,769)
Total for the Group	**369,079**	267,410

A reconciliation of the total of the reportable segments' assets to the Group's total assets is as follows:

	30th June	31st December	30th June
	2010	2009	2009
	HK$'000	HK$'000	HK$'000
Total for reportable segments	**8,335,905**	7,017,350	6,501,399
Other segments' assets	**107,383**	103,002	78,941
Elimination of unrealised profit on inter-segment sales	**(389)**	–	–
Corporate assets	**387,850**	483,367	423,602
Elimination of inter-segment receivables	**(2,796)**	(2,047)	(2,615)
Elimination of segment receivables from corporate headquarters	**(57,480)**	(57,472)	–
Elimination of corporate headquarters' receivables from segments	**(34,375)**	(34,328)	–
Total for the Group	**8,736,098**	7,509,872	7,001,327

3 OTHER INCOME

	Six months ended 30th June	
	2010	2009
	HK$'000	HK$'000
Gain on disposal of property, plant and equipment	**98**	127
Exchange reserve realised upon dissolution of a subsidiary	**–**	33,721
Reversal of provision for impairment of inventories, net of provision	**–**	4,647
Reversal of provision for impairment of trade receivables, net of provision	**1,485**	3,595
Fair value gain on financial assets at fair value through profit or loss	**–**	231
Dividend income from financial assets	**1,487**	–
Gain on disposal of asset held for sale	**5,028**	–
Net exchange gains	**8,847**	3,469
Others	**1,033**	1,127
	17,978	46,917

4 OPERATING PROFIT

Operating profit is stated after charging the following:

	Six months ended 30th June	
	2010	2009
	HK$'000	HK$'000
Depreciation and amortisation, net of amount capitalised in inventories totalling HK$736,000 (2009: HK$3,136,000)	**6,986**	4,756
Loss on deemed disposal of partial interest in an associated company	**318**	24,251
Fair value loss on financial assets at fair value through profit or loss	**139**	–
Provision for impairment of inventories, net of reversal	**651**	–
Write-off of inventories	**170**	9

5 FINANCE INCOME/(COSTS) – NET

	Six months ended 30th June	
	2010	2009
	HK$'000	HK$'000
Interest income from:		
– fellow subsidiaries	**580**	92
– a jointly controlled entity	**–**	1,216
– money market fund investments	**8**	52
– bank deposits	**3,929**	4,614
Total finance income	**4,517**	5,974
Interest expenses on bank loans wholly repayable within five years	**(959)**	(4,939)
Other finance charges	**(1,370)**	(1,184)
Total finance costs	**(2,329)**	(6,123)
Finance income/(costs) – net	**2,188**	(149)

6 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profit for the period.

The People's Republic of China ("PRC") income tax has been calculated on the estimated assessable profit derived from the Group's operations in the PRC for the period at 25% (2009: 25%) except for certain subsidiaries, which are taxed at reduced rates ranging from 12.5% to 20% (2009: 15% to 20%) based on different local preferential policies on income tax and approval by relevant tax authorities.

Singapore corporate tax has been provided at the rate of 17% (2009: not applicable) on the estimated assessable profit for the period.

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

The amount of income tax charged for the period to the condensed consolidated income statement represents:

	Six months ended 30th June	
	2010	2009
	HK$'000	HK$'000
Current income tax		
– Hong Kong profits tax	**10,670**	10,205
– PRC enterprise income tax	**12,137**	16,527
– Singapore corporate tax	**2,410**	–
Deferred income tax credit	**(2,170)**	(4,409)
Income tax expense	**23,047**	22,323

7 **DIVIDEND**

	Six months ended 30th June	
	2010	2009
	HK$'000	HK$'000
2010 interim dividend, declared, of HK$0.02 (2009: HK$0.01) per ordinary share	**30,214**	14,897

At the board meeting held on 30th August 2010, the directors declared an interim dividend of HK$0.02 per ordinary share for the six months ended 30th June 2010. This dividend has not been reflected as dividend payable in the unaudited condensed consolidated interim financial information for the six months ended 30th June 2010, but will be reflected in the financial statements as an appropriation of retained profits for the year ending 31st December 2010.

8 **EARNINGS PER SHARE**

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

	2010	2009
Profit attributable to the equity holders of the Company	**HK$341,776,000**	HK$245,778,000
Weighted average number of ordinary shares in issue	**1,510,697,429**	1,489,671,788
Basic earnings per share	**22.62 HK cents**	16.50 HK cents

(b) Diluted earnings per share is calculated based on the weighted average number of ordinary shares in issue after adjusting for the potential dilutive effect in respect of outstanding share options.

	2010	2009
Profit attributable to the equity holders of the Company	**HK$341,776,000**	HK$245,778,000
Adjusted weighted average number of ordinary shares in issue	**1,535,499,796**	1,497,510,666
Diluted earnings per share	**22.26 HK cents**	16.41 HK cents

9 **ASSOCIATED COMPANIES**

As at 30th June 2010, investments in associated companies include mainly the carrying amounts of the Group's investments in Sino-Ocean Land Holdings Limited and Double Rich Limited of HK$4,866,009,000 (2009: HK$4,667,375,000) and HK$51,758,000 (2009: HK$46,116,000) respectively.

10 TRADE AND OTHER RECEIVABLES

	30th June 2010 HK$'000	31st December 2009 HK$'000
Trade receivables, net of provision for impairment	**1,388,032**	391,722
Deposits, prepayments, other receivables and amounts due from related companies	**158,654**	137,066
	1,546,686	528,788

The ageing analysis of trade receivables (including amounts due from related parties of trading in nature) based on invoice date and after provision for impairment is as follows:

	30th June 2010 HK$'000	31st December 2009 HK$'000
Current – 90 days	**1,160,723**	218,875
91 – 180 days	**135,970**	71,330
Over 180 days	**91,339**	101,517
	1,388,032	391,722

For sale of coatings, marine equipment, spare parts, marine fuel, asphalt and other products, the majority of sales are on credit terms from 30 days to 90 days. Revenues from sale of properties and other operating revenue are billed according to the terms of the relevant contracts governing the transactions. Other than those with credit terms, all invoices are payable upon presentation.

11 TRADE AND OTHER PAYABLES

	30th June 2010 HK$'000	31st December 2009 HK$'000
Trade payables	**903,858**	212,793
Accrued liabilities, other payables and amounts due to related companies	**703,827**	633,284
	1,607,685	846,077

The ageing analysis of trade payables (including amounts due to related parties of trading in nature) based on invoice date is as follows:

	30th June 2010 HK$'000	31st December 2009 HK$'000
Current – 90 days	**874,617**	198,254
91 – 180 days	**19,964**	5,153
Over 180 days	**9,277**	9,386
	903,858	212,793

FINANCIAL REVIEW

Profit attributable to the equity holders of the Company for the period was HK$341,776,000 (2009: HK$245,778,000), representing an increase of 39 % as compared to the same period of last year. Basic earnings per share was 22.62 HK cents (2009: 16.50 HK cents), increased by 37% as compared to the same period of last year.

The Group's results were primarily influenced by various factors including revenue growth, revenue mix and profit contributions from investments in associated companies and jointly controlled entities.

Revenue

For the six months ended 30th June 2010, the Group's revenue increased sharply by 490% to HK$4,120,975,000 (2009: HK$698,269,000). Such revenue growth was primarily fuelled by the substantial revenue contribution of Sinfeng Marine Services Pte. Ltd. ("Sinfeng"), a wholly-owned subsidiary of the Company incorporated in November 2009 for the purpose of conducting the marine fuel trading business; and the rebound of container coatings revenue since the beginning of the year. Accordingly, revenue from the core shipping services business rose by 727% to HK$3,828,581,000 (2009: HK$462,923,000) and accounted for 93% (2009: 66%) of the Group's revenue while revenue from the general trading and property investments segments amounted to HK$292,394,000 (2009: HK$235,346,000) and accounted for 7% (2009: 34%) of Group's revenue.

Gross Profit and Gross Profit Margin

The Group's gross profit for the period increased by 39% to HK$253,801,000 (2009: HK$182,770,000). The Group's revenue mix underwent a significant change with a substantial portion of revenue from the trading of marine fuel and the production and sale of container coatings which yielded relatively lower profit gross margins. As a result, the average gross profit margin fell by 20 percentage points to 6% (2009: 26%).

Other Income

Other income of HK$17,978,000 (2009: HK$46,917,000) primarily included reversal of provision for impairment of trade receivables (net of provision) of HK$1,485,000 (2009: HK$3,595,000), and net exchange gains of HK$8,847,000 (2009: HK$3,469,000) and gain on disposal of asset held for sale of HK$5,028,000 (2009: nil). Other income was primarily lower when compared to the same period of last year due to inclusion of a one-off item of exchange reserve realised of HK$33,721,000 upon completion of dissolution of Shanghai COSCO Honour Property Development Limited in the interim results of 2009.

Operating Expenses

Selling, administrative and general expenses rose by 33% to HK$169,555,000 (2009: HK$127,899,000) primarily due to increase in selling expenses, which was in line with the increased coatings revenue and the first time inclusion of six months' operating expenses of Sinfeng in the Group's consolidated income statement.

Finance Income

Finance income of HK$4,517,000 (2009: HK$5,974,000) represented primarily interest income on bank deposits. The period-on-period decrease was in line with the reduction in bank deposit rates and lower average deposit level.

Finance Costs

Finance costs of HK$2,329,000 (2009: HK$6,123,000) mainly represented interest expenses on bank loans and other finance charges. The period-on-period decrease was primarily due to the lower average borrowing level during the period.

Share of Results of Jointly Controlled Entities

The Group's share of results of jointly controlled entities primarily represented the share of profit of Jotun COSCO Marine Coatings (HK) Limited ("Jotun COSCO") of HK$39,058,000 (2009: HK$36,219,000) which was included in coatings segment.

Share of Results of Associated Companies

The Group's share of results of associated companies primarily comprised the share of profit of Sino-Ocean Land Holdings Limited ("SOLHL") of HK$219,368,000 (2009: HK$148,832,000), which was included in the property investments segment, and share of profit of Double Rich Limited ("Double Rich") of HK$5,523,000 (2009: HK$4,362,000) which was included in the marine fuel and other products segment.

Profit Attributable to the Equity Holders

Profit attributable to the equity holders of the Company during the period increased by 39% to HK$341,776,000 (2009: HK$245,778,000). Excluding the profit contribution from SOLHL of HK$219,368,000, profit attributable to the equity holders of the Company increased by 26% to HK$122,408,000 (2009: HK$96,946,000) on the same basis.

FINANCIAL RESOURCES AND LIQUIDITY

As at 30th June 2010, equity holders' funds of the Company increased by 4% to HK$6,649,115,000 (31st December 2009: HK$6,414,860,000). As at 30th June 2010, total cash and bank balances (including restricted bank deposits) of the Group was HK$1,242,430,000 (31st December 2009: HK$1,272,661,000). The Group had a net drawdown of loans in the amount of HK$199,856,000 (2009: a net repayment of loans of HK$208,634,000) during the period. As at 30th June 2010, total banking facilities available to the Group amounted to HK$1,724,160,000 (31st December 2009: HK$1,305,526,000), of which HK$589,479,000 (31st December 2009: HK$224,033,000) had been utilised. The increased utilisation of banking facilities was mainly attributable to the reactivation of business activities in coatings segment and rapid expansion of marine fuel and other products segment during the period, leading to a higher overall working capital requirement. Accordingly, the gearing ratio, which represented total borrowings over total assets, rose to 2.4% (31st December 2009: 0.2%) since the end of last year. As at 30th June 2010, borrowings of the Group were denominated in Renminbi and United States dollars and carried interest at rates calculated with reference to the benchmark interest rates announced by the People's Bank of China and the London Interbank Offered Rate. The Group had no financial instruments for interest rate hedging purposes.

FINANCIAL RISK MANAGEMENT

The Group operates principally in Hong Kong, Singapore and China Mainland, and is exposed to foreign exchange risk arising from currency exposures, primarily with respect to United States dollars and Renminbi. Foreign exchange risk arises from commercial transactions and recognised assets and liabilities. The Group manages its foreign exchange exposure through matching its operating costs and borrowings against its receivables on sales. Nevertheless, the Group is still exposed to relevant foreign exchange risk in respect of Renminbi and United States dollars exchange rate fluctuations such that the Group's profit margin might be impacted accordingly. In addition, the conversion of Renminbi into foreign currencies is subject to the rules and regulations of the foreign exchange controls promulgated by the Government of the People's Republic of China.

The Group exercises stringent control over the use of derivative financial instrument for hedging against the price risks of marine fuel and other products.

EMPLOYEES

As at 30th June 2010, excluding associated companies and jointly controlled entities, the Group had 657 (31st December 2009: 646) employees, of which 109 (31st December 2009: 109) are Hong Kong employees. During the period, total employee expenses, including directors' emoluments, employee share option benefits and pension costs amounted to approximately HK$79,551,000 (2009: HK$77,134,000). Employees were remunerated on the basis of their performance and experience. Remuneration packages include salary and year-end discretionary bonus, which are determined with reference to market conditions and individual performance. During the period, all of the Hong Kong employees participated in the Mandatory Provident Fund Scheme or recognised occupational retirement scheme.

On 2nd December 2004, the Directors (excluding Independent Non-executive Directors) and certain employees of the Group were granted share options to subscribe for a total of 32,650,000 shares of the Company at HK$1.37 per share. These share options are exercisable at any time from 29th December 2004 to 28th December 2014. On 10th May 2005, certain employees of a subsidiary of the Company were granted share options to subscribe for a total of 2,400,000 shares of the Company at HK$1.21 per share. These share options are exercisable at any time from 6th June 2005 to 5th June 2015. On 9th March 2007, the Directors (excluding Independent Non-executive Directors) and certain employees of the Group and a jointly controlled entity were granted share options to subscribe for a total of 25,930,000 shares of the Company at HK$3.666 per share. These share options are exercisable from 9th March 2009 to 8th March 2015 in the stipulated proportion at any time namely: (i) no share options shall be exercisable by the grantees within the first two years from 9th March 2007; (ii) up to a maximum of 30% of the share options can be exercised by the grantees from 9th March 2009 onwards; (iii) up to a maximum of 70% of the share options can be exercised by the grantees from 9th March 2010 onwards; and (iv) all share options can be exercised by the grantees from 9th March 2011 onwards.

DIVIDEND

The Board has declared an interim dividend of 2 HK cents (2009: 1 HK cent) per share for the six months ended 30th June 2010. It is expected that the interim dividend will be payable on or before Thursday, 30th September 2010 to the shareholders whose names appear on the register of members of the Company on Wednesday, 22nd September 2010.

The register of members of the Company will be closed from Monday, 20th September 2010 to Wednesday, 22nd September 2010, both days inclusive, during which no transfer of shares of the Company will be registered. In order to qualify for the interim dividend for the six months ended 30th June 2010, all transfer documents accompanied by the relevant share certificate(s) must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Abacus Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 17th September 2010.

BUSINESS REVIEW

In the first year of the post-financial crisis era, the market was struggling to turn around despite the lingering aftermath. In the face of such a complicated and volatile market landscape, the Group adhered to the guiding principles of "seizing opportunities, lean management, grabbing market share, striving for returns and further development" and took various proactive countermeasures, including placing great emphasis on market analyses and tapping the opportunities arising from the recovery of the shipping market to launch new products, secure new customers and explore new markets. By optimising the synergy effect within the Group and promoting comprehensive streamlined management, coupled with the adoption of an array of measures, the Group expanded sources of income whilst controlling cost, strengthened service mentality, and kept enhancing the capability of creating efficiency through the concerted efforts of its business units, thus steadily increased its market share in the industry. The Group headed forward as a whole, with all segments under its shipping services business having progressed to various degrees and meeting their respective targets during the period. During its pursuit of efficiency and returns, the Group held steadfastly to the strategic positioning initiative for its core shipping services business, and endeavoured to look for new related businesses for future development. Moreover, the Group has obtained remarkable results in the expansion of supply of marine equipment and spare parts. Following the establishment of 新中鈴株式會社 (Shin Chung Lin Corporation) ("Shin Chung Lin") in Japan in February, the Group completed the acquisition of Xing Yuan (Singapore) Pte. Ltd. ("Xing Yuan") in August to strengthen and expand the network and platform of the business unit, thus laying a sound foundation for the future development of the Group.

1. Core Business – Shipping Services

During the first half of 2010, the aftermath of the financial crisis lingered on. The global economy was still subject to volatility and fluctuations, though it was turning for better in general. Data of various developed countries showed that momentum of economic recovery was more vigorous than expected, and the international trading volume was gradually picking up as well. As to China, it was expediting the pace of economic recovery. Both the import and export volumes surpassed market expectation and posted rather substantial growth as compared with the corresponding period of last year. However, the successive withdrawal of economic stimulus policies by various countries and in particular the outbreak of the European sovereign debt crisis revealed the fragility and instability of economic recovery. The future development of the market would still be shrouded in uncertainties.

In spite of this, driven by the gradual picking up of the international trade volume, the shipping market showed signs of positive movement in the first half of the year, and different sectors of shipping markets appeared to regain their vigour to various degrees, in particular the surge in container freight rates as a result of the strong rebound in China's export. Moreover, given the huge number of new build vessels ordered in the past, the number of global new build vessel delivery volume remained high in the first half of 2010. According to the statistic data released by Clarkson Research Services Limited, the number of global new build vessel delivery volume amounted to 69,400,000 dead weight tonnages in the first half of 2010, representing an increase of 29% as compared with the corresponding period of last year, amongst which the delivery volume from China's shipyards amounted to 27,500,000 dead weight tonnages, representing an increase of 88% over the corresponding period of last year, surpassed South Korea to rank the first in the world.

The gradual recovery of the global shipping market and China's favourable shipbuilding market were both conducive to the core shipping services business of the Group. All business segments including ship trading agency services, marine insurance brokerage services, supply of marine equipment and spare parts, production and sale of coatings, and trading and supply of marine fuel and related products managed to either keep their business volume stable or secure various degrees of growth. In particular, the container coatings, where opportunities had been seized and the sales strategy had been adjusted, resulting in more remarkable growth in both sales volume and sales amount.

In the first half of 2010, segment revenue of the Group's shipping services was HK$3,897,171,000 (2009: HK$463,047,000), representing an increase of 742% over the corresponding period of 2009, which was mainly attributable to the revenue brought forth by the newly added marine fuel trading business and the surge in business volume of container coatings. Following the expansion of the segment revenue of shipping services business, segment profit before income tax from shipping services was HK$161,813,000 (2009: HK$131,849,000), representing an increase of 23% over the corresponding period of 2009.

1.1 Ship Trading Agency Services

COSCO International Ship Trading Company Limited ("COSCO Ship Trading"), a wholly-owned subsidiary of the Company, is engaged in the provision of exclusive agency services relating to shipbuilding and ship trading and agency services relating to chartering for the fleet of 中國遠洋運輸（集團）總公司 (China Ocean Shipping (Group) Company) ("COSCO") and its subsidiaries (collectively "COSCO Group"), as well as similar agency services to non-COSCO Group shipping companies. COSCO Ship Trading mainly derives its revenue from agency services. In the case of new build vessels, commissions are paid to COSCO Ship Trading by shipbuilders according to the relevant contracts. As for the trading of second-hand vessels, commissions are paid to COSCO Ship Trading according to the contracts after the vendors have delivered vessels to buyers.

The new build vessels ordered through COSCO Ship Trading were scheduled to be delivered in the coming three years. For new build vessels, as some shipowners held a prudent view towards the uncertainties over the existing shipping market and showed less desire for vessel delivery, some deliveries were delayed during the period. However, the overall impact was insignificant, and most of the new build vessels were delivered broadly in line with schedule, resulting in a stable commission income from new build vessels for the Group's ship trading agency services. As for second-hand vessels, the Group continued to tap vigorous market opportunities and brought forth some contributions to the revenue. Moreover, in order to establish a platform for the supply of comprehensive shipping services, COSCO Ship Trading had been proactive in establishing long term and good cooperation relationship with domestic and international shipping companies, shipbuilders and ship brokers, and regularly released market information and provided value-added services to customers. Meanwhile, COSCO Ship Trading also actively developed ship trading agency business outside COSCO Group in order to expand its market share. COSCO Ship Trading consummated transactions for the sale and purchase of 28 vessels (including new build vessels and second-hand vessels) (2009: 29 vessels) during the period, which was fairly in line with the level in the corresponding period of 2009, aggregating 1,333,000 dead weight tonnages (2009: 757,000 dead weight tonnages), representing an increase of 76%.

During the period, segment revenue from ship trading agency services dropped by 6% to HK$61,855,000 (2009: HK$65,621,000) as compared with the same period of 2009. Segment profit before income tax was HK$46,046,000 (2009: HK$51,877,000), representing a decrease of 11%. The decrease was primarily attributable to the lower level of commission income on marine equipment and supplies when compared to the same period of 2009.

1.2 Marine Insurance Brokerage Services

COSCO (Hong Kong) Insurance Brokers Limited ("HK COSCO Insurance Brokers"), a wholly-owned subsidiary of the Company, is an insurance brokerage company accredited with the qualification of Lloyd's broker accreditation and mainly operates intermediary businesses in relation to marine insurance, shipping-related insurance outside China Mainland. 深圳中遠保險經紀有限公司 (Shenzhen COSCO Insurance Brokers Limited) ("SZ COSCO Insurance Brokers"), a non-wholly owned subsidiary of the Company, is primarily engaged in the provision of insurance brokerage services to the vessels registered in China Mainland.

Given the shipping market instability and the enduring uncertainties in the first half of 2010, insurance companies' premium rates remained high and shipowners continued to take stringent measures to control costs. The difference in expectation between insurers and shipowners presented difficulties for marine insurance brokerage business. Though the vessel chartering market benefited from the recovery of the shipping market, and showed signs of turnaround, the process has been relatively slow, and there was no significant increase in the charterers' liability insurance business. Confronted with such unfavourable market conditions, HK COSCO Insurance Brokers and SZ COSCO Insurance Brokers (collectively the "COSCO Insurance Brokers") conducted analyses conscientiously, took proactive countermeasures and adopted various kinds of measures. These included proactively developing the insurance brokerage business of delivery of new vessels by the shipping companies, continuing to strive for the development and promotion of the hull and machinery co-insurance business, closely monitoring the latest development of the Somali piratic activities, providing customers with information and consultation services in a timely manner, and stepping up the safeguarding and development of businesses outside COSCO Group, thus securing new customer bases during the period. By exploring new customers and new businesses, together with the new demand for insurance brokerage business brought forth by the delivery of new build vessels, the negative impact brought by the prevailing market predicament was largely mitigated.

During the period, segment revenue from marine insurance brokerage services was HK$32,869,000 (2009: HK$29,586,000), representing an increase of 11%. Segment profit before income tax was HK$21,912,000 (2009: HK$19,233,000), up by 14%.

1.3 Supply of Marine Equipment and Spare Parts

Yuantong Marine Service Co. Limited ("Yuantong"), a wholly-owned subsidiary of the Company, is principally engaged in the sale and installation of marine equipment and spare parts for existing and new build vessels, as well as oil drilling projects at sea, communications systems, shore-based AIS systems, vessel traffic management systems and information management systems for land users.

During the period, the marine equipment and spare parts market followed the recovery trend of the shipping market and a huge number of new build vessel delivered, shipping companies increased their spendings on procurement of supplies. These drove the demand for marine equipment and spare parts. During the period, Yuantong continued to maintain its existing customers by making customers' interests the top priority, and in particular, on forging closer communication and ties with major customers, further understanding customers' needs and providing timely quality services, in an effort to increase or at least maintain its market share. In the meantime, the Group also actively conducted researches and discussions in response to the latest development, so as to explore and expand its sales channels and initiate the introduction of domestic-made spare parts to overseas market. All these efforts had resulted in further growth of the Group's machinery spare parts and equipment, communication and navigation equipment businesses.

During the period, segment revenue from the supply of marine equipment and spare parts was HK$222,033,000 (2009: HK$202,519,000), representing an increase of 10%. Segment profit before income tax was HK$25,473,000 (2009: HK$20,615,000), representing an increase of 24%, and HK$3,228,000 (2009: HK$2,195,000) of which was the reversal of provision for trade receivables.

1.4 Production and Sale of Coatings

The coatings business of the Company primarily includes production and sale of container coatings, industrial heavy-duty anti-corrosion coatings and marine coatings. 中遠關西塗料化工(天津)有限公司 (COSCO Kansai Paint & Chemicals (Tianjin) Co., Ltd.), 中遠關西塗料化工(上海)有限公司 (COSCO Kansai Paint & Chemicals (Shanghai) Co., Ltd.) and 中遠關西塗料化工(珠海)有限公司 (COSCO Kansai Paint & Chemicals (Zhuhai) Co., Ltd.), all being non-wholly owned subsidiaries of the Company (collectively "COSCO Kansai Companies") are principally engaged in the production and sale of container coatings and industrial heavy-duty anti-corrosion coatings. Jotun COSCO, the 50/50 joint venture formed by the Company and the international coatings producer Jotun A/S, Norway, is principally engaged in the production and sale of marine coatings.

During the period, segment revenue from the production and sale of coatings was HK$498,990,000 (2009: HK$165,321,000), representing an increase of 202%. This was primarily due to the recovery of the sale of container coatings. Segment profit before income tax was HK$48,683,000 (2009: HK$35,762,000), representing an increase of 36%.

1.4.1 Container Coatings

COSCO Kansai Companies have established coating plants in Zhuhai, Shanghai and Tianjin respectively. These three coating plants are located in the three most economically developed regions of China, respectively the Pearl River Delta, the Yangtze River Delta and the Pan-Bohai Rim Area with a total annual production capacity of 100,000 tonnes. In the first half of 2010, China's export trading posted steady growth and resulted in the substantial increase in demand for container transportation capacity, thus driving the swift recovery of the container manufacturing market. In the first half of 2010, a total of approximately 900,000 TEUs were manufactured in China Mainland, representing around 10-fold increase as compared with the corresponding period of last year, far surpassing the expectation at the beginning of the year. The recovery of the container coatings market also beated market expectation. COSCO Kansai Companies leveraged on the efforts previously made to forge ties with major customers and grasped opportunities arising from the quick rebound of the market on one hand, while strengthening the research and development of technologies to enhance their competitive edge on the other hand. During the period, total sales volume of container coatings for COSCO Kansai Companies amounted to 24,293 tonnes, representing a significant increase of 1344% as compared with 1,682 tonnes in the corresponding period of 2009, thereby maintaining its leading position in China's container coatings market.

1.4.2 Industrial Heavy-Duty Anti-Corrosion Coatings

The industrial heavy-duty anti-corrosion coatings of COSCO Kansai Companies are primarily used in the industries covering bridges, petrochemical equipment and construction machinery, port machinery and equipment, nuclear power, wind power and civil steel structure. Industrial heavy-duty anti-corrosion coatings marked the direction of the adjusted product structure of COSCO Kansai Companies, and represented the key area for future development. In the first half of the year, with the launch of policies such as those aiming to boost domestic consumption in China, bridge industry, new energy industries (including nuclear power and wind power), and marine engineering equipment manufacturing industry all showed greater demand for industrial coatings. Other industries such as mechanical equipment were also in the process of recovery. Leveraging on the opportunities emerged in the first half of the year, COSCO Kansai Companies conducted researches over projects covering different industries and categories, and kicked off many preliminary works, which helped them secure the trust of their customers and lay a solid foundation for future development. Some projects were suspended or delayed since last year as affected by the financial crisis as well as intensified competition in the industry, COSCO Kansai Companies recorded sales volume of industrial heavy-duty anti-corrosion coatings together with workshop primer of 4,491 tonnes (2009: 4,284 tonnes) during the period, representing a slight increase of 5%.

In addition, with their professional services and quality products, COSCO Kansai Companies were awarded "The Top 10 Foreign Industrial Coatings Brands Awards of China 2009" by 慧聰塗料網 (HC Coating Network) during the period, fully evidencing the recognition and support of the brand among its peers and customers in China's coatings industry.

1.4.3 Marine Coatings

Jotun COSCO is principally engaged in production and sale of marine coatings in China including China Mainland, and Hong Kong and Macau Special Administrative Regions. The shipbuilding market in China maintained its positive momentum which led a huge number of new build vessels delivered during the period, and there was continuous increase in the sales volume of new build vessel coatings. Whilst adopting a flexible sales strategy, Jotun COSCO kept itself abreast of the industry and market norms and trends and continued to launch new products whilst phasing out obsolete ones to continuously provide products and services that were in line with market needs. As such, both new build vessel coatings and coatings for repair and maintenance businesses improved remarkably. The sales volume of marine coatings of Jotun COSCO amounted to 33,680,000 litres (equivalent to approximately 48,836 tonnes) (2009: 28,377,000 litres, equivalent to approximately 41,147 tonnes), representing an increase of 19%. Sales volume of new build vessel coatings amounted to 25,460,000 litres, which fulfilled the supply of coatings to new build vessels aggregating 7,700,000 dead weight tonnages, representing an increase of 20% in sales volume over the corresponding period of 2009. Sales volume of coatings for repair and maintenance was 8,220,000 litres, up by 14% as compared with the corresponding period of 2009. Jotun COSCO continued to maintain its leading position in China market in terms of the sales of marine coatings. In addition, as of 30th June 2010, Jotun COSCO had coatings contracts on hand for new build vessels with 38,360,000 dead weight tonnages pending delivery.

During the period, the Group's share of result of Jotun COSCO was HK$39,058,000 (2009: HK$36,219,000), increased by 8%.

1.5 Trading and Supply of Marine Fuel and Related Products

Sinfeng, a wholly-owned subsidiary of the Company in Singapore, is primarily engaged in the provision of marine fuel supply, trading of marine fuel and related products and brokerage services for customers which are mainly members of non-COSCO Group. Sinfeng has established extensive and good business cooperation relationship with the famous international oil companies, shipping companies and shipowners which have representative offices in Singapore. Currently, its business network primarily covers Singapore and Malaysia, major ports in the Far East region such as Hong Kong and Shanghai; as well as major ports in the European and American regions, such as Rotterdam, Long Beach and Oakland.

Despite the winding road to global economic recovery and the fluctuations of the international oil price, Sinfeng, a new business unit under the Group, fared well during the period. On the business development, Sinfeng successfully secured some new customers in Europe and Taiwan by benchmarking itself against similar advanced enterprises in the world and innovating its market development and marketing initiatives, which established some long-term cooperation relationships, thus laying a sound foundation for the future development of Sinfeng. During the period, total sales volume of marine fuel and related products amounted to 842,588 tonnes. Segment revenue from the trading and supply of marine fuel and related products was HK$3,081,424,000. Segment profit before income tax was HK$19,699,000.

In addition, the Group owned 18% equity interest in Double Rich. Double Rich is principally engaged in the trading of fuel oil and oil products and provision of bunker oil supply services in Hong Kong, and is specialised in sourcing products like light diesels and fuel oil. Its main customers or end users are shipowners and ship operators. During the period, the profit of Double Rich attributable to the Group was HK$5,523,000 (2009: HK$4,362,000), representing an increase of 27%.

2. General Trading

中遠國際貿易有限公司 (COSCO International Trading Company Limited) ("CITC"), a wholly-owned subsidiary of the Company, is principally engaged in trading of asphalt, trading of general marine equipment and marine supplies, as well as other comprehensive trading. CITC is familiar with the China Mainland's market and the market operations and has abundant experience in international trading. It has steady suppliers and stable market share, which will generate synergies with the Group's shipping services business, serving as an important platform for the Group to tap into the China Mainland's market.

In the first half of 2010, CITC completed the supply of asphalt of 48,493 tonnes (2009: 42,858 tonnes), representing an increase of 13%. Whilst endeavouring to fulfill the tasks in respect of the successfully tendered projects, CITC continued to expand its presence in the asphalt market in privileged areas like Yunnan, Guizhou and Sichuan, etc. In the first half of the year, CITC successfully tendered for several highway construction projects in these regions. In addition, CITC strived for breakthroughs on the new platform of marine products business, and tendered for orders of steering machines, rescue boats and certain communication and navigation equipment for a new build oil supply vessel project.

During the period, segment revenue from general trading was HK$295,218,000 (2009: HK$232,794,000), representing an increase of 27%. In addition, CITC realised a gain of HK$5,028,000 on disposal of an investment property, resulting in segment profit before income tax increased by 168% to HK$12,661,000 (2009: HK$4,724,000).

3. Property Investments

During the period, segment revenue from property investments was HK$127,000 (2009: HK$2,552,000), decreased by 95%, which was mainly derived from the sale of a car parking space in Fragrant Garden in Shanghai. Segment profit before income tax from property investments was HK$219,005,000 (2009: HK$159,032,000), representing an increase of 38%, which mainly came from the profit contribution of SOLHL, an associated company of the Company.

3.1 Investment in SOLHL

As at 30th June 2010, the Group held 16.85% equity interest in SOLHL, the shares of which were listed on the Stock Exchange. SOLHL held 100% interest in Sino-Ocean Land Limited ("SOLL").

SOLL is principally engaged in the development of medium to high-end residential properties and premium grade office buildings, retail properties, serviced apartments and hotels. Besides with a leading position in Beijing and the Pan-Bohai Rim Area, SOLL also expands into the regions with rapid economic growth such as the Pearl River Delta and the Yangtze River Delta. During the period, the Group's share of profit from SOLHL was HK$219,368,000 (2009: HK$148,832,000), representing an increase of 47%.

EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

1. On 31st May 2010, Yuantong entered into a share transfer agreement with COSCO Holdings (Singapore) Pte Ltd, a fellow subsidiary and Hai Feng Marine (Private) Limited ("Hai Feng") for the acquisition of 100% equity interest in Xing Yuan for a total consideration of S$850,000 (the "Share Acquisition"); on 15th June 2010, Xing Yuan entered into a sale and purchase agreement with Hai Feng, pursuant to which Xing Yuan agreed to acquire the property located in Singapore at S$4,500,000 after the completion of the Share Acquisition (the "Property Acquisition"). Details of the Share Acquisition and the Property Acquisition were set out in the Company's announcement dated 31st May 2010 and the circular dated 21st June 2010. Both the Share Acquisition and the Property Acquisition were approved by independent shareholders of the Company on 20th July 2010, and were completed on 12th August 2010 and 23rd August 2010 respectively. The provisionally determined fair value of the net identifiable assets of Xing Yuan at the date of acquisition was approximately HK$4,345,000 and the purchased goodwill amounted to approximately HK$384,000.

2. On 16th August 2010, the Company announced its intention to dispose of 949,937,399 shares of SOLHL held by the Group, which represented 16.85% of the existing issued share capital of SOLHL (the "Proposed Disposal"). The Company intends to seek approval from shareholders of the Company to grant the Directors the mandate to consider the Proposed Disposal subject to the prevailing market conditions for a period of twelve months from the date of passing of the relevant resolution at a special general meeting (the "Disposal Mandate"). Details of the Proposed Disposal and Disposal Mandate were set out in the Company's announcement dated 16th August 2010.

PROSPECTS

2010 is the first year of the post-financial crisis era with a more complicated market landscape. Although International Monetary Fund has adjusted the global economic growth forecast for 2010 higher to 4.6% recently, the reality is not as positive as expected. As the global economy is overshadowed by the European sovereign debt crisis and affected by the elevated trade protectionism in major economies in the world, the pace of economic recovery is weaker than expected. As the China Mainland economy, it is expected that the macroeconomic control policy will gradually take effect in the second half of the year so that the economic growth slows down. Overall, the general trend is positive despite many uncertainties amid the recovery of the global economy.

Benefited from the gradual recovery of the global economy and the gradual realisation of the effects of the economic stimulus policies of various countries, the market demand rallied. The international trade volumes picked up and freights rebounded significantly. The gap between the demand and supply of transportation capacity narrowed but an excess of supply over demand remained. As a result, in the first half of 2010, the new build vessel market showed signs of recovery with a gradual rebound in new build ship orders. However, given the unsound foundation of a general recovery in the industry, it is unlikely that the global new build ship orders will continue to grow or the vessel price will have significant rise in the second half of the year. However, it is expected this and the coming year will be the peak period for new build vessel delivery. Some uncertainties still exist and the shipping market may be volatile. Despite of the volatility, the shipping market will have a positive development and see a general sustained recovery and be better off than the last year. For the container manufacturing market, it has a positive outlook in general despite the expectation that unpredictable factors will still exist in the second half of the year. It is expected that the volume of new containers will return to a relative high level for the year and drive up the market demand for container coatings.

Despite many uncertainties associated with the complicated prevailing market landscape of the shipping and related services business, the Group will commit itself to market development and to seek new breakthroughs in the existing businesses in the course of development. For ship trading agency services, the Group will seize the market opportunities to continuously develop the businesses outside COSCO Group and actively study the feasibility of establishing a business model against the shipping cycle. For marine insurance brokerage services, the Group will strengthen the business consolidation within COSCO Group and develop new customers, new markets and new businesses in response to the market demand. For supply of marine equipment and spare parts, in addition to a product and service scope expansion, the Group will further improve the communication and interaction among the existing branches and expand the coverage of its service network. For container coatings, the Group will keep track of the latest market movement and strive to maintain its market share. As for industrial heavy-duty anti-corrosion coatings, product development will be accelerated and enhanced with a view to expanding its market share in the industrial coatings market and enhancing its market competitiveness for its corporate development. For marine coatings, the Group will strengthen its basis and expand its marketing efforts for the energy saving and environmentally friendly anti-fouling coatings products series to secure a leading market position among similar products. Leveraging on the new establishment of 中遠佐敦船舶塗料(青島)有限公司 (Jotun COSCO Marine Coatings (Qingdao) Co. Ltd.) in order to prepare for setting up a coating plant in Qingdao to properly schedule its orders and deal with the problem of insufficient production capacity in the future. By imposing strict control on product quality, Jotun COSCO's position in China's marine coatings market will be further consolidated and enhanced. For trading and supply of marine fuel, the Group will make greater efforts in marketing and operating quality enhancement and establish a major customer management system, which will build up a mutually beneficial, long term and stable cooperation relationship to ensure a stable business development.

In addition, the Group will divest its non-core businesses through disposal of the equity interests in SOLHL under appropriate market conditions and make use of the cash proceeds from the disposal of equity interests for the development of the core shipping services businesses through acquiring extensive and influential projects both within and outside COSCO Group, thus further optimising its asset structure comprising industrial sectors which are highly relevant, reasonably resourced and cyclically complementary. As such, the position of the Group in the shipping services industry will be consolidated and strengthened on a large scale.

With its efforts during the years, the Group has established a shipping services business platform and gained business development experience with competitive advantages in certain sectors in the industry. The Group will seize the opportunities to seek for new business development in shipping services and gain momentum for sustainable development. Under the full support of COSCO and COSCO (Hong Kong) Group Limited, the Group will continuously strive to steer towards the objective of becoming a large scale, specialised shipping services provider with "competitive advantages" and "comprehensive shipping services offerings" to create value for the shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30th June 2010.

CORPORATE GOVERNANCE

Maintaining high standards of corporate governance has always been one of the Company's priorities. This is achieved through an effective, timely disclosure of information by the Board and a proactive investor relations programme. The Company will continue to implement measures in order to further strengthen its corporate governance and overall risk management.

The Board believed that the Company has complied with the code provisions of the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") during the six months ended 30th June 2010.

The audit committee of the Company (the "Audit Committee") consists of three Independent Non-executive Directors and the chairman of which is a certified public accountant. The duties of the Audit Committee include reviewing the important accounting policies and supervising the Company's financial reporting process; monitoring the performance of both the internal and external auditors; reviewing and examining the effectiveness of the financial reporting procedures and internal controls; ensuring compliance with applicable statutory accounting and reporting requirements, legal and regulatory requirements, and internal rules and procedures approved by the Board. The Audit Committee and the independent external auditor have reviewed the unaudited condensed consolidated interim financial information of the Group for the six months ended 30th June 2010.

The Company has adopted a code of conduct regarding securities transactions of Directors and employees (the "Securities Code") no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules. In order to ensure Directors' dealing in the securities of the Company are conducted in accordance with the Securities Code, a committee comprising the Chairman, the Vice Chairman, the Managing Director and the Deputy Managing Director(s) of the Company was set up to deal with such transactions. The Company has made specific enquiry of all Directors regarding any non-compliance with the Securities Code during the six months ended 30th June 2010, all Directors confirmed that they have complied with the required standards set out in the Securities Code during the period.

By Order of the Board
COSCO International Holdings Limited
Wang Xiaodong
Managing Director

Hong Kong, 30th August 2010

As at the date of this announcement, the Board comprises eleven directors with Mr. Zhang Fusheng (Chairman), Mr. Wang Futian (Vice Chairman), Mr. Liang Yanfeng, Mr. Wang Xiaodong (Managing Director) and Mr. Lin Wenjin as executive directors; Mr. Jia Lianjun, Mr. Meng Qinghui and Mr. Chen Xuewen as non-executive directors and Mr. Kwong Che Keung, Gordon, Mr. Tsui Yiu Wa, Alec and Mr. Jiang, Simon X. as independent non-executive directors.