中遠國際控股有限公司*

COSCO International Holdings Limited

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 00517)**

# 2012 INTERIM RESULTS

**RESULTS AND OPERATION HIGHLIGHTS:**

- Profit attributable to equity holders of the Company for the period slightly declined by 1% to HK$232,415,000 as compared to the same period of 2011.
- Confronting with the external operating pressures, the Group, while enhancing the overall profitability of existing businesses, adopted coping measures including: (i) strict control of customers' credit risk, reducing business with customers with higher potential risks and successful collection of long outstanding trade receivables resulting in the reversal of provision for impairment of trade and other receivable; (ii) strengthening control of selling, administrative and general expenses leading to the reduction in overall level of operating expenses; (iii) enhancing yields on liquid cash leading to the substantial increase in finance income; and (iv) taking advantage of the corporate headquarters' cash in hand to reduce subsidiaries' external borrowings and thereby substantially reduced finance costs as compared to the comparative period. All these measures, coupled with an increase of profit contribution from jointly controlled entities, resulted in a stable level of profit attributable to equity holders of the Company for the period as compared to the same period of 2011.
- Revenue for the period decreased by 21% to HK$4,478,772,000 as compared to the same period of 2011.
- Basic earnings per share was 15.35 HK cents (2011: 15.49 HK cents), decreased by 1% as compared to the same period of 2011.
- The Board has declared an interim dividend of 2 HK cents per share.
- The Group will continuously move forward the establishment of global sales and services network and the acquisition of projects inside and outside COSCO Group, and at the same time explore the development of upstream and downstream businesses along the value chain of existing businesses in accordance with its strategic development plan.

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 (together, the "Group") for the six months ended 30th June 2012. 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 13 as presented below are extracted from the Group's unaudited condensed consolidated interim financial information for the six months ended 30th June 2012 (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 2012

| | | **Unaudited** | |
|---|---|---|---|
| | | **Six months ended 30th June** | |
| | | **2012** | 2011 |
| | *Note* | ***HK$'000*** | *HK$'000* |
| Revenue | *3* | **4,478,772** | 5,702,493 |
| Cost of sales | | **(4,113,668)** | (5,180,023) |
| **Gross profit** | | **365,104** | 522,470 |
| Other income and gains | *4* | **50,489** | 32,830 |
| Selling, administrative and general expenses | | **(210,354)** | (291,210) |
| Other expenses and losses | | **(201)** | (311) |
| **Operating profit** | *5* | **205,038** | 263,779 |
| Finance income | *6* | **62,297** | 45,675 |
| Finance costs | *6* | **(2,062)** | (10,002) |
| Finance income — net | *6* | **60,235** | 35,673 |
| Share of results of jointly controlled entities | | **29,773** | 21,706 |
| Share of results of associates | | **10,096** | 11,946 |
| **Profit before income tax** | | **305,142** | 333,104 |
| Income tax expense | *7* | **(46,772)** | (56,515) |
| **Profit for the period** | | **258,370** | 276,589 |
| **Profit attributable to:** | | | |
| Equity holders of the Company | | **232,415** | 234,114 |
| Non-controlling interests | | **25,955** | 42,475 |
| | | **258,370** | 276,589 |
| **Earnings per share attributable to equity holders of the Company during the period** | | | |
| — basic, HK cents | *8(a)* | **15.35** | 15.49 |
| — diluted, HK cents | *8(b)* | **15.18** | 15.15 |
| **Dividend** | *9* | **30,273** | 30,271 |

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
FOR THE SIX MONTHS ENDED 30TH JUNE 2012

| | Unaudited Six months ended 30th June | |
|---|---|---|
| | **2012** | 2011 |
| | ***HK$'000*** | *HK$'000* |
| **Profit for the period** | **258,370** | 276,589 |
| **Other comprehensive income** | | |
| Adjustment on adoption of HKAS 12 (Amendment) | **1,435** | — |
| Currency translation differences | **(5,252)** | 24,393 |
| Share of currency translation differences of a jointly controlled entity | **(3,391)** | 5,352 |
| Exchange reserve realised in consolidated income statement upon disposal of a jointly controlled entity | **—** | (310) |
| Fair value losses on available-for-sale financial assets | **(3,645)** | (10,428) |
| Revaluation reserve realised in consolidated income statement upon disposal of available-for-sale financial assets | **—** | (11,614) |
| Cash flow hedges, net of tax | **(2,149)** | 1,146 |
| **Other comprehensive income for the period** | **(13,002)** | 8,539 |
| **Total comprehensive income for the period** | **245,368** | 285,128 |
| **Total comprehensive income attributable to:** | | |
| Equity holders of the Company | **220,496** | 236,830 |
| Non-controlling interests | **24,872** | 48,298 |
| | **245,368** | 285,128 |

## CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30TH JUNE 2012

| | Note | **Unaudited 30th June 2012** *HK$'000* | Audited 31st December 2011 *HK$'000* |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Intangible assets | | **97,665** | 98,542 |
| Property, plant and equipment | | **156,052** | 162,217 |
| Prepaid premium for land leases | | **7,223** | 7,482 |
| Investment properties | | **35,750** | 35,777 |
| Jointly controlled entities | | **403,142** | 376,877 |
| Associates | | **76,209** | 85,053 |
| Available-for-sale financial assets | | **55,656** | 66,187 |
| Deferred income tax assets | | **62,841** | 72,640 |
| Non-current deposits | *10* | **49,054** | — |
| | | **943,592** | 904,775 |
| **Current assets** | | | |
| Completed properties held for sale | | **185** | 186 |
| Inventories | | **725,817** | 665,656 |
| Trade and other receivables | *11* | **2,371,039** | 2,191,709 |
| Available-for-sale financial assets | | **27,545** | 20,659 |
| Derivative financial assets | | **—** | 78 |
| Financial assets at fair value through profit or loss | | **516** | 377 |
| Current income tax recoverable | | **916** | 1,471 |
| Restricted bank deposits | | **69,435** | 36,890 |
| Deposits and cash and cash equivalents | | **5,396,545** | 5,666,734 |
| | | **8,591,998** | 8,583,760 |
| **Total assets** | | **9,535,590** | 9,488,535 |
| **EQUITY** | | | |
| **Capital and reserves attributable to the Company's equity holders** | | | |
| Share capital | | **151,363** | 151,363 |
| Reserves | | **7,024,701** | 6,834,478 |
| Proposed dividend | | **—** | 105,954 |
| Interim dividend declared | *9* | **30,273** | — |
| | | **7,206,337** | 7,091,795 |
| **Non-controlling interests** | | **211,581** | 187,119 |
| **Total equity** | | **7,417,918** | 7,278,914 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Deferred income tax liabilities | | **24,127** | 20,358 |
| **Current liabilities** | | | |
| Trade and other payables | *12* | **2,056,063** | 2,122,464 |
| Derivative financial liabilities | | **2,072** | — |
| Current income tax liabilities | | **27,670** | 31,998 |
| Short-term borrowings | | **7,740** | 34,801 |
| | | **2,093,545** | 2,189,263 |
| **Total liabilities** | | **2,117,672** | 2,209,621 |
| **Total equity and liabilities** | | **9,535,590** | 9,488,535 |
| **Net current assets** | | **6,498,453** | 6,394,497 |
| **Total assets less current liabilities** | | **7,442,045** | 7,299,272 |

*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 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, 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 of Hong Kong Limited.

This Unaudited Condensed Consolidated Interim Financial Information should be read in conjunction with the annual financial statements for the year ended 31st December 2011, which were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") 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 2011 except that the Group has adopted the following amendments to published standards issued by the HKICPA, which are relevant to its operations and are effective for accounting periods beginning on or after 1st January 2012.

| | |
|---|---|
| HKAS 12 (Amendment) | Deferred Tax: Recovery of Underlying Assets |
| HKFRS 7 (Amendment) | Disclosure — Transfer of Financial Assets |

In December 2010, the HKICPA amended HKAS 12 ("Income Taxes") to introduce an exception to the principle for the measurement of deferred tax assets or liabilities arising on an investment property measured at fair value. HKAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. The amendment introduces a rebuttable presumption that an investment property measured at fair value is recovered entirely through sale.

The adoption of this amendment has resulted in a change in accounting policy on the provision of deferred tax on revaluation of investment properties. Previously, provision for deferred tax was made at the income tax rates on the revaluation of, and the tax bases of, investment properties held under operating leases on the basis that their values would be recovered through use rather than through sale. As required by the amendment, the Group has re-measured the deferred tax relating to the investment properties according to the tax consequence on the presumption that they are recovered entirely by sale. This change in accounting policy should be accounted for retrospectively. However, such change has no material effect on the results and financial position of the Group and the comparative figures have not been restated.

The adoption of the above HKFRSs in the current period did not result in any substantial changes to the Group's accounting policies and had no material financial impact on the Unaudited Condensed Consolidated Interim Financial Information.

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 2012 and have not been early adopted by the Group.

| | | **Effective for accounting periods beginning on or after** |
|---|---|---|
| HKAS 1 (Amendment) | Presentation of Financial Statements | 1st July 2012 |
| HKAS 19 (Amendment) | Employee Benefits | 1st January 2013 |
| HKAS 27 (2011) | Separate Financial Statements | 1st January 2013 |
| HKAS 28 (2011) | Investments in Associates and Joint Ventures | 1st January 2013 |
| HKAS 32 (Amendment) | Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities | 1st January 2014 |
| HKAS 34 | Interim Financial Reporting | 1st January 2013 |
| HKFRS 7 (Amendment) | Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities | 1st January 2013 |
| HKFRS 9 | Financial Instruments | 1st January 2015 |
| HKFRS 10 | Consolidated Financial Statements | 1st January 2013 |
| HKFRS 11 | Joint Arrangements | 1st January 2013 |
| HKFRS 12 | Disclosure of Interests in Other Entities | 1st January 2013 |
| HKFRS 13 | Fair Value Measurement | 1st January 2013 |

The Group has already commenced an assessment of the related impact of adopting the above new standards and amendments to published 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, representing revenue, recognised during the period is as follows:

| | **Six months ended 30th June** | |
|---|---|---|
| | **2012** | 2011 |
| | ***HK$'000*** | *HK$'000* |
| Sale of coatings | **714,445** | 1,041,595 |
| Sale of marine equipment and spare parts | **464,294** | 482,388 |
| Commission income from ship trading agency | **63,735** | 71,214 |
| Commission income from insurance brokerage | **41,952** | 37,128 |
| Sale of marine fuel and other products | **2,950,818** | 3,628,962 |
| Sale of asphalt and other products | **243,528** | 441,206 |
| | **4,478,772** | 5,702,493 |

The chief operating decision-maker has been identified as the Board of Directors. The Board of Directors reviews the Group's internal reporting in order to 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, and holding of investment in a jointly controlled entity |
| 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 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.

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

| | Shipping services | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Coatings** | **Marine equipment and spare parts** | **Ship trading agency** | **Insurance brokerage** | **Marine fuel and other products** | **Total** | **General trading** | **All other segments** | **Inter-segment elimination** | **Total** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| | | | | | **Six months ended and as at 30th June 2012** | | | | | |
| **Profit and loss items:** | | | | | | | | | | |
| Segment revenue | **714,445** | **464,585** | **63,735** | **42,012** | **2,950,818** | **4,235,595** | **249,172** | **—** | **(5,995)** | **4,478,772** |
| Inter-segment revenue | **—** | **(291)** | **—** | **(60)** | **—** | **(351)** | **(5,644)** | **—** | **5,995** | **—** |
| Revenue from external customers | **714,445** | **464,294** | **63,735** | **41,952** | **2,950,818** | **4,235,244** | **243,528** | **—** | **—** | **4,478,772** |
| Segment operating profit | **82,406** | **38,868** | **44,741** | **29,848** | **34,685** | **230,548** | **7,152** | **2,516** | **—** | **240,216** |
| Finance income | **2,590** | **2,011** | **3,531** | **291** | **27** | **8,450** | **1,179** | **—** | **(995)** | **8,634** |
| Finance costs | **(703)** | **(555)** | **(46)** | **(66)** | **(3,775)** | **(5,145)** | **(4,660)** | **—** | **995** | **(8,810)** |
| Share of results of jointly controlled entities | **29,868** | **(200)** | **105** | **—** | **—** | **29,773** | **—** | **—** | **—** | **29,773** |
| Share of results of associates | **—** | **—** | **—** | **—** | **9,571** | **9,571** | **525** | **—** | **—** | **10,096** |
| Segment profit before income tax | **114,161** | **40,124** | **48,331** | **30,073** | **40,508** | **273,197** | **4,196** | **2,516** | **—** | **279,909** |
| Income tax expense | **(17,848)** | **(4,481)** | **(14,881)** | **(5,110)** | **(221)** | **(42,541)** | **(921)** | **—** | **—** | **(43,462)** |
| Segment profit after income tax | **96,313** | **35,643** | **33,450** | **24,963** | **40,287** | **230,656** | **3,275** | **2,516** | **—** | **236,447** |
| **Balance sheet items:** | | | | | | | | | | |
| Total segment assets | **1,880,120** | **608,147** | **365,967** | **257,947** | **1,050,473** | **4,162,654** | **1,001,335** | **81,958** | **(259,607)** | **4,986,340** |
| Total segment assets include: | | | | | | | | | | |
| — Jointly controlled entities | **385,728** | **15,144** | **2,270** | **—** | **—** | **403,142** | **—** | **—** | **—** | **403,142** |
| — Associates | **—** | **—** | **—** | **—** | **65,067** | **65,067** | **11,142** | **—** | **—** | **76,209** |
| **Other items:** | | | | | | | | | | |
| Depreciation and amortisation, net of amount capitalised | **5,925** | **722** | **397** | **42** | **—** | **7,086** | **913** | **—** | **—** | **7,999** |
| Provision for impairment of inventories, net of reversal | **144** | **—** | **—** | **—** | **—** | **144** | **—** | **—** | **—** | **144** |
| Reversal of provision for impairment of trade and other receivables, net of provision | **839** | **4,557** | **—** | **—** | **29,662** | **35,058** | **6,449** | **—** | **—** | **41,507** |
| Additions to non-current assets (other than available-for-sale financial assets and deferred tax assets) | **1,984** | **74** | **19** | **12** | **—** | **2,089** | **137** | **—** | **—** | **2,226** |
| | | | | | Year ended and as at 31st December 2011 | | | | | |
| Total segment assets | 1,762,956 | 620,314 | 342,457 | 188,546 | 934,757 | 3,849,030 | 1,154,242 | 85,464 | (138,615) | 4,950,121 |
| Total segment assets include: | | | | | | | | | | |
| — Jointly controlled entities | 359,251 | 15,450 | 2,176 | — | — | 376,877 | — | — | — | 376,877 |
| — Associates | — | — | — | — | 74,313 | 74,313 | 10,740 | — | — | 85,053 |
| Additions to non-current assets (other than available-for-sale financial assets and deferred tax assets) | 13,716 | 2,240 | 697 | 13 | — | 16,666 | 3,971 | — | — | 20,637 |

| | Shipping services | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Coatings | Marine equipment and spare parts | Ship trading agency | Insurance brokerage | Marine fuel and other products | Total | General trading | All other segments | Inter-segment elimination | Total |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| | 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 |

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 | |
|---|---|---|
| | **2012** | 2011 |
| | ***HK$'000*** | *HK$'000* |
| Profit before income tax for reportable segments | **277,393** | 322,957 |
| Profit before income tax for all other segments | **2,516** | 13,432 |
| Profit before income tax for all segments | **279,909** | 336,389 |
| Elimination of unrealised profit on inter-segment revenue | **—** | (2,019) |
| Elimination of segment income from corporate headquarters | **(15)** | (46) |
| Elimination of segment finance costs to corporate headquarters | **6,758** | 885 |
| Corporate finance income | **53,663** | 41,386 |
| Corporate finance costs | **(10)** | (14) |
| Corporate expenses, net of income | **(35,163)** | (43,477) |
| Profit before income tax for the Group | **305,142** | 333,104 |
| Income tax expense for all segments | **(43,462)** | (51,104) |
| Corporate income tax expense | **(3,310)** | (5,411) |
| Profit after income tax for the Group | **258,370** | 276,589 |

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 |
|---|---|---|---|
| | **2012** | 2011 | 2011 |
| | ***HK$'000*** | *HK$'000* | *HK$'000* |
| Total assets for reportable segments | **5,163,989** | 5,003,272 | 5,226,231 |
| Total assets for all other segments | **81,958** | 85,464 | 113,683 |
| Elimination of inter-segment receivables | **(259,607)** | (138,615) | (147,809) |
| | **4,986,340** | 4,950,121 | 5,192,105 |
| Corporate assets (mainly deposits and cash and cash equivalents) | **5,354,921** | 5,426,538 | 5,320,100 |
| Elimination of unrealised profit on inter-segment revenue | **—** | (1,464) | (2,019) |
| Elimination of segment receivables from corporate headquarters | **(8)** | — | (8) |
| Elimination of corporate headquarters' receivables from segments | **(805,663)** | (886,660) | (506,458) |
| Total assets for the Group | **9,535,590** | 9,488,535 | 10,003,720 |

## 4 OTHER INCOME AND GAINS

| | Six months ended 30th June | |
|---|---|---|
| | **2012** | 2011 |
| | ***HK$'000*** | *HK$'000* |
| Gain on disposal of property, plant and equipment | **71** | 66 |
| Rental income | **617** | 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 | **41,507** | 2,160 |
| Dividend income from listed and unlisted investments | **2,377** | 2,263 |
| Fair value gains on financial assets at fair value through profit or loss | **139** | — |
| Net exchange gains | **2,013** | 4,290 |
| Others | **3,765** | 2,904 |
| | **50,489** | 32,830 |

## 5 OPERATING PROFIT

Operating profit is stated after charging the following:

| | Six months ended 30th June | |
|---|---|---|
| | **2012** | 2011 |
| | ***HK$'000*** | *HK$'000* |
| Depreciation and amortisation, net of amount capitalised in inventories totalling HK$1,187,000 (2011: HK$460,000) | **8,226** | 7,711 |
| Direct operating expenses for generating rental income | **57** | 78 |
| Fair value losses on financial assets at fair value through profit or loss | **—** | 169 |
| Provision for impairment of inventories, net of reversal | **144** | — |
| Write-off of inventories | **—** | 64 |

## 6 FINANCE INCOME — NET

| | Six months ended 30th June | |
|---|---|---|
| | **2012** | 2011 |
| | ***HK$'000*** | *HK$'000* |
| Interest income from: | | |
| — a fellow subsidiary | **3,217** | 448 |
| — a jointly controlled entity | **1,316** | — |
| — bank deposits | **57,764** | 45,227 |
| Total finance income | **62,297** | 45,675 |
| Interest expenses on bank loans wholly repayable within five years | **(189)** | (7,057) |
| Other finance charges | **(1,873)** | (2,945) |
| Total finance costs | **(2,062)** | (10,002) |
| Finance income — net | **60,235** | 35,673 |

## 7 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 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% (2011: 25%) except for certain subsidiaries, which are taxed at reduced rates ranging from 12.5% to 22% (2011: 12.5% to 22%) based on different local preferential policies on income tax and approval by relevant tax authorities.

Other 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% (2011: 17% to 42.5%) 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 | |
|---|---|---|
| | **2012** | 2011 |
| | ***HK$'000*** | *HK$'000* |
| Current income tax | | |
| — Hong Kong profits tax | **13,979** | 11,449 |
| — the PRC enterprise income tax | **13,887** | 52,536 |
| — Other overseas taxation | **1,895** | 4,608 |
| — Over-provision for Hong Kong profits tax in prior period | **(1,119)** | — |
| — Under-provision for the PRC taxation in prior period | **756** | 169 |
| — Under-provision for other overseas taxation in prior period | **—** | 113 |
| Adjustment on adoption of HKAS 12 (Amendment) | **4,916** | — |
| Deferred income tax charge/(credit) — net | **12,458** | (12,360) |
| Income tax expense | **46,772** | 56,515 |

## 8 EARNINGS PER SHARE

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

| | **2012** | 2011 |
|---|---|---|
| Profit attributable to equity holders of the Company | **HK$232,415,000** | HK$234,114,000 |
| Weighted average number of ordinary shares in issue | **1,513,627,429** | 1,511,828,689 |
| Basic earnings per share | **15.35 HK cents** | 15.49 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.

| | **2012** | 2011 |
|---|---|---|
| Profit attributable to equity holders of the Company | **HK$232,415,000** | HK$234,114,000 |
| Adjusted weighted average number of ordinary shares in issue | **1,531,402,941** | 1,545,574,772 |
| Diluted earnings per share | **15.18 HK cents** | 15.15 HK cents |

## 9 DIVIDEND

| | Six months ended 30th June | |
|---|---|---|
| | **2012** | 2011 |
| | ***HK$'000*** | *HK$'000* |
| Interim dividend, declared, of HK$0.02 (2011: HK$0.02) per ordinary share | **30,273** | 30,271 |

At the board meeting held on 22nd August 2012, the directors of the Company declared an interim dividend of HK$0.02 per ordinary share for the six months ended 30th June 2012. This dividend has not been recognised as a liability in the Unaudited Condensed Consolidated Interim Financial Information, but will be recognised in shareholders' equity in the year ending 31st December 2012.

A dividend of HK$105,954,000 (2011: HK$575,140,000) relating to the year ended 31st December 2011 was paid in June 2012.

## 10 NON-CURRENT DEPOSITS

These deposits which were denominated in Renminbi and interest-bearing at prevailing market rates were placed with a fellow subsidiary, which is a financial institution in the PRC.

## 11 TRADE AND OTHER RECEIVABLES

| | **30th June** | 31st December |
|---|---|---|
| | **2012** | 2011 |
| | ***HK$'000*** | *HK$'000* |
| Trade receivables, net of provision for impairment | **1,783,768** | 1,562,392 |
| Bills receivables, prepayments, deposits, other receivables and amounts due from related parties | **587,271** | 629,317 |
| | **2,371,039** | 2,191,709 |

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** | 31st December |
|---|---|---|
| | **2012** | 2011 |
| | ***HK$'000*** | *HK$'000* |
| Current–90 days | **1,421,236** | 1,160,676 |
| 91–180 days | **232,201** | 261,949 |
| Over 180 days | **130,331** | 139,767 |
| | **1,783,768** | 1,562,392 |

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.

## 12 TRADE AND OTHER PAYABLES

| | **30th June 2012** *HK$'000* | 31st December 2011 *HK$'000* |
|---|---|---|
| Trade payables | **1,071,268** | 1,050,399 |
| Bills payables, advances from customers, accrued liabilities, other payables and amounts due to related parties | **984,795** | 1,072,065 |
| | **2,056,063** | 2,122,464 |

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 2012** *HK$'000* | 31st December 2011 *HK$'000* |
|---|---|---|
| Current–90 days | **953,498** | 958,622 |
| 91–180 days | **23,960** | 80,207 |
| Over 180 days | **93,810** | 11,570 |
| | **1,071,268** | 1,050,399 |

## 13 FINANCIAL GUARANTEE CONTRACTS

As at 30th June 2012, the Group had financial guarantees issued in favour of banks as security for general banking facilities granted to an associate and a jointly controlled entity, and financial guarantee issued in favour of the shareholder of a jointly controlled entity as counter guarantee in relation to general banking facilities granted to the jointly controlled entity.

Terms and face values of the liabilities guaranteed were as follows:

| | **Year of maturity** | **30th June 2012 Face value** *HK$'000* |
|---|---|---|
| General banking facilities of: | | |
| — a jointly controlled entity | 2013 | **38,783** |
| — an associate | 2013 | **205,549** |
| Counter guarantee | 2013 | **22,494** |
| | | **266,826** |

As at 30th June 2012, the credit risk and liquidity risk exposure relating to the above financial guarantee contracts are considered as low.

The fair value of these guarantee contracts is not material and has not been recognised in the financial statements.

## OVERALL ANALYSIS

Profit attributable to equity holders of the Company for the period was HK$232,415,000 (2011: HK$234,114,000), representing a decrease of 1% as compared to the same period of 2011. Basic earnings per share was 15.35 HK cents (2011: 15.49 HK cents), decreased by 1% as compared to the same period of 2011.

Impacted by external factors such as prolonged weak shipping market, reduced demand for container coatings, stringent cost control by shipping enterprises and the slowdown of infrastructural projects in China, the Group's revenue and gross profit recorded negative growth in the first half of 2012 as compared to the same period of 2011. However, due to timely adoption of coping measures, including: (i) successful collection of long outstanding trade receivables resulting in the reversal of provision for impairment of trade and other receivable; (ii) strengthening of control over selling, administrative and general expenses leading to the reduction in overall level of operating expenses; (iii) enhancing yields on liquid cash leading to the substantial increase in finance income; and (iv) taking advantage of the corporate headquarters' cash in hand to reduce subsidiaries' external borrowings and thereby substantially reduced finance costs as compared to the comparative period, the impact of these unfavourable factors on the profit attributable to equity holders of the Company was finally mitigated. All these efforts, coupled with an increase of profit contribution from jointly controlled entities, resulting in a stable level of profit attributable to equity holders of the Company for the period as compared to the same period of 2011.

### Revenue

For the six months ended 30th June 2012, the Group's revenue decreased by 21% to HK$4,478,772,000 (2011: HK$5,702,493,000). Revenue of the three largest business segments, namely coatings, marine equipment and spare parts, and marine fuel and other products declined by 31%, 4% and 19% respectively over the same period of 2011. Accordingly, revenue from the core shipping services businesses fell by 20% to HK$4,235,244,000 (2011: HK$5,261,287,000) and accounted for 95% (2011: 92%) of the Group's revenue. Revenue of general trading segment decreased by 45% to HK$243,528,000 (2011: HK$441,206,000) and accounted for 5% (2011: 8%) of the Group's revenue.

### Gross Profit and Gross Profit Margin

Owing to the decline in business volumes, the Group's gross profit for the period decreased by 30% to HK$365,104,000 (2011: HK$522,470,000) while overall average gross profit margin decreased by 1 percentage point to 8% (2011: 9%). The decrease in margin was mainly due to the intense price competition among container coating manufacturers, soaring costs for producing container coating products and increasing bunker fuel prices.

### Other Income and Gains

Other income and gains of HK$50,489,000 (2011: HK$32,830,000) for the period primarily included reversal of provision for impairment of trade and other receivables (net of provision) of HK$41,507,000 (2011: HK$2,160,000) and net exchange gains of HK$2,013,000 (2011: HK$4,290,000). In the same period of 2011, other income and gains primarily included non-recurring items such as 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").

### Operating Expenses

Operating expenses decreased by 28% to HK$210,354,000 (2011: HK$291,210,000). During the period, all operating units took active efforts to control operating costs. Decrease in operating expenses was mainly attributable to decrease in selling expenses which mainly included selling expenses payable to customers, sales staff remuneration, technology usage fees and transportation costs. Decrease in selling expenses was attributable to both the decline in revenues and reduction in selling expenses to major customers.

### Finance Income

Finance income of HK$62,297,000 (2011: HK$45,675,000) represented primarily interest income on bank deposits. The substantial increase in finance income was attributable to the upward adjustment of deposit rates in the first half of 2012 and more favourable rates on deposits placed with reputable banks in Hong Kong and the PRC.

### Finance Costs

Finance costs of HK$2,062,000 (2011: HK$10,002,000) mainly represented interest expenses on bank loans and other finance charges. The substantial fall was primarily due to the reduction in average balance of bank borrowings used in the coatings and general trading businesses and reduced usage of related banking services.

### Share of Results of Jointly Controlled Entities

The Group's share of results of jointly controlled entities increased by 37% to HK$29,773,000 (2011: HK$21,706,000). This item primarily represented the share of profit of Jotun COSCO of HK$29,868,000 (2011: HK$20,883,000) which was included in the coatings segment. The profit contribution from Jotun COSCO increased by 43% when compared to the same period of 2011 as Jotun COSCO benefited from the decreasing prices of the major raw materials during the period.

### Share of Results of Associates

The Group's share of results of associates decreased by 15% to HK$10,096,000 (2011: HK$11,946,000). This item primarily comprised the share of profit of Double Rich of HK$9,571,000 (2011: HK$11,486,000) which was included in the marine fuel and other products segment.

**Profit Attributable to the Equity Holders**

Profit attributable to equity holders of the Company during the period decreased by 1% to HK$232,415,000 (2011: HK$234,114,000).

## FINANCIAL RESOURCES AND LIQUIDITY

As at 30th June 2012, equity holders' funds of the Company increased by 2% to HK$7,206,337,000 (31st December 2011: HK$7,091,795,000). As at 30th June 2012, total cash and bank balances (including non-current deposits of HK$49,054,000 and restricted bank deposits of HK$69,435,000) of the Group was HK$5,515,034,000 (31st December 2011: HK$5,703,624,000). The Group had a net repayment of loans in the amount of HK$27,003,000 (2011: net drawdown of HK$110,626,000) during the period. As at 30th June 2012, total banking facilities available to the Group amounted to HK$2,065,199,000 (31st December 2011: HK$1,974,513,000), of which HK$450,364,000 (31st December 2011: HK$408,921,000) had been utilised. The gearing ratio, which represented total borrowings over total assets, fell to 0.1% (31st December 2011: 0.4%) since the end of 2011. Both the utilisation level of bank loans and the gearing ratio were further decreased since the end of 2011 due to the provision of funds from the corporate headquarters to the operating units, thereby reducing the use of more costly bank borrowings to support working capital requirement. Success in these cash management measures were exemplified by the reduction of finance costs in the first half of 2012. Furthermore, the Group was successful in exploring channel of investing liquid funds and secured higher yields through placement of deposits with major financial institutions in the PRC and Hong Kong.

As at 30th June 2012, borrowings of the Group were denominated in United States dollars and carried interest at rates calculated with reference to 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 the PRC, 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 by regularly reviewing the currency exposure of its operating subsidiaries and will consider hedging exposure by foreign exchange forward contracts when the need arises. The Group's fuel oil business is subject to fluctuation in oil price. The Group exercises stringent control over the use of derivative financial instrument for hedging against the price risks of marine fuel and other products. 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.

## EMPLOYEES

As at 30th June 2012, excluding jointly controlled entities and associates, the Group had 771 (31st December 2011: 747) employees, of which 109 (31st December 2011: 110) are Hong Kong employees. During the period, total employee benefit expenses, including Directors' emoluments and provident funds, were HK$109,364,000 (2011: HK$96,987,000). 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 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 its 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 (2011: 2 HK cents) per share for the six months ended 30th June 2012 which will be payable on or before Friday, 21st September 2012 to the shareholders whose names appear on the register of members of the Company on Thursday, 13th September 2012.

For the purpose of ascertaining shareholders' entitlement to the interim dividend, the register of members of the Company will be closed from Tuesday, 11th September 2012 to Thursday, 13th September 2012, 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 2012, 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, Hong Kong for registration not later than 4:30 p.m. on Monday, 10th September 2012.

## BUSINESS REVIEW

During the first half of 2012, the global economy saw slow growth momentum due to the aggravating European debt crisis, the slow economic recovery of the United States and the slowdown of the economic growth in emerging economies, including China. The uncertainty, instability and unpredictability in the global economy became even greater. As a result, international commodity prices were highly volatile with lower growth of imports and exports in international trade. The operating environment of shipping companies and shipyards further deteriorated due to the foregoing, as well as the ongoing depressed shipping freight rates resulting from the vain effort to redress the imbalance between supply and demand in the shipping market, and, therefore, shipping enterprises tightened their cost control. Undoubtedly, the Group, which is principally engaged in the provision of shipping services, was affected in varying degrees under these circumstances.

Facing the complex, volatile and severe market environment, since the beginning of 2012, COSCO International, advocated "Inheritance, Innovation and Development" as its guiding principle for corporate management which pursues a balance between operations of existing business and expansion through acquisitions and remains adaptable to the environment. While ensuring smooth production and operation, it extended and expanded its business segments. During the period, COSCO International proactively explored the acquisition targets in the shipping services sector in accordance with its strategic development plan. Presently, various potential projects are being studied. In addition to stringent cost control and enhancement of management, the Group also strengthened its service mentality, spared no effort to consolidate its existing customer base and positively explored the businesses outside COSCO Group. The Group also took a series of measures to accelerate its internal resources integration, optimise synergy amongst various business units to enhance profitability. The overall profit of the Group thus remained stable.

**1. Core Business — Shipping Services**

The Group's shipping services mainly include 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. Its major customers include shipowners, ship operators, shipyards and container manufacturers.

Global fleet size continued to expand despite the slowdown of global economic and continuous downturn of the shipping market. According to the statistic data released by Clarkson Research Services Limited, the world fleet size was 1.52 billion dead weight tonnages as at 30th June 2012 with growth of 3.9% over the end of 2011. The capacity of the large fleet size laid a foundation for growth and created broad prospects for the shipping services businesses.

During the first half of the year, the effect of the weak shipping market on the shipping services industry was relatively limited due to continuous delivery of numerous new build vessels and no direct correlation between the revenue derived from the shipping services of the Group and the change of shipping freight rate. In addition, the shipping services business units of the Group positively coped with market changes by adopting counter measures according to their actual situation, in particular, successful exploration of businesses outside COSCO Group by certain business units and gradual realisation of synergy amongst business units which had alleviated the impact of the decline of revenue of certain business units of the Group.

During the period, revenue from the Group's shipping services was HK$4,235,244,000 (2011: HK$5,261,287,000), representing a decrease of 20% as compared to the same period of 2011. Due to the prolonged weak shipping market, reduced demand for container coatings and stringent cost control by shipping enterprises, there were decreases in revenue from various business units of the Group's core shipping services businesses. The three largest business segments, namely coatings, marine equipment and spare parts, and marine fuel and other products recorded 31%, 4% and 19% decreases in revenue respectively over the same period of 2011. Profit before income tax from shipping services was HK$273,197,000 (2011: HK$312,844,000), representing a decrease of 13% as compared to the same period of 2011. The decrease was mainly due to the decrease of profit before income tax of the coatings segment by 28% as compared to the same period of 2011 resulting from a significant fall in revenue of the coatings segment.

### *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"), and is the sole platform for vessel sale and purchase of COSCO Group. COSCO Ship Trading also provides similar services for shipowners or shipping companies outside COSCO Group. 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 periodically 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 remained stagnant. Shipowners and shipping companies were pessimistic towards the future. Impacted by this, COSCO Ship Trading completed transactions for the sale and purchase of 12 vessels (second-hand vessels), fewer than 25 vessels (new build vessels and second-hand vessels) recorded in the same period of 2011, aggregating 427,000 dead weight tonnages (2011: 1,131,000 dead weight tonnages). The commission income mainly derives from the commissions recognised on the delivery of new build vessels ordered through COSCO Ship Trading. As affected by the market conditions during the period, there were delays in new build vessel delivery. However, the management of COSCO Ship Trading carried out in-depth market research, and enhanced communication and coordination with shipbuilders and shipowners in order to better deal with various new vessel delivery orders. New build vessels aggregating 1,296,000 dead weight tonnages (2011: 1,200,000 dead weight tonnages) ordered through COSCO Ship Trading were delivered. In addition, COSCO Ship Trading continued to step up efforts to develop the business and explore business outside COSCO Group actively with satisfactory results.

In addition, as at 30th June 2012, the new build vessels ordered through COSCO Ship Trading amounting 4,470,000 dead weight tonnages have been scheduled to be delivered in coming two to three years.

During the period, revenue from ship trading agency segment decreased by 11% to HK$63,735,000 (2011: HK$71,214,000) as compared to the same period of 2011. Segment profit before income tax was HK$48,331,000 (2011: HK$55,318,000), representing a decrease of 13% as compared to the same period of 2011.

*1.2 Marine Insurance Brokerage Services*

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

During the period, in face of a downturn in market conditions, shipping enterprises cut back operation expenses, including insurance premiums, leading to a greater divergence in expectation between shipowners and insurers. In this regard, COSCO Insurance Brokers had done a great deal of coordination work, so that annual insurance policy renewal work could be carried out more smoothly. In addition, COSCO Insurance Brokers shifted the business development focus on new shipping companies of other sizeable state-owned enterprises in response to market trends and changes. Coupled with the successful promotion of hull and machinery co-insurance to customers outside COSCO Group, these initiatives led to satisfactory revenue growth in business during the period. In order to raise customer satisfaction, COSCO Insurance Brokers regularly published insurance publications containing the latest trends and information about the insurance market, and promoted new business with their quality claim settlement services. Through the implementation of the above arrays of business strategies, COSCO Insurance Brokers maintained steady growth in commission income from their marine insurance brokerage services.

During the period, revenue from insurance brokerage segment was HK$41,952,000 (2011: HK$37,128,000), increased by 13% as compared to the same period of 2011. Segment profit before income tax was HK$30,073,000 (2011: HK$24,906,000), representing an increase of 21% as compared to the same period of 2011.

*1.3 Supply of Marine Equipment and Spare Parts*

Yuantong Marine Service Co. Limited, a wholly-owned subsidiary of the Company, and its subsidiaries (including 新中鈴株式會社 (Shin Chung Lin Corporation*), Xing Yuan (Singapore) Pte. Ltd., 遠通海務貿易（上海）有限公司 (Yuantong Marine Trade (Shanghai) Co., Ltd.*) and 中遠（北京）海上電子設備有限公司 (COSCO (Beijing) Marine Electronic Equipment Limited*)) (collectively "COSCO Yuantong Operation Headquarters") 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, Beijing, Japan, Singapore, etc.

During the period, orders from shipowners shrank to varying extents, and the demand for spare parts and materials also declined. However, COSCO Yuantong Operation Headquarters expanded the business scale, which drove business growth after the implementation of centralised operation model last year. COSCO Yuantong Operation Headquarters bargained for more favourable terms from suppliers through its competitive advantage in large scale procurement, strengthened market promotion and enhanced service quality as commitments, and successfully reaped greater economic benefits. In relation to exploring new customers, COSCO Yuantong Operation Headquarters established market development working teams in Hong Kong and Shanghai offices respectively to promote business of marine equipment, spare parts and new vessel equipment to local customers, which achieved remarkable results.

During the period, revenue from marine equipment and spare parts segment was HK$464,294,000 (2011: HK$482,388,000), down by 4% as compared to the same period of 2011. Segment profit before income tax was HK$40,124,000 (2011: HK$42,550,000), representing a decrease of 6% as compared to the same period of 2011. This included reversal of provision for impairment of trade receivables of HK$4,557,000 (2011: provision for impairment of trade receivables of HK$233,000).

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

Despite the demand in the container manufacturing market in early 2012 remained weak since the second half of last year, COSCO Kansai Companies maintained its leading position in market share of China's container coating market, and orders surged in the second quarter as compared to the first quarter through seizing market opportunities and applying effective selling strategies. In addition, Jotun COSCO, a jointly controlled entity of the Company, benefitted from the sustained high volume of new build vessels construction in China and a drop in raw material prices, thereby recording substantial profit growth as compared to the same period of 2011. Furthermore, in order to meet the future development needs of the coating business unit and maintain a sound market position in China, the Group pushed forward the construction of new plants of the two joint ventures. At present, the construction of a new plant in Qingdao by Jotun COSCO's wholly-owned subsidiary, Jotun COSCO Marine Coatings (Qingdao) Co., Ltd. ("Jotun COSCO (Qingdao)"), had commenced and was expected to be completed by the end of the year, while the relocation of COSCO Kansai (Shanghai)'s plant in Shanghai was underway. Currently, a new joint venture company namely 中遠關西塗料(上海)有限公司 (COSCO Kansai Paint (Shanghai) Co., Ltd.*) had been incorporated and the site for the new plant had been confirmed. The studying of and discussion on the design of the new plant were in progress.

During the period, revenue from the coatings segment was HK$714,445,000 (2011: HK$1,041,595,000), down by 31% as compared to the same period of 2011. The decrease was mainly due to the decrease in sales of container coatings. Segment profit before income tax was HK$114,161,000 (2011: HK$159,248,000), representing a decrease of 28% as compared to the same period of 2011.

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

COSCO Kansai Companies have 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 total annual production capacity of 100,000 tonnes.

During the period, COSCO Kansai Companies maintained effective communication and cooperation with container manufacturing enterprises and container owners, and made every effort in getting orders, thereby continuing to maintain their leading position in China's container coating market. Meanwhile, COSCO Kansai Companies increased their investment in research and development of technology, adopted a market-oriented approach, and strengthened their research and improvement of applied technology, resulting in cost reduction and enhancement of gross profit margin; they also placed great emphasis on building corporate image, and committed themselves to gaining recognition from container owners, and dedicated to increasing the influence of their brand. COSCO Kansai Companies were also proactive in reacting to and fulfilling their social responsibilities by increasing investment in the research and development of water-based container coatings and the promotion of the production of environmental friendly products. Success had been achieved in laying a foundation for the future development of water-based container coatings. However, COSCO Kansai Companies were affected by the international economic downturn, and reduced demand for containers resulted in decreased demand for container coatings, and orders for container coatings substantially declined in the first half of 2012. During the period, the sales volume of container coatings of COSCO Kansai Companies amounted to 25,806 tonnes, representing a decrease of 37% as compared with 40,939 tonnes in the same period of 2011.

Product mix structure adjustment was the goal of COSCO Kansai Companies, which involved the development of industrial heavy-duty anti-corrosion coatings in order to strengthen their core competitiveness. COSCO Kansai Companies conducted various project researches on different industries and focused on expansion of coating businesses for bridges, oil storage tanks, wind turbines and nuclear power generators through the sales networks in Western China such as Chengdu and Central China such as Wuhan in order to strive for becoming the new business focuses. During the period, COSCO Kansai Companies recorded sales volume of industrial heavy-duty anti-corrosion coatings together with workshop primer of 5,933 tonnes (2011: 5,151 tonnes), representing an increase of 15% as compared to the same period of 2011.

1.4.2 Marine Coatings

Jotun COSCO is principally engaged in production and sale of marine coatings in China including Mainland China, Hong Kong and Macau Special Administrative Regions. Jotun COSCO, with its sole production plant in Guangzhou at present, is accelerating the construction of a new coating plant in Qingdao to line up with the production capacity expansion for future development.

During the period, benefitted from the favourable shipbuilding market in China with delivery of numerous new build vessels, Jotun COSCO seized market opportunities and spared no effort in sales and marketing and customer care so as to raise the number of orders. It further stepped up its efforts in promoting products with features of energy saving and reduction of emissions in order to adapt to market needs, and therefore maintained its leading position in China's marine coating market. During the period, the sales volume of marine coatings amounted to 45,606,000 litres (equivalent to approximately 61,568 tonnes) (2011: 44,000,000 litres (equivalent to approximately 59,400 tonnes)), representing an increase of 4% as compared to the same period of 2011. Sales volume of new build vessel coatings amounted to 38,426,000 litres, up by 8% as compared to the same period of 2011. Sales volume of coatings for repair and maintenance was 7,180,000 litres, down by 15% as compared to the same period of 2011. During the period, the Group's share of profit from Jotun COSCO was HK$29,868,000 (2011: HK$20,883,000), up by 43% as compared to the same period of 2011.

In addition, as at 30th June 2012, Jotun COSCO had coating contracts in hand for new build vessels amounting to 30,390,000 dead weight tonnages pending delivery. The coatings were scheduled to be delivered in the coming two to three years, which guaranteed Jotun COSCO's future business to a certain extent.

*1.5 Trading and Supply of Marine Fuel and Related Products*

Sinfeng Marine Services Pte. Ltd. ("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. Currently, its business network primarily covers Singapore, Malaysia and other major oil ports all over the world.

In response to the deteriorating global economy and the shrinking shipping market during the period, Sinfeng objectively analysed the market situation, adopted sound business strategies, cut back business dealings with customers with potential risks in order to strictly control operational risks. The total sales volume of marine fuel products for the period was 545,900 tonnes, down by 29% as compared with 767,104 tonnes in the same period of 2011. During the period, revenue from the marine fuel and other products segment was HK$2,950,818,000, down by 19% as compared with HK$3,628,962,000 in the same period of 2011. In addition, Sinfeng successfully collected all outstanding trade receivables from a customer defaulting on trade receivables (including interest arising from overdue payments and legal costs). Therefore, Sinfeng reversed the relevant impairment provision of US$3,823,000 (equivalent to approximately HK$29,662,000).

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$9,571,000 (2011: HK$11,486,000), down by 17% as compared to the same period of 2011.

Profit before income tax of marine fuel and other products segment was HK$40,508,000 (2011: HK$30,822,000), representing an increase of 31% as compared to the same period of 2011. This included reversal of provision for impairment of trade receivables as mentioned above.

## 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 trade. It has steady suppliers and stable market share, which will generate synergies with the Group's shipping services businesses, serving as an important platform for the Group to tap into the PRC's market.

During the period, CITC faced fierce market competition. While CITC continued to consolidate its market share in the regional markets over which it enjoyed an advantage, it actively participated in tendering new asphalt projects in emerging markets. Having succeeded in bidding various tender projects in traditional markets like Guizhou and emerging markets like Guangxi, CITC laid the groundwork for expanding its market share in emerging markets. Meanwhile, leveraging its existing business volume and good market reputation, CITC also focused on developing new models for business development. In response to the change in the mode of asphalt delivery upstream, CITC timely adjusted its strategies and conducted systematic research on warehouse leasing, warehousing and asphalt processing and logistics, which helped laying the groundwork for future business development and cost control. However, the funds available for expressway construction in various provinces were very tight which affected the construction schedule of some projects, resulting in some projects halted or delayed. As a result, the sales volume of asphalt of CITC during the period amounted to 25,137 tonnes, representing a decrease of 45% as compared with 46,035 tonnes in the same period of 2011.

Revenue from general trading segment during the period was HK$243,528,000 (2011: HK$441,206,000), down by 45% as compared to the same period of 2011. Segment profit before income tax decreased by 59% as compared to the same period of 2011 to HK$4,196,000 (2011: HK$10,113,000, which included gain of HK$4,299,000 on disposal of 50% equity interest in Shanghai Ocean).

## PROSPECTS

The market situation in the second half of the year is far from optimistic. Internationally, the economies of the developed countries in Europe and the United States are weak. In particular, the European debt crisis continues to linger on, the outlook of the euro zone is uncertain, and the trend of global economic slowdown is unlikely to improve. Domestically, there are varying degrees of decline in export, investment and domestic demand, and the pressure of economic downturn is gradually emerged. It is difficult to resolve deep-rooted conflicts of the economic structure in the short term. The shipping market is still weak, and the operations of shipping enterprises remain difficult. These factors continue to pose a pressure on the production and operation of the Group.

In the second half of the year, COSCO International will enhance the development of existing businesses and new businesses steadily in accordance with its designated plans while strictly control various operational risks.

For the existing businesses, it will remain flexible in adapting its strategies to the market conditions by exercising strict cost control and increasing the core competitiveness of each business unit and overall synergies so as to enhance profitability. For the three traditional shipping services businesses, i.e. ship trading agency services, marine insurance brokerage services and supply of marine equipment and spare parts, it is expected that delaying new build vessel delivery and tightening cost control by shipping enterprises will bring pressure for these three traditional shipping services businesses. The Group will proactively tackle with such unfavourable market conditions. For ship trading agency services, confronted with the weak new build vessel business, COSCO Ship Trading will be proactively expanding non-COSCO Group businesses and further explore new business development in order to provide the driving force for its sustainable development. For marine insurance brokerage services, COSCO Insurance Brokers, while consolidating and expanding their existing businesses, will proactively explore new insurance products and businesses. They will continuously strive for promoting the hull and machinery co-insurance business as well as the business of kidnap and ransom insurance and further strengthen maintenance and development of non-COSCO Group business. They will also promote the service brand of COSCO Insurance Brokers and thus enhancing customer satisfaction. For supply of marine equipment and spare parts, COSCO Yuantong Operation Headquarters will continuously improve the global spare parts service network by promoting the business restructuring of COSCO Group's overseas spare parts supply business, enhancing its management standard and achieving synergies to enhance overall profitability. Meanwhile, while maintaining and consolidating its relationship with shipowners within COSCO Group, COSCO Yuantong Operation Headquarters will also proactively explore the opportunities for cooperation with non-COSCO Group shipowners in order to increase its market share and further enhance its core competitiveness.

For container coatings, the unfavourable global economy and shipping market will directly affect the market demand for new build containers. COSCO Kansai Companies will proactively strive orders to maintain their leading market share in the container coating market; further strengthen their communication and exchange with container manufacturing enterprises to ensure support and recognition from major container manufacturers; and reduce the inventory level by re-allocation or restructuring to reduce obsolete products in future uncertain market situation. For industrial heavy-duty anti-corrosion coatings, COSCO Kansai Companies will expand their sales network; consolidate market resources and closely monitor major projects and develop a strong agency market; and regulate their management and control sales risks. COSCO Kansai (Shanghai) will also proactively to move forward the construction of a new plant in Shanghai. The project is expected to have annual production capacity reaching 75,000 tonnes upon commencing production, which will further strengthen COSCO Kansai Companies' leading position in the container coating market in China. For marine coatings, as new orders for vessels significantly dropped during the past two years and decline in volume of new build vessel delivery by shipbuilders in China yearly together with possible delays of new build vessel delivery, it is expected that the market demand for new build vessel coatings will decrease. Jotun COSCO will strive to win orders for new build vessels coatings, select suitable products for major customers of its new build ship business; increase its market share in coatings for repair and maintenance. It will also enhance customer satisfaction in the areas of customer service, product quality and on-site instruction. Jotun COSCO will also proactively procure, Jotun COSCO (Qingdao) to move forward the construction of a new plant in Qingdao. The project is expected to be completed by the end of 2012, with annual production capacity reaching 50,000,000 litres upon the commencing production, which will further strengthen 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 enterprises. On this basis, it will prudently develop businesses and enhance profitability while monitoring risks.

For general trading, CITC will continue to perform its successfully tendered asphalt projects, and closely monitor market trends to grasp new opportunities to develop new businesses. At the same time, CITC plans to comprehensively launch the establishment of sales network in the second half year, which will be responsible for monitoring the daily operations of tendering business for expressways and successfully tendered asphalt projects, as well as developing retail bulk asphalt business in local markets.

For new business development, COSCO International will continuously move forward the establishment of global sales and services network and the acquisition of projects inside and outside COSCO Group, and at the same time explore the development of upstream and downstream businesses along the value chain of existing businesses in accordance with its strategic development plan.

With the full support of COSCO and COSCO (Hong Kong) Group Limited, the Group will continuously develop itself as a global leading one-stop service provider focusing on shipping services to provide professional services for shipowners and 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 2012.

## 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 relevant measures in order to further strengthen its corporate governance and overall risk management.

During the period, in order to align the recent amendments of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"), the Company had reviewed and revised its respective terms of reference of Audit Committee, remuneration committee and nomination committee of the Company as well as other internal policies. In order to preserve good corporate governance practices, COSCO International further arranged the execution of letters of appointment with those executive directors of the Company setting out the key terms and conditions of their appointment apart from the execution of letters of appointment with non-executive directors (including independent non-executive directors) of the Company.

The Board believed that the Company has complied with the code provisions of the Code on Corporate Governance Practices and the code provisions of Corporate Governance Code contained in Appendix 14 to the Listing Rules during the period from 1st January 2012 to 31st March 2012 and the period from 1st April 2012 to 30th June 2012 respectively except Mr. Alexander Reid Hamilton, the independent non-executive Director, was unable to attend the annual general meeting of the Company held on 31st May 2012 due to urgent personal matter.

The Audit Committee consists of three independent non-executive Directors and the chairman of which is a certified public accountant. The duties of 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 2012.

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 (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 currently comprising chairman, vice chairman, managing director and a director 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 2012, all Directors confirmed that they had complied with the required standards set out in the Model Code and the Securities Code during the period.

On 10th August 2012, Hang Seng Indexes Company Limited announced the results of its review of the Hang Seng Family of Indexes for the quarter ended 30th June 2012. The Company was selected as a constituent of the Hang Seng Corporate Sustainability Benchmark Index with effect from 10th September 2012 which highly recognised the Company's excellent performance in, among other things, environmental protection, social responsibility and corporate governance.

By Order of the Board
**COSCO International Holdings Limited**
**Xu Zhengjun**
*Managing Director*

Hong Kong, 22nd August 2012

*As at the date of this announcement, the Board comprises nine Directors with Mr. Ye Weilong (Chairman), Mr. Zhang Liang (Vice Chairman), Mr. He Jiale and Mr. Xu Zhengjun (Managing Director) as executive Directors; Mr. Wang Wei and Mr. Wu Shuxiong 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*