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

(Incorporated in Bermuda with limited liability)
(Stock Code: 00517)

2011 INTERIM RESULTS

RESULTS AND OPERATION HIGHLIGHTS:

- Revenue rose by 38% to HK$5,702,493,000. All business segments recorded revenue growth in the period as compared to the same period of last year.
- The Group's gross profit increased by 106% to HK$522,470,000. The Group's overall average gross profit margin rose by 3 percentage points to 9%. This was mainly due to the improvement in gross profit margin and the growth in revenue of container coatings.
- Segment profit before income tax from each segment of shipping services businesses recorded a growth, aggregating to HK$312,844,000, up 93% as compared to the same period of last year. Profit before income tax from coatings, marine equipment and spare parts, and marine fuel and other products increased by 227%, 67% and 56% respectively over the same period of last year.
- Due to the Group's disposal of its entire shareholdings in SOLHL in December 2010, the Group's financial results for the period no longer included profit contribution from SOLHL. Profit attributable to the equity holders of the Company therefore declined 32% to HK$234,114,000. If profit contribution from SOLHL in the first half of 2010 was excluded, profit attributable to the equity holders of the Company rose by 91% as compared to the same period of 2010.
- Basic earnings per share was 15.49 HK cents (2010: 22.62 HK cents).
- The Board has declared an interim dividend of 2 HK cents per share.
- Looking forward innovatively, the Group has formulated a five-year long-term strategic development plan to realise the vision of "Establishing itself as a global leading one-stop service provider focusing on shipping services"; through enhancing its operating efficiency and offering differentiated services, to set up a customer-oriented business model to help shipowners reduce their operating costs; and to upgrade their core competitiveness, as well as to establish a global sales and service network to provide one-stop professional services around the world for shipowners.

The board of directors (the "Board" or the "Director(s)") of COSCO International Holdings Limited (the "Company" or "COSCO International") 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 2011. The unaudited condensed consolidated results have been reviewed by the audit committee of the Company (the "Audit Committee").

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 2011 (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 2011

		Unaudited	
		Six months ended 30th June	
		2011	2010
	Note	**HK$'000**	HK$'000
Revenue	3	**5,702,493**	4,120,975
Cost of sales		**(5,180,023)**	(3,867,174)
Gross profit		**522,470**	253,801
Other income	4	**32,830**	17,978
Selling, administrative and general expenses		**(291,210)**	(169,555)
Other expenses		**(311)**	(1,278)
Operating profit	5	**263,779**	100,946
Finance income	6	**45,675**	4,517
Finance costs	6	**(10,002)**	(2,329)
Finance income – net	6	**35,673**	2,188
Share of results of jointly controlled entities		**21,706**	40,248
Share of results of associates		**11,946**	225,697
Profit before income tax		**333,104**	369,079
Income tax expense	7	**(56,515)**	(23,047)
Profit for the period		**276,589**	346,032
Profit attributable to:			
Equity holders of the Company		**234,114**	341,776
Non-controlling interests		**42,475**	4,256
		276,589	346,032
Earnings per share attributable to the equity holders of the Company during the period			
– basic, HK cents	8(a)	**15.49**	22.62
– diluted, HK cents	8(b)	**15.15**	22.26
		HK$'000	HK$'000
Dividend	9	**30,271**	30,214

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

	Unaudited Six months ended 30th June	
	2011	2010
	HK$'000	HK$'000
Profit for the period	**276,589**	346,032
Other comprehensive income		
Currency translation differences	**24,393**	52,193
Share of currency translation differences of a jointly controlled entity and an associate	**5,352**	529
Share of fair value losses on available-for-sale financial assets of an associate	**–**	(18,455)
Share of other reserves of an associate	**–**	(10,649)
Exchange reserve realised in consolidated income statement upon disposal of a jointly controlled entity	**(310)**	–
Fair value (losses)/gains on available-for-sale financial assets	**(10,428)**	4,520
Revaluation reserve realised in consolidated income statement upon disposal of available-for-sale financial assets	**(11,614)**	–
Cash flow hedges, net of tax	**1,146**	(23,130)
Other comprehensive income for the period	**8,539**	5,008
Total comprehensive income for the period	**285,128**	351,040
Total comprehensive income attributable to:		
Equity holders of the Company	**236,830**	344,784
Non-controlling interests	**48,298**	6,256
	285,128	351,040

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30TH JUNE 2011

	Note	**Unaudited 30th June 2011 HK$'000**	Audited 31st December 2010 HK$'000
ASSETS			
Non-current assets			
Intangible assets		**93,558**	91,733
Property, plant and equipment		**161,237**	159,082
Prepaid premium for land leases		**7,423**	7,478
Investment properties		**32,562**	32,543
Jointly controlled entities		**343,084**	320,401
Associates		**69,923**	57,689
Available-for-sale financial assets		**84,773**	138,344
Deferred income tax assets		**78,254**	59,710
		870,814	866,980
Current assets			
Completed properties held for sale		**181**	177
Inventories		**669,577**	454,367
Trade and other receivables	10	**2,661,452**	1,574,998
Available-for-sale financial assets		**30,284**	–
Derivative financial assets		**1,381**	–
Financial assets at fair value through profit or loss		**385**	554
Current income tax recoverable		**–**	803
Restricted bank deposits		**61,074**	27,809
Deposits and cash and cash equivalents		**5,708,572**	6,439,721
		9,132,906	8,498,429
Total assets		**10,003,720**	9,365,409
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**151,353**	151,107
Reserves		**6,787,383**	6,574,714
Proposed dividends		**–**	574,206
Interim dividend declared	9	**30,271**	–
		6,969,007	7,300,027
Non-controlling interests		**167,648**	230,201
Total equity		**7,136,655**	7,530,228
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**18,333**	13,216
Current liabilities			
Trade and other payables	11	**2,479,952**	1,574,823
Current income tax liabilities		**50,059**	39,843
Short-term borrowings		**318,721**	207,299
		2,848,732	1,821,965
Total liabilities		**2,867,065**	1,835,181
Total equity and liabilities		**10,003,720**	9,365,409
Net current assets		**6,284,174**	6,676,464
Total assets less current liabilities		**7,154,988**	7,543,444

Notes:

1 GENERAL INFORMATION

The Group is principally engaged in the provision of shipping services and general trading.

The Company is a limited liability company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its principal place of business is 47th Floor, COSCO Tower, 183 Queen's Road Central, Hong Kong.

The ultimate holding company of the Company is China Ocean Shipping (Group) Company ("COSCO"), a state-owned enterprise established in the People's Republic of China (the "PRC").

This Unaudited Condensed Consolidated Interim Financial Information is presented in Hong Kong dollars, unless otherwise stated.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

This 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 (the "Listing Rules").

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

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 2010 except that the Group has adopted the following amendments to existing standards issued by the HKICPA, which are relevant to its operations and are effective for accounting periods beginning on or after 1st January 2011.

HKFRSs (Amendments)	Improvements to HKFRSs #

\# The Group adopted the amendments set out in Improvements to HKFRSs published by the HKICPA in May 2010, which are relevant to its operations.

The adoption of the above 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 accounting policies.

The following new standards and amendments to existing standards have been published by the HKICPA and are relevant to the Group's operations. They are not yet effective for accounting periods beginning on 1st January 2011 and have not been early adopted by the Group.

HKAS 12 (Amendment)	Deferred Tax: Recovery of Underlying Assets
HKAS 27 (2011)	Separate Financial Statements
HKAS 28 (2011)	Investments in Associates and Joint Ventures
HKFRS 7 (Amendment)	Disclosure – Transfer of Financial Assets
HKFRS 9	Financial Instruments
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement

The Group has already commenced an assessment of the related impact of adopting the above new standards 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.

3 REVENUE AND SEGMENT INFORMATION

Turnover, represented revenue, recognised during the period is as follows:

	Six months ended 30th June	
	2011	2010
	HK$'000	HK$'000
Sale of coatings	**1,041,595**	498,990
Sale of marine equipment and spare parts	**482,388**	221,170
Commission income from ship trading agency	**71,214**	61,648
Commission income from insurance brokerage	**37,128**	32,778
Sale of marine fuel and other products	**3,628,962**	3,013,468
Sale of asphalt and other products	**441,206**	292,267
Sale of properties	**–**	127
Rental income	**–**	527
	5,702,493	4,120,975

The chief operating decision-maker has been identified as the Board. The Board reviews the Group's internal reporting in order to make decisions about resources to be allocated to the segment and assess its performance. The management considers the business from a product perspective and has identified the following reportable segments on the basis of these reports:

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 ("Jotun COSCO")
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 associate, Double Rich Limited ("Double Rich")
General trading	trading of asphalt and other products, and holding of investments in various jointly controlled entities and associates

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

As the Group had disposed of all its shareholding interest in a former associate, Sino-Ocean Land Holdings Limited ("SOLHL"), on 21st December 2010, property investment was no longer identified as a reportable segment in 2011. For the six months ended 30th June 2010, the business activities of property investments included sale of completed properties and holding of investment in SOLHL.

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$'000	All other segments HK$'000	Inter-segment elimination HK$'000	Total HK$'000
	For the six months ended and as at 30th June 2011									
Profit and loss items:										
Segment revenue	**1,041,595**	**483,467**	**71,214**	**37,208**	**3,909,505**	**5,542,989**	**450,597**	**–**	**(291,093)**	**5,702,493**
Inter-segment revenue	**–**	**(1,079)**	**–**	**(80)**	**(280,543)**	**(281,702)**	**(9,391)**	**–**	**291,093**	**–**
Revenue from external customers	**1,041,595**	**482,388**	**71,214**	**37,128**	**3,628,962**	**5,261,287**	**441,206**	**–**	**–**	**5,702,493**
Segment operating profit	**138,674**	**41,548**	**53,053**	**24,755**	**20,383**	**278,413**	**17,476**	**13,432**	**–**	**309,321**
Finance income	**1,565**	**773**	**2,323**	**203**	**62**	**4,926**	**343**	**–**	**(980)**	**4,289**
Finance costs	**(1,874)**	**(511)**	**(58)**	**(52)**	**(1,109)**	**(3,604)**	**(8,249)**	**–**	**980**	**(10,873)**
Share of results of jointly controlled entities	**20,883**	**740**	**–**	**–**	**–**	**21,623**	**83**	**–**	**–**	**21,706**
Share of results of associates	**–**	**–**	**–**	**–**	**11,486**	**11,486**	**460**	**–**	**–**	**11,946**
Segment profit before income tax	**159,248**	**42,550**	**55,318**	**24,906**	**30,822**	**312,844**	**10,113**	**13,432**	**–**	**336,389**
Income tax expense	**(24,521)**	**(5,694)**	**(12,366)**	**(4,105)**	**(3,281)**	**(49,967)**	**(1,137)**	**–**	**–**	**(51,104)**
Segment profit after income tax	**134,727**	**36,856**	**42,952**	**20,801**	**27,541**	**262,877**	**8,976**	**13,432**	**–**	**285,285**
Balance sheet items:										
Total segment assets	**1,937,030**	**559,349**	**514,632**	**283,044**	**797,087**	**4,091,142**	**1,135,089**	**113,683**	**(147,809)**	**5,192,105**
Total segment assets include:										
Jointly controlled entities	**324,107**	**17,005**	**–**	**–**	**–**	**341,112**	**1,972**	**–**	**–**	**343,084**
Associates	**–**	**–**	**–**	**–**	**58,951**	**58,951**	**10,972**	**–**	**–**	**69,923**
Other items:										
Depreciation and amortisation, net of amount capitalised	**5,968**	**691**	**380**	**139**	**–**	**7,178**	**132**	**–**	**–**	**7,310**
Gain on disposal of a jointly controlled entity	**–**	**–**	**–**	**–**	**–**	**–**	**4,299**	**–**	**–**	**4,299**
Gain on disposal of available-for-sale financial assets	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**11,338**	**–**	**11,338**
Reversal of provision for impairment of inventories, net of provision	**4,962**	**–**	**–**	**–**	**–**	**4,962**	**–**	**–**	**–**	**4,962**
Reversal of provision for impairment of trade and other receivables, net of provision	**4,751**	**(233)**	**–**	**–**	**–**	**4,518**	**(2,358)**	**–**	**–**	**2,160**
Additions to non-current assets (other than available-for-sale financial assets and deferred tax assets)	**4,675**	**2,083**	**518**	**7**	**–**	**7,283**	**36**	**–**	**–**	**7,319**
	For the year ended and as at 31st December 2010									
Total segment assets	1,690,849	498,927	316,847	140,586	490,347	3,137,556	494,707	137,139	(4,009)	3,765,393
Total segment assets include:										
Jointly controlled entities	297,873	15,924	–	–	–	313,797	6,604	–	–	320,401
Associates	–	–	–	–	47,429	47,429	10,260	–	–	57,689
Additions to non-current assets (other than available-for-sale financial assets and deferred tax assets)	8,926	29,232	853	284	–	39,295	7	–	–	39,302

	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$'000	Property investments HK$'000	All other segments HK$'000	Inter-segment elimination HK$'000	Total HK$'000
	For the 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	–	(71,541)	4,120,975
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 associates	–	–	–	–	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	(2,796)	8,440,492
Total segment assets include:											
Jointly controlled entities	254,461	13,149	–	–	–	267,610	6,950	–	–	–	274,560
Associates	–	–	–	–	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

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

	Six months ended 30th June	
	2011	2010
	HK$'000	HK$'000
Profit before income tax for reportable segments	**322,957**	393,479
Profit before income tax for all other segments	**13,432**	1,348
Profit before income tax for all segments	**336,389**	394,827
Elimination of unrealised profit on inter-segment revenue	**(2,019)**	–
Elimination of segment income from corporate headquarters	**(46)**	(91)
Elimination of segment finance costs to corporate headquarters	**885**	–
Corporate finance income	**41,386**	1,034
Corporate finance costs	**(14)**	(12)
Corporate expenses, net of income	**(43,477)**	(26,679)
Profit before income tax for the Group	**333,104**	369,079
Income tax expense for all segments	**(51,104)**	(22,237)
Corporate income tax expense	**(5,411)**	(810)
Profit after income tax for the Group	**276,589**	346,032

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
	2011	2010	2010
	HK$'000	HK$'000	HK$'000
Total assets for reportable segments	**5,078,422**	3,628,254	8,333,109
Total assets for all other segments	**113,683**	137,139	107,383
Total assets for all segments	**5,192,105**	3,765,393	8,440,492
Corporate assets	**5,320,100**	5,687,309	387,850
Elimination of unrealised profit on inter-segment revenue	**(2,019)**	–	(389)
Elimination of segment receivables from corporate headquarters	**(8)**	–	(57,480)
Elimination of corporate headquarters' receivables from segments	**(506,458)**	(87,293)	(34,375)
Total assets for the Group	**10,003,720**	9,365,409	8,736,098

4 OTHER INCOME

	Six months ended 30th June	
	2011	2010
	HK$'000	HK$'000
Gain on disposal of property, plant and equipment	**66**	98
Rental income	**548**	–
Gain on disposal of a jointly controlled entity (including exchange reserve realised of HK$310,000)	**4,299**	–
Gain on disposal of available-for-sale financial assets (including revaluation reserve realised of HK$11,614,000)	**11,338**	–
Reversal of provision for impairment of inventories, net of provision	**4,962**	–
Reversal of provision for impairment of trade and other receivables, net of provision	**2,160**	1,485
Dividend income from financial assets	**2,263**	1,487
Gain on disposal of asset held for sale	**–**	5,028
Net exchange gains	**4,290**	8,847
Others	**2,904**	1,033
	32,830	17,978

5 OPERATING PROFIT

Operating profit is stated after charging the following:

	Six months ended 30th June	
	2011	2010
	HK$'000	HK$'000
Depreciation and amortisation, net of amount capitalised in inventories totalling HK$460,000 (2010: HK$736,000)	**7,711**	6,986
Direct operating expenses for generating rental income	**78**	–
Loss on deemed disposal of partial interest in an associate	**–**	318
Fair value loss on financial assets at fair value through profit or loss	**169**	139
Provision for impairment of inventories, net of reversal	**–**	651
Write-off of inventories	**64**	170

6 FINANCE INCOME – NET

	Six months ended 30th June	
	2011	2010
	HK$'000	HK$'000
Interest income from:		
– a fellow subsidiary	**448**	580
– money market fund investments	**–**	8
– bank deposits	**45,227**	3,929
Total finance income	**45,675**	4,517
Interest expenses on bank loans wholly repayable within five years	**(7,057)**	(959)
Other finance charges	**(2,945)**	(1,370)
Total finance costs	**(10,002)**	(2,329)
Finance income – net	**35,673**	2,188

7 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profit for the period.

The 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% (2010: 25%) except for certain subsidiaries, which are taxed at reduced rates ranging from 12.5% to 22% (2010: 12.5% to 20%) based on different local preferential policies on income tax and approval by relevant tax authorities.

Overseas taxation has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates. These rates range from 17% to 42.5% (2010: 17%) during 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	
	2011	2010
	HK$'000	HK$'000
Current income tax		
– Hong Kong profits tax	**11,449**	10,670
– the PRC enterprise income tax	**52,536**	11,717
– Overseas taxation	**4,608**	2,410
– Under-provision for the PRC taxation in prior period	**169**	420
– Under-provision for overseas taxation in prior period	**113**	–
Deferred income tax credit – net	**(12,360)**	(2,170)
Income tax expense	**56,515**	23,047

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.

	2011	2010
Profit attributable to the equity holders of the Company	**HK$234,114,000**	HK$341,776,000
Weighted average number of ordinary shares in issue	**1,511,828,689**	1,510,697,429
Basic earnings per share	**15.49 HK cents**	22.62 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.

	2011	2010
Profit attributable to the equity holders of the Company	**HK$234,114,000**	HK$341,776,000
Adjusted weighted average number of ordinary shares in issue	**1,545,574,772**	1,535,499,796
Diluted earnings per share	**15.15 HK cents**	22.26 HK cents

9 DIVIDEND

	Six months ended 30th June	
	2011	2010
	HK$'000	HK$'000
Interim dividend, declared, of HK$0.02 (2010: HK$0.02) per ordinary share	**30,271**	30,214

At the board meeting held on 31st August 2011, the Directors declared an interim dividend of HK$0.02 per ordinary share for the six months ended 30th June 2011. This dividend has not been reflected as dividend payable in the Unaudited Condensed Consolidated Interim Financial Information, but will be reflected in the financial statements as an appropriation of retained profits for the year ending 31st December 2011.

10 TRADE AND OTHER RECEIVABLES

	30th June 2011	31st December 2010
	HK$'000	HK$'000
Trade receivables, net of provision for impairment	**2,133,077**	1,277,778
Bills receivables, prepayments, deposits, other receivables and amounts due from related parties	**528,375**	297,220
	2,661,452	1,574,998

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

	30th June 2011 HK$'000	31st December 2010 HK$'000
Current – 90 days	**1,544,184**	990,152
91 – 180 days	**442,280**	223,167
Over 180 days	**146,613**	64,459
	2,133,077	1,277,778

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. Other than those with credit terms, all invoices are payable upon presentation.

11 TRADE AND OTHER PAYABLES

	30th June 2011 HK$'000	31st December 2010 HK$'000
Trade payables	**929,084**	687,489
Bills payables, advances from customers, accrued liabilities, other payables and amounts due to related parties	**1,550,868**	887,334
	2,479,952	1,574,823

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

	30th June 2011 HK$'000	31st December 2010 HK$'000
Current – 90 days	**872,735**	644,839
91 – 180 days	**47,090**	30,586
Over 180 days	**9,259**	12,064
	929,084	687,489

FINANCIAL REVIEW

Profit attributable to the equity holders of the Company for the period was HK$234,114,000 (2010: HK$341,776,000), representing a decrease of 32% as compared to the same period of last year. Basic earnings per share was 15.49 HK cents (2010: 22.62 HK cents), decreased by 32% as compared to the same period of last year.

Due to the Group's disposal of its entire shareholdings in SOLHL, its former associate, in December 2010, the Group's financial results for the period no longer included profit contribution from SOLHL. If the profit contribution from SOLHL of HK$219,368,000 in the first half of 2010 was excluded, profit attributable to the equity holders of the Company increased by 91% from HK$122,408,000 in the same period of 2010 to HK$234,114,000.

Revenue

For the six months ended 30th June 2011, the Group's revenue increased by 38% to HK$5,702,493,000 (2010: HK$4,120,975,000). All the Group's core shipping services businesses recorded increases in revenue in different degrees as compared to the same period of last year. The three largest business segments, namely coatings, marine equipment and spare parts, and marine fuel and other products recorded 109%, 118% and 20% increases respectively in revenue over the same period of last year. Accordingly, revenue from the core shipping services businesses rose by 37% to HK$5,261,287,000 (2010: HK$3,828,581,000) and accounted for 92% (2010: 93%) of the Group's revenue while revenue from general trading segment also increased by 51% to HK$441,206,000 (2010: HK$292,267,000) and accounted for 8% (2010: 7%) of the Group's revenue.

Gross Profit and Gross Profit Margin

The Group's gross profit for the period increased by 106% to HK$522,470,000 (2010: HK$253,801,000). The Group's overall average gross profit margin rose by 3 percentage points to 9% (2010: 6%). This was mainly due to the improvement in gross profit margin of container coatings and the growth in coatings revenue.

Other Income

Other income of HK$32,830,000 (2010: HK$17,978,000) for the period primarily included gain on disposal of available-for-sale financial assets of HK$11,338,000 as a result of the disposal of non-core listed equity investments and gain on disposal of a jointly controlled entity of HK$4,299,000 as a result of the disposal of 50% equity interests in 上海遠洋國際貿易有限公司 (Shanghai Ocean International Trading Co. Ltd.*) ("Shanghai Ocean"). Other income also included reversal of provision for impairment of inventories (net of provision) of HK$4,962,000 (2010: net provision of HK$651,000), reversal of provision for impairment of trade and other receivables (net of provision) of HK$2,160,000 (2010: HK$1,485,000), and net exchange gains of HK$4,290,000 (2010: HK$8,847,000).

Operating Expenses

Selling, administrative and general expenses rose by 72% to HK$291,210,000 (2010: HK$169,555,000) primarily due to increase in selling expenses which were in line with the increase in coatings revenue, and the first time inclusion of operating expenses of Xing Yuan (Singapore) Pte. Ltd. ("Xing Yuan") and 新中鈴株式會社 (Shin Chung Lin Corporation*) ("Shin Chung Lin") in the Group's interim consolidated income statement.

Finance Income

Finance income of HK$45,675,000 (2010: HK$4,517,000) represented primarily interest income on bank deposits. The substantial increase as compared to the same period of last year was attributable to the Group's increased bank balances as a result of the recouping of net cash proceeds of HK$5,258,294,000 from the disposal of the Group's entire shareholdings in SOLHL in December 2010.

Finance Costs

Finance costs of HK$10,002,000 (2010: HK$2,329,000) mainly represented interest expenses on bank loans and other finance charges. The increase as compared to the same period of last year was primarily due to the higher average borrowing requirement during the period following the expansion in trading activities.

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 of HK$20,883,000 (2010: HK$39,058,000) which was included in the coatings segment. The profit contribution from Jotun COSCO reduced by 47% when compared to the same period of last year as a result of the rising material costs which drove down the gross profit margin.

Share of Results of Associates

The Group's share of results of associates primarily comprised the share of profit of Double Rich of HK$11,486,000 (2010: HK$5,523,000) which was included in the marine fuel and other products segment. The Group's share of results of associates declined substantially compared to the first half of 2010 because the Group disposed of its entire shareholdings in SOLHL in December 2010.

Profit Attributable to the Equity Holders

Profit attributable to the equity holders of the Company during the period decreased by 32% to HK$234,114,000 (2010: HK$341,776,000). If the profit contribution from SOLHL of HK$219,368,000 in the first half of 2010 was excluded, profit attributable to the equity holders of the Company increased by 91% from HK$122,408,000.

FINANCIAL RESOURCES AND LIQUIDITY

As at 30th June 2011, equity holders' funds of the Group decreased by 5% to HK$6,969,007,000 (31st December 2010: HK$7,300,027,000). As at 30th June 2011, total cash and bank balances (including restricted bank deposits) of the Group was HK$5,769,646,000 (31st December 2010: HK$6,467,530,000). The Group had a net drawdown of loans in the amount of HK$110,626,000 (2010: HK$199,856,000) during the period. As at 30th June 2011, total banking facilities available to the Group amounted to HK$1,905,979,000 (31st December 2010: HK$1,736,578,000), of which HK$977,181,000 (31st December 2010: HK$616,882,000) had been utilised. The increased utilisation of banking facilities was mainly attributable to the further growth of business activities in the coatings segment and growth of the general trading segment during the period, leading to a higher overall working capital and credit facility requirement. Accordingly, the gearing ratio, which represented total borrowings over total assets, rose to 3.2% (31st December 2010: 2.2%) since the end of last year. As at 30th June 2011, 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 purpose.

FINANCIAL RISK MANAGEMENT

The Group operates principally in Hong Kong, Singapore and the PRC, and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to United States dollars and Renminbi. Foreign exchange risk arises from commercial transactions, recognised assets and liabilities and net investments in foreign operations. 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 PRC.

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 2011, excluding associates and jointly controlled entities, the Group had 703 (31st December 2010: 702) employees, of which 108 (31st December 2010: 111) are Hong Kong employees. During the period, total employee benefit expenses, including Directors' emoluments and provident funds, was HK$96,987,000 (2010: HK$79,551,000). Employees were remunerated on the basis of their performance and experience. Remuneration packages include salary and a year-end discretionary bonus, which are determined with reference to market conditions and individual performance. During the period, all of the Hong Kong employees have 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 a price of 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 a price of 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 a price of 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 (2010: 2 HK cents) per share for the six months ended 30th June 2011. It is expected that the interim dividend will be payable on or before Wednesday, 28th September 2011 to the shareholders whose names appear on the register of members of the Company on Thursday, 22nd September 2011.

The register of members of the Company will be closed from Tuesday, 20th September 2011 to Thursday, 22nd September 2011, 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 2011, 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 Monday, 19th September 2011.

BUSINESS REVIEW

In the first half of 2011, the global economy recovered slowly. However, accelerating global inflation pressure, natural disasters, regional political instability and the outbreak of sovereign debt crises in some developed countries had driven the global economy into a complicated and erratic development with its prospects clouded by uncertainties. The shipping industry was facing serious difficulties again with imbalanced supply and demand, and, in particular, a continued surge in operating costs. Different types of vessels of the major shipping companies was under operating pressure. Faced with such a volatile market and many unfavourable factors, the Group took a series of measures in stages with emphases on the differences in the market conditions of various business segments. The Group placed emphasis on analysis in advance and took proactive action in seizing market opportunities, launching new products, exploring new customers, developing new markets and strengthening service mentality. The Group also speeded up its internal resources integration and enhanced its management to fully optimise synergy within the Group and enhance the profitability of its various business units. As a whole, the revenue of each business segment of shipping services of the Group achieved various degree of growth in the first half of the year with a better-than-expected performance. Having committed itself on the strategy of positioning shipping services business as the core business, the Group will strive for profitability and at the same time look forward for innovations in the future through the engagement of an internationally renowned management consultancy firm to formulate a long-term strategic development plan for the Group to actively look for the development of new related businesses.

1. Core Business – Shipping Services

Since early 2011, the global economic development was still on the track for recovery with growing global shipping trade volume and continued steady expansion of the fleet size all over the world. According to the statistics released by Clarkson Research Services Limited, the fleet size all over the world amounted to over 1,400,000,000 dead weight tonnages at the end of June 2011. Although the shipping market was weak in the first half of the year as transportation capacity was expanded beyond the demand as well as natural disasters, the operation of each business unit of the Group overall remained steady and growth during the period because the revenue from the shipping services of the Group was not directly correlated with the change of shipping freight rate and the diversified business units of the shipping services of the Group were complementary to each other and worked in clear synergy with each other.

Due to the delay in delivery of some new build vessel orders after the 2008 financial tsunami, 2011 is still a peak year for global new build vessel delivery. As the shipping industry and shipbuilding industry shifted their focus to Asia, especially to China, China's shipbuilding orders in hand and the number of new build vessels delivered both ranked first in the world. China's continued development in the shipping industry and shipbuilding industry were both conducive to the steady operation of the core shipping services business of the Group. Shipping services business units 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 revenue stable or secure varying degrees of growth. In particular, following a strong market upturn in the container manufacturing market in the second half of 2010, the Group seized the golden opportunity in the first half of 2011, and formulated a specific business strategy in a timely manner, thus achieving a remarkable growth in both sales volume and revenue of container coatings.

During the period, revenue from the Group's shipping services was HK$5,261,287,000 (2010: HK$3,828,581,000), representing an increase of 37% over the corresponding period of 2010, which was mainly attributable to the respective increased revenues from coatings, marine equipment and spare parts and marine fuel and other products when compared to the same period of last year. Profit before income tax from shipping services was HK$312,844,000 (2010: HK$161,813,000), representing an increase of 93% over the corresponding period of 2010.

1.1 Ship Trading Agency Services

COSCO International Ship Trading Company Limited ("COSCO Ship Trading"), a wholly-owned subsidiary of the Company, is principally engaged in the provision of agency services relating to shipbuilding, ship trading and 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 and associates (collectively "COSCO Group"), as well as similar services for non-COSCO Group shipowners or shipping companies in order to expand its business. 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 and are generally collected based on the shipbuilding schedule. 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.

During the period, the shipping market was volatile. The great difference in market expectation between shipowners and shipbuilders, as well as greater difficulties with vessel financing, resulted in delayed vessel delivery. However, 2011 is still a peak period for vessel delivery based on the new build vessel orders in hand by COSCO Ship Trading. COSCO Ship Trading carried out a great deal of communication and coordination with shipbuilders and shipowners, thus basically ensuring most of the new build vessel orders in hand to be delivered on schedule. For the second-hand vessels market, COSCO Ship Trading continued to develop the business outside COSCO Group actively, expand new business channels and explore new customers. Moreover, in order to establish a platform for the provision of comprehensive shipping services, COSCO Ship Trading had been proactive in establishing long-term and good cooperation relationships with domestic and foreign shipping companies, shipbuilders and ship brokers, and regularly released market information and provided value-added services to its customers. Meanwhile, COSCO Ship Trading also actively developed ship trading agency business outside COSCO Group. During the period, new build vessels of 1,200,000 dead weight tonnages (2010: 1,200,000 dead weight tonnages) ordered through COSCO Ship Trading were delivered. It consummated transactions for the sale and purchase of 25 vessels (including new build vessels and second-hand vessels) (2010: 28 vessels), aggregating 1,131,000 dead weight tonnages (2010: 1,333,000 dead weight tonnages).

During the period, revenue from ship trading agency segment increased by 15% to HK$71,214,000 (2010: HK$61,849,000) as compared to the corresponding period of last year. Segment profit before income tax was HK$55,318,000 (2010: HK$46,046,000), representing an increase of 20% over the corresponding period of last year.

1.2 Marine Insurance Brokerage Services

COSCO (Hong Kong) Insurance Brokers Limited ("HK COSCO Insurance Brokers"), a wholly-owned subsidiary of the Company, and 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, are primarily engaged in the provision of insurance intermediate services including risk assessment, designing insurance program, placing insurance cover, loss prevention, claims handling to vessels insured worldwide.

In the first half of 2011, demand for protection and indemnity insurance and hull and machinery insurance increased due to delivery of numerous new build vessels. Nevertheless, the demand for charterer's liability insurance dropped because of the continued downturn of the dry bulk goods shipping market. HK COSCO Insurance Brokers and SZ COSCO Insurance Brokers (collectively the "COSCO Insurance Brokers") actively developed the insurance brokerage business of new build vessels while making every effort to renew insurance for existing vessels. The development of the hull and machinery co-insurance business for vessels within COSCO Group provided an opportunity for promoting such form of insurance to customers outside COSCO Group for their vessels registered in China. The results were more than satisfactory. In addition, during the period, the provision of tailor-made new insurance products for vessel, such as war risks insurance, kidnap and ransom insurance and kidnap and detention insurance against rampant Somali piratic activities for customers brought returns to COSCO Insurance Brokers. In addition, COSCO Insurance Brokers, having carefully analysed the development trend of the shipping industry, shifted the focus of its future business to developing insurance intermediate business for more emerging shipping companies under major state-owned enterprises and achieved remarkable results. Through the above arrays of business strategies, COSCO Insurance Brokers maintained steady growth in commission income from its marine insurance brokerage services.

During the period, revenue from insurance brokerage segment was HK$37,128,000 (2010: HK$32,778,000), increased by 13% as compared to the corresponding period of last year. Segment profit before income tax was HK$24,906,000 (2010: HK$21,912,000), representing an increase of 14% over the corresponding period of last year.

1.3 Supply of Marine Equipment and Spare Parts

Yuantong Marine Service Co. Limited ("Yuantong"), a wholly-owned subsidiary of the Company, and Yuantong's subsidiaries (including Xing Yuan, Shin Chung Lin and 遠通海務貿易(上海)有限公司 (Yuantong Marine Trade (Shanghai) Co., Ltd.*)) (collectively "Yuantong Platform") are principally engaged in the sale and installation of marine equipment and spare parts for existing and new build vessels, as well as equipment of radio communication systems, satellite communication and navigation system for ships, offshore facilities, coastal station and land users, and marine material supply and voyage repair. Its existing business network spreads across Hong Kong, Shanghai, Japan and Singapore, etc.

The delivery of numerous new build vessels had triggered the market demand for marine equipment and spare parts and the increase in trading volume. During the period, Yuantong Platform focused on the establishment of a spare parts supply platform, unified the mode of operation of various business nodes in the network and facilitated various nodes to capitalise on their regional advantages. Benefiting from the new business volume of the three companies located in Japan, Singapore and Shanghai, the total sales volume significantly increased as compared to the same period of last year. The development of the spare parts supply platform had promoted business growth on the one hand, and expanded the business scale on the other hand. Preferential terms had been obtained in procurement of spare parts from domestic and foreign spare parts suppliers through the advantage of large scale group procurement, bringing mutual benefits to all parties. This had laid a good foundation for reducing procurement costs. Yuantong had entered into a cooperation agreement in relation to spare parts with a major domestic spare part manufacturer. This was an achievement in the exploration of supply of domestic spare parts in China for Yuantong Platform, which capitalised on its supply platform of equipment and spare parts. In addition, Yuantong Platform had set up a dedicated and experienced team to carry out various supplementary services business, such as material supplies, transport customs clearance and ship repair, for the fleets of both COSCO Group and non-COSCO Group, providing more comprehensive one-stop services. These services had been well received by the customers.

During the period, revenue from marine equipment and spare parts segment was HK$482,388,000 (2010: HK$221,496,000), increased by 118% as compared to the corresponding period of last year. Segment profit before income tax was HK$42,550,000 (2010: HK$25,473,000), representing an increase of 67% over the corresponding period of last year, including provision for impairment of trade receivables of HK$233,000 (2010: reversal of provision for impairment in trade receivables of HK$3,228,000).

1.4 Production and Sale of Coatings

The coating 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.) ("COSCO Kansai (Tianjin)"), 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 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 manufacturer Jotun A/S, Norway, is principally engaged in production and sale of marine coatings.

During the period, container manufacturing market continued to thrive following the growth in the second half of 2010, leading to the surge in demand for container coatings. COSCO Kansai Companies adopted effective sales strategies, resulting in the significant increase in sales volume of container coatings. The huge volume of new build vessels completed in China in 2011 would result in the ever-increasing demand for marine coatings. Jotun COSCO strengthened its business development with effective sales strategies as well. Although the businesses of new build vessel coatings and coatings for repair and maintenance achieved steady growth as compared to the same period of last year, their earnings were offset by the rise in prices of raw materials.

During the period, revenue from coatings segment was HK$1,041,595,000 (2010: HK$498,990,000), increased by 109% as compared to the corresponding period of last year due to a substantial rebound in the sale of container coatings. Segment profit before income tax was HK$159,248,000 (2010: HK$48,683,000), representing an increase of 227% over the corresponding period of last year.

1.4.1 Container Coatings and Industrial Heavy-Duty Anti-Corrosion Coatings

COSCO Kansai Companies have established coating plants in Zhuhai, Shanghai and Tianjin respectively. These three coating plants are respectively located in the Pearl River Delta, the Yangtze River Delta and the Pan-Bohai Rim Area, the three most economically developed regions of China, with a total annual production capacity of 100,000 tonnes.

During the period, COSCO Kansai Companies grasped the still favourable container manufacturing market trend and primarily focused on market development. With lean management as the core of their strategies, they strengthened retention of customers and closely monitored the orders of container manufacturers and the market changes with changing sales tactics to secure every order, thus further consolidating their market share. On the other hand, they adjusted the selling price of container coatings based on the market changes such as prices of raw materials and containers to offset the effect of rising costs. During the period, the sales volume of container coatings of COSCO Kansai Companies amounted to 40,939 tonnes, representing a significant increase of 69% as compared with 24,293 tonnes in the same period of 2010, thereby maintaining their leading position in China's container coating market.

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. The production and sale of industrial heavy-duty anti-corrosion coatings marks the direction of the product structure adjustment of COSCO Kansai Companies, and represents the key area for future development. During the period, with the steady growth of China's economy, the launch of "Twelfth Five-year Plan" and a series of policies aiming to boost infrastructure and domestic consumption in China, the market of industrial heavy-duty anti-corrosion coatings had shown stable growth. COSCO Kansai Companies grasped the market opportunities by selecting projects of different industries for research and set up task groups for follow-up. They began to set up sales networks in Chengdu and the Southern market. With focus on environmental protection, they properly adjusted the product structure with a focus on expansion of coating businesses for bridges, oil storage tanks, wind and nuclear power generators in order to strive for the formation of new business. During the period, COSCO Kansai Companies recorded sales volume of industrial heavy-duty anti-corrosion coatings together with workshop primer of 5,151 tonnes (2010: 4,491 tonnes), representing an increase of 15% over the corresponding period of last year.

During the period, the technology centre of COSCO Kansai (Tianjin) was recognised as an enterprise technology centre in Tianjin. In addition, with their professional services and quality products, COSCO Kansai Companies were awarded "The Top 10 Anti-Corrosion Coating Brands Awards of China 2010" by 慧聰塗料網 (HC Coating Network), fully evidencing the recognition and support of the brand among its peers and customers in China's coating industry.

1.4.2 Marine Coatings

Jotun COSCO is principally engaged in production and sale of marine coatings in China including China Mainland, Hong Kong and Macau Special Administrative Regions. During the period, China's shipbuilding industry maintained a good position and delivered numerous new build vessels, driving the sustainable growth in sales volume of new build vessel coatings. Jotun COSCO accelerated the construction of a new coating plant in Qingdao, China to line up with the production capacity expansion for future development. While adopting a flexible sales strategy, Jotun COSCO kept itself abreast of the industry and market norms and also the market trends for environmentally-friendly coatings. They continued to launch products and services which met the latest market demand, achieving a remarkable improvement in their new build vessel coating business. In addition, Jotun COSCO strengthened the training and building up for its repair and maintenance team, and actively increased its market share of marine coatings for initial dock repair, thus establishing a foundation for the coatings for repair and maintenance business volume in the future. During the period, the sales volume of marine coatings of Jotun COSCO amounted to 44,000,000 litres (equivalent to approximately 59,400 tonnes) (2010: 33,680,000 litres (equivalent to approximately 45,468 tonnes)), representing an increase of 31% over the corresponding period of last year. Sales volume of new build vessel coatings amounted to 35,560,000 litres, increased by 40% as compared to the corresponding period of 2010. Sales volume of coatings for repair and maintenance was 8,440,000 litres, slightly up 3% as compared to the corresponding period of last year. Jotun COSCO continued to be one of the leaders in the marine coating market in China. In addition, as at 30th June 2011, Jotun COSCO had coatings contracts in hand for new build vessels amounting to 39,820,000 dead weight tonnages pending delivery. The coatings were scheduled to be delivered in the coming two to three years.

During the period, the Group's share of profit from Jotun COSCO was HK$20,883,000 (2010: HK$39,058,000), decreased by 47% as compared to the corresponding period of last year primarily due to the overall decline in the gross profit margin as a result of Jotun COSCO being affected by the rising raw material prices during the period.

1.5 Trading and Supply of Marine Fuel and Related Products

Sinfeng Marine Services Pte. Ltd. ("Sinfeng"), a wholly-owned subsidiary of the Company established in Singapore, is primarily engaged in the provision of marine fuel supply, trading of marine fuel and related products and brokerage services for non-COSCO Group customers. 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, Malaysia and other major oil ports all over the world.

In response to the shrinking of the dry bulk goods shipping market in the first half of 2011, Sinfeng objectively analysed the market situation and timely adjusted its sales strategies. It strengthened its risk management of trade receivables and reduced the oil supply for bulk cargo vessels. It also maintained good communication with customers to stabilise the existing business volume. During the period, the total sales volume of marine fuel products was 767,104 tonnes (2010: 827,416 tonnes), declined by 7% as compared to the corresponding period of last year.

During the period, revenue from marine fuel and other products segment was HK$3,628,962,000 (2010: HK$3,013,468,000), increased by 20% as compared to the corresponding period of last year. Segment profit before income tax was HK$30,822,000 (2010: HK$19,699,000), representing an increase of 56% over the corresponding period of last year.

In addition, Double Rich which the Group owns 18% equity interest, is principally engaged in trading of fuel 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 major customers or end users are shipowners and ship operators. During the period, the Group's share of profit from Double Rich was HK$11,486,000 (2010: HK$5,523,000), increased by 108% as compared to the corresponding period of last year. This was primarily due to the implementation of various measures by Double Rich since the beginning of 2011 to cope with the competition in Hong Kong marine fuel market, which had helped its major jointly controlled entity to turn around from losses.

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, general marine equipment and marine supplies, as well as other comprehensive trading. CITC is familiar with the PRC'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 PRC's market.

In the first half of 2011, while making good progress on the tendered projects, CITC actively participated in tendering asphalt procurement projects, in accordance with the development trend of the asphalt market in China Mainland. Having succeeded in bidding various tender projects in the regions like Yunnan, Sichuan and Guizhou, CITC further expanded its market share in the traditional asphalt markets in the southwest regions of China. In addition, for the purpose of business development, besides establishing asphalt sales network in the southwest regions of China, CITC also focused on developing new markets in Guangxi and Hunan, etc. and signed a strategic cooperation framework agreement with a strategic partner, representing a solid step for CITC to develop the Guangxi market and explore a new development mode of asphalt operation. In the first half of 2011, CITC completed the delivery of asphalt of 46,035 tonnes (2010: 48,493 tonnes), decreased by 5% as compared to the corresponding period of last year primarily due to the slow progress of construction project in certain regions of China affected by the climate conditions. It is expected that the situation would be improved in the second half of the year.

During the period, revenue from general trading segment was HK$441,206,000 (2010: HK$292,267,000), increased by 51% as compared to the corresponding period of last year. Segment profit before income tax decreased by 20% over the corresponding period of last year to HK$10,113,000, which included gain of HK$4,299,000 on disposal of 50% equity interest in Shanghai Ocean (2010: HK$12,661,000, included gain of HK$5,028,000 on disposal of investment property).

3. Property Investments

As the Group had disposed of its entire shareholding interest in SOLHL in December 2010, property investments was no longer identified as a reportable segment in 2011. Revenue from property investments segment for the first half of 2010 was HK$127,000. Segment profit before income tax from property investments for the first half of 2010 was HK$219,005,000 which mainly included the profit contribution from SOLHL.

PROSPECTS

Faced with uncertainties such as uneven regional development, the global spread of inflation, the European sovereign debt crisis, persistent high prices of international bulk commodities and the unstable international situation in the second half of the year, global economic recovery is subject to challenges. However, the emerging economies has been developing favourably. The enormous demand for consumption and infrastructural construction, generated by industrialisation and urbanisation of the emerging economies, will be an important driving force for global economic growth. China will also be the largest engine for the global economy. It is expected that the economy of China will be growing on a fast track, which will be positive for the global economic development.

The shipping market overall is still uncertain and unfavourable. On the one hand, the excess transportation capacity and the imbalance between supply and demand will persist due to the delivery of numerous new build vessels. On the other hand, the operating costs will remain high and the shipping companies will face tremendous operating pressure. Hopefully the combined impact of factors such as seasonal increase in demand, the increase of dismantling of old ships in the second half of the year and the proactive counter-measures of various major shipowners, will help the global shipping market turn around. For the new build vessel market, the global new build vessel orders in hand are enormous. While there may be delays in delivery to a certain extent due to the impact of the shipping market, it is believed that the second half of the year and the first half of the next year will be the peak period for the delivery of new build vessels because shipowners will try to have their new vessels under construction to be delivered before the implementation of “Performance Standard for Protective Coatings” (PSPC) in July 2012. It is expected that new build vessel orders will be less than those in the corresponding period of last year and the new build vessel price may also fall.

Facing the excess capacity in the global transportation market, the surge in oil price and the environmental protection requirements of International Maritime Organization, shipowners have to enhance their profitability by improving operating efficiency and reducing operating costs. In response to the requirements of shipowners, COSCO International has formulated its vision of “Establishing itself as a global leading one-stop service provider focusing on shipping services”. It will provide one-stop professional service all over the world to help shipowners reduce their operating costs. It will also enhance operating efficiency to provide shipowners with differentiated services to upgrade their core competitiveness. COSCO International still positions shipping services as its core business. The Company will expand into new business segments while actively consolidating the development of existing business segments. For the operating model, it will combine existing core businesses operation and investment operation to effectively manage the earning fluctuation of shipping related businesses, thus broadening the earning base of the Company. In the coming five years, COSCO International will explicitly establish the business mix and the service offerings of the one-stop service of the Company. It will also set up a global sales and service network and construct a customer-oriented business model.

The Group will prioritise to strengthen the prevention and control of various risks in the second half of the year. On this basis, given its own attributes and the features of different businesses, it will seize the opportunities arising from different stages and achieve efficiency and stable development of various business units in accordance with its established plan. For the shipping services, the ship trading agency business, the marine insurance brokerage business and the marine spare parts agency business among which will be affected by the downturn of the shipping industry to different degrees but their revenue are expected to remain stable due to the orders in hand and the contracts signed before. As to individual business segments, COSCO Ship Trading will further strengthen the coordination with shipbuilders and shipowners to ensure the smooth delivery of new build vessels. At the same time, it will actively develop the business outside COSCO Group and explore new business development models to foster business growth. COSCO Insurance Brokers will make every effort to seize the insurance business of delivery of new vessels and extensively promote the business of kidnap and ransom insurance and kidnap and detention insurance to capture market opportunities, thus creating a win-win situation. It will also actively explore the possibility of developing the insurance value-added businesses. Yuantong Platform will accelerate the establishment of a supply platform, thus further making leverage of the regional advantage of centralised procurement and existing various nodes and growing its business. In addition, it will explore new business nodes and steadily achieve global organised management.

For the coating business segment, there will be a greater change to container coating market in the second half of the year, the demand in which will become weaker; the prospects of industrial heavy-duty anti-corrosion coatings remain buoyant and marine coatings will continue to boom due to the peak period of vessel delivery. COSCO Kansai Companies will continue to strive to reduce procurement costs, strengthen internal management, optimise business workflow, enhance research and development in technology, improve corporate competitiveness and endeavour to maintain its market share in the container coating market. For industrial heavy-duty anti-corrosion coatings, COSCO Kansai Companies will stress environmental protection as a focus while strengthening introduction and absorption of technology and research and development capabilities, enhance their corporate competitiveness, properly adjust product structure, with a focus on expansion of new businesses in industrial heavy-duty anti-corrosion coatings for bridges, oil storage tanks, and wind and nuclear power generators. For marine coatings, Jotun COSCO will continue to implement strategies for customer stratification management and major customer management and optimise customer management and sales workflow, promote green shipping, advocate low-carbon vessels and promote the leading advantage of the energy saving technology of anti-fouling paint so as to maintain its market share and leading position in the coating market for new vessels in China. At the same time, it will proactively adopt measures to expand revenue of coatings for repair and maintenance, reduce operating costs and improve efficiency so as to reduce the impact arising from the rise in the price of raw materials. Jotun COSCO will proactively procure its wholly-owned subsidiary, Jotun COSCO Marine Coatings (Qingdao) Co., Ltd., to construct a new plant in Qingdao. The annual production capacity is expected to reach 50,000,000 litres upon completion of this project in 2012, thus further strengthening Jotun COSCO's leading position in the marine coating market in China.

For trading and supply of marine fuel and related products, Sinfeng will continuously focus on its risk prevention and control in view of the operating pressure experienced by shipping companies. On this basis, it will prudently develop new businesses.

For general trading, CITC will at first endeavour to fulfil the successfully tendered asphalt projects and consolidate its market share in such regions with a solid market base as Sichuan, Guizhou, Yunnan and Shaanxi while seeking business opportunities in new projects from the markets such as Guangxi, Hunan, Jiangxi, Jiangsu and Anhui, striving to achieve new market breakthrough.

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 of the Company.

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 2011.

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 Listing Rules during the six months ended 30th June 2011.

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 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 2011.

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 Issuer (the "Model Code") contained in Appendix 10 to the Listing Rules. In order to ensure the Directors' dealings in the securities of the Company are conducted in accordance with the Model Code and 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 Model Code and the Securities Code during the six months ended 30th June 2011, all Directors confirmed that they had complied with the required standards set out in the Model Code and the Securities Code during the period.

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

31st August 2011

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. Tsui Yiu Wa, Alec, Mr. Jiang, Simon X. and Mr. Alexander Reid Hamilton as Independent Non-executive Directors.

* *For identification purpose only*